



HESPERIA

GATEWAY TO THE HIGH DESERT

Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2015

City of Hesperia

9700 Seventh Avenue, Hesperia, CA 92345

www.cityofhesperia.us



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CITY OF HESPERIA CALIFORNIA

Bill Holland, Mayor (Term Expires November 2018)

Paul Russ, Mayor Pro Tem (Term Expires November 2018)

Russell Blewett, Council Member (Term Expires November 2018)

Mike Leonard, Council Member (Term Expires November 2016)

Eric Schmidt, Council Member (Term Expires November 2016)

(At Date of Issuance)

Brian D. Johnson, Interim City Manager

PREPARED BY THE CITY OF HESPERIA MANAGEMENT SERVICES DEPARTMENT

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YEAR ENDED JUNE 30, 2015

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City of Hesperia

CALIFORNIA

December 16, 2015

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, 2015. This report provides a broad view of the City's financial activities for the 2014-15 Fiscal Year and its financial position as of June 30, 2015. Although addressed to the elected officials and citizens of the City, this report has a number of other users. Foremost among these other users are bondholders of the city, financial institutions, credit rating agencies, educational institutions, and other governmental entities.

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 generally accepted accounting principles (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.

The CAFR consists of three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a list of principal officials and administrative personnel, the City's organizational chart, and the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the City's Fiscal Year Ended June 30, 2014 CAFR. The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), the basic financial statements, fund financial statements, notes to the basic financial statements, required supplementary information, other supplementary information, and combining and individual fund financial schedules. The statistical section provides relevant financial and non-financial data depicting the City's historical trends and other significant facts.

The City of Hesperia's financial statements have been audited by White Nelson Diehl Evans LLP, a firm of licensed 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, 2015 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 unmodified opinion that the City of Hesperia's financial statements for the Fiscal Year ended

June 30, 2015 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 of Federally Assisted Grant Programs 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 92,200 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 among the City Council. The governing council is responsible, among other things, for passing ordinances and resolutions, 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 resolutions 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 315 full-time employees (including contract police and fire staff). 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 Housing Authority, Hesperia Community Development Commission, Hesperia Public Financing Authority, Hesperia Public Facilities Corporation, and the Hesperia Joint Public Finance Authority. Therefore, these activities have been included as an integral part of the City of Hesperia's financial statements where appropriate. Additional information on these entities can be found in Note 1 in the notes to the financial statements.

The City of Hesperia contracts with the San Bernardino County Sheriff's Department for its police services, which for FY 2014-15 included a captain, lieutenant, 7 sergeants, 5 detectives, 41 deputies, and 18 non-sworn employees that handle various administrative, clerical and technical duties.

Fire protection for the City of Hesperia is provided by the San Bernardino County Fire Department through a contractual agreement with the Hesperia Fire Protection District. The County Fire Department is a full service department, providing to the community: fire suppression, fire prevention and planning, disaster preparedness, hazardous materials management and emergency medical services. As a result of a budget shortfall and a failed special tax ballot measure, in January 2012 the Hesperia Fire Protection District reduced its contract with the San Bernardino County Fire Department by nine fire safety personnel, from 53 safety personnel to 44. In April 2013, after receiving notification of award of a FEMA Staffing for Adequate Fire and Emergency Response (SAFER) grant, approval was obtained to restore safety personnel and add an ambulance in FY 2013-14, which increased department staffing to 62 safety personnel and 5 non-safety staff persons. The SAFER grant continued into FY 2014-15, with safety staffing remaining at 62 personnel through the end of the grant which concluded June 30, 2015. During the reporting period, services were provided from four manned stations and one unmanned (reserve) station that serves as the City's hazardous disposal facility.

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.

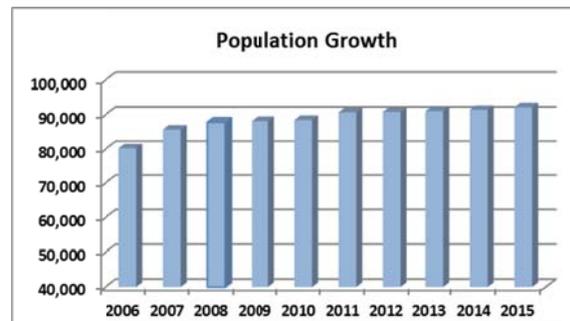
Factors Affecting Financial Condition

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, prior to the recession, had been recognized as being one of the fastest growing parts of Southern California, due in large part to its affordable undeveloped land along multiple transportation corridors. Including the 17 miles of prime freeway frontage along the I-15 Freeway corridor at 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 92,177 individuals. Current and projected growth in Hesperia provides the City with a large and expanding workforce. Over the last ten years, Hesperia has encountered substantial growth in its population, growing approximately 14.3%. This 10-year growth is



dramatic compared to that of the county at 7.4%, state 7.2%, and nation 7.6% for the same time period. Further, the 14.3% population growth is in addition to the 36.0% growth Hesperia experienced over the previous decade. Over the last few years, however, Hesperia's growth trend has significantly slowed, with the most recent year increasing by less than one percent.

The demographics of Hesperia indicate a strong and growing ability to meet the workforce demands of employers. Currently, a large portion of the labor pool commutes daily into the Los Angeles basin due to the lack of available employment in the High Desert. While some progress has been made attracting new businesses and expanding existing businesses, as addressed in the next section of this letter, the overall high desert is in need of additional job opportunities for its residents. This long-term need was further exacerbated by the recession from which the High Desert continues to be impacted and is gradually showing signs of improvement, as evidenced in the decline in the unemployment rate. According to data released by the California Employment Development Department (EDD), the City of Hesperia's unemployment rate in October 2015 was 8.4%, down from the 12.1% rate reported two years prior.

The City of Hesperia has 74 square miles of space to accommodate residential, commercial, and industrial development. Hesperia's previously strong housing market was not immune to the housing downturn. As the housing boom stalled and values began free-falling in late 2007, Hesperia saw its median home sales price return to 2002 levels. Since the economic downturn, four of the last six years resulted in decreases in assessed valuations amounting to more than a 30% decline, however more recently, the FY 2014-15 assessed valuation resulted in an increase of 5.5%. The housing market is now beginning to pick up pace, with many recent sales benefiting from multiple offers and newly released data from the County of San Bernardino for FY 2015-16 reflects an increase in assessed valuation of 7.8%, the highest increase of all the cities in San Bernardino County. It appears that Hesperia has moved past the bottom and is on a path toward recovery. Even with this increase in assessed valuation, the High Desert region continues to have some of the most affordable housing in California according to the California Association of Realtors.

Six years after the Great Recession reportedly ended, the local economy has still not recovered, however gradual signs of improvement continue in Hesperia. This improvement has been very slow when compared to prior recoveries. The dramatic plunge in single family residential (SFR) building permits that followed the City's FY 2005-06 high of 1,645 permits, resulted in a 100% reduction during the seven years that followed. Since that time, SFR permit activity has begun to return, with 63 permits issued in FY 2013-14, 86 permits issued in FY 2014-15, and 40 permits issued through November 2015.

This rise in building activity is commensurate with the progress being made toward the restoration of assessed valuations. However, despite the improving trend due to declining inventory and the near record low mortgage interest rate environment, the San Bernardino County residential housing sector still faces challenges from a persistently high unemployment rate compared to the national average, which continues to be a major challenge for the City of Hesperia.

Commercial development activity, similar to residential development, acts as a barometer of local economic conditions. Development activity over the past few years has been light, as the industry has waited for population growth and a decline in the unemployment rate within the area. Commercial construction of 41,479 square feet in FY 2014-15 reflected a decline from the previous year's 68,671 added square footage. Though smaller in size, in FY 2014-15 the City derived benefit from the additional square footage provided by projects such as Petco pet store and Arco gas station, as well as additional office building space. Attracting business and commerce has become increasingly difficult in the years following the dissolution of California Redevelopment Agencies. By working aggressively to foster business growth, Hesperia will benefit from enhanced retail, dining, and employment opportunities. Additional commercial projects are projected for FY 2015-16, as discussed in the Subsequent Goals, Efforts, and Actions section of this letter.

Despite a challenging economy, Hesperia has seen a positive trend related to sales tax revenue. As the largest General Fund revenue source, the City has experienced an increase in sales tax revenue of 55% from the economic downturn low of \$5.5 million in FY 2009-10 to \$8.5 million in FY 2014-15. As the largest General Fund revenue source, FY 2014-15 sales tax revenue of \$8,499,002 was relatively flat from the prior fiscal year but has increased 7.76% since the FY 2006-07 pre-recession high of \$7,887,031. These increases are primarily attributed to fuel sales, as the largest sales tax producing sector in the City, as well as large consumer retail stores that have opened in recent years, such as Super Target and Super Wal-Mart.

Fiscal Year 2014-15 Goals, Efforts, and Actions

Despite the slowly recovering economy, the City of Hesperia is working diligently to provide vital services to citizens, while continuing to prepare for the next growth cycle waiting on the horizon. Leveraging the City's limited resources to derive the greatest benefit for the good of the entire community, is at the heart of the City Council's commitment to its citizens. This 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, 2015, 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 much-anticipated Rancho Interchange Project was officially opened by City dignitaries and community members on February 20, 2015 and motorists began taking advantage of this new east-west connector. Hesperia is proud to have opened two major transportation projects in the last two years. The Interchange is Phase Two of the three-phase Rancho Corridor Project. Phase One, the Rancho Underpass, successfully opened in June 2013. Phase Three is a widening project between the first two phases and is a joint project between the City of Hesperia and San Bernardino County. Design and environmental review for the widening are underway, however funding is still being sought for the construction portion of the project.
- 
- ❖ The Fiscal Year 2015-16 Budget was adopted with a General Fund cash reserve of approximately 23% of budgeted expenditures.
 - ❖ For the thirteenth consecutive year, the City has 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, 2014.
 - ❖ FY 2014-15 was the second year of a two-year Staffing for Adequate Fire and Emergency Response (SAFER) grant which provided funds for 18 Limited-term Firefighters that were added in FY 2013-14. Although this Federal Emergency Management Agency (FEMA) grant initially awarded at \$2.0 million, the SAFER grant reimbursement was not received at the level originally estimated due to a subsequent Federal administrator determination that expenditures related to overtime and County contract administration would not be eligible for reimbursement, which resulted in the use of Fire District reserves for the unreimbursed expenditure. The SAFER grant began July 1, 2013 and concluded June 30, 2015.

- ❖ For the third consecutive year, the City continued its educational outreach program, Citizen Academy, which invites residents to get involved in local government. The Hesperia Citizen's Academy provides a unique opportunity for residents to learn more about their City. This 7-session program is designed to provide the community with insight into the day-to-day operations of the City, as well as an understanding of more complex city projects. Academy participants gain a better understanding of the council-manager form of government, as well as the challenges that local governments face.
- ❖ The Hesperia City Council provided an additional \$2.5 million of funding within the Fiscal Year 2014-15 Budget for its annual Residential Road Improvement Program. These funds are used to enhance streets throughout the City and are in addition to the ongoing Street Maintenance Program.
- ❖ The 1996 \$3,000,000 Housing and Urban Development (HUD) Section 108 loan was paid in full on August 1, 2014.
- ❖ Taking advantage of the remarkably low interest rate environment, the City refinanced the Community Facilities District 2005-1 Special Tax Bonds into 2014 Special Tax Refunding Bonds for the benefit of the property owners within the district. Refinancing the bonds provided a present value savings of 21.6% and will save each homeowner approximately \$299 per year beginning FY 2015-16.
- ❖ Residents have seen a variety of great businesses open in our community during the year including Panda Express, Waba Grill Terayki, Menchies Frozen Yogart, Louisiana Cajun Seafood House, Family Dollar, and Baskin Robbins.
- ❖ Over the last two years, Hesperia has partnered with the cities of Adelanto, Apple Valley, Barstow, and Victorville creating Opportunity High Desert to help attract businesses and commerce to the region. Through this unique type of collaboration, the High Desert is able to attract not only businesses but also logistics and manufacturing companies. During this time, Hesperia successfully attracted Jersey Mike's Subs, which opened in Fall 2014.

Subsequent Goals, Efforts, and Actions

- ❖ The Hesperia City Council provided an additional \$2,277,000 of funding within the Fiscal Year 2015-16 Budget for its annual Residential Road Improvement Program. These funds are used to enhance streets throughout the City and are in addition to the ongoing Street Maintenance Program. Over the last fifteen years, this program has reconstructed over 304 miles of roads, with an additional 76 miles of slurry sealed roads.
- ❖ Water conservation continues to be an important issue for California cities. This is especially true since California Governor Jerry Brown declared a state-wide drought emergency in January 2014. In order to best utilize our water resources, the City of Hesperia is working with Victor Valley Wastewater Reclamation Authority to bring a subregional recycled water facility to the community which will deliver tertiary treated water to recycled water customers in Hesperia. The Civic Center, as well as some parks and schools have been fitted with purple pipe in order to take advantage of this resource. City staff have also worked to secure a \$2 million Proposition 84 Drought Grant and are in the final stages of obtaining low interest financing through the California State Revolving Fund (SRF) Loan program in order to construct an 11 mile pipeline that will be used to transport recycled water to purple pipe locations such as local schools and parks. This will serve two important purposes; 1) reduce the flow of wastewater to the treatment plant located in Victorville and 2) lessen the demand for potable water for landscape irrigation purposes, thereby saving financial resources as well as precious water resources.

- ❖ In 2004, the existing fixed rate Hesperia Public Financing Authority Revenue Bonds, Series 1993A and 1993B were refinanced into the 2004 Variable Rate Demand Revenue Bonds which, due to the extended low interest rate environment over the following decade, provided an opportunity for principal prepayments to be made from FY 2005-06 through FY 2007-08. On October 1, 2015, a final principal prepayment was made which retired the debt issue eight years early, saving over \$9 million dollars compared to the original 1993 A&B debt service schedules.
- ❖ A ribbon cutting ceremony was held on October 19, 2015 for pet supply retailer, Petco. This new 10,000 square-foot store, located on Main Street and Escondido Avenue, is a welcome addition to the City's retail offerings.
- ❖ Ribbon cutting ceremonies are being planned for Habit Burger Grill and Pieology.
- ❖ High Desert consumers searching for a retailer of basic maintenance products for home, land, pet, and animal owners will soon look no further than Hesperia with the addition of the only Tractor Supply Company store in the region. On August 13, 2015, Hesperia celebrated the groundbreaking of Tractor Supply Company's 18,800 square-foot store located at the southeast corner of Main Street and Mesa Linda. Tractor Supply Company, the largest rural lifestyle retail store chain in the United States, anticipates opening their Hesperia store in January 2016.
- ❖ During FY 2015-16, the City Council will consider the approval of a specific plan related to a proposed master planned community of approximately 19,000 homes known as Tapestry. Formerly known as Rancho Las Flores, this proposed project is located at the south end of the city.
- ❖ Hesperia has the honor of having been selected as the venue for the 2nd Annual Desert Rocks Film and Music Festival, an international film and music event created to cultivate industry-related careers and provide broader exposure to filmmakers and up-and-coming musicians.

Financial Information

Unexpected State Mandated Claims Reimbursement - In the FY 2014-15 Budget, the City of Hesperia anticipated receiving \$50,000 of State Mandated Costs reimbursement from the State of California. Due to a better than expected financial condition with the State's finances, many older unpaid claims were paid late in the fiscal year with the City receiving \$439,503.

2014 Special Tax Refunding Bonds (City of Hesperia Community Facilities District 2005-1) – During Fiscal Year 2014-15, favorable market conditions presented the opportunity to refinance the 2005 Special Tax Bonds issued by Community Facilities District (CFD) 2005-1. Although not an obligation of the City, the bonds were issued to construct infrastructure within City boundaries and the administration of the bonds is performed by City staff. The refinance resulted in interest cost savings which are now being passed through to the property owners in the form of reduced special taxes on their property tax bills ranging from \$150 - \$320, depending upon their current tax amount. These property owners will see the savings beginning with the property tax bill due in December 2015.

Hesperia Fire Protection District - Due primarily to falling property values, resulting in the decline of property tax-related revenues, the Hesperia Fire Protection District (HFPD) has experienced ongoing revenue challenges. Despite efforts to reduce expenditures wherever possible and reorganizing positions to minimize increases in the annual contract for fire protection services with the County of San Bernardino, reserves were depleted. In order to balance the HFPD budget in FY 2010-11, a \$1.0 million subsidy from the General Fund was needed. During the next fiscal year, a failed parcel tax measure in November 2011 resulted in the need to reduce the

contract with San Bernardino County Fire Department by nine positions and Fire Station 301 was closed in January 2012.

In April 2013, the HFPD accepted a \$2.0 million two-year Staffing for Adequate Fire & Emergency Response (SAFER) Grant and added 18 limited-term firefighter paramedics to fill a daily three-shift rotation. Due to the limited nature of the grant, and the continued revenue challenges of the District, City staff reached out to neighboring cities to discover if an interest was present to fund a joint powers authority (JPA) feasibility study for fire and police services, with the hope of obtaining economies of scale and reducing the costs to provide fire protection services for each agency. In 2014, the results of the study concluded that police services would not be as effectively provided under a JPA but that fire services could be. Interest from the other cities, however, was insufficient to move forward with a JPA.

In June 2015, the two-year SAFER Grant ended and, in order to sustain a level of service that the HFPD could afford, the FY 2015-16 HFPD Budget reflected a \$1.1 million decrease in contract expenditures related to the positions provided for by the former grant. On August 4, 2015, in an effort to explore an alternative way to streamline fire protection services and provide for orderly growth and development, the Board of Directors of HFPD adopted a resolution to request that the Local Agency Formation Commission (LAFCO) initiate proceedings to analyze the reorganization of HFPD, with San Bernardino County Fire Protection District as the designated successor of a potential annexation. This analysis is underway and the HFPD Board will review the results upon completion.

Financial Policies

Debt Management – Prudent financial management has placed the City in a better position to handle future unknowns with respect to shifts in the overall economy. For example, policies such as the Council's Debt Management Policy have placed the City in a better position to respond to the most recent economic recession by reducing debt service costs on existing debt issues. Under this policy, debt obligations are evaluated annually to determine if opportunities exist to prepay outstanding principal, thereby lowering the overall cost of borrowing. Variable rate debt instruments have been used in the past with success, as the lower interest rate environment associated with variable rate debt issues has presented the opportunity to prepay principal, thereby lowering the overall outstanding debt and reducing the interest rate risk through the term of the issue, since the debt obligation is retired sooner than was previously required through the original amortization schedule.

Through consistent monitoring of the City's debt and the evaluation of opportunities to retire obligations in advance of the stated maturity, the City has been able to prepay a total of \$6.3 million on its 2004 Refunding Variable Rate Bonds (resulting in the retirement of the bonds eight years before the stated maturity), \$500,000 on the Water District's 1998A Variable Rate Lease Revenue Refunding Bonds, and \$300,000 on the 1996 Housing and Urban Development (HUD) Section 108 Loan over the past nine years. Additional information about the long-term debt of the City and its component units can be found in the notes to the financial statements.

Budgeting - Under the City Council's Balanced Budget Policy, operational revenue provides funding for operational expenditures and, as such, ongoing expenditures are not funded by one-time revenue. The General Fund has met this commitment, even throughout the recent recession when revenues dropped to levels not seen since FY 2003-04, reflecting revenue reductions of 27% in FY 2009-10, when the recession's impact upon the City was at its worst. The ability to reduce expenditures commensurate with declining revenues was accomplished in several ways, a few of which are discussed below.

During the years of high residential building activity between Fiscal Year 2003-04 through Fiscal Year 2006-07, the City contracted for building related services such as plan check and building inspection services to deal with the increased activity, as opposed to adding staff. Doing so, allowed the City to very quickly respond to the eventual decline in building activity, by reducing contracts commensurate with the decline in activity.

In addition to reducing and/or eliminating contracts, the City has extensively reduced other operating expenditures wherever possible. With all viable non-personnel related cuts made, the remaining significant categories of salaries & benefits were addressed. In order to minimize the cost of salaries, a freeze on merit step increases was put into place, as well as a 5% reduction in pay for all staff, which was implemented in July 2010. The implementation of pay cuts and reduced benefit costs, along with normal attrition, precluded the need for a forced reduction in staff in order to balance the budget. In fact, the slow progress toward an economic recovery has enabled the City to slowly return salaries to their pre-recession levels with the final 1.5% restoration of the 5% pay reduction occurring in July 2013, though the freeze on merit step increases remains in place. With the current Memorandum of Understanding in place through December 31, 2015, the City anticipated salary stability in its budget assumptions through Fiscal Year 2015-16.

Benefits have also been addressed through changes in the funding of the employee pension plan. The City of Hesperia contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer public employee defined benefit pension plan for its personnel. As a part of the City Council's policy for responsible financial management, the Council gradually but purposefully moved away from the City bearing the cost of the full 8% employee contribution, to placing that cost reasonably with employees. Initiated well before the California Public Employees' Pension Reform Act of 2013, this funding shift began in FY 2007-08, when employees began paying 2% of the 8% employee contribution. In July 2010, the employees' contribution increased to 5%. The remaining 3% went into effect in July 2012, which resulted in employees funding the full 8% employee contribution. Further, beginning July 1, 2015, in addition to paying the full member contribution, employees also began paying 1% of reportable earnings as cost sharing of the City's normal costs pursuant to Government Code sections 7522.30 (e) and 20516 (f). 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, 2014. This was the thirteenth 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 a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this comprehensive annual financial report could not have been accomplished without the dedicated service of the Finance Division staff. Special recognition is given to all members of the division who assisted and contributed to the preparation of this report. 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 timely basis. Appreciation is also expressed to all City departments for their assistance and support in planning and conducting the financial operations of the City during this fiscal year. Appreciation is also expressed to the Mayor and the City Council for their steadfast support for maintaining the highest standards of professionalism in the management of the City's finances and for conducting the financial activities of the City in a responsible and prudent manner.

Sincerely,

A handwritten signature in black ink that reads "Brian D. Johnson". The signature is written in a cursive, flowing style.

Brian D. Johnson
Interim City Manager

CITY OF HESPERIA

LIST OF PRINCIPAL OFFICIALS

(At Date of Issuance)

ELECTED OFFICIALS

Bill Holland, Mayor

Paul Russ, Mayor Pro Tem

Russell Blewett, Council Member

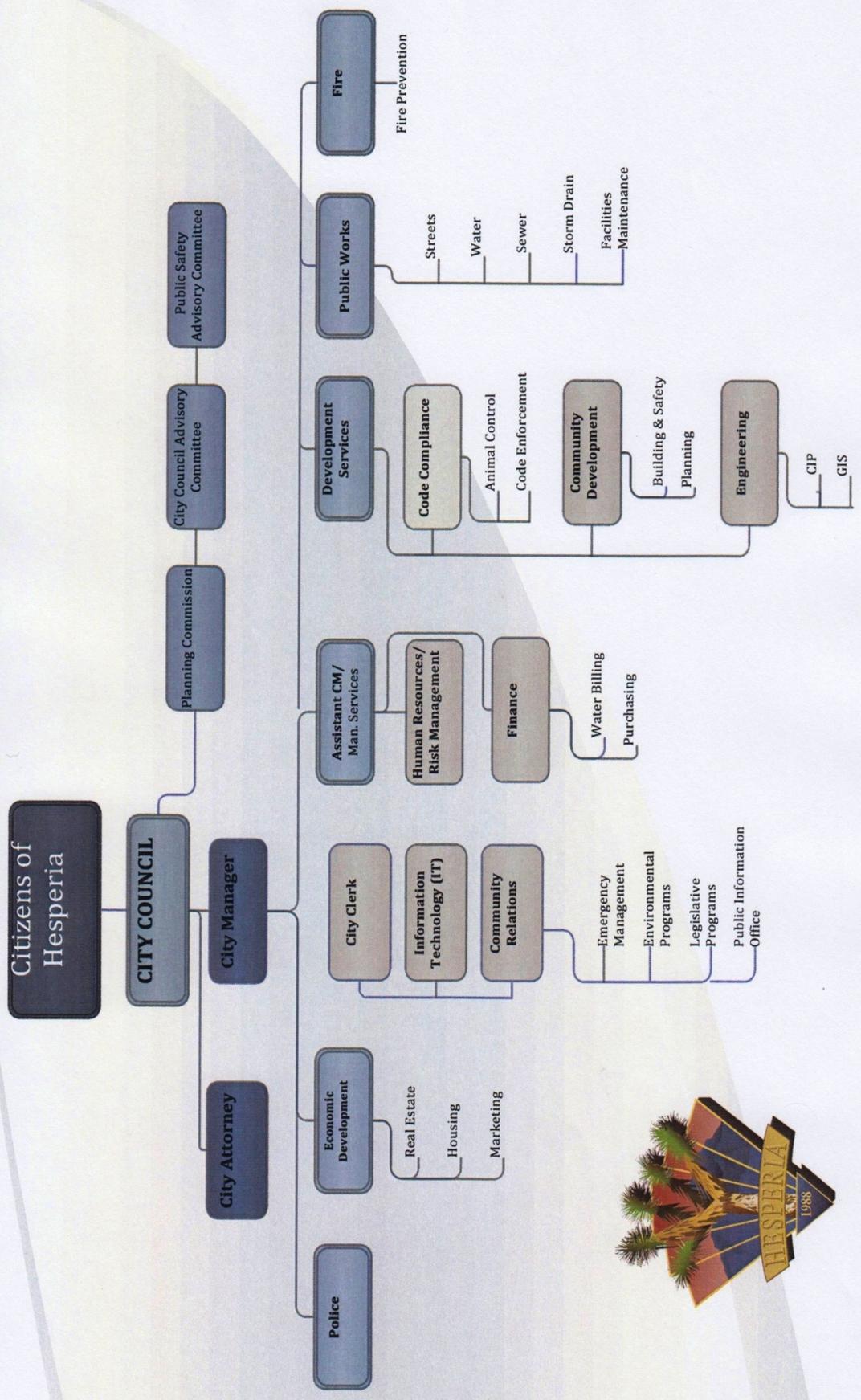
Mike Leonard, Council Member

Eric Schmidt, Council Member

ADMINISTRATIVE STAFF

Brian D. JohnsonInterim City Manager
Melinda Sayre-Castro.....City Clerk
Brian D. JohnsonAssistant City Manager – Management Services
Scott Priester.....Development Services Director
Steven J. Lantsberger.....Economic Development Director
Dale Burke.....Public Works Director
Gary Bush.....Fire Chief
Nils Bentsen.....Police Chief

City of Hesperia Organizational Chart



June 17, 2014



Government Finance Officers Association

**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, 2014

Executive Director/CEO



HESPERIA

1988

INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Hesperia, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hesperia (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hesperia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Notes 1c and 17 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68.*" The adoption of these standards required retrospective application resulting in a reduction of \$16,643,131 and \$3,222,798 to previously reported net positions of the governmental activities and the business-type activities respectively. Also discussed in Note 17 to the financial statements, the net position of the governmental activities and the net position of the Hesperia Housing Authority were restated resulting in an increase of \$1,265,000 net position at July 1, 2014. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of funding progress for DPHP, CalPERS pension plan - schedule of contributions, and the CalPERS pension plans - schedule of proportionate share of net pension liability, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of the City of Hesperia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hesperia's internal control over financial reporting and compliance.



Carlsbad, California
December 16, 2015



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, 2015. Please read this in conjunction with the accompanying transmittal letter, the accompanying basic financial statements, and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- At June 30, 2015, the City's (including governmental and business-type activities) assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$322.3 million (*net position*). Of this amount, \$39.5 million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. The \$39.5 million unrestricted net position is \$20.0 million less than the \$59.5 million unrestricted net position of June 30, 2014; which is primarily due to implementing GASB 68.
- The City's total net position decreased \$23.3 million primarily because of implementing GASB 68 which records the City's, and its component units, CalPERS pension liability on the government-wide statements. The implementation of GASB 68 required the posting of a prior period restatement of the June 30, 2014 net position.
- At June 30, 2015, the City's governmental funds reported combined fund balances of \$62.3 million, a decrease of \$2.0 million, or 3.1%, from June 30, 2014. Approximately 16.4% of this amount (or \$10.2 million) is available for spending at the City's discretion (the *unassigned fund balance*). The primary reason for the decrease is the permanent water rights purchase by the General Fund totaling \$2.5 million. Over the last few fiscal years the General Fund has purchased \$36.4 million of permanent water rights including issuing \$25.0 million of bonds for one of those purchases.
- As of June 30, 2015, unrestricted fund balance (the total of the *assigned*, and *unassigned* components of *fund balance*) for the General Fund was \$10.8 million, or approximately 38.7% of total general fund expenditures. Included in the total General Fund expenditures is \$2.5 million for the purchase of permanent water rights.
- The City's (governmental and business-type) total outstanding long-term debt decreased by a net amount of \$2.4 million during the current fiscal year primarily because of the scheduled debt service activity.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position 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 reflect 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 discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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 Position 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.

The *Statement of Net Position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include the blending of three separate legal entities (component units) with the City—the Community Development Commission, the Hesperia Housing Authority, and the Hesperia Fire Protection District. The business-type activities of the City include water service and sewer service, which are provided by the Hesperia Water District.

The government-wide financial statements can be found on pages 18-21 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 30 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire District, HOME Grant, and Hesperia Housing Authority, which are considered major funds. Data from the other twenty-six (26) governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 24-31 of this report.

The City adopts an annual appropriated budget for each fund. A budgetary comparison statement has been provided to demonstrate compliance with the annual budget and can be found on page 120-156 of this report.

Proprietary Funds – The City maintains proprietary funds to account for the activities of the Hesperia Water District. These proprietary funds report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Hesperia Water District, which is considered a major fund of the City.

The basic proprietary fund financial statements can be found on pages 33-38 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 39-41 of this report.

Notes to the Financial Statements – The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 43-85 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) benefits to its employees. Required supplementary information can be found on pages 88-95 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on *pages 98-118 of this report*.

THE CITY AS A WHOLE

Our analysis focuses on the Condensed Statement of Net Position (Table 1) and Changes in Net Position (Table 2) of the City's governmental activities and business-type activities. In prior years, the City incurred debt to build some of its infrastructure. The Condensed Statement of Net Position 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.

