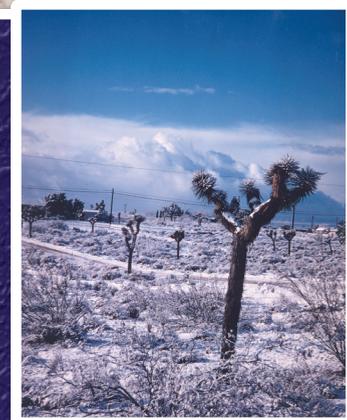
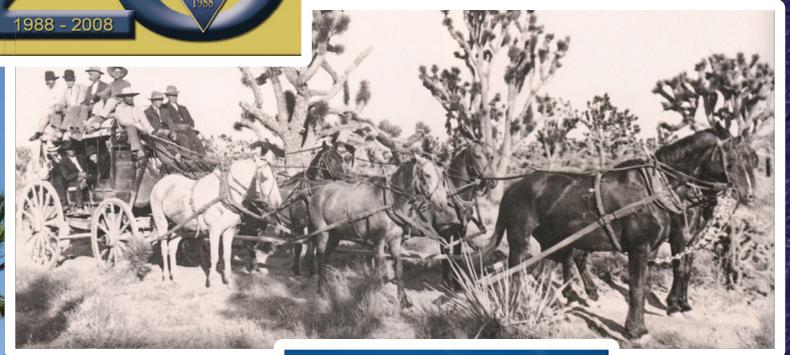
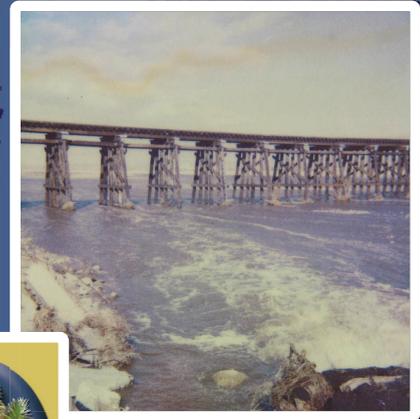


# City of Hesperia

## California



**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2009**



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

## **CITY OF HESPERIA CALIFORNIA**

**Thurston "Smitty" Smith, Mayor**

**Paul Bosacki, Mayor Pro Tem**

**Mike Leonard, Council Member**

**Ed Pack, Council Member**

**Rita K. Vogler, Council Member**

*(At Date of Issuance)*

**Mike Podegracz, City Manager**

**PREPARED BY THE CITY OF HESPERIA MANAGEMENT SERVICES DEPARTMENT**

**Brian D. Johnson, Assistant City Manager-Management Services**

**Anne M. Duke, Deputy Finance Director**

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2009

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YEAR ENDED JUNE 30, 2009

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# City of Hesperia

## CALIFORNIA

January 27, 2010

To the Honorable Mayor, City Council, City Manager and Citizens of the City of Hesperia:

It is a pleasure to present the City of Hesperia's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2009. State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Hesperia. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hesperia has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City of Hesperia's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hesperia's comprehensive framework of internal controls has 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, this financial report is complete and reliable in all material respects.

In accordance with the aforementioned guidelines, the accompanying report is presented in three sections:

- Introductory: The Introductory Section includes this transmittal letter, the City's Organizational Chart, a List of the Principal Public Officials and Administrative Personnel, and the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the City's Fiscal Year Ended June 30, 2008 CAFR.
- Financial: The Financial Section includes the independent auditors' report, Management's Discussion and Analysis (MD&A), Basic Financial Statements, Fund Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Combining and Individual Fund Financial Schedules.
- Statistical: The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

The City's financial statements have been audited by Diehl, Evans & Company, LLP, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hesperia for the Fiscal Year ended June 30, 2009 are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hesperia's financial statements for the Fiscal Year ended June 30, 2009 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Hesperia was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Hesperia's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Hesperia's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

Adorned by the San Bernardino Mountain Range along its southern border, the City of Hesperia is located in the High Desert area of San Bernardino County, approximately 35 miles north of the City of San Bernardino and 90 miles northeast of Los Angeles. The City encompasses nearly 75 square miles and is home to an estimated 88,180 residents.

The City was incorporated on July 1, 1988, under the laws of the State of California and enjoys all the rights and privileges afforded to a general law city. The City is governed by a five member City Council under the Council-Manager form of government. Policy-making and legislative authority are vested in the governing council, consisting of the mayor and four other members. Council Members are elected at-large and do not represent any one district or area within the City. All Council Members are elected to a four-year term and the City does not have term limits. Regular elections are conducted in November of even numbered years for the purpose of electing City Council Members and the Mayor is appointed annually by and from the City Council. 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 City Manager is responsible for carrying out the policies and ordinances of the governing council and for overseeing the day-to-day operations of the government.

The City of Hesperia, including its component districts, employs approximately 340 full-time employees. Services provided include police protection; fire protection; the construction and maintenance of streets and other infrastructure; as well as water, wastewater, and community services. In addition to general government activities, the City Council also serves as the Board of Directors for the Hesperia Fire Protection District, Hesperia Water District, Hesperia Community Redevelopment Agency, Hesperia Public Financing Authority, and the Hesperia Public Facilities Corporation. Therefore, these activities have been included as an integral part of the City of Hesperia's financial statements. Additional information on these entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City of Hesperia's financial planning and control. Each year the budget development guidelines, for use in preparing the next year's budget, are reviewed and updated. These guidelines are structured to reflect the City Council's goals and objectives and to provide the framework in which the Budget is prepared. Annually, the proposed budget is submitted to the City Council and a public hearing is conducted to obtain citizen comments. Prior to the beginning of the new fiscal year, the City Council adopts the annual Budget at a public meeting.

The City's budget policy is that all appropriations lapse at fiscal year-end. Outstanding encumbrance balances at fiscal-year end require re-approval by the City Council. The City Council may amend the budget at any time during the fiscal year. The City Manager may authorize budget transfers between line items and programs within a fund, as long as the total budget for each fund has not exceeded the amount approved by the City Council. The level of budgetary control is set at the fund level to ensure compliance with the budget as approved by the City Council; therefore, any budgetary changes at the fund level require City Council approval.

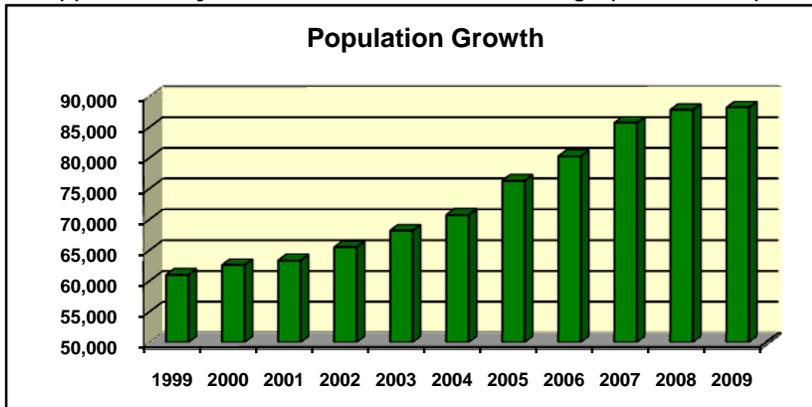
### Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hesperia operates.

#### Local economy

The City of Hesperia is located in the northern region of the Inland Empire, an area which has been recognized as being one of the fastest growing sections of Southern California, due in large part to its affordable undeveloped land along multiple transportation corridors. As the City recently annexed 2.75 square miles along the 1-15 Freeway corridor to the top of the Cajon Pass, Hesperia is strategically positioned to derive key benefits from development in the future.

The City of Hesperia is home to approximately 88,180 individuals. The demographics of Hesperia indicate a strong and growing ability to meet the workforce demands of employers. Current and projected growth in Hesperia is providing the City with a large and expanding workforce. Between 1999 and 2009, Hesperia encountered substantial growth in its population, growing approximately 45%. This is in addition to the 24% growth in population experienced over the previous decade. Over the last year, however, Hesperia's growth trend has significantly slowed, increasing only 0.4%.



The City of Hesperia has available space to accommodate residential, commercial, and industrial development. The High Desert offers new residents housing cost advantages and companies locating here can benefit from lower labor costs. Due to the annexation of land along the I-15 freeway corridor and the proximity to Highway 395, Hesperia is able to attract major commercial and industrial development looking for buildable sites along these freeways.

Consistent with the dramatic decline in the overall national economy, in Fiscal Year 2008-09 the City of Hesperia saw an 89% decrease in the number of single-family residential permits over the prior year and a 94% decrease in the number of building permits issued for multi-family construction. Commercial construction saw a 67% decrease in commercial building permits from the previous year, and no industrial permits were issued for the year.

Traditionally sales tax had been the City's largest revenue source. However, as a result of the State of California's issuance of bonds used to balance its budget in 2004, the State created the 'Triple Flip' which converted the majority of the City's Vehicle License Fee revenue into a property tax revenue, the growth of which is tied to the growth of the City's assessed valuation. For the last two fiscal years, Vehicle License Fee revenue was the top single revenue source for the City of Hesperia's General Fund. Sales tax declined by 18% from the prior year or \$1.2 million. Still, sales tax has grown \$300,000 over the last five years, a reflection of the City's population growth and a growth in shopping opportunities.

### **Fiscal Year 2008-09 Goals, Efforts, and Actions**

Deriving the greatest benefit from City of Hesperia resources, for the good of the entire community, is at the heart of the City Council's commitment to conservative fiscal management. For Fiscal Year 2008-09, the City again surpassed expectations by expending well under budgeted projections, underscoring its commitment to balanced growth and fiscal discipline. This prudent management philosophy has made it possible for the City Council to further their goals toward building a strong community and improving the quality of life for Hesperia residents, businesses, and visitors.

During the Fiscal Year Ended June 30, 2009, the City not only continued to provide the normal level of municipal services expected by its citizens, but also made substantial progress in accomplishing a variety of goals and projects, all of which will benefit the Hesperia community. Some of the more significant accomplishments were:

- ❖ The Hesperia City Council provided an additional \$10.6 million in funding for its annual Residential Road Improvement Program. These funds were used to enhance streets throughout the City and are in addition to the ongoing Street Maintenance Program. The streets most in need of repair, as well as being the most heavily traveled, were targeted for repair first. Over the last nine years, this program has reconstructed over 282 miles of roads, with an additional 42 miles of slurry sealed roads. Further, the City Council has committed another \$6.9 million to the Residential Road Improvement Program in Fiscal Year 2009-10.
- ❖ Council Members and Senior Staff continued their lobbying efforts this year to gain additional federal and state funding for the community. Due to their efforts, the City received a total of approximately \$17.8 million in federal and state earmarks, including \$14.4 million for the Rancho Road Corridor Projects.
- ❖ The Fiscal Year 2009-10 Budget was adopted with a General Fund cash reserve of approximately 41% of budgeted expenditures.
- ❖ Right of way acquisition continued on the much-anticipated Rancho Road Underpass Project. This underpass will provide a much-needed additional City ingress/egress.

- ❖ For the seventh year in a row, the City received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2008.
- ❖ The Main Street I-15 Freeway Corridor Specific Plan, approved in October 2008, lays the groundwork for future development, including architectural standards, circulation plans and parks for two critical areas of the City, along Main Street and Interstate 15. The goal of the plan is to prepare the City for growth through 2030, while achieving a balance between job creation and quality housing, in addition to creating regional and convenient shopping choices within Hesperia.
- ❖ On October 14, 2008, the City, together with San Bernardino County, broke ground on Fire Station 305. This 18,478 square-foot facility will serve both the residents of Hesperia and Oak Hills, with a paramedic fire engine and ambulance.
- ❖ The recently-completed Civic Plaza Park, located west of Hesperia City Hall, was awarded the 2008 Project of the Year Award from the Southern California Chapter of the American Public Works Association (APWA). Linked by bicycle paths from nearby schools, dog friendly walking trails and numerous benches and trees, this park offers outdoor movies, areas for family picnics, and an 800 capacity amphitheatre.
- ❖ The new High Desert Gateway Center, anchored by a 180,000 square-foot Super Target, was completed and opened in October 2008.
- ❖ The City began its first update to the General Plan in almost 20 years. The General Plan serves as the primary guide for the future growth and development of the City and directs decision-making for land use developments. Because Hesperia has grown considerably since the General Plan was first adopted in 1991, the update will address changes in laws, State requirements, and update the City's goals for development.
- ❖ Orchard Supply Hardware (OSH), a leading chain of home and garden retail stores, opened a 32,000 square-foot location on Main Street. This location offers an additional nursery/garden center with a selection tailored to Hesperia's climate and lifestyle.
- ❖ Through the Housing and Economic Recovery Act, the City received funding for a Neighborhood Stabilization Program. This program was designed to administer a total of \$3.92 billion for emergency assistance nationwide. The City was awarded \$4.5 million and will use the funds to acquire and rehabilitate abandoned and foreclosed residential properties for the purpose of resale or to rent to moderate, low, or very low-income households.
- ❖ Former Olympian and owner of the renowned Ice Castle International Olympic Training Center in Lake Arrowhead, Anthony Liu, announced plans to build a second 33,223 square foot facility in Hesperia on 2.59 acres. As a world-class training center and a full service ice sports entertainment facility, Hesperia Ice Castle will offer lessons as well as recreational skating.
- ❖ The Kids Planet, offering several restaurants, a state-of-the-art arcade, and sports bar, opened in February 2009.



- ❖ In an effort to encourage entrepreneurial success in Hesperia, the City launched its new Franchise Founders Incentive Program, which provides financial incentives to entrepreneurs who are interested in becoming a franchisee of a recognized regional or national company. The program assists with funding for costs such as training, inventory, and other fees to new franchises that locate in the City.
- ❖ The City began its Summer Civic Market & Street Faire which included a Farmer's Market with locally grown fresh produce and flowers. This weekly event is a welcomed addition to the Civic Plaza Park and has been enjoyed by residents of Hesperia as well as the surrounding area.
- ❖ A new Courtyard by Marriott Hotel is completed and located on the east side of I-15. It is 89,147 square feet with 131 rooms.
- ❖ The City of Hesperia and County of San Bernardino celebrated a ground breaking ceremony on the future Hesperia Police Station and County of San Bernardino High Desert Government Center, which will be built directly to the north of the new Hesperia City Hall and Civic Plaza Park. Both buildings are expected to open in Fall 2010.
- ❖ To directly address one of the highest crime residential areas in the City, a new Township Program has been developed to bring sewer, sidewalks, street lighting, low interest loans, and housing and fencing standards to the residents in the City's original Town Center.
- ❖ The Topaz Marketplace, at the southeast corner of Main Street and Topaz Avenue, opened during the year, anchored by Fresh & Easy Neighborhood Market and Wood Grill Buffet, along with other tenants.



**Subsequent Goals, Efforts, and Actions**

- ❖ In August 2009, the California Department of Housing and Community Development (HCD) announced that Hesperia, along with four other cities, was conditionally designated as an Enterprise Zone (EZ). This highly competitive program will provide the City with a competitive advantage with respect to economic development, business growth, and job creation for 15 years. With this designation, businesses within the EZ may be eligible for tax credits and business expense deductions.
- ❖ Discount department stores, Ross and Marshalls, have announced that they will open stores in the High Desert Gateway shopping center.
- ❖ Included in the Fiscal Year 2009-10 Budget is funding for the construction of an Industrial Park Lead Track. This project will promote development within the City's industrial corridor and facilitate business expansion efforts and job creation by establishing rail opportunities.

**Long-term Financial Planning**

The prudent financial management that the Council continues to display positions the City well to handle future unknowns with respect to shifts in the overall economy. The implementation of long-term strategies, such as the prepayment of principal on several debt issues in prior fiscal years, places the City in a more advantageous position to effect positive change for the betterment of the community and, more importantly, positions the City to better handle the challenges it may face in the future.

**Cash Management Policies and Practices**

The City invests temporarily idle cash in accordance with the Government Code and a formal investment policy approved by the City Council. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. This policy limits investments to certain types of instruments and requires that investments must meet established criteria for safety, liquidity, and yield. Investments are made from pooled cash of all funds and earnings are allocated to the various funds in proportion to their relative cash book balance.

Cash not required for immediate expenditure was invested with the State of California Local Agency Investment Fund (L.A.I.F.). This was typical of the City's portfolio through the year. The average yield on cash invested in L.A.I.F. during Fiscal Year 2008-09 was 2.22%.

**Risk Management**

The City is a member of the Public Agencies Self-Insurance System (PASIS), a Joint Powers Authority of eight 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. Also, the City is a member of the Public Agency Risk Sharing Authority of California (PARSAC), a Joint Powers Authority for the purpose of achieving savings on insurance premiums for general liability, employment practices, and property insurance. See Note 10 for detailed information about insurance coverage levels.

**Pension and other post-employment benefits**

The City of Hesperia contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employees defined benefit pension plan for its personnel. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The City of Hesperia also provides post-retirement health care benefits for its retired employees according to the Employment Agreements for each of the employee groups. As of the end of the current fiscal year, there were 14 retired employees receiving the \$101 per month benefit until they reach age 65.

Additional information about the City of Hesperia's pension arrangements and post-employment benefits can be found in the notes to the financial statements.

**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 Hesperia for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008. This was the seventh consecutive year that the City has achieved the prestigious award. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a governmental entity

and its management. In order to be awarded this certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, with contents that conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

This certificate is valid for a period of one year. We believe the current Comprehensive Annual Financial Report conforms to the GFOA Certificate of Achievement Program requirements and are submitting it to determine its eligibility for another certificate.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the support and cooperation of all City of Hesperia staff. These dedicated members assisted and contributed to its preparation. Special recognition is given to the Management Services staff, and specifically to Anne Duke, George Pirsko, Lesia Gage, Virginia Villasenor, Casey Brooksher, Keith Cheong, and Jose Mendoza of the Finance Division. Their efforts made it possible to prepare the Comprehensive Annual Financial Report, thereby improving the quality of the information being reported to the citizens, the City Council, and other users on a timelier basis. Appreciation is also expressed to the Mayor, the City Council, and the City Manager for their interest and support in planning and conducting the financial activities of the City in a responsible and progressive manner.

Sincerely,

A handwritten signature in cursive script that reads "Brian D. Johnson".

Brian D. Johnson  
Assistant City Manager/Management Services

# CITY OF HESPERIA

## LIST OF PRINCIPAL OFFICIALS

*(At Date of Issuance)*

### ELECTED OFFICIALS

**Thurston "Smitty" Smith, Mayor**

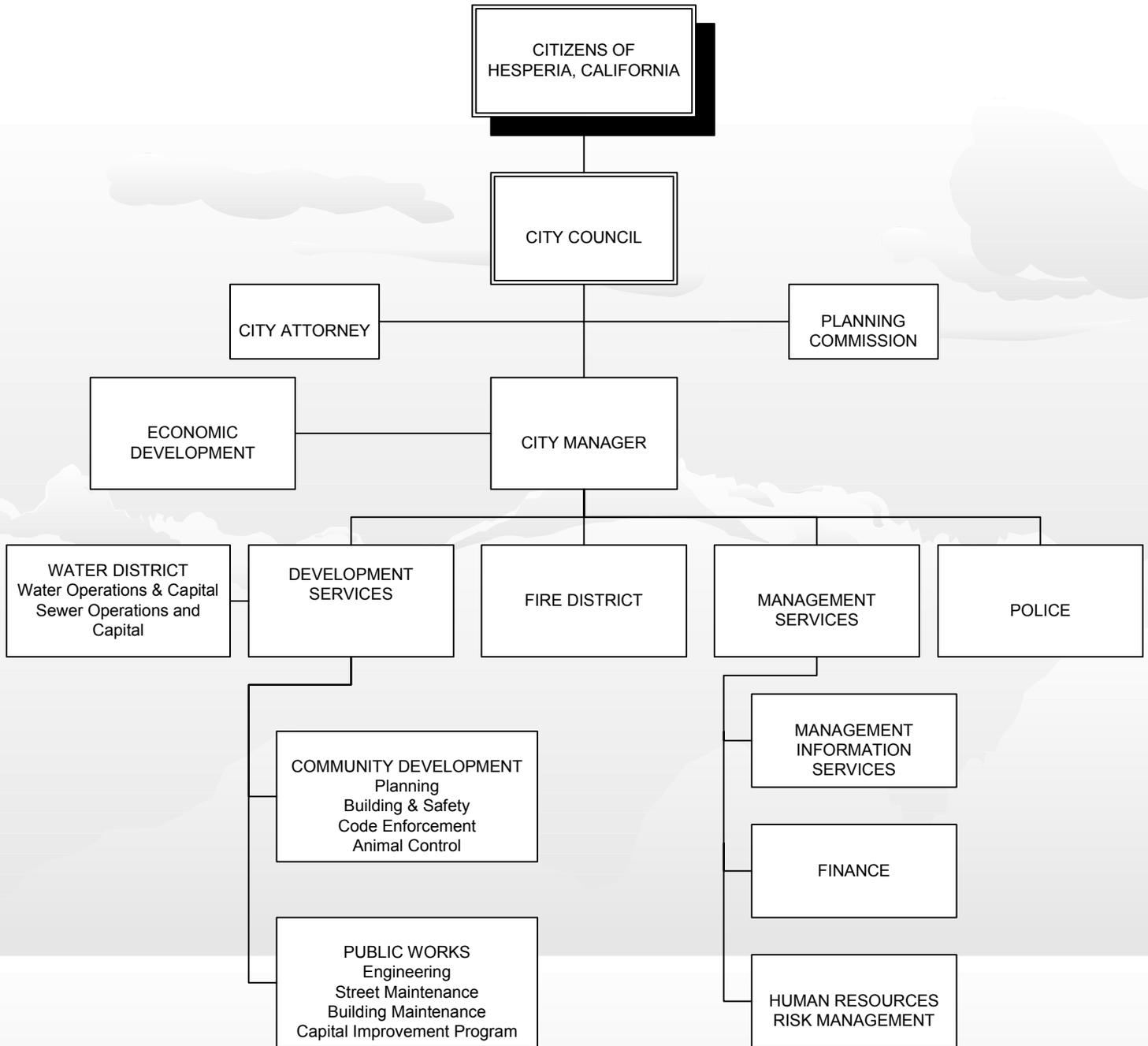
**Paul Bosacki, Mayor Pro Tem  
Ed Pack, Council Member**

**Mike Leonard, Council Member  
Rita K. Vogler, Council Member**

### ADMINISTRATIVE STAFF

Mike Podegracz ..... City Manager  
Brian D. Johnson..... Assistant City Manager- Management Services  
Kim Summers ..... Assistant to the City Manager/Community Relations  
Scott Priester .....Development Services Director  
Thomas K. Harp .....Dep. Dir. of Dev. Services/Community Development  
Steven J. Lantsberger ..... Deputy Director of Economic Development  
Tim Wessel..... Fire Chief  
Lance Clark ..... Police Chief  
Vicki C. Soderquist.....City Clerk

# CITY OF HESPERIA ORGANIZATIONAL CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Hesperia California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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.



President

Executive Director





**DIEHL, EVANS & COMPANY, LLP**  
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CRAIG W. SPRAKER, CPA  
NITIN P. PATEL, CPA  
ROBERT J. CALLANAN, CPA  
KENNETH R. AMES, CPA

\* A PROFESSIONAL CORPORATION

January 26, 2010

**INDEPENDENT AUDITORS' REPORT**

To the Members of City Council  
City of Hesperia, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hesperia, California, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hesperia, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hesperia, California, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9 to the basic financial statements, the City adopted provisions of Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions", for the year ended June 30, 2009.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2010 on our consideration of the City of Hesperia, California's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the management's discussion and analysis and the schedule of funding progress and express no opinion on them. The budgetary comparison schedules and the related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hesperia, California's basic financial statements. The introductory section, other supplementary information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Diehl, Evans and Company, LLP*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Hesperia's financial performance provides an overview of the City's financial activities for the Fiscal Year (FY) Ended June 30, 2009. Please read this in conjunction with the accompanying transmittal letter, the accompanying basic financial statements, and notes to the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The City's total net assets increased 2.4% from \$236.9 million to \$242.7 million, which is primarily due to the increase of capital assets in both governmental activities and business-type activities. The increase of capital assets is demonstrated in Table 3.
- During the year, the City's revenues exceeded expenses by \$5.8 million. Specifically, the governmental activities revenues exceeded expenses by \$6.3 million, while the business activities experienced expenditures exceeding revenues by \$0.5 million.
- The total revenues from all sources decreased \$4.5 million (-4.0%) from the prior year. This change is principally the result of increased program revenues (Charges for Services and Grants) of \$3.8 million, netted against the \$8.3 million decrease of general revenues, particularly those revenues related to water connection fees from the business-type activities; sales taxes and interest earnings from the governmental activities.
- The total cost of all City programs was \$102.2 million, an increase of \$9.8 million or 10.6% over June 30, 2008. The increase can be attributed to the increased spending (\$2.1 million) in the Development Services function, which oversees the City's infrastructure expenditures; (\$3.6 million) in the Interest On Long-term Debt function; (\$1.6 million) in the Public Safety function; and (\$1.6 million) in the business-type activities, Water function.
- The General Fund reported resources (revenue and transfers) under expenditures of \$1.9 million primarily because of declining revenues, particularly sales tax and development related revenues.
- For the General Fund, actual resources available for appropriation (resources or inflows) were less than the final budget by \$3.9 million while actual appropriations (outflows) were \$2.4 million less than the final budget. However, prior to transfers, overall General Fund revenues were \$2.2 million less than expenditures.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **REPORTING THE CITY AS A WHOLE**

The financial statements presented herein include all the activities of the City of Hesperia and its component units using the integrated approach as prescribed by GASB Statement No. 34.

## Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Government-Wide Statements – The Statement of Net Assets and the Statement of Activities – report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting method*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

The Statement of Net Assets and the Statement of Activities present information about the following:

- Governmental activities—All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, and public works. Property taxes, transient occupancy taxes, sales taxes, franchise fees, and various special revenues finance most of these activities.
- Component units—The City's governmental activities include the blending of two separate legal entities—the Hesperia Community Redevelopment Agency and the Hesperia Fire Protection District with the City. Although legally separate, these "component units" are important because the City is financially accountable for them.
- Business-Type activities—The City's business-type activities, water service and sewer service, are provided by the Hesperia Water District.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's two kinds of operating funds—*governmental* and *proprietary*—use different accounting approaches. The City also oversees *fiduciary* funds as described below.

- *Governmental funds*—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.

- *Proprietary funds*—When the City charges fees to its own departments or to its citizens to cover the costs for certain services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City uses proprietary funds to report its water utility activities.

### The City as Trustee — Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for certain amounts held on behalf of developers, property owners, and others. The City's fiduciary activities are reported in separate Statements of Fiduciary Assets and Liabilities as well as Changes in Fiduciary Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### THE CITY AS A WHOLE

Our analysis focuses on the Condensed Statement of Net Assets (Table 1) and Condensed Statement of Activities (Table 2) of the City's governmental activities and business-type activities. In prior years, the City incurred debt to build some of the infrastructure. The Condensed Statement of Net Assets presents capital assets net of the debt incurred to pay for those assets. The City of Hesperia is reporting, under the Governmental Activities - Capital Assets, the full infrastructure value of the City's streets, storm drains, traffic signals, and other assets.

The City's net assets increased from \$236.9 million to \$242.7 million. This net increase of \$5.8 million comes from the change in net assets as recorded in the Condensed Statement of Activities and flows through the Condensed Statement of Net Assets. The nonproprietary (governmental activities) infrastructure includes: paved streets, sidewalks, traffic signals, storm drains and flood control channels, etc. The Water District continues to maintain the water and sewer infrastructure which includes water storage tanks, water pumping equipment, water transmission lines, and sewer lines, etc.

Table 1  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$ 283,259,986	\$ 262,991,426	\$ 20,162,420	\$ 7,895,653	\$303,422,406	\$270,887,079
Capital assets	125,672,052	164,984,960	87,540,369	92,617,855	213,212,421	257,602,815
Total Assets	408,932,038	427,976,386	107,702,789	100,513,508	516,634,827	528,489,894
Other liabilities	32,185,910	43,921,295	5,419,875	3,277,634	37,605,785	47,198,929
Long-term debt outstanding	226,214,890	223,632,854	15,928,998	14,992,821	242,143,888	238,625,675
Total Liabilities	258,400,800	267,554,149	21,348,873	18,270,455	279,749,673	285,824,604
Net Assets:						
Invested in capital assets, net of debt	27,606,544	51,395,013	71,858,235	77,907,459	99,464,779	129,302,472
Restricted	11,244,302	11,048,328	395,472	395,487	11,639,774	11,443,815
Unrestricted	111,680,392	97,978,896	14,100,209	3,940,107	125,780,601	101,919,003
Total Net Assets	\$ 150,531,238	\$ 160,422,237	\$ 86,353,916	\$ 82,243,053	\$236,885,154	\$242,665,290

A brief explanation for the balance change of Table 1 follows below. These explanations tell the story behind the \$5.8 million increase in net assets:

- Current and other assets – governmental activities decreased by \$20.3 million or 7.2% from June 30, 2008. The decrease is primarily due to the reduction of cash and cash equivalents by \$18.3 million. Business-type activities decreased by \$12.3 million or 60.8% from June 30, 2008, which is primarily due to a significant decrease of Cash and Cash Equivalents of the District, decreasing from \$11.1 million during FY 2007-08 to \$0.7 million at June 30, 2009. This can be attributed to the decrease of revenue from development activity, continued replacement of 50 year old steel pipe, and the increase of costs associated to the purchase of water.
- Capital assets – increased, for governmental activities, by \$45.0 million (\$39.3 million net of depreciation). The majority of the increase is illustrated in Table 3 as Construction in Progress.

For the business-type activities, capital assets increased by \$5.1 million, net of depreciation, over June 30, 2008. The increase is attributed to the replacement of aged steel water lines and other infrastructure projects of the Water District.

- Long-term debt outstanding – debt service activity resulted in a decrease of \$2.6 million for governmental activities due to scheduled payments on the outstanding debt. Debt service for business-type activities resulted in a \$0.9 million decrease from the June 30, 2008 total due to the payment of principal payments on outstanding debt.
- Other liabilities – for governmental activities increased by \$11.7 million, primarily because of the increase to deferred revenue at June 30, 2009. Business-type activities decreased \$2.1 million from June 30, 2008, which is primarily due to the timing of invoices due by June 30, 2009.
- Invested in capital assets, net of debt – increased for governmental activities by \$23.8 million, while business-type activities increased by \$6.0 million over the year ended June 30, 2008. The increase of capital assets is shown in Table 3.

As reflected in Table 2, the City's Net Assets increased \$5.8 million, from \$236.9 million to \$242.7 million, over the prior fiscal year. The June 30, 2009 total Program Revenues increased by \$3.8 million and were 36.2% of total revenues. The Program Revenues funded 38.2% of total expenses, which increased by \$9.8 million or 10.6% from June 30, 2008.

