

SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY

Independent Accountants' Report on Applying Agreed-Upon Procedures
On the Hesperia Community Redevelopment Agency's
And

The Successor Agency to the Hesperia Community Redevelopment Agency's
Low and Moderate Income Housing Fund

Pursuant to California Health and Safety Code Section 34179.5

**SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO THE
LOW AND MODERATE INCOME HOUSING FUND**

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SUPPORTING SCHEDULES:

- Schedule 1 - Listing of Assets Transferred to Successor Agency
as of February 1, 2012
- Schedule 2 - Transfers to Hesperia Housing Authority
- Schedule 3 - Listing of Assets as of June 30, 2012
- Schedule 4 - Projected Cash Flow for Retained Cash Balances
June 30, 2012 – December 31, 2013
- Schedule 5 - Summary of Balance Available for Allocation to Affected
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EXHIBITS:

- Exhibit 1 - Reserve Fund Requirements for Cash with Fiscal Agent (Bond Trustee) – 2007 Bonds
- Exhibit 2 - Reserve Fund Requirements for Cash with Fiscal Agent (Bond Trustee) – 2005 Bonds

**Independent Accountants' Report on Applying Agreed-Upon Procedures
Related to the Low and Moderate Income Housing Fund**

Oversight Board of the Successor Agency
to the Hesperia Community Redevelopment Agency
Hesperia, California

We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the California Department of Finance, the California State Controller's Office, the San Bernardino County Auditor-Controller, and the Successor Agency to the Hesperia Community Redevelopment Agency (Successor Agency), (collectively, the Specified Parties), solely to assist you in meeting the statutory requirements of Health and Safety Code Section 34179.5 related to the Low and Moderate Income Housing Fund of the former Hesperia Community Redevelopment Agency, which includes the Victor Valley Economic Development Authority Low and Moderate Income Housing Fund, and Successor Agency. Management of the Successor Agency is responsible for meeting the statutory requirements of Health and Safety Code Section 34179.5 related to the Low and Moderate Income Housing Fund. 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 this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A. Attachment A also 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 on whether the Successor Agency has met the statutory requirements of Health and Safety Code Section 34179.5 related to the Low and Moderate Income Housing Fund. 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 Oversight Board and management of the Successor Agency to the Hesperia Community Redevelopment Agency, the California Department of Finance, the California State Controller's Office, and the San Bernardino County Auditor-Controller, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

September 27, 2012
Carlsbad, California

SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

1. **Procedure:**

Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency's Low and Moderate Income Housing Fund to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Finding:

We agreed the amounts listed on Schedule 1 to the Successor Agency's accounting records without exception. The former redevelopment agency transferred \$5,198,757 in assets to the Successor Agency as detailed in Schedule 1.

2A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the former redevelopment agency to the city that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

This procedure is not applicable as the former redevelopment agency did not make any transfers from the Low and Moderate Income Housing Fund other than payments for goods and services to the City of Hesperia during the period from January 1, 2011 through January 31, 2012.

2B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the Successor Agency to the city that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not make any transfers from the Low and Moderate Income Housing Fund of the Successor Agency other than payments for goods and services to the City of Hesperia during the period from February 1, 2012 through June 30, 2012.

SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

2C. Procedure:

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Finding:

This procedure is not applicable since no transfers were identified as a result of Procedures 2A and 2B.

3A. Procedure:

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

The Low and Moderate Income Housing Fund of the former redevelopment agency transferred assets as shown in Schedule 2 to the Housing Successor (Hesperia Housing Authority). The transfer of remaining available cash of \$10,951,353 is to satisfy the inclusionary housing obligation listed as item 1 on Exhibit C of the Housing Assets List filed with the Department of Finance and provide for the contingent contract liabilities where the Authority is the guarantor of State of California HOME Loans that should the borrower default the Low and Moderate Income Housing Fund of the former redevelopment agency shall be required to retire the obligations totaling \$10,746,500 listed as items 3 and 4 on Exhibit C of the Housing Asset List filed with the Department of Finance. The \$4,800,000 transfer of Advances to Hesperia Water District was not a listed item on Exhibit G of the Housing Assets List filed with the Department of Finance but was referenced in footnote "a" as other loans receivable from other non-RDA borrowers as set forth in instructions on Department of Finance Housing Asset Form FAQ.

