

**SAN BERNARDINO COUNTY
AUDITOR-CONTROLLER AND
SUCCESSOR AGENCY OF THE FORMER
HESPERIA COMMUNITY
REDEVELOPMENT AGENCY**

**AGREED-UPON PROCEDURES
WITH INDEPENDENT ACCOUNTANTS' REPORT**

**SAN BERNARDINO COUNTY AUDITOR-CONTROLLER AND
 SUCCESSOR AGENCY OF THE FORMER HESPERIA COMMUNITY
 REDEVELOPMENT AGENCY
 CONTENTS**

	PAGE
Independent Accountants' Report on Applying Agreed-Upon Procedures	1
Attachment A - Agreed-Upon Procedures	3
Attachment B - Findings	6
Exhibit 1 - Enforceable Obligation Payment Schedule August-December 2011	
Detail of Findings	9
Exhibit 2 - Enforceable Obligation Payment Schedule January-June 2012	
Detail of Findings	12
Exhibit 3 - Schedule of Payments Enforceable Obligation Payment Schedule January-June 2012	
Detail of Findings	13
Exhibit 4 - Schedule of Payments Draft Recognized Obligation Payment Schedule January-June 2012	
Detail of Findings	15
Exhibit 5 - Redevelopment Agency Assets	18
Exhibit 6 - Draft Recognized Obligation Payment Schedule January-June 2012	
Detail of Findings	19
Exhibit 7 - Schedule of Payments Final Recognized Obligation Payment Schedule January-June 2012	
Detail of Findings	23
Exhibit 8 - Final Recognized Obligation Payment Schedule January-June 2012	
Detail of Findings	25



**CERTIFIED
PUBLIC
ACCOUNTANTS
& BUSINESS
ADVISORS**

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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San Bernardino County Auditor-Controller
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Oversight Board to the Successor Agency of the former
Hesperia Community Redevelopment Agency
City of Hesperia
9700 Seventh Avenue
Hesperia, CA 92345

We have performed the minimum required agreed-upon procedures enumerated in Attachment A, which were generally agreed to by the California State Controller's Office and California Department of Finance (State Agencies) solely to assist you in ensuring that the dissolved redevelopment agency of the City of Hesperia is complying with its statutory requirements with respect to ABX1 26. Management of the successor agency and the County are responsible for the accounting records pertaining to the statutory compliance pursuant to Health and Safety Code Section 34182(a)(1). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any other purpose.

The scope of this engagement was limited to performing the minimum required agreed-upon procedures as set forth in Attachment A.

Attachment B identifies the findings noted as a result of the procedures performed.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment B. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the applicable State Agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

September 28, 2012
Redlands, California

Eadie and Payne HP

AGREED-UPON PROCEDURES**A. RDA Dissolution and Restrictions**

For each redevelopment agency dissolved, perform the following:

1. Obtain a copy of the enforceable obligation payment schedule (EOPS) for the period of August 1, 2011 through December 31, 2011. Trace the redevelopment project name or area (whichever applies) associated with the obligations, the payee, a description of the nature of the work/service agreed to, and the amount of payments made by month through December 31, 2011, and compare it to the legal document(s) that form(s) the basis for the obligations. Since the amounts could be estimated, determine that they are stated as such and that legal documentation supports those estimates.
2. Obtain a copy of all amended EOPS filed during the period of January 1, 2012 through June 30, 2012. Trace the redevelopment project name or area (whichever applies) associated with the obligations, the payee, a description of the nature of the work/service agreed to, and the amount of payments to be made by month through June 30, 2012, and compare it to the legal document(s) that form(s) the basis for the obligations. Since the amounts could be estimated, determine that they are stated as such and that legal documentation supports those estimates.
3. Identify any obligation listed on the EOPS that were entered into after June 29, 2011, by inspecting the date of incurrence specified on Form A of the Statement of Indebtedness filed with the County Auditor-Controller on or before October 1, 2011.
4. Inquire and specifically state in the report the manner in which the agency did or did not execute a transfer of the Low and Moderate Income Housing Fund to the redevelopment successor agency by February 1, 2012.
5. Inquire and specifically state in the report how housing activities (assets and functions, rights, powers, duties, and obligations) were transferred and the manner in which this agency did or did not execute a transfer.

B. Successor Agency

1. Inspect evidence that a successor agency (A) has been established by February 1, 2012; and (B) the successor agency oversight board has been appointed, with names of the successor agency oversight board members, which must be submitted to the Department of Finance by May 1, 2012.

AGREED-UPON PROCEDURES (Continued)**B. Successor Agency (Continued)**

2. Inquire regarding the procedures accomplished and specifically state in the report the manner in which this agency did or did not execute a transfer of operations to the successor agency, which was due by February 1, 2012.
3. Ascertain that the successor agency has established the Redevelopment Obligation Retirement Fund(s) in its accounting system.
4. Inspect the EOPS and ROPS and identify the payments that were due to be paid through the date of the agreed-upon procedures (AUP) report and compare the payments that were due to be paid through the date of the AUP report to a copy of the canceled check or other documentation supporting the payment.
5. Obtain listings that support the asset figures (cash, investments, accounts receivable, notes receivable, fixed assets, etc.) in the audited financial statements as of June 30, 2010, June 30, 2011, and as of January 31, 2012, as determined by the successor agency and include as an attachment to the AUP report.

C. Recognized Obligation Payment Schedule (Draft ROPS)

Obtain a copy of the initial draft of the ROPS from the successor agency and perform the following:

1. Inspect evidence that the initial draft of the ROPS was prepared by March 1, 2012.
2. Note in the minutes of the oversight board that the draft ROPS has been approved by the oversight board. If the oversight board has not yet approved the draft ROPS as of the date of the AUP, this should be mentioned in the AUP report.
3. Inspect evidence that a copy of the draft ROPS was submitted to the County Auditor-Controller, State Controller, and Department of Finance.
4. Inspect evidence that the draft ROPS includes monthly-scheduled payments for each enforceable obligation for the current six-month reporting time period.
5. Trace enforceable obligations listed on the draft ROPS to the legal document that forms the basis for the obligation.

AGREED-UPON PROCEDURES (Continued)

C. Recognized Obligation Payment Schedule (Draft ROPS) (Continued)

6. Trace the obligations enumerated on the draft ROPS to the obligations enumerated on the EOPS (including amendments) and note any differences.

D. Recognized Obligation Payment Schedule (Final ROPS)

Obtain a copy of the final ROPS (January 1, 2012 through June 30, 2012) from the successor agency.

1. Inspect evidence that the final ROPS was submitted to the County Auditor-Controller, the State Controller, and Department of Finance by April 15, 2012, and is posted on the website of the City as successor agency (Health and Safety Code Section 34177(2)(C)).
2. Inspect the final ROPS and identify the payments that were due to be paid through the date of the AUP report. For payments on the ROPS that were identified as being due through the date of the AUP report, inspect evidence of payment and determine that amounts agree to the purpose of the obligation as amounts could be estimated.
3. Trace enforceable obligations listed on the final ROPS to the legal agreements or documents that forms the basis for the obligation.

E. Other Procedures

Obtain a list of pass-through obligations and payments made from the successor agency from July 1, 2011 through January 31, 2012. Inspect evidence of payment, and note any differences from the list of pass-through obligations and payments made.