Table 2  
Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
<b>Revenues</b>						
Program revenues:						
Charges for services	13,640,407	12,020,809	15,071,288	17,439,787	28,711,695	29,460,596
Operating contributions and grants	6,580,808	9,029,552	-	-	6,580,808	9,029,552
Capital contributions and grants	-	597,997	-	-	-	597,997
Total program revenues	20,221,215	21,648,358	15,071,288	17,439,787	35,292,503	39,088,145
General revenues:						
Taxes:						
Property taxes	42,188,578	42,664,300	368,104	293,773	42,556,682	42,958,073
Sales and use tax	9,141,364	6,803,504	-	-	9,141,364	6,803,504
Transient occupancy tax	742,791	607,951	-	-	742,791	607,951
Franchise tax	2,255,427	2,587,274	-	-	2,255,427	2,587,274
Document transfer tax	223,588	206,900	-	-	223,588	206,900
Vehicle license fees	8,635,844	8,543,817	-	-	8,635,844	8,543,817
Income from property and investments	8,228,698	5,711,989	926,463	326,570	9,155,161	6,038,559
System improvement and replacement	-	-	3,975,273	555,950	3,975,273	555,950
Gain on exchange of capital asset	-	119,529	-	-	-	119,529
Other	159,864	104,206	364,563	389,357	524,427	493,563
Total general revenues	71,576,154	67,349,470	5,634,403	1,565,650	77,210,557	68,915,120
Total revenues	91,797,369	88,997,828	20,705,691	19,005,437	112,503,060	108,003,265
<b>Expenses</b>						
General government	8,301,031	9,102,750	-	-	8,301,031	9,102,750
Public safety	19,464,330	21,009,383	-	-	19,464,330	21,009,383
Development services	38,592,916	40,695,333	-	-	38,592,916	40,695,333
Interest on long-term debt	8,351,815	11,912,918	-	-	8,351,815	11,912,918
Water	-	-	16,188,975	17,791,420	16,188,975	17,791,420
Sewer	-	-	1,535,628	1,711,325	1,535,628	1,711,325
Total expenses	74,710,092	82,720,384	17,724,603	19,502,745	92,434,695	102,223,129
Excess/(Deficiency) of revenues over/ (under) expenses	17,087,277	6,277,444	2,981,088	(497,308)	20,068,365	5,780,136
Transfers in	3,633,896	3,613,555	-	-	3,633,896	3,613,555
Transfers out	-	-	(3,633,896)	(3,613,555)	(3,633,896)	(3,613,555)
Change in net assets	20,721,173	9,890,999	(652,808)	(4,110,863)	20,068,365	5,780,136
Net assets at July 1	129,810,065	150,531,238	87,006,724	86,353,916	216,816,789	236,885,154
Net assets at June 30	150,531,238	160,422,237	86,353,916	82,243,053	236,885,154	242,665,290

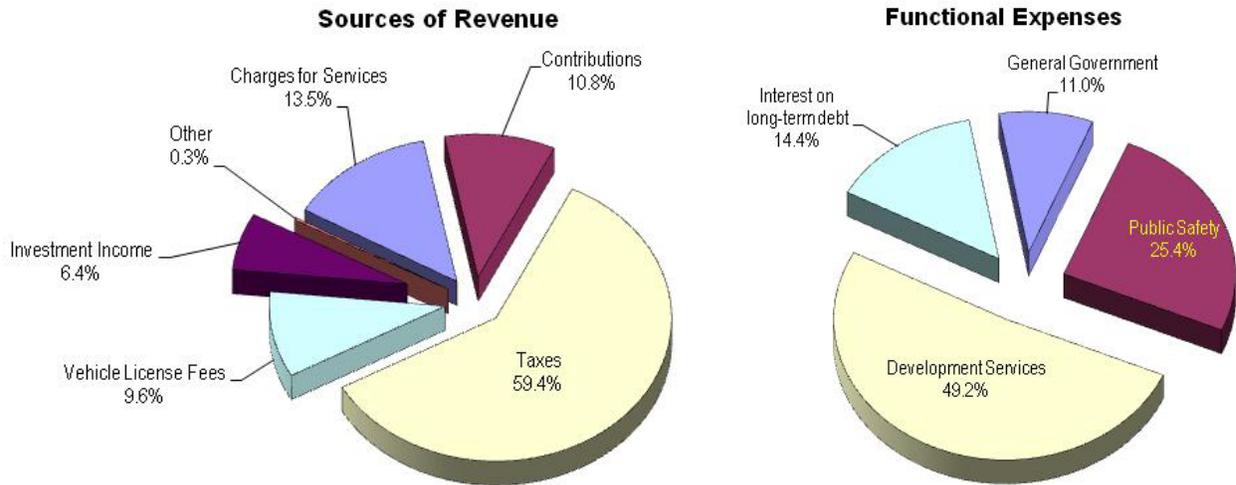
## GOVERNMENTAL ACTIVITIES

The City's net assets from governmental activities increased by \$9.9 million. The cost of all governmental activities this year was \$82.7 million. However, as shown in Table 2, the amount that the taxpayers ultimately financed for these activities was only \$61.1 million (\$82.7 million of total expenses less \$21.6 million total of program revenue), because a portion of the cost was paid by those who directly benefited from the programs (\$12.0 million), or by other governments and organizations that partially funded

certain programs with operating grants and contributions (\$9.0 million), along with capital contributions and grants (\$0.6 million).

Overall, the City's governmental Program Revenues were \$21.6 million. The City paid for the remaining "public benefit" portion of governmental activities with \$67.3 million in taxes (some of which could only be used for certain programs) and other revenues, such as vehicle license fees and general entitlements.

**Fiscal Year 2009 Government Activities**  
(see Table 2)



The City's programs for governmental activities include General Government, Public Safety (Fire and Police), Development Services, and Interest on Long-Term Debt. The programs for the business type activities include the water and sewer utilities.

**BUSINESS-TYPE ACTIVITIES**

The District's net assets decreased \$4.1 million or 4.8%. The cost of all Water District activities this year was \$19.5 million. As shown in the Condensed Statement of Activities (Table 2) under the business-type activities column, the amount paid by the users of the systems was \$17.4 million, which is an increase of \$2.4 million or 15.7% from the June 30, 2008 total of \$15.1 million. The increase is attributed to the 7% water rate and a 9% sewer rate increase which became effective on July 2008. Non-operating revenues of \$1.6 million make up the remainder of the \$19.0 million total revenues.

The major portion of the \$1.6 million of non-operating revenues is the \$0.6 million in capital facility and capital surcharge revenues. These revenues are primarily a reflection of the development activity occurring in Hesperia and are mostly attributable to offsetting the costs of adding the customers to the system. As seen in Table 2, this revenue group reflects the decrease of the development activity within the City of Hesperia which saw a decrease in single family residential permits issued from 106 in FY2007-08 to 12 for FY2008-09. Additionally, investment earnings decreased \$0.6 million from the 2007-08 amount of \$0.9 million.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

At year-end the City's governmental funds reported combined fund balances of \$219.8 million, which is a decrease of \$30.8 million or 12.3% from last year. The increase of capital outlay expenditures of \$8.8 million over FY 2007-08 and the reduction of revenues by \$3.2 million over FY 2007-08 contribute to the reduction of the combined fund balances.

- The General Fund had a deficiency of revenues, prior to other financing sources, of \$2.2 million, which is \$2.0 million more than the deficiency of \$0.2 million at June 30, 2008. The reduction of General Fund revenues of \$2.8 million far outpaced the \$0.7 million reduction of General Fund expenditures. The decrease in revenues was largely the result of the decreased tax revenues.
- The Fire Protection District's fund reported a fund balance of \$2.2 million, which is a decrease of about \$0.5 million or 18% from June 30, 2008's ending fund balance of \$2.7 million. The primary reason for the decrease of the fund balance is that noncapital expenditures increased by 10.9%.
- The Redevelopment Agency Special Revenue fund balance was \$77.0 million at June 30, 2009, which is a \$1.2 million decrease from the June 30, 2008 fund balance of \$78.2 million. These funds are being accumulated for various Low/Mod income projects planned for the 2009-10 fiscal year.
- The fund balance for the Development Impact funds decreased by \$0.5 million with expenditures exceeding revenues. The expenditures were used to support capital projects.
- The combined Redevelopment Agency Debt Service Funds reported a fund balance of \$20.1 million, which is a decrease of \$7.1 million or 26.2% from the June 30, 2008 fund balance of \$27.3 million. The reduction of fund balance is due to pass through payments of tax increment to other agencies.
- The Redevelopment Agency Capital Projects fund balances decreased by \$10.0 million, from the FY 2007-08 ending fund balance of \$76.0 million, is primarily attributed to expending a portion of the 2007 bond proceeds on capital projects.

The final expenditures for the General Fund at year-end were \$2.4 million less than the final budget. The budget to actual variance in appropriations was principally due to conservative estimates at mid-year by management. Actual revenues of \$22.7 million were \$3.9 million or 14.7% less than the final budget of \$26.6 million. The primary cause for the shortfall is that actual tax revenue was \$2.1 million less than budgeted, which is the result of declining sales tax revenue. Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

## **CAPITAL ASSETS**

The capital assets of the City are those assets that are used in the performance of the City's functions including infrastructure assets (See Table 3 below). For more detailed information about the City's assets, see Note 4 Capital Assets. At June 30, 2009, capital assets, net of depreciation, of the governmental activities totaled \$165.0 million and the net capital assets of the business-type activities totaled \$92.6 million. Depreciation on capital assets is recognized in the Government-Wide financial statements.

The City has elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting for the streets. Using the Basic Approach the City depreciates the value of the streets over a twenty (20) year period. As repaving of street segments is done (overlays must be at least one inch thick), the value of that work will be added and any remaining book value of that segment will be reduced from the streets infrastructure class.

**Table 3**  
**Capital Assets at Year-end**

	Balance at July 1, 2008				Balance at June 30, 2009
	Net of Accumulated Depreciation	Increases	Decreases	Current Year Depreciation	Net of Accumulated Depreciation
<b>Governmental Activities:</b>					
Land	\$ 8,947,753	\$ 10,674,573	\$ (322,000)	\$ -	\$ 19,300,326
Construction in process	29,084,770	34,682,586	(24,921,141)	-	38,846,215
Land improvements	44,154	4,272,462	-	(10,353)	4,306,263
Vehicles	3,963,471	-	(2,104)	(523,764)	3,437,603
Building and structures	28,454,978	33,995	-	(598,357)	27,890,616
Machinery and equipment	1,756,122	552,928	-	(298,984)	2,010,066
Infrastructure	53,420,804	20,043,838	-	(4,270,771)	69,193,871
	<u>\$ 125,672,052</u>	<u>\$ 70,260,382</u>	<u>\$ (25,245,245)</u>	<u>\$ (5,702,229)</u>	<u>\$ 164,984,960</u>
<b>Business-type Activities:</b>					
Land	\$ 1,371,741	\$ 1,701,678	\$ -	\$ -	\$ 3,073,419
Water rights	1,308,400	390,600	-	-	1,699,000
Land improvements	307,010	-	-	(32,818)	274,192
Vehicles	1,346,113	48,220	(51,500)	(167,773)	1,175,060
Building and structures	2,223,262	231,725	-	(232,524)	2,222,463
Machinery and equipment	1,068,309	63,561	-	(178,695)	953,175
Infrastructure:					
Water facilities	63,569,125	13,444,215	-	(2,456,521)	74,556,819
Sewer facilities	3,990,408	504,008	-	(166,350)	4,328,066
Construction in progress	12,356,001	5,927,883	(13,948,223)	-	4,335,661
	<u>\$ 87,540,369</u>	<u>\$ 22,311,890</u>	<u>\$ (13,999,723)</u>	<u>\$ (3,234,681)</u>	<u>\$ 92,617,855</u>

## DEBT ADMINISTRATION

Debt issued by the City of Hesperia and component governmental entities is not the responsibility of the Hesperia Water District (business-type activities); in like manner the debt issued by the Hesperia Water District is not the responsibility of the City of Hesperia and its component governmental entities. Table 4, below, presents the outstanding debt. For more detailed information about debt, see Note 5 Long-Term Debt.

**Table 4**  
**Outstanding Debt, at Year-end**

	Principal Balance at June 30,2008	Additions	Deductions	Principal Balance at June 30,2009
<b>Governmental Activities:</b>				
Loans	\$ 1,350,000	\$ -	\$ (300,000)	\$ 1,050,000
Certificates of Participation	14,300,000	-	(200,000)	14,100,000
Revenue bonds	207,460,000	-	(3,740,000)	203,720,000
Less deferred amounts:				
Bond premiums	3,077,153	-	(109,249)	2,967,904
Bond discounts	(1,004,798)	-	41,762	(963,036)
Notes Payable for Land Purchases	-	1,853,000	(350,000)	1,503,000
Compensated absences	588,880	537,515	(432,959)	693,436
Claims payable	443,655	766,553	(648,658)	561,550
	<u>\$ 226,214,890</u>	<u>\$ 3,157,068</u>	<u>\$ (5,739,104)</u>	<u>\$ 223,632,854</u>
<b>Business-type Activities:</b>				
Loans	\$ 554,652	\$ -	\$ (365,981)	\$ 188,671
Certificates of participation	1,075,000	-	(40,000)	1,035,000
Revenue bonds	15,530,000	-	(650,000)	14,880,000
Less: deferred amounts:				
Bond discounts	(128,047)	-	7,305	(120,742)
On refunding	(1,349,471)	-	76,937	(1,272,534)
Compensated absences	130,185	162,353	(127,995)	164,543
Claims payable	116,679	10,523	(9,319)	117,883
	<u>\$ 15,928,998</u>	<u>\$ 172,876</u>	<u>\$ (1,109,053)</u>	<u>\$ 14,992,821</u>

Debt, considered a liability of government activities, decreased in FY 2008-09 by a net of \$2.6 million, which was primarily the result of servicing, or making payments on the 2007 Series debt issue for the Hesperia Community Redevelopment Agency. Debt of the business-type activities decreased by a net of \$0.9 million in FY 2008-09 as a result of the normal amortization of debt.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For the FY 2009-10 Budget, the estimated revenues are expected to be \$120.2 million. Overall City revenues are budgeted to increase by 16%, which is primarily due to the \$17 million reimbursement from the County of San Bernardino for costs associated to the County High Desert Government Center. Due to the San Bernardino County's Assessor's 17.4% assessed valuation decrease, the Redevelopment Agency is budgeting an \$11.3 million or 27% decrease from the FY 2008-09 revenue of \$41.7 million.

Development related revenues are expected to be significantly reduced during FY 2009-10, as compared to the totals received in FY 2008-09. This is primarily the result of the continued housing market slowdown. Most prominent industry analysts expect that this housing slowdown to persist through the end of the 2010 calendar year. The measurement used by the City to diagnose the health of the local housing market is the number of single family residential (SFR) permits issued. To illustrate the current housing slowdown, for FY 2005-06 the number of SFRs issued was 1,645 followed by 634 issued in FY 2006-07, 106 issued in FY 2007-08 and finally, 12 SFRs issued in FY 2008-09. For FY 2009-10, the City has budgeted only 50 SFRs.

The following are items specifically addressed in the FY 2009-10 budget were:

**Transportation:** \$38.9 million is budgeted toward transportation projects for FY 2009-10. Some of these projects include:

- \$6.9 million for the FY 2009-10 Street Improvement Program which, is expected to pave approximately 16.4 miles of roads within the City.
- \$5.4 million is budgeted toward the Rancho road/I-15 Interchange project approval and environmental document focusing on design, right-of-way acquisition, and construction.
- \$9.3 million is budgeted for right-of-way appraisal and acquisition, the completion of revised construction plans, and the start of construction for the Rancho Road Undercrossing.
- \$14.6 million is budgeted toward 15 other street projects varying from phases related to planning to project completion.

**Facilities:** \$36.4 million is budgeted toward facility projects for FY 2009-10. Some of these projects include:

- \$17.0 million for the construction of the High Desert County Government Center, which will be located on the northwest corner of Smoke Tree Street and Seventh Avenue.
- \$15.0 million is budgeted for the construction of the new Police Station, which will be located adjacent to the High Desert County Government Center.
- \$4.0 million is budgeted for the construction of the Fire Station 305, which will be located on the west side of Interstate 15, east of Caliente Road and south of Joshua Street.

**Police:** In order to maintain the current level of police service, \$11.3 million was budgeted for FY 2009-10, which is a modest 1% or \$0.1 million increase over the FY 2008-09 amount of \$11.2 million.

**Fire:** The FY 2009-10 Budget shows an increase of \$0.2 million or 2.3% over the FY 2008-09 budgeted amount of \$9.2 million to cover the increased cost of maintaining the current level of service.

**Water:** During FY 2007-08 the Board approved a series of rate increases over a five year period starting with FY 2007-08. The overall rate increase for the first three years is 7% (per year) followed by two years of 4% (per year). The District has foregone increasing the water rates by the CPI change as indicated by the FY 2000-01 rate study.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Division, at the City of Hesperia, 9700 Seventh Avenue, Hesperia, California 92345.



**CITY OF HESPERIA**

STATEMENT OF NET ASSETS  
June 30, 2009

ASSETS	Primary Government		Total
	Governmental Activities	Business-type Activities	
Current Assets:			
Cash and cash equivalents	\$ 85,616,541	\$ 663,373	\$ 86,279,914
Receivables			
Accounts, net	1,669,350	3,390,374	5,059,724
Accrued interest	1,594,549	32,135	1,626,684
Due from other governmental agencies	7,277,237	27,553	7,304,790
Land held for resale	21,172,733	-	21,172,733
Inventories	-	1,420,560	1,420,560
Deposits	307,516	27,284	334,800
Restricted assets:			
Cash and investments with fiscal agent	107,737,921	10,305	107,748,226
Cash held for bondholders	-	383,774	383,774
Cash held for bond reserves	11,048,328	385,182	11,433,510
Total Current Assets	<u>236,424,175</u>	<u>6,340,540</u>	<u>242,764,715</u>
Noncurrent Assets:			
Other Noncurrent Assets:			
Notes receivable	21,289,805	-	21,289,805
Prepaid expenses	-	750,600	750,600
Advance to VVWRA	-	148,449	148,449
Deferred charges	4,727,380	299,627	5,027,007
Deposits	550,066	356,437	906,503
Total Other Noncurrent Assets	<u>26,567,251</u>	<u>1,555,113</u>	<u>28,122,364</u>
Capital Assets:			
Land	19,300,326	3,073,419	22,373,745
Water rights	-	1,699,000	1,699,000
Construction in progress	38,846,215	4,335,661	43,181,876
Land improvements	4,667,382	790,727	5,458,109
Buildings and improvements	29,892,770	7,889,838	37,782,608
Equipment and vehicles	12,531,600	6,519,732	19,051,332
Infrastructure	102,635,819	-	102,635,819
Water and sewer facilities	-	117,478,489	117,478,489
Less: Accumulated depreciation	<u>(42,889,152)</u>	<u>(49,169,011)</u>	<u>(92,058,163)</u>
Total Capital Assets	<u>164,984,960</u>	<u>92,617,855</u>	<u>257,602,815</u>
Total Noncurrent Assets	<u>191,552,211</u>	<u>94,172,968</u>	<u>285,725,179</u>
<b>Total assets</b>	<u>\$ 427,976,386</u>	<u>\$ 100,513,508</u>	<u>\$ 528,489,894</u>

See accompanying independent auditors' report and notes to financial statements.

**CITY OF HESPERIA**

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<b>LIABILITIES</b>	Primary Government		Total
	Governmental Activities	Business-type Activities	
Current Liabilities:			
Accounts payable and other current liabilities	\$ 7,374,872	\$ 2,238,513	\$ 9,613,385
Accrued interest payable	3,354,234	63,234	3,417,468
Deposits	2,000	516,753	518,753
Due to other governmental agencies	8,183,384	310	8,183,694
Current liabilities payable from restricted assets - due to bondholders	-	383,774	383,774
Long-term debt-due within one year	5,141,263	1,066,632	6,207,895
<b>Total Current Liabilities</b>	<b>24,055,753</b>	<b>4,269,216</b>	<b>28,324,969</b>
Noncurrent Liabilities:			
Net OPEB obligation	217,000	75,000	292,000
Unearned revenue	24,789,805	50	24,789,855
Long-term debt-due in more than one year	218,491,591	13,926,189	232,417,780
<b>Total Noncurrent Liabilities</b>	<b>243,498,396</b>	<b>14,001,239</b>	<b>257,499,635</b>
<b>Total liabilities</b>	<b>267,554,149</b>	<b>18,270,455</b>	<b>285,824,604</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	51,395,013	77,907,459	129,302,472
Restricted for debt service	11,048,328	395,487	11,443,815
Unrestricted	97,978,896	3,940,107	101,919,003
<b>Total net assets</b>	<b>\$ 160,422,237</b>	<b>\$ 82,243,053</b>	<b>\$ 242,665,290</b>

See accompanying independent auditors' report and notes to financial statements.

**CITY OF HESPERIA**

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 9,102,750	\$ 3,519,236	\$ -	\$ -
Public safety	21,009,383	2,826,597	266,909	-
Transportation	-	-	4,930,881	-
Development services	40,695,333	5,674,976	3,831,762	597,997
Interest on long-term debt	11,912,918	-	-	-
<b>Total governmental activities</b>	<u>82,720,384</u>	<u>12,020,809</u>	<u>9,029,552</u>	<u>597,997</u>
Business-type activities:				
Water	17,791,420	14,716,219	-	-
Sewer	1,711,325	2,723,568	-	-
<b>Total business-type activities</b>	<u>19,502,745</u>	<u>17,439,787</u>	<u>-</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 102,223,129</u>	<u>\$ 29,460,596</u>	<u>\$ 9,029,552</u>	<u>\$ 597,997</u>

General Revenues

- Property taxes
- Sales and use tax
- Transient occupancy tax
- Franchise tax
- Document transfer tax
- Motor vehicle in lieu
- Unrestricted investment earnings
- Unrestricted system improvement and replacement
- Other
- Gain on exchange of capital assets

Transfers

- Total general revenues and capital contributions
- Change in net assets
- Net assets at beginning of year
- Net assets at end of year

See accompanying independent auditors' report and notes to financial statements.

**CITY OF HESPERIA**

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Net (Expense)/Revenue and  
Changes in Net Assets  
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (5,583,514)	\$ -	\$ (5,583,514)
(17,915,877)	-	(17,915,877)
4,930,881	-	4,930,881
(30,590,598)	-	(30,590,598)
(11,912,918)	-	(11,912,918)
<u>(61,072,026)</u>	<u>-</u>	<u>(61,072,026)</u>
-	(3,075,201)	(3,075,201)
-	1,012,243	1,012,243
<u>-</u>	<u>(2,062,958)</u>	<u>(2,062,958)</u>
<u>(61,072,026)</u>	<u>(2,062,958)</u>	<u>(63,134,984)</u>
42,664,300	293,773	42,958,073
6,803,504	-	6,803,504
607,951	-	607,951
2,587,274	-	2,587,274
206,900	-	206,900
8,543,817	-	8,543,817
5,711,989	326,570	6,038,559
-	555,950	555,950
104,206	389,357	493,563
119,529	-	119,529
3,613,555	(3,613,555)	-
<u>70,963,025</u>	<u>(2,047,905)</u>	<u>68,915,120</u>
9,890,999	(4,110,863)	5,780,136
150,531,238	86,353,916	236,885,154
<u>\$ 160,422,237</u>	<u>\$ 82,243,053</u>	<u>\$ 242,665,290</u>

See accompanying independent auditors' report and notes to financial statements.





**CITY OF HESPERIA**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	<u>General Fund</u>	<u>Fire District</u>	<u>Redevelopment Agency Special Revenue</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 17,764,282	\$ 1,659,993	\$ 17,064,012
Restricted investments	-	-	58,556,783
Accounts receivable, net	946,775	715,965	4,587
Accrued interest	45,920	5,693	790,040
Notes receivable	-	-	10,183,415
Due from other governmental agencies	1,182,651	287,335	394,887
Land held for resale	-	-	818,555
Deposits	-	-	50,000
Due from other funds	2,999,894	-	-
<b>Total Assets</b>	<b><u>\$ 22,939,522</u></b>	<b><u>\$ 2,668,986</u></b>	<b><u>\$ 87,862,279</u></b>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts payable and other current liabilities	\$ 1,669,321	\$ 42,391	\$ 686,605
Deferred revenue	703,830	390,901	10,183,415
Deposits	-	-	2,000
Due to other governmental agencies	-	-	-
Due to other funds	-	-	-
<b>Total Liabilities</b>	<b><u>2,373,151</u></b>	<b><u>433,292</u></b>	<b><u>10,872,020</u></b>
Fund Balances			
Reserved for:			
Reserve for advances	-	-	-
Land held for resale	-	-	818,555
Deposits	-	-	50,000
Special Revenue	-	-	76,121,704
Debt Service	-	-	-
Capital Projects	-	-	-
Self Insurance	150,000	-	-
Unreserved, reported in:			
General Fund	20,416,371	-	-
Special Revenue Funds	-	2,235,694	-
Capital Projects Funds	-	-	-
<b>Total Fund Balances</b>	<b><u>20,566,371</u></b>	<b><u>2,235,694</u></b>	<b><u>76,990,259</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 22,939,522</u></b>	<b><u>\$ 2,668,986</u></b>	<b><u>\$ 87,862,279</u></b>

(Continued)

See accompanying independent auditors' report and notes to financial statements.

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

HOME Grant	Development Impact Fees	Redevelopment Agency Debt Service	Redevelopment Agency 2005 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 22,991	\$ 17,581,535	\$ 20,745,900	\$ 3,388,687	\$ 7,389,141	\$ 85,616,541
-	-	4,950,916	52,945,425	2,333,125	118,786,249
-	-	-	125	1,898	1,669,350
1,414	44,064	78,779	607,630	21,009	1,594,549
10,832,623	-	-	-	273,767	21,289,805
27,488	-	1,579,246	515,904	3,289,726	7,277,237
-	9,002,541	-	11,351,637	-	21,172,733
-	-	-	257,516	-	307,516
-	-	947,357	-	-	3,947,251
<u>\$ 10,884,516</u>	<u>\$ 26,628,140</u>	<u>\$ 28,302,198</u>	<u>\$ 69,066,924</u>	<u>\$ 13,308,666</u>	<u>\$ 261,661,231</u>
\$ 51,893	\$ 462,633	\$ -	\$ 2,150,073	\$ 2,311,956	\$ 7,374,872
10,832,623	-	-	-	273,767	22,384,536
-	-	-	-	-	2,000
-	-	8,183,384	-	-	8,183,384
-	-	-	947,357	2,999,894	3,947,251
<u>10,884,516</u>	<u>462,633</u>	<u>8,183,384</u>	<u>3,097,430</u>	<u>5,585,617</u>	<u>41,892,043</u>
-	-	947,357	-	-	947,357
-	9,002,541	-	11,351,637	-	21,172,733
-	-	-	257,516	-	307,516
-	-	-	-	-	76,121,704
-	-	19,171,457	-	4,986,739	24,158,196
-	-	-	54,360,341	-	54,360,341
-	-	-	-	-	150,000
-	-	-	-	-	20,416,371
-	17,162,966	-	-	609,432	20,008,092
-	-	-	-	2,126,878	2,126,878
<u>-</u>	<u>26,165,507</u>	<u>20,118,814</u>	<u>65,969,494</u>	<u>7,723,049</u>	<u>219,769,188</u>
<u>\$ 10,884,516</u>	<u>\$ 26,628,140</u>	<u>\$ 28,302,198</u>	<u>\$ 69,066,924</u>	<u>\$ 13,308,666</u>	<u>\$ 261,661,231</u>

See accompanying independent auditors' report and notes to financial statements.

**CITY OF HESPERIA**

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RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2009

Amounts reported for governmental activities in the statement of Net Assets are different because:

Total fund balances - governmental funds	\$ 219,769,188
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	164,984,960
Accrued interest on long-term debt is not due and payable in the current period, and therefore is not reported in the governmental funds balance sheet.	(3,354,234)
Bond issue costs are capitalized net of amortization on the Statement of Net Assets.	4,727,380
The CFD 2005-1 has received special assessments and did not remit these to the City within the availability period. These revenues are recognized in the government-wide statements and deferred in the fund statements.	868,670
The Sales Tax "triple flip" is subject to a "true up" adjustment to be received in January 2010. These revenues are recognized in the government-wide statements and deferred in the fund statements.	226,061
The lease agreement between the City and the County provides current financial resources to the governmental funds. These amounts are deferred and amortized in the Statement of Activities.	(3,500,000)
Deposits with Insurance providers to pay for long-term liabilities are not current financial resources and therefore are not recorded on the governmental fund balance sheets.	550,066
The Net OPEB Obligation is not due and payable in the current period, and therefore is not reported in the governmental funds balance sheet.	(217,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds balance sheet.	(223,632,854)
Net Assets of governmental activities	<u>\$ 160,422,237</u>

See accompanying independent auditors' report and notes to financial statements.



**CITY OF HESPERIA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For the Year ended June 30, 2009

	General Fund	Fire District	Redevelopment Agency Special Revenue
<b>Revenues:</b>			
Taxes	\$ 9,697,382	\$ 6,711,376	\$ -
Licenses and permits	229,900	-	-
Fines and forfeits	835,690	-	-
Use of money and property	212,396	59,171	2,519,002
Intergovernmental	9,393,817	-	-
Charges for services	1,565,845	2,147,979	-
Grants	68,408	-	-
Other revenues	298,179	-	347,887
<b>Total Revenues</b>	<b>22,301,617</b>	<b>8,918,526</b>	<b>2,866,889</b>
<b>Expenditures:</b>			
Current:			
General government:			
City council	739,854	-	-
City manager	1,433,998	-	-
Management services	4,471,422	-	-
Public safety-police	11,303,520	-	-
Public safety-fire	-	9,366,590	-
Development services	6,483,195	-	4,348,663
Debt service:			
Interest	-	-	3,156,927
Principal	-	-	1,085,000
Pass through payments	-	-	-
Bond administration expense	-	-	4,019
Capital outlay:			
Land	-	-	2,516,041
Buildings and improvements	-	33,995	-
Equipment and vehicles	73,483	10,360	-
Infrastructure	-	-	-
<b>Total Expenditures</b>	<b>24,505,472</b>	<b>9,410,945</b>	<b>11,110,650</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,203,855)	(492,419)	(8,243,761)
<b>Other Financing Sources (Uses):</b>			
Transfers in	417,997	-	7,053,354
Transfers out	(126,675)	-	-
Issuance of notes payable	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>291,322</b>	<b>-</b>	<b>7,053,354</b>
<b>Net Change in Fund Balances</b>	<b>(1,912,533)</b>	<b>(492,419)</b>	<b>(1,190,407)</b>
<b>Fund balances at beginning of year</b>	<b>22,478,904</b>	<b>2,728,113</b>	<b>78,180,666</b>
<b>Fund balances at end of year</b>	<b>\$ 20,566,371</b>	<b>\$ 2,235,694</b>	<b>\$ 76,990,259</b>

(Continued)

See accompanying independent auditors' report and notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year ended June 30, 2009

HOME Grant	Development Impact Fees	Redevelopment Agency Debt Service	Redevelopment Agency 2005 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 34,641,767	\$ -	\$ 2,452,605	\$ 53,503,130
-	-	-	-	-	229,900
-	-	-	-	-	835,690
1,712	283,982	426,670	2,001,284	256,710	5,760,927
-	-	-	-	5,491,108	14,884,925
-	2,709,140	-	-	-	6,422,964
3,176,111	-	-	597,997	882,145	4,724,661
-	-	-	1,288,669	40,114	1,974,849
<u>3,177,823</u>	<u>2,993,122</u>	<u>35,068,437</u>	<u>3,887,950</u>	<u>9,122,682</u>	<u>88,337,046</u>
-	-	-	-	-	739,854
-	-	-	-	44,048	1,478,046
-	-	-	-	-	4,471,422
-	-	-	-	-	11,303,520
-	-	-	-	-	9,366,590
3,017,784	-	-	1,770,484	5,931,805	21,551,931
-	-	6,870,099	20,482	322,382	10,369,890
-	-	2,135,000	350,000	1,020,000	4,590,000
-	-	15,709,763	-	-	15,709,763
-	-	8,009	-	142,519	154,547
-	312,979	-	7,404,024	-	10,233,044
-	246,339	-	1,354,933	3,540,958	5,176,225
-	-	-	-	-	83,843
-	2,094,528	-	15,166,955	8,529,560	25,791,043
<u>3,017,784</u>	<u>2,653,846</u>	<u>24,722,871</u>	<u>26,066,878</u>	<u>19,531,272</u>	<u>121,019,718</u>
<u>160,039</u>	<u>339,276</u>	<u>10,345,566</u>	<u>(22,178,928)</u>	<u>(10,408,590)</u>	<u>(32,682,672)</u>
-	-	3,909	10,557,870	5,521,034	23,554,164
(125,000)	(866,829)	(17,486,224)	(253,905)	(4,695,531)	(23,554,164)
-	-	-	1,853,000	-	1,853,000
<u>(125,000)</u>	<u>(866,829)</u>	<u>(17,482,315)</u>	<u>12,156,965</u>	<u>825,503</u>	<u>1,853,000</u>
35,039	(527,553)	(7,136,749)	(10,021,963)	(9,583,087)	(30,829,672)
<u>(35,039)</u>	<u>26,693,060</u>	<u>27,255,563</u>	<u>75,991,457</u>	<u>17,306,136</u>	<u>250,598,860</u>
<u>\$ -</u>	<u>\$ 26,165,507</u>	<u>\$ 20,118,814</u>	<u>\$ 65,969,494</u>	<u>\$ 7,723,049</u>	<u>\$ 219,769,188</u>

See accompanying independent auditors' report and notes to financial statements.

