

**HESPERIA RECREATION AND  
PARK DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

**HESPERIA RECREATION AND PARK DISTRICT**  
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 FOR THE YEAR ENDED JUNE 30, 2012

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**CERTIFIED  
PUBLIC  
ACCOUNTANTS  
& BUSINESS  
ADVISORS**

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Hesperia Recreation and Park District  
Hesperia, California

We have audited the accompanying financial statements of the governmental activities and each major fund of Hesperia Recreation and Park District as of and for the year ended June 30, 2012, which collectively comprise the Hesperia Recreation and Park District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hesperia Recreation and Park District'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. 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 and each major fund of the Hesperia Recreation and Park District, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 3 through 11 and pages 38 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hesperia Recreation and Park District's financial statements as a whole. The combining and individual fund financial statements on pages 44 through 57 are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

December 4, 2012  
Redlands, California

*Eddie and Payne LLP*

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012

Our discussion and analysis of Hesperia Recreation and Park District's (District) financial performance provides an overview and analysis of the District's financial activities for the year ended June 30, 2012. This report is in conjunction with the District's financial statements, which are a part of this report.

The Hesperia Recreation and Park District, an independent special district, was formed in 1957. The District offers programs and activities for residents of Hesperia and surrounding communities. It was voter choice to have a separate governmental entity to provide their leisure and recreational needs.

**FINANCIAL HIGHLIGHTS**

- The District's net assets decreased by approximately \$657,000 as a result of this year's operations.
- Total revenues decreased by approximately \$46,000. Total program revenues decreased by approximately \$413,000 from the prior year. However, this decrease was partially offset by an increase in general revenues.
- Total expenses decreased by approximately \$2.2 million from the prior year due to the reduction in expenses for the Civic Plaza Park.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This management discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements.

Government-Wide Financial Statements

The government-wide financial statements include two financial statements: the statement of net assets and the statement of activities. These statements are designed to provide the readers with a broad overview of the District's finances in a manner similar to private-sector businesses.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2012

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by tax revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The District does not have any business-type activities.

The government-wide financial statements include not only the District itself (known as the *primary government*) but also a legally separate not-for-profit organization, Hesperia Area Recreation District Foundation (Foundation), for which the District is financially accountable. Financial information for this component unit is blended with the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2012

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

The District maintains 59 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, two capital projects funds, the special revenue funds, and the Foundation, all of which are considered to be major funds. The General Fund also contains three nonmajor funds that report the rental activities for the General Fund. Data from the 52 special revenue funds have been combined into a single column for special revenue funds.

The District adopts an annual appropriated budget for all its governmental funds. A budgetary comparison statement has been provided for the General Fund and the special revenue fund to demonstrate budget compliance.

The basic governmental fund financial statements can be found on pages 14 and 16 of this report. The reconciliation of the fund financial statements to the government-wide financial statements can be found on pages 15 and 17.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to financial statements can be found on pages 18 through 36 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15.4 million at June 30, 2012. By far, the largest portion of the District's net assets reflects its investment in capital assets (e.g., buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2012

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities:

**TABLE 1 - Net Assets**  
(amounts in thousands)

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>
<b>Assets</b>			
Current assets	\$ 6,718	\$ 6,922	\$ (204)
Noncurrent (capital) assets	<u>12,120</u>	<u>12,752</u>	<u>(632)</u>
<b>Total Assets</b>	<u>18,838</u>	<u>19,674</u>	<u>(836)</u>
<b>Liabilities</b>			
Current liabilities	367	481	(114)
Noncurrent liabilities	<u>3,045</u>	<u>3,110</u>	<u>(65)</u>
<b>Total Liabilities</b>	<u>3,412</u>	<u>3,591</u>	<u>(179)</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	11,672	12,261	(589)
Unrestricted	<u>3,754</u>	<u>3,822</u>	<u>(68)</u>
<b>Total Net Assets</b>	<u>\$ 15,426</u>	<u>\$ 16,083</u>	<u>\$ (657)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2012

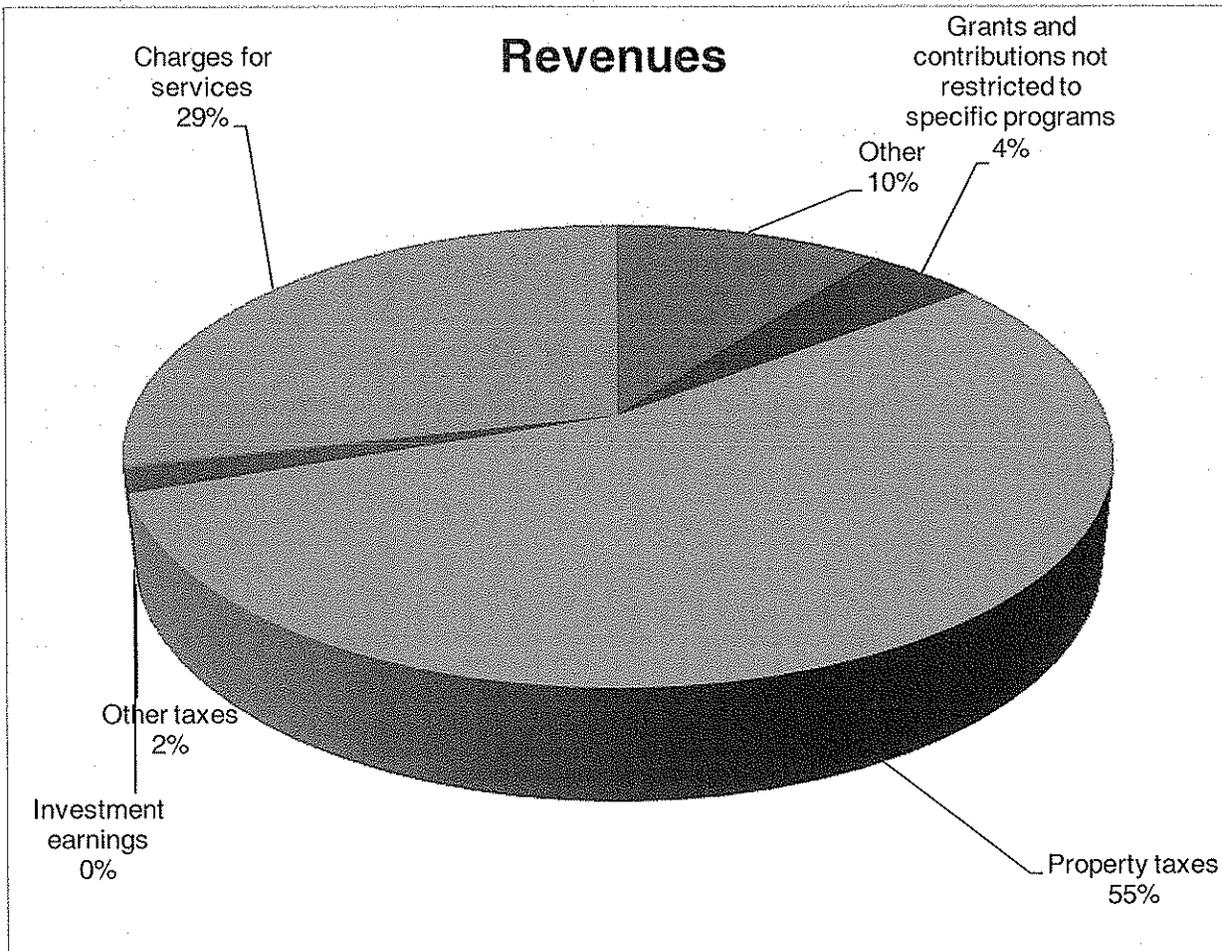
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**TABLE 2 - Changes in Net Assets**  
(amounts in thousands)

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 2,182	\$ 2,567	\$ (385)
Special assessments	128	156	(28)
General Revenues			
Property taxes	4,233	3,921	312
Grants and contributions not restricted to specific programs	327	260	67
Investment earnings	20	61	(41)
Other	798	769	29
<b>Total Revenues</b>	<u>7,688</u>	<u>7,734</u>	<u>(46)</u>
<b>Expenses</b>			
General government	7,705	9,895	(2,190)
Community and economic development	281	332	(51)
Culture and recreation	329	316	13
Interest on long-term debt	30	33	(3)
<b>Total Expenses</b>	<u>8,345</u>	<u>10,576</u>	<u>(2,231)</u>
<b>Change in Net Assets</b>	(657)	(2,842)	2,185
<b>Net Assets - beginning of year, restated</b>	<u>16,083</u>	<u>18,925</u>	<u>(2,842)</u>
<b>Net Assets - End of Year</b>	<u>\$ 15,426</u>	<u>\$ 16,083</u>	<u>\$ (657)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2012

