

City of Hesperia

California



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CITY OF HESPERIA CALIFORNIA

Thurston "Smitty" Smith, Mayor

Rita K. Vogler, Mayor Pro Tem

Paul Bosacki, Council Member

Mike Leonard, Council Member

Ed Pack, Council Member

(At Date of Issuance)

Mike Podegracz, City Manager

PREPARED BY THE CITY OF HESPERIA MANAGEMENT SERVICES DEPARTMENT

Brian D. Johnson, Assistant City Manager-Management Services

Anne M. Duke, Deputy Finance Director

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YEAR ENDED JUNE 30, 2008

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City of Hesperia

CALIFORNIA

December 30, 2008

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, 2008. State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

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

- Introductory: The Introductory Section includes this transmittal letter, the City's Organizational Chart, a List of the Principal Public Officials and Administrative Personnel, and the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the City's Fiscal Year Ended June 30, 2007 CAFR.
- Financial: The Financial Section includes the independent auditors' report, Management's Discussion and Analysis (MD&A), Basic Financial Statements, Fund Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Combining and Individual Fund Financial Schedules.
- Statistical: The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

The City's financial statements have been audited by Diehl, Evans & Company, LLP, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hesperia for the Fiscal Year ended June 30, 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hesperia's financial statements for the Fiscal Year ended June 30, 2008 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

Adorned by the San Bernardino Mountain Range along its southern border, the City of Hesperia is located in the High Desert area of San Bernardino County, approximately 35 miles north of the City of San Bernardino and 90 miles northeast of Los Angeles. The City encompasses nearly 75 square miles and is home to an estimated 87,820 residents.

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

The City of Hesperia, including its component districts, employs approximately 346 full-time employees. Services provided include police protection; fire protection; the construction and maintenance of streets and other infrastructure; as well as water, wastewater, and community services. In addition to general government activities, the City Council also serves as the Board of Directors for the Hesperia Fire Protection District, Hesperia Water District, Hesperia Community Redevelopment Agency, Hesperia Public Financing Authority, and the Hesperia Public Facilities Corporation. Therefore, these activities have been included as an integral part of the City of Hesperia's financial statements. Additional information on these entities can be found in Note 1 in the notes to the financial statements.

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

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

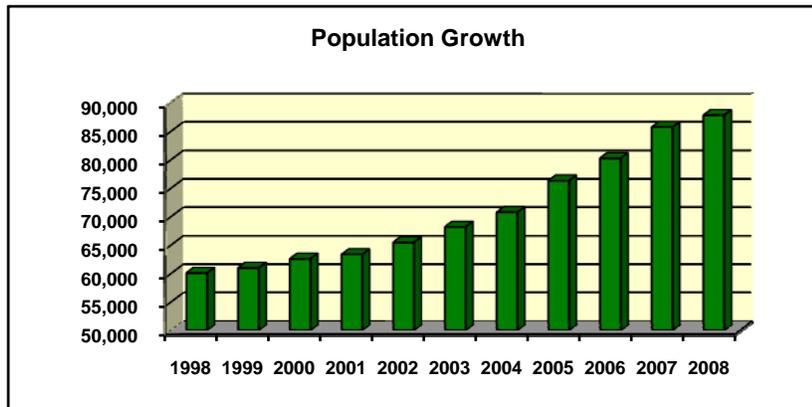
Factors Affecting Financial Condition

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

Local economy

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

The City of Hesperia is home to approximately 87,820 individuals. The demographics of Hesperia indicate a strong and growing ability to meet the workforce demands of employers. Current and projected growth in Hesperia is providing the City with a large and expanding workforce. Between 1990 and 2000,



Hesperia's population grew by 24.1%, compared to 12.8% for the state, and 10.4% for the nation. Over the last year however, Hesperia's population increased 2.5%, and all indications show that the growth trend has slowed compared to recent years.

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

Fiscal Year 2007-08 economic news for the City of Hesperia saw an 83% decrease in the number of single-family residential permits over the prior year and 102% growth in the number of building permits issued for multi-family construction. Commercial construction saw a 54% increase in commercial building permits from the previous year, and maintained the same level of industrial permits issued. This is in alignment with the results of the overall national economy for the same time period.

Traditionally sales tax has been the City's largest revenue source. However, as a result of the State of California's issuance of bonds used to balance its budget in 2004, the State created the 'Triple Flip' which converted the majority of the City's Vehicle License Fee revenue into a property tax revenue, the growth of which is tied to the growth of the City's assessed valuation. In Fiscal Year 2007-08 this was the top single revenue source for the City of Hesperia's General Fund. Sales tax declined by 18% from the prior year or \$1.5 million. Still, sales tax has grown 54% over the last five years, a reflection of the City's population growth. This recent growth reflects increases in gasoline prices and consumption, a tangible outcome of the increase in population.

Fiscal Year 2007-08 Goals, Efforts, and Actions

Deriving the greatest benefit from City of Hesperia resources, for the good of the entire community, is at the heart of the City Council's commitment to conservative fiscal management. For Fiscal Year 2007-08, the City again surpassed expectations and budgeted projections, underscoring its commitment to balanced growth and fiscal discipline. This prudent management philosophy has made it possible for the City Council to further their goals toward building a strong community and improving the quality of life for Hesperia residents, businesses, and visitors.

During the Fiscal Year Ended June 30, 2008, the City not only continued to provide the normal level of municipal services expected by its citizens, but also made substantial progress in accomplishing a variety of goals and projects, all of which will benefit the Hesperia community. Some of the more significant accomplishments were:

- ❖ The Hesperia City Council provided an additional \$21.0 million in funding for its annual Residential Road Improvement Program. These funds were used to enhance streets throughout the City and are in addition to the ongoing Street Maintenance Program. The streets most in need of repair, as well as being the most heavily traveled, were targeted for repair first. Over the last eight years, this program has reconstructed over 254 miles of roads, with an additional 42 miles of slurry sealed roads. Further, the City Council has committed another \$10.7 million to the Residential Road Improvement Program in Fiscal Year 2008-09.
- ❖ The number of building permits issued for single family construction decreased 83% from the prior year. This decline in residential development was offset by the growth of commercial construction, which increased by 54% over the prior year.
- ❖ Council Members and Senior Staff continued their lobbying efforts this year to gain additional federal and state funding for the community. Due to their efforts, the City received about \$17.2 million in federal and state earmarks, including \$13.9 million for the Rancho Road Corridor Projects.
- ❖ The Fiscal Year 2008-09 Budget was adopted with a General Fund cash reserve of approximately 39% of budgeted expenditures.

- ❖ Due to the Council's sound financial management, the City was able to prepay an additional \$800,000 of principal on the 2004 Measure I Variable Rate Revenue Bonds. The lower variable rate environment has afforded the City the ability to pay down a total of \$2.4 million of principal, well in advance of its scheduled due date, thereby lowering the overall interest costs of the debt issue. Also, using unspent proceeds for construction from the Civic Plaza 2005 Certificates of Participation issue, \$3.6 million was prepaid lowering the outstanding balance to \$14.3 million.
- ❖ Review of the environmental document was completed on the much-anticipated Rancho Road Underpass Project. This underpass will provide a much-needed additional City ingress/egress. Right of way acquisition has begun, with the initial phases of construction following thereafter.
- ❖ For the sixth year in a row, the City received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2007.
- ❖ The Topaz Marketplace, at the southeast corner of Main Street and Topaz Avenue, opened during the year, anchored by Fresh and Easy Neighborhood Market and Wood Grill Buffet, along with other tenants.
- ❖ The new High Desert Gateway Center, anchored by Super Target, was completed and opened in October 2008.
- ❖ A new Courtyard by Marriott Hotel is completed located on the east side of I-15. It is 89,147 square feet with 131 rooms.
- ❖ The second of three phases of the Village at Hesperia was completed early in 2008. Providing 68 units to seniors. The Village is located just north of the new Civic Plaza Park.
- ❖ Former Olympian and owner of the renowned Ice Castle International Olympic Training Center in Lake Arrowhead, Anthony Liu, announced plans to build a second 33,223 square foot facility in Hesperia on 2.59 acres. Construction is expected to start in January 2009 and be completed in late 2009.
- ❖ The County of San Bernardino High Desert Government Center will be built directly to the north of the new Hesperia City Hall. The proposed 60,000 square foot building will house many of the County offices that are currently spread throughout the High Desert. The site for this building is approximately 4.5 acres and could bring over 300 jobs to the City.
- ❖ Orchard Supply and Hardware (OSH), opened in Hesperia at the location once occupied by H&E Hardware. At the 32,000 square-foot location, OSH offers its customers 'complete home and garden' selection of merchandise.
- ❖ Sunrise Terrace I and II were completed providing a combined 182 units for families. These projects are located on 'C' Avenue south of Main Street on the City's east side.

- ❖ The City of Hesperia and the Hesperia Recreation and Parks District joined together to build the new Civic Plaza Park, finishing it just in time for the City's 20th Anniversary Celebration on June 28, 2008. Complete with an amphitheater, walking paths, a reflection garden, water features, and activity areas, the park addresses an urban park need. The City's 20th Anniversary was attended by an estimated 8,000 residents. The City's annual Christmas Tree Lighting Ceremony will be moved to this park in December 2008.



Subsequent Goals, Efforts, and Actions

- ❖ To directly address one of the highest crime residential areas in the City, a new Township Program has been developed to bring sewer, sidewalks, street lighting, low interest loans and housing and fencing standards to the residents in the City's original Town Center.
- ❖ Included in the Fiscal Year 2008-09 Budget are three drainage projects, in the amount of \$10.1 million, to help alleviate flooding problems.
- ❖ The new 450,000 square foot shopping center, which will include a Wal-Mart Supercenter, is progressing through a full environmental study. Construction is expected to begin during 2009 with completion anticipated about a year later. The project is located at the southeast corner of Escondido and Main Street and will further broaden the City's retail shopping and dining opportunities.

Long-term Financial Planning

The prudent financial management that the Council continues to display positions the City well to handle future unknowns with respect to shifts in the overall economy. Through the implementation of long-term strategies, such as the prepayment of principal on the 2004 Variable Rate Revenue Bonds referenced earlier in this letter, the City will be in a more advantageous position to effect positive change for the betterment of the community and, more importantly, be better able to handle the challenges it may face in the future without adversely impacting the community it serves.

Cash Management Policies and Practices

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

Cash not required for immediate expenditure was invested with the State of California Local Agency Investment Fund (L.A.I.F.). This was typical of the City's portfolio through the year. The average yield on cash invested in L.A.I.F. during the year was 4.37%.

Risk Management

The City is a member of the Public Agencies Self-Insurance System (PASIS), a Joint Powers Authority of eight California cities and districts, for the purpose of pooling the City's risk for workers' compensation insurance with those of other member cities and districts. The City is self-insured for the first \$250,000 of each claim and PASIS covers claims between \$250,000 and \$10 million. In addition, various risk control techniques, including employee accident prevention training, are being developed and are starting to be implemented to minimize accident-related losses.

The City is a member of the Public Agency Risk Sharing Authority of California (PARSAC), a Joint Powers Authority for the purpose of achieving savings on insurance premiums for general liability, employment practices and property insurance. As a member of PARSAC, the City is self-insured for the first \$50,000 for each occurrence and the difference between the City's \$50,000 retention and \$1 million is covered by PARSAC. Excess liability insurance coverage for losses between \$1 million and \$10 million for each occurrence is obtained from other insurance companies.

Pension and other post-employment benefits

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

The City of Hesperia also provides post-retirement health care benefits for its retired employees according to the Employment Agreements for each of the employee groups. As of the end of the current fiscal year, there were 14 retired employees receiving the \$97 per month benefit until they reach age 65.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hesperia for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2007. This was the sixth consecutive year that the City has achieved the prestigious award. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a governmental entity and its management. In order to be awarded this certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, with contents that conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

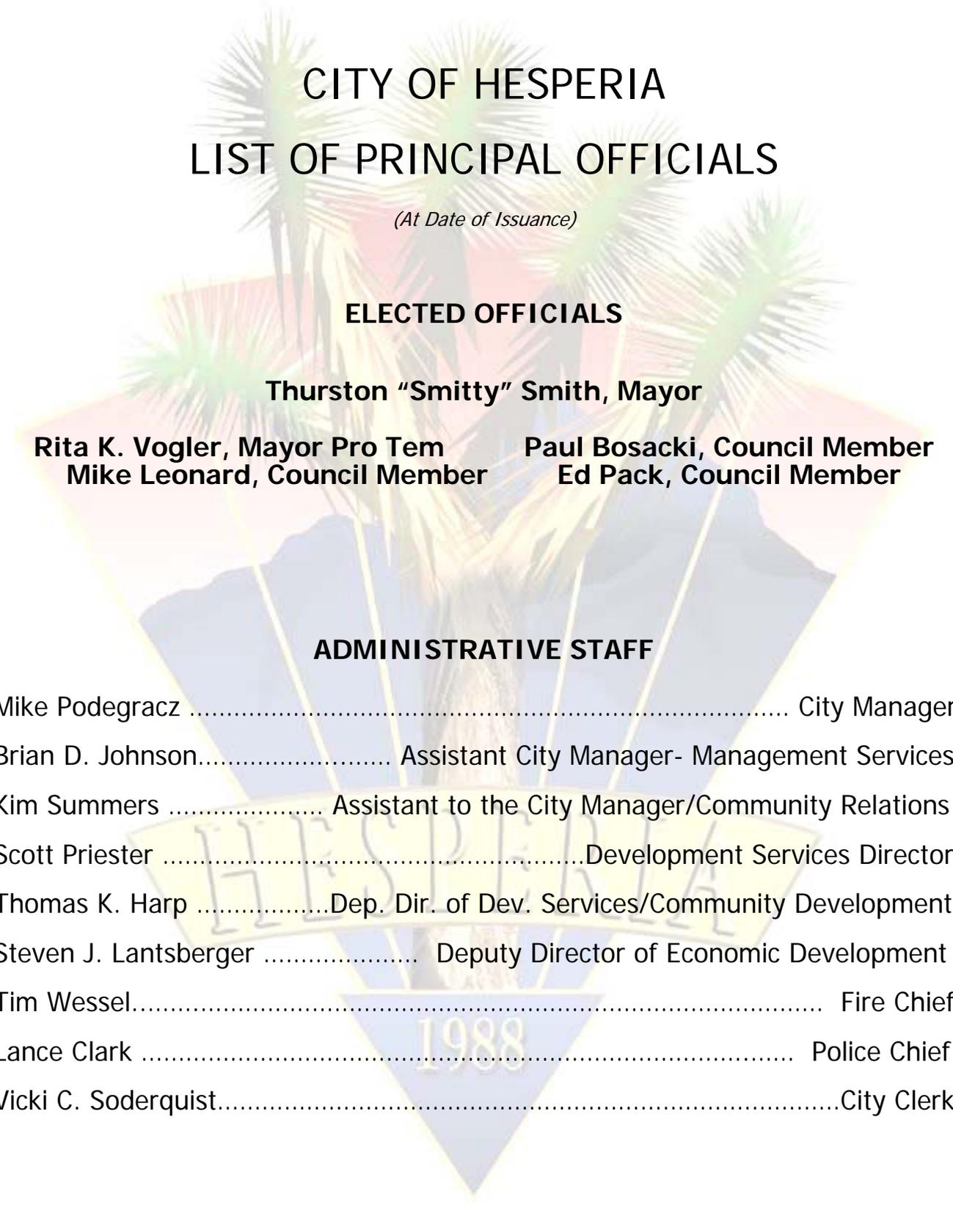
This certificate is valid for a period of one year. We believe the current Comprehensive Annual Financial Report conforms to the GFOA Certificate of Achievement Program requirements and are submitting it to determine its eligibility for another certificate.

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

Sincerely,

A handwritten signature in black ink that reads "Brian D. Johnson". The signature is written in a cursive style with a large, stylized initial "B".

Brian D. Johnson
Assistant City Manager/Management Services



CITY OF HESPERIA

LIST OF PRINCIPAL OFFICIALS

(At Date of Issuance)

ELECTED OFFICIALS

Thurston "Smitty" Smith, Mayor

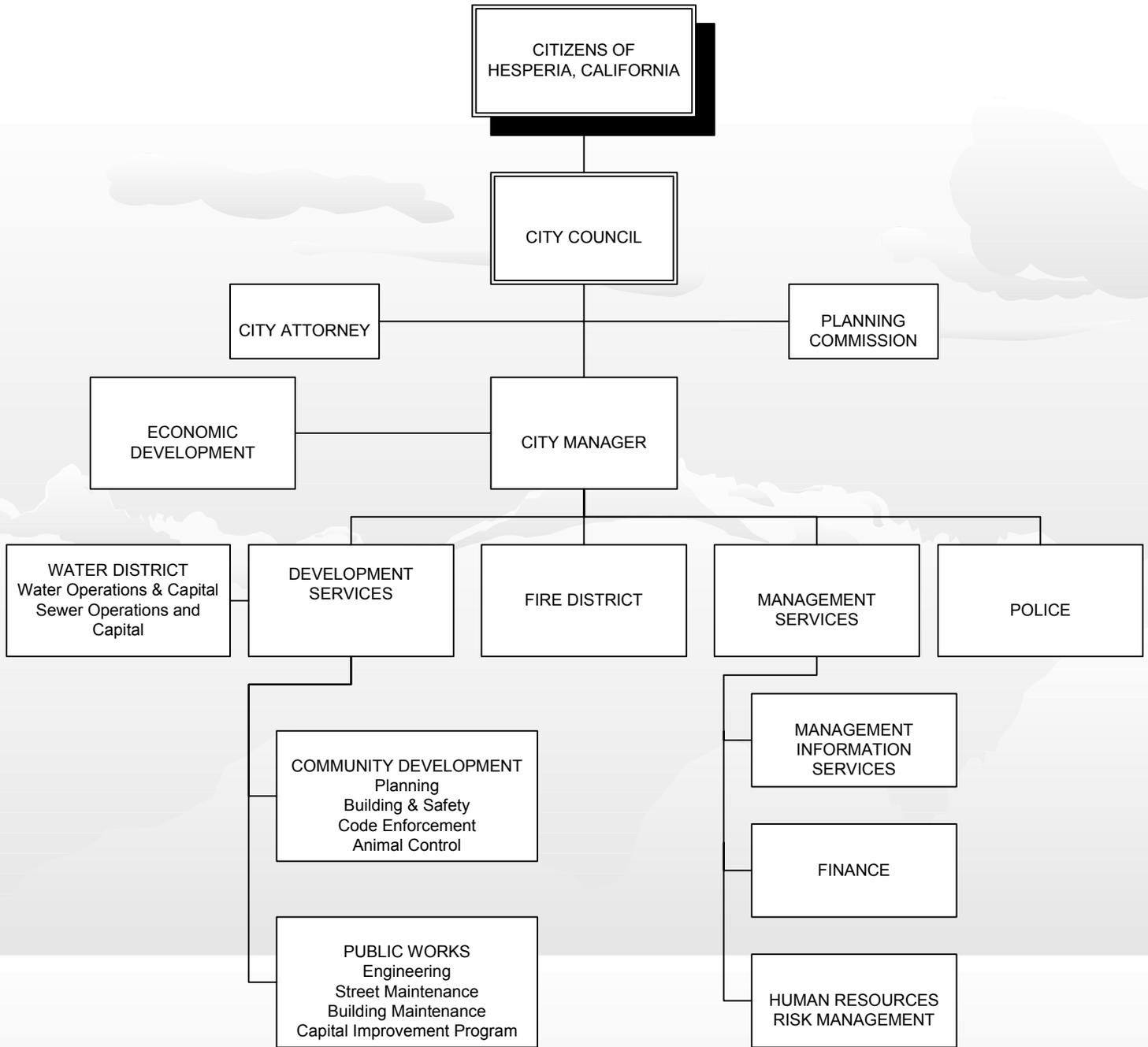
Rita K. Vogler, Mayor Pro Tem
Mike Leonard, Council Member

Paul Bosacki, Council Member
Ed Pack, Council Member

ADMINISTRATIVE STAFF

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

CITY OF HESPERIA ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hesperia
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director





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 NITIN P. PATEL, CPA
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* A PROFESSIONAL CORPORATION

December 23, 2008

INDEPENDENT AUDITORS' REPORT

To the Members of City Council
 City of Hesperia, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hesperia, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hesperia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Hesperia, California, as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2008 on our consideration of the City of Hesperia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

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

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

Diehl, Evans and Company, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Hesperia's financial performance provides an overview of the City's financial activities for the Fiscal Year (FY) Ended June 30, 2008. Please read this in conjunction with the accompanying transmittal letter, the accompanying basic financial statements, and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased 9.3% from \$216.8 million to \$236.9 million as a result of this year's operations. This can be mostly attributed to the increase in property tax revenues.
- During the year, the City's taxes and other governmental revenues exceeded expenses by \$17.1 million. This reflects the growth of property taxes (\$7.8 million) from development activity that occurred in prior years.
- The total revenues from all sources decreased \$5.5 million (-4.9%) from the prior year. This change is principally the result of decreased program (Charges for Services and Grants) revenues (-\$14.0 million) and of that, mostly the operating contributions and grants decreased \$10.9 million primarily attributed to HOME Grant monies received in FY 2006-07 and not in FY 2007-08.
- The total cost of all City programs was \$92.4 million, an increase of \$13.7 million or 17.4% over June 30, 2007. The increase can be attributed to the increased spending (\$4.8 million) in the Interest On Long-term Debt function; (\$4.3 million) in the Development Services function which oversees the City's infrastructure expenditures; and (\$2.5 million) in the Public Safety function.
- The General Fund reported resources (revenue and transfers) under expenditures of \$0.2 million primarily because of declining sales tax revenues during FY 2007-08.
- For the General Fund, actual resources available for appropriation (resources or inflows) were less than the final budget by \$2.1 million while actual appropriations (outflows) were \$3.5 million less than the final budget. However, overall General Fund expenditures were \$0.2 million more than resources which were easily funded by fund balance (or reserves).

USING THIS ANNUAL REPORT

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

REPORTING THE CITY AS A WHOLE

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

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Government-Wide Statements – The Statement of

Net Assets and the Statement of Activities – report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting method*, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

REPORTING THE CITY’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Assets and the Statement of Activities. The City uses proprietary funds to report its water utility activities.

The City as Trustee — Fiduciary Responsibilities

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

THE CITY AS A WHOLE

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

The City's net assets increased from \$216.8 million to \$236.9 million. This net increase of \$20.1 million comes from the change in net assets as recorded in the Condensed Statement of Activities and flows through the Condensed Statement of Net Assets. The nonproprietary (governmental activities) infrastructure includes: paved streets, sidewalks, traffic signals, storm drains and flood control channels, etc. The Water District continues to maintain the water and sewer infrastructure which includes water storage tanks, water pumping equipment, water transmission lines, and sewer lines, etc.

Table 1
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 128,151,475	\$ 283,259,986	\$ 34,222,183	\$ 20,162,420	\$162,373,658	\$303,422,406
Capital assets	96,785,348	125,672,052	75,129,472	87,540,369	171,914,820	213,212,421
Total Assets	224,936,823	408,932,038	109,351,655	107,702,789	334,288,478	516,634,827
Other liabilities	20,172,244	32,185,910	5,555,356	5,419,875	25,727,600	37,605,785
Long-term debt outstanding	74,954,514	226,214,890	16,789,575	15,928,998	91,744,089	242,143,888
Total Liabilities	95,126,758	258,400,800	22,344,931	21,348,873	117,471,689	279,749,673
Net Assets:						
Invested in capital assets, net of debt	53,616,857	27,606,544	58,520,406	71,858,235	112,137,263	99,464,779
Restricted	5,629,284	11,244,302	395,227	395,472	6,024,511	11,639,774
Unrestricted	70,563,924	111,680,392	28,091,091	14,100,209	98,655,015	125,780,601
Total Net Assets	\$ 129,810,065	\$ 150,531,238	\$ 87,006,724	\$ 86,353,916	\$216,816,789	\$236,885,154

A brief explanation for the balance change of Table 1 follows below. These explanations tell the story behind the \$20.1 million increase in net assets:

- Current and other assets – for governmental activities, increased \$155.1 million primarily due to the \$154.3 million 2007 Series bond issue for the Hesperia Community Redevelopment Agency. For business-type activities, a decrease of \$14.1 million or 41.1% from June 30, 2007 is primarily due to the ongoing Water Line Replacement Program and other infrastructure projects of the Water Operations with expected completion in FY 2008-09.

- Capital assets – increased, for governmental activities, by \$32.9 million (\$28.9 million net of depreciation). The primary reason for this growth is \$20.8 million of street improvements and \$4.9 million of storm drainage construction.

For business-type activities, capital assets increased by \$11.1 million, net of depreciation, over June 30, 2007 principally from the replacement of aged steel water lines and other infrastructure projects of the Water District. The majority of this increase, \$13.2 million, is shown in Construction in Progress in Table 3.

- Long-term debt outstanding – increased by a net of \$147.5 million mainly due to the \$154.3 million 2007 Series bond issue. Debt service activity resulted in a decrease of \$7.0 million for governmental activities due to principal payments on the outstanding debt along with extra principal payments of \$4.0 million on the 2005 COPs (Certificates of Participation) for the Civic Plaza and over \$1.0 million on the 2004 Refunding Variable Rate Lease Revenue Bonds. Debt service activity for business-type activities resulted in a net decrease of \$0.9 million from June 30, 2007 total due to principal payments on outstanding debt.
- Other liabilities – for governmental activities increased \$12.0 million primarily because of deferred revenue at June 30, 2008. Business-type activities decreased \$0.1 million from June 30, 2007 mostly due to decreased year-end payables to contractors replacing the District's water lines.
- Invested in capital assets, net of debt – decreased for governmental activities by \$26.0 million mostly attributable to the 2007 Series bond issue. For business-type activities, increased by \$13.4 million, or 22.9%, over the year ended June 30, 2007; and is due to water infrastructure additions as shown in Table 3 below.

As reflected in Table 2, the City's Net Assets increased \$20.1 million, from \$216.8 million to \$236.9 million, over the prior fiscal year. The June 30, 2008 total Program Revenues decreased by \$14.0 million and were 31.6% of total revenues funding 38.5% of total expenses that increased only \$13.7 million or 17.4% from June 30, 2007.