**CITY OF HESPERIA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2009**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ (30,829,672)
Increase in long-term deposits and claims payable are included in governmental activities in the government-wide statement of activities.		(42,555)
Capital assets of the governmental funds paid for by a proprietary fund are not recorded on the statement of revenues, expenditures & changes in fund balances. However, they are reported as revenue on the Statement of Activities.		3,613,555
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlays	41,284,155	
Depreciation expense	<u>(5,704,333)</u>	35,579,822
Interest Expense is recognized when paid on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and recognized when incurred on the Statement of Activities.		(1,245,460)
OPEB expense is recognized when paid in the Statement of Revenues, Expenditures, and Changes in Fund Balances, and recognized when incurred in the Statement of Activities.		(217,000)
The CFD 2005-1 has received special assessments and did not remit these to the City within the availability period. These revenues are recognized in the government-wide statements and deferred in the fund statements.		417,078
The Statement of Activities reports gains on exchange of capital assets as revenue. However, the governmental funds do not. This is the amount of gain on the exchange of capital assets for the current period.		119,529
The Sales Tax "triple flip" is subject to a "true up" adjustment to be received in January 2010. These revenues are recognized in the government-wide statements and deferred in the fund statements.		124,174
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal payments on bonds	4,590,000	
Proceeds from Issuance of Notes for Land Purchases	(1,853,000)	
Amortization of costs of issuance, premiums and discounts	(143,021)	
Changes to compensated absences	(104,556)	
Changes to claims payable	<u>(117,895)</u>	2,371,528
Change in Net Assets of governmental activities		<u>\$ 9,890,999</u>

See accompanying independent auditors' report and notes to financial statements.

# Proprietary Funds

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Proprietary funds are represented by two fund types: Enterprise funds and Internal Service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City Council is that the costs of providing goods or services to the general public, on a continuing basis, be financed or recovered primarily through user charges. Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis. The City does not have any Internal service Funds at year ending June 30, 2009.

Individual Enterprise funds are as follows:

**Water Operations and Capital** - To account for the operation, maintenance, and system construction of the City's water operations, which is funded by user charges and other fees.

**Sewer Operations and Capital** - To account for the operation, maintenance, and system construction of the City's sewer system, which is funded by user charges and other fees.

**CITY OF HESPERIA**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2009

	Water Operations & Capital	Sewer Operations & Capital	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 663,373	\$ 663,373
Receivables:			
Accounts, net	2,902,605	487,769	3,390,374
Accrued interest	13,456	18,679	32,135
Deposits	22,284	5,000	27,284
Inventories	1,420,560	-	1,420,560
Advances to other funds	-	6,988,822	6,988,822
Due from other governmental agencies	18,750	8,803	27,553
Restricted Assets:			
Cash and investments with fiscal agent	10,305	-	10,305
Cash held for bondholders	383,774	-	383,774
Cash held for loan reserves	385,182	-	385,182
Total Current Assets	<u>5,156,916</u>	<u>8,172,446</u>	<u>13,329,362</u>
Noncurrent Assets:			
Other Noncurrent Assets:			
Prepaid expenses	750,600	-	750,600
Advance to VVWRA	-	148,449	148,449
Deferred charges	299,627	-	299,627
Deposits	324,619	31,818	356,437
Total Other Noncurrent Assets	<u>1,374,846</u>	<u>180,267</u>	<u>1,555,113</u>
Capital Assets:			
Land	1,371,741	1,701,678	3,073,419
Water rights	1,699,000	-	1,699,000
Construction in progress	4,335,661	-	4,335,661
Land improvements	790,727	-	790,727
Vehicles	2,242,079	75,819	2,317,898
Machinery and equipment	3,936,066	265,768	4,201,834
Buildings and improvements	7,889,838	-	7,889,838
Water and sewer facilities	110,341,081	7,137,408	117,478,489
Less: Accumulated depreciation	<u>(46,121,737)</u>	<u>(3,047,274)</u>	<u>(49,169,011)</u>
Total Capital Assets	<u>86,484,456</u>	<u>6,133,399</u>	<u>92,617,855</u>
Total Noncurrent Assets	<u>87,859,302</u>	<u>6,313,666</u>	<u>94,172,968</u>
Total Assets	<u>\$ 93,016,218</u>	<u>\$ 14,486,112</u>	<u>\$ 107,502,330</u>

See accompanying independent auditors' report and notes to basic financial statements.

**CITY OF HESPERIA**

<b>LIABILITIES</b>	Water Operations & Capital	Sewer Operations & Capital	Total
<b>Current Liabilities:</b>			
Accounts payable	\$ 1,675,345	\$ 444,325	\$ 2,119,670
Accrued personnel costs	110,543	8,300	118,843
Accrued interest payable	63,234	-	63,234
Deposits	516,753	-	516,753
Advances from other funds	6,988,822	-	6,988,822
Due to other governments	-	310	310
Current liabilities payable from restricted assets - due to bondholders	383,774	-	383,774
Long term debt due within one year	1,043,593	23,039	1,066,632
Total Current Liabilities	10,782,064	475,974	11,258,038
<b>Noncurrent Liabilities:</b>			
Net OPEB obligation	75,000	-	75,000
Deferred revenue	-	50	50
Compensated absences	5,622	960	6,582
Claims payable	107,359	10,523	117,882
Revenue bonds (net of unamortized discounts and deferred amounts on refunding)	12,811,725	-	12,811,725
Certificates of participation	990,000	-	990,000
Total Noncurrent Liabilities	13,989,706	11,533	14,001,239
Total Liabilities	24,771,770	487,507	25,259,277
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	71,774,060	6,133,399	77,907,459
Restricted for debt service	395,487	-	395,487
Unrestricted	(3,925,099)	7,865,206	3,940,107
Total Net Assets	\$ 68,244,448	\$ 13,998,605	\$ 82,243,053

See accompanying independent auditors' report and notes to basic financial statements.

**CITY OF HESPERIA**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2009

	Water Operations & Capital	Sewer Operations & Capital	Total
<b>OPERATING REVENUES</b>			
Water sales	\$ 14,281,225	\$ -	\$ 14,281,225
Water services	234,104	-	234,104
Sewer services	-	2,723,568	2,723,568
Other	200,890	-	200,890
Total Operating Revenues	14,716,219	2,723,568	17,439,787
<b>OPERATING EXPENSES</b>			
General and administrative	6,089,717	-	6,089,717
Engineering	1,134,545	-	1,134,545
Production	3,152,741	-	3,152,741
Distribution	1,140,060	1,502,983	2,643,043
Customer service	2,026,828	-	2,026,828
Depreciation and amortization	3,095,751	208,342	3,304,093
Total Operating Expenses	16,639,642	1,711,325	18,350,967
<b>OPERATING INCOME (LOSS)</b>	(1,923,423)	1,012,243	(911,180)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Unrestricted system improvement and replacement	555,950	-	555,950
Property taxes	291,762	-	291,762
Property taxes - debt service	2,011	-	2,011
Rent income	389,357	-	389,357
Interest income	213,752	112,818	326,570
Contributed infrastructure expense	(3,500,508)	-	(3,500,508)
Contributed equipment expense	(113,047)	-	(113,047)
Interest expense	(1,151,778)	-	(1,151,778)
Total Non-Operating Revenues (Expenses)	(3,312,501)	112,818	(3,199,683)
Change In Net Assets	(5,235,924)	1,125,061	(4,110,863)
Net assets at beginning of year	73,480,372	12,873,544	86,353,916
Net assets at end of year	\$ 68,244,448	\$ 13,998,605	\$ 82,243,053

See accompanying independent auditors' report and notes to basic financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2009

	Water Operations & Capital	Sewer Operations & Capital	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from water and sewer customers	\$ 14,417,679	\$ 2,669,130	\$ 17,086,809
Cash received from other operating receipts	200,890	-	200,890
Cash payments for water purchases	(5,184,139)	-	(5,184,139)
Cash payments for sewer collection and maintenance	-	(1,285,101)	(1,285,101)
Cash payments for services and supplies	(1,341,705)	-	(1,341,705)
Cash payments to employees for services	(8,989,752)	-	(8,989,752)
Net Cash Provided (Used) by Operating Activities	<u>(897,027)</u>	<u>1,384,029</u>	<u>487,002</u>
<b>Cash Flows from Noncapital and Related Financing Activities:</b>			
Property taxes received	<u>293,773</u>	<u>-</u>	<u>293,773</u>
Net Cash Provided for Noncapital and Related Financing Activities	<u>293,773</u>	<u>-</u>	<u>293,773</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(9,776,336)	(549,066)	(10,325,402)
Unrestricted system improvement and replacement receipts	555,950	-	555,950
Advances from/to other funds	6,988,822	(6,988,822)	-
Advance to VVWRA	-	(148,449)	(148,449)
Cash received from assessments	41,635	-	41,635
Cash paid to bondholders	(591,022)	-	(591,022)
Interest payments on long-term debt	(1,034,164)	-	(1,034,164)
Principal payments on long-term debt	(1,055,981)	-	(1,055,981)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(4,871,096)</u>	<u>(7,686,337)</u>	<u>(12,557,433)</u>
<b>Cash Flows from Investing Activities:</b>			
Rents received	389,357	-	389,357
Interest received	294,568	135,621	430,189
Net Cash Provided by Investing Activities	<u>683,925</u>	<u>135,621</u>	<u>819,546</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(4,790,425)</u>	<u>(6,166,687)</u>	<u>(10,957,112)</u>
Cash and cash equivalents at beginning of year	<u>5,569,686</u>	<u>6,830,060</u>	<u>12,399,746</u>
Cash and cash equivalents at end of year	<u>\$ 779,261</u>	<u>\$ 663,373</u>	<u>\$ 1,442,634</u>

(continued)

See accompanying independent auditors' report and notes to basic financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2009

	Water Operations & Capital	Sewer Operations & Capital	Total
<b>Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:</b>			
Operating income (Loss)	<u>\$ (1,923,423)</u>	<u>\$ 1,012,243</u>	<u>\$ (911,180)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and amortization	3,095,751	208,342	3,304,093
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(97,651)	(93,338)	(190,989)
(Increase) decrease in deposits	44,464	1,310	45,774
(Increase) decrease in inventory	(201,645)	-	(201,645)
(Increase) decrease in due from other governments	(5,466)	37,077	31,611
Increase (decrease) in accounts payable	(2,031,398)	213,017	(1,818,381)
Increase (decrease) in accrued personnel costs	11,231	1,823	13,054
Increase (decrease) in customer deposits	104,997	-	104,997
Increase (decrease) in due to other governments	-	310	310
Increase (decrease) in net OPEB obligation	75,000	-	75,000
Increase (decrease) in compensated absences	31,113	3,245	34,358
Total Adjustments	<u>1,026,396</u>	<u>371,786</u>	<u>1,398,182</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (897,027)</u>	<u>\$ 1,384,029</u>	<u>\$ 487,002</u>

**Noncash Capital Financing Activities:**

Capital assets consisting of infrastructure (\$3,500,508) and equipment (\$113,047) were contributed to the City of Hesperia.

See accompanying independent auditors' report and notes to basic financial statements.

# Fiduciary Fund Types

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Fiduciary Fund types include trust and agency funds. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Individual Agency funds are as follows:

**Special Deposits** - To account for various deposits that are held by the City as collateral, guarantee of work to be done, or for code compliance. The monies in this fund are returned to the depositor upon completion of projects and/or fulfillment of purpose.

**Assessment District #91-1 – Joshua/West Main Street** - To account for the Joshua/West Main Street assessment district special taxes received and the payment of debt service related to bonds issued.

**Community Facilities District #2005-1 – Belgate Development** - To account for the restructuring of the Community Facilities District #91-3 debt used to finance the infrastructure of the Belgate development.

**Branch Library Fund** - To account for donations that are held by the City, to assist in the financing of the future expansion of the community library.

**Summit Valley HCP** - To account for deposits that are held by the City to offset the costs for establishing the Summit Valley Habitat Conservation Plan.

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2009

	Total Agency Funds
<b>Assets</b>	
Cash and investments	\$ 6,478,542
Cash and investments with fiscal agent	3,387,186
Accrued interest	<u>14,232</u>
<b>Total Assets</b>	<u><u>9,879,960</u></u>
<b>Liabilities</b>	
Accounts payable	1,006,757
Due to bondholders	6,920,233
Deposits payable	<u>1,952,970</u>
<b>Total Liabilities</b>	<u><u>\$ 9,879,960</u></u>

See accompanying independent auditors' report and notes to financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Hesperia (Hesperia) was incorporated on July 1, 1988 under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city.

The accounting policies of Hesperia and its component units conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

**a. Description and Scope of the Reporting Entity:**

As required by generally accepted accounting principles, these financial statements present the City of Hesperia and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the City are:

1. Hesperia Fire Protection District - Originally organized as a subsidiary district under San Bernardino County, and later on July 1, 1988 became a subsidiary district of the City.
2. Hesperia Water District - Formed on March 28, 1975, and later on April 30, 1990, became a subsidiary district of the City.
3. Hesperia Redevelopment Agency - Established as a separate legal entity in accordance with state law. The purpose of the agency is to encourage investment and reinvestment within legally designated redevelopment areas in partnership with property owners.
4. Hesperia Public Facilities Corporation - Established as a separate legal entity on May 4, 1990 to provide financing for various projects of the Hesperia Water District.
5. Hesperia Public Financing Authority - Established as a separate legal entity in March 1993 to provide financing for various City capital projects.

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. Only the Hesperia Fire Protection District, the Hesperia Water District and the Redevelopment Agency issue separate component unit financial statements. Upon their completion, the financial statements of these component units can be obtained at City Hall.

See accompanying independent auditors' report.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

## b. Government-wide and Fund Financial Statements:

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

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

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting 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.

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

## c. Measurement focus, basis of accounting and financial statement presentation:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. For revenues of the Gas Tax Fund, revenues are considered to be available if they are collected within 90 days of the end of the current fiscal period. For revenues of the Article 8 Fund, revenues are considered to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service payments (principal and interest) unpaid vacation, compensatory time and claims and judgments are recorded only when payment is due.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

## c. Measurement focus, basis of accounting and financial statement presentation (Continued):

Property taxes, sales tax, transient occupancy tax (T.O.T.) franchise taxes, vehicle license fees, highway users tax, interest associated with the current period, and some grants are all susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

The **General Fund** is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Fire District Fund** is used to account for revenues from special tax assessments and for expenditures relating to the City's fire prevention and protection.

The **Redevelopment Agency Special Revenue Fund** is used to account for Low and Moderate Income Housing activity.

The **HOME Grant Fund** is used to account for the Department of Housing and Urban Development HOME Investment Partnership Act (HOME) grants requiring segregated fund accounting.

The **Development Impact Fees Fund** is used to account for the expansion of the existing capacity of streets, storm drains, police, fire, and other city facilities.

The **Redevelopment Agency Debt Service Fund** is used to account for the tax increment receipts and payment of the Redevelopment Agency bonded indebtedness.

The **Redevelopment Agency 2005 Capital Projects Fund** is used to account for construction activity within the Redevelopment Project Areas number 1 and 2.

The City reports the following major proprietary funds:

The **Water Operations and Capital Fund** is used to account for the operation and maintenance of the City's water operations which is funded by user charges and other fees.

The **Sewer Operations and Capital Fund** is used to account for the operation and maintenance of the City's sewer systems which is funded by user charges and other fees.

The City's fund structure also includes the following fund types:

The **Special Revenue Funds** are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

The **Debt Service Funds** are used to account for the accumulation of resources and the payment of general obligation bond principal and interest from governmental resources, and special assessment bond principal and interest from special assessment levies, when the government is obligated in some manner for the payment.

See accompanying independent auditors' report.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

## c. Measurement focus, basis of accounting and financial statement presentation (Continued):

The **Capital Projects Funds** are used to account for financial resources used for the acquisition or construction of major capital facilities.

The **Fiduciary Funds** include trust and agency funds. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary statements, even though excluded from the government-wide financial statements represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Special Deposits Fund – This fund is used to account for various deposits that are held by the City as collateral, guarantee of work to be done, or for code compliance. The monies in this fund are returned to the depositor upon completion of projects and/or fulfillment of purpose.

Assessment District 91-1 Fund – This fund accounts for the Joshua/West Main Street assessment district special taxes received and the payment of debt service related to bonds issued.

Community Facilities District 2005-1 Fund – This fund accounts for the restructuring of the Community Facilities District 91-3 debt used to finance the infrastructure of the Belgate Development.

Branch Library Fund – This fund accounts for the donations held by the City to assist in the financing of the future expansion of the new community library.

Summit Valley HCP Fund – This Fund accounts for deposits held by the City to offset the costs for establishing the Summit Valley Habitat Conservation Plan.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principals Board Opinions, and Accounting Research Bulletins of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. The exceptions to this rule are the charges between the water operations fund and sewer operations fund and the other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

See accompanying independent auditors' report.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

## c. Measurement focus, basis of accounting and financial statement presentation (Continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the funds principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customer for sales and services. Operating expenses for proprietary funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

## d. Cash and Cash Equivalents:

For purposes of the statements of cash flows, cash and cash equivalents have been defined as demand deposits and highly liquid investments purchased with an original maturity of 90 days or less. Also there were no noncash investing capital or financing activities for the year ended June 30, 2009, which would require disclosure on the statement of cash flows.

## e. Investments:

Investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings, changes in fair value, any gains or losses realized upon liquidation, maturity, or sale of investments. There are no significant differences between fair value and cost at June 30, 2009.

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

Guaranteed Investment Contracts (GIC) – The City has recorded the GICs at cost versus fair value due to the lack of readily available market pricing for these types of investments.

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

All accounts, taxes, and service receivable are shown net of an allowance for uncollectibles. The City's fiscal year end falls in the middle of a billing cycle for water and sewer. In order to accrue the amount of the year end receivables, the City estimates the amount of unbilled receivables based on that portion of the billing cycle that has elapsed as of the fiscal year end.

## g. Inventory:

The enterprise fund inventories are valued at first in first out (FIFO). The inventory consists of meters, pipes and other parts required to provide water and wastewater services to customers.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

h. Claims and Judgments:

When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2009, in the opinion of the City's Attorney, the City had no material unrecorded claims which would require loss provision in the financial statements, including losses for claims which are Incurred But Not Reported (IBNR). Small dollar claims and judgments are recorded as expenditures when paid.

i. Compensated Absences:

Vacation pay is payable to employees at the time used or upon termination of employment. In the government-wide financial statements (i.e. Statement of Net Assets and Statement of Activities) the cost of vacation is recorded as a liability when incurred for both governmental and business-type activities. Compensated absences once exercised are paid out of the same fund as they were originally accrued in including the following governmental funds: General Fund, Street Maintenance Fund, Community Development Block Grant Fund, Hesperia Redevelopment Agency Funds, and the following enterprise funds: Water Fund and Sewer Fund.

j. Capital Assets:

Capital assets, which include land, buildings, building improvements, infrastructure, and equipment are depreciated and are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. City policy has set the capitalization threshold for reporting capital assets at \$5,000.

Capital assets include additions to public domain (infrastructure) certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, storm drains, bridges, and right of way corridors within the City.

Capital assets have an estimated useful life greater than one year and are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Construction in progress costs are capitalized and transferred to their respective fixed asset category upon completion of the project.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. Land and construction-in-progress are not depreciated.

Buildings	30-50 Years
Improvements	20 Years
Machinery and Equipment	5-30 Years
Vehicles	8-20 Years
Water and Sewer Facilities	40 Years
Infrastructure	20 Years

See accompanying independent auditors' report.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

## k. Long-term Obligations:

In the government-wide financial statements and the proprietary 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 proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

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

## l. Property Taxes:

Real property taxes are levied on October 15 against owners of record on January 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the year.

## m. Fund Equity:

In the fund financial statements, governmental funds report reservation of the fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reservations of fund balance represent tentative management plans, and are subject to change.

## n. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically the City has made certain estimates and assumptions relating to the collectability of its receivables (including accounts receivable, loans receivable, and amounts due from other governments) and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

## o. Restricted Assets:

The primary government reports assets that are restricted for customer deposits, contributions designated for specific purposes, and funds held in trust which are restricted for debt service payments.

## p. Land Held for Resale:

Land held for resale is carried at the lower of cost or estimated realizable value. Fund balance has been reserved for land held for resale in the Low and Moderate Income Housing Special Revenue Fund, Development Impact Fees Fund, and in the Project Area Number 1 2005 Capital Projects Fund.

See accompanying independent auditors' report.

**2. FIRE PROTECTION SERVICES AGREEMENT:**

The Hesperia Fire Protection District entered into a fire protection services agreement with the San Bernardino County Consolidated Fire District (County) effective June 1, 2005. The agreement calls for the County to provide to the District fire prevention, fire investigation, fire suppression, advanced life support services, ambulance transportation service, hazardous materials, and rescue services. The District paid \$9,211,227 to the County for these services during the fiscal year ending June 30, 2009. The County will also provide various administrative duties including billing and collecting of advanced life support and ambulance transportation fees for the District. The District leases its real property, furniture and fixtures, and fire vehicles and equipment to the County for one dollar per year. The agreement calls for the County to maintain insurance for workers compensation, comprehensive general and automobile.

**3. CASH, CASH EQUIVALENTS, AND INVESTMENTS:**

Cash and Investments:

Cash and investments at June 30, 2009 are classified in the accompanying financial statements as follows:

**STATEMENT OF NET ASSETS:**

Cash and cash equivalents	\$ 86,279,914
Restricted assets:	
Cash and investments with fiscal agent	107,748,226
Cash held for bondholders	383,774
Cash held for bond reserves	11,433,510

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES:**

Cash and investments	6,478,542
Cash and investments with fiscal agent	3,387,186
Total cash and investments	<u>\$215,711,152</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 14,575
Deposits with financial institutions	21,428,161
Investments	194,268,416
Total cash and investments	<u>\$ 215,711,152</u>

See accompanying independent auditors' report.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued):

Investments Authorized by the California Government Code and the City of Hesperia’s Investment policy:

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of *Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	100%	None
U.S. State or Local Agency Securities	5 years	100%	None
Banker’s Acceptances	180 days	25%	5%
Commercial Paper	270 days	15%	None
Negotiable Certificates of Deposit	5 years	25%	None
Repurchase Agreements	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	100%	None
Medium-Term Notes	5 years	30%	None
Mutual & Money Market Funds	90 days	20%	None
Collateralized Bank Deposits	5 years	10%	None
Investment Pools	N/A	30%	None
Municipal Bonds	5 years	10%	None

\*Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements:

Investments authorized for funds held by bond trustees include, U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Bankers’ Acceptances, Money Market Mutual Funds, Repurchase Agreements, Investment Contracts and any other investments permitted by bond insurer and are legal investments under State laws. There were no limitations on the maximum amount that can be invested in one issuer or maximum percentage allowed.

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City’s investments (including investments held by fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued):

Disclosures Relating to Interest Rate Risk (Continued):

Investment Type		Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
State investment pool	\$ 72,084,673	\$ 72,084,673	\$ -	\$ -	\$ -
Held by fiscal agent:					
U.S. Government Treasury Obligations	966,736	316,562	650,174	-	-
Money market funds	37,722,007	37,722,007	-	-	-
Investment contracts	83,495,000	-	83,495,000	-	-
<b>Total</b>	<b>\$ 194,268,416</b>	<b>\$ 110,123,242</b>	<b>\$ 84,145,174</b>	<b>\$ -</b>	<b>\$ -</b>

Disclosures Relating to Credit Risk:

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

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
				AAA	A	Not Rated
State investment pool	\$ 72,084,673	N/A	\$ -	\$ -	\$ -	\$ 72,084,673
Held by fiscal agent:						
U.S. Government Treasury Obligations	966,736	N/A	-	-	-	966,736
Money market funds	37,722,007	AAA	-	37,722,007	-	-
Investment contracts	83,495,000	N/A	-	-	83,495,000	-
<b>Total</b>	<b>\$ 194,268,416</b>		<b>\$ -</b>	<b>\$ 37,722,007</b>	<b>\$ 83,495,000</b>	<b>\$ 73,051,409</b>

Concentration of Credit Risk:

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the City’s investments are as follows:

Issuer	Investment Type	Reported Amount
Natixis Funding Corp	Investment contracts	\$ 83,495,000
Blackrock Institutional Funds	Money market funds	\$ 34,324,514

See accompanying independent auditors' report.

### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued):

#### 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 for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government 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, 2009, \$23,315,819 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

#### Investment in State Investment Pool:

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

## 4. CAPITAL ASSETS:

Capital asset activity was as follows for the year ended June 30, 2009:

	Balance at June 30,2008	Increases	Decreases	Balance at June 30,2009
<b>Governmental activities:</b>				
Capital Assets, not being depreciated				
Land	\$ 8,947,753	\$ 10,674,573	\$ (322,000)	\$ 19,300,326
Construction in progress	29,084,770	34,682,586	(24,921,141)	38,846,215
Total capital assets, not being depreciated	<u>38,032,523</u>	<u>45,357,159</u>	<u>(25,243,141)</u>	<u>58,146,541</u>
Capital Assets being depreciated:				
Land Improvements	394,920	4,272,462	-	4,667,382
Vehicles	7,746,707	-	(2,104)	7,744,603
Buildings	29,858,775	33,995	-	29,892,770
Machinery and equipment	4,234,069	552,928	-	4,786,997
Infrastructure	82,591,981	20,043,838	-	102,635,819
Total capital assets, being depreciated	<u>124,826,452</u>	<u>24,903,223</u>	<u>(2,104)</u>	<u>149,727,571</u>
Less accumulated depreciation for:				
Land improvements	(350,766)	(10,353)	-	(361,119)
Vehicles	(3,783,236)	(525,868)	2,104	(4,307,000)
Buildings	(1,403,797)	(598,357)	-	(2,002,154)
Machinery and equipment	(2,477,947)	(298,984)	-	(2,776,931)
Infrastructure	(29,171,177)	(4,270,771)	-	(33,441,948)
Total accumulated depreciation	<u>(37,186,923)</u>	<u>(5,704,333)</u>	<u>2,104</u>	<u>(42,889,152)</u>
Total capital assets, being depreciated, net	<u>87,639,529</u>	<u>19,198,890</u>	<u>-</u>	<u>106,838,419</u>
Governmental-type activities capital assets, net	<u>\$ 125,672,052</u>	<u>\$ 64,556,049</u>	<u>\$ (25,243,141)</u>	<u>\$ 164,984,960</u>

During the year ended June 30, 2009 the Fire District exchanged parcels of land with an unrelated party. No money was exchanged during this transaction. However, the fair market value of the property received exceeded the historical cost of the property transferred by \$119,529. This amount is reflected as a general revenue, gain on exchange of capital asset on the Statement of Activities.

## 4. CAPITAL ASSETS (Continued):

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,371,741	\$ 1,701,678	\$ -	\$ 3,073,419
Water Rights	1,308,400	390,600	-	1,699,000
Construction in Progress	12,356,001	5,927,883	(13,948,223)	4,335,661
Total capital assets, not being depreciated	<u>15,036,142</u>	<u>8,020,161</u>	<u>(13,948,223)</u>	<u>9,108,080</u>
Capital assets being depreciated:				
Land Improvements	790,727	-	-	790,727
Vehicles	2,321,178	48,220	(51,500)	2,317,898
Machinery and Equipment	4,138,273	63,561	-	4,201,834
Building and Improvements	7,658,113	231,725	-	7,889,838
Water facilities	96,896,866	13,444,215	-	110,341,081
Sewer facilities	6,633,400	504,008	-	7,137,408
Total capital assets, being depreciated	<u>118,438,557</u>	<u>14,291,729</u>	<u>(51,500)</u>	<u>132,678,786</u>
Less accumulated depreciation for:				
Land Improvements	(483,717)	(32,818)	-	(516,535)
Vehicles	(975,065)	(219,273)	51,500	(1,142,838)
Machinery and Equipment	(3,069,964)	(178,695)	-	(3,248,659)
Building and Improvements	(5,434,851)	(232,524)	-	(5,667,375)
Water facilities	(33,327,741)	(2,456,521)	-	(35,784,262)
Sewer facilities	(2,642,992)	(166,350)	-	(2,809,342)
Total accumulated depreciation	<u>(45,934,330)</u>	<u>(3,286,181)</u>	<u>51,500</u>	<u>(49,169,011)</u>
Total capital assets, being depreciated, net	<u>72,504,227</u>	<u>11,005,548</u>	<u>-</u>	<u>83,509,775</u>
Total capital assets, net	<u>\$ 87,540,369</u>	<u>\$ 19,025,709</u>	<u>\$ (13,948,223)</u>	<u>\$ 92,617,855</u>

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

Governmental activities:	
General government	\$ 1,931,422
Public safety	339,273
Development services	<u>3,433,638</u>
Total depreciation expense - governmental activities	<u>\$ 5,704,333</u>
Business-type activities:	
Water	\$ 3,077,839
Sewer	<u>208,342</u>
Total depreciation expense - business-type activities	<u>\$ 3,286,181</u>

See accompanying independent auditors' report.

