

CITY OF VICTORVILLE
Victorville, California

Comprehensive Annual Financial Report

Year ended June 30, 2017



CITY OF VICTORVILLE

Comprehensive Annual Financial Report

Year ended June 30, 2017

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February 13, 2018

The Honorable Mayor, Members of the City Council
and the Citizens of the City of Victorville, California

Introduction

The City Charter and California state law require that the City of Victorville issue a complete set of financial statements annually and that an independent firm of certified public accountants audit this report in conformance with generally accepted auditing standards (GAAS). The Comprehensive Annual Financial Report (CAFR) of the City of Victorville for the year ended June 30, 2017, is hereby submitted.

The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). This report consists of management's representations concerning the finances of the City of Victorville. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements for the fiscal year ended June 30, 2017 were audited by Davis Farr, Certified Public Accountants. An independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditor's unmodified opinion on the basic financial statement is included in the Financial Section of this report.

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

Profile of the Government

The City of Victorville is located in the High Desert along Interstate 15, about 40 miles north of the City of San Bernardino, and serves an area of 74.09 square miles with a population of approximately 123,565.

The City of Victorville was incorporated as a general law city on September 21, 1962. On July 26, 2008, The City of Victorville became a charter City that operates under a Council-Manager form of government. The City Manager is responsible for the efficient implementation of Council policy and the effective administration of all City government affairs. There are five elected council members. Victorville's economic community is a vital mix of retail, shopping, restaurants, service businesses, hotels, public services, and industry.

The City provides a full range of services including highways and streets, sanitation, park and recreation, library, aviation, municipal utilities, public improvements, planning and zoning, community development, code enforcement, and general administrative services. The City contracts with the County of San Bernardino for police and fire services. In addition to general government activities, the City Council also serves as the Board of Directors of Southern California Logistics Airport Authority (SCLAA), the Southern California Logistics Rail Authority (SCLRA), and Victorville Water District. Therefore, these activities have been included as part of the City of Victorville's financial report. Additional information on these entities can be found in Note 1 in the notes to the financial statements.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Council. Activities of the general fund and special revenue funds are included in the annual appropriated budget. Project-length budgets are prepared for the capital project funds. The level of budgetary control (i.e., the level at which expenditures can not legally exceed the appropriated amount) is at the departmental level within each fund. The government also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are re-appropriated as part of the following year's budget.

Local Economy

Victorville continued to strive with its economic growth. New businesses such as restaurants and retail stores helped boost the City of Victorville's Sales Tax revenue for fiscal year 2017.

Nationally, unemployment rates have declined over the past year; however, Victorville rates still remain high in comparison to the State. The California Employment Development Department reports that for calendar year 2016, Victorville's average unemployment rate was 6.1%, down from 6.9% for calendar year 2015.

Starting in fiscal year 2017, the sales tax revenue reverted back to the original Bradley Burns tax rate of 1%. Auto sales and retail sales of general consumer goods continue to show strong numbers and make up more than 50% of sales tax revenue generated in the City of Victorville. Restaurants, along with fuel and service stations, also produce a large portion of the sales tax revenue for the City.

Southern California home prices continue to rise. Low mortgage interest rates, combined with low housing inventory, continue to drive up demand for housing. Victorville's median housing price at the end of June 2016 was \$200,500 and at the end of June 2017, that price has risen to \$222,000, a 10.72% increase in home price value.

The economy is slowly turning around, as shown by an increase in retail sales of consumable goods. Strong sales and new business additions boosted sales tax revenues for the City. The

current pattern of increases will continue through the remainder of fiscal year 2018. Property tax revenue also continued to grow, but at a more modest pace than the prior year.

Long-term Financial Planning

The 2018 fiscal year budget still continues to practice conservative revenue estimates. Overall, the 2018 budget anticipates an increase in revenues. The total estimated revenue for the general fund is \$59.2 million, an increase of approximately \$3 million as compared to 2017 fiscal year budget, resulting from an updated cost allocation plan and increases in Sales Tax received primarily. The total General fund expenditures are estimated higher than that of fiscal year 2017 due to a continued increase in the public safety contracts and the rising costs in contributions to the State's CALPERS pension system.

Annually, the City of Victorville updates its five year Capital Improvement Project (CIP) plan. Infrastructure improvements are considered capital improvement projects when the expected life is in excess of two years and expenditures are at least \$50,000. In contrast, scheduled purchases of vehicles, computer hardware and equipment are capitalized when the individual cost is \$5,000 or more, with an estimated useful life of greater than two years. These routine purchases are generally accounted for out of special funds or enterprise funds. There are 33 vehicle, equipment and computer capital purchases budgeted for 2018, totaling \$4.2 million.

In recent years, the Southern California Logistics Airport Authority (SCLAA) has defaulted on principal and interest debt service payments for its subordinate bond issues. Defaults occurred because of the significant reduction in tax increment revenue resulting from the decrease in assessed value for the Victor Valley Redevelopment Project Area. In fiscal year 2017, SCLAA paid \$7.4 million on previously defaulted interest debt service payments but continued to default on current amounts due. SCLAA plans to continue to make up past due payments when sufficient tax increment revenue is received.

As a going concern, pension costs are expected to continue to rise annually as a result of reductions to the expected rate of return assumption change approved by the CALPERS board. This adjustment will affect pension costs for all employees and the remaining unfunded liability that exists for the former Victorville fire employees. The recent actuarial statement from CalPERS projects that the contribution, currently at 17.443% for 2017-18 will be at 17.694% for 2018-19 and 18.2% for 2019-20 for miscellaneous employees.

Despite the economic challenges the City has faced, the City of Victorville continues to maintain the following goals and objectives: provide and uphold fiscal accountability and sustainability; dedicate necessary resources for public safety; assist the local economy's growth and progression; excel in maintaining, enhancing, and improving the City's public facilities and infrastructure; and the promoting of conservative thinking.

Cash Management Policies and Practices

Cash which is temporarily idle during the year was invested in the Local Agency Investment Fund. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Nearly all investments held by the City at June 30, 2017 are classified in the category of lowest custodial credit risk as defined by the Government Accounting Standards Board.

This Investment Policy is reviewed annually to ensure its consistency with respect to the overall objectives of safety, liquidity and yield, and its relevance to current laws and financial trends. Although, no amendments to the policy are proposed, it is the goal of management to pursue a more diversified investment portfolio in 2018 to try to achieve a better return overall. Proposed amendments to the Policy are prepared by Finance staff and reviewed and approved by City Manager and the City Council.

Risk Management

The City participates in the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA provides \$50 million of general liability coverage per occurrence and is responsible for paying claims in excess of the City's \$50,000 deductible. The City also participates in PERMA's worker's compensation coverage program. In addition, various risk control techniques, including a safety committee, have been implemented to minimize losses.

Acknowledgements

I would like to express my appreciation to all employees of the City of Victorville who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor, City Council members, and the City Manager for their support in maintaining the highest standards of professionalism in the management of the City of Victorville's finances.

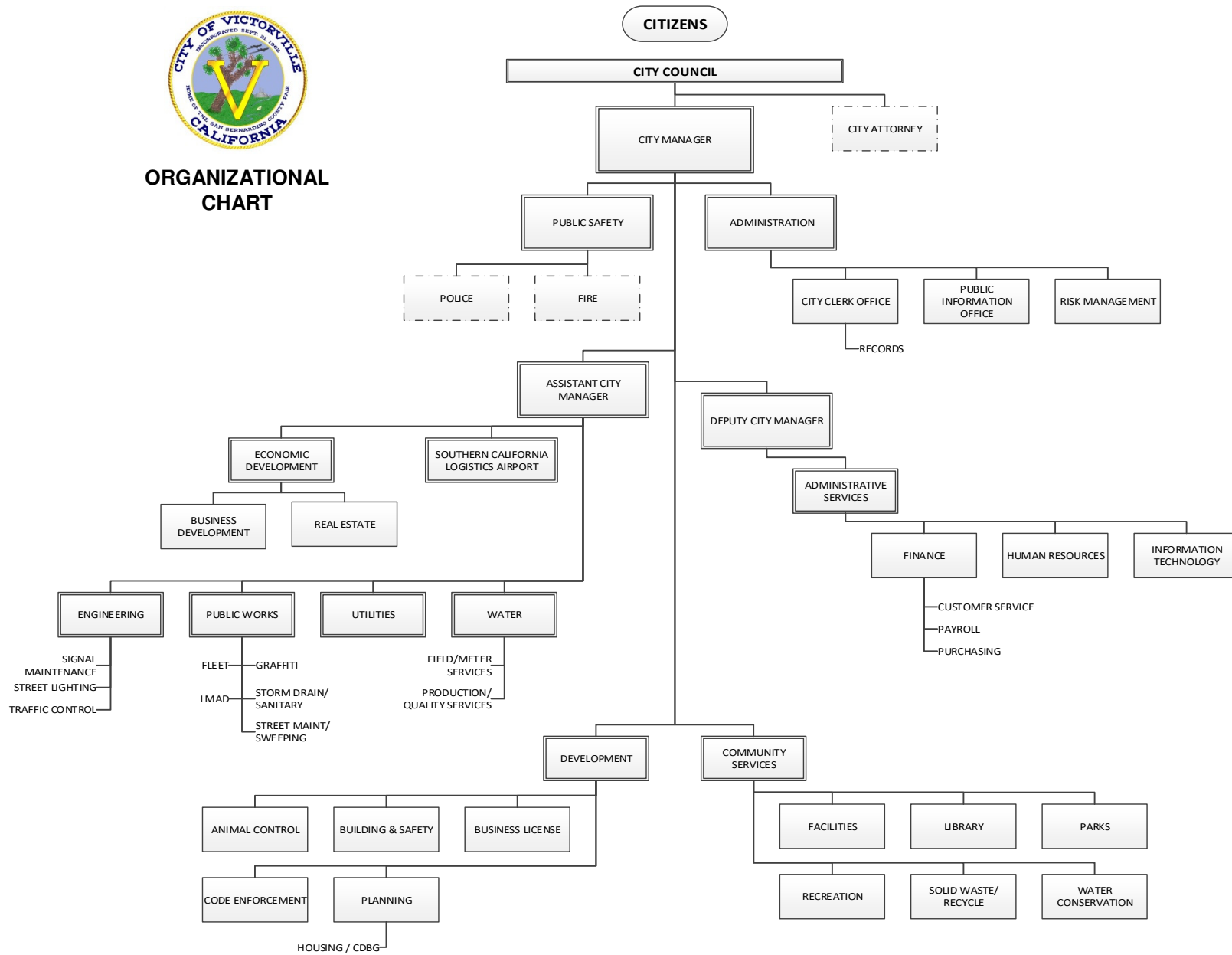
Respectfully submitted,



George N. Harris II
Deputy City Manager/City Treasurer



ORGANIZATIONAL CHART



For the year ended June 30, 2017

City of Victorville
Organizational Chart

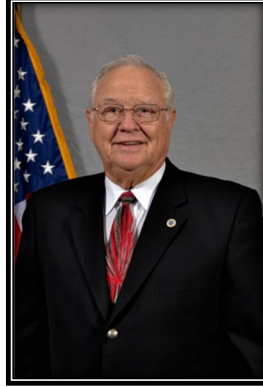
CITY OF VICTORVILLE

Elected Officials and Administrative Personnel - June 30, 2017

Elected Officials



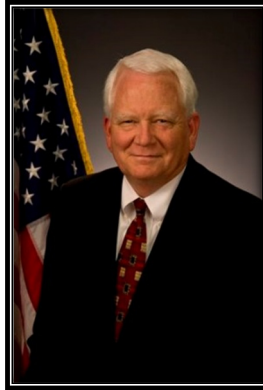
Mayor
Gloria Garcia



Mayor Pro-Tem
Jim Cox



Council Member
Blanca Gomez



Council Member
Jim Kennedy



Council Member
Eric Negrete

City Manager Douglas B. Robertson
City Attorney Andre de Bortnowsky

Senior Management Team

Assistant City Manager Keith Metzler
Deputy City Manager George N. Harris, II
City Clerk Carolee Bates
Public Information Officer (PIO) Sue Jones
Director of Development Chris Borchert
Director of Community Service Christian Guntert
City Engineer Brian Gengler
Director of Public Works/Water Doug Mathews
Director of Economic Development Sophie Smith
Director of Southern California Logistics Airport Authority Eric Ray
Fire Chief Dan Mejia
Police Chief Jon Schuler

Honorable Mayor and City Council
City of Victorville
Victorville, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Victorville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described further in note 21, the accompanying financial statements have been prepared assuming that the City of Victorville will continue as a going concern. SCLAA has suffered recurring losses in recent years and has defaulted on a number of its recent debt payments. The statewide dissolution of all redevelopment agencies in the State of California creates additional uncertainty with respect to the SCLAA due to its dependency upon tax increment funding from the Victor Valley Economic Development Authority. Additionally, pension costs are expected to continue to rise annually as a result of reductions to the expected rate of return assumption change approved by the CalPERS board. The City's net pension liability as described further in notes 12 and 13 has contributed to a Governmental Activities deficit unrestricted net position of (\$47,595,646). These circumstances have significantly affected the City and raise substantial doubt about the City's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the City be unable to continue as a going concern. Our opinion is not modified with respect to this matter.

As described further in note 19, on April 29, 2013, the United States Securities and Exchange Commission filed a complaint alleging that a number of defendants, including the City of Victorville, the Southern California Logistics Airport Authority, and certain City officials, committed certain fraudulent acts associated with the issuance in 2008 of \$13,334,925 of Subordinate Tax Allocation Revenue Bonds, Series 2008A. As of the date of issuance of the financial statements, there was a possibility that this matter might result in a loss to the City or the Southern California Logistics Airport Authority. However, the amount of the loss, if any, that might result from this matter could not be reasonably estimated. Our opinion is not modified with respect to this matter.

The financial statements for the year ended June 30, 2017 reflect certain prior period adjustments as described further in note 23 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison schedules, Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period (Agent Plan), Schedule of Plan Contributions (Agent Plan), Schedule of the Plan's Proportioned Share of the Net Pension Liability (Cost Sharing Plan), and Schedule of Plan Contributions (Cost Sharing Plan)* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Victorville's basic financial statements. The *combining and individual nonmajor fund schedules and financial statements*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual nonmajor fund schedules and financial statements* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund schedules and financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Honorable Mayor and City Council
City of Victorville, California
Page Four

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2018 on our consideration of the City of Victorville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Victorville's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Lane" followed by a stylized flourish.

Irvine, California
February 12, 2018

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Victorville, we offer readers of Victorville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying table of contents.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.

- The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates like businesses; such as the water and sewer systems.
- *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2017

The figure below summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain.

	<i>Fund Statements</i>			
	<i>Government-wide Statements</i>	<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of Net Position, Statement of Activities	Balance sheet, Statement of revenues, expenditures and changes in fund balances	Statement of Net Position, Statement of Revenues, expenses and changes in net position, Statement of cash flows	Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid.

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2017

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all, or most, of the cost of the services accounted for in these funds.

Component units – The City includes four separate legal entities in its report: Regional Center of Victorville Development, Southern California Logistics Airport Authority, Southern California Logistics Rail Authority, and Victorville Water District. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Major Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law, or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes, or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (like grants received). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds as well as the balances that are left at year end which are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can be readily converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2017

financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. The internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the government-wide statement of net position follows:

City of Victorville's Net Position (table 1)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Cash and Investments	\$ 37,654	\$ 39,415	\$ 118,740	\$ 111,999	\$ 156,394	\$ 151,415
Other Assets	38,150	35,807	9,845	10,714	47,995	46,521
Interfund Balances	(2,370)	(6,462)	2,370	6,462	-	-
Capital Assets	473,590	479,306	402,466	414,995	876,056	894,301
Total assets	<u>547,024</u>	<u>548,065</u>	<u>533,422</u>	<u>544,172</u>	<u>1,080,446</u>	<u>1,092,237</u>
Deferred outflows - pension	7,357	2,968	4,845	1,373	12,202	4,341
Deferred charge on refunding	-	-	2,205	2,435	2,205	2,435
Total deferred outflows of resources	<u>7,357</u>	<u>2,968</u>	<u>7,050</u>	<u>3,808</u>	<u>14,407</u>	<u>6,776</u>
Other Liabilities	9,437	8,307	75,605	69,747	85,042	78,055
Long-Term Liabilities	59,503	50,298	344,184	346,350	403,687	396,649
Total Liabilities	<u>68,940</u>	<u>58,606</u>	<u>419,789</u>	<u>416,097</u>	<u>488,729</u>	<u>474,703</u>
Deferred inflows - pension	1,336	3,518	1,050	1,592	2,386	5,111
Total deferred inflows of resources	<u>1,336</u>	<u>3,518</u>	<u>1,050</u>	<u>1,592</u>	<u>2,386</u>	<u>5,111</u>
Net Position:						
Invested in Capital Assets, Net of Related Debt	473,590	479,306	59,439	66,591	533,029	545,897
Restricted	58,111	56,682	11,981	9,600	70,092	66,282
Unrestricted	(47,596)	(47,079)	48,212	54,098	616	7,020
Total Net Position	<u>484,105</u>	<u>488,909</u>	<u>119,632</u>	<u>130,290</u>	<u>603,738</u>	<u>619,199</u>

Net Position serves as a useful indicator of a government's financial position. In the case of the City of Victorville, the total net position decreased by \$15.5 million primarily due to the decrease in value of capital assets, resulting from recording accumulated depreciation of the assets, and the increase in net pension liability. The restricted portion represents resources that are subject to external restrictions on how they may be used.

A brief explanation for the other balance changes of Table 1 is as follow:

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2017

Total Assets:

- Governmental assets decreased by \$1.04 million due to a decrease in capital assets, resulting from depreciation, but an increase in other assets, mainly due from other governments. Sales Tax receipts of approximately \$4.04 million that were due in fiscal year 2017 were recorded in due from other governments at year end due to the timing delay of the payments.
- Business-type assets decreased by \$10.75 million primarily caused by depreciation of capital assets, offset by an increase in cash and investments for the Municipal Utility and Sanitary funds.
- A total decrease of \$18.25 million in capital assets for both Governmental and Business – Type Activities was largely due to depreciation expense of \$38.9 million, offset by an additional \$8.8 million in City wide infrastructure and \$9.5 million in construction in progress.

Total Liabilities:

- Governmental total liabilities increased by \$10.3 million primarily due to an increase in long-term liabilities of \$9.2 million. Long-term liabilities include future expenditures for OPEB liabilities, pension liabilities, claims payable and pollution remediation obligation.
- Business-type liabilities increased by \$3.7 million due to an increase in interest payable of \$2.3 million for defaults on debt service interest payments and an increase of \$2.8 million of accounts payable due at year-end. OPEB liabilities and pension liabilities increased but are offset by the decrease in bonds payable.

GOVERNMENTAL ACTIVITIES

During the year ended June 30, 2017, the City's governmental activities had a decrease of \$4.8 million in the total Net Position as compared to fiscal year 2016. The reasons for the significant changes in the revenue and expenses within the City's governmental activities presented are as follows:

- Operating and capital contributions and grants decreased by \$6.6 million from the prior year. In 2016, a transfer of \$11.2 million in loan receivables was recorded in Successor Agency to the City Housing Asset Successor and was a one-time revenue transfer.
- Total tax revenue decreased by \$1.4 from the prior year due to the Sales Tax Triple Flip True-up payment received in the prior year, resulting in higher revenue for 2016, and the decrease in electric franchise fee revenue received from Edison.
- Total expenses increased by \$5 million as compared to fiscal year 2016. The increase is primarily due to the increase of Public Safety and Community Development expenditures.

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2017

City of Victorville's Change in Net Position (table 2) (In Thousands)

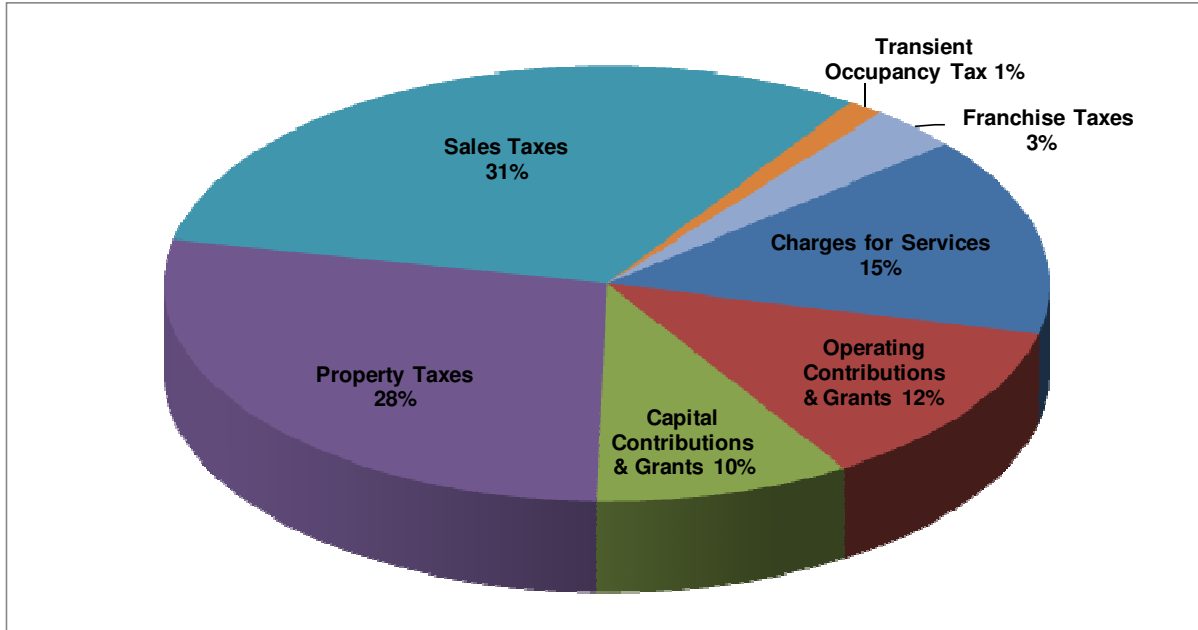
	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 12,806	\$ 11,031	\$ 78,350	\$ 76,310	\$ 91,156	\$ 87,341
Operating Contributions and Grants	10,654	15,094	-	-	10,654	15,094
Capital Contributions and Grants	8,251	10,386	2,297	6,263	10,548	16,649
General Revenues:						
Property Taxes	24,097	23,752	25,918	24,879	50,014	48,630
Sales Taxes	26,802	28,212	-	-	26,802	28,212
Transient Occupancy Tax	1,138	1,074	-	-	1,138	1,074
Franchise Taxes	2,840	3,039	-	-	2,840	3,039
Investment Income	478	158	726	1,002	1,204	1,160
Gain (loss) on sale of Assets	-	-	17	125	17	125
Miscellaneous Revenues	192	201	1,779	1,432	1,970	1,633
Total Revenues	<u>87,258</u>	<u>92,947</u>	<u>109,086</u>	<u>110,011</u>	<u>196,344</u>	<u>202,958</u>
Expenses:						
General Government	8,982	12,049	-	-	8,982	12,049
Public Safety	37,719	35,624	-	-	37,719	35,624
Community Development	5,375	1,646	-	-	5,375	1,646
Public Works	34,010	31,972	-	-	34,010	31,972
Park and Recreation	5,245	4,911	-	-	5,245	4,911
Sanitary	-	-	12,651	11,960	12,651	11,960
Airport	-	-	32,742	31,597	32,742	31,597
Golf Courses	-	-	1,507	1,566	1,507	1,566
Solid Waste Management	-	-	15,467	14,197	15,467	14,197
Water	-	-	40,185	33,851	40,185	33,851
Municipal Utility	-	-	10,479	11,016	10,479	11,016
Interest on Long-Term Debt	177	102	-	-	177	102
Total Expenses	<u>91,507</u>	<u>86,304</u>	<u>113,031</u>	<u>104,186</u>	<u>204,539</u>	<u>190,491</u>
Change in Net Assets before Transfers	(4,250)	6,642	(3,945)	5,825	(8,195)	12,467
Transfers	(554)	(779)	554	779	-	-
Change in net position	<u>(4,804)</u>	<u>5,864</u>	<u>(3,391)</u>	<u>6,604</u>	<u>(8,195)</u>	<u>12,467</u>
Net Position - Beginning of Year (as restated)	488,909	483,045	123,024	123,686	611,933	606,731
Net Position - End of Year	<u>484,105</u>	<u>488,909</u>	<u>119,633</u>	<u>130,290</u>	<u>603,738</u>	<u>619,199</u>

City of Victorville

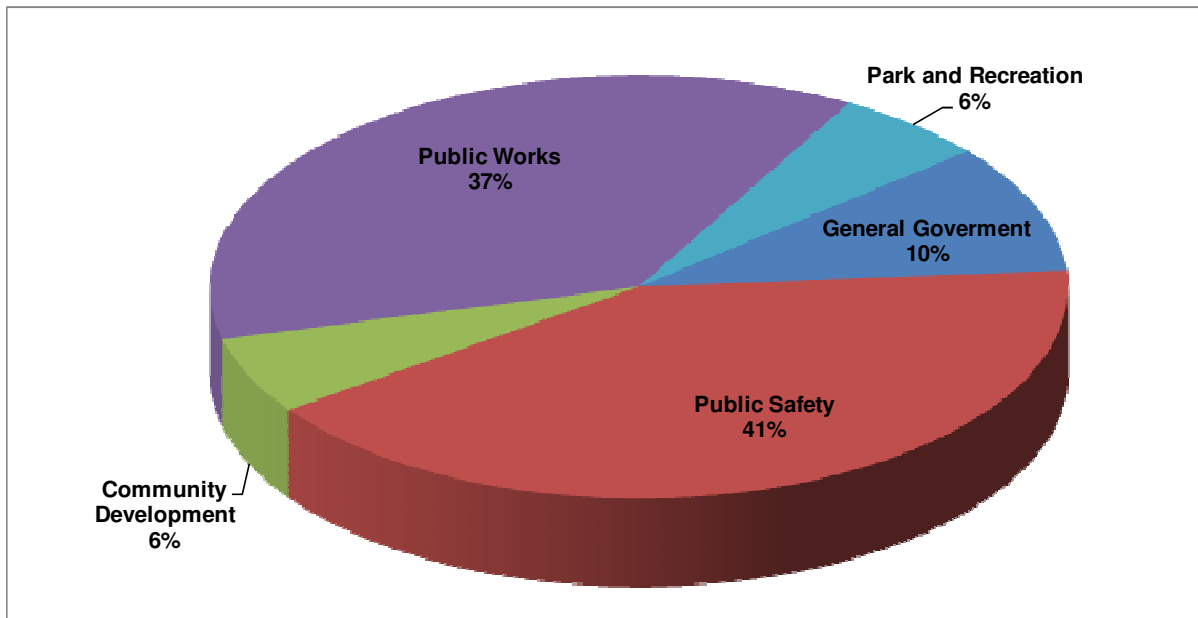
Management's Discussion and Analysis

For the year ended June 30, 2017

Revenues by Source - Governmental Activities



Expenses by Function - Governmental Activities

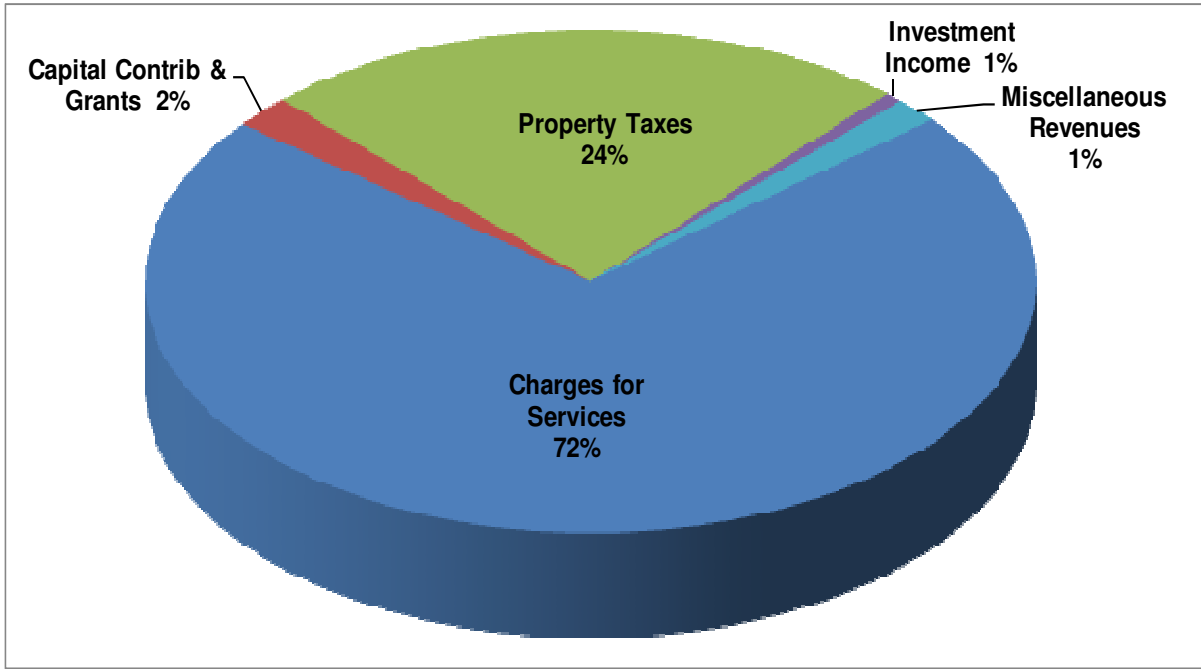


City of Victorville

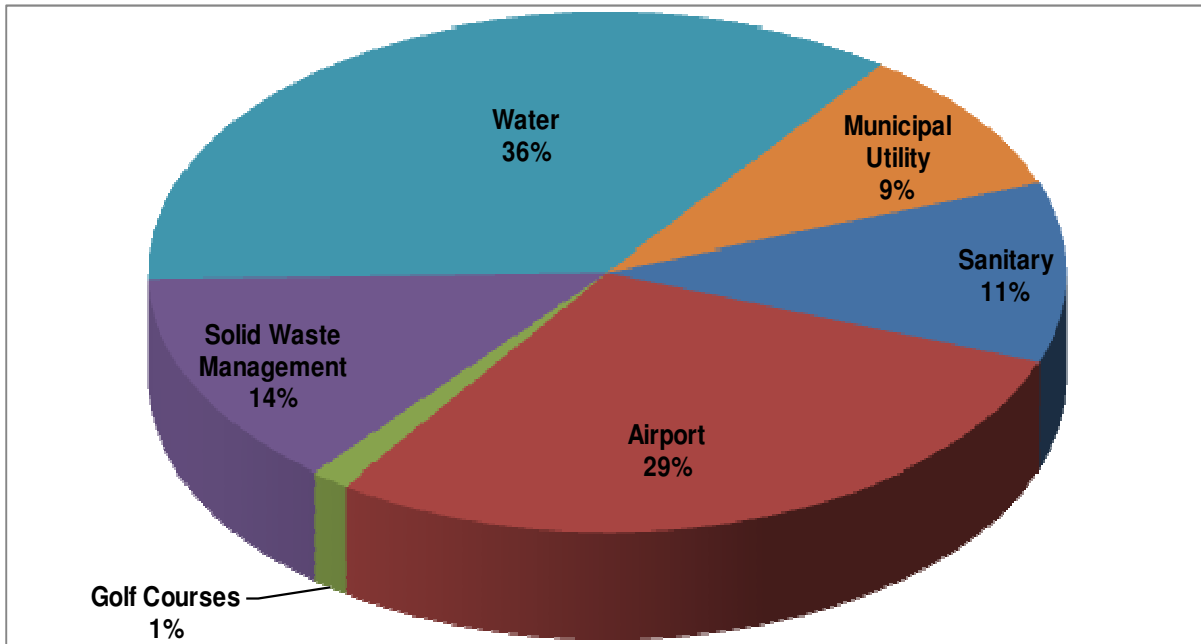
Management's Discussion and Analysis

For the year ended June 30, 2017

Revenue by Source - Business-Type Activities



Expenses by Function – Business-Type Activities



City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2017

BUSINESS TYPE ACTIVITIES

During the year ended June 30, 2017, the City's business-type activities had a significant decrease in the total Net Position as compared to fiscal year 2016. The beginning net position was restated to reclass Southern California Logistics Airport Authority (SCLAA) debt service interest expenditures, paid in 2017 for past due amounts, as a prior period adjustment. The significant changes in the revenue and expenses within the business-type activities are as follows:

- Revenue from charges for services increased for Water, Municipal Utility and Solid Waste funds, however, decreased significantly for Airport and Sanitary funds.
- Revenue from capital contributions and grants decreased by almost \$4 million from the prior year.
- Property taxes increased due to additional tax increment revenue receipts of \$1.1 million for SCLAA.
- Total revenue decreased by almost \$1 million and total expenses increased significantly by \$8.8 million, leading to the decrease in the total net position of \$3.4 million for the business-type activities. All expenses by function show an increase, with the exception of Municipal Utility and Golf.