Table 2
Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues						
Program revenues:						
Charges for services	15,995,855	13,640,407	15,836,904	15,071,288	31,832,759	28,711,695
Operating contributions and grants	17,440,925	6,580,808	-	-	17,440,925	6,580,808
Capital contributions and grants	-	-	-	-	-	-
Total program revenues	<u>33,436,780</u>	<u>20,221,215</u>	<u>15,836,904</u>	<u>15,071,288</u>	<u>49,273,684</u>	<u>35,292,503</u>
General revenues:						
Taxes:						
Property taxes	34,413,418	42,188,578	363,921	368,104	34,777,339	42,556,682
Sales and use tax	10,322,560	9,141,364	-	-	10,322,560	9,141,364
Transient occupancy tax	659,255	742,791	-	-	659,255	742,791
Franchise tax	2,176,231	2,255,427	-	-	2,176,231	2,255,427
Document transfer tax	567,321	223,588	-	-	567,321	223,588
Vehicle license fees	7,031,180	8,635,844	-	-	7,031,180	8,635,844
Income from property and investments	5,019,835	8,228,698	1,323,537	926,463	6,343,372	9,155,161
System improvement and replacement	-	-	5,539,018	3,975,273	5,539,018	3,975,273
Capital Contributions	443,062	-	-	-	443,062	-
Other	528,721	159,864	331,965	364,563	860,686	524,427
Total general revenues	<u>61,161,583</u>	<u>71,576,154</u>	<u>7,558,441</u>	<u>5,634,403</u>	<u>68,720,024</u>	<u>77,210,557</u>
Total revenues	<u>94,598,363</u>	<u>91,797,369</u>	<u>23,395,345</u>	<u>20,705,691</u>	<u>117,993,708</u>	<u>112,503,060</u>
Expenses						
General government	7,069,940	8,301,031	-	-	7,069,940	8,301,031
Public safety	16,926,772	19,464,330	-	-	16,926,772	19,464,330
Transportation	-	-	-	-	-	-
Development services	34,337,164	38,592,916	-	-	34,337,164	38,592,916
Interest on long-term debt	3,512,099	8,351,815	-	-	3,512,099	8,351,815
Water	-	-	15,654,073	16,188,975	15,654,073	16,188,975
Wastewater	-	-	1,239,687	1,535,628	1,239,687	1,535,628
Total expenses	<u>61,845,975</u>	<u>74,710,092</u>	<u>16,893,760</u>	<u>17,724,603</u>	<u>78,739,735</u>	<u>92,434,695</u>
Excess/(Deficiency) of revenues over/ (under) expenses	32,752,388	17,087,277	6,501,585	2,981,088	39,253,973	20,068,365
Transfers in	-	3,633,896	-	-	-	3,633,896
Transfers out	-	-	-	(3,633,896)	-	(3,633,896)
Change in net assets	32,752,388	20,721,173	6,501,585	(652,808)	39,253,973	20,068,365
Net assets at July 1	97,057,677	129,810,065	80,505,139	87,006,724	177,562,816	216,816,789
Net assets at June 30	<u>129,810,065</u>	<u>150,531,238</u>	<u>87,006,724</u>	<u>86,353,916</u>	<u>216,816,789</u>	<u>236,885,154</u>

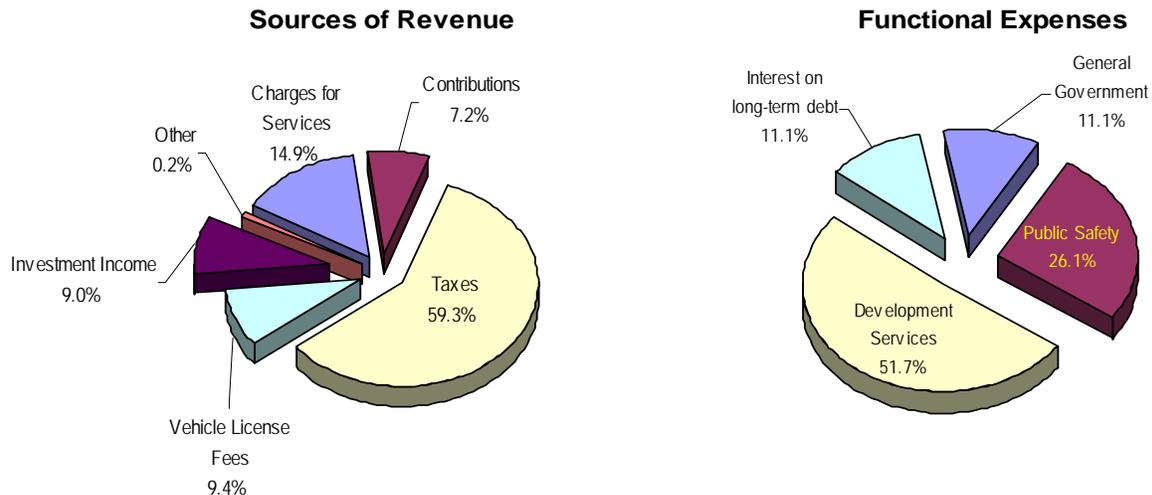
GOVERNMENTAL ACTIVITIES

The City's net assets from governmental activities increased \$20.7 million. The cost of all governmental activities this year was \$74.7 million. However, as shown in Table 2, the amount that the taxpayers ultimately financed for these activities was only \$54.7 million (\$74.7 million less \$20.2 million), because most of the cost was paid by those who directly benefited from the programs (\$13.6 million), or by other governments and organizations that partially funded certain programs with operating grants and contributions (\$6.6 million).

Overall, the City's governmental Program Revenues were \$20.2 million. The City paid for the remaining "public benefit" portion of governmental activities with \$53.6 million in taxes (some of which could only be used for certain programs) and other revenues, such as vehicle license fees and general entitlements.

Fiscal Year 2007 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 Water District's net assets decreased \$0.7 million or 0.8%. The cost of all Water District activities this year was \$21.4 million. As shown in the Condensed Statement of Revenues, Expenses, and Changes in Net Assets (Table 2), the amount paid by users of the systems was \$15.1 million. The decrease of these charges for services reflect the decline of construction activity portion of the District's customer base as there was a 7% water rate and 9% sewer increase which became effective in January 2008 during the 2007-08 fiscal year. General revenues of \$5.6 million make up the remainder of the \$20.7 million total revenues.

The major portion of the \$5.6 million of Non-operating revenues is \$4.0 million in capital facility and capital surcharge revenues. These revenues are primarily a reflection of the development activity occurring in Hesperia and are mostly attributable to offsetting the costs of adding the customers to the system. As seen in Table 2, this revenue group reflects the decrease of the development activity within the City of Hesperia which saw a decrease in single family residential permits issued from 634 in FY2006-07 to 106 for FY2007-08.

Additionally, investment earnings decreased to \$0.9 million from the FY 2006-07 amount of \$1.3 million. As FY2007-08 was the second year without netting the State's ERAF (Educational Relief Augmentation Fund) deduction against property tax revenue, the \$368,104 of property taxes revenue showed an increase of 1.1% over FY 2006-07. The State of California's ERAF is a property tax revenue shift from water districts to school districts. This ERAF shift is not expected to occur in future years.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end the City's governmental funds reported combined fund balances of \$250.6 million, which is an increase of \$141.9 million or 130.6% from last year. Three non-major funds (Article 8, HOME Grant, and County High Desert Government Center) have negative fund balances totaling \$227,822.

- The General Fund had a deficiency of revenues, prior to other financing sources, of \$0.2 million a decrease of \$4.9 million from the \$4.7 million surplus of June 30, 2007. This deficiency resulted from increased expenditures of \$2.5 million as total revenues decreased \$2.3 million. The decrease in revenues was largely the result of the decreased issuance of single family residential building permits that changed from FY 2006-07 of 634 to FY 2007-08 of 106.
- The Fire Protection District's fund reported a fund balance of \$2.7 million, which is an increase of about \$0.2 million or 7.4% over June 30, 2007's ending fund balance of \$2.5 million. Major revenues which increased during the year were Redevelopment Agency pass through (\$0.4 million), property tax revenue (\$0.1 million), and paramedic ambulance fees and assessment district revenue (\$0.1 million). The property tax based revenues increased because of the City's recent population and development growth. Additionally, the added 4th ambulance had its first full year of service.
- The Redevelopment Agency Special Revenue fund saw a fund balance increase of \$58.8 million over the FY 2006-07 ending fund balance of \$19.4 million. This increase is primarily from the housing portion of the \$57.4 million 2007 Series bond issue.
- Income from the Development Impact funds remained strong with combined revenues over expenditures of \$2.6 million. These funds will be used on future capital projects.
- The combined Redevelopment Agency Debt Service funds balances grew by \$12.9 million due to increases in reserve funds for the 2007 Series bond issue.
- The Redevelopment Agency Capital Projects fund balances increased of \$66.9 million, from the FY 2006-07 ending fund balance of \$9.1 million, is primarily the result of the \$97 million 2007 Series bonds issued.

General Fund Budgetary Highlights

The final expenditures for the General Fund at year-end were \$3.5 million less than the final budget. The budget to actual variance in appropriations was principally due to conservative estimates at mid-year by management. Actual revenues compared favorably to the final budget with tax revenue being \$2.2 million under estimates primarily because of declining sales tax mainly in the areas related to building and construction activity. Budget amendments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

CAPITAL ASSETS

The capital assets of the City are those assets that are used in the performance of the City's functions including infrastructure assets (See Table 3 below). For more detailed information about the City's assets, see Note 4 Capital Assets. At June 30, 2008, capital assets, net of depreciation, of the governmental activities totaled \$125.7 million and the net capital assets of the business-type activities totaled \$87.5 million. Depreciation on capital assets is recognized in the Government-Wide financial statements.

The City has elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting for the streets. Using the Basic Approach the City depreciates the value of the streets over a twenty (20) year period. As repaving of street segments is done (overlays must be at least one inch

thick), the value of that work will be added and any remaining book value of that segment will be reduced from the streets infrastructure class.

Table 3
Capital Assets at Year-end

	Balance at July 1, 2007			Net Current Year Depreciation	Balance at June 30, 2008
	Net of Accumulated Depreciation	Increases	Decreases		Net of Accumulated Depreciation
Governmental Activities:					
Land	\$ 9,064,035	\$ 2,568,446	\$ (2,684,728)	\$ -	\$ 8,947,753
Construction in process	10,112,418	31,387,962	(12,415,610)	-	29,084,770
Land improvements	59,595	-	-	(15,441)	44,154
Vehicles	2,569,788	1,826,819	(394,300)	(38,836)	3,963,471
Building and structures	29,051,474	3,412	-	(599,908)	28,454,978
Machinery and equipment	1,476,116	537,608	(354,162)	96,560	1,756,122
Infrastructure	44,451,922	12,412,198	-	(3,443,316)	53,420,804
	<u>\$ 96,785,348</u>	<u>\$ 48,736,445</u>	<u>\$ (15,848,800)</u>	<u>\$ (4,000,941)</u>	<u>\$ 125,672,052</u>
Business-type Activities:					
Land	\$ 1,211,230	\$ 160,977	\$ (466)	\$ -	\$ 1,371,741
Water rights	1,308,400	-	-	-	1,308,400
Land improvements	339,919	-	-	(32,909)	307,010
Vehicles	1,037,712	473,809	(254,243)	88,835	1,346,113
Building and structures	2,469,980	-	-	(246,718)	2,223,262
Machinery and equipment	1,083,486	151,294	(429,905)	263,434	1,068,309
Infrastructure:					
Water facilities	52,938,803	12,773,358	(34,413)	(2,108,623)	63,569,125
Sewer facilities	3,748,430	398,787	-	(156,809)	3,990,408
Construction in progress	12,299,912	13,228,234	(13,172,145)	-	12,356,001
	<u>\$ 76,437,872</u>	<u>\$ 27,186,459</u>	<u>\$ (13,891,172)</u>	<u>\$ (2,192,790)</u>	<u>\$ 87,540,369</u>

DEBT ADMINISTRATION

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

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

	Principal Balance at June 30,2007	Additions	Deductions	Principal Balance at June 30,2008
Governmental Activities:				
Loans	\$ 1,500,000	\$ -	\$ (150,000)	\$ 1,350,000
Certificates of Participation	18,300,000	-	(4,000,000)	14,300,000
Revenue bonds	55,900,000	154,320,000	(2,760,000)	207,460,000
Less deferred amounts:				
Bond premiums	1,355,914	1,820,374	(99,135)	3,077,153
Bond discounts	(16,813)	(1,023,142)	35,157	(1,004,798)
Sub-total Revenue Bonds	<u>57,239,101</u>	<u>155,117,232</u>	<u>(2,823,978)</u>	<u>209,532,355</u>
Compensated absences	438,079	357,852	(207,051)	588,880
Claims payable	407,889	204,166	(168,400)	443,655
	<u>\$ 77,885,069</u>	<u>\$ 155,679,250</u>	<u>\$ (7,349,429)</u>	<u>\$ 226,214,890</u>
Business-type Activities:				
Loans	\$ 905,826	\$ -	\$ (351,174)	\$ 554,652
Certificates of participation	1,110,000	-	(35,000)	1,075,000
Revenue bonds	16,155,000	-	(625,000)	15,530,000
Less: deferred amounts:				
Bond discounts	(135,352)	-	7,305	(128,047)
On refunding	(1,426,408)	-	76,937	(1,349,471)
Compensated absences	105,860	89,463	(65,138)	130,185
Claims payable	74,649	147,022	(104,992)	116,679
	<u>\$ 16,789,575</u>	<u>\$ 236,485</u>	<u>\$ (1,097,062)</u>	<u>\$ 15,928,998</u>

Debt considered a liability of government activities increased in FY 2007-08 by a net of \$148.3 million, which was primarily the result of the \$154.3 million 2007 Series debt issue for the Hesperia Community Redevelopment Agency. Debt of the business-type activities decreased by a net of \$0.9 million in FY 2007-08 as a result of the normal amortization of debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

From the FY 2007-08 Budget of \$127.7 million, the estimated revenues are expected to decrease to \$123.7 million for the FY 2008-09 Budget reflecting a modest decrease of 3%. While overall City revenues are budgeted to decline only 3%, the Redevelopment Agency is budgeting an \$1.9 million or 5% increase from the FY 2007-08 revenue of \$39.8 million to an estimated \$41.7 million. Some of these increased revenues are planned to support the new Redevelopment Agency bond issue which will finance, in part, a significant portion of the \$82.4 million FY 2008-09 Capital Improvement Program.

Development related revenues are budgeted to be significantly reduced in FY 2008-09 from the totals received in FY 2007-08 primarily as a result of the current housing market slowdown. Most prominent industry analysts expect this housing slowdown to persist through the end of the 2009 calendar year. The measurement used by the City to diagnose the health of the local housing market is the number of single family residential (SFR) permits issued. For FY 2005-06 the number of SFRs issued was 1,645

followed by 634 issued in FY 2006-07 to 106 issued in FY 2007-08. In FY 2008-09 the City has budgeted only 200 SFRs. However, to mitigate these declining numbers the City has budgeted increased commercial development activity to offset most of the decline in residential permitting revenue.

New items specifically addressed in the FY 2008-09 budget were:

Transportation: \$43.4 million is budgeted toward transportation projects for FY 2008-09. Some of these projects include:

- \$10.7 million for the FY 2008-09 Street Improvement Program which, is expected to pave approximately 36 miles of roads within the City.
- \$3.0 million is budgeted toward the Rancho road/I-15 Interchange project approval and environmental document focusing on design, right-of-way acquisition, and construction.
- \$6.3 million for final environmental documents, right-of-way appraisal and acquisition, the completion of revised construction plans, and the start of construction for the Rancho Road Undercrossing.
- \$1.8 million is budgeted toward the Rock Springs Road reconstruction project that is funded by the City's allocation of the Proposition 1B bond proceeds from the State of California.
- \$13.6 million is budgeted toward 15 other street projects varying from phases related to planning to project completion.

Police: For the FY 2008-09 budget the City Council plans to use \$154,298 from the General fund to maintain the current level of service and an additional \$326,469 to add two additional safety personnel.

Fire: The FY 2008-09 Budget shows no personnel increases but \$1,126,083 to cover the increased cost of maintaining the current level of service.

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

The District is budgeted to use \$13.0 million of reserves in addition to the budgeted capital (water and sewer) revenues of \$3.3 million for various capital projects as outlined in the FY 2008-09 Budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



CITY OF HESPERIA

STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	Primary Government		Total
	Governmental Activities	Business-type Activities	
Current Assets:			
Cash and cash equivalents	\$ 103,903,065	\$ 11,071,113	\$ 114,974,178
Receivables			
Accounts, net	1,277,926	3,199,386	4,477,312
Accrued interest	1,942,604	135,754	2,078,358
Due from other governmental agencies	5,711,284	59,164	5,770,448
Loans receivable	-	-	-
Land held for resale	21,181,747	-	21,181,747
Inventories	-	1,218,915	1,218,915
Deposits	551,700	1,679,104	2,230,804
Prepaid expenses	-	-	-
Restricted assets:			
Cash and investments with fiscal agent	125,766,849	10,290	125,777,139
Cash held for bondholders	-	933,161	933,161
Cash held for bond reserves	11,244,302	385,182	11,629,484
Total Current Assets	<u>271,579,477</u>	<u>18,692,069</u>	<u>290,271,546</u>
Noncurrent Assets:			
Notes receivable	6,150,000	-	6,150,000
Prepaid expenses	-	750,600	750,600
Deferred charges	4,937,888	317,540	5,255,428
Deposits	592,621	402,211	994,832
Capital Assets:			
Land	8,947,753	1,371,741	10,319,494
Water rights	-	1,308,400	1,308,400
Construction in progress	29,084,770	12,356,001	41,440,771
Land improvements	394,920	790,727	1,185,647
Buildings and improvements	29,858,775	7,658,113	37,516,888
Equipment and vehicles	11,980,776	6,459,451	18,440,227
Infrastructure	82,591,981	-	82,591,981
Water and sewer facilities	-	103,530,266	103,530,266
Less: Accumulated depreciation	<u>(37,186,923)</u>	<u>(45,934,330)</u>	<u>(83,121,253)</u>
Total Capital Assets	<u>125,672,052</u>	<u>87,540,369</u>	<u>213,212,421</u>
Total Noncurrent Assets	<u>137,352,561</u>	<u>89,010,720</u>	<u>226,363,281</u>
Total assets	<u>\$ 408,932,038</u>	<u>\$ 107,702,789</u>	<u>\$ 516,634,827</u>

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

CITY OF HESPERIA

LIABILITIES	Primary Government		Total
	Governmental Activities	Business-type Activities	
Current Liabilities:			
Accounts payable and other current liabilities	\$ 8,762,676	\$ 4,045,093	\$ 12,807,769
Accrued interest payable	2,108,774	29,865	2,138,639
Deposits	-	411,756	411,756
Due to other governmental agencies	11,664,460	-	11,664,460
Current liabilities payable from restricted assets - due to bondholders	-	933,161	933,161
Long-term debt-due within one year	4,955,324	1,180,930	6,136,254
Total Current Liabilities	27,491,234	6,600,805	34,092,039
Noncurrent Liabilities:			
Deferred revenue	9,650,000	-	9,650,000
Long-term debt-due in more than one year	221,259,566	14,748,068	236,007,634
Total Noncurrent Liabilities	230,909,566	14,748,068	245,657,634
Total liabilities	258,400,800	21,348,873	279,749,673
NET ASSETS			
Invested in capital assets, net of related debt	27,606,544	71,858,235	99,464,779
Restricted for debt service	11,244,302	395,472	11,639,774
Unrestricted	111,680,392	14,100,209	125,780,601
Total net assets	\$ 150,531,238	\$ 86,353,916	\$ 236,885,154

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

CITY OF HESPERIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 8,301,031	\$ 4,274,093	\$ -	\$ -
Public safety	19,464,330	2,665,407	381,638	-
Transportation	-	-	5,112,384	-
Development services	38,592,916	6,700,907	1,086,786	-
Interest on long-term debt	8,351,815	-	-	-
Total governmental activities	<u>74,710,092</u>	<u>13,640,407</u>	<u>6,580,808</u>	<u>-</u>
Business-type activities:				
Water	16,188,975	12,409,854	-	-
Sewer	1,535,628	2,661,434	-	-
Total business-type activities	<u>17,724,603</u>	<u>15,071,288</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 92,434,695</u>	<u>\$ 28,711,695</u>	<u>\$ 6,580,808</u>	<u>\$ -</u>

General Revenues

- Property taxes
- Sales and use tax
- Transient occupancy tax
- Franchise tax
- Document transfer tax
- Motor vehicle in lieu
- Unrestricted investment earnings
- Unrestricted system improvement and replacement
- Other

Transfers

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

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

CITY OF HESPERIA

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

Governmental Activities	Business-type Activities	Total
\$ (4,026,938)	\$ -	\$ (4,026,938)
(16,417,285)	-	(16,417,285)
5,112,384	-	5,112,384
(30,805,223)	-	(30,805,223)
(8,351,815)	-	(8,351,815)
<u>(54,488,877)</u>	<u>-</u>	<u>(54,488,877)</u>
-	(3,779,121)	(3,779,121)
-	1,125,806	1,125,806
<u>-</u>	<u>(2,653,315)</u>	<u>(2,653,315)</u>
<u>(54,488,877)</u>	<u>(2,653,315)</u>	<u>(57,142,192)</u>
42,188,578	368,104	42,556,682
9,141,364	-	9,141,364
742,791	-	742,791
2,255,427	-	2,255,427
223,588	-	223,588
8,635,844	-	8,635,844
8,228,698	926,463	9,155,161
-	3,975,273	3,975,273
159,864	364,563	524,427
3,633,896	(3,633,896)	-
<u>75,210,050</u>	<u>2,000,507</u>	<u>77,210,557</u>
20,721,173	(652,808)	20,068,365
<u>129,810,065</u>	<u>87,006,724</u>	<u>216,816,789</u>
<u>\$ 150,531,238</u>	<u>\$ 86,353,916</u>	<u>\$ 236,885,154</u>

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





CITY OF HESPERIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Fire District	Redevelopment Agency Special Revenue
Assets			
Cash and cash equivalents	\$ 21,759,431	\$ 2,094,847	\$ 17,106,564
Restricted investments	4	-	58,704,729
Accounts receivable, net	755,918	510,444	9,515
Accrued interest	116,401	11,059	822,043
Notes receivable	-	-	6,150,000
Due from other governmental agencies	1,511,461	350,108	754,255
Land held for resale	-	-	818,555
Deposits	-	-	-
Due from other funds	97,799	-	-
Total Assets	\$ 24,241,014	\$ 2,966,458	\$ 84,365,661
Liabilities and Fund Balances			
Liabilities			
Accounts payable and other current liabilities	\$ 1,406,533	\$ 35,128	\$ 34,995
Deferred revenue	350,264	203,217	6,150,000
Due to other governmental agencies	5,313	-	-
Due to other funds	-	-	-
Total Liabilities	1,762,110	238,345	6,184,995
Fund Balances			
Reserved for:			
Reserve for advances	-	-	-
Land held for resale	-	-	818,555
Special Revenue	-	-	77,362,111
Debt Service	-	-	-
Capital Projects	-	-	-
Self Insurance	150,000	-	-
Unreserved, reported in:			
General Fund	22,328,904	-	-
Special Revenue Funds	-	2,728,113	-
Capital Projects Funds	-	-	-
Total Fund Balances	22,478,904	2,728,113	78,180,666
Total Liabilities and Fund Balances	\$ 24,241,014	\$ 2,966,458	\$ 84,365,661

(Continued)

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

Development Impact Fees Street	Redevelopment Agency Debt Service	Redevelopment Agency 2005 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 11,061,670	\$ 27,238,219	\$ 1,810,777	\$ 22,831,557	\$ 103,903,065
-	6,917,663	68,891,744	2,497,011	137,011,151
-	-	1,325	724	1,277,926
58,289	165,861	641,990	126,961	1,942,604
-	-	-	-	6,150,000
-	1,563,645	304,364	1,227,451	5,711,284
9,002,541	-	11,360,651	-	21,181,747
-	-	551,700	-	551,700
-	3,029,322	221,495	-	3,348,616
<u>\$ 20,122,500</u>	<u>\$ 38,914,710</u>	<u>\$ 83,784,046</u>	<u>\$ 26,683,704</u>	<u>\$ 281,078,093</u>
\$ 284,491	\$ -	\$ 4,763,267	\$ 2,238,262	\$ 8,762,676
-	-	-	-	6,703,481
-	11,659,147	-	-	11,664,460
-	-	3,029,322	319,294	3,348,616
<u>284,491</u>	<u>11,659,147</u>	<u>7,792,589</u>	<u>2,557,556</u>	<u>30,479,233</u>
-	3,029,322	-	-	3,029,322
9,002,541	-	11,360,651	-	21,181,747
-	-	-	-	77,362,111
-	24,226,241	-	3,574,909	27,801,150
-	-	64,630,806	-	64,630,806
-	-	-	-	150,000
-	-	-	-	22,328,904
10,835,468	-	-	13,737,138	27,300,719
-	-	-	6,814,101	6,814,101
<u>19,838,009</u>	<u>27,255,563</u>	<u>75,991,457</u>	<u>24,126,148</u>	<u>250,598,860</u>
<u>\$ 20,122,500</u>	<u>\$ 38,914,710</u>	<u>\$ 83,784,046</u>	<u>\$ 26,683,704</u>	<u>\$ 281,078,093</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 ASSETS
June 30, 2008

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

Total fund balances - governmental funds	\$ 250,598,860
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	125,672,052
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.	(2,108,774)
Bond issue costs are capitalized net of amortization on the Statement of Net Assets.	4,937,888
The CFD 2005-1 has received special assessments and did not remit these to the City within the availability period. These revenues are recognized in the government-wide statements and deferred in the fund statements.	451,592
The Sales Tax "triple flip" is subject to a "true up" adjustment to be received in January 2009. These revenues are recognized in the government-wide statements and deferred in the fund statements.	101,889
The lease agreement between the City and the County provides current financial resources to the governmental funds. These amounts are deferred and amortized in the Statement of Activities	(3,500,000)
Deposits with Insurance providers to pay for long-term liabilities are not current financial resources and therefore are not recorded on the governmental fund balance sheets.	592,621
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.	<u>(226,214,890)</u>
Net Assets of governmental activities	<u>\$ 150,531,238</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, 2008