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City. The current year saw net position decrease from \$345.6 million to \$322.3 million. This decrease of approximately \$23.3 million comes primarily from the implementation of GASB 68, which records the City's pension liability on the government-wide statements including a prior period restatement of \$19.9 million. The \$19.9 million restatement is divided into \$16.7 million for governmental funds and \$3.2 million for business-type funds. Additionally, there is a \$1.3 million restatement for land acquired in the prior fiscal year from a lawsuit settlement.

A brief explanation for the balance change of Table 1 follows below. These explanations tell the story behind the \$23.3 million decrease in net position:

Table 1
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 99,334,351	\$ 97,813,984	\$ 10,454,321	\$ 10,599,419	\$ 109,788,672	\$ 108,413,403
Capital assets	240,273,194	237,015,726	96,103,431	93,714,142	336,376,625	330,729,868
Total Assets	<u>339,607,545</u>	<u>334,829,710</u>	<u>106,557,752</u>	<u>104,313,561</u>	<u>446,165,297</u>	<u>439,143,271</u>
Total deferred outflows of resources	-	2,461,971	3,064,890	3,087,418	3,064,890	5,549,389
Current and other liabilities	37,773,062	52,783,674	6,107,799	7,041,638	43,880,861	59,825,312
Long-term debt outstanding	45,079,185	43,794,702	14,663,535	13,453,909	59,742,720	57,248,611
Total Liabilities	<u>82,852,247</u>	<u>96,578,376</u>	<u>20,771,334</u>	<u>20,495,547</u>	<u>103,623,581</u>	<u>117,073,923</u>
Total deferred inflows of resources	-	4,290,394	-	1,025,910	-	5,316,304
Net Position:						
Net investment in capital assets	196,334,806	194,674,329	83,007,645	82,701,051	279,342,451	277,375,380
Restricted	3,491,444	3,490,014	1,888,888	1,888,888	5,380,332	5,378,902
Unrestricted	56,929,048	38,258,568	3,954,775	1,289,583	60,883,823	39,548,151
Total Net Position	<u>\$ 256,755,298</u>	<u>\$ 236,422,911</u>	<u>\$ 88,851,308</u>	<u>\$ 85,879,522</u>	<u>\$ 345,606,606</u>	<u>\$ 322,302,433</u>

Current and other assets:

- Governmental current and other assets decreased by \$1.5 million, or 1.5% from June 30, 2014. The decrease is primarily due to the \$2.5 million purchase of permanent water rights offset by increased tax revenues.
- Business-type current and other assets experienced a slight increase of \$0.1 million during the fiscal year. The increase is primarily the result of decreased operating costs netted against water sales revenue, albeit water sales revenue is down from the prior year due to the drought and Governor imposed mandatory conservation.

Capital assets:

- Governmental capital assets decreased by \$3.3 million or 1.4% because of the net of \$9.4 million in FY 2014-15 depreciation; and \$6.1 million asset acquisitions, which include construction in progress (CIP) of \$2.4 million and a permanent water rights purchase of \$2.5 million. Netting to \$0 was the decrease of CIP and the increase to infrastructure of \$1.9 million for completed capital projects.
- Business-type capital assets decreased by \$2.4 million, net of depreciation, from June 30, 2014. The decrease is largely due to depreciation expense of \$3.5 million offset by a \$3.0 million increase in water facilities from waterline improvements, \$0.2 million increase in machinery and equipment, \$0.2 million increase in vehicles, \$0.1 million

decrease in land, and \$2.1 million decrease in construction in progress pertaining to the pipeline replacement program.

Current and other liabilities:

- Governmental current and other liabilities increased by \$15.0 million when compared to June 30, 2014. The increase is primarily due to adding \$14.4 million of pension liability, required by implementing GASB 68, to the government-wide statements, of which \$9.3 million is for City while \$5.1 million is for the Fire District.
- Business-type current and other liabilities increased by \$0.9 million from June 30, 2014, which is primarily the net result of implementing GASB 68 with the recording of \$2.5 million of net pension liability. This is offset by decreases in other payables.

Long-term debt outstanding:

- Governmental long-term debt outstanding recorded a decrease of \$1.3 million. This is mostly attributed to the scheduled debt service activity for the year.
- Business-type long-term debt outstanding activity during the fiscal year resulted in a net decrease of \$1.2 million from June 30, 2014, which is primarily due to the annual debt service activity, as shown in Table 4.

Net investment in capital assets:

- Governmental net investment in capital assets decreased by \$1.7 million during the fiscal year, which is primarily related to the net decrease in capital of \$3.3 million and offset by \$1.3 million decrease in outstanding debt.
- Business-type net investment in capital assets decreased by \$0.3 million, or 0.4%, from the year ended June 30, 2014, which is primarily due to the \$2.4 million decrease in capital assets offset by the reduction to long-term debt outstanding.

Restricted:

- Governmental restricted net position decreased by \$1,430 during the fiscal year.
- Business-type restricted net position remained unchanged from the prior year.

Unrestricted net position:

- Governmental unrestricted net position decreased by \$18.7 million or 32.8% during the fiscal year, which is primarily related to the implementation of GASB 68 which added a pension liability of \$14.4 million.
- Due to adding the net pension liability of \$2.5 million, the Business-type unrestricted net position decreased by \$2.7 million or 67.4%.

As reflected in Table 2, the City's net position decreased by \$23.3 million, from \$345.6 million to \$322.3 million, from the prior fiscal year. The June 30, 2015 total Program Revenues decreased by \$3.1 million; program revenue comprised 53.9% of total revenues and funded 50.4% of total expenses. During the fiscal year, expenses decreased by \$4.0 million, or 5.3% from June 30, 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues						
Program revenues:						
Charges for services	\$ 10,114,160	\$ 10,239,145	\$ 19,756,973	\$ 19,391,607	\$ 29,871,133	\$ 29,630,752
Operating contributions and grants	7,199,155	6,717,219	-	-	7,199,155	6,717,219
Capital contributions and grants	2,506,222	150,598	-	-	2,506,222	150,598
Total program revenues	<u>19,819,537</u>	<u>17,106,962</u>	<u>19,756,973</u>	<u>19,391,607</u>	<u>39,576,510</u>	<u>36,498,569</u>
General revenues:						
Taxes:						
Property taxes	7,301,566	6,651,348	320,722	287,410	7,622,288	6,938,758
Sales and use tax	10,124,237	10,042,299	-	-	10,124,237	10,042,299
Transient occupancy tax	1,040,271	1,163,434	-	-	1,040,271	1,163,434
Franchise tax	2,978,024	3,196,630	-	-	2,978,024	3,196,630
Document transfer tax	147,482	231,387	-	-	147,482	231,387
Motor vehicle in-lieu	6,194,705	6,534,189	-	-	6,194,705	6,534,189
Unrestricted investment earnings	1,745,715	1,839,817	14,717	13,743	1,760,432	1,853,560
System improvement and replacement	-	-	306,762	414,951	306,762	414,951
Gain/(Loss) on disposal of capital assets	35,201	-	-	-	35,201	-
Other	66,929	534,129	394,474	341,505	461,403	875,634
Total general revenues	<u>29,634,130</u>	<u>30,193,233</u>	<u>1,036,675</u>	<u>1,057,609</u>	<u>30,670,805</u>	<u>31,250,842</u>
Total revenues	<u>49,453,667</u>	<u>47,300,195</u>	<u>20,793,648</u>	<u>20,449,216</u>	<u>70,247,315</u>	<u>67,749,411</u>
Expenses						
General government	8,305,493	7,268,741	-	-	8,305,493	7,268,741
Public safety	24,063,447	25,164,286	-	-	24,063,447	25,164,286
Development services	20,376,539	18,290,886	-	-	20,376,539	18,290,886
Interest on long-term debt	1,783,967	1,530,538	-	-	1,783,967	1,530,538
Water	-	-	19,014,005	17,285,767	19,014,005	17,285,767
Wastewater	-	-	2,944,634	2,912,437	2,944,634	2,912,437
Total expenses	<u>54,529,446</u>	<u>52,254,451</u>	<u>21,958,639</u>	<u>20,198,204</u>	<u>76,488,085</u>	<u>72,452,655</u>
Increase (decrease) in net position	<u>(5,075,779)</u>	<u>(4,954,256)</u>	<u>(1,164,991)</u>	<u>251,012</u>	<u>(6,240,770)</u>	<u>(4,703,244)</u>
Extraordinary gain/(loss)	-	-	-	-	-	-
Change in net position	<u>(5,075,779)</u>	<u>(4,954,256)</u>	<u>(1,164,991)</u>	<u>251,012</u>	<u>(6,240,770)</u>	<u>(4,703,244)</u>
Net position at July 1	261,831,077	256,755,298	78,286,839	88,851,308	340,117,916	345,606,606
Restatement of net position at July 1,	-	(15,378,131)	11,729,460	(3,222,798)	11,729,460	(18,600,929)
Net position at July 1, as restated	<u>261,831,077</u>	<u>241,377,167</u>	<u>90,016,299</u>	<u>85,628,510</u>	<u>351,847,376</u>	<u>327,005,677</u>
Net position at June 30	<u>\$ 256,755,298</u>	<u>\$ 236,422,911</u>	<u>\$ 88,851,308</u>	<u>\$ 85,879,522</u>	<u>\$ 345,606,606</u>	<u>\$ 322,302,433</u>

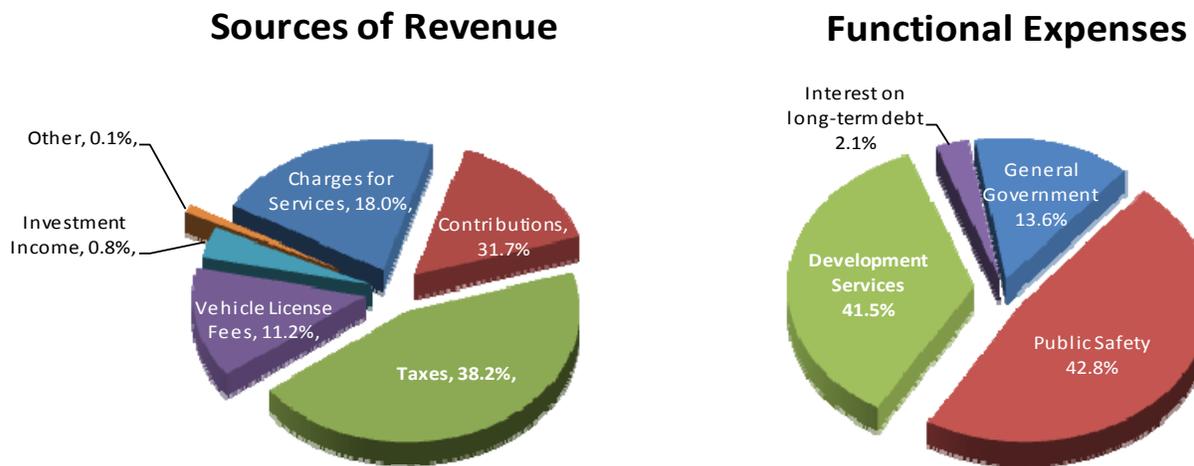
GOVERNMENTAL ACTIVITIES

The June 30, 2014 net position was restated lower by \$15.4 million from \$256.8 million to \$241.4 million. This restatement was due to the recent implementation of GASB 68, which decreased the net position by \$16.6 million, which was offset by the recognition of a land settlement for \$1.2 million. With the restated June 30, 2014 net position, the June 30, 2015 governmental activities net position decreased by \$5.0 million. Revenues decreased \$2.1 million primarily from the \$2.31 million decrease to capital grants revenue (\$2.4 million) from FY 2013-14 to FY 2014-15 as the number of active grant funded capital improvement projects

decreased substantially. The cost of all governmental activities this year was \$52.3 million; however, as shown in Table 2, the amount that the taxpayers ultimately financed for these activities was \$35.2 million (\$52.3 million of total expenses less \$17.1 million of total program revenues). The \$17.1 million of program revenues includes about \$10.2 million of costs paid by those who directly benefited from the programs, \$6.7 million by other governments and organizations that partially funded certain programs with operating grants and contributions, and \$0.2 million of capital contributions.

The City paid for the remaining “public benefit” portion of governmental activities with the \$30.2 million of general revenues and \$5.0 million of reserves. The general revenues included taxes (some of which could only be used for certain programs) and other revenues, such as vehicle license fees and general entitlements.

Fiscal Year 2014 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 wastewater utilities.

BUSINESS-TYPE ACTIVITIES

The June 30, 2014 net position was restated by \$3.2 million, which was due to the implementation of GASB 68. The Water District’s net position increased \$0.3 million or 0.3% from the restated June 30, 2014 net position. The cost of all Water District activities this year was decreased by \$1.8 million from \$22.0 million during FY 2013-14 to \$20.2 million during FY 2014-15. This decrease of costs was offset by a reduction of revenue. As shown in the Changes in Net Position (Table 2), the amount paid by users of the systems was \$19.4 million, which is a decrease of \$0.4 million or 1.8% from the June 30, 2014 total of \$19.8 million. This is attributed to water conservation efforts by the District’s customers. Non-operating revenues of about \$1.1 million made up the remainder of the \$20.4 million total revenues.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The June 30, 2014 fund balance for the governmental funds was restated to reflect the recognition of a settlement where the City received land totaling \$1.2 million. At year-end, the City's governmental funds reported combined fund balances, found on pages 24-25, of \$62.3 million, which is a decrease of \$3.3 million, or 5.1% from last year's restated combined fund balance of \$65.6 million.

- At year-end, the fund balance for the General Fund decreased \$2.0 million, primarily because of the \$2.5 million purchase of permanent water rights. If this purchase was not made, revenues would have exceeded expenditures by \$1.7 million before the General Fund transferred out a net \$1.2 million to other funds (primarily to pay the debt service of the 2012 Water Rights debt), which would have caused a fund balance increase of \$0.5 million. The \$0.5 million came from a revenue increase of \$0.2 million and an expenditure decrease of \$0.3 million compared to FY 2013-14.

Included in the General Fund expenditures of \$28.0 million are the purchase of 500 acre-feet of permanent water rights for \$2.5 million and increased Police costs of \$0.5 million that maintained the same level of service of the prior year without adding any additional personnel. However, compared to the prior year, General Fund expenditures, excluding the water rights purchase mentioned above, decreased by \$0.3 million. General Fund revenues of \$27.3 million increased by \$0.2 million mostly due to the increase with property taxes as the County of San Bernardino started to restore property assessed values reflecting that an economic recovery has started in the region. Also, residential permit related revenues reflect the increase from 63 single family residential (SFR) permits in FY 2013-14 to 86 SFR permits in FY 2014-15.

- At year-end, the Fire District's operating fund reported a fund balance of \$0.5 million, which is a decrease of \$0.9 million or 64.2% from the June 30, 2014 ending fund balance of \$1.4 million. The District utilized the second, and final year, of the Staffing for Adequate Fire and Emergency Response (SAFER) grant, which resulted in an increase to staffing levels and a corresponding cost of nearly \$1.0 million, which was netted against \$0.7 million of grant reimbursement revenue. Excluding the SAFER grant costs, the San Bernardino County Fire Department contract increased by \$0.5 million for the same level of service without adding any additional personnel. At the August 4, 2015 Board Meeting, the Board approved a resolution requesting the Local Agency Formation Commission to annex the Fire District to the San Bernardino County Fire Protection District. More detail is found within Note 18.
- Though the HOME Grant fund balance increased to \$0.1 million, the loans receivable balance increased by \$0.2 million due to accruing interest on the various housing loans, detailed in Note 15.
- The Hesperia Housing Authority (HHA) reported a fund balance of \$17.5 million from the June 2014 restated fund balance of \$17.7 million. The \$0.2 million decrease was the result of operating administrative expenditures exceeding operating revenues (rental income and other revenue) and revenue from the sale of property. The restatement of \$1.2 million was due to recording land acquired through a lawsuit settlement in the prior year.

CAPITAL ASSETS

For governmental activities, 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, 2015, capital assets, net of depreciation, of the governmental activities totaled \$237.0 million, which reflects a decrease of \$3.3 million, from the prior year. The decrease is primarily due to the addition to accumulated depreciation of \$9.4 million netted against asset acquisitions including the \$2.5 million purchase of 500 acre feet of permanent water rights. Construction in progress had a net \$0.5 million increase.

For the business-type activities, capital assets are those assets that are used in the performance of the Hesperia Water District's functions including infrastructure assets. At June 30, 2015, capital assets, net of depreciation, totaled \$93.7 million, which is a decrease of \$2.4 million. This decrease is primarily due to depreciation expense of \$3.5 million and offset by \$1.1 million increase in construction in progress. During the year, a net \$0 change occurred with a \$3.2 million decrease to construction in progress offset by a \$3.2 million increase in water facilities.

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.

Typically, the nonproprietary (governmental activities) infrastructure includes: paved streets, sidewalks, traffic signals, storm drains, and flood control channels; whereas, the Hesperia Water District (business-type activities) continues to maintain the water and sewer infrastructure which includes water storage tanks, water pumping equipment, water transmission lines, and sewer lines.

Table 3
Capital Assets at Year-end

	Balance at June 30, 2014 Net of Accumulated Depreciation	Increases	Decreases	Current Year Depreciation	Balance at June 30, 2015 Net of Accumulated Depreciation
Governmental Activities:					
Land	\$ 26,507,274	\$ 325,322	\$ -	\$ -	\$ 26,832,596
Water rights	33,913,771	2,500,022	-	-	36,413,793
Construction in progress	32,927,924	2,365,358	(1,879,741)	-	33,413,541
Land improvements	5,306,224	-	-	(149,329)	5,156,895
Vehicles	1,204,851	176,841	-	(406,418)	975,274
Buildings and improvements	50,698,185	-	-	(1,159,854)	49,538,331
Machinery and equipment	971,746	794,781	-	(310,333)	1,456,194
Infrastructure	88,743,219	1,879,741	-	(7,393,858)	83,229,102
	<u>\$ 240,273,194</u>	<u>\$ 8,042,065</u>	<u>\$ (1,879,741)</u>	<u>\$ (9,419,792)</u>	<u>\$ 237,015,726</u>
Business-type Activities:					
Land	\$ 3,302,878	\$ -	\$ (129,000)	\$ -	\$ 3,173,878
Water rights	13,428,460	-	-	-	13,428,460
Land improvements	159,548	-	-	(19,118)	140,430
Vehicles	237,668	213,629	-	(146,746)	304,551
Buildings and improvements	1,022,946	-	-	(232,802)	790,144
Machinery and equipment	581,279	151,102	-	(121,267)	611,114
Infrastructure:					
Water facilities	70,996,835	3,315,938	(247,433)	(2,826,238)	71,239,102
Sewer facilities	3,433,552	-	-	(178,263)	3,255,289
Construction in progress	2,940,265	1,146,847	(3,315,938)	-	771,174
	<u>\$ 96,103,431</u>	<u>\$ 4,827,516</u>	<u>\$ (3,692,371)</u>	<u>\$ (3,524,434)</u>	<u>\$ 93,714,142</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.

Debt, considered a liability of government activities, decreased in FY 2014-15 by a net of \$1.3 million, which was primarily due to normal debt service during the year. To note, on October 1, 2015 the City paid-off the Series 2004 Variable Rate Demand Revenue Bonds, for streets, which had an outstanding balance of \$4.6 million.

Debt of the business-type activities decreased by a net amount of \$0.9 million in FY 2014-15. The decrease is primarily due to \$0.9 million decrease from scheduled 1998 A&B Lease Revenue refunding Bond and 1992B Certificate of Participation payments.

Table 4
Outstanding Debt, at Year-end

	Principal Balance at June 30, 2014	Additions	Deductions	Principal Balance at June 30, 2015	Due Within One Year
Governmental Activities:					
Loans	\$ 150,000	\$ -	\$ (150,000)	\$ -	\$ -
Revenue bonds	43,980,000	-	(1,455,000)	42,525,000	1,465,000
Less deferred amounts:					
Bond premiums	106,446	-	(3,746)	102,700	(3,746)
Bond discounts	(298,058)	-	11,755	(286,303)	11,755
Compensated absences	656,586	459,116	(477,514)	638,188	612,660
Claims payable	484,211	457,498	(126,592)	815,117	200,000
	<u>\$ 45,079,185</u>	<u>\$ 916,614</u>	<u>\$ (2,201,097)</u>	<u>\$ 43,794,702</u>	<u>\$ 2,285,669</u>
Business-type Activities:					
Certificates of participation	\$ 760,000	\$ -	\$ (70,000)	\$ 690,000	\$ 75,000
Revenue bonds	11,220,000	-	(820,000)	10,400,000	855,000
Less: deferred amounts:					
Bond discounts	(84,214)	-	7,305	(76,909)	7,305
Compensated absences	194,825	181,589	(202,256)	174,158	167,192
Claims payable	395,884	111,734	(100,210)	407,408	100,000
	<u>\$ 12,486,495</u>	<u>\$ 293,323</u>	<u>\$ (1,185,161)</u>	<u>\$ 11,594,657</u>	<u>\$ 1,204,497</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the FY 2015-16 Budget, the estimated revenues budgeted of \$72.1 million is a 1.0% or \$0.9 million increase over the FY 2014-15 Budget of \$71.2 million. The increase can be primarily attributed to the ongoing AB8 adjustments to property assessed values and an anticipated increase in development related revenue as 150 residential building permits are projected to be issued during FY 2015-16 up from the 86 issued in FY 2014-15.

Contrary to the increase in residential building permits, the City Council opted to extend the Development Impact Fee (DIF) reduction period for an additional 18 months at the September 16, 2014 Council meeting. This reduction is for 25% of the DIF which means that residential

permits will not contribute to Fire, Police, and Public Services DIF along with a 73% reduction to the water capital DIF. This reduction is scheduled to end April 2016.

The following is a discussion of budgeted expenditures for FY 2015-16:

Transportation: \$8.2 million is budgeted toward transportation projects for FY 2015-16, which includes:

- \$0.3 million is budgeted toward the Rancho Road/I-15 Interchange.
- \$0.2 million is budgeted for construction for the Rancho Road Undercrossing.
- \$2.5 million is budgeted for the FY 2014-15 Street Improvement Program, which is expected to pave and repair approximately 27 miles of roads within the City.
- \$2.3 million is budgeted for the FY 2015-16 Street Improvement Program, which is planned to pave and repair approximately 10 miles of roads within the City.
- \$3.0 million is budgeted toward seven (7) other street projects, varying from phases related to planning to project completion.

Facilities: \$0.9 million is budgeted toward facilities projects for FY 2015-16, which includes:

- \$0.7 million is budgeted toward the expansion of a Park and Ride facility.
- \$0.2 million is budgeted toward the Animal Control sewer project.

General Fund: Budgeted expenditures for the General Fund are expected to increase by \$0.9 million, or 3%, which is primarily due to the \$1.3 million increase to the police service contract and funding part of the FY 2015-16 Street Improvement Program. The \$1.3 million Police increase is partially offset by \$0.4 million of budget reductions in other departments.

Police: It is anticipated that the police service will increase by \$0.7 million, for a total of \$13.5 million during FY 2014-15. With this \$0.7 million increase to maintain the same level of service, there are no additional positions added.

Fire: Fiscal year (FY) 2014-15 was the last year of the Staffing for Adequate Fire and Emergency Response (SAFER) grant, which provided funding to increase staffing levels of the District. The SAFER grant was a two-year grant which allowed the District to add additional safety personnel in order to enhance fire services.

FY 2015-16 will see the District restructure staffing allocation due to the end of the SAFER Grant. Fifteen of the Limited-Term Fire Fighter positions will be eliminated and replaced with the creation of the same number of Ambulance Operators to staff 5 Advanced Life Support Ambulances. The proposed revenue budget in 2015-16 is expected to remain relatively unchanged as anticipated increases in charges for services will be offset by the elimination of the SAFER Grant. Fiscal Year 2015-16 budgeted expenditures are expected to be approximately \$1.8 million lower. This difference is made up mainly of no further SAFER Grant or Fire Station Building fund expenditures in the next fiscal year. Any excess expenditures over revenues that do occur will be funded from District reserves.

Water: As reflected in the FY 2015-16 Budget, the District's revenue in the operating funds, water and sewer, is expected to decrease about \$1.4 million, or 6.6%, from the FY 2014-15 revised of \$21.3 million. The District's operating expenses are expected to decrease by 8% or \$1.7 million from the FY 2014-15 Budget of \$21.3 million.

However, the District's FY 2015-16 First Quarter report to the Board of Directors, presented at the November 17, 2015 City Council meeting, identified \$0.8 million or 15.7% less water sales revenue than expected for the first quarter of FY 2015-16 compared to the first quarter of FY 2014-15. This can be attributed to the State of California Governor's drought declaration that encouraged the water users in the State to reduce water use.

In the FY 2015-16 Budget, the District's revenue in the capital funds, water and sewer showed an increase of \$53,054 or 57% over the FY 2015-16 first quarter of \$146,037 compared to \$92,983 of FY 2014-15 first quarter due to a slight increase of new single-family residential permits. The District's budgeted capital expenses are expected to increase by \$0.4 million for the Urban Water Management Plan and Eagle Plaza improvements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the monies 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 POSITION
June 30, 2015

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 35,490,187	\$ 3,925,187	\$ 39,415,374
Receivables			
Accounts	1,498,786	2,872,345	4,371,131
Accrued interest	18,923	3,096	22,019
Due from other governmental agencies	4,949,076	14,974	4,964,050
Land held for resale	20,789,247	-	20,789,247
Inventories	-	992,311	992,311
Deposits	-	3,315	3,315
Restricted assets:			
Cash and investments with fiscal agent	-	1,888,888	1,888,888
Cash held for bondholders	-	415,094	415,094
Cash held for bond reserves	3,490,014	-	3,490,014
Total Current Assets	66,236,233	10,115,210	76,351,443
Noncurrent Assets:			
Other Noncurrent Assets:			
Notes receivable, net of allowance	30,587,184	-	30,587,184
Prepaid expenses	32,810	203,988	236,798
Deposits for self-insurance	957,757	280,221	1,237,978
Total Other Noncurrent Assets	31,577,751	484,209	32,061,960
Capital Assets:			
Not being depreciated:			
Land	26,832,596	3,173,878	30,006,474
Water rights	36,413,793	13,428,460	49,842,253
Construction in progress	33,413,541	771,174	34,184,715
Being depreciated:			
Land improvements	6,274,252	790,727	7,064,979
Buildings and improvements	57,785,547	7,425,207	65,210,754
Equipment and vehicles	14,159,095	7,093,472	21,252,567
Infrastructure	158,225,491	-	158,225,491
Water and sewer facilities	-	130,191,735	130,191,735
Less: Accumulated depreciation	(96,088,589)	(69,160,511)	(165,249,100)
Total Capital Assets	237,015,726	93,714,142	330,729,868
Total Noncurrent Assets	268,593,477	94,198,351	362,791,828
Total assets	334,829,710	104,313,561	439,143,271
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	810,913	810,913
Deferred asset from derivative instrument	-	1,859,252	1,859,252
Deferred pension outflows	2,461,971	417,253	2,879,224
Total deferred outflows of resources	2,461,971	3,087,418	5,549,389

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

CITY OF HESPERIA

LIABILITIES	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current Liabilities:			
Accounts payable and other current liabilities	\$ 2,555,759	\$ 2,651,478	\$ 5,207,237
Accrued interest payable	351,592	54,729	406,321
Deposits	18,100	594,327	612,427
Due to other governmental agencies	434,656	41,025	475,681
Current liabilities payable from restricted assets - due to bondholders	-	415,094	415,094
Liability from derivative instrument	-	1,859,252	1,859,252
Long-term debt-due within one year	2,285,669	1,204,497	3,490,166
Total Current Liabilities	5,645,776	6,820,402	12,466,178
Noncurrent Liabilities:			
Net OPEB obligation	1,944,536	740,388	2,684,924
Unearned revenue	33,112,302	13,199	33,125,501
Long-term debt-due in more than one year	41,509,033	10,390,160	51,899,193
Net pension liability	14,366,729	2,531,398	16,898,127
Total Noncurrent Liabilities	90,932,600	13,675,145	104,607,745
Total liabilities	96,578,376	20,495,547	117,073,923
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	4,290,394	1,025,910	5,316,304
Total deferred inflows of resources	4,290,394	1,025,910	5,316,304
NET POSITION			
Net investment in capital assets	194,674,329	82,701,051	277,375,380
Restricted for debt service	3,490,014	1,888,888	5,378,902
Unrestricted	38,258,568	1,289,583	39,548,151
Total net position	\$ 236,422,911	\$ 85,879,522	\$ 322,302,433

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 7,268,741	\$ 4,348,094	\$ 42,841	\$ -
Public safety	25,164,286	4,741,715	1,040,067	140,000
Transportation	-	25,230	5,100,027	-
Development services	18,290,886	1,124,106	534,284	10,598
Interest on long-term debt	1,530,538	-	-	-
Total governmental activities	<u>52,254,451</u>	<u>10,239,145</u>	<u>6,717,219</u>	<u>150,598</u>
Business-type activities:				
Water	17,285,767	15,783,240	-	-
Sewer	2,912,437	3,608,367	-	-
Total business-type activities	<u>20,198,204</u>	<u>19,391,607</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 72,452,655</u>	<u>\$ 29,630,752</u>	<u>\$ 6,717,219</u>	<u>\$ 150,598</u>

General Revenues:

Taxes:

- 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

Total general revenues

- Change in net position
- Net position at beginning of year, as previously stated
- Prior period adjustment
- Net position at beginning of year, restated
- Net position at end of year

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

CITY OF HESPERIA

Net (Expense)/Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,877,806)	\$ -	\$ (2,877,806)
(19,242,504)	-	(19,242,504)
5,125,257	-	5,125,257
(16,621,898)	-	(16,621,898)
(1,530,538)	-	(1,530,538)
<u>(35,147,489)</u>	<u>-</u>	<u>(35,147,489)</u>
-	(1,502,527)	(1,502,527)
-	695,930	695,930
-	(806,597)	(806,597)
<u>(35,147,489)</u>	<u>(806,597)</u>	<u>(35,954,086)</u>
6,651,348	287,410	6,938,758
10,042,299	-	10,042,299
1,163,434	-	1,163,434
3,196,630	-	3,196,630
231,387	-	231,387
6,534,189	-	6,534,189
1,839,817	13,743	1,853,560
-	414,951	414,951
534,129	341,505	875,634
<u>30,193,233</u>	<u>1,057,609</u>	<u>31,250,842</u>
<u>(4,954,256)</u>	<u>251,012</u>	<u>(4,703,244)</u>
256,755,298	88,851,308	345,606,606
<u>(15,378,131)</u>	<u>(3,222,798)</u>	<u>(18,600,929)</u>
<u>241,377,167</u>	<u>85,628,510</u>	<u>327,005,677</u>
<u>\$ 236,422,911</u>	<u>\$ 85,879,522</u>	<u>\$ 322,302,433</u>