FINDINGS**A. RDA Dissolution and Restrictions**

1. We examined three versions of the EOPS for the period August 1, 2011 through December 31, 2011. The initial EOPS, dated August 16, 2011, listed 30 obligations totaling \$270,606,057. The amended EOPS, dated September 30, 2011, listed 46 obligations totaling \$1,351,970,818. The final EOPS, dated January 31, 2012, listed 52 obligations totaling \$1,253,167,080. According to the staff of City of Hesperia/successor agency, some of the obligations listed in the EOPS were ultimately removed from the final ROPS at the direction of the Department of Finance. Accordingly, no supporting document was provided and no supporting documentation was examined by us. Refer to Exhibit 1 for a list of 23 obligations included in the initial, amended, and final EOPS that were removed from the ROPS. We also found two obligations listed in the EOPS which were consolidated into one obligation in the ROPS. These obligations were also listed in Exhibit 1. The remaining obligations listed in both the EOPS and ROPS were tested in procedure C.5.
2. The EOPS for the period January 1, 2012 through June 30, 2012 listed 82 obligations totaling \$1,457,720,386 and was approved by the Oversight Board on April 5, 2012. According to the staff of City of Hesperia/successor agency, five of the obligations were ultimately removed from the final ROPS at the direction of the Department of Finance. Accordingly, no supporting documentation was provided and no supporting documentation was examined by us. The Successor Agency represents that all items that were subsequently removed were approved by the Oversight Board pursuant to ABX1 26, and the Oversight Board was provided documentation for all of these items. Refer to Exhibit 2. The remaining obligations listed in both the EOPS and ROPS were tested in procedure C.5.
3. One of the obligations listed on the EOPS that remained in the ROPS was entered into after June 29, 2011. The contract for small business counseling with Inland Empire Economic Partnership Inc. (EOPS # 39/ROPS #21) was executed on September 7, 2011. However, according to City/Successor Agency staff, the obligation is required by a memorandum of understanding executed prior to June 29, 2011.
4. With regard to the Low and Moderate Income Housing Fund, as determined by the Successor Agency, there was no unencumbered fund balance of the Low and Moderate Income Housing Fund to transfer to the Successor Agency; therefore, no transfer has occurred.
5. With regard to the housing activities and assets of the former redevelopment agency, we noted that the transfer of the housing activities and assets of the former redevelopment agency to the Hesperia Housing Authority was executed by a Resolution of the Oversight Board (OB 2012-03) on April 5, 2012. A new fund (Fund 370) was created and journal entries were posted to transfer the fund balances from the former redevelopment agency.

FINDINGS (Continued)**B. Successor Agency**

1. We noted City Resolution 2011-021, dated April 5, 2011, in which the City of Hesperia elected to become the successor agency. The successor agency oversight board had been appointed, with names of the successor agency oversight board members submitted to the Department of Finance by May 1, 2012.
2. City Resolution No 2011-021, dated April 5, 2011, in which the City assumed the role of successor agency, also transferred the operations of the former redevelopment agency. New funds (Funds 160, 161, 162, and 173) were established and account balances of the former redevelopment agency were transferred via journal entries.
3. According to Steve Lantsberger, deputy director of economic development, the successor agency has established the Redevelopment Obligation Retirement Funds in Fund 160 for Project Area 1, Fund 161 for Project Area 2, and Fund 162 for the Low and Moderate Income Housing Bonds.
4. We identified payments that were due to be paid through the date of the AUP report and agreed the payments made by the successor agency to corresponding obligation on the EOPS or draft ROPS. Refer to Exhibit 3 (EOPS) and Exhibit 4 (draft ROPS).
5. We prepared a schedule of the redevelopment agency's government-wide assets from audited financial statements for the fiscal years ended June 30, 2010 and June 30, 2011. The successor agency determined that due to the "vagaries" of ABX1 26, the winding down of redevelopment, and the need for audited figures, the successor agency would refrain from submitting unaudited figures. Refer to Exhibit 5.

C. Recognized Obligation Payment Schedule (Draft ROPS)

Based on the initial draft of the ROPS obtained from the successor agency, we noted the following:

1. We noted that the initial draft of the ROPS was prepared on February 21, 2012.
2. We noted in the minutes of the Oversight Board that the draft ROPS was approved by the Oversight Board on April 5, 2012.
3. The County Auditor-Controller confirmed that the draft ROPS was received on March 31, 2012. The State Controller and Department of Finance confirmed that the draft ROPS was submitted by the successor agency as required.

FINDINGS (Continued)**C. Recognized Obligation Payment Schedule (Draft ROPS) (Continued)**

4. We noted that the draft ROPS included seven obligations that did not have monthly scheduled payments for the current six-month reporting time period. All seven obligations are considered enforceable obligations and repayment is expected. Refer to Exhibit 4, Footnote (5).
5. For the draft ROPS, we examined 68 obligations and noted 27 obligations with findings. Refer to Exhibit 6 for details of findings. Six of the obligations were ultimately removed from the final ROPS at the direction of the Department of Finance. Accordingly, no supporting documentation was provided and no supporting documentation was examined by us. The Successor Agency represents that all items that were removed from the Draft ROPS were approved by the Oversight Board pursuant to ABX1 26 and the Oversight Board was provided documentation for all of these items. The City of Hesperia/successor agency was unable to provide any supporting documentation for one other obligation (Draft ROPS #68).
6. All but one of the obligations on the draft ROPS (ROPS #65) were included in the EOPS. The total obligation amounts on the draft ROPS, other than the above mentioned difference, agreed to the amounts on the EOPS.

D. Recognized Obligation Payment Schedule (Final ROPS)

Based on the final ROPS (January 1, 2012 through June 30, 2012) obtained from the successor agency, we noted the following:

1. We noted that the final ROPS was submitted to the County Auditor-Controller, the State Controller, and the Department of Finance on April 12, 2012. We also noted that the final ROPS was approved by the Oversight Board and the Department of Finance. We also noted that the final ROPS is posted on the website of City of Hesperia as the successor agency.
2. We identified payments that were due to be paid through the date of the AUP report and agreed the payments made by the successor agency to corresponding obligation on the Final ROPS. Refer to Exhibit 7.
3. For the final ROPS, we examined 66 obligations and noted 23 obligations with findings. The City of Hesperia/successor agency was unable to provide any supporting documentation for one obligation (Final ROPS #37). Refer to Exhibit 8 for details of findings.

E. Other Procedures

For the lists of pass-through obligations and payments from July 1, 2011 through January 31, 2012, we noted no exceptions.

**ENFORCEABLE OBLIGATION PAYMENT SCHEDULE AUGUST-DECEMBER 2011
DETAIL OF FINDINGS**

EOPS #	Project Name	Obligation Description	Total Obligation (per EOPS)	Description of Findings	Footnotes
1)	Pass-Through Agreement	County of San Bernardino	\$231,161,873	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
2)	Pass-Through Agreement	Hesperia Fire	72,479,067	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
3)	Pass-Through Agreement	Hesperia Recreation and Park District	24,338,051	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
4)	Pass-Through Agreement	Mojave Water Agency Subordinate	3,189,379	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
5)	Pass-Through Agreement	Hesperia Unified School District	97,611,871	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
6)	Pass-Through Agreement	San Bernardino County Superintendent of Schools	5,990,868	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
7)	Pass-Through Agreement	Victor Valley Community College District	17,381,475	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
8)	Pass-Through Agreement	City of Hesperia	589,819	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
9)	Pass-Through Agreement	ERAF	7,957,385	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)

Footnotes:

(3) From Final Enforceable Obligation Payment Schedule - 1/31/12

**ENFORCEABLE OBLIGATION PAYMENT SCHEDULE AUGUST-DECEMBER 2011
DETAIL OF FINDINGS (Continued)**

EOPS #	Project Name	Obligation Description	Total Obligation (per EOPS)	Description of Findings	Footnotes
10)	Pass-Through Agreement	Hesperia Water District	\$ 380,217	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
11)	Pass-Through Agreement	Mojave Desert Resource Conservation District	17,132	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
12)	LMIHF Set Aside - 20% of Tax Increment	Hesperia Community Redevelopment Agency(HCRA)	3,695,516	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(1)
23)	Foreclosure Program (FRIP)	Foreclosure Project in the Township	10,000,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
24)	Down Payment Assistance (DAP)	Pursuant to HCRA Reso. 2008-012	2,000,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
26)	HCRA - Salaries and Benefits	HCRA - Salaries and Benefits	65,803	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(1)
26)	Public Improvement Grant	City of Hesperia- Note pursuant to HCRA Reso. 2011 002 & 008	17,955,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(2)
27)	HCRA - Operations	HCRA - Operations	418,250	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(1)

Footnotes:

- (1) From Initial Enforceable Obligation Payment Schedule
- (2) From Amended Enforceable Obligation Payment Schedule - 9/30/11
- (3) From Final Enforceable Obligation Payment Schedule - 1/31/12