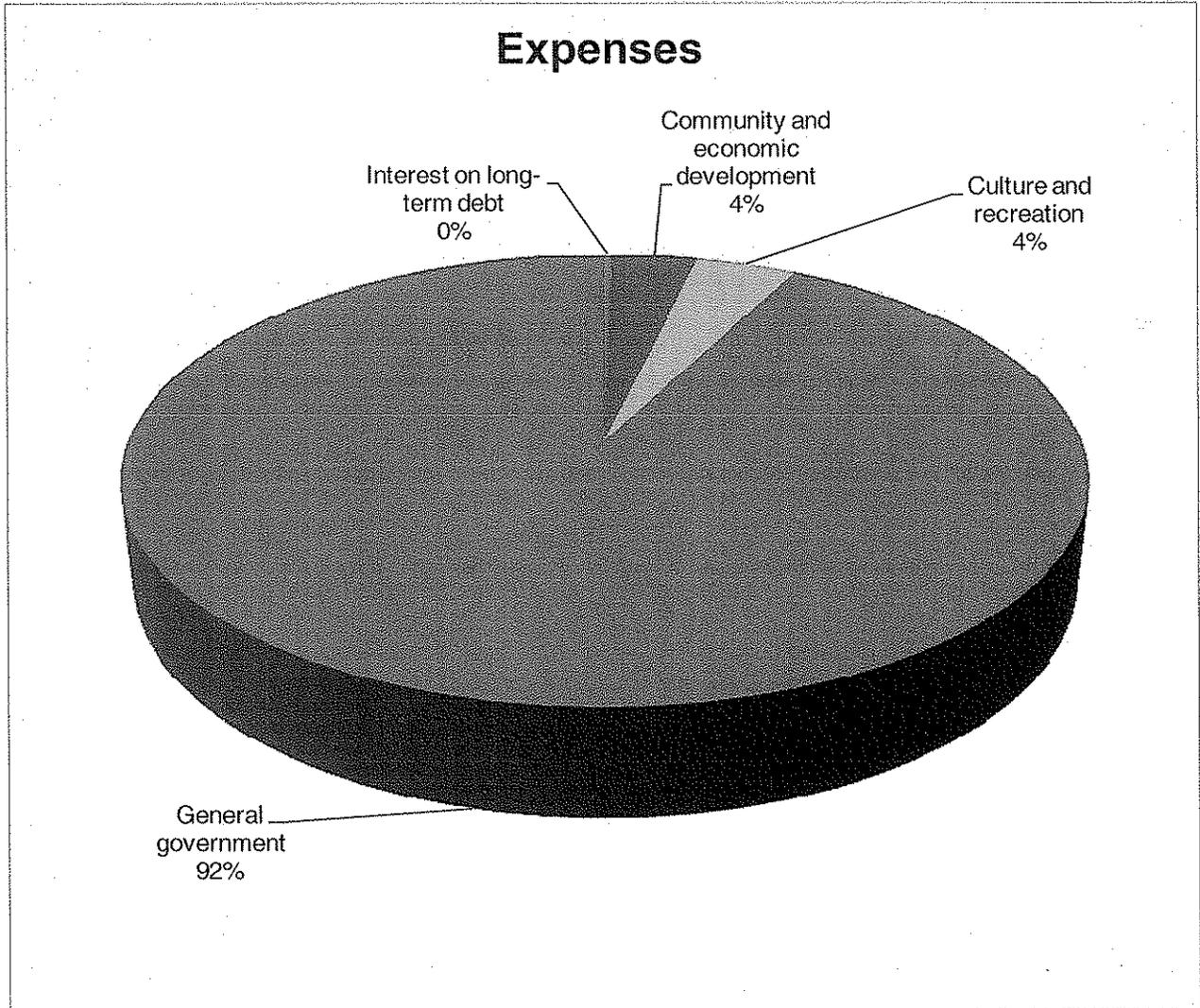
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)



Revenues for the District decreased approximately \$46,000 from the prior year. The largest decrease in revenue was in charges for services, which include pass-through payments from the City of Hesperia and the Foundation recreation fees. The largest source of funds is property taxes. Property taxes, plus revenue from contractual services and other miscellaneous revenue, enable the District to fund the daily operations of the District as well as upgrade its equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)



Total expenses decreased by approximately \$2.2 million. The largest decrease in expenses was for general government, which includes personnel expenses and development fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2012

**BUDGETARY HIGHLIGHTS**

General Fund

The actual expenditures were \$3,805,681, which is \$1,682,451 less than the final budgeted amount. Revenues were \$2,409,020, which is \$304,120 more than the final budgeted amount.

Special Revenue Fund

The actual expenditures were \$785,935 which is \$1,590,651 less than the final budgeted amount. Revenues were \$1,141,791, which is \$46,095 more than the final budgeted amount.

The budgetary comparison schedules for the General Fund and the special revenue funds can be found on pages 40 and 41 of this report.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2012, the District had \$12.1 million (net of accumulated depreciation) in capital assets. This amount represents a net decrease of approximately \$632,000 (including additions and deletions). See Table 3 below:

**TABLE 3 - Capital Assets at Year-end (Net of Depreciation)**  
(amounts in thousands)

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>
Land	\$ 1,602	\$ 1,602	-
Historical artifacts	82	82	-
Site improvements	6,030	6,030	\$ -
Buildings and improvements	11,454	11,400	54
Equipment	637	605	32
Accumulated depreciation	<u>(7,685)</u>	<u>(6,967)</u>	<u>(718)</u>
<b>Total Capital Assets, Net</b>	<u><u>\$12,120</u></u>	<u><u>\$12,752</u></u>	<u><u>\$(632)</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
JUNE 30, 2012

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

Long-Term Debt

As presented in Table 4 below, the total long-term debt of the District was \$3.0 million. Additional information on the District's long-term debt can be found in the notes to financial statements.

**TABLE 4 - Outstanding Debt at Year-end**  
(amounts in thousands)

	<u>2012</u>	<u>2011</u>	<u>Net Change</u>
Intergovernmental payable	\$ 1,760	\$ 1,961	\$ (201)
Compensated absences payable	190	163	27
Post-employment benefits payable	647	495	152
Capital lease	5	7	(2)
Note payable	<u>443</u>	<u>484</u>	<u>(41)</u>
<b>Total Long-Term Debt</b>	<u><u>\$3,045</u></u>	<u><u>\$3,110</u></u>	<u><u>\$ (65)</u></u>

**ECONOMIC FORECAST AND FUTURE BUDGET**

The Hesperia Recreation and Park District will continue to use its funding to provide activities for residents of Hesperia and surrounding communities. Funding for these activities will come from a combination of grants and District revenue.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our community with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rachel Thomas - Administrative Operations Manager of Business and Finance, 16292 Lime Street, P.O. Box 401055, Hesperia, California 92340.

HESPERIA RECREATION AND PARK DISTRICT  
**STATEMENT OF NET ASSETS**  
 JUNE 30, 2012

**ASSETS**

Cash and investments	\$ 6,487,653
Restricted cash	1,928
Receivables	110,874
Prepaid expenses	73,257
Inventory	44,546
Capital Assets Not Being Depreciated	
Land	1,602,415
Historical artifacts	81,853
Capital Assets Net of Accumulated Depreciation	
Site improvements	3,739,514
Buildings and improvements	6,562,064
Equipment	<u>133,595</u>
<b>Total Assets</b>	<u>18,837,699</u>

**LIABILITIES**

Accounts payable	165,278
Sales tax payable	802
Salaries and benefits payable	114,519
Deferred revenues	44,378
Deposits	41,852
Noncurrent Liabilities	
Due within one year	347,072
Due in more than one year	<u>2,697,678</u>
<b>Total Liabilities</b>	<u>3,411,579</u>

**NET ASSETS**

Invested in capital assets, net of related debt	11,671,736
Unrestricted	<u>3,754,384</u>
<b>Total Net Assets</b>	<u>\$ 15,426,120</u>

The accompanying notes are an integral part of these financial statements.

HESPERIA RECREATION AND PARK DISTRICT  
**STATEMENT OF ACTIVITIES**  
 FOR THE YEAR ENDED JUNE 30, 2012

<b>EXPENSES</b>	
General government	\$ 7,704,742
Community and economic development	280,641
Culture and recreation	328,761
Interest on long-term debt	<u>30,579</u>
<b>Total Expenses</b>	<b>8,344,723</b>
<b>PROGRAM REVENUES</b>	
Charges for services	2,181,658
Special assessments	<u>127,600</u>
<b>Net Program Expense</b>	<b><u>(6,035,465)</u></b>
<b>GENERAL REVENUES</b>	
Property taxes	4,233,495
Grants and contributions not restricted to specific programs	327,259
Investment earnings	19,673
Other	<u>798,252</u>
<b>Total General Revenues</b>	<b><u>5,378,679</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>(656,786)</b>
<b>NET ASSETS - BEGINNING</b>	<b><u>16,082,906</u></b>
<b>NET ASSETS - ENDING</b>	<b><u>\$ 15,426,120</u></b>

The accompanying notes are an integral part of these financial statements.

**HESPERIA RECREATION AND PARK DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	GENERAL FUND	CAPITAL PROJECTS FUNDS		SPECIAL REVENUE FUNDS	FOUNDATION	TOTAL GOVERNMENTAL FUNDS
		AD #1	DEVELOPER FEES	AD #2		
<b>ASSETS</b>						
Cash and investments	\$ 1,184,821	\$ 766,237	\$ 600,935	\$ 1,765,233	\$ 2,170,427	\$ 6,487,653
Restricted cash	-	-	-	-	1,928	1,928
Receivables	15,376	39,954	-	55,544	-	110,874
Due from other funds	-	-	-	-	110,277	110,277
Prepaid expenses	57,357	13,571	-	-	2,329	73,257
Inventory	-	-	-	-	44,546	44,546
<b>Total Assets</b>	<b>\$ 1,257,554</b>	<b>\$ 819,762</b>	<b>\$ 600,935</b>	<b>\$ 1,820,777</b>	<b>\$ 2,329,507</b>	<b>\$ 6,828,535</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 49,652	\$ 78,321	-	\$ 1,574	\$ 35,731	\$ 165,278
Sales tax payable	-	-	-	-	802	802
Salaries and benefits payable	94,855	19,664	-	-	-	114,519
Compensated absences	81,479	18,819	-	-	-	100,298
Due to other funds	66,124	44,153	-	-	-	110,277
Deferred revenues	-	-	-	-	44,378	44,378
Deposits	22,206	-	-	-	19,646	41,852
<b>Total Liabilities</b>	<b>314,316</b>	<b>160,957</b>	<b>-</b>	<b>1,574</b>	<b>100,557</b>	<b>577,404</b>
<b>FUND BALANCES</b>						
<b>Nonspendable</b>						
Prepaid items	57,357	13,571	-	-	2,329	73,257
Inventory	-	-	-	-	44,546	44,546
	57,357	13,571	-	-	46,875	117,803
<b>Restricted</b>						
Assigned	-	645,234	\$ 600,935	1,819,203	-	3,065,372
Unassigned	885,881	-	-	-	2,180,147	3,066,028
<b>Total Fund Balances</b>	<b>943,238</b>	<b>658,805</b>	<b>600,935</b>	<b>1,819,203</b>	<b>2,228,950</b>	<b>6,251,131</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,257,554</b>	<b>\$ 819,762</b>	<b>\$ 600,935</b>	<b>\$ 1,820,777</b>	<b>\$ 2,329,507</b>	<b>\$ 6,828,535</b>

The accompanying notes are an integral part of these financial statements.