## 5. LONG-TERM DEBT:

Following is a summary of the changes in principal balance of long-term debt for the year ended June 30, 2009:

	Principal Balance at June 30, 2008	Additions	Deductions	Principal Balance at June 30, 2009	Due Within One Year
<b>Governmental Activities:</b>					
Loans	\$ 1,350,000	\$ -	\$ (300,000)	\$ 1,050,000	\$ 150,000
Certificates of Participation	14,300,000	-	(200,000)	14,100,000	200,000
Total Loans	15,650,000	-	(500,000)	15,150,000	350,000
Revenue Bonds	207,460,000	-	(3,740,000)	203,720,000	3,655,000
Less deferred amounts:					
Bond premiums	3,077,153	-	(109,249)	2,967,904	-
Bond discounts	(1,004,798)	-	41,762	(963,036)	-
Total Revenue Bonds	209,532,355	-	(3,807,487)	205,724,868	3,655,000
Notes payable for land purchases	-	1,853,000	(350,000)	1,503,000	470,564
Compensated absences	588,880	537,515	(432,959)	693,436	665,699
Claims payable	443,655	766,553	(648,658)	561,550	-
Total governmental activity	\$ 226,214,890	\$ 3,157,068	\$ (5,739,104)	\$ 223,632,854	\$ 5,141,263
<b>Business-type activities:</b>					
Loans	\$ 554,652	\$ -	(365,981)	\$ 188,671	\$ 188,671
Certificates of Participation	1,075,000	-	(40,000)	1,035,000	45,000
Total Loans	1,629,652	-	(405,981)	1,223,671	233,671
Revenue Bonds	15,530,000	-	(650,000)	14,880,000	675,000
Less deferred amounts:					
Bond discounts	(128,047)	-	7,305	(120,742)	-
On refunding	(1,349,471)	-	76,937	(1,272,534)	-
Total Revenue Bonds	14,052,482	-	(565,758)	13,486,724	675,000
Compensated absences	130,185	162,353	(127,995)	164,543	157,961
Claims payable	116,679	10,523	(9,319)	117,883	-
Total business-type activity	\$ 15,928,998	\$ 172,876	\$ (1,109,053)	\$ 14,992,821	\$ 1,066,632
Entity-wide total	\$ 242,143,888	\$ 3,329,944	\$ (6,848,157)	\$ 238,625,675	\$ 6,207,895

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

Governmental long-term debt as of June 30, 2009 is comprised of the following issues:

Balance at  
June 30, 2009

Section 108 Loan:

On June 6, 1996, the City entered into a note for \$3,000,000 with Chase Manhattan Bank. The note is guaranteed by the Department of Housing and Urban Development (HUD) under Section 108 of the Housing and Community Development Act and is payable from future CDBG entitlements. These proceeds are to be used to make loans to assist for-profit businesses. The note bears interest at the London Interbank Offering Rate (LIBOR) and is adjusted on the first day of each month plus 0.20% (2.959% at June 30, 2009).

\$ 1,050,000

2005 Tax Allocation Revenue Bonds: Series A and Series B:

During the fiscal year ending June 30, 2005 the Hesperia Public Financing Authority issued, on behalf of the Hesperia Community Redevelopment Agency, \$49,285,000 Tax Allocation Bonds, Series A and B. The proceeds of the Series A bonds were used to refund the Senior Revenue Bonds, Series A, B, and C, repay loans made by the City of Hesperia to the Agency, and to provide funds for redevelopment project activity. The current refunding of the Senior Revenue Bonds Series A, B, and C resulted in an economic gain of \$4,602,700 and a reduction of \$1,184,022 in future debt service payments. A reserve fund for the 2005 Tax Allocation Revenue Bonds was established to be equal to the least of ten percent (10%) of the aggregate original issue price of the respective Series of Bonds, one hundred twenty five percent (125%) of the average annual debt service on the respective Series of Bonds for that and every subsequent bond year, or the maximum annual debt service on the respective Series of Bonds. As of June 30, 2009, the amounts held with the reserve accounts for the Series A and B bonds were \$2,535,801 and \$570,512, respectively.

Series A:

The Series A bonds consist of term current interest bonds and accrue interest at annual rates ranging from 3.0% to 5.00%. Interest and principal is payable on September 1<sup>st</sup> of each year with bond principal payments ranging in amounts from \$675,000 to \$2,415,000.

37,275,000

Series B:

The Series B bonds consist of term current interest bonds and accrue interest at annual rates ranging from 3.0% to 3.625%. Interest and principal is payable on September 1<sup>st</sup> of each year with bond principal payments ranging in amounts from \$440,000 to \$950,000.

5,705,000

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

Governmental long-term debt as of June 30, 2009 is comprised of the following issues (Continued):

Balance at  
June 30, 2009

2007 Tax Allocation Revenue Bonds: Series A and Series B:

During the fiscal year ending June 30, 2008 the Hesperia Public Financing Authority issued, on behalf of the Hesperia Community Redevelopment Agency, \$154,320,000 Tax Allocation Bonds, Series A and B. The proceeds of the Series A & B bonds were used to provide funds for redevelopment project activity. A reserve fund for the 2007 Tax Allocation Revenue Bonds was established to be equal to the least of ten percent (10%) of the aggregate original issue price of the respective Series of Bonds, one hundred twenty five percent (125%) of the average annual debt service on the respective Series of Bonds for that and every subsequent bond year, or the maximum annual debt service on the respective Series of Bonds. As of June 30, 2009, the amounts held with the reserve accounts for the Series A and B bonds were \$3,933,291 and \$1,699,137, respectively.

Series A:

The Series A bonds consist of term current interest bonds and accrue interest at annual rates ranging from 5.0% to 5.5%. Interest and principal is payable on September 1<sup>st</sup> of each year with bond principal payments ranging in amounts from \$125,000 to \$12,445,000.

132,150,000

Series B:

The Series B bonds consist of term current interest bonds and accrue interest at 5.864%. Interest is payable on March 1<sup>st</sup> and September 1<sup>st</sup> of each year with bond principal payments ranging in amounts from \$960,000 to \$1,965,000.

20,455,000

2004 Refunding Variable Rate Lease Revenue Bonds:

On October 1, 2004 the Hesperia Public Financing Authority issued the 2004 Variable Rate Demand Revenue Bonds in the amount of \$12,525,000 to refund the 1993 A Series Revenue Bonds in the amount of \$3,045,000 and the 1993 B Series Revenue Bonds in the amount of \$10,900,000. The issue initially bears interest at a weekly variable rate with an option to convert to a fixed rate. The issue matures through the year 2023 with principal payments ranging from \$485,000 to \$895,000. The 1993A bonds and 1993B bonds were called on October 1, 2004. The current refunding of the 1993 A and B Revenue Bonds resulted in an economic gain of \$3,461,053 and a reduction of \$6,442,436 in future debt service payments. A reserve fund for the 2004 Variable Rate Demand Revenue Bonds was established to be equal to the least of 1) 10% of the original principal amount of the bonds; 2) 125% of the average annual installment sale payments; or 3) the maximum annual installment payments assuming available rate of 4.5% on the outstanding certificates. At June 30, 2009, a total of \$1,020,523 was held in reserve.

8,135,000

See accompanying independent auditors' report.

## 5. LONG-TERM DEBT (Continued):

Governmental long-term debt as of June 30, 2009 is comprised of the following issues (Continued):

	Balance at <u>June 30, 2009</u>
<u>2005 Variable Rate Certificates of Participation:</u>	
On May 1, 2005, the Hesperia Public Financing Authority issued the 2005 Variable Rate Demand Certificates of Participation (Civic Plaza Financing) to finance the acquisition and construction of a civic plaza and related improvements. The issue initially bears interest at a weekly variable rate with an option to convert to a fixed rate. The issue matures through the year 2034 with principal payments ranging from \$400,000 to \$900,000. A reserve fund was established in the amount of the least of 1) maximum annual debt payments assuming a variable rate of 4.5% of the outstanding certificates; 2) 125% of the average annual debt payments or; 3) 10% of the original principal amounts of the certificates. At June 30, 2009, a total of \$1,289,064 was held in reserve.	14,100,000
<u>Notes Payable for Land Purchases:</u>	
During the fiscal year ending June 30, 2009 the Hesperia Community Redevelopment Agency purchased land from three private land owners by issuing notes payable for the purchase amount over the down payment as detailed below:	
<u>G Street &amp; Mauna Loa</u> – The Hesperia Community Redevelopment Agency purchased two parcels of land for \$1,050,000 with a down payment of \$450,000 and a 2 year 7% note payable for \$600,000. The first payment against the note was during the fiscal year ending June 30, 2009.	250,000
<u>Steward</u> – The Hesperia Community Redevelopment Agency purchased one parcel of land for \$1,050,000 with a down payment of \$400,000 and a 5 year 6.75% note payable for \$650,000. The first payment against the note will be during the fiscal year ending June 30, 2010.	650,000
<u>Cappas</u> – The Hesperia Community Redevelopment Agency purchased one parcel of land for \$900,000 with a down payment of \$297,000 and a 5 year 6.00% note payable for \$603,000. The first payment against the note will be during the fiscal year ending June 30, 2010.	603,000
Compensated absences	693,436
Claims payable	<u>561,550</u>
Subtotal Governmental Long-Term Debt	221,627,986
Add: Deferred amounts on bonds	<u>2,004,868</u>
Total Governmental Long-Term Debt Before Current Portion	223,632,854
Less: Current Portion – Due Within One Year	<u>(5,141,263)</u>
Total Long-Term Portion of Governmental Debt	<u>\$218,491,591</u>

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

The business-type long-term debt as of June 30, 2009 is as follows:

Balance at  
June 30, 2009

Proposition 28 Loan from State of California:

The District has a contract with the State of California, as of May 20, 1987, for a \$5,000,000 loan (additional \$200,000 administrative fee) under the Safe Drinking Water Bond Law of 1984. These funds are to assist the District in meeting minimum safe drinking water standards for the domestic water supply. The interest rate is 4.144% per year and matures through October, 2009 with semi-annual payments of \$192,591. The loan agreement requires a reserve equal to two semi-annual payments in the amount of \$385,182. At June 30, 2009, a total of \$385,182 was held in reserve.

\$ 188,671

1998A Variable Rate Lease Revenue Refunding Bonds:

The District issued 28-year variable rate lease revenue refunding bonds on July 2, 1998 for \$18,040,000 to refund a 1991, \$17,675,000 Certificate of Participation issue. The 1991 Certificate of participation is considered defeased; therefore, the issue is not included in the City's financial statements. The District is legally required to make principal and interest payments from the net revenues of the District. The 1998A issue has an initial interest rate of 5.95%, and weekly variable rates thereafter until the fixed rate conversion date, with maturities through the year 2026, ranging from \$435,000 to \$1,105,000. The 1998A bonds were issued at a discount of \$180,400, which is being amortized over the life of the 1998A Bonds. The difference between the reacquisition price and the net carrying value of the 1991 Certificate of Participation, \$1,906,482 has been deferred and is being amortized over the remaining life of the Bonds as a component of interest expense. In June, 2004, the District entered into a variable-to-fixed-interest rate swap with Bank of America, N.A. The swap requires Bank of America, N.A. to pay the variable rate while fixing the District rate at 5.96%. The agreement provides up to \$10,000,000 can be fixed at 5.96%. The amount fixed with the counterparty decreases over time to \$6,910,000 at June 20, 2020. At June 30, 2006 the amount fixed was \$10,000,000.

13,530,000

1998B Variable Rate Lease Revenue Refunding Bonds:

The District issued 24-year variable rate lease revenue refunding bonds on July 2, 1998 for \$2,070,000 to refund a 1992, \$1,855,000 Certificate of Participation issue. The 1992A Certificate of Participation is considered defeased: therefore, the issue is not included in the City's financial statements. The District is legally required to make principal and interest payments from the net revenues of the District. The 1998B issue has an initial interest rate of 3.95%, and weekly variable rates thereafter until the fixed rate conversion date, with maturities through the year 2022, ranging from \$55,000 to \$130,000. The difference between the reacquisition price and the net carrying value of the 1992A Certificate of Participation, \$212,358 has been deferred and is being amortized over the remaining life of the Bonds as a component of interest expense.

1,350,000

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

The business-type long-term debt is as follows (Continued):

	<u>Balance at June 30, 2009</u>
<u>1992B Certificates of Participation:</u>	
The District issued 30-year Certificates of Participation on June 1, 1992, for \$1,405,000 for the Administration Facilities Acquisition Project. The issue bears interest at a rate of 9% over its remaining life and matures through the year 2022 with principal payments ranging from \$20,000 to \$125,000. The Certificates will be financed by revenues generated by the District through set rates and charges for water and sewer services.	1,035,000
Compensated absences	164,543
Claims payable	<u>117,883</u>
Subtotal Business Long-Term Debt	16,386,097
Less: Deferred amounts on bonds	<u>(1,393,276)</u>
Total Business Long-Term Debt Before Current Portion	14,992,821
Less: Current Portion – Due Within One Year	<u>(1,066,632)</u>
Total Long-Term Portion of Business-Type Debt	<u>\$ 13,926,189</u>

The annual debt service requirements by year for Loans Payable are as follows:

Governmental				Business			
Fiscal Year Ending	Principal	Interest	Total	Fiscal Year Ending	Principal	Interest	Total
2010	\$ 150,000	\$ 27,001	\$ 177,001	2010	\$ 188,671	\$ 3,836	\$ 192,507
2011	150,000	22,562	172,562	2011	-	-	-
2012	150,000	18,124	168,124	2012	-	-	-
2013	150,000	13,685	163,685	2013	-	-	-
2014	150,000	9,247	159,247	2014	-	-	-
2015-2016	300,000	5,178	305,178	2015-2016	-	-	-
	<u>\$ 1,050,000</u>	<u>\$ 95,797</u>	<u>\$ 1,145,797</u>		<u>\$ 188,671</u>	<u>\$ 3,836</u>	<u>\$ 192,507</u>

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

The annual debt service requirements by year for Revenue Bonds are as follows:

<b>Governmental</b>				<b>Business</b>			
<b>Fiscal Year</b>				<b>Fiscal Year</b>			
<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 3,655,000	\$ 10,296,992	\$ 13,951,992	2010	\$ 675,000	\$ 796,347	\$ 1,471,347
2011	3,815,000	10,133,671	13,948,671	2011	705,000	761,732	1,466,732
2012	3,980,000	9,961,719	13,941,719	2012	730,000	725,602	1,455,602
2013	4,160,000	9,778,952	13,938,952	2013	760,000	688,222	1,448,222
2014	4,345,000	9,584,032	13,929,032	2014	790,000	649,247	1,439,247
2015-2019	25,060,000	44,514,567	69,574,567	2015-2019	4,435,000	2,606,469	7,041,469
2020-2024	29,775,000	37,320,380	67,095,380	2020-2024	5,115,000	1,381,707	6,496,707
2025-2029	36,135,000	29,034,990	65,169,990	2025-2029	1,670,000	174,213	1,844,213
2030-2034	46,460,000	18,659,485	65,119,485	2030-2034	-	-	-
2035-2039	46,335,000	5,840,600	52,175,600	2035-2039	-	-	-
	<u>\$ 203,720,000</u>	<u>\$ 185,125,388</u>	<u>\$ 388,845,388</u>		<u>\$ 14,880,000</u>	<u>\$ 7,783,539</u>	<u>\$ 22,663,539</u>

Variable interest rate used for the 2004 Refunding Variable Rate Lease Revenue bonds was 4.5%.

Variable interest rate used for the 1998A Variable Rate Lease Revenue Refunding Bonds above the \$10,000,000 fixed amount was 5.3%.

Variable interest rate used for the 1998B Variable Rate Lease Revenue Refunding Bonds was 3.7%.

The annual debt service requirements by year for the Certificates of Participation are as follows:

<b>Governmental</b>				<b>Business</b>			
<b>Fiscal Year</b>				<b>Fiscal Year</b>			
<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 200,000	\$ 627,768	\$ 827,768	2010	\$ 45,000	\$ 93,150	\$ 138,150
2011	200,000	618,768	818,768	2011	50,000	89,100	139,100
2012	500,000	599,671	1,099,671	2012	55,000	84,600	139,600
2013	500,000	577,171	1,077,171	2013	60,000	79,650	139,650
2014	500,000	554,671	1,054,671	2014	65,000	74,250	139,250
2015-2019	2,800,000	2,412,259	5,212,259	2015-2019	415,000	274,050	689,050
2020-2024	3,200,000	1,732,797	4,932,797	2020-2024	345,000	63,900	408,900
2025-2029	3,700,000	950,968	4,650,968	2025-2029	-	-	-
2030-2034	2,500,000	145,356	2,645,356	2030-2034	-	-	-
	<u>\$ 14,100,000</u>	<u>\$ 8,219,429</u>	<u>\$ 22,319,429</u>		<u>\$ 1,035,000</u>	<u>\$ 758,700</u>	<u>\$ 1,793,700</u>

Variable interest rate used for the 2005 Variable Rate Certificates of Participation was 4.5%.

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

The annual debt service requirements by year for the Notes Payable are as follows:

<b>Governmental</b>			
<b>Fiscal Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 470,564	\$ 106,137	\$ 576,701
2011	234,650	65,969	300,619
2012	249,639	50,980	300,619
2013	265,588	35,032	300,620
2014	282,559	18,060	300,619
	<u>\$ 1,503,000</u>	<u>\$ 276,178</u>	<u>\$ 1,779,178</u>

6. INTERFUND TRANSACTIONS:

A. Current Interfund Balance:

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of current interfund balances as of June 30, 2009. The interfund balances listed below represent the advancement of cash to cover operating expenses.

<u>Receivable Funds</u>	<u>Amount</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	\$ 2,999,894	Other Governmental Funds	\$ 2,999,894
Redevelopment Agency Debt Service (major fund)	947,357	Redevelopment Agency 2005 Capital Projects (major fund)	947,357
Total due from other funds	<u>\$ 3,947,251</u>	Total due to other funds	<u>\$ 3,947,251</u>

See accompanying independent auditors' report.

6. INTERFUND TRANSACTIONS (Continued):

B. Current Interfund Transfers (Continued):

Transfers out	Amount	Transfers in	Amount
General Fund	\$ 126,675	City Debt Service	\$ 126,671
		Redevelopment Agency Debt Service	4
Measure I Arterial	470,886	Mark Roos Revenue Bonds	470,886
Measure I Local	226,723	Mark Roos Revenue Bonds	226,723
Gas Tax	1,989,811	Mark Roos Revenue Bonds	489,811
		Street Maintenance	1,500,000
Article 8	1,446,855	Mark Roos Revenue Bonds	296,855
		Street Maintenance	1,150,000
AB2928 State Traffic Congestion Relief	300,000	Street Maintenance	300,000
HOME Grant	125,000	Redevelopment Agency Special Revenue	125,000
AB 3229 State COPS Program	150,000	General Fund	150,000
Development Impact Fees	866,829	City Debt Service	866,829
Emergency Communications	111,256	General Fund	17,997
		Measure I Arterial	93,259
Redevelopment Agency Debt Service	17,486,224	Redevelopment Agency Special Revenue	6,928,354
		Redevelopment Agency 2005 Capital Projects (major fund)	10,557,870
Redevelopment Agency 2005 Capital Projects (major fund)	253,905	General Fund	250,000
		Redevelopment Agency Debt Service	3,905
Total transfers out	<u>\$ 23,554,164</u>	Total transfers in	<u>\$ 23,554,164</u>

See accompanying independent auditors' report.

## 6. INTERFUND TRANSACTIONS (Continued):

## B. Current Interfund Transfers (Continued):

The transfer of \$126,675 between the General Fund and the City Debt Service fund (\$126,671) was for the debt service of the 2005 Variable Rate Certificates of Participation and (\$4) to the Redevelopment Agency Debt Service fund was for clearing a residual balance at a fiscal agent.

The transfer of \$470,886 between the Measure I Arterial fund and the Mark Roos Revenue Bonds fund was for debt service of the 2004 Refunding Variable Rate Lease Revenue Bonds.

The transfer of \$226,723 between the Measure I Local fund and the Mark Roos Revenue Bonds fund was for debt service of the 2004 Refunding Variable Rate Lease Revenue Bonds.

The transfer of \$1,989,811 between the Gas Tax fund and the Mark Roos Revenue Bonds fund (\$489,811) was for debt service of the 2004 Refunding Variable Rate Lease Revenue Bonds and the (\$1,500,000) to the Street Maintenance fund was for local street maintenance costs.

The transfer of \$1,446,855 between the Article 8 fund and the Mark Roos Revenue Bonds fund (\$296,855) was for the debt service of the 2004 Refunding Variable Rate Lease Revenue Bonds and the (\$1,150,000) to the Street Maintenance fund was for local street maintenance costs.

The transfer of \$300,000 between the AB2928 State Traffic Congestion Relief fund and the Street Maintenance fund was for local street maintenance costs.

The transfer of \$125,000 between the HOME Grant fund and the Redevelopment Agency Special Revenue fund was to return the initial start up transfer done in a prior fiscal year.

The transfer of \$150,000 between the AB 3229 State COPS Program fund and the General fund was to offset some of the cost for 1.5 Deputy Sheriffs.

The transfer of \$866,829 between the Development Impact Fees Public Service fund and the City Debt Service fund was for the debt service of the 2005 Variable Rate Certificates of Participation.

The transfer of \$111,256 between the Emergency Communications fund and the General Fund (\$17,997) and Measure I – Arterial fund (\$93,259) was to close the Emergency Communications fund and return the accumulated fund balance to the contributing funds.

The transfer of \$17,486,224 between the Redevelopment Agency Debt Service fund and the Redevelopment Agency Special Revenue fund (\$6,928,354) was for the 20% low and moderate income housing set a side from tax increment revenue and to the Redevelopment Agency 2005 Capital Projects fund (\$10,557,870) is the administration costs reimbursement in accordance with the City/Redevelopment Agency Cooperation Agreement.

The transfer of \$253,905 between the Redevelopment Agency 2005 Capital Projects fund and the General Fund (\$250,000) is the administrative overhead the RDA owes the General Fund for its services to the Agency and the Redevelopment Agency Debt Service fund (\$3,905) was for residual costs of issuance invoices.

7. FUND DISCLOSURES AND NET ASSETS:

A city may set up “reserves” of fund equity to segregate fund balances which are not appropriable for expenditure in a future period, or which are legally set aside for a specific future use. Fund “designations” also may be established to indicate tentative plans for financial resource utilization in a future period.

The City’s reserves at June 30, 2009 are tabulated below, followed by explanations as to the nature and purpose of each reserve.

	General Fund	Fire District	Redevelopment Agency Special Revenue	HOME Grant	Development Impact Fees
<b>Reserved for:</b>					
Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Land Held for Resale	-	-	818,555	-	9,002,541
Deposits	-	-	50,000	-	-
Special Revenue	-	-	76,121,704	-	-
Debt Services	-	-	-	-	-
Capital Projects	-	-	-	-	-
Self Insurance	150,000	-	-	-	-
Subtotals	150,000	-	76,990,259	-	9,002,541
<b>Unreserved, reported in:</b>					
General Fund	20,416,371	-	-	-	-
Special Revenue Funds	-	2,235,694	-	-	17,162,966
Capital Projects Funds	-	-	-	-	-
Subtotals	20,416,371	2,235,694	-	-	17,162,966
Total Fund Balances	\$ 20,566,371	\$ 2,235,694	\$ 76,990,259	\$ -	\$ 26,165,507

	Redevelopment Agency Debt Service	Redevelopment Agency 2005 Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Reserved for:</b>				
Advances	\$ 947,357	\$ -	\$ -	\$ 947,357
Land Held for Resale	-	11,351,637	-	21,172,733
Deposits	-	257,516	-	307,516
Special Revenue	-	-	-	76,121,704
Debt Services	19,171,457	-	4,986,739	24,158,196
Capital Projects	-	54,360,341	-	54,360,341
Self Insurance	-	-	-	150,000
Subtotals	20,118,814	65,969,494	4,986,739	177,217,847
<b>Unreserved, reported in:</b>				
General Fund	-	-	-	20,416,371
Special Revenue Funds	-	-	609,432	20,008,092
Capital Projects Funds	-	-	2,126,878	2,126,878
Subtotals	-	-	2,736,310	42,551,341
Total Fund Balances	\$ 20,118,814	\$ 65,969,494	\$ 7,723,049	\$ 219,769,188

See accompanying independent auditors' report.

7. FUND DISCLOSURES AND NET ASSETS (Continued):

Reserve for advances represents amounts due to funds for temporary cash shortages from other funds.

Reserve for land held for resale represents capital assets set aside for resale.

Reserve for deposits represents deposits held in escrow accounts for the purchase of capital assets.

Reserve for capital projects represents funds set aside in the capital projects fund to provide for future asset acquisitions.

Reserve for debt service represents funds set aside in the debt service fund to provide for future debt service.

Reserve for special revenue represents funds set aside in the special revenue fund to provide for future low and moderate income housing.

Reserve for self insurance represents funds set aside in the general fund for insurance claims equal to three times the self insurance retention with PARSAC (See Note 10).

	Governmental-type Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 51,395,013	\$ 77,907,459	\$ 129,302,472
Restricted	11,048,328	395,487	11,443,815
Unrestricted	97,978,896	3,940,107	101,919,003
Total	<u>\$ 160,422,237</u>	<u>\$ 82,243,053</u>	<u>\$ 242,665,290</u>

The following funds reported a deficit in fund balance at June 30, 2009:

Special Revenue Fund:	
Measure I - Arterial	\$ 277,148
Measure I - Local	129,400
Gas Tax	35,477
Article 8	325,389

The following funds had an excess of expenditures over appropriations at June 30, 2009.

Individual Funds:	Budget	Actual	Variance with Final Budget
Emergency Communications	\$ -	\$ 204,516	\$ (204,516)

See accompanying independent auditors' report.

8. PENSION PLAN OBLIGATIONS:

Plan Description:

The City's employees participate in the Miscellaneous 2.7% at 55 Risk Pool (Plan) of the California Public Employees' Retirement System (PERS). This plan is cost-sharing, multiple-employer defined benefit pension plan administered by PERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. Copies of PERS' annual financial report may be obtained from the PERS Executive Office: 400 P Street, Sacramento, CA 95814.

Funding Policy:

Participants are required to contribute 8% of their annual covered salary. The City made the contributions required of City employees on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution for this year into the plan for the fiscal year ended June 30, 2009 is shown in the following table:

City non-safety employees	15.475%
Water District non-safety employees	8.218%
Fire District non-safety employees	0.000% *
Fire District safety employees	0.000% *

\* - There are no longer any employees of the Fire Protection District (See Note 2)

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. The City's employer contribution for the last three fiscal years, which were equal to the required contribution each year is shown in the following trend information. PERS does not provide individual plan trend information for risk pools.

Trend Information:

Three-Year Trend Information for PERS:

THREE-YEAR TREND INFORMATION FOR CERBT			
Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/2007	\$ 1,400,913	100%	\$ -
6/30/2008	2,002,987	100%	-
6/30/2009	2,531,911	100%	-

In October 2007 the City changed their PERS defined benefit plan from a 2.0% at 55 retirement plan to a 2.7% at 55 retirement plan for the City and Water District employees. They are combined into a new risk pool with agencies of fewer than 100 employees.

See accompanying independent auditors' report.

9. OTHER POST EMPLOYMENT BENEFITS:

Plan Description:

The City pays \$101 a month in post employment health care benefits for each retiree until age 65. The City's defined benefit postemployment healthcare plan, (DHP), provides medical benefits to eligible retired City employees and beneficiaries. DHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. DHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City resolution. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the Board of Directors. DHP members receiving benefits contribute based on their selected plan options. The City makes all contributions of the plan members.

Annual OPEB Cost and Net OPEB Obligation/Asset:

The City's annual 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 the normal annual cost. Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The current ARC rate is 2.7% of the annual covered payroll.

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/asset:

Annual Required Contribution (ARC)	\$ 311,000
Interest on net OPEB asset	-
Adjustment to Annual Required Contribution (ARC)	-
Annual OPEB cost (expense)	<u>311,000</u>
Contributions made	<u>(19,000)</u>
Increase in net OPEB obligation	292,000
Net OPEB asset - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 292,000</u></u>

9. OTHER POST EMPLOYMENT BENEFITS (Continued):

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation/asset for the fiscal years 2009, 2008 and 2007 were as follows:

THREE-YEAR TREND INFORMATION FOR CERBT			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 311,000	6.1%	\$ 292,000
6/30/2008	*	*	*
6/30/2007	*	*	*

\*The information for the two preceding years is unavailable. GASB 45 was implemented prospectively in fiscal year 2009.

Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2008, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,507,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	1,507,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Members)	11,460,000
UAAL as a Percentage of Covered Payroll	13.2%

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.

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.

9. OTHER POST EMPLOYMENT BENEFITS (Continued)

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years as of the Valuation Date
Asset Valuation method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	4.25% (Net of Administrative Expenses)
Projected Salary Increase	3.25%
Inflation	3.00%
PEMHCA Minimum Growth	4.50%
Individual Salary Growth	CalPERS 1997-2002 Experience Study

10. SELF-INSURANCE RISK POOL:

The City and Fire District are members of the Public Agencies Self-Insurance System, a joint powers authority of 8 California cities and districts, for the purpose of pooling the City's risk for worker's compensation insurance with those of other member cities and districts. The Governing Board of PASIS 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 PASIS. Each Year PASIS adjusts its premiums based on City payroll figures, claims paid and claims incurred but not reported. The City receives audited financial statements of PASIS each year which have been audited by other auditors.

The City is self-insured for the first \$250,000 of each claim and PASIS covers claims between \$250,000 and \$10,000,000.

The City is a member of the Public Agency Risk Sharing Authority of California (PARSAC), a joint powers authority for the purpose of achieving savings on insurance premiums. Each member pays for its proportionate share of its individually contracted insurance coverage.

General Liability:

The City is self-insured for General & Auto liability, Public officials Errors & Omissions, and employment Practices Liability up to the first \$50,000 for each occurrence and the difference between the City's \$50,000 self-insurance retention and \$1,000,000 is covered by PARSAC. Excess liability insurance coverage is obtained from other insurance companies, by PARSAC on behalf of the City.

Property:

The City is self-insured for the first \$5,000 for each occurrence and the difference between the City's \$5,000 self-insurance retention and \$1,000,000,000 is covered by various insurance companies.

See accompanying independent auditors' report.

10. SELF-INSURANCE RISK POOL (Continued)

Other:

The City is self-insured for Employee Dishonesty, Forgery & Altercation, Theft, Disappearance, Destruction, Robbery& Safe Burglary, Computer Fraud, Money Orders and Counterfeit Paper Currency up to the first \$2,500 for each occurrence and the difference between the City's \$2,500 self-insurance retention and \$1,000,000 is covered by National Union Fire Insurance Company.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. There have been no significant reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30, 2009	Year Ended June 30, 2008
Unpaid Claims, Beginning of Fiscal Year	\$ 560,334	\$ 482,538
Incurred Claims	777,076	351,188
Claim Payments	(657,977)	(273,392)
Unpaid Claims, End of Fiscal Year	<u>\$ 679,433</u>	<u>\$ 560,334</u>

The Unpaid claims of \$679,433 above are a component of long term debt (Note 5). Due to the uncertainty of when the claims will be paid none are considered due within one year.

11. PARTICIPATION IN JOINT VENTURES:

Victor Valley Wastewater Reclamation Authority:

The City is a member of the Victor Valley Wastewater Reclamation Authority (VWVRA), a joint powers agreement between local governments and special districts for the purpose of construction, operation and maintenance of sewer collection, transmission and treatment facilities within the high desert region. The governing body of VWVRA is made up of representatives from each significant participant in VWVRA. Budgeting and financing are the responsibility of VWVRA.

The District made an advance to VWVRA totaling \$148,499 as of June 30, 2009. The advance bears a fixed interest rate of six percent (6%) per annum. This advance is not expected to be repaid within one year.

The audited financial statements of VWVRA can be obtained by request from P.O. Box 1481, Victorville, California 92393.

See accompanying independent auditors' report.

## 11. PARTICIPATION IN JOINT VENTURES (Continued):

Victor Valley Transit Service Authority:

The City is a member of the Victor Valley Transit Service Authority (VVTSA), a joint powers agreement between local governments and the County of San Bernardino for the purpose of implementing a public transit system to serve the Victor Valley and to provide connecting services to all other areas. The governing body of VVTSA is made up of representatives from each significant participant in VVTSA. Budgeting and financing are the responsibility of VVTSA. The City has agreed to sell monthly bus passes issued by VVTSA and to remit between the first and tenth day of each month the previous month's sales receipts and proceeds.

The audited financial statements of VVTSA can be obtained by request from P.O. Box 5001, Victorville, California 92393.

Victor Valley Economic Development Authority:

The City is a member of the Victor Valley Economic Development Authority (VVEDA), a joint powers authority along with the City of Victorville, Town of Apple Valley and the County of San Bernardino. Its purpose is to coordinate the transition of George Air Force Base from military to civilian use. The City's activity regarding its membership in VVEDA is recorded in the General Fund and Economic Development fund.