**ENFORCEABLE OBLIGATION PAYMENT SCHEDULE AUGUST-DECEMBER 2011
DETAIL OF FINDINGS (Continued)**

<u>EOPS #</u>	<u>Project Name</u>	<u>Obligation Description</u>	<u>Total Obligation (per EOPS)</u>	<u>Description of Findings</u>	<u>Footnotes</u>
28)	HCRA - Contractual	HCRA - Contractual	\$ 8,270,900	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board No supporting documentation was reviewed.	(1)
29)	HCRA - Other Operating	HCRA - Other Operating	94,375	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board No supporting documentation was reviewed.	(1)
30)	Owner Participation Agreement	Jo Ann's Fabric	200,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board No supporting documentation was reviewed.	(2)
32)	Public Improvement	Industrial Park Lead Track Project	5,840,201	Consolidated into ROPS #30 (see page 20) or Final ROPS Other Funding #17 (see page 29). No exceptions noted.	(2)
33)	Public Improvement	Ranchero Road Undercrossing	8,268,146	Consolidated into ROPS #30 (see page 20) or Final ROPS Other Funding #17 (see page 29). No exceptions noted.	(2)
35)	Housing Rehabilitation Loan Program (HRLP)	Pursuant to HCRA Reso. 2008-004	2,000,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
38)	Restaurant Rewards	Pursuant to HCRA Reso. 2007-026	750,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)
39)	Franchise Founders	Pursuant to HCRA Reso. 2007-026	500,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(3)

Footnotes:

- (1) From Initial Enforceable Obligation Payment Schedule
(2) From Amended Enforceable Obligation Payment Schedule - 9/30/11
(3) From Final Enforceable Obligation Payment Schedule - 1/31/12

**ENFORCEABLE OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS**

EOPS #	Project Name	Obligation Description	Total Obligation (per EOPS)	Description of Findings	Footnotes
36)	Housing Rehabilitation Loan Program (HRLP)	Pursuant to Resolution No. HCRA 2008-004	\$ 2,000,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(4)
62)	Down-Payment Assistance (DAP)	Pursuant to HCRA 2008-12	2,000,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(4)
65)	Foreclosure Program (FRIP)	Foreclosure Project in the Township	7,312,500	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(4)
70)	Restaurant Rewards	Pursuant to Resolution No. HCRA 2007-026	151,250,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(4)
71)	Franchise Founders	Pursuant to Resolution No. HCRA 2007-026	500,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	(4)

Footnotes:

(4) From Amended Enforceable Obligation Payment Schedule - 4/5/12

SCHEDULE OF PAYMENTS
ENFORCEABLE OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS

EOPS #	Project Name	Obligation Description	Payments per EOPS	Actual Payments
1)	HPFA 2005 Series A - Project Area 1	Tax Allocation Bonds - March Debt Service	\$ 755,491	\$ 755,441
2)	HPFA 2005 Series A - Project Area 1	Tax Allocation Bonds - Sept. Debt Service	1,499,711	-
3)	HPFA 2005 Series A - Project Area 2	Tax Allocation Bonds - March Debt Service	83,664	83,658
4)	HPFA 2005 Series A - Project Area 2	Tax Allocation Bonds - Sept. Debt Service	166,079	-
5)	HPFA 2005 Series B - Housing	Tax Allocation Bonds - March Debt Service	55,385	-
6)	HPFA 2005 Series B - Housing	Tax Allocation Bonds - Sept. Debt Service	945,385	-
7)	HPFA 2007 Series A - Project Area 1	Revenue Bonds (Tax Exempt) - March Debt Service	1,844,305	1,844,300
8)	HPFA 2007 Series A - Project Area 1	Revenue Bonds (Tax Exempt) - Sept. Debt Service	1,844,305	-
9)	HPFA 2007 Series A - Project Area 2	Revenue Bonds (Tax Exempt) - March Debt Service	134,125	134,125
10)	HPFA 2007 Series A - Project Area 2	Revenue Bonds (Tax Exempt) - Sept. Debt Service	134,125	-
11)	HPFA 2007 Series A - Housing	Revenue Bonds (Tax Exempt) - March Debt Service	803,670	803,670
12)	HPFA 2007 Series A - Housing	Revenue Bonds (Tax Exempt) - Sept. Debt Service	803,670	-
13)	HPFA 2007 Series B - Project Area 1	Revenue Bonds (Taxable) - March Debt Service	136,338	136,326
14)	HPFA 2007 Series B - Project Area 1	Revenue Bonds (Taxable) - Sept. Debt Service	1,641,338	-
15)	HPFA 2007 Series B - Project Area 2	Revenue Bonds (Taxable) - March Debt Service	13,047	13,047
16)	HPFA 2007 Series B - Project Area 2	Revenue Bonds (Taxable) - Sept. Debt Service	103,047	-
17)	HPFA 2007 Series B - Housing	Revenue Bonds (Taxable) - March Debt Service	304,488	304,464
18)	HPFA 2007 Series B - Housing	Revenue Bonds (Taxable) - Sept. Debt Service	569,488	-
19)	Bond Administration - HPFA 2007 - Series A&B	Bond Administration	5,000	-
20)	Bond Administration - HPFA 2005 - Series A&B	Bond Administration	7,324	4,380
21)	HPFA 2005 Series A - Reserve Account	Reserve of Debt Payment	-	-
22)	HPFA 2005 Series B - Reserve Account	Reserve of Debt Payment	-	-
23)	HPFA 2007 Series A - Reserve Account	Reserve of Debt Payment	-	-
24)	HPFA 2007 Series B - Reserve Account	Reserve of Debt Payment	-	-
25)	Promissory Note - 2010 Golf Course	Mega Factors LTD Promissory Note	610,803	187,939
26)	Promissory Note - 2008 Steward	Steward Promissory Note	157,470	-
27)	Promissory Note - 2008 Cappas	Cappas Promissory Note	143,114	-
28)	Promissory Note - SERAF I & II - Project Area 1	Pursuant to H&SC 33690 and 33690.5	570,000	-
29)	Promissory Note - SERAF I & II - Project Area 2	Pursuant to H&SC 33690 and 33690.5	495,342	-
30)	Owner Participation Agreement	Cinema West	1,946,363	6,435
31)	Owner Participation Agreement	Sizzler	50,000	50,000
32)	Public Improvement - Township Program	Cooley Construction	17,846	-
33)	Development Agreement	KDF Sunrise Terrace	-	-
34)	Contract for Litigation	Aleshire & Wynder, LLP	70,000	-
35)	RMDZ - Memorandum of Understanding	State of CA Recycling Market Development Zone	73,395	-
36)	Housing Rehabilitation Loan Program (HRLP)	Pursuant to Resolution No. HCRA 2008-004	200,000	-
37)	Administration Fee	Successor Agency	964,563	-
38)	Competitive Edge Motocross Park	Hesperia Community Dev. Comm./CEMX, LLC, CEMX, Inc.	65,000	-

SCHEDULE OF PAYMENTS
ENFORCEABLE OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (Continued)