3B. Procedure:

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the Successor Agency to any other public agency or to private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report

SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

3B. **Finding:**

The Low and Moderate Income Housing Fund of the Successor Agency transferred assets as shown in Schedule 2 to the Housing Successor (Hesperia Housing Authority).

3C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report that formed the absence of any such legal document or the absence of language in the document that required the transfer.

Finding:

Schedule 2 in the report shows the details for the enforceable obligation or other legal requirement supporting the transfers.

4. **Procedure:**

Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012. Ascertain that for each period presented, the total of revenues, expenditures and transfers account fully for the changes in equity from the previous fiscal period. Compare amounts for the fiscal period ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period. Compare the amounts for the other fiscal periods presented to the account balances in the accounting records or other supporting schedules.

Finding:

This procedure is required by Section 34179.5(c)(4) for the Successor Agency as a whole and therefore will be addressed in the AUP report associated with all other funds of the Successor Agency due December 15, 2012.

5. **Procedure:**

Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund (excluding assets held by the entity that assumed the housing function previously performed by the former redevelopment agency) as of June 30, 2012. Agree the assets on listing to the accounting records of the Successor Agency.

Finding:

As of June 30, 2012, the Successor Agency's total assets related to the former redevelopment agency's Low and Moderate Income Housing Fund amounted to \$6,352,639 as shown in Schedule 3.

SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

6. **Procedure:**

Obtain from the Successor Agency a listing of asset balances related to the former redevelopment agency's Low and Moderate Income Housing Fund on June 30, 2012 that were restricted for the following purposes:

- unspent bond proceeds,
- grant proceeds and program income restricted by third parties, and
- other assets with legal restrictions.

6A. **Procedure - Unspent Bond Proceeds:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain the legal document that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency's assets related to the former redevelopment agency's Low and Moderate Income Housing Fund did not have unspent bond proceeds as of June 30, 2012.

6B. **Procedure - Grant Proceeds and Program Income Restricted by Third Parties:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain a copy of the grant agreement that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency's assets related to the former redevelopment agency's Low and Moderate Income Housing Fund did not have grant proceeds and program income restricted by third parties as of June 30, 2012.

6C. **Procedure - Other Assets Considered to be Legally Restricted:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records or other supporting documentation. Obtain the legal document that sets forth the restriction pertaining to these balances.

SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

6C. **Finding - Other Assets Considered to be Legally Restricted:**

The Successor Agency's assets related to the former redevelopment agency's Low and Moderate Income Housing Fund contained debt reserve funds. We traced the debt reserve balances to the legal documents that sets forth the restriction pertaining to these balances with no exceptions. Reserve fund requirements for cash with fiscal agent (bond trustee) are described in Exhibits 1 and 2.

7. **Procedure:**

Obtain from the Successor Agency a listing of assets of the former redevelopment agency's Low and Moderate Income Housing Fund as of June 30, 2012 that are not liquid or otherwise available for distribution and ascertain if the values are listed at either purchase cost or market value as recently estimated by the Successor Agency. For assets listed at purchased cost, trace the amount to a previously audited financial statement or other accounting records of the Successor Agency and note any differences. For any differences noted, inspect evidence of asset disposal subsequent to January 31, 2012 and ascertain that the proceeds were deposited into the Successor Agency's trust fund. For assets listed at recently estimated market value, inspect evidence supporting the value and note the methodology used.

Finding:

This procedure is not applicable as the former redevelopment agency's Low and Moderate Income Housing Fund did not have any assets that were not liquid or otherwise available for distribution as of June 30, 2012.

8A. **Procedure:**

If the Successor Agency identified that existing asset balances were needed to be retained to satisfy enforceable obligations, obtain an itemized schedule of asset balances (resources) as of June 30, 2012 that were dedicated or restricted for the funding of enforceable obligations. Compare the information on the schedule to the legal documents that formed the basis for the dedication or restriction of the resource balance in question. Compare all current balances which needed to be retained to satisfy enforceable obligations to the amounts reported in the accounting records of the Successor Agency or to an alternative computation. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule (ROPS) approved by the California Department of Finance. If applicable, identify any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Finding:

This procedure is not applicable as the Successor Agency did not identify any assets to be retained under this procedure.

SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

8B. Procedure:

If the Successor Agency identified that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that include a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements. Compare the enforceable obligations to those that were approved by the California Department of Finance for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012. Compare the forecasted annual spending requirements to the legal document supporting the enforceable obligation and obtain the Successor Agency's assumptions relating to the forecasted annual spending requirements. Obtain the Successor Agency's assumptions for the forecasted annual revenues. Disclose the major assumptions for the forecasted annual spending requirements and the forecasted annual revenues in this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any assets to be retained under this procedure.