	General Fund	Fire District	Redevelopment Agency Special Revenue
Revenues:			
Taxes	\$ 11,037,809	\$ 6,524,579	\$ -
Licenses and permits	236,382	-	-
Fines and forfeits	794,088	-	-
Use of money and property	584,219	95,731	2,605,598
Intergovernmental	9,485,844	-	-
Charges for services	2,496,161	2,100,141	-
Grants	145,413	1,871	-
Other revenues	277,822	220	365,344
Total Revenues	<u>25,057,738</u>	<u>8,722,542</u>	<u>2,970,942</u>
Expenditures:			
Current:			
General government:			
City council	786,752	-	-
City manager	1,461,015	-	-
Management services	4,162,841	-	-
Public safety-police	10,781,750	-	-
Public safety-fire	-	8,445,394	-
Development services	7,126,119	-	6,557,197
Debt service:			
Interest	-	-	1,614,839
Principal	-	-	765,000
Debt issuance costs	-	-	180,832
Pass through payments	-	-	-
Bond administration expense	-	-	-
Capital outlay:			
Land	-	-	-
Buildings and improvements	2,925	-	-
Equipment and vehicles	337,568	1,478,845	-
Infrastructure	563,250	-	-
Total Expenditures	<u>25,222,220</u>	<u>9,924,239</u>	<u>9,117,868</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(164,482)</u>	<u>(1,201,697)</u>	<u>(6,146,926)</u>
Other Financing Sources (Uses):			
Transfers in	429,000	1,390,000	6,851,018
Transfers out	(493,000)	-	-
Proceeds from lease	-	-	-
Proceeds from sale of capital assets	-	-	-
Proceeds from issuance of bonds	-	-	57,370,000
Discount on issuance of bonds	-	-	(74,668)
Premium on issuance of bonds	-	-	778,353
Total Other Financing Sources (Uses)	<u>(64,000)</u>	<u>1,390,000</u>	<u>64,924,703</u>
Net Change in Fund Balances	<u>(228,482)</u>	<u>188,303</u>	<u>58,777,777</u>
Fund balances at beginning of year	<u>22,707,386</u>	<u>2,539,810</u>	<u>19,402,889</u>
Fund balances at end of year	<u>\$ 22,478,904</u>	<u>\$ 2,728,113</u>	<u>\$ 78,180,666</u>

(Continued)

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year ended June 30, 2008

Development Impact Fees Street	Redevelopment Agency Debt Service	Redevelopment Agency 2005 Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 34,255,092	\$ -	\$ 3,587,842	\$ 55,405,322
-	-	-	-	236,382
-	-	-	-	794,088
335,634	826,990	2,840,880	972,099	8,261,151
-	-	-	4,922,031	14,407,875
2,768,479	-	-	1,497,679	8,862,460
-	-	-	1,377,549	1,524,833
-	-	1,329,721	52,060	2,025,167
<u>3,104,113</u>	<u>35,082,082</u>	<u>4,170,601</u>	<u>12,409,260</u>	<u>91,517,278</u>
-	-	-	-	786,752
-	-	-	-	1,461,015
-	-	-	-	4,162,841
-	-	-	-	10,781,750
-	-	-	-	8,445,394
-	-	1,579,319	4,049,327	19,311,962
-	4,198,968	-	879,979	6,693,786
-	695,000	-	5,450,000	6,910,000
-	-	2,879,183	-	3,060,015
-	15,541,970	-	-	15,541,970
-	2,224	-	201,131	203,355
-	-	2,493,143	75,303	2,568,446
-	-	5,123,977	380,752	5,507,654
-	-	71,915	528,099	2,416,427
907,909	-	15,998,498	4,563,778	22,033,435
<u>907,909</u>	<u>20,438,162</u>	<u>28,146,035</u>	<u>16,128,369</u>	<u>109,884,802</u>
<u>2,196,204</u>	<u>14,643,920</u>	<u>(23,975,434)</u>	<u>(3,719,109)</u>	<u>(18,367,524)</u>
-	5,136,562	-	11,256,008	25,062,588
-	(6,851,018)	(7,889,414)	(9,829,156)	(25,062,588)
-	-	-	3,500,000	3,500,000
-	-	1,672,588	-	1,672,588
-	-	96,950,000	-	154,320,000
-	-	(948,474)	-	(1,023,142)
-	-	1,042,021	-	1,820,374
<u>-</u>	<u>(1,714,456)</u>	<u>90,826,721</u>	<u>4,926,852</u>	<u>160,289,820</u>
2,196,204	12,929,464	66,851,287	1,207,743	141,922,296
<u>17,641,805</u>	<u>14,326,099</u>	<u>9,140,170</u>	<u>22,918,405</u>	<u>108,676,564</u>
<u>\$ 19,838,009</u>	<u>\$ 27,255,563</u>	<u>\$ 75,991,457</u>	<u>\$ 24,126,148</u>	<u>\$ 250,598,860</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, 2008**

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

Net change in fund balances - total governmental funds		\$ 141,922,296
Increase in long-term deposits and claims payable are included in governmental activities in the government-wide statement of activities.		(79,458)
Capital contributions from outside parties are not recorded on the statement of revenues, expenditures & changes in fund balances. However, they are reported as revenue on the statement of activities.		3,633,896
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	32,525,962	
Depreciation expense	<u>(4,749,403)</u>	27,776,559
Interest Expense is recognized when paid on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and recognized when incurred on the Statement of Activities.		(1,327,212)
The CFD 2005-1 has received special assessments and did not remit these to the City within the availability period. These revenues are recognized in the government-wide statements and deferred in the fund statements.		451,592
In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.		(2,523,752)
The lease agreement between the City and the County provides current financial resources to the governmental funds. These amounts are deferred and amortized in the Statement of Activities		(3,500,000)
The Sales Tax "triple flip" is subject to a "true up" adjustment to be received in January 2009. These revenues are recognized in the government-wide statements and deferred in the fund statements.		(171,502)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal payments on bonds	6,910,000	
Proceeds from Issuance of Bonds	(154,320,000)	
Premium on Issuance of Bonds	(1,820,374)	
Discount on Issuance of Bonds	1,023,142	
Bond issuance costs	3,060,015	
Amortization of costs of issuance, premiums and discounts	(127,462)	
Changes to compensated absences	(150,801)	
Changes to claims payable	<u>(35,766)</u>	<u>(145,461,246)</u>
Change in Net Assets of governmental activities		<u>\$ 20,721,173</u>

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



STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2008

	Water Operations	Sewer Operations	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,241,053	\$ 6,830,060	\$ 11,071,113
Receivables:			
Accounts, net	2,804,955	394,431	3,199,386
Accrued interest	94,272	41,482	135,754
Deposits	22,284	1,656,820	1,679,104
Inventories	1,218,915	-	1,218,915
Due from other governmental agencies	13,284	45,880	59,164
Restricted Assets:			
Cash and investments with fiscal agent	10,290	-	10,290
Cash held for bondholders	933,161	-	933,161
Cash held for loan reserves	385,182	-	385,182
Total Current Assets	<u>9,723,396</u>	<u>8,968,673</u>	<u>18,692,069</u>
Noncurrent Assets:			
Prepaid expenses	750,600	-	750,600
Deferred charges	317,540	-	317,540
Deposits	369,083	33,128	402,211
Capital Assets:			
Land	1,371,741	-	1,371,741
Water rights	1,308,400	-	1,308,400
Construction in progress	12,356,001	-	12,356,001
Land improvements	790,727	-	790,727
Vehicles	2,245,359	75,819	2,321,178
Machinery and equipment	3,867,705	270,568	4,138,273
Buildings and improvements	7,658,113	-	7,658,113
Water and sewer facilities	96,896,866	6,633,400	103,530,266
Less: Accumulated depreciation	<u>(43,095,398)</u>	<u>(2,838,932)</u>	<u>(45,934,330)</u>
Total Capital Assets	<u>83,399,514</u>	<u>4,140,855</u>	<u>87,540,369</u>
Total Noncurrent Assets	<u>84,836,737</u>	<u>4,173,983</u>	<u>89,010,720</u>
Total Assets	<u>\$ 94,560,133</u>	<u>\$ 13,142,656</u>	<u>\$ 107,702,789</u>

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

CITY OF HESPERIA

LIABILITIES	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Total</u>
Current Liabilities:			
Accounts payable	\$ 3,697,423	\$ 241,881	\$ 3,939,304
Accrued personnel costs	99,312	6,477	105,789
Accrued interest payable	29,865	-	29,865
Deposits	411,756	-	411,756
Current liabilities payable from restricted assets - due to bondholders	933,161	-	933,161
Long term debt due within one year	1,161,006	19,924	1,180,930
Total Current Liabilities	<u>6,332,523</u>	<u>268,282</u>	<u>6,600,805</u>
Noncurrent Liabilities:			
Compensated absences	4,377	830	5,207
Claims payable	116,679	-	116,679
Loan payable	188,700	-	188,700
Revenue bonds (net of unamortized discounts and deferred amounts on refunding)	13,402,482	-	13,402,482
Certificates of participation	1,035,000	-	1,035,000
Total Noncurrent Liabilities	<u>14,747,238</u>	<u>830</u>	<u>14,748,068</u>
Total Liabilities	<u>21,079,761</u>	<u>269,112</u>	<u>21,348,873</u>
NET ASSETS			
Invested in capital assets, net of related debt	67,717,380	4,140,855	71,858,235
Restricted for debt service	395,472	-	395,472
Unrestricted	5,367,520	8,732,689	14,100,209
Total Net Assets	<u>\$ 73,480,372</u>	<u>\$ 12,873,544</u>	<u>\$ 86,353,916</u>

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

CITY OF HESPERIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2008

	Water Operations	Sewer Operations	Total
OPERATING REVENUES			
Water sales	\$ 11,977,066	\$ -	\$ 11,977,066
Water services	309,348	-	309,348
Sewer services	-	2,661,434	2,661,434
Other	123,440	-	123,440
Total Operating Revenues	<u>12,409,854</u>	<u>2,661,434</u>	<u>15,071,288</u>
OPERATING EXPENSES			
General and administrative	4,983,329	-	4,983,329
Engineering	1,246,668	-	1,246,668
Production	2,982,794	-	2,982,794
Distribution	1,208,074	1,357,660	2,565,734
Customer service	2,002,304	-	2,002,304
Depreciation and amortization	2,751,297	177,968	2,929,265
Total Operating Expenses	<u>15,174,466</u>	<u>1,535,628</u>	<u>16,710,094</u>
OPERATING INCOME (LOSS)	<u>(2,764,612)</u>	<u>1,125,806</u>	<u>(1,638,806)</u>
NON-OPERATING REVENUES (EXPENSES)			
Unrestricted system improvement and replacement	3,975,273	-	3,975,273
Property taxes	366,072	-	366,072
Property taxes - debt service	2,032	-	2,032
Rent income	364,563	-	364,563
Interest income	651,904	274,559	926,463
Contributed infrastructure expense	(3,794,873)	-	(3,794,873)
Interest expense	(1,014,509)	-	(1,014,509)
Total Non-Operating Revenues (Expenses)	<u>550,462</u>	<u>274,559</u>	<u>825,021</u>
Income (Loss) Before Capital Contributions	<u>(2,214,150)</u>	<u>1,400,365</u>	<u>(813,785)</u>
CAPITAL CONTRIBUTIONS	<u>160,977</u>	<u>-</u>	<u>160,977</u>
Change In Net Assets	<u>(2,053,173)</u>	<u>1,400,365</u>	<u>(652,808)</u>
Net assets at beginning of year	<u>75,533,545</u>	<u>11,473,179</u>	<u>87,006,724</u>
Net assets at end of year	<u>\$ 73,480,372</u>	<u>\$ 12,873,544</u>	<u>\$ 86,353,916</u>

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2008

	Water Operations	Sewer Operations	Total
Cash Flows from Operating Activities:			
Cash received from water and sewer customers	\$ 12,316,105	\$ 2,580,701	\$ 14,896,806
Cash received from other operating receipts	123,440	-	123,440
Cash payments for water purchases	(3,617,627)	-	(3,617,627)
Cash payments for sewer collection and maintenance	-	(1,572,507)	(1,572,507)
Cash payments for services and supplies	(1,536,423)	-	(1,536,423)
Cash payments to employees for services	(8,356,921)	(26,839)	(8,383,760)
Net Cash Provided (Used) by Operating Activities	(1,071,426)	981,355	(90,071)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(17,243,923)	(403,821)	(17,647,744)
Escrow deposits for capital asset purchase	-	(1,656,820)	(1,656,820)
Unrestricted system improvement and replacement receipts	3,975,273	-	3,975,273
Property taxes received	368,104	-	368,104
Interest payments on long-term debt	(989,531)	-	(989,531)
Principal payments on long-term debt	(1,011,174)	-	(1,011,174)
Net Cash Used for Capital and Related Financing Activities	(14,901,251)	(2,060,641)	(16,961,892)
Cash Flows from Investing Activities:			
Rents received	364,563	-	364,563
Interest received	837,147	316,178	1,153,325
Net Cash Provided by Investing Activities	1,201,710	316,178	1,517,888
Net Increase (Decrease) in Cash and Cash Equivalents	(14,770,967)	(763,108)	(15,534,075)
Cash and cash equivalents at beginning of year	20,340,653	7,593,168	27,933,821
Cash and cash equivalents at end of year	\$ 5,569,686	\$ 6,830,060	\$ 12,399,746

(continued)

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2008

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:			
Operating income (Loss)	<u>\$ (2,764,612)</u>	<u>\$ 1,125,806</u>	<u>\$ (1,638,806)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and amortization	2,751,297	177,968	2,929,265
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	29,690	(64,476)	(34,786)
(Increase) decrease in deposits	(190,429)	(33,128)	(223,557)
(Increase) decrease in inventory	(328,349)	-	(328,349)
(Increase) decrease in prepaid expenses	(750,600)	-	(750,600)
(Increase) decrease in due from other governments	19,098	(19,429)	(331)
Increase (decrease) in accounts payable	115,767	(214,847)	(99,080)
Increase (decrease) in accrued personnel costs	36,051	3,172	39,223
Increase (decrease) in customer deposits	(7,375)	-	(7,375)
Increase (decrease) in compensated absences	18,036	6,289	24,325
Total Adjustments	<u>1,693,186</u>	<u>(144,451)</u>	<u>1,548,735</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ (1,071,426)</u>	<u>\$ 981,355</u>	<u>\$ (90,071)</u>

Noncash Capital Financing Activities:

Capital assets of \$160,977 were acquired through capital contributions from the City of Hesperia consisting of land.

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

Fiduciary Fund Types

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

Individual Agency funds are as follows:

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

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

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

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

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

	<u>Total Agency Funds</u>
Assets	
Cash and investments	\$ 5,620,446
Cash and investments with fiscal agent	3,436,630
Accrued interest	<u>29,289</u>
Total Assets	<u><u>9,086,365</u></u>
Liabilities	
Accounts payable	562,192
Due to bondholders	6,534,792
Deposits payable	<u>1,989,381</u>
Total Liabilities	<u><u>\$ 9,086,365</u></u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

a. Description and Scope of the Reporting Entity:

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

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

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

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

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

b. Government-wide and Fund Financial Statements:

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. For revenues of the Gas Tax Fund, revenues are considered to be available if they are collected within 90 days of the end of the current fiscal period. 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 (T.O.T.) franchise taxes, vehicle license fees, highway users tax, interest associated with the current period, and some grants are all susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

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

The **Development Impact Fees Street Fund** is used to account for construction and preservation of streets and roadways.

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

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

The City reports the following major proprietary funds:

The **Water Operations 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

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

d. Cash and Cash Equivalents:

For purposes of the statements of cash flows, cash and cash equivalents have been defined as demand deposits and highly liquid investments purchased with an original maturity of 90 days or less. Also there were no noncash investing capital or financing activities for the year ended June 30, 2008, which would require disclosure on the statement of cash flows.

e. Investments:

Investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings, changes in fair value, any gains or losses realized upon liquidation, maturity, or sale of investments. There are no significant differences between fair value and cost at June 30, 2008.

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

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

g. Inventory:

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

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

h. Claims and Judgments:

When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2008, in the opinion of the City's Attorney, the City had no material unrecorded claims which would require loss provision in the financial statements, including losses for claims which are Incurred But Not Reported (IBNR). Small dollar claims and judgments are recorded as expenditures when paid.

i. Compensated Absences:

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

j. Capital Assets:

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

k. Self Insurance:

The City provides worker's compensation and employer's liability under self-insured plans. The City is self-insured for the first \$250,000 of each worker's compensation claim. The Public Agencies Self-Insurance System (PASIS) covers worker's compensation claims between \$250,000 and \$10,000,000. The City is self-insured for the first \$50,000 of each general liability claim. The Public Agency Risk Sharing Authority of California (PARSAC) covers general liability claims between \$50,000 and \$1,000,000. Excess liability insurance coverage for losses between \$1,000,000 and \$10,000,000 for each occurrence is obtained from other insurance companies.

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

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issues 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.

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. Under the provisions of NCGA interpretation 3, 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. Fund Equity:

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

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) and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

See accompanying independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

p. Restricted Assets:

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

q. Land Held for Resale:

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

2. FIRE PROTECTION SERVICES AGREEMENT:

The Hesperia Fire Protection District entered into a fire protection services agreement with the San Bernardino County Consolidated Fire District (County) effective June 1, 2005. The agreement calls for the County to provide to the District fire prevention, fire investigation, fire suppression, advanced life support services, ambulance transportation service, hazardous materials, and rescue services. The District paid \$8,091,789 to the County for these services during the fiscal year ending June 30, 2008. The County will also provide various administrative duties including billing and collecting of advanced life support and ambulance transportation fees for the District. The District leases its real property, furniture and fixtures, and fire vehicles and equipment to the County for one dollar per year. The agreement calls for the County to maintain insurance for workers compensation, comprehensive general and automobile.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS:

Cash and Investments:

Cash and investments at June 30, 2008 are classified in the accompanying financial statements as follows:

STATEMENT OF NET ASSETS:

Current Assets:

Cash and cash equivalents	\$
	114,974,178

Noncurrent Assets:

Restricted assets:

Cash and investments with fiscal agent	125,777,139
Cash held for bondholders	933,161
Cash held for bond reserves	11,629,484

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES:

Assets

Cash and investments	5,620,446
Cash and investments with fiscal agent	<u>3,436,630</u>

Total cash and investments	\$
	<u>262,371,038</u>

See accompanying independent auditors' report.

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

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 4,875
Deposits with financial institutions	26,276,238
Investments	<u>236,089,925</u>
 Total cash and investments	 <u>\$ 262,371,038</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.

<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	None	None
U.S. State or Local Agency Securities	5 years	None	None
Banker’s Acceptances	270 days	25%	5%
Commercial Paper	5 years	15%	None
Negotiable Certificates of Deposit	5 years	25%	None
Repurchase Agreements	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	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:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City of Hesperia’s investment policy.

Disclosures Relating to Interest Rate Risk:

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

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

See accompanying independent auditors' report.

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

Disclosures Relating to Interest Rate Risk (Continued):

<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	\$ 95,631,850	\$ 95,631,850	\$ -	\$ -	\$ -
Held by fiscal agent:					
U.S. Government Treasury					
Obligations	1,272,778	306,042	316,562	650,174	-
Money market funds	54,678,047	54,678,047	-	-	-
Investment contracts	<u>84,507,250</u>	<u>-</u>	<u>-</u>	<u>83,495,000</u>	<u>1,012,250</u>
Total	<u>\$ 236,089,925</u>	<u>\$ 150,615,939</u>	<u>\$ 316,562</u>	<u>\$ 84,145,174</u>	<u>\$ 1,012,250</u>

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.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
State investment pool	\$ 95,631,850	N/A	\$ -	\$ -	\$ -	\$95,631,850
Held by fiscal agent:						
U.S. Government						
Treasury Obligations	1,272,778	N/A	-	1,272,778	-	-
Money market funds	54,678,047	N/A	-	54,678,047	-	-
Investment contracts	<u>84,507,250</u>	N/A	<u>-</u>	<u>-</u>	<u>84,507,250</u>	<u>-</u>
Total	<u>\$ 236,089,925</u>		<u>\$ -</u>	<u>\$ 55,950,825</u>	<u>\$84,507,250</u>	<u>\$95,631,850</u>

Concentration of Credit Risk:

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Natixis Funding Corp	Investment contracts	\$ 83,495,000
Blackrock Institutional Funds	Money market funds	\$ 51,231,124

See accompanying independent auditors' report.

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

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2008 the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation up to \$100,000 and the remaining balance of the deposits were collateralized under California Law.

Investment in State Investment Pool:

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

4. CAPITAL ASSETS:

Capital asset activity was as follows for the year ended June 30, 2008:

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 9,064,035	\$ 2,568,446	\$(2,684,728)	\$ 8,947,753
Construction in progress	10,112,418	31,387,962	(12,415,610)	29,084,770
Total capital assets, not being depreciated	19,176,453	33,956,408	(15,100,338)	38,032,523
Capital assets being depreciated:				
Land improvements	394,920	-	-	394,920
Vehicles	6,314,188	1,826,819	(394,300)	7,746,707
Buildings	29,855,363	3,412	-	29,858,775
Machinery and equipment	4,050,623	537,608	(354,162)	4,234,069
Infrastructure	70,179,783	12,412,198	-	82,591,981
Total capital assets, being depreciated	110,794,877	14,780,037	(748,462)	124,826,452
Less accumulated depreciation for:				
Land improvements	(335,325)	(15,441)	-	(350,766)
Vehicles	(3,744,400)	(433,136)	394,300	(3,783,236)
Buildings	(803,889)	(599,908)	-	(1,403,797)
Machinery and equipment	(2,574,507)	(257,602)	354,162	(2,477,947)
Infrastructure	(25,727,861)	(3,443,316)	-	(29,171,177)
Total accumulated depreciation	(33,185,982)	(4,749,403)	748,462	(37,186,923)
Total capital assets, being depreciated, net	77,608,895	10,030,634	-	87,639,529
Governmental activities capital assets, net	\$ 96,785,348	\$ 43,987,042	\$ (15,100,338)	\$ 125,672,052

See accompanying independent auditors' report.

4. CAPITAL ASSETS (Continued):

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1,211,230	\$ 160,977	\$ (466)	\$ 1,371,741
Water rights	1,308,400	-	-	1,308,400
Construction in progress	12,299,912	13,228,234	(13,172,145)	12,356,001
Total capital assets, not being depreciated	14,819,542	13,389,211	(13,172,611)	15,036,142
Capital assets being depreciated:				
Land improvements	790,727	-	-	790,727
Vehicles	2,101,612	473,809	(254,243)	2,321,178
Machinery and equipment	4,416,884	151,294	(429,905)	4,138,273
Building and improvements	7,658,113	-	-	7,658,113
Water facilities	84,157,921	12,773,358	(34,413)	96,896,866
Sewer facilities	6,234,613	398,787	-	6,633,400
Total capital assets, being depreciated	105,359,870	13,797,248	(718,561)	118,438,557
Less accumulated depreciation for:				
Land improvements	(450,808)	(32,909)	-	(483,717)
Vehicles	(1,063,900)	(165,408)	254,243	(975,065)
Machinery and equipment	(3,333,398)	(166,471)	429,905	(3,069,964)
Building and improvements	(5,188,133)	(246,718)	-	(5,434,851)
Water facilities	(31,219,118)	(2,143,036)	34,413	(33,327,741)
Sewer facilities	(2,486,183)	(156,809)	-	(2,642,992)
Total accumulated depreciation	(43,741,540)	(2,911,351)	718,561	(45,934,330)
Total capital assets, being depreciated, net	61,618,330	10,885,897	-	72,504,227
Business-type activities capital assets, net	<u>\$ 76,437,872</u>	<u>\$24,275,108</u>	<u>\$ (13,172,611)</u>	<u>\$ 87,540,369</u>

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

Governmental activities:	
General government	\$ 1,624,398
Public safety	237,186
Development services	2,887,819
Total depreciation expense - governmental activities	<u>\$ 4,749,403</u>
Business-type activities:	
Water	\$ 2,733,383
Sewer	177,968
Total depreciation expense - business-type activities	<u>\$ 2,911,351</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, 2008:

	Principal Balance at June 30, 2007	Additions	Deletions	Principal Balance at June 30, 2008	Due Within One Year
Governmental activities:					
Loans	\$ 1,500,000	\$ -	\$ (150,000)	\$ 1,350,000	\$ 150,000
Certificates of participation	18,300,000	-	(4,000,000)	14,300,000	500,000
Total Loans	19,800,000	-	(4,150,000)	15,650,000	650,000
Revenue Bonds	55,900,000	154,320,000	(2,760,000)	207,460,000	3,740,000
Less deferred amounts:					
Bond premiums	1,355,914	1,820,374	(99,135)	3,077,153	-
Bond discounts	(16,813)	(1,023,142)	35,157	(1,004,798)	-
Total Revenue Bonds	57,239,101	155,117,232	(2,823,978)	209,532,355	3,740,000
Compensated absences	438,079	357,852	(207,051)	588,880	565,324
Claims payable	407,889	204,166	(168,400)	443,655	-
Total governmental activity	77,885,069	155,679,250	(7,349,429)	226,214,890	4,955,324
Business-type activities:					
Loans	905,826	-	(351,174)	554,652	365,952
Certificates of participation	1,110,000	-	(35,000)	1,075,000	40,000
Total Loans	2,015,826	-	(386,174)	1,629,652	405,952
Revenue bonds	16,155,000	-	(625,000)	15,530,000	650,000
Less deferred amounts:					
Bond discounts	(135,352)	-	7,305	(128,047)	-
On refunding	(1,426,408)	-	76,937	(1,349,471)	-
Total Revenue Bonds	14,593,240	-	(540,758)	14,052,482	650,000
Compensated absences	105,860	89,463	(65,138)	130,185	124,978
Claims payable	74,649	147,022	(104,992)	116,679	-
Total business-type activity	16,789,575	236,485	(1,097,062)	15,928,998	1,180,930
Entity-wide total	\$ 94,674,644	\$ 155,915,735	\$ (8,446,491)	\$ 242,143,888	\$6,136,254

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

Governmental long-term debt as of June 30, 2008 is comprised of the following issues:

Balance at
June 30, 2008

Section 108 Loan:

On June 6, 1996, the City entered into a note for \$3,000,000 with Chase Manhattan Bank. The note is guaranteed by the Department of Housing and Urban Development (HUD) under Section 108 of the Housing and Community Development Act and is payable from future CDBG entitlements. These proceeds are to be used to make loans to assist for-profit businesses.