EOPS #	Project Name	Obligation Description	Payments per EOPS	Actual Payments
39)	Small Business Counseling	Inland Empire SBDC	\$ 28,000	-
40)	Cinema West	Hall & Foreman	51,524	\$ 11,450
41)	Appraisal	Thompson Appraisals	8,000	-
42)	Marketing - EZ	Pirih Productions	25,000	-
43)	Research	CoreLogic	2,100	-
44)	Monitoring Services	US Communities	14,700	-
45)	Affordable Housing Services	Seifel	57,000	-
46)	EZ Marketing/Memberships	Memberships for EZ MOU	32,735	-
47)	Escrow/Title	Chicago Title	49,000	-
48)	Indirect Cost Allocation	Pursuant to HCRA Reso. 2009-013 & 2011-013	-	-
49)	Owner Participation Agreement	Farmer Boys	35,215	35,215
50)	Development Agreement	WLPX Hesperia, LLC	108,313	-
51)	Capital Improvement Funding	Pursuant to Resolution No. HCRA 2011-002	-	-
52)	Cooperative Administrative Agreement	Pursuant to Resolution No. HCRA 2011-003	1,500,000	-
53)	Retail Development Contract	Hesperia Community Dev. Comm./Lewis Investment Company	1,700,000	-
54)	Commercial Development Project	Hesperia Community Dev. Comm./Browning Desert Properties IV, LLC	3,275,000	-
55)	Owner Participation Agreement	J&R	124,797	-
56)	Inclusionary Housing Obligations	Inclusionary housing obligations prior to 2/1/2012	-	-
57)	Rail Spur - Capital Maintenance and Service	Capital Maintenance Obligation	25,000	-
58)	CalPERS Pension Obligation	CalPERS	-	-
59)	Other Post Employment Benefits (OPEB)	OPEB Obligation	-	-
60)	Promissory Note - 2011 Public Improvement	Note pursuant to HCRA Reso. 2011-002 and 2011-008	2,602,569	-
61)	Cooperative Agreement	Pursuant to Ordinance 19 - Year: 1990	278,619	-
62)	Down Payment Assistance (DAP)	Pursuant to HCRA 2008-12	500,000	-
63)	EZ - Memorandum of Understanding	State of California Enterprise Zone	2,538,850	-
64)	Allowable Expense Pursuant to H&S §34167	Allowable Expense Pursuant to H&S §34167	348,341	-
65)	Foreclosure Program (FRIP)	Foreclosure Project in the Township	-	-
66)	Contingent Contract Liability	Sunrise Terrace I & II	570,000	-
67)	Contingent Contract Liability	The Village of Hesperia I	495,342	-
68)	Contingent Contract Liability	Horizon at Olive Street	-	-
69)	Broker's Incentive	Pursuant to Resolution No. HCRA 2007-026	91,436	-
70)	Restaurant Rewards	Pursuant to Resolution No. HCRA 2007-026	75,000	-
71)	Franchise Founders	Pursuant to Resolution No. HCRA 2007-026	50,000	-

SCHEDULE OF PAYMENTS
DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS

ROPS #	Project Name	Obligation Description	Payments per ROPS	Actual Payments	Footnotes
1)	HPFA 2005 Series A - Project Area 1	Tax Allocation Bonds - March Debt Service	\$ 755,491	\$ 755,441	
2)	HPFA 2005 Series A - Project Area 1	Tax Allocation Bonds - Sept. Debt Service	1,499,711	-	
3)	HPFA 2005 Series A - Project Area 2	Tax Allocation Bonds - March Debt Service	83,664	83,658	
4)	HPFA 2005 Series A - Project Area 2	Tax Allocation Bonds - Sept. Debt Service	166,079	-	
5)	HPFA 2005 Series B - Housing	Tax Allocation Bonds - March Debt Service	55,385	-	
6)	HPFA 2005 Series B - Housing	Tax Allocation Bonds - Sept. Debt Service	945,385	-	
7)	HPFA 2007 Series A - Project Area 1	Revenue Bonds (Tax Exempt) - March Debt Service	1,844,305	1,844,300	
8)	HPFA 2007 Series A - Project Area 1	Revenue Bonds (Tax Exempt) - Sept. Debt Service	1,844,305	-	
9)	HPFA 2007 Series A - Project Area 2	Revenue Bonds (Tax Exempt) - March Debt Service	134,125	134,125	
10)	HPFA 2007 Series A - Project Area 2	Revenue Bonds (Tax Exempt) - Sept. Debt Service	134,125	-	
11)	HPFA 2007 Series A - Housing	Revenue Bonds (Tax Exempt) - March Debt Service	803,670	803,670	
12)	HPFA 2007 Series A - Housing	Revenue Bonds (Tax Exempt) - Sept. Debt Service	803,670	-	
13)	HPFA 2007 Series B - Project Area 1	Revenue Bonds (Taxable) - March Debt Service	136,338	136,326	
14)	HPFA 2007 Series B - Project Area 1	Revenue Bonds (Taxable) - Sept. Debt Service	1,641,338	-	
15)	HPFA 2007 Series B - Project Area 2	Revenue Bonds (Taxable) - March Debt Service	13,047	13,047	
16)	HPFA 2007 Series B - Project Area 2	Revenue Bonds (Taxable) - Sept. Debt Service	103,047	-	
17)	HPFA 2007 Series B - Housing	Revenue Bonds (Taxable) - March Debt Service	304,488	304,464	
18)	HPFA 2007 Series B - Housing	Revenue Bonds (Taxable) - Sept. Debt Service	569,488	-	
19)	Bond Admin. - HPFA 2007 - Series A&B	Bond Admin	5,000	-	
20)	Bond Admin. - HPFA 2005 - Series A&B	Bond Admin	7,324	4,380	
21)	HPFA 2005 Series A - Reserve Account	Reserve of Debt Payment	-	-	(5)
22)	HPFA 2005 Series B - Reserve Account	Reserve of Debt Payment	-	-	(5)
23)	HPFA 2007 Series A - Reserve Account	Reserve of Debt Payment	-	-	(5)

Footnote:

(5) No monthly scheduled payments were noted for the current six-month period.

SCHEDULE OF PAYMENTS
DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (Continued)

ROPS #	Project Name	Obligation Description	Payments per ROPS	Actual Payments	Footnotes
24)	HPFA 2007 Series B - Reserve Account	Reserve of Debt Payment	-	-	(5)
25)	Promissory Note - 2010 Golf Course	Note on land purchase	\$ 751,757	\$ 187,939	
26)	Promissory Note - 2008 Steward	Note 2008	314,940	-	
27)	Promissory Note - 2008 Cappas	Note 2008	286,228	-	
28)	Promissory Note - SERAF I & II - Project Area 1	Pursuant to H&SC 33690 & 33690.5	570,000	-	
29)	Promissory Note - SERAF I & II - Project Area 2	Pursuant to H&SC 33690 & 33690.5	495,342	-	
30)	Promissory Note - 2011 Public Improvement	Note pursuant to HCRA Reso. 2011 2 & 8	2,602,569	-	
31)	Owner Participation Agreement	Cinema West	1,946,363	6,435	
32)	Owner Participation Agreement	Sizzler	50,000	50,000	
33)	Cooperative Agreement	Pursuant to Ordinance 19 - Year 1990	517,376	-	
34)	Public Improvement - Township Program	Capital Improvement Project	21,823	-	
35)	Down Payment Assistance (DAP)	Pursuant to HCRA 2008-12	500,000	-	
36)	Development Agreement	KDF Sunrise Terrace	668,659	-	
37)	Contract for Litigation	Low/Mod Housing Legal Service	70,000	-	
38)	EZ - Memorandum of Understanding	State of California Enterprise Zone	2,538,850	-	
39)	RMDZ - Memorandum of Understanding	State of California Recycling Market Development Zone	73,395	-	
40)	Housing Rehabilitation Loan Program (HRLP)	Pursuant to Resolution No. HCRA 2008-004	200,000	-	
41)	Administration Fee	Pursuant to AB 26	964,563	-	
42)	Allowable Expense Pursuant to H&S Sec. 34167	Allowable Expense Pursuant to H&S Sec. 34167	432,018	-	
43)	Competitive Edge Motocross Park	Lease Obligations	65,000	-	
44)	Small Business Counseling	Contract for Services	28,000	-	
45)	Cinema West	Contract for Services	64,710	11,450	
46)	Appraisal	Contract for Services	8,000	-	
47)	Marketing - EZ	Contract for Services	25,000	-	
48)	Research	Professional Services	2,100	-	
49)	Monitoring Services	Professional Services	22,700	-	
50)	Affordable Housing Services	Professional Services	57,000	-	
51)	EZ Marketing/Memberships	Memberships for EZ MOU	32,735	-	
52)	Escrow/Title	Professional Services	49,000	-	
53)	Indirect Cost Allocation	Pursuant to HCRA Reso. 2009-013 & 2011-013	412,016	-	
54)	Owner Participation Agreement	Pursuant to Restaurant Rewards	35,215	35,215	
55)	Foreclosure Program (FRIP)	Foreclosure Project in the Township	-	-	(5)
56)	Development Agreement	WLPX Hesperia, LLC	108,313	-	
57)	Contingent Contract Liability	Sunrise Terrace I & II - Low/Mod Housing Liability-Guarantor	570,000	-	
58)	Contingent Contract Liability	The Village of Hesperia I - Low/Mod Housing Liability-Guarantor	495,342	-	
59)	Contingent Contract Liability	Horizon at Olive Street - Low/Mod Housing Liability-Guarantor	-	-	(5)

Footnote:

(5) No monthly scheduled payments were noted for the current six-month period.