8C. Procedure:

If the Successor Agency identified that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain a schedule demonstrating this insufficiency. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. Obtain the assumptions for the forecasted property tax revenues and other general purpose revenues and disclose them in this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any assets to be retained under this procedure.

8D. Procedure:

If Procedures 8A, 8B and 8C were performed, calculate the amount of unrestricted balances necessary for retention in order to meet enforceable obligations. Combine the amount identified as currently restricted balances and the forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations. Reduce the total resources available by the amount of forecasted annual spending requirements. Include the calculation in this AUP report.

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8D. **Finding:**

This procedure is not applicable as Procedures 8A, 8B and 8C were not required to be completed.

9. **Procedure:**

If the Successor Agency identified that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should identify (a) any dollar amount of existing cash that was needed to satisfy the obligation, and (b) the Successor Agency's explanation as to why the Successor Agency believes that such balances were needed to satisfy the obligation. Include this schedule as an attachment to this AUP report.

Finding:

The Successor Agency identified cash balances of \$2,377,126 as of June 30, 2012 that need to be retained to pay for bond payment obligations per ROPS II and III. See Schedule 4 for a schedule of the cash that needs to be retained to satisfy these obligations.

10. **Procedure:**

Present a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Agencies. Amounts included in the calculation should agree to the results of the procedures performed above. Agree any deductions for amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance to evidence of payment.

Finding:

The computation of the Balance Available for Allocation to Affected Taxing Agencies shows \$0 to be remitted to the County for disbursement to taxing agencies as shown in Schedule 5.

SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

11. Procedure:

Obtain a representation letter from management of the Successor Agency acknowledging their responsibility for the data provided and the data presented in the report or in any schedules or exhibits to the report. Included in the representations is an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in this AUP report and its related schedules or exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Finding:

No exceptions were noted as a result of this Procedure.

SCHEDULE 1

**SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES**

LISTING OF ASSETS

As of February 1, 2012

	Total Assets as of <u>February 1, 2012</u>
ASSETS	
Cash and investments	\$ 1,168,544
Cash with fiscal agent (Bond Trustee)	<u>4,030,213</u>
TOTAL ASSETS	\$ 5,198,757

NOTES

- (A) Note: The assets of the Hesperia Housing Authority and the Redevelopment Agency Low and Moderate Income Housing Fund are combined and reported in the Special Revenue Fund on the State Controller's Report. On the audited financial statements, the assets of the Hesperia Housing Authority and the Redevelopment Agency Low and Moderate Income Housing Fund are combined. The above listing includes only the assets of the Redevelopment Agency Low and Moderate Income Housing Fund.
- (B) The Schedule below shows the assets recorded in the Low and Moderate Income Housing Fund at January 31, 2012 that were transferred to the Hesperia Housing Authority on February 1, 2012 pursuant to Health and Safety Code Section 34176 (a) (2) pursuant to AB 1484. Cash and Investments of \$10,951,353 includes \$1,103,437 of Cash and Investments from the Victor Valley Economic Development Agency Law and Moderate Income Housing Fund.

ASSETS	Asset Balance
Cash and investments	\$ 10,951,353
Accounts Receivable	4,500
Loans receivables	16,981,271
Due from Other RDA Funds (SERAF)	9,879,864
Due from Other RDA Funds (Public Imprv Note)	14,506,099
Due from Victor Valley Economic Development Agency	771,482
Advances to Hespera Water District	4,800,000
Land Held for Resale	818,555
Land and Other Real Property	<u>6,501,794</u>
	<u>\$ 65,214,918</u>

SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES

TRANSFERS TO THE HESPERIA COMMUNITY HOUSING AUTHORITY FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012

Date of Transfer	Description of Transfer	Purpose of Transfer	Amount	Enforceable Obligation/Other Legal Requirement Supporting Transfer
NONE				