HESPERIA RECREATION AND PARK DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

Total fund balance - Governmental Funds	\$ 6,251,131
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,119,441
Net pension obligation - OPEB was not a current financial resource. Therefore, it was not reported in Governmental Funds Balance Sheet	(646,945)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,297,507)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 15,426,120</u></b>

The accompanying notes are an integral part of these financial statements.

**HESPERIA RECREATION AND PARK DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	GENERAL FUND	CAPITAL PROJECTS FUNDS		SPECIAL REVENUE FUNDS	FOUNDATION	TOTAL GOVERNMENTAL FUNDS
		AD #1	DEVELOPER FEES	AD #2		
<b>REVENUES</b>						
Taxes	\$ 1,396,100	\$ 1,787,733	-	\$ 1,049,662	-	\$ 4,233,495
Special assessments	-	68,605	-	58,995	-	127,600
State assistance	327,259	-	-	-	-	327,259
Charges for services	370,383	-	\$ 6,663	-	\$ 1,804,612	2,181,658
Fines, fees, and forfeitures	14,396	24,320	-	23,846	-	62,562
Investment earnings	4,508	2,587	3,166	9,288	124	19,673
Rents and concessions	271,779	-	-	-	474,096	745,875
Miscellaneous income	24,595	-	-	-	-	24,595
<b>Total Revenues</b>	<u>2,409,020</u>	<u>1,883,245</u>	<u>9,829</u>	<u>1,141,791</u>	<u>2,278,832</u>	<u>7,722,717</u>
<b>EXPENDITURES</b>						
Current						
Salaries and benefits	3,010,523	849,273	-	-	-	3,859,796
Services and supplies	667,915	778,614	2,912	734,451	500,638	2,684,530
Administrative costs	-	-	-	-	185,814	185,814
Community development	-	-	-	-	315,421	315,421
Culture and recreation	-	-	-	-	328,761	328,761
Capital outlay	55,483	30,068	47,512	51,484	-	184,547
Debt Service						
Principal	41,181	-	200,000	-	-	241,181
Interest	30,579	-	-	-	-	30,579
<b>Total Expenditures</b>	<u>3,805,681</u>	<u>1,657,955</u>	<u>250,424</u>	<u>785,935</u>	<u>1,330,634</u>	<u>7,830,629</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,396,661)</u>	<u>225,290</u>	<u>(240,595)</u>	<u>355,856</u>	<u>948,198</u>	<u>(107,912)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer in	1,168,637	-	-	-	-	1,168,637
Transfer out	-	(212,513)	(10,000)	(162,911)	(783,213)	(1,168,637)
<b>Total Other Financing Sources (Uses)</b>	<u>1,168,637</u>	<u>(212,513)</u>	<u>(10,000)</u>	<u>(162,911)</u>	<u>(783,213)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(228,024)</u>	<u>12,777</u>	<u>(250,595)</u>	<u>192,945</u>	<u>164,985</u>	<u>(107,912)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>1,171,262</u>	<u>646,028</u>	<u>851,530</u>	<u>1,626,258</u>	<u>2,063,965</u>	<u>6,359,043</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 943,238</u>	<u>\$ 658,805</u>	<u>\$ 600,935</u>	<u>\$ 1,819,203</u>	<u>\$ 2,228,950</u>	<u>\$ 6,251,131</u>

The accompanying notes are an integral part of these financial statements.

**HESPERIA RECREATION AND PARK DISTRICT  
 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, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (107,912)

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

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. This is the amount by which depreciation expense (\$718,332) exceeded amounts capitalized (\$85,646) in the current period; (632,686)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets; and 241,181

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (157,369)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (656,786)**

The accompanying notes are an integral part of these financial statements.

**HESPERIA RECREATION AND PARK DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The accompanying financial statements present the Hesperia Recreation and Park District (District) and its component unit, the Hesperia Area Recreation District Foundation (Foundation), an entity for which the District is considered to be financially accountable.

The District is a self-governed Recreation and Park District organized entirely within the County of San Bernardino and includes the functions of a landscape and lighting district. The District's offices are located on District-owned premises at 16292 Lime Street, Hesperia, California. The District operates nine park sites and nine facilities such as community centers, recreation facilities, and a golf course.

The Foundation was established for the purpose of providing recreational activities and education to the residents of the City of Hesperia. To this end, the Foundation operates activities and organizes various sporting and recreational classes throughout the year in the City of Hesperia. The District exercises financial control over the Foundation through approval of budgets and appointment of Foundation Board Members. In conformity with generally accepted accounting principles, the financial statements of the Foundation have been blended with those of the District.

**B. Basis of Presentation - Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental nonfiduciary activities of the District and its component unit. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. As a general rule, fiduciary activities are reported only in the fund financial statements. The District does not report business-type or fiduciary activities.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its blended component unit. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District does not report enterprise funds.

The District reports the following major governmental funds:

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

*AD #1 Fund:* The AD #1 Fund is one of two capital project funds of the District. It receives special assessments for Landscape and Lighting Assessment District No. 1 and uses these funds for the maintenance, operations, and servicing of the improvements within the Assessment District.

*Developer Fee Fund:* The Developer Fee Fund is also a capital project fund. It receives pass-through payments from other governments and uses these funds to develop new parks and other facilities within Hesperia and the surrounding areas.

*AD #2 Fund:* The AD #2 Fund is the District's special assessment fund. It receives special assessments for Landscape and Lighting Assessment District No. 2 and uses these funds for the maintenance, operations, and servicing of the improvements within the Assessment District.

*Foundation Fund:* The Foundation Fund is governmental fund of the Hesperia Area Recreation District Foundation, a blended component unit which maintains the activity for various sporting and recreational activities in the City of Hesperia.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### C. Basis of Presentation - Fund Financial Statements (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

#### D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 imposed by the provider have been met.

The 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. For this purpose, the government considers revenues to be available if they are collected within 60 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 expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### D. Measurement Focus and Basis of Accounting (Continued)

Property taxes, special assessments, charges for services, rents and concessions, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

#### E. Budgetary Practice

The District's annual budget is a management tool that assists its user in analyzing financial activity for its fiscal year ending June 30. The annual budget is prepared by the District and submitted to the Board of Directors for approval. Amendments and transfers are permitted during the year within statutory guidelines.

The budgetary comparison schedules for the General Fund and AD#2 Fund (special revenue fund) present a comparison of budgetary data to actual results of operations. The District utilizes the same basis of accounting for both budgetary purposes and actual results.

#### F. Cash and Investments

The District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents. Deposits with the County of San Bernardino are reported at fair value.

#### G. Accounts Receivable and Allowance for Doubtful Accounts

The District considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

#### H. Inventories

Inventories, if any, are valued at cost using the first-in, first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### I. Capital Assets

Capital assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed and updated for additions and retirements during the year. The District capitalizes assets with a useful life of more than one year and a cost of \$5,000 or more. Donated capital assets are recorded at estimated market value at the date of donation or annexation. Improvements that add to the value of the asset or materially extend the asset's life are capitalized. The costs of normal maintenance and repairs are expensed.

The cost of capital assets is depreciated over the estimated useful lives of the related assets using the straight-line method. The useful lives of capital assets for purposes of computing depreciation are as follows:

<u>ASSETS</u>	<u>YEARS</u>
Infrastructure	40-60
Structures and improvements	10-50
Equipment and vehicles	3-15

#### J. Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Amounts that are restricted for specific purposes by external resource providers or by law through constitutional or enabling legislation are reported as restricted fund balance.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority are reported as committed fund balance. The District's Board of Directors is the highest level of decision-making authority authorized to establish commitments through a formal action. Once adopted, the limitation imposed by the action remains in place until a similar action is taken to remove or revise the limitation.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### J. Fund Balance (Continued)

The assigned fund balance consists of amounts that the government intends to use for specific purposes, but are neither restricted nor committed. The unassigned fund balance is the residual classification for the General Fund and the Foundation. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Amounts the Board of Directors intends to use for a specific purpose are considered assigned.

For the classification of fund balances, the District considers restricted amounts to have been spent before unrestricted if the expenditure meets the criteria for use of restricted funds. Unrestricted funds are used in the following order: committed, assigned, and unassigned funds.

#### K. Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### L. Property Taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on August 1 and become delinquent with penalties on August 31.