SCHEDULE OF PAYMENTS
DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (Continued)

ROPS #	Project Name	Obligation Description	Payments per ROPS	Actual Payments	Footnotes
60)	Capital Improvement Funding	Pursuant to Resolution No. HCRA 2011-002	-	-	(5)
61)	Cooperative Administrative Agreement	Pursuant to Resolution No. HCRA 2011-003	\$ 1,500,000	-	
62)	Broker's Incentive	Pursuant to Resolution No. HCRA 2007-026	91,436	-	
63)	Restaurant Rewards	Pursuant to Resolution No. HCRA 2007-026	75,000	-	
64)	Franchise Founders	Pursuant to Resolution No. HCRA 2007-026	50,000	-	
65)	Exclusive Negotiation Agreement	Exclusive Negotiation Agreement	3,400,000	-	
66)	Retail Development Agreement	Exclusive Negotiation Agreement	1,700,000	-	
67)	Commercial Development Project	Disposition and Development Agreement	3,275,000	-	
68)	Owner Participation Agreement	Participation Agreement	124,797	-	

Footnote:

(5) No monthly scheduled payments were noted for the current six-month period.

REDEVELOPMENT AGENCY ASSETS

	As of <u>June 30, 2010</u>	As of <u>June 30, 2011</u>	Unaudited as of <u>January 31, 2012</u>
Assets			
Cash	\$ 3,684,464	\$ 19,524,278	None provided
Receivables - current	1,454,816	506,314	
Land held for resale	12,170,192	12,170,192	
Deposits - current	573,817	37,480	
Cash and investments with fiscal agent - restricted	112,234,189	14,458,521	
Cash and cash equivalents - restricted	3,742,779	14,464,876	
Notes receivable	10,283,556	16,972,044	
Advances to Hesperia Water District	6,000,000	4,800,000	
Bond issuance costs, net	3,968,420	3,787,815	
Deposits - noncurrent	17,737	17,221	
Capital Assets Not Being Depreciated			
Land	24,506,006	25,243,556	
Construction in progress	23,969,344	11,850,791	
Capital Assets Being Depreciated			
Equipment and vehicles	476,488	228,348	
Buildings and improvements	219,547	476,488	
Less: Accumulated depreciation	<u>(116,062)</u>	<u>(147,918)</u>	
TOTALS	<u>\$ 203,185,293</u>	<u>\$ 124,390,006</u>	

DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS

ROPS #	Project Name	Obligation Description	Total Obligation (per ROPS)	Description of Finding	Footnote
1)	HPFA 2005 Series A - Project Area 1	Tax Allocation Bonds - March Debt Service	\$ 755,491	No exceptions noted.	
2)	HPFA 2005 Series A - Project Area 1	Tax Allocation Bonds - Sept. Debt Service	54,266,600	No exceptions noted.	
3)	HPFA 2005 Series A - Project Area 2	Tax Allocation Bonds - March Debt Service	83,664	No exceptions noted.	
4)	HPFA 2005 Series A - Project Area 2	Tax Allocation Bonds - Sept. Debt Service	6,009,530	No exceptions noted.	
5)	HPFA 2005 Series B - Housing	Tax Allocation Bonds - March Debt Service	55,385	No exceptions noted.	
6)	HPFA 2005 Series B - Housing	Tax Allocation Bonds - Sept. Debt Service	3,457,320	No exceptions noted.	
7)	HPFA 2007 Series A - Project Area 1	Revenue Bonds (Tax Exempt) - March Debt Service	1,844,305	No exceptions noted.	
8)	HPFA 2007 Series A - Project Area 1	Revenue Bonds (Tax Exempt) - Sept. Debt Service	127,957,283	No exceptions noted.	
9)	HPFA 2007 Series A - Project Area 2	Revenue Bonds (Tax Exempt) - March Debt Service	134,125	No exceptions noted.	
10)	HPFA 2007 Series A - Project Area 2	Revenue Bonds (Tax Exempt) - Sept. Debt Service	9,939,475	No exceptions noted.	
11)	HPFA 2007 Series A - Housing	Revenue Bonds (Tax Exempt) - March Debt Service	803,670	No exceptions noted.	
12)	HPFA 2007 Series A - Housing	Revenue Bonds (Tax Exempt) - Sept. Debt Service	66,276,423	No exceptions noted.	
13)	HPFA 2007 Series B - Project Area 1	Revenue Bonds (Taxable) - March Debt Service	136,338	No exceptions noted.	
14)	HPFA 2007 Series B - Project Area 1	Revenue Bonds (Taxable) - Sept. Debt Service	5,198,284	No exceptions noted.	
15)	HPFA 2007 Series B - Project Area 2	Revenue Bonds (Taxable) - March Debt Service	13,047	No exceptions noted.	
16)	HPFA 2007 Series B - Project Area 2	Revenue Bonds (Taxable) - Sept. Debt Service	519,766	No exceptions noted.	
17)	HPFA 2007 Series B - Housing	Revenue Bonds (Taxable) - March Debt Service	304,488	No exceptions noted.	
18)	HPFA 2007 Series B - Housing	Revenue Bonds (Taxable) - Sept. Debt Service	14,485,695	No exceptions noted.	
19)	Bond Admin. - HPFA 2007 - Series A&B	Bond Admin.	164,125	No exceptions noted.	
20)	Bond Admin. - HPFA 2005 - Series A&B	Bond Admin.	123,969	No exceptions noted.	
21)	HPFA 2005 Series A - Reserve Account	Reserve of Debt Payment	2,535,793	No exceptions noted.	
22)	HPFA 2005 Series B - Reserve Account	Reserve of Debt Payment	420,693	No exceptions noted.	
23)	HPFA 2007 Series A - Reserve Account	Reserve of Debt Payment	9,441,562	No exceptions noted.	
24)	HPFA 2007 Series B - Reserve Account	Reserve of Debt Payment	1,699,155	No exceptions noted.	

**DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (Continued)**

ROPS #	Project Name	Obligation Description	Total Obligation (per ROPS)	Description of Finding	Footnote
25)	Promissory Note - 2010 Golf Course	Note on land purchase	\$ 939,697	No exceptions noted.	
26)	Promissory Note - 2008 Steward	Note 2008	472,408	No exceptions noted.	
27)	Promissory Note - 2008 Capps	Note 2008	429,451	No exceptions noted.	
28)	Promissory Note - SERAF I & II - Project Area 1	Pursuant to H&SC 33690 & 33690.5	10,944,835	No exceptions noted.	
29)	Promissory Note - SERAF I & II - Project Area 2	Pursuant to H&SC 33690 & 33690.5	1,212,040	No exceptions noted.	
30)	Promissory Note - 2011 Public Improvement	Note pursuant to HCRA Reso. 2011-002 & 2011-008	40,407,080	No exceptions noted.	
31)	Owner Participation Agreement	Cinema West	1,946,363	No exceptions noted.	
32)	Owner Participation Agreement	Sizzler	73,000	No exceptions noted.	
33)	Cooperative Agreement	Pursuant to Ordinance 19 - Year 1990	72,497,050	No exceptions noted.	
34)	Public Improvement - Township Program	Capital Improvement Project	21,823	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(7)
35)	Down Payment Assistance (DAP)	Pursuant to HCRA 2008-012	2,000,000	Removed from ROPS. as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	
36)	Development Agreement	KDF Sunrise Terrace	1,200,000	No exceptions noted.	
37)	Contract for Litigation	Low/Mod Housing Legal Service	125,000	No exceptions noted.	
38)	EZ - Memorandum of Understanding	State of California Enterprise Zone	42,588,576	No exceptions noted.	
39)	RMDZ - Memorandum of Understanding	State of California Recycling Market Development Zone	831,793	No exceptions noted.	
40)	Housing Rehabilitation Loan Program (HRLP)	Pursuant to Resolution No. HCRA 2008-004	2,000,000	Removed from ROPS. as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	
41)	Administration Fee	Pursuant to AB 26	20,451,199	No exceptions noted.	
42)	Allowable Expense Pursuant to H&S Sec. 34167	Allowable Expense Pursuant to H&S Sec. 34167	17,280,720	Supported by budget.	
43)	Competitive Edge Motocross Park	Lease Obligations	600,000	Obligation is a lease agreement in which the agency was the lessor.	
44)	Small Business Counseling	Contract for Services	364,000	We examined a contract not to exceed \$50,000 for term 9/28/2011 through 6/30/2014 entered into after June 29, 2011. Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project. The project is part of a memorandum of understanding that was executed prior to June 29, 2011, which has been approved by the DOF.	(6) (7)

Footnotes:

(6) Obligations are requirements under the EZ MOU (Obligation #38), which was reviewed and approved by the Oversight Board and DOF.