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





BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Fire District	HOME Grant
Assets and Deferred Outflows of Resources			
Assets			
Cash and cash equivalents	\$ 9,369,683	\$ -	\$ 97,393
Restricted investments	-	-	-
Accounts receivable	1,032,020	347,311	-
Prepaid expenses	32,810	-	-
Accrued interest	5,021	-	44
Notes receivable, net of allowance	-	-	12,472,250
Due from other governmental agencies	1,902,089	591,381	-
Land held for resale	-	-	-
Due from other funds	1,216,204	-	-
Advance to other funds	154,520	-	-
Total Assets	13,712,347	938,692	12,569,687
Deferred Outflows of Resources			
	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 13,712,347	\$ 938,692	\$ 12,569,687
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable and other current liabilities	\$ 1,541,617	\$ 53,075	\$ -
Deposits	6,000	-	-
Advances from other funds	-	-	-
Due to other governmental agencies	434,656	-	-
Due to other funds	-	395,963	-
Total Liabilities	1,982,273	449,038	-
Deferred Inflows of Resources			
Unavailable revenues	882,174	3,261	12,472,250
Total Deferred Inflows of Resources	882,174	3,261	12,472,250
Fund Balances:			
Restricted:			
Debt Service	-	-	-
Transportation	-	-	-
Air quality	-	-	-
Public safety	-	486,393	-
Grants	-	-	97,437
Land held for resale	-	-	-
Low income housing	-	-	-
Other purposes	-	-	-
Assigned:			
Self Insurance	150,000	-	-
Transportation	-	-	-
Unassigned	10,697,900	-	-
Total Fund Balances	10,847,900	486,393	97,437
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,712,347	\$ 938,692	\$ 12,569,687

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

CITY OF HESPERIA

Hesperia Housing Authority	Other Governmental Funds	Total Governmental Funds
\$ 5,961,266	\$ 20,061,845	\$ 35,490,187
-	3,490,014	3,490,014
7,500	111,955	1,498,786
-	-	32,810
3,315	10,543	18,923
17,836,790	278,144	30,587,184
-	2,455,606	4,949,076
11,534,457	9,254,790	20,789,247
-	395,963	1,612,167
-	-	154,520
<u>35,343,328</u>	<u>36,058,860</u>	<u>98,622,914</u>
-	-	-
<u>\$ 35,343,328</u>	<u>\$ 36,058,860</u>	<u>\$ 98,622,914</u>
\$ 17,626	\$ 943,441	\$ 2,555,759
1,000	11,100	18,100
-	154,520	154,520
-	-	434,656
-	1,216,204	1,612,167
<u>18,626</u>	<u>2,325,265</u>	<u>4,775,202</u>
<u>17,836,790</u>	<u>384,486</u>	<u>31,578,961</u>
<u>17,836,790</u>	<u>384,486</u>	<u>31,578,961</u>
-	7,453,271	7,453,271
-	6,144,658	6,144,658
-	142,934	142,934
-	6,644,056	7,130,449
-	611,714	709,151
-	9,254,790	9,254,790
17,487,912	1,701,185	19,189,097
-	1,336,629	1,336,629
-	-	150,000
-	574,819	574,819
-	(514,947)	10,182,953
<u>17,487,912</u>	<u>33,349,109</u>	<u>62,268,751</u>
<u>\$ 35,343,328</u>	<u>\$ 36,058,860</u>	<u>\$ 98,622,914</u>

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

CITY OF HESPERIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

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

Total fund balances - governmental funds	\$ 62,268,751
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	237,015,726
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.	(351,592)
Land was sold in exchange for a ten-year note, that is due and payable in year ten. Revenues receivable from outside agencies are unavailable on the fund statements, but recognized on the government-wide statements.	278,144
The Sales Tax "triple flip" is subject to a "true up" adjustment to be received in January 2016. Revenues receivable from outside agencies are unavailable on the fund statements, but recognized on the government-wide statements.	553,819
Revenues receivable from outside agencies are unavailable on the fund statements, but recognized on the government-wide statements.	434,696
The lease agreement between the City and the County only provides current financial resources to the governmental funds. These amounts are deferred and amortized in the statement of net positions.	(2,800,000)
Deposits with insurance providers to pay for long-term liabilities are not current financial resources and, therefore, are not recorded on the governmental funds balance sheet.	957,757
The Net OPEB Obligation is not due and payable in the current period, and, therefore, is not reported in the governmental funds balance sheet.	(1,944,536)
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.	(43,794,702)
Net pension liability applicable to the City governmental activities is not due and payable in the current period and accordingly is not reported as a fund liability. Additionally related deferred inflows and outflows of resources are not reported in the fund statements. Balances as of June 30, 2015 are as follows:	
Deferred outflow - pension contributions	\$ 2,461,971
Deferred inflow from pension	(4,290,394)
Net pension liability	(14,366,729)
Net position of governmental activities	<u>\$ 236,422,911</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, 2015

	General Fund	Fire District	HOME Grant
Revenues:			
Taxes	\$ 14,000,454	\$ 6,194,263	\$ -
Licenses and permits	249,645	-	-
Fines and forfeits	714,982	-	-
Use of money and property	19,722	48,633	20,503
Intergovernmental	8,400,552	-	-
Charges for services	1,548,407	3,396,024	-
Grants	96,370	718,125	17,317
Other revenues	2,235,531	1,422	-
Total Revenues	27,265,663	10,358,467	37,820
Expenditures:			
Current:			
General government:			
City council	590,505	-	-
City manager	2,447,805	-	-
Management services	2,738,769	-	-
Public safety-police	13,542,008	-	-
Public safety-fire	-	10,979,941	-
Development services	5,529,221	-	-
Debt service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital outlay:			
Land	225,000	-	-
Water rights	2,500,022	-	-
Equipment and vehicles	402,717	248,935	-
Infrastructure	68,956	-	-
Total Expenditures	28,045,003	11,228,876	-
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(779,340)	(870,409)	37,820
Other Financing Sources (Uses):			
Transfers in	246,328	-	-
Transfers out	(1,470,191)	-	-
Total Other Financing Sources (Uses)	(1,223,863)	-	-
Net Change in Fund Balances	(2,003,203)	(870,409)	37,820
Fund balances at beginning of year	12,851,103	1,356,802	59,617
Prior period adjustment (Note 18)	-	-	-
Fund balances at beginning of year, as restated	12,851,103	1,356,802	59,617
Fund balances at end of year	\$ 10,847,900	\$ 486,393	\$ 97,437

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

CITY OF HESPERIA

Hesperia Housing Authority	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,662,365	\$ 24,857,082
-	-	249,645
-	-	714,982
87,080	139,991	315,929
-	2,556,257	10,956,809
-	1,078,083	6,022,514
-	793,802	1,625,614
93,944	126,564	2,457,461
<u>181,024</u>	<u>9,357,062</u>	<u>47,200,036</u>
-	-	590,505
-	107,731	2,555,536
-	-	2,738,769
-	-	13,542,008
-	-	10,979,941
366,351	4,885,172	10,780,744
-	1,439,244	1,439,244
-	1,605,000	1,605,000
-	91,441	91,441
-	100,322	325,322
-	-	2,500,022
-	319,970	971,622
-	2,296,402	2,365,358
<u>366,351</u>	<u>10,845,282</u>	<u>50,485,512</u>
<u>(185,327)</u>	<u>(1,488,220)</u>	<u>(3,285,476)</u>
-	8,274,711	8,521,039
-	(7,050,848)	(8,521,039)
-	1,223,863	-
<u>(185,327)</u>	<u>(264,357)</u>	<u>(3,285,476)</u>
<u>16,408,239</u>	<u>33,613,466</u>	<u>64,289,227</u>
<u>1,265,000</u>	<u>-</u>	<u>1,265,000</u>
<u>17,673,239</u>	<u>33,613,466</u>	<u>65,554,227</u>
<u>\$ 17,487,912</u>	<u>\$ 33,349,109</u>	<u>\$ 62,268,751</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, 2015

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

Net change in fund balances - total governmental funds		\$ (3,285,476)
Decrease in long-term deposits and claims payable are included in governmental activities in the government-wide statement of activities.		77,567
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	\$ 6,162,324	
Depreciation expense	<u>(9,419,792)</u>	(3,257,468)
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.		8,156
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.		(329,656)
Administrative fines received after the availability period are recognized in the government-wide statements and unavailable in the fund statements.		(86,925)
Interest Revenue is recognized when received on the statement of revenues, expenditures, and changes in fund balances and recognized when incurred on the statement of activities.		8,144
The Sales Tax "triple flip" is subject to a "true up" adjustment to be received in January 2015. These revenues are recognized in the government-wide statements and unavailable in the fund statements.		38,940
The revenue for the lease agreement between the City and the County is being recognized and deferred on the statement of activities over the life of the lease, and was previously recognized as a current financial resource on the governmental funds. This was previously recognized on the statement of revenues, expenditures, and changes in fund balances.		140,000
Contributions to the pension plan in the current year are not included in the statement of activities		447,979

(Continued)

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, 2015

(Continued)

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 position. Also, governmental funds report the effect of 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 long-term debt	\$ 1,605,000	
Amortization of premiums and discounts	(8,009)	
Changes to compensated absences	18,398	
Changes to claims payable	(330,906)	1,284,483
Change in net position of governmental activities		<u>\$ (4,954,256)</u>

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



Proprietary Funds

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, 2015.

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.

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 June 30, 2015

	Water Operations & Capital	Sewer Operations & Capital	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 3,925,187	\$ 3,925,187
Receivables:			
Accounts	2,358,600	513,745	2,872,345
Accrued interest	1,022	2,074	3,096
Due from other governmental agencies	3,438	11,536	14,974
Deposits	-	3,315	3,315
Inventories	992,311	-	992,311
Due from other funds	-	8,889,133	8,889,133
Restricted Assets:			
Cash and investments with fiscal agent	1,888,888	-	1,888,888
Cash held for bondholders	415,094	-	415,094
Total Current Assets	5,659,353	13,344,990	19,004,343
Noncurrent Assets:			
Other Noncurrent Assets:			
Prepaid expenses	203,988	-	203,988
Deposits for self-insurance	257,101	23,120	280,221
Total Other Noncurrent Assets	461,089	23,120	484,209
Capital Assets:			
Land	1,369,341	1,804,537	3,173,878
Water rights	13,428,460	-	13,428,460
Construction in progress	771,174	-	771,174
Land improvements	790,727	-	790,727
Vehicles	2,278,764	214,005	2,492,769
Machinery and equipment	4,304,913	295,790	4,600,703
Buildings and improvements	7,425,207	-	7,425,207
Water and sewer facilities	123,054,326	7,137,408	130,191,734
Less: Accumulated depreciation	(65,075,740)	(4,084,770)	(69,160,510)
Total Capital Assets	88,347,172	5,366,970	93,714,142
Total Noncurrent Assets	88,808,261	5,390,090	94,198,351
Total Assets	94,467,614	18,735,080	113,202,694
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	810,913	-	810,913
Deferred asset from derivative instrument	1,859,252	-	1,859,252
Deferred Outflows - Pension	390,966	26,287	417,253
Total Deferred Outflows of Resources	3,061,131	26,287	3,087,418

(Continued)

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

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS (Continued)
 June 30, 2015

LIABILITIES	Water Operations & Capital	Sewer Operations & Capital	Total
Current Liabilities:			
Accounts payable	\$ 2,296,329	\$ 355,149	\$ 2,651,478
Accrued interest payable	54,729	-	54,729
Deposits	594,327	-	594,327
Due to other funds	8,889,133	-	8,889,133
Due to other governments	-	41,025	41,025
Current liabilities payable from restricted assets - due to bondholders	415,094	-	415,094
Liability from derivative instrument	1,859,252	-	1,859,252
Long term debt due within one year	1,185,125	19,372	1,204,497
Total Current Liabilities	15,293,989	415,546	15,709,535
Noncurrent Liabilities:			
Net OPEB obligation	740,388	-	740,388
Net Pension Liability	2,371,920	159,478	2,531,398
Unearned Revenue	13,199	-	13,199
Compensated absences	6,159	807	6,966
Claims payable	270,142	37,266	307,408
Revenue bonds (net of unamortized discounts)	9,460,786	-	9,460,786
Certificates of participation	615,000	-	615,000
Total Noncurrent Liabilities	13,477,594	197,551	13,675,145
Total Liabilities	28,771,583	613,097	29,384,680
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	961,278	64,632	1,025,910
Total Deferred Inflows of Resources	961,278	64,632	1,025,910
NET POSITION			
Net investment in capital assets	77,334,081	5,366,970	82,701,051
Restricted for debt service	1,888,888	-	1,888,888
Unrestricted	(11,427,085)	12,716,668	1,289,583
Total Net Position	\$ 67,795,884	\$ 18,083,638	\$ 85,879,522

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

CITY OF HESPERIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2015

	Water Operations & Capital	Sewer Operations & Capital	Total
OPERATING REVENUES			
Water sales	\$ 15,229,406	\$ -	\$ 15,229,406
Water services	435,940	-	435,940
Sewer services	-	3,607,678	3,607,678
Other	117,894	689	118,583
Total Operating Revenues	<u>15,783,240</u>	<u>3,608,367</u>	<u>19,391,607</u>
OPERATING EXPENSES			
General and administrative	3,467,771	-	3,467,771
Engineering	735,485	-	735,485
Production	5,462,572	-	5,462,572
Distribution	1,095,405	-	1,095,405
Wastewater collection	-	2,707,247	2,707,247
Customer service	2,015,613	-	2,015,613
Depreciation and amortization	3,563,710	205,190	3,768,900
Total Operating Expenses	<u>16,340,556</u>	<u>2,912,437</u>	<u>19,252,993</u>
OPERATING INCOME (LOSS)	<u>(557,316)</u>	<u>695,930</u>	<u>138,614</u>
NONOPERATING REVENUES (EXPENSES)			
Unrestricted system improvement and replacement	414,951	-	414,951
Property taxes	287,082	-	287,082
Property taxes - debt service	328	-	328
Rent income	341,505	-	341,505
Interest income	5,898	7,845	13,743
Interest expense	(942,245)	-	(942,245)
Loss on disposal of capital assets	(2,966)	-	(2,966)
Total Nonoperating Revenues (Expenses), Net	<u>104,553</u>	<u>7,845</u>	<u>112,398</u>
Change In Net Position	<u>(452,763)</u>	<u>703,775</u>	<u>251,012</u>
Net position at beginning of year, as previously stated	71,268,410	17,582,898	88,851,308
Prior Period Adjustment	(3,019,763)	(203,035)	(3,222,798)
Net position at beginning of year, as restated	<u>68,248,647</u>	<u>17,379,863</u>	<u>85,628,510</u>
Net position at end of year	<u>\$ 67,795,884</u>	<u>\$ 18,083,638</u>	<u>\$ 85,879,522</u>

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2015

	Water Operations & Capital	Sewer Operations & Capital	Total
Cash Flows from Operating Activities:			
Cash received from water and sewer customers	\$ 16,110,576	\$ 3,596,847	\$ 19,707,423
Cash received from other operating receipts	117,894	689	118,583
Cash payments for water purchases	(7,130,907)	-	(7,130,907)
Cash payments for sewer collection and maintenance	-	(2,555,485)	(2,555,485)
Cash payments for services and supplies	(1,110,522)	-	(1,110,522)
Cash payments to employees for services	(6,379,310)	(5,212)	(6,384,522)
Net Cash Provided by Operating Activities	<u>1,607,731</u>	<u>1,036,839</u>	<u>2,644,570</u>
Cash Flows from Noncapital and Related Financing Activities:			
Property taxes received	287,410	-	287,410
Cash received to/from other funds	1,613,579	(1,613,579)	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>1,900,989</u>	<u>(1,613,579)</u>	<u>287,410</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,323,440)	(59,136)	(1,382,576)
Unrestricted system improvement and replacement receipts	414,951	-	414,951
Cash received from bondholders	2,688	-	2,688
Cash payment on loan payable to HCRA	(1,200,000)	-	(1,200,000)
Interest payments on long-term debt	(857,775)	-	(857,775)
Principal payments on long-term debt	(890,000)	-	(890,000)
Net Cash Used by Capital and Related Financing Activities	<u>(3,853,576)</u>	<u>(59,136)</u>	<u>(3,912,712)</u>
Cash Flows from Investing Activities:			
Rents received	341,505	-	341,505
Interest received	6,039	7,654	13,693
Net Cash Provided by Investing Activities	<u>347,544</u>	<u>7,654</u>	<u>355,198</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,688	(628,222)	(625,534)
Cash and cash equivalents at beginning of year	<u>2,301,294</u>	<u>4,553,409</u>	<u>6,854,703</u>
Cash and cash equivalents at end of year	<u>\$ 2,303,982</u>	<u>\$ 3,925,187</u>	<u>\$ 6,229,169</u>

(continued)

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

HESPERIA WATER DISTRICTSTATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

	Water Operations & Capital	Sewer Operations & Capital	Total
Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:			
Operating income (Loss)	\$ (557,316)	\$ 695,930	\$ 138,614
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and amortization	3,563,710	205,190	3,768,900
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	445,230	5,251	450,481
(Increase) decrease in deposits	(33,313)	(5,551)	(38,864)
(Increase) decrease in inventory	(37,401)	-	(37,401)
(Increase) decrease in prepaid expenses	24,761	-	24,761
(Increase) decrease in due from other governments	30,440	-	30,440
(Increase) decrease in deferred outflows on pension	(17,518)	(1,178)	(18,696)
Increase (decrease) in accounts and claims payable	(1,693,096)	134,209	(1,558,887)
Increase (decrease) in accrued personnel costs	(227,504)	(16,082)	(243,586)
Increase (decrease) in customer deposits	31,579	-	31,579
Increase (decrease) in due to other governments	-	35,400	35,400
Increase (decrease) in net OPEB obligation	133,344	-	133,344
Increase (decrease) in deferred revenue	13,199	-	13,199
Increase (decrease) in net pension liability	(1,021,291)	(68,666)	(1,089,957)
Increase (decrease) in compensated absences	(8,371)	(12,296)	(20,667)
Increase (decrease) in deferred deferred inflows	961,278	64,632	1,025,910
Total Adjustments	2,165,047	340,909	2,505,956
Net Cash Provided (Used) by Operating Activities	\$ 1,607,731	\$ 1,036,839	\$ 2,644,570
Supplemental Disclosures:			
Noncash Capital and Financing Activities			
Amortization Related to Long-Term Debt	\$ 84,242		

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

Fiduciary Fund Types

Fiduciary Fund types include trust and agency funds and private-purpose trust 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 - 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 - To account for the restructuring of the Community Facilities District #91-3 debt used to finance the infrastructure of the Belgate development.

Branch Library - 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.

Plan Review Trust - To account for deposits that are held by the City to offset the costs incurred by large developer projects.

Individual Private-Purpose funds are as follows:

Successor Agency to the Former Hesperia Community Redevelopment Agency - To account for various deposits and debt obligations of the former Hesperia Community Redevelopment Agency that are now under the authority of the Oversight Board.

CITY OF HESPERIA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015

ASSETS	Total Agency Funds	Successor Agency To The Former Hesperia Community Redevelopment Agency Private Purpose Fund
ASSETS		
Current Assets:		
Cash and investments	\$ 4,229,536	\$ 8,032,870
Cash and investments with fiscal agent	1,480,953	13,510,130
Accounts receivable	21,628	-
Accrued interest	1,417	2,345
Deposits	-	37,480
Notes receivable, net of allowance	-	1,760,245
Total Current Assets	<u>5,733,534</u>	<u>23,343,070</u>
Noncurrent Assets:		
Capital Assets:		
Vehicles and equipment, net of depreciation	-	17,957
Total Noncurrent Assets	<u>-</u>	<u>17,957</u>
Total Assets	<u><u>\$ 5,733,534</u></u>	<u><u>23,361,027</u></u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 87,844	22
Due to bondholders	4,313,932	-
Deposits payable	1,331,758	-
Accrued interest	-	2,555,466
Tax revenue bonds, current portion	-	4,085,000
Total Current Liabilities	<u>5,733,534</u>	<u>6,640,488</u>
Long -Term Liabilities:		
Tax revenue bonds, long-term portion	-	147,039,949
Total Long -Term Liabilities	<u>-</u>	<u>147,039,949</u>
Total Liabilities	<u><u>\$ 5,733,534</u></u>	<u><u>153,680,437</u></u>
NET POSITION		
Net position for private purpose		<u>(130,319,410)</u>
Total Net Position		<u><u>\$ (130,319,410)</u></u>

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

STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUND
 For The Year Ended June 30, 2015

	Successor Agency To The Former Hesperia Community Redevelopment Agency Private Purpose Fund
Additions:	
Taxes	\$ 11,102,848
Investment and rental	9,012
Total Additions	11,111,860
Deductions:	
Development services	13,679
Interest and fiscal expense	7,735,043
Total Deductions	7,748,722
Change in Net Position	3,363,138
Total Net Position at Beginning of Period	(133,682,548)
Total Net Position at End of Year	\$ (130,319,410)

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



June 30, 2015

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 Public Facilities Corporation – Established as a separate legal entity on May 4, 1990, to provide financing for various projects of the Hesperia Water District.
4. Hesperia Public Financing Authority – Established as a separate legal entity in March 1993, to provide financing for various City capital projects.
5. Hesperia Housing Authority – On April 5, 2011, the City of Hesperia adopted Resolution No. 2011-022, establishing the Hesperia Housing Authority, pursuant to California Housing Authority Law, to carry out the future housing function which was relinquished from the former Hesperia Community Redevelopment Agency.
6. Community Development Commission – On April 5, 2011, the City adopted Resolution No. 2011-023 for the purpose of establishing a Community Development Commission (CDC) to transact business and exercise powers within the City, including economic development, redevelopment, housing, and community development.
7. Hesperia Joint Public Financing Authority – On October 2, 2012 the City of Hesperia and the Hesperia Water District adopted Resolution 2012-068 (City) and Resolution 2012-09 (Water) for the purpose of establishing the Hesperia Joint Public Financing Authority to provide assistance to the City with its financing programs.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

a. Description and Scope of the Reporting Entity (Continued):

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, the Hesperia Housing Authority, and Community Development Commission issue separate component unit financial statements. Upon their completion, the financial statements of these component units can be obtained at City Hall. On April 5, 2011, the City Council authorized the creation of two 501(c)(3) charitable trusts (non-profit corporation). One non-profit corporation will support affordable housing, while the second non-profit corporation will support economic development. As of June 30, 2015, the two non-profit corporations have not been legally formed.

b. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all 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 to a significant extent, rely on user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses for given functions or segments 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

b. Government-Wide and Fund Financial Statements (Continued):

Pursuant to Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the fund balance reported on the fund statements now consist of the following categories:

- The nonspendable fund balance category typically includes inventories, prepaid items, and other items that by definition are not in spendable form or legally or contractually required to be maintained intact.
- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. On the Governmental Funds Balance Sheet, the Other Purposes consist of the following:

Fund	Amount	Purpose
Neighborhood Stabilization Program (Other Governmental Funds)	\$ 1,336,430	Federal housing program
Community Development Commission (Other Governmental Funds)	199	Performance of economic development
	<u>\$ 1,336,629</u>	

- The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has authority to establish, modify, or rescind a fund balance commitment by adoption of a resolution. Resolutions designate that the City Administrator or designee is to carry out the action authorized by the resolution.
- The assigned fund balance category is intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Administrator or designee has the authority to establish, modify, or rescind a fund balance assignment through adoption of a resolution authorized by the Council. The Council may delegate to an employee or committee the ability to assign the use of specific funds for specific purposes by approving a resolution.
- Unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance in other governmental funds is limited to any negative residual fund balance after fund balance has been classified as restricted, committed, or assigned.

In the government-wide statements, the City considers restricted funds to be spent first, then unrestricted amounts, when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. In the governmental fund statements, when expenditures are incurred, the City uses the most restrictive funds first. The City would use the appropriate funds in the following order: restricted, committed, assigned, and unassigned amounts.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. The accounting objectives of the economic measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. 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. Proprietary fund equity is classified as net position.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Revenues are recognized as soon as they are both measurable and available. Revenues considered 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.

Property taxes, sales tax, transient occupancy tax, franchise taxes, vehicle license fees, highway users tax, interest associated with the current period, and some grants are all susceptible to accrual and 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 Special Revenue Fund** is used to account for revenues from special tax assessments and for expenditures relating to the City's fire prevention and protection.

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

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

The **Hesperia Housing Authority Fund** is used to account for Low and Moderate Housing activity.

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.

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 private-purpose, trust and agency funds. The Private-purpose trust fund is used to account for the assets and liabilities of the former Redevelopment Agency. Trust and 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 Trust and Agency Funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Agency 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.

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.

Plan Review Fund – This fund accounts for deposits held by the City to offset the costs incurred by large developer projects.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

The Successor Agency Private-Purpose Trust Fund – This fund holds assets and accumulates resources to pay enforceable obligations and administrative costs of the former Hesperia Community Redevelopment Agency after the date of dissolution.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 customers 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 nonoperating 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.

New Accounting Pronouncements:

Current Year Standards:

In fiscal year 2014-15, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard decreased the net position at July 1, 2014 of the governmental activities by \$16,643,131 and business-type activities by \$3,222,798. Refer to Note 8 – Public Employees Retirement System for additional detail.

GASB Statement No. 69 - "Government Combinations and Disposals of Government Operations" was required to be implemented in the current fiscal year and did not impact the City.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

New Accounting Pronouncements (Continued):

Pending Accounting Standards:

GASB has issued the following statements which may impact the City's financial reporting requirements in the future:

- GASB 72 - *"Fair Value Measurement and Application"*, effective for periods beginning after June 15, 2015.
- GASB 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, effective for periods beginning after June 15, 2016.
- GASB 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, effective for periods beginning after June 15, 2017.
- GASB 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, effective for periods beginning after June 15, 2015.
- GASB 77 - *"Tax Abatement Disclosures"*, the requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

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.

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, 2015.

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.

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 noncurrent portion of interfund loans).

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

f. Receivables and Payables (Continued):

Management estimates all receivables at June 30, 2015 to be collectible, as any receivables deemed uncollectible have been written off. 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:

Inventories are valued at cost, which approximates market, in a first in first out basis. The inventory consists of meters, pipes, and other parts required to provide water and wastewater services to customers.

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, 2015, in the opinion of the City's Attorney, the City had no material unrecorded claims that 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. Payments are typically paid from the General Fund, Fire District fund, and the Proprietary funds. The various amounts are based on information provided by the City's claims administrators.

h. Claims and Judgements:

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, 2015, in the opinion of the City's Attorney, the City had no material unrecorded claims that 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. Payments are typically paid from the General Fund, Fire District fund, and the Proprietary funds. The various amounts are based on information provided by the City's claims administrators.

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 Position 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; and the following enterprise funds: Water Fund and Sewer Fund.

j. Interest Charges:

The City incurs interest charges on long-term debt. Interest expense for the year ended June 30, 2015 for the governmental activities was \$1,530,538 and \$942,245 business-type activities. No amounts were capitalized as a cost of construction projects.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

k. 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 that have a useful life of more than one year.

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 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

l. 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 position. Bond premiums and discounts 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. Long-term obligation payments are typically paid from the same fund as they originated, including Marks-Roos Revenue Bonds and City Debt Service.

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.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

m. 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.

n. Pensions:

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office for the measurement period ended June 30, 2014 and reported in fiscal year ending June 30, 2015. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

o. 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), the ultimate outcome of claims and judgments, estimated useful lives of capital assets for depreciation purposes, annual required contribution for the other post-employment benefit plan, annual pension costs, and related items including the pension liabilities for the defined benefit plans. Actual results could differ from those estimates and assumptions.

p. Restricted Assets:

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

q. Land Held for Resale:

Land held for resale is carried at the lower of cost or estimated realizable value.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

r. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred Charges on Refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred Asset from Derivative Investment – The deferred asset from derivative investment relates to the swap agreement between the Hesperia Water District and Bank of America, N.A.
- Deferred Outflow Related to Pensions - This amount is equal to employer contributions made after the measurement date of the net pension liability.
- Deferred Outflow Related to Pensions for the Changes in Employer's Proportion and Differences between Employer Contributions and the Employer's Proportionate Share of Contributions – This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred Inflow Related to Pensions - This item is the difference in projected and actual earnings on investments of the pension plan. This amount is amortized over five years.
- Unavailable Revenue – This item arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenues*, is reported only in the governmental funds balance sheet.

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, 2004. 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's expense to the County for these services during the fiscal year ending June 30, 2015 was \$10,487,214. The County will also provide various administrative duties for the District, including billing and collecting of advanced life support and ambulance transportation fees. 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.

See accompanying independent auditors' report.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2015 are classified in the accompanying financial statements as follows:

STATEMENT OF NET POSITION:

Current Assets:

Cash and cash equivalents	\$ 39,415,374
Restricted assets:	
Cash and investments with fiscal agent	1,888,888
Cash held for bondholders	415,094
Cash held for bond reserves	3,490,014

STATEMENT OF NET POSITION - FIDUCIARY FUNDS:

Current Assets:

Cash and investments	12,262,406
Cash and investments with fiscal agent	14,991,083
Total cash and investments	<u>\$ 72,462,859</u>

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 15,875
Deposits with financial institutions	11,402,952
Investments	61,044,032
Total cash and investments	<u>\$ 72,462,859</u>

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.

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 (Continued):

<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 and 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.

<u>Investment Type</u>		<u>Remaining Maturity (in months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
State investment pool	\$ 42,554,049	\$ 42,554,049	\$ -	\$ -	\$ -
Held by fiscal agent:					
Money market funds	18,489,983	18,489,983	-	-	-
Total	\$ 61,044,032	\$ 61,044,032	\$ -	\$ -	\$ -

See accompanying independent auditors' report.

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

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	\$ 42,554,049	N/A	\$ -	\$ -	\$ -	\$ 42,554,049
Held by fiscal agent:						
Money market funds	18,489,983	AAA	-	18,489,983	-	-
Total	\$ 61,044,032		\$ -	\$ 18,489,983	\$ -	\$ 42,554,049

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. At June 30, 2015, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pool) that represent 5% or more of the City’s investments.