TRANSFERS TO THE HESPERIA COMMUNITY HOUSING AUTHORITY FOR THE PERIOD FEBRUARY 1, 2011 THROUGH JUNE 30, 2012

Date of Transfer	Description of Transfer	Purpose of Transfer	Amount	Enforceable Obligation and Document Supporting Transfer
2/1/2012	Transfer of \$10,951,353 of encumbered cash to satisfy inclusionary housing obligations and contingent contract liabilities to the Hesperia Community Housing Authority ⁽¹⁾	Transfer Housing Assets to the Hesperia Community Housing Authority	\$ <u>10,951,353</u>	Health and Safety Code Section 34176 (a)(2) Property transferred under AB 1484 and reported on Housing Asset List filed with Department of Finance
2/1/2012	Transfer of Accounts Receivable of \$4,500 to the Hesperia Community Housing Authority	Transfer Housing Assets to the Hesperia Community Housing Authority	\$ <u>4,500</u>	Health and Safety Code Section 34176 (a)(2) Property transferred under AB 1484 and reported on Housing Asset List filed with Department of Finance
2/1/2012	Transfer of Advances to Other Funds of \$25,157,445 to the Hesperia Community Housing Authority	Transfer Housing Assets to the Hesperia Community Housing Authority	\$ <u>25,157,445</u>	Health and Safety Code Section 34176 (a)(2) Property transferred under AB 1484 and reported on Housing Asset List filed with Department of Finance
2/1/2012	Transfer of Advances to Hesperia Water District of \$4,800,000 to the Hesperia Community Housing Authority	Transfer Housing Assets to the Hesperia Community Housing Authority	\$ <u>4,800,000</u>	Health and Safety Code Section 34171 (d)(1)(G)(2) Property transferred under AB 1484 and not listed on the Housing Asset List filed with Department of Finance but was referenced in footnote "a" as other loans receivable from other non-RDA borrowers as set forth in instructions on Department of Finance Housing Asset Form FAQ.
2/1/2012	Transfer of Loans Receivable of \$16,981,271 to the Hesperia Community Housing Authority	Transfer Housing Assets to the Hesperia Community Housing Authority	\$ <u>16,981,271</u>	Health and Safety Code Section 34176 (a)(2) Property transferred under AB 1484 and reported on Housing Asset List filed with Department of Finance
2/1/2012	Transfer of Land Held for Resale of \$818,555 to the Hesperia Community Housing Authority	Transfer Housing Assets to the Hesperia Community Housing Authority	\$ <u>818,555</u>	Health and Safety Code Section 34176 (a)(2) Property transferred under AB 1484 and reported on Housing Asset List filed with Department of Finance
2/1/2012	Transfer of Land and Other Real Property \$6,501,794 to the Hesperia Community Housing Authority	Transfer Housing Assets to the Hesperia Community Housing Authority	\$ <u>6,501,794</u>	Health and Safety Code Section 34176 (a)(2) Property transferred under AB 1484 and reported on Housing Asset List filed with Department of Finance

(1) \$10,951,353 includes \$1,103,437 from the Victor Valley Economic Development Authority Low and Moderate Income Housing Fund.

SCHEDULE 3

SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES

LISTING OF ASSETS

As of June 30, 2012

	Low and Moderate Housing Fund
ASSETS	
Cash and cash equivalents	\$ 2,377,126
Restricted Investments	3,974,877
Interest Receivable	<u>636</u>
TOTAL ASSETS	<u>\$ 6,352,639</u>

SCHEDULE 4

**SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES**

Projected Cash Flow for Period of June 30, 2012 - June 30, 2013

	ROPS I Feb - June 2012	ROPS II Jul - Dec 2012	ROPS III Jan - June 2013
Revenue			
Cash on Hand	-	2,377,126	89,885
Cash Transferred from Former Low and Moderate Income Housing Fund of RDA	1,168,543	-	-
Interest Revenue for Period	364	636	-
Tax Increment Funds Received	2,318,543	-	-
Estimated Future Tax Increment			1,051,204
Total Projected Revenue	3,487,450	2,377,762	1,141,089
Obligations			
Bonds			
2005 Series B - Housing		914,749	40,700
2007 Series A - Housing	803,670	803,670	803,670
2007 Series B - Housing	304,464	569,458	296,718
Bond Admin	2,190		
Total	1,110,324	2,287,877	1,141,088
Total Obligations	1,110,324	2,287,877	1,141,088
Total Ending Balance (Revenue - Obligations)	2,377,126	89,885	0

Note: All Cash Transferred from Low and Moderate Income Housing Funds of Hesperia Community Redevelopment Agency as well as tax increment received and anticipated will be used to fund bonded debt obligations.

Note: Estimated Future Tax Increment is based on the assumption of the amount required to make the bond obligation payments.