(7) The Agency was committed pursuant to the City's Annual Budget, which established a contractual funding relationship between the two separate distinct legal entities.

DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (Continued)

ROPS #	Project Name	Obligation Description	Total Obligation (per ROPS)	Description of Finding	Footnote
45)	Cinema West	Contract for Services	\$ 64,710	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(7)
46)	Appraisal	Contract for Services	8,000	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(7)
47)	Marketing - EZ	Contract for Services	325,000	Contract not to exceed \$15,000 for term 9/21/2010 through 6/30/2013. Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(6) (7)
48)	Research	Professional Services	65,000	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(6) (7)
49)	Monitoring Services	Professional Services	681,000	Contract not to exceed \$11,000 per year for three years. Per City of Hesperia/Successor Agency staff, the obligation was estimated to last 55 years. Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(7)
50)	Affordable Housing Services	Professional Services	57,000	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(7)
51)	EZ Marketing/Memberships	Memberships for EZ MOU	391,235	Traced to various invoices.	(6)
52)	Escrow/Title	Professional Services	50,000	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(7)
53)	Indirect Cost Allocation	Pursuant to HCRA Reso. 2009-013 & 2011-013	26,859,692	Supported by resolution HCRA 2009-13 and 2011-013 approved by the former redevelopment agency.	
54)	Owner Participation Agreement	Pursuant to Restaurant Rewards	35,215	No exceptions noted.	
55)	Foreclosure Program (FRIP)	Foreclosure Project in the Township	10,000,000	Removed from ROPS. as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	
56)	Development Agreement	WLPX Hesperia, LLC	1,823,039	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(7)
57)	Contingent Contract Liability	Sunrise Terrace I & II - Low/Mod Housing Liability- Guarantor	7,312,500	Supporting documentation consisted of two promissory notes between the City of Hesperia and KDF Hesperia LP.	(8)

Footnotes:

- (6) Obligations are requirements under the EZ MOU (Obligation #38), which was reviewed and approved by the Oversight Board and DOF.
(7) The Agency was committed pursuant to the City's Annual Budget, which established a contractual funding relationship between the two separate distinct legal entities.
(8) The Agency was guarantor and is liable if there is nonperformance on the part of the developer.

**DRAFT RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (Continued)**

ROPS #	Project Name	Obligation Description	Total Obligation (per ROPS)	Description of Finding	
58)	Contingent Contract Liability	The Village of Hesperia I - Low/Mod Housing Liability-Guarantor	\$ 3,434,000	Supporting documentation provided was a promissory note between the City of Hesperia and KDF VAH I LP for \$3,434,000.	(8)
59)	Contingent Contract Liability	Horizon at Olive Street - Low/Mod Housing Liability-Guarantor	7,250,000	Supporting documentation provided was a resolution terminating an OPA with Hesperia Housing Investors. Despite the OPA being terminated by the Agency, the Agency was sued by the developer and litigation is proceeding. The Agency and its LMIH fund is exposed should it lose the case and be compelled to invest the \$7.25 Million in the affordable housing project in question.	(8)
60)	Capital Improvement Funding	Pursuant to Resolution No. HCRA 2011-002	65,000,000	Supported by resolution HCRA 2011-02.	
61)	Cooperative Administrative Agreement	Pursuant to Resolution No. HCRA 2011-003	150,000,000	No exceptions noted.	
62)	Broker's Incentive	Pursuant to Resolution No. HCRA 2007-026	1,250,000	Supported by resolution HCRA 2007-26.	
63)	Restaurant Rewards	Pursuant to Resolution No. HCRA 2007-026	151,250,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	
64)	Franchise Founders	Pursuant to Resolution No. HCRA 2007-026	500,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	
65)	Exclusive Negotiation Agreement	Exclusive Negotiation Agreement	6,700,000	Removed from ROPS as directed by the Department of Finance and approved by the Oversight Board. No supporting documentation was reviewed.	
66)	Retail Development Agreement	Exclusive Negotiation Agreement	1,700,000	Agreement appears to be a right to negotiate a purchase and sale agreement for a piece of property owned by the Agency. The agreement expired in September 2011. We noted no future obligation by the redevelopment agency in the agreement. Item was removed from the January-June 2013 ROPS.	
67)	Commercial Development Project	Disposition and Development Agreement	6,500,000	No exceptions noted.	
68)	Owner Participation Agreement	Participation Agreement	124,797	Unable to trace to supporting legal document. Per City/Successor Agency staff, the obligation will likely be removed from future ROPS.	

Footnotes:

(8) Agency was guarantor and is liable if there is nonperformance on the part of the developer.

SCHEDULE OF PAYMENTS
FINAL RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS

ROPS #	Project Name	Obligation Description	Payments per ROPS	Actual Payments
RPTTF Funding - 1				
1)	HPFA 2005 Series A - Project Area 1	Tax Allocation Bonds - Sept. Debt Service	\$ 1,499,711	-
2)	HPFA 2007 Series A - Project Area 1	Revenue Bonds (Tax Exempt) - Sept Debt Service	1,844,305	-
3)	HPFA 2007 Series B - Project Area 1	Revenue Bonds (Taxable) - Sept. Debt Service	1,641,338	-
4)	HPFA 2005 Series A - Project Area 2	Tax Allocation Bonds - Sept. Debt Service	166,079	-
5)	HPFA 2007 Series A - Project Area 2	Revenue Bonds (Tax Exempt) - Sept. Debt Service	134,125	-
6)	HPFA 2007 Series B - Project Area 2	Revenue Bonds (Taxable) - Sept. Debt Service	103,047	-
7)	HPFA 2005 Series B - Housing	Tax Allocation Bonds - Sept. Debt Service	945,385	-
8)	HPFA 2007 Series A - Housing	Revenue Bonds (Tax Exempt) - Sept. Debt Service	803,670	-
9)	HPFA 2007 Series B - Housing	Revenue Bonds (Taxable) - Sept. Debt Service	569,488	-
10)	HPFA 2005 Series A - Reserve Account	Reserve of Debt Payment	-	-
11)	HPFA 2005 Series B - Reserve Account	Reserve of Debt Payment	-	-
12)	HPFA 2007 Series A - Reserve Account	Reserve of Debt Payment	-	-
13)	HPFA 2007 Series B - Reserve Account	Reserve of Debt Payment	-	-
14)	Owner Participation Agreement	Cinema West	1,946,363	\$ 6,435
15)	Owner Participation Agreement	Sizzler	50,000	50,000
16)	Public Improvement - Township Program	Cooley Construction	17,846	-
17)	Development Agreement	KDF Sunrise Terrace	-	-
18)	Contract for Litigation	Aleshire & Wynder, LLP	70,000	-
19)	RMDZ - Memorandum of Understanding	State of CA Recycling Market Development Zone	73,395	-
20)	Competitive Edge Motocross Park	Hesperia Community Dev. Comm./CEMX, LLC, CEMX, Inc.	65,000	-
21)	Small Business Counseling	Inland Empire SBDC	28,000	-
22)	Cinema West	Hall & Foreman	51,524	11,450
23)	Appraisal	Thompson Appraisals	8,000	-
24)	Marketing - EZ	Pirih Productions	25,000	-
25)	Research	CoreLogic	2,100	-
26)	Monitoring Services	US Communities	14,700	-
27)	Affordable Housing Services	Seifel	57,000	-
28)	EZ Marketing/Memberships	Memberships for EZ MOU	32,735	-
29)	Escrow/Title	Chicago Title	49,000	-
30)	Indirect Cost Allocation	Pursuant to HCRA Reso. 2009-013 & 2011-013	-	-
RPTTF Funding - 2				
31)	Owner Participation Agreement	Farmer Boys	35,215	35,215
32)	Development Agreement	WLPX Hesperia, LLC	108,313	-
33)	Capital Improvement Funding	Pursuant to Resolution No. HCRA 2011-002	-	-
34)	Cooperative Administrative Agreement	Pursuant to Resolution No. HCRA 2011-003	1,500,000	-
35)	Retail Development Contract	Hesperia Community Dev. Comm. /Lewis Investment Company	1,700,000	-
36)	Commercial Development Project	Hesperia Community Dev. Comm./Browning Desert Properties IV, LLC	3,275,000	-
37)	Owner Participation Agreement	J&R	124,797	-
38)	Inclusionary Housing Obligations	Inclusionary housing obligations prior to 2/1/2012	-	-
39)	Rail Spur - Capital Maintenance and Service	Capital maintenance obligation	25,000	-