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund is the chief operating fund of the City of Victorville. At the end of the current fiscal year, the unrestricted fund balance of the General Fund was \$5.18 million, while the total fund balance was \$5.35 million. As a measure of the General Fund's liquidity, the unrestricted fund balance represents 9.3% and the total fund balance represents 9.6% of the total general fund expenditures.

General Fund revenues increased by less than half a million this fiscal year. Overall tax revenue decreased compared to the prior year due to the final true-up Triple Flip tax payment recorded in fiscal year 2016. General Fund expenditures increased approximately \$2 million as compared to last fiscal year. The largest increase was \$2 million for public safety.

MAJOR ENTERPRISE FUNDS

The major enterprise funds of the City of Victorville are the Victorville Water District, Southern California Logistic Airport Authority, Municipal Utility Fund, Solid Waste Management, and Sanitary Fund. All enterprise funds showed a decrease in net position for fiscal year 2017, except for the Municipal Utility Fund with a net position increase of \$4.6 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

**City of Victorville's Capital Assets
(Net of depreciation)
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 52,048	\$ 52,048	\$ 32,914	\$ 32,914	\$ 84,963	\$ 84,963
Land Right of Way	180,002	180,002	-	-	180,002	180,002
Buildings and Improvements	43,174	44,777	120,999	122,783	164,173	167,560
Furniture and Equipment	2,493	2,252	16,984	19,717	19,477	21,969
Computer and Communication	722	576	236	131	958	707
Vehicles	628	546	1,179	1,184	1,806	1,730
Infrastructure	169,488	180,359	204,350	208,590	373,838	388,949
Land Improvement	11,752	13,243	357	424	12,109	13,667
Water Rights	-	-	4,013	4,013	4,013	4,013
Intangible Assets	113	147	15,274	13,876	15,387	14,023
Construction in Progress	13,171	5,356	6,159	11,363	19,330	16,719
Total	473,590	479,306	402,466	414,995	876,056	894,301

Capital assets: The City of Victorville's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounted to \$876 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, computers and communications, vehicles, roads, streets, storm drain, sewer, water and gas lines, intangible assets and construction in progress. The total decrease in the City of Victorville's investment in capital assets for the current fiscal year is \$18.2 million, or 2 percent (a \$5.7 million decrease for governmental activities and a \$12.5 million decrease for business-type activities). These decreases are primarily annual depreciation expenses.

Additional information on the City of Victorville's capital assets can be found in Note 4 of the Notes to the Basic Financial Statements.

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2017

City of Victorville's Outstanding Debt (In Thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Compensated Absences	\$ 3,395	\$ 3,356	\$ 566	\$ 523	\$ 3,961	\$ 3,879
OPEB Obligation	19,214	17,188	3,286	2,423	22,500	19,611
Net Pension Liability	34,118	27,077	16,280	12,315	50,398	39,393
Claim Payable	1,364	1,145	1,028	1,028	2,391	2,173
Pollution Remediation Obligation	1,413	1,532	-	-	1,413	1,532
Tax Allocation Bond	-	-	311,741	314,936	311,741	314,936
Lease Revenue Bond	-	-	51,925	53,070	51,925	53,070
Revenue Refunding Bond	-	-	725	945	725	945
Certificate of Participation	-	-	10,360	12,035	10,360	12,035
Refunding Charges & Unamortized Discount/Premiums	-	-	(2,461)	(2,572)	(2,461)	(2,572)
Total	59,503	50,298	393,449	394,702	452,952	445,001

Long-term debt: At the end of the current fiscal year, the City of Victorville had a total outstanding debt of \$453 million, an increase of \$8 million as compared to the prior fiscal year. This increase is primarily due to the City's OPEB obligation and net pension liability. Long-term debt of the Business-type Activities decreased by \$6.2 million due to bond principal payments made and the prepayment of a Victorville Water District bond.

Additional information on the City of Victorville's long-term debt can be found in Notes 7 and 8 in the Notes to the Basic Financial Statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

These Basic Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Administrative Services Department's Finance Division, at 14343 Civic Drive, Victorville, CA 92392.

BASIC FINANCIAL STATEMENTS

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CITY OF VICTORVILLE
Statement of Net Position
June 30, 2017
(with comparative totals for June 30, 2016)

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
Assets:				
Cash and investments (note 2)	\$ 37,654,097	91,682,709	129,336,806	122,459,642
Cash with fiscal agent (note 2)	-	27,057,686	27,057,686	28,963,219
Receivables:				
Accounts	2,055,463	8,962,008	11,017,471	9,459,340
Interest	170,441	66,989	237,430	139,361
Due from other governments	16,300,949	41,778	16,342,727	10,712,936
Deposits and prepaid items	19,188	17,299	36,487	30,802
Inventory and other assets	154,568	433,999	588,567	842,315
Interfund balances	(2,369,948)	2,369,948	-	-
Investment in joint venture (note 16)	-	191,177	191,177	192,948
Advances to other governments (note 9)	-	131,776	131,776	2,558,202
Land held for resale (note 5)	8,470,041	-	8,470,041	12,014,214
Capital assets, net (note 4)				
Nondepreciable	245,221,420	55,764,256	300,985,676	298,230,438
Depreciable, net	228,368,247	346,701,885	575,070,132	596,070,576
Long-term notes receivable (note 6)	10,979,603	-	10,979,603	10,562,772
Total assets	<u>547,024,069</u>	<u>533,421,510</u>	<u>1,080,445,579</u>	<u>1,092,236,765</u>
Deferred Outflows of Resources:				
Deferred outflows - pension related (notes 12 & 13)	4,416,619	3,297,482	7,714,101	319,880
Deferred outflows - pension contributions (notes 12 & 13)	2,940,584	1,547,491	4,488,075	4,021,083
Deferred charge on refunding	-	2,204,990	2,204,990	2,434,818
Total deferred outflows of resources	<u>7,357,203</u>	<u>7,049,963</u>	<u>14,407,166</u>	<u>6,775,781</u>
Liabilities:				
Accounts payable	6,982,006	8,268,422	15,250,428	11,196,933
Accrued liabilities	1,215,968	-	1,215,968	1,228,911
Interest payable	-	3,946,785	3,946,785	1,679,813
Deposits payable	30,481	1,748,348	1,778,829	1,756,289
Prepaid water connection fees	-	1,395,788	1,395,788	1,395,788
Unearned revenue	1,208,639	121,926	1,330,565	1,351,852
Accrued rent credit payable	-	503,060	503,060	814,554
Bonds subject to call (note 8)	-	59,620,645	59,620,645	58,630,561
Noncurrent liabilities:				
Advances from other governments (note 9)	-	10,355,181	10,355,181	10,278,395
Net OPEB liability (note 15)	19,213,816	3,286,280	22,500,096	19,611,096
Net pension liability (note 12)	34,117,562	16,280,277	50,397,839	39,392,672
Long-term liabilities (notes 7 & 8)				
Due within one year	2,334,498	7,672,254	10,006,752	9,540,408
Due in more than one year	3,837,233	306,589,651	310,426,884	317,826,152
Total liabilities	<u>68,940,203</u>	<u>419,788,617</u>	<u>488,728,820</u>	<u>474,703,424</u>
Deferred Inflows of Resources:				
Deferred inflows - pension related (notes 12 & 13)	1,335,624	1,050,430	2,386,054	5,110,580
Total deferred inflows of resources	<u>1,335,624</u>	<u>1,050,430</u>	<u>2,386,054</u>	<u>5,110,580</u>
Net Position:				
Net investment in capital assets	473,589,667	59,439,405	533,029,072	545,896,659
Restricted for:				
Public safety	99,307	-	99,307	85,628
Community development	32,036,530	-	32,036,530	24,633,628
Public works	25,975,587	-	25,975,587	31,891,179
Capital asset construction	-	6,950,623	6,950,623	5,792,795
Debt service	-	5,030,319	5,030,319	3,807,520
Unrestricted	(47,595,646)	48,212,079	616,433	7,091,133
Total net position	<u>\$ 484,105,445</u>	<u>119,632,426</u>	<u>603,737,871</u>	<u>619,198,542</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Activities
Year ended June 30, 2017
(with comparative totals for year ended June 30, 2016)

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 8,981,381	3,221,281	55,331	-
Public safety	37,719,474	720,394	113,934	196,239
Community development	5,374,841	3,162,980	8,334,268	4,231,071
Public works	34,009,856	4,744,838	2,150,948	3,823,815
Parks and recreation	5,244,567	956,486	-	-
Interest expense	177,058	-	-	-
Total governmental activities	<u>91,507,177</u>	<u>12,805,979</u>	<u>10,654,481</u>	<u>8,251,125</u>
Business-type activities:				
Water	40,185,270	31,145,865	-	2,227,899
Airport	32,741,521	6,949,397	-	69,103
Municipal utility	10,479,261	14,483,371	-	-
Solid waste management	15,466,885	13,965,437	-	-
Sanitary	12,650,950	11,373,786	-	-
City golf	1,507,192	432,100	-	-
Total business-type activities	<u>113,031,079</u>	<u>78,349,956</u>	<u>-</u>	<u>2,297,002</u>
Total primary government	<u>\$ 204,538,256</u>	<u>91,155,935</u>	<u>10,654,481</u>	<u>10,548,127</u>

General revenues:

Taxes:

 Property taxes
 Sales taxes
 Transient occupancy tax
 Franchise taxes

Investment income

Gain on sale of assets

Miscellaneous revenues

Transfers

 Total general revenues and transfers

 Change in net position

Net position at beginning of year, as restated (note 24)

Net position at end of year

Governmental Activities	Business-type Activities	Totals	
		2017	2016
(5,704,769)	-	(5,704,769)	(8,864,704)
(36,688,907)	-	(36,688,907)	(34,707,101)
10,353,478	-	10,353,478	14,261,070
(23,290,255)	-	(23,290,255)	(16,402,300)
(4,288,081)	-	(4,288,081)	(3,978,253)
(177,058)	-	(177,058)	(102,069)
<u>(59,795,592)</u>	<u>-</u>	<u>(59,795,592)</u>	<u>(49,793,357)</u>
-	(6,811,506)	(6,811,506)	(6,147,210)
-	(25,723,021)	(25,723,021)	(17,305,886)
-	4,004,110	4,004,110	2,882,697
-	(1,501,448)	(1,501,448)	(1,480,258)
-	(1,277,164)	(1,277,164)	1,420,802
-	(1,075,092)	(1,075,092)	(983,652)
<u>-</u>	<u>(32,384,121)</u>	<u>(32,384,121)</u>	<u>(21,613,507)</u>
<u>(59,795,592)</u>	<u>(32,384,121)</u>	<u>(92,179,713)</u>	<u>(71,406,864)</u>
24,096,820	25,917,529	50,014,349	48,630,444
26,801,541	-	26,801,541	28,211,755
1,138,083	-	1,138,083	1,074,273
2,840,159	-	2,840,159	3,038,995
478,024	725,832	1,203,856	1,160,448
-	16,581	16,581	124,997
191,611	1,778,755	1,970,366	1,633,084
(553,905)	553,905	-	-
<u>54,992,333</u>	<u>28,992,602</u>	<u>83,984,935</u>	<u>83,873,996</u>
(4,803,259)	(3,391,519)	(8,194,778)	12,467,132
<u>488,908,704</u>	<u>123,023,945</u>	<u>611,932,649</u>	<u>606,731,410</u>
<u>\$ 484,105,445</u>	<u>119,632,426</u>	<u>603,737,871</u>	<u>619,198,542</u>

Major Governmental Funds

General Fund

This fund accounts for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation. This fund accounts for all financial transactions not accounted for in the other funds.

CITY OF VICTORVILLE
 Balance Sheet
 Governmental Funds
 June 30, 2017
 (with comparative totals for June 30, 2016)

	General	Nonmajor Governmental Funds	Totals	
			2017	2016
Assets:				
Cash and investments	\$ 2,290,681	35,363,416	37,654,097	39,415,313
Accounts receivable	1,154,152	901,311	2,055,463	2,267,168
Interest receivable	170,441	-	170,441	100,043
Notes receivable	-	10,979,603	10,979,603	10,562,772
Advances to other funds (note 3)	-	2,920,045	2,920,045	2,911,436
Due from other governments	4,138,718	12,162,231	16,300,949	10,668,366
Inventories	154,568	-	154,568	175,681
Prepaid items	17,397	1,791	19,188	18,362
Land held for resale (note 5)	-	8,470,041	8,470,041	12,014,214
Total assets	<u>\$ 7,925,957</u>	<u>70,798,438</u>	<u>78,724,395</u>	<u>78,133,355</u>
Liabilities:				
Accounts payable	\$ 1,312,110	5,669,896	6,982,006	5,706,320
Accrued liabilities	1,215,968	-	1,215,968	1,228,911
Deposits payable	27,876	2,605	30,481	20,415
Due to other funds (note 3)	-	2,202,726	2,202,726	6,276,000
Unearned revenue	16,686	1,191,953	1,208,639	1,351,852
Advances from other funds (note 3)	-	3,087,267	3,087,267	3,097,846
Total liabilities	<u>2,572,640</u>	<u>12,154,447</u>	<u>14,727,087</u>	<u>17,681,344</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	1,416,049	1,416,049	1,909,696
Total deferred inflows of resources	<u>-</u>	<u>1,416,049</u>	<u>1,416,049</u>	<u>1,909,696</u>
Fund Balances (Deficits) (note 11):				
Non-spendable:				
Prepaid items	17,397	1,791	19,188	18,362
Inventories	154,568	-	154,568	175,681
Spendable:				
Restricted	-	58,108,439	58,108,439	56,233,061
Unassigned	5,181,352	(882,288)	4,299,064	2,115,211
Total fund balances	<u>5,353,317</u>	<u>57,227,942</u>	<u>62,581,259</u>	<u>58,542,315</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,925,957</u>	<u>70,798,438</u>	<u>78,724,395</u>	<u>78,133,355</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Fund balances of governmental funds	\$ 62,581,259
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	
Capital assets	867,480,326
Accumulated depreciation	(393,890,659)
Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.	
	(1,363,635)
Long-term liabilities that have not been included in the governmental fund activity	
Net pension liability	(34,117,562)
Other post employment benefits	(19,213,816)
Compensated absences	(3,395,033)
Pollution remediation	(1,413,063)
Deferred outflows and inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Deferred outflows - contributions	2,940,584
Deferred outflows - actuarial	4,416,619
Deferred inflows - actuarial	(1,335,624)
Certain revenues in the governmental funds are deferred using the modified accrual basis and are recognized as revenue under the full accrual basis for reporting in the Government-wide Financial Statements.	
	1,416,049
Net position of governmental activities	\$ 484,105,445

CITY OF VICTORVILLE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2017

(with comparative totals for year ended June 30, 2016)

	General	Nonmajor Governmental Funds	Totals	
			2017	2016
Revenues:				
Taxes and assessments	\$ 44,943,095	9,933,508	54,876,603	55,965,877
Licenses and permits	1,463,039	-	1,463,039	1,386,818
Intergovernmental	56,417	19,411,938	19,468,355	25,875,049
Charges for services	8,705,242	4,541,731	13,246,973	11,626,525
Fines and forfeitures	541,756	251,016	792,772	737,166
Gain (loss) on sale of property held for resale	-	(3,544,174)	(3,544,174)	1,058,499
Investment income (loss)	(117,588)	595,612	478,024	158,010
Other	105,634	85,977	191,611	201,130
Total revenues	<u>55,697,595</u>	<u>31,275,608</u>	<u>86,973,203</u>	<u>97,009,074</u>
Expenditures:				
Current:				
General government	8,965,827	306,044	9,271,871	9,604,887
Public safety	37,496,746	357,930	37,854,676	35,875,489
Community development	57,940	1,841,474	1,899,414	1,437,809
Public works	4,768,801	24,818,412	29,587,213	31,956,273
Parks and recreation	3,687,091	59,258	3,746,349	3,363,289
Debt service:				
Interest	-	177,058	177,058	102,069
Total expenditures	<u>54,976,405</u>	<u>27,560,176</u>	<u>82,536,581</u>	<u>82,339,816</u>
Excess (deficiency) of revenues over (under) expenditures	<u>721,190</u>	<u>3,715,432</u>	<u>4,436,622</u>	<u>14,669,258</u>
Other financing sources (uses):				
Proceeds from sale of assets	70,527	85,700	156,227	-
Transfers in (note 3)	221,532	24,370	245,902	218,221
Transfers out (note 3)	<u>(553,905)</u>	<u>(245,902)</u>	<u>(799,807)</u>	<u>(997,045)</u>
Total other financing sources (uses)	<u>(261,846)</u>	<u>(135,832)</u>	<u>(397,678)</u>	<u>(778,824)</u>
Net change in fund balances	459,344	3,579,600	4,038,944	13,890,434
Fund balance at beginning of year	<u>4,893,973</u>	<u>53,648,342</u>	<u>58,542,315</u>	<u>44,651,881</u>
Fund balances at end of year	<u>\$ 5,353,317</u>	<u>57,227,942</u>	<u>62,581,259</u>	<u>58,542,315</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2017

Net changes in fund balances - total governmental funds	\$ 4,038,944
Amounts reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay	12,573,931
Depreciation expense	(18,220,758)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, returned of leased vehicles, asset transfers from proprietary funds, and asset disposals) is to increase net position.	
Transfer of assets to proprietary funds	(69,102)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(493,647)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and changes in other long-term liabilities affect the current financial resources of governmental funds. None of these transactions, however, has any affect on net position:	
Change in compensated absences	(39,108)
Change in OPEB obligation	(2,026,000)
Change in claims payable	(218,615)
Change in pollution remediation payable	119,258
Change in net pension liability and related deferred accounts	<u>(468,162)</u>
Change in net position of governmental activities	<u>\$ (4,803,259)</u>

Enterprise Funds

Major Enterprise Funds:

Victorville Water District

This fund accounts for the Victorville Water District. This subsidiary district includes the assets, liabilities, net position and operations of not only the Victorville Water Department but the former Victor Valley Water District and Baldy Mesa Water District.

Southern California Logistics Airport Authority Fund

This fund accounts for both operation and capital acquisition of the activities surrounding the airport. The airport funding sources are comprised of federal grants, charges for services and tax increment revenues.

Municipal Utility Fund

This fund accounts for the operation, maintenance, and capital expenditures of the City's municipal utility, which is funded by user charges, other fees and loans.

Solid Waste Management

This fund accounts for all activities in the following programs: Solid Waste Management, Source Reduction and Recycling, Landfill Mitigation, Household Hazardous Waste, and the California Department of Conservation Grants.

Sanitary Fund

This fund accounts for revenues and expenses pertaining to the collection of sewage from the point of origin to the point of treatment or disposal. Revenue received is comprised of sewer user fees and connection fees.

Nonmajor Enterprise Fund:

City Golf Course

This fund accounts for the operation and maintenance of the City's Golf Courses, which are funded by user charges and other fees.

CITY OF VICTORVILLE
Statement of Net Position
Proprietary Funds
June 30, 2017
(with comparative totals for June 30, 2016)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund	Solid Waste Management	Sanitary Fund
Assets:					
Current assets:					
Cash and investments	\$ 43,012,637	17,188,127	17,429,560	4,197,534	9,854,851
Cash with fiscal agent	978,955	19,822,110	5,944,225	312,396	-
Accounts receivable, net	4,683,907	478,158	1,863,779	1,045,955	890,209
Interest receivable	66,989	-	-	-	-
Due from other funds (note 3)	-	18,609	-	-	2,184,117
Due from other governments	31,718	-	-	10,060	-
Inventory and other assets	423,369	10,630	-	-	-
Total current assets	<u>49,197,575</u>	<u>37,517,634</u>	<u>25,237,564</u>	<u>5,565,945</u>	<u>12,929,177</u>
Noncurrent assets:					
Prepaid deposits	12,820	494	3,869	70	46
Advances to other funds (note 3)	-	1,923,175	-	-	6,485,381
Advances to other governments (note 9)	-	131,776	-	-	-
Investment in joint venture (note 16)	-	-	-	191,177	-
Capital assets, net (note 4)	167,869,709	150,676,244	17,045,352	2,144,306	48,780,942
Total noncurrent assets	<u>167,882,529</u>	<u>152,731,689</u>	<u>17,049,221</u>	<u>2,335,553</u>	<u>55,266,369</u>
Total assets	<u>217,080,104</u>	<u>190,249,323</u>	<u>42,286,785</u>	<u>7,901,498</u>	<u>68,195,546</u>
Deferred Outflows of Resources:					
Deferred outflow - pension contribution	916,742	273,075	73,644	97,091	186,939
Deferred outflows - actuarial	1,971,219	587,465	139,166	206,430	393,202
Deferred charge on refunding	-	2,204,990	-	-	-
Total deferred outflows of resources	<u>2,887,961</u>	<u>3,065,530</u>	<u>212,810</u>	<u>303,521</u>	<u>580,141</u>
Liabilities:					
Current liabilities:					
Accounts payable	3,648,501	353,451	662,848	1,297,834	2,303,295
Interest payable	198,981	3,688,197	59,607	-	-
Prepaid water connection fees	1,395,788	-	-	-	-
Deposits payable	1,678,348	-	-	-	70,000
Due to other funds (note 3)	-	-	-	-	-
Unearned revenue	-	121,926	-	-	-
Bonds subject to call (note 8)	-	59,620,645	-	-	-
Long-term debt - due within one year (note 8)	621,729	4,578,896	1,205,000	239,129	1,027,500
Total current liabilities	<u>7,543,347</u>	<u>68,363,115</u>	<u>1,927,455</u>	<u>1,536,963</u>	<u>3,400,795</u>
Noncurrent liabilities:					
Accrued rent credit payable	-	503,060	-	-	-
Advances from other funds (note 3)	-	1,755,953	-	-	-
Advances from other governments (note 9)	-	10,355,181	-	-	-
Net OPEB liability	3,286,280	-	-	-	-
Net pension liability	9,777,304	2,805,052	676,992	1,110,442	1,910,487
Long-term debt - due beyond one year (note 8)	10,243,866	245,167,300	50,720,000	458,485	-
Total noncurrent liabilities	<u>23,307,450</u>	<u>260,586,546</u>	<u>51,396,992</u>	<u>1,568,927</u>	<u>1,910,487</u>
Total liabilities	<u>30,850,797</u>	<u>328,949,661</u>	<u>53,324,447</u>	<u>3,105,890</u>	<u>5,311,282</u>
Deferred Inflows of Resources:					
Deferred inflows - actuarial	639,017	174,681	38,345	78,924	119,463
Total deferred outflows of resources	<u>639,017</u>	<u>174,681</u>	<u>38,345</u>	<u>78,924</u>	<u>119,463</u>
Net Position:					
Net investment in capital assets	158,371,001	(136,485,763)	(28,935,425)	1,759,062	48,780,942
Restricted for capital asset construction	6,950,623	-	-	-	-
Restricted for debt service	5,030,319	-	-	-	-
Unrestricted	18,126,308	676,274	18,072,228	3,261,143	14,564,000
Total net position	<u>\$ 188,478,251</u>	<u>(135,809,489)</u>	<u>(10,863,197)</u>	<u>5,020,205</u>	<u>63,344,942</u>

See accompanying notes to the basic financial statements

Nonmajor City Golf	Totals	
	2017	2016
-	91,682,709	83,044,329
-	27,057,686	28,963,219
-	8,962,008	7,192,172
-	66,989	39,318
-	2,202,726	7,533,803
-	41,778	44,570
-	433,999	666,634
-	<u>130,447,895</u>	<u>127,484,045</u>
-	17,299	12,440
-	8,408,556	8,366,763
-	131,776	2,558,202
-	191,177	192,948
15,949,588	<u>402,466,141</u>	<u>414,995,418</u>
15,949,588	<u>411,214,949</u>	<u>426,125,771</u>
15,949,588	<u>541,662,844</u>	<u>553,609,816</u>
-	1,547,491	1,373,245
-	3,297,482	-
-	<u>2,204,990</u>	<u>2,434,818</u>
-	<u>7,049,963</u>	<u>3,808,063</u>
2,493	8,268,422	5,490,613
-	3,946,785	1,679,813
-	1,395,788	1,395,788
-	1,748,348	1,735,874
-	-	1,257,803
-	121,926	-
-	59,620,645	58,630,561
-	<u>7,672,254</u>	<u>7,506,217</u>
2,493	<u>82,774,168</u>	<u>77,696,669</u>
-	503,060	814,554
6,485,381	8,241,334	8,180,353
-	10,355,181	10,278,395
-	3,286,280	2,423,280
-	16,280,277	12,315,294
-	<u>306,589,651</u>	<u>313,827,077</u>
6,485,381	<u>345,255,783</u>	<u>347,838,953</u>
6,487,874	<u>428,029,951</u>	<u>425,535,622</u>
-	1,050,430	1,592,419
-	<u>1,050,430</u>	<u>1,592,419</u>
15,949,588	59,439,405	66,591,063
-	6,950,623	5,792,795
-	5,030,319	3,807,520
(6,487,874)	<u>48,212,079</u>	<u>54,098,460</u>
9,461,714	<u>119,632,426</u>	<u>130,289,838</u>

CITY OF VICTORVILLE
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2017
(with comparative totals for year ended June 30, 2016)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund
Operating revenues:			
Charges for services	\$ 26,697,616	6,949,397	14,483,371
Pass-thru charges for services	4,448,249	-	-
Fines and forfeitures	266,705	-	-
Other	87,038	316,284	574,673
Total operating revenues	<u>31,499,608</u>	<u>7,265,681</u>	<u>15,058,044</u>
Operating expenses:			
Personnel services	9,138,093	2,009,557	742,199
Maintenance and operations	12,863,575	5,181,728	2,585,383
Production costs	3,043,489	-	4,990,785
Pass-thru production costs	4,223,868	-	-
Depreciation	9,893,980	7,409,060	1,488,283
Total operating expenses	<u>39,163,005</u>	<u>14,600,345</u>	<u>9,806,650</u>
Operating income (loss)	<u>(7,663,397)</u>	<u>(7,334,664)</u>	<u>5,251,394</u>
Nonoperating revenues (expenses):			
Change in investment in joint ventures	-	-	-
Intergovernmental	811,445	-	-
Taxes	608,676	24,497,408	-
Investment income	326,368	223,390	66,839
Interest expense	(622,276)	(18,059,453)	(672,611)
Gain (loss) on disposal of assets	(106,651)	14,245	2,176
Other nonoperating revenues (expenses)	(293,338)	(81,723)	-
Total nonoperating revenues (expenses)	<u>724,224</u>	<u>6,593,867</u>	<u>(603,596)</u>
Income (loss) before transfers and contributions	<u>(6,939,173)</u>	<u>(740,797)</u>	<u>4,647,798</u>
Capital contributions:			
Connection fees	1,013,954	-	-
Alternate water source fees	268,682	-	-
Capital restricted use fees	945,263	-	-
Facilities contributed from other funds	-	69,103	-
Transfers in (note 3)	-	-	-
Transfers out (note 3)	-	-	-
Change in net position	<u>(4,711,274)</u>	<u>(671,694)</u>	<u>4,647,798</u>
Net position at beginning of year, as restated (note 24)	<u>193,189,525</u>	<u>(135,137,795)</u>	<u>(15,510,995)</u>
Net position at end of year	<u>\$ 188,478,251</u>	<u>(135,809,489)</u>	<u>(10,863,197)</u>

See accompanying notes to the basic financial statements

Solid Waste Management	Sanitary Fund	Nonmajor City Golf	Totals	
			2017	2016
13,965,437	11,373,786	432,100	73,901,707	73,533,920
-	-	-	4,448,249	221,300
166,090	168,364	-	601,159	605,683
199,601	-	-	1,177,596	826,269
<u>14,331,128</u>	<u>11,542,150</u>	<u>432,100</u>	<u>80,128,711</u>	<u>75,187,172</u>
1,566,056	1,994,323	-	15,450,228	12,591,571
13,641,953	9,230,856	984,776	44,488,271	42,651,295
-	-	-	8,034,274	8,877,406
-	-	-	4,223,868	-
<u>219,356</u>	<u>1,223,404</u>	<u>474,457</u>	<u>20,708,540</u>	<u>20,302,460</u>
<u>15,427,365</u>	<u>12,448,583</u>	<u>1,459,233</u>	<u>92,905,181</u>	<u>84,422,732</u>
<u>(1,096,237)</u>	<u>(906,433)</u>	<u>(1,027,133)</u>	<u>(12,776,470)</u>	<u>(9,235,560)</u>
(1,771)	-	-	(1,771)	192,948
-	-	-	811,445	652,260
-	-	-	25,106,084	24,226,659
17,084	93,922	-	727,603	809,490
(47,742)	-	(47,959)	(19,450,041)	(18,233,950)
160	(69,390)	-	(159,460)	124,997
<u>8,222</u>	<u>(132,977)</u>	<u>-</u>	<u>(499,816)</u>	<u>(1,529,805)</u>
<u>(24,047)</u>	<u>(108,445)</u>	<u>(47,959)</u>	<u>6,534,044</u>	<u>6,242,599</u>
(1,120,284)	(1,014,878)	(1,075,092)	(6,242,426)	(2,992,961)
-	-	-	1,013,954	1,756,469
-	-	-	268,682	211,420
-	-	-	945,263	586,632
-	-	-	69,103	6,263,239
-	-	553,905	553,905	1,603,644
-	-	-	-	(824,820)
(1,120,284)	(1,014,878)	(521,187)	(3,391,519)	6,603,623
<u>6,140,489</u>	<u>64,359,820</u>	<u>9,982,901</u>	<u>123,023,945</u>	<u>123,686,215</u>
<u>5,020,205</u>	<u>63,344,942</u>	<u>9,461,714</u>	<u>119,632,426</u>	<u>130,289,838</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2017
(with comparative totals for year ended June 30, 2016)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund	Solid Waste Management
Cash flows from operating activities:				
Cash received from customers	\$ 29,795,080	6,829,301	15,062,844	14,262,198
Cash payments to employees for services	(8,283,727)	(1,995,576)	(744,518)	(1,569,114)
Cash payments to suppliers for goods and services	(16,457,983)	(5,346,049)	(7,538,284)	(13,433,772)
Net cash provided by (used for) operating activities	<u>5,053,370</u>	<u>(512,324)</u>	<u>6,780,042</u>	<u>(740,688)</u>
Cash flows from noncapital financing activities:				
Cash received from other governments	1,420,121	27,003,008	-	-
Cash paid to other governments	-	-	-	-
Cash received from other funds	-	1,721,157	3,099,495	6,437,422
Cash paid to other funds	-	-	-	(1,257,803)
Net cash provided by (used for) noncapital financing activities	<u>1,420,121</u>	<u>28,724,165</u>	<u>3,099,495</u>	<u>5,179,619</u>
Cash flows from capital and related financing activities:				
Cash received from sale of capital assets	810	14,245	2,178	160
Cash payments to acquire capital and other assets	(4,823,901)	(158,067)	(796,986)	-
Principal paid on capital-related debt	(1,675,000)	(4,185,000)	(1,145,000)	(220,000)
Interest paid on capital-related debt	(551,393)	(21,817,042)	(663,247)	(38,614)
Net cash provided by (used for) capital and related financing activities	<u>(7,049,484)</u>	<u>(26,145,864)</u>	<u>(2,603,055)</u>	<u>(258,454)</u>
Cash flows from investing activities:				
Interest received on investments	298,697	223,390	66,839	17,084
Net cash provided by (used for) investing activities	<u>298,697</u>	<u>223,390</u>	<u>66,839</u>	<u>17,084</u>
Net increase (decrease) in cash and cash equivalents	(277,296)	2,289,367	7,343,321	4,197,561
Cash and cash equivalents at beginning of year	44,268,888	34,720,870	16,030,464	312,369
Cash and cash equivalents at end of year	<u>\$ 43,991,592</u>	<u>37,010,237</u>	<u>23,373,785</u>	<u>4,509,930</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (7,663,397)	(7,334,664)	5,251,394	(1,096,237)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	9,893,980	7,409,060	1,488,283	219,356
Nonoperating miscellaneous revenue (expense)	1,827,910	(81,723)	-	8,222
(Increase) decrease in accounts receivable, net	(1,714,758)	(246,812)	4,800	(74,774)
(Increase) decrease in due from other governments	(5,440)	-	-	5,844
(Increase) decrease in inventory and other assets	237,283	(4,648)	-	-
(Increase) decrease in prepaid deposits	(5,090)	71	4	(70)
(Increase) decrease in deferred outflows	(2,060,010)	(627,424)	(157,500)	(206,135)
Increase (decrease) in accounts payable	1,613,196	(78,021)	37,880	202,875
Increase (decrease) in deposits payable	15,320	-	-	(2,846)
Increase (decrease) in unearned revenue	-	121,926	-	-
Increase (decrease) in accrued rent credits payable	-	(311,494)	-	-
Increase (decrease) in OPEB obligation	863,000	-	-	-
Increase (decrease) in compensated absences	20,235	22,581	-	-
Increase (decrease) in net pension liability	2,352,219	714,465	180,973	237,082
Increase (decrease) in deferred inflows	(321,078)	(95,641)	(25,792)	(34,005)
Total adjustments	<u>12,716,767</u>	<u>6,822,340</u>	<u>1,528,648</u>	<u>355,549</u>
Net cash provided by (used for) operating activities	<u>\$ 5,053,370</u>	<u>(512,324)</u>	<u>6,780,042</u>	<u>(740,688)</u>
Noncash capital, financing and investing activities:				
Accretion expenses	\$ -	990,084	-	-
Capital asset contributions (to) from other funds	-	69,103	-	-
Loss on disposal of capital assets	(160,651)	-	-	-
Total	<u>\$ (160,651)</u>	<u>1,059,187</u>	<u>-</u>	<u>-</u>