SCHEDULE 5

**SUCCESSOR AGENCY TO THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES**

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 6,352,639
Add the amount of any assets transferred to the city or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	-
	(3,974,877)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	(2,377,762)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	<u> </u> -
Amount to be remitted to county for disbursement to taxing entities	<u>\$ </u> -

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS
 Moody's: "Aaa" Insured
 Moody's: "Baa1" Underlying
 (See "CONCLUDING INFORMATION - Ratings" herein.)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. The Agency has determined that interest on the Series B Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series A Bonds and the Series B Bonds is exempt from California personal income taxes. See "CONCLUDING INFORMATION - Tax Matters" herein.

\$132,150,000

\$22,170,000

HESPERIA PUBLIC FINANCING AUTHORITY HESPERIA PUBLIC FINANCING AUTHORITY
REVENUE BONDS
(REDEVELOPMENT AND HOUSING PROJECTS)
2007 SERIES A (TAX-EXEMPT)

REVENUE BONDS
(REDEVELOPMENT AND HOUSING PROJECTS)
2007 SERIES B (TAXABLE)

Dated: Date of Delivery

Due: September 1, as set forth on the inside cover.

The Hesperia Public Financing Authority (the "Authority") is issuing its Revenue Bonds (Redevelopment and Housing Projects) 2007 Series A (Tax-Exempt) (the "Series A Bonds") pursuant to Article 4 of Chapter 5, Division 7, Title 1 of the California Government Code (commencing with Section 6584) (the "Act"), a resolution of the Authority and an Indenture of Trust, dated as of September 1, 2007 (the "Series A Indenture"), by and between the Authority and Union Bank of California, N.A., as trustee (the "Trustee"). The Series A Bonds are being issued to fund all or a portion of three separate loans (the "Series A Loans") to the Hesperia Community Redevelopment Agency (the "Agency") made pursuant to three loan agreements dated as of September 1, 2007 (collectively, the "Series A Loan Agreements"), by and among the Authority, the Agency and the Trustee, relating, respectively, to (i) the financing of redevelopment activities of the Agency with respect to its Redevelopment Project No. 1 (as defined herein), (ii) the financing of redevelopment activities of the Agency with respect to its Redevelopment Project No. 2 (as defined herein) and (iii) the financing of low and moderate income housing activities of the Agency to benefit both Redevelopment Projects. The Series A Loans will also be used by the Agency to (a) fund a reserve account created under each Loan Agreement and (b) pay costs of issuance of the Series A Bonds.

The Authority is issuing its Revenue Bonds (Redevelopment and Housing Projects) 2007 Series B (Taxable) (the "Series B Bonds" or the "Taxable Bonds," and together with the Series A Bonds, the "Bonds"), pursuant to the Act, a resolution of the Authority and an Indenture of Trust, dated as of September 1, 2007 (the "Series B Indenture" and together with the Series A Indenture, the "Indentures"), by and between the Authority and the Trustee. The Series B Bonds are being issued to fund all or a portion of three separate loans (the "Series B Loans") to the Agency made pursuant to three loan agreements dated as of September 1, 2007 (collectively, the "Series B Loan Agreements"), by and among the Authority, the Agency and the Trustee, relating, respectively, to (i) the financing of redevelopment activities of the Agency with respect to its Redevelopment Project No. 1, (ii) the financing of redevelopment activities of the Agency with respect to its Redevelopment Project No. 2 and (iii) the financing of low and moderate income housing activities of the Agency to benefit both Redevelopment Projects. The Series B Loans will (a) finance redevelopment and housing activities that cannot be funded with proceeds of tax-exempt bonds, (b) fund a reserve account created under the Series B Loan Agreements dated as of September 1, 2007, by and among the Authority, the Agency and the Trustee and (c) pay costs of issuance of the Series B Bonds.

The Series A Bonds are special limited obligations of the Authority payable from and secured by a first lien on and pledge of Series A Revenues (as defined herein), consisting primarily of the related loan repayments made by the Agency under the Series A Loan Agreements. The Series B Bonds are special limited obligations of the Authority payable from and secured by a first lien on and pledge of Series B Revenues (as defined herein), consisting primarily of the related loan repayments made by the Agency under the Series B Loan Agreements. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds will be issued as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. The principal or redemption price of each Bond will be payable upon the presentation and surrender of each Bond, when due or redeemed, as applicable, at the corporate trust office of the Trustee in Los Angeles, California. Interest on the Bonds will be payable on March 1 and September 1 of each year (the "Interest Payment Dates"), commencing March 1, 2008, by check mailed on the Interest Payment Date to each Owner of the Bonds as of the fifteenth day of the month immediately preceding an Interest Payment Date, or by wire transfer upon written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee no later than the fifteenth day of the month next preceding such Interest Payment Date. See "THE BONDS - General" herein.