SCHEDULE OF PAYMENTS
FINAL RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (continued)

ROPS #	Project Name	Obligation Description	Payments per ROPS	Actual Payments
RPTTF Funding - 2 (Continued)				
40)	CalPERS Pension Obligation	CalPERS	-	-
41)	Other Post Employment Benefits (OPEB)	OPEB Obligation	-	-
42)	Cooperative Agreement	Pursuant to Ordinance 19 - Year 1990	\$ 278,619	-
43)	EZ - Memorandum of Understanding	Obligation per MOU	2,538,850	-
44)	Allowable Expense Pursuant to H&S §34167	Allowable Expense Pursuant to H&S §34167	348,341	-
45)	Contingent Contract Liability	Sunrise Terrace I & II Housing Liability Guarantor	570,000	-
46)	Contingent Contract Liability	The Village of Hesperia I Housing Liability Guarantor	495,342	-
47)	Contingent Contract Liability	Horizon at Olive Street Housing Liability Guarantor	-	-
48)	Broker's Incentive - MGR Real Estate & Kursch Group, Inc	MGR Real Estate (John Morrissey) & Kursch Group, Inc. (Rob Kurth)	7,541	-
Other Funding				
1)	HPFA 2005 Series A - Project Area 1	Tax Allocation Bonds - March Debt Service	755,491	\$ 755,441
2)	HPFA 2005 Series A - Project Area 2	Tax Allocation Bonds - March Debt Service	83,664	83,658
3)	HPFA 2005 Series B - Housing	Tax Allocation Bonds - March Debt Service	55,385	-
4)	HPFA 2007 Series A - Project Area 1	Revenue Bonds (Tax Exempt) - March Debt Service	1,844,305	1,844,300
5)	HPFA 2007 Series A - Project Area 2	Revenue Bonds (Tax Exempt) - March Debt Service	134,125	134,125
6)	HPFA 2007 Series A - Housing	Revenue Bonds (Tax Exempt) - March Debt Service	803,670	803,670
7)	HPFA 2007 Series B - Project Area 1	Revenue Bonds (Taxable) - March Debt Service	136,338	136,326
8)	HPFA 2007 Series B - Project Area 2	Revenue Bonds (Taxable) - March Debt Service	13,047	13,047
9)	HPFA 2007 Series B - Housing	Revenue Bonds (Taxable) - March Debt Service	304,488	304,464
10)	Bond Administration - HPFA 2007 - Series A&B	Bond Administration	5,000	-
11)	Bond Administration - HPFA 2005 - Series A&B	Bond Administration	7,324	4,380
12)	Promissory Note - 2010 Golf Course	Mega Factors LTD Promissory Note	610,803	187,939
13)	Promissory Note - 2008 Steward	Steward Promissory Note	157,470	-
14)	Promissory Note - 2008 Capps	Capps Promissory Note	143,114	-
15)	Promissory Note - SERAF I & II - Project Area 1	Pursuant to H&SC 33690 & 33690.5	570,000	-
16)	Promissory Note - SERAF I & II - Project Area 2	Pursuant to H&SC 33690 & 33690.5	495,342	-
17)	Promissory Note - 2011 Public Improvement	Note pursuant to HCRA Reso. 2011 2 & 8	2,602,569	-
Administrative Allowance				
1)	Administrative Allowance	Administrative Allowance Pursuant to ABx1 26	1,060,214	-

FINAL RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012

DETAIL OF FINDINGS

ROPS #	Project Name	Obligation Description	Total Obligation (per ROPS)	Description of Finding	Footnotes
RPTTF Funding - 1					
1)	HPFA 2005 Series A - Project Area 1	Tax Allocation Bonds - Sept. Debt Service	\$ 54,266,600	No exceptions noted.	
2)	HPFA 2007 Series A - Project Area 1	Revenue Bonds (Tax Exempt) - Sept. Debt Service	127,957,283	No exceptions noted.	
3)	HPFA 2007 Series B - Project Area 1	Revenue Bonds (Taxable) - Sept. Debt Service	5,198,284	No exceptions noted.	
4)	HPFA 2005 Series A - Project Area 2	Tax Allocation Bonds - Sept. Debt Service	6,009,530	No exceptions noted.	
5)	HPFA 2007 Series A - Project Area 2	Revenue Bonds (Tax Exempt) - Sept. Debt Service	9,939,475	No exceptions noted.	
6)	HPFA 2007 Series B - Project Area 2	Revenue Bonds (Taxable) - Sept. Debt Service	519,766	No exceptions noted.	
7)	HPFA 2005 Series B - Housing	Tax Allocation Bonds - Sept. Debt Service	3,457,320	No exceptions noted.	
8)	HPFA 2007 Series A - Housing	Revenue Bonds (Tax Exempt) - Sept. Debt Service	66,276,423	No exceptions noted.	
9)	HPFA 2007 Series B - Housing	Revenue Bonds (Taxable) - Sept. Debt Service	14,485,695	No exceptions noted.	
10)	HPFA 2005 Series A - Reserve Account	Reserve of Debt Payment	2,535,793	No exceptions noted.	
11)	HPFA 2005 Series B - Reserve Account	Reserve of Debt Payment	420,693	No exceptions noted.	
12)	HPFA 2007 Series A - Reserve Account	Reserve of Debt Payment	9,441,562	No exceptions noted.	
13)	HPFA 2007 Series B - Reserve Account	Reserve of Debt Payment	1,699,155	No exceptions noted.	
14)	Owner Participation Agreement	Cinema West	1,946,363	No exceptions noted.	
15)	Owner Participation Agreement	Sizzler	73,000	No exceptions noted.	
16)	Public Improvement - Township Program	Cooley Construction	21,823	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(9)
17)	Development Agreement	KDF Sunrise Terrace	1,200,000	No exceptions noted.	
18)	Contract for Litigation	Aleshire & Wynder, LLP	125,000	No exceptions noted.	
19)	RMDZ - Memorandum of Understanding	State of CA Recycling Market Development Zone	831,793	No exceptions noted.	
20)	Competitive Edge Motocross Park	Hesperia Community Dev. Comm./CEMX, LLC, CEMX, Inc.	600,000	Obligation is a lease agreement in which the agency was the lessor.	

Footnotes:

(9) The Agency was committed pursuant to the City's Annual Budget, which established a contractual funding relationship between the two separate distinct legal entities.