The audited financial statements of VVEDA can be obtained by request from 18374 Phantom Street, Victorville, California 92394.

## 12. SPECIAL ASSESSMENT BONDS WITHOUT GOVERNMENT COMMITMENT:

Assessment District (AD No. 91-1):

In June 1992, Assessment District No. 91-1 issued Limited Obligation Improvement Bonds for \$20,643,335. These bonds were issued under the provisions of the Improvement Bond Act of 1915 and were used to finance public infrastructure improvement projects within Assessment District No. 91-1. These bonds and the interest payable are secured by unpaid assessment liens fixed on properties within the District. At the date of issue, a reserve of \$1,522,016 was set up to provide funds for payment of bond principal and interest if necessitated by delinquencies in the payment of annual assessment installments. The City has no obligation to replenish the Reserve Fund except to the extent that delinquent assessments are paid or proceeds from foreclosure sales are realized. At June 30, 2009 the reserve fund was \$1,482,980. The total outstanding principal for the bonds at June 30, 2009 was \$7,485,000.

12. SPECIAL ASSESSMENT BONDS WITHOUT GOVERNMENT COMMITMENT:

Community Facilities District (CFD 2005-1):

On April 1, 2005, the Community Facilities District No. 2005-1 (Belgate Development Restructuring) issued the Special Tax Bond 2005 Series A for \$18,554,508 (\$20,200,000 fully accreted value). The bonds were issued for the purpose of refinancing and restructuring debt of the Community Facilities District No. 91-3. The bonds are secured by and payable solely from the proceeds of special taxes levied annually on the taxable property in the District. The bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any of the property or revenues of the City, and the payment of the interest on or principal of or redemption premiums, if any, on the District Bonds is not a general debt, liability or obligation of the City. The bonds carry an interest rate of 6.250% with maturities through 2035 ranging from \$15,000 to \$2,025,000. The bonds require a reserve fund be established equal to the least of i) 10% of the principal amount of the original bonds; ii) 125% of average annual debt service of the bonds, or iii) maximum annual debt service of the bonds. At June 30, 2009 the reserve funds equal \$1,855,451. At June 30, 2009 principal amounts due on the bonds is \$18,554,508.

For the bond issuances noted above, the City is not obligated in any manner for the payment of debt service in the event of default by the property owners but is only acting as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate. Accordingly, no liability for these bonds has been recorded in the financial statements.

13. CONTINGENCIES:

Litigation:

The City is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the City's financial position.

Grant Audit Contingencies:

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Construction Commitments:

The City has entered into contracts for the engineering and construction of additions to capital assets as follows:

Total Open Contracts	\$ 59,169,200
Less: costs incurred in 2008-09	(30,933,273)
Remaining Contractual Obligations	<u>\$ 28,235,927</u>

See accompanying independent auditors' report.

## 13. CONTINGENCIES (Continued):

## ERAF and SERAF Contingency:

During the fiscal year 2008-2009, the State of California experienced a severe budgetary crisis. Various "budget trailer bills" were passed by the state legislature to balance the state's budget, including bills that required California redevelopment agencies to transfer funds to the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF) administered by the various county auditor-controllers. Noted below is a general explanation of the ERAF and SERAF legislation, together with the effect of this legislation on the Hesperia Community Redevelopment Agency.

ERAF Contribution for the Fiscal Year 2008-2009

Pursuant to AB 1389, a budget trailer bill, California redevelopment agencies were required to make ERAF contributions totaling \$350 million for the fiscal year 2008-2009. The contributions were due by May 10, 2009. The Agency's required contribution for the fiscal year 2008-2009 was \$1,687,141.

In response to AB 1389, the California Redevelopment Association (CRA) filed a lawsuit against the State of California (California Redevelopment Association et al v. Genest), challenging the constitutionality of the required ERAF contributions. On April 30, 2009, the Sacramento Superior Court held in favor of CRA, ruling that AB 1389 was unconstitutional. On September 28, 2009, the State of California announced its decision not to appeal the decision in "Genest". Accordingly, the Superior Court's decision is now final and binding, and California redevelopment agencies will not be required to make the ERAF contributions pursuant to AB 1389. Accordingly, the Agency did not make the ERAF contribution of \$1,687,141 for the fiscal year 2008-2009.

SERAF Contributions for the Fiscal Years 2009-2010 and 2010-2011

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make SERAF contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the CRA filed a class action lawsuit in behalf of all California redevelopment agencies, again challenging the SERAF obligations as unconstitutional.

The Agency's estimated SERAF contributions are \$8,161,869 for the fiscal year 2009-2010 and \$1,678,823 for 2010-2011. However, it is the position of Agency officials that the SERAF contributions required by AB 26 4x are unconstitutional, and that the Agency is not obligated to make these contributions. Accordingly, the Agency intends to join as a Plaintiff in CRA's class action lawsuit, to overturn the provisions of AB 26 4x.

If the class action lawsuit is unsuccessful, and if the Agency is required to make these SERAF contributions, Agency officials have estimated that the Agency will have sufficient funds to make the estimated contributions.

See accompanying independent auditors' report.

14. LEASE AGREEMENT:

During the fiscal year ended June 30, 2009 the City entered into an agreement with the County of San Bernardino for the joint use of fire station 305. The lease agreement shall be for a term of twenty-five (25) years with a total County contribution of the fire station and related improvements of \$3,500,000. During the year ended June 30, 2008 the County paid the City the entire \$3,500,000 which is being reported as deferred revenue on the Statement of Net Assets. As of June 30, 2009 the construction of the fire station was not complete. The City is responsible for major structural repairs and seventy percent (70%) of the maintenance and utilities, and the County is responsible for thirty percent (30%) of the maintenance and utilities. In the event that the lease is terminated there are provisions in the agreement that dictate the fiscal impact upon each party.

15. NOTES RECEIVABLE:

Notes receivable, totaling \$21,289,805 at June 30, 2009 consists of loans provided for low and moderate income housing, with interest of one percent (1%) and maturity of fifty-five (55) years; and a non-housing note with interest of six and seven tenths percent (6.7%) and maturity of seven (7) years. Due to the terms of the notes, offsetting deferred revenues in the amount of \$21,289,805 has been established.

Notes receivable at June 30, 2009 include the following:

	Outstanding June 30, 2008	Additions	Deductions	Outstanding June 30, 2009
A. KDF VAH I, L.P.	\$ 2,900,000	\$ 3,503,606	\$ -	\$ 6,403,606
B. KDF Hesperia, L.P.	1,250,000	3,469,439	-	4,719,439
C. KDF Hesperia II, L.P.	2,000,000	3,926,342	-	5,926,342
D. PDDC San Remo Hesperia, L.P.	-	3,966,651	-	3,966,651
E. Kid's Planet Investments, Inc.	-	273,767	-	273,767
Totals	<u>\$ 6,150,000</u>	<u>\$ 15,139,805</u>	<u>\$ -</u>	<u>\$ 21,289,805</u>

A. KDF VAH I, L.P.:

In July, 2006, the Agency entered into an Owner Participation Agreement (OPA) with KDF VAH I, L.P., (a California limited partnership) for the development, construction and operation of a 68-unit apartment complex of which certain units shall be available to very low income tenants, low income tenants, and moderate income tenants. Under the terms of the OPA, the City and Agency loaned \$6,334,000 of its HOME grant and low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than fifty-five years and shall bear interest at a rate of one percent (1%). The agreement is secured by a deed of trust on the property. Interest on the note through June 30, 2009 is \$69,606. The balance of the loan outstanding at June 30, 2009 was \$6,403,606.

B. KDF Hesperia, L.P.:

In December, 2005, the Agency entered into an Owner Participation Agreement (OPA) with KDF Hesperia, L.P. (a California limited partnership) for the development, construction and operation of a 110-unit apartment complex of which certain units shall be available to very low income tenants, low income tenants, and moderate income tenants. Under the terms of the OPA, the City and Agency loaned \$4,662,500 of its HOME grant and low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than fifty-five years and shall bear simple interest at a rate of one percent (1%). The agreement is secured by a deed of trust on the property. Accrued interest on the note through June 30, 2009 is \$56,939. The balance of the loan outstanding at June 30, 2009 was \$4,719,439.

See accompanying independent auditors' report.

## 15. NOTES RECEIVABLE (Continued):

## C. KDF Hesperia II, L.P.:

In March, 2006, the Agency entered into an Owner Participation Agreement (OPA) with KDF Hesperia II, L.P., (a California limited partnership) for the development, construction and operation of a 72-unit apartment complex of which certain units shall be available to very low income tenants, low income tenants, and moderate income tenants. Under the terms of the OPA, the City and Agency loaned \$5,900,000 of its HOME grant and low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than fifty-five years and shall bear interest at a rate of one percent (1%). The agreement is secured by a deed of trust on the property. Accrued interest on the note through June 30, 2009 is \$26,342. The balance of the loan outstanding at June 30, 2009 was \$5,926,342.

## D. PDDC San Remo Hesperia, L.P.:

In November, 2007, the Agency entered into an Owner Participation Agreement (OPA) with PDDC San Remo Hesperia, L.P., (Palm Desert Development Company, a California limited partnership) for the development, construction and operation of a 65-unit apartment complex of which certain units shall be available to very low income tenants and low income tenants. Under the terms of the OPA, the Agency loaned \$3,955,711 of its low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than fifty-five years and shall bear interest at a rate of one percent (1%). The agreement is secured by a deed of trust on the property. Accrued interest on the note through June 30, 2009 is \$10,940. The balance of the loan outstanding at June 30, 2009 was \$3,966,651.

## E. Kid's Planet Investments, Inc.:

In November, 2008, the City entered into an Owner Participation Agreement (OPA) with Kid's Planet Investments, Inc., (a California corporation) for the development, construction and operation of a restaurant. Under the terms of the OPA, the City loaned \$270,000 of its economic development funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than seven years and shall bear interest at a rate of six and seven tenths percent (6.7%). The agreement is secured by a deed of trust on the property. Accrued interest on the note through June 30, 2009 is \$3,767. The balance of the loan outstanding at June 30, 2009 was \$273,767.



BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Fund Balance, July 1</b>	<u>\$ 22,478,904</u>	<u>\$ 22,478,904</u>	<u>\$ 22,478,904</u>	<u>\$ -</u>
<b>Resources (Inflows):</b>				
Taxes	11,782,277	11,782,277	9,697,382	(2,084,895)
Licenses and permits	235,000	235,000	229,900	(5,100)
Fines and forfeitures	743,600	743,600	835,690	92,090
Use of money and property	529,796	529,796	212,396	(317,400)
Intergovernmental	10,174,108	10,174,108	9,393,817	(780,291)
Charges for services	2,298,885	2,298,885	1,565,845	(733,040)
Grants	217,822	217,822	68,408	(149,414)
Other revenues	187,912	187,912	298,179	110,267
Transfers from other funds	450,000	450,000	417,997	(32,003)
Amount Available for Appropriations	<u>26,619,400</u>	<u>26,619,400</u>	<u>22,719,614</u>	<u>(3,899,786)</u>
<b>Charges to Appropriations (Outflows):</b>				
Current:				
General government:				
City council	753,865	753,865	739,854	14,011
City manager	1,592,841	1,605,841	1,433,998	171,843
Management services	4,582,070	4,539,340	4,471,422	67,918
Public safety - police	12,036,764	12,036,764	11,303,520	733,244
Development services	7,776,249	7,776,249	6,483,195	1,293,054
Transfers to other funds	126,671	126,671	126,675	(4)
Capital Outlay:				
Equipment and vehicles	25,000	54,730	73,483	(18,753)
Infrastructure	125,000	125,000	-	125,000
Total Charges to Appropriations	<u>27,018,460</u>	<u>27,018,460</u>	<u>24,632,147</u>	<u>2,386,313</u>
Excess of Resources over (Under) Charges To Appropriations	<u>(399,060)</u>	<u>(399,060)</u>	<u>(1,912,533)</u>	<u>(1,513,473)</u>
<b>Fund Balance, June 30</b>	<u><u>\$ 22,079,844</u></u>	<u><u>\$ 22,079,844</u></u>	<u><u>\$ 20,566,371</u></u>	<u><u>\$ (1,513,473)</u></u>

See accompanying independent auditors' report and note to required supplementary information.

BUDGETARY COMPARISON SCHEDULE  
 FIRE DISTRICT SPECIAL REVENUE FUND  
 For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Fund Balance, July 1</b>	\$ 2,728,113	\$ 2,728,113	\$ 2,728,113	\$ -
<b>Resources (Inflows):</b>				
Taxes	6,787,114	6,787,114	6,711,376	(75,738)
Use of money and property	87,790	87,790	59,171	(28,619)
Charges for services	2,236,315	2,236,315	2,147,979	(88,336)
Amount Available for Appropriations	9,111,219	9,111,219	8,918,526	(192,693)
<b>Charges to Appropriations (Outflows):</b>				
Current:				
Public safety - fire	9,458,504	9,458,504	9,366,590	91,914
Capital Outlay:				
Buildings and improvements	-	-	33,995	(33,995)
Equipment and vehicles	-	-	10,360	(10,360)
Total Charges to Appropriations	9,458,504	9,458,504	9,410,945	47,559
Excess of Resources over (Under) Charges To Appropriations	(347,285)	(347,285)	(492,419)	(145,134)
<b>Fund Balance, June 30</b>	\$ 2,380,828	\$ 2,380,828	\$ 2,235,694	\$ (145,134)

See accompanying independent auditors' report and note to required supplementary information.

BUDGETARY COMPARISON SCHEDULE  
DEVELOPMENT IMPACT FEES SPECIAL REVENUE FUND  
For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Fund Balance, July 1</b>	\$ 26,693,060	\$ 26,693,060	\$ 26,693,060	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	384,349	533,566	283,982	(249,584)
Charges for services	4,791,300	4,810,100	2,709,140	(2,100,960)
Amount Available for Appropriations	5,175,649	5,343,666	2,993,122	(2,350,544)
<b>Charges to Appropriations (Outflows):</b>				
Current:				
Transfers to other funds	866,829	866,829	866,829	-
Capital Outlay:				
Land	-	322,250	312,979	9,271
Buildings and improvements	3,062,000	3,062,000	246,339	2,815,661
Infrastructure	9,082,743	9,184,283	2,094,528	7,089,755
Total Charges to Appropriations	13,011,572	13,435,362	3,520,675	9,914,687
Excess of Resources over (Under) Charges To Appropriations	(7,835,923)	(8,091,696)	(527,553)	7,564,143
<b>Fund Balance, June 30</b>	\$ 18,857,137	\$ 18,601,364	\$ 26,165,507	\$ 7,564,143

See accompanying independent auditors' report and note to required supplementary information.

BUDGETARY COMPARISON SCHEDULE  
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND  
For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Fund Balance, July 1</b>	\$ 78,180,666	\$ 78,180,666	\$ 78,180,666	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	662,316	662,316	2,519,002	1,856,686
Other	366,225	366,225	347,887	(18,338)
Transfers in (Tax increment)	7,620,480	7,620,480	7,053,354	(567,126)
Amount Available for Appropriations	8,649,021	8,649,021	9,920,243	1,271,222
<b>Charges to Appropriations (Outflows):</b>				
Current:				
General government:				
Development services	14,398,845	14,398,845	4,348,663	10,050,182
Debt Service:				
Interest	3,156,927	3,156,927	3,156,927	-
Principal	1,085,000	1,085,000	1,085,000	-
Bond administration expense	15,400	15,400	4,019	11,381
Capital Outlay:				
Land	5,525,000	5,525,000	2,516,041	3,008,959
Total Charges to Appropriations	24,181,172	24,181,172	11,110,650	13,070,522
Excess of Resources Over (Under) Charges to Appropriations	(15,532,151)	(15,532,151)	(1,190,407)	14,341,744
<b>Fund Balance, June 30</b>	<b>\$ 62,648,515</b>	<b>\$ 62,648,515</b>	<b>\$ 76,990,259</b>	<b>\$ 14,341,744</b>

See accompanying independent auditors' report and note to required supplementary information.

BUDGETARY COMPARISON SCHEDULE  
HOME GRANT FUND  
For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Fund Balance, July 1</b>	<b>\$ (35,039)</b>	<b>\$ (35,039)</b>	<b>\$ (35,039)</b>	<b>\$ -</b>
<b>Resources (Inflows):</b>				
Use of money and property	6,269	6,269	1,712	(4,557)
Grants	3,495,532	3,495,532	3,176,111	(319,421)
Amount Available for Appropriations	3,501,801	3,501,801	3,177,823	(323,978)
<b>Charges to Appropriations (Outflows):</b>				
Current:				
General government:				
Development services	3,290,366	3,290,366	3,017,784	272,582
Transfers to other funds	-	-	125,000	(125,000)
Total Charges to Appropriations	3,290,366	3,290,366	3,142,784	147,582
Excess of Resources Over (Under) Charges to Appropriations	211,435	211,435	35,039	(176,396)
<b>Fund Balance, June 30</b>	<b>\$ 176,396</b>	<b>\$ 176,396</b>	<b>\$ -</b>	<b>\$ (176,396)</b>

See accompanying independent auditors' report and note to required supplementary information.

June 30, 2009

1. The City adopts budgets for the general, special revenue, debt service and capital projects funds on a basis consistent with generally accepted accounting principles each year. The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, when required during the period, are also approved by the Council. Increases in annual expenditures require approval by the Council. Interdepartmental budget changes are approved by the City Manager and intradepartmental budget changes require department head approval. In most cases, expenditures may not exceed appropriations at the departmental level for the General Fund and at the fund level for the other funds. At fiscal year-end, all operating budget appropriations lapse. Budgeted amounts are as originally adopted, or as amended in accordance with prescribed procedures throughout the fiscal year.

**Schedule of Funding Progress for DPHP**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Age (B)	Unfunded (Over Funded) AAL (UAAL) (B - A)	Funded Ratio (A / B)	Covered Payroll ( C )	UAAL as a % of Covered Payroll (B - A / C)
<b>6/30/2008:</b>						
City	\$ -	\$ 1,025,000	\$ 1,025,000	0.0%	\$ 8,598,500	11.9%
Water	-	383,000	383,000	0.0%	2,861,500	13.4%
Fire:						
Misc./Safety	-	99,000	99,000	0.0%	-	0.0%
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,507,000</b>	<b>\$ 1,507,000</b>	<b>0.0%</b>	<b>\$ 11,460,000</b>	<b>13.2%</b>
<b>6/30/2007:</b>						
City/Water	*	*	*	*	*	*
Fire:	*	*	*	*	*	*
Misc./Safety	*	*	*	*	*	*
<b>Total</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>

\*GASB 45 was implemented prospectively in fiscal year 2009. The information for the two preceding years is unavailable.





**CITY OF HESPERIA**

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Special Revenue Funds				
	Measure I Arterial	Measure I Local	Measure I Transit	Gas Tax	Article 8
<b>Assets</b>					
Cash and investments	\$ 196,837	\$ -	\$ 184,487	\$ -	\$ -
Restricted investments	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Accrued interest	1,644	-	449	-	-
Notes receivable	-	-	-	-	-
Due from other governmental agencies	423,578	195,498	32,583	-	1,166,658
<b>Total Assets</b>	<u>\$ 622,059</u>	<u>\$ 195,498</u>	<u>\$ 217,519</u>	<u>\$ -</u>	<u>\$ 1,166,658</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable and other current liabilities	\$ 899,207	\$ 2,905	\$ 154,958	\$ 7,935	\$ -
Deferred revenues	-	-	-	-	-
Due to other funds	-	321,993	-	27,542	1,492,047
<b>Total Liabilities</b>	<u>899,207</u>	<u>324,898</u>	<u>154,958</u>	<u>35,477</u>	<u>1,492,047</u>
<b>Fund Balances</b>					
Reserved for:					
Debt Service	-	-	-	-	-
Unreserved, reported in:					
Special Revenue Funds	(277,148)	(129,400)	62,561	(35,477)	(325,389)
Capital Projects Funds	-	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<u>(277,148)</u>	<u>(129,400)</u>	<u>62,561</u>	<u>(35,477)</u>	<u>(325,389)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 622,059</u>	<u>\$ 195,498</u>	<u>\$ 217,519</u>	<u>\$ -</u>	<u>\$ 1,166,658</u>

**CITY OF HESPERIA**

Special Revenue Funds

Community Development Block Grant	AB 3229 State COPS Program	Emergency Communications	Traffic Signalization	Air Quality Management	Street Maintenance	AB 2928 Traffic Congestion
\$ 913,253	\$ -	\$ -	\$ -	\$ 154,046	\$ 331,531	\$ 341,532
-	-	-	-	-	-	-
-	-	-	-	-	1,081	-
2,471	-	-	-	382	1,246	910
273,767	-	-	-	-	-	-
107,551	19,134	-	-	-	99	177,708
<u>\$ 1,297,042</u>	<u>\$ 19,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,428</u>	<u>\$ 333,957</u>	<u>\$ 520,150</u>
\$ 44,975	\$ -	\$ -	\$ -	\$ -	\$ 190,050	\$ 505,687
273,767	-	-	-	-	-	-
-	12,165	-	-	-	-	-
<u>318,742</u>	<u>12,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,050</u>	<u>505,687</u>
-	-	-	-	-	-	-
978,300	6,969	-	-	154,428	143,907	14,463
-	-	-	-	-	-	-
<u>978,300</u>	<u>6,969</u>	<u>-</u>	<u>-</u>	<u>154,428</u>	<u>143,907</u>	<u>14,463</u>
<u>\$ 1,297,042</u>	<u>\$ 19,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,428</u>	<u>\$ 333,957</u>	<u>\$ 520,150</u>

**CITY OF HESPERIA**

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Special Revenue Funds			Debt Service	
	Disaster Prepared Grant	Environmental Programs	Neighborhood Stabilization Program	Mark Roos Revenue Bonds	City Debt Service
<b>Assets</b>					
Cash and investments	\$ 6,848	\$ 13,111	\$ -	\$ 1,090,020	\$ 1,566,673
Restricted investments	-	-	-	1,040,888	1,292,237
Accounts receivable, net	-	817	-	-	-
Accrued interest	41	33	-	2,402	3,702
Notes receivable	-	-	-	-	-
Due from other governmental agencies	129	19	59,369	-	-
<b>Total Assets</b>	<b>\$ 7,018</b>	<b>\$ 13,980</b>	<b>\$ 59,369</b>	<b>\$ 2,133,310</b>	<b>\$ 2,862,612</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable and other current liabilities	\$ 1,025	\$ 3,755	\$ 5,805	\$ 2,028	\$ 7,155
Deferred revenues	-	-	-	-	-
Due to other funds	-	-	53,564	-	-
<b>Total Liabilities</b>	<b>1,025</b>	<b>3,755</b>	<b>59,369</b>	<b>2,028</b>	<b>7,155</b>
<b>Fund Balances</b>					
Reserved for:					
Debt Service	-	-	-	2,131,282	2,855,457
Unreserved, reported in:					
Special Revenue Funds	5,993	10,225	-	-	-
Capital Projects Funds	-	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<b>5,993</b>	<b>10,225</b>	<b>-</b>	<b>2,131,282</b>	<b>2,855,457</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,018</b>	<b>\$ 13,980</b>	<b>\$ 59,369</b>	<b>\$ 2,133,310</b>	<b>\$ 2,862,612</b>

**CITY OF HESPERIA**

Capital Projects

Assessment District 91-1	Community Facilities District 91-3	Fire Building	County High Desert Government Center	City Projects	Ranchero Road Undercrossing	Total Other Governmental Funds
\$ 500,075	\$ 495,770	\$ 1,505,758	\$ -	\$ 86,215	\$ 2,985	\$ 7,389,141
-	-	-	-	-	-	2,333,125
-	-	-	-	-	-	1,898
1,242	1,231	5,042	-	214	-	21,009
-	-	-	-	-	-	273,767
-	-	-	1,104,691	-	2,709	3,289,726
<u>\$ 501,317</u>	<u>\$ 497,001</u>	<u>\$ 1,510,800</u>	<u>\$ 1,104,691</u>	<u>\$ 86,429</u>	<u>\$ 5,694</u>	<u>\$ 13,308,666</u>
\$ -	\$ -	\$ 403,797	\$ 12,108	\$ 64,872	\$ 5,694	\$ 2,311,956
-	-	-	-	-	-	273,767
-	-	-	1,092,583	-	-	2,999,894
-	-	403,797	1,104,691	64,872	5,694	5,585,617
-	-	-	-	-	-	4,986,739
-	-	-	-	-	-	609,432
501,317	497,001	1,107,003	-	21,557	-	2,126,878
501,317	497,001	1,107,003	-	21,557	-	7,723,049
<u>\$ 501,317</u>	<u>\$ 497,001</u>	<u>\$ 1,510,800</u>	<u>\$ 1,104,691</u>	<u>\$ 86,429</u>	<u>\$ 5,694</u>	<u>\$ 13,308,666</u>

**CITY OF HESPERIA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009

	Special Revenue Funds				
	Measure I Arterial	Measure I Local	Measure I Transit	Gas Tax	Article 8
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ 1,285,947	\$ 1,166,658
Use of money and property	30,305	4,320	2,883	3,505	-
Intergovernmental	1,865,196	860,860	143,477	-	-
Grants	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>Total Revenues</b>	<b>1,895,501</b>	<b>865,180</b>	<b>146,360</b>	<b>1,289,452</b>	<b>1,166,658</b>
<b>Expenditures:</b>					
Current:					
General government:					
City manager	-	-	-	-	-
Development services	106,102	-	241,736	-	-
Debt Service:					
Interest	-	-	-	-	-
Principal	-	-	-	-	-
Bond administration expense	-	-	-	-	-
Capital Outlay:					
Buildings and improvements	-	-	-	-	-
Infrastructure	4,889,975	1,471,244	-	277,722	-
<b>Total Expenditures</b>	<b>4,996,077</b>	<b>1,471,244</b>	<b>241,736</b>	<b>277,722</b>	<b>-</b>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<b>(3,100,576)</b>	<b>(606,064)</b>	<b>(95,376)</b>	<b>1,011,730</b>	<b>1,166,658</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	93,259	-	-	-	-
Transfers out	(470,886)	(226,723)	-	(1,989,811)	(1,446,855)
<b>Total Other Financing Sources (Uses)</b>	<b>(377,627)</b>	<b>(226,723)</b>	<b>-</b>	<b>(1,989,811)</b>	<b>(1,446,855)</b>
<b>Net Change in Fund Balances</b>	<b>(3,478,203)</b>	<b>(832,787)</b>	<b>(95,376)</b>	<b>(978,081)</b>	<b>(280,197)</b>
<b>Fund balances at beginning of year</b>	<b>3,201,055</b>	<b>703,387</b>	<b>157,937</b>	<b>942,604</b>	<b>(45,192)</b>
<b>Fund balances at end of year</b>	<b>\$ (277,148)</b>	<b>\$ (129,400)</b>	<b>\$ 62,561</b>	<b>\$ (35,477)</b>	<b>\$ (325,389)</b>

**CITY OF HESPERIA**

Special Revenue Funds

Community Development Block Grant	AB 3229 State COPS Program	Emergency Communications	Traffic Signalization	Air Quality Management	Street Maintenance	AB 2928 State Traffic Congestion Relief
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,018	112	2,675	211	2,045	10,308	2,520
-	-	-	-	-	-	743,798
592,606	104,312	-	-	58,487	30,000	-
-	-	-	-	-	29,060	-
<u>611,624</u>	<u>104,424</u>	<u>2,675</u>	<u>211</u>	<u>60,532</u>	<u>69,368</u>	<u>746,318</u>
-	-	-	-	-	-	-
512,572	-	93,260	16,160	35,000	3,118,991	-
32,335	-	-	-	-	-	-
300,000	-	-	-	-	-	-
400	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	505,686
<u>845,307</u>	<u>-</u>	<u>93,260</u>	<u>16,160</u>	<u>35,000</u>	<u>3,118,991</u>	<u>505,686</u>
<u>(233,683)</u>	<u>104,424</u>	<u>(90,585)</u>	<u>(15,949)</u>	<u>25,532</u>	<u>(3,049,623)</u>	<u>240,632</u>
-	-	-	-	-	2,950,000	-
-	(150,000)	(111,256)	-	-	-	(300,000)
-	(150,000)	(111,256)	-	-	2,950,000	(300,000)
<u>(233,683)</u>	<u>(45,576)</u>	<u>(201,841)</u>	<u>(15,949)</u>	<u>25,532</u>	<u>(99,623)</u>	<u>(59,368)</u>
<u>1,211,983</u>	<u>52,545</u>	<u>201,841</u>	<u>15,949</u>	<u>128,896</u>	<u>243,530</u>	<u>73,831</u>
<u>\$ 978,300</u>	<u>\$ 6,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,428</u>	<u>\$ 143,907</u>	<u>\$ 14,463</u>

**CITY OF HESPERIA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009

	Special Revenue Funds			Debt Service	
	Disaster Prepared Grant	Environmental Programs	Neighborhood Stabilization Program	Mark Roos Revenue Bonds	City Debt Service
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	368	279	-	61,070	23,951
Intergovernmental	-	-	-	-	-
Grants	11,167	22,528	59,369	-	-
Other revenues	-	9,410	-	1,200	-
<b>Total Revenues</b>	<b>11,535</b>	<b>32,217</b>	<b>59,369</b>	<b>62,270</b>	<b>23,951</b>
<b>Expenditures:</b>					
Current:					
General government:					
City manager	15,568	28,480	-	-	-
Development services	12,246	-	59,369	-	-
Debt Service:					
Interest	-	-	-	118,174	171,873
Principal	-	-	-	520,000	200,000
Bond administration expense	-	-	-	54,212	87,907
Capital Outlay:					
Buildings and improvements	-	-	-	-	-
Infrastructure	-	-	-	-	-
<b>Total Expenditures</b>	<b>27,814</b>	<b>28,480</b>	<b>59,369</b>	<b>692,386</b>	<b>459,780</b>
Excess (Deficiencies) of Revenues					
Over (Under) Expenditures	(16,279)	3,737	-	(630,116)	(435,829)
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	-	1,484,275	993,500
Transfers out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,484,275</b>	<b>993,500</b>
<b>Net Change in Fund Balances</b>	<b>(16,279)</b>	<b>3,737</b>	<b>-</b>	<b>854,159</b>	<b>557,671</b>
<b>Fund balances at beginning of year</b>	<b>22,272</b>	<b>6,488</b>	<b>-</b>	<b>1,277,123</b>	<b>2,297,786</b>
<b>Fund balances at end of year</b>	<b>\$ 5,993</b>	<b>\$ 10,225</b>	<b>\$ -</b>	<b>\$ 2,131,282</b>	<b>\$ 2,855,457</b>

**CITY OF HESPERIA**

**Capital Projects**

Assessment District 91-1	Community Facilities District 91-3	Fire Building	County High Desert Government Center	City Projects	Ranchero Road Undercrossing	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,452,605
7,783	7,753	63,565	-	14,039	-	256,710
-	-	-	1,877,764	13	-	5,491,108
-	-	-	-	-	3,676	882,145
-	444	-	-	-	-	40,114
<u>7,783</u>	<u>8,197</u>	<u>63,565</u>	<u>1,877,764</u>	<u>14,052</u>	<u>3,676</u>	<u>9,122,682</u>
-	-	-	-	-	-	44,048
-	6,196	-	1,730,173	-	-	5,931,805
-	-	-	-	-	-	322,382
-	-	-	-	-	-	1,020,000
-	-	-	-	-	-	142,519
-	-	3,540,958	-	-	-	3,540,958
-	-	-	-	1,381,257	3,676	8,529,560
<u>-</u>	<u>6,196</u>	<u>3,540,958</u>	<u>1,730,173</u>	<u>1,381,257</u>	<u>3,676</u>	<u>19,531,272</u>
<u>7,783</u>	<u>2,001</u>	<u>(3,477,393)</u>	<u>147,591</u>	<u>(1,367,205)</u>	<u>-</u>	<u>(10,408,590)</u>
-	-	-	-	-	-	5,521,034
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,695,531)</u>
-	-	-	-	-	-	825,503
<u>7,783</u>	<u>2,001</u>	<u>(3,477,393)</u>	<u>147,591</u>	<u>(1,367,205)</u>	<u>-</u>	<u>(9,583,087)</u>
<u>493,534</u>	<u>495,000</u>	<u>4,584,396</u>	<u>(147,591)</u>	<u>1,388,762</u>	<u>-</u>	<u>17,306,136</u>
<u>\$ 501,317</u>	<u>\$ 497,001</u>	<u>\$ 1,107,003</u>	<u>\$ -</u>	<u>\$ 21,557</u>	<u>\$ -</u>	<u>\$ 7,723,049</u>