See accompanying notes to the basic financial statements

Sanitary Fund	Nonmajor City Golf	Totals	
		2017	2016
11,804,084	432,100	78,185,607	78,164,426
(2,000,211)	-	(14,593,146)	(12,950,572)
<u>(8,360,725)</u>	<u>(986,005)</u>	<u>(52,122,818)</u>	<u>(53,871,884)</u>
1,443,148	(553,905)	11,469,643	11,341,970
-	-	28,423,129	26,999,821
-	-	-	(1,691,976)
529,613	601,864	12,389,551	5,053,915
<u>(6,485,381)</u>	<u>-</u>	<u>(7,743,184)</u>	<u>(5,671,425)</u>
(5,955,768)	601,864	33,069,496	24,690,335
-	-	17,393	1,514,750
(2,401,408)	-	(8,180,362)	(8,871,620)
-	-	(7,225,000)	(4,345,093)
<u>-</u>	<u>(47,959)</u>	<u>(23,118,255)</u>	<u>(18,256,635)</u>
(2,401,408)	(47,959)	(38,506,224)	(29,958,598)
93,922	-	699,932	790,517
93,922	-	699,932	790,517
(6,820,106)	-	6,732,847	6,864,224
16,674,957	-	112,007,548	105,143,324
<u>9,854,851</u>	<u>-</u>	<u>118,740,395</u>	<u>112,007,548</u>
(906,433)	(1,027,133)	(12,776,470)	(9,235,560)
1,223,404	474,457	20,708,540	20,302,460
(132,977)	-	1,621,432	2,107,626
261,708	-	(1,769,836)	605,316
-	-	404	(24,052)
-	-	232,635	(163,852)
226	-	(4,859)	(2,702)
(420,659)	-	(3,471,728)	(169,467)
1,003,108	(1,229)	2,777,809	(1,718,624)
-	-	12,474	44,410
-	-	121,926	-
-	-	(311,494)	(214,051)
-	-	863,000	699,350
-	-	42,816	25,138
480,244	-	3,964,983	859,318
<u>(65,473)</u>	<u>-</u>	<u>(541,989)</u>	<u>(1,773,340)</u>
2,349,581	473,228	24,246,113	20,577,530
<u>1,443,148</u>	<u>(553,905)</u>	<u>11,469,643</u>	<u>11,341,970</u>
-	-	990,084	921,101
-	-	69,103	6,263,239
-	-	(160,651)	6,353
<u>-</u>	<u>-</u>	<u>898,536</u>	<u>7,190,693</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>	<u>Successor Agency to the Victorville RDA</u>
Assets:		
Cash and investments (note 2)	\$ 3,662,783	2,754,120
Restricted assets:		
Cash with fiscal agent (note 2)	1,682,050	1,795,524
Accounts receivable, net	4,358	-
Due from other governments (note 9)	-	10,355,181
Land held for resale (note 5)	-	13,401,848
Total assets	<u>\$ 5,349,191</u>	<u>28,306,673</u>
Liabilities:		
Accounts payable	\$ 12,722	410,014
Interest payable	-	164,154
Deposits payable	5,336,469	-
Due to other governments (note 3)	-	10,387,607
Current portion of long-term liabilities:		
Bonds payable (note 9)	-	1,225,000
Long-term liabilities:		
Bonds payable (note 9)	-	34,935,000
Total long-term liabilities	<u>-</u>	<u>34,935,000</u>
Total liabilities	<u>\$ 5,349,191</u>	<u>47,121,775</u>
Net Position:		
Held in trust for other taxing entities		<u>(18,815,102)</u>
Total net position		<u>\$ (18,815,102)</u>

CITY OF VICTORVILLE
Statement of Changes in Fiduciary Net Position
Successor Agency to the Victorville RDA
Year ended June 30, 2017
(with comparative totals for year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Additions:		
RPTTF distributions	\$ 6,251,886	6,190,465
Investment income	90,812	305,330
Other	-	28,252
Total additions	<u>6,342,698</u>	<u>6,524,047</u>
Deductions:		
Current:		
Community development	10,618,072	817,381
Debt service:		
Interest	2,170,031	2,125,153
Loss on sale of capital assets	-	195,693
Transfers to the City of Victorville	-	17,291,179
Total deductions	<u>12,788,103</u>	<u>20,429,406</u>
Change in net position	(6,445,405)	(13,905,359)
Net position at beginning of year	<u>(12,369,697)</u>	<u>1,535,662</u>
Net position at end of year	<u>\$ (18,815,102)</u>	<u>(12,369,697)</u>

See accompanying notes to the basic financial statements

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(1) Summary of Significant Accounting Policies

The financial statements of the City of Victorville, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

(a) Reporting Entity

The City of Victorville is situated approximately 97 miles northeast of Los Angeles in Southern California's Mojave Desert. The City was incorporated in 1962 and had an estimated population at June 30, 2017 of 126,602.

On July 26, 2008 the City became a charter City that operates under the Council-Manager form of government, with five elected Council members served by a full time City Manager and staff. At June 30, 2017, the City's staff comprised of 342 full and 97 part time employees who were responsible for the City-provided services.

The accounting policies of the City conform to accounting principles generally accepted in the United States as applicable to governments.

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

Based upon the above criteria, the component units of the City include the Southern California Logistics Airport Authority, Victorville Water District and Regional Center of Victorville Development Inc. (RCVD).

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

(a) Reporting Entity, (Continued)

Since City Council serves as the governing board for the Southern California Logistics Airport Authority, and Victorville Water District the component units are considered to be blended component units. Regional Center of Victorville Development, Inc. (RCVD), a nonprofit corporation is also considered to be blended component unit. RCVD is governed by Board of Directors appointed by the City Council. Key personnel of the City serve in the board of directors of the RCVD. Currently, RCVD staff is in the process of dissolving the non-profit.

Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. The Southern California Logistics Airport Authority, and the Victorville Water District issue separate component unit financial statements. Upon completion, the financial statements of these component units can be obtained at the City of Victorville, located at 14343 Civic Drive, Victorville, CA 92392. A brief description of the component units follows:

Southern California Logistics Airport Authority

The Southern California Logistics Airport Authority (SCLAA) is a joint powers authority (JPA) formed in 1997 between the City of Victorville and the former Redevelopment Agency of Victorville to provide for the coordination of long range planning of the territory of George Air Force Base. In 2012 the Victorville Water District was added as a member of the JPA. SCLAA's financial data and transactions are included as an enterprise fund of the City. SCLAA prepares a budget in sufficient detail to constitute an operating outline for the source and amount of funds available to SCLAA and expenditures to be made during the ensuing fiscal year. SCLAA revenues consist primarily of grants and loans received by SCLAA and from profits, income, sales proceeds, interest earnings from leases and land sales, and tax increment revenues passed through from the Victor Valley Economic Development Authority (VVEDA).

Victorville Water District

On August 15, 2007, the Victor Valley Water District and the Baldy Mesa Water District were approved to be consolidated into a subsidiary district of the City of Victorville (City), known as the Victorville Water District (District, per Resolution No. 2977 of the Executive Officer of the Local Agency formation Commission (LAFCO) of San Bernardino County, which adopted a change of organization without election. All of the liabilities including debt obligations of the Victor Valley Water District and the Baldy Mesa Water District were assumed by this subsidiary district and the City effective July 1, 2007 upon consolidation.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

(a) Reporting Entity, (Continued)

Victorville Water District, (Continued)

Upon consolidation July 1, 2007 of the two districts the City consolidated the operations and activities of its Water Department and Water Funds into the district to serve all of the water customers of the City of Victorville under this District. The basic operations of the District are financed by user charges plus capital contributions to finance growth of the water delivery system. The District is governed by a five-member Board of Directors (City Council), each holding staggered four-year terms. The District is being treated as a blended component unit in the City of Victorville's financial statements for the year ended June 30, 2017.

On December 21, 2011, Local Agency Formation Commission approved Resolution No. 3154 that ordered the change of organization for the Victorville Water District. The Commission approved the activation of sewer function and services within the boundaries of the Victorville Water District and determined, pursuant to Government Code Section 56824.14 that the service will be repaid for its costs in operating the SCLA Industrial Waste Water Treatment Plant and that the mechanism for repayment of the funds expended in the construction and development of the facility will be returned to the district.

Assessment District No. 2R was established to provide financing for construction and improvement of the water system. In 1987, the Victorville County Water District 1911 Act Improvement Bonds were issued. On June 27, 1989, the Baldy Mesa Water District issued \$8,292,572 in Refunding Improvement Bonds, Series 1989, Assessment District No. 2R. The District provides administrative duties such as placing assessments on the County tax rolls and submitting payments to the trustee for the assessment bond holders. Accordingly, the accounts and transactions of Assessment District No. 2R have been reported as a fiduciary fund of the City.

Regional Center of Victorville Development, Inc.

The Regional Center of Victorville Development (RCVD), Inc. is a non-profit corporation created for the purpose of promoting social welfare by providing advisory and administrative services associated with fundraising investments in the Victorville Regional Center. Since September 2011, the RCVD has not had any activities. Fundraising opportunities and loans have ceased since the elimination of the Victorville Regional Center. Currently, RCVD staff is preparing for the dissolution of the non-profit.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

The *basic financial statements* of the City are composed of the following:

- * Government-wide financial statements
- * Fund financial statements
- * Notes to the basic financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discreetly presented component units. The City of Victorville has no discreetly presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

(b) Basis of Accounting and Measurement Focus

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Taxes and other items not included among program revenues are reported instead as *general revenues*.

As a general rule the effect of interfund activity has been eliminated from the amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

Fund Financial Statements

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

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses a ninety day availability period. The City accrues the following revenue types: taxes, licenses, fines and forfeitures, and other miscellaneous revenues.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Governmental Fund Balances

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not physically held in spendable form (such as inventory) or are legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, or creditors. City Council imposed restrictions do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

Committed Fund Balance – this includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (for example, resolution, ordinance, minutes action, etc.) that it employed to previously commit those amounts. If the Council action that limits the use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resultant fund balance is considered to be committed, not restricted. The City considers a resolution to constitute a formal action of the City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are intended to be used for specific purposes as indicated either by the Council or by persons to whom has delegated the authority to assign amounts for specific purposes. The City Council has not delegated such authority as of the date of this report.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Proprietary and Fiduciary Funds

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

All revenues and expenses not meeting this definition are reported as nonoperating expenses. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenue and expenses. Agency funds are accounted for on the accrual basis of accounting. The private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting.

(c) Major Funds and Fiduciary Fund Types

The City reports the following major governmental funds:

General Fund – The chief operating fund of a local government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

Victorville Water District – The Victorville Water District is a subsidiary district of the City of Victorville that was created by LAFCO to account for the consolidated operation and maintenance of the City's Water Department, Baldy Mesa Water District, and Victor Valley Water District. This fund is supported by user charges and other fees. The City includes the Industrial Wastewater Treatment Plant asset within the scope of the Victorville Water District Fund because of its importance in providing reclaimed and recycled water for public and private uses. The Victorville Water District has imposed connection fees to finance the acquisition and replacement costs of this plant.

Southern California Logistics Airport Authority Fund (SCLAA) – Accounts for both operation and capital acquisition of the activities surrounding the airport. The former George Air Force Base now known as Southern California Logistics Airport Authority is a joint powers authority formed by the City of Victorville and the Victorville Redevelopment Agency. In 2012, the Victorville Water District was added as a member of the JPA, shortly thereafter, the Victorville Redevelopment Agency was removed as a result of the dissolution of all Redevelopment Agencies. The authority was created to effectuate the redevelopment of the former base and certain properties within an eight mile radius of the boundaries of the airport. The airport funding sources comprised of federal grants, charges for services, and tax increment revenues passed through from the Victor Valley Economic Development Authority (VVEDA).

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

Municipal Utility Fund – Accounts for the operation, maintenance, and capital expenditures of the City's municipal utility, which is funded by user charges, other fees and loans.

Solid Waste Management – Accounts for activities in the following programs: Solid Waste Management, Source Reduction and Recycling, Landfill Mitigation, Household Hazardous Waste, and the California Department of Conservation Grants.

Sanitary Fund – The City has defined the Sanitary Fund to account for the collection of sewage from the point of origin to be conveyed to the point of treatment or disposal. This fund includes infrastructure of pipes, pumps, and channels to collect and convey sewage to treatment or disposal. The fund provides for collection of revenues from customers and provides payment for maintenance of infrastructure and payment of contractors for disposal. Revenue received is comprised of sewer user fees and connection fees.

Additionally, the City reports the following fiduciary fund types:

Agency Funds – Fiduciary fund used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Trust Funds – Used to account for the activities of the Redevelopment Obligation Retirement Funds, and other Successor Agency funds, which accumulates resources for obligations previously incurred by the former Victorville Redevelopment Agency.

(d) Cash and Investments

Cash includes demand deposits. The California Government Code and the City of Victorville's investment policy permit the City of Victorville to invest in various instruments and pools. Investments are reported in the accompanying balance sheet at fair value, except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, any gains or losses realized upon the liquidation or sale of investments and rental income.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

(e) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City of Victorville, and the cash recorded in the proprietary funds held by a fiscal agent.

(f) Due from Other Governments

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, and motor vehicle in-lieu taxes, collected or provided by Federal, State, County and City Governments and unremitted to the City as of June 30, 2017.

(g) Inventory and Prepaid Items

Inventories are valued on the average cost method. Inventory in the General Fund consists of office supplies, hardware supplies, fuel and oil. The City uses the consumption method of accounting for inventories.

Inventory in the proprietary funds consist primarily of water meters, pipe and pipe fittings for construction and repair. Materials and supplies items in the proprietary funds are valued at cost using the weighted average method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide fund and proprietary financial statements.

(h) Land Held for Resale

Land held for resale consists of property intended to be sold or contributed to other parties. Land held for resale is valued at the lower of cost or realizable value once that value becomes determinable by entering into a contract for sale.

(i) Capital Assets

Capital assets (including infrastructure) greater than \$5,000 are capitalized and recorded at cost or at the estimated fair value of the assets at the time of acquisition where complete historical records have not been maintained.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

(i) Capital Assets, (Continued)

Donated capital assets are valued at their estimated acquisition value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets include public domain ("infrastructure") capital assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

City construction of capital assets that are to be owned by other parties are accounted for as construction in progress during the construction phase of asset acquisition. Upon completion of the construction of the asset, the City records a contribution of the asset to the party identified as the owner of the asset at that time.

Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements and in the fund financial statements of the proprietary funds.

A summary of the estimated useful lives of capital assets is as follows:

Buildings and Improvements	10-50 years
Furniture and Equipment	5-10 years
Computer and Communications	5 years
Vehicles	5-10 years
Infrastructure	20-80 years
Water Rights	10-25 years
Other Intangible Assets	5-25 years

(j) Compensated Absences

In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

(j) Compensated Absences, (Continued)

Compensated absences (unpaid vacation and sick leave) are recorded as expenditures in the year they are paid. The balance of unpaid vacation and vested sick leave at year end is recorded as a long-term liability in the government-wide financial statements, as these amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

(k) Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss can be reasonably estimated. Accordingly, such claims are recorded as liabilities in the governmental and proprietary funds.

(l) Bond Discounts/Issuance Costs

For the government fund financial statements, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources. Issuance costs, whether or not withheld from actual net proceeds received, are reported as current expenditures.

For government-wide financial statements and proprietary fund financial statements, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Debt issuance costs other than prepaid insurance are expensed when incurred.

(m) Property Taxes

Property taxes attach as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Bernardino, California bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when levied to the extent that they result in current receivables within 90 days.

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market rate (at time of purchase) and can increase the property tax rate no more than 2% per year. As the City of Victorville did not receive property taxes during the period of 1976-1978, the City negotiated its relative 1% share of taxes.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

(n) Estimates

The presentation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(o) Loans Receivable

The accompanying financial statements reflect the recording of certain loans receivable that represent loans made to private developers and other parties. In certain cases, the amount of collection is dependent upon future residual receipts to be generated by the property or contingent upon the ability of the owner to sell the property at an amount sufficient to pay all liens against the property, including the obligation to the City. An estimate of the loss (if any) associated with non-repayment cannot be reasonably estimated at this time.

(p) Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets

This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position

This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position

This amount is the remaining net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

(q) Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and balance sheet will report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, are not recognized as an expense or expenditure until that time. The government has three items that qualify for reporting in this category. Deferred outflows – pension contribution and deferred outflows – actuarial relate to the net pension liability. Deferred charge on refunding is the difference between the reacquisition price and net carrying amount of refunded debt and is deferred and amortized over a period time.

When applicable, the statement of net position and the balance sheet will report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. One of these items arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue related to items received outside the City's availability period of 90 days. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, deferred inflows – actuarial, relate to the net pension liability.

(r) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived. In addition, certain minor reclassifications of the prior year data have been made to enhance their comparability to the current year.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

(s) Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	June 30, 2015 to June 30, 2016

(t) Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within the Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
 - Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other items.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(1) Summary of Significant Accounting Policies, (Continued)

(t) Fair Value Measurements, (Continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurements. These unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

(2) Cash and Investments

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$	129,336,806
Cash with fiscal agents		27,057,686

Fiduciary funds:

Cash and investments		6,416,903
Cash with fiscal agents		3,477,574
Total cash and investments	\$	<u>166,288,969</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$	9,695
Deposits with financial institutions		32,304,143
Investments		<u>133,975,131</u>
Total cash and investments	\$	<u>166,288,969</u>

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table on the following page identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(2) Cash and Investments, (Continued)

<u>Investment Types Authorized by State Law</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer*</u>
Local Agency Bonds	Yes	5 years	70%	None
U.S. Treasury Obligations	Yes	5 years	70%	None
U.S. Agency Securities	Yes	5 years	75%	None
Banker's Acceptances	No	180 days	30%	5%
Commercial Paper	No	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	5%
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	5 years	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	180 - 270 days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	30 days	None	None
Investment Contracts	None	None	None
Federal Housing Admin Debentures	None	None	None
Certificates of Deposits	30 days	None	None
State Obligations	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Pre-refunded Municipal Obligations	None	None	None

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(2)	Cash and Investments, (Continued)
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Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
State Investment Pool	\$102,992,970	N/A	-	102,992,970
Certificates of Deposit	759,300	N/A	-	759,300
Held by bond trustee:				
Guaranteed Investment				
Contract (GIC)	816,500	N/A	-	816,500
Certificates of Deposit	200,000	N/A	-	200,000
Money market funds	<u>29,206,361</u>	Multiple*	<u>29,206,361</u>	<u>-</u>
Total	<u>\$133,975,131</u>		<u>29,206,361</u>	<u>104,768,770</u>

* - The City's GIC is with Financial Security Assurance (FSA). The contract required FSA to deposit cash, governmental securities, or governmental bonds as collateral with Bank of New York, at a value of at least 100%, 104%, or 105%, respectfully, of the investment balance. The termination of the investment contract and release of collateral would occur in the event of default by FSA. As of June 30, 2017, FSA was not in default and the value of the collateral met the requirements.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(2)	Cash and Investments, (Continued)
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Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
State Investment Pool	\$ 102,992,970	N/A	-	102,992,970
Certificates of Deposit	759,300	N/A	-	759,300
Held by bond trustee:				
Guaranteed Investment				
Contract (GIC)	816,500	N/A	-	816,500
Certificates of Deposit	200,000	N/A	-	993,000
Money market funds	29,206,361	Multiple*	31,114,769	-
Total	\$ 133,975,131		31,114,769	105,561,770

* - Must receive highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years of experience investing in money market instruments with assets under management in excess of \$500 million.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(2) Cash and Investments, (Continued)

Custodial Credit Risk, (Continued)

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2017, \$32,304,143 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

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

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(3) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2017 is as follows:

Due to/from other funds:

Fund Reporting Receivable	Fund Reporting Payable	Amount
SCLAA	Nonmajor gov't funds	\$ 18,609 a)
Sanitary Fund	Nonmajor gov't funds	1,873,146 a)
Sanitary Fund	Nonmajor gov't funds	310,971 a)
	Total	\$ 2,202,726

Advances to/from other funds:

Fund Reporting Receivable	Fund Reporting Payable	Amount
Nonmajor Gov't Funds	Nonmajor Gov't Funds	\$ 1,164,092 b)
Nonmajor Gov't Funds	SCLAA	1,755,953 c)
SCLAA	Nonmajor Gov't Funds	1,923,175 d)
Sanitary Fund	City Golf Fund	6,485,381 e)
	Total	\$ 11,328,601

Generally, the above balances result from:

- a) These represent short term borrowings to cover negative cash balances due to federal grant funds that must be paid out before reimbursement is received. It is anticipated these funds will come in from reimbursements received in FY 17-18.
- b) Per a loan agreement approved on November 15, 2011 and renewed on August 9, 2016, the Storm Drain Utility Fund advanced to the Capital Impact Facilities Fund – Public Buildings \$1,200,000 for the City Hall Expansion Project. The advance has a term ending July 1, 2021, with the annualized Local Agency Investment Fund (“LAIF”) rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2016 is \$1,164,092.
- c) Per a loan agreement approved on October 20, 2009 by the Board of the Victorville RDA, a \$1,700,000 advance was made from the Low and Moderate Housing Fund to the SCLAA. The advance is to be used for SCLAA redevelopment activities. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund (“LAIF”) rate of return, as the interest rate. In accordance with the Housing Asset Transfer report approved by the California Department of finance this loan was transferred to the City Housing Asset Successor Agency fund. The outstanding balance of the advance as of June 30, 2017 is \$1,755,951.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(3)	Interfund Receivables, Payables and Transfers, (Continued)
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- d) Per a loan agreement signed on September 21, 2010, by the board of the SCLAA, a \$1,895,000 advance was made from the SCLAA to the Capital Impact Facilities Fund. The advance is to be used for the purchase of land. The advance has a term of repayment to automatically renew the loan until there are sufficient funds to repay. The advance has an annualized Local Agency Investment Fund (“LAIF”) rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2017 is \$1,923,175.

- e) A loan agreement was signed on November 15, 2011 and renewed on August 8, 2016 by the City Council for a \$6,335,780 advance from the Sanitary Fund to the Golf Course Fund. The advance is due to negative cash balances in the Golf Course Fund which had accumulated over several years of expenses exceeding revenues. The advance has a term ending June 30, 2026, with the annualized Local Agency Investment Fund (“LAIF”) rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2017 is \$6,485,381.

Transfers in/out:

Transfer in	Transfer out	Amount
General Fund	Nonmajor Gov't Funds	\$ 221,532 a
Nonmajor Proprietary Funds	General Fund	553,905 b
Nonmajor Gov't Funds	Nonmajor Gov't Funds	24,370 c
		\$ 799,807

- a) The transfer of \$221,532 from the Traffic Safety fund to the General Fund was to support engineering functions of traffic safety.

- b) The transfer of \$553,905 from the General Fund to the Golf Course Fund consisted of a transfer to balance budgeted expenditures.

- c) The transfer of \$24,370 from the Measure I fund to the Federal Grants Fund was to correct allocated grant expenditures initially recorded in duplicate.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(4) Capital Assets

Governmental activities

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance at 7/1/2016	Additions	Deletions	Transfers	Balance at 6/30/2017
Non-depreciable assets:					
Land	\$ 52,048,333	-	-	-	52,048,333
Right of way	180,001,603	-	-	-	180,001,603
Construction in progress	5,355,870	8,173,869	(289,153)	(69,102)	13,171,484
Total non-depreciable assets	237,405,806	8,173,869	(289,153)	(69,102)	245,221,420
Depreciable assets:					
Buildings and improvements	71,322,009	293,717	(278,275)	-	71,337,451
Furniture and equipment	14,021,009	654,675	(606,707)	(208,509)	13,860,468
Computer and communications	3,590,893	298,997	(12,911)	-	3,876,979
Land Improvements	14,775,383	-	-	-	14,775,383
Vehicles	3,665,357	156,921	(163,161)	(58,238)	3,600,879
Infrastructure	510,354,696	3,283,316	(228,723)	-	513,409,289
Intangible assets:					
Computer Software	1,386,868	1,589	-	-	1,388,457
Right-of-way easements	10,000	-	-	-	10,000
Total depreciable assets	619,126,215	4,689,215	(1,289,777)	(266,747)	622,258,906
Less accumulated depreciable:					
Buildings and improvements	(26,545,007)	(1,896,802)	278,275	-	(28,163,534)
Furniture and equipment	(11,768,790)	(414,255)	606,707	208,509	(11,367,829)
Computer and communications	(3,015,261)	(152,913)	12,911	-	(3,155,263)
Land Improvements	(1,532,525)	(1,491,348)	-	-	(3,023,873)
Vehicles	(3,119,392)	(75,339)	163,161	58,238	(2,973,332)
Infrastructure	(329,995,618)	(14,154,459)	228,723	-	(343,921,354)
Intangible assets:					
Computer Software	(1,239,832)	(35,642)	-	-	(1,275,474)
Right-of-way easements	(10,000)	-	-	-	(10,000)
Total accumulated depreciation	(377,226,425)	(18,220,758)	1,289,777	266,747	(393,890,659)
Total depreciable assets, net	241,899,790	(13,531,543)	-	-	228,368,247
Capital assets, net	\$ 479,305,596	(5,357,674)	(289,153)	(69,102)	473,589,667

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(4) Capital Assets, (Continued)

Depreciation expense was charged in the following functions in the Statement of Activities:

General government	\$ 7,979,117
Public safety	362,206
Community development	11,937
Public works	8,295,900
Parks and recreation	<u>1,571,598</u>
Total	<u>\$ 18,220,758</u>

Business-type activities

The following is a summary of capital assets for enterprise funds at June 30, 2017:

	Balance at 7/1/2016	Additions	Deletions	Transfers	Balance at 6/30/2017
Non-depreciable assets:					
Land and easements	\$ 32,914,206	-	-	-	32,914,206
Intangibles – service credit	12,678,475	-	-	-	12,678,475
Water rights	4,012,977	-	-	-	4,012,977
Idle assets	3,017,958	-	-	-	3,017,958
Construction in progress	<u>8,345,326</u>	<u>1,286,410</u>	<u>(6,560,198)</u>	<u>69,102</u>	<u>3,140,640</u>
Total non-depreciable assets	<u>60,968,942</u>	<u>1,286,410</u>	<u>(6,560,198)</u>	<u>69,102</u>	<u>55,764,256</u>
Depreciable assets:					
Buildings and improvements	227,677,385	4,085,040	-	-	231,762,425
Furniture and equipment	48,072,028	1,426,808	(508,532)	208,509	49,198,813
Computer and communication	1,137,996	210,618	-	-	1,348,614
Vehicles	4,673,677	206,614	(99,187)	73,882	4,854,986
Infrastructure	345,867,050	5,549,700	-	-	351,416,750
Intangibles	3,411,593	1,975,523	(33,700)	-	5,353,416
Land improvements	<u>664,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>664,831</u>
Total depreciable assets	<u>631,504,560</u>	<u>13,454,303</u>	<u>(641,419)</u>	<u>282,391</u>	<u>644,599,835</u>
Less accumulated depreciation:					
Buildings and improvements	(104,894,573)	(5,868,377)	-	-	(110,762,950)
Furniture and equipment	(28,355,274)	(4,089,056)	438,176	(208,509)	(32,214,663)
Computer and communication	(1,006,806)	(105,429)	-	-	(1,112,235)
Vehicles	(3,490,090)	(211,600)	99,187	(73,882)	(3,676,385)
Infrastructure	(137,277,186)	(9,789,471)	-	-	(147,066,657)
Intangibles	(2,213,608)	(577,501)	33,700	-	(2,757,409)
Land improvements	<u>(240,545)</u>	<u>(67,106)</u>	<u>-</u>	<u>-</u>	<u>(307,651)</u>
Total accumulated depreciation	<u>(277,478,082)</u>	<u>(20,708,540)</u>	<u>571,063</u>	<u>(282,391)</u>	<u>(297,897,950)</u>
Total depreciable assets, net	<u>354,026,478</u>	<u>(7,254,237)</u>	<u>(70,356)</u>	<u>-</u>	<u>346,701,885</u>
Capital assets, net	<u>\$ 414,995,420</u>	<u>(5,967,827)</u>	<u>(6,630,554)</u>	<u>69,102</u>	<u>402,466,141</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(4) Capital Assets, (Continued)

Depreciation expense was charged in the following programs of the primary government:

Water	\$ 9,893,980
Airport	7,409,060
Municipal utility	1,488,283
Solid waste management	219,356
Sanitary	1,223,404
Golf course	474,457
Total	<u>\$ 20,708,540</u>

(5) Land Held for Resale

As of June 30, 2017, the Successor Agency to the Victorville Redevelopment Agency (RDA) and the City Housing Asset Successor Agency had acquired and developed parcels of land in the Bear Valley and Old Town/Midtown project areas. These parcels were purchased for the purpose of providing incentives to developers in order to construct future commercial projects on the property, and are recorded as land held for resale at the recorded amounts of \$13,401,848 and \$8,470,041, respectively.

(6) Long-Term Notes Receivable

Affordable Housing Loans Receivable

The City has entered into agreements with developers to establish various affordable housing project loans, as described below:

Pacific West Communities

In February 2010, the former RDA entered into an affordable housing loan agreement with Pacific West Communities to develop a housing project. The note accrues interest at 3% annual and repayments are based on earning of the housing facility. The excepted payoff date is February 17, 2050. At June 30, 2017, the City Housing Asset Successor Agency has recorded outstanding loan receivable balance of \$4,643,020.