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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2015, \$10,812,300 of the City’s deposits with financial institutions in excess of federal depository insurance limits was 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.

See accompanying independent auditors’ report.

4. CAPITAL ASSETS:

Capital asset activity was as follows for the year ended June 30, 2015

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
Governmental activities:				
Capital Assets, not being depreciated				
Land	\$ 26,507,274	\$ 325,322	\$ -	\$ 26,832,596
Water rights	33,913,771	2,500,022	-	36,413,793
Construction in progress	32,927,924	2,365,358	(1,879,741)	33,413,541
Total capital assets, not being depreciated	<u>93,348,969</u>	<u>5,190,702</u>	<u>(1,879,741)</u>	<u>96,659,930</u>
Capital Assets being depreciated:				
Land Improvements	6,274,252	-	-	6,274,252
Vehicles	7,917,110	176,841	-	8,093,951
Buildings and improvements	57,785,547	-	-	57,785,547
Machinery and equipment	5,270,363	794,781	-	6,065,144
Infrastructure	156,345,750	1,879,741	-	158,225,491
Total capital assets, being depreciated	<u>233,593,022</u>	<u>2,851,363</u>	<u>-</u>	<u>236,444,385</u>
Less accumulated depreciation for:				
Land improvements	(968,028)	(149,329)	-	(1,117,357)
Vehicles	(6,712,259)	(406,418)	-	(7,118,677)
Buildings and improvements	(7,087,362)	(1,159,854)	-	(8,247,216)
Machinery and equipment	(4,298,617)	(310,333)	-	(4,608,950)
Infrastructure	(67,602,531)	(7,393,858)	-	(74,996,389)
Total accumulated depreciation	<u>(86,668,797)</u>	<u>(9,419,792)</u>	<u>-</u>	<u>(96,088,589)</u>
Total capital assets, being depreciated, net	<u>146,924,225</u>	<u>(6,568,429)</u>	<u>-</u>	<u>140,355,796</u>
Governmental-type activities capital assets, net	<u>\$ 240,273,194</u>	<u>\$ (1,377,727)</u>	<u>\$ (1,879,741)</u>	<u>\$ 237,015,726</u>

See accompanying independent auditors' report.

4. CAPITAL ASSETS (Continued):

	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,302,878	\$ -	\$ (129,000)	\$ 3,173,878
Water rights	13,428,460	-	-	13,428,460
Construction in progress	2,940,265	1,146,847	(3,315,938)	771,174
Total capital assets, not being depreciated	<u>19,671,603</u>	<u>1,146,847</u>	<u>(3,444,938)</u>	<u>17,373,512</u>
Capital assets being depreciated:				
Land improvements	790,727	-	-	790,727
Vehicles	2,329,090	213,629	(49,950)	2,492,769
Machinery and equipment	4,449,601	151,102	-	4,600,703
Buildings and improvements	7,425,207	-	-	7,425,207
Water facilities	119,985,822	3,315,938	(247,433)	123,054,327
Sewer facilities	7,137,408	-	-	7,137,408
Total capital assets, being depreciated	<u>142,117,855</u>	<u>3,680,669</u>	<u>(297,383)</u>	<u>145,501,141</u>
Less accumulated depreciation for:				
Land improvements	(631,179)	(19,118)	-	(650,297)
Vehicles	(2,091,422)	(146,746)	49,950	(2,188,218)
Machinery and equipment	(3,868,322)	(121,267)	-	(3,989,589)
Buildings and improvements	(6,402,261)	(232,802)	-	(6,635,063)
Water facilities	(48,988,987)	(3,070,704)	244,466	(51,815,225)
Sewer facilities	(3,703,856)	(178,263)	-	(3,882,119)
Total accumulated depreciation	<u>(65,686,027)</u>	<u>(3,768,900)</u>	<u>294,416</u>	<u>(69,160,511)</u>
Total capital assets, being depreciated, net	<u>76,431,828</u>	<u>(88,231)</u>	<u>(2,967)</u>	<u>76,340,630</u>
Business-type activities capital assets, net	<u>\$ 96,103,431</u>	<u>\$ 1,058,616</u>	<u>\$ (3,447,905)</u>	<u>\$ 93,714,142</u>

The governmental activities depreciation expense for the year ended June 30, 2015 was \$9,419,792, while depreciation expense for the Water District totaled \$3,768,900 for the same period.

Governmental activities:

General government	\$ 911,332
Public safety	812,376
Development services	<u>7,696,084</u>
Total depreciation expense - governmental activities	<u>\$ 9,419,792</u>

Business-type activities:

Water	\$ 3,563,710
Sewer	<u>205,190</u>
Total depreciation expense - business-type activities	<u>\$ 3,768,900</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, 2015:

	Principal Balance at June 30, 2014	Additions	Deductions	Principal Balance at June 30, 2015	Due Within One Year
Governmental Activities:					
Loans	\$ 150,000	\$ -	\$ (150,000)	\$ -	\$ -
Revenue Bonds	43,980,000	-	(1,455,000)	42,525,000	1,465,000
Less deferred amounts:					
Bond premiums	106,446	-	(3,746)	102,700	(3,746)
Bond discounts	(298,058)	-	11,755	(286,303)	11,755
Total Revenue Bonds	43,788,388	-	(1,446,991)	42,341,397	1,473,009
Compensated absences	656,586	459,116	(477,514)	638,188	612,660
Claims payable	484,211	457,498	(126,592)	815,117	200,000
Total governmental activity	\$45,079,185	\$ 916,614	\$ (2,201,097)	\$43,794,702	\$ 2,285,669
Business-type activities:					
Revenue Bonds	\$11,220,000	\$ -	\$ (820,000)	\$10,400,000	\$ 855,000
Less deferred amounts:					
Bond discounts	(84,214)	-	7,305	(76,909)	7,305
Total Revenue Bonds	11,135,786	-	(812,695)	10,323,091	862,305
Certificates of Participation	760,000	-	(70,000)	690,000	75,000
Compensated absences	194,825	181,589	(202,256)	174,158	167,192
Claims payable	395,884	111,734	(100,210)	407,408	100,000
Total business-type activity	\$12,486,495	\$ 293,323	\$ (1,185,161)	\$11,594,657	\$ 1,204,497
Entity-wide total	\$57,565,680	\$ 1,209,937	\$ (3,386,258)	\$55,389,359	\$ 3,490,166

Governmental long-term debt as of June 30, 2015, is comprised of the following issues:

Section 108 Loan:

Balance at
June 30, 2015

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%. This debt was paid in full during July 2014 and at June 30, 2015 the outstanding balance is \$0.

\$ 0

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

Governmental long-term debt as of June 30, 2015 is comprised of the following issues (Continued):

2004 Refunding Variable Rate Lease Revenue Bonds:

Balance at
June 30, 2015

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 weekly variable rate is set by the market. The issue matures through the year 2023, with principal payments ranging from \$185,000 to \$800,000. 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 0.35% on the outstanding certificates. At June 30, 2015, a total of \$883,475 was held in reserve.

4,590,000

2012 Lease Revenue Bonds Water Rights Acquisition:

On December 13, 2012, the Hesperia Joint Public Financing Authority (Authority) issued the 2012 Lease Revenue Bonds in the amount of \$26,735,000 to finance the acquisition of certain water rights. The issue initially bears interest at 0.500% to 3.625% fixed rate. The issue matures through the year 2042, with principal payments ranging from \$435,000 to \$1,400,000. A reserve fund for the 2012 Lease Revenue Bonds was established at \$1,452,131 to be equal to the least of: 1) 10% of the original principal amount of the bonds; 2) 125% of the average annual debt service on the bonds; or 3) the maximum annual debt service. Some of the tranches of the bonds were issued at a premium of \$112,377 and the remainder were issued at a discount of \$196,400 both of which are being netted against the bonds and amortized over the life of the bonds. At June 30, 2014, a total of \$1,452,247 was held in reserve. The 2012 Lease Revenue Bonds are secured by and paid from a lien on revenues, consisting primarily of rental payments made by the City to the Authority under a property lease between the Authority as lessor and the City as lessee beginning on December 1, 2012 and ending on October 1, 2042. The pledged rental payments equaled the debt service of \$1,452,330 during fiscal year ended June 30, 2015.

25,745,000

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

Governmental long-term debt as of June 30, 2015 is comprised of the following issues (Continued):

	Balance at June 30, 2015
<u>2013 Refunding of the 2005 Variable Certificates of Participation:</u>	
On October 10, 2013, the Hesperia Joint Public Financing Authority issued the 2013 Refunding Lease Revenue Bonds in the amount of \$12,445,000 to refund the 2005 Civic Plaza Financing bonds in the amount of \$12,200,000, which resulted in a current refunding. The 2013 Refunding bonds were issued at a discount of \$114,570, which is being amortized over the life of the 2013 Refunding bonds. The issue bears interest at fixed rates ranging from 2.000% to 5.000%. The issue matures through the year 2035, with principal payments ranging from \$230,000 to \$1,095,000. The 2005 bonds were called on November 1, 2013. A reserve fund for the 2013 Refunding Lease 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 debt service payments; or 3) the maximum annual debt service payments assuming available rate of 0.35% on the outstanding certificates. At June 30, 2015, a total of \$1,149,908 was held in reserve.	12,190,000
Compensated absences	638,188
Claims payable	<u>815,117</u>
Subtotal Governmental Long-Term Debt	43,978,305
Less: Net deferred amounts on bonds	<u>(183,603)</u>
Total Governmental Long-Term Debt Before Current Portion	43,794,702
Less: Current Portion – Due Within One Year	<u>(2,285,669)</u>
Total Long-Term Portion of Governmental Debt	<u>\$ 41,509,033</u>

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

Governmental long-term debt as of June 30, 2015 is comprised of the following issues (Continued):

Balance at
June 30, 2015

The business-type long-term debt as of June 30, 2015 is as follows:

1992B Certificates of Participation:

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.

\$ 690,000

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 District's financial statements. The bonds require the District to collect gross revenues, as defined in the agreement, of at least 125% of the annual debt service of the bonds and any parity debt of the District. 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 which is fixed at 5.96%. The amount fixed with the counterparty decreases over time to \$6,910,000 at June 20, 2020. At June 30, 2015, the amount fixed was \$9,590,000.

9,590,000

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

The business-type long-term debt as of June 30, 2015 is as follows (Continued):

	Balance at June 30, 2015
<u>1998B Variable Rate Lease Revenue Refunding Bonds:</u>	
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 District's financial statements. The bonds require the District to collect gross revenues, as defined in the agreement, of at least 125% of the annual debt service of the bonds and any parity debt of the District. 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.	810,000
Compensated absences	174,158
Claims payable	<u>407,408</u>
Subtotal Business Long-Term Debt	11,671,566
Less: Bond Discounts	<u>(76,909)</u>
Total Business Long-Term Debt Before Current Portion	11,594,657
Less: Current Portion – Due Within One Year	<u>(1,204,497)</u>
Total Long-Term Portion of Business-Type Debt	<u>\$ 10,390,160</u>

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

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

Governmental				Business-Type			
Fiscal Year				Fiscal Year			
Ending	Principal	Interest	Total	Ending	Principal	Interest	Total
2016	\$ 1,465,000	\$ 1,425,443	\$ 2,890,443	2016	\$ 855,000	\$ 17,356	\$ 872,356
2017	1,525,000	1,398,738	2,923,738	2017	885,000	15,945	900,945
2018	1,595,000	1,366,420	2,961,420	2018	920,000	14,482	934,482
2019	1,675,000	1,329,164	3,004,164	2019	955,000	12,962	967,962
2020	1,760,000	1,289,747	3,049,747	2020	995,000	11,385	1,006,385
2021-2025	6,770,000	5,806,802	12,576,802	2021-2025	4,770,000	32,835	4,802,835
2026-2030	7,340,000	4,685,365	12,025,365	2026-2030	1,020,000	1,734	1,021,734
2031-2035	9,385,000	3,083,166	12,468,166	2031-2035	-	-	-
2036-2040	6,955,000	1,307,769	8,262,769	2036-2040	-	-	-
2041-2043	4,055,000	223,935	4,278,935	2041-2043	-	-	-
	<u>\$42,525,000</u>	<u>\$21,916,549</u>	<u>\$64,441,549</u>		<u>\$10,400,000</u>	<u>\$ 106,699</u>	<u>\$10,506,699</u>

The Governmental's variable interest rate used for the 2004 Refunding Variable Rate Lease Revenue bonds was 0.15% while the 2012 Revenue Bonds are a fixed rate.

Variable interest rate used for the 1998A Variable Rate Lease Revenue Refunding Bonds was 0.17%. However, this series has interest rate swap agreement with the Bank of America, N.A. Please refer to Note 16 for the discussion of the swap agreement and the swap interest calculation.

Variable interest rate used for the 1998B Variable Rate Lease Revenue Refunding Bonds was 0.13%.

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

Business-Type			
Fiscal Year			
Ending	Principal	Interest	Total
2016	\$ 75,000	\$ 62,100	\$ 137,100
2017	80,000	55,350	135,350
2018	90,000	48,150	138,150
2019	100,000	40,050	140,050
2020	105,000	31,050	136,050
2021-2022	240,000	32,850	272,850
	<u>\$ 690,000</u>	<u>\$ 269,550</u>	<u>\$ 959,550</u>

See accompanying independent auditors' report.

6. INTERFUND TRANSACTIONS:

a. Due From/Due To:

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, 2015. The interfund balances listed below represent the advancement of cash to cover operating expenses:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 1,216,204	Community Development Block Grant	\$ 59,395
		Article 8	606,891
		Environmental Programs	15,778
		Development Impact Fees - Streets	237,770
		Redevelopment Agency Administration	167,130
		City Projects	129,240
Fire Capital	\$ 395,963	Fire Fund	395,963
Total due from other funds	<u>\$ 1,612,167</u>	Total due to other funds	<u>\$ 1,612,167</u>

Due to grant funds having to spend prior to submitting for reimbursement, the General Fund provided temporary cash advances, which will be reimbursed in the subsequent fiscal year, of \$59,395 from the Community Development Block Grant fund, \$15,778 from the Environmental Projects, and \$129,240 from the City Projects fund for total of \$204,413.

The General Funds provided temporary cash advances of \$606,891 to the Article 8 fund and \$237,770 to the Development Impact Fees – Streets fund for project related cost that will be reimbursed during the next fiscal period. This is due to grant funds having to spend prior to submitting for reimbursement from other government agencies. These will be repaid to the General Fund in the next fiscal period.

The receivable of \$167,130 from the Redevelopment Agency Administration to the General Fund is temporary cash advances to fund the dissolution of the former Hesperia Community Redevelopment Agency that occurred by AB 26x1.

The receivable of \$395,963 from the Fire District to Fire Capital is temporary cash advances that will be repaid in the next fiscal period.

See accompanying independent auditors' report.

6. INTERFUND TRANSACTIONS (Continued):

b. Current Interfund Transfers:

Transfers out	Amount	Transfers in	Amount
General Fund	\$ 1,447,611	2012 Water Rights Acquisition	\$ 1,447,611
General Fund	22,580	2013 Refunding of Lease Revenue Bonds	177,100
Developer Impact Fees-Public Services	154,520		
Measure I Renewal	500,000	Streets Maintenance	3,200,000
Gas Tax	1,300,000		
Gas Tax Swap	1,000,000		
Article 8	400,000		
Gas Tax	625,000	Marks-Roos Revenue Bonds	3,450,000
Gas Tax Swap	20,000		
Article 8	2,805,000		
AB 3229 State COPS Program	246,328	General Fund	246,328
Total transfers out	<u>\$ 8,521,039</u>	Total transfers in	<u>\$ 8,521,039</u>

The transfer of \$1,447,611 between the General Fund and the 2012 Water Rights Acquisition fund was for debt service of the 2012 Water Rights Acquisition bonds.

The transfer of \$177,100 between the General Fund (\$22,580) and Development Impact Fees-Public Services fund (\$154,520) to the 2013 Refunding of Lease Revenue Bonds fund was for the debt service pertaining to the refunding of the 2005 Variable Rate Certificates of Participation.

The transfer of \$3,200,000 between fund the Measure I Renewal fund (\$500,000), Gas Tax fund (\$1,300,000), Gas Tax Swap fund (\$1,000,000), and Article 8 (\$400,000) to the Streets Maintenance fund was for local street maintenance costs.

The transfer of \$3,450,000 between the Gas Tax fund (\$625,000), Gas Tax Swap fund (20,000), and Article 8 (\$2,805,000) to the Mark-Roos Revenue Bonds fund.

The transfer of \$246,328 between the AB 3229 State COPS Program fund and the General Fund was to offset some of the cost for 1.5 Deputy Sheriffs.

c. Advances:

The Hesperia Water District was issued a 5-year loan by the Hesperia Community Redevelopment Agency on June 30, 2010, for \$6,000,000 for various water capital projects. The issue bore quarterly variable interest based on the Local Agency Investment Fund Quarterly Apportionment Rate which at June 30, 2014 had a rate of 0.22%. The loan was paid off July 1, 2014. Therefore, the loan balance at June 30, 2015 is \$0.

See accompanying independent auditors' report.

6. INTERFUND TRANSACTIONS (Continued):

c. Advances (Continue):

The 2013 Refunding of the 2005 Variable Certificates of Participation requires that the Development Impact Fees – Public Services Fund (DIF – Public Services) contribute 87.25% of the annual debt service, with the remaining 12.75% coming from the General Fund. To meet this requirement, the General Fund advanced \$154,520 to the DIF – Public Services fund during the fiscal year ending on June 30, 2015. The Advance is ongoing until there is sufficient funding in the DIF – Public Services fund. The issue bears quarterly variable interest based on the Local Agency Investment Fund Quarterly Apportionment Rate, which at June 30, 2015 had a rate of 0.28%. Through June 30, 2015, the DIF – Public Services fund has paid \$200 of interest to the General Fund. The loan balance at June 30, 2015 is \$154,520.

7. FUND DISCLOSURES

Due to the timing of grant reimbursements, the Community Development Block Grant fund has a year ending deficit of \$6,798, as well as the Environmental Programs Fund with a year ending deficit of \$28,389, which will be eliminated during FY 2015-16. The City Projects fund has a deficit of \$129,261 at year end from a project that will be reimbursed when completed. It is anticipated that this will be cured during FY 2015-16. Due to the dissolution of the former Hesperia Community Redevelopment Agency, the Redevelopment Agency Administration fund has a deficit in fund balance of \$167,130 at June 30, 2015. The fund balance deficit will be rectified during FY 2015-16. Finally, the Development Impact Fees – Public Services has a year ending negative fund balance of \$116,480, which will be corrected by future developer impact fee revenue.

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM:

a. General Information about the Pension Plans:

Plan Descriptions:

The City's employees participate in the Miscellaneous Risk Pool Plans of CalPERS. The Plans are cost-sharing multiple-employer defined benefit pension plans administered by CalPERS. A full description of the pension plans benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Benefits Provided:

CalPERS 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 CalPERS and adopts those benefits through local ordinance. The details of the benefits provided can be obtained in Appendix B of the June 30, 2013 actuarial valuation report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications or from CalPERS Executive Office: 400 P Street, Sacramento, CA 95814.

See accompanying independent auditors' report.

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

a. General Information about the Pension Plans (Continued):

Benefits Provided (Continued):

The City had a total of 115 active employees in the miscellaneous plans as of 06/30/2015. The City has no safety members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

Contributions:

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contributions for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the contribution amount. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined contribution is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs related to any unfunded accrued liability.

The City has two retirement formulas for the miscellaneous members as defined by the California Public Employees' Pension Reform Act of 2013 (PEPRA): formula 2.7% at 55 ("Classic" members) and formula 2.0% at 62 ("PEPRA" members). The required employer contribution into the plan for the fiscal year ended June 30, 2015 was 20.408% for the Classic members and 6.25% for the PEPRA members. Employees' required contribution into the plan was 8% for the Classic and 6.25% for the PEPRA members. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

The City contributed \$1,482,888 for the measurement period ended June 30, 2014, and employees contributed \$660,172 for the same period. For the period ending June 30, 2015, the City contributed \$1,460,320 toward the payment of unfunded accrued liability, and employees' contributions were \$625,912.

b. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions:

At the June 30, 2015, the City reported a liability of \$16,898,127 for its proportionate share of the net pension liability, which was measured as of June 30, 2014 (the measurement date). The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the June 30, 2014, the City's proportion of net pension liability was 0.15%.

See accompanying independent auditors' report.

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

b. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

For the year ended June 30, 2015, the City recognized pension expense of \$1,582,541 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Expense	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(4,680,927)
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	765,960	(635,377)
District Contributions Subsequent to the Measurement Date	2,113,264	-
Total	\$ 2,879,224	\$ (5,316,304)

\$2,113,264 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Deferred Outflows/(Inflows) of Resources
2016	\$ (1,150,633)
2017	(1,150,633)
2018	(1,154,556)
2019	(1,170,231)
2020	-
Thereafter	-

See accompanying independent auditors' report.

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

- b. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

A summary of the City and all its component units' Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources is as follows:

	Net Pension Liability	Pension Expense	Deferred Outflows of Resources	Deferred Inflows of Resources
City of Hesperia	\$ 9,365,868	\$ 1,182,380	\$ 1,921,241	\$ (2,372,565)
Hesperia Fire Protection District	5,000,861	75,057	540,730	(1,917,829)
Hesperia Water District	2,531,398	325,104	417,253	(1,025,910)
Total	<u>\$16,898,127</u>	<u>\$ 1,582,541</u>	<u>\$ 2,879,224</u>	<u>\$ (5,316,304)</u>

The following is a breakdown of the net pension liability by function:

General Government	
City Manager	\$ 1,457,048
Management Services	1,643,054
Total General Government	<u>3,100,102</u>
Public Safety	
Hesperia Fire District	5,000,861
Total Public Safety	<u>5,000,861</u>
Development Services	
Economic Development	789,487
Community Development	1,441,126
Code Compliance	1,553,910
Public Works - General Fund	513,793
Public Works - Streets Maintenance	1,967,450
Total Development Services	<u>6,265,766</u>
Business-Type Activities (Hesperia Water District)	
Water Operations	2,371,920
Sewer Operations	159,478
Total Business-Type Activities	<u>2,531,398</u>
Total Net Pension Liability	<u>\$ 16,898,127</u>

See accompanying independent auditors' report.

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

- b. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Actuarial Methods and Assumptions Used to Determine Total Pension Liability:

At the June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50% (net of administrative expenses)
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

See accompanying independent auditors' report.

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

- b. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate (Continued):

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan according to CalPERS. The Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate of this report provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

See accompanying independent auditors' report.

8. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued):

- b. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

Discount Rate (Continued):

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent as of the measurement date, as well as, what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	<u>Discount Rate - 1% (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate + 1% (8.50%)</u>
District's Proportionate Share of Net Pension Liability	\$ 28,205,420	\$ 16,898,127	\$ 7,535,307

Pension Plan Fiduciary Net Position:

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

- c. Payables to the Pension Plan:

At June 30, 2015, the City had no outstanding contributions payable to the pension plan required for the year ended June 30, 2015.

See accompanying independent auditors’ report.

9. OTHER POST-EMPLOYMENT BENEFITS:

Plan Description:

The City pays the minimum health premium contribution, as established by the California Government Code 22892 of the Public Employees’ Medical and Hospital Care Act (PEMHCA), for the participating active employees. The minimum health premium contribution for 2015 was \$122 a month in post-employment health care benefits for each retiree until age 65. The City’s defined benefit post-employment healthcare plan, (DPHP), provides medical benefits to eligible retired City employees and beneficiaries. The Hesperia Water District and the Hesperia Fire Protection District are included in the City of Hesperia’s DPHP as all one plan. DPHP 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. The DPHP 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 City Council. The DPHP 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 4.8% 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)	\$ 506,000
Interest on net OPEB obligation	89,000
Adjustment to Annual Required Contribution (ARC)	<u>(104,000)</u>
Annual OPEB cost (expense)	491,000
Contributions made	<u>(28,000)</u>
Increase in net OPEB obligation	463,000
Net OPEB obligation - beginning of year	<u>2,221,924</u>
Net OPEB obligation - end of year	<u><u>\$2,684,924</u></u>

See accompanying independent auditors’ report.

9. OTHER POST-EMPLOYMENT BENEFITS (Continued):

Annual OPEB Cost and Net OPEB Obligation/Asset:

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 2015, 2014, and 2013 were as follows:

THREE-YEAR TREND INFORMATION FOR CERBT			
Fiscal Year	Annual OPEB Cost (AOC)	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 491,000	5.7%	\$ 2,684,924
6/30/2014	456,000	8.6%	2,221,924
6/30/2013	426,000	4.9%	1,804,924

Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$ 3,578,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	3,578,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Members)	10,522,000
UAAL as a Percentage of Covered Payroll	34.0%

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.

See accompanying independent auditors' report.

9. OTHER POST-EMPLOYMENT BENEFITS (Continued):

Actuarial Methods and Assumptions (Continued):

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

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	24-year fixed (closed) period as of the valuation date
Asset Valuation method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	4.00% (Net of Administrative Expenses)
Projected Salary Increase	3.25%
Inflation	3.00%
PEMHCA Minimum Growth	4.50%
Individual Salary Growth	CalPERS 1997-20011 Experience Study
Healthcare Cost Trend Rate	Beginning 2017 7% per annum graded down in approximately one-half percent increments to an ultimate rate of 5%

10. SELF-INSURANCE RISK POOL:

The City and Fire Protection District are members of the Public Entity Risk Management Authority (PERMA), a joint powers authority of 32 California cities and districts, for the purpose of pooling the City's risk for workers' compensation insurance with those of other member cities and districts. The Governing Board of PERMA is comprised of directors nominated and selected by each member city and district. Each governing board member has one vote regarding all financial and management issues coming before the Board.

Each member is billed annually, and Workers' Compensation premiums are paid quarterly. Estimated premiums for claims to be paid and a reserve are advanced upon joining PERMA. Each year PERMA adjusts its premiums based on City payroll figures, claims paid, and claims incurred but not reported. PERMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process. The City receives audited financial statements of PERMA each year that have been audited by other auditors.

Workers' Compensation and Employers' Liability:

The City is self-insured for the first \$250,000 of each Workers' Compensation and Employers Liability claim, and PERMA will assume each claim's liability between \$250,000 and \$500,000. Excess liability insurance coverage is obtained from the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) by PERMA on behalf of the City. LAWCX will assume each claims liability between \$500,000 and \$5,000,000 for employer's liability and Statutory for each workers' compensation claim.

See accompanying independent auditors' report.

10. SELF-INSURANCE RISK POOL (Continued):

General Liability:

The City is self-insured for General Liability including errors and omissions and auto 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 PERMA. Excess liability insurance coverage is obtained from CSAC Excess Insurance Authority (CSAC-EIA) by PERMA on behalf of the City. CSAC-EIA will assume each claim liability between \$1,000,000 and \$50,000,000.

Employment Practices:

The City is self-insured for Employment Practices 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 Employment Risk Management Authority (ERMA). Excess insurance coverage is obtained from CSAC Excess Insurance Authority (CSAC-EIA) by PERMA on behalf of the City.

Property:

The City is self-insured for the first \$5,000 for each occurrence (with the exception of \$100,000 flood), and the difference between the City's self-insurance retention and the lesser of \$100,000,000 (\$2,500,000 Flood) or the insurable value is covered by Lexington Insurance Co.

Auto Physical Damage:

The City is self-insured for the first \$2,500 for each occurrence for all vehicles and \$10,000 on all fire trucks valued over \$200,000, and the difference between the City's \$2,500 (\$10,000 for fire trucks) self-insurance retention and the lesser of \$100,000 or the insurable value is covered by AIG/Lexington Insurance Co.

Special Events:

The City is insured up to \$1,000,000 for each occurrence covered by Alliant Insurance Services, Inc.

Cyber Liability:

The City is self-insured up to \$50,000 for each occurrence for information security and privacy liability, privacy notification costs, regulatory defense and penalties, website media content liability, cyber extortion, first party data protection and business interruption losses and the difference between the City's \$50,000 self-insurance retention and the lesser of \$2,000,000 (\$250,000 for privacy notification costs) is covered by PERMA as insured by Alliant Insurance Services, Inc.

Other:

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

See accompanying independent auditors' report.

10. SELF-INSURANCE RISK POOL (Continued):

Other Continued):

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, 2014	Year Ended June 30, 2015
Unpaid Claims, Beginning of Fiscal Year	\$ 631,675	\$ 880,095
Incurred Claims	595,194	569,232
Claim Payments	(346,774)	(226,802)
Unpaid Claims, End of Fiscal Year	<u>\$ 880,095</u>	<u>\$ 1,222,525</u>

The Unpaid claims of \$1,222,525 above are a component of long-term debt (Note 5). It is anticipated that \$300,000 will be 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 audited financial statements of VWVRA can be obtained by request from P.O. Box 1481, Victorville, California 92393.

Victor Valley Transit Authority:

The City is a member of the Victor Valley Transit Authority (VVTA), 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 VVTA is made up of representatives from each significant participant in VVTA. Budgeting and financing are the responsibility of VVTA. The City has agreed to sell monthly bus passes issued by VVTA 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 VVTA can be obtained by request from P.O. Box 5001, Victorville, California 92393.

See accompanying independent auditors' report.

11. PARTICIPATION IN JOINT VENTURES (Continued):

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, City of Adelanto and the County of San Bernardino. Its purpose was to coordinate the transition of George Air Force Base from military to civilian use.

Effective February 1, 2012, the Victor Valley Economic Development Authority (VVEDA) was dissolved, pursuant to ABx1 26 & AB 1484, and "wind down" procedures were implemented. A Successor Agency was designated to oversee the wind down process and an Oversight Board was appointed to govern the Successor Agency. The City receives its pass-through payment, generated from the VVEDA Project Area within the City, directly from the San Bernardino County Auditor Controller.

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:

Community Facilities District (CFD 2005-1):

On December 18, 2014, the Community Facilities District No. 2005-1 (Belgate Development Restructuring) issued the Special Tax Refunding Bonds, Series 2014 for \$18,450,000. The bonds were issued for the purpose of refunding the private Special Tax Bond Series A. 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 average coupon rate of 4.606%, with maturities through 2035 ranging from \$350,000 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) 85% maximum annual debt service of the bonds. At June 30, 2015, the reserve funds equal \$1,428,266. At June 30, 2015 principal amounts due on the bonds is \$18,450,000.