#### M. Employee Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick-day benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the benefit is expected to be paid out within one year. The liability for compensated absences includes salary-related benefits, where applicable.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. 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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**O. Subsequent Events**

Management has evaluated subsequent events through December 4, 2012, which is the date the financial statements were available to be issued.

**2. CASH AND INVESTMENTS**

Cash and investments include deposits with the San Bernardino County (County) Treasurer. The County Treasurer pools its funds with other governmental agencies in the County and invests them as prescribed by the California Government Code and the County's Investment Policy. The District's deposits in the County pool may be accessed at any time. The District is allocated interest income on monies deposited with the County based on its proportional share of the pooled investments.

As of June 30, 2012, the District's investments with the County Treasury were as follows:

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY IN DAYS</u>
Cash	\$ 431,904	N/A
Certificates of deposit	746,333	90
Commercial paper	361,625	10
Federal agencies	2,162,058	475
Money market funds	188,507	1
Repurchase agreements	53,859	2
U.S. Treasuries	<u>334,694</u>	829
<b>TOTAL CASH AND SECURITIES</b>	<u>\$ 4,278,980</u>	

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 2. CASH AND INVESTMENTS (Continued)

The District was allocated the following investment income:

	<u>AMOUNT</u>
Changes in fair value of investments	\$ (4,886)
Interest income	<u>24,435</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 19,549</u></b>

In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were sold. Therefore, the fund balance must reflect the portfolio's change in value. The District relied on information provided by the County Treasurer in estimating the fair value of the District's cash and investments at June 30, 2012. The fair value of the District's cash and investments totaled \$4,278,980 of which the District had a contractual withdrawal value of \$4,273,644 as of June 30, 2012. These portfolio balance changes are unrealized unless sold.

The San Bernardino County Treasurer's Investment Pool is a governmental investment pool managed and directed by the elected San Bernardino County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee comprised of local government officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of the pool fall under the auspices of the County Treasurer's office. The District is a voluntary participant in the investment pool.

The County Treasurer's investment pool was rated AAA by Standard and Poor's as of June 30, 2012. Subsequent to June 30, 2012, Standard and Poor's downgraded the County investment pool to AA+.

The Foundation maintains its cash balances in five financial institutions in order to avoid having uninsured cash balances. The balances are insured up to \$250,000 per institution for interest-earning accounts. Noninterest earning accounts are fully insured through December 31, 2012. At June 30, 2012, the Foundation's uninsured cash balance totaled \$44,225. Earnings on deposits totaled \$124 for the year ended June 30, 2012.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,602,415			\$ 1,602,415
Historical artifacts	<u>81,853</u>			<u>81,853</u>
<b>Total Capital Assets, Not Being Depreciated</b>	<u>1,684,268</u>			<u>1,684,268</u>
Capital Assets, Being Depreciated				
Site improvements	6,030,107			6,030,107
Buildings and improvements	11,400,383	\$ 53,348		11,453,731
Equipment	<u>604,237</u>	<u>32,298</u>		<u>636,535</u>
<b>Total Capital Assets, Being Depreciated</b>	<u>18,034,727</u>	<u>85,646</u>		<u>18,120,373</u>
Less: Accumulated Depreciation For:				
Site improvement	(2,005,463)	(382,087)		(2,387,550)
Buildings and improvements	(4,509,580)	(285,130)		(4,794,710)
Equipment	<u>(451,825)</u>	<u>(51,115)</u>	-	<u>(502,940)</u>
<b>Total Accumulated Depreciation</b>	<u>(6,966,868)</u>	<u>(718,332)</u>	-	<u>(7,685,200)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>11,067,859</u>	<u>(632,686)</u>	-	<u>10,435,173</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 12,752,127</u>	<u>\$ (632,686)</u>	<u>\$ -</u>	<u>\$ 12,119,441</u>

**4. FUND BALANCE**

The District's nonspendable fund balance classification consisted of prepaid expenses and inventories. The restricted fund balance consisted of the restricted cash held for the Police Activities League. The assigned classification consisted of the funds held for future capital projects, future charges, and maintenance of the special assessment districts. The unassigned classification includes a general reserve and the balance of the operations fund.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**5. ACCOUNTS PAYABLE**

Accounts payable at June 30, 2012 consisted of the following:

	GOVERNMENTAL FUNDS		TOTAL
	DISTRICT	FOUNDATION	
Utilities	\$ 47,047		\$ 47,047
Other	82,500	\$ 35,731	118,231
<b>TOTALS</b>	<u>\$ 129,547</u>	<u>\$ 35,731</u>	<u>\$ 165,278</u>

**6. LONG-TERM DEBT**

A summary of changes in long-term liabilities for the year ended June 30, 2012 was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
<b>GOVERNMENTAL ACTIVITIES</b>					
Intergovernmental payable	\$ 1,960,245		\$ (200,000)	\$ 1,760,245	\$ 200,000
Compensated absences payable	163,244	\$ 94,162	(67,552)	189,854	100,298
Post-employment benefits payable	494,794	152,151	-	646,945	-
Note payable	484,217	-	(41,181)	443,036	43,880
Capital lease	7,386	-	(2,716)	4,670	2,894
<b>GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES</b>	<u>\$ 3,109,886</u>	<u>\$ 246,313</u>	<u>\$ (311,449)</u>	<u>\$ 3,044,750</u>	<u>\$ 347,072</u>

**Intergovernmental Payable**

	AMOUNT
Payment agreement with the City of Hesperia, noninterest bearing, payable in annual installments of \$200,000 with one final payment of \$160,245. The final payment is scheduled to be paid during the fiscal year ending June 30, 2021.	\$ 1,760,245
	1,760,245
Less: Current portion	<u>200,000</u>
<b>NONCURRENT PORTION</b>	<u>\$ 1,560,245</u>

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. LONG-TERM DEBT (Continued)**

Annual payment requirements for the intergovernmental payable are as follows:

<u>FISCAL YEARS ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013	\$ 200,000	-	\$ 200,000
2014	200,000	-	200,000
2015	200,000	-	200,000
2016	200,000	-	200,000
2017	200,000	-	200,000
2018-2021	<u>760,245</u>	-	<u>760,245</u>
<b>TOTALS</b>	<b><u>\$ 1,760,245</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,760,245</u></b>

**Note Payable**

	<u>AMOUNT</u>
Note payable, bearing interest at 6.45% per annum; payable in semiannual installments of \$35,880, including interest; maturing May 2020; secured by a first deed of trust on real property	<u>\$ 443,036</u>
	443,036
Less: Current portion	<u>43,880</u>
<b>NONCURRENT PORTION</b>	<b><u>\$ 399,156</u></b>

Annual debt service requirements to maturity for the note payable are as follows:

<u>FISCAL YEARS ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013	\$ 43,880	\$ 27,880	\$ 71,760
2014	46,756	25,004	71,760
2015	49,821	21,939	71,760
2016	53,086	18,674	71,760
2017	56,565	15,195	71,760
2018-2021	<u>192,928</u>	<u>22,350</u>	<u>215,278</u>
<b>TOTALS</b>	<b><u>\$ 443,036</u></b>	<b><u>\$ 131,042</u></b>	<b><u>\$ 574,078</u></b>

Interest expense for the year ended June 30, 2012 was \$30,579.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**6. LONG-TERM DEBT (Continued)**

**Capital Leases**

The District entered into capital lease commitments for office equipment. The total amount financed was \$13,840 to be repaid in a 63-month period with interest implied at 6.4%. The agreements require monthly installment payments of principal and interest of \$259 ending in January 2014. As of June 30, 2012, accumulated depreciation on the office equipment was \$10,380, resulting in a net book value of \$3,460.

As of June 30, 2012, the future minimum lease obligations and the net present value of the capital lease are as follows:

<u>YEARS ENDING</u> <u>JUNE 30,</u>	<u>AMOUNT</u>
2013	\$ 3,108
2014	<u>1,813</u>
Total minimum lease payments	4,921
Less: Amounts representing interest	<u>251</u>
<b>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</b>	<b><u>\$ 4,670</u></b>

**7. RETIREMENT PLAN**

Plan Description

The District's full-time employees participate in the San Bernardino County Employees' Retirement Association (SBCERA). SBCERA is a cost-sharing multiple-employer defined benefit pension plan (Plan) operating under the California County Employees Retirement Act of 1937 (1937 Act). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan, 20 other governmental agencies were later included, along with the County of San Bernardino, and are collectively referred to as "plan sponsors" or "employers." The Plan provides retirement benefits calculated at 2% of final compensation for each completed year of service based on a normal retirement age of 55. Employees become eligible for membership on their first day of regular employment and become fully vested after five years. The Plan is governed by the San Bernardino Board of Retirement which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income under the 1937 Act. SBCERA is also a legally separate entity from the County and not a component unit. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W. Hospitality Lane, 3rd floor, San Bernardino, California 92415-0014.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**7. RETIREMENT PLAN (Continued)**

Funding Policy

Active Plan members are required by statute Sections 31621, 31621.2, and 31639.25 to contribute a percentage of their annual compensation to SBCERA based on certain actuarial assumptions and the member's age at entry into SBCERA. The District pays 7.0% of the employees' required contribution to the Plan. The employees pay the balance of the employee portion. The rates for the year ended June 30, 2012, range according to age from 7.42% to 13.26% of covered compensation.

The District is required to make annual contributions to the Plan in amounts that fund actuarially computed costs as they accrue. The rate for the year ended June 30, 2012 was 22.38% of annual covered payroll. The contribution requirements of Plan members and the District are established and may be amended by the San Bernardino County Board of Retirement pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Section 31453 of the 1937 Act.