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
June 30, 2009

	<b>Agency Funds</b>					Total Agency Funds
	Special Deposits Fund	Assessment District 91-1 Fund	Community Facilities District 2005-1 Fund	Branch Library Fund	Summit Valley HCP Fund	
<b>Assets</b>						
Cash and investments	\$ 2,072,805	\$ 2,856,606	\$ 1,548,553	\$ 297	\$ 281	\$ 6,478,542
Cash and investments with fiscal agent	-	1,482,980	1,904,206	-	-	3,387,186
Accrued interest	4,004	6,488	3,738	1	1	14,232
<b>Total Assets</b>	<b>\$ 2,076,809</b>	<b>\$ 4,346,074</b>	<b>\$ 3,456,497</b>	<b>\$ 298</b>	<b>\$ 282</b>	<b>\$ 9,879,960</b>
<b>Liabilities</b>						
Accounts payable	\$ 124,419	\$ 956	\$ 881,382	\$ -	\$ -	\$ 1,006,757
Due to bondholders	-	4,345,118	2,575,115	-	-	6,920,233
Deposits payable	1,952,390	-	-	298	282	1,952,970
<b>Total Liabilities</b>	<b>\$ 2,076,809</b>	<b>\$ 4,346,074</b>	<b>\$ 3,456,497</b>	<b>\$ 298</b>	<b>\$ 282</b>	<b>\$ 9,879,960</b>

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 SPECIAL DEPOSITS FUND  
 For The Year Ended June 30, 2009

	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009
<b>Assets</b>				
Cash and investments	\$ 2,086,165	\$ 1,420,087	\$ (1,433,447)	\$ 2,072,805
Accrued interest	7,926	7,895	(11,817)	4,004
<b>Total Assets</b>	<b>\$ 2,094,091</b>	<b>\$ 1,427,982</b>	<b>\$ (1,445,264)</b>	<b>\$ 2,076,809</b>
<b>Liabilities</b>				
Accounts payable	\$ 105,281	\$ 1,479,598	\$ (1,460,460)	\$ 124,419
Deposits payable	1,988,810	1,332,169	(1,368,589)	1,952,390
<b>Total Liabilities</b>	<b>\$ 2,094,091</b>	<b>\$ 2,811,767</b>	<b>\$ (2,829,049)</b>	<b>\$ 2,076,809</b>

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 ASSESSMENT DISTRICT 91-1 FUND  
 For The Year Ended June 30, 2009

	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009
<b>Assets</b>				
Cash and investments	\$ 2,551,720	\$ 2,021,512	\$ (1,716,626)	\$ 2,856,606
Cash and investments with fiscal agent	1,522,579	1,712,114	(1,751,713)	1,482,980
Accrued interest	14,443	12,793	(20,748)	6,488
<b>Total Assets</b>	<b>\$ 4,088,742</b>	<b>\$ 3,746,419</b>	<b>\$ (3,489,087)</b>	<b>\$ 4,346,074</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,190	\$ 1,716,392	\$ (1,716,626)	\$ 956
Due to bondholders	4,087,552	2,030,100	(1,772,534)	4,345,118
<b>Total Liabilities</b>	<b>\$ 4,088,742</b>	<b>\$ 3,746,492</b>	<b>\$ (3,489,160)</b>	<b>\$ 4,346,074</b>

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 COMMUNITY FACILITIES DISTRICT 2005-1 FUND  
 For The Year Ended June 30, 2009

	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009
<b>Assets</b>				
Cash and investments	\$ 981,828	\$ 1,875,981	\$ (1,309,256)	\$ 1,548,553
Cash and investments with fiscal agent	1,914,051	1,252,655	(1,262,500)	1,904,206
Accrued interest	6,863	7,371	(10,496)	3,738
<b>Total Assets</b>	<u>\$ 2,902,742</u>	<u>\$ 3,136,007</u>	<u>\$ (2,582,252)</u>	<u>\$ 3,456,497</u>
<b>Liabilities</b>				
Accounts payable	\$ 455,502	\$ 1,735,136	\$ (1,309,256)	\$ 881,382
Due to bondholders	2,447,240	1,888,696	(1,760,821)	2,575,115
<b>Total Liabilities</b>	<u>\$ 2,902,742</u>	<u>\$ 3,623,832</u>	<u>\$ (3,070,077)</u>	<u>\$ 3,456,497</u>

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 BRANCH LIBRARY FUND  
 For The Year Ended June 30, 2009

	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009
<b>Assets</b>				
Cash and investments	\$ 242	\$ 55	\$ -	\$ 297
Accrued interest	51	1	(51)	1
<b>Total Assets</b>	<b>\$ 293</b>	<b>\$ 56</b>	<b>\$ (51)</b>	<b>\$ 298</b>
<b>Liabilities</b>				
Deposits payable	\$ 293	\$ 6	\$ (1)	\$ 298
<b>Total Liabilities</b>	<b>\$ 293</b>	<b>\$ 6</b>	<b>\$ (1)</b>	<b>\$ 298</b>

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 SUMMIT VALLEY HCP FUND  
 For The Year Ended June 30, 2009

	Balance at June 30, 2008	Additions	Deletions	Balance at June 30, 2009
<b>Assets</b>				
Cash and investments	\$ 491	\$ 9	\$ (219)	\$ 281
Accrued interest	6	1	(6)	1
<b>Total Assets</b>	<b>\$ 497</b>	<b>\$ 10</b>	<b>\$ (225)</b>	<b>\$ 282</b>
<b>Liabilities</b>				
Accounts payable	\$ 219	\$ -	\$ (219)	\$ -
Deposits payable	278	5	(1)	282
<b>Total Liabilities</b>	<b>\$ 497</b>	<b>\$ 5</b>	<b>\$ (220)</b>	<b>\$ 282</b>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 For The Year Ended June 30, 2009

	<b>Total Agency Funds</b>			Balance at June 30, 2009
	Balance at June 30, 2008	Additions	Deletions	
<b>Assets</b>				
Cash and investments	\$ 5,620,446	\$ 5,317,644	\$ (4,459,548)	\$ 6,478,542
Cash and investments with fiscal agent	3,436,630	2,964,769	(3,014,213)	3,387,186
Accrued interest	29,289	28,061	(43,118)	14,232
<b>Total Assets</b>	<b>\$ 9,086,365</b>	<b>\$ 8,310,474</b>	<b>\$ (7,516,879)</b>	<b>\$ 9,879,960</b>
<b>Liabilities</b>				
Accounts payable	\$ 562,192	\$ 4,931,126	\$ (4,486,561)	\$ 1,006,757
Due to bondholders	6,534,792	3,918,796	(3,533,355)	6,920,233
Deposits payable	1,989,381	1,332,180	(1,368,591)	1,952,970
<b>Total Liabilities</b>	<b>\$ 9,086,365</b>	<b>\$ 10,182,102</b>	<b>\$ (9,388,507)</b>	<b>\$ 9,879,960</b>

# General Fund

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To account for all financial resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

**CITY OF HESPERIA**

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BALANCE SHEET  
GENERAL FUND  
June 30, 2009

**Assets**

Cash and cash equivalents	\$ 17,764,282
Accounts receivable, net	946,775
Accrued interest	45,920
Due from other governmental agencies	1,182,651
Due from other funds	2,999,894
<b>Total Assets</b>	<b>\$ 22,939,522</b>

**Liabilities and Fund Balances**

Liabilities

Accounts payable and other current liabilities	\$ 1,669,321
Deferred revenue	703,830

<b>Total Liabilities</b>	<b>2,373,151</b>
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Fund Balances

Reserved for:	
Self Insurance	150,000
Unreserved, reported in:	
General Fund	20,416,371

<b>Total Fund Balances</b>	<b>20,566,371</b>
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<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,939,522</b>
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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2009

	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Taxes	\$ 11,782,277	\$ 9,697,382	\$ (2,084,895)
Licenses and permits	235,000	229,900	(5,100)
Fines and forfeitures	743,600	835,690	92,090
Use of money and property	529,796	212,396	(317,400)
Intergovernmental	10,174,108	9,393,817	(780,291)
Charges for services	2,298,885	1,565,845	(733,040)
Grants	217,822	68,408	(149,414)
Other revenues	187,912	298,179	110,267
Amount Available for Appropriations	<u>26,169,400</u>	<u>22,301,617</u>	<u>(3,867,783)</u>
<b>Expenditures:</b>			
Current:			
General government:			
City council	753,865	739,854	14,011
City manager	1,605,841	1,433,998	171,843
Management services	4,539,340	4,471,422	67,918
Development services	7,776,249	6,483,195	1,293,054
Public safety - police	12,036,764	11,303,520	733,244
Capital Outlay:			
Equipment and vehicles	54,730	73,483	(18,753)
Infrastructure	125,000	-	125,000
Total Expenditures	<u>26,891,789</u>	<u>24,505,472</u>	<u>2,386,317</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>(722,389)</u>	<u>(2,203,855)</u>	<u>(1,481,466)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	450,000	417,997	(32,003)
Transfers out	(126,671)	(126,675)	(4)
Total Other Financing Sources (Uses)	<u>323,329</u>	<u>291,322</u>	<u>(32,007)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(399,060)</u>	<u>(1,912,533)</u>	<u>(1,513,473)</u>
<b>Fund balance at beginning of year</b>	<u>22,478,904</u>	<u>22,478,904</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 22,079,844</u>	<u>\$ 20,566,371</u>	<u>\$ (1,513,473)</u>

# Special Revenue Funds

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The Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Individual Special revenue funds are as follows

**Measure I Arterial** - To account for 65% of the receipt of voter-approved (Measure I) tax revenue relating to the relief of arterial and regional traffic congestion through maintenance and upkeep of streets and highways.

**Measure I Local** - To account for 30% of the receipt of voter-approved (Measure I) tax revenue relating to the relief of local traffic congestion through maintenance and upkeep of streets and highways.

**Measure I Transit** - To account for 5% of the receipt of voter-approved (Measure I) tax revenue relating to aid the elderly and disabled with transportation services and fare reductions.

**Gas Tax** - To account for receipts and expenditures of money apportioned by the State and Highway Code §'s 2105, 2106, 2107 and 2107.5. Gas Tax monies can only be used to construct and maintain streets and highways.

**Article 8** - To account for the ¼ cent of the 7¾ cent sales tax which, in turn, are expended for the City's participation in the Victor Valley Transit Authority and maintenance of streets and roads in accordance with AB 325.

**Community Development Block Grant** - To account for the receipts and expenditures of the City's entitlements under Federal Community Development Block Grant (CDBG) programs of the US Department of Housing and Urban Development (HUD).

**AB 3229 State COPS Program** - To account for State grant funds used to enhance policing services.

**Emergency Communications** - To account for funds designated for enhancing radio communications through improved technology and equipment.

**Traffic Signalization** - To account for funds designated to improve traffic flow by enhancing the coordination of traffic signals throughout the City.

**Air Quality Management District** - To account for receipts from the Mojave Desert Air Quality Management District used for the purpose of reducing air pollution from motor vehicles.

**Fire District** - To account for revenues from special tax assessments and for expenditures relating to the City's fire prevention and protection.

**Development Impact** - To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's streets, storm drain system, expanded fire facilities and equipment, expanded police facilities and equipment, and expanded capacity of the City's facilities to better serve the growing populace.

**Street Maintenance** - To account for funds expended to repair and maintain the City's streets.

**AB 2928 State Traffic Congestion Relief** - To account for a State (Proposition 42) comprehensive funding measure of almost \$5 billion to enhance traffic flow.

**Home Grant** - To account for the Department of Housing and Urban Development HOME Investment Partnership Act (HOME) grants requiring segregated fund accounting.

**Redevelopment Agency Low/Moderate** - To account for the Agency's 20% tax increment set-aside monies to be used to increase and improve the community's supply of low and moderate income housing in the Redevelopment project areas.

**Disaster Preparedness Grant** – To account for State grant funds used to prepare City staff for quick and correct techniques for proper response and assistance to the citizens in times of emergencies.

**Environmental Programs** – Formerly called the Beverage Recycling Grant fund, this is to account for State grant funds used to enhance beverage container recycling as well as other recycling programs within the City.

**Neighborhood Stabilization Program** – To account for Federal grant funds used to purchase, rehabilitate, and resell foreclosed homes within the City in order to avoid any increased blighting conditions caused by vacant homes.

**CITY OF HESPERIA**

COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS  
June 30, 2009

	Measure I Arterial	Measure I Local	Measure I Transit	Gas Tax	Article 8
<b>Assets</b>					
Cash and investments	\$ 196,837	\$ -	\$ 184,487	\$ -	\$ -
Restricted investments	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Accrued interest	1,644	-	449	-	-
Notes receivable	-	-	-	-	-
Due from other governmental agencies	423,578	195,498	32,583	-	1,166,658
Land held for resale	-	-	-	-	-
Deposits	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 622,059</b>	<b>\$ 195,498</b>	<b>\$ 217,519</b>	<b>\$ -</b>	<b>\$ 1,166,658</b>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accounts payable and other current liabilities	\$ 899,207	\$ 2,905	\$ 154,958	\$ 7,935	\$ -
Deferred revenue	-	-	-	-	-
Deposits	-	-	-	-	-
Due to other funds	-	321,993	-	27,542	1,492,047
<b>Total Liabilities</b>	<b>899,207</b>	<b>324,898</b>	<b>154,958</b>	<b>35,477</b>	<b>1,492,047</b>
Fund Balances					
Reserved for:					
Land held for resale	-	-	-	-	-
Deposits	-	-	-	-	-
Special Revenue	-	-	-	-	-
Unreserved, reported in Special Revenue Funds	(277,148)	(129,400)	62,561	(35,477)	(325,389)
<b>Total Fund Balances (Deficits)</b>	<b>(277,148)</b>	<b>(129,400)</b>	<b>62,561</b>	<b>(35,477)</b>	<b>(325,389)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 622,059</b>	<b>\$ 195,498</b>	<b>\$ 217,519</b>	<b>\$ -</b>	<b>\$ 1,166,658</b>

**CITY OF HESPERIA**

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<u>Community Development Block Grant</u>	<u>AB 3229 State COPS Program</u>	<u>Emergency Communications</u>	<u>Traffic Signalization</u>	<u>Air Quality Management</u>	<u>Fire District</u>	<u>Development Impact Fees</u>
\$ 913,253	\$ -	\$ -	\$ -	\$ 154,046	\$ 1,659,993	\$ 17,581,535
-	-	-	-	-	-	-
-	-	-	-	-	715,965	-
2,471	-	-	-	382	5,693	44,064
273,767	-	-	-	-	-	-
107,551	19,134	-	-	-	287,335	-
-	-	-	-	-	-	9,002,541
-	-	-	-	-	-	-
<u>\$ 1,297,042</u>	<u>\$ 19,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,428</u>	<u>\$ 2,668,986</u>	<u>\$ 26,628,140</u>
\$ 44,975	\$ -	\$ -	\$ -	\$ -	\$ 42,391	\$ 462,633
273,767	-	-	-	-	390,901	-
-	-	-	-	-	-	-
-	12,165	-	-	-	-	-
<u>318,742</u>	<u>12,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,292</u>	<u>462,633</u>
-	-	-	-	-	-	9,002,541
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>978,300</u>	<u>6,969</u>	<u>-</u>	<u>-</u>	<u>154,428</u>	<u>2,235,694</u>	<u>17,162,966</u>
<u>978,300</u>	<u>6,969</u>	<u>-</u>	<u>-</u>	<u>154,428</u>	<u>2,235,694</u>	<u>26,165,507</u>
<u>\$ 1,297,042</u>	<u>\$ 19,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,428</u>	<u>\$ 2,668,986</u>	<u>\$ 26,628,140</u>

**CITY OF HESPERIA**

COMBINING BALANCE SHEET  
ALL SPECIAL REVENUE FUNDS  
June 30, 2009

	Street Maintenance	AB 2928 Traffic Congestion	Home Grant	Redevelopment Agency
<b>Assets</b>				
Cash and investments	\$ 331,531	\$ 341,532	\$ 22,991	\$ 17,064,012
Restricted investments	-	-	-	58,556,783
Accounts receivable, net	1,081	-	-	4,587
Accrued interest	1,246	910	1,414	790,040
Notes receivable	-	-	10,832,623	10,183,415
Due from other governmental agencies	99	177,708	27,488	394,887
Property held for resale	-	-	-	818,555
Deposits	-	-	-	50,000
<b>Total Assets</b>	<b>\$ 333,957</b>	<b>\$ 520,150</b>	<b>\$ 10,884,516</b>	<b>\$ 87,862,279</b>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable and other current liabilities	\$ 190,050	\$ 505,687	\$ 51,893	\$ 686,605
Deferred revenue	-	-	10,832,623	10,183,415
Deposits	-	-	-	2,000
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>190,050</b>	<b>505,687</b>	<b>10,884,516</b>	<b>10,872,020</b>
Fund Balances				
Reserved for:				
Land held for resale	-	-	-	818,555
Deposits	-	-	-	50,000
Special Revenue	-	-	-	76,121,704
Unreserved, reported in Special Revenue Funds	143,907	14,463	-	-
<b>Total Fund Balances (Deficits)</b>	<b>143,907</b>	<b>14,463</b>	<b>-</b>	<b>76,990,259</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 333,957</b>	<b>\$ 520,150</b>	<b>\$ 10,884,516</b>	<b>\$ 87,862,279</b>

**CITY OF HESPERIA**

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Disaster Prepared Grant	Environmental Programs	Neighborhood Stabilization Program	Totals
\$ 6,848	\$ 13,111	\$ -	\$ 38,470,176
-	-	-	58,556,783
-	817	-	722,450
41	33	-	848,387
-	-	-	21,289,805
129	19	59,369	2,892,036
-	-	-	9,821,096
-	-	-	50,000
<u>\$ 7,018</u>	<u>\$ 13,980</u>	<u>\$ 59,369</u>	<u>\$ 132,650,733</u>
\$ 1,025	\$ 3,755	\$ 5,805	\$ 3,059,824
-	-	-	21,680,706
-	-	-	2,000
-	-	53,564	1,907,311
<u>1,025</u>	<u>3,755</u>	<u>59,369</u>	<u>26,649,841</u>
-	-	-	9,821,096
-	-	-	50,000
-	-	-	76,121,704
<u>5,993</u>	<u>10,225</u>	<u>-</u>	<u>20,008,092</u>
<u>5,993</u>	<u>10,225</u>	<u>-</u>	<u>106,000,892</u>
<u>\$ 7,018</u>	<u>\$ 13,980</u>	<u>\$ 59,369</u>	<u>\$ 132,650,733</u>

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2009

	Measure I Arterial		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Use of money and property	107,302	30,305	(76,997)
Intergovernmental	2,600,569	1,865,196	(735,373)
Charges for services	-	-	-
Grants	-	-	-
Other revenues	-	-	-
<b>Total Revenues</b>	<b>2,707,871</b>	<b>1,895,501</b>	<b>(812,370)</b>
<b>Expenditures:</b>			
Current:			
General government			
City manager	-	-	-
Public safety-fire	-	-	-
Development services	-	106,102	(106,102)
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	5,672,612	4,889,975	782,637
<b>Total Expenditures</b>	<b>5,672,612</b>	<b>4,996,077</b>	<b>676,535</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,964,741)	(3,100,576)	(135,835)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	93,259	93,259
Transfers out	(470,886)	(470,886)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(470,886)</b>	<b>(377,627)</b>	<b>93,259</b>
Net Change in Fund Balances	(3,435,627)	(3,478,203)	(42,576)
<b>Fund balances at beginning of year</b>	<b>3,201,055</b>	<b>3,201,055</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ (234,572)</b>	<b>\$ (277,148)</b>	<b>\$ (42,576)</b>

**CITY OF HESPERIA**

Measure I Local			Measure I Transit		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25,160	4,320	(20,840)	7,659	2,883	(4,776)
1,200,263	860,860	(339,403)	200,044	143,477	(56,567)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,225,423</u>	<u>865,180</u>	<u>(360,243)</u>	<u>207,703</u>	<u>146,360</u>	<u>(61,343)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	250,000	241,736	8,264
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,471,244</u>	<u>1,471,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,471,244</u>	<u>1,471,244</u>	<u>-</u>	<u>250,000</u>	<u>241,736</u>	<u>8,264</u>
<u>(245,821)</u>	<u>(606,064)</u>	<u>(360,243)</u>	<u>(42,297)</u>	<u>(95,376)</u>	<u>(53,079)</u>
-	-	-	-	-	-
<u>(226,723)</u>	<u>(226,723)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(226,723)</u>	<u>(226,723)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(472,544)</u>	<u>(832,787)</u>	<u>(360,243)</u>	<u>(42,297)</u>	<u>(95,376)</u>	<u>(53,079)</u>
<u>703,387</u>	<u>703,387</u>	<u>-</u>	<u>157,937</u>	<u>157,937</u>	<u>-</u>
<u>\$ 230,843</u>	<u>\$ (129,400)</u>	<u>\$ (360,243)</u>	<u>\$ 115,640</u>	<u>\$ 62,561</u>	<u>\$ (53,079)</u>

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2009

	Gas Tax		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Taxes	\$ 1,531,500	\$ 1,285,947	\$ (245,553)
Use of money and property	16,805	3,505	(13,300)
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	-	-
Other revenues	-	-	-
<b>Total Revenues</b>	<b>1,548,305</b>	<b>1,289,452</b>	<b>(258,853)</b>
<b>Expenditures:</b>			
Current:			
General government			
City manager	-	-	-
Public safety-fire	-	-	-
Development services	-	-	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	372,119	277,722	94,397
<b>Total Expenditures</b>	<b>372,119</b>	<b>277,722</b>	<b>94,397</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,176,186	1,011,730	(164,456)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	(1,989,811)	(1,989,811)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,989,811)</b>	<b>(1,989,811)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(813,625)</b>	<b>(978,081)</b>	<b>(164,456)</b>
<b>Fund balances at beginning of year</b>	<b>942,604</b>	<b>942,604</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 128,979</b>	<b>\$ (35,477)</b>	<b>\$ (164,456)</b>

**CITY OF HESPERIA**

Article 8			Community Development Block Grant		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ 1,600,000	\$ 1,166,658	\$ (433,342)	\$ -	\$ -	\$ -
-	-	-	51,642	19,018	(32,624)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,307,060	592,606	(714,454)
-	-	-	-	-	-
<u>1,600,000</u>	<u>1,166,658</u>	<u>(433,342)</u>	<u>1,358,702</u>	<u>611,624</u>	<u>(747,078)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,871,040	512,572	2,358,468
-	-	-	39,662	32,335	7,327
-	-	-	450,500	300,000	150,500
-	-	-	400	400	-
-	-	-	7,500	-	7,500
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,369,102</u>	<u>845,307</u>	<u>2,523,795</u>
<u>1,600,000</u>	<u>1,166,658</u>	<u>(433,342)</u>	<u>(2,010,400)</u>	<u>(233,683)</u>	<u>1,776,717</u>
-	-	-	-	-	-
<u>(1,446,855)</u>	<u>(1,446,855)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(1,446,855)</u>	<u>(1,446,855)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
153,145	(280,197)	(433,342)	(2,010,400)	(233,683)	1,776,717
(45,192)	(45,192)	-	1,211,983	1,211,983	-
<u>\$ 107,953</u>	<u>\$ (325,389)</u>	<u>\$ (433,342)</u>	<u>\$ (798,417)</u>	<u>\$ 978,300</u>	<u>\$ 1,776,717</u>

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2009

	AB 3229 State COPS Program		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Use of money and property	322	112	(210)
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	167,500	104,312	(63,188)
Other revenues	-	-	-
<b>Total Revenues</b>	<b>167,822</b>	<b>104,424</b>	<b>(63,398)</b>
<b>Expenditures:</b>			
Current:			
General government			
City manager	-	-	-
Public safety-fire	-	-	-
Development services	-	-	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	167,822	104,424	(63,398)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	(200,000)	(150,000)	50,000
<b>Total Other Financing Sources (Uses)</b>	<b>(200,000)</b>	<b>(150,000)</b>	<b>50,000</b>
<b>Net Change in Fund Balances</b>	<b>(32,178)</b>	<b>(45,576)</b>	<b>(13,398)</b>
<b>Fund balances at beginning of year</b>	<b>52,545</b>	<b>52,545</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 20,367</b>	<b>\$ 6,969</b>	<b>\$ (13,398)</b>

**CITY OF HESPERIA**

Emergency Communications			Traffic Signalization		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,877	2,675	(3,202)	464	211	(253)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,877</u>	<u>2,675</u>	<u>(3,202)</u>	<u>464</u>	<u>211</u>	<u>(253)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	93,260	(93,260)	16,200	16,160	40
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>93,260</u>	<u>(93,260)</u>	<u>16,200</u>	<u>16,160</u>	<u>40</u>
<u>5,877</u>	<u>(90,585)</u>	<u>(96,462)</u>	<u>(15,736)</u>	<u>(15,949)</u>	<u>(213)</u>
-	-	-	-	-	-
-	(111,256)	(111,256)	-	-	-
<u>-</u>	<u>(111,256)</u>	<u>(111,256)</u>	<u>-</u>	<u>-</u>	<u>-</u>
5,877	(201,841)	(207,718)	(15,736)	(15,949)	(213)
201,841	201,841	-	15,949	15,949	-
<u>\$ 207,718</u>	<u>\$ -</u>	<u>\$ (207,718)</u>	<u>\$ 213</u>	<u>\$ -</u>	<u>\$ (213)</u>

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2009

	Air Quality Management		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Use of money and property	3,256	2,045	(1,211)
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	50,000	58,487	8,487
Other revenues	-	-	-
<b>Total Revenues</b>	<b>53,256</b>	<b>60,532</b>	<b>7,276</b>
<b>Expenditures:</b>			
Current:			
General government			
City manager	-	-	-
Public safety-fire	-	-	-
Development services	35,000	35,000	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
<b>Total Expenditures</b>	<b>35,000</b>	<b>35,000</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,256	25,532	7,276
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>18,256</b>	<b>25,532</b>	<b>7,276</b>
<b>Fund balances at beginning of year</b>	<b>128,896</b>	<b>128,896</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 147,152</b>	<b>\$ 154,428</b>	<b>\$ 7,276</b>

Fire District			Development Impact Fees		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ 6,787,114	\$ 6,711,376	\$ (75,738)	\$ -	\$ -	\$ -
87,790	59,171	(28,619)	533,566	283,982	(249,584)
-	-	-	-	-	-
2,236,315	2,147,979	(88,336)	4,810,100	2,709,140	(2,100,960)
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,111,219</u>	<u>8,918,526</u>	<u>(192,693)</u>	<u>5,343,666</u>	<u>2,993,122</u>	<u>(2,350,544)</u>
-	-	-	-	-	-
9,458,504	9,366,590	91,914	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	322,250	312,979	9,271
-	33,995	(33,995)	3,062,000	246,339	2,815,661
-	10,360	(10,360)	-	-	-
-	-	-	9,184,283	2,094,528	7,089,755
<u>9,458,504</u>	<u>9,410,945</u>	<u>47,559</u>	<u>12,568,533</u>	<u>2,653,846</u>	<u>9,914,687</u>
-	-	-	-	-	-
<u>(347,285)</u>	<u>(492,419)</u>	<u>(145,134)</u>	<u>(7,224,867)</u>	<u>339,276</u>	<u>7,564,143</u>
-	-	-	-	-	-
-	-	-	(866,829)	(866,829)	-
-	-	-	(866,829)	(866,829)	-
<u>(347,285)</u>	<u>(492,419)</u>	<u>(145,134)</u>	<u>(8,091,696)</u>	<u>(527,553)</u>	<u>7,564,143</u>
<u>2,728,113</u>	<u>2,728,113</u>	<u>-</u>	<u>26,693,060</u>	<u>26,693,060</u>	<u>-</u>
<u>\$ 2,380,828</u>	<u>\$ 2,235,694</u>	<u>\$ (145,134)</u>	<u>\$ 18,601,364</u>	<u>\$ 26,165,507</u>	<u>\$ 7,564,143</u>

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2009

	Street Maintenance		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Use of money and property	20,197	10,308	(9,889)
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	30,000	30,000	-
Other revenues	3,000	29,060	26,060
<b>Total Revenues</b>	<b>53,197</b>	<b>69,368</b>	<b>16,171</b>
<b>Expenditures:</b>			
Current:			
General government			
City manager	-	-	-
Public safety-fire	-	-	-
Development services	3,240,151	3,118,991	121,160
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
<b>Total Expenditures</b>	<b>3,240,151</b>	<b>3,118,991</b>	<b>121,160</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(3,186,954)</b>	<b>(3,049,623)</b>	<b>137,331</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	2,950,000	2,950,000	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,950,000</b>	<b>2,950,000</b>	<b>-</b>
Net Change in Fund Balances	<b>(236,954)</b>	<b>(99,623)</b>	<b>137,331</b>
<b>Fund balances at beginning of year</b>	<b>243,530</b>	<b>243,530</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 6,576</b>	<b>\$ 143,907</b>	<b>\$ 137,331</b>

AB 2928 State Traffic Congestion Relief			Home Grant		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12,558	2,520	(10,038)	6,269	1,712	(4,557)
789,458	743,798	(45,660)	-	-	-
-	-	-	-	-	-
-	-	-	3,495,532	3,176,111	(319,421)
-	-	-	-	-	-
<u>802,016</u>	<u>746,318</u>	<u>(55,698)</u>	<u>3,501,801</u>	<u>3,177,823</u>	<u>(323,978)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,290,366	3,017,784	272,582
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
561,218	505,686	55,532	-	-	-
<u>561,218</u>	<u>505,686</u>	<u>55,532</u>	<u>3,290,366</u>	<u>3,017,784</u>	<u>272,582</u>
-	-	-	-	-	-
240,798	240,632	(166)	211,435	160,039	(51,396)
-	-	-	-	-	-
(300,000)	(300,000)	-	-	(125,000)	(125,000)
(300,000)	(300,000)	-	-	(125,000)	(125,000)
(59,202)	(59,368)	(166)	211,435	35,039	(176,396)
73,831	73,831	-	(35,039)	(35,039)	-
<u>\$ 14,629</u>	<u>\$ 14,463</u>	<u>\$ (166)</u>	<u>\$ 176,396</u>	<u>\$ -</u>	<u>\$ (176,396)</u>

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2009

	Redevelopment Agency Special Revenue		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Use of money and property	662,316	2,519,002	1,856,686
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	-	-
Other revenues	366,225	347,887	(18,338)
<b>Total Revenues</b>	<b>1,028,541</b>	<b>2,866,889</b>	<b>1,838,348</b>
<b>Expenditures:</b>			
Current:			
General government			
City manager	-	-	-
Public safety-fire	-	-	-
Development services	14,398,845	4,348,663	10,050,182
Debt Service:			
Interest	3,156,927	3,156,927	-
Principal	1,085,000	1,085,000	-
Bond administration expense	15,400	4,019	11,381
Capital Outlay:			
Land	5,525,000	2,516,041	3,008,959
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
<b>Total Expenditures</b>	<b>24,181,172</b>	<b>11,110,650</b>	<b>13,070,522</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,152,631)	(8,243,761)	14,908,870
<b>Other Financing Sources (Uses):</b>			
Transfers in	7,620,480	7,053,354	(567,126)
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>7,620,480</b>	<b>7,053,354</b>	<b>(567,126)</b>
Net Change in Fund Balances	(15,532,151)	(1,190,407)	14,341,744
<b>Fund balances at beginning of year</b>	<b>78,180,666</b>	<b>78,180,666</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 62,648,515</b>	<b>\$ 76,990,259</b>	<b>\$ 14,341,744</b>

**CITY OF HESPERIA**

Disaster Prepared Grant			Environmental Programs		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
665	368	(297)	379	279	(100)
-	-	-	-	-	-
-	-	-	-	-	-
13,381	11,167	(2,214)	28,630	22,528	(6,102)
-	-	-	-	9,410	9,410
<u>14,046</u>	<u>11,535</u>	<u>(2,511)</u>	<u>29,009</u>	<u>32,217</u>	<u>3,208</u>
17,754	15,568	2,186	32,568	28,480	4,088
-	-	-	-	-	-
12,246	12,246	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>30,000</u>	<u>27,814</u>	<u>2,186</u>	<u>32,568</u>	<u>28,480</u>	<u>4,088</u>
<u>(15,954)</u>	<u>(16,279)</u>	<u>(325)</u>	<u>(3,559)</u>	<u>3,737</u>	<u>7,296</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(15,954)</u>	<u>(16,279)</u>	<u>(325)</u>	<u>(3,559)</u>	<u>3,737</u>	<u>7,296</u>
<u>22,272</u>	<u>22,272</u>	<u>-</u>	<u>6,488</u>	<u>6,488</u>	<u>-</u>
<u>\$ 6,318</u>	<u>\$ 5,993</u>	<u>\$ (325)</u>	<u>\$ 2,929</u>	<u>\$ 10,225</u>	<u>\$ 7,296</u>

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2009

	Neighborhood Stabilization Program		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Use of money and property	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	59,369	59,369
Other revenues	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>59,369</b>	<b>59,369</b>
<b>Expenditures:</b>			
Current:			
General government			
City manager	-	-	-
Public safety-fire	-	-	-
Development services	4,590,719	59,369	4,531,350
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
<b>Total Expenditures</b>	<b>4,590,719</b>	<b>59,369</b>	<b>4,531,350</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(4,590,719)</b>	<b>-</b>	<b>4,590,719</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(4,590,719)</b>	<b>-</b>	<b>4,590,719</b>
<b>Fund balances at beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ (4,590,719)</b>	<b>\$ -</b>	<b>\$ 4,590,719</b>

**CITY OF HESPERIA**

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Totals		
Budget	Actual	Variance With Budget
\$ 9,918,614	\$ 9,163,981	\$ (754,633)
1,542,227	2,942,416	1,400,189
4,790,334	3,613,331	(1,177,003)
7,046,415	4,857,119	(2,189,296)
5,092,103	4,054,580	(1,037,523)
369,225	386,357	17,132
<u>28,758,918</u>	<u>25,017,784</u>	<u>(3,741,134)</u>
50,322	44,048	6,274
9,458,504	9,366,590	91,914
28,704,567	11,561,883	17,142,684
3,196,589	3,189,262	7,327
1,535,500	1,385,000	150,500
15,800	4,419	11,381
5,854,750	2,829,020	3,025,730
3,062,000	280,334	2,781,666
-	10,360	(10,360)
<u>17,261,476</u>	<u>9,239,155</u>	<u>8,022,321</u>
<u>69,139,508</u>	<u>37,910,071</u>	<u>31,229,437</u>
<u>(40,380,590)</u>	<u>(12,892,287)</u>	<u>27,488,303</u>
10,570,480	10,096,613	(473,867)
<u>(5,501,104)</u>	<u>(5,687,360)</u>	<u>(186,256)</u>
<u>5,069,376</u>	<u>4,409,253</u>	<u>(660,123)</u>
<u>(35,311,214)</u>	<u>(8,483,034)</u>	<u>26,828,180</u>
<u>114,483,926</u>	<u>114,483,926</u>	<u>-</u>
<u>\$ 79,172,712</u>	<u>\$ 106,000,892</u>	<u>\$ 26,828,180</u>

# Debt Service Funds

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The Debt Service funds are used to account for the accumulation of resources and the payment of general obligation bond principal and interest from governmental resources, and special assessment bond principal and interest from special assessment levies, when the government is obligated in some manner for the payment.