\$ 1,350,000

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

During the fiscal year ending June 30, 2005 the Hesperia Public Financing Authority issued, on behalf of the Hesperia Community Redevelopment Agency, \$49,285,000 Tax Allocation Bonds, Series A and B. The proceeds of the Series A bonds were used to refund the Senior Revenue Bonds, Series A, B, and C, repay loans made by the City of Hesperia to the Agency, and to provide funds for redevelopment project activity. The current refunding of the Senior Revenue Bonds Series A, B, and C resulted in an economic gain of \$4,602,700 and a reduction of \$1,184,022 in future debt service payments. A reserve fund for the 2005 Tax Allocation Revenue Bonds was established to be equal to the least of ten percent (10%) of the aggregate original issue price of the respective Series of Bonds, one hundred twenty five percent (125%) of the average annual debt service on the respective Series of Bonds for that and every subsequent bond year, or the maximum annual debt service on the respective Series of Bonds. As of June 30, 2008, the amounts held with the reserve accounts for the Series A and B bonds were \$2,557,331 and \$654,873, respectively.

Series A:

The Series A bonds consist of term current interest bonds and accrue interest at annual rates ranging from 3.0% to 4.60%. Interest and principal is payable on September 1st of each year with bond principal payments ranging in amounts from \$675,000 to \$2,415,000.

37,995,000

Series B:

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

6,490,000

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

Governmental long-term debt as of June 30, 2008 is comprised of the following issues (Continued):

Balance at
June 30, 2008

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

During the fiscal year ending June 30, 2008 the Hesperia Public Financing Authority issued, on behalf of the Hesperia Community Redevelopment Agency, \$154,320,000 Tax Allocation Bonds, Series A and B. The proceeds of the Series A & B bonds were used to provide funds for redevelopment project activity. A reserve fund for the 2007 Tax Allocation Revenue Bonds was established to be equal to the least of ten percent (10%) of the aggregate original issue price of the respective Series of Bonds, one hundred twenty five percent (125%) of the average annual debt service on the respective Series of Bonds for that and every subsequent bond year, or the maximum annual debt service on the respective Series of Bonds. As of June 30, 2008, the amounts held with the reserve accounts for the Series A and B bonds were \$4,013,566 and \$1,717,217, respectively.

Series A:

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

132,150,000

Series B:

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

22,170,000

2004 Refunding Variable Rate Lease Revenue Bonds:

On October 1, 2004 the Hesperia Public Financing Authority issued the 2004 Variable Rate Demand Revenue Bonds in the amount of \$12,525,000 to refund the 1993 A Series Revenue Bonds in the amount of \$3,045,000 and the 1993 B Series Revenue Bonds in the amount of \$10,900,000. The issue initially bears interest at a weekly variable rate with an option to convert to a fixed rate. The issue matures through the year 2023 with principal payments ranging from \$485,000 to \$895,000. The 1993A bonds and 1993B bonds were called on October 1, 2004. The current refunding of the 1993 A and B Revenue Bonds resulted in an economic gain of \$3,461,053 and a reduction of \$6,442,436 in future debt service payments. A reserve fund for the 2004 Variable Rate Demand Revenue Bonds was established to be equal to the least of 1) 10% of the original principal amount of the bonds; 2) 125% of the average annual installment sale payments; or 3) the maximum annual installment payments assuming available rate of 4.5% on the outstanding certificates. At June 30, 2008, a total of \$1,012,251 was held in reserve.

8,655,000

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

Governmental long-term debt as of June 30, 2008 is comprised of the following issues (Continued):

	<u>Balance at June 30, 2008</u>
<u>2005 Variable Rate Certificates of Participation:</u>	
On May 1, 2005, the Hesperia Public Financing Authority issued the 2005 Variable Rate Demand Certificates of Participation (Civic Plaza Financing) to finance the acquisition and construction of a civic plaza and related improvements. The issue initially bears interest at a weekly variable rate with an option to convert to a fixed rate. The issue matures through the year 2034 with principal payments ranging from \$400,000 to \$900,000. A reserve fund was established in the amount of the least of 1) maximum annual debt payments assuming a variable rate of 4.5% of the outstanding certificates; 2) 125% of the average annual debt payments or; 3) 10% of the original principal amounts of the certificates. At June 30, 2008, a total of \$1,289,064 was held in reserve.	14,300,000
Compensated absences	588,880
Claims payable	<u>443,655</u>
Subtotal Governmental Long-Term Debt	224,142,535
Add: Deferred amounts on bonds	<u>2,072,355</u>
Total Governmental Long-Term Debt Before Current Portion	226,214,890
Less: Current Portion – Due Within One Year	<u>(4,955,324)</u>
Total Long-Term Portion of Governmental Debt	<u><u>\$221,259,566</u></u>

The business-type long-term debt as of June 30, 2008 is as follows:

	<u>Balance at June 30, 2008</u>
<u>Proposition 28 Loan from State of California:</u>	
The District has a contract with the State of California, as of May 20, 1987, for a \$5,000,000 loan (additional \$200,000 administrative fee) under the Safe Drinking Water Bond Law of 1984. These funds are to assist the District in meeting minimum safe drinking water standards for the domestic water supply. The interest rate is 4.144% per year and matures through October, 2009 with semi-annual payments of \$192,591. The loan agreement requires a reserve equal to two semi-annual payments in the amount of \$385,182. At June 30, 2008, a total of \$385,182 was held in reserve.	\$ 554,652

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

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

Balance at
June 30, 2008

1998A Variable Rate Lease Revenue Refunding Bonds:

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

14,100,000

1998B Variable Rate Lease Revenue Refunding Bonds:

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

1,430,000

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.

1,075,000

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

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

	Balance at June 30, 2008
Compensated Absences	130,185
Claims Payable	<u>116,679</u>
Subtotal Business Long-Term Debt	17,406,516
Less: Deferred amounts on bonds	<u>(1,477,518)</u>
Total Business Long-Term Debt Before Current Portion	15,928,998
Less: Current Portion – Due Within One Year	<u>(1,180,930)</u>
Total Long-Term Portion of Business-Type debt	<u>\$ 14,748,068</u>

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

Governmental				Business			
Fiscal year Ending	Principal	Interest	Total	Fiscal year Ending	Principal	Interest	Total
2009	\$ 150,000	\$ 70,204	\$ 220,204	2009	\$ 365,952	\$ 19,230	\$ 385,182
2010	150,000	61,519	211,519	2010	188,700	3,836	192,536
2011	150,000	52,834	202,834	2011	-	-	-
2012	150,000	44,149	194,149	2012	-	-	-
2013	150,000	35,464	185,464	2013	-	-	-
2014-2017	600,000	55,006	655,006	2014-2017	-	-	-
Totals	<u>\$1,350,000</u>	<u>\$ 319,176</u>	<u>\$1,669,176</u>	Totals	<u>\$ 554,652</u>	<u>\$ 23,066</u>	<u>\$ 577,718</u>

Governmental				Business			
Fiscal Year Ending	Principal	Interest	Total	Fiscal Year Ending	Principal	Interest	Total
2009	\$ 3,740,000	\$ 10,201,179	\$ 13,941,179	2009	\$	\$ 829,633	\$ 1,479,633
2010	3,655,000	10,278,817	13,933,817	2010	675,000	796,347	1,471,347
2011	3,815,000	10,114,823	13,929,823	2011	705,000	761,732	1,466,732
2012	3,980,000	9,942,198	13,922,198	2012	730,000	725,602	1,455,602
2013	4,160,000	9,758,757	13,918,757	2013	760,000	688,222	1,448,222
2014-2018	23,885,000	45,606,769	69,491,769	2014-2018	4,270,000	2,825,298	7,095,298
2019-2023	29,105,000	38,767,013	67,872,013	2019-2023	5,045,000	1,642,166	6,687,166
2024-2028	34,350,000	30,824,655	65,174,655	2024-2028	2,695,000	344,172	3,039,172
2029-2033	44,200,000	20,933,950	65,133,950	2029-2033	-	-	-
2034-2038	56,570,000	8,624,600	65,194,600	2034-2038	-	-	-
Totals	<u>\$207,460,000</u>	<u>\$195,052,761</u>	<u>\$405,512,761</u>	Totals	<u>\$15,530,000</u>	<u>\$ 8,613,172</u>	<u>\$ 24,143,172</u>

See accompanying independent auditors' report.

5. LONG-TERM DEBT (Continued):

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

Governmental				Business			
Fiscal Year	Principal	Interest	Total	Fiscal Year	Principal	Interest	Total
Ending				Ending			
2009	\$ 500,000	\$ 626,671	\$ 1,126,671	2009	40,000	96,750	136,750
2010	500,000	604,171	1,104,171	2010	45,000	93,150	138,150
2011	500,000	581,671	1,081,671	2011	50,000	89,100	139,100
2012	500,000	559,171	1,059,171	2012	55,000	84,600	139,600
2013	500,000	536,671	1,036,671	2013	60,000	79,650	139,650
2014-2018	2,700,000	2,334,625	5,034,625	2014-2018	380,000	308,250	688,250
2019-2023	3,100,000	1,673,161	4,773,161	2019-2023	445,000	103,950	548,950
2024-2028	3,600,000	913,834	4,513,834	2024-2028	-	-	-
2029-2033	2,400,000	135,222	2,535,222	2029-2033	-	-	-
Totals	\$14,300,000	\$ 7,965,197	\$ 22,265,197	Totals	\$ 1,075,000	\$ 855,450	\$ 1,930,450

6. INTERFUND TRANSACTIONS:

A. Current Interfund Balance:

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of current interfund balances as of June 30, 2008. The interfund balances listed below represent the advancement of cash to cover operating expenses.

Receivable Funds	Amount	Payable Funds	Amount
General Fund	\$ 97,799	Other Governmental Funds	\$ 319,294
Redevelopment Agency Capital Projects (major fund)	221,495		
Redevelopment Agency Debt Service	3,029,322	Redevelopment Agency Capital Projects (major fund)	3,029,322
Total due from other funds	\$ 3,348,616	Total due to other funds	\$ 3,348,616

See accompanying independent auditors' report.

6. INTERFUND TRANSACTIONS (Continued):

B. Current Interfund Transfers (Continued):

<u>Transfers out</u>	<u>Amount</u>	<u>Transfers in</u>	<u>Amount</u>
Redevelopment Agency Debt Service Fund	\$ 6,851,018	Redevelopment Agency Special Revenue	\$ 6,851,018
General Fund	493,000	City Debt Service	153,000
		Street Maintenance	340,000
Measure I Arterial	474,314	Mark Roos Revenue Bonds	474,314
Measure I Local	228,374	Mark Roos Revenue Bonds	228,374
Gas Tax	917,376	Mark Roos Revenue Bonds	493,376
		Street Maintenance	424,000
Traffic Congestion Relief	500,000	Street Maintenance	500,000
Community Development Block Grant	503,703	Fire District	503,703
AB 3229 State COPS Program	179,000	General Fund	179,000
Development Impact Fees Public Service	1,047,000	City Debt Service	1,047,000
Article 8	2,320,016	Street Maintenance	2,021,000
		Mark Roos Revenue Bonds	299,016
Government Center	3,659,373	City Debt Service	3,659,373
Redevelopment Agency Capital Projects (major fund)	7,889,414	Redevelopment Agency Debt Service Fund	5,136,562
		Fire District	886,297
		Branch Library	1,616,555
		General Fund	<u>250,000</u>
Total transfers out	<u>\$ 25,062,588</u>	Total transfers in	<u>\$ 25,062,588</u>

See accompanying independent auditors' report.

6. INTERFUND TRANSACTIONS (Continued):

B. Current Interfund Transfers (Continued):

The transfer of \$6,851,018 between the Redevelopment Agency Debt Service Fund and the Redevelopment Agency Special Revenue fund was for the 20% low and moderate income housing set a side from tax increment revenue.

The transfer of \$493,000 between the General Fund and the City Debt Service fund (\$153,000) was for the debt service of the 2005 Variable Rate Certificates of Participation and (\$340,000) to the Street Maintenance fund was for local street maintenance costs.

The transfer of \$474,314 between the Measure I Arterial Fund and the Mark Roos Revenue Bonds fund was for debt service of the 2004 Refunding Variable Rate Lease Revenue Bonds.

The transfer of \$228,374 between the Measure I Local Fund and the Mark Roos Revenue Bonds fund was for debt service of the 2004 Refunding Variable Rate Lease Revenue Bonds.

The transfer of \$917,376 between the Gas Tax Fund and the Mark Roos Revenue Bonds fund (\$493,376) was for debt service of the 2004 Refunding Variable Rate Lease Revenue Bonds and the (\$424,000) to the Street Maintenance Fund was for local street maintenance costs.

The transfer of \$500,000 between the Traffic Congestion Relief fund and the Street Maintenance fund was for local street maintenance costs.

The transfer of \$503,703 between the Community Development Block Grant fund and the Fire District was to purchase a replacement fire engine for Station #302.

The transfer of \$179,000 between the AB 3229 State COPS Program and the General Fund was to offset some of the cost for 1.5 Deputy Sheriffs.

The transfer of \$1,047,000 between the Development Impact Fees Public Service Fund and the City Debt Service Fund was for the debt service of the 2005 Variable Rate Certificates of Participation.

The transfer of \$2,320,016 between the Article 8 Fund and the Mark Roos Revenue Bonds Fund (\$299,016) was for the debt service of the 2004 Refunding Variable Rate Lease Revenue Bonds and the (\$2,021,000) to the Street Maintenance Fund was for local street maintenance costs.

The transfer of \$3,659,373 between the Government Center fund and the City Debt Service fund was to return the residual fund balance of the Government Center fund to the City Debt Service fund.

The transfer of \$5,136,562 between the Redevelopment Agency Capital Projects fund and the Redevelopment Agency Debt Service fund was to record the debt reserves for the 2007 bonds.

The transfer of \$886,297 between the Redevelopment Agency Capital Projects Fund and the Fire District was for the purchase of replacement fire vehicles.

The transfer of \$1,616,555 between the Redevelopment Agency Capital Projects Fund and the Branch Library fund was for construction costs of the Hesperia Branch Library.

The transfer of \$250,000 between the Redevelopment Agency Capital projects fund and the General Fund is the administrative overhead the RDA owes the General Fund for its services to the Agency.

See accompanying independent auditors' report.

7. FUND DISCLOSURES AND NET ASSETS:

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

The City’s reserves at June 30, 2008 are tabulated below, followed by explanations as to the nature and purpose of each reserve.

	General Fund	Redevelopment Agency Debt Service	Redevelopment Agency Special Revenue	Fire District	Development Impact Fees Streets
Reserved for:					
Reserve for advances	\$ -	\$ 3,029,322	\$ -	\$ -	\$ -
Land held for resale	-	-	818,555	-	9,002,541
Special Revenue	-	-	77,362,111	-	-
Debt Service	-	24,226,241	-	-	-
Capital Projects	-	-	-	-	-
Self Insurance	150,000	-	-	-	-
Subtotals	150,000	27,255,563	78,180,666	-	9,002,541
Unreserved, reported in:					
General Fund	22,328,904	-	-	-	-
Special Revenue Funds	-	-	-	2,728,113	10,835,468
Capital Projects Funds	-	-	-	-	-
Subtotals	22,328,904	-	-	2,728,113	10,835,468
Total Fund Balances	\$ 22,478,904	\$ 27,255,563	\$ 78,180,666	\$ 2,728,113	\$ 19,838,009

	Redevelopment Agency Capital Projects	Other Governmental Funds	Total Governmental Funds
Reserved for:			
Reserve for advances	\$ -	\$ -	\$ 3,029,322
Land held for resale	11,360,651	-	21,181,747
Special Revenue	-	-	77,362,111
Debt Service	-	3,574,909	27,801,150
Capital Projects	64,630,806	-	64,630,806
Self Insurance	-	-	150,000
Subtotals	75,991,457	3,574,909	194,155,136
Unreserved, reported in:			
General Fund	-	-	22,328,904
Special Revenue Funds	-	13,737,138	27,300,719
Capital Projects Funds	-	6,814,101	6,814,101
Subtotals	-	20,551,239	56,443,724
Total Fund Balances	\$ 75,991,457	\$ 24,126,148	\$250,598,860

See accompanying independent auditors' report.

7. FUND DISCLOSURES AND NET ASSETS (Continued):

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

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

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

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

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

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

	<u>Government-type Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 27,606,544	\$ 71,858,235	\$ 99,464,779
Restricted	11,244,302	395,472	11,639,774
Unrestricted	<u>111,680,392</u>	<u>14,100,209</u>	<u>125,780,601</u>
Total	<u>\$ 150,531,238</u>	<u>\$ 86,353,916</u>	<u>\$ 236,885,154</u>

The following funds reported a deficit in fund balance at June 30, 2008:

	<u>Amount of Deficit in Fund Balance</u>
Special Revenue Fund:	
Home Grant	\$ 35,039
Article 8	45,192
Capital Project Fund:	
County High Desert Government Center	147,591

The following funds had excess of expenditures over appropriations at June 30, 2008:

<u>Individual Funds:</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Measure I Transit	\$ 161,649	\$ 300,000	\$ (138,351)

See accompanying independent auditors' report.

8. PENSION PLAN OBLIGATIONS:

Plan Description:

The City of Hesperia’s defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the Public Employees Retirement System (PERS), a cost-sharing multiple-employer plan administered by PERS, which acts as a common investment administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees’ Retirement Law. The City of Hesperia selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. PERS issues a separate comprehensive annual financial report. Copies of the PERS annual financial report may be obtained from the PERS Executive Office – 4000 P Street – Sacramento, CA 95814.

Funding Policy:

Participants are required to contribute 8.00% of their annual covered salary. The City and District make the contributions required of their employees on their behalf and for their account. The City and District are required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for fiscal 2007/2008 was:

City non-safety employees	11.224%
Water District non-safety employees	8.680%
Fire District non-safety employees	0.000%*
Fire District safety employees	0.000%*

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

The contribution requirements of the plan members are established by State statute and the employer contribution rates are established and may be amended by PERS.

Annual Pension Costs:

For fiscal year 2007/2008, the City and District annual pension cost of \$2,002,987 for PERS was equal to the City and District required and actual contributions. The required contribution for fiscal year 2007/2008 was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members, and (c) 3.25% cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of the Plan’s assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability (or excess assets) are being amortized as a level percentage of projected payroll on a closed basis depending on the size of investment gains and/or losses. The remaining amortization period of the unfunded actuarial liability ends on June 30, 2018 for the City and the District.

See accompanying independent auditors' report.

8. PENSION PLAN OBLIGATIONS (Continued):

Trend Information:

Three-Year Trend Information for PERS:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 1,071,917	100%	-
6/30/07	1,400,913	100%	-
6/30/08	2,002,987	100%	-

Schedule of Funding Progress for PERS – Most Recent Available:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Liability (AAL) Entry Age (B)</u>	<u>Unfunded (Over funded) AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a % of Covered Payroll (B-A/C)</u>
6/30/03:						
City Misc.	\$ 7,230,094	\$ 8,321,545	\$ 1,091,451	86.9%	\$ 3,663,005	29.80%
Water Misc.	6,779,947	5,678,339	(1,101,608)	119.4%	1,172,890	(93.92)%
Fire Misc.	432,867	481,416	48,549	89.9%	159,160	30.50%
Fire Safety	<u>16,416,648</u>	<u>15,891,166</u>	<u>(525,482)</u>	<u>103.3%</u>	<u>2,713,489</u>	<u>(19.37)%</u>
Total	<u>\$ 30,859,556</u>	<u>\$ 30,372,466</u>	<u>\$ (487,090)</u>	<u>101.6%</u>	<u>\$ 7,708,544</u>	<u>(6.319)%</u>
6/30/04:						
City/Water*	\$ 2,460,944,656	\$ 2,746,095,668	\$285,151,012	89.6%	\$743,691,970	38.3%
6/30/05:						
City/Water*	\$ 2,588,713,000	\$ 2,891,460,651	\$302,747,651	89.5%	\$755,046,679	40.1%

* - After June 30, 2003, PERS combined the City's plan into a risk pool with other agencies of fewer than 100 employees. The funding status for June 30, 2004 and June 30, 2005 is the status for the risk pool. Individual City funding status is not available. PERS has also combined the Hesperia Fire Protection District's plan into a risk pool with other agencies of fewer than 100 employees, therefore individual Fire District funding is not available.

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

8. PENSION PLAN OBLIGATIONS (Continued):

Schedule of Funding Progress for PERS – Most Recent Available for the 2.7% at 55 retirement plan:

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)
6/30/05:						
City/Water*	\$ 729,556,809	\$ 872,346,612	\$ 142,789,803	83.6%	\$203,995,039	70.0%
Fire:						
Misc./Safety*	<u>347,539,822</u>	<u>369,091,183</u>	<u>21,551,361</u>	<u>94.2%</u>	<u>-</u>	<u>-%</u>
Total	<u>\$1,077,096,631</u>	<u>\$1,241,437,795</u>	<u>\$164,341,164</u>	<u>86.8%</u>	<u>\$203,995,039</u>	<u>80.6%</u>
6/30/06:						
City/Water*	\$ 1,069,546,974	\$ 1,280,157,040	\$210,610,066	83.6%	\$304,898,179	69.1%
Fire:						
Misc./Safety*	<u>371,203,956</u>	<u>389,558,550</u>	<u>18,354,594</u>	<u>95.3%</u>	<u>-</u>	<u>-%</u>
Total	<u>\$1,440,750,930</u>	<u>\$1,669,715,590</u>	<u>\$228,964,660</u>	<u>86.3%</u>	<u>\$304,898,179</u>	<u>75.1%</u>
6/30/07:						
City/Water*	\$1,362,059,317	\$1,627,025,950	\$264,966,633	83.7%	\$376,292,121	70.4%
Fire:						
Misc./Safety*	<u>377,230,242</u>	<u>391,672,319</u>	<u>14,442,077</u>	<u>96.3%</u>	<u>-</u>	<u>-%</u>
Total	<u>\$1,739,289,559</u>	<u>\$2,018,698,269</u>	<u>\$ 279,408,710</u>	<u>86.2%</u>	<u>\$376,292,121</u>	<u>74.3%</u>

* - After June 30, 2003, PERS combined the City's plan into a risk pool with other agencies of fewer than 100 employees. The funding status is the status for the risk pool. Individual City funding status is not available. PERS has also combined the Hesperia Fire Protection District's plan into a risk pool with other agencies of fewer than 100 employees, therefore individual Fire District funding is not available.

9. POST EMPLOYMENT HEALTH CARE BENEFITS:

The City pays \$97 a month in post employment health care benefits for each retiree until age 65. Currently, the City is paying approximately 14 retired employees this benefit. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium plus a 2% administration fee is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the City under this program.

10. SELF-INSURANCE RISK POOL:

The City and Fire District are members of the Public Agencies Self-Insurance System, a joint powers authority of 8 California cities and districts, for the purpose of pooling the City's risk for worker's compensation insurance with those of other member cities and districts. The Governing Board of PASIS is comprised of directors nominated and selected by each member city and district. Each governing board member has one vote regarding all financial and management issues coming before the Board.

Each member is billed annually and premiums are paid quarterly. Estimated premiums for claims to be paid and a reserve are advanced upon joining PASIS. Each Year PASIS adjusts its premiums based on City payroll figures, claims paid and claims incurred but not reported. The City receives audited financial statements of PASIS each year which have been audited by other auditors.

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

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

As a member of PARSAC, the City is self-insured for the first \$50,000 for each occurrence and the difference between the City's \$50,000 self-insurance retention and \$1,000,000 is covered by PARSAC. Excess liability insurance coverage for losses between \$1,000,000 and \$10,000,000 for each occurrence is obtained from other insurance companies.

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.

See accompanying independent auditors' report.

10. SELF-INSURANCE RISK POOL (Continued):

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

	Year Ended June 30, 2008	Year Ended June 30, 2007
Unpaid Claims, Beginning of Fiscal Year	\$ 482,538	\$ 626,491
Incurred Claims	351,188	-
Claim Payments	<u>(273,392)</u>	<u>(143,953)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 560,334</u>	<u>\$ 482,538</u>

The Unpaid claims of \$560,334 above are a component of long term debt (Note 5). Due to the uncertainty of when the claims will be paid none are considered due within one year.

11. PARTICIPATION IN JOINT VENTURES:

Victor Valley Wastewater Reclamation Authority:

The City is a member of the Victor Valley Wastewater Reclamation Authority (VWRA), 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 VWRA is made up of representatives from each significant participant in VWRA. Budgeting and financing are the responsibility of VWRA.

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

Victor Valley Transit Service Authority:

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

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

Victor Valley Economic Development Authority:

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

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

See accompanying independent auditors' report.

12. SPECIAL ASSESSMENT BONDS WITHOUT GOVERNMENT COMMITMENT:

Assessment District (AD No. 91-1):

In June 1992, Assessment District No. 91-1 issued Limited Obligation Improvement Bonds for \$20,643,335. These bonds were issued under the provisions of the Improvement Bond Act of 1915 and were used to finance public infrastructure improvement projects within Assessment District No. 91-1. These bonds and the interest payable are secured by unpaid assessment liens fixed on properties within the District. At the date of issue, a reserve of \$1,522,016 was set up to provide funds for payment of bond principal and interest if necessitated by delinquencies in the payment of annual assessment installments. The City has no obligation to replenish the Reserve Fund except to the extent that delinquent assessments are paid or proceeds from foreclosure sales are realized. The total outstanding principal for the bonds at June 30, 2008 was \$8,520,000.

Community Facilities District (CFD 2005-1):

On April 1, 2005, the Community Facilities District No. 2005-1 (Belgate Development Restructuring) issued the Special Tax Bond 2005 Series A for \$18,554,508 (\$20,200,000 fully accreted value). The bonds were issued for the purpose of refinancing and restructuring debt of the Community Facilities District No. 91-3. The bonds are secured by and payable solely from the proceeds of special taxes levied annually on the taxable property in the District. The bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any of the property or revenues of the City, and the payment of the interest on or principal of or redemption premiums, if any, on the District Bonds is not a general debt, liability or obligation of the City. The bonds carry an interest rate of 6.250% with maturities through 2035 ranging from \$15,000 to \$2,025,000. The bonds require a reserve fund be established equal to the least of i) 10% of the principal amount of the original bonds; ii) 125% of average annual debt service of the bonds, or iii) maximum annual debt service of the bonds. At June 30, 2008 the reserve funds equal \$1,855,451. At June 30, 2008 principal amounts due on the bonds is \$18,554,508.

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

13. CONTINGENCIES:

Litigation:

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

Grant Audit Contingencies:

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

See accompanying independent auditors' report.