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.

See accompanying independent auditors' report.

13. CONTINGENCIES (Continued):

Construction Commitments:

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

Total Open Contracts	\$ 10,430,036
Less: costs incurred in 2014-15	(2,866,373)
Remaining Contractual Obligations	<u>\$ 7,563,663</u>

14. LEASE AGREEMENT:

During the fiscal year ended June 30, 2010, the Hesperia Fire Protection District entered into an agreement with the County of San Bernardino for the joint use of fire station 305. The lease agreement is 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 Fire District the entire \$3,500,000, which is being reported as deferred revenue on the Statement of Net Position. Revenue is being recognized for the amount paid by the County to the Fire District on a straight line basis over the life of the lease of twenty-five (25) years. The construction of the fire station was completed on June 30, 2010. The Fire District 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. Through June 30, 2015, the remaining balance of the unearned revenue is \$2,800,000.

15. NOTES RECEIVABLE:

Notes receivable, totaling \$30,587,184 at June 30, 2015, consists of loans provided for low and moderate-income housing, with interest of 1% and 3% and maturity of 55 years; a non-housing note with interest of 6.7% and maturity of 7 years; and a non-housing land payment note with interest of 5.505% and maturity of 10 years. Due to the terms of the notes, offsetting unearned revenues for \$30,587,184 has been established.

Notes receivable at June 30, 2015 include the following:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
KDF VAH I, L.P.	\$ 6,661,611	\$ 72,020	\$ (37,674)	\$ 6,695,957
KDF Hesperia, L.P.	5,804,467	126,833	-	5,931,300
KDF Hesperia II, L.P.	6,959,056	145,102	-	7,104,158
PDDC San Remo I Hesperia, L.P.	4,129,464	39,557	-	4,169,021
PDDC San Remo II Hesperia, L.P.	6,454,581	62,745	(108,722)	6,408,604
Sultan Financial Hesperia, LLC	278,144	14,064	(14,064)	278,144
Totals	<u>\$ 30,287,323</u>	<u>\$ 460,321</u>	<u>\$ (160,460)</u>	<u>\$ 30,587,184</u>

See accompanying independent auditors' report.

15. NOTES RECEIVABLE (Continued):

a. KDF VAH I, L.P.:

In July, 2006, the former Redevelopment 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 Hesperia Community Redevelopment Agency (HCRA) 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. There are three loans for terms of not more than fifty-five years: (1) a \$2.9 million loan bearing an interest rate of one percent (1%); (2) a \$3.0 million bearing an interest rate of one percent (1%); and (3) a \$0.4 million loan bearing an interest rate of three percent (3%). The agreements are secured by a deed of trust on the property. Due to the dissolution of redevelopment agencies by AB 26x1, the Hesperia Housing Authority assumed responsibility of the HCRA notes receivable. Interest on the notes through June 30, 2015 is \$500,962 and payments received on the note through June 30, 2015 are \$138,805. The balance of the loans outstanding at June 30, 2015 was \$6,695,957.

b. KDF Hesperia, L.P.:

In December 2005, the former Redevelopment 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 Hesperia Community Redevelopment Agency (HCRA) 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. There are two loans for terms of not more than fifty-five years: (1) a \$1.3 million loan bearing an interest rate of one percent (1%), and (2) a \$3.4 million loan bearing an interest rate of three percent (3%). Due to the dissolution of redevelopment agencies by AB 26x1, the Hesperia Housing Authority assumed responsibility of the HCRA notes receivable. On February 1, 2012, the Housing Authority issued a loan of \$398,589 to assist with converting the construction loan to a permanent loan. The agreements are secured by a deed of trust on the property. Accrued interest on the notes through June 30, 2015 is \$870,211. The balance of the loans outstanding at June 30, 2015 was \$5,931,300.

c. KDF Hesperia II, L.P.:

In March 2006, the former Redevelopment 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 Hesperia Community Redevelopment Agency (HCRA) 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. There are two loans for terms of not more than fifty-five years: (1) a \$2.0 million loan bearing an interest rate of one percent (1%), and (2) a \$3.9 million bearing an interest rate of three percent (3%). Due to the dissolution of redevelopment agencies by AB 26x1, the Hesperia Housing Authority assumed responsibility of the HCRA notes receivable. On February 1, 2012, the Housing Authority issued a loan of \$270,070 to assist with converting the construction loan to a permanent loan. The agreements are secured by a deed of trust on the property. Accrued interest on the notes through June 30, 2015 is \$934,088. The balance of the loans outstanding at June 30, 2015 was \$7,104,158.

See accompanying independent auditors' report.

15. NOTES RECEIVABLE (Continued):

d. PDDC San Remo Hesperia, L.P.:

In November 2007, the former Redevelopment Agency entered into an Owner Participation Agreement (OPA) with PDDC San Remo Hesperia, L.P., (Palm Desert Development Company, and 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. Due to the dissolution of redevelopment agencies by AB 26x1, the Hesperia Housing Authority assumed responsibility of the HCRA notes receivable. Accrued interest on the note through June 30, 2015 is \$247,475 and payments received on the note through June 30, 2015 are \$34,164. The balance of the loan outstanding at June 30, 2015 was \$4,169,021.

e. PDDC San Remo II Hesperia, L.P.:

On October 5, 2010, the former Redevelopment Agency entered into an Owner Participation Agreement (OPA) with PDDC San Remo Hesperia, L.P., (Palm Desert Development Company, and a California limited partnership) for the development, construction, and operation of a 58-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 \$6,613,620 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. Due to the dissolution of redevelopment agencies by AB 26x1, the Hesperia Housing Authority assumed responsibility of the HCRA notes receivable. Accrued interest on the note through June 30, 2015 is \$302,352 and payments received on the note through June 30, 2015 are \$507,368. The balance of the loan outstanding at June 30, 2015 was \$6,408,604.

f. Sultan Financial Hesperia, LLC:

In October 2014, the Commission entered into a loan agreement with Sultan Financial Hesperia, LLC. (a California limited liability corporation). This agreement constitutes the sale of land sold by the Commission to Sultan Financial Hesperia, LLC for a loan amount of \$270,000. The agreement is secured by a deed of trust on the property. The term of the note is 10 years at a permanent interest rate of 5.505%. Sultan Financial Hesperia, LLC. will make annual payments of interest only at the end of each of the first nine (9) years. At the end of the tenth (10th) year, Sultan Financial Hesperia, LLC. will make a payment of the outstanding principal and remaining accrued interest, unless there is an occurrence of an Event of Acceleration. The balance of the loan outstanding at June 30, 2015 was \$278,144.

See accompanying independent auditors' report.

16. DERIVATIVE INSTRUMENTS - INTEREST RATE SWAP AGREEMENT:

The Hesperia Water District executed an interest rate swap agreement on June 1, 2005, with swap provider Bank of America, N.A (counterparty) in connection with the issuance of the \$18,040,000 Variable Rate Lease Revenue Refunding Bonds, Taxable Series 1998A (Federally Taxable). The Swap Agreement is a 15-year swap agreement scheduled to terminate on June 1, 2020. The swap establishes a fixed interest rate of 5.96%.

Details on the swap agreement are as follows:

<u>Notional Amount</u>	<u>Interest Rate</u>	<u>Issuer</u>	<u>Termination Date</u>	<u>Initial Effective Date</u>
\$ 9,590,000	5.96%	Bank of America	6/1/2020	6/1/2005

Terms:

Under the swap agreement, the Water District will make a monthly interest payment at the fixed rate of 5.96%. The Water District will receive a variable rate interest payment for those variable interest rates in excess of the 5.96% cap and makes a payment if the variable rate is less than 5.96%. The rate is adjusted weekly, every Wednesday, at the 1-Month USD-LIBOR-BBA rate. The swap is for a total notional amount of \$10,000,000 and will terminate on June 1, 2020.

Summary of Activities in Cash Flow Hedging Derivative Instrument:

<u>Notional Amount</u>	<u>Fair Value At June 30, 2014</u>	<u>Change In Fair Value</u>	<u>Fair Value At June 30, 2015</u>
\$ 9,590,000	\$ (2,177,040)	\$ 317,788	\$ (1,859,252)

Objective:

As of June 30, 2015, the negative fair value of \$1,859,252 is reported as a deferred outflow of resources in the Statement of Net Position. In previous years, prior to the implementation of GASB 63, the fair value of the derivative instrument was reported as a deferred asset from derivative instrument in the Statement of Net Position.

Credit Risk:

As of June 30, 2015, the Water District was exposed to credit risk because the swap had a negative fair value; however, should interest rates change and the fair value of the swap becomes positive, the Water District would not be exposed to credit risk in the amount of the derivative's fair value.

See accompanying independent auditors' report.

16. DERIVATIVE INSTRUMENTS - INTEREST RATE SWAP AGREEMENT (Continued):

Credit Risk (Continued):

The swaps counterparty, Bank of America N.A., have the following credit ratings:

	<u>Standards & Poor</u>	<u>Moody's</u>
Bank of America N.A.	A	A1

Basis Risk:

The swaps do expose the Water District to basis risk, which refers to a mismatch between the interest rate received from the swap contract and the interest paid on the variable rate payments to be made on the debt. The Water District pays the counterparty a fixed interest rate of 5.96% and receives a variable rate in excess of the 5.96% cap, based on the 1-month UDS-LIBOR-BBA. The Water District is at risk that the variable interest rate calculated on the debt is less than the 5.96%.

Termination Risk:

The swaps may be terminated by the Water District or the counterparty if the other party fails to perform under the terms of the swap agreements. In addition, the Water District has the option to terminate the swaps upon proper notification to the counterparty. If the swaps are terminated, the Water District would prospectively pay the variable rates on the portion of the outstanding bonds related to the swap agreements. The termination of the swap agreements could therefore increase the Water District's total debt service. Also, if at the time of the termination, the swaps have a negative fair value, the Water District would be liable to the counterparty for a payment equal to such negative fair value. As of June 30, 2015 the swap had a negative fair value of \$1,859,252.

Swap Payments and Associated Debt:

Using a fixed rate of 5.96% related to a swap agreement for \$10,000,000, which has a remaining balance of \$9,590,000, of the \$18,040,000 Variable Rate Lease Revenue Refunding Bonds, Taxable Series 1998A, as of June 30, 2015, debt service requirements of the Bonds and the swap payments through the swap termination date of June 1, 2020, assuming a current variable interest rate of 0.17% are as follows. As rates vary, the variable rate interest payments and net swap payments will vary.

Year Ending June 30,	<u>Variable Rate Debt</u>			Interest Rate Swap, Net	Fixed Interest Debt Service
	<u>Outstanding Swap Balance</u>	<u>SWAP Reduction</u>	<u>Interest</u>		
2016	\$ 9,340,000	\$ (660,000)	\$ 16,908	\$ 575,859	\$ 592,767
2017	8,560,000	(780,000)	15,769	537,074	552,843
2018	7,750,000	(810,000)	14,439	491,769	506,208
2019	6,910,000	(840,000)	13,058	444,728	457,786
2020	-	(6,910,000)	10,781	367,205	377,986

See accompanying independent auditors' report.

17. PRIOR PERIOD ADJUSTMENTS:

GASB Statement Numbers 68 and 71:

The implementation of GASB Statement Numbers 68 and 71 requires reporting the net pension liability of the City's defined benefit pension plan in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Numbers 68 and 71 resulted in reducing governmental activities net position by \$16,643,131 and the business-type activities of \$3,222,798 for a total of \$19,865,929 as of July 1, 2014. The combined reduction of \$16,643,131 to the governmental activities net position is comprised of reductions of \$10,095,132 to the City and \$6,547,999 to the Hesperia Fire District.

Land Acquisition:

As part of a lawsuit settlement with a developer, the Hesperia Housing Authority acquired a parcel of vacant land in January 2014. Subsequently, in May 2014, an appraisal was done of this parcel of land and determined the value at \$1,265,000. This land acquisition was not previously recorded by the Hesperia Housing Authority as it was acquired through unconventional means. The resulting asset of \$1,265,000 was recorded to land held for resale in Fiscal Year 2014-15.

18. SUBSEQUENT EVENT:

Events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosure as of December 16, 2015, which is the date this financial statements were available to be issued.

On August 4, 2015, the Board of Directors of the Fire District approved Resolution Number HFPD 2015-14 requesting the Local Agency Formation Commission (LAFCO) take proceedings for reorganization to annex the Hesperia Fire Protection District to the San Bernardino County Fire Protection District. As such, an application to LAFCO, along with supporting documentation, must be made to justify the reorganization.

On October 1, 2015, the City of Hesperia prepaid the outstanding balance of \$4,590,000 to retire the 2004 Refunding Variable Rate Lease Revenue Bond (1993 A&B). By doing so, the bonds were retired eight years early, thereby saving over \$9 million dollars compared to the original 1993 A&B debt service schedules.

See accompanying independent auditors' report.





BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fund Balance, July 1	<u>\$ 12,851,103</u>	<u>\$ 12,851,103</u>	<u>\$ 12,851,103</u>	<u>\$ -</u>
Resources (Inflows):				
Taxes	13,244,800	13,244,800	14,000,454	755,654
Licenses and permits	247,500	247,500	249,645	2,145
Fines and forfeitures	966,805	966,805	714,982	(251,823)
Use of money and property	25,000	25,000	19,722	(5,278)
Intergovernmental	8,260,538	8,260,538	8,400,552	140,014
Charges for services	1,420,634	1,420,634	1,548,407	127,773
Grants	130,693	130,693	96,370	(34,323)
Other revenues	1,774,311	1,774,311	2,235,531	461,220
Transfers from other funds	<u>246,328</u>	<u>246,328</u>	<u>246,328</u>	<u>-</u>
Amount Available for Appropriations	<u>26,316,609</u>	<u>26,316,609</u>	<u>27,511,991</u>	<u>1,195,382</u>
Charges to Appropriations (Outflows):				
Current:				
General government:				
City council	682,978	692,978	590,505	102,473
City manager	2,473,294	2,528,843	2,447,805	81,038
Management services	2,697,089	2,738,769	2,738,769	-
Public safety - police	13,528,738	13,544,642	13,542,008	2,634
Development services	5,591,465	5,774,768	5,529,221	245,547
Transfers to other funds	1,541,995	1,630,675	1,470,191	160,484
Capital Outlay:				
Land	121,500	328,952	225,000	103,952
Water rights	500,000	3,000,000	2,500,022	499,978
Equipment and vehicles	305,000	402,717	402,717	-
Infrastructure	<u>733,200</u>	<u>733,200</u>	<u>68,956</u>	<u>664,244</u>
Total Charges to Appropriations	<u>28,175,259</u>	<u>31,375,544</u>	<u>29,515,194</u>	<u>1,860,350</u>
Excess of Resources Over (Under) Charges To Appropriations	<u>(1,858,650)</u>	<u>(5,058,935)</u>	<u>(2,003,203)</u>	<u>3,055,732</u>
Fund Balance, June 30	<u><u>\$ 10,992,453</u></u>	<u><u>\$ 7,792,168</u></u>	<u><u>\$ 10,847,900</u></u>	<u><u>\$ 3,055,732</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, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fund Balance, July 1	\$ 1,356,802	\$ 1,356,802	\$ 1,356,802	\$ -
Resources (Inflows):				
Taxes	5,962,891	5,962,891	6,194,263	231,372
Use of money and property	61,991	61,991	48,633	(13,358)
Charges for services	3,582,786	3,582,786	3,396,024	(186,762)
Grants	580,000	580,000	718,125	138,125
Other revenues	-	-	1,422	1,422
Amount Available for Appropriations	<u>10,187,668</u>	<u>10,187,668</u>	<u>10,358,467</u>	<u>170,799</u>
Charges to Appropriations (Outflows):				
Current:				
Public safety - fire	10,986,328	10,993,828	10,979,941	13,887
Capital Outlay:				
Equipment and vehicles	<u>315,000</u>	<u>315,000</u>	<u>248,935</u>	<u>66,065</u>
Total Charges to Appropriations	<u>11,301,328</u>	<u>11,308,828</u>	<u>11,228,876</u>	<u>79,952</u>
Excess of Resources Over (Under) Charges To Appropriations	<u>(1,113,660)</u>	<u>(1,121,160)</u>	<u>(870,409)</u>	<u>250,751</u>
Fund Balance, June 30	<u>\$ 243,142</u>	<u>\$ 235,642</u>	<u>\$ 486,393</u>	<u>\$ 250,751</u>

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

BUDGETARY COMPARISON SCHEDULE
HOME GRANT FUND
For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fund Balance, July 1	\$ 59,617	\$ 59,617	\$ 59,617	\$ -
Resources (Inflows):				
Use of money and property	14,515	14,515	20,503	5,988
Grants	1,600	1,600	17,317	15,717
Amount Available for Appropriations	16,115	16,115	37,820	21,705
Charges to Appropriations (Outflows):				
Total Charges to Appropriations	-	-	-	-
Excess of Resources Over (Under) Charges to Appropriations	16,115	16,115	37,820	21,705
Fund Balance, June 30	\$ 75,732	\$ 75,732	\$ 97,437	\$ 21,705

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

BUDGETARY COMPARISON SCHEDULE
 HESPERIA HOUSING AUTHORITY SPECIAL REVENUE FUND
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Fund Balance, July 1, as restated	<u>\$ 17,673,239</u>	<u>\$ 17,673,239</u>	<u>\$ 17,673,239</u>	<u>\$ -</u>
Resources (Inflows):				
Use of money and property	80,501	80,501	87,080	6,579
Other revenues	3,000	3,000	93,944	90,944
Proceeds from sale of capital asset	327,450	327,450	-	(327,450)
Transfers In	1,200,000	1,200,000	-	(1,200,000)
Amount Available for Appropriations	<u>1,610,951</u>	<u>1,610,951</u>	<u>181,024</u>	<u>(1,429,927)</u>
Charges to Appropriations (Outflows):				
Current:				
Development services	582,884	1,082,884	366,351	716,533
Total Charges to Appropriations	<u>582,884</u>	<u>1,082,884</u>	<u>366,351</u>	<u>716,533</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>1,028,067</u>	<u>528,067</u>	<u>(185,327)</u>	<u>(713,394)</u>
Fund Balance, June 30	<u><u>\$ 18,701,306</u></u>	<u><u>\$ 18,201,306</u></u>	<u><u>\$ 17,487,912</u></u>	<u><u>\$ (713,394)</u></u>

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

June 30, 2015

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.

See accompanying independent auditors' report.

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)
6/30/2014						
City	\$ -	\$ 2,442,000	\$ 2,442,000	0.0%	\$ 7,712,000	31.7%
Water	-	1,088,000	1,088,000	0.0%	2,810,000	38.7%
Fire:						
Misc./Safety	-	48,000	48,000	0.0%	-	0.0%
Total	\$ -	\$ 3,578,000	\$ 3,578,000	0.0%	\$10,522,000	34.0%
6/30/2012:						
City	\$ -	\$ 1,934,000	\$ 1,934,000	0.0%	\$ 7,452,000	26.0%
Water	-	780,000	780,000	0.0%	2,715,000	28.7%
Fire:						
Misc./Safety	-	110,000	110,000	0.0%	-	0.0%
Total	\$ -	\$ 2,824,000	\$ 2,824,000	0.0%	\$10,167,000	27.8%
6/30/2010:						
City	\$ -	\$ 1,610,000	\$ 1,610,000	0.0%	\$ 8,954,000	18.0%
Water	-	631,000	631,000	0.0%	3,079,000	20.5%
Fire:						
Misc./Safety	-	109,000	109,000	0.0%	-	0.0%
Total	\$ -	\$ 2,350,000	\$ 2,350,000	0.0%	\$12,033,000	19.5%

The City is only required to perform actuarial valuations biennially. An actuarial was not performed for the year ending 06/30/2015.

SCHEDULE OF THE CITY OF HESPERIA CONTRIBUTIONS

CalPERS Pension Plan

Last 10 Fiscal Years¹

	<u>2015</u>
Contractually Required Contribution (actuarial determined)	\$ 1,971,859
Contributions in Relation to the Contractually Required Contribution	<u>(1,971,859)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
District's Covered-Employee Payroll ²	\$ 10,897,933
Contributions as a Percentage of Covered-Employee Payroll ²	18.09%
Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50% (net of administrative expenses)
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75%

¹Historical information is required only for measurement periods for which GASB 68 is applicable.

²The City's covered-employee payroll was recalculated based on actual pensionable earnings reported to CalPERS as of June 30, 2014.

**SCHEDULE OF THE CITY OF HESPERIA
 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 CalPERS Pension Plan
 Last 10 Fiscal Years¹**

	<u>2015</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.27%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 16,898,127
Plan's Covered-Employee Payroll ²	\$ 7,950,880
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll ²	212.53%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of its Total Pension Liability	81.19%
Plan's Proportionate Share of Aggregate Employer Contributions ^{3,4}	\$ 1,868,482

¹Historical information is required only for measurement periods for which GASB 68 is applicable.

²The District covered-employee payroll was recalculated based on actual pensionable earnings reported to CalPERS as of June 30, 2014.

³The City's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The City's proportionate share of aggregate contributions is based on the City's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

⁴This data is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the City's pension expense.

Changes of Benefit Terms:

There were no changes in benefits

Changes of Assumptions:

There were no changes in assumptions.





SCHEDULE OF COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds			
	Measure I Renewal	Gas Tax	Gas Tax Swap	Article 8
Assets				
Cash and cash equivalents	\$ 2,312,799	\$ 230,090	\$ 116,419	\$ -
Restricted investments	-	-	-	-
Accounts receivable	-	-	-	-
Accrued interest	1,207	127	44	-
Notes receivable, net of allowance	-	-	-	-
Due from other governmental agencies	591,873	142,376	95,244	1,504,357
Due from other funds	-	-	-	-
Land held for resale	-	-	-	-
Total Assets	\$ 2,905,879	\$ 372,593	\$ 211,707	\$ 1,504,357
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ 1,222	\$ -	\$ -	\$ 371,755
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Advances from other funds	-	-	-	-
Due to other funds	-	-	-	606,891
Total Liabilities	1,222	-	-	978,646
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted:				
Debt service	-	-	-	-
Transportation	2,904,657	372,593	-	525,711
Air quality	-	-	-	-
Public safety	-	-	-	-
Grants	-	-	-	-
Land held for resale	-	-	-	-
Low income housing	-	-	-	-
Other purposes	-	-	-	-
Assigned:				
Transportation	-	-	-	-
Unassigned	-	-	211,707	-
Total Fund Balances	2,904,657	372,593	211,707	525,711
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,905,879	\$ 372,593	\$ 211,707	\$ 1,504,357

CITY OF HESPERIA

Special Revenue Funds

Community Development Block Grant	CDBG Revolving Loan	AB 3229 State COPS Program	Air Quality Management District	Street Maintenance	Disaster Preparedness Grant
\$ -	\$ 581,385	\$ 22,704	\$ 142,860	\$ 690,831	\$ 50,845
-	-	-	-	-	-
-	-	-	-	4,730	-
-	309	14	74	380	14
-	-	-	-	-	-
104,118	-	16,374	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 104,118</u>	<u>\$ 581,694</u>	<u>\$ 39,092</u>	<u>\$ 142,934</u>	<u>\$ 695,941</u>	<u>\$ 50,859</u>
\$ 51,521	\$ 19,066	\$ -	\$ -	\$ 213,791	\$ 1,773
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
59,395	-	-	-	-	-
<u>110,916</u>	<u>19,066</u>	<u>-</u>	<u>-</u>	<u>213,791</u>	<u>1,773</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	482,150	-
(6,798)	-	-	-	-	-
<u>(6,798)</u>	<u>562,628</u>	<u>39,092</u>	<u>142,934</u>	<u>482,150</u>	<u>49,086</u>
<u>\$ 104,118</u>	<u>\$ 581,694</u>	<u>\$ 39,092</u>	<u>\$ 142,934</u>	<u>\$ 695,941</u>	<u>\$ 50,859</u>

(Continued)

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds			
	Environmental Programs	Neighborhood Stabilization Program	Development Impact Fees - Streets	Development Impact Fees- Storm Drain
Assets				
Cash and cash equivalents	\$ -	\$ 1,336,963	\$ -	\$ 2,340,485
Restricted investments	-	-	-	-
Accounts receivable	467	-	-	-
Accrued interest	-	705	-	1,212
Notes receivable, net of allowance	-	-	-	-
Due from other governmental agencies	12	1,229	-	-
Due from other funds	-	-	-	-
Land held for resale	-	1,753,153	7,501,637	-
Total Assets	<u>\$ 479</u>	<u>\$ 3,092,050</u>	<u>\$ 7,501,637</u>	<u>\$ 2,341,697</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ 13,090	\$ 1,367	\$ 40,870	\$ -
Unearned revenues	-	-	-	-
Deposits	-	1,100	-	-
Advances from other funds	-	-	-	-
Due to other funds	15,778	-	237,770	-
Total Liabilities	<u>28,868</u>	<u>2,467</u>	<u>278,640</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted:				
Debt service	-	-	-	-
Transportation	-	-	-	2,341,697
Air quality	-	-	-	-
Public safety	-	-	-	-
Grants	-	-	-	-
Land held for resale	-	1,753,153	7,501,637	-
Low income housing	-	-	-	-
Other purposes	-	1,336,430	-	-
Assigned:				
Transportation	-	-	-	-
Unassigned	(28,389)	-	(278,640)	-
Total Fund Balances	<u>(28,389)</u>	<u>3,089,583</u>	<u>7,222,997</u>	<u>2,341,697</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 479</u>	<u>\$ 3,092,050</u>	<u>\$ 7,501,637</u>	<u>\$ 2,341,697</u>

CITY OF HESPERIA

Special Revenue

Development Impact Fees-Fire	Development Impact Fees-Police	Development Impact Fees-Public Services	Redevelopment Agency Administration	Community Development Commission	VVEDA Housing Authority
\$ 888,703	\$ 271,138	\$ 38,024	\$ -	\$ 26,489	\$ 1,700,260
-	-	-	-	-	-
-	-	-	-	416	-
462	141	16	-	87	925
-	-	-	-	278,144	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 889,165</u>	<u>\$ 271,279</u>	<u>\$ 38,040</u>	<u>\$ -</u>	<u>\$ 305,136</u>	<u>\$ 1,701,185</u>
\$ -	\$ -	\$ -	\$ -	\$ 16,793	\$ -
-	-	-	-	-	-
-	-	-	-	10,000	-
-	-	154,520	-	-	-
-	-	-	167,130	-	-
-	-	154,520	167,130	26,793	-
-	-	-	-	278,144	-
-	-	-	-	278,144	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
889,165	271,279	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,701,185
-	-	-	-	199	-
-	-	-	-	-	-
-	-	(116,480)	(167,130)	-	-
<u>889,165</u>	<u>271,279</u>	<u>(116,480)</u>	<u>(167,130)</u>	<u>199</u>	<u>1,701,185</u>
<u>\$ 889,165</u>	<u>\$ 271,279</u>	<u>\$ 38,040</u>	<u>\$ -</u>	<u>\$ 305,136</u>	<u>\$ 1,701,185</u>

(Continued)

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Debt Service		
	Mark Roos Revenue Bonds	2012 Water Rights Acquisition	2013 Refunding of Lease Revenue Bonds
Assets			
Cash and cash equivalents	\$ 3,877,422	\$ 8,101	\$ 96,368
Restricted investments	887,774	1,452,330	1,149,910
Accounts receivable	-	-	-
Accrued interest	1,878	15	52
Notes receivable, net of allowance	-	-	-
Due from other governmental agencies	-	-	-
Due from other funds	-	-	-
Land held for resale	-	-	-
Total Assets	<u>\$ 4,767,074</u>	<u>\$ 1,460,446</u>	<u>\$ 1,246,330</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable and other current liabilities	\$ 18,389	\$ 2,190	\$ -
Unearned revenues	-	-	-
Deposits	-	-	-
Advances from other funds	-	-	-
Due to other funds	-	-	-
Total Liabilities	<u>18,389</u>	<u>2,190</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenues	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted:			
Debt service	4,748,685	1,458,256	1,246,330
Transportation	-	-	-
Air quality	-	-	-
Public safety	-	-	-
Grants	-	-	-
Land held for resale	-	-	-
Low income housing	-	-	-
Other purposes	-	-	-
Assigned:			
Transportation	-	-	-
Unassigned	-	-	-
Total Fund Balances	<u>4,748,685</u>	<u>1,458,256</u>	<u>1,246,330</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,767,074</u>	<u>\$ 1,460,446</u>	<u>\$ 1,246,330</u>

CITY OF HESPERIA

Capital Projects

City Projects	Fire Capital	Township	Total Other Governmental Funds
\$ -	\$ 5,237,338	\$ 92,621	\$ 20,061,845
-	-	-	3,490,014
106,342	-	-	111,955
-	2,833	48	10,543
-	-	-	278,144
23	-	-	2,455,606
-	395,963	-	395,963
-	-	-	9,254,790
<u>\$ 106,365</u>	<u>\$ 5,636,134</u>	<u>\$ 92,669</u>	<u>\$ 36,058,860</u>
\$ -	\$ 191,614	\$ -	\$ 943,441
-	-	-	-
-	-	-	11,100
-	-	-	154,520
<u>129,240</u>	<u>-</u>	<u>-</u>	<u>1,216,204</u>
<u>129,240</u>	<u>191,614</u>	<u>-</u>	<u>2,325,265</u>
<u>106,342</u>	<u>-</u>	<u>-</u>	<u>384,486</u>
<u>106,342</u>	<u>-</u>	<u>-</u>	<u>384,486</u>
-	-	-	7,453,271
-	-	-	6,144,658
-	-	-	142,934
-	5,444,520	-	6,644,056
-	-	-	611,714
-	-	-	9,254,790
-	-	-	1,701,185
-	-	-	1,336,629
-	-	92,669	574,819
(129,217)	-	-	(514,947)
<u>(129,217)</u>	<u>5,444,520</u>	<u>92,669</u>	<u>33,349,109</u>
<u>\$ 106,365</u>	<u>\$ 5,636,134</u>	<u>\$ 92,669</u>	<u>\$ 35,674,374</u>