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

YEARS ENDED JUNE 30,	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
2010	\$ 200,403	100 %	-
2011	210,165	100	-
2012	205,732	100	-

**8. DEFINED CONTRIBUTION PLAN**

Employees of the District who are not covered under SBCERA are covered under an alternate plan called the Public Agency Retirement Services Alternate Retirement System 457 Plan (PARS ARS 457) effective June 1, 2005. The Plan qualifies under Section 457(b) of the Internal Revenue Code of 1986, and the trust created is exempt from tax under Section 501 of the Internal Revenue Code. The employees are required to contribute 5.5% of their wages to their individual PARS ARS 457 account on a pretax basis. In addition, the District provides a contribution of 2% of the employee's wages each pay period. Amounts contributed to the PARS ARS 457 Plan accumulate tax free in each participant-directed account. All costs of administering the Plan are absorbed by the District. The District contributed \$41,157 and \$38,724 to the PARS ARS 457 plan for the years ended June 30, 2012 and 2011, respectively.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

#### Plan Description

The District provides full cost medical, dental, and vision care health coverage for retirees who retired from the District through a single-employer plan for post-employment benefits other than pensions (OPEB) administered by the District. Coverage is provided for the retiree and eligible dependents. Retirees must meet the minimum age requirement of 55 at retirement and have been employed with the District for at least 15 to 20 years, depending on the year they retire. The surviving spouse of an eligible retiree is eligible for the health coverage upon death of the retiree but must contribute 100% of the required premiums. The plan does not issue stand-alone financial statements.

#### Funding Policy and Annual Other Postemployment Benefit Costs

Contribution requirements of the District are established and may be amended through Board action. The District contributes 100 percent of the cost of current-year premiums for eligible retired plan members and their dependents. The District's annual OPEB expense is calculated based on the annual required contribution (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The District is currently funding its OPEB obligation on a pay-as-you-go basis. The District's annual OPEB cost for the current year and the related information for the plan are shown below:

	<u>AMOUNT</u>
Annual required contribution	\$ 178,907
Interest on net OPEB obligation	19,792
Adjustment to ARC	<u>(20,906)</u>
Annual OPEB Cost	177,793
Contribution Made	<u>(25,642)</u>
Increase in net OPEB obligation	152,151
Net OPEB obligation - beginning of year	<u>494,794</u>
<b>NET OPEB OBLIGATION - END OF YEAR</b>	<b><u>\$ 646,945</u></b>

The District's current-year OPEB cost, which is equal to the current-year annual required contribution, has been recognized as a part of the general government expenses in the accompanying statement of activities.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are shown in the following table:

<u>YEAR-END</u>	<u>ANNUAL OPEB COST</u>	<u>PERCENTAGE OF OPEB COST CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
June 30, 2010	\$173,396	-	\$333,115
June 30, 2011	188,266	14 %	494,794
June 30, 2012	177,793	17	646,945

Funded Status

The funded status of the plan as of June 30, 2012, based on the July 1, 2011 actuarial valuation, is as follows:

	<u>AMOUNT</u>
Actuarial Accrued Liability (AAL)	\$ 2,445,500
Actuarial value of trust assets	-
<b>UNFUNDED ACTUARIAL LIABILITY (UAAL)</b>	<b><u>\$ 2,445,500</u></b>
Funded ratio (actuarial value of trust assets/AAL)	0%

Actuarial Methods and Assumptions

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

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Significant methods and assumptions were as follows:

Valuation date	July 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	27 Years
Asset valuation method	N/A - no assets
Actuarial Assumption	
Investment rate of return	4.00%
Payroll growth	3.25%
Healthcare Trend Rate	
2013	7.3%
2014	7.0%
2015	6.7%
2016	6.4%
2017	6.1%

### 10. RISK MANAGEMENT AND JOINT POWERS AUTHORITY

The District is a member of a joint powers authority (JPA). The California Association for Park and Recreation Insurance (CAPRI) is a Joint Powers Agency comprised of California special districts. In return for payment of the member district's contributions as they become due, CAPRI agrees to provide liability and property coverage, subject to all of the terms, conditions, agreements, exclusions, definitions, and endorsements contained in the Memorandum of Coverage. In accordance with the Memorandum of Coverage, CAPRI will pay all sums, which the member district shall become legally obligated to pay as damages to which coverage applies caused by an occurrence. CAPRI shall have the right and duty to defend any and all claims against a member district within the scope of the coverage, and CAPRI may make such investigation and settlement of any claim or suit as it deems expedient. Defense costs are included in the coverage and shall be paid by CAPRI in accordance with the Memorandum of Coverage. The JPA does not fulfill the requirements to be included as a component unit of the member district.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 10. RISK MANAGEMENT AND JOINT POWERS AUTHORITY (Continued)

The District is a member in good standing for coverage year July 1, 2011 through June 30, 2012. The following coverage was provided to the District for the aforementioned coverage period:

- Comprehensive general liability (including automobile liability coverage) coverage with a \$1,000,000 limit per occurrence for personal injury and property damage to which the coverage applies. CAPRI also purchases an excess policy from CSAC Excess Insurance Authority (CSAC-EIA) with limits of \$24 million in excess of \$1 million (general liability, automobile liability, and public officials and employee liability coverage). There is no deductible to the member district for general liability claims.
- Public officials and employee liability coverage with a \$25,000,000 annual aggregate limit per member district because of a wrongful act(s) which occurs during the coverage period for which the coverage applies. For each covered claim for employment practices liability, there is a \$20,000 deductible payable by the member district or other covered party, which shall be applied to any payment for judgment or settlement and to payments for defense costs as they are incurred. If the member district consults with its general counsel if such counsel has experience with labor and employment law, or with its labor and employment counsel, or with a CAPRI-recommended labor and employment counsel prior to termination, layoffs, downsizing, or other employment related matter, the deductible will be reduced to \$5,000 for any employment liability lawsuit brought by that employee.
- All-risk property loss coverage including boiler and machinery coverage, subject to a \$2,000 deductible per occurrence payable by the member district. Flood coverage has an annual aggregate limit of \$10,000,000. Earthquake coverage has an annual aggregate limit of \$5,000,000 for all member districts. The deductible for all loss or damage arising from the risks of flood and/or earthquake is \$50,000 per occurrence or 5% of the value of the building, contents, and/or structure damaged, whichever is greater.
- Workers' compensation coverage with statutory limits. There is no deductible for the workers' compensation program.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**11. OPERATING LEASES**

The District rents several pieces of equipment for the day-to-day operations of the Hesperia Golf Course. These items include golf carts, refresher vehicles, and a range picker. These vehicles are leased through two separate leases each with a lease term of 36 months. The golf carts are leased through June 2013 with rents of \$5,671 per month. The refresher vehicles and range picker are leased through August 2013 with rents of \$1,295 per month. Rent expense for the year ended June 30, 2012 totaled \$83,594. Future minimum rental payments for the operating leases are required as follows:

<u>YEARS ENDING</u> <u>JUNE 30,</u>	<u>AMOUNT</u>
2013	\$ 83,594
2014	<u>2,590</u>
<b>TOTAL FUTURE MINIMUM RENTAL PAYMENTS</b>	<b><u>\$ 86,184</u></b>

**12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2012 is as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
Foundation	General Fund	\$ 66,124
	AD #1	<u>44,153</u>
<b>TOTAL</b>		<b><u>\$ 110,277</u></b>

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Interfund transfers are the distribution of cash resources between fund types to cover budgeted expenditures. The composition of interfund transfer balances as of June 30, 2012 is as follows:

<u>FUND RECEIVING</u> <u>TRANSFERS</u>	<u>FUND MAKING</u> <u>TRANSFERS</u>	<u>AMOUNT</u>
General Fund	Foundation	\$ 783,213
	AD #1	212,513
	Developer fees	10,000
	AD #2	<u>162,911</u>
<b>TOTAL INTERFUND TRANSFERS</b>		<b><u><u>\$1,168,637</u></u></b>

**REQUIRED SUPPLEMENTARY INFORMATION**

**HESPERIA RECREATION AND PARK DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
DEFINED BENEFIT PENSION PLAN  
FOR THE YEAR ENDED JUNE 30, 2012**

	(A)	(B)	(C)	(D)	(E)	(F)
Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability Excess Assets [(A)-(B)]	Funded Status Ratio [(B)/(A)]	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Covered Payroll {[(A)-(B)/(E)]}
June 30, 2009	\$ 7,013,534,026	\$ 6,383,388,113	\$ 630,145,913	91.02%	\$ 1,226,431,276	51.38%
June 30, 2010	7,444,986,223	6,367,232,362	1,077,753,861	85.52%	1,250,192,961	86.21%
June 30, 2011	8,189,645,890	6,484,506,557	1,705,139,333	79.18%	1,244,544,740	137.01%

**HESPERIA RECREATION AND PARK DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
FOR THE YEAR ENDED JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b)-(a)]/(c)
7/1/2010	-	\$ 2,227,619	\$ 2,227,619	- %	\$ 1,013,189	219.86 %
7/1/2011	-	1,975,657	1,975,657	-	846,914	233.28