14. LEASE AGREEMENT:

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

15. NOTES RECEIVABLE:

Notes receivable at June 30, 2008 include the following:

KDF VAH I, L.P.	\$	2,900,000
KDF Hesperia, L.P.		1,250,000
KDF Hesperia II, L.P.		<u>2,000,000</u>
Totals	\$	<u>6,150,000</u>

A. KDF VAH I, L.P.:

In July, 2006, the Agency entered into an Owner Participation Agreement (OPA) with KDF VAH I, L.P., (a California limited partnership) for the development, construction and operation of a 68-unit apartment complex of which certain units shall be available to very low income tenants, low income tenants, and moderate income tenants. Under the terms of the OPA, the Agency loaned \$2,900,000 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. The balance of the loan outstanding at June 30, 2008 was \$2,900,000.

B. KDF Hesperia, L.P.:

In December, 2005, the Agency entered into an Owner Participation Agreement (OPA) with KDF Hesperia, L.P. (a California limited partnership) for the development, construction and operation of a 110-unit apartment complex of which certain units shall be available to very low income tenants, low income tenants, and moderate income tenants. Under the terms of the OPA, the Agency loaned \$1,250,000 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 simple interest at a rate of one percent (1%). The agreement is secured by a deed of trust on the property. The balance of the loan outstanding at June 30, 2008 was \$1,250,000.

C. KDF Hesperia II, L.P.:

In March, 2006, the Agency entered into an Owner Participation Agreement (OPA) with KDF Hesperia II, L.P., (a California limited partnership) for the development, construction and operation of a 72-unit apartment complex of which certain units shall be available to very low income tenants, low income tenants, and moderate income tenants. Under the terms of the OPA, the Agency loaned \$2,000,000 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. The balance of the loan outstanding at June 30, 2008 was \$2,000,000.

See accompanying independent auditors' report.



BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Over/(Under)
	Original	Final		Variance With Final Budget
Fund Balance, July 1	<u>\$ 22,707,386</u>	<u>\$ 22,707,386</u>	<u>\$ 22,707,386</u>	<u>\$ -</u>
Resources (Inflows):				
Taxes	13,092,740	13,092,740	11,037,809	(2,054,931)
Licenses and permits	240,000	240,000	236,382	(3,618)
Fines and forfeitures	779,395	779,395	794,088	14,693
Use of money and property	624,255	624,255	584,219	(40,036)
Intergovernmental	8,985,629	8,985,629	9,485,844	500,215
Charges for services	3,444,880	3,444,880	2,496,161	(948,719)
Grants	127,385	127,385	145,413	18,028
Other revenues	180,438	180,438	277,822	97,384
Transfers from other funds	179,000	179,000	429,000	250,000
Amount Available for Appropriations	<u>27,653,722</u>	<u>27,653,722</u>	<u>25,486,738</u>	<u>(2,166,984)</u>
Charges to Appropriations (Outflows):				
Current:				
General government:				
City council	844,800	844,800	786,752	(58,048)
City manager	1,580,281	1,574,891	1,461,015	(113,876)
Management services	4,677,081	4,662,104	4,162,841	(499,263)
Public safety - police	11,304,421	11,304,421	10,781,750	(522,671)
Development services	8,943,155	8,900,518	7,126,119	(1,774,399)
Transfers to other funds	517,454	517,454	493,000	(24,454)
Capital Outlay:				
Buildings and improvements	250,000	250,000	2,925	(247,075)
Equipment and vehicles	352,000	415,004	337,568	(77,436)
Infrastructure	378,078	791,461	563,250	(228,211)
Total Charges to Appropriations	<u>28,847,270</u>	<u>29,260,653</u>	<u>25,715,220</u>	<u>(3,545,433)</u>
Excess of Resources over (Under) Charges To Appropriations	<u>(1,193,548)</u>	<u>(1,606,931)</u>	<u>(228,482)</u>	<u>1,378,449</u>
Fund Balance, June 30	<u>\$ 21,513,838</u>	<u>\$ 21,100,455</u>	<u>\$ 22,478,904</u>	<u>\$ 1,378,449</u>

BUDGETARY COMPARISON SCHEDULE
 FIRE DISTRICT SPECIAL REVENUE FUND
 For the year ended June 30, 2008

	Budgeted Amounts		Actual	Over/(Under)
	Original	Final		Variance With Final Budget
Fund Balance, July 1	\$ 2,539,810	\$ 2,539,810	\$ 2,539,810	\$ -
Resources (Inflows):				
Taxes	6,640,550	6,640,550	6,524,579	(115,971)
Use of money and property	71,034	71,034	95,731	24,697
Charges for services	2,193,608	2,193,608	2,100,141	(93,467)
Grants	-	-	1,871	1,871
Other revenues	-	-	220	220
Transfers from other funds	1,390,000	1,390,000	1,390,000	-
Amount Available for Appropriations	10,295,192	10,295,192	10,112,542	(182,650)
Charges to Appropriations (Outflows):				
Current:				
Public safety - fire	8,448,569	8,599,441	8,445,394	(154,047)
Capital Outlay:				
Equipment and vehicles	1,505,000	1,575,340	1,478,845	(96,495)
Total Charges to Appropriations	9,953,569	10,174,781	9,924,239	(250,542)
Excess of Resources over (Under) Charges To Appropriations	341,623	120,411	188,303	67,892
Fund Balance, June 30	<u>\$ 2,881,433</u>	<u>\$ 2,660,221</u>	<u>\$ 2,728,113</u>	<u>\$ 67,892</u>

BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT FEES STREETS SPECIAL REVENUE FUND
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Over/(Under) Variance With Final Budget
	Original	Final		
Fund Balance, July 1	\$ 17,641,805	\$ 17,641,805	\$ 17,641,805	\$ -
Resources (Inflows):				
Use of money and property	384,349	640,236	335,634	(304,602)
Charges for services	4,791,300	6,578,940	2,768,479	(3,810,461)
Amount Available for Appropriations	5,175,649	7,219,176	3,104,113	(4,115,063)
Charges to Appropriations (Outflows):				
Current:				
Development services	25,000	-	-	-
Capital Outlay:				
Land	-	8,902,625	-	(8,902,625)
Infrastructure	5,985,480	5,672,000	907,909	(4,764,091)
Total Charges to Appropriations	6,010,480	14,574,625	907,909	(13,666,716)
Excess of Resources over (Under) Charges To Appropriations	(834,831)	(7,355,449)	2,196,204	9,551,653
Fund Balance, June 30	\$ 16,806,974	\$ 10,286,356	\$ 19,838,009	\$ 9,551,653

BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY SPECIAL REVENUE
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Over/(Under)
	Original	Final		Variance With Final Budget
Fund Balance, July 1	\$ 19,402,889	\$ 19,402,889	\$ 19,402,889	\$ -
Resources (Inflows):				
Use of money and property	294,577	294,577	2,605,598	2,311,021
Other operating	2,000	2,000	365,344	363,344
Transfers in (Tax increment)	7,589,749	7,589,749	6,851,018	(738,731)
Proceeds from issuance of bonds	-	-	57,370,000	57,370,000
Premium on issuance of bonds	-	-	778,353	778,353
Amount Available for Appropriations	7,886,326	7,886,326	67,970,313	60,083,987
Charges to Appropriations (Outflows):				
Current:				
General government:				
Development services	14,590,552	14,590,552	6,557,197	(8,033,355)
Debt Service:				
Interest	222,020	1,614,839	1,614,839	-
Principal	765,000	765,000	765,000	-
Debt issuance costs	-	-	180,832	180,832
Bond administration expense	15,000	25,400	-	(25,400)
Discount on issuance of bonds	-	-	74,668	74,668
Capital Outlay:				
Land	4,000,000	4,000,000	-	(4,000,000)
Total Charges to Appropriations	19,592,572	20,995,791	9,192,536	(11,803,255)
Excess of Resources Over (Under) Charges to Appropriations	(11,706,246)	(13,109,465)	58,777,777	71,887,242
Fund Balance, June 30	\$ 7,696,643	\$ 6,293,424	\$ 78,180,666	\$ 71,887,242

June 30, 2008

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.





CITY OF HESPERIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds				
	Measure I Arterial	Measure I Local	Measure I Transit	Gas Tax	Article 8
Assets					
Cash and investments	\$ 3,495,336	\$ 1,317,038	\$ 137,109	\$ 509,072	\$ -
Restricted investments	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Accrued interest	18,868	6,538	637	3,325	-
Due from other governmental agencies	394,658	182,150	30,358	502,555	-
Total Assets	\$ 3,908,862	\$ 1,505,726	\$ 168,104	\$ 1,014,952	\$ -
Liabilities and Fund Balances					
Liabilities					
Accounts payable and other current liabilities	\$ 707,807	\$ 802,339	\$ 10,167	\$ 72,348	\$ 9
Due to other funds	-	-	-	-	45,183
Total Liabilities	707,807	802,339	10,167	72,348	45,192
Fund Balances					
Reserved for:					
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Unreserved, reported in:					
Special Revenue Funds	3,201,055	703,387	157,937	942,604	(45,192)
Capital Projects Funds	-	-	-	-	-
Total Fund Balances (Deficits)	3,201,055	703,387	157,937	942,604	(45,192)
Total Liabilities and Fund Balances	\$ 3,908,862	\$ 1,505,726	\$ 168,104	\$ 1,014,952	\$ -

CITY OF HESPERIA

Special Revenue Funds

Community Development Block Grant	AB 3229 State COPS Program	Emergency Communications	Traffic Signalization	Air Quality Management
\$ 1,152,795	\$ 52,190	\$ 200,780	\$ 15,865	\$ 128,316
-	-	-	-	-
9,323	355	1,061	84	580
75,622	-	-	-	-
<u>\$ 1,237,740</u>	<u>\$ 52,545</u>	<u>\$ 201,841</u>	<u>\$ 15,949</u>	<u>\$ 128,896</u>
\$ 25,757	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>25,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
1,211,983	52,545	201,841	15,949	128,896
-	-	-	-	-
<u>1,211,983</u>	<u>52,545</u>	<u>201,841</u>	<u>15,949</u>	<u>128,896</u>
<u>\$ 1,237,740</u>	<u>\$ 52,545</u>	<u>\$ 201,841</u>	<u>\$ 15,949</u>	<u>\$ 128,896</u>

CITY OF HESPERIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds			
	Street Maintenance	AB 2928 Traffic Congestion	Home Grant	Disaster Prepared Grant
Assets				
Cash and investments	\$ 734,002	\$ 73,224	\$ -	\$ 23,141
Restricted investments	-	-	-	-
Accounts receivable, net	-	607	-	-
Accured interest	4,052	-	-	123
Due from other governmental agencies	51	-	27,488	-
Total Assets	\$ 738,105	\$ 73,831	\$ 27,488	\$ 23,264
Liabilities and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ 273,080	\$ -	\$ 24,443	\$ 992
Due to other funds	221,495	-	38,084	-
Total Liabilities	494,575	-	62,527	992
Fund Balances				
Reserved for:				
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unreserved, reported in:				
Special Revenue Funds	243,530	73,831	(35,039)	22,272
Capital Projects Funds	-	-	-	-
Total Fund Balances (Deficits)	243,530	73,831	(35,039)	22,272
Total Liabilities and Fund Balances	\$ 738,105	\$ 73,831	\$ 27,488	\$ 23,264

CITY OF HESPERIA

Special Revenue Funds

Development Impact Fees Storm Drain	Development Impact Fees Fire	Development Impact Fees Police	Development Impact Fees Public Service	Beverage Recycling Grant
\$ 1,687,934	\$ 1,395,604	\$ 1,478,395	\$ 2,415,242	\$ 11,031
-	-	-	-	-
117	-	-	-	-
9,060	8,002	7,683	12,633	59
-	-	-	-	29
<u>\$ 1,697,111</u>	<u>\$ 1,403,606</u>	<u>\$ 1,486,078</u>	<u>\$ 2,427,875</u>	<u>\$ 11,119</u>
\$ 140,930	\$ 1,425	\$ 5,092	\$ 12,172	\$ 4,631
-	-	-	-	-
<u>140,930</u>	<u>1,425</u>	<u>5,092</u>	<u>12,172</u>	<u>4,631</u>
-	-	-	-	-
-	-	-	-	-
1,556,181	1,402,181	1,480,986	2,415,703	6,488
-	-	-	-	-
<u>1,556,181</u>	<u>1,402,181</u>	<u>1,480,986</u>	<u>2,415,703</u>	<u>6,488</u>
<u>\$ 1,697,111</u>	<u>\$ 1,403,606</u>	<u>\$ 1,486,078</u>	<u>\$ 2,427,875</u>	<u>\$ 11,119</u>

CITY OF HESPERIA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Debt Service		Capital Projects		
	Mark Roos Revenue Bonds	City Debt Service	Assessment District 91-1	Assessment District 91-3	Fire Building
Assets					
Cash and investments	\$ 251,346	\$ 824,350	\$ 490,940	\$ 495,985	\$ 4,560,408
Restricted investments	1,025,897	1,471,114	-	-	-
Accounts receivable, net	-	-	-	-	-
Accrued interest	2,167	5,877	2,594	2,633	24,007
Due from other governmental agencies	-	-	-	-	-
Total Assets	<u>\$ 1,279,410</u>	<u>\$ 2,301,341</u>	<u>\$ 493,534</u>	<u>\$ 498,618</u>	<u>\$ 4,584,415</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable and other current liabilities	\$ 2,287	\$ 3,555	\$ -	\$ 3,618	\$ 19
Due to other funds	-	-	-	-	-
Total Liabilities	<u>2,287</u>	<u>3,555</u>	<u>-</u>	<u>3,618</u>	<u>19</u>
Fund Balances					
Reserved for:					
Debt Service	1,277,123	2,297,786	-	-	-
Capital Projects	-	-	-	-	-
Unreserved, reported in:					
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	493,534	495,000	4,584,396
Total Fund Balances (Deficits)	<u>1,277,123</u>	<u>2,297,786</u>	<u>493,534</u>	<u>495,000</u>	<u>4,584,396</u>
Total Liabilities and Fund Balances	<u>\$ 1,279,410</u>	<u>\$ 2,301,341</u>	<u>\$ 493,534</u>	<u>\$ 498,618</u>	<u>\$ 4,584,415</u>

CITY OF HESPERIA

Capital Projects

County High Desert Government Center	Government Center	City Projects	Ranchero Road Undercrossing	Branch Library	Total Other Governmental Funds
\$ -	\$ -	\$ 1,381,454	\$ -	\$ -	\$ 22,831,557
-	-	-	-	-	2,497,011
-	-	-	-	-	724
-	-	7,300	-	-	126,961
-	-	8	14,532	-	1,227,451
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,388,762</u>	<u>\$ 14,532</u>	<u>\$ -</u>	<u>\$ 26,683,704</u>
\$ 147,591	\$ -	\$ -	\$ -	\$ -	\$ 2,238,262
-	-	-	14,532	-	319,294
<u>147,591</u>	<u>-</u>	<u>-</u>	<u>14,532</u>	<u>-</u>	<u>2,557,556</u>
-	-	-	-	-	3,574,909
-	-	-	-	-	-
-	-	-	-	-	13,737,138
(147,591)	-	1,388,762	-	-	6,814,101
<u>(147,591)</u>	<u>-</u>	<u>1,388,762</u>	<u>-</u>	<u>-</u>	<u>24,126,148</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,388,762</u>	<u>\$ 14,532</u>	<u>\$ -</u>	<u>\$ 26,683,704</u>

CITY OF HESPERIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Special Revenue Funds			
	Measure I Arterial	Measure I Local	Measure I Transit	Gas Tax
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 1,513,637
Use of money and property	122,796	32,730	7,937	20,491
Intergovernmental	2,301,475	1,062,219	177,036	-
Charges for services	-	-	-	-
Grants	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	2,424,271	1,094,949	184,973	1,534,128
Expenditures:				
Current:				
Development services	-	-	300,000	-
Debt Service:				
Interest	-	-	-	-
Principal	-	-	-	-
Bond administration expense	-	-	-	-
Capital Outlay:				
Land	-	-	-	-
Buildings and improvements	-	-	-	-
Equipment and vehicles	-	-	-	-
Infrastructure	2,279,917	977,226	-	216,106
Total Expenditures	2,279,917	977,226	300,000	216,106
Excess (Deficiencies) of Revenues Over (Under) Expenditures	144,354	117,723	(115,027)	1,318,022
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(474,314)	(228,374)	-	(917,376)
Proceeds from lease	-	-	-	-
Total Other Financing Sources (Uses)	(474,314)	(228,374)	-	(917,376)
Net Change in Fund Balances	(329,960)	(110,651)	(115,027)	400,646
Fund balances at beginning of year	3,531,015	814,038	272,964	541,958
Fund balances at end of year	\$ 3,201,055	\$ 703,387	\$ 157,937	\$ 942,604

CITY OF HESPERIA

Special Revenue Funds

Article 8	Community Development Block Grant	AB 3229 State COPS Program	Emergency Communications	Traffic Signalization	Air Quality Management
\$ 2,074,205	\$ -	\$ -	\$ -	\$ -	\$ -
-	59,169	1,198	6,734	532	3,694
-	-	-	-	-	-
-	-	-	-	-	-
-	982,655	167,500	-	-	27,833
-	-	-	-	-	-
<u>2,074,205</u>	<u>1,041,824</u>	<u>168,698</u>	<u>6,734</u>	<u>532</u>	<u>31,527</u>
-	765,571	-	-	-	39,686
-	69,060	-	-	-	-
-	150,000	-	-	-	-
-	400	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
144	-	-	-	-	-
<u>144</u>	<u>985,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,686</u>
<u>2,074,061</u>	<u>56,793</u>	<u>168,698</u>	<u>6,734</u>	<u>532</u>	<u>(8,159)</u>
-	-	-	-	-	-
(2,320,016)	(503,703)	(179,000)	-	-	-
-	-	-	-	-	-
<u>(2,320,016)</u>	<u>(503,703)</u>	<u>(179,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(245,955)	(446,910)	(10,302)	6,734	532	(8,159)
<u>200,763</u>	<u>1,658,893</u>	<u>62,847</u>	<u>195,107</u>	<u>15,417</u>	<u>137,055</u>
<u>\$ (45,192)</u>	<u>\$ 1,211,983</u>	<u>\$ 52,545</u>	<u>\$ 201,841</u>	<u>\$ 15,949</u>	<u>\$ 128,896</u>

CITY OF HESPERIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Special Revenue Funds			
	Street Maintenance	AB 2928 State Traffic Congestion Relief	Home Grant	Disaster Prepared Grant
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	25,521	11,242	6,724	780
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Grants	56,545	-	83,167	16,225
Other revenues	5,954	-	-	-
Total Revenues	88,020	11,242	89,891	17,005
Expenditures:				
Current:				
Development services	2,800,941	-	63,294	7,379
Debt Service:				
Interest	-	-	-	-
Principal	-	-	-	-
Bond administration expense	-	-	-	-
Capital Outlay:				
Land	-	-	-	-
Buildings and improvements	-	-	-	-
Equipment and vehicles	528,099	-	-	-
Infrastructure	-	-	-	-
Total Expenditures	3,329,040	-	63,294	7,379
Excess (Deficiencies) of Revenues Over (Under) Expenditures	(3,241,020)	11,242	26,597	9,626
Other Financing Sources (Uses):				
Transfers in	3,285,000	-	-	-
Transfers out	-	(500,000)	-	-
Proceeds from lease	-	-	-	-
Total Other Financing Sources (Uses)	3,285,000	(500,000)	-	-
Net Change in Fund Balances	43,980	(488,758)	26,597	9,626
Fund balances at beginning of year	199,550	562,589	(61,636)	12,646
Fund balances at end of year	\$ 243,530	\$ 73,831	\$ (35,039)	\$ 22,272

CITY OF HESPERIA

Special Revenue Funds

Development Impact Fees Storm Drain	Development Impact Fees Fire	Development Impact Fees Police	Development Impact Fees Public Service	Beverage Recycling Grant
\$ -	\$ -	\$ -	\$ -	\$ -
66,104	49,864	46,851	85,079	446
-	-	-	-	-
507,654	234,673	125,337	630,015	-
-	-	-	-	22,659
-	-	-	-	4,282
<u>573,758</u>	<u>284,537</u>	<u>172,188</u>	<u>715,094</u>	<u>27,387</u>
-	-	-	-	22,305
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
75,303	-	-	-	-
-	229,707	-	-	-
-	-	-	-	-
1,069,420	-	-	-	-
<u>1,144,723</u>	<u>229,707</u>	<u>-</u>	<u>-</u>	<u>22,305</u>
<u>(570,965)</u>	<u>54,830</u>	<u>172,188</u>	<u>715,094</u>	<u>5,082</u>
-	-	-	-	-
-	-	-	(1,047,000)	-
-	-	-	-	-
-	-	-	(1,047,000)	-
<u>(570,965)</u>	<u>54,830</u>	<u>172,188</u>	<u>(331,906)</u>	<u>5,082</u>
<u>2,127,146</u>	<u>1,347,351</u>	<u>1,308,798</u>	<u>2,747,609</u>	<u>1,406</u>
<u>\$ 1,556,181</u>	<u>\$ 1,402,181</u>	<u>\$ 1,480,986</u>	<u>\$ 2,415,703</u>	<u>\$ 6,488</u>

CITY OF HESPERIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	<u>Debt Service</u>		<u>Capital Projects</u>	
	Mark Roos Revenue Bonds	City Debt Service	Assessment District 91-1	Assessment District 91-3
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	61,537	78,649	16,376	17,417
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Grants	-	-	-	-
Other revenues	-	-	8,188	5,544
Total Revenues	<u>61,537</u>	<u>78,649</u>	<u>24,564</u>	<u>22,961</u>
Expenditures:				
Current:				
Development services	-	-	-	50,151
Debt Service:				
Interest	296,352	514,567	-	-
Principal	1,300,000	4,000,000	-	-
Bond administration expense	64,866	135,865	-	-
Capital Outlay:				
Land	-	-	-	-
Buildings and improvements	-	-	-	-
Equipment and vehicles	-	-	-	-
Infrastructure	-	-	-	-
Total Expenditures	<u>1,661,218</u>	<u>4,650,432</u>	<u>-</u>	<u>50,151</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>(1,599,681)</u>	<u>(4,571,783)</u>	<u>24,564</u>	<u>(27,190)</u>
Other Financing Sources (Uses):				
Transfers in	1,495,080	4,859,373	-	-
Transfers out	-	-	-	-
Proceeds from lease	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,495,080</u>	<u>4,859,373</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(104,601)</u>	<u>287,590</u>	<u>24,564</u>	<u>(27,190)</u>
Fund balances at beginning of year	<u>1,381,724</u>	<u>2,010,196</u>	<u>468,970</u>	<u>522,190</u>
Fund balances at end of year	<u>\$ 1,277,123</u>	<u>\$ 2,297,786</u>	<u>\$ 493,534</u>	<u>\$ 495,000</u>

CITY OF HESPERIA

Capital Projects

<u>Fire Building</u>	<u>County High Desert Government Center</u>	<u>Government Center</u>	<u>City Projects</u>	<u>Ranchero Road Undercrossin</u>	<u>Branch Library</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,587,842
104,063	-	138,860	7,305	-	-	972,099
-	-	-	1,381,301	-	-	4,922,031
-	-	-	-	-	-	1,497,679
-	-	-	-	20,965	-	1,377,549
-	-	-	-	-	28,092	52,060
<u>104,063</u>	<u>-</u>	<u>138,860</u>	<u>1,388,606</u>	<u>20,965</u>	<u>28,092</u>	<u>12,409,260</u>
-	-	-	-	-	-	4,049,327
-	-	-	-	-	-	879,979
-	-	-	-	-	-	5,450,000
-	-	-	-	-	-	201,131
-	-	-	-	-	-	75,303
42	147,591	-	-	-	3,412	380,752
-	-	-	-	-	-	528,099
-	-	-	-	20,965	-	4,563,778
<u>42</u>	<u>147,591</u>	<u>-</u>	<u>-</u>	<u>20,965</u>	<u>3,412</u>	<u>16,128,369</u>
<u>104,021</u>	<u>(147,591)</u>	<u>138,860</u>	<u>1,388,606</u>	<u>-</u>	<u>24,680</u>	<u>(3,719,109)</u>
-	-	-	-	-	1,616,555	11,256,008
-	-	(3,659,373)	-	-	-	(9,829,156)
<u>3,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,500,000</u>
<u>3,500,000</u>	<u>-</u>	<u>(3,659,373)</u>	<u>-</u>	<u>-</u>	<u>1,616,555</u>	<u>4,926,852</u>
3,604,021	(147,591)	(3,520,513)	1,388,606	-	1,641,235	1,207,743
980,375	-	3,520,513	156	-	(1,641,235)	22,918,405
<u>\$ 4,584,396</u>	<u>\$ (147,591)</u>	<u>\$ -</u>	<u>\$ 1,388,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,126,148</u>

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2008

	Agency Funds					Total Agency Funds
	Special Deposits Fund	Assessment District 91-1 Fund	Assessment District 2005-1 Fund	Branch Library Fund	Summit Valley HCP Fund	
Assets						
Cash and investments	\$ 2,086,165	\$ 2,551,720	\$ 981,828	\$ 242	\$ 491	\$ 5,620,446
Cash and investments with fiscal agent	-	1,522,579	1,914,051	-	-	3,436,630
Accrued interest	7,926	14,443	6,863	51	6	29,289
Total Assets	\$ 2,094,091	\$ 4,088,742	\$ 2,902,742	\$ 293	\$ 497	\$ 9,086,365
Liabilities						
Accounts payable	\$ 105,281	\$ 1,190	\$ 455,502	\$ -	\$ 219	\$ 562,192
Due to bondholders	-	4,087,552	2,447,240	-	-	6,534,792
Deposits payable	1,988,810	-	-	293	278	1,989,381
Total Liabilities	\$ 2,094,091	\$ 4,088,742	\$ 2,902,742	\$ 293	\$ 497	\$ 9,086,365

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 SPECIAL DEPOSITS FUND
 For The Year Ended June 30, 2008

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
Assets				
Cash and investments	\$ 2,111,429	\$ 2,162,275	\$ (2,187,539)	\$ 2,086,165
Accrued interest	16,492	7,926	(16,492)	7,926
Total Assets	\$ 2,127,921	\$ 2,170,201	\$ (2,204,031)	\$ 2,094,091
Liabilities				
Accounts payable	\$ 128,139	\$ 2,172,376	\$ (2,195,234)	\$ 105,281
Deposits payable	1,999,782	2,051,242	(2,062,214)	1,988,810
Total Liabilities	\$ 2,127,921	\$ 4,223,618	\$ (4,257,448)	\$ 2,094,091

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 ASSESSMENT DISTRICT 91-1 FUND
 For The Year Ended June 30, 2008