CITY OF HESPERIA

SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Special Revenue Funds		
	Measure I Renewal	Gas Tax	Gas Tax Swap
Revenues:			
Taxes	\$ -	\$ 1,590,613	\$ 942,334
Use of money and property	4,930	1,021	275
Intergovernmental	2,556,257	-	-
Charges for services	-	-	-
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	2,561,187	1,591,634	942,609
Expenditures:			
Current:			
General government:			
City manager	-	-	-
Development services	-	-	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	1,762,584	-	-
Total Expenditures	1,762,584	-	-
Excess (Deficiencies) of Revenues Over (Under) Expenditures	798,603	1,591,634	942,609
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(500,000)	(1,925,000)	(1,020,000)
Total Other Financing Sources (Uses)	(500,000)	(1,925,000)	(1,020,000)
Net Change in Fund Balances	298,603	(333,366)	(77,391)
Fund balances at beginning of year	2,606,054	705,959	289,098
Fund balances at end of year	\$ 2,904,657	\$ 372,593	\$ 211,707

CITY OF HESPERIA

Special Revenue Funds

Article 8	Community Development Block Grant	CDBG Revolving Loan	AB 3229 State COPS Program	Air Quality Management District	Street Maintenance
\$ 1,504,357	\$ -	\$ -	\$ -	\$ -	\$ -
1,212	-	1,484	139	329	1,939
-	-	-	-	-	-
-	-	-	-	-	-
-	516,967	-	153,623	62,192	10,823
-	-	-	-	-	27,257
<u>1,505,569</u>	<u>516,967</u>	<u>1,484</u>	<u>153,762</u>	<u>62,521</u>	<u>40,019</u>
-	-	-	-	-	-
-	366,702	115,913	-	80,000	3,141,916
-	165	-	-	-	-
-	150,000	-	-	-	-
-	100	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	155,856
372,382	-	-	-	-	-
<u>372,382</u>	<u>516,967</u>	<u>115,913</u>	<u>-</u>	<u>80,000</u>	<u>3,297,772</u>
1,133,187	-	(114,429)	153,762	(17,479)	(3,257,753)
-	-	-	-	-	3,200,000
(3,205,000)	-	-	(246,328)	-	-
(3,205,000)	-	-	(246,328)	-	3,200,000
(2,071,813)	-	(114,429)	(92,566)	(17,479)	(57,753)
2,597,524	(6,798)	677,057	131,658	160,413	539,903
<u>\$ 525,711</u>	<u>\$ (6,798)</u>	<u>\$ 562,628</u>	<u>\$ 39,092</u>	<u>\$ 142,934</u>	<u>\$ 482,150</u>

(Continued)

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

Special Revenue Funds

	Disaster Preparedness Grant	Environmental Programs	Neighborhood Stabilization Program
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	76	34	21,290
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	38,039	12,158	-
Other revenues	2	8,964	40
Total Revenues	38,117	21,156	21,330
Expenditures:			
Current:			
General government:			
City manager	30,830	76,901	-
Development services	-	-	194,056
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	30,830	76,901	194,056
Excess (Deficiencies) of Revenues Over (Under) Expenditures	7,287	(55,745)	(172,726)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	7,287	(55,745)	(172,726)
Fund balances at beginning of year	41,799	27,356	3,262,309
Fund balances at end of year	\$ 49,086	\$ (28,389)	\$ 3,089,583

CITY OF HESPERIA

Special Revenue Funds

Development Impact Fees - Streets	Development Impact Fees- Storm Drain	Development Impact Fees- Fire	Development Impact Fees- Police	Development Impact Fees - Public Services	Redevelopment Agency Administration
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	5,363	2,079	635	31	-
-	-	-	-	-	-
885,608	116,333	13,650	3,963	10,568	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>885,608</u>	<u>121,696</u>	<u>15,729</u>	<u>4,598</u>	<u>10,599</u>	<u>-</u>
-	-	-	-	-	-
462,061	-	-	-	-	-
-	-	-	-	200	-
-	-	-	-	-	-
-	-	-	-	-	-
100,322	-	-	-	-	-
-	-	-	-	-	-
92,359	-	-	-	-	-
<u>654,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>-</u>
-	-	-	-	-	-
230,866	121,696	15,729	4,598	10,399	-
-	-	-	-	-	-
-	-	-	-	(154,520)	-
-	-	-	-	(154,520)	-
230,866	121,696	15,729	4,598	(144,121)	-
6,992,131	2,220,001	873,436	266,681	27,641	(167,130)
<u>\$ 7,222,997</u>	<u>\$ 2,341,697</u>	<u>\$ 889,165</u>	<u>\$ 271,279</u>	<u>\$ (116,480)</u>	<u>\$ (167,130)</u>

(Continued)

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Special Revenue Funds		Debt Service
	Community Development Commission	VVEDA Housing Authority	Mark Roos Revenue Bonds
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	75,497	4,189	5,856
Intergovernmental	-	-	-
Charges for services	47,961	-	-
Grants	-	-	-
Other revenues	20,817	-	-
Total Revenues	144,275	4,189	5,856
Expenditures:			
Current:			
General government:			
City manager	-	-	-
Development services	524,524	-	-
Debt Service:			
Interest	-	-	4,990
Principal	-	-	645,000
Bond administration expense	-	-	86,706
Capital Outlay:			
Land	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	524,524	-	736,696
Excess (Deficiencies) of Revenues Over (Under) Expenditures	(380,249)	4,189	(730,840)
Other Financing Sources (Uses):			
Transfers in	-	-	3,450,000
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	3,450,000
Net Change in Fund Balances	(380,249)	4,189	2,719,160
Fund balances at beginning of year	380,448	1,696,996	2,029,525
Fund balances at end of year	\$ 199	\$ 1,701,185	\$ 4,748,685

CITY OF HESPERIA

Debt Service		Capital Projects			Total Other Governmental Funds
2012 Water Rights Acquisition	2013 Refunding of Lease Revenue Bonds	City Projects	Fire Capital	Township	
\$ -	\$ -	\$ -	\$ 625,061	\$ -	\$ 4,662,365
260	791	62	12,281	218	139,991
-	-	-	-	-	2,556,257
-	-	-	-	-	1,078,083
-	-	-	-	-	793,802
-	69,484	-	-	-	126,564
<u>260</u>	<u>70,275</u>	<u>62</u>	<u>637,342</u>	<u>218</u>	<u>9,357,062</u>
-	-	-	-	-	107,731
-	-	-	-	-	4,885,172
890,575	543,314	-	-	-	1,439,244
555,000	255,000	-	-	-	1,605,000
2,190	2,445	-	-	-	91,441
-	-	-	-	-	100,322
-	-	-	164,114	-	319,970
-	-	18	69,059	-	2,296,402
<u>1,447,765</u>	<u>800,759</u>	<u>18</u>	<u>233,173</u>	<u>-</u>	<u>10,845,282</u>
<u>(1,447,505)</u>	<u>(730,484)</u>	<u>44</u>	<u>404,169</u>	<u>218</u>	<u>(1,488,220)</u>
1,447,611	177,100	-	-	-	8,274,711
-	-	-	-	-	(7,050,848)
<u>1,447,611</u>	<u>177,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,223,863</u>
106	(553,384)	44	404,169	218	(264,357)
<u>1,458,150</u>	<u>1,799,714</u>	<u>(129,261)</u>	<u>5,040,351</u>	<u>92,451</u>	<u>33,613,466</u>
<u>\$ 1,458,256</u>	<u>\$ 1,246,330</u>	<u>\$ (129,217)</u>	<u>\$ 5,444,520</u>	<u>\$ 92,669</u>	<u>\$ 33,349,109</u>

SCHEDULE OF COMBINING OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 June 30, 2015

	Agency Funds		
	Special Deposits Fund	Assessment District 91-1 Fund	Community Facilities District 2005-1 Fund
Assets			
Cash and investments	\$ 1,407,567	\$ 1,059,773	\$ 1,755,474
Cash and investments with fiscal agent	-	-	1,480,953
Accounts receivable	280	-	21,348
Accrued interest	47	445	922
Total Assets	\$ 1,407,894	\$ 1,060,218	\$ 3,258,697
Liabilities			
Accounts payable	\$ 82,861	\$ 4,983	\$ -
Due to bondholders	-	1,055,235	3,258,697
Deposits payable	1,325,033	-	-
Total Liabilities	\$ 1,407,894	\$ 1,060,218	\$ 3,258,697

CITY OF HESPERIA

Agency Funds

Branch Library Fund	Summit Valley HCP Fund	Plan Review Trust Fund	Total Agency Funds
\$ 303	\$ 287	\$ 6,132	\$ 4,229,536
-	-	-	1,480,953
-	-	-	21,628
-	-	3	1,417
<u>\$ 303</u>	<u>\$ 287</u>	<u>\$ 6,135</u>	<u>\$ 5,733,534</u>
\$ -	\$ -	\$ -	\$ 87,844
-	-	-	4,313,932
303	287	6,135	1,331,758
<u>\$ 303</u>	<u>\$ 287</u>	<u>\$ 6,135</u>	<u>\$ 5,733,534</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 SPECIAL DEPOSITS FUND
 For The Year Ended June 30, 2015

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Assets				
Cash and investments	\$ 1,330,055	\$ 646,792	\$ (569,280)	\$ 1,407,567
Accounts receivable	2,379	280	(2,379)	280
Accrued interest	59	47	(59)	47
Total Assets	<u>\$ 1,332,493</u>	<u>\$ 647,119</u>	<u>\$ (571,718)</u>	<u>\$ 1,407,894</u>
Liabilities				
Accounts payable	\$ 57,925	\$ 566,185	\$ (541,249)	\$ 82,861
Deposits payable	1,274,568	80,934	(30,469)	1,325,033
Total Liabilities	<u>\$ 1,332,493</u>	<u>\$ 647,119</u>	<u>\$ (571,718)</u>	<u>\$ 1,407,894</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 ASSESSMENT DISTRICT 91-1 FUND
 For The Year Ended June 30, 2015

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Assets				
Cash and investments	\$ 772,125	\$ 337,246	\$ (49,598)	\$ 1,059,773
Accrued interest	404	445	(404)	445
Total Assets	\$ 772,529	\$ 337,691	\$ (50,002)	\$ 1,060,218
Liabilities				
Accounts payable	\$ 105	\$ 52,604	\$ (47,726)	\$ 4,983
Due to bondholders	772,424	337,287	(54,476)	1,055,235
Total Liabilities	\$ 772,529	\$ 389,891	\$ (102,202)	\$ 1,060,218

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 COMMUNITY FACILITIES DISTRICT 2005-1 FUND
 For The Year Ended June 30, 2015

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Assets				
Cash and investments	\$ 1,803,385	\$ 1,962,002	\$ (2,009,913)	\$ 1,755,474
Cash and investments with fiscal agent	1,900,626	20,915,249	(21,334,922)	1,480,953
Accounts receivable	12,831	21,348	(12,831)	21,348
Accrued interest	982	922	(982)	922
Total Assets	<u>\$ 3,717,824</u>	<u>\$ 22,899,521</u>	<u>\$ (23,358,648)</u>	<u>\$ 3,258,697</u>
Liabilities				
Accounts payable	\$ 2,500	\$ 2,006,961	\$ (2,009,461)	\$ -
Due to bondholders	3,715,324	21,389,053	(21,845,680)	3,258,697
Total Liabilities	<u>\$ 3,717,824</u>	<u>\$ 23,396,014</u>	<u>\$ (23,855,141)</u>	<u>\$ 3,258,697</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
BRANCH LIBRARY FUND
For The Year Ended June 30, 2015

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
Assets				
Cash and investments	\$ 303	\$ -	\$ -	\$ 303
Total Assets	<u>\$ 303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303</u>
Liabilities				
Deposits payable	\$ 303	\$ -	\$ -	\$ 303
Total Liabilities	<u>\$ 303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
SUMMIT VALLEY HCP FUND
For The Year Ended June 30, 2015

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
Assets				
Cash and investments	\$ 286	\$ 1	\$ -	\$ 287
Total Assets	<u>\$ 286</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 287</u>
Liabilities				
Deposits payable	\$ 286	\$ 1	\$ -	\$ 287
Total Liabilities	<u>\$ 286</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 287</u>

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
PLAN REVIEW TRUST FUND
 For The Year Ended June 30, 2015

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Assets				
Cash and investments	\$ -	\$ 48,446	\$ (42,314)	\$ 6,132
Accrued interest	-	3	-	3
Total Assets	\$ -	\$ 48,449	\$ (42,314)	\$ 6,135
Liabilities				
Accounts payable	\$ -	\$ 42,305	\$ (42,305)	\$ -
Deposits payable	-	6,144	(9)	6,135
Total Liabilities	\$ -	\$ 48,449	\$ (42,314)	\$ 6,135

SCHEDULE OF COMBINING CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For The Year Ended June 30, 2015

	Total Agency Funds			
	Balance at June 30, 2014	Additions	Deletions	
Assets				
Cash and investments	\$ 3,906,154	\$ 2,994,487	\$ (2,671,105)	\$ 4,229,536
Cash and investments with fiscal agent	1,900,626	20,915,249	(21,334,922)	1,480,953
Accounts receivable	15,210	21,628	(15,210)	21,628
Accrued interest	1,445	1,417	(1,445)	1,417
Total Assets	\$ 5,823,435	\$ 23,932,781	\$ (24,022,682)	\$ 5,733,534
Liabilities				
Accounts payable	\$ 60,530	\$ 2,668,055	\$ (2,640,741)	\$ 87,844
Due to bondholders	4,487,748	21,726,340	(21,900,156)	4,313,932
Deposits payable	1,275,157	87,079	(30,478)	1,331,758
Total Liabilities	\$ 5,823,435	\$ 24,481,474	\$ (24,571,375)	\$ 5,733,534

General Fund

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

BALANCE SHEET SCHEDULE
GENERAL FUND
June 30, 2015

Assets

Cash and cash equivalents	\$ 9,369,683
Accounts receivable	1,032,020
Prepaid Expenses	32,810
Accrued interest	5,021
Due from other governmental agencies	1,902,089
Due from other funds	1,216,204
Advances	154,520
Total Assets	\$ 13,712,347

Liabilities, Deferred Inflows of Resources, and Fund Balances

Liabilities

Accounts payable and other current liabilities	\$ 1,541,617
Due to other governmental agencies	434,656
Deposits	6,000
Total Liabilities	1,982,273

Deferred Inflows of Resources

Unavailable revenues	882,174
Total Deferred Inflows of Resources	882,174

Fund Balances

Assigned:	
Self Insurance	150,000
Unassigned	10,697,900
Total Fund Balances	10,847,900

Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,712,347
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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2015

	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ 13,244,800	\$ 14,000,454	\$ 755,654
Licenses and permits	247,500	249,645	2,145
Fines and forfeitures	966,805	714,982	(251,823)
Use of money and property	25,000	19,722	(5,278)
Intergovernmental	8,260,538	8,400,552	140,014
Charges for services	1,420,634	1,548,407	127,773
Grants	130,693	96,370	(34,323)
Other revenues	1,774,311	2,235,531	461,220
Amount Available for Appropriations	<u>26,070,281</u>	<u>27,265,663</u>	<u>1,195,382</u>
Expenditures:			
Current:			
General government:			
City council	692,978	590,505	102,473
City manager	2,528,843	2,447,805	81,038
Management services	2,738,769	2,738,769	-
Development services	5,774,768	5,529,221	245,547
Public safety - police	13,544,642	13,542,008	2,634
Capital Outlay:			
Land	328,952	225,000	103,952
Water rights	3,000,000	2,500,022	499,978
Equipment and vehicles	402,717	402,717	-
Infrastructure	733,200	68,956	664,244
Total Expenditures	<u>29,744,869</u>	<u>28,045,003</u>	<u>1,699,866</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>(3,674,588)</u>	<u>(779,340)</u>	<u>2,895,248</u>
Other Financing Sources (Uses):			
Transfers in	246,328	246,328	-
Transfers out	(1,630,675)	(1,470,191)	160,484
Total Other Financing Sources (Uses)	<u>(1,384,347)</u>	<u>(1,223,863)</u>	<u>160,484</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(5,058,935)</u>	<u>(2,003,203)</u>	<u>3,055,732</u>
Fund balance at beginning of year	<u>12,851,103</u>	<u>12,851,103</u>	<u>-</u>
Fund balance at end of year	<u>\$ 7,792,168</u>	<u>\$ 10,847,900</u>	<u>\$ 3,055,732</u>

Special Revenue Funds

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 Renewal – To account for the voter approved extension of the Measure I, 0.5% sales tax revenue.

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.

Gas Tax Swap – To account for receipts and expenditures of money apportioned by the State and Highway Code § 2103. Gas Tax Swap 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).

CDBG Revolving Loan – To account for the receipts and expenditures of the Section 108 loan proceeds from the Federal government (HUD) used to assist with business expansion within the City.

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

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.

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

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.

Development Impact Fees – Streets - To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's streets.

Development Impact Fees – Storm Drainage - To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's storm drain system.

Development Impact Fees – Fire - To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's Fire Department with expanded facilities and equipment.

Development Impact Fees – Police - To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's Police Department with expanded facilities and equipment.

Development Impact Fees – Public Services - To account for fees paid during the building permit process for the expansion and improvement of the capacity of the City's facilities to better serve the growing populace.

Redevelopment Agency Administration – In accordance with the 1990 City of Hesperia/Hesperia Community Redevelopment Agency (HCRA) Cooperation Agreement, this fund tracks the costs of providing staff and City facilities to further the economic/redevelopment function of the HCRA on a reimbursement basis from the HCRA.

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

Community Development Commission – To account for the City's economic development functions that were previously an operation of the former redevelopment agency.

Hesperia Housing Authority – To account for the City's low and moderate income housing needs that was previously a function of the former redevelopment agency.

VVEDA Housing Authority – To account for the City's low and moderate income housing needs within the VVEDA project area that was previously a function of the former redevelopment agency.

SCHEDULE OF COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 June 30, 2015

	Measure I Renewal	Gas Tax	Gas Tax Swap	Article 8
Assets				
Cash and cash equivalents	\$ 2,312,799	\$ 230,090	\$ 116,419	\$ -
Accounts receivable	-	-	-	-
Accrued interest	1,207	127	44	-
Notes receivable, net of allowance	-	-	-	-
Due from other governmental agencies	591,873	142,376	95,244	1,504,357
Land held for resale	-	-	-	-
Total Assets	\$ 2,905,879	\$ 372,593	\$ 211,707	\$ 1,504,357
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ 1,222	\$ -	\$ -	\$ 371,755
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Advances from other funds	-	-	-	-
Due to other funds	-	-	-	606,891
Total Liabilities	1,222	-	-	978,646
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances				
Restricted:				
Transportation	2,904,657	372,593	-	525,711
Air quality	-	-	-	-
Public safety	-	-	-	-
Grants	-	-	-	-
Land held for resale	-	-	-	-
Low income housing	-	-	-	-
Other purposes	-	-	-	-
Assigned:				
Transportation	-	-	-	-
Unassigned	-	-	211,707	-
Total Fund Balances	2,904,657	372,593	211,707	525,711
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,905,879	\$ 372,593	\$ 211,707	\$ 1,504,357

CITY OF HESPERIA

Community Development Block Grant	CDBG Revolving Loan	AB 3229 State COPS Program	Air Quality Management District	Fire District	Street Maintenance	Disaster Preparedness Grant
\$ -	\$ 581,385	\$ 22,704	\$ 142,860	\$ -	\$ 690,831	\$ 50,845
-	-	-	-	347,311	4,730	-
-	309	14	74	-	380	14
-	-	-	-	-	-	-
104,118	-	16,374	-	591,381	-	-
-	-	-	-	-	-	-
<u>\$ 104,118</u>	<u>\$ 581,694</u>	<u>\$ 39,092</u>	<u>\$ 142,934</u>	<u>\$ 938,692</u>	<u>\$ 695,941</u>	<u>\$ 50,859</u>
\$ 51,521	\$ 19,066	\$ -	\$ -	\$ 53,075	\$ 213,791	\$ 1,773
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
59,395	-	-	-	395,963	-	-
<u>110,916</u>	<u>19,066</u>	<u>-</u>	<u>-</u>	<u>449,038</u>	<u>213,791</u>	<u>1,773</u>
-	-	-	-	3,261	-	-
-	-	-	-	3,261	-	-
-	-	-	-	-	-	-
-	-	-	142,934	-	-	-
-	-	39,092	-	486,393	-	-
-	562,628	-	-	-	-	49,086
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	482,150	-
(6,798)	-	-	-	-	-	-
<u>(6,798)</u>	<u>562,628</u>	<u>39,092</u>	<u>142,934</u>	<u>486,393</u>	<u>482,150</u>	<u>49,086</u>
<u>\$ 104,118</u>	<u>\$ 581,694</u>	<u>\$ 39,092</u>	<u>\$ 142,934</u>	<u>\$ 938,692</u>	<u>\$ 695,941</u>	<u>\$ 50,859</u>

(Continued)

CITY OF HESPERIA

(Continued)

SCHEDULE OF COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
June 30, 2015

	Environmental Programs	Neighborhood Stabilization Program	Development Impact Fees- Streets	Development Impact Fees- Storm Drainage
Assets				
Cash and cash equivalents	\$ -	\$ 1,336,963	\$ -	\$ 2,340,485
Accounts receivable	467	-	-	-
Accrued interest	-	705	-	1,212
Notes receivable, net of allowance	-	-	-	-
Due from other governmental agencies	12	1,229	-	-
Land held for resale	-	1,753,153	7,501,637	-
Total Assets	\$ 479	\$ 3,092,050	\$ 7,501,637	\$ 2,341,697
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ 13,090	\$ 1,367	\$ 40,870	\$ -
Unearned revenues	-	-	-	-
Deposits	-	1,100	-	-
Advances from other funds	-	-	-	-
Due to other funds	15,778	-	237,770	-
Total Liabilities	28,868	2,467	278,640	-
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances				
Restricted:				
Transportation	-	-	-	2,341,697
Air quality	-	-	-	-
Public safety	-	-	-	-
Grants	-	-	-	-
Land held for resale	-	1,753,153	-	-
Low income housing	-	-	-	-
Other purposes	-	1,336,430	-	-
Assigned:				
Transportation	-	-	-	-
Unassigned	(28,389)	-	(278,640)	-
Total Fund Balances	(28,389)	3,089,583	7,222,997	2,341,697
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 479	\$ 3,092,050	\$ 7,501,637	\$ 2,341,697

CITY OF HESPERIA

Development Impact Fees- Fire	Development Impact Fees- Police	Development Impact Fees- Public Services	Redevelopment Agency Administration	HOME Grant	Community Development Commission	Hesperia Housing Authority
\$ 888,703	\$ 271,138	\$ 38,024	\$ -	\$ 97,393	\$ 26,489	\$ 5,961,266
-	-	-	-	-	416	7,500
462	141	16	-	44	87	3,315
-	-	-	-	12,472,250	278,144	17,836,790
-	-	-	-	-	-	-
-	-	-	-	-	-	11,534,457
\$ 889,165	\$ 271,279	\$ 38,040	\$ -	\$ 12,569,687	\$ 305,136	\$ 35,343,328
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,793	\$ 17,626
-	-	-	-	-	-	-
-	-	-	-	-	10,000	1,000
-	-	154,520	-	-	-	-
-	-	-	167,130	-	-	-
-	-	154,520	167,130	-	26,793	18,626
-	-	-	-	12,472,250	278,144	17,836,790
-	-	-	-	12,472,250	278,144	17,836,790
-	-	-	-	-	-	-
-	-	-	-	-	-	-
889,165	271,279	-	-	-	-	-
-	-	-	-	97,437	-	-
-	-	-	-	-	-	17,487,912
-	-	(116,480)	-	-	199	-
-	-	-	-	-	-	-
-	-	-	(167,130)	-	-	-
889,165	271,279	(116,480)	(167,130)	97,437	199	17,487,912
\$ 889,165	\$ 271,279	\$ 38,040	\$ -	\$ 12,569,687	\$ 305,136	\$ 35,343,328

(Continued)

CITY OF HESPERIA

	VVEDA Housing Authority	Totals
Assets		
Cash and cash equivalents	\$ 1,700,260	\$ 16,808,654
Accounts receivable	-	360,424
Accrued interest	925	9,076
Notes receivable, net of allowance	-	30,587,184
Due from other governmental agencies	-	3,046,964
Land held for resale	-	20,789,247
Total Assets	\$ 1,701,185	\$ 71,601,549
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable and other current liabilities	\$ -	\$ 801,949
Unearned revenues	-	-
Deposits	-	12,100
Advances from other funds	-	154,520
Due to other funds	-	1,482,927
Total Liabilities	-	2,451,496
Deferred Inflows of Resources		
Unavailable revenues	-	30,590,445
Total Deferred Inflows of Resources	-	30,590,445
Fund Balances		
Restricted:		
Transportation	-	6,144,658
Air quality	-	142,934
Public safety	-	1,685,929
Grants	-	709,151
Land held for resale		
Low income housing	1,701,185	19,189,097
Other purposes	-	1,220,149
Assigned:		
Transportation	-	482,150
Unassigned		(269,250)
Total Fund Balances	1,701,185	38,559,608
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,701,185	\$ 71,601,549



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, 2015

	Measure I Renewal		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	5,000	4,930	(70)
Intergovernmental	2,500,000	2,556,257	56,257
Charges for services	-	-	-
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	2,505,000	2,561,187	56,187
Expenditures:			
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	4,103,688	1,762,584	2,341,104
Total Expenditures	4,103,688	1,762,584	2,341,104
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,598,688)	798,603	2,397,291
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(500,000)	(500,000)	-
Sale of capital asset	-	-	-
Total Other Financing Sources (Uses)	(500,000)	(500,000)	-
Net Change in Fund Balances	(2,098,688)	298,603	2,397,291
Fund balances at beginning of year	2,606,054	2,606,054	-
Prior period adjustment	-	-	-
Fund balances at beginning of year, as restated	2,606,054	2,606,054	-
Fund balances at end of year	\$ 507,366	\$ 2,904,657	\$ 2,397,291

CITY OF HESPERIA

Gas Tax			Gas Tax Swap		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ 1,322,500	\$ 1,590,613	\$ 268,113	\$ 1,250,000	\$ 942,334	\$ (307,666)
400	1,021	621	150	275	125
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,322,900</u>	<u>1,591,634</u>	<u>268,734</u>	<u>1,250,150</u>	<u>942,609</u>	<u>(307,541)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,322,900</u>	<u>1,591,634</u>	<u>268,734</u>	<u>1,250,150</u>	<u>942,609</u>	<u>(307,541)</u>
-	-	-	-	-	-
(1,925,000)	(1,925,000)	-	(1,070,000)	(1,020,000)	50,000
-	-	-	-	-	-
<u>(1,925,000)</u>	<u>(1,925,000)</u>	<u>-</u>	<u>(1,070,000)</u>	<u>(1,020,000)</u>	<u>50,000</u>
(602,100)	(333,366)	268,734	180,150	(77,391)	(257,541)
<u>705,959</u>	<u>705,959</u>	<u>-</u>	<u>289,098</u>	<u>289,098</u>	<u>-</u>
-	-	-	-	-	-
<u>705,959</u>	<u>705,959</u>	<u>-</u>	<u>289,098</u>	<u>289,098</u>	<u>-</u>
<u>\$ 103,859</u>	<u>\$ 372,593</u>	<u>\$ 268,734</u>	<u>\$ 469,248</u>	<u>\$ 211,707</u>	<u>\$ (257,541)</u>

(Continued)

CITY OF HESPERIA

(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2015

	Article 8		Variance With Budget
	Budget	Actual	
Revenues:			
Taxes	\$ 2,050,000	\$ 1,504,357	\$ (545,643)
Use of money and property	2,000	1,212	(788)
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	2,052,000	1,505,569	(546,431)
Expenditures:			
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	762,000	372,382	389,618
Total Expenditures	762,000	372,382	389,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,290,000	1,133,187	(156,813)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(3,855,000)	(3,205,000)	650,000
Sale of capital asset	-	-	-
Total Other Financing Sources (Uses)	(3,855,000)	(3,205,000)	650,000
Net Change in Fund Balances	(2,565,000)	(2,071,813)	493,187
Fund balances at beginning of year	2,597,524	2,597,524	-
Prior period adjustment	-	-	-
Fund balances at beginning of year, as restated	2,597,524	2,597,524	-
Fund balances at end of year	\$ 32,524	\$ 525,711	\$ 493,187

CITY OF HESPERIA

Community Development Block Grant			CDBG Revolving Loan		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	2,035	1,484	(551)
-	-	-	-	-	-
-	-	-	-	-	-
1,029,826	516,967	(512,859)	-	-	-
-	-	-	-	-	-
<u>1,029,826</u>	<u>516,967</u>	<u>(512,859)</u>	<u>2,035</u>	<u>1,484</u>	<u>(551)</u>
-	-	-	-	-	-
-	-	-	-	-	-
940,241	366,702	573,539	313,951	115,913	198,038
280	165	115	-	-	-
150,000	150,000	-	-	-	-
100	100	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
50,750	-	50,750	-	-	-
<u>1,141,371</u>	<u>516,967</u>	<u>624,404</u>	<u>313,951</u>	<u>115,913</u>	<u>198,038</u>
<u>(111,545)</u>	<u>-</u>	<u>111,545</u>	<u>(311,916)</u>	<u>(114,429)</u>	<u>197,487</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(111,545)</u>	<u>-</u>	<u>111,545</u>	<u>(311,916)</u>	<u>(114,429)</u>	<u>197,487</u>
<u>(6,798)</u>	<u>(6,798)</u>	<u>-</u>	<u>677,057</u>	<u>677,057</u>	<u>-</u>
-	-	-	-	-	-
<u>(6,798)</u>	<u>(6,798)</u>	<u>-</u>	<u>677,057</u>	<u>677,057</u>	<u>-</u>
<u>\$ (118,343)</u>	<u>\$ (6,798)</u>	<u>\$ 111,545</u>	<u>\$ 365,141</u>	<u>\$ 562,628</u>	<u>\$ 197,487</u>

(Continued)

CITY OF HESPERIA

(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2015

	AB 3229 State COPS Program		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	200	139	(61)
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	146,328	153,623	7,295
Other revenues	-	-	-
Total Revenues	146,528	153,762	7,234
Expenditures:			
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	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	146,528	153,762	7,234
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(246,328)	(246,328)	-
Sale of capital asset	-	-	-
Total Other Financing Sources (Uses)	(246,328)	(246,328)	-
Net Change in Fund Balances	(99,800)	(92,566)	7,234
Fund balances at beginning of year	131,658	131,658	-
Prior period adjustment	-	-	-
Fund balances at beginning of year, as restated	131,658	131,658	-
Fund balances at end of year	\$ 31,858	\$ 39,092	\$ 7,234