The Series A Bonds are subject to optional and mandatory redemption as described herein. The Series B Bonds are not subject to optional redemption, but are subject to mandatory redemption as described herein. See "THE BONDS - Redemption of the Bonds" herein.

The scheduled payment of principal of and interest on each series of Bonds when due will be guaranteed under an insurance policy (the "Policy") issued concurrently with the delivery of the Bonds by XL Capital Assurance Inc. (the "Insurer" or "XL Capital Assurance"). See "BOND INSURANCE" herein.

XL CAPITAL ASSURANCE

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interest in the Bonds. For so long as the Bonds are registered in the name of Cede & Co., the Trustee will make all payments of principal of and interest on the Bonds to DTC, which, in turn, is obligated to remit such principal and interest to DTC Participants (defined herein) for subsequent disbursement to the Beneficial Owners (defined herein) of the Bonds. See "THE BONDS - Book-Entry Only System" herein.

MATURITY SCHEDULES
on Inside Cover

The Series A Bonds are special limited obligations of the Authority payable solely from and secured solely by the Series A Revenues and amounts in certain funds and accounts pledged under the Series A Indenture. The Series B Bonds are special limited obligations of the Authority payable solely from and secured solely by the Series B Revenues and amounts in certain funds and accounts pledged under the Series B Indenture. The Bonds are not a debt of the Agency, the City of Hesperia (the "City"), the State of California (the "State") or any of its political subdivisions (other than the Authority to the limited extent set forth in the respective Indenture), and none of the Agency, the City, the State, or any of its political subdivisions is liable for the payment thereof (other than the Authority to the limited extent set forth in the respective Indenture). In no event shall the principal or redemption premium, if any, of, or interest on the Bonds be payable out of any funds or properties other than those of the Authority pledged under the respective Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Authority or the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described below. See "RISK FACTORS" herein.

The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters in connection with the Bonds will be passed upon for the Authority, the Agency and the City by Aleshire & Wynder, LLP, Irvine, California, and for the Underwriter by Fulbright & Jaworski L.L.P., Los Angeles, California. It is anticipated that the Bonds will be available through the facilities of DTC in New York, New York, on or about September 12, 2007.

Banc of America Securities LLC

Dated: August 30, 2007.

from and including the Interest Payment Date with respect to which such principal or interest is payable to but not including the date of actual payment.

Principal of and interest on the Loan shall be payable by the Agency to the Trustee, as assignee of the Authority under the Indenture, in immediately available funds which constitute lawful money of the United States of America. Payment of such principal and interest shall be secured, and amounts for the payment thereof shall be deposited with the Trustee at the times, as set forth in Article III.

In lieu of depositing cash with the Trustee for payment of any principal installment due pursuant to this Section 2.02, the Agency shall have the option to tender to the Trustee for cancellation any amount of Bonds of like maturity as the principal installment next payable, which has been purchased by the Agency with amounts on deposit in the Special Fund (to the extent such amounts are not required to make any deposit into the Interest Account or the Principal Account during the next twelve (12) months pursuant to Section 3.03), which Bonds may be purchased by the Agency at public or private sale as and when and at such prices as the Agency may in its discretion determine. The par amount of any such Bonds so purchased by the Agency and tendered to the Trustee in any twelve-month period ending on July 1 in any calendar year shall be credited towards and shall reduce the principal installment required to be made pursuant to this Section 2.02 on September 1 in such year. Further, the interest account accrued and payable on any such Bonds so purchased by the Agency and so delivered to the Trustee shall be credited towards and shall reduce the interest installment required to be made pursuant to this Section 2.02 on September 1 of such year.

Section 2.03. Optional Prepayment. The Loan shall not be subject to optional prepayment prior to maturity.