Southern California Housing Development Corporation

In December 2001, the former RDA entered into an affordable housing loan agreement with Southern California Housing Development Corporation to develop the Impressions at Valley Center housing project. The note accrues interest at 3% annual and repayments are based on earning of the housing facility. The excepted payoff date is December 20, 2041. At June 30, 2017, the City Housing Asset Successor Agency has recorded outstanding loan receivable balance of \$1,009,613.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(6) Long-Term Notes Receivable, (Continued)

In December 2005, the former RDA entered into an affordable housing loan agreement with Southern California Housing Development Corporation to develop the Northgate Apartments housing project. The note accrues interest at 3% annual and repayments are based on earning of the housing facility. The excepted payoff date is December 15, 2045. At June 30, 2017, the City Housing Asset Successor Agency has recorded outstanding loan receivable balance of \$4,312,545.

In December 2001, the HUD Grants Fund entered into an affordable housing loan agreement with Southern California Housing Development Corporation to develop the Amcal Hillcrest Court housing project. The note accrues interest at 3% annual and repayments are based on earning of the housing facility. The excepted payoff date is December 20, 2041. At June 30, 2017, the HUD Grants Fund has recorded outstanding loan receivable balance of \$677,726.

Housing Assistance Grants

In conjunction with the City's Mortgage Assistance Program, the City provides loans up to \$55,000 to low income first time homebuyers. The loans act as down payment assistance and are deferred for up to 30 years as long as the eligible buyer occupies the property as its principal residence and is not in default under the affordability covenants and resale restrictions. The loans accrue simple interest at 3% per year. At June 30, 2017, the City Housing Asset Successor Agency has recorded outstanding loan receivable balance of \$336,699.

(7) Governmental Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance at 7/1/2016	Additions	Retirements	Balance at 6/30/2017	Due Within One year
Compensated Absences	\$ 3,355,925	2,152,332	(2,113,224)	3,395,033	1,573,821
Claims Payable	1,145,020	456,864	(238,249)	1,363,635	300,000
Pollution Remediation Obligation	1,532,321	-	(119,258)	1,413,063	460,677
Totals	<u>\$ 6,033,266</u>	<u>2,609,196</u>	<u>(2,470,731)</u>	<u>6,171,731</u>	<u>2,334,498</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$3,395,033 at June 30, 2017 will be paid in future years from future resources, generally liquidated by the General Fund.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(7) Governmental Long-Term Liabilities, (Continued)

Pollution Remediation

In February 2007, the City acquired a property that was previously used as a dry-cleaning facility. In May 2010, the United States Environmental Protection Agency (“US EPA”) issued the Unilateral Administrative Order for the performance of a removal action to City and the prior owner, due to the presence of tetrachloroethylene (“PCE” aka dry cleaning solvent) contamination on site.

The UAO ordered the City to conduct the necessary environmental investigation related to the presence of PCE on the property and thereafter conduct the remediation necessary to remediate the soil and groundwater contamination found. The United States EPA has taken action against the City and the prior owner pursuant to its authority under CERCLA section 104, and in response to the UAO, City has undertaken the damages that the EPA has the right to assess for failure to comply an EPA order.

The investigation was conducted under the supervision and guidance of the US EPA. In June 2011, the US EPA issues a “Notice of Completion” letter related to soil contamination at the Site.

The City has drafted a Project Execution Plan (PEP) for the remedial efforts of groundwater contamination. Based upon ground water monitoring reports, the PEP estimates that the total project costs associated with the groundwater contamination remediation to be \$1,413,063, and the duration of the efforts to be 2 years. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. As of June 30, 2017, the City has recorded a Pollution Remediation liability of \$1,413,063.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance at 7/1/2016	Additions	Retirements	Balance at 6/30/2017	Due Within One Year
Compensated Absences	\$ 522,849	527,631	(484,815)	565,665	374,950
Claims Payable	1,027,500	-	-	1,027,500	1,027,500
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	19,345,000	-	(945,000)	18,400,000	985,000
2006 Tax Allocation Bonds (Non-Housing)	53,160,000	-	(980,000)	52,180,000	1,020,000
2006 Tax Allocation Bonds (Housing)	14,280,000	-	(265,000)	14,015,000	275,000
2006 Tax Allocation Parity Bonds	42,195,000	-	(120,000)	42,075,000	125,000
2006 Tax Allocation Revenue Parity Bonds	32,205,000	-	(445,000)	31,760,000	480,000
2006 Tax Allocation Revenue Bonds	58,520,000	-	(845,000)	57,675,000	900,000
2007 Tax Allocation Bonds (Housing)	36,600,000	-	(585,000)	36,015,000	620,000
2007 Tax Allocation Bonds (Non-Housing) *	39,700,000	-	-	39,700,000	39,700,000
2008 Tax Allocation Bonds *	18,930,561	990,084	-	19,920,645	19,920,645
Tax Allocation Bonds Subtotal	<u>314,935,561</u>	<u>990,084</u>	<u>(4,185,000)</u>	<u>311,740,645</u>	<u>64,025,645</u>
Lease Revenue Bonds:					
2007A Variable Rate Lease Revenue Bond	53,070,000	-	(1,145,000)	51,925,000	1,205,000
Revenue Refunding Bonds:					
2004 Refunding Bonds	945,000	-	(220,000)	725,000	230,000
Certificates of Participation (COP):					
1998 COPs	1,355,000	-	(1,355,000)	-	-
2006 COPs	10,680,000	-	(320,000)	10,360,000	335,000
COP Subtotal	<u>12,035,000</u>	<u>-</u>	<u>(1,675,000)</u>	<u>10,360,000</u>	<u>335,000</u>
Unamortized Discounts/Premiums	(2,572,055)	-	110,795	(2,461,260)	94,804
Total	<u>\$ 379,963,855</u>	<u>1,517,715</u>	<u>(7,599,020)</u>	<u>373,882,550</u>	<u>67,292,899</u>

* - Debt covenants required these bonds to be callable as a result of defaults. Callable bonds are required to be reported as current liabilities.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$565,665 at June 30, 2017, will be paid in future years from future resources, generally liquidated by the Victorville Water District, Victorville Municipal Utility and the Southern California Logistic Airport Authority.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities, (Continued)

Tax Allocation Bonds:

Tax Allocation Parity Bonds, Series 2005A

In June 2005, the Southern California Logistics Airport Authority issued \$42,185,000 principal amount of Tax Allocation Parity Bonds, Series 2005A. This debt was issued to finance certain public capital improvements benefiting the Southern California Logistics Airport.

On February 8, 2006, \$1.8 million of bond proceeds was invested in land for the construction of a new City library. Prior to this purchase (on November 3, 2005), the Board of Directors of the SCLAA adopted a resolution with the intent of entering into a loan agreement between the SCLAA and the City with respect to this land purchase. On September 21, 2010 City Council approved this loan agreement. Legal counsel for the City has indicated that approval by the bond insurer is not required for the investment of proceeds not held by the bond trustee.

Bonds maturing on December 1, 2010, December 1, 2016, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 in the amounts of \$2,765,000, \$3,365,000, \$5,140,000, \$6,335,000, \$7,870,000 and \$15,335,000 are term bonds. The outstanding bonds bear interest at 3.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2016 are subject to optional redemption in whole or in part by lot, without premium.

The bonds maturing on December 1, 2010, December 1, 2016, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2012, December 1, 2016, December 1, 2021, December 1, 2026, and December 1, 2031, respectively, from sinking fund payments made by SCLAA.

In the fiscal year ended June 30, 2006 these bonds were partially defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2005 (Non-Housing). The required reserve for the Bonds is \$1,797,890. As of June 30, 2017 the reserve amount was \$1,800,265. The Bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is \$18,400,000.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities, (Continued)

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing)

In June 2006, the Southern California Logistics Airport Authority issued \$62,780,000 principal amount of Tax Allocation Revenue Parity Bonds, Refunding Series 2006. The proceeds were used to refund the 2001 Tax Allocation Bonds, the 2003 Tax Allocation Bonds, and a portion of 2005 Tax Allocation Bonds. As a result, the 2001 and 2003 Tax Allocation Bonds are considered to be defeased, and the 2005 Tax Allocation Bonds are considered to be partially defeased. The respective liabilities have been removed from the statement of net position.

Bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 in the amounts of \$6,895,000, \$8,595,000, \$10,810,000 and \$20,335,000 are term bonds. The outstanding bonds bear interest at 4.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2016 are subject to optional redemption in whole or in part by lot without premium.

The bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2022, December 1, 2027, December 1, 2032 and December 1, 2037, respectively, from sinking fund payments made by SCLAA.

The required reserve for the bonds is \$3,519,300. As of June 30, 2017, the reserve amount was \$3,523,406. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is \$52,180,000.

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Housing Set-Aside)

In June 2006, the Southern California Logistics Airport Authority issued \$16,855,000 principal amount of Housing Set-Aside Revenue Bonds, Refunding Series 2006. The proceeds were used to refund all of the 2003 Tax Allocation Bonds and a portion of the 2005 Tax Allocation Parity Bonds. As a result the 2003 Tax Allocation Bond is considered to be defeased and the liability has been removed from the statement of net position.

Bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 in the amounts of \$1,855,000, \$2,305,000, \$2,905,000 and \$5,460,000 are term bonds. The outstanding bonds bear interest at 4.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2016 are subject to optional redemption in whole or in part by lot without premium.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities, (Continued)

Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Housing Set-Aside), (Continued)

The bonds maturing on December 1, 2026, December 1, 2031, December 1, 2036 and December 1, 2043 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2022, December 1, 2027, December 1, 2032 and December 1, 2037, respectively, from sinking fund payments made by SCLAA.

The required reserve for the bonds is \$945,975. As of June 30, 2017, the reserve amount was \$947,105. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is \$14,015,000.

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

In June 2006, the Southern California Logistics Airport Authority issued \$45,020,000 principal amount of Tax Allocation Revenue Parity Bonds, Taxable Series 2006. The proceeds were used to finance certain redevelopment activities benefiting the Southern California Airport.

Bonds maturing on December 1, 2036, and December 1, 2043 in the amounts of \$20,080,000, and \$24,940,000 are term bonds. The outstanding bonds bear interest at 6.10% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds are subject to optional redemption in whole or in part by lot, subject to a premium.

The bonds maturing on December 1, 2036, December 1, 2043 are subject to mandatory redemption in part by pro rata, without premium, commencing December 1, 2006, December 1, 2037, respectively, from sinking fund payments made by SCLAA.

The required reserve for the bonds is \$4,441,744. As of June 30, 2017, the reserve amount was \$4,445,202. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is \$42,075,000.

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006

In November 2006, Southern California Logistics Airport Authority issued \$34,980,000 principal amount of Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006. The proceeds were used to finance and refinance certain redevelopment activities benefiting the Southern California Logistics Airport.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities, (Continued)

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006, (Continued)

The bonds mature from December 1, 2007 to December 1, 2043 in varying amounts. Principal is payable in annual installments ranging from \$50,000 to \$2,320,000, commencing December 1, 2007. The bonds accrue interest at rates between 6.25% and 6.30%. Interest on the bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2007.

The bonds are subject to optional and mandatory redemption prior to maturity.

The bonds are secured by pledged tax revenues. The required reserve for the Bonds is \$2,476,455. As of June 30, 2017, the reserve amount was \$2,479,345. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is \$31,760,000.

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

In November 2006, the Southern California Logistics Airport Authority issued \$64,165,000 principal amount of Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006. The proceeds were used to finance certain redevelopment activities benefiting the Southern California Logistics Airport.

The bonds mature from December 1, 2007 to December 1, 2043 in varying amounts. Principal is payable in annual installments ranging from \$395,000 to \$4,135,000, commencing December 1, 2007. The bonds accrue interest at 6.05%. Interest on the bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2007.

The bonds are subject to optional and mandatory redemption prior to maturity.

The bonds are secured by pledged tax revenues. The required reserve for the bonds is \$4,389,930. As of June 30, 2017, the reserve amount was \$4,394,836. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is \$57,675,000.

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

In March 2007, the Southern California Logistics Airport Authority issued \$41,460,000 principal amount of Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007. The proceeds were used to finance certain low and moderate income housing programs of the Authority. On July 7, 2009, \$20,000,000 of bond proceeds were invested in a loan to the Victorville Water District. Legal counsel for the City has indicated that approval by the bond insurer is not required for the investment of proceeds not held by the bond trustee. In February 2013 the this loan was repaid in full.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities, (Continued)

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007, (Continued)

Bonds maturing on December 1, 2012, December 1, 2017, December 1, 2022, December 1, 2027, and December 1, 2043 in the amounts of \$3,265,000, \$2,800,000, \$3,620,000, \$4,685,000 and \$27,090,000 are term bonds. The outstanding bonds bear interest at 5.00%, 5.20%, 5.25%, 5.40% and 5.55% due June 1 and December 1 of each year.

The bonds are subject to optional redemption in whole or in part by lot, without premium.

The required reserve for the Bonds is \$1,301,205. As of June 30, 2017, the reserve amount consisting of fiscal agent cash and an insurance policy was \$1,302,723. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is \$36,015,000.

Subordinate Tax Allocation Revenue Bonds, Series 2007

In December 2007, the Southern California Logistics Airport Authority issued \$42,000,000 principal amount Subordinate Tax Allocation Revenue Bonds, Series 2007. The proceeds were used to finance certain redevelopment activities benefiting the Southern California Logistics Airport.

Bonds maturing on December 1, 2008, December 1, 2009, December 1, 2012, December 1, 2017, December 1, 2022, December 1, 2027, December 1, 2032, December 1, 2032, December 1, 2037, December 1 2037, December 1, 2037, December 1, 2043 and December 1, 2043 in the amounts of \$480,000, \$425,000, \$1,395,000, \$2,805,000, \$3,640,000, \$4,745,000, \$3,000,000, \$3,275,000, \$3,325,000, \$3,800,000, \$1,250,000, \$9,210,000 and \$4,650,000 are term bonds. The outstanding bonds bear interest at 4.000%, 4.200%, 4.375%, 5.250%, 5.375%, 5.600%, 5.900%, 6.000%, 5.900%, 6.000%, 6.100%, 5.900% and 6.150% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity at the option of the Authority, on or after December 1, 2017, in whole or in part by lot, without premium.

The bonds maturing on the dates described above are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2010, December 1, 2013, December 1, 2018, December 1, 2023, December 1, 2028, December 1, 2028, December 1, 2033, December 1, 2033, December 1, 2033, December 1, 2038, and December 1, 2038, respectively, from sinking fund payments made by SCLAA.

The required reserve for the Bonds is \$2,824,473. As of June 30, 2017, the reserve amount was \$374,986. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is \$39,700,000.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities, (Continued)

Subordinate Tax Allocation Revenue Bonds, Series 2008

In May 2008, the Southern California Logistics Airport Authority issued \$13,334,925 principal amount of Subordinate Tax Allocation Revenue Bonds, Series 2008A. The proceeds were used to finance certain redevelopment activities benefiting the Southern California Logistics Airport and to partially refund the \$35,000,000 principal amount of Subordinate Tax Allocation Revenue Notes, Series 2008.

Bonds maturing on December 1, 2010, December 1, 2013, December 1, 2018, December 1, 2023, December 1, 2033, December 1, 2038, and December 1, 2043 in the amounts of \$130,000, \$215,000, \$340,000, \$530,000, \$1,675,000, \$1,285,000, and \$1,720,000 are Current Interest Bonds. The outstanding bonds bear interest at 4.25%, 4.50%, 5.00%, 5.25%, 6.00%, 6.00% and 6.00% due June 1 and December 1 of each year.

Bonds maturing on December 1 of each year beginning 2044 through 2050 in the initial principal amounts of \$1,316,266, \$1,216,397, \$1,123,621, \$1,037,536, \$957,600, \$883,633, and \$814,910 are Capital Appreciation Bonds. The outstanding bonds bear yields to maturity of 7.300%, 7.320%, 7.340%, 7.360%, 7.380%, 7.400% and 7.420%. All of the bonds have a future maturity value of \$132,305,000 at June 30, 2016.

The current interest bonds are subject to redemption prior to maturity at the option of the Authority, on or after December 1, 2018, in whole or in part by lot, without premium. The Capital Appreciation Bonds are subject to optional redemption in whole or in part by lot, without premium.

The required reserve for the Bonds is \$1,333,492. As of June 30, 2017, the reserve amount was \$153,953. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is \$19,920,645 which includes an accretion balance of \$6,860,720.

Lease Revenue Bonds:

Variable Rate Lease Revenue Bonds, Series 2007A

In May 2007, the Victorville Joint Powers Financing Authority issued \$83,770,000 principal amount of Variable Rate Lease Revenue Bonds, Series 2007A. The bonds were issued to refund the 2005 Variable Rate Lease Revenue Bonds, Series A (\$41,000,000) and 2006 Variable Rate Lease Revenue Bonds, Series A (\$23,645,000). The proceeds were used to assist the City of Victorville in financing a cogeneration power plant and other related facilities. The bonds are subject to optional redemption in whole or in part by lot, without premium.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities, (Continued)

Variable Rate Lease Revenue Bonds, Series 2007A, (Continued)

The required reserve for the Bonds is \$5,872,900. As of June 30, 2017, the reserve amount was \$5,884,615. The bonds are a special obligation of the Victorville Joint Powers Financing Authority payable from revenues consisting primarily of base rental lease payments paid by the city and amount held in the funds and established under the indenture. The amount of bonds outstanding at June 30, 2017 is \$51,925,000.

Revenue Refunding Bonds:

2004 Project Revenue Bonds

In November 1994, the City entered into an installment purchase agreement to acquire a one-half undivided interest in the Victor Valley Materials Recovery Facility. The design and construction of the Facility was completed in October 1995 and was funded by the issuance of \$6,825,000 Project Revenue Bonds, Series 1994 through the Mojave Desert and Mountain Solid Waste Joint Powers Authority (Authority).

On May 1, 2004, the \$5,910,000 Project Revenue Refunding Bonds, Series 2004 were used to currently refund the 1994 bonds, which have no balance. The City is obligated to make monthly installment purchase payments to the Authority equal to the sum of (1) one-twelfth of the next principal payment and (2) one-sixth of the next interest payment. Interest on the installment purchase obligation ranges from 2.0% to 5.1% and total annual principal installments range from \$135,000 to \$252,500.

The City will pay to the Authority the installment payments solely from service revenues, which consist primarily of rates and charges imposed by the City for Solid Waste Management services.

Covenants within the installment purchase agreement require the City of Victorville to establish annual rates sufficient to pay operating expenses and debt service payments in such fiscal year. In addition, such rates shall be charged to produce net revenues equal to at least 125% of the debt service payments due and payable in such fiscal year. Since the beginning of the fiscal year on July 1, 2008 through June 30, 2017, the City was in compliance with the rate covenants.

The required reserve for the bonds is \$535,490. As of June 30, 2017, the reserve amount was \$535,591. The City of Victorville's 50% amount of bonds outstanding at June 30, 2017 is \$725,000.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities, (Continued)

Certificates of Participation:

1998 Certificates of Participation

In 1998, the City of Victorville's Baldy Mesa Water District issued 1998 Certificates of Participation in the amount \$2,850,000. The proceeds were used to finance public improvements within the Baldy Mesa Water District service area.

The Certificates of Participation had a stated interest rates ranging from 4.10% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2017 is \$0.

2006 Certificates of Participation

On March 1, 2006, the City of Victorville's Baldy Mesa Water District issued 2006 Certificates of Participation. The proceeds were used to finance public improvements within the Baldy Mesa Water District service area.

The Certificates of Participation had a stated interest rates ranging from 3.20% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2017 is \$10,360,000.

Rate Covenant

The 1998 and 2006 Certificates of Participation require that the Baldy Mesa Water District to generate sufficient net revenues which are at least equal to 110% of the amount of the installment payments and Parity Obligation coming due and payable in each fiscal year. The 1998 and 2006 Certificate of Participations were issued before Baldy Mesa and Victor Valley Water District were consolidated into Victorville Water District. The City performed the calculation that demonstrated compliance with rate covenant for the fiscal year ended June 30, 2017. The calculation was prepared using revenues and the proportionate expenses applicable to the Baldy Mesa Water District.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8)	Business-Type Long-Term Liabilities, (Continued)
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SCLAA Defaults on Bonded Debt

As of June 30, 2017, the Southern California Logistics Airport Authority (SCLAA) had accumulated outstanding defaults on principal and interest debt service payments for the following debt issues:

	Principal	Interest	Total
Subordinate Tax Allocation Rev Bonds, 2007	\$ 2,185,000	2,311,923	4,496,923
Subordinate Tax Allocation Rev Bonds, 2008A	325,000	-	325,000

The interest and principal defaults on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal defaults on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A will not be cured until sufficient revenue is received and sent to the Trustee to distribute, as stated in The Bank of New York Mellon Notice to Bondholders dated October 14, 2016. Additional detailed information on how funds will be applied to past due amounts and replenishing reserves for the subordinate bonds can be found in The Bank of New York Mellon's Notice to Bondholders posted on MSRB's Electronic Municipal Market Access system ("EMMA") on October 14, 2016.

The following shows the changes to the default amounts during FY 2016/17 for the two subordinate bond issues in default:

	Subordinate Tax Allocation Revenue Bonds, 2007	Subordinate Tax Allocation Revenue Bonds, 2008A	Total
Default Balance 7/1/2016	\$ 8,530,768	568,275	9,099,043
Principal Default 12/1/16	590,000	90,000	680,000
Interest Defaults 12/1/16 & 6/1/17	2,311,923	166,638	2,478,561
Pmt of Past Due Interest on 12/1/16 & 6/1/17	(6,935,768)	(499,913)	(7,435,681)
Default Balance 6/30/2017	\$ 4,496,923	325,000	4,821,923

Defaults occurred on the principal and interest debt service payments due December 1, 2016 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. Past due interest in the amount of \$1,155,961, which resulted from the 12/1/13 default for the Subordinate Tax Allocation Revenue Bonds, Series 2007, was paid on December 1, 2016.

A default occurred on the interest debt service payment due June 1, 2017 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007. On June 1, 2017, past due interest in the amount of \$5,779,806 was paid on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and \$499,913 was paid on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities, (Continued)

Reserve Accounts for both the Subordinate Tax Allocation Revenue Bonds, 2007 and the Subordinate Tax Allocation Revenue Bonds, 2008A do not meet the reserve requirements as of 6/30/17. Reserve funds held by the Trustee have been used toward debt service interest payments in order to limit the amount of defaults for these bonds. As of 6/30/17, 13% of the Reserve Account is funded for the Subordinate Tax Allocation Revenue Bonds, 2007 and 12% of the Reserve Account is funded for the Subordinate Tax Allocation Revenue Bonds, 2008A.

The following material events have occurred over the last several years that have resulted in SCLAA defaulting on the bond issues and the use of reserves with the Trustee for interest payments:

As part of adopting its 2009 budget bill, the State of California approved AB 26 4X, which included a provision that required redevelopment agencies to make remittance to a county Supplemental Educational Revenue Augmentation Fund (SERAF). Tax increment on hand from SCLAA paid this obligation of \$9,352,308 in Fiscal Year 09/10 and \$1,923,641 in Fiscal Year 10/11. These state-mandated payments severely impacted the SCLAA's cash reserves.

In Fiscal Year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Beginning in FY 09/10, there were significant decreases in assessed value for the Victor Valley Redevelopment Project Area. Assessed values for the Project Area reached a low point of \$6.6 Billion in FY 12/13. The decrease was largely the result of the Great Recession. Since FY 12/13, assessed values have increased steadily. For Fiscal Year 16-17, the assessed value for the Project Area was approximately \$8.06 billion.

The State of California enacted legislation in June 2011 which eliminated all Redevelopment Agencies across the state. The Redevelopment Agency (RDA) dissolution process has created cash flow issues due to the new processes imposed by the legislation. The former RDAs must utilize a Recognized Obligation Payment Schedule (ROPS) process annually to receive funding from the County of San Bernardino only as approved by the State's Department of Finance (DOF). The County collects tax increment of the former RDAs and holds it in the Redevelopment Property Tax Trust Fund (RPTTF). The revenue is distributed by the County on January 2 is typically the larger distribution; however, this distribution is designated for June 1 interest-only debt service payments. The June 1 distribution from the County, which is typically the smaller distribution, is designated for December 1 principal and interest debt service payments. This delayed receipt of funds contributes to the shortfall already realized due to decreases in property values of the last several years.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(8) Business-Type Long-Term Liabilities, (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding proprietary fund debt of the City as of June 30, 2017, are as follows for each fiscal year ending June 30:

Year Ending June 30	Tax Allocation Bonds Principal *	Tax Allocation Bonds Interest	Certificate of Participation Principal	Certificate of Participation Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Refunding Bonds Principal	Refunding Bonds Interest
2018	\$ 5,110,000	16,387,661	335,000	471,023	1,205,000	777,369	230,000	36,745
2019	5,365,000	16,093,581	350,000	457,490	1,270,000	759,213	242,500	25,245
2020	5,635,000	15,812,820	365,000	443,190	1,335,000	740,081	252,500	12,878
2021	5,920,000	15,516,539	380,000	428,195	1,405,000	719,969	-	-
2022	6,225,000	15,202,086	395,000	412,403	1,480,000	698,800	-	-
2023-27	36,345,000	70,598,261	2,230,000	1,787,278	8,680,000	3,134,500	-	-
2028-32	47,055,000	60,225,238	2,775,000	1,229,700	11,245,000	2,407,244	-	-
2033-37	61,780,000	45,592,140	3,530,000	458,250	14,570,000	1,465,213	-	-
2038-42	81,830,000	25,277,270	-	-	10,735,000	314,181	-	-
2043-47	94,010,000	2,658,283	-	-	-	-	-	-
2048-51	74,850,000	-	-	-	-	-	-	-
Subtotal	<u>424,125,000</u>	<u>283,363,879</u>	<u>10,360,000</u>	<u>5,687,528</u>	<u>51,925,000</u>	<u>11,016,569</u>	<u>725,000</u>	<u>74,868</u>
Discounts / Premiums	<u>(2,551,539)</u>	<u>-</u>	<u>117,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,384)</u>	<u>-</u>
Total	<u>\$ 421,573,461</u>	<u>283,363,879</u>	<u>10,477,663</u>	<u>5,687,528</u>	<u>51,925,000</u>	<u>11,016,569</u>	<u>697,616</u>	<u>74,868</u>

* This total includes capital appreciation of 112,384,355 for tax allocation bonds that will be accrued in the future years.

(9) Successor Agency Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance at July 1, 2016	Additions	Retirements	Balance at June 30, 2017	Due Within One Year
Redevelopment Agency Debt:					
Tax Allocation Bonds:					
2002A Tax Allocation Bonds	\$ 6,945,000	-	(295,000)	6,650,000	310,000
2003A Tax Allocation Bonds	7,360,000	-	(315,000)	7,045,000	325,000
2003B Tax Allocation Bonds	3,620,000	-	(155,000)	3,465,000	165,000
2006A Tax Allocation Bonds	19,400,000	-	(400,000)	19,000,000	425,000
Totals	<u>\$ 37,325,000</u>	<u>-</u>	<u>(1,165,000)</u>	<u>36,160,000</u>	<u>1,225,000</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(9) Successor Agency Long-Term Liabilities, (Continued)

Tax Allocation Bonds

2002 Tax Allocation Bonds, Series A

In August 2002, the Redevelopment Agency issued \$9,710,000 principal amount of Tax Allocation Bonds, Series A. The proceeds were used to finance certain redevelopment activities within and of the benefit to the project area.

Bonds maturing in the years 2003 to 2021 are serial bonds payable December 1 in annual installments of \$80,000 to \$290,000. Bonds maturing on December 1, 2014, December 1, 2031 and December 1, 2031 in the amounts of \$455,000, \$1,545,000 and \$3,890,000 are term bonds. The outstanding bonds (serial and term) bear interest at 3.00% to 5.14% due December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The serial bonds maturing on December 1, 2013 are subject to optional redemption in whole or in part by lot, with premium of 2%, 1% and 0% for periods December 1, 2012 to November 30, 2013, December 1, 2013 to November 30, 2014 and December 1, 2014 and thereafter, respectively.

The term bonds maturing on December 1, 2014, December 1, 2031 and December 1, 2031 are subject to mandatory redemption in part by lot, without premium commencing December 1, 2005, December 1, 2015 and December 1, 2022 respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is \$649,798. As of June 30, 2017, the reserve amount consisting of fiscal agent cash and an insurance policy was \$650,750. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2017 is \$6,650,000.

2003 Tax Allocation Bonds, Series A

In September 2003, the Redevelopment Agency issued \$10,195,000 principal amount of Tax Allocation Bonds, Series A. The proceeds were used to refund the 1994 Tax Allocation Bonds, Series A, as well as finance certain redevelopment activities within and of the benefit to the project area.

Bonds maturing in the years 2004 to 2020 are serial bonds payable December 1 in annual installments of \$95,000 to \$380,000. Bonds maturing on December 1, 2023, December 1, 2027 and December 1, 2031 in the amounts of \$1,250,000, \$1,975,000 and \$2,410,000 are term bonds. The outstanding bonds (serial and term) bear interest at 3.00% to 5.09% due December 1 of each year.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(9) Successor Agency Long-Term Liabilities, (Continued)

2003 Tax Allocation Bonds, Series A, (Continued)

The term bonds maturing on December 1, 2023, December 1, 2027 and December 1, 2031 are subject to mandatory redemption in part by lot, without premium commencing December 1, 2021, December 1, 2024 and December 1, 2028 respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is \$687,275. As of June 30, 2017, the reserve amount consisting of fiscal agent cash and an insurance policy was \$687,876. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2017 is \$7,045,000.

2003 Tax Allocation Bonds, Series B

In September 2003, the Redevelopment Agency issued \$5,025,000 principal amount of Tax Allocation Bonds, Series B. The proceeds were used to refund the 1994 Tax Allocation Bonds, Series C, as well as finance certain redevelopment activities within and of the benefit to the project area.

Bonds maturing in the years 2004 to 2022 are serial bonds payable December 1 in annual installments of \$60,000 to \$205,000. Bonds maturing on December 1, 2027 and December 1, 2031 in the amounts of \$1,185,000 and \$1,185,000 are term bonds. The outstanding bonds (serial and term) bear interest at 3.00% to 5.09% due December 1 of each year.

The term bonds maturing on December 1, 2027 and December 1, 2031 are subject to mandatory redemption in part by lot, without premium commencing December 1, 2023 and December 1, 2028 respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is \$340,963. As of June 30, 2017, the reserve amount consisting of fiscal agent cash and an insurance policy was \$341,267. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2017 is \$3,465,000.

2006 Taxable Tax Allocation Parity Bonds, Series A

In May 2006, the Redevelopment Agency issued \$22,975,000 principal amount of Taxable Tax Allocation Parity Bonds, Series A. The proceeds were used to finance certain redevelopment activities benefiting the project area.

Bonds maturing on December 1, 2011, December 1, 2021 and December 1, 2036 in the amounts of \$2,185,000, \$4,175,000 and \$16,615,000 are term bonds. The outstanding bonds bear interest at 5.375% to 6.000% due June 1 and December 1 of each year. The bonds are subject to redemption prior to maturity as described in the bond covenants.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(9)	Successor Agency Long-Term Liabilities, (Continued)
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2006 Taxable Tax Allocation Parity Bonds, Series A, (Continued)

The bonds maturing on December 1, 2011, December 1, 2021 and December 1, 2036 are subject to mandatory redemption in part by pro rata, without premium commencing December 1, 2006, December 1, 2012 and December 1, 2022 respectively, from sinking fund payments made by the Agency.

The required reserve for the Bonds is \$2,087,412. As of June 30, 2017, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,088,629. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2017 is \$19,000,000.