**HESPERIA RECREATION AND PARK DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUES</b>				
Taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,396,100	\$ 296,100
State assistance	280,000	280,000	327,259	47,259
Charges for services	500,000	500,000	370,383	(129,617)
Fines, fees, and forfeitures	-	-	14,396	14,396
Investment earnings	4,900	4,900	4,508	(392)
Rents and concessions	220,000	220,000	271,779	51,779
Miscellaneous income	-	-	24,595	24,595
<b>Total Revenues</b>	<u>2,104,900</u>	<u>2,104,900</u>	<u>2,409,020</u>	<u>304,120</u>
<b>EXPENDITURES</b>				
Current				
Salaries and benefits	3,713,151	3,713,151	3,010,523	702,628
Services and supplies	1,020,458	1,020,458	667,915	352,543
Contingencies	560,523	560,523	-	560,523
Capital outlay	122,000	122,000	55,483	66,517
Debt Service				
Principal	39,000	39,000	41,181	(2,181)
Interest	33,000	33,000	30,579	2,421
<b>Total Expenditures</b>	<u>5,488,132</u>	<u>5,488,132</u>	<u>3,805,681</u>	<u>1,682,451</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,383,232)</u>	<u>(3,383,232)</u>	<u>(1,396,661)</u>	<u>(1,986,571)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	1,969,962	1,969,962	1,168,637	801,325
Transfer out	(115,000)	(115,000)	-	(115,000)
<b>Total Other Financing Sources (Uses)</b>	<u>1,854,962</u>	<u>1,854,962</u>	<u>1,168,637</u>	<u>686,325</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,528,270)</u>	<u>\$ (1,528,270)</u>	<u>(228,024)</u>	<u>\$ (1,300,246)</u>
<b>FUND BALANCE - BEGINNING</b>			<u>1,171,262</u>	
<b>FUND BALANCE - ENDING</b>			<u>\$ 943,238</u>	

HESPERIA RECREATION AND PARK DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUES</b>				
Taxes	\$ 1,073,769	\$ 1,073,769	\$ 1,049,662	\$ (24,107)
Special assessments	-	-	58,995	58,995
Fines, fees, and forfeitures	-	-	23,846	23,846
Investment earnings	<u>21,927</u>	<u>21,927</u>	<u>9,288</u>	<u>(12,639)</u>
<b>Total Revenues</b>	<u>1,095,696</u>	<u>1,095,696</u>	<u>1,141,791</u>	<u>46,095</u>
<b>EXPENDITURES</b>				
Current				
Services and supplies	795,216	795,216	734,451	60,765
Contingencies	1,581,370	1,581,370	-	1,581,370
Capital outlay	-	-	51,484	(51,484)
<b>Total Expenditures</b>	<u>2,376,586</u>	<u>2,376,586</u>	<u>785,935</u>	<u>1,590,651</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,280,890)</u>	<u>(1,280,890)</u>	<u>355,856</u>	<u>(1,636,746)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	<u>(164,333)</u>	<u>(164,333)</u>	<u>(162,911)</u>	<u>(1,422)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(164,333)</u>	<u>(164,333)</u>	<u>(162,911)</u>	<u>(1,422)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (1,445,223)</u>	<u>\$ (1,445,223)</u>	<u>192,945</u>	<u>\$ (1,638,168)</u>
<b>FUND BALANCES - BEGINNING</b>			<u>1,626,258</u>	
<b>FUND BALANCES - ENDING</b>			<u>\$ 1,819,203</u>	

**HESPERIA RECREATION AND PARK DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
JUNE 30, 2012

**1. SCHEDULE OF FUNDING PROGRESS-DEFINED BENEFIT PENSION PLAN**

The information presented in the schedule of funding progress-defined benefit pension plan relates to the cost-sharing plan as a whole, of which the District is one participating employer.

**2. BUDGET AND BUDGETARY ACCOUNTING**

The District prepares and legally adopts a final budget on or before July 1st of each fiscal year. The District's operation, commencing July 1st, is governed by the proposed budget, which is adopted by the District's Board of Directors before June of the prior year.

After the budget is approved, the appropriations can be added to, subtracted from, or changed only by resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the District.

An operating budget is adopted each fiscal year on the modified accrual basis.

**SUPPLEMENTARY SCHEDULES**

HESPERIA RECREATION AND PARK DISTRICT  
**SPECIAL REVENUE FUNDS**  
 FOR THE YEAR ENDED JUNE 30, 2012

<u>FUND</u>	<u>ZONE</u>	<u>TRACT</u>
MDF	AD #2, Zone A	Tract 13423
MDG	AD #2, Zone B	Tract 14839
MDH	AD #2, Zone C	Tract 14372
MDI	AD #2, Zone F	Tract 11954
MDJ	AD #2, Zone D	Tract 14182
MDL	AD #2, Zone G	Tract 15639
MDM	AD #2, Zone E	Tract 14623
MDN	AD #2, Zone H	Tract 13306
MDO	AD #2, Zone I	9625 Mariposa
MDQ	AD #2, Zone J	Tract 13076
MDT	AD #2, Zone K	Tract 16252
MDU	AD #2, Zone L	Tract 14372
MDX	AD #2, Zone M	Tract 16527
MEB	AD #2, Zone N	Tract 16665
MEC	AD #2, Zone O	Tract 16565
MEE	AD #2, Zone P	Tracts 16591 and 17117
MEF	AD #2, Zone Q	Tract 16744
MEI	AD #2, Zone R	Tract 15699
MEK	AD #2, Zone S	Tract 16614
MET	AD #2, Zone G1	Tract 16553
MEU	AD #2, Zone H1	Tract 16428
MEV	AD #2, Zone I1	Tract 16766
MEW	AD #2, Zone J1	Tract 16938
MEX	AD #2, Zone K1	Tract 14744
MFN	AD #2, Zone L1	Tract 17441
MFO	AD #2, Zone M1	Tract 17436
MFQ	AD #2, Zone N1	Tract 17352
MFR	AD #2, Zone O1	Tract 17305
MFS	AD #2, Zone P1	Tract 17291
MFT	AD #2, Zone T	Tract 16593
MFU	AD #2, Zone U	Tract 16535
MFV	AD #2, Zone V	Tract 14073
MFW	AD #2, Zone W	Tracts 16676 and 17012
MFY	AD #2, Zone X	Tract 14234

**SPECIAL REVENUE FUNDS (Continued)**

<u>FUND</u>	<u>ZONE</u>	<u>TRACT</u>
MFY	AD #2, Zone Y	Tract 16613
MFZ	AD #2, Zone Z	Tract 16886
MGC	AD #2, Zone Q1	Tract 16751
MGD	AD #2, Zone R1	Tract 16660
MGE	AD #2, Zone S1	Tract 16767
MGF	AD #2, Zone T1	Tracts 16546 and 16639
MGG	AD #2, Zone U1	Tract 16965
MGH	AD #2, Zone V1	Tract 17679
MGI	AD #2, Zone W1	Tract 17680
MGJ	AD #2, Zone X1	Tract 17681
MGK	AD #2, Zone Y1	Tract 14937
MGN	AD #2 Zone B2	17150 Smoketree
MHA	AD #2, Zone A1	Tract 17107
MHB	AD #2, Zone B1	Tract 16659
MHC	AD #2, Zone C1	Tract 17178
MHD	AD #2, Zone D1	Tract 17082
MHE	AD #2, Zone E1	Tract 17303
MHF	AD #2, Zone F1	Tracts 16789, 16386, and 16385

**HESPERIA RECREATION AND PARK DISTRICT**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**JUNE 30, 2012**

	<u>MDF</u>	<u>MDG</u>	<u>MDH</u>	<u>MDI</u>	<u>MDJ</u>	<u>MDL</u>	<u>MDM</u>	<u>MDN</u>	<u>MDO</u>	<u>MDQ</u>
<b>ASSETS</b>										
Cash and cash equivalents	\$ 6,439	\$ 18,535	\$ 17,538	\$ 3,303	\$ 45,717	\$ 569	\$ 1,663	\$ 6,861	\$ 269	\$ 61,048
Accounts receivable	<u>120</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541</u>
<b>Total Assets</b>	<u>\$ 6,559</u>	<u>\$ 18,535</u>	<u>\$ 17,538</u>	<u>\$ 3,346</u>	<u>\$ 45,717</u>	<u>\$ 622</u>	<u>\$ 1,663</u>	<u>\$ 6,861</u>	<u>\$ 269</u>	<u>\$ 61,589</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities										
Accounts payable	<u>-</u>	<u>\$ 16</u>	<u>-</u>	<u>-</u>	<u>\$ 48</u>	<u>\$ 63</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 16</u>	<u>-</u>	<u>-</u>	<u>\$ 48</u>	<u>\$ 63</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>										
Assigned	<u>\$ 6,559</u>	<u>18,519</u>	<u>\$ 17,538</u>	<u>\$ 3,346</u>	<u>45,669</u>	<u>559</u>	<u>\$ 1,663</u>	<u>\$ 6,861</u>	<u>\$ 269</u>	<u>\$ 61,589</u>
<b>Total Fund Balances</b>	<u>6,559</u>	<u>18,519</u>	<u>17,538</u>	<u>3,346</u>	<u>45,669</u>	<u>559</u>	<u>1,663</u>	<u>6,861</u>	<u>269</u>	<u>61,589</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,559</u>	<u>\$ 18,535</u>	<u>\$ 17,538</u>	<u>\$ 3,346</u>	<u>\$ 45,717</u>	<u>\$ 622</u>	<u>\$ 1,663</u>	<u>\$ 6,861</u>	<u>\$ 269</u>	<u>\$ 61,589</u>