CITY OF HESPERIA

Air Quality Management District			Fire District		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ 5,962,891	\$ 6,194,263	\$ 231,372
500	329	(171)	61,991	48,633	(13,358)
-	-	-	-	-	-
-	-	-	3,582,786	3,396,024	(186,762)
62,000	62,192	192	580,000	718,125	138,125
-	-	-	-	1,422	1,422
<u>62,500</u>	<u>62,521</u>	<u>21</u>	<u>10,187,668</u>	<u>10,358,467</u>	<u>170,799</u>
-	-	-	-	-	-
-	-	-	10,993,828	10,979,941	13,887
80,000	80,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	315,000	248,935	66,065
-	-	-	-	-	-
<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>11,308,828</u>	<u>11,228,876</u>	<u>79,952</u>
(17,500)	(17,479)	21	(1,121,160)	(870,409)	250,751
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(17,500)</u>	<u>(17,479)</u>	<u>21</u>	<u>(1,121,160)</u>	<u>(870,409)</u>	<u>250,751</u>
<u>160,413</u>	<u>160,413</u>	<u>-</u>	<u>1,356,802</u>	<u>1,356,802</u>	<u>-</u>
-	-	-	-	-	-
<u>160,413</u>	<u>160,413</u>	<u>-</u>	<u>1,356,802</u>	<u>1,356,802</u>	<u>-</u>
<u>\$ 142,913</u>	<u>\$ 142,934</u>	<u>\$ 21</u>	<u>\$ 235,642</u>	<u>\$ 486,393</u>	<u>\$ 250,751</u>

(Continued)

CITY OF HESPERIA

(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2015

	Street Maintenance		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	1,383	1,939	556
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	10,823	10,823
Other revenues	10,500	27,257	16,757
Total Revenues	11,883	40,019	28,136
Expenditures:			
Current:			
General government:			
City manager	-	-	-
Public safety-fire	-	-	-
Development services	3,394,755	3,141,916	252,839
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	176,777	155,856	20,921
Infrastructure	-	-	-
Total Expenditures	3,571,532	3,297,772	273,760
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,559,649)	(3,257,753)	301,896
Other Financing Sources (Uses):			
Transfers in	3,550,000	3,200,000	(350,000)
Transfers out	-	-	-
Sale of capital asset	-	-	-
Total Other Financing Sources (Uses)	3,550,000	3,200,000	(350,000)
Net Change in Fund Balances	(9,649)	(57,753)	(48,104)
Fund balances at beginning of year	539,903	539,903	-
Prior period adjustment	-	-	-
Fund balances at beginning of year, as restated	539,903	539,903	-
Fund balances at end of year	\$ 530,254	\$ 482,150	\$ (48,104)

CITY OF HESPERIA

Disaster Preparedness Grant			Environmental Programs		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50	76	26	64	34	(30)
-	-	-	-	-	-
-	-	-	-	-	-
41,705	38,039	(3,666)	14,555	12,158	(2,397)
2,000	2	(1,998)	5,065	8,964	3,899
<u>43,755</u>	<u>38,117</u>	<u>(5,638)</u>	<u>19,684</u>	<u>21,156</u>	<u>1,472</u>
30,830	30,830	-	110,497	76,901	33,596
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>30,830</u>	<u>30,830</u>	<u>-</u>	<u>110,497</u>	<u>76,901</u>	<u>33,596</u>
12,925	7,287	(5,638)	(90,813)	(55,745)	35,068
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,925</u>	<u>7,287</u>	<u>(5,638)</u>	<u>(90,813)</u>	<u>(55,745)</u>	<u>35,068</u>
41,799	41,799	-	27,356	27,356	-
-	-	-	-	-	-
<u>41,799</u>	<u>41,799</u>	<u>-</u>	<u>27,356</u>	<u>27,356</u>	<u>-</u>
<u>\$ 54,724</u>	<u>\$ 49,086</u>	<u>\$ (5,638)</u>	<u>\$ (63,457)</u>	<u>\$ (28,389)</u>	<u>\$ 35,068</u>

(Continued)

CITY OF HESPERIA

(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2015

	Neighborhood Stabilization Program		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	674,479	21,290	(653,189)
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	-	-
Other revenues	318,022	40	(317,982)
Total Revenues	992,501	21,330	(971,171)
Expenditures:			
Current:			
General government:			
City manager	-	-	-
Public safety-fire	-	-	-
Development services	574,683	194,056	380,627
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	574,683	194,056	380,627
Excess (Deficiency) of Revenues Over (Under) Expenditures	417,818	(172,726)	(590,544)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital asset	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	417,818	(172,726)	(590,544)
Fund balances at beginning of year	3,262,309	3,262,309	-
Prior period adjustment	-	-	-
Fund balances at beginning of year, as restated	3,262,309	3,262,309	-
Fund balances at end of year	\$ 3,680,127	\$ 3,089,583	\$ (590,544)

CITY OF HESPERIA

Development Impact Fees Streets			Development Impact Fees Storm Drain		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	5,324	5,363	39
-	-	-	-	-	-
1,129,794	885,608	(244,186)	148,435	116,333	(32,102)
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,129,794</u>	<u>885,608</u>	<u>(244,186)</u>	<u>153,759</u>	<u>121,696</u>	<u>(32,063)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	462,061	(462,061)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	100,322	(100,322)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,142,000	92,359	1,049,641	-	-	-
<u>1,142,000</u>	<u>654,742</u>	<u>487,258</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(12,206)</u>	<u>230,866</u>	<u>243,072</u>	<u>153,759</u>	<u>121,696</u>	<u>(32,063)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(12,206)</u>	<u>230,866</u>	<u>243,072</u>	<u>153,759</u>	<u>121,696</u>	<u>(32,063)</u>
6,992,131	6,992,131	-	2,220,001	2,220,001	-
-	-	-	-	-	-
<u>6,992,131</u>	<u>6,992,131</u>	<u>-</u>	<u>2,220,001</u>	<u>2,220,001</u>	<u>-</u>
<u>\$ 6,979,925</u>	<u>\$ 7,222,997</u>	<u>\$ 243,072</u>	<u>\$ 2,373,760</u>	<u>\$ 2,341,697</u>	<u>\$ (32,063)</u>

(Continued)

CITY OF HESPERIA

(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2015

	Development Impact Fees Fire		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	2,164	2,079	(85)
Intergovernmental	-	-	-
Charges for services	107,682	13,650	(94,032)
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	109,846	15,729	(94,117)
Expenditures:			
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	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	109,846	15,729	(94,117)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital asset	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	109,846	15,729	(94,117)
Fund balances at beginning of year	873,436	873,436	-
Prior period adjustment	-	-	-
Fund balances at beginning of year, as restated	873,436	873,436	-
Fund balances at end of year	\$ 983,282	\$ 889,165	\$ (94,117)

CITY OF HESPERIA

Development Impact Fees Police			Development Impact Fees Public Service		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
644	635	(9)	484	31	(453)
-	-	-	-	-	-
31,820	3,963	(27,857)	83,713	10,568	(73,145)
-	-	-	-	-	-
-	-	-	-	-	-
<u>32,464</u>	<u>4,598</u>	<u>(27,866)</u>	<u>84,197</u>	<u>10,599</u>	<u>(73,598)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	448	200	248
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>448</u>	<u>200</u>	<u>248</u>
<u>32,464</u>	<u>4,598</u>	<u>(27,866)</u>	<u>83,749</u>	<u>10,399</u>	<u>(73,350)</u>
-	-	-	65,840	-	(65,840)
-	-	-	(154,520)	(154,520)	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,680)</u>	<u>(154,520)</u>	<u>(65,840)</u>
32,464	4,598	(27,866)	(4,931)	(144,121)	(139,190)
<u>266,681</u>	<u>266,681</u>	<u>-</u>	<u>27,641</u>	<u>27,641</u>	<u>-</u>
-	-	-	-	-	-
<u>266,681</u>	<u>266,681</u>	<u>-</u>	<u>27,641</u>	<u>27,641</u>	<u>-</u>
<u>\$ 299,145</u>	<u>\$ 271,279</u>	<u>\$ (27,866)</u>	<u>\$ 22,710</u>	<u>\$ (116,480)</u>	<u>\$ (139,190)</u>

(Continued)

CITY OF HESPERIA

(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2015

	Redevelopment Agency Administration		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	-	-	-
Expenditures:			
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	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital asset	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	-
Fund balances at beginning of year	(167,130)	(167,130)	-
Prior period adjustment	-	-	-
Fund balances at beginning of year, as restated	(167,130)	(167,130)	-
Fund balances at end of year	\$ (167,130)	\$ (167,130)	\$ -

CITY OF HESPERIA

HOME Grant			Community Development Commission		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,515	20,503	5,988	685,291	75,497	(609,794)
-	-	-	-	-	-
-	-	-	12,499	47,961	35,462
1,600	17,317	15,717	-	-	-
-	-	-	29,325	20,817	(8,508)
16,115	37,820	21,705	727,115	144,275	(582,840)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	524,524	524,524	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	524,524	524,524	-
16,115	37,820	21,705	202,591	(380,249)	(582,840)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,115	37,820	21,705	202,591	(380,249)	(582,840)
59,617	59,617	-	380,448	380,448	-
-	-	-	-	-	-
59,617	59,617	-	380,448	380,448	-
\$ 75,732	\$ 97,437	\$ 21,705	\$ 583,039	\$ 199	\$ (582,840)

(Continued)

CITY OF HESPERIA

(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2015

	Hesperia Housing Authority		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	80,501	87,080	6,579
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	-	-
Other revenues	3,000	93,944	90,944
Total Revenues	83,501	181,024	97,523
Expenditures:			
Current:			
General government:			
City manager	-	-	-
Public safety-fire	-	-	-
Development services	1,082,884	366,351	716,533
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	1,082,884	366,351	716,533
Excess (Deficiency) of Revenues Over (Under) Expenditures	(999,383)	(185,327)	814,056
Other Financing Sources (Uses):			
Transfers in	1,200,000	-	(1,200,000)
Transfers out	-	-	-
Sale of capital asset	327,450	-	(327,450)
Total Other Financing Sources (Uses)	1,527,450	-	(1,527,450)
Net Change in Fund Balances	528,067	(185,327)	(713,394)
Fund balances at beginning of year	16,408,239	16,408,239	-
Prior period adjustment	1,265,000	1,265,000	-
Fund balances at beginning of year, as restated	17,673,239	17,673,239	-
Fund balances at end of year	\$ 18,201,306	\$ 17,487,912	\$ (713,394)

CITY OF HESPERIA

VVEDA Housing Authority			Totals		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ 10,585,391	\$ 10,231,567	\$ (353,824)
3,730	4,189	459	1,540,905	276,739	(1,264,166)
-	-	-	2,500,000	2,556,257	56,257
-	-	-	5,096,729	4,474,107	(622,622)
-	-	-	1,876,014	1,529,244	(346,770)
-	-	-	367,912	152,446	(215,466)
<u>3,730</u>	<u>4,189</u>	<u>459</u>	<u>21,966,951</u>	<u>19,220,360</u>	<u>(2,746,591)</u>
-	-	-	141,327	107,731	33,596
-	-	-	10,993,828	10,979,941	13,887
225,000	-	225,000	7,136,038	5,251,523	1,884,515
-	-	-	728	365	363
-	-	-	150,000	150,000	-
-	-	-	100	100	-
-	-	-	-	100,322	(100,322)
-	-	-	-	-	-
-	-	-	491,777	404,791	86,986
-	-	-	6,058,438	2,227,325	3,831,113
<u>225,000</u>	<u>-</u>	<u>225,000</u>	<u>24,972,236</u>	<u>19,222,098</u>	<u>5,750,138</u>
(221,270)	4,189	225,459	(3,005,285)	(1,738)	3,003,547
-	-	-	4,815,840	3,200,000	(1,615,840)
-	-	-	(7,750,848)	(7,050,848)	700,000
-	-	-	327,450	-	(327,450)
-	-	-	(2,607,558)	(3,850,848)	(1,243,290)
(221,270)	4,189	225,459	(5,612,843)	(3,852,586)	1,760,257
<u>1,696,996</u>	<u>1,696,996</u>	<u>-</u>	<u>41,147,194</u>	<u>41,147,194</u>	<u>-</u>
-	-	-	-	-	-
<u>1,696,996</u>	<u>1,696,996</u>	<u>-</u>	<u>41,147,194</u>	<u>42,412,194</u>	<u>-</u>
<u>\$ 1,475,726</u>	<u>\$ 1,701,185</u>	<u>\$ 225,459</u>	<u>\$ 35,534,351</u>	<u>38,559,608</u>	<u>\$ 1,760,257</u>

Debt Service Funds

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.

2012 Water Rights – To account for debt service payments on the City's 2012 Water Rights debt issuance.

2013 Refunding of Lease Revenue Bonds – To account for debt service payments on the refunding of the 2005 Variable Rate Certificates of Participation.

SCHEDULE OF COMBINING BALANCE SHEET
ALL DEBT SERVICE FUNDS
June 30, 2015

	Marks-Roos Revenue Bonds	2012 Water Rights	2013 Refunding of Lease Revenue Bonds	Totals
Assets				
Cash and cash equivalents	\$ 3,877,422	\$ 8,101	\$ 96,368	\$ 3,981,891
Restricted investments	887,774	1,452,330	1,149,910	3,490,014
Accrued interest	1,878	15	52	1,945
Total Assets	\$ 4,767,074	\$ 1,460,446	\$ 1,246,330	\$ 7,473,850
Liabilities and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ 18,389	\$ 2,190	\$ -	\$ 20,579
Total Liabilities	18,389	2,190	-	20,579
Fund Balances				
Restricted:				
Debt Service	4,748,685	1,458,256	1,246,330	7,453,271
Total Fund Balances	4,748,685	1,458,256	1,246,330	7,453,271
Total Liabilities and Fund Balances	\$ 4,767,074	\$ 1,460,446	\$ 1,246,330	\$ 7,473,850

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, 2015

	Marks-Roos Revenue Bonds		
	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 2,562	\$ 5,856	\$ 3,294
Other revenues	-	-	-
Total Revenues	2,562	5,856	3,294
Expenditures:			
Debt Service:			
Interest	47,500	4,990	42,510
Principal	645,000	645,000	-
Bond administration expense	100,000	86,706	13,294
Total Expenditures	792,500	736,696	55,804
Excess (Deficiency) of Revenues Over (Under) Expenditures	(789,938)	(730,840)	59,098
Other Financing Sources (Uses):			
Transfers in	3,450,000	3,450,000	-
Discount on bond issue	-	-	-
Total Other Financing Sources (Uses)	3,450,000	3,450,000	-
Net Change in Fund Balances	2,660,062	2,719,160	59,098
Fund balances at beginning of year	2,029,525	2,029,525	-
Fund balances at end of year	\$ 4,689,587	\$ 4,748,685	\$ 59,098

CITY OF HESPERIA

2012 Water Rights			2013 Refunding of Lease Revenue Bonds		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ 100	\$ 260	\$ 160	\$ 20	\$ 791	\$ 771
-	-	-	-	69,484	69,484
100	260	160	20	70,275	70,255
890,575	890,575	-	546,600	543,314	3,286
555,000	555,000	-	255,000	255,000	-
8,000	2,190	5,810	11,000	2,445	8,555
1,453,575	1,447,765	5,810	812,600	800,759	11,841
(1,453,475)	(1,447,505)	5,970	(812,580)	(730,484)	82,096
1,453,575	1,447,611	(5,964)	177,100	177,100	-
-	-	-	(114,570)	-	114,570
1,453,575	1,447,611	(5,964)	62,530	177,100	114,570
100	106	6	(750,050)	(553,384)	196,666
1,458,150	1,458,150	-	1,799,714	1,799,714	-
<u>\$ 1,458,250</u>	<u>\$ 1,458,256</u>	<u>\$ 6</u>	<u>\$ 1,049,664</u>	<u>\$ 1,246,330</u>	<u>\$ 196,666</u>

(Continued)

CITY OF HESPERIA

(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL DEBT SERVICE FUNDS
 For the Year Ended June 30, 2015

	Totals		
	Budget	Actual	Variance With Budget
Use of money and property	\$ 2,682	\$ 6,907	\$ 4,225
Other revenues	-	69,484	69,484
Total Revenues	2,682	76,391	73,709
Debt Service:			
Interest	1,484,675	1,438,879	45,796
Principal	1,455,000	1,455,000	-
Bond administration expense	119,000	91,341	27,659
Total Expenditures	3,058,675	2,985,220	73,455
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,055,993)	(2,908,829)	147,164
Transfers in	5,080,675	5,074,711	(5,964)
Discount on bond issue	(114,570)	-	114,570
Total Other Financing Sources (Uses)	4,966,105	5,074,711	(5,964)
Net Change in Fund Balances	1,910,112	2,165,882	141,200
Fund balances at beginning of year	5,287,389	5,287,389	-
Fund balances at end of year	\$ 7,197,501	\$ 7,453,271	\$ 141,200



Capital Project Funds

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:

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

Township - To account for funds designated for the restoration of the City's township area.

Fire Capital – To account for the funds restricted for capital purchases of the Hesperia Fire Protection District.

CITY OF HESPERIA

SCHEDULE OF COMBINING BALANCE SHEET
ALL CAPITAL PROJECTS FUNDS
June 30, 2015

	City Projects	Township	Fire Capital	Totals
Assets				
Cash and cash equivalents	\$ -	\$ 92,621	\$ 5,237,338	\$ 5,329,959
Accounts receivable	106,342	-	-	106,342
Accrued interest	-	48	2,833	2,881
Due from other governmental agencies	23	-	-	23
Due from other funds	-	-	395,963	395,963
Total Assets	\$ 106,365	\$ 92,669	\$ 5,636,134	\$ 5,835,168
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ -	\$ -	\$ 191,614	\$ 191,614
Unearned revenues	-	-	-	-
Due to other funds	129,240	-	-	129,240
Total Liabilities	129,240	-	191,614	320,854
Deferred Inflows of Resources				
Unavailable revenues	106,342	-	-	106,342
Total Deferred Inflows of Resources	106,342	-	-	106,342
Fund Balances				
Committed:				
Public safety	-	-	5,444,520	5,444,520
Assigned:				
Transportation	-	92,669	-	92,669
Unassigned	(129,217)	-	-	(129,217)
Total Fund Balances (Deficits)	(129,217)	92,669	5,444,520	5,407,972
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 106,365	\$ 92,669	\$ 5,636,134	\$ 5,835,168

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, 2015

	City Projects		Variance With Budget
	Budget	Actual	
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	-	62	62
Grants	2,712,783	-	(2,712,783)
Total Revenues	2,712,783	62	(2,712,721)
Expenditures:			
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	2,712,783	18	2,712,765
Total Expenditures	2,712,783	18	2,712,765
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	44	44
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	44	44
Fund balances at beginning of year	(129,261)	(129,261)	-
Fund balances at end of year	\$ (129,261)	\$ (129,217)	\$ 44

CITY OF HESPERIA

Township			Fire Capital		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ 580,000	\$ 625,061	\$ 45,061
230	218	(12)	11,144	12,281	1,137
-	-	-	-	-	-
230	218	(12)	591,144	637,342	46,198
-	-	-	84,000	-	84,000
-	-	-	535,615	-	535,615
-	-	-	170,000	164,114	5,886
-	-	-	-	69,059	(69,059)
-	-	-	789,615	233,173	556,442
230	218	(12)	(198,471)	404,169	602,640
-	-	-	-	-	-
230	218	(12)	(198,471)	404,169	602,640
92,451	92,451	-	5,040,351	5,040,351	-
\$ 92,681	\$ 92,669	\$ (12)	\$ 4,841,880	\$ 5,444,520	\$ 602,640

(Continued)

CITY OF HESPERIA

(Continued)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL CAPITAL PROJECTS FUNDS
 For the Year Ended June 30, 2015

	Totals		Variance With Budget
	Budget	Actual	
Revenues:			
Taxes	\$ 580,000	\$ 625,061	\$ 45,061
Use of money and property	11,374	12,561	1,187
Grants	2,712,783	-	(2,712,783)
Total Revenues	3,304,157	637,622	(2,666,535)
Expenditures:			
Capital Outlay:			
Land	84,000	-	84,000
Buildings and improvements	535,615	-	535,615
Equipment and vehicles	170,000	164,114	5,886
Infrastructure	2,712,783	69,077	2,643,706
Total Expenditures	3,502,398	233,191	3,269,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	(198,241)	404,431	602,672
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(198,241)	404,431	602,672
Fund balances at beginning of year	5,003,541	5,003,541	-
Fund balances at end of year	\$ 4,805,300	\$ 5,407,972	\$ 602,672

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 Position By Component
- Changes In Net Position
- 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 59% of the revenues are tax related, and of that, 73% 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 Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2006	2007	2008
Governmental activities:			
Net investment in capital assets	\$ 44,983,065	\$ 53,616,857	\$ 27,606,544
Restricted	-	5,629,284	11,244,302
Unrestricted	53,559,674	72,048,986	113,165,454
Total governmental activities net position	<u>\$ 98,542,739</u>	<u>\$ 131,295,127</u>	<u>\$ 152,016,300</u>
Business-type activities:			
Net investment in capital assets	\$ 49,232,581	\$ 58,520,406	\$ 71,858,235
Restricted	394,760	395,227	395,472
Unrestricted	30,877,798	28,091,091	14,100,209
Total business-type activities net position	<u>\$ 80,505,139</u>	<u>\$ 87,006,724</u>	<u>\$ 86,353,916</u>
Primary government:			
Net investment in capital assets	\$ 94,215,646	\$ 112,137,263	\$ 99,464,779
Restricted	394,760	6,024,511	11,639,774
Unrestricted	84,437,472	100,140,077	127,265,663
Total primary government net position	<u>\$ 179,047,878</u>	<u>\$ 218,301,851</u>	<u>\$ 238,370,216</u>

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
\$ 51,395,013	\$ 79,556,447	\$ 15,931,422	\$ 189,466,908	\$ 199,998,092	\$ 196,334,806	\$ 194,674,329
11,048,328	10,967,421	31,239,474	3,319,579	4,716,324	3,491,444	3,490,014
99,463,958	66,877,531	95,066,145	94,166,563	57,116,661	56,929,048	38,258,568
<u>\$ 161,907,299</u>	<u>\$ 157,401,399</u>	<u>\$ 142,237,041</u>	<u>\$ 286,953,050</u>	<u>\$ 261,831,077</u>	<u>\$ 256,755,298</u>	<u>\$ 236,422,911</u>
\$ 77,907,459	\$ 72,865,322	\$ 77,118,870	\$ 75,034,007	\$ 73,201,861	\$ 84,373,971	\$ 82,701,051
395,487	1,890,305	1,890,305	1,890,305	1,890,305	1,888,888	1,888,888
3,940,107	5,397,455	(1,343,492)	582,099	3,194,673	2,588,449	1,289,583
<u>\$ 82,243,053</u>	<u>\$ 80,153,082</u>	<u>\$ 77,665,683</u>	<u>\$ 77,506,411</u>	<u>\$ 78,286,839</u>	<u>\$ 88,851,308</u>	<u>\$ 85,879,522</u>
\$ 129,302,472	\$ 152,421,769	\$ 93,050,292	\$ 264,500,915	\$ 273,199,953	\$ 280,708,777	\$ 277,375,380
11,443,815	12,857,726	33,129,779	5,209,884	6,606,629	5,380,332	5,378,902
103,404,065	72,274,986	93,722,653	94,748,662	60,311,334	59,517,497	39,548,151
<u>\$ 244,150,352</u>	<u>\$ 237,554,481</u>	<u>\$ 219,902,724</u>	<u>\$ 364,459,461</u>	<u>\$ 340,117,916</u>	<u>\$ 345,606,606</u>	<u>\$ 322,302,433</u>

CITY OF HESPERIA
Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2006	2007	2008
Expenses:			
Governmental activities:			
General government	\$ 5,461,656	\$ 7,069,940	\$ 8,301,031
Public safety	13,671,886	16,926,772	19,464,330
Development services	19,387,801	34,337,164	38,592,916
Interest on long-term debt	2,996,243	3,512,099	8,351,815
Total governmental activities expenses	<u>41,517,586</u>	<u>61,845,975</u>	<u>74,710,092</u>
Business-type activities:			
Water	13,424,254	15,654,073	16,188,975
Wastewater	1,013,317	1,239,687	1,535,628
Total business-type activities expenses	<u>14,437,571</u>	<u>16,893,760</u>	<u>17,724,603</u>
Total primary government expenses	<u>55,955,157</u>	<u>78,739,735</u>	<u>92,434,695</u>
Program revenues:			
Governmental activities:			
Charges for services:			
General government	8,561,860	6,276,500	4,274,093
Public safety	2,241,732	2,723,734	2,665,407
Transportation	-	-	-
Development services	8,313,191	6,995,621	6,700,907
Operating grants and contributions	12,294,063	17,440,925	6,580,808
Capital grants and contributions	239,635	-	-
Total governmental activities program revenues	<u>31,650,481</u>	<u>33,436,780</u>	<u>20,221,215</u>
Business-type activities:			
Charges for services:			
Water	12,215,406	13,220,207	12,409,854
Wastewater	3,021,404	2,616,697	2,661,434
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	-
Total business-type activities program revenues	<u>15,236,810</u>	<u>15,836,904</u>	<u>15,071,288</u>
Total primary government program revenues	<u>46,887,291</u>	<u>49,273,684</u>	<u>35,292,503</u>
Net revenues (expenses):			
Governmental activities	(9,867,105)	(28,409,195)	(54,488,877)
Business-type activities	799,239	(1,056,856)	(2,653,315)
Total net revenues (expenses)	<u>(9,067,866)</u>	<u>(29,466,051)</u>	<u>(57,142,192)</u>

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
\$ 9,102,750	\$ 8,786,012	\$ 7,057,475	\$ 7,199,392	\$ 6,952,050	\$ 8,305,493	\$ 7,268,741
21,009,383	21,219,049	21,768,668	21,141,500	21,849,650	24,063,447	25,164,286
40,695,333	37,148,535	37,275,002	46,365,807	21,179,809	20,376,539	18,290,886
11,912,918	10,578,499	9,726,254	5,443,347	1,056,514	1,783,967	1,530,538
<u>82,720,384</u>	<u>77,732,095</u>	<u>75,827,399</u>	<u>80,150,046</u>	<u>51,038,023</u>	<u>54,529,446</u>	<u>52,254,451</u>
17,791,420	18,798,545	19,928,163	18,193,068	17,675,402	19,014,005	17,285,767
1,711,325	2,147,458	2,680,585	2,531,776	2,851,639	2,944,634	2,912,437
<u>19,502,745</u>	<u>20,946,003</u>	<u>22,608,748</u>	<u>20,724,844</u>	<u>20,527,041</u>	<u>21,958,639</u>	<u>20,198,204</u>
<u>102,223,129</u>	<u>98,678,098</u>	<u>98,436,147</u>	<u>100,874,890</u>	<u>71,565,064</u>	<u>76,488,085</u>	<u>72,452,655</u>
3,519,236	4,138,402	4,563,118	4,389,440	4,748,681	4,696,201	4,348,094
2,826,597	3,020,727	2,517,304	3,732,817	3,717,361	4,531,678	4,741,715
-	-	-	-	-	18,488	25,230
5,674,976	1,833,726	1,919,336	692,724	1,120,325	867,793	1,124,106
9,029,552	10,668,638	5,788,385	6,811,296	6,810,068	7,199,155	6,717,219
597,997	-	1,316,660	14,626,795	10,047,639	2,506,222	150,598
<u>21,648,358</u>	<u>19,661,493</u>	<u>16,104,803</u>	<u>30,253,072</u>	<u>26,444,074</u>	<u>19,819,537</u>	<u>17,106,962</u>
14,716,219	15,002,475	15,926,606	16,205,787	16,664,347	16,243,222	15,783,240
2,723,568	2,990,700	3,207,605	3,354,291	3,499,280	3,513,751	3,608,367
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>17,439,787</u>	<u>17,993,175</u>	<u>19,134,211</u>	<u>19,560,078</u>	<u>20,163,627</u>	<u>19,756,973</u>	<u>19,391,607</u>
<u>39,088,145</u>	<u>37,654,668</u>	<u>35,239,014</u>	<u>49,813,150</u>	<u>46,607,701</u>	<u>39,576,510</u>	<u>36,498,569</u>
(61,072,026)	(58,070,602)	(59,722,596)	(49,896,974)	(24,593,949)	(34,709,909)	(35,147,489)
<u>(2,062,958)</u>	<u>(2,952,828)</u>	<u>(3,474,537)</u>	<u>(1,164,766)</u>	<u>(363,414)</u>	<u>(2,201,666)</u>	<u>(806,597)</u>
<u>(63,134,984)</u>	<u>(61,023,430)</u>	<u>(63,197,133)</u>	<u>(51,061,740)</u>	<u>(24,957,363)</u>	<u>(36,911,575)</u>	<u>(35,954,086)</u>

(Continued)

(Continued)

CITY OF HESPERIA
Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2006	2007	2008
General revenues and other changes in net position:			
Governmental activities:			
Taxes:			
Property taxes	24,176,799	34,413,418	42,188,578
Sales and use tax	9,143,934	10,322,560	9,141,364
Transient occupancy tax	573,167	659,255	742,791
Franchise tax	2,012,833	2,176,231	2,255,427
Document transfer tax	819,907	567,321	223,588
Vehicle license fees	5,732,562	7,031,180	8,635,844
Income from property and investments	3,590,947	5,019,835	8,228,698
Gain/(loss) on disposal of capital assets	-	-	-
Unrestricted capital contributions	987,236	443,062	-
Other general revenues and transfers	43,240	528,721	3,793,760
Gain on sale of capital asset	-	-	-
Total governmental activities before extraordinary gain/(loss)	<u>47,080,625</u>	<u>61,161,583</u>	<u>75,210,050</u>
Extraordinary gain/(loss)	-	-	-
Total governmental activities	<u>47,080,625</u>	<u>61,161,583</u>	<u>75,210,050</u>
Business-type activities:			
Property taxes	145,452	363,921	368,104
Unrestricted investment earnings	902,209	1,323,537	926,463
Unrestricted system improvement and replacement	10,721,686	5,539,018	3,975,273
Other revenues and transfers	727,366	331,965	<u>(3,269,333)</u>
Total business-type revenues and transfers	<u>12,496,713</u>	<u>7,558,441</u>	<u>2,000,507</u>
Total primary government	<u>59,577,338</u>	<u>68,720,024</u>	<u>77,210,557</u>
Changes in net position:			
Governmental activities	37,213,520	32,752,388	20,721,173
Business-type activities	13,295,952	6,501,585	<u>(652,808)</u>
Total primary government	<u>\$ 50,509,472</u>	<u>\$ 39,253,973</u>	<u>\$ 20,068,365</u>

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
42,664,300	31,253,867	25,705,048	16,896,764	6,745,176	7,301,566	6,651,348
6,803,504	7,035,338	7,509,243	8,845,389	9,916,642	10,124,237	10,042,299
607,951	807,411	843,063	913,867	852,692	1,040,271	1,163,434
2,587,274	2,450,261	2,497,862	2,575,946	2,708,952	2,978,024	3,196,630
206,900	175,336	153,516	153,764	141,089	147,482	231,387
8,543,817	7,069,737	6,495,727	6,033,936	5,977,260	6,194,705	6,534,189
5,711,989	4,240,121	951,489	652,530	404,833	1,745,715	1,839,817
-	(4,015)	-	-	-	-	-
119,529	-	-	-	-	-	-
3,717,761	536,646	402,290	173,276	69,873	66,929	534,129
-	-	-	-	-	35,201	-
70,963,025	53,564,702	44,558,238	36,245,472	26,816,517	29,634,130	30,193,233
-	-	-	158,367,511	(26,855,890)	-	-
70,963,025	53,564,702	44,558,238	194,612,983	(39,373)	29,634,130	30,193,233
293,773	247,343	262,581	283,473	285,575	320,722	287,410
326,570	36,712	130,657	11,591	14,569	14,717	13,743
555,950	498,973	187,560	307,599	157,211	306,762	414,951
(3,224,198)	79,829	406,340	402,831	932,374	394,474	341,505
(2,047,905)	862,857	987,138	1,005,494	1,389,729	1,036,675	1,057,609
68,915,120	54,427,559	45,545,376	195,618,477	1,350,356	30,670,805	31,250,842
9,890,999	(4,505,900)	(15,164,358)	144,716,009	(24,633,322)	(5,075,779)	(4,954,256)
(4,110,863)	(2,089,971)	(2,487,399)	(159,272)	1,026,315	(1,164,991)	251,012
\$ 5,780,136	\$ (6,595,871)	\$ (17,651,757)	\$ 144,556,737	\$ (23,607,007)	\$ (6,240,770)	\$ (4,703,244)

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

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund:					
Assigned					
Unassigned					
Total General Fund					
Other Governmental Funds:					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Total Other Governmental Funds					
General fund:					
Reserved	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Unreserved	18,270,927	23,242,371	23,013,889	21,101,356	17,395,078
Total general fund	<u>\$ 18,420,927</u>	<u>\$ 23,392,371</u>	<u>\$ 23,163,889</u>	<u>\$ 21,251,356</u>	<u>\$ 17,545,078</u>
All other governmental funds:					
Reserved	\$ 42,787,688	\$ 45,862,243	\$ 194,005,136	\$ 177,067,847	\$ 147,485,950
Unreserved, reported in:					
Special revenue funds	29,877,856	36,417,573	27,861,161	20,568,534	18,147,737
Debt service funds	(22,443)	398,835	-	-	-
Capital projects funds	7,112,450	4,087,904	7,053,736	2,366,513	239,351
Total all other governmental funds	<u>\$ 79,755,551</u>	<u>\$ 86,766,555</u>	<u>\$ 228,920,033</u>	<u>\$ 200,002,894</u>	<u>\$ 165,873,038</u>

Notes:

(a) The City implemented GASB statement No. 54 in the fiscal year ended June 30, 2011.