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2017, are as follows for each fiscal year ending June 30:

Year Ending June 30	Principal	Interest
2018	\$ 1,225,000	1,969,850
2019	1,285,000	1,907,094
2020	1,350,000	1,839,540
2021	1,420,000	1,766,854
2022	1,495,000	1,690,057
2023-27	8,760,000	7,121,527
2028-32	11,405,000	4,399,631
2033-37	9,220,000	958,200
Total	<u>\$ 36,160,000</u>	<u>21,652,753</u>

Advances to/from the former Victorville Redevelopment Agency

The composition of advances to or from the former Victorville RDA as of June 30, 2017 is as follows:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Nonmajor Gov't Funds	RDA Successor Agency	\$10,255,831 a)
SCLAA	RDA Successor Agency	131,776 b)
RDA Successor Agency	SCLAA	<u>10,355,181 b)</u>
		<u>\$20,742,788</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(9) Successor Agency Long-Term Liabilities, (Continued)

- a) The former Victorville Redevelopment Agency (RDA) entered into three agreements in which the Low and Moderate Income Fund (Low/Mod) advanced money to other funds within the RDA to fund the cost of redevelopment activity and capital improvements. In association with the RDA dissolution and Housing Asset Transfer process the Department of Finance approved the transfer of these advances to the City's Housing Asset Successor. The outstanding balance of these three advances as of June 30, 2017 is \$10,255,831, and the terms of each are described below:
- i. Per a loan agreement approved March 16, 2010 by the Board of the Victorville RDA, a \$3,750,000 was made from the Low/Mod Fund to the Victor Valley Project Area Non-Housing Fund. The advance is to be used to cover necessary redevelopment activities of the Victor Valley Project Area. The advance has an annualized Local Investment Fund ("LAIF") rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2017 is \$4,300,173.
 - ii. Per a loan agreement approved on May 20, 2010 a \$300,000 advance was made from the Bear Valley Road Low/Mod fund to the Old Town/Midtown Project Area. The advance is to be used to fund redevelopment activities within the Old Town/Midtown Project Area. The advance bears an interest rate of 5.69%. The outstanding balance of the advance as of June 30, 2017 is \$806,118.
 - iii. Per a loan agreement approved on May 4, 2010 a \$5,000,000 advance was made from the Low/Mod Fund to the Victor Valley Project Area Non-Housing Fund. The advance is to be used to partially fund the Supplemental Educational Revenue Augmentation Fund (SERAF) payment. The advance has an annualized Local Investment Fund ("LAIF") rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2017 is \$5,149,540.
- b) Southern California Logistics Airport Authority (SCLAA) entered into two agreements to borrow money from the Victorville Redevelopment Agency to fund the cost of redevelopment activity and prior years' capital improvements and redevelopment projects that were incurred by the SCLAA in prior years:
- i. Per a loan agreement approved on July 21, 2009, by the Board of the Victorville RDA a \$6,906,148 advance was made from the Southern California Logistics Airport Authority to the Agency's portion of VVEDA's 20% Low and Moderate Housing Fund (Successor Agency). The advance is to be used to fund land acquisitions associated within the Old Town project area. The advance will be repaid through approvals by the California Department of Finance (DOF) during the Recognized Obligation Payment Schedule (ROPS) process. The outstanding balance of the advance as of June 30, 2017 is \$131,776.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(9) Successor Agency Long-Term Liabilities, (Continued)

ii. Per a loan agreement approved on September 15, 2009 by the Board of Victorville RDA, a \$10,000,000 advance was made from the Bear Valley Road Redevelopment Project Area (RDA Capital Project Fund) to the Southern California Logistics Airport Authority. The advance is to be used to continue redevelopment at SCLA and to fund prior years' capital improvements and redevelopment project expenses. The advance has an annualized LAIF rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2017 is \$10,335,181.

(10) Pledged Revenue

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes.

As a result of the state's action to dissolve all redevelopment agencies in the State of California, the Successor Agency to the dissolved Redevelopment Agency of the City no longer receives the full amount of tax increment previously pledged by the dissolved redevelopment agency to its bondholders. In its place is a new revenue stream (RPTTF distributions) provided to the Successor Agency that represents only that portion of tax increment that is necessary to pay the approved enforceable obligations that come due for that fiscal year. The aforementioned statutory limitation on tax increment distributions also applies to the VVEDA funding that represents the primary revenue of the SCLAA.

For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below:

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payment (of all debt secured by this revenue)	Debt Service as a Percentage of Pledged Revenue
Property Tax Increment pledged by the Successor Agency of the Victorville Redevelopment Agency	\$ 5,688,502	3,194,330	56%
Property Tax Increment pledged by the Southern California Logistics Airport Authority	24,648,502	21,610,533	88%

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(11) Fund Disclosures

Fund balances of governmental funds at June 30, 2017 consisted of the following reserves:

	General Fund	Non-Major Governmental	Total
Fund balances:			
Nonspendable:			
Prepaid items	\$ 17,397	1,791	19,188
Inventories	154,568	-	154,568
Restricted for:			
Public Safety	-	90,099	90,099
Highways and street projects	-	25,046,719	25,046,719
Community development	-	32,971,621	32,971,621
Unassigned	5,181,352	(882,288)	4,299,064
Total fund balances	\$ 5,353,317	57,227,942	62,581,259

The following funds had deficit fund balances/net position as of June 30, 2017:

	Deficit Fund Balance
Nonmajor Special Revenue Funds:	
Other Federal Grants Fund	\$ (8,803) (a)
Other State / Local Grants Fund	(2,088,540) (a)
Enterprise Funds:	
SCLAA	(135,809,489) (b)
Municipal Utility Fund	(10,863,197) (c)

(a) The deficit fund balances in these funds is the result of grant expenditures being incurred during the fiscal year while the related reimbursements were collected outside the City's availability period.

(b) See footnote 21 for further information regarding the deficit balance in the SCLAA fund.

(c) The deficit fund balance in the Municipal Utility Fund is the result of an impairment on capital assets that was recognized in prior years.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(12) Pension Plan – Agent Plan

Plan Descriptions (Agent Plan) - All qualified permanent and probationary employees are eligible to participate in the City’s Miscellaneous Plan, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan’s provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous</u>	
	Prior to	On or after
	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Required employee contribution rates	8%	6.75%
Required employer contribution rates	17.04%	17.04%

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	305
Inactive employees entitled to but not yet receiving benefits	436
Active employees	<u>348</u>
Total	<u><u>1,089</u></u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(12) Pension Plan – Agent Plan, (Continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2015 (the measurement date), the average active employee contribution rate is 8.000 percent of annual pay, and the average employer's contribution rate is 15.987 percent of annual payroll. It is the responsibility of the employer and its auditor to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions (EPMC) or cost sharing whether by contract amendment or by resolution of the governing board.

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership data for all funds
Post Retirement Benefit Increases	Contract COLA up to 2.75% until Purchasing Power Protection Allowance floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(12) Pension Plan – Agent Plan, (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary.

The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(12) Pension Plan – Agent Plan, (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

The plan fiduciary net position (assets) disclosed in the GASB accounting valuation report may differ from the plan assets reported in the actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the actuarial valuation report while required to be included for GASB reporting purposes. In addition, differences may result from early CAFR closing and final reconciled reserves.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(12) Pension Plan – Agent Plan, (Continued)

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c) = (a) - (b)</u>
Balance at: 6/30/2015 (VD)	<u>\$153,064,850</u>	<u>122,634,172</u>	<u>30,430,678</u>
Changes Recognized for the Measurement Period:			
Service Cost	3,391,116	-	3,391,116
Interest on Total Pension Liability	11,593,629	-	11,593,629
Change in Assumptions	-	-	-
Differences between Expected and Actual Experience	(114,587)	-	(114,587)
Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	3,406,692	(3,406,692)
Contributions from Employees	-	1,615,618	(1,615,618)
Net Investment Income	-	663,966	(663,966)
Benefit Payments, including Refunds of Employee Contributions	(6,190,255)	(6,190,255)	-
Administrative Expense	-	(74,739)	74,739
Net Changes during 2015-16	<u>8,679,903</u>	<u>(578,718)</u>	<u>9,258,621</u>
Balance at: 6/30/2016 (MD)	<u>\$161,744,753</u>	<u>122,055,454</u>	<u>39,689,299</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(12) Pension Plan – Agent Plan, (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	\$ 63,024,852	39,689,299	20,605,379

Subsequent Events

In December 2016, the CalPERS board of Administration voted to lower the discount rate from 7.5 percent to 7.0 percent over the next three years. For public agencies the discount rate changes approved by the Board for the next three fiscal years ending June 30, 2019, 2020, and 2021 are 7.375%, 7.25%, and 7.00%, respectively.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(12) Pension Plan – Agent Plan, (Continued)

The EARSL for the Plan for the June 30, 2016 measurement date is 3.1 years, which was obtained by dividing the total service years of 3,363 (the sum of remaining service lifetimes of the active employees) by 1,089 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2016 (the measurement date), the City of Victorville recognized a pension expense of \$3,682,040 for the Plan.

As of June 30, 2017, the City of Victorville reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,787,877	-
Changes of Assumptions	-	(1,029,330)
Differences between Expected and Actual Experiences	-	(593,003)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	6,670,791	-
Total	\$ 10,458,668	(1,622,333)

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(12) Pension Plan – Agent Plan, (Continued)

Employer contributions subsequent to the measurement date reported as deferred outflows of resources in the amount of \$3,787,877 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measure Periods Ended June 30:	Deferred Outflows (Inflows) of Resources
2018	\$ (473,831)
2019	790,025
2020	3,007,459
2021	1,724,805
2022	-
Thereafter	-

(13) Pension Plan – Cost Sharing Plan

Plan Description (Cost Sharing Plan) – The City’s Safety Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS) is closed to new entrants. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website under Forms and Publications.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan’s provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 50	2.0% @ 50
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	50-55
Required employee contribution rates	8.91%	8.91%
Required employer contribution rates	20.08%	20.08%

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(13) Pension Plan – Cost Sharing Plan, (Continued)

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined contribution is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs related to any unfunded accrued liability. There are no active employees in this plan; therefore, no employee contributions were made during the measurement period ended June 30, 2016.

Actuarial Methods and Assumptions used to determine Total Pension Liability

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership data for all funds
Post Retirement Benefit Increases	Contract COLA up to 2.75% until Purchasing Power Protection Allowance floor on Purchasing Power applies, 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Changes in Assumptions

There were no changes of assumptions

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(13) Pension Plan – Cost Sharing Plan, (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, staff took into account both short-term and longterm market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(13) Pension Plan – Cost Sharing Plan, (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

Allocation of Net Pension Liability and Pension Expense to Individual Employers

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships. Employer liability and asset-related information are used where available, and proportional allocations of individual employer amounts as of the valuation date are used where not available.

The following table shows the Plan's proportionate share of the net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015 (MD)	\$ 33,573,770	24,611,776	8,961,994
Balance at: 6/30/2016 (MD)	35,006,305	24,297,765	10,708,540
Net Changes during 2015-16	\$ 1,432,535	(314,011)	1,746,546

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(13) Pension Plan – Cost Sharing Plan, (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% 6.65%	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	\$ 15,460,423	10,708,540	6,807,730

Subsequent Events

In December 2016, the CalPERS board of Administration voted to lower the discount rate from 7.5 percent to 7.0 percent over the next three years. For public agencies the discount rate changes approved by the Board for the next three fiscal years ending June 30, 2019, 2020, and 2021 are 7.375%, 7.25%, and 7.00%, respectively.

Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period).

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(13) Pension Plan – Cost Sharing Plan, (Continued)

The EARSL for PERF C for the June 30, 2016 measurement date is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2016 (the measurement date), the City of Victorville recognized a pension expense of \$1,238,914 for the Plan. As of June 30, 2017, the City of Victorville reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 700,198	-
Differences between Expected and Actual Experiences	-	(52,115)
Changes of Assumptions	-	(227,859)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	877,089	-
Adjustment due to Differences in Proportions	88,291	-
Changes in Employer's Proportion	77,930	(161,741)
Differences between employer contributions and proportionate share of contributions	-	(322,006)
Total	\$ 1,743,508	(763,721)

Employer contributions subsequent to the measurement date reported as deferred outflows of resources in the amount of \$700,198 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Included in the table above is an employer-specific type of deferred inflow of \$322,006. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. This deferral and the corresponding amortization amount are calculated separately by each employer. The employer's pension expense is adjusted for the amortization of this additional deferral. This item is required to be amortized over the plan's Expected Average Remaining Service Lives (EARSL).

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(13) Pension Plan – Cost Sharing Plan, (Continued)

Amounts reported as deferred outflows and deferred inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

Measure Periods	Deferred Outflows (Inflows)
Ended June 30:	of Resources
2018	\$ (202,779)
2019	(207,301)
2020	413,765
2021	275,904
2022	-
Thereafter	-

(14) Deferred Compensation

The City has established a deferred compensation plan through Great-West Life and Annuity Insurance Company in accordance with Internal Revenue Code Section 457(b), whereby the City employees may elect to defer portions of their compensation in a self-directed investment plan for retirement. The City makes no contribution to the plan on behalf of the members. Plan assets are invested in each individual's name with several deferred compensation plan providers. Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. The City has no liability for losses under the plan.

(15) Post Employment Benefit Plan

The City of Victorville contributes to two single-employer defined benefit healthcare plans: City Retiree Healthcare Plan (City Plan) and Water District Retiree Healthcare Plan (District Plan). The plan description and other related information for each plan are included below.

Other Post-Employment Benefits Plan – City Plan

Plan Descriptions. The City Plan provides medical benefits to eligible retired City employees and beneficiaries in accordance with various labor agreements. The plan covers employees who retire directly from the City with 8 years of service. The City provides a contribution up to a certain amount (a portion of the Health Net HMO single premium). The percentage varies based on years of City service.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(15) Post Employment Benefit Plan, (Continued)

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2017, the City contributed \$286,000 to the plan. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the value of employer promised benefits expected to be earned or allocated for each fiscal year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

	District Plan
Annual required contribution	\$ 2,784,000
Interest on net OPEB obligation	639,000
Adjustment to annual required contribution	(1,111,000)
Annual OPEB cost (expense)	2,312,000
Contributions made	(196,000)
Implied subsidy	(90,000)
Increase in net OPEB cost (expense)	2,026,000
Net OPEB obligation - beginning of year	17,187,816
Net OPEB obligation - end of year	\$ 19,213,816

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three preceding years for each of the plans were as follows (dollar amounts in thousands):

Year Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed
6/30/2015	\$ 1,367,000	203,558	14.89%
6/30/2016	1,444,000	192,026	13.30%
6/30/2017	2,312,000	286,000	12.37%

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(15) Post Employment Benefit Plan, (Continued)

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information at the end of this note, present multi-year trend information about whether the actuarial value of plan asset is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2009/10 fiscal year. The City has selected the discount rate (4.00%) and healthcare is assumed to increase between 7.5% and 5.5% per year for Non-Medicare plans and between 7.8% and 5.5% per year for Medicare plans for 5 years and 5.0% thereafter.

Schedule of Funding Progress

The funding progress of the plan as of the date of the most recent actuarial valuation is as follows:

Actuarial Date	Actuarial Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL (UAAL)	Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2012	-	24,663,000	24,663,000	0.00%	15,896,000	155.15%
6/30/2014	-	17,749,000	17,749,000	0.00%	16,861,000	105.27%
6/30/2016	-	21,246,000	21,246,000	0.00%	18,093,000	117.43%

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(15) Post Employment Benefit Plan, (Continued)

Other Post-Employment Benefits Plan – Water District Plan

Plan Descriptions. The District Plan provides medical benefits to eligible retired Water District employees and beneficiaries in accordance with various labor agreements. The plan covers employees who retire directly from the District with 5 years of service. The District Plan also provides Dental and Vision benefits to eligible former Water District employees with 15 years of service. The District also pays life insurance premium for eight Water District retirees and no benefit is available for future retirees. The District provides a contribution up to a certain amount (a portion of the Health Net HMO single premium). The percentage varies based on years of service.

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2017, the District contributed \$186,000 to the plan. The District has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the value of employer promised benefits expected to be earned or allocated for each fiscal year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for these benefits:

	<u>District Plan</u>
Annual required contribution	\$ 1,119,000
Interest on net OPEB obligation	87,000
Adjustment to annual required contribution	<u>(157,000)</u>
Annual OPEB cost (expense)	1,049,000
Contributions made	(156,000)
Implied subsidy	<u>(30,000)</u>
Increase in net OPEB cost (expense)	863,000
Net OPEB obligation - beginning of year	2,423,280
Net OPEB obligation - end of year	<u>\$ 3,286,280</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(15) Post Employment Benefit Plan, (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three preceding years for each of the plans were as follows (dollar amounts in thousands):

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2015	\$ 768,000	115,204	15.00%
6/30/2016	808,000	108,650	13.45%
6/30/2017	1,049,000	186,000	17.73%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information at the end of this note, present multi-year trend information about whether the actuarial value of plan asset is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2009/10 fiscal year. The District has selected the discount rate (4.00%) and healthcare is assumed to increase between 7.5% and 5.5% per year for Non-Medicare plans and between 7.8% and 5.5% per year for Medicare plans for 5 years and 5.0% thereafter.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(15) Post Employment Benefit Plan, (Continued)

Schedule of Funding Progress

The funding progress of the plan as of the date of the most recent actuarial valuation is as follows:

Actuarial Date	Actuarial Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL (UAAL)	Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2012	-	3,649,000	3,649,000	0.00%	1,036,000	352.22%
6/30/2014	-	7,645,000	7,645,000	0.00%	942,000	811.57%
6/30/2016	-	9,952,000	9,952,000	0.00%	4,608,000	215.97%

(16) Jointly Governed Organizations

The City participates in certain jointly governed organizations that have been formally organized as separate entities under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise all of the powers within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each jointly governed organization is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective jointly governed organizations, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. The City of Victorville does not control appointments to a majority of the governing boards for any of these organizations. A summary of the City's jointly governed organizations are included below:

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(16) Jointly Governed Organizations, (Continued)

Regional Fire Protection Authority

Regional Fire Protection Authority (RFPA) was formed in 1979 by the City of Victorville, Apple Valley Fire Protection Agency and Hesperia Fire Protection District on an equal basis to provide fire protection, emergency dispatch, and related functions in order to reduce individual agency financial and personnel requirements. An Advisory Committee was established with a representative appointed by each member agency. The Advisory Committee adopts an annual budget for RFPA. Each member contributes its pro rata share of operating costs to RFPA. As of June 30, 2004, Hesperia Fire Protection District terminated membership in RFPA. The Authority has been inactive since the beginning of fiscal year 2010-11 and no member contributions were received.

There were no separate financial statements prepared for the authority.

Mojave Desert and Mountain Integrated Waste Management Authority

Mojave Desert and Mountain Integrated Waste Management Authority (the Authority) was formed in September of 1991 by the cities of Victorville, Barstow, Big Bear Lake, Needles, Twenty-nine Palms, the Towns of Apple Valley and Yucca Valley and the County of San Bernardino to fund the annual operating costs of a recycling processing center known as the Victor Valley Materials Recovery Facility (the facility). The Governing body of the Authority is made up of representatives from each significant participant in the Authority. Budgeting and financing are the responsibility of the Authority. Contributions Rates from member agencies are based on each member's current population as a percentage of the total population of the Authority. The Authority does not own the facility that is used in the recycling operation. Rather, the facility is owned by the City and the Town of Apple Valley, each of which has a 50% interest in the facility. The City's investment in the Authority has been recorded using the equity method of accounting and is reflected as an investment in joint venture in the Solid Waste Fund of the accompanying financial statements.

The following schedule summarizes the City's investment in the Authority as of June 30, 2017 and the gain (loss) on the investment for the year then ended:

Percentage Ownership	Total Joint Venture Equity	City's Equity Interest	City's Share of Joint Venture Net Income (Loss)
50%	\$ 382,354	191,177	(1,771)

Financial statements may be obtained by mailing a request to the Town of Apple Valley, 14955 Dale Evans Parkway, Apple Valley, California 92307.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(16) Jointly Governed Organizations, (Continued)

Victor Valley Economic Development Authority

The Victor Valley Economic Development Authority (VVEDA) was formed in 1992 by the Cities of Victorville and Hesperia, the Town of Apple Valley and the County of San Bernardino to provide the mechanism and funding to manage development of the property formerly known as the George Air Force Base, facilitate the successful reuse of the property and promote economic development within the area surrounding the Air Base. In 2000, the City of Adelanto was added as a member of the Authority. In December 2011 Assembly Bill 1X 26 (the bill) dissolved VVEDA, and as such all assets of the former VVEDA have been transferred to the VVEDA Successor Agency and are subject to the distributions provisions of the bill. Financial statements may be obtained by sending a written request to Victor Valley Economic Development Authority, 18374 Phantom Street, Victorville, CA 92394.

Victor Valley Transit Authority

The Victor Valley Transit Authority (VVTA) was formed in 1993 by the Cities of Victorville, Adelanto, and Hesperia, the Town of Apple Valley, and the County of San Bernardino. VVTA is the regional transit entity that was created to provide a public transit system for the entire region associated with the Victor Valley. The governing body of VVTA is made up of representatives from each significant participant in VVTA. Budgeting and financing are the responsibility of VVTA. The City of Victorville has agreed to sell monthly bus passes issued by VVTA and to remit between the first and tenth day of each month the previous month's sales receipts and proceeds. Financial statements may be obtained by sending a written request to Victor Valley Transit Authority, 11741 E. Santa Fe Avenue, Hesperia, CA 92345.

Victor Valley Wastewater Reclamation Authority

The Victor Valley Wastewater Reclamation Authority (VWRA) was formed in 1999 between the Cities of Victorville, Adelanto, and Hesperia, the Town of Apple Valley, and the County of San Bernardino for the purpose of construction, operation and maintenance of sewer collection, transmission and treatment facilities within the high desert region. The governing body of VWRA is made up of representatives of each significant participant in VWRA. Budgeting and financing are the responsibility of the VWRA. The City makes monthly payments to VWRA for sewer treatment and connection fee services. The City made payments totaling \$9,403,972 to VWRA for the year ended June 30, 2017. The members have no measurable equity interest in the net position of the Authority. Section 61 of the Joint Powers Authority Agreement provides for no distribution of assets to the members upon dissolution of the Authority or upon otherwise exiting the Authority. Rather than an equity interest, Section 12.2(b) of the Joint Powers Authority Agreement provides each member with Purchased Capacity in return for its capital investment in the plant. Financial statements may be obtained by sending a written request to Victor Valley Wastewater Reclamation Authority, 20111 Shay Road, Victorville, CA 92394.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(17) Participation in Risk Pool

The City is a member of the Public Entity Risk Management Authority (PERMA), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-one participating member agencies, twenty-one cities with populations ranging from 2,300 to 198,000, three transit agencies, and six special districts. The City participates in the liability, worker's compensation, and employment practices liability programs of PERMA.

The liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected a self-insured retention of \$50,000 and participates in risk sharing pools for losses up to \$1 million followed by PERMA's membership in the CSAC Excess Insurance Authority for excess coverage to the limits.

The workers' compensation program provides statutory limits per accident for workers' compensation and \$5 million each accident for employers' liability. The City self-insures up to a level of \$250,000 per accident or employee and participates in a risk sharing pool for losses up to \$500,000 followed by PERMA's membership in the Local Agency Worker's Compensation Excess Joint Powers Authority (LAWCX) and the CSAC Excess Insurance Authority for excess coverage to the limits.

The employment practices liability program provides up to \$50 million coverage for employment related lawsuits such as wrongful termination and discrimination. The City self-insures up to \$25,000 per occurrence and participates in the Employment Risk Management Authority (ERMA) for losses up to \$1 million. Coverage above \$1 million and up to \$50 million is available through PERMA's membership in the CSAC Excess Insurance Authority for excess liability coverage.

Claim payments represent disbursements from deposits held by PERMA on behalf of the City. None of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage for the past 3 years.

Changes in the amount of claims payable for the past three fiscal years are as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates *</u>	<u>Claim Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
2015-16	\$ 1,070,443	1,374,335	(272,258)	2,172,520	300,000
2016-17	2,172,520	456,864	(238,249)	2,391,135	1,324,500

* - The current year Claims and Changes in Estimates for fiscal year 2016-17 includes two claims not being administered by PERMA, in the amount of \$1,027,500.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(18) Debt Without Government Commitment

Special Tax Bonds

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2002 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2017 was \$755,000.

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2005 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2017 was \$2,585,000.

The City is the collection and paying agent for the Community Facilities District No. 07-01 of the City of Victorville Special Tax Bonds, 2012. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2017 was \$2,775,000.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(19) Commitments and Contingencies

(a) Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. The accompanying basic financial statements reflect a liability for the probable amounts of loss associated with these claims. In the normal course of municipal operations, the City has recorded a liability for claims and judgments based upon management's best estimate of the probable amount of loss associated with those claims. Additional amounts of potential loss have not been accrued because management has not determined those additional amounts to be probable of payment.

(b) Complaint Filed by the United States Securities and Exchange Commission

On April 29, 2013, the United States Securities and Exchange Commission filed a complaint alleging that a number of defendants, including the City of Victorville, the Southern California Logistics Airport Authority, and certain City officials, committed certain fraudulent acts associated with the issuance in 2008 of \$13,334,925 of Subordinate Tax Allocation Revenue Bonds, Series 2008A. As of the date of issuance of the financial statements, there was a possibility that this matter might result in a loss to the City or the Southern California Logistics Airport Authority. However, the amount of the loss, if any, that might result from this matter could not be reasonably estimated. The City, Southern California Logistics Airport Authority and relevant City officials are scheduled for trial in January 2018.

(c) Commitments for the Purchase of Electricity

Victorville Municipal Utility Services ("VMUS," an enterprise fund of the City of Victorville) executed "Take or Pay" agreements for the purchase of electricity with Shell Energy North America (US), L.P. in March 2016. These commitments extend through June 30, 2018. A long term power purchase agreement for the Boulder Canyon Project was executed between VMUS, the Western Area Power Administration, and the Bureau of Reclamation, effective October 1, 2016. The annual energy allocation from the Boulder Canyon Project represents approximately five percent of current VMUS customer requirements, and the term of the agreement runs from October 1, 2017, through September 30, 2067. In November 2015, VMUS amended the agreement with Noble America Energy Solutions (formerly Sempra Energy Solutions and recently acquired by Calpine Corporation) to extend scheduling coordination and other settlement services through December 31, 2017.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(19) Commitments and Contingencies, (Continued)

(d) Southern California Logistics Airport Authority and Stirling Enterprise LLC

In the early 1990's the US Air Force closed George Air Force Base ("former Base"). In response the local communities formed the Victor Valley Economic Development Authority (VVEDA). VVEDA and the Air Force entered into agreements to lease and ultimately transfer title to the former Base to VVEDA. The subject land is designated as either Public Benefit Transfer (PBT) Parcels or Economic Development Conveyance (EDC) Parcels. The PBT Parcels are made up of approximately 2,200 acres previously used by the U.S. Air Force and are restricted to use as an airport. These parcels were transferred to SCLAA at no cost.

The EDC Parcels are made up of approximately 1,800 acres of adjacent property which may be developed for use as commercial property. SCLAA paid \$1,636,489 and is required to pay additional \$37,176 for these EDC Parcels. In 1993 a Redevelopment Plan was adopted by VVEDA establishing a redevelopment project area encompassing the former Base as well as approximately 55,000 additional acres. VVEDA delegated its decision making authority relative to the former Base, now known as Southern California Logistics Airport or SCLA, to the Southern California Logistics Airport Authority ("SCLAA"). SCLAA is a component unit entity of the City of Victorville. It is also a Joint Power Authority comprised of the City of Victorville and the Victorville Water District.

SCLAA adopted a Specific Plan in conformity with the Redevelopment Plan and adopted a Master Development Plan establishing its goal to develop the area as a cargo and aircraft maintenance facility and a business/industrial center thereby creating jobs and improving economic conditions in the Victor Valley.

In July 1998 SCLAA and Stirling Enterprises, LLC and its related entities ("Stirling") entered into the first of several agreements for the marketing, acquisition, operation and development of SCLA. The Fourth Amended and Restated Master Agreement ("Stirling Agreement") is the current agreement superseding all previous versions.

Revenues from Sales of Land

In August 2016, three agreements with Stirling were approved by the SCLAA Board of Directors that were intended to serve as a framework that encourages development before the expiration of the Master Agreement (MA). The three agreements are a Satisfaction and Termination Agreement, a Disposition, Exchange and Development Agreement (#2) and an Option and Development Agreement. The Disposition, Exchange and Development Agreement allows for the removal of approximately 280-acres of Airport-owned property from the definition of EDC Parcels and the title transfer in fee to Stirling, of approximately 280-acres. The Airport-owned property will become available for the Airport for revenue-producing purposes and the Airport will have the flexibility to develop the subject property on a ground-lease basis with aviation and non-aviation (Section 2.01 of the Development and Exchange Agreement). Revenue sharing will only exist relating to these parcels if the respective transaction is procured by Stirling and be split 80/20 with the larger share to benefit SCLAA.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(19) Commitments and Contingencies, (Continued)

The Agreement also provides for the disposition of additional off-airport property. In addition to the Stirling Exchange Parcels, SCLAA will then transfer, in fee, 200-acres of property for the \$.0203/psf purchase price (\$176,448) and participate in revenue sharing for net proceeds in an amount equal to 30% (Section 2.03 of the Development and Exchange Agreement). Net proceeds are generally defined to be revenues generated from the eventual sale by Stirling that are residual to infrastructure costs, EIR costs and developer credits. The Agreement also transfers the public infrastructure obligations of the Authority pursuant to the MA and DDA to Stirling.

Finally, the Option Agreement, in connection with performance obligations related to the Development and Exchange Agreement, will provide Stirling the ability to acquire additional acreage currently provided for in the Master Agreement. Such an exercise of option will occur in 50-acre increments based on Stirling having developed 500,000 square feet of property owned by it. The Option Agreement is set up to run through December 2050 and can terminate sooner due to non-performance described in Section 1.5 of the Option and Development Agreement.

Management

Stirling is allowed to lease or cause to be leased the EDC Parcels and shall participate in 20% of the Net Lease Revenue from any such leases. The Authority has retained the right to lease the PBT Parcels and retain revenues therefrom, but shall allow Stirling to participate in 20% of any net lease revenues from tenants who may be procured by Stirling and approval by the Authority. Any revenues from other interim uses on the former Base such as filming will be shared on a 50%/50% basis between Stirling and Authority.

(e) La Mesa / Nisqualli Interchange

During the year ended June 30, 2014, the City completed construction of the La Mesa/Nisqualli Road Interchange. To finance the construction of the interchange, the City made arrangements for the San Bernardino Association of Governments (SANBAG) to reimburse the City for approximately 50% of the cost of the project. SANBAG used Measure I funds to reimburse the City.

As a result of this arrangement, the City's future allocation of Measure I funds was reduced by the amount of the funding that was provided for this project. The Measure I funds that were used for this project are not required to be repaid by the City to SANBAG. The portion of the project not funded by Measure I monies will be reimbursed by transfers from development impact fee funds of the City once those transfers have been authorized by City Council. During the year the City transferred \$1,000,000 of development impact fees to SANBAG resulting in an equal release of Measure I funds from SANBAG.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(20) Tax Abatements

On September 7, 2012 the City Council approved a development agreement with Macerich Victor Valley LLC (Macerich), to further develop the Mall of the Victor Valley (the "Mall") including the construction of a Macy's department store. Under the Agreement the City is obligated to make assistance payments to Macerich equal to all sales tax revenue in excess of \$1,000,000 generated from the new retail operations directly resulting from the development efforts. Payments are to be made in June of each year following calculation of each calendar year's sales tax revenue.

The agreement term is 28 years and includes a maximum assistance allowance of \$18,886,644. For the year ended June 30, 2017 the City remitted \$381,979 to Macerich for sales tax revenue earned from January 2016 to December 2016. Additional payments are contingent upon the occurrence of uncertain future events, including the generation of sales tax revenue in excess of \$1,000,000 per year.

(21) City's Financial Condition, Significant Financial Obligations and Management Plans

Governmental Activities

As noted in the Statement of Net Position, the City's Governmental Activities reported a decrease in net position of \$4.8 million for the fiscal year ended June 30, 2017 and has an unrestricted deficit balance of \$47.6 million. The deficit is largely due to the requirement to report the City's Net Pension Liability on the financial statements with the implementation of GASB 68. The Net Pension Liability increased by approximately \$11.0 during the fiscal year ended June 30, 2017 as CalPERS investment earnings did not exceed the anticipated 7.5% investment rate of return. Pension costs are expected to continue to rise annually as a result of reductions the expected rate of return assumption change approved by the CalPERS board.