Section 2.04. Application of Loan Proceeds. On the Closing Date, the proceeds of the Loan (\$11,395,000, constituting the initial principal amount of the Loan) shall be disbursed as follows:

- (i) From amounts on deposit in the Loan Fund established under the Indenture, the Trustee shall deposit into the Costs of Issuance Fund established under the Indenture the amount of \$21,946.66.
- (ii) From amounts on deposit in the Loan Fund established under the Indenture, the Trustee shall deposit into the Reserve Account the amount of \$1,139,500, which, equals the amount of the Reserve Requirement.
- (iii) From amounts on deposit in the Loan Fund established under the Indenture, the Trustee shall deposit the amount of \$10,000,000 into the 2007 Taxable Account of the Housing Project Fund.
- (iv) The Trustee shall be deemed to have paid a portion of the Insurance Policy premium for the 2007 Series B Bonds in the amount of \$158,885.28 and a portion of the Original Purchaser's discount for the 2007 Series B Bonds in the amount of \$74,668.06.

Section 2.05. Housing Project Fund. (a) There is hereby established a separate and segregated fund to be known as the Housing Project Fund, which shall be the Housing Project Fund established pursuant to Section 3.06 of the 2005 Series B Indenture, and within the

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

- (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of this Loan Agreement to which such Report relates;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and
- (c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Request of the Agency" means a request in writing signed by the Executive Director or the Treasurer of the Agency, or by any other officer of the Agency duly authorized by the Agency for that purpose.

"Reserve Account" means the account by that name established and held by the Trustee pursuant to Section 2.06, together with any subaccount or separate reserve account created therein pursuant to Section 2.07(d).

"Reserve Requirement" means, with respect to the Loan, as of the date of any calculation, the lesser of (a) Maximum Annual Debt Service on the Loan (i.e., excluding any Parity Debt), or (b) one hundred twenty-five percent (125%) of average Annual Debt Service on the Loan (i.e., excluding any Parity Debt), or (c) ten percent (10%) of the Outstanding principal amount of the Loan.

"Special Fund" means the fund by that name established and held by the Agency, as set forth in Section 3.02.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency pursuant to Section 2.08, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Housing Tax Revenues; or (b) secured by a pledge of or lien upon the Housing Tax Revenues which is subordinate to the pledge of and lien upon the Housing Tax Revenues hereunder for the security of the Loan.

"Tax-Exempt Loan" means the loan made by the Authority to the Agency pursuant to the Tax-Exempt Housing Loan Agreement.

"Tax-Exempt Housing Loan Agreement" means the Tax-Exempt Housing Loan Agreement among the Authority, the Agency and the Trustee pursuant to which the Authority loans a portion of the proceeds of the 2007 Series A (Tax-Exempt) Bonds to the Agency for the purpose of financing low and moderate income housing projects of benefit to the Redevelopment Projects.

"Tax Revenues" means, except as provided below, moneys allocated within the Plan Limitations and the Pass-Through Agreements and paid to the Agency with respect to the Redevelopment Projects pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plans, and all payments, subventions and reimbursements, if any, to the Agency specifically attributable to ad

OFFICIAL STATEMENT

\$40,500,000	\$8,785,000
HESPERIA COMMUNITY REDEVELOPMENT AGENCY 2005 TAX ALLOCATION BONDS, SERIES A (REFINANCING AND REDEVELOPMENT PROJECTS)	HESPERIA COMMUNITY REDEVELOPMENT AGENCY 2005 TAX ALLOCATION BONDS, SERIES B (HOUSING PROJECTS)

INTRODUCTORY STATEMENT

This Official Statement, including the cover and inside cover pages, is provided to furnish information in connection with the sale by the Hesperia Community Redevelopment Agency (the "Agency") of \$40,500,000 aggregate principal amount of its 2005 Tax Allocation Bonds, Series A (Refinancing and Redevelopment Projects) (the "Series A Bonds") and \$8,785,000 aggregate principal amount of its 2005 Tax Allocation Bonds, Series B (Housing Projects) (the "Series B Bonds," and collectively with the Series A Bonds, the "Bonds"). This Introductory Statement is not a summary of this Official Statement, and is qualified by more complete and detailed information contained in the entire Official Statement. A full review should be made of the entire Official Statement, including the cover page and attached appendices. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The Bonds will be issued under the provisions of the Community Redevelopment Law, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"), and pursuant to separate Indentures of Trust, each dated as of May 1, 2005 (collectively, the "Indentures"), by and among the Agency, the City of Hesperia (the "City") and Union Bank of California, N.A., as trustee thereunder (the "Trustee"). The Agency will use the proceeds of sale of the Series A Bonds, together with certain available funds, (i) to refund on a current basis certain prior obligations of the Agency, (ii) to finance certain redevelopment projects of the Agency, including the Hesperia Branch Library, (iii) to repay a loan made to the Agency by the City (collectively, the "Series A Project"), (iv) to fund a reserve account for the Series A Bonds, and (v) to pay the costs of issuance of the Series A Bonds. The Agency will use the proceeds of sale of the Series B Bonds to (i) finance certain low and moderate income housing projects of the Agency, (ii) repay a loan made to the Agency by the City (collectively with said housing projects, the "Series B Project"), (iii) fund a reserve account for the Series B Bonds; and (iv) pay the costs of issuance of the Series B Bonds. See "PLAN OF FINANCE" herein.