Fiscal Year				
2011 (a)	2012	2013	2014	2015
\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
16,773,804	17,067,559	12,737,884	12,701,103	10,697,900
<u>\$ 16,923,804</u>	<u>\$ 17,217,559</u>	<u>\$ 12,887,884</u>	<u>\$ 12,851,103</u>	<u>\$ 10,847,900</u>
\$ 54,505,126	\$ 41,390,561	\$ 23,473,585	\$ 9,762,337	\$ -
53,740,154	41,136,183	17,209,534	16,684,194	51,360,979
19,152,637	-	11,403,713	25,767,388	-
-	451,030	1,054,216	1,012,802	574,819
(16,625,775)	(167,130)	(710,853)	(523,597)	(514,947)
<u>\$ 110,772,142</u>	<u>\$ 82,810,644</u>	<u>\$ 52,430,195</u>	<u>\$ 52,703,124</u>	<u>\$ 51,420,851</u>

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

	Fiscal Year		
	2006	2007	2008
Revenues:			
Taxes	\$ 37,881,600	\$ 49,407,703	\$ 55,405,322
Licenses and permits	275,507	230,972	236,382
Fines and forfeits	250,772	1,118,631	794,088
Use of money and property	3,619,467	5,050,964	8,261,151
Intergovernmental	12,072,506	12,490,614	14,407,875
Charges for services	16,883,103	12,383,951	8,862,460
Grants	3,160,876	11,609,745	1,524,833
Other revenues	4,426,027	2,099,331	2,025,167
Total revenues	<u>78,569,858</u>	<u>94,391,911</u>	<u>91,517,278</u>
Expenditures:			
Noncapital Expenditures:			
Current:			
General government	4,888,487	5,792,539	6,410,608
Public safety	13,581,887	16,824,494	19,227,144
Development services	10,658,293	20,082,275	19,311,962
Debt service:			
Interest	2,465,662	3,184,265	6,693,786
Principal	3,160,000	3,050,000	6,910,000
Debt issuance costs	26,201	-	3,060,015
Pass through payments	8,394,018	12,326,351	15,541,970
SERAF payment	-	-	-
Bond administration expense	50,723	288,989	203,355
Total noncapital expenditures	<u>43,225,271</u>	<u>61,548,913</u>	<u>77,358,840</u>
Capital outlay	<u>28,404,226</u>	<u>20,857,850</u>	<u>32,525,962</u>
Total Expenditures	<u>71,629,497</u>	<u>82,406,763</u>	<u>109,884,802</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,940,361</u>	<u>11,985,148</u>	<u>(18,367,524)</u>
Other financing sources (uses):			
Transfers in	13,321,361	10,312,687	25,062,588
Transfers out	(13,321,361)	(10,312,687)	(25,062,588)
Proceeds from sale of capital assets	-	-	-
Proceeds from bond refunding	-	-	-
Payment to refund bond	-	-	-
Discount on bonds	-	-	-
Premium on issuance of bonds	-	-	-
Issuance of debt	-	-	160,289,820
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>160,289,820</u>
Extraordinary gain/(Loss)			
Prior period adjustment			
Dissolution of redevelopment agency	-	-	-
Total extraordinary gain/(Loss)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 6,940,361</u>	<u>\$ 11,985,148</u>	<u>\$ 141,922,296</u>
Debt service as a percentage of noncapital expenditures	13.0%	10.1%	17.6%

Notes:

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

2009	2010	2011	2012	2013	2014	2015
\$ 53,503,130	\$ 42,821,733	\$ 39,660,004	\$ 33,248,360	\$ 24,185,906	\$ 25,810,277	\$ 24,857,082
229,900	251,204	255,836	272,834	254,140	274,845	249,645
835,690	859,690	783,589	691,028	1,000,528	1,078,299	730,759
5,760,927	4,379,612	1,143,298	640,468	385,822	305,202	336,889
14,884,925	12,344,269	10,387,784	10,310,032	10,339,295	10,570,236	10,956,809
6,422,964	4,600,020	3,984,185	4,232,754	4,507,550	5,244,644	6,021,914
4,724,661	5,788,214	2,622,114	16,023,836	10,097,612	3,069,915	1,640,455
1,974,849	1,187,413	1,458,152	1,125,924	1,343,397	3,259,028	2,406,483
<u>88,337,046</u>	<u>72,232,155</u>	<u>60,294,962</u>	<u>66,545,236</u>	<u>52,114,250</u>	<u>49,612,446</u>	<u>47,200,036</u>
6,689,322	6,464,233	5,763,613	6,026,623	5,685,578	6,307,766	5,884,810
20,670,110	20,884,512	21,030,984	20,368,993	20,985,359	23,297,100	24,521,949
21,551,931	13,149,584	19,884,334	27,950,655	13,530,819	12,756,306	10,780,744
10,369,890	10,230,950	9,474,632	4,333,082	320,722	1,174,686	1,439,244
4,590,000	5,822,924	31,544,872	5,179,771	1,250,000	1,705,000	1,605,000
-	-	-	-	194,352	193,035	-
15,709,763	11,141,960	8,893,177	5,033,794	-	-	-
-	8,161,869	1,680,385	-	-	-	-
154,547	285,992	617,322	377,174	348,433	277,518	91,441
<u>79,735,563</u>	<u>76,142,024</u>	<u>98,889,319</u>	<u>69,270,092</u>	<u>42,315,263</u>	<u>45,711,411</u>	<u>44,323,188</u>
<u>41,284,155</u>	<u>38,182,265</u>	<u>17,127,815</u>	<u>21,627,384</u>	<u>44,304,198</u>	<u>5,196,460</u>	<u>6,162,324</u>
<u>121,019,718</u>	<u>114,324,289</u>	<u>116,017,134</u>	<u>90,897,476</u>	<u>86,619,461</u>	<u>50,907,871</u>	<u>50,485,512</u>
<u>(32,682,672)</u>	<u>(42,092,134)</u>	<u>(55,722,172)</u>	<u>(24,352,240)</u>	<u>(34,505,211)</u>	<u>(1,295,425)</u>	<u>(3,285,476)</u>
23,554,164	17,043,360	45,960,444	5,346,800	6,432,019	20,618,002	8,521,039
(23,554,164)	(17,043,360)	(45,960,444)	(5,346,800)	(6,432,019)	(20,618,002)	(8,521,039)
-	-	-	99,178	-	136,143	-
-	-	-	-	-	12,445,000	-
-	-	-	-	-	(12,200,000)	-
-	-	-	-	(196,400)	(114,570)	-
-	-	-	-	112,377	-	-
1,853,000	4,256,000	-	-	26,735,000	-	-
1,853,000	4,256,000	-	99,178	26,650,977	266,573	-
-	-	-	(3,414,681)	(26,855,890)	-	1,265,000
-	-	-	(3,414,681)	(26,855,890)	-	1,265,000
<u>\$ (30,829,672)</u>	<u>\$ (37,836,134)</u>	<u>\$ (55,722,172)</u>	<u>\$ (27,667,743)</u>	<u>\$ (34,710,124)</u>	<u>\$ (1,028,852)</u>	<u>\$ (2,020,476)</u>
18.8%	21.1%	41.5%	13.7%	3.7%	6.3%	6.9%

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 ¹			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
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%
2010	4,750,711	162,847	(84,206)	4,829,352	3,884,266	156,308	(68,378)	3,972,196	0.179%
2011	4,220,587	148,355	(85,626)	4,283,316	1,882,185	83,764	(69,523)	1,896,426	0.179%
2012	4,181,230	145,580	(84,302)	4,242,508	1,848,240	80,887	(68,407)	1,860,720	0.179%
2013	4,145,686	145,628	(82,030)	4,209,284	-	-	-	-	0.179%
2014	4,323,310	155,921	(80,383)	4,398,848	-	-	-	-	0.179%
2015	4,568,877	157,422	(78,497)	4,647,802	-	-	-	-	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.

1 - Redevelopment Agency was dissolved on February 1, 2012.

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</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	0.153	0.153	0.153	0.153	0.153	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>0.179</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	0.215	0.215	0.215	0.215	0.215	0.215
Flood Control	0.023	0.023	0.023	0.023	0.022	0.022	0.022	0.022	0.022	0.022
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	0.010	0.010	0.010	0.010	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	0.295	0.295	0.295	0.295	0.295	0.295	0.295	0.295	0.295
CSA 60 - Victorville	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009
CSA 70 - County Wide	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002
Hesperia Park District	0.042	0.042	0.042	0.042	0.043	0.043	0.043	0.043	0.043	0.043
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	2015		2006	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Carl E. Ross Trust	\$ 44,327,985	0.94%	\$ -	0.00%
Walmart Stores, Inc	28,835,711	0.61%	-	0.00%
Target Corporation	24,187,032	0.51%	-	0.00%
WLPX Hesperia LLC	21,159,722	0.45%	-	0.00%
Best Way Disposal Company, Inc.	17,212,980	0.36%	-	0.00%
Natasha Moradi 2012 Trust	16,513,961	0.35%	-	0.00%
RIM Properties	15,978,315	0.34%	7,326,642	0.20%
Reddy Dr. Prem Family Foundation	14,464,276	0.31%	-	0.00%
TNP SRT Portfolio I LLC.	12,536,134	0.27%	-	0.00%
Charter Communications	12,424,858	0.26%	-	0.00%
K Hovnanian Forecast Homes, Inc.	-	0.00%	24,471,519	0.67%
Rancho Las Flores Ltd. Partnership	-	0.00%	12,490,624	0.34%
Empire Land LLC.	-	0.00%	11,541,993	0.32%
American Stores Properties, Inc.	-	0.00%	10,503,287	0.29%
K B Home Greater Los Angeles, Inc.	-	0.00%	9,840,233	0.27%
Moradi Family Trust	-	0.00%	9,767,008	0.27%
DNA Properties, Inc.	-	0.00%	8,152,954	0.22%
FDJ Hesperia LLC	-	0.00%	7,536,100	0.21%
Crossings at Hesperia Ltd. Partnership	-	0.00%	7,344,443	0.20%
	<u>\$ 207,640,974</u>	4.39%	<u>\$ 108,974,803</u>	3.01%

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
2006	21,668,601	21,040,385	97%	622,254	21,662,639	100%
2007	30,548,690	27,625,991	90%	2,946,408	30,572,399	100%
2008	36,836,222	33,657,968	91%	1,024,979	34,682,947	94%
2009	36,477,907	33,501,312	92%	853,277	34,354,589	94%
2010	28,277,084	25,680,061	91%	626,688	26,306,748	93%
2011	23,860,596	23,016,499	96%	351,293	23,367,791	98%
2012	15,384,704	14,704,816	96%	359,797	15,064,613	98%
2013	4,240,895	4,016,467	95%	25,310	4,041,778	95%
2014	4,312,226	4,073,475	94%	1,661	4,075,137	95%
2015	4,303,341	4,265,573	99%	-	4,265,573	99%

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.

The Total Collections to Date have decreased due to the Hesperia Community Redevelopment Agency being shut down by the State of California as of February 1, 2012.

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	Tax Allocation Bonds ^{1,3}	Certificates of Participation	Lease Revenue Bonds	Loans	Notes Payable ³	
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
2010	7,595,000	192,470,000	13,900,000	-	900,000	3,941,077	218,806,077
2011	7,035,000	164,105,000	13,700,000	-	600,000	1,821,205	187,261,205
2012	6,455,000	-	13,200,000	-	450,000	-	20,105,000
2013	5,855,000	-	12,700,000	26,735,000	300,000	-	45,590,000
2014	5,235,000	-	-	38,745,000	150,000	-	44,130,000
2015	4,590,000	-	-	37,935,000	-	-	42,525,000

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.

3 In 2012 the RDA dissolution caused the bonds and notes payable to go to the Successor Agency to the RDA, a private-purpose trust.

Business-type Activities						
Water Revenue Bonds	Certificates of Participation	Loans	Total Business-type Activities	Total Primary Governmental	Percentage of Personal Income ²	Debt Per Capita ²
16,760,000	1,145,000	1,242,947	19,147,947	97,897,947	6.92%	1,220
16,155,000	1,110,000	905,826	18,170,826	93,870,826	6.05%	1,095
15,530,000	1,075,000	554,652	17,159,652	240,269,652	15.02%	2,736
14,880,000	1,035,000	188,671	16,103,671	236,476,671	15.01%	2,682
14,205,000	990,000	-	15,195,000	234,001,077	15.72%	2,645
13,500,000	940,000	-	14,440,000	201,701,205	13.15%	2,223
12,770,000	885,000	-	13,655,000	33,760,000	2.14%	372
12,010,000	825,000	-	12,835,000	58,425,000	3.88%	642
11,220,000	760,000	-	11,980,000	56,110,000	3.93%	613
10,400,000	690,000	-	11,090,000	53,615,000	3.61%	582

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

Fiscal Year Ended <u>June 30</u>	<u>Outstanding General Bonded Debt</u>			Percent of Assessed Value ¹	Per Capita
	Tax	Water	Total		
	Allocation	General	Governmental		
	Bonds	Obligation	Activities		
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
2010	192,470	-	192,470	3.99%	2,183
2011	164,105	-	164,105	3.83%	1,855
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-

General bonded debt is debt payable with governmental fund resources (of which, with the RDA dissolution, the City now has none; 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, 2015

	Total Debt 6/30/15	Percentage Applicable ⁽¹⁾	Net Bonded Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Direct debt:			
City of Hesperia Community Facilities District No. 2005-1	\$ 18,450,000	100.000%	\$ 18,450,000
Overlapping debt:			
Victor Valley Joint Community College District	132,135,133	18.849%	24,906,151
Total Overlapping Tax and Assessment Debt			\$ 43,356,151
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
Direct debt:			
City of Hesperia 2004 Refunding Variable Rate Lease Revenue Bonds	4,590,000	100.000%	4,590,000
City of Hesperia 2013 Refunding of 2005 Certificates of Participation	12,190,000	100.000%	12,190,000
City of Hesperia 2012 Revenue Bonds Water Rights Acquisition	25,745,000	100.000%	25,745,000
Sub-total Direct Debt			42,525,000
Overlapping debt:			
San Bernardino County General Fund Obligations	470,135,000	2.644%	12,430,369
San Bernardino County Pension Obligations	455,796,704	2.644%	12,051,265
San Bernardino County Flood Control District Certificates of Participation	97,230,000	2.644%	2,570,761
Mojave Water Agency Certificates of Participation	11,685,000	16.208%	1,893,905
Hesperia Unified School District Certificates of Participation	103,250,000	84.031%	86,762,008
Snowline Joint Union High School District Certificates of Participation	58,535,000	2.175%	1,273,136
Sub-total Overlapping Debt			116,981,444
Total Gross Direct And Overlapping General Fund Obligation Debt			\$ 159,506,444
<u>OVERLAPPING TAX INCREMENT DEBT:</u>	462,914,924	3.186-100.000%	\$ 159,509,602
COMBINED TOTAL DEBT			\$ 362,372,197 ⁽²⁾
Direct Debt:			
Tax and Assessment Debt			\$ 18,450,000
General Fund Obligation Debt			42,525,000
Sub-total Direct Debt			60,975,000
Overlapping Debt:			
Tax and Assessment Debt			24,906,151
General Fund Obligation Debt			116,981,444
Tax Increment Debt			159,509,602
Sub-total Overlapping Debt			301,397,197
COMBINED TOTAL DEBT			\$ 362,372,197

(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.

2013-14 Assessed Valuation: \$2,342,126,918 (After deducting \$2,134,589,886 Redevelopment Increment).

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$37,935,000)	0.80%
Combined Total Debt	7.58%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/13: \$ -

Source: California Municipal Statistics, Inc.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total assessed value of all real and personal property	\$ 3,545,575,000	\$ 4,645,083,000	\$ 5,859,486,000	\$ 5,864,543,000
Debt limit percentage (1)	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
Total debt limit	531,836,250	696,762,450	878,922,900	879,681,450
Amount of debt applicable to debt limit	<u>11,440,000</u>	<u>9,955,000</u>	<u>8,655,000</u>	<u>8,135,000</u>
Legal debt margin	\$ 520,396,250	\$ 686,807,450	\$ 870,267,900	\$ 871,546,450
Percent of Debt Limit Authorized	2.15%	1.43%	0.98%	0.92%

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 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 4,829,352,000	\$ 4,283,316,000	\$ 4,242,508,000	\$ 4,209,284,000	\$ 4,398,848,011	\$ 4,647,802,000
15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
<u>724,402,800</u>	<u>642,497,400</u>	<u>636,376,200</u>	<u>631,392,600</u>	<u>659,827,202</u>	<u>697,170,300</u>
7,595,000	7,035,000	6,455,000	5,855,000	5,235,000	4,590,000
<u>\$ 716,807,800</u>	<u>\$ 635,462,400</u>	<u>\$ 629,921,200</u>	<u>\$ 625,537,600</u>	<u>\$ 654,592,202</u>	<u>\$ 692,580,300</u>
1.05%	1.09%	1.01%	0.93%	0.79%	0.66%

CITY OF HESPERIA
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2010	19,178,523	16,461,361	2,717,162	675,000	858,360	1.77
2011	20,121,349	17,984,711	2,136,638	705,000	628,053	1.60
2012	20,565,572	16,045,278	4,520,294	730,000	619,582	3.35
2013	21,678,840	15,771,259	5,907,581	760,000	621,688	4.28
2014	20,793,648	17,119,879	3,673,769	790,000	605,199	2.63
2015	20,449,216	15,484,093	4,965,123	820,000	607,100	3.48

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	
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
24,620,757	3,115,000	10,173,800	1.85
19,315,568	28,365,000	9,400,380	0.51
11,146,382	3,534,125	4,207,674	1.44
-	-	-	-
-	-	-	-
-	-	-	-

CITY OF HESPERIA

Demographic And Economic Statistics

Last Ten Calendar Years

Calendar Year	Population ⁽¹⁾	Effective Buying Income (in thousands) ⁽²⁾	Per Capita Income ⁽²⁾	Unemployment Rate ⁽³⁾
2006	80,268	1,409,109	17,618	6.3%
2007	85,708	1,546,563	18,103	7.3%
2008	87,820	1,588,750	18,215	10.4%
2009	88,184	1,572,786	17,864	16.7%
2010	88,479	1,488,571	16,824	18.2%
2011	90,726	1,539,277	16,909	17.7%
2012	90,849	1,577,602	17,330	16.2%
2013	91,057	1,510,294	16,524	13.3%
2014	91,506	1,420,951	15,587	10.0%
2015	92,177	1,486,815	16,130	10.9%

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 Nine Years Ago

	2015		2006	
	Number Of Employees	Percent of Total Employment	Number Of Employees	Percent of Total Employment
Hesperia Unified School District	2,140	7.75%	1,893	6.74%
County of San Bernardino	501	1.82%	123	0.44%
Super Wal-Mart	347	1.26%	-	0.00%
Stater Brothers Markets	332	1.20%	324	1.15%
Super Target	236	0.86%	-	0.00%
City of Hesperia	186	0.67%	149	0.53%
Robar Enterprises	180	0.65%	264	0.94%
Hesperia Recreation & Park District	175	0.63%	-	0.00%
Arizona Pipeline Company	156	0.57%	231	0.82%
Double Eagle Transportation	148	0.54%	188	0.67%
In-N-Out	117	0.42%	121	0.43%
LeeMar	108	0.39%	-	0.00%
Del Taco	98	0.36%	-	0.00%
Golden Corral	87	0.32%	-	0.00%
Walgreens	82	0.30%	-	0.00%
3M	74	0.27%	-	0.00%
Rite-Aid	73	0.26%	-	0.00%
Bakers	72	0.26%	-	0.00%
Pilot Travel Center/Wendy's	66	0.24%	36	0.13%
K-Mart	59	0.21%	100	0.36%
Ross	52	0.19%	-	0.00%
Marshalls	45	0.16%	-	0.00%
Smart & Final	43	0.16%	-	0.00%
Little Sister Truck Wash	40	0.14%	69	0.25%
Mer-Mar	36	0.13%	39	0.14%
Cooley Construction, Inc.	33	0.12%	-	0.00%
IHOP	33	0.12%	-	0.00%
Davita Hesperia Dialysis	30	0.11%	-	0.00%
Daytec Center	-	0.00%	106	0.38%
Hesperia Truss	-	0.00%	100	0.36%
Dial Precision	-	0.00%	81	0.29%
Ram-Mar Painting, Inc.	-	0.00%	80	0.28%
Standard Abrasives	-	0.00%	75	0.27%
C & M Wood Industries, Inc.	-	0.00%	69	0.25%
Graco Children's Products	-	0.00%	41	0.15%
Grace Vydac	-	0.00%	32	0.11%

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, 2015									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	37.66	46.57	49.17	47.17	44.51	42.13	40.86	38.86	37.86	36.86
Public safety										
Police ¹	55.50	64.50	73.50	75.50	75.50	75.50	70.50	72.50	73.00	73.00
Fire ²	51.00	59.00	59.00	59.00	59.33	59.00	57.40	48.40	66.73	67.10
Development services										
Community Development	39.47	24.90	23.95	22.95	21.49	17.73	17.27	16.03	15.95	14.76
Code Compliance	0.00	25.23	30.64	28.78	26.78	23.78	23.78	23.78	23.78	23.92
Public works	30.33	33.91	37.91	37.68	35.90	35.40	35.36	34.36	34.36	33.66
Water	45.91	67.10	71.56	72.33	73.06	72.54	69.77	68.77	69.23	67.98
Wastewater	3.69	4.69	5.69	5.69	5.50	5.50	4.50	4.50	4.50	4.50
Total	<u>263.56</u>	<u>325.90</u>	<u>351.42</u>	<u>349.10</u>	<u>342.07</u>	<u>331.58</u>	<u>319.44</u>	<u>307.20</u>	<u>325.41</u>	<u>321.78</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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Arrests	3,362	3,560	3,073	3,032	2,770	2,503	2,495	3,115	2,988	2,866
Citations issued	6,254	6,209	4,389	4,836	5,873	2,793	2,529	4,454	3,688	3,157
Calls for service	62,632	72,897	68,989	68,956	64,462	54,077	59,456	61,718	61,729	60,987
Fire:										
Number of emergency calls	7,340	9,521	9,830	10,238	11,416	12,145	10,443	10,157	12,244	13,457
Inspections	855	796	611	532	778	582	563	591	545	578
Public works:										
Street resurfacing (miles)	51.1	57.0	57.0	28.0	13.9	-	2.5	2.3	2.5	2.2
Potholes filled	60,000	61,000	27,000	18,884	10,961	8,398	9,156	10,000	19,086	20,000
Water:										
New connections	1,792	1,143	372	73	38	10	21	10	55	60
Average daily consumption (thousands of gallons)	15,176	15,622	15,176	15,622	13,726	11,687	11,774	12,130	12,035	11,695
Old steel waterlines replaced ¹ (miles of pipeline)	14.2	8.5	6.0	7.0	7.0	5.0	4.7	4.0	4.5	3.6
Sewer: ²										
Wastewater lines cleaned (mi.)	57	74	22	31	39	40	44	28	38	63
Manholes maintained	1,000	1,500	845	645	712	821	447	86	722	1,115

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

Source: City of Hesperia Management Services Department

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	3	3	3	3	3	4	4	4	4	4
Public works:										
Streets (miles)	545.0	545.0	545.0	545.0	545.0	545.0	545.0	545.0	545.0	545.0
Traffic Signals	25	25	25	25	25	25	26	26	26	26
Water:										
Water mains (miles)	574.0	574.0	574.0	574.0	574.0	574.0	574.0	574.0	574.0	574.0
Maximum daily capacity (thousands of gallons)	15,176	27,140	27,140	27,140	27,140	27,140	27,140	27,140	27,140	27,140
Old steel waterlines replaced ¹ (miles of pipeline)	14.2	8.5	6.0	7.0	7.0	5.0	4.7	4.0	4.5	3.6
Sewer: ²										
Sanitary sewers (miles)	103	115	115	115	115	115	115	115	115	115
Maximum daily treatment capacity (thousands of gallons)	1,325	1,894	1,894	1,894	1,894	1,894	1,894	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)

Type of Customer:	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential	3,960.9	4,787.8	4,001.5	5,134.8	3,901.2	3,664.2	3,668.9	3,819.4	3,785.6	3,690.3
Industrial	4.5	6.3	5.6	4.1	3.2	2.9	4.0	4.2	5.4	4.3
Commercial	822.6	893.2	852.9	584.9	637.7	405.6	331.4	296.0	296.9	268.7
Government	241.9	302.3	282.6	150.9	467.9	193.2	293.3	308.0	304.8	305.2
Total	5,029.9	5,989.6	5,142.6	5,874.7	5,010.0	4,265.9	4,297.6	4,427.6	4,392.7	4,268.5

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 - 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
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
2010	36.31	0.84	1.43	1.74	2.07
2011	37.76	0.87	1.49	1.81	2.15
2012	39.27	0.90	1.55	1.88	2.24
2013	39.27	0.90	1.55	1.88	2.24
2014	39.27	0.90	1.55	1.88	2.24
2015	39.27	0.90	1.55	1.88	2.24

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.

Source: Hesperia Water District

HESPERIA WATER DISTRICT

Water Customers Current Year and 8 Years Ago

	2015		2007	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Hesperia Unified School District	\$ 437,890	4.34%	\$ 331,388	3.45%
Spring Street Associates LP	110,386	1.09%	44,074	0.46%
KDF Hesperia	92,554	0.92%	-	0.00%
Willow Oaks	85,972	0.85%	-	0.00%
Hesperia Park & Recreation	71,011	0.70%	143,320	1.49%
Shoemaker, Kenny S.	64,827	0.64%	-	0.00%
Coffman Specialties	53,388	0.53%	-	0.00%
The Villas At Hesperia LP.	52,037	0.52%	-	0.00%
Three Palms Apartments, LP	51,772	0.51%	19,141	0.20%
San Remo Hesperia LTD.	49,310	0.49%	-	0.00%
Santa Fe Apartments	42,227	0.42%	-	0.00%
Sage Mobile Estates	36,486	0.36%	-	0.00%
Pacific Scene Homes	-	0.00%	39,494	0.41%
Hesperia Senior Campus	-	0.00%	28,644	0.30%
Prestige Homes LP	-	0.00%	24,726	0.26%
Hesperia Community Church	-	0.00%	21,959	0.23%
CEMX	-	0.00%	18,673	0.19%
Competitive Edge	-	0.00%	18,344	0.19%

Note:

Information prior to 2006-07 is not available.

Source: Hesperia Water District