Southern California Logistics Airport Authority

The City of Victorville has been significantly impacted by the unfavorable financial results of activities in the Southern California Logistics Airport Authority (SCLAA), a component unit of the City. During the current fiscal year, SCLAA had a net income before depreciation of \$6.7 million. After depreciation expense of \$7.4 million, SCLAA had a net loss of \$671,693. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	SCLAA Deficit
	<u>Balance</u>
Beginning Net Position	\$ (135,137,795)
Net income (loss)	<u>(671,694)</u>
Ending Net Position	<u>\$ (135,809,489)</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(21) City's Financial Condition, Significant Financial Obligations and Management Plans, (Continued)

Additionally, the SCLAA defaulted on debt service payments for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and 2008A. Use of reserves will be necessary to bridge the gap until the economy rebounds and tax increment exceeds debt service payments. As a result the cash held in reserve accounts for these debt issues are below required minimums. See footnote 8 for further information.

Management's Plans with Respect to its Financial Condition

Management's plans to ensure that annual expenditures do not exceed annual revenues and to build the reserves that are necessary to provide for economic uncertainties are as follows:

The City has continued to maintain a balance budget since 2007-2008. However, the ongoing lawsuit from the U.S. Securities and Exchange Commission (SEC) and the legal fees incurred continue to draw down the General Fund and SCLAA reserves. The trial for the lawsuit has been delayed and is scheduled for January 2018. The additional sales tax revenue receipts in fiscal year 2016 helped to subsidize the additional legal costs.

The budget for the General Fund in fiscal year 2017-2018 also estimates revenue to equal expenditures. The Reserve Policy requiring a minimum reserve of 5% was suspended on June 1, 2010. However, the 5% minimum reserve requirement was met as of June 30, 2017 with an unassigned General Fund reserve \$5,181,352 or a 9.3% reserve for the General Fund. The City is committed to monitoring the budget closely and providing for the accumulation of reserves until the target level of 15% has been realized in accordance with the General Fund policy. Regarding the SCLAA's financial condition, an Interfund loan agreement was signed July 1, 2016 by the Board of SCLAA and a \$10,000,000 advance was made available from the 2007 SCLA Housing bond fund to the Airport Operations Fund and has been used to subsidize operations due to the ongoing SEC legal costs. The advance has a term repayment of 5 years, with an annualized Wall Street Journal Prime Rate as the interest rate. The outstanding balance of the advance as of June 30, 2017 is \$2,592,188.

(22) Subsequent Events

SCLAA Default on Bonded Debt

On December 1, 2017 the SCLAA defaulted on the principal and interest debt service payments of \$1,775,961 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal debt service payment of \$85,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. Reserve funds in the amount of \$39,578 were used in order to pay the full interest debt service payment for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2017

(23) Successor Agency Trust for Assets of the Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Victorville that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

(23) Successor Agency Trust for Assets of the Former Redevelopment Agency, (Continued)

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 12-005.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

(24) Prior Period Adjustments

The accompanying financial statements reflect certain prior period adjustments, as set forth below.

	Business-Type	
	Activities	SCLAA
As previously reported	\$ 130,289,838	(127,871,902)
a) Interest Payable	<u>(7,265,893)</u>	<u>(7,265,893)</u>
As restated	<u>\$ 123,023,945</u>	<u>(135,137,795)</u>

a) During the fiscal year ended June 30, 2017 the City identified certain interest payable amounts that were not recorded in prior years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORVILLE
Schedule of Changes in Net Pension Liability and Related
Ratios During the Measurement Period (Agent Plan)
Last Ten Fiscal Years*

Measurement Period	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
TOTAL PENSION LIABILITY			
Service Cost	\$ 3,391,116	\$ 3,399,557	3,479,263
Interest	11,593,629	10,950,745	10,425,889
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	(2,900,838)	-
Difference between Expected and Actual Experience	(114,587)	(1,452,436)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(6,190,255)</u>	<u>(5,465,312)</u>	<u>(5,288,466)</u>
Net Change in Total Pension Liability	8,679,903	4,531,716	8,616,686
Total Pension Liability – Beginning	<u>153,064,850</u>	<u>148,533,134</u>	<u>139,916,448</u>
Total Pension Liability – Ending (a)	<u>161,744,753</u>	<u>153,064,850</u>	<u>148,533,134</u>
PLAN FIDUCIARY NET POSITION			
Plan to Plan Resource Movement	-	29,796	-
Contributions – Employer	3,406,692	3,132,116	2,729,427
Contributions – Employee	1,615,618	1,655,311	1,675,275
Net Investment Income	663,966	2,712,238	18,040,044
Benefit Payments, Including Refunds of Employee Contributions	(6,190,255)	(5,465,312)	(5,288,466)
Administrative Expense	<u>(74,739)</u>	<u>(138,171)</u>	<u>(138,890)</u>
Net Change in Fiduciary Net Position	<u>(578,718)</u>	<u>1,925,978</u>	<u>17,017,390</u>
Plan Fiduciary Net Position – Beginning	<u>122,634,172</u>	<u>120,708,194</u>	<u>103,690,804</u>
Plan Fiduciary Net Position – Ending (b)	<u>122,055,454</u>	<u>122,634,172</u>	<u>120,708,194</u>
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 39,689,299</u>	<u>\$ 30,430,678</u>	<u>\$ 27,824,940</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.46%	80.12%	81.27%
Covered Payroll	19,918,813	19,872,318	19,389,560
Plan Net Pension Liability as a Percentage of Covered Payroll	199.26%	153.13%	143.50%

*The fiscal year ended June 30, 2015 was the first year of implementation. Information for the last 10 years is not available.

CITY OF VICTORVILLE
Schedule of Plan Contributions (Agent Plan)
Last Ten Fiscal Years*

	Fiscal Year <u>2016-17</u>	Fiscal Year <u>2015-16</u>	Fiscal Year <u>2014-15</u>	Fiscal Year <u>2013-14</u>
Actuarially Determined Contribution	\$ 3,787,877	\$ 3,504,788	3,132,116	2,729,426
Contributions in Relation to the Actuarially Determined Contribution	<u>(3,787,877)</u>	<u>(3,504,788)</u>	<u>(2,923,805)</u>	<u>(2,729,426)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>208,311</u>	<u>-</u>
 Covered Payroll	 \$ 22,354,507	 19,918,813	 19,872,318	 19,389,560
 Contributions as a Percentage of Covered Payroll	 16.94%	 17.60%	 15.76%	 14.08%

**The fiscal year ended June 30, 2015 was the first year of implementation. Information for the last 10 years is not available.*

CITY OF VICTORVILLE

Schedule of the Plan's Proportionated Share
of the Net Pension Liability (Cost Sharing Plan)
Last Ten Fiscal Years*

Measurement Date	<u>Safety</u> 6/30/2016	<u>Safety</u> 6/30/2015	<u>Safety</u> 6/30/2014
Plan's Proportion of the Net Pension Liability (Asset)	0.20676%	0.21750%	0.20657%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$10,708,540	\$ 8,961,994	\$ 7,748,626
Plan's Covered Payroll**	N/A	N/A	N/A
Plan's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll**	N/A	N/A	N/A
Plan's Proportion of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.13%	0.15%	0.15%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 839,557	\$ 837,337	\$ 729,748

*The fiscal year ended June 30, 2015 was the first year of implementation. Information for the last 10 years is not available.

**The plan has no active members, and, therefore, no covered payroll.

CITY OF VICTORVILLE
Schedule of Plan Contributions (Cost Sharing Plan)
Last Ten Fiscal Years*

Fiscal Year	<u>Safety</u>	<u>Safety</u>	<u>Safety</u>	<u>Safety</u>
	2016-2017	2015-2016	2014-2015	2013-2014
Actuarially Determined Contribution	\$ 700,198	\$ 650,960	\$ 585,811	\$ 500,003
Contributions in relation to the Actuarially Determined Contribution	<u>(700,198)</u>	<u>(650,960)</u>	<u>(585,811)</u>	<u>(500,003)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll *	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll **	N/A	N/A	N/A	N/A

available.

**The plan has no active members, and, therefore, no covered-employee payroll.

CITY OF VICTORVILLE

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes and assessments	\$ 45,700,834	45,700,834	44,943,095	(757,739)
Licenses and permits	1,523,640	1,523,640	1,463,039	(60,601)
Intergovernmental	50,500	50,500	56,417	5,917
Charges for services	8,864,604	8,839,604	8,705,242	(134,362)
Fines and forfeitures	338,200	338,200	541,756	203,556
Investment income	5,000	5,000	(117,588)	(122,588)
Other	125,675	125,675	105,634	(20,041)
Total revenues	<u>56,608,453</u>	<u>56,583,453</u>	<u>55,697,595</u>	<u>(885,858)</u>
Expenditures:				
Current:				
General government	9,706,558	9,843,130	9,023,767	819,363
Public safety	38,131,552	39,061,047	37,496,746	1,564,301
Public works	4,686,593	4,846,536	4,768,801	77,735
Parks and recreation	3,997,927	4,000,455	3,687,091	313,364
Total expenditures	<u>56,522,630</u>	<u>57,751,168</u>	<u>54,976,405</u>	<u>2,774,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>85,823</u>	<u>(1,167,715)</u>	<u>721,190</u>	<u>1,888,905</u>
Other financing sources (uses):				
Proceeds from sale of assets	-	-	70,527	70,527
Transfers in	300,000	300,000	221,532	(78,468)
Transfers out	<u>(540,288)</u>	<u>(540,288)</u>	<u>(553,905)</u>	<u>(13,617)</u>
Total other financing sources (uses)	<u>(240,288)</u>	<u>(240,288)</u>	<u>(261,846)</u>	<u>(21,558)</u>
Net changes in fund balances	(154,465)	(1,408,003)	459,344	1,867,347
Fund balances at beginning of year,	<u>4,893,973</u>	<u>4,893,973</u>	<u>4,893,973</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,739,508</u>	<u>3,485,970</u>	<u>5,353,317</u>	<u>1,867,347</u>

City of Victorville

Notes to Required Supplementary Information

Year Ended June 30, 2017

(1) Pension Plan – Agent Plan

Notes to Schedule of Changes in Net Pension Liability and Related Ratios during the Measurement Period

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

Notes to Schedule of Plan Contributions – Agent Plan

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2015 actuarial valuations.

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50 Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

City of Victorville

Notes to Required Supplementary Information

Year Ended June 30, 2017

(2) Pension Plan – Cost Sharing Plan

Notes to Schedule of Plan Contributions – Cost Sharing Plan

Benefit Changes: There were no changes to benefit terms specific to the plan

Changes of Assumptions: GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2015 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense.

Notes to Schedule of Plan Contributions – Cost Sharing Plan

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2015 public agency valuations.

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.50%
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%

City of Victorville

Notes to Required Supplementary Information

Year Ended June 30, 2017

(3) Budgetary Data

The City follows these procedures in establishing the budgetary data in the financial statements.

1. The City Manager submits to the City Council a proposed operating budget. The operating budget includes the proposed expenditures and source of financing;
2. Public hearings are conducted to obtain taxpayer comments;
3. A budget is legally enacted through passage of a resolution;
4. The City Manager is authorized to transfer budgeted amounts within individual funds; however any revisions that alter total appropriations of a fund must be approved by City Council. The legal level of budgetary control has been established at the fund level;
5. Budgeted amounts are as originally adopted and as further amended by the City Council;
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than debt service funds and capital project funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Capital project funds are budgeted on a project length basis. Effective budgetary control is achieved for debt service funds through the contractual requirements of bond indenture provisions.

Nonmajor Governmental Funds

Capital Project Funds

Capital Project funds account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

Capital Impact Facilities

This fund accounts for the acquisition or construction of major capital facilities related to public improvements needed as population increases.

Special Revenue Funds

Special revenue funds are used to account for revenue derived from specific taxes or other revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

Measure I

This fund accounts for the portion of sales tax revenue received from the County. The funds are legally restricted expenditures for the local street networks that have significant inter-jurisdictional or regional traffic.

Other Federal Grants

This fund accounts for federal moneys received for the following grants: COPS Fast Grant, Federal Demonstration, Transportation Enhancement Act, Congestion Mitigation Air Quality Grant, Police Hiring Supplement Grant, Federal Asset Seizure, and EPA Water Reuse Grant.

City Housing Asset Successor Agency

This fund accounts for the housing activities of the City that were previously accounted for in the low and moderate housing redevelopment agency fund.

Landscape Maintenance and Drainage Facilities Assessment District

This fund accounts for the revenue and expenditures of Assessment Districts which provided benefits to the property owner served. These improvements include items such as enhanced landscape, blocked walls, irrigation and drainage system. Since the maintenance of these enhanced facilities directly benefit the individual parcels within the district rather than the City as a whole, the maintenance costs are assessed to the property owners with the Maintenance Assessment District boundaries.

Street Lighting

This fund accounts for revenue received from assessments levied within the District and disbursed funds are for street lighting maintenance activities.

Traffic Safety

This fund accounts for revenue received from fines and forfeitures under Section 1463 of the Penal Code and disbursed funds are related to the maintenance and improvement of traffic control devices, as well as the compensation of school crossing guards who are not regular full-time members of the police department of the City.

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Nonmajor Governmental Funds

Special Revenue Funds

(Continued)

Asset Seizure

This fund accounts for a portion of revenues received from sales of assets seized during drug-related arrests and disbursed for authorized public safety activities.

Storm Drain Utility

This fund accounts for revenue received from storm drain user fees and expensed funds are related to storm drains.

Gas Tax

This fund accounts for revenue received from the State of California under Street and Highways Code Section 2105, 2106, and 2107. The allocations should be spent for street and highway maintenance and improvements.

Transportation Tax

This fund accounts for revenue received for public Transportation projects through the Local Transportation Fund, which derived from a ¼ cent of the General Sales Tax. Eligible expenses include projects related to maintenance and repair of streets and roads.

Other State / Local Grants

This fund accounts for moneys received from the California Law Enforcement Equipment Program, AB 3229 Grant, Office of Traffic Safety Grant, California Integrated Waste Management, Job-Housing Incentive Grant, Homeland Security Grant, and Alcoholic Beverage Control Grant.

HUD Grants

This fund accounts for the revenues and expenditures under the guidelines of the Federal Community Development Block Grant and HOME Grant programs of the U.S. Department of Housing and Urban Development. The grants are primarily used for the development of viable urban communities by providing decent housing, suitable living environments, and expanding economic opportunities for persons of low and moderate-incomes.

CITY OF VICTORVILLE
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017
 (with comparative totals for June 30, 2016)

	Capital Projects Capital Impact Facilities	Measure I	Other Federal Grants	Housing Asset Successor	Landscape Maintenance
Assets					
Cash and investments	\$ 4,725,014	8,201,243	48,557	497,631	8,827,007
Accounts receivable	-	791,800	-	-	-
Notes receivable	-	-	-	10,301,877	-
Advances to other funds	-	-	-	1,755,953	-
Due from other governments	-	-	670,255	10,255,831	31,798
Prepaid items	-	418	-	-	-
Land held for resale	-	-	-	8,470,041	-
Total assets	<u>\$ 4,725,014</u>	<u>8,993,461</u>	<u>718,812</u>	<u>31,281,333</u>	<u>8,858,805</u>
Liabilities					
Accounts payable	\$ 29,256	3,910,576	144,848	5,268	93,455
Deposits payable	-	-	-	-	-
Due to other funds	-	-	1,891,755	-	-
Due to other governments	-	-	-	-	-
Unearned revenue	393,436	-	116,523	-	-
Advances from other funds	<u>3,087,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,509,959</u>	<u>3,910,576</u>	<u>2,153,126</u>	<u>5,268</u>	<u>93,455</u>
Deferred Inflow of Resources					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>654,226</u>	<u>-</u>	<u>-</u>
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>654,226</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit)					
Non-spendable:					
Prepaid items	-	418	-	-	-
Spendable:					
Restricted	-	5,082,467	-	31,276,065	8,765,350
Unassigned	<u>1,215,055</u>	<u>-</u>	<u>(2,088,540)</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>1,215,055</u>	<u>5,082,885</u>	<u>(2,088,540)</u>	<u>31,276,065</u>	<u>8,765,350</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 4,725,014</u>	<u>8,993,461</u>	<u>718,812</u>	<u>31,281,333</u>	<u>8,858,805</u>

Street Lighting	Traffic Safety	Asset Seizure	Storm	Gas Tax	Transportation Tax	Other	HUD Grants	Totals	
			Drain Utility			State / Local Grants		2017	2016
2,401,166	-	90,099	1,015,038	3,029,536	4,812,514	708,878	1,006,733	35,363,416	37,201,518
3,820	35,171	-	61,705	3,425	5,375	15	-	901,311	862,349
-	-	-	-	-	-	-	677,726	10,979,603	10,559,283
-	-	-	1,164,092	-	-	-	-	2,920,045	2,911,436
28,014	-	-	-	213,568	180,428	133,450	648,887	12,162,231	4,356,888
-	-	-	834	539	-	-	-	1,791	2,040
-	-	-	-	-	-	-	-	8,470,041	12,014,214
<u>2,433,000</u>	<u>35,171</u>	<u>90,099</u>	<u>2,241,669</u>	<u>3,247,068</u>	<u>4,998,317</u>	<u>842,343</u>	<u>2,333,346</u>	<u>70,798,438</u>	<u>67,907,728</u>
142,860	5,831	-	185,706	91,359	811,049	35,762	213,926	5,669,896	4,728,157
-	-	-	-	105	2,500	-	-	2,605	-
-	-	-	-	-	310,971	-	-	2,202,726	585
-	-	-	-	-	-	-	-	-	3,176,505
-	-	-	-	-	1,201	680,793	-	1,191,953	1,346,597
-	-	-	-	-	-	-	-	3,087,267	3,097,846
<u>142,860</u>	<u>5,831</u>	<u>-</u>	<u>185,706</u>	<u>91,464</u>	<u>1,125,721</u>	<u>716,555</u>	<u>213,926</u>	<u>12,154,447</u>	<u>12,349,690</u>
-	-	-	22,940	-	180,428	134,591	423,864	1,416,049	1,909,696
-	-	-	22,940	-	180,428	134,591	423,864	1,416,049	1,909,696
-	-	-	834	539	-	-	-	1,791	2,040
2,290,140	29,340	90,099	2,032,189	3,155,065	3,692,168	-	1,695,556	58,108,439	56,233,061
-	-	-	-	-	-	(8,803)	-	(882,288)	(2,586,759)
<u>2,290,140</u>	<u>29,340</u>	<u>90,099</u>	<u>2,033,023</u>	<u>3,155,604</u>	<u>3,692,168</u>	<u>(8,803)</u>	<u>1,695,556</u>	<u>57,227,942</u>	<u>53,648,342</u>
<u>2,433,000</u>	<u>35,171</u>	<u>90,099</u>	<u>2,241,669</u>	<u>3,247,068</u>	<u>4,998,317</u>	<u>842,343</u>	<u>2,333,346</u>	<u>70,798,438</u>	<u>67,907,728</u>

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2017
(with comparative totals for year ended June 30, 2016)

	Capital Projects		Other Federal	Housing Asset	Landscape	Street
	Capital Impact Facilities	Measure I	Grants	Successor	Maintenance	Lighting
Revenues:						
Taxes and assessments	\$ -	5,826,853	-	-	2,393,883	1,712,772
Intergovernmental	-	175,000	1,612,719	10,380,273	-	283,420
Charges for services	2,348,404	38,620	-	619,216	-	-
Fines and forfeitures	-	-	-	-	-	-
Sale of land held for resale	-	-	-	(3,544,174)	-	-
Investment income	15,480	66,016	182	400,546	31,437	8,124
Other	-	-	-	3,602	22,989	-
Total revenues	<u>2,363,884</u>	<u>6,106,489</u>	<u>1,612,901</u>	<u>7,859,463</u>	<u>2,448,309</u>	<u>2,004,316</u>
Expenditures:						
Current:						
General government	-	-	57,954	198,925	-	-
Public safety	-	-	72,504	-	-	-
Community development	-	-	-	84,030	-	-
Public works	1,405,022	9,207,749	982,346	-	2,302,855	1,731,132
Parks and recreation	10,888	-	-	-	-	-
Debt service:						
Interest	177,058	-	-	-	-	-
Total expenditures	<u>1,592,968</u>	<u>9,207,749</u>	<u>1,112,804</u>	<u>282,955</u>	<u>2,302,855</u>	<u>1,731,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>770,916</u>	<u>(3,101,260)</u>	<u>500,097</u>	<u>7,576,508</u>	<u>145,454</u>	<u>273,184</u>
Other financing sources (uses):						
Proceeds from sale of assets	-	-	-	-	-	-
Transfers in	-	-	24,370	-	-	-
Transfers out	-	(24,370)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(24,370)</u>	<u>24,370</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	770,916	(3,125,630)	524,467	7,576,508	145,454	273,184
Fund balances (deficit) at beginning of year	<u>444,139</u>	<u>8,208,515</u>	<u>(2,613,007)</u>	<u>23,699,557</u>	<u>8,619,896</u>	<u>2,016,956</u>
Fund balances (deficit) at end of year	<u>\$ 1,215,055</u>	<u>5,082,885</u>	<u>(2,088,540)</u>	<u>31,276,065</u>	<u>8,765,350</u>	<u>2,290,140</u>

Traffic Safety	Asset Seizure	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	Totals	
							2017	2016
-	-	-	-	-	-	-	9,933,508	10,846,129
-	32,639	-	2,365,256	2,150,536	769,593	1,642,502	19,411,938	25,825,469
-	-	1,514,618	6,870	14,003	-	-	4,541,731	3,354,060
231,066	-	19,950	-	-	-	-	251,016	377,499
-	-	-	-	-	-	-	(3,544,174)	-
-	324	3,875	12,899	31,743	1,716	23,270	595,612	109,331
-	-	-	19,126	40,260	-	-	85,977	87,085
<u>231,066</u>	<u>32,963</u>	<u>1,538,443</u>	<u>2,404,151</u>	<u>2,236,542</u>	<u>771,309</u>	<u>1,665,772</u>	<u>31,275,608</u>	<u>40,599,573</u>
-	-	-	-	-	49,165	-	306,044	116,880
29,819	28,492	-	-	-	227,115	-	357,930	384,516
-	-	-	-	-	31,863	1,725,581	1,841,474	1,437,809
-	-	1,641,436	3,269,121	4,096,445	6,318	175,988	24,818,412	27,384,302
-	-	-	-	-	47,760	610	59,258	240,346
-	-	-	-	-	-	-	177,058	102,069
<u>29,819</u>	<u>28,492</u>	<u>1,641,436</u>	<u>3,269,121</u>	<u>4,096,445</u>	<u>362,221</u>	<u>1,902,179</u>	<u>27,560,176</u>	<u>29,665,922</u>
<u>201,247</u>	<u>4,471</u>	<u>(102,993)</u>	<u>(864,970)</u>	<u>(1,859,903)</u>	<u>409,088</u>	<u>(236,407)</u>	<u>3,715,432</u>	<u>10,933,651</u>
-	-	85,700	-	-	-	-	85,700	1,058,499
-	-	-	-	-	-	-	24,370	63,296
<u>(221,532)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,902)</u>	<u>(218,221)</u>
<u>(221,532)</u>	<u>-</u>	<u>85,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(135,832)</u>	<u>903,574</u>
(20,285)	4,471	(17,293)	(864,970)	(1,859,903)	409,088	(236,407)	3,579,600	11,837,225
<u>49,625</u>	<u>85,628</u>	<u>2,050,316</u>	<u>4,020,574</u>	<u>5,552,071</u>	<u>(417,891)</u>	<u>1,931,963</u>	<u>53,648,342</u>	<u>41,811,117</u>
<u>29,340</u>	<u>90,099</u>	<u>2,033,023</u>	<u>3,155,604</u>	<u>3,692,168</u>	<u>(8,803)</u>	<u>1,695,556</u>	<u>57,227,942</u>	<u>53,648,342</u>

CITY OF VICTORVILLE

Capital Impact Facilities

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,557,200	1,557,200	2,348,404	791,204
Investment income	-	-	15,480	15,480
Total revenues	<u>1,557,200</u>	<u>1,557,200</u>	<u>2,363,884</u>	<u>806,684</u>
Expenditures:				
Current:				
Public works	1,173,677	2,173,677	1,405,022	768,655
Parks and recreation	20,000	20,000	10,888	9,112
Debt service:				
Interest	-	-	177,058	(177,058)
Total expenditures	<u>1,193,677</u>	<u>2,193,677</u>	<u>1,592,968</u>	<u>600,709</u>
Net change in fund balances	363,523	(636,477)	770,916	1,407,393
Fund balances at beginning of year	<u>444,139</u>	<u>444,139</u>	<u>444,139</u>	<u>-</u>
Fund balances at end of year	<u>\$ 807,662</u>	<u>(192,338)</u>	<u>1,215,055</u>	<u>1,407,393</u>

CITY OF VICTORVILLE

Measure I Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes and assessments	\$ 4,600,000	4,600,000	5,826,853	1,226,853
Charges for services	-	-	38,620	38,620
Investment income	-	-	66,016	66,016
Total revenues	4,600,000	4,600,000	6,106,489	1,506,489
Expenditures:				
Current:				
Public works	10,584,855	14,525,355	9,207,749	5,317,606
Total expenditures	10,584,855	14,525,355	9,207,749	5,317,606
Excess (deficiency) of revenues over (under) expenditures	(5,984,855)	(9,925,355)	(3,101,260)	6,824,095
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(24,370)	(24,370)
Total other financing sources (uses)	-	-	(24,370)	(24,370)
Net change in fund balances	(5,984,855)	(9,925,355)	(3,125,630)	6,799,725
Fund balances at beginning of year	8,208,515	8,208,515	8,208,515	-
Fund balances at end of year	\$ 2,223,660	(1,716,840)	5,082,885	6,799,725

CITY OF VICTORVILLE

Other Federal Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 11,525,520	11,702,580	1,612,719	(10,089,861)
Investment income	-	-	182	182
Total revenues	<u>11,525,520</u>	<u>11,702,580</u>	<u>1,612,901</u>	<u>(10,089,679)</u>
Expenditures:				
Current:				
General government	32,422	32,422	57,954	(25,532)
Public safety	246,641	246,641	72,504	174,137
Public works	<u>10,185,864</u>	<u>10,362,904</u>	<u>982,346</u>	<u>9,380,558</u>
Total expenditures	<u>10,464,927</u>	<u>10,641,967</u>	<u>1,112,804</u>	<u>9,529,163</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,060,593</u>	<u>1,060,613</u>	<u>500,097</u>	<u>(560,516)</u>
Other financing sources (uses):				
Transfers in	<u>37</u>	<u>37</u>	<u>24,370</u>	<u>24,333</u>
Total other financing sources (uses)	<u>37</u>	<u>37</u>	<u>24,370</u>	<u>24,333</u>
Net change in fund balances	1,060,630	1,060,650	524,467	(536,183)
Fund balances (deficit) at beginning of year	<u>(2,613,007)</u>	<u>(2,613,007)</u>	<u>(2,613,007)</u>	-
Fund balances (deficit) at end of year	<u>\$ (1,552,377)</u>	<u>(1,552,357)</u>	<u>(2,088,540)</u>	<u>(536,183)</u>

CITY OF VICTORVILLE

City Housing Asset Successor Agency

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	-	10,380,273	10,380,273
Charges for services	635,000	635,000	619,216	(15,784)
Investment income	-	-	400,546	400,546
Other	<u>3,600</u>	<u>3,600</u>	<u>3,602</u>	<u>2</u>
Total revenues	<u>638,600</u>	<u>638,600</u>	<u>11,403,637</u>	<u>10,765,037</u>
Expenditures:				
Current:				
General government	83,138	103,138	198,925	(95,787)
Community development	<u>107,350</u>	<u>127,350</u>	<u>84,030</u>	<u>43,320</u>
Total expenditures	<u>190,488</u>	<u>230,488</u>	<u>282,955</u>	<u>(52,467)</u>
Net change in fund balances	448,112	408,112	7,576,508	7,168,396
Fund balances at beginning of year	<u>23,699,557</u>	<u>23,699,557</u>	<u>23,699,557</u>	<u>-</u>
Fund balances at end of year	<u>\$ 24,147,669</u>	<u>24,107,669</u>	<u>31,276,065</u>	<u>7,168,396</u>

CITY OF VICTORVILLE

Landscape Maintenance and Drainage Facilities Assessment District Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes and assessments	\$ 2,212,766	2,212,766	2,393,883	181,117
Investment income	-	-	31,437	31,437
Other	-	-	22,989	22,989
Total revenues	<u>2,212,766</u>	<u>2,212,766</u>	<u>2,448,309</u>	<u>235,543</u>
Expenditures:				
Current:				
Public works	<u>2,279,074</u>	<u>2,478,935</u>	<u>2,302,855</u>	<u>176,080</u>
Total expenditures	<u>2,279,074</u>	<u>2,478,935</u>	<u>2,302,855</u>	<u>176,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(66,308)</u>	<u>(266,169)</u>	<u>145,454</u>	<u>411,623</u>
Net change in fund balances	(66,308)	(266,169)	145,454	411,623
Fund balances at beginning of year	<u>8,619,896</u>	<u>8,619,896</u>	<u>8,619,896</u>	<u>-</u>
Fund balances at end of year	<u>\$ 8,553,588</u>	<u>8,353,727</u>	<u>8,765,350</u>	<u>411,623</u>

CITY OF VICTORVILLE

Street Lighting Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes and assessments	\$ 1,719,060	1,719,060	1,712,772	(6,288)
Intergovernmental	232,000	232,000	283,420	51,420
Investment income	-	-	8,124	8,124
Total revenues	<u>1,951,060</u>	<u>1,951,060</u>	<u>2,004,316</u>	<u>53,256</u>
Expenditures:				
Current:				
Public works	<u>2,060,836</u>	<u>2,323,366</u>	<u>1,731,132</u>	<u>592,234</u>
Total expenditures	<u>2,060,836</u>	<u>2,323,366</u>	<u>1,731,132</u>	<u>592,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(109,776)</u>	<u>(372,306)</u>	<u>273,184</u>	<u>645,490</u>
Net change in fund balances	(109,776)	(372,306)	273,184	645,490
Fund balances at beginning of year	<u>2,016,956</u>	<u>2,016,956</u>	<u>2,016,956</u>	-
Fund balances at end of year	<u><u>\$ 1,907,180</u></u>	<u><u>1,644,650</u></u>	<u><u>2,290,140</u></u>	<u><u>645,490</u></u>

CITY OF VICTORVILLE

Traffic Safety Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 50,000	50,000	231,066	181,066
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>231,066</u>	<u>181,066</u>
Expenditures:				
Current:				
Public safety	<u>83,000</u>	<u>83,000</u>	<u>29,819</u>	<u>53,181</u>
Total expenditures	<u>83,000</u>	<u>83,000</u>	<u>29,819</u>	<u>53,181</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,000)</u>	<u>(33,000)</u>	<u>201,247</u>	<u>234,247</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(221,532)</u>	<u>(221,532)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(221,532)</u>	<u>(221,532)</u>
Net change in fund balances	(33,000)	(33,000)	(20,285)	12,715
Fund balances at beginning of year	<u>49,625</u>	<u>49,625</u>	<u>49,625</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 16,625</u>	<u>16,625</u>	<u>29,340</u>	<u>12,715</u>

CITY OF VICTORVILLE

Asset Seizure Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 8,500	8,500	32,639	24,139
Investment income	-	-	324	324
Total revenues	<u>8,500</u>	<u>8,500</u>	<u>32,963</u>	<u>24,463</u>
Expenditures:				
Current:				
Public safety	<u>59,830</u>	<u>59,830</u>	<u>28,492</u>	<u>31,338</u>
Total expenditures	<u>59,830</u>	<u>59,830</u>	<u>28,492</u>	<u>31,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(51,330)</u>	<u>(51,330)</u>	<u>4,471</u>	<u>55,801</u>
Net change in fund balances	(51,330)	(51,330)	4,471	55,801
Fund balances at beginning of year	<u>85,628</u>	<u>85,628</u>	<u>85,628</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 34,298</u>	<u>34,298</u>	<u>90,099</u>	<u>55,801</u>