Individual Debt Service funds are as follows

**Marks-Roos Revenue Bonds** - To account for debt service payments on the Marks-Roos Measure I Revenue bonds.

**Redevelopment Agency** - To account for the tax increment receipts and payment of the Redevelopment Agency bonded indebtedness.

**City Debt Service** – To account for debt service payments on the City's general debt.

COMBINING BALANCE SHEET  
ALL DEBT SERVICE FUNDS  
June 30, 2009

	Mark Roos Revenue Bonds	Redevelopment Agency Debt Service	City Debt Service	Totals
<b>Assets</b>				
Cash and investments	\$ 1,090,020	\$ 20,745,900	\$ 1,566,673	\$ 23,402,593
Restricted investments	1,040,888	4,950,916	1,292,237	7,284,041
Accrued interest	2,402	78,779	3,702	84,883
Due from other governmental agencies	-	1,579,246	-	1,579,246
Due from other funds	-	947,357	-	947,357
<b>Total Assets</b>	<u>\$ 2,133,310</u>	<u>\$ 28,302,198</u>	<u>\$ 2,862,612</u>	<u>\$ 33,298,120</u>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable and other current liabilities	\$ 2,028	\$ -	\$ 7,155	\$ 9,183
Due to other governmental agencies	-	8,183,384	-	8,183,384
<b>Total Liabilities</b>	<u>2,028</u>	<u>8,183,384</u>	<u>7,155</u>	<u>8,192,567</u>
Fund Balances				
Reserved for:				
Reserve for advances	-	947,357	-	947,357
Debt Service	2,131,282	19,171,457	2,855,457	24,158,196
<b>Total Fund Balances</b>	<u>2,131,282</u>	<u>20,118,814</u>	<u>2,855,457</u>	<u>25,105,553</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,133,310</u>	<u>\$ 28,302,198</u>	<u>\$ 2,862,612</u>	<u>\$ 33,298,120</u>

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL DEBT SERVICE FUNDS  
 For the Year Ended June 30, 2009

	Mark Roos Revenue Bonds		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Use of money and property	57,203	61,070	3,867
Other revenues	-	1,200	1,200
<b>Total Revenues</b>	<b>57,203</b>	<b>62,270</b>	<b>5,067</b>
<b>Expenditures:</b>			
Debt Service:			
Interest	889,275	118,174	771,101
Principal	520,000	520,000	-
Pass through payments	-	-	-
Bond administration expense	75,000	54,212	20,788
<b>Total Expenditures</b>	<b>1,484,275</b>	<b>692,386</b>	<b>791,889</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(1,427,072)</b>	<b>(630,116)</b>	<b>796,956</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,484,275	1,484,275	-
Transfers out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,484,275</b>	<b>1,484,275</b>	<b>-</b>
Net Change in Fund Balances	57,203	854,159	796,956
<b>Fund balances at beginning of year</b>	<b>1,277,123</b>	<b>1,277,123</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 1,334,326</b>	<b>\$ 2,131,282</b>	<b>\$ 796,956</b>

**CITY OF HESPERIA**

Redevelopment Agency			City Debt Service		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ 30,481,920	\$ 34,641,767	\$ 4,159,847	\$ -	\$ -	\$ -
608,228	426,670	(181,558)	40,147	23,951	(16,196)
-	-	-	-	-	-
<u>31,090,148</u>	<u>35,068,437</u>	<u>3,978,289</u>	<u>40,147</u>	<u>23,951</u>	<u>(16,196)</u>
6,870,099	6,870,099	-	643,500	171,873	471,627
2,135,000	2,135,000	-	200,000	200,000	-
16,212,848	15,709,763	503,085	-	-	-
19,600	8,009	11,591	150,000	87,907	62,093
<u>25,237,547</u>	<u>24,722,871</u>	<u>514,676</u>	<u>993,500</u>	<u>459,780</u>	<u>533,720</u>
5,852,601	10,345,566	4,492,965	(953,353)	(435,829)	517,524
-	3,909	3,909	993,500	993,500	-
(26,000,000)	(17,486,224)	8,513,776	-	-	-
<u>(26,000,000)</u>	<u>(17,482,315)</u>	<u>8,517,685</u>	<u>993,500</u>	<u>993,500</u>	<u>-</u>
(20,147,399)	(7,136,749)	13,010,650	40,147	557,671	517,524
<u>27,255,563</u>	<u>27,255,563</u>	<u>-</u>	<u>2,297,786</u>	<u>2,297,786</u>	<u>-</u>
<u>\$ 7,108,164</u>	<u>\$ 20,118,814</u>	<u>\$ 13,010,650</u>	<u>\$ 2,337,933</u>	<u>\$ 2,855,457</u>	<u>\$ 517,524</u>

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL DEBT SERVICE FUNDS  
 For the Year Ended June 30, 2009

	Totals		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Taxes	\$ 30,481,920	\$ 34,641,767	\$ 4,159,847
Use of money and property	705,578	511,691	(193,887)
Other revenues	-	1,200	1,200
<b>Total Revenues</b>	<u>31,187,498</u>	<u>35,154,658</u>	<u>3,967,160</u>
<b>Expenditures:</b>			
Debt Service:			
Interest	8,402,874	7,160,146	1,242,728
Principal	2,855,000	2,855,000	-
Pass through payments	16,212,848	15,709,763	503,085
Bond administration expense	244,600	150,128	94,472
<b>Total Expenditures</b>	<u>27,715,322</u>	<u>25,875,037</u>	<u>1,840,285</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,472,176</u>	<u>9,279,621</u>	<u>5,807,445</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	2,477,775	2,481,684	3,909
Transfers out	(26,000,000)	(17,486,224)	8,513,776
<b>Total Other Financing Sources (Uses)</b>	<u>(23,522,225)</u>	<u>(15,004,540)</u>	<u>8,517,685</u>
Net Change in Fund Balances	(20,050,049)	(5,724,919)	14,325,130
<b>Fund balances at beginning of year</b>	<u>30,830,472</u>	<u>30,830,472</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ 10,780,423</u>	<u>\$ 25,105,553</u>	<u>\$ 14,325,130</u>

# Capital Project Funds

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The Capital Project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Individual Capital Project funds are as follows

**Assessment District #91-1 – Joshua/West Main Street** - To account for bond proceeds used to finance infrastructure improvements in the Joshua/West Main Street area.

**Community Facilities District #91-3 – Belgate Development** - To account for bond proceeds used to finance infrastructure improvements in the Belgate Development area.

**Fire Building** - To account for development impact fees to fund capital improvements of fire facilities.

**City Projects** - To account for funds designated for various capital projects throughout the City.

**County High Desert Government Center** - To account for the costs to construct a County of San Bernardino in the City of Hesperia located just to the north of the City's Civic Plaza.

**Ranchero Road Undercrossing** - To account for monies expended to build an under pass under the Burlington Northern Santa Fe rail lines at Ranchero Road.

**Redevelopment Agency 2005 Capital Projects** – To account for the capital projects in the individual Redevelopment Agency project areas. Bond proceeds provide the principal financing.

**CITY OF HESPERIA**

COMBINING BALANCE SHEET  
 ALL CAPITAL PROJECTS FUNDS  
 June 30, 2009

	Assessment District 91-1	Community Facilities District 91-3	Fire Building	City Projects
<b>Assets</b>				
Cash and investments	\$ 500,075	\$ 495,770	\$ 1,505,758	\$ 86,215
Restricted investments	-	-	-	-
Accounts receivable, net	-	-	-	-
Accrued interest	1,242	1,231	5,042	214
Due from other governmental agencies	-	-	-	-
Land held for resale	-	-	-	-
Deposits	-	-	-	-
<b>Total Assets</b>	<b>\$ 501,317</b>	<b>\$ 497,001</b>	<b>\$ 1,510,800</b>	<b>\$ 86,429</b>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable and other current liabilities	\$ -	\$ -	\$ 403,797	\$ 64,872
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>403,797</b>	<b>64,872</b>
Fund Balances				
Reserved for :				
Land held for resale	-	-	-	-
Deposits	-	-	-	-
Capital Projects	-	-	-	-
Unreserved, designated for Specific Capital Projects	501,317	497,001	1,107,003	21,557
<b>Total Fund Balances (Deficits)</b>	<b>501,317</b>	<b>497,001</b>	<b>1,107,003</b>	<b>21,557</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 501,317</b>	<b>\$ 497,001</b>	<b>\$ 1,510,800</b>	<b>\$ 86,429</b>

**CITY OF HESPERIA**

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County High Desert Government Center	Ranchero Road Undercrossing	Redevelopment Agency 2005 Capital Projects	Totals
\$ -	\$ 2,985	\$ 3,388,687	\$ 5,979,490
-	-	52,945,425	52,945,425
-	-	125	125
-	-	607,630	615,359
1,104,691	2,709	515,904	1,623,304
-	-	11,351,637	11,351,637
-	-	257,516	257,516
<u>\$ 1,104,691</u>	<u>\$ 5,694</u>	<u>\$ 69,066,924</u>	<u>\$ 72,772,856</u>
\$ 12,108	\$ 5,694	\$ 2,150,073	\$ 2,636,544
1,092,583	-	947,357	2,039,940
<u>1,104,691</u>	<u>5,694</u>	<u>3,097,430</u>	<u>4,676,484</u>
-	-	11,351,637	11,351,637
-	-	257,516	257,516
-	-	54,360,341	54,360,341
-	-	-	2,126,878
-	-	65,969,494	68,096,372
<u>\$ 1,104,691</u>	<u>\$ 5,694</u>	<u>\$ 69,066,924</u>	<u>\$ 72,772,856</u>

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL CAPITAL PROJECTS FUNDS  
 For the Year Ended June 30, 2009

	Assessment District 91-1		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Use of money and property	\$ 14,250	\$ 7,783	\$ (6,467)
Intergovernmental	-	-	-
Grants	-	-	-
Other revenues	-	-	-
<b>Total Revenues</b>	<b>14,250</b>	<b>7,783</b>	<b>(6,467)</b>
<b>Expenditures:</b>			
Current:			
General government			
Development services	-	-	-
Debt service:			
Interest	-	-	-
Principal	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,250	7,783	(6,467)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Issuance of notes payable	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>14,250</b>	<b>7,783</b>	<b>(6,467)</b>
<b>Fund balances at beginning of year</b>	<b>493,534</b>	<b>493,534</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 507,784</b>	<b>\$ 501,317</b>	<b>\$ (6,467)</b>

**CITY OF HESPERIA**

Community Facilities District 91-3			Fire Building		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ 15,486	\$ 7,753	\$ (7,733)	\$ 68,907	\$ 63,565	\$ (5,342)
-	-	-	-	-	-
-	-	-	-	-	-
4,600	444	(4,156)	-	-	-
20,086	8,197	(11,889)	68,907	63,565	(5,342)
20,000	6,196	13,804	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	4,500,000	3,540,958	959,042
-	-	-	-	-	-
-	-	-	-	-	-
20,000	6,196	13,804	4,500,000	3,540,958	959,042
86	2,001	1,915	(4,431,093)	(3,477,393)	953,700
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
86	2,001	1,915	(4,431,093)	(3,477,393)	953,700
495,000	495,000	-	4,584,396	4,584,396	-
\$ 495,086	\$ 497,001	\$ 1,915	\$ 153,303	\$ 1,107,003	\$ 953,700

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL CAPITAL PROJECTS FUNDS  
 For the Year Ended June 30, 2009

	City Projects		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Use of money and property	\$ 5	\$ 14,039	\$ 14,034
Intergovernmental	-	13	13
Grants	-	-	-
Other revenues	-	-	-
<b>Total Revenues</b>	<b>5</b>	<b>14,052</b>	<b>14,047</b>
<b>Expenditures:</b>			
Current:			
General government			
Development services	-	-	-
Debt service:			
Interest	-	-	-
Principal	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	1,381,257	1,381,257	-
<b>Total Expenditures</b>	<b>1,381,257</b>	<b>1,381,257</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(1,381,252)</b>	<b>(1,367,205)</b>	<b>14,047</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Issuance of notes payable	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,381,252)</b>	<b>(1,367,205)</b>	<b>14,047</b>
<b>Fund balances at beginning of year</b>	<b>1,388,762</b>	<b>1,388,762</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 7,510</b>	<b>\$ 21,557</b>	<b>\$ 14,047</b>

**CITY OF HESPERIA**

County High Desert Government Center			Ranchero Road Undercrossing		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,387,500	1,877,764	490,264	-	-	-
-	-	-	4,039,000	3,676	(4,035,324)
-	-	-	-	-	-
1,387,500	1,877,764	490,264	4,039,000	3,676	(4,035,324)
1,822,150	1,730,173	91,977	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,739,000	-	3,739,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	300,000	3,676	296,324
1,822,150	1,730,173	91,977	4,039,000	3,676	4,035,324
(434,650)	147,591	582,241	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(434,650)	147,591	582,241	-	-	-
(147,591)	(147,591)	-	-	-	-
\$ (582,241)	\$ -	\$ 582,241	\$ -	\$ -	\$ -

**CITY OF HESPERIA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-  
 BUDGET AND ACTUAL  
 ALL CAPITAL PROJECTS FUNDS  
 For the Year Ended June 30, 2009

	Redevelopment Agency 2005 Capital Projects		
	Budget	Actual	Variance With Budget
<b>Revenues:</b>			
Use of money and property	\$ 918,358	\$ 2,001,284	\$ 1,082,926
Intergovernmental	-	-	-
Grants	-	597,997	597,997
Other revenues	1,079,363	1,288,669	209,306
<b>Total Revenues</b>	<b>1,997,721</b>	<b>3,887,950</b>	<b>1,890,229</b>
<b>Expenditures:</b>			
Current:			
General government			
Development services	12,656,278	1,770,484	10,885,794
Debt service:			
Interest	20,483	20,482	1
Principal	350,000	350,000	-
Capital Outlay:			
Land	9,379,179	7,404,024	1,975,155
Buildings and improvements	8,146,700	1,354,933	6,791,767
Equipment and vehicles	10,000	-	10,000
Infrastructure	24,517,767	15,166,955	9,350,812
<b>Total Expenditures</b>	<b>55,080,407</b>	<b>26,066,878</b>	<b>29,013,529</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(53,082,686)</b>	<b>(22,178,928)</b>	<b>30,903,758</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	26,000,000	10,557,870	(15,442,130)
Transfers out	(253,905)	(253,905)	-
Issuance of notes payable	-	1,853,000	1,853,000
<b>Total Other Financing Sources (Uses)</b>	<b>25,746,095</b>	<b>12,156,965</b>	<b>(13,589,130)</b>
Net Change in Fund Balances	<b>(27,336,591)</b>	<b>(10,021,963)</b>	<b>17,314,628</b>
<b>Fund balances at beginning of year</b>	<b>75,991,457</b>	<b>75,991,457</b>	<b>-</b>
<b>Fund balances at end of year</b>	<b>\$ 48,654,866</b>	<b>\$ 65,969,494</b>	<b>\$ 17,314,628</b>

**CITY OF HESPERIA**

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Totals		
Budget	Actual	Variance With Budget
\$ 1,017,006	\$ 2,094,424	\$ 1,077,418
1,387,500	1,877,777	490,277
4,039,000	601,673	(3,437,327)
1,083,963	1,289,113	205,150
<u>7,527,469</u>	<u>5,862,987</u>	<u>(1,664,482)</u>
14,498,428	3,506,853	10,991,575
20,483	20,482	1
350,000	350,000	-
13,118,179	7,404,024	5,714,155
12,646,700	4,895,891	7,750,809
10,000	-	10,000
<u>26,199,024</u>	<u>16,551,888</u>	<u>9,647,136</u>
<u>66,842,814</u>	<u>32,729,138</u>	<u>34,113,676</u>
<u>(59,315,345)</u>	<u>(26,866,151)</u>	<u>32,449,194</u>
26,000,000	10,557,870	(15,442,130)
(253,905)	(253,905)	-
-	1,853,000	1,853,000
<u>25,746,095</u>	<u>12,156,965</u>	<u>(13,589,130)</u>
<u>(33,569,250)</u>	<u>(14,709,186)</u>	<u>18,860,064</u>
82,805,558	82,805,558	-
<u>\$ 49,236,308</u>	<u>\$ 68,096,372</u>	<u>\$ 18,860,064</u>



# CITY OF HESPERIA

## Statistical Section Narrative

The schedules of this statistical section fall into one of five broad classifications of information which include:

**Financial Trends Information** is intended to assist users in understanding and assessing how a government's financial position has changed over time.

- Net Assets By Component
- Changes In Net Assets
- Fund Balances Of Governmental Funds
- Changes In Fund Balances Of Governmental Funds

**Revenue Capacity Information** is intended to assist users in understanding and assessing factors affecting a government's ability to generate its own revenue. As 52% of the revenues are tax related and of that 69% is property taxes, emphasis on the valuation of the taxable property is a significant item to monitor.

- Assessed Value And Estimated Actual Value Of Taxable Property

**Debt Capacity Information** is intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.

- Direct And Overlapping Property Tax Rates
- Principal Property Tax Payers
- Property Tax Levies And Collections
- Ratios Of Outstanding Debt By Type
- Ratio Of General Bonded Debt Outstanding
- Direct And Overlapping Bonded Debt
- Computation Of Legal Debt Margin
- Pledged-Revenue Coverage

**Demographic and Economic Information** is intended to assist users in understanding the socioeconomic environment within which a government operates and provide information that facilitates comparison of financial statement information over time and among governments.

- Demographic And Economic Statistics
- Principal Employers
- Full-time And Part-time City Employees

**Operating Information** is intended to provide information about operations and resources to assist readers in using financial statement information to understand and assess a government's economic condition.

- Operating Indicators
- Capital Asset Statistics
- Water Sold by Type of Customer
- Water Rates
- Water Customers

**CITY OF HESPERIA**  
**Net Assets By Component**  
**Last Seven Fiscal Years**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
Governmental activities:			
Invested in capital assets, net of related debt	\$ (22,151,775)	\$ (17,491,143)	\$ (8,320,832)
Restricted	5,503,651	5,519,543	-
Unrestricted	15,191,433	23,851,906	37,690,850
Total governmental activities net assets	<u>\$ (1,456,691)</u>	<u>\$ 11,880,306</u>	<u>\$ 29,370,018</u>
Business-type activities:			
Invested in capital assets, net of related debt	\$ 33,700,474	\$ 37,734,956	\$ 40,719,556
Restricted	1,228,374	385,201	394,291
Unrestricted	13,484,881	20,268,387	26,095,340
Total business-type activities net assets	<u>\$ 48,413,729</u>	<u>\$ 58,388,544</u>	<u>\$ 67,209,187</u>
Primary government:			
Invested in capital assets, net of related debt	\$ 11,548,699	\$ 20,243,813	\$ 32,398,724
Restricted	6,732,025	5,904,744	394,291
Unrestricted	28,676,314	44,120,293	63,786,190
Total primary government net assets	<u>\$ 46,957,038</u>	<u>\$ 70,268,850</u>	<u>\$ 96,579,205</u>

*The City of Hesperia implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.*

<b>Fiscal Year</b>			
<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
\$ 44,983,065	\$ 53,616,857	\$ 27,606,544	\$ 51,395,013
-	5,629,284	11,244,302	11,048,328
52,074,612	70,563,924	111,680,392	97,978,896
<u>\$ 97,057,677</u>	<u>\$ 129,810,065</u>	<u>\$ 150,531,238</u>	<u>\$ 160,422,237</u>
\$ 49,232,581	\$ 58,520,406	\$ 71,858,235	\$ 77,907,459
394,760	395,227	395,472	395,487
30,877,798	28,091,091	14,100,209	3,940,107
<u>\$ 80,505,139</u>	<u>\$ 87,006,724</u>	<u>\$ 86,353,916</u>	<u>\$ 82,243,053</u>
\$ 94,215,646	\$ 112,137,263	\$ 99,464,779	\$ 129,302,472
394,760	6,024,511	11,639,774	11,443,815
82,952,410	98,655,015	125,780,601	101,919,003
<u>\$ 177,562,816</u>	<u>\$ 216,816,789</u>	<u>\$ 236,885,154</u>	<u>\$ 242,665,290</u>

**CITY OF HESPERIA**  
**Changes In Net Assets**  
**Last Seven Fiscal Years**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
Expenses:			
Governmental activities:			
General government	\$ 3,947,384	\$ 4,541,529	\$ 6,568,914
Public safety	11,862,373	12,150,761	12,564,797
Development services	7,469,243	9,457,263	12,418,250
Interest on long-term debt	2,305,828	2,231,452	1,818,660
Total governmental activities expenses	<u>25,584,828</u>	<u>28,381,005</u>	<u>33,370,621</u>
Business-type activities:			
Water	10,057,853	9,631,538	11,108,806
Wastewater	788,696	854,049	959,215
Total business-type activities expenses	<u>10,846,549</u>	<u>10,485,587</u>	<u>12,068,021</u>
Total primary government expenses	<u>36,431,377</u>	<u>38,866,592</u>	<u>45,438,642</u>
Program revenues:			
Governmental activities:			
Charges for services:			
General government	5,761,006	5,809,505	6,804,436
Public safety	2,463,334	2,343,945	1,967,136
Transportation	-	17,851	-
Development services	97,982	3,843,279	5,591,210
Operating grants and contributions	5,470,516	6,078,237	6,222,214
Capital grants and contributions	-	-	-
Total governmental activities program revenues	<u>13,792,838</u>	<u>18,092,817</u>	<u>20,584,996</u>
Business-type activities:			
Charges for services:			
Water	7,972,284	10,425,035	11,089,090
Wastewater	1,079,381	1,621,014	2,155,770
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	-
Total business-type activities program revenues	<u>9,051,665</u>	<u>12,046,049</u>	<u>13,244,860</u>
Total primary government program revenues	<u>22,844,503</u>	<u>30,138,866</u>	<u>33,829,856</u>
Net revenues (expenses):			
Governmental activities	(11,791,990)	(10,288,188)	(12,785,625)
Business-type activities	(1,794,884)	1,560,462	1,176,839
Total net revenues (expenses)	<u>(13,586,874)</u>	<u>(8,727,726)</u>	<u>(11,608,786)</u>

**Fiscal Year**

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
\$ 5,461,656	\$ 7,069,940	\$ 8,301,031	\$ 9,102,750
13,671,886	16,926,772	19,464,330	21,009,383
19,387,801	34,337,164	38,592,916	40,695,333
2,996,243	3,512,099	8,351,815	11,912,918
<u>41,517,586</u>	<u>61,845,975</u>	<u>74,710,092</u>	<u>82,720,384</u>
13,424,254	15,654,073	16,188,975	17,791,420
1,013,317	1,239,687	1,535,628	1,711,325
<u>14,437,571</u>	<u>16,893,760</u>	<u>17,724,603</u>	<u>19,502,745</u>
<u>55,955,157</u>	<u>78,739,735</u>	<u>92,434,695</u>	<u>102,223,129</u>
8,561,860	6,276,500	4,274,093	3,519,236
2,241,732	2,723,734	2,665,407	2,826,597
-	-	-	-
8,313,191	6,995,621	6,700,907	5,674,976
11,048,636	17,440,925	6,580,808	9,029,552
-	-	-	597,997
<u>30,165,419</u>	<u>33,436,780</u>	<u>20,221,215</u>	<u>21,648,358</u>
12,215,406	13,220,207	12,409,854	14,716,219
3,021,404	2,616,697	2,661,434	2,723,568
-	-	-	-
-	-	-	-
<u>15,236,810</u>	<u>15,836,904</u>	<u>15,071,288</u>	<u>17,439,787</u>
<u>45,402,229</u>	<u>49,273,684</u>	<u>35,292,503</u>	<u>39,088,145</u>
(11,352,167)	(28,409,195)	(54,488,877)	(61,072,026)
799,239	(1,056,856)	(2,653,315)	(2,062,958)
<u>(10,552,928)</u>	<u>(29,466,051)</u>	<u>(57,142,192)</u>	<u>(63,134,984)</u>

(Continued)

(Continued)

**CITY OF HESPERIA**  
**Changes In Net Assets**  
**Last Seven Fiscal Years**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
General revenues and other changes in net assets:			
Governmental activities:			
Taxes:			
Property taxes	7,537,050	10,115,146	13,956,618
Sales and use tax	5,350,392	6,308,789	7,039,638
Transient occupancy tax	175,069	354,109	428,309
Franchise tax	1,611,451	1,711,464	1,710,246
Document transfer tax	184,577	353,239	617,947
Vehicle license fees	3,764,534	3,110,897	4,208,873
Income from property and investments	93,250	437,453	749,628
Gain/(loss) on sale of land	-	142,216	-
Unrestricted capital contributions	-	-	813,692
Other general revenues and transfers	21,705	44,337	184,995
Total governmental activities	<u>18,738,028</u>	<u>22,577,650</u>	<u>29,709,946</u>
Business-type activities:			
Property taxes	479,375	364,028	139,612
Unrestricted investment earnings	305,447	377,551	418,898
Unrestricted system improvement and replacement	4,216,764	7,336,423	7,062,410
Other revenues and transfers	321,239	336,351	373,100
Total business-type revenues and transfers	<u>5,322,825</u>	<u>8,414,353</u>	<u>7,994,020</u>
Total primary government	<u>24,060,853</u>	<u>30,992,003</u>	<u>37,703,966</u>
Changes in net assets			
Governmental activities	6,946,038	12,289,462	16,924,321
Business-type activities	3,527,941	9,974,815	9,170,859
Total primary government	<u>\$ 10,473,979</u>	<u>\$ 22,264,277</u>	<u>\$ 26,095,180</u>

*The City of Hesperia implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.*

**Fiscal Year**

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
24,176,799	34,413,418	42,188,578	42,664,300
9,143,934	10,322,560	9,141,364	6,803,504
573,167	659,255	742,791	607,951
2,012,833	2,176,231	2,255,427	2,587,274
819,907	567,321	223,588	206,900
5,732,562	7,031,180	8,635,844	8,543,817
3,590,947	5,019,835	8,228,698	5,711,989
-	-	-	-
987,236	443,062	-	119,529
43,240	528,721	3,793,760	3,717,761
<u>47,080,625</u>	<u>61,161,583</u>	<u>75,210,050</u>	<u>70,963,025</u>
145,452	363,921	368,104	293,773
902,209	1,323,537	926,463	326,570
10,721,686	5,539,018	3,975,273	555,950
727,366	331,965	(3,269,333)	(3,224,198)
<u>12,496,713</u>	<u>7,558,441</u>	<u>2,000,507</u>	<u style="color: red;">(2,047,905)</u>
<u>59,577,338</u>	<u>68,720,024</u>	<u>77,210,557</u>	<u>68,915,120</u>
35,728,458	32,752,388	20,721,173	9,890,999
13,295,952	6,501,585	(652,808)	(4,110,863)
<u>\$ 49,024,410</u>	<u>\$ 39,253,973</u>	<u>\$ 20,068,365</u>	<u>\$ 5,780,136</u>

**CITY OF HESPERIA**  
**Fund Balances Of Governmental Funds**  
**Last Seven Fiscal Years**  
**(modified accrual basis of accounting)**