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS (Continued)**

	MDT	MDU	MDX	MEB	MEC	MEE	MEF	MEI	MEK	MET
<b>ASSETS</b>										
Cash and cash equivalents	\$ 75,309	\$ 40,791	\$ 6,343	\$ 14,559	\$ 32,469	\$ 26,127	\$ 22,913	\$ 21,038	\$ 23,694	\$ 29,261
Accounts receivable	387	178	498	-	118	-	-	-	94	157
<b>Total Assets</b>	<u>\$ 75,696</u>	<u>\$ 40,969</u>	<u>\$ 6,841</u>	<u>\$ 14,559</u>	<u>\$ 32,587</u>	<u>\$ 26,127</u>	<u>\$ 22,913</u>	<u>\$ 21,038</u>	<u>\$ 23,788</u>	<u>\$ 29,418</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities										
Accounts payable	\$ 121	-	-	\$ 52	-	-	\$ 146	-	-	\$ 123
<b>Total Liabilities</b>	<u>121</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>-</u>	<u>-</u>	<u>146</u>	<u>-</u>	<u>-</u>	<u>123</u>
<b>FUND BALANCES</b>										
Assigned	75,575	\$ 40,969	\$ 6,841	14,507	\$ 32,587	\$ 26,127	22,767	\$ 21,038	\$ 23,788	29,295
<b>Total Fund Balances</b>	<u>75,575</u>	<u>40,969</u>	<u>6,841</u>	<u>14,507</u>	<u>32,587</u>	<u>26,127</u>	<u>22,767</u>	<u>21,038</u>	<u>23,788</u>	<u>29,295</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 75,696</u>	<u>\$ 40,969</u>	<u>\$ 6,841</u>	<u>\$ 14,559</u>	<u>\$ 32,587</u>	<u>\$ 26,127</u>	<u>\$ 22,913</u>	<u>\$ 21,038</u>	<u>\$ 23,788</u>	<u>\$ 29,418</u>

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS (Continued)**

	MEU	MEV	MEW	MEX	MFN	MFO	MFQ	MFR	MFS	MFT
<b>ASSETS</b>										
Cash and cash equivalents	\$ 11,445	\$ 1,720	\$ 15,273	\$ 38,249	\$ 17,183	\$ 12,310	\$ 298	\$ 876	\$ 550,184	\$ 69,698
Accounts receivable	150	-	48,572	-	-	-	-	-	233	325
<b>Total Assets</b>	<u>\$ 11,595</u>	<u>\$ 1,720</u>	<u>\$ 63,845</u>	<u>\$ 38,249</u>	<u>\$ 17,183</u>	<u>\$ 12,310</u>	<u>\$ 298</u>	<u>\$ 876</u>	<u>\$ 550,417</u>	<u>\$ 70,023</u>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable	-	-	-	-	-	-	-	-	-	\$ 92
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 92</u>
<b>FUND BALANCES</b>										
Assigned	\$ 11,595	\$ 1,720	\$ 63,845	\$ 38,249	\$ 17,183	\$ 12,310	\$ 298	\$ 876	\$ 550,417	69,931
<b>Total Fund Balances</b>	<u>11,595</u>	<u>1,720</u>	<u>63,845</u>	<u>38,249</u>	<u>17,183</u>	<u>12,310</u>	<u>298</u>	<u>876</u>	<u>550,417</u>	<u>69,931</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 11,595</u>	<u>\$ 1,720</u>	<u>\$ 63,845</u>	<u>\$ 38,249</u>	<u>\$ 17,183</u>	<u>\$ 12,310</u>	<u>\$ 298</u>	<u>\$ 876</u>	<u>\$ 550,417</u>	<u>\$ 70,023</u>

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS (Continued)**

	MFU	MFV	MFW	AFX	MFY	MFZ	MGC	MGD	MGE	MGF
<b>ASSETS</b>										
Cash and cash equivalents	\$ 18,437	\$ 97,750	\$ 184,975	\$ 2,586	\$ 33,781	\$ 31,174	\$ 29	\$ 26,683	\$ 116	\$ 88
Accounts receivable	-	-	2,314	-	-	1,027	-	-	-	-
<b>Total Assets</b>	<b>\$ 18,437</b>	<b>\$ 97,750</b>	<b>\$ 187,289</b>	<b>\$ 2,586</b>	<b>\$ 33,781</b>	<b>\$ 32,201</b>	<b>\$ 29</b>	<b>\$ 26,683</b>	<b>\$ 116</b>	<b>\$ 88</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable	-	-	176	-	-	-	-	\$ 369	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>176</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>369</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>										
Assigned	\$ 18,437	\$ 97,750	187,113	\$ 2,586	\$ 33,781	\$ 32,201	\$ 29	26,314	\$ 116	\$ 88
<b>Total Fund Balances</b>	<b>18,437</b>	<b>97,750</b>	<b>187,113</b>	<b>2,586</b>	<b>33,781</b>	<b>32,201</b>	<b>29</b>	<b>26,314</b>	<b>116</b>	<b>88</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,437</b>	<b>\$ 97,750</b>	<b>\$ 187,289</b>	<b>\$ 2,586</b>	<b>\$ 33,781</b>	<b>\$ 32,201</b>	<b>\$ 29</b>	<b>\$ 26,683</b>	<b>\$ 116</b>	<b>\$ 88</b>

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS (Continued)**

	MGG	MGH	MGI	MGJ	MGK	MGN	MHA	MHB	MHC	MHD
<b>ASSETS</b>										
Cash and cash equivalents	\$ 7,312	\$ 551	\$ 656	\$ 421	\$ 33,799	\$ 431	\$ 34,609	\$ 21,031	\$ 29,870	\$ 26,141
Accounts receivable	49	-	-	-	-	-	-	536	149	-
<b>Total Assets</b>	<u>\$ 7,361</u>	<u>\$ 551</u>	<u>\$ 656</u>	<u>\$ 421</u>	<u>\$ 33,799</u>	<u>\$ 431</u>	<u>\$ 34,609</u>	<u>\$ 21,567</u>	<u>\$ 30,019</u>	<u>\$ 26,141</u>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable	\$ 50	-	-	-	-	-	\$ 63	-	\$ 255	-
<b>Total Liabilities</b>	<u>\$ 50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 63</u>	<u>-</u>	<u>\$ 255</u>	<u>-</u>
<b>FUND BALANCES</b>										
Assigned	7,311	\$ 551	\$ 656	\$ 421	\$ 33,799	\$ 431	\$ 34,546	\$ 21,567	\$ 29,764	\$ 26,141
<b>Total Fund Balances</b>	<u>7,311</u>	<u>551</u>	<u>656</u>	<u>421</u>	<u>33,799</u>	<u>431</u>	<u>34,546</u>	<u>21,567</u>	<u>29,764</u>	<u>26,141</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,361</u>	<u>\$ 551</u>	<u>\$ 656</u>	<u>\$ 421</u>	<u>\$ 33,799</u>	<u>\$ 431</u>	<u>\$ 34,609</u>	<u>\$ 21,567</u>	<u>\$ 30,019</u>	<u>\$ 26,141</u>

**COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS (Continued)**

	<u>MHE</u>	<u>MHF</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 39,779	\$ 3,332	\$ 1,765,233
Accounts receivable	-	-	55,544
<b>Total Assets</b>	<u>\$ 39,779</u>	<u>\$ 3,332</u>	<u>\$ 1,820,777</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	-	-	\$ 1,574
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>1,574</u>
<b>FUND BALANCES</b>			
Assigned	<u>\$ 39,779</u>	<u>\$ 3,332</u>	<u>1,819,203</u>
<b>Total Fund Balances</b>	<u>39,779</u>	<u>3,332</u>	<u>1,819,203</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 39,779</u>	<u>\$ 3,332</u>	<u>\$ 1,820,777</u>

**HESPERIA RECREATION AND PARK DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>MDF</u>	<u>MDG</u>	<u>MDH</u>	<u>MDI</u>	<u>MDJ</u>	<u>MDL</u>	<u>MDM</u>	<u>MDN</u>	<u>MDO</u>	<u>MDQ</u>
<b>REVENUES</b>										
Taxes	\$ 10,789	\$ 11,402	\$ 11,181	\$ 3,243	\$ 15,612	\$ 4,899	\$ 1,140	\$ 12,798	\$ 648	\$ 30,263
Special assessments	137	200	242	93	563	159	60	82	-	849
Fines, fees, and forfeitures	53	62	38	20	108	32	9	15	-	214
Investment earnings	51	122	123	20	249	13	11	44	4	347
<b>Total Revenues</b>	<u>11,030</u>	<u>11,786</u>	<u>11,584</u>	<u>3,376</u>	<u>16,532</u>	<u>5,103</u>	<u>1,220</u>	<u>12,939</u>	<u>652</u>	<u>31,673</u>
<b>EXPENDITURES</b>										
Current										
Services and supplies	7,822	12,602	15,611	2,900	15,088	4,662	1,000	9,627	550	30,215
Capital outlay	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>7,822</u>	<u>12,602</u>	<u>15,611</u>	<u>2,900</u>	<u>15,088</u>	<u>4,662</u>	<u>1,000</u>	<u>9,627</u>	<u>550</u>	<u>30,215</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,208</u>	<u>(816)</u>	<u>(4,027)</u>	<u>476</u>	<u>1,444</u>	<u>441</u>	<u>220</u>	<u>3,312</u>	<u>102</u>	<u>1,458</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfer in	-	-	-	-	-	-	-	-	-	-
Transfer out	(4,100)	(4,000)	(2,500)	(300)	(3,500)	(1,302)	(200)	(2,000)	(102)	(4,328)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,100)</u>	<u>(4,000)</u>	<u>(2,500)</u>	<u>(300)</u>	<u>(3,500)</u>	<u>(1,302)</u>	<u>(200)</u>	<u>(2,000)</u>	<u>(102)</u>	<u>(4,328)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(892)	(4,816)	(6,527)	176	(2,056)	(861)	20	1,312	-	(2,870)
<b>FUND BALANCES - BEGINNING</b>	<u>7,451</u>	<u>23,335</u>	<u>24,065</u>	<u>3,170</u>	<u>47,725</u>	<u>1,420</u>	<u>1,643</u>	<u>5,549</u>	<u>269</u>	<u>64,459</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 6,559</u>	<u>\$ 18,519</u>	<u>\$ 17,538</u>	<u>\$ 3,346</u>	<u>\$ 45,669</u>	<u>\$ 559</u>	<u>\$ 1,663</u>	<u>\$ 6,861</u>	<u>\$ 269</u>	<u>\$ 61,589</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS (Continued)**