CITY OF VICTORVILLE
Storm Drain Utility Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 1,422,576	1,422,576	1,514,618	92,042
Fines and forfeitures	-	-	19,950	19,950
Investment income	-	-	3,875	3,875
Total revenues	<u>1,422,576</u>	<u>1,422,576</u>	<u>1,538,443</u>	<u>115,867</u>
Expenditures:				
Current:				
Public works	<u>2,714,477</u>	<u>2,714,477</u>	<u>1,641,436</u>	<u>1,073,041</u>
Total expenditures	<u>2,714,477</u>	<u>2,714,477</u>	<u>1,641,436</u>	<u>1,073,041</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,291,901)</u>	<u>(1,291,901)</u>	<u>(102,993)</u>	<u>1,188,908</u>
Other financing sources (uses):				
Proceeds from sale of assets	<u>-</u>	<u>-</u>	<u>85,700</u>	<u>85,700</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>85,700</u>	<u>85,700</u>
Net change in fund balances	(1,291,901)	(1,291,901)	(17,293)	1,274,608
Fund balances at beginning of year	<u>2,050,316</u>	<u>2,050,316</u>	<u>2,050,316</u>	<u>-</u>
Fund balances at end of year	<u>\$ 758,415</u>	<u>758,415</u>	<u>2,033,023</u>	<u>1,274,608</u>

CITY OF VICTORVILLE

Gas Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 2,477,655	2,477,655	2,365,256	(112,399)
Charges for services	7,000	7,000	6,870	(130)
Investment income	-	-	12,899	12,899
Other	-	-	19,126	19,126
Total revenues	<u>2,484,655</u>	<u>2,484,655</u>	<u>2,404,151</u>	<u>(80,504)</u>
Expenditures:				
Current:				
Public works	<u>4,591,026</u>	<u>4,591,026</u>	<u>3,269,121</u>	<u>1,321,905</u>
Total expenditures	<u>4,591,026</u>	<u>4,591,026</u>	<u>3,269,121</u>	<u>1,321,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,106,371)</u>	<u>(2,106,371)</u>	<u>(864,970)</u>	<u>1,241,401</u>
Net change in fund balances	(2,106,371)	(2,106,371)	(864,970)	1,241,401
Fund balances at beginning of year	<u>4,020,574</u>	<u>4,020,574</u>	<u>4,020,574</u>	-
Fund balances at end of year	<u>\$ 1,914,203</u>	<u>1,914,203</u>	<u>3,155,604</u>	<u>1,241,401</u>

CITY OF VICTORVILLE
 Transportation Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,961,773	1,961,773	2,150,536	188,763
Charges for services	13,326	13,326	14,003	677
Investment income	-	-	31,743	31,743
Other	-	-	40,260	40,260
Total revenues	<u>1,975,099</u>	<u>1,975,099</u>	<u>2,236,542</u>	<u>261,443</u>
Expenditures:				
Current:				
Public works	<u>5,857,096</u>	<u>5,857,096</u>	<u>4,096,445</u>	<u>1,760,651</u>
Total expenditures	<u>5,857,096</u>	<u>5,857,096</u>	<u>4,096,445</u>	<u>1,760,651</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,881,997)</u>	<u>(3,881,997)</u>	<u>(1,859,903)</u>	<u>2,022,094</u>
Net change in fund balances	(3,881,997)	(3,881,997)	(1,859,903)	2,022,094
Fund balances at beginning of year	<u>5,552,071</u>	<u>5,552,071</u>	<u>5,552,071</u>	-
Fund balances at end of year	<u>\$ 1,670,074</u>	<u>1,670,074</u>	<u>3,692,168</u>	<u>2,022,094</u>

CITY OF VICTORVILLE

Other State / Local Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,776,162	4,005,233	769,593	(3,235,640)
Investment income	-	-	1,716	1,716
Total revenues	3,776,162	4,005,233	771,309	(3,233,924)
Expenditures:				
Current:				
General government	95,892	95,892	49,165	46,727
Public safety	224,704	350,775	227,115	123,660
Community development	607,947	607,947	31,863	576,084
Public works	2,601,528	2,701,528	6,318	2,695,210
Parks and recreation	220,770	220,770	47,760	173,010
Total expenditures	3,750,841	3,976,912	362,221	3,614,691
Excess (deficiency) of revenues over (under) expenditures	25,321	28,321	409,088	380,767
Net change in fund balances	25,321	28,321	409,088	380,767
Fund balances (deficit) at beginning of year	(417,891)	(417,891)	(417,891)	-
Fund balances (deficit) at end of year	\$ (392,570)	(389,570)	(8,803)	380,767

CITY OF VICTORVILLE

HUD Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 5,985,919	5,248,414	1,642,502	(3,605,912)
Investment income	-	-	23,270	23,270
Total revenues	<u>5,985,919</u>	<u>5,248,414</u>	<u>1,665,772</u>	<u>(3,582,642)</u>
Expenditures:				
Current:				
Community development	3,758,533	4,078,290	1,725,581	2,352,709
Public works	427,114	427,114	175,988	251,126
Parks and recreation	<u>304,091</u>	<u>304,091</u>	<u>610</u>	<u>303,481</u>
Total expenditures	<u>4,489,738</u>	<u>4,809,495</u>	<u>1,902,179</u>	<u>2,907,316</u>
Net change in fund balances	1,496,181	438,919	(236,407)	(675,326)
Fund balances at beginning of year	<u>1,931,963</u>	<u>1,931,963</u>	<u>1,931,963</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,428,144</u>	<u>2,370,882</u>	<u>1,695,556</u>	<u>(675,326)</u>

Fiduciary Funds

Agency Funds

Agency funds are one of four types of fiduciary funds. Agency funds are used to report resources held by the reporting government in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Deposits Fund

This fund accounts for various deposits that the City receives as trust deposits. These deposits are held by the City and returned to the depositor upon completion of projects or fulfillment of purpose. The Deposit Fund also includes agency activity of Cal-CLERA and CFD 07-01.

Community Facilities District 90-01

This fund accounts for the Brentwood, West Creek and Joshua Ridge assessment district in accordance with the Mello-Roos Community Facilities Act of 1982. The taxes received are for the payment made to the debt service related to this bond issuance. The debt is debt without government commitment of the City of Victorville.

Community Facilities District 07-01

This fund accounts for the Senna, Solana, and Sierra Project assessment district in accordance with the Mello-Roos Community Facilities Act of 1982. The taxes received are for the payment made to the debt service related to this bond issuance. The debt is debt without government commitment of the City of Victorville.

Community Facilities District 01-01

This fund accounts for the Eagle Ranch assessment district in accordance with the Mello-Roos Community Facilities Act of 1982. The taxes received are for the payment made to the debt service related to this bond issuance. The debt is debt without government commitment of the City of Victorville.

Regional Fire Protection Authority

This agency fund accounts for the agency activities of the City of Victorville on behalf of the Regional Fire Protection Agency.

Water Assessment District No. 2R

This agency fund accounts for the agency activities of the City of Victorville on behalf of the Water Assessment District No. 2R which includes providing administrative duties such as placing assessment on the County tax rolls and submitting payments to the trustee for the holders of \$8,292,572 Refunding Improvement Bonds, Series 1989, Assessment District No. 2R (assessment bond).

Foxborough Rail

This fund accounts for the revenue and expenditures related to rail activities in the Foxborough area. The activities include lead track usage fees collected and reserved for maintenance and repair of the rail and related expenditures including contract services as related to rail maintenance and repair.

CITY OF VICTORVILLE
Combining Statement of Assets and Liabilities - Agency Funds
June 30, 2017

(with comparative totals for June 30, 2016)

	<u>Deposit Fund</u>	<u>Community Facilities District 90-01</u>	<u>Community Facilities District 07-01</u>	<u>Community Facilities District 01-01</u>	<u>Regional Fire Protection Authority</u>
<u>Assets</u>					
Cash and investments	\$ 2,611,904	70,960	213,511	401,917	289,693
Restricted assets:					
Investments with fiscal agent	-	-	295,499	1,386,551	-
Accounts receivable	-	194	1,464	2,700	-
Total assets	<u>\$ 2,611,904</u>	<u>71,154</u>	<u>510,474</u>	<u>1,791,168</u>	<u>289,693</u>
<u>Liabilities</u>					
Accounts payable	\$ -	-	77	1,482	-
Deposits payable	<u>2,611,904</u>	<u>71,154</u>	<u>510,397</u>	<u>1,789,686</u>	<u>289,693</u>
Total liabilities	<u>\$ 2,611,904</u>	<u>71,154</u>	<u>510,474</u>	<u>1,791,168</u>	<u>289,693</u>

Water			
Assessment	Foxborough	Totals	
District 2R	Rail	2017	2016
-	74,798	3,662,783	3,489,451
-	-	1,682,050	2,479,977
-	-	4,358	13,445
-	74,798	5,349,191	5,982,873
-	11,163	12,722	33,560
-	63,635	5,336,469	5,949,313
-	74,798	5,349,191	5,982,873

CITY OF VICTORVILLE

Combining Statement of Changes in Assets and Liabilities - Agency Funds

Agency Funds

Year ended June 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Deposit Funds</u>				
Assets:				
Cash and investments	\$ 2,134,305	477,599	-	2,611,904
Due from other governments	<u>1,738</u>	<u>-</u>	<u>(1,738)</u>	<u>-</u>
Total assets	<u>\$ 2,136,043</u>	<u>477,599</u>	<u>(1,738)</u>	<u>2,611,904</u>
Liabilities:				
Accounts payable	\$ 5,000	-	(5,000)	-
Deposits payable	<u>2,131,044</u>	<u>480,860</u>	<u>-</u>	<u>2,611,904</u>
Total liabilities	<u>\$ 2,136,044</u>	<u>480,860</u>	<u>(5,000)</u>	<u>2,611,904</u>
<u>Community Facilities District 90-01</u>				
Assets:				
Cash and investments	\$ 64,892	6,068	-	70,960
Restricted assets:				
Investments with fiscal agent	800,417	-	(800,417)	-
Due from other governments	<u>417</u>	<u>-</u>	<u>(223)</u>	<u>194</u>
Total assets	<u>\$ 865,726</u>	<u>6,068</u>	<u>(800,640)</u>	<u>71,154</u>
Liabilities:				
Accounts payable	\$ (4)	4	-	-
Deposits payable	<u>865,727</u>	<u>246,312</u>	<u>(1,040,885)</u>	<u>71,154</u>
Total liabilities	<u>865,723</u>	<u>246,316</u>	<u>(1,040,885)</u>	<u>71,154</u>
<u>Community Facilities District 07-01</u>				
Assets:				
Cash and investments	\$ 208,302	5,209	-	213,511
Restricted assets:				
Investments with fiscal agent	295,169	330	-	295,499
Due from other governments	<u>350</u>	<u>1,114</u>	<u>-</u>	<u>1,464</u>
Total assets	<u>\$ 503,821</u>	<u>6,653</u>	<u>-</u>	<u>510,474</u>
Liabilities:				
Accounts payable	-	77	-	77
Deposits payable	<u>503,822</u>	<u>6,575</u>	<u>-</u>	<u>510,397</u>
Total liabilities	<u>\$ 503,822</u>	<u>6,652</u>	<u>-</u>	<u>510,474</u>

CITY OF VICTORVILLE

Combining Statement of Changes in Assets and Liabilities - Agency Funds

Agency Funds

Year ended June 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Community Facilities District 01-01</u>				
Assets:				
Cash and investments	\$ 410,366	-	(8,449)	401,917
Restricted assets:				
Investments with fiscal agent	1,384,391	2,160	-	1,386,551
Due from other governments	<u>2,860</u>	<u>-</u>	<u>(160)</u>	<u>2,700</u>
Total assets	<u>\$ 1,797,617</u>	<u>2,160</u>	<u>(8,609)</u>	<u>1,791,168</u>
Liabilities:				
Accounts payable	14,268	-	(12,786)	1,482
Deposits payable	<u>1,783,350</u>	<u>6,336</u>	<u>-</u>	<u>1,789,686</u>
Total liabilities	<u>\$ 1,797,618</u>	<u>6,336</u>	<u>(12,786)</u>	<u>1,791,168</u>
<u>Regional Fire Protection Authority</u>				
Assets:				
Cash and investments	<u>\$ 289,027</u>	<u>666</u>	<u>-</u>	<u>289,693</u>
Total assets	<u>\$ 289,027</u>	<u>666</u>	<u>-</u>	<u>289,693</u>
Liabilities:				
Deposits payable	<u>\$ 289,026</u>	<u>667</u>	<u>-</u>	<u>289,693</u>
Total liabilities	<u>\$ 289,026</u>	<u>667</u>	<u>-</u>	<u>289,693</u>
<u>Water Assessment District 2R</u>				
Assets:				
Cash and investments	\$ 303,446	-	(303,446)	-
Restricted assets:				
Investments with fiscal agent	-	-	-	-
Due from other governments	<u>8,076</u>	<u>-</u>	<u>(8,076)</u>	<u>-</u>
Total assets	<u>\$ 311,522</u>	<u>-</u>	<u>(311,522)</u>	<u>-</u>
Liabilities:				
Deposits payable	<u>\$ 311,523</u>	<u>-</u>	<u>(311,523)</u>	<u>-</u>
Total liabilities	<u>\$ 311,523</u>	<u>-</u>	<u>(311,523)</u>	<u>-</u>

CITY OF VICTORVILLE

Combining Statement of Changes in Assets and Liabilities - Agency Funds

Agency Funds

Year ended June 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Foxborough Rail</u>				
Assets:				
Cash and investments	\$ 79,112	-	(4,314)	74,798
Total assets	<u>\$ 79,112</u>	<u>-</u>	<u>(4,314)</u>	<u>74,798</u>
Liabilities:				
Accounts payable	\$ 14,292	-	(3,129)	11,163
Deposits payable	64,820	-	(1,185)	63,635
Total liabilities	<u>\$ 79,112</u>	<u>-</u>	<u>(4,314)</u>	<u>74,798</u>
 <u>Total-All Fiduciary Funds</u>				
Assets:				
Cash and investments	\$ 3,489,450	489,542	(316,209)	3,662,783
Restricted assets:				
Investments with fiscal agent	2,479,977	2,490	(800,417)	1,682,050
Due from other governments	13,441	1,114	(10,197)	4,358
Total assets	<u>\$ 5,982,868</u>	<u>493,146</u>	<u>(1,126,823)</u>	<u>5,349,191</u>
Liabilities:				
Accounts payable	\$ 33,556	81	(20,915)	12,722
Deposits payable	5,949,312	740,750	(1,353,593)	5,336,469
Total liabilities	<u>\$ 5,982,868</u>	<u>740,831</u>	<u>(1,374,508)</u>	<u>5,349,191</u>

(Continued)

Statistical Section

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

Contents	Page
Financial Trends	145-150
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	151-154
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	155-160
<i>These schedules present information to help the reader assess the adorability of the City's current level of outstanding debt, and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	161-162
<i>These schedules present information to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	163-165
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

CITY OF VICTORVILLE
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(in thousands)

	<u>Fiscal Year</u>					
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 463,898	\$ 477,976	\$ 465,339	\$ 450,606	\$ 479,821	\$ 478,455
Restricted	96,802	96,248	93,453	85,008	27,686	48,921
Unrestricted	<u>12,678</u>	<u>6,320</u>	<u>2,290</u>	<u>(5,656)</u>	<u>(7,794)</u>	<u>(13,830)</u>
Total governmental activities net position	<u><u>573,379</u></u>	<u><u>580,544</u></u>	<u><u>561,082</u></u>	<u><u>529,958</u></u>	<u><u>499,712</u></u>	<u><u>513,546</u></u>
Business-type activities						
Invested in capital assets, net of related debt	235,771	270,534	363,436	416,397	418,557	363,671
Restricted	22,330	1,778	1,504	2,076	4,431	7,200
Unrestricted	<u>(83,379)</u>	<u>(105,654)</u>	<u>(246,973)</u>	<u>(290,967)</u>	<u>(296,361)</u>	<u>(199,817)</u>
Total business-type activities net position	<u><u>174,722</u></u>	<u><u>166,657</u></u>	<u><u>117,967</u></u>	<u><u>127,506</u></u>	<u><u>126,628</u></u>	<u><u>171,054</u></u>
Primary government						
Invested in capital assets, net of related debt	699,670	748,509	828,775	867,003	898,378	842,126
Restricted	119,133	98,026	94,956	87,085	32,117	56,121
Unrestricted	<u>(70,701)</u>	<u>(99,334)</u>	<u>(244,683)</u>	<u>(296,623)</u>	<u>(304,155)</u>	<u>(213,647)</u>
Total primary government net position	<u><u>\$ 748,101</u></u>	<u><u>\$ 747,201</u></u>	<u><u>\$ 679,049</u></u>	<u><u>\$ 657,464</u></u>	<u><u>\$ 626,340</u></u>	<u><u>\$ 684,600</u></u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
-------------	-------------	-------------	-------------

\$ 462,432	\$ 484,943	\$ 479,306	\$ 473,590
45,594	44,922	56,682	58,111
<u>(11,484)</u>	<u>(46,227)</u>	<u>(47,079)</u>	<u>(47,596)</u>
<u>496,542</u>	<u>483,638</u>	<u>488,909</u>	<u>484,105</u>

188,425	150,794	66,591	59,439
8,604	8,911	9,600	11,981
<u>(26,466)</u>	<u>(35,217)</u>	<u>54,098</u>	<u>48,212</u>
<u>170,563</u>	<u>124,488</u>	<u>130,290</u>	<u>119,632</u>

650,857	635,737	545,897	533,029
54,198	53,833	66,282	70,092
<u>(37,951)</u>	<u>(81,444)</u>	<u>7,020</u>	<u>616</u>
<u>\$ 667,104</u>	<u>\$ 608,125</u>	<u>\$ 619,199</u>	<u>\$ 603,738</u>

CITY OF VICTORVILLE
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(in thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
<i>Governmental activities:</i>										
General government	\$ 12,656	\$ 13,133	\$ 15,165	\$ 17,037	\$4,977	\$13,691	\$14,342	\$12,188	\$12,121	\$8,982
Public safety	26,331	30,285	35,942	35,416	30,724	32,422	35,679	36,066	35,624	37,719
Community Development	2,861	6,655	12,109	6,037	1,589	4,094	2,931	1,780	1,646	5,375
Public works	38,049	35,443	26,377	24,164	31,675	29,846	33,472	28,856	31,972	33,835
Park and recreation	11,277	14,164	6,763	6,313	4,550	4,509	4,395	3,188	4,911	5,245
Interest on long-term debt	3,777	2,658	2,495	2,457	1,397	74	61	63	102	177
<i>Total governmental activities expenses</i>	<u>94,951</u>	<u>102,339</u>	<u>98,852</u>	<u>91,425</u>	<u>74,913</u>	<u>84,637</u>	<u>90,880</u>	<u>82,141</u>	<u>86,376</u>	<u>91,332</u>
<i>Business-type activities:</i>										
Sanitary Sewer	10,766	8,026	9,750	11,150	10,555	11,114	12,415	13,523	11,960	12,651
Golf course	2,721	2,973	2,040	2,526	2,372	2,419	2,231	1,716	1,566	1,507
Airport	43,115	42,874	83,297	45,010	33,583	30,845	32,528	35,453	31,597	32,742
Water	30,677	29,476	28,665	27,143	29,782	29,842	28,419	30,298	33,851	40,185
Rail	1,437	366	279	1,748	269	275	269	-	-	-
Solid Waste	11,987	12,203	11,427	11,642	11,398	12,383	13,011	13,144	14,197	15,467
Municipal utility	21,256	16,883	11,705	12,806	12,236	11,767	10,747	11,603	11,016	10,479
<i>Total business-type activities expenses</i>	<u>121,959</u>	<u>112,802</u>	<u>147,163</u>	<u>112,025</u>	<u>100,195</u>	<u>98,645</u>	<u>99,621</u>	<u>105,736</u>	<u>104,186</u>	<u>113,031</u>
Total primary government expenses	<u>216,910</u>	<u>215,141</u>	<u>246,014</u>	<u>203,450</u>	<u>175,108</u>	<u>183,282</u>	<u>190,501</u>	<u>187,877</u>	<u>190,563</u>	<u>204,363</u>
Program Revenues										
<i>Governmental activities:</i>										
<i>Charges for services:</i>										
General government	4,888	3,737	7,303	4,330	2,860	3,559	4,351	4,203	3,136	3,221
Public safety	2,101	2,095	1,677	1,552	1,409	1,425	2,451	1,570	874	720
Community development	-	-	-	18	2,593	1,528	3,896	960	1,950	3,163
Public works	11,111	6,399	5,166	4,738	4,216	3,532	15,236	3,519	4,142	4,745
Parks and recreation	4,724	2,109	1,790	1,517	939	890	917	935	930	956
Operating grants and contributions	15,460	19,796	24,126	15,062	5,309	18,266	5,859	5,191	15,165	10,654
Capital contributions and grants	-	-	461	13	6,818	6,940	9,251	7,745	10,626	8,076
<i>Total governmental activities program revenues</i>	<u>38,283</u>	<u>34,136</u>	<u>40,523</u>	<u>27,231</u>	<u>24,143</u>	<u>36,139</u>	<u>41,962</u>	<u>24,123</u>	<u>36,822</u>	<u>31,537</u>
<i>Business-type activities:</i>										
<i>Charges for services:</i>										
Sanitary Sewer	5,944	9,576	10,802	12,821	12,608	14,934	14,729	15,560	13,381	11,374
Golf course	1,311	1,043	760	889	1,160	1,171	849	395	583	432
Airport	8,502	7,363	8,163	9,206	9,070	8,204	8,184	8,110	8,027	6,949
Water	21,539	21,755	23,642	23,901	26,558	26,207	27,470	25,978	27,704	31,146
Solid Waste	12,388	13,376	12,370	12,539	11,528	12,069	12,004	12,342	12,716	13,965
Municipal utilities	5,658	6,175	5,925	9,597	10,290	11,270	12,464	13,638	13,899	14,483
Operating grants and contributions	3,761	8,074	2,601	4,283	10,635	10,912	-	-	-	-
Capital contributions and grants	23,357	12,509	9,083	14,652	11,847	11,557	2,657	54	6,263	2,297
<i>Total business-type activities program revenues</i>	<u>82,459</u>	<u>79,871</u>	<u>73,344</u>	<u>87,888</u>	<u>93,696</u>	<u>96,324</u>	<u>78,356</u>	<u>76,076</u>	<u>82,573</u>	<u>80,647</u>
Total primary government program revenues	<u>\$120,742</u>	<u>\$114,007</u>	<u>\$113,868</u>	<u>\$115,118</u>	<u>\$117,839</u>	<u>\$132,463</u>	<u>\$ 120,318</u>	<u>\$ 100,199</u>	<u>\$ 119,395</u>	<u>\$ 112,184</u>

CITY OF VICTORVILLE
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(in thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense) revenue										
Governmental activities	\$ (56,668)	\$ (68,203)	\$ (58,328)	\$ (64,194)	\$ (50,770)	\$ (48,498)	\$ (48,918)	\$ (58,018)	\$ (49,554)	\$ (59,796)
Business-type activities	<u>(39,500)</u>	<u>(32,931)</u>	<u>(73,818)</u>	<u>(24,137)</u>	<u>(6,499)</u>	<u>(2,321)</u>	<u>(21,265)</u>	<u>(29,660)</u>	<u>(21,614)</u>	<u>(32,384)</u>
Total primary government net expense	<u>(96,168)</u>	<u>(101,134)</u>	<u>(132,147)</u>	<u>(88,331)</u>	<u>(57,269)</u>	<u>(50,818)</u>	<u>(70,183)</u>	<u>(87,678)</u>	<u>(71,168)</u>	<u>(92,180)</u>
General Revenues and Other Changes in Net Position										
<i>Governmental activities:</i>										
Taxes:										
Property taxes	29,230	27,520	26,416	23,999	26,967	21,926	21,522	22,138	23,752	24,097
Sales taxes	14,626	11,556	10,814	11,427	16,431	20,671	22,329	24,085	28,212	26,802
Transient occupancy tax	964	784	760	794	709	841	881	1,064	1,074	1,138
Other taxes	40,396	40,537	33,349	27,858	6,378	2,684	2,892	3,000	3,039	2,840
Investment income	3,390	2,942	732	881	297	169	138	68	158	478
Motor vehicle in lieu	-	367	323	567	61	51	0	0	0	0
Gain on sale of assets	211	49	(126)	-	(3)	-	31	55	0	0
Miscellaneous revenues	3,555	163	80	54	522	691	190	314	201	192
SERAF Obligation	-	-	(12,368)	(2,545)	-	-	0	0	-	-
Transfers	(22,423)	(12,815)	(21,859)	(22,987)	(1,099)	(2,328)	992	24,090	(779)	(554)
Extraordinary Gain	-	-	-	-	(29,740)	-	-	-	-	-
Legal Settlement	-	-	-	-	-	1,754	34	-	-	-
<i>Total governmental activities</i>	<u>69,948</u>	<u>71,103</u>	<u>38,122</u>	<u>40,049</u>	<u>20,524</u>	<u>46,459</u>	<u>47,024</u>	<u>74,815</u>	<u>55,657</u>	<u>54,992</u>
<i>Business-type activities:</i>										
Taxes	1,916	1,654	27	27	541	521	18,418	19,781	24,879	25,918
Other Taxes	1,519	2,297	758	710	-	-	-	177	-	-
Investment income	7,650	3,083	2,409	1,773	1,749	200	192	-	1,002	726
Gain on sale of assets	-	416	(1,601)	402	538	60	-	-	125	17
Miscellaneous revenues	11,547	1,033	1,163	799	961	1,768	1,902	2,003	1,432	1,779
Impairment loss on Capital assets	-	-	-	-	-	-	-	(24,090)	-	-
Legal Settlement	-	-	-	-	-	52,246	-	-	-	-
Transfers	22,423	12,815	21,859	22,987	1,099	2,328	992	-	779	554
<i>Total business-type activities</i>	<u>45,055</u>	<u>21,298</u>	<u>24,616</u>	<u>26,698</u>	<u>4,888</u>	<u>57,123</u>	<u>21,505</u>	<u>(2,129)</u>	<u>28,217</u>	<u>28,993</u>
Total primary government	<u>115,003</u>	<u>92,401</u>	<u>62,737</u>	<u>66,747</u>	<u>25,411</u>	<u>103,582</u>	<u>68,529</u>	<u>72,686</u>	<u>83,874</u>	<u>83,985</u>
Change in Net Position										
Governmental activities	13,280	2,900	(20,207)	(24,145)	(30,246)	(2,039)	(1,894)	16,797	6,103	(4,803)
Business-type activities	<u>5,555</u>	<u>(11,633)</u>	<u>(49,202)</u>	<u>2,561</u>	<u>(1,612)</u>	<u>54,803</u>	<u>240</u>	<u>(31,789)</u>	<u>6,604</u>	<u>(3,392)</u>
Total primary government	<u>\$ 18,836</u>	<u>\$ (8,733)</u>	<u>\$ (69,409)</u>	<u>\$ (21,584)</u>	<u>\$ (31,858)</u>	<u>\$ 52,764</u>	<u>\$ (1,654)</u>	<u>\$ (14,992)</u>	<u>\$ 12,706</u>	<u>\$ (8,195)</u>

CITY OF VICTORVILLE
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)
 (in thousands)

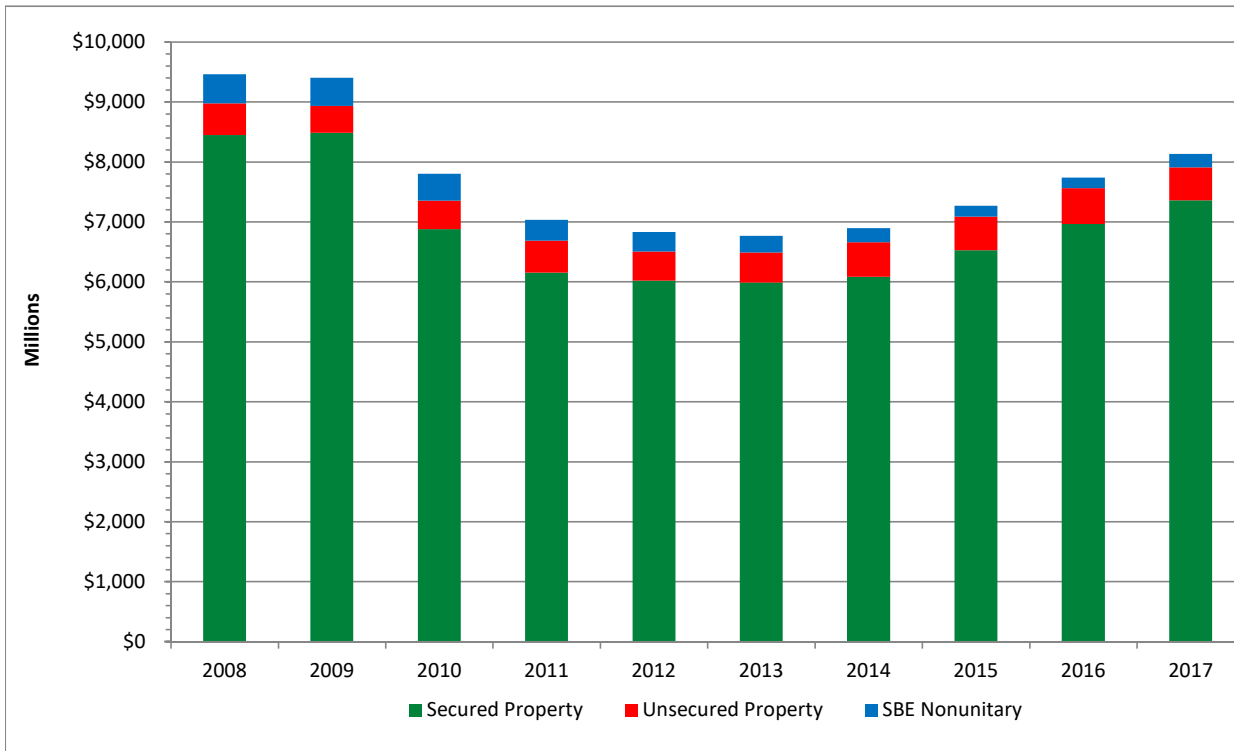
	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011**</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund										
Reserved	\$ 323	\$ 248	\$ 5,320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	12,132	10,398	2,230	-	-	-	-	-	-	-
Nonspendable	-	-	-	2,322	67	211	179	195	192	172
Restricted	-	-	-	-	14	30	30	-	-	-
Unassigned	-	-	-	782	3,661	5,047	4,595	3,238	4,630	5,181
Total general fund	<u>12,456</u>	<u>10,646</u>	<u>7,550</u>	<u>3,104</u>	<u>3,742</u>	<u>5,288</u>	<u>4,804</u>	<u>3,433</u>	<u>4,822</u>	<u>5,353</u>
All other governmental funds										
Reserved, reported in:										
Special revenue funds	\$ 19,345	\$ 22,113	\$ 34,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital project funds	7,783	17,577	17,836	-	-	-	-	-	-	-
Debt service funds	8,358	1,923	1,800	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	36,417	30,288	30,425	-	-	-	-	-	-	-
Capital project funds	27,368	20,472	11,096	-	-	-	-	-	-	-
Debt service funds										
Nonspendable	-	-	-	1,347	8,547	01	01	-	02	02
Restricted	-	-	-	86,617	20,673	48,494	43,869	44,922	56,305	58,108
Assigned	-	-	-	-	-	573	1,911	-	-	-
Unassigned	-	-	-	(1,327)	(4,390)	(2,843)	(1,543)	(3,111)	(2,587)	(882)
Total all other governmental funds	<u>99,270</u>	<u>92,372</u>	<u>95,167</u>	<u>86,637</u>	<u>24,830</u>	<u>46,224</u>	<u>44,237</u>	<u>41,811</u>	<u>53,720</u>	<u>57,228</u>

**Beginning in 2011, the City started reporting fund balance in conformity with GASB 54, which changed fund balance reclassification.