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
Assets				
Cash and investments	\$ 2,587,419	\$ 3,761,109	\$ (3,796,808)	\$ 2,551,720
Cash and investments with fiscal agent	1,546,254	3,822,087	(3,845,762)	1,522,579
Accrued interest	32,411	14,443	(32,411)	14,443
	Total Assets	\$ 7,597,639	\$ (7,674,981)	\$ 4,088,742
Liabilities				
Accounts payable	\$ 2,575	\$ 3,795,423	\$ (3,796,808)	\$ 1,190
Due to bondholders	4,163,509	3,800,772	(3,876,729)	4,087,552
	Total Liabilities	\$ 7,596,195	\$ (7,673,537)	\$ 4,088,742

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 ASSESSMENT DISTRICT 2005-1 FUND
 For The Year Ended June 30, 2008

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
Assets				
Cash and investments	\$ 448,201	\$ 1,594,612	\$ (1,060,985)	\$ 981,828
Cash and investments with fiscal agent	2,091,454	1,085,097	(1,262,500)	1,914,051
Accrued interest	11,515	6,863	(11,515)	6,863
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,551,170</u>	<u>\$ 2,686,572</u>	<u>\$ (2,335,000)</u>	<u>\$ 2,902,742</u>
Liabilities				
Accounts payable	\$ -	\$ 1,516,487	\$ (1,060,985)	\$ 455,502
Due to bondholders	2,551,170	1,662,166	(1,766,096)	2,447,240
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 2,551,170</u>	<u>\$ 3,178,653</u>	<u>\$ (2,827,081)</u>	<u>\$ 2,902,742</u>

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
BRANCH LIBRARY FUND
For The Year Ended June 30, 2008

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
Assets				
Cash and investments	\$ 27,000	\$ 1,334	\$ (28,092)	\$ 242
Accrued interest	298	51	(298)	51
Total Assets	<u>\$ 27,298</u>	<u>\$ 1,385</u>	<u>\$ (28,390)</u>	<u>\$ 293</u>
Liabilities				
Deposits payable	<u>\$ 27,298</u>	<u>\$ 1,087</u>	<u>\$ (28,092)</u>	<u>\$ 293</u>
Total Liabilities	<u>\$ 27,298</u>	<u>\$ 1,087</u>	<u>\$ (28,092)</u>	<u>\$ 293</u>

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 SUMMIT VALLEY HCP FUND
 For The Year Ended June 30, 2008

	<u>Balance at</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2008</u>
Assets				
Cash and investments	\$ 17,393	\$ 440	\$ (17,342)	\$ 491
Accrued interest	209	6	(209)	6
Total Assets	<u>\$ 17,602</u>	<u>\$ 446</u>	<u>\$ (17,551)</u>	<u>\$ 497</u>
Liabilities				
Accounts payable	\$ 10,085	\$ 7,477	\$ (17,343)	\$ 219
Deposits payable	7,517	237	(7,476)	278
Total Liabilities	<u>\$ 17,602</u>	<u>\$ 7,714</u>	<u>\$ (24,819)</u>	<u>\$ 497</u>

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 For The Year Ended June 30, 2008

	Total Agency Funds			
	Balance at June 30, 2007	Additions	Deletions	
Assets				
Cash and investments	\$ 5,191,442	\$ 7,519,770	\$ (7,090,766)	\$ 5,620,446
Cash and investments with fiscal agent	3,637,708	4,907,184	(5,108,262)	3,436,630
Accrued interest	60,925	29,289	(60,925)	29,289
Total Assets	\$ 8,890,075	\$ 12,456,243	\$ (12,259,953)	\$ 9,086,365
Liabilities				
Accounts payable	\$ 140,799	\$ 7,491,763	\$ (7,070,370)	\$ 562,192
Due to bondholders	6,714,679	5,462,938	(5,642,825)	6,534,792
Deposits payable	2,034,597	2,052,566	(2,097,782)	1,989,381
Total Liabilities	\$ 8,890,075	\$ 15,007,267	\$ (14,810,977)	\$ 9,086,365

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
GENERAL FUND
June 30, 2008

Assets

Cash and cash equivalents	\$ 21,759,431
Restricted investments	4
Accounts receivable, net	755,918
Accrued interest	116,401
Due from other governmental agencies	1,511,461
Due from other funds	97,799

Total Assets

\$ 24,241,014

Liabilities and Fund Balances

Liabilities

Accounts payable and other current liabilities	\$ 1,406,533
Deferred revenue	350,264
Due to other governmental agencies	5,313

Total Liabilities

1,762,110

Fund Balances

Reserved for:	
Self Insurance	150,000
Unreserved, reported in:	
General Fund	22,328,904

Total Fund Balances

22,478,904

Total Liabilities and Fund Balances

\$ 24,241,014

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2008

	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ 13,092,740	\$ 11,037,809	\$ (2,054,931)
Licenses and permits	240,000	236,382	(3,618)
Fines and forfeitures	779,395	794,088	14,693
Use of money and property	624,255	584,219	(40,036)
Intergovernmental	8,985,629	9,485,844	500,215
Charges for services	3,444,880	2,496,161	(948,719)
Grants	127,385	145,413	18,028
Other revenues	180,438	277,822	97,384
Amount Available for Appropriations	<u>27,474,722</u>	<u>25,057,738</u>	<u>(2,416,984)</u>
Expenditures:			
Current:			
General government:			
City council	844,800	786,752	58,048
City manager	1,574,891	1,461,015	113,876
Management services	4,662,104	4,162,841	499,263
Development services	8,900,518	7,126,119	1,774,399
Public safety - police	11,304,421	10,781,750	522,671
Capital Outlay:			
Land	-	-	-
Buildings and improvements	250,000	2,925	247,075
Equipment and vehicles	415,004	337,568	77,436
Infrastructure	791,461	563,250	228,211
Total Expenditures	<u>28,743,199</u>	<u>25,222,220</u>	<u>3,520,979</u>
Excess (Deficiencies) of Revenues Over (Under) Expenditures	<u>(1,268,477)</u>	<u>(164,482)</u>	<u>1,103,995</u>
Other Financing Sources (Uses):			
Transfers in	179,000	429,000	250,000
Transfers out	(517,454)	(493,000)	24,454
Total Other Financing Sources (Uses)	<u>(338,454)</u>	<u>(64,000)</u>	<u>274,454</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(1,606,931)</u>	<u>(228,482)</u>	<u>1,378,449</u>
Fund balance at beginning of year	<u>22,707,386</u>	<u>22,707,386</u>	<u>-</u>
Fund balance at end of year	<u>\$ 21,100,455</u>	<u>\$ 22,478,904</u>	<u>\$ 1,378,449</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 Arterial - To account for 65% of the receipt of voter-approved (Measure I) tax revenue relating to the relief of arterial and regional traffic congestion through maintenance and upkeep of streets and highways.

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

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

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

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

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

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

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

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

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

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

Development Impact - 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 – 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 - 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 - 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 – 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.

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

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

Home Grant - To account for miscellaneous Federal, State and County grants requiring segregated fund accounting.

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

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

Beverage Recycling Grant – To account for State grant funds used to enhance beverage container recycling as well as other recycling programs within the City.

CITY OF HESPERIA

COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 June 30, 2008

	Measure I Arterial	Measure I Local	Measure I Transit	Gas Tax
Assets				
Cash and investments	\$ 3,495,336	\$ 1,317,038	\$ 137,109	\$ 509,072
Restricted investments	-	-	-	-
Accounts receivable, net	-	-	-	-
Accrued interest	18,868	6,538	637	3,325
Notes receivable	-	-	-	-
Due from other governmental agencies	394,658	182,150	30,358	502,555
Land held for resale	-	-	-	-
Total Assets	<u>\$ 3,908,862</u>	<u>\$ 1,505,726</u>	<u>\$ 168,104</u>	<u>\$ 1,014,952</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ 707,807	\$ 802,339	\$ 10,167	\$ 72,348
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>707,807</u>	<u>802,339</u>	<u>10,167</u>	<u>72,348</u>
Fund Balances				
Reserved for:				
Land held for resale	-	-	-	-
Special Revenue	-	-	-	-
Unreserved, reported in Special Revenue Funds	3,201,055	703,387	157,937	942,604
Total Fund Balances (Deficits)	<u>3,201,055</u>	<u>703,387</u>	<u>157,937</u>	<u>942,604</u>
Total Liabilities and Fund Balances	<u>\$ 3,908,862</u>	<u>\$ 1,505,726</u>	<u>\$ 168,104</u>	<u>\$ 1,014,952</u>

CITY OF HESPERIA

<u>Article 8</u>	<u>Community Development Block Grant</u>	<u>AB 3229 State COPS Program</u>	<u>Emergency Communications</u>	<u>Traffic Signalization</u>	<u>Air Quality Management</u>	<u>Fire District</u>
\$ -	\$ 1,152,795	\$ 52,190	\$ 200,780	\$ 15,865	\$ 128,316	\$ 2,094,847
-	-	-	-	-	-	-
-	-	-	-	-	-	510,444
-	9,323	355	1,061	84	580	11,059
-	-	-	-	-	-	-
-	75,622	-	-	-	-	350,108
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,237,740</u>	<u>\$ 52,545</u>	<u>\$ 201,841</u>	<u>\$ 15,949</u>	<u>\$ 128,896</u>	<u>\$ 2,966,458</u>
\$ 9	\$ 25,757	\$ -	\$ -	\$ -	\$ -	\$ 35,128
-	-	-	-	-	-	203,217
<u>45,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>45,192</u>	<u>25,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,345</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(45,192)</u>	<u>1,211,983</u>	<u>52,545</u>	<u>201,841</u>	<u>15,949</u>	<u>128,896</u>	<u>2,728,113</u>
<u>(45,192)</u>	<u>1,211,983</u>	<u>52,545</u>	<u>201,841</u>	<u>15,949</u>	<u>128,896</u>	<u>2,728,113</u>
<u>\$ -</u>	<u>\$ 1,237,740</u>	<u>\$ 52,545</u>	<u>\$ 201,841</u>	<u>\$ 15,949</u>	<u>\$ 128,896</u>	<u>\$ 2,966,458</u>

COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 June 30, 2008

	Development Impact Fees Street	Development Impact Fees Storm Drain	Development Impact Fees Fire	Development Impact Fees Police
Assets				
Cash and investments	\$ 11,061,670	\$ 1,687,934	\$ 1,395,604	\$ 1,478,395
Restricted investments	-	-	-	-
Accounts receivable, net	-	117	-	-
Accrued interest	58,289	9,060	8,002	7,683
Loans receivable	-	-	-	-
Due from other governmental agencies	-	-	-	-
Property held for resale	9,002,541	-	-	-
Total Assets	<u>\$ 20,122,500</u>	<u>\$ 1,697,111</u>	<u>\$ 1,403,606</u>	<u>\$ 1,486,078</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ 284,491	\$ 140,930	\$ 1,425	\$ 5,092
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>284,491</u>	<u>140,930</u>	<u>1,425</u>	<u>5,092</u>
Fund Balances				
Reserved for:				
Land held for resale	9,002,541	-	-	-
Special Revenue	-	-	-	-
Unreserved, reported in Special Revenue Funds	10,835,468	1,556,181	1,402,181	1,480,986
Total Fund Balances (Deficits)	<u>19,838,009</u>	<u>1,556,181</u>	<u>1,402,181</u>	<u>1,480,986</u>
Total Liabilities and Fund Balances	<u>\$ 20,122,500</u>	<u>\$ 1,697,111</u>	<u>\$ 1,403,606</u>	<u>\$ 1,486,078</u>

CITY OF HESPERIA

<u>Development Impact Fees Public Service</u>	<u>Street Maintenance</u>	<u>AB 2928 Traffic Congestion</u>	<u>Home Grant</u>	<u>Redevelopment Agency</u>	<u>Disaster Prepared Grant</u>
\$ 2,415,242	\$ 734,002	\$ 73,224	\$ -	\$ 17,106,564	\$ 23,141
-	-	-	-	58,704,729	-
-	-	607	-	9,515	-
12,633	4,052	-	-	822,043	123
-	-	-	-	6,150,000	-
-	51	-	27,488	754,255	-
-	-	-	-	818,555	-
<u>\$ 2,427,875</u>	<u>\$ 738,105</u>	<u>\$ 73,831</u>	<u>\$ 27,488</u>	<u>\$ 84,365,661</u>	<u>\$ 23,264</u>
\$ 12,172	\$ 273,080	\$ -	\$ 24,443	\$ 34,995	\$ 992
-	-	-	-	6,150,000	-
-	221,495	-	38,084	-	-
<u>12,172</u>	<u>494,575</u>	<u>-</u>	<u>62,527</u>	<u>6,184,995</u>	<u>992</u>
-	-	-	-	818,555	-
-	-	-	-	77,362,111	-
<u>2,415,703</u>	<u>243,530</u>	<u>73,831</u>	<u>(35,039)</u>	<u>-</u>	<u>22,272</u>
<u>2,415,703</u>	<u>243,530</u>	<u>73,831</u>	<u>(35,039)</u>	<u>78,180,666</u>	<u>22,272</u>
<u>\$ 2,427,875</u>	<u>\$ 738,105</u>	<u>\$ 73,831</u>	<u>\$ 27,488</u>	<u>\$ 84,365,661</u>	<u>\$ 23,264</u>

COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 June 30, 2008

	Beverage Recycling Grant	Totals
Assets		
Cash and investments	\$ 11,031	\$ 45,090,155
Restricted investments	-	58,704,729
Accounts receivable, net	-	520,683
Accrued interest	59	973,774
Loans receivable	-	6,150,000
Due from other governmental agencies	29	2,317,274
Due from other governmental agencies	-	9,821,096
	<hr/>	<hr/>
Total Assets	\$ 11,119	\$ 123,577,711
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Fund Balances		
Liabilities		
Accounts payable and other current liabilities	\$ 4,631	\$ 2,435,806
Deferred revenue	-	6,353,217
Due to other funds	-	304,762
	<hr/>	<hr/>
Total Liabilities	4,631	9,093,785
	<hr/>	<hr/>
Fund Balances		
Reserved for:		
Land held for resale	-	9,821,096
Special Revenue	-	77,362,111
Unreserved, reported in Special Revenue Funds	6,488	27,300,719
	<hr/>	<hr/>
Total Fund Balances (Deficits)	6,488	114,483,926
	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 11,119	\$ 123,577,711
	<hr/> <hr/>	<hr/> <hr/>



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, 2008

	Measure I Arterial		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	119,782	122,796	3,014
Intergovernmental	2,553,983	2,301,475	(252,508)
Charges for services	-	-	-
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	2,673,765	2,424,271	(249,494)
Expenditures:			
Current:			
General government			
Public safety-fire	-	-	-
Development services	-	-	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Debt issuance costs	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	5,300,936	2,279,917	3,021,019
Total Expenditures	5,300,936	2,279,917	3,021,019
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,627,171)	144,354	2,771,525
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(474,314)	(474,314)	-
Proceeds from issuance of bonds	-	-	-
Discount on issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Total Other Financing Sources (Uses)	(474,314)	(474,314)	-
Net Change in Fund Balances	(3,101,485)	(329,960)	2,771,525
Fund balances at beginning of year	3,531,015	3,531,015	-
Fund balances at end of year	\$ 429,530	\$ 3,201,055	\$ 2,771,525

CITY OF HESPERIA

Measure I Local			Measure I Transit		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29,952	32,730	2,778	10,167	7,937	(2,230)
1,178,762	1,062,219	(116,543)	196,460	177,036	(19,424)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,208,714</u>	<u>1,094,949</u>	<u>(113,765)</u>	<u>206,627</u>	<u>184,973</u>	<u>(21,654)</u>
-	-	-	-	-	-
-	-	-	161,649	300,000	(138,351)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,704,228</u>	<u>977,226</u>	<u>727,002</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,704,228</u>	<u>977,226</u>	<u>727,002</u>	<u>161,649</u>	<u>300,000</u>	<u>(138,351)</u>
<u>(495,514)</u>	<u>117,723</u>	<u>613,237</u>	<u>44,978</u>	<u>(115,027)</u>	<u>(160,005)</u>
-	-	-	-	-	-
(228,374)	(228,374)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(228,374)</u>	<u>(228,374)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(723,888)</u>	<u>(110,651)</u>	<u>613,237</u>	<u>44,978</u>	<u>(115,027)</u>	<u>(160,005)</u>
<u>814,038</u>	<u>814,038</u>	<u>-</u>	<u>272,964</u>	<u>272,964</u>	<u>-</u>
<u>\$ 90,150</u>	<u>\$ 703,387</u>	<u>\$ 613,237</u>	<u>\$ 317,942</u>	<u>\$ 157,937</u>	<u>\$ (160,005)</u>

CITY OF HESPERIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008

	Gas Tax		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ 1,423,500	\$ 1,513,637	\$ 90,137
Use of money and property	2,661	20,491	17,830
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	1,426,161	1,534,128	107,967
Expenditures:			
Current:			
General government			
Public safety-fire	-	-	-
Development services	-	-	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Debt issuance costs	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	568,655	216,106	352,549
Total Expenditures	568,655	216,106	352,549
Excess (Deficiency) of Revenues Over (Under) Expenditures	857,506	1,318,022	460,516
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(917,376)	(917,376)	-
Proceeds from issuance of bonds	-	-	-
Discount on issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Total Other Financing Sources (Uses)	(917,376)	(917,376)	-
Net Change in Fund Balances	(59,870)	400,646	460,516
Fund balances at beginning of year	541,958	541,958	-
Fund balances at end of year	\$ 482,088	\$ 942,604	\$ 460,516

CITY OF HESPERIA

Article 8			Community Development Block Grant		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ 2,054,146	\$ 2,074,205	\$ 20,059	\$ -	\$ -	\$ -
-	-	-	63,669	59,169	(4,500)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,480,749	982,655	(498,094)
-	-	-	-	-	-
<u>2,054,146</u>	<u>2,074,205</u>	<u>20,059</u>	<u>1,544,418</u>	<u>1,041,824</u>	<u>(502,594)</u>
-	-	-	-	-	-
-	-	-	2,238,731	765,571	1,473,160
-	-	-	124,600	69,060	55,540
-	-	-	150,000	150,000	-
-	-	-	-	-	-
-	-	-	400	400	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
60,000	144	59,856	-	-	-
<u>60,000</u>	<u>144</u>	<u>59,856</u>	<u>2,513,731</u>	<u>985,031</u>	<u>1,528,700</u>
1,994,146	2,074,061	79,915	(969,313)	56,793	1,026,106
-	-	-	-	-	-
(2,320,016)	(2,320,016)	-	(503,703)	(503,703)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(2,320,016)</u>	<u>(2,320,016)</u>	<u>-</u>	<u>(503,703)</u>	<u>(503,703)</u>	<u>-</u>
(325,870)	(245,955)	79,915	(1,473,016)	(446,910)	1,026,106
200,763	200,763	-	1,658,893	1,658,893	-
<u>\$ (125,107)</u>	<u>\$ (45,192)</u>	<u>\$ 79,915</u>	<u>\$ 185,877</u>	<u>\$ 1,211,983</u>	<u>\$ 1,026,106</u>

CITY OF HESPERIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008

	AB 3229 State COPS Program		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	222	1,198	976
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	120,000	167,500	47,500
Other revenues	-	-	-
Total Revenues	<u>120,222</u>	<u>168,698</u>	<u>48,476</u>
Expenditures:			
Current:			
General government			
Public safety-fire	-	-	-
Development services	-	-	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Debt issuance costs	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>120,222</u>	<u>168,698</u>	<u>48,476</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(179,000)	(179,000)	-
Proceeds from issuance of bonds	-	-	-
Discount on issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Total Other Financing Sources (Uses)	<u>(179,000)</u>	<u>(179,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(58,778)</u>	<u>(10,302)</u>	<u>48,476</u>
Fund balances at beginning of year	<u>62,847</u>	<u>62,847</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,069</u>	<u>\$ 52,545</u>	<u>\$ 48,476</u>

CITY OF HESPERIA

Emergency Communications			Traffic Signalization		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,886	6,734	(1,152)	623	532	(91)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,886	6,734	(1,152)	623	532	(91)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,886	6,734	(1,152)	623	532	(91)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,886	6,734	(1,152)	623	532	(91)
195,107	195,107	-	15,417	15,417	-
<u>\$ 202,993</u>	<u>\$ 201,841</u>	<u>\$ (1,152)</u>	<u>\$ 16,040</u>	<u>\$ 15,949</u>	<u>\$ (91)</u>

CITY OF HESPERIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008

	Air Quality Management		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	3,480	3,694	214
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	86,650	27,833	(58,817)
Other revenues	-	-	-
Total Revenues	90,130	31,527	(58,603)
Expenditures:			
Current:			
General government			
Public safety-fire	-	-	-
Development services	39,687	39,686	1
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Debt issuance costs	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	39,687	39,686	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,443	(8,159)	(58,602)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Proceeds from issuance of bonds	-	-	-
Discount on issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	50,443	(8,159)	(58,602)
Fund balances at beginning of year	137,055	137,055	-
Fund balances at end of year	\$ 187,498	\$ 128,896	\$ (58,602)

Fire District			Development Impact Fees Street		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ 6,640,550	\$ 6,524,579	\$ (115,971)	\$ -	\$ -	\$ -
71,034	95,731	24,697	640,236	335,634	(304,602)
-	-	-	-	-	-
2,193,608	2,100,141	(93,467)	6,578,940	2,768,479	(3,810,461)
-	1,871	1,871	-	-	-
-	220	220	-	-	-
<u>8,905,192</u>	<u>8,722,542</u>	<u>(182,650)</u>	<u>7,219,176</u>	<u>3,104,113</u>	<u>(4,115,063)</u>
8,599,441	8,445,394	154,047	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,902,625	-	8,902,625
-	-	-	-	-	-
1,575,340	1,478,845	96,495	-	-	-
-	-	-	5,672,000	907,909	4,764,091
<u>10,174,781</u>	<u>9,924,239</u>	<u>250,542</u>	<u>14,574,625</u>	<u>907,909</u>	<u>13,666,716</u>
<u>(1,269,589)</u>	<u>(1,201,697)</u>	<u>67,892</u>	<u>(7,355,449)</u>	<u>2,196,204</u>	<u>9,551,653</u>
1,390,000	1,390,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,390,000</u>	<u>1,390,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
120,411	188,303	67,892	(7,355,449)	2,196,204	9,551,653
2,539,810	2,539,810	-	17,641,805	17,641,805	-
<u>\$ 2,660,221</u>	<u>\$ 2,728,113</u>	<u>\$ 67,892</u>	<u>\$ 10,286,356</u>	<u>\$ 19,838,009</u>	<u>\$ 9,551,653</u>

CITY OF HESPERIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008

	Development Impact Fees Storm Drain		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	77,248	66,104	(11,144)
Intergovernmental	-	-	-
Charges for services	944,280	507,654	(436,626)
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	1,021,528	573,758	(447,770)
Expenditures:			
Current:			
General government			
Public safety-fire	-	-	-
Development services	-	-	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Debt issuance costs	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	80,310	75,303	5,007
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	2,497,690	1,069,420	1,428,270
Total Expenditures	2,578,000	1,144,723	1,433,277
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,556,472)	(570,965)	985,507
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Proceeds from issuance of bonds	-	-	-
Discount on issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(1,556,472)	(570,965)	985,507
Fund balances at beginning of year	2,127,146	2,127,146	-
Fund balances at end of year	\$ 570,674	\$ 1,556,181	\$ 985,507

CITY OF HESPERIA

Development Impact Fees Fire			Development Impact Fees Police		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
55,047	49,864	(5,183)	49,633	46,851	(2,782)
-	-	-	-	-	-
1,047,510	234,673	(812,837)	309,690	125,337	(184,353)
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,102,557</u>	<u>284,537</u>	<u>(818,020)</u>	<u>359,323</u>	<u>172,188</u>	<u>(187,135)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	229,707	(229,707)	-	-	-
-	-	-	-	-	-
3,680,333	-	3,680,333	-	-	-
<u>3,680,333</u>	<u>229,707</u>	<u>3,450,626</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(2,577,776)</u>	<u>54,830</u>	<u>2,632,606</u>	<u>359,323</u>	<u>172,188</u>	<u>(187,135)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(2,577,776)</u>	<u>54,830</u>	<u>2,632,606</u>	<u>359,323</u>	<u>172,188</u>	<u>(187,135)</u>
<u>1,347,351</u>	<u>1,347,351</u>	<u>-</u>	<u>1,308,798</u>	<u>1,308,798</u>	<u>-</u>
<u>\$ (1,230,425)</u>	<u>\$ 1,402,181</u>	<u>\$ 2,632,606</u>	<u>\$ 1,668,121</u>	<u>\$ 1,480,986</u>	<u>\$ (187,135)</u>

CITY OF HESPERIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008

	Development Impact Fees Public Service		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	96,825	85,079	(11,746)
Intergovernmental	-	-	-
Charges for services	814,440	630,015	(184,425)
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	911,265	715,094	(196,171)
Expenditures:			
Current:			
General government			
Public safety-fire	-	-	-
Development services	-	-	-
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Debt issuance costs	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	911,265	715,094	(196,171)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(1,214,346)	(1,047,000)	167,346
Proceeds from issuance of bonds	-	-	-
Discount on issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Total Other Financing Sources (Uses)	(1,214,346)	(1,047,000)	167,346
Net Change in Fund Balances	(303,081)	(331,906)	(28,825)
Fund balances at beginning of year	2,747,609	2,747,609	-
Fund balances at end of year	\$ 2,444,528	\$ 2,415,703	\$ (28,825)

CITY OF HESPERIA

Street Maintenance			AB 2928 State Traffic Congestion Relief		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22,448	25,521	3,073	19,496	11,242	(8,254)
-	-	-	-	-	-
-	-	-	-	-	-
17,000	56,545	39,545	-	-	-
5,000	5,954	954	-	-	-
<u>44,448</u>	<u>88,020</u>	<u>43,572</u>	<u>19,496</u>	<u>11,242</u>	<u>(8,254)</u>
-	-	-	-	-	-
2,910,541	2,800,941	109,600	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
587,000	528,099	58,901	-	-	-
-	-	-	20,000	-	20,000
<u>3,497,541</u>	<u>3,329,040</u>	<u>168,501</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
<u>(3,453,093)</u>	<u>(3,241,020)</u>	<u>212,073</u>	<u>(504)</u>	<u>11,242</u>	<u>11,746</u>
-	3,285,000	3,285,000	-	-	-
-	-	-	(500,000)	(500,000)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>3,285,000</u>	<u>3,285,000</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
<u>(3,453,093)</u>	<u>43,980</u>	<u>3,497,073</u>	<u>(500,504)</u>	<u>(488,758)</u>	<u>11,746</u>
<u>199,550</u>	<u>199,550</u>	<u>-</u>	<u>562,589</u>	<u>562,589</u>	<u>-</u>
<u>\$ (3,253,543)</u>	<u>\$ 243,530</u>	<u>\$ 3,497,073</u>	<u>\$ 62,085</u>	<u>\$ 73,831</u>	<u>\$ 11,746</u>