	MDT	MDU	MDX	MEB	MEC	MEE	MEF	MEI	MEK	MET
<b>REVENUES</b>										
Taxes	\$ 49,084	\$ 17,549	\$ 38,353	\$ 20,620	\$ 14,879	\$ 9,237	\$ 17,779	\$ 6,364	\$ 20,619	\$ 11,106
Special assessments	1,574	87	484	1,070	232	-	438	-	174	307
Fines, fees, and forfeitures	374	12	116	285	27	-	83	-	127	49
Investment earnings	365	219	121	125	159	153	138	105	132	142
<b>Total Revenues</b>	<u>51,397</u>	<u>17,867</u>	<u>39,074</u>	<u>22,100</u>	<u>15,297</u>	<u>9,390</u>	<u>18,438</u>	<u>6,469</u>	<u>21,052</u>	<u>11,604</u>
<b>EXPENDITURES</b>										
Current										
Services and supplies	31,218	11,747	34,679	23,436	5,844	2,653	13,711	2,973	14,165	3,611
Capital outlay	-	-	16,051	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>31,218</u>	<u>11,747</u>	<u>50,730</u>	<u>23,436</u>	<u>5,844</u>	<u>2,653</u>	<u>13,711</u>	<u>2,973</u>	<u>14,165</u>	<u>3,611</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>20,179</u>	<u>6,120</u>	<u>(11,656)</u>	<u>(1,336)</u>	<u>9,453</u>	<u>6,737</u>	<u>4,727</u>	<u>3,496</u>	<u>6,887</u>	<u>7,993</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfer in	-	-	-	-	-	-	-	-	-	-
Transfer out	(4,557)	(5,412)	(4,080)	(5,412)	(4,557)	(4,557)	(5,412)	(1,947)	(4,557)	(4,557)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,557)</u>	<u>(5,412)</u>	<u>(4,080)</u>	<u>(5,412)</u>	<u>(4,557)</u>	<u>(4,557)</u>	<u>(5,412)</u>	<u>(1,947)</u>	<u>(4,557)</u>	<u>(4,557)</u>
<b>NET CHANGE IN FUND BALANCES</b>	15,622	708	(15,736)	(6,748)	4,896	2,180	(685)	1,549	2,330	3,436
<b>FUND BALANCES - BEGINNING</b>	59,953	40,261	22,577	21,255	27,691	23,947	23,452	19,489	21,458	25,859
<b>FUND BALANCES - ENDING</b>	<u>\$ 75,575</u>	<u>\$ 40,969</u>	<u>\$ 6,841</u>	<u>\$ 14,507</u>	<u>\$ 32,587</u>	<u>\$ 26,127</u>	<u>\$ 22,767</u>	<u>\$ 21,038</u>	<u>\$ 23,788</u>	<u>\$ 29,295</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS (Continued)**

	MEU	MEV	MEW	MEX	MFN	MFO	MFQ	MFR	MFS	MFT
<b>REVENUES</b>										
Taxes	\$ 3,585	\$ 452	\$ 12,824	\$ 26,193	\$ 17,223	\$ 3,829	\$ 356	\$ 1,329	\$ 144,120	\$ 70,788
Special assessments	147	-	40,525	243	-	-	-	-	456	2,205
Fines, fees, and forfeitures	19	-	19,223	82	-	-	-	-	70	602
Investment earnings	58	9	40	229	101	54	2	5	2,314	460
<b>Total Revenues</b>	<u>3,809</u>	<u>461</u>	<u>72,612</u>	<u>26,747</u>	<u>17,324</u>	<u>3,883</u>	<u>358</u>	<u>1,334</u>	<u>146,960</u>	<u>74,055</u>
<b>EXPENDITURES</b>										
Current										
Services and supplies	1,421	-	6,231	19,098	12,576	468	-	-	8,280	75,888
Capital outlay	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>1,421</u>	<u>-</u>	<u>6,231</u>	<u>19,098</u>	<u>12,576</u>	<u>468</u>	<u>-</u>	<u>-</u>	<u>8,280</u>	<u>75,888</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,388</u>	<u>461</u>	<u>66,381</u>	<u>7,649</u>	<u>4,748</u>	<u>3,415</u>	<u>358</u>	<u>1,334</u>	<u>138,680</u>	<u>(1,833)</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfer in	-	-	-	-	-	-	-	-	-	-
Transfer out	(886)	(432)	(4,557)	(4,557)	(4,557)	(852)	(200)	(648)	(4,557)	(3,246)
<b>Total Other Financing Sources (Uses)</b>	<u>(886)</u>	<u>(432)</u>	<u>(4,557)</u>	<u>(4,557)</u>	<u>(4,557)</u>	<u>(852)</u>	<u>(200)</u>	<u>(648)</u>	<u>(4,557)</u>	<u>(3,246)</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,502	29	61,824	3,092	191	2,563	158	686	134,123	(5,079)
<b>FUND BALANCES - BEGINNING</b>	10,093	1,691	2,021	35,157	16,992	9,747	140	190	416,294	75,010
<b>FUND BALANCES - ENDING</b>	<u>\$ 11,595</u>	<u>\$ 1,720</u>	<u>\$ 63,845</u>	<u>\$ 38,249</u>	<u>\$ 17,183</u>	<u>\$ 12,310</u>	<u>\$ 298</u>	<u>\$ 876</u>	<u>\$ 550,417</u>	<u>\$ 69,931</u>



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS (Continued)**

	MGG	MGH	MGI	MGJ	MGK	MGN	MHA	MHB	MHC	MHD
<b>REVENUES</b>										
Taxes	\$ 11,755	\$ 438	\$ 312	\$ 253	\$ 13,085	\$ 450	\$ 17,536	\$ 11,060	\$ 15,899	\$ 11,054
Special assessments	-	-	-	-	-	-	198	175	1,145	-
Fines, fees, and forfeitures	-	-	-	-	-	-	37	25	344	-
Investment earnings	58	5	5	4	144	4	175	108	145	126
<b>Total Revenues</b>	<u>11,813</u>	<u>443</u>	<u>317</u>	<u>257</u>	<u>13,229</u>	<u>454</u>	<u>17,946</u>	<u>11,368</u>	<u>17,533</u>	<u>11,180</u>
<b>EXPENDITURES</b>										
Current										
Services and supplies	10,966	-	-	-	-	450	8,927	4,060	7,205	2,933
Capital outlay	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>10,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>8,927</u>	<u>4,060</u>	<u>7,205</u>	<u>2,933</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>847</u>	<u>443</u>	<u>317</u>	<u>257</u>	<u>13,229</u>	<u>4</u>	<u>9,019</u>	<u>7,308</u>	<u>10,328</u>	<u>8,247</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfer in	-	-	-	-	-	-	-	-	-	-
Transfer out	(2,628)	(416)	(208)	(208)	(4,557)	(100)	(4,557)	(4,557)	(4,557)	(4,557)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,628)</u>	<u>(416)</u>	<u>(208)</u>	<u>(208)</u>	<u>(4,557)</u>	<u>(100)</u>	<u>(4,557)</u>	<u>(4,557)</u>	<u>(4,557)</u>	<u>(4,557)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,781)</u>	<u>27</u>	<u>109</u>	<u>49</u>	<u>8,672</u>	<u>(96)</u>	<u>4,462</u>	<u>2,751</u>	<u>5,771</u>	<u>3,690</u>
<b>FUND BALANCES - BEGINNING</b>	<u>9,092</u>	<u>524</u>	<u>547</u>	<u>372</u>	<u>25,127</u>	<u>527</u>	<u>30,084</u>	<u>18,816</u>	<u>23,993</u>	<u>22,451</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 7,311</u>	<u>\$ 551</u>	<u>\$ 656</u>	<u>\$ 421</u>	<u>\$ 33,799</u>	<u>\$ 431</u>	<u>\$ 34,546</u>	<u>\$ 21,567</u>	<u>\$ 29,764</u>	<u>\$ 26,141</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS (Continued)**

	<u>MHE</u>	<u>MHF</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Taxes	\$ 17,247	\$ 1,749	\$ 1,049,662
Special assessments	-	-	58,995
Fines, fees, and forfeitures	-	-	23,846
Investment earnings	197	16	9,288
<b>Total Revenues</b>	<u>17,444</u>	<u>1,765</u>	<u>1,141,791</u>
<b>EXPENDITURES</b>			
Current			
Services and supplies	8,288	-	734,451
Capital outlay	-	-	51,484
<b>Total Expenditures</b>	<u>8,288</u>	<u>-</u>	<u>785,935</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>9,156</u>	<u>1,765</u>	<u>355,856</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	-	-	-
Transfer out	(4,557)	(1,081)	(162,911)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,557)</u>	<u>(1,081)</u>	<u>(162,911)</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,599	684	192,945
<b>FUND BALANCES - BEGINNING</b>	<u>35,180</u>	<u>2,648</u>	<u>1,626,258</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 39,779</u>	<u>\$ 3,332</u>	<u>\$ 1,819,203</u>