	<b>Fiscal Year</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
General fund:			
Reserved	\$ 5,218,251	\$ 2,978,325	\$ 361,846
Unreserved	2,934,198	6,880,251	15,139,502
Total general fund	<u>\$ 8,152,449</u>	<u>\$ 9,858,576</u>	<u>\$ 15,501,348</u>
All other governmental funds:			
Reserved	\$ 2,890,828	\$ 3,157,330	\$ 29,004,708
Unreserved, reported in:			
Special revenue funds	9,658,085	14,123,256	30,447,098
Debt service funds	(3,825,980)	(2,642,579)	(490,229)
Capital projects funds	5,084,474	5,000,435	15,856,368
Total all other governmental funds	<u>\$ 13,807,407</u>	<u>\$ 19,638,442</u>	<u>\$ 74,817,945</u>

*The City of Hesperia has elected to show only seven years of data for this schedule.*

**Fiscal Year**

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
17,585,942	22,557,386	22,328,904	20,416,371
<u>\$ 17,735,942</u>	<u>\$ 22,707,386</u>	<u>\$ 22,478,904</u>	<u>\$ 20,566,371</u>
\$ 42,787,688	\$ 45,862,243	\$ 194,005,136	\$ 177,067,847
29,317,414	35,857,131	27,300,719	20,008,092
(22,443)	398,835	-	-
6,872,815	3,850,969	6,814,101	2,126,878
<u>\$ 78,955,474</u>	<u>\$ 85,969,178</u>	<u>\$ 228,119,956</u>	<u>\$ 199,202,817</u>

**CITY OF HESPERIA**  
**Changes In Fund Balances Of Governmental Funds**  
**Last Seven Fiscal Years**  
**(modified accrual basis of accounting)**

	<b>Fiscal Year</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
Revenues:			
Taxes	\$ 16,365,107	\$ 20,547,826	\$ 24,919,776
Licenses and permits	262,615	257,601	256,194
Fines and forfeits	254,608	401,451	407,270
Use of money and property	450,204	436,362	3,105,920
Intergovernmental	8,262,121	8,219,246	9,046,885
Charges for services	6,341,430	9,578,056	12,421,713
Grants	-	1,035,019	960,610
Other revenues	381,302	1,625,250	788,022
Total revenues	<u>32,317,387</u>	<u>42,100,811</u>	<u>51,906,390</u>
Expenditures:			
Noncapital Expenditures:			
Current:			
General government	3,748,066	4,182,520	4,605,714
Public safety	11,630,806	12,093,487	12,455,222
Development services	7,181,703	9,355,122	7,873,573
Debt service:			
Interest	1,953,428	1,858,117	4,250,263
Principal	1,402,353	2,648,300	755,000
Debt issuance costs	-	-	2,254,564
Pass through payments	-	-	4,393,424
Bond administration expense	20,286	19,822	28,208
Total noncapital expenditures	<u>25,936,642</u>	<u>30,157,368</u>	<u>36,615,968</u>
Capital outlay	<u>4,709,271</u>	<u>4,993,010</u>	<u>6,383,711</u>
Total Expenditures	<u>30,645,913</u>	<u>35,150,378</u>	<u>42,999,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,671,474</u>	<u>6,950,433</u>	<u>8,906,711</u>
Other financing sources (uses):			
Transfers in	5,155,981	5,935,918	5,155,981
Transfers out	(5,155,981)	(5,935,918)	(5,155,981)
Issuance of debt	-	-	51,915,561
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>51,915,561</u>
Net change in fund balances	<u>\$ 1,671,474</u>	<u>\$ 6,950,433</u>	<u>\$ 60,822,272</u>
Debt service as a percentage of noncapital expenditures	13.0%	15.0%	31.9%

**Notes:**

*The City of Hesperia has elected to show only seven years of data for this schedule.*

*Debt Service as a Percentage of Noncapital Expenditures is calculated by dividing the sum of the debt service expenditures by the total noncapital expenditures.*

**Fiscal Year**

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
\$ 37,881,600	\$ 49,407,703	\$ 55,405,322	\$ 53,503,130
275,507	230,972	236,382	229,900
250,772	1,118,631	794,088	835,690
3,619,467	5,050,964	8,261,151	5,760,927
12,072,506	12,490,614	14,407,875	14,884,925
16,883,103	12,383,951	8,862,460	6,422,964
3,160,876	11,609,745	1,524,833	4,724,661
2,940,965	2,099,331	2,025,167	1,974,849
<u>77,084,796</u>	<u>94,391,911</u>	<u>91,517,278</u>	<u>88,337,046</u>
4,888,487	5,792,539	6,410,608	6,689,322
13,581,887	16,824,494	19,227,144	20,670,110
10,658,293	20,082,275	19,311,962	21,551,931
2,465,662	3,184,265	6,693,786	10,369,890
3,160,000	3,050,000	6,910,000	4,590,000
26,201	-	3,060,015	-
8,394,018	12,326,351	15,541,970	15,709,763
50,723	288,989	203,355	154,547
<u>43,225,271</u>	<u>61,548,913</u>	<u>77,358,840</u>	<u>79,735,563</u>
<u>28,404,226</u>	<u>20,857,850</u>	<u>32,525,962</u>	<u>41,284,155</u>
<u>71,629,497</u>	<u>82,406,763</u>	<u>109,884,802</u>	<u>121,019,718</u>
<u>5,455,299</u>	<u>11,985,148</u>	<u>(18,367,524)</u>	<u>(32,682,672)</u>
13,321,361	10,312,687	25,062,588	23,554,164
(13,321,361)	(10,312,687)	(25,062,588)	(23,554,164)
-	-	160,289,820	1,853,000
-	-	160,289,820	1,853,000
<u>\$ 5,455,299</u>	<u>\$ 11,985,148</u>	<u>\$ 141,922,296</u>	<u>\$ (30,829,672)</u>
32.6%	30.6%	41.9%	38.7%

**CITY OF HESPERIA**  
**Assessed Value And Estimated Actual Value Of Taxable Property**  
**Last Ten Fiscal Years**  
(in thousands of dollars)

	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
2000	\$ 2,017,809	\$ 83,467	\$ (72,281)	\$ 2,028,995	\$ 1,656,102	\$ 77,665	\$ (59,556)	\$ 1,674,211	0.178%
2001	2,056,481	78,178	(69,470)	2,065,189	1,517,867	77,665	(56,636)	1,538,896	0.179%
2002	2,119,035	83,737	(71,990)	2,130,782	1,759,840	78,532	(59,663)	1,778,709	0.179%
2003	2,228,581	87,760	(73,860)	2,242,481	1,857,322	83,428	(61,211)	1,879,539	0.179%
2004	2,443,865	88,055	(78,151)	2,453,769	2,028,750	84,115	(64,504)	2,048,361	0.180%
2005	2,790,876	90,286	(79,330)	2,801,832	2,300,393	86,730	(65,416)	2,321,707	0.179%
2006	3,520,949	104,268	(79,642)	3,545,575	2,873,815	99,706	(65,065)	2,908,456	0.179%
2007	4,615,619	110,298	(80,834)	4,645,083	3,726,273	104,620	(65,920)	3,764,973	0.179%
2008	5,813,485	128,913	(82,912)	5,859,486	4,701,132	122,542	(67,725)	4,755,949	0.179%
2009	5,802,745	146,469	(84,671)	5,864,543	4,692,402	138,930	(69,007)	4,762,325	0.179%

**NOTE:**

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

Source: San Bernardino County Assessor's Office

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
City Direct Rates:										
City basic rate	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016
Hesperia Fire Protection District	0.152	0.153	0.153	0.153	0.154	0.153	0.153	0.153	0.153	0.153
Hesperia Water District	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010
Total City Direct Rate	<u>0.178</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.180</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>
Overlapping Rates:										
County of San Bernardino	0.142	0.142	0.142	0.142	0.142	0.142	0.142	0.142	0.142	0.142
ERAF	0.216	0.215	0.215	0.215	0.214	0.216	0.216	0.215	0.215	0.215
Flood Control	0.024	0.023	0.023	0.023	0.023	0.023	0.023	0.023	0.023	0.023
County Free Library	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014
County Superintendent of Schools	0.010	0.010	0.009	0.009	0.009	0.009	0.010	0.010	0.010	0.010
Victor Valley Community College	0.064	0.064	0.064	0.064	0.064	0.064	0.064	0.064	0.064	0.064
Hesperia Unified School District	0.294	0.294	0.294	0.294	0.294	0.293	0.294	0.295	0.295	0.295
CSA 60 - Victorville	0.008	0.008	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009
CSA 70 - County Wide	0.005	0.004	0.004	0.004	0.004	0.004	0.002	0.002	0.002	0.002
Hesperia Park District	0.040	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042
Mojave Water Agency	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005
Total expenditures	<u>1.000</u>									

**Note:**

In 1978, California voters passed Proposition 13 which sets the property tax rate at 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within.

Source: County of San Bernardino Assessor's Office

# CITY OF HESPERIA

## Principal Property Tax Payers Current Year and 9 Years Ago

Taxpayer	2008		1999	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Carl E. Ross Trust	\$ 32,243,431	0.55%	\$ -	0.00%
US Bank NA	23,634,434	0.40%	-	0.00%
Frontier Homes LLC	20,992,443	0.36%	-	0.00%
Arthur J. Mac Donald Trust	-	0.00%	17,554,050	0.88%
Rancho Las Flores Ltd Partnership	-	0.00%	14,127,441	0.71%
Hesperial Marketplace Cap Partners	12,623,000	0.22%	-	0.00%
Hesperia Gateway Marketplace LLC	11,964,600	0.20%	-	0.00%
Hesperia Senior Health Care Group I	11,784,060	0.20%	-	0.00%
Secretary of Housing & Urban Development	-	0.00%	11,219,315	0.56%
Target Corporation	11,090,972	0.19%	-	0.00%
Crossings At Hesperia Limited Partnership	10,764,399	0.18%	-	0.00%
Morgan Stanley trust	10,732,610	0.18%	-	0.00%
Hesperia Community Redevelopment Agency	9,895,287	0.17%	-	0.00%
Samuel T. Byrne Trust	-	0.00%	5,528,400	0.28%
Hill Williams Development Corp.	-	0.00%	5,323,537	0.27%
First Interstate Bank of California	-	0.00%	5,277,988	0.27%
Kern W. Schumacher	-	0.00%	4,944,893	0.25%
Best Way Disposal Company Inc.	-	0.00%	4,574,624	0.23%
Falcon Cable Systems II	-	0.00%	4,203,139	0.21%
WHBA Real Estate Limited Partnership	-	0.00%	4,161,600	0.21%
	<u>\$ 155,725,236</u>	2.66%	<u>\$ 76,914,987</u>	3.87%

Notes:

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

Source: County of San Bernardino Assessor's Office

# CITY OF HESPERIA

## 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		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2000	\$ 4,290,509	\$ 4,090,833	95%	\$ 199,077	\$ 4,289,910	100%
2001	4,722,241	4,521,395	96%	199,440	4,720,835	100%
2002	5,451,689	5,198,415	95%	250,742	5,449,157	100%
2003	6,802,802	6,298,814	93%	497,940	6,796,754	100%
2004	9,092,616	8,832,516	97%	256,459	9,088,975	100%
2005	12,777,222	12,347,878	97%	422,475	12,770,353	100%
2006	21,668,601	21,040,332	97%	616,961	21,657,293	100%
2007	30,548,690	27,625,632	90%	2,817,536	30,443,168	100%
2008	36,836,222	34,574,511	94%	1,900,742	36,475,253	99%
2009	36,477,907	31,819,899	87%	-	31,819,899	87%

**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.

Source: County of San Bernardino Auditor Controller's Office

# CITY OF HESPERIA

## Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities						Total Governmental Activities
	Tax Revenue Bonds	Tax Allocation Bonds <sup>1</sup>	Certificates of Participation	Capital Lease	Loans	Notes Payable	
2000	\$ 17,630,000	\$ 14,391,276	\$ -	\$ 951,089	\$ 4,282,036	\$ -	\$ 37,254,402
2001	16,910,000	14,680,997	-	586,285	4,009,723	-	36,187,006
2002	16,130,000	13,711,714	-	158,757	3,735,287	-	33,735,758
2003	15,280,000	13,891,535	-	54,319	3,445,250	-	32,671,104
2004	14,355,000	14,085,666	-	-	1,950,000	-	30,390,666
2005	12,525,000	49,285,000	18,300,000	-	1,800,000	-	81,910,000
2006	11,440,000	47,360,000	18,300,000	-	1,650,000	-	78,750,000
2007	9,955,000	45,945,000	18,300,000	-	1,500,000	-	75,700,000
2008	8,655,000	198,805,000	14,300,000	-	1,350,000	-	223,110,000
2009	8,135,000	195,585,000	14,100,000	-	1,050,000	1,503,000	220,373,000

**Notes:**

Details regarding the City's outstanding debt can be found in the notes (Note 5) to the financial statements.

1 The RDA issued \$49.3 million of refunding bonds and new debt in 2005.

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

**Business-type Activities**

<u>Water Revenue Bonds</u>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>Loans</u>	<u>Total Business-type Activities</u>	<u>Total Primary Governmental</u>	<u>Percentage of Personal Income <sup>2</sup></u>	<u>Debt Per Capita <sup>2</sup></u>
\$ 20,000,000	\$ 760,000	\$ 1,300,000	\$ 2,998,128	\$ 25,058,128	\$ 62,312,530	6.43%	\$ 996
19,940,000	440,000	1,280,000	2,734,536	24,394,536	60,581,542	6.64%	957
19,445,000	105,000	1,255,000	2,460,194	23,265,194	57,000,952	5.35%	871
18,930,000	-	1,230,000	2,174,336	22,334,336	55,005,440	4.96%	807
18,395,000	-	1,205,000	1,876,681	21,476,681	51,867,347	4.14%	733
17,340,000	-	1,175,000	1,566,234	20,081,234	101,991,234	7.29%	1,340
16,760,000	-	1,145,000	1,242,947	19,147,947	97,897,947	6.68%	1,220
16,155,000	-	1,110,000	905,826	18,170,826	93,870,826	5.81%	1,095
15,530,000	-	1,075,000	554,652	17,159,652	240,269,652	13.92%	2,736
14,880,000	-	1,035,000	188,671	16,103,671	236,476,671	13.57%	2,682

**CITY OF HESPERIA**  
**Ratio of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value <sup>1</sup>	Per Capita
	Tax	Water	Total		
	Allocation Bonds	General Obligation Bonds	Governmental Activities		
2000	\$ 14,391	\$ 760	\$ 15,151	0.75%	\$ 248
2001	14,681	440	15,121	0.73%	242
2002	13,712	105	13,817	0.65%	218
2003	13,892	-	13,892	0.62%	212
2004	14,086	-	14,086	0.57%	207
2005	49,285	-	49,285	1.76%	697
2006	47,360	-	47,360	1.34%	622
2007	45,945	-	45,945	0.99%	572
2008	198,805	-	198,805	3.39%	2,320
2009	195,585	-	195,585	3.34%	2,227

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which the City now 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 HESPERIA**  
**Direct And Overlapping Bonded Debt**  
June 30, 2009

	<b>Total Debt</b>	<b>Percentage</b>	<b>Net Bonded</b>
	<b>6/30/09</b>	<b>Applicable <sup>(1)</sup></b>	<b>Debt</b>
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Victor Valley Joint Community College District	\$ 136,022,028	12.729%	\$ 17,314,244
City of Hesperia Community Facilities District No. 2005-1	18,554,508	100.000%	18,554,508
City of Hesperia Assessment District No. 91-1	7,485,000	100.000%	7,485,000
Hesperia Water District Assessment District No. 3	335,000	100.000%	335,000
Total Overlapping Tax and Assessment Debt			\$ 43,688,752
 <b><u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u></b>			
San Bernardino County General Fund Obligations	741,470,000	2.061%	15,281,697
San Bernardino County Pension Obligations	688,325,591	2.061%	14,186,390
San Bernardino County Flood Control District Certificates of Participation	117,495,000	2.061%	2,421,572
Mojave Water Agency Certificates of Participation	20,205,000	10.672%	2,156,278
Victor Valley Joint Community College District Certificates of Participation	52,050,000	12.729%	6,625,445
Hesperia Unified School District Certificates of Participation	105,000,000	78.267%	82,180,350
Snowline Joint Union High School District Certificates of Participation	63,715,000	1.599%	1,018,803
<b>City of Hesperia Certificates of Participation</b>	<b>17,400,000</b>	<b>100.000%</b>	<b>17,400,000</b>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 141,270,535
COMBINED TOTAL DEBT			\$ 184,959,287 (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.

2008-2009 Assessed Valuation: \$2,597,448,814 (After deducting \$3,351,765,860 Redevelopment Increment).

Ratios to 2008-09 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 0.73%

Ratios to Adjusted Assessed Valuation:

**Combined Direct Debt (\$17,900,000) 0.67%**

Combined Total Debt 7.12%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$ -

Source: California Municipal Statistics, Inc.

**CITY OF HESPERIA**  
**Computation Of Legal Debt Margin**  
**Last Ten Fiscal Years**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total assessed value of all real and personal property	\$ 2,028,995,000	\$ 2,065,189,000	\$ 2,130,782,000	\$ 2,242,481,000
Debt limit percentage (1)	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
Total debt limit	304,349,250	309,778,350	319,617,300	336,372,150
Amount of debt applicable to debt limit	<u>17,630,000</u>	<u>16,910,000</u>	<u>16,130,000</u>	<u>15,280,000</u>
Legal debt margin	\$ 286,719,250	\$ 292,868,350	\$ 303,487,300	\$ 321,092,150
Percent of Debt Limit Authorized	5.79%	5.46%	5.05%	4.54%

The Government Code of the State of California (§43605) provides for a 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

Source: City of Hesperia, Management Services Depa  
San Bernardino County Assessor's Office

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 2,453,769,000	\$ 2,801,832,000	\$ 3,545,575,000	\$ 4,645,083,000	\$ 5,859,486,000	\$ 5,864,543,000
15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
<u>368,065,350</u>	<u>420,274,800</u>	<u>531,836,250</u>	<u>696,762,450</u>	<u>878,922,900</u>	<u>879,681,450</u>
14,355,000	12,525,000	11,440,000	9,955,000	8,655,000	8,135,000
<u>\$ 353,710,350</u>	<u>\$ 407,749,800</u>	<u>\$ 520,396,250</u>	<u>\$ 686,807,450</u>	<u>\$ 870,267,900</u>	<u>\$ 871,546,450</u>
3.90%	2.98%	2.15%	1.43%	0.98%	0.92%

# CITY OF HESPERIA

## Pledged-Revenue Coverage

### Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds					Coverage
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2000	\$ 9,873,455	\$ 8,072,290	\$ 1,801,165	\$ 55,000	\$ 1,152,973	1.49
2001	10,339,719	8,610,335	1,729,384	60,000	1,148,430	1.43
2002	12,103,010	9,644,145	2,458,865	495,000	697,473	2.06
2003	14,374,490	10,146,191	4,228,299	515,000	489,214	4.21
2004	20,460,402	9,976,243	10,484,159	535,000	314,745	12.34
2005	21,238,880	11,455,807	9,783,073	1,055,000	389,202	6.77
2006	27,406,490	13,445,058	13,961,432	580,000	872,267	9.61
2007	23,395,345	15,818,866	7,576,479	605,000	930,004	4.94
2008	20,705,691	13,780,829	6,924,862	625,000	930,266	4.45
2009	19,005,437	15,046,874	3,958,563	650,000	895,435	2.56

**Note:**

Details regarding the City's outstanding debt can be found in the notes to the financial statements (Note 5). Operating expenses do not include interest or depreciation expenses.

Tax Allocation Bonds

Tax Increment	Debt Service		Coverage
	Principal	Interest	
\$ 665,724	\$ -	\$ 566,075	1.18
1,429,974	30,000	661,063	2.07
2,198,144	80,000	752,938	2.64
3,230,218	165,000	743,506	3.56
5,795,305	180,000	730,288	6.37
9,404,059	195,000	608,903	11.70
18,107,617	1,925,000	1,536,258	5.23
27,001,236	1,415,000	2,073,461	7.74
34,255,092	1,460,000	5,813,807	4.71
34,641,768	3,220,000	9,851,781	2.65

# CITY OF HESPERIA

## Demographic And Economic Statistics

### Last Ten Calendar Years

Calendar Year	Population <sup>(1)</sup>	Effective Buying Income (in thousands) <sup>(2)</sup>	Per Capita Income <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
2000	62,582	980,792	15,487	5.6%
2001	63,330	943,691	14,413	5.1%
2002	65,475	1,110,146	16,279	5.7%
2003	68,195	1,151,288	16,274	6.2%
2004	70,744	1,252,381	17,703	5.8%
2005	76,114	1,398,290	18,371	5.4%
2006	80,268	1,465,052	18,252	6.4%
2007	85,708	1,617,904	18,840	7.1%
2008	87,820	1,725,751	19,651	10.3%
2009	88,184	1,742,428	19,759	17.3%

Sources:

(1) State Department of Finance

(2) City of Hesperia Economic Development Department

(3) State of California Employment Development Department (data shown is for the County)

# CITY OF HESPERIA

## Principal Employers

### Current Year and Seven Years Ago

	2009		2002	
	Number Of Employees	Percent of Total Employment	Number Of Employees	Percent of Total Employment
Hesperia Unified School District	2,000	6.35%	1,561	6.92%
Stater Brothers Markets	359	1.14%	300	1.33%
County of San Bernardino	367	1.17%	100	0.44%
Super Target	250	0.79%	-	0.00%
City of Hesperia	210	0.67%	301	1.33%
Arizona Pipeline Company	195	0.62%	75	0.33%
Robar Ent/Hi Grade Material	170	0.54%	200	0.89%
Hesperia Recreation & Park District	166	0.53%	-	0.00%
Double Eagle Transportation	134	0.43%	100	0.44%
In-N-Out	124	0.39%	100	0.44%
K-Mart	120	0.38%	90	0.40%
Wood Grill Buffett	105	0.33%	-	0.00%
Standard Abrasives	80	0.25%	35	0.16%
Pilot Travel Center/Wendy's	75	0.24%	-	0.00%
Cooley Construction Inc.	67	0.21%	-	0.00%
Kids Magical Planet	65	0.21%	-	0.00%
Del Taco	64	0.20%	-	0.00%
Little Sister's Truck Wash	45	0.14%	81	0.36%

Note: The oldest comparative information available is 2002.

Source: City of Hesperia Economic Development Department

**CITY OF HESPERIA**  
**Full-time And Part-time City Employees**  
**By Function**  
**Last Ten Fiscal Years**

Function	Full-time and Part-time Employees as of June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	24.00	27.20	29.63	29.76	30.20	33.75	37.66	46.57	49.17	47.17
Public safety										
Police <sup>1</sup>	52.00	52.00	50.13	50.13	49.50	51.50	55.50	64.50	73.50	75.50
Fire <sup>2</sup>	67.00	64.00	54.63	53.63	52.26	45.00	51.00	59.00	59.00	59.00
Development services										
Community Development	27.00	27.20	29.86	29.86	32.76	35.47	39.47	24.90	23.95	22.95
Code Compliance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.23	30.64	28.78
Public works	18.44	21.90	22.63	22.13	23.43	26.91	30.33	33.91	37.91	37.68
Water	36.56	32.70	32.43	32.93	33.31	37.54	45.91	67.10	71.56	72.33
Wastewater	0.00	2.00	2.44	2.44	2.44	3.44	3.69	4.69	5.69	5.69
Total	<u>225.00</u>	<u>227.00</u>	<u>221.75</u>	<u>220.88</u>	<u>223.90</u>	<u>233.61</u>	<u>263.56</u>	<u>325.90</u>	<u>351.42</u>	<u>349.10</u>

1 - Police services are provided through a contract with the San Bernardino County Sheriff

2 - Fire services are provided through a contract with the San Bernardino County Fire since June 1, 2004

Source: City of Hesperia Management Services Department

**CITY OF HESPERIA**  
**Operating Indicators**  
**By Function**  
**Last Ten Fiscal Years**

	<b>Fiscal Year</b>									
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Police:</b>										
Arrests	1,880	1,967	2,000	2,129	2,115	2,831	3,362	3,560	3,073	3,300
Citations issued	6,830	5,038	6,175	4,683	4,474	4,799	6,254	6,209	4,389	5,000
Calls for service	44,533	45,271	45,500	46,246	47,988	54,019	62,632	72,897	68,989	70,000
<b>Fire:</b>										
Number of emergency calls	6,622	6,879	7,344	7,917	7,285	7,196	7,340	9,521	9,830	10,232
Inspections	651	653	496	906	909	967	855	796	611	532
<b>Public works:</b>										
Street resurfacing (miles)	0.8	19.9	21.8	19.3	18.4	24.3	51.1	57.0	57.0	28.0
Potholes filled	73,949	84,192	80,000	51,000	46,000	89,000	60,000	61,000	27,000	25,000
<b>Water:</b>										
New connections	174	263	500	687	1,115	1,173	1,792	1,143	372	115
Average daily consumption (thousands of gallons)	13,471	13,390	13,837	15,622	13,658	14,729	15,176	15,622	15,176	15,622
Old steel waterlines replaced <sup>1</sup> (miles of pipeline)	1.4	1.4	6.0	8.7	9.2	11.0	14.2	8.5	6.0	8.0
<b>Sewer:</b> <sup>2</sup>										
Wastewater lines cleaned (mi.)	34	63	69	70	29	29	57	74	22	30
Manholes maintained	587	1,380	1,425	1,500	852	433	1,000	1,500	845	650

1 - The Water District is replacing old steel water lines, put into service 50 years ago, with larger PVC water lines

2 - Sewer service to the City is provided by Victor Valley Wastewater Reclamation Authority. The City has no treatment facilities. Most of the City residents are on septic tanks.

Source: City of Hesperia Management Services Department

**CITY OF HESPERIA**  
**Capital Asset Statistics**  
**By Function**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Police:</b>										
Stations	1	1	1	1	1	1	1	1	1	1
<b>Fire:</b>										
Fire stations	3	3	3	3	3	3	3	3	3	3
<b>Public works:</b>										
Streets (miles)	520.2	520.2	520.2	520.2	520.2	520.2	545.0	545.0	545.0	545.0
Traffic Signals	25	25	25	25	25	25	25	25	25	25
<b>Water:</b>										
Water mains (miles)	572.2	572.2	572.2	572.2	572.2	572.2	574.0	574.0	574.0	574.0
Maximum daily capacity (thousands of gallons)	13,471	13,390	13,837	15,622	13,658	14,729	15,176	27,140	27,140	27,140
Old steel waterlines replaced <sup>1</sup> (miles of pipeline)	1.4	1.4	6.0	8.7	9.2	11.0	14.2	8.5	6.0	8.0
<b>Sewer:</b> <sup>2</sup>										
Sanitary sewers (miles)	50	63	69	70	74	85	103	115	115	115
Maximum daily treatment capacity (thousands of gallons)	1,075	1,095	1,125	1,170	1,215	1,250	1,325	1,894	1,894	1,894

1 - The Water District is replacing old steel water lines, put into service 50 years ago, with larger PVC water lines.

2 - Sewer service to the City is provided by Victor Valley Wastewater Reclamation Authority. The City has no treatment facilities. Most of the City residents are on septic tanks.

Source: City of Hesperia Departments

**HESPERIA WATER DISTRICT**  
**Water Sold by Type of Customer**  
**Last Ten Fiscal Years**  
(in million of gallons)

	<b>Fiscal Year</b>									
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Type of Customer:										
Residential	3,088.2	3,125.1	3,230.9	3,365.1	3,490.9	3,755.9	3,960.9	4,787.8	4,001.5	5,134.8
Industrial	3.5	3.6	3.7	3.8	4.0	4.3	4.5	6.3	5.6	4.1
Commercial	641.4	649.0	671.0	698.9	725.0	780.0	822.6	893.2	852.9	584.9
Government	188.6	190.9	197.3	205.5	213.2	229.4	241.9	302.3	282.6	150.9
Total	3,921.6	3,968.5	4,102.9	4,273.4	4,433.1	4,769.6	5,029.9	5,989.6	5,142.6	5,874.7

Note: Total direct rate is not applicable as the water district uses a tiered rate approach for billing consumed water.

Source: Hesperia Water District

# HESPERIA WATER DISTRICT

## Water Rates

### Last Ten Fiscal Years

Fiscal Year Ended June 30	Bi-Monthly Meter Charge	Bi-Monthly Usage Tiers					
		Rate Per 0 - 8	Rate Per 9 - 16	Rate Per 17 - 30	Rate Per 31 - 50	Rate Per 51 - 100	Rate Per Over 100
		HCF	HCF	HCF	HCF	HCF	HCF
2000 <sup>(1)</sup>	\$ 22.00	\$ 0.50	\$ 0.53	\$ 0.58	\$ 0.61	\$ 0.65	\$ 0.69
2001	22.00	0.50	0.53	0.58	0.61	0.65	0.69

Fiscal Year Ended June 30	Bi-Monthly Meter Charge	Bi-Monthly Usage Tiers					
		Rate Per 0 - 10	Rate Per 11 - 18	Rate Per 19 - 32	Rate Per 33 - 58	Rate Per 59 - 114	Rate Per Over 114
		HCF	HCF	HCF	HCF	HCF	HCF
2002	\$ 24.20	\$ 0.53	\$ 0.58	\$ 0.66	\$ 0.71	\$ 0.77	\$ 0.83
2003	26.62	0.56	0.64	0.76	0.83	0.90	1.00
2004	29.28	0.59	0.70	0.87	0.97	1.09	1.21
2005	30.74	0.62	0.74	0.91	1.02	1.14	1.27
2006	32.28	0.65	0.78	0.96	1.07	1.20	1.33
2007	32.28	0.65	0.78	0.96	1.07	1.20	1.33

Fiscal Year Ended June 30	Bi-Monthly Meter Charge	Bi-Monthly Usage Tiers			
		Rate Per 0 - 10	Rate Per 11 - 40	Rate Per 41 - 80	Rate Per Over 80
		HCF	HCF	HCF	HCF
2008	\$ 33.57	\$ 0.71	\$ 1.20	\$ 1.47	\$ 1.74
2009	34.91	0.77	1.31	1.60	1.90

Notes:

Rates based on 5/8" and 3/4" meter, which are the standard household meter size.

HCF - Hundred Cubit Feet or approximately 748 gallons.

(1) - These rates became effective in 1993.

Source: Hesperia Water District

# HESPERIA WATER DISTRICT

## Water Customers

### Current Year and 2 Years Ago

	2009		2007	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Hesperia Unified School District	\$ 411,664	3.67%	\$ 331,388	3.45%
Hesperia Park & Recreation	213,623	1.90%	143,320	1.49%
Spring Street Associates LP	47,376	0.42%	44,074	0.46%
RIM Properties	45,937	0.41%	-	0.00%
Foremost Health Care Center	41,278	0.37%	-	0.00%
Pacific Scene Homes	-	0.00%	39,494	0.41%
Hesperia Senior Campus	-	0.00%	28,644	0.30%
Matich Corporation	28,534	0.25%	-	0.00%
City of Hesperia	28,267	0.25%	-	0.00%
Prestige Homes LP	-	0.00%	24,726	0.26%
Wyatt Family Properties	24,407	0.22%	-	0.00%
CEMX	23,107	0.21%	18,673	0.19%
Hesperia Community Church	-	0.00%	21,959	0.23%
Hesperia Garden Apartments	21,263	0.19%	-	0.00%
Three Palms Apartments, LP	-	0.00%	19,141	0.20%
Competitive Edge	-	0.00%	18,344	0.19%

**Note:**

Information prior to 2006-07 is not available.

Source: Hesperia Water District