CITY OF HESPERIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008

	Home Grant		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	9,876	6,724	(3,152)
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	3,906,760	83,167	(3,823,593)
Other revenues	-	-	-
Total Revenues	3,916,636	89,891	(3,826,745)
Expenditures:			
Current:			
General government			
Public safety-fire	-	-	-
Development services	5,630,865	63,294	5,567,571
Debt Service:			
Interest	-	-	-
Principal	-	-	-
Debt issuance costs	-	-	-
Bond administration expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	5,630,865	63,294	5,567,571
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,714,229)	26,597	1,740,826
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Proceeds from issuance of bonds	-	-	-
Discount on issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(1,714,229)	26,597	1,740,826
Fund balances at beginning of year	(61,636)	(61,636)	-
Fund balances at end of year	\$ (1,775,865)	\$ (35,039)	\$ 1,740,826

CITY OF HESPERIA

Disaster Prepared Grant			Beverage Recycling Grant		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
598	780	182	545	446	(99)
-	-	-	-	-	-
-	-	-	-	-	-
9,027	16,225	7,198	21,333	22,659	1,326
-	-	-	-	4,282	4,282
<u>9,625</u>	<u>17,005</u>	<u>7,380</u>	<u>21,878</u>	<u>27,387</u>	<u>5,509</u>
-	-	-	-	-	-
26,200	7,379	18,821	22,739	22,305	434
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>26,200</u>	<u>7,379</u>	<u>18,821</u>	<u>22,739</u>	<u>22,305</u>	<u>434</u>
(16,575)	9,626	26,201	(861)	5,082	5,943
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(16,575)	9,626	26,201	(861)	5,082	5,943
12,646	12,646	-	1,406	1,406	-
<u>\$ (3,929)</u>	<u>\$ 22,272</u>	<u>\$ 26,201</u>	<u>\$ 545</u>	<u>\$ 6,488</u>	<u>\$ 5,943</u>

CITY OF HESPERIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008

	Redevelopment Agency Special Revenue		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	294,577	2,605,598	2,311,021
Intergovernmental	-	-	-
Charges for services	-	-	-
Grants	-	-	-
Other revenues	2,000	365,344	363,344
Total Revenues	<u>296,577</u>	<u>2,970,942</u>	<u>2,674,365</u>
Expenditures:			
Current:			
General government			
Public safety-fire	-	-	-
Development services	14,590,552	6,557,197	8,033,355
Debt Service:			
Interest	1,614,839	1,614,839	-
Principal	765,000	765,000	-
Debt issuance costs	-	180,832	(180,832)
Bond administration expense	25,400	-	25,400
Capital Outlay:			
Land	4,000,000	-	4,000,000
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	<u>20,995,791</u>	<u>9,117,868</u>	<u>11,877,923</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20,699,214)</u>	<u>(6,146,926)</u>	<u>14,552,288</u>
Other Financing Sources (Uses):			
Transfers in	7,589,749	6,851,018	(738,731)
Transfers out	-	-	-
Proceeds from issuance of bonds	-	57,370,000	57,370,000
Discount on issuance of bonds	-	(74,668)	(74,668)
Premium on issuance of bonds	-	778,353	778,353
Total Other Financing Sources (Uses)	<u>7,589,749</u>	<u>64,924,703</u>	<u>57,334,954</u>
Net Change in Fund Balances	<u>(13,109,465)</u>	<u>58,777,777</u>	<u>71,887,242</u>
Fund balances at beginning of year	<u>19,402,889</u>	<u>19,402,889</u>	<u>-</u>
Fund balances at end of year	<u>\$ 6,293,424</u>	<u>\$ 78,180,666</u>	<u>\$ 71,887,242</u>

CITY OF HESPERIA

Totals		
Budget	Actual	Variance With Budget
\$ 10,118,196	\$ 10,112,421	\$ (5,775)
1,576,005	3,584,855	2,008,850
3,929,205	3,540,730	(388,475)
11,888,468	6,366,299	(5,522,169)
5,641,519	1,358,455	(4,283,064)
7,000	375,800	368,800
<u>33,160,393</u>	<u>25,338,560</u>	<u>(7,821,833)</u>
8,599,441	8,445,394	154,047
25,620,964	10,556,373	15,064,591
1,739,439	1,683,899	55,540
915,000	915,000	-
-	180,832	(180,832)
25,800	400	25,400
12,982,935	75,303	12,907,632
-	229,707	(229,707)
2,162,340	2,006,944	155,396
19,503,842	5,450,722	14,053,120
<u>71,549,761</u>	<u>29,544,574</u>	<u>42,005,187</u>
<u>(38,389,368)</u>	<u>(4,206,014)</u>	<u>34,183,354</u>
8,979,749	11,526,018	2,546,269
(6,337,129)	(6,169,783)	167,346
-	57,370,000	57,370,000
-	(74,668)	(74,668)
-	778,353	778,353
<u>2,642,620</u>	<u>63,429,920</u>	<u>60,787,300</u>
<u>(35,746,748)</u>	59,223,906	94,970,654
<u>55,260,020</u>	<u>55,260,020</u>	<u>-</u>
<u>\$ 19,513,272</u>	<u>\$ 114,483,926</u>	<u>\$ 94,970,654</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.

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

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

COMBINING BALANCE SHEET
ALL DEBT SERVICE FUNDS
June 30, 2008

	Mark Roos Revenue Bonds	Redevelopme nt Agency Debt Service	City Debt Service	Totals
Assets				
Cash and investments	\$ 251,346	\$ 27,238,219	\$ 824,350	\$ 28,313,915
Restricted investments	1,025,897	6,917,663	1,471,114	9,414,674
Accounts receivable, net	-	-	-	-
Accrued interest	2,167	165,861	5,877	173,905
Due from other governmental agencies	-	1,563,645	-	1,563,645
Due from other funds	-	3,029,322	-	3,029,322
Total Assets	\$ 1,279,410	\$ 38,914,710	\$ 2,301,341	\$ 42,495,461
Liabilities and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ 2,287	\$ -	\$ 3,555	\$ 5,842
Due to other governmental agencies	-	11,659,147	-	11,659,147
Total Liabilities	2,287	11,659,147	3,555	11,664,989
Fund Balances				
Reserved for:				
Reserve for advances	-	3,029,322	-	3,029,322
Debt Service	1,277,123	24,226,241	2,297,786	27,801,150
Unreserved, reported in:				
Debt Service Funds	-	-	-	-
Total Fund Balances	1,277,123	27,255,563	2,297,786	30,830,472
Total Liabilities and Fund Balances	\$ 1,279,410	\$ 38,914,710	\$ 2,301,341	\$ 42,495,461

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, 2008

	Mark Roos Revenue Bonds		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ -	\$ -	\$ -
Use of money and property	39,972	61,537	21,565
Total Revenues	<u>39,972</u>	<u>61,537</u>	<u>21,565</u>
Expenditures:			
Debt Service:			
Interest	920,080	296,352	623,728
Principal	740,000	1,300,000	(560,000)
Pass through payments	-	-	-
Bond administration expense	75,000	64,866	10,134
Total Expenditures	<u>1,735,080</u>	<u>1,661,218</u>	<u>73,862</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,695,108)</u>	<u>(1,599,681)</u>	<u>95,427</u>
Other Financing Sources (Uses):			
Transfers in	1,495,080	1,495,080	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>1,495,080</u>	<u>1,495,080</u>	<u>-</u>
Net Change in Fund Balances	<u>(200,028)</u>	<u>(104,601)</u>	<u>95,427</u>
Fund balances at beginning of year	<u>1,381,724</u>	<u>1,381,724</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,181,696</u>	<u>\$ 1,277,123</u>	<u>\$ 95,427</u>

CITY OF HESPERIA

Redevelopment Agency			City Debt Service		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ 29,484,000	\$ 34,255,092	\$ 4,771,092	\$ -	\$ -	\$ -
380,346	826,990	446,644	6,671	78,649	71,978
<u>29,864,346</u>	<u>35,082,082</u>	<u>5,217,736</u>	<u>6,671</u>	<u>78,649</u>	<u>71,978</u>
4,198,968	4,198,968	-	841,800	514,567	327,233
695,000	695,000	-	4,000,000	4,000,000	-
16,625,767	15,541,970	1,083,797	-	-	-
44,600	2,224	42,376	150,000	135,865	14,135
<u>21,564,335</u>	<u>20,438,162</u>	<u>1,126,173</u>	<u>4,991,800</u>	<u>4,650,432</u>	<u>341,368</u>
8,300,011	14,643,920	6,343,909	(4,985,129)	(4,571,783)	413,346
-	5,136,562	5,136,562	1,391,800	4,859,373	3,467,573
-	(6,851,018)	(6,851,018)	-	-	-
-	(1,714,456)	(1,714,456)	1,391,800	4,859,373	3,467,573
8,300,011	12,929,464	4,629,453	(3,593,329)	287,590	3,880,919
14,326,099	14,326,099	-	2,010,196	2,010,196	-
<u>\$ 22,626,110</u>	<u>\$ 27,255,563</u>	<u>\$ 4,629,453</u>	<u>\$ (1,583,133)</u>	<u>\$ 2,297,786</u>	<u>\$ 3,880,919</u>

CITY OF HESPERIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL DEBT SERVICE FUNDS
 For the Year Ended June 30, 2008

	Totals		
	Budget	Actual	Variance With Budget
Revenues:			
Taxes	\$ 29,484,000	\$ 34,255,092	\$ 4,771,092
Use of money and property	426,989	967,176	540,187
Total Revenues	<u>29,910,989</u>	<u>35,222,268</u>	<u>5,311,279</u>
Expenditures:			
Debt Service:			
Interest	5,960,848	5,009,887	950,961
Principal	5,435,000	5,995,000	(560,000)
Pass through payments	16,625,767	15,541,970	1,083,797
Bond administration expense	269,600	202,955	66,645
Total Expenditures	<u>28,291,215</u>	<u>26,749,812</u>	<u>1,541,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,619,774</u>	<u>8,472,456</u>	<u>6,852,682</u>
Other Financing Sources (Uses):			
Transfers in	2,886,880	11,491,015	8,604,135
Transfers out	-	(6,851,018)	(6,851,018)
Total Other Financing Sources (Uses)	<u>2,886,880</u>	<u>4,639,997</u>	<u>1,753,117</u>
Net Change in Fund Balances	4,506,654	13,112,453	8,605,799
Fund balances at beginning of year	<u>17,718,019</u>	<u>17,718,019</u>	<u>-</u>
Fund balances at end of year	<u>\$ 22,224,673</u>	<u>\$ 30,830,472</u>	<u>\$ 8,605,799</u>

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

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

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

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

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

Branch Library - To account for the costs associated with building the Hesperia branch library of the County of San Bernardino Library System.

Government Center - To account for monies expended on building the Civic Plaza (City Hall) for the City of Hesperia.

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

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

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

CITY OF HESPERIA

COMBINING BALANCE SHEET
 ALL CAPITAL PROJECTS FUNDS
 June 30, 2008

	Assessment District 91-1	Assessment District 91-3	Fire Building	City Projects
Assets				
Cash and investments	\$ 490,940	\$ 495,985	\$ 4,560,408	\$ 1,381,454
Restricted investments	-	-	-	-
Accounts receivable, net	-	-	-	-
Accrued interest	2,594	2,633	24,007	7,300
Due from other governmental agencies	-	-	-	8
Land held for resale	-	-	-	-
Deposits	-	-	-	-
Advances to other funds	-	-	-	-
Total Assets	<u>\$ 493,534</u>	<u>\$ 498,618</u>	<u>\$ 4,584,415</u>	<u>\$ 1,388,762</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable and other current liabilities	\$ -	\$ 3,618	\$ 19	\$ -
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>3,618</u>	<u>19</u>	<u>-</u>
Fund Balances				
Reserved for :				
Land held for resale	-	-	-	-
Capital Projects	-	-	-	-
Unreserved, designated for Specific Capital Projects	<u>493,534</u>	<u>495,000</u>	<u>4,584,396</u>	<u>1,388,762</u>
Total Fund Balances (Deficits)	<u>493,534</u>	<u>495,000</u>	<u>4,584,396</u>	<u>1,388,762</u>
Total Liabilities and Fund Balances	<u>\$ 493,534</u>	<u>\$ 498,618</u>	<u>\$ 4,584,415</u>	<u>\$ 1,388,762</u>

CITY OF HESPERIA

Branch Library	Government Center	County High Desert Government Center	Ranchero Road Undercrossing	Redevelopment Agency 2005 Capital Projects	Totals
\$ -	\$ -	\$ -	\$ -	\$ 1,810,777	\$ 8,739,564
-	-	-	-	68,891,744	68,891,744
-	-	-	-	1,325	1,325
-	-	-	-	641,990	678,524
-	-	-	14,532	304,364	318,904
-	-	-	-	11,360,651	11,360,651
-	-	-	-	551,700	551,700
-	-	-	-	221,495	221,495
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,532</u>	<u>\$ 83,784,046</u>	<u>\$ 90,763,907</u>
\$ -	\$ -	\$ 147,591	\$ -	\$ 4,763,267	\$ 4,914,495
-	-	-	14,532	3,029,322	3,043,854
-	-	147,591	14,532	7,792,589	7,958,349
-	-	-	-	11,360,651	11,360,651
-	-	-	-	64,630,806	64,630,806
-	-	(147,591)	-	-	6,814,101
-	-	(147,591)	-	75,991,457	82,805,558
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,532</u>	<u>\$ 83,784,046</u>	<u>\$ 90,763,907</u>

CITY OF HESPERIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 BUDGET AND ACTUAL
 ALL CAPITAL PROJECTS FUNDS
 For the Year Ended June 30, 2008

	Assessment District 91-1		
	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 18,955	\$ 16,376	\$ (2,579)
Intergovernmental	-	-	-
Grants	-	-	-
Other revenues	-	8,188	8,188
Total Revenues	18,955	24,564	5,609
Expenditures:			
Current:			
General government			
Development services	-	-	-
Debt service:			
Debt Issuance Costs	-	-	-
Bond administrative expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,955	24,564	5,609
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Proceeds from lease	-	-	-
Proceeds from sale of capital assets	-	-	-
Proceeds from issuance of bonds	-	-	-
Discount on issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	18,955	24,564	5,609
Fund balances at beginning of year	468,970	468,970	-
Fund balances at end of year	\$ 487,925	\$ 493,534	\$ 5,609

CITY OF HESPERIA

Assessment District 91-3			Fire Building		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ 19,397	\$ 17,417	\$ (1,980)	\$ 39,625	\$ 104,063	\$ 64,438
-	-	-	-	-	-
-	-	-	-	-	-
51,550	5,544	(46,006)	-	-	-
70,947	22,961	(47,986)	39,625	104,063	64,438
93,000	50,151	42,849	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	42	(42)
-	-	-	-	-	-
-	-	-	528,500	-	528,500
93,000	50,151	42,849	528,500	42	528,458
(22,053)	(27,190)	(5,137)	(488,875)	104,021	592,896
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,500,000	3,500,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,500,000	3,500,000
(22,053)	(27,190)	(5,137)	(488,875)	3,604,021	4,092,896
522,190	522,190	-	980,375	980,375	-
\$ 500,137	\$ 495,000	\$ (5,137)	\$ 491,500	\$ 4,584,396	\$ 4,092,896

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, 2008

	City Projects		
	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ -	\$ 7,305	\$ 7,305
Intergovernmental	-	1,381,301	1,381,301
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	-	1,388,606	1,388,606
Expenditures:			
Current:			
General government			
Development services	-	-	-
Debt service:			
Debt Issuance Costs	-	-	-
Bond administrative expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	-	-	-
Equipment and vehicles	-	-	-
Infrastructure	300,000	-	300,000
Total Expenditures	300,000	-	300,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300,000)	1,388,606	1,688,606
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Proceeds from lease	-	-	-
Proceeds from sale of capital assets	-	-	-
Proceeds from issuance of bonds	-	-	-
Discount on issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(300,000)	1,388,606	1,688,606
Fund balances at beginning of year	156	156	-
Fund balances at end of year	\$ (299,844)	\$ 1,388,762	\$ 1,688,606

CITY OF HESPERIA

Branch Library			Government Center		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ -	\$ 138,860	\$ 138,860
-	-	-	-	-	-
-	-	-	-	-	-
-	28,092	28,092	-	-	-
-	28,092	28,092	-	138,860	138,860
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,412	3,412	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,412	3,412	-	-	-	-
(3,412)	24,680	28,092	-	138,860	138,860
-	1,616,555	1,616,555	-	-	-
-	-	-	-	(3,659,373)	(3,659,373)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,616,555	1,616,555	-	(3,659,373)	(3,659,373)
(3,412)	1,641,235	1,644,647	-	(3,520,513)	(3,520,513)
(1,641,235)	(1,641,235)	-	3,520,513	3,520,513	-
\$ (1,644,647)	\$ -	\$ 1,644,647	\$ 3,520,513	\$ -	\$ (3,520,513)

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, 2008

	County High Desert Government Center		
	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Grants	-	-	-
Other revenues	-	-	-
Total Revenues	-	-	-
Expenditures:			
Current:			
General government			
Development services	-	-	-
Debt service:			
Debt Issuance Costs	-	-	-
Bond administrative expense	-	-	-
Capital Outlay:			
Land	-	-	-
Buildings and improvements	178,000	147,591	30,409
Equipment and vehicles	-	-	-
Infrastructure	-	-	-
Total Expenditures	178,000	147,591	30,409
Excess (Deficiency) of Revenues Over (Under) Expenditures	(178,000)	(147,591)	30,409
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Proceeds from lease	-	-	-
Proceeds from sale of capital assets	-	-	-
Proceeds from issuance of bonds	-	-	-
Discount on issuance of bonds	-	-	-
Premium on issuance of bonds	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(178,000)	(147,591)	30,409
Fund balances at beginning of year	-	-	-
Fund balances at end of year	\$ (178,000)	\$ (147,591)	\$ 30,409

CITY OF HESPERIA

Ranchero Road Undercrossing			Redevelopment Agency 2005 Capital Projects		
Budget	Actual	Variance With Budget	Budget	Actual	Variance With Budget
\$ -	\$ -	\$ -	\$ 737,848	\$ 2,840,880	\$ 2,103,032
-	-	-	-	-	-
5,875,350	20,965	(5,854,385)	-	-	-
-	-	-	1,335,139	1,329,721	(5,418)
5,875,350	20,965	(5,854,385)	2,072,987	4,170,601	2,097,614
-	-	-	5,164,365	1,579,319	3,585,046
-	-	-	-	2,879,183	(2,879,183)
-	-	-	-	-	-
738,585	-	738,585	27,810,240	2,493,143	25,317,097
-	-	-	15,155,167	5,123,977	10,031,190
-	-	-	-	71,915	(71,915)
5,136,764	20,965	5,115,799	34,279,768	15,998,498	18,281,270
5,875,349	20,965	5,854,384	82,409,540	28,146,035	54,263,505
1	-	(1)	(80,336,553)	(23,975,434)	56,361,119
-	-	-	-	-	-
-	-	-	(2,667,972)	(7,889,414)	(5,221,442)
-	-	-	-	-	-
-	-	-	-	1,672,588	1,672,588
-	-	-	-	96,950,000	96,950,000
-	-	-	-	(948,474)	(948,474)
-	-	-	-	1,042,021	1,042,021
-	-	-	(2,667,972)	90,826,721	93,494,693
1	-	(1)	(83,004,525)	66,851,287	149,855,812
-	-	-	9,140,170	9,140,170	-
\$ 1	\$ -	\$ (1)	\$ (73,864,355)	\$ 75,991,457	\$ 149,855,812

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, 2008

	Totals		
	Budget	Actual	Variance With Budget
Revenues:			
Use of money and property	\$ 815,825	\$ 3,124,901	\$ 2,309,076
Intergovernmental	-	1,381,301	1,381,301
Grants	5,875,350	20,965	(5,854,385)
Other revenues	1,386,689	1,371,545	(15,144)
Total Revenues	8,077,864	5,898,712	(2,179,152)
Expenditures:			
Current:			
General government			
Development services	5,257,365	1,629,470	3,627,895
Debt service:	-		
Debt Issuance Costs	-	2,879,183	(2,879,183)
Bond administrative expense	-	-	-
Capital Outlay:			
Land	28,548,825	2,493,143	26,055,682
Buildings and improvements	15,336,579	5,275,022	10,061,557
Equipment and vehicles	-	71,915	(71,915)
Infrastructure	40,245,032	16,019,463	24,225,569
Total Expenditures	89,387,801	28,368,196	61,019,605
Excess (Deficiency) of Revenues Over (Under) Expenditures	(81,309,937)	(22,469,484)	58,840,453
Other Financing Sources (Uses):			
Transfers in	-	1,616,555	1,616,555
Transfers out	(2,667,972)	(11,548,787)	(8,880,815)
Proceeds from lease	-	3,500,000	3,500,000
Proceeds from sale of capital assets	-	1,672,588	1,672,588
Proceeds from issuance of bonds	-	96,950,000	96,950,000
Discount on issuance of bonds	-	(948,474)	(948,474)
Premium on issuance of bonds	-	1,042,021	1,042,021
Total Other Financing Sources (Uses)	(2,667,972)	92,283,903	94,951,875
Net Change in Fund Balances	(83,977,909)	69,814,419	153,792,328
Fund balances at beginning of year	12,991,139	12,991,139	-
Fund balances at end of year	\$ (70,986,770)	\$ 82,805,558	\$ 153,792,328

CITY OF HESPERIA

Statistical Section Narrative

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

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

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

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

- Assessed Value And Estimated Actual Value Of Taxable Property

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

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

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

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

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

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ (22,151,775)	\$ (17,491,143)	\$ (8,320,832)	\$ 44,983,065	\$ 53,616,857	\$ 27,606,544
Restricted	5,503,651	5,519,543	-	-	5,629,284	11,244,302
Unrestricted	15,191,433	23,851,906	37,690,850	52,074,612	70,563,924	111,680,392
Total governmental activities net assets	<u>\$ (1,456,691)</u>	<u>\$ 11,880,306</u>	<u>\$ 29,370,018</u>	<u>\$ 97,057,677</u>	<u>\$ 129,810,065</u>	<u>\$ 150,531,238</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 33,700,474	\$ 37,734,956	\$ 40,719,556	\$ 49,232,581	\$ 58,520,406	\$ 71,858,235
Restricted	1,228,374	385,201	394,291	394,760	395,227	395,472
Unrestricted	13,484,881	20,268,387	26,095,340	30,877,798	28,091,091	14,100,209
Total business-type activities net assets	<u>\$ 48,413,729</u>	<u>\$ 58,388,544</u>	<u>\$ 67,209,187</u>	<u>\$ 80,505,139</u>	<u>\$ 87,006,724</u>	<u>\$ 86,353,916</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 11,548,699	\$ 20,243,813	\$ 32,398,724	\$ 94,215,646	\$ 112,137,263	\$ 99,464,779
Restricted	6,732,025	5,904,744	394,291	394,760	6,024,511	11,639,774
Unrestricted	28,676,314	44,120,293	63,786,190	82,952,410	98,655,015	125,780,601
Total primary government net assets	<u>\$ 46,957,038</u>	<u>\$ 70,268,850</u>	<u>\$ 96,579,205</u>	<u>\$ 177,562,816</u>	<u>\$ 216,816,789</u>	<u>\$ 236,885,154</u>

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



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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses:						
Governmental activities:						
General government	\$ 3,947,384	\$ 4,541,529	\$ 6,568,914	\$ 5,461,656	\$ 7,069,940	\$ 8,301,031
Public safety	11,862,373	12,150,761	12,564,797	13,671,886	16,926,772	19,464,330
Development services	7,469,243	9,457,263	12,418,250	19,387,801	34,337,164	38,592,916
Interest on long-term debt	2,305,828	2,231,452	1,818,660	2,996,243	3,512,099	8,351,815
Total governmental activities expenses	<u>25,584,828</u>	<u>28,381,005</u>	<u>33,370,621</u>	<u>41,517,586</u>	<u>61,845,975</u>	<u>74,710,092</u>
Business-type activities:						
Water	10,057,853	9,631,538	11,108,806	13,424,254	15,654,073	16,188,975
Wastewater	788,696	854,049	959,215	1,013,317	1,239,687	1,535,628
Total business-type activities expenses	<u>10,846,549</u>	<u>10,485,587</u>	<u>12,068,021</u>	<u>14,437,571</u>	<u>16,893,760</u>	<u>17,724,603</u>
Total primary government expenses	<u>36,431,377</u>	<u>38,866,592</u>	<u>45,438,642</u>	<u>55,955,157</u>	<u>78,739,735</u>	<u>92,434,695</u>
Program revenues:						
Governmental activities:						
Charges for services:						
General government	5,761,006	5,809,505	6,804,436	8,561,860	6,276,500	4,274,093
Public safety	2,463,334	2,343,945	1,967,136	2,241,732	2,723,734	2,665,407
Transportation	-	17,851	-	-	-	-
Development services	97,982	3,843,279	5,591,210	8,313,191	6,995,621	6,700,907
Operating grants and contributions	5,470,516	6,078,237	6,222,214	11,048,636	17,440,925	6,580,808
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	<u>13,792,838</u>	<u>18,092,817</u>	<u>20,584,996</u>	<u>30,165,419</u>	<u>33,436,780</u>	<u>20,221,215</u>
Business-type activities:						
Charges for services:						
Water	7,972,284	10,425,035	11,089,090	12,215,406	13,220,207	12,409,854
Wastewater	1,079,381	1,621,014	2,155,770	3,021,404	2,616,697	2,661,434
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
Total business-type activities program revenues	<u>9,051,665</u>	<u>12,046,049</u>	<u>13,244,860</u>	<u>15,236,810</u>	<u>15,836,904</u>	<u>15,071,288</u>
Total primary government program revenues	<u>22,844,503</u>	<u>30,138,866</u>	<u>33,829,856</u>	<u>45,402,229</u>	<u>49,273,684</u>	<u>35,292,503</u>
Net revenues (expenses):						
Governmental activities	(11,791,990)	(10,288,188)	(12,785,625)	(11,352,167)	(28,409,195)	(54,488,877)
Business-type activities	(1,794,884)	1,560,462	1,176,839	799,239	(1,056,856)	(2,653,315)
Total net revenues (expenses)	<u>(13,586,874)</u>	<u>(8,727,726)</u>	<u>(11,608,786)</u>	<u>(10,552,928)</u>	<u>(29,466,051)</u>	<u>(57,142,192)</u>