The Series A Bonds are special obligations of the Agency payable exclusively from the Tax Revenues (as defined in the Series A Indenture) and amounts held in certain funds and accounts created pursuant to the Series A Indenture. Tax Revenues generated in Hesperia Redevelopment Project No. 1 ("Redevelopment Project No. 1") are pledged for the payment of approximately 90.03% of the debt service payable on the Series A Bonds ("Redevelopment Project No. 1 Share") and Tax Revenues generated in Hesperia Redevelopment Project No. 2 ("Redevelopment Project No. 2") are pledged for the payment of approximately 9.97% of the debt service payable on the Series A Bonds ("Redevelopment Project No. 2 Share"). Tax Revenues generated in each Redevelopment Project may only be used for payment of debt service on the Bonds payable with respect to the related Redevelopment Project and may not be used to pay the share of debt service payable with respect to the other Redevelopment Project.

The Series B Bonds are special obligations of the Agency payable exclusively from the Housing Tax Revenues (as defined in the Series B Indenture) and amounts held in certain funds and accounts created pursuant to the Series B Indenture. The Series A Bonds and the Series B Bonds are payable from, and secured by, different sources and are not cross-collateralized. Otherwise, the Bonds have the same terms and tenor except as noted herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- Tax Revenues and Housing Tax Revenues" herein.

Account for each Series of Bonds (each a "Reserve Account") an amount sufficient to maintain the Reserve Requirement on deposit in each Reserve Account. Within the Reserve Account for the Series A Bonds, there shall be a Redevelopment Project No. 1 Subaccount into which approximately 90.03% of the Reserve Requirement for the Series A Bonds will be deposited and a Redevelopment Project No. 2 Subaccount into which 9.97% of the Reserve Requirement for the Series A Bonds will be deposited. The amounts on deposit in each Redevelopment Project Subaccount may only be used for the payment of debt service due for the related Redevelopment Project and may not be used to make any payment due with respect to the other Redevelopment Project.

The Reserve Requirement, for each respective Series of Bonds, means, in respect of any Bond Year, the least of (i) 10% of the aggregate original issue price of the respective Series of Bonds, (ii) 125% of the average Annual Debt Service on the respective Series of Bonds for that and every subsequent Bond Year, or (iii) the Maximum Annual Debt Service on the respective Series of Bonds. The amounts on deposit in the Reserve Account for each Series of Bonds may only be used for the payment of principal and interest due with respect to the related Series of Bonds.

See "APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Additional Parity Debt

In addition to the Bonds, the Agency may issue or incur Parity Debt in connection with either Series of Bonds in such principal amount as shall be determined by the Agency, pursuant to a Parity Debt Instrument adopted or entered into by the Agency. The Agency may issue or incur such Parity Debt, subject to the specific conditions precedent set forth in the respective Indentures. See "APPENDIX D—SUMMARY OF THE INDENTURES."

BOND INSURANCE

The following information has been supplied by the Insurer for inclusion in this Official Statement. No representation is made by the City, the Agency, the Authority or the Underwriter as to the accuracy or completeness of the information.

The Insurer accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer and its affiliates set forth under this heading. In addition, the Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

General

XL Capital Assurance Inc. (the "Insurer" or "XLCA") is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. The Insurer is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Singapore.

The Insurer is an indirect wholly owned subsidiary of XL Capital Ltd, a Cayman Islands corporation ("XL Capital Ltd"). Through its subsidiaries, XL Capital Ltd is a leading provider of insurance and reinsurance coverages and financial products to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. The common stock of XL Capital Ltd is publicly traded in the United States and listed on the New York Stock Exchange (NYSE: XL). **XL Capital Ltd is not obligated to pay the debts of or claims against the Insurer.**