**FINAL RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (Continued)**

ROPS #	Project Name	Obligation Description	Total Obligation (per ROPS)	Description of Finding	Footnotes
RPTTF Funding - 1 (Continued)					
21)	Small Business Counseling	Inland Empire SBDC	\$ 364,000	We examined a contract not to exceed \$50,000 for term 9/28/2011 through 6/30/2014 entered into after June 29, 2011. Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project. The project is part of a memorandum of understanding that was executed prior to June 29, 2011.	(9) (10)
22)	Cinema West	Hall & Foreman	64,710	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(9)
23)	Appraisal	Thompson Appraisals	8,000	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(9)
24)	Marketing - EZ	Pirih Productions	325,000	Contract not to exceed \$15,000 for term 9/21/2010 through 6/30/2013. Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(9) (10)
25)	Research	CoreLogic	65,000	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(9) (10)
26)	Monitoring Services	US Communities	681,000	Contract not to exceed \$11,000 per year for three years. Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(9)
27)	Affordable Housing Services	Seifel	57,000	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(9)
28)	EZ Marketing/Memberships	Memberships for EZ MOU	391,235	Traced to various invoices.	(10)

Footnotes:

(9) The Agency was committed pursuant to the City's Annual Budget, which established a contractual funding relationship between the two separate distinct legal entities.

(10) Obligations are required of EZ MOU (Obligation #43), which was reviewed and approved by the Oversight Board and DOF.

**FINAL RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (Continued)**

ROPS #	Project Name	Obligation Description	Total Obligation (per ROPS)	Description of Finding	Footnotes
RPTTF Funding - 1 (Continued)					
29)	Escrow/Title	Chicago Title	\$ 50,000	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(9)
30)	Indirect Cost Allocation	Pursuant to HCRA Reso. 2009-013 & 2011-013	26,859,692	Supported by resolution HCRA 2009-013 and 2011-013.	
RPTTF Funding - 2					
31)	Owner Participation Agreement	Farmer Boys	35,215	No exceptions noted.	
32)	Development Agreement	WLPX Hesperia, LLC	1,823,039	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(9)
33)	Capital Improvement Funding	Pursuant to Resolution No. HCRA 2011-002	65,000,000	Supported by resolution HCRA 2011-02.	
34)	Cooperative Administrative Agreement	Pursuant to Resolution No. HCRA 2011-003	150,000,000	No exceptions noted.	
35)	Retail Development Contract	Hesperia Community Dev. Comm./Lewis Investment Company	1,700,000	Agreement appears to be a right to negotiate a purchase and sale agreement for a piece of property owned by the Agency. The agreement expired in September 2011. We noted no future obligation by the redevelopment agency in the agreement. Item was removed from the January-June 2013 ROPS.	
36)	Commercial Development Project	Hesperia Community Dev. Comm./Browning Desert	6,500,000	No exceptions noted.	
37)	Owner Participation Agreement	J&R	124,797	Unable to trace to supporting legal document. Per City/Successor Agency staff, the obligation will likely be removed from future ROPS.	
38)	Inclusionary Housing Obligations	Inclusionary housing obligations prior to 2/1/2012	13,700,000	Per City/Successor Agency staff, the obligation is required pursuant to H&S Code Section 34176(a). Amount was estimated based on cost of \$100,000 per door.	
39)	Rail Spur - Capital Maintenance and Service	Capital Maintenance Obligation	1,425,000	Contract is in the name of City of Hesperia, however, the Agency was financially committed to fund the project.	(9) (10)
40)	CalPERS Pension Obligation	CalPERS	1,239,000	No exceptions noted.	

Footnotes:

(9) The Agency was committed pursuant to the City's Annual Budget, which established a contractual funding relationship between the two separate distinct legal entities.

(10) Obligations are required of EZ MOU (Obligation #43), which was reviewed and approved by the Oversight Board and DOF.

FINAL RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (Continued)

ROPS #	Project Name	Obligation Description	Total Obligation (per ROPS)	Description of Finding	Footnotes
RPTTF Funding - 2 (Continued)					
41)	Other Post Employment Benefits (OPEB)	OPEB Obligation	\$ 300,000	No exceptions noted.	
42)	Cooperative Agreement	Pursuant to Ordinance 19 - Year 1990	72,497,050	No exceptions noted.	
43)	EZ - Memorandum of Understanding	Obligation per MOU	42,588,576	No exceptions noted.	
44)	Allowable Expense Pursuant to H&S §34167	Allowable Expense Pursuant to H&S §34167	17,280,720	Supported by an approved budget.	
45)	Contingent Contract Liability	Sunrise Terrace I & II - Low/Mod Housing Liability-Guarantor	7,312,500	Supporting documentation consisted of two promissory notes between the City of Hesperia and KDF Hesperia LP.	(11)
46)	Contingent Contract Liability	The Village of Hesperia I - Low/Mod Housing Liability-Guarantor	3,434,000	Supporting documentation provided was a promissory note between the City of Hesperia and KDF VAH I LP for \$3,434,000.	(11)
47)	Contingent Contract Liability	Horizon at Olive Street - Low/Mod Housing Liability-Guarantor	7,250,000	Supporting documentation provided was a resolution terminating an OPA with Hesperia Housing Investors. Despite the OPA being terminated by the Agency, the Agency was sued by the developer and litigation is proceeding. The Agency and its LMIH fund is exposed should it lose the case and be compelled to invest the \$7.25 Million in the affordable housing project in question.	(11)
48)	Broker's Incentive - MGR Real Estate & Kursch Group, Inc	MGR Real Estate (John Morrisey) & Kursch Group, Inc.	41,416	Supported by resolution HCRA 2007-26.	
Other Funding					
1)	HPFA 2005 Series A - Project Area 1	Tax Allocation Bonds - March Debt Service	755,491	No exceptions noted.	
2)	HPFA 2005 Series A - Project Area 2	Tax Allocation Bonds - March Debt Service	83,664	No exceptions noted.	
3)	HPFA 2005 Series B - Housing	Tax Allocation Bonds - March Debt Service	55,385	No exceptions noted.	
4)	HPFA 2007 Series A - Project Area 1	Revenue Bonds (Tax Exempt) - March Debt Service	1,844,305	No exceptions noted.	
5)	HPFA 2007 Series A - Project Area 2	Revenue Bonds (Tax Exempt) - March Debt Service	134,125	No exceptions noted.	
6)	HPFA 2007 Series A - Housing	Revenue Bonds (Tax Exempt) - March Debt Service	803,670	No exceptions noted.	
7)	HPFA 2007 Series B - Project Area 1	Revenue Bonds (Taxable) - March Debt Service	136,338	No exceptions noted.	

Footnotes:

(11) Agency was the guarantor and is liable if there is any nonperformance on the part of the developer.

FINAL RECOGNIZED OBLIGATION PAYMENT SCHEDULE JANUARY-JUNE 2012
DETAIL OF FINDINGS (Continued)

ROPS #	Project Name	Obligation Description	Total Obligation (per ROPS)	Description of Finding	Footnotes
Other Funding (Continued)					
8)	HPFA 2007 Series B - Project Area 2	Revenue Bonds (Taxable) - March Debt Service	\$ 13,047	No exceptions noted.	
9)	HPFA 2007 Series B - Housing	Revenue Bonds (Taxable) - March Debt Service	304,488	No exceptions noted.	
10)	Bond Administration - HPFA 2007 - Series A&B	Bond Administration	164,125	No exceptions noted.	
11)	Bond Administration - HPFA 2005 - Series A&B	Bond Administration	123,969	No exceptions noted.	
12)	Promissory Note - 2010 Golf Course	Mega Factors LTD Promissory Note	939,697	No exceptions noted.	
13)	Promissory Note - 2008 Steward	Steward Promissory Note	472,408	No exceptions noted.	
14)	Promissory Note - 2008 Capps	Capps Promissory Note	429,451	No exceptions noted.	
15)	Promissory Note - SERAF I & II - Project Area 1	Pursuant to H&SC 33690 & 33690.5	10,944,835	No exceptions noted.	
16)	Promissory Note - SERAF I & II - Project Area 2	Pursuant to H&SC 33690 & 33690.5	1,212,040	No exceptions noted.	
17)	Promissory Note - 2011 Public Improvement	Note pursuant to HCRA Reso. 2011 2 & 8	40,407,080	No exceptions noted.	
Administrative Allowance					
1)	Administrative Allowance	Administrative Allowance	20,451,199	No exceptions noted.	