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General revenues and other changes in net assets:						
Governmental activities:						
Taxes:						
Property taxes	7,537,050	10,115,146	13,956,618	24,176,799	34,413,418	42,188,578
Sales and use tax	5,350,392	6,308,789	7,039,638	9,143,934	10,322,560	9,141,364
Transient occupancy tax	175,069	354,109	428,309	573,167	659,255	742,791
Franchise tax	1,611,451	1,711,464	1,710,246	2,012,833	2,176,231	2,255,427
Document transfer tax	184,577	353,239	617,947	819,907	567,321	223,588
Vehicle license fees	3,764,534	3,110,897	4,208,873	5,732,562	7,031,180	8,635,844
Income from property and investments	93,250	437,453	749,628	3,590,947	5,019,835	8,228,698
Gain/(loss) on sale of land	-	142,216	-	-	-	-
Unrestricted capital contributions	-	-	813,692	987,236	443,062	-
Other general revenues and transfers	21,705	44,337	184,995	43,240	528,721	3,793,760
Total governmental activities	<u>18,738,028</u>	<u>22,577,650</u>	<u>29,709,946</u>	<u>47,080,625</u>	<u>61,161,583</u>	<u>75,210,050</u>
Business-type activities:						
Property taxes	479,375	364,028	139,612	145,452	363,921	368,104
Unrestricted investment earnings	305,447	377,551	418,898	902,209	1,323,537	926,463
Unrestricted system improvement and replacement	4,216,764	7,336,423	7,062,410	10,721,686	5,539,018	3,975,273
Other revenues and transfers	321,239	336,351	373,100	727,366	331,965	<u>(3,269,333)</u>
Total business-type revenues and transfers	<u>5,322,825</u>	<u>8,414,353</u>	<u>7,994,020</u>	<u>12,496,713</u>	<u>7,558,441</u>	<u>2,000,507</u>
Total primary government	<u>24,060,853</u>	<u>30,992,003</u>	<u>37,703,966</u>	<u>59,577,338</u>	<u>68,720,024</u>	<u>77,210,557</u>
Changes in net assets						
Governmental activities	6,946,038	12,289,462	16,924,321	35,728,458	32,752,388	20,721,173
Business-type activities	3,527,941	9,974,815	9,170,859	13,295,952	6,501,585	<u>(652,808)</u>
Total primary government	<u>\$ 10,473,979</u>	<u>\$ 22,264,277</u>	<u>\$ 26,095,180</u>	<u>\$ 49,024,410</u>	<u>\$ 39,253,973</u>	<u>\$ 20,068,365</u>

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General fund:						
Reserved	\$ 5,218,251	\$ 2,978,325	\$ 361,846	\$ 150,000	\$ 150,000	\$ 150,000
Unreserved	2,934,198	6,880,251	15,139,502	17,585,942	22,557,386	22,328,904
Total general fund	<u>\$ 8,152,449</u>	<u>\$ 9,858,576</u>	<u>\$ 15,501,348</u>	<u>\$ 17,735,942</u>	<u>\$ 22,707,386</u>	<u>\$ 22,478,904</u>
All other governmental funds:						
Reserved	\$ 2,890,828	\$ 3,157,330	\$ 29,004,708	\$ 42,787,688	\$ 45,862,243	\$ 194,005,136
Unreserved, reported in:						
Special revenue funds	9,658,085	14,123,256	30,447,098	29,317,414	35,857,131	27,300,719
Debt service funds	(3,825,980)	(2,642,579)	(490,229)	(22,443)	398,835	-
Capital projects funds	5,084,474	5,000,435	15,856,368	6,872,815	3,850,969	6,814,101
Total all other governmental funds	<u>\$ 13,807,407</u>	<u>\$ 19,638,442</u>	<u>\$ 74,817,945</u>	<u>\$ 78,955,474</u>	<u>\$ 85,969,178</u>	<u>\$ 228,119,956</u>

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues:						
Taxes	\$ 16,365,107	\$ 20,547,826	\$ 24,919,776	\$ 37,881,600	\$ 49,407,703	\$ 55,405,322
Licenses and permits	262,615	257,601	256,194	275,507	230,972	236,382
Fines and forfeits	254,608	401,451	407,270	250,772	1,118,631	794,088
Use of money and property	450,204	436,362	3,105,920	3,619,467	5,050,964	8,261,151
Intergovernmental	8,262,121	8,219,246	9,046,885	12,072,506	12,490,614	14,407,875
Charges for services	6,341,430	9,578,056	12,421,713	16,883,103	12,383,951	8,862,460
Grants	-	1,035,019	960,610	3,160,876	11,609,745	1,524,833
Other revenues	381,302	1,625,250	788,022	2,940,965	2,099,331	2,025,167
Total revenues	<u>32,317,387</u>	<u>42,100,811</u>	<u>51,906,390</u>	<u>77,084,796</u>	<u>94,391,911</u>	<u>91,517,278</u>
Expenditures:						
Noncapital Expenditures:						
Current:						
General government	3,748,066	4,182,520	4,605,714	4,888,487	5,792,539	6,410,608
Public safety	11,630,806	12,093,487	12,455,222	13,581,887	16,824,494	19,227,144
Development services	7,181,703	9,355,122	7,873,573	10,658,293	20,082,275	19,311,962
Debt service:						
Interest	1,953,428	1,858,117	4,250,263	2,465,662	3,184,265	6,693,786
Principal	1,402,353	2,648,300	755,000	3,160,000	3,050,000	6,910,000
Debt issuance costs	-	-	2,254,564	26,201	-	3,060,015
Pass through payments	-	-	4,393,424	8,394,018	12,326,351	15,541,970
Bond administration expense	20,286	19,822	28,208	50,723	288,989	203,355
Total noncapital expenditures	<u>25,936,642</u>	<u>30,157,368</u>	<u>36,615,968</u>	<u>43,225,271</u>	<u>61,548,913</u>	<u>77,358,840</u>
Capital outlay	4,709,271	4,993,010	6,383,711	28,404,226	20,857,850	32,525,962
Total Expenditures	<u>30,645,913</u>	<u>35,150,378</u>	<u>42,999,679</u>	<u>71,629,497</u>	<u>82,406,763</u>	<u>109,884,802</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,671,474</u>	<u>6,950,433</u>	<u>8,906,711</u>	<u>5,455,299</u>	<u>11,985,148</u>	<u>(18,367,524)</u>
Other financing sources (uses):						
Transfers in	5,155,981	5,935,918	5,155,981	13,321,361	10,312,687	25,062,588
Transfers out	(5,155,981)	(5,935,918)	(5,155,981)	(13,321,361)	(10,312,687)	(25,062,588)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances prior to capital expenditures	<u>\$ 1,671,474</u>	<u>\$ 6,950,433</u>	<u>\$ 8,906,711</u>	<u>\$ 5,455,299</u>	<u>\$ 11,985,148</u>	<u>\$ (18,367,524)</u>
Debt service as a percentage of noncapital expenditures						
	13.0%	15.0%	31.9%	32.6%	30.6%	41.9%

Notes:

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

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

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

	City			Taxable Assessed Value	Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
1999	\$ 1,992,476	\$ 69,105	\$ (73,098)	\$ 1,988,483	\$ 1,626,790	\$ 63,643	\$ (60,219)	\$ 1,630,214	0.179%
2000	2,017,809	83,467	(72,281)	2,028,995	1,656,102	77,665	(59,556)	1,674,211	0.178%
2001	2,056,481	78,178	(69,470)	2,065,189	1,517,867	77,665	(56,636)	1,538,896	0.179%
2002	2,119,035	83,737	(71,990)	2,130,782	1,759,840	78,532	(59,663)	1,778,709	0.179%
2003	2,228,581	87,760	(73,860)	2,242,481	1,857,322	83,428	(61,211)	1,879,539	0.179%
2004	2,443,865	88,055	(78,151)	2,453,769	2,028,750	84,115	(64,504)	2,048,361	0.180%
2005	2,790,876	90,286	(79,330)	2,801,832	2,300,393	86,730	(65,416)	2,321,707	0.179%
2006	3,520,949	104,268	(79,642)	3,545,575	2,873,815	99,706	(65,065)	2,908,456	0.179%
2007	4,615,619	110,298	(80,834)	4,645,083	3,726,273	104,620	(65,920)	3,764,973	0.179%
2008	5,813,485	128,913	(82,912)	5,859,486	4,701,132	122,542	(67,725)	4,755,949	0.179%

NOTE:

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

Source: San Bernardino County Assessor's Office

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
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	0.152	0.153	0.153	0.153	0.154	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>	<u>0.178</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.180</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>	<u>0.179</u>
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	0.215	0.216	0.215	0.215	0.215	0.214	0.216	0.216	0.215	0.215
Flood Control	0.023	0.024	0.023	0.023	0.023	0.023	0.023	0.023	0.023	0.023
County Free Library	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014
County Superintendent of Schools	0.010	0.010	0.010	0.009	0.009	0.009	0.009	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	0.295	0.294	0.294	0.294	0.294	0.294	0.293	0.294	0.295	0.295
CSA 60 - Victorville	0.008	0.008	0.008	0.009	0.009	0.009	0.009	0.009	0.009	0.009
CSA 70 - County Wide	0.005	0.005	0.004	0.004	0.004	0.004	0.004	0.002	0.002	0.002
Hesperia Park District	0.040	0.040	0.042	0.042	0.042	0.042	0.042	0.042	0.042	0.042
Mojave Water Agency	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005
Total expenditures	<u>1.000</u>									

Note:

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

Source: County of San Bernardino Assessor's Office

CITY OF HESPERIA

Principal Property Tax Payers Current Year and 9 Years Ago

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

Notes:

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

Source: County of San Bernardino Assessor's Office

CITY OF HESPERIA

Property Tax Levies And Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1999	\$ 3,857,687	\$ 3,661,429	95%	\$ 165,533	\$ 3,826,961	99%
2000	4,290,509	4,090,833	95%	163,642	4,254,474	99%
2001	4,722,241	4,521,395	96%	224,122	4,745,517	100%
2002	5,451,689	5,198,415	95%	192,374	5,390,788	99%
2003	6,802,802	6,298,814	93%	597,796	6,896,610	101%
2004	9,092,616	8,832,516	97%	802,131	9,634,647	106%
2005	12,777,222	12,347,878	97%	1,072,902	13,420,780	105%
2006	21,668,601	21,040,332	97%	1,651,470	22,691,801	105%
2007	30,548,690	27,625,632	90%	4,362,737	31,988,369	105%
2008	36,836,222	34,574,511	94%	4,742,228	39,316,739	107%

Note:

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

Source: County of San Bernardino Auditor Controller's Office

CITY OF HESPERIA

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					Total Governmental Activities
	Tax Revenue	Tax Allocation Bonds ¹	Certificates of Participation	Capital Lease	Loans	
1999	\$ 18,290,000	\$ 13,964,675	\$ -	\$ 1,380,460	\$ 4,508,617	\$ 38,143,752
2000	17,630,000	14,391,276	-	951,089	4,282,036	37,254,402
2001	16,910,000	14,680,997	-	586,285	4,009,723	36,187,006
2002	16,130,000	13,711,714	-	158,757	3,735,287	33,735,758
2003	15,280,000	13,891,535	-	54,319	3,445,250	32,671,104
2004	14,355,000	14,085,666	-	-	1,950,000	30,390,666
2005	12,525,000	49,285,000	18,300,000	-	1,800,000	81,910,000
2006	11,440,000	47,360,000	18,300,000	-	1,650,000	78,750,000
2007	9,955,000	45,945,000	18,300,000	-	1,500,000	75,700,000
2008	8,655,000	198,805,000	14,300,000	-	1,350,000	223,110,000

Notes:

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

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

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

Business-type Activities

<u>Water Revenue Bonds</u>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>Loans</u>	<u>Total Business-type Activities</u>	<u>Total Primary Governmental</u>	<u>Percentage of Personal Income ²</u>	<u>Debt Per Capita ²</u>
\$ 20,055,000	\$ 1,060,000	\$ 1,320,000	\$ 3,251,037	\$ 25,686,037	\$ 63,829,789	8.53%	\$ 1,046
20,000,000	760,000	1,300,000	2,998,128	25,058,128	62,312,530	6.43%	996
19,940,000	440,000	1,280,000	2,734,536	24,394,536	60,581,542	6.64%	957
19,445,000	105,000	1,255,000	2,460,194	23,265,194	57,000,952	5.35%	871
18,930,000	-	1,230,000	2,174,336	22,334,336	55,005,440	4.96%	807
18,395,000	-	1,205,000	1,876,681	21,476,681	51,867,347	4.14%	733
17,340,000	-	1,175,000	1,566,234	20,081,234	101,991,234	7.29%	1,340
16,760,000	-	1,145,000	1,242,947	19,147,947	97,897,947	6.68%	1,220
16,155,000	-	1,110,000	905,826	18,170,826	93,870,826	5.81%	1,095
15,530,000	-	1,075,000	554,652	17,159,652	240,269,652	13.92%	2,736

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	General	Total		
	<u>Allocation</u> <u>Bonds</u>	<u>Obligation</u> <u>Bonds</u>	<u>Governmental</u> <u>Activities</u>		
1999	\$ 13,965	\$ 1,060	\$ 15,025	0.76%	\$ 250
2000	14,391	760	15,151	0.75%	248
2001	14,681	440	15,121	0.73%	242
2002	13,712	105	13,817	0.65%	218
2003	13,892	-	13,892	0.62%	212
2004	14,086	-	14,086	0.57%	207
2005	49,285	-	49,285	1.76%	697
2006	47,360	-	47,360	1.34%	622
2007	45,945	-	45,945	0.99%	572
2008	198,805	-	198,805	3.39%	2,320

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

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

CITY OF HESPERIA
Direct And Overlapping Bonded Debt
June 30, 2008

	Total Debt 6/30/08	Percentage Applicable ⁽¹⁾	Net Bonded Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
City of Hesperia Community Facilities District No. 2005-1	\$ 18,554,508	100.000%	\$ 18,554,508
City of Hesperia Assessment District No. 91-1	8,520,000	100.000%	8,520,000
Hesperia Water District Assessment District No. 3	640,000	100.000%	640,000
Total Overlapping Tax and Assessment Debt			\$ 27,714,508
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>			
San Bernardino County General Fund Obligations	791,760,000	2.124%	16,816,982
San Bernardino County Pension Obligations	688,325,591	2.124%	14,620,036
San Bernardino County Flood Control District Certificates of Participation	119,920,000	2.124%	2,547,101
Mojave Water Agency Certificates of Participation	21,290,000	10.510%	2,237,579
Victor Valley Joint Community College District Certificates of Participation	52,550,000	12.337%	6,483,097
Hesperia Unified School District Certificates of Participation	105,000,000	79.954%	83,951,700
Snowline Joint Union High School District Certificates of Participation	57,275,000	1.388%	794,977
City of Hesperia Certificates of Participation	17,900,000	100.000%	17,900,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 145,351,472
COMBINED TOTAL DEBT			\$ 173,065,980 ⁽²⁾

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

2007-2008 Assessed Valuation: \$2,596,216,406 (After deducting \$3,346,181,651 Redevelopment Increment).

Ratios to 2007-08 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 0.47%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$17,900,000) 0.69%

Combined Total Debt 6.67%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$ -

Source: California Municipal Statistics, Inc.

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total assessed value of all real and personal property	\$ 1,988,483,000	\$ 2,028,995,000	\$ 2,065,189,000	\$ 2,130,782,000
Debt limit percentage (1)	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
Total debt limit	298,272,450	304,349,250	309,778,350	319,617,300
Amount of debt applicable to debt limit	<u>18,290,000</u>	<u>17,630,000</u>	<u>16,910,000</u>	<u>16,130,000</u>
Legal debt margin	\$ 279,982,450	\$ 286,719,250	\$ 292,868,350	\$ 303,487,300
Percent of Debt Limit Authorized	6.13%	5.79%	5.46%	5.05%

The Government Code of the State of California (§43605) provides for a debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel).

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

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 2,242,481,000	\$ 2,453,769,000	\$ 2,801,832,000	\$ 3,545,575,000	\$ 4,645,083,000	\$ 5,859,486,000
15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
<u>336,372,150</u>	<u>368,065,350</u>	<u>420,274,800</u>	<u>531,836,250</u>	<u>696,762,450</u>	<u>878,922,900</u>
15,280,000	14,355,000	12,525,000	11,440,000	9,955,000	8,655,000
<u>\$ 321,092,150</u>	<u>\$ 353,710,350</u>	<u>\$ 407,749,800</u>	<u>\$ 520,396,250</u>	<u>\$ 686,807,450</u>	<u>\$ 870,267,900</u>
4.54%	3.90%	2.98%	2.15%	1.43%	0.98%

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	
1999	\$ 9,074,296	\$ 7,076,070	\$ 1,998,226	\$ -	\$ 81,765	n/a
2000	9,873,455	8,072,290	1,801,165	55,000	1,152,973	1.49
2001	10,339,719	8,610,335	1,729,384	60,000	1,148,430	1.43
2002	12,103,010	9,644,145	2,458,865	495,000	697,473	2.06
2003	14,374,490	10,146,191	4,228,299	515,000	489,214	4.21
2004	20,460,402	9,976,243	10,484,159	535,000	314,745	12.34
2005	21,238,880	11,455,807	9,783,073	1,055,000	389,202	6.77
2006	27,406,490	13,445,058	13,961,432	580,000	872,267	9.61
2007	23,395,345	15,818,866	7,576,479	605,000	930,004	4.94
2008	20,705,691	17,575,702	3,129,989	625,000	930,266	2.01

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	
\$ 341,290	\$ -	\$ 566,075	0.60
665,724	-	566,075	1.18
1,429,974	30,000	661,063	2.07
2,198,144	80,000	752,938	2.64
3,230,218	165,000	743,506	3.56
5,795,305	180,000	730,288	6.37
9,404,059	195,000	608,903	11.70
18,107,617	1,925,000	1,536,258	5.23
27,001,236	1,415,000	2,073,461	7.74
34,255,092	1,460,000	5,813,807	4.71

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⁾
1999	61,000	767,631	12,266	6.0%
2000	62,582	980,792	15,487	5.6%
2001	63,330	943,691	14,413	5.1%
2002	65,475	1,110,146	16,279	5.7%
2003	68,195	1,151,288	16,274	6.2%
2004	70,744	1,252,381	17,703	5.8%
2005	76,114	1,398,290	18,371	5.4%
2006	80,268	1,465,052	18,252	6.4%
2007	85,708	1,617,904	18,840	7.1%
2008	87,820	1,725,751	19,651	10.2%

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 Six Years Ago

	2008		2002	
	Number Of Employees	Percent of Total Employment	Number Of Employees	Percent of Total Employment
Hesperia Unified School District	2,150	6.83%	1,561	6.92%
Stater Brothers Markets	390	1.24%	300	1.33%
County of San Bernardino	366	1.16%	100	0.44%
City of Hesperia	351	1.11%	301	1.33%
Arizona Pipeline Company	211	0.67%	75	0.33%
Robar Ent/Hi Grade Material	200	0.63%	200	0.89%
Double Eagle Transportation	150	0.48%	100	0.44%
In-N-Out	138	0.44%	100	0.44%
K-Mart	105	0.33%	90	0.40%
Graco Children's Products	101	0.32%	-	0.00%
Standard Abrasives	88	0.28%	35	0.16%
Hesperia Truss	80	0.25%	85	0.38%
Dial Precision	53	0.17%	110	0.49%
Daytec Center	47	0.15%	-	0.00%
Mer-Mar	41	0.13%	85	0.38%
Little Sister's Truck Wash	40	0.13%	81	0.36%
Ram-Mar Painting, Inc.	30	0.10%	131	0.58%
C & M Wood Industries, Inc.	20	0.06%	248	1.10%

Note: The oldest comparative information available is 2002.

Source: City of Hesperia Economic Development Department

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

Function	Full-time and Part-time Employees as of June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	24.00	24.00	27.20	29.63	29.76	30.20	33.75	37.66	46.57	49.17
Public safety										
Police ¹	52.00	52.00	52.00	50.13	50.13	49.50	51.50	55.50	64.50	73.50
Fire ²	61.00	67.00	64.00	54.63	53.63	52.26	45.00	51.00	59.00	59.00
Development services										
Community Development	26.00	27.00	27.20	29.86	29.86	32.76	35.47	39.47	24.90	23.95
Code Compliance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.23	30.64
Public works	18.44	18.44	21.90	22.63	22.13	23.43	26.91	30.33	33.91	37.91
Water	36.56	36.56	32.70	32.43	32.93	33.31	37.54	45.91	67.10	71.56
Wastewater	0.00	0.00	2.00	2.44	2.44	2.44	3.44	3.69	4.69	5.69
Total	<u>218.00</u>	<u>225.00</u>	<u>227.00</u>	<u>221.75</u>	<u>220.88</u>	<u>223.90</u>	<u>233.61</u>	<u>263.56</u>	<u>325.90</u>	<u>351.42</u>

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Arrests	1,646	1,880	1,967	2,000	2,129	2,115	2,831	3,192	3,336	3,802
Citations issued	7,044	6,830	5,038	6,175	4,683	4,474	4,799	6,608	7,692	7,460
Calls for service	45,196	44,533	45,271	45,500	46,246	47,988	54,019	81,370	86,034	90,872
Fire:										
Number of emergency calls	5,841	6,622	6,879	7,344	7,917	7,285	7,196	6,431	6,294	7,340
Inspections	465	651	653	496	906	909	967	1,136	1,081	723
Public works:										
Street resurfacing (miles)	1.5	0.8	19.9	21.8	19.3	18.4	24.3	51.1	57.0	57.0
Potholes filled	64,984	73,949	84,192	80,000	51,000	46,000	89,000	60,000	61,000	22,000
Water:										
New connections	200	174	263	500	687	1,115	1,173	1,792	1,200	1,200
Average daily consumption (thousands of gallons)	13,390	13,471	13,390	13,837	15,622	13,658	14,729	15,176	15,622	15,176
Old steel waterlines replaced ¹ (miles of pipeline)	0.3	1.4	1.4	6.0	8.7	9.2	11.0	14.2	8.5	8.0
Sewer: ²										
Wastewater lines cleaned (mi.)	40	34	63	69	70	29	29	57	74	22
Manholes maintained	220	587	1,380	1,425	1,500	852	433	1,000	1,500	845

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

Source: City of Hesperia Management Services Department

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations	3	3	3	3	3	3	3	3	3	3
Public works:										
Streets (miles)	520.2	520.2	520.2	520.2	520.2	520.2	520.2	545.0	545.0	545.0
Traffic Signals	23	25	25	25	25	25	25	25	25	25
Water:										
Water mains (miles)	572.2	572.2	572.2	572.2	572.2	572.2	572.2	574.0	574.0	574.0
Maximum daily capacity (thousands of gallons)	13,390	13,471	13,390	13,837	15,622	13,658	14,729	15,176	27,140	27,140
Old steel waterlines replaced ¹ (miles of pipeline)	0.3	1.4	1.4	6.0	8.7	9.2	11.0	14.2	8.5	8.0
Sewer: ²										
Sanitary sewers (miles)	40	50	63	69	70	74	85	103	115	115
Maximum daily treatment capacity (thousands of gallons)	1,030	1,075	1,095	1,125	1,170	1,215	1,250	1,325	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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Residential	3,010.1	3,088.2	3,125.1	3,230.9	3,365.1	3,490.9	3,755.9	3,960.9	4,787.8	4,001.5
Industrial	3.4	3.5	3.6	3.7	3.8	4.0	4.3	4.5	6.3	5.6
Commercial	625.1	641.4	649.0	671.0	698.9	725.0	780.0	822.6	893.2	852.9
Government	183.8	188.6	190.9	197.3	205.5	213.2	229.4	241.9	302.3	282.6
Total	3,822.5	3,921.6	3,968.5	4,102.9	4,273.4	4,433.1	4,769.6	5,029.9	5,989.6	5,142.6

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

Source: Hesperia Water District

HESPERIA WATER DISTRICT

Water Rates

Last Ten Fiscal Years

Fiscal Year Ended June 30	Bi-Monthly Meter Charge	Bi-Monthly Usage Tiers					
		Rate Per 0 - 8	Rate Per 9 - 16	Rate Per 17 - 30	Rate Per 31 - 50	Rate Per 51 - 100	Rate Per Over 100
		HCF	HCF	HCF	HCF	HCF	HCF
1997 ⁽¹⁾	\$ 22.00	\$ 0.50	\$ 0.53	\$ 0.58	\$ 0.61	\$ 0.65	\$ 0.69
1998	22.00	0.50	0.53	0.58	0.61	0.65	0.69
1999	22.00	0.50	0.53	0.58	0.61	0.65	0.69
2000	22.00	0.50	0.53	0.58	0.61	0.65	0.69
2001	22.00	0.50	0.53	0.58	0.61	0.65	0.69

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

Fiscal Year Ended June 30	Bi-Monthly Meter Charge	Bi-Monthly Usage Tiers			
		Rate Per 0 - 10	Rate Per 11 - 40	Rate Per 41 - 80	Rate Per Over 80
		HCF	HCF	HCF	HCF
2008	35.19	0.71	1.20	1.47	1.74

Notes:

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

HCF - Hundred Cubit Feet or approximately 748 gallons.

(1) - These rates became effective in 1993.

Source: Hesperia Water District

HESPERIA WATER DISTRICT

Water Customers

Current Year

	2008	
	Water Charges	Percent of Total Water Revenues
Hesperia Unified School District	\$ 319,805	3.55%
Hesperia Park & Recreation	163,995	1.82%
Spring Street Associates LP	46,320	0.51%
CEMX	31,128	0.35%
Hesperia Senior Campus	27,777	0.31%
Wyatt Family Properties	21,956	0.24%
HK Realty	17,245	0.19%
Three Palms Apartments, LP	16,683	0.19%
Lyle Parks Jr. Construction	15,884	0.18%
City of Hesperia	13,587	0.15%

Note:
Only 2006-07 information is available for this schedule.

Source: Hesperia Water District