CITY OF VICTORVILLE
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)
 (in thousands)

	<u>Fiscal Year</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenue										
Taxes	\$ 57,129	\$ 49,598	\$ 45,780	\$ 43,379	\$ 50,456	\$ 46,123	\$ 47,624	\$ 50,287	\$ 55,966	\$ 54,877
Licenses and permits	14,578	7,253	6,605	5,302	1,198	1,107	1,230	1,533	1,387	1,463
Intergovernmental	43,897	47,419	52,034	33,265	8,649	9,928	17,249	13,833	25,947	19,293
Charges for services	6,752	8,174	11,102	9,197	10,606	9,256	10,480	9,587	11,627	13,247
Fines and forfeitures	877	1,747	1,577	1,292	1,037	1,355	1,142	1,308	737	793
Investment income	3,390	2,784	681	399	297	169	138	68	158	478
Sale of assets	50	135	69	-	-	-	-	-	-	(3,544)
Legal Settlement	-	-	-	-	-	1,754	34	-	-	-
Other	3,821	298	972	1,050	522	203	190	314	201	192
Total revenues	<u>130,494</u>	<u>117,408</u>	<u>118,819</u>	<u>93,885</u>	<u>\$ 72,765</u>	<u>\$ 69,894</u>	<u>\$ 78,086</u>	<u>\$ 76,930</u>	<u>\$ 96,022</u>	<u>\$ 86,798</u>
Expenditures										
General government	15,010	13,972	11,163	11,567	8,610	8,218	9,751	11,171	9,676	9,272
Public safety	31,072	34,031	31,154	29,050	30,360	32,061	34,272	35,674	35,875	37,855
Community development	3,374	7,024	10,471	5,063	2,722	3,930	2,788	1,769	1,438	1,899
Public works	45,252	38,630	22,731	19,798	29,116	18,481	23,697	28,349	31,956	29,412
Park and recreation	13,307	15,461	5,807	5,178	2,797	3,022	2,866	2,956	3,363	3,746
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt services:										
Principal	1,279	1,524	1,382	1,231	1,067	32	6,082	-	-	-
Interest & Fiscal agent charges	2,943	2,660	2,498	2,463	1,397	74	61	63	102	177
SERAF Obligation	-	-	12,368	2,545	-	-	-	-	-	-
Total expenditures	<u>112,238</u>	<u>113,302</u>	<u>97,575</u>	<u>76,896</u>	<u>\$ 76,069</u>	<u>\$ 65,818</u>	<u>\$ 79,516</u>	<u>\$ 79,982</u>	<u>\$ 82,411</u>	<u>\$ 82,362</u>
Excess of revenues over (under) expenditures	18,257	4,107	21,244	16,989	(3,305)	4,075	(1,430)	(3,052)	13,611	4,437
Other financing sources (uses):										
Transfer in	27,624	32,716	5,960	2,776	5,832	21,519	365	1,289	218	246
Transfer out	(50,048)	(45,531)	(27,506)	(25,763)	(6,931)	(2,653)	(1,327)	(2,200)	(997)	(800)
Issuance of debt	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-	-	31	55	1,058	156
Total other financing sources(uses)	<u>(22,423)</u>	<u>(12,815)</u>	<u>(21,546)</u>	<u>(22,987)</u>	<u>(1,099)</u>	<u>18,866</u>	<u>(931)</u>	<u>(856)</u>	<u>279,675</u>	<u>(398)</u>
Extraordinary gain(loss)	-	-	-	-	(65,439)	-	-	-	-	-
Net change in fund balances	<u>(4,167)</u>	<u>(8,708)</u>	<u>(302)</u>	<u>(5,997)</u>	<u>(69,843)</u>	<u>22,941</u>	<u>(2,361)</u>	<u>(3,908)</u>	<u>13,890</u>	<u>4,039</u>
Debt service as a percentage of noncapital expenditures	3.8%	3.7%	4.0%	4.8%	3.2%	0.2%	7.7%	0.1%	0.1%	0.2%

CITY OF VICTORVILLE
 ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS



<u>Fiscal Year</u>	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>SBE Nonunitary</u>	<u>Total Assessed</u>	<u>Total Direct Tax Rate</u>
2008	8,445,139,241	528,505,928	483,739,950	9,457,385,119	9.40%
2009	8,482,819,863	446,754,325	469,192,873	9,398,767,061	10.61%
2010	6,876,396,453	475,171,025	446,393,003	7,797,960,481	13.73%
2011	6,152,107,952	531,098,592	349,464,067	7,032,670,611	20.40%
2012	6,015,259,937	486,592,953	324,863,210	6,826,716,100	20.63%
2013	5,983,453,352	502,968,659	279,763,216	6,766,185,227	21.62%
2014	6,079,669,684	578,809,444	232,263,205	6,890,742,333	18.33%
2015	6,523,751,292	563,911,351	180,492,248	7,268,154,891	18.25%
2016	6,961,515,866	598,447,036	177,480,228	7,737,443,130	18.24%
2017	7,358,274,302	548,314,490	225,429,163	8,132,017,955	18.23%

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

Source: County of San Bernardino Assessor and HdL, Coren & Cone

CITY OF VICTORVILLE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

RATE PER \$100 OF TAXABLE VALUE

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Basic Levy*	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Adelanto Elementary Bond	0.0263	0.0340	0.0434	0.0578	0.0665	0.0707	0.0746	0.0810	0.0797	0.0830
Mojave Water Agency	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675
Oro Grande Elementary Bond	0.0264	0.0155	0.0211	0.0344	0.0348	0.0381	0.0377	0.0379	0.0378	0.0898
Victor Elementary Bond	0.0307	0.0344	0.0480	0.0900	0.0932	0.1026	0.1086	0.1022	0.1124	0.1162
Victor High School Bond	0.0162	0.0167	0.0525	0.0574	0.0619	0.0768	0.0792	0.0770	0.0716	0.0986
Victor Valley Community College Bond	0.0000	0.0000	0.0199	0.0306	0.0253	0.0274	0.0264	0.0262	0.0197	0.0174
Total Direct and Overlapping Tax Rates	1.2671	1.2681	1.3524	1.4377	1.4492	1.4831	1.4940	1.4918	1.4887	1.5725
City's basic rate**	0.1891	0.1891	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1604
Total Direct Rate^	0.0940	0.1061	0.1373	0.2040	0.0206	0.2162	0.1833	0.1825	0.1824	0.1823

Notes:

* In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

** City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in the ratio figures.

^ Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Source: San Bernardino County Auditor/ Controller's Office and HDL, Coren & Cone

CITY OF VICTORVILLE
 PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2017</u>		<u>2008</u>	
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
High Desert Power Trust	\$ 224,800,000	2.76%	\$ 481,000,000	5.09%
Macerich Victor Valley	132,643,598	1.63%	122,543,020	1.30%
The American Bottling Company	97,219,234	1.20%		
Stirling Capital Investments	86,217,899	1.06%		
Prime A Investments LLC	76,260,753	0.94%	37,325,020	0.39%
Nutro Products Inc.	75,965,984	0.93%		
Cemex Construction Materials Pacific	72,565,888	0.89%		
Walmart Stores Inc.	64,735,202	0.80%		
Victor Valley Hospital Real Estate	38,045,736	0.47%		
Church and Dwight Company Inc.	33,743,383	0.41%		
Pratt and Whitney			\$ 207,155,000	2.19%
AFG Industries Inc.			74,373,893	0.79%
Cemex Inc			70,078,521	0.74%
KB Home Greater Los Angeles Inc.			33,660,621	0.36%
Empire Homes II LLC			32,412,120	0.34%
Synleaseco Delaware Business Trust			26,390,381	0.28%
General Electric Company			24,709,152	0.26%
	<u>\$ 902,197,677</u>	<u>11.09%</u>	<u>\$ 1,109,647,728</u>	<u>11.74%</u>

Data is only presented for the top ten property in each of the two years presented.

Source: HdL Coren & Cone

CITY OF VICTORVILLE
PROPERTY TAX LEVIES AND COLLECTIONS BY DISTRICT
LAST TEN FISCAL YEARS

<i>Fire District***</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2008	3,292,600	3,054,828	92.78%
2009	2,769,811	2,590,297	93.52%
2010	2,437,781	2,330,366	95.59%
2011	-	-	0.00%
2012	-	-	0.00%
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016	-	-	0.00%
2017	-	-	0.00%

<i>Park District***</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2008	3,474,181	3,225,293	92.84%
2009	2,993,926	2,801,158	93.56%
2010	2,639,013	2,521,420	95.54%
2011	-	-	0.00%
2012	-	-	0.00%
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016	-	-	0.00%
2017	-	-	0.00%

<i>Sanitary District**</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2008	1,691,527	1,558,136	92.11%
2009	1,407,321	1,313,961	93.37%
2010	-	-	0.00%
2011	-	-	0.00%
2012	-	-	0.00%
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016	-	-	0.00%
2017	-	-	0.00%

<i>Street Lighting District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2008	793,711	738,129	93.00%
2009	670,915	628,604	93.69%
2010	585,905	558,464	95.32%
2011	575,210	553,697	96.26%
2012	576,592	575,926	99.88%
2013	651,767	648,817	99.55%
2014	718,124	713,835	99.40%
2015	751,196	737,646	98.20%
2016	814,455	764,955	93.92%
2017	739,345	737,720	99.78%

*In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. The City of Victorville elected to be a no property tax city. Therefore, the property tax revenue received is based on the above districts only.

** In fiscal year 2010, LAFCO approved consolidation of Sanitary District to the City. This property tax revenue is currently recorded in the General Fund.

*** In fiscal year 2011, LAFCO approved consolidation of Fire and Park Districts to the City. This property tax revenue is currently recorded in the General Fund.

Source: San Bernardino County Assessor's Office

CITY OF VICTORVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(in thousands)

Governmental Activities

<u>Fiscal Year</u>	<u>Certificate of Participation</u>	<u>Tax Allocation Bonds*</u>	<u>Capital Lease Agreement</u>	<u>Other**</u>	<u>Total Governmental Activities</u>
2008	\$ 255	\$ 44,945	\$ 2,112	\$ -	\$ 47,312
2009	\$ 130	\$ 44,130	\$ 1,529	\$ 5,530	\$ 51,319
2010	\$ -	\$ 43,280	\$ 488	\$ 6,952	\$ 50,721
2011	\$ -	\$ 42,395	\$ 142	\$ 9,669	\$ 52,207
2012	\$ -	\$ -	\$ -	\$ 13,821	\$ 13,821
2013	\$ -	\$ -	\$ -	\$ 21,933	\$ 21,933
2014	\$ -	\$ -	\$ -	\$ 45,100	\$ 45,100
2015	\$ -	\$ -	\$ -	\$ 44,078	\$ 44,078
2016	\$ -	\$ -	\$ -	\$ 33,111	\$ 33,111
2017	\$ -	\$ -	\$ -	\$ 40,289	\$ 40,289

*In 2012, the Redevelopment Agency dissolution caused the bonds to go to the Successor Agency to the Redevelopment Agency, a private purpose trust.

** In Fiscal Year 2015, the City implemented GASB68, which adjusted the amount for 2014 to reflect prior Net Pension Liability.

Source: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF VICTORVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(in thousands)

Business-Type Activities

<u>Fiscal Year</u>	<u>Lease Purchase Agreement</u>	<u>Tax Allocation Bonds</u>	<u>Lease Revenue Bonds</u>	<u>Revenue Bonds[^]</u>	<u>Certificate of Participation</u>	<u>Other^a</u>	<u>Total Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Debt Per Capita*</u>	<u>% of Personal Income*</u>
2008	\$ 4,498	\$ 329,740	\$ 83,770	\$ 0	\$ 15,000	\$ 26,626	\$ 459,634	\$ 506,946	4,968	282.04
2009	\$ 3,620	\$ 328,976	\$ 83,770	\$ 0	\$ 14,675	\$ 1,452	\$ 432,493	\$ 483,812	4,534	255.44
2010	\$ 2,391	\$ 326,278	\$ 83,770	\$ 0	\$ 14,340	\$ 4,406	\$ 431,185	\$ 481,905	4,410	254.50
2011	\$ 1,852	\$ 323,469	\$ 83,470	\$ 0	\$ 13,990	\$ 7,110	\$ 429,891	\$ 482,097	4,301	267.49
2012	\$ 1,500	\$ 327,034	\$ 83,070	\$ 0	\$ 13,630	\$ -	\$ 425,234	\$ 439,055	3,688	226.85
2013	\$ 1,133	\$ 321,469	\$ 53,070	\$ 1,543	\$ 13,260	\$ 2,791	\$ 393,265	\$ 415,198	3,449	215.49
2014	\$ 748	\$ 321,508	\$ 53,070	\$ 1,353	\$ 12,875	\$ 16,418	\$ 405,972	\$ 451,072	3,741	229.37
2015	\$ 347	\$ 318,564	\$ 53,070	\$ 1,155	\$ 12,465	\$ 13,651	\$ 399,252	\$ 443,330	3,680	228.88
2016	\$ -	\$ 314,936	\$ 53,070	\$ 945	\$ 12,035	\$ 13,866	\$ 394,851	\$ 427,962	3,465	225.42
2017	\$ -	\$ 311,741	\$ 51,925	\$ 725	\$ 10,360	\$ 17,873	\$ 392,624	\$ 432,913	3,504	226.62

[^] In Fiscal Year 2007, the City reclassified Solid Waste from Governmental activities to Business- type activities. Thus, the revenue bond for this fund was also reclassified.

^a In Fiscal Year 2015, the City implemented GASB68, which adjusted the amount for 2014 to reflect prior Net Pension

* This ratio is calculated using population and personal income for the prior calendar year.

Source: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF VICTORVILLE
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Certificate of Participation</u>	<u>Revenue Bonds ^</u>	<u>Tax Allocation Bonds[§]</u>	<u>Total</u>	<u>Percentage Assessed Value*</u>	<u>Per Capita</u>
2008	255,000	-	44,945,000	45,200,000	0.48%	442.95
2009	130,000	-	44,130,000	44,260,000	0.47%	414.75
2010	-	-	43,280,000	43,280,000	0.56%	396.09
2011	-	-	42,395,000	42,395,000	0.60%	378.20
2012	-	-	-	-	0.00%	-
2013	-	-	-	-	0.00%	-
2014	-	-	-	-	0.00%	-
2015	-	-	-	-	0.00%	-
2016	-	-	-	-	0.00%	-
2017	-	-	-	-	0.00%	-

[§] The dissolution of the Redevelopment Agency in fiscal year 2012 caused the Tax Allocation bonds, liabilities of the former Redevelopment Agency, to be transferred to the Successor Agency , a private purpose trust fund.

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

Source: City of Victorville Comprehensive Annual Financial Reports FY17

CITY OF VICTORVILLE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
amounts expressed in thousands)

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Limit	\$ 1,418,608	\$ 1,409,815	\$ 1,169,694	\$ 1,054,901	\$ 1,024,007	\$ 1,014,928	\$ 1,033,611	\$ 1,090,223	\$ 1,160,616	\$ 1,219,803
Total net debt applicable to limit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal debt margin	<u>1,418,608</u>	<u>1,409,815</u>	<u>1,169,694</u>	<u>1,054,901</u>	<u>1,024,007</u>	<u>1,014,928</u>	<u>1,033,611</u>	<u>1,090,223</u>	<u>1,160,616</u>	<u>1,219,803</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 8,132,018	
Debt Limit(15% of total assessed value)	1,219,803	
Debt applicable to limit:		0.0%
General obligation bond	-	
Less: Amount set aside for repayment of general obligation debt	-	
Total net debt applicable to limit	<u>-</u>	
Legal debt margin	<u>\$ 1,219,803</u>	

Note: Under state finance law, the City of Victorville's outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying obligation bonds.

Source: HdL Companies

CITY OF VICTORVILLE
DIRECT AND OVERLAPPING DEBT

2016-17 Assessed Valuation: \$8,131,951,130

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> <u>6/30/2017</u>	<u>% Applicable (1)</u>	<u>City's Share of</u> <u>Debt 6/30/17</u>
Victor Valley Joint Community College District	\$ 135,027,822	29.337%	\$ 39,613,112
Victor Valley Joint Union High School District	128,963,113	64.468	83,139,940
Adelanto School District	7,125,028	45.364	3,232,198
Oro Grande School District	106,200	2.376	2,523
Victor School District	54,335,583	84.048	45,667,971
Mojave Water Agency Certificates of Participation	9,085,000	25.347	2,302,775
Adelanto School District Community Facilities District No. 1, I.A. A	14,325,000	100	14,325,000
Adelanto School District Community Facilities District No.2	3,270,000	100	3,270,000
Hesperia Unified School District Community Facilities Districts	9,585,000	100	9,585,000
Snowline Joint Unified School District Community Facilities Districts	10,695,000	100	10,695,000
Victor School District Community Facilities Districts	22,805,000	100	22,805,000
Victor Valley Joint Union High School District Community Facilities Districts	5,700,000	100	5,700,000
City of Victorville Community Facilities Districts	6,115,000	100	6,115,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 246,453,519
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Bernardino County General Fund Obligations	\$ 399,400,000	4.159%	\$ 16,611,046
San Bernardino Pension Obligation Bonds	379,612,328	4.159	15,788,077
San Bernardino County Flood Control District	73,680,000	4.159	3,064,351
Victor Valley Union High School District Certificates of Participation	25,865,000	64.468	16,674,648
Hesperia Unified School District Certificates of Participation	95,905,000	7.426	7,121,905
Snowline Joint Unified School District Certificates of Participation	65,010,000	7.426	4,827,643
Adelanto School District Certificates of Participation	8,750,000	45.364	3,969,350
Oro Grande School District Certificates of Participation	38,900,000	2.376	924,264
Victor School District Certificates of Participation	1,410,000	84.048	1,185,077
City of Victorville General Fund Obligations	-	100	-
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 70,166,361
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	 \$ 340,464,925	 69.079-100%	 \$ 246,370,799
 TOTAL DIRECT DEBT			 \$0
TOTAL OVERLAPPING DEBT			\$ 562,990,679
 COMBINED TOTAL DEBT			 \$ 562,990,679 (2)

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.03%
Total Direct Debt (\$0)	0.00%
Combined Total Debt	6.92%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$4,072,043,397):

Total Overlapping Tax Increment Debt	6.05%
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Source: California Municipal Statistics, Inc.

CITY OF VICTORVILLE
 PLEDGE REVENUE COVERAGE
 LAST TEN FISCAL YEARS
 (in thousands)

Governmental Activities Debt- Tax Allocation Bond

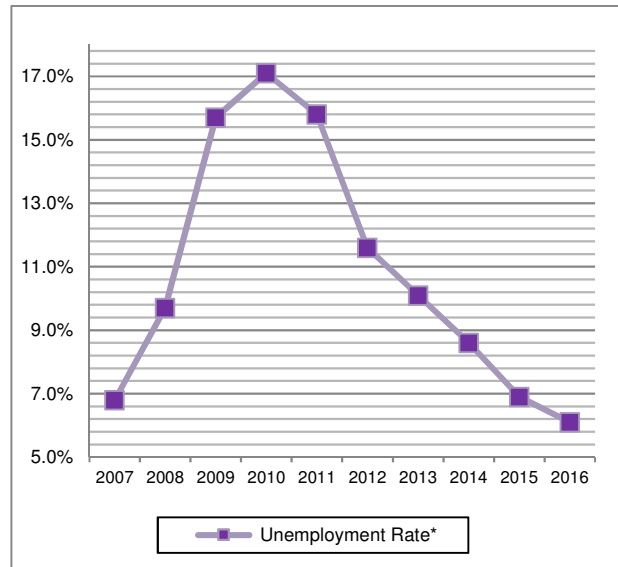
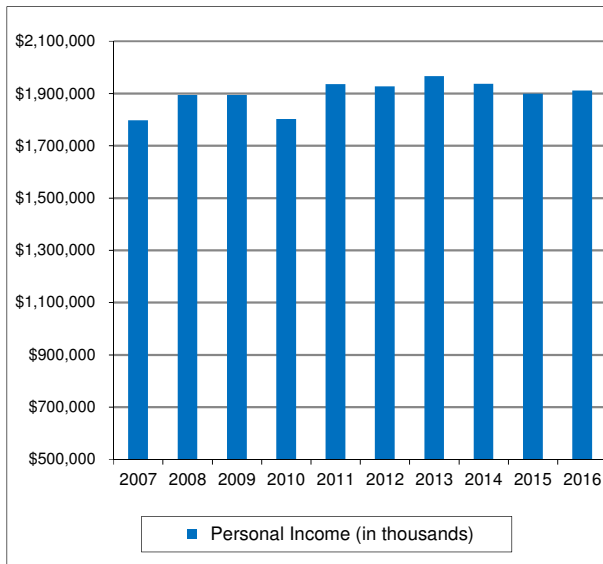
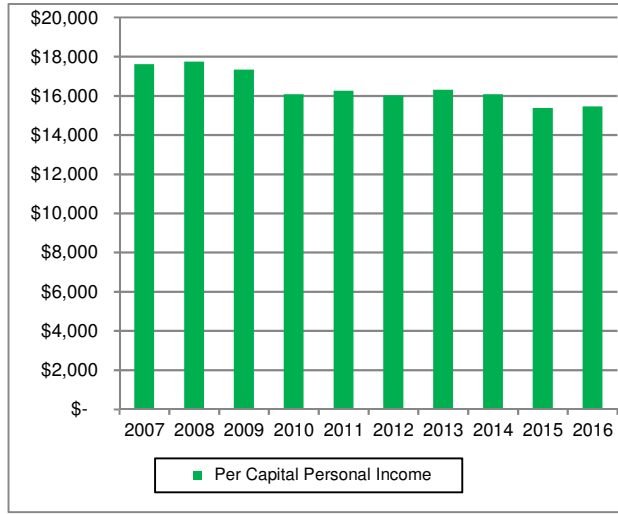
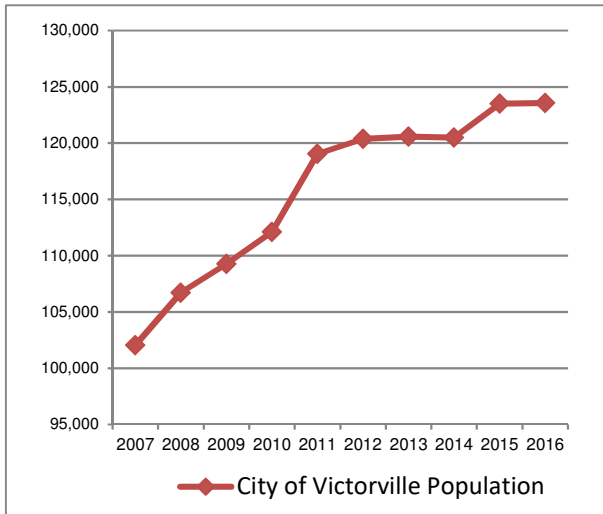
<u>Fiscal Year</u>	<u>Tax Increment</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2008	6,299	780	2,426	196%
2009	6,055	815	2,393	189%
2010	5,802	850	2,356	181%
2011	4,839	725	2,298	160%
2012	3,333	925	2,276	104%
2013	3,201	965	2,236	100%
2014	4,927	2,010	2,190	117%
2015	5,600	1,060	2,139	175%
2016	5,343	1,110	2,085	167%
2017	5,689	1,165	2,029	178%

Business Type Activities Debt - SCLAA Tax Allocation Bond

<u>Fiscal Year</u>	<u>Property Tax Increment</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2008	28,001	3,145	17,370	136%
2009	31,217	10,037	11,145	147%
2010	24,971	3,505	18,041	116%
2011	19,001	3,660	17,967	88%
2012	17,059	3,830	17,699	79%
2013	19,893	4,005	17,525	92%
2014	17,562	4,195	17,321	82%
2015	18,554	4,410	17,150	86%
2016	25,176	4,635	16,950	117%
2017	24,649	4,865	16,746	114%

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

**CITY OF VICTORVILLE
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>City of Victorville Population</u>	<u>Personal Income (in thousands)</u>	<u>Unemployment Rate*</u>	<u>Per Capital Personal Income</u>
2007	102,044	\$ 1,797,457	6.8%	\$ 17,615
2008	106,716	\$ 1,894,034	9.7%	\$ 17,748
2009	109,268	\$ 1,893,544	15.7%	\$ 17,329
2010	112,097	\$ 1,802,296	17.1%	\$ 16,078
2011	119,059	\$ 1,935,423	15.8%	\$ 16,256
2012	120,368	\$ 1,926,731	11.6%	\$ 16,007
2013	120,590	\$ 1,966,582	10.1%	\$ 16,308
2014	120,485	\$ 1,936,917	8.6%	\$ 16,076
2015	123,510	\$ 1,898,511	6.9%	\$ 15,371
2016	123,565	\$ 1,910,290	6.1%	\$ 15,459

Source: HdL Coren & Cone; Decennial Census Data, CA State Department of Finance, CA EDD

CITY OF VICTORVILLE
 FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS*

Function	Fiscal Year									
	<u>2008</u>	<u>2009**</u>	<u>2010***</u>	<u>2011****</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government****	112	104	66	122	71	71	72	71	72	73
Public Safety*	112	28	1	-	-	1	1	-	-	-
Public Works**	211	205	156	85	113	124	114	108	110	113
Community Development	15	14	14	11	11	4	4	4	4	4
Community Services	195	200	137	83	110	110	104	112	75	75
Airport	28	27	22	19	23	21	24	26	25	26
Municipal Utilities**	14	-	-	-	-	-	-	-	-	-
Water***	61	61	81	55	60	56	50	53	57	63
Total	748	639	477	375	388	387	369	374	343	354

* Only includes Fire Services. Some of the Fire Services' staff moved to the County during fiscal year 2009 as part of the contract services

** Municipal utilities staffs became part of Public Works department during fiscal year 2009.

***Billing staff in General government became part of Water department during fiscal year 2010.

****Billing and Customer Services staff moved to General Government, Finance during fiscal year 2011.

Source: City of Victorville Administrative Services - Finance Division.

CITY OF VICTORVILLE
OPERATION INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Physical arrests	7,244	5,066	5,176	5,217	4,202	4,096	4,965	5,389	5,194	5,716
Traffic Violations	6,101	5,472	5,164	7,770	7,828	9,404	8,649	6,759	4,070	5,561
Public works										
Street Maintenance										
Potholes repaired	3,148	2,648	5,448	2,949	3,004	3,124	4,198	3,832	4,138	5,667
Graffiti removal	8,092	7,126	8,442	5,460	12,460	14,708	8,605	5,687	4,708	2,824
Streets sweeping (tons)	2,768	2,532	2,296	2,672	1,862	1,907	1,598	1,782	1,687	1,627
Sanitation										
Refuse collected (tons/day)	190	172	180	187	177	166	181	182	202	206
Recyclables collected (tons/day)	40	36	33	32	31	28	31	32	33	32
Community Services										
Park and Recreation										
Athletic field permits issued	4,596	4,597	3,891	4,023	4,970	6,788	7,357	5,970	5,905	6,310
Community center enrollments	49,611	43,216	39,636	36,385	30,193	30,915	32,156	31,384	29,958	25,343
Facilities rental used	3,200	2,695	2,299	1,794	1,819	2,062	2,051	2,036	2,388	2,469
Water										
Water Consumption (in hundred cubic feet)										
Residential	7,808,457	6,926,769	6,372,920	5,790,730	6,617,018	6,198,485	6,236,913	5,991,545	5,191,845	5,505,636
Multi Residential	609,672	540,834	497,588	452,131	516,645	483,968	486,970	467,812	405,373	444,737
Commercial	1,934,537	1,716,107	1,578,886	1,434,647	1,639,355	1,535,667	1,545,194	1,484,402	1,286,280	1,357,027
Institutional	586,223	520,032	478,450	434,742	496,774	465,354	468,241	449,819	389,782	437,698
Irrigation	785,539	696,843	641,124	582,554	665,678	623,574	627,442	602,757	522,308	491,157
Fire service	41	63	41	27	16	22	51	43	50	94
Recycled	-	-	-	-	-	-	31,681	407,194	274,824	127,752
Total	11,724,469	10,400,648	9,569,009	8,694,831	9,935,486	9,307,070	9,396,492	9,403,572	8,070,462	8,364,101
Water Sold (in acre feet)	26,916	23,877	21,967	19,961	22,809	21,366	21,499	20,653	17,896	19,201
Number of Customer Connections										
Residential	26,424	28,559	31,043	31,487	31,694	32,145	32,582	32,841	32,884	32,650
Multi Residential	189	189	192	192	192	195	195	195	198	197
Commercial	1,001	1,032	1,043	1,057	1,058	1,059	1,062	1,064	1,066	1,074
Institutional	201	202	202	203	203	204	204	205	206	207
Irrigation	232	233	234	234	235	235	235	236	236	239
Fire service	552	552	553	554	554	554	554	555	555	564
Recycled	-	-	-	-	-	-	2	2	2	2
Total	28,599	30,767	33,267	33,727	33,936	34,392	34,834	35,098	35,147	34,933
Average Daily Consumption (in thousands of gallons)	24,029	21,316	19,611	17,820	20,362	19,074	19,258	19,272	16,540	17,142
Estimated Population	98,468	106,368	115,570	117,212	117,978	119,658	121,275	122,233	121,419	121,608
Per Capita Average Daily Consumption (in gallons)	244	200	170	152	173	159	159	158	136	141
Rainfall in inches	3.17	4.37	7.81	2.32	1.90	2.75	1.67	0.92	5.69	4.92

Source: City of Victorville departments

Note: Indicators are not available for the general government function.

CITY OF VICTORVILLE
OPERATION INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Principal Water Rates

	<u>Fiscal Year</u>									
	2008	2009	2010	2011	2012	2013	2014	2015	2016*	2017
Consumption (per hundred cubic feet)										
Standard Domestic	\$ 1.18	\$ 1.34	\$ 1.47	\$ 1.47	\$ 1.47	\$ 1.53	\$ 1.53	\$ 1.53	\$ 1.749	\$ 1.749
Construction Flow	\$ 1.90	\$ 2.15	\$ 2.36	\$ 2.36	\$ 2.39	\$ 2.47	\$ 2.47	\$ 2.47	\$ 2.768	\$ 2.768
Untreated Well	\$ 0.40	\$ 0.46	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.52	\$ 0.52	\$ 0.52	\$ 0.595	\$ 0.595
Recycled	\$ 0.88	\$ 0.88	\$ 0.88	\$ 0.88	\$ 0.88	\$ 0.92	\$ 0.92	\$ 0.92	\$ 1.049	\$ 1.049
Public Benefit	\$ 0.47	\$ 0.54	\$ 0.59	\$ 0.59	\$ 0.59	\$ 0.61	\$ 0.61	\$ 0.61		
Monthly Service Fee										
Monthly per average daily use 0.00-0.26	\$ 13.00	\$ 13.00	\$ 15.00	\$ 16.50	\$ 16.50	\$ 17.25	\$ 17.25	\$ 17.25		
Monthly per average daily use 0.27-1.17	\$ 14.00	\$ 14.00	\$ 16.00	\$ 17.50	\$ 17.50	\$ 18.25	\$ 18.25	\$ 18.25		
Monthly per average daily use 1.18-6.60	\$ 28.00	\$ 28.00	\$ 32.00	\$ 35.00	\$ 35.00	\$ 36.50	\$ 36.50	\$ 36.50		
Monthly per average daily use > 6.60	\$ 100.00	\$ 100.00	\$ 115.00	\$ 125.00	\$ 125.00	\$ 130.50	\$ 130.50	\$ 130.50		
3/4 inch meter									\$ 11.78	\$ 11.78
1 inch meter									\$ 18.59	\$ 18.59
1 1/2 inch meter									\$ 35.62	\$ 35.62
2 inch meter									\$ 56.06	\$ 56.06
3 inch meter									\$ 110.56	\$ 110.56
4 inch meter									\$ 171.88	\$ 171.88
6 inch meter									\$ 342.19	\$ 342.19
8 inch meter									\$ 955.34	\$ 955.34
> 8 inch meter									\$ 1,432.23	\$ 1,432.23
Fire Service Fee										
1 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 2.69	\$ 2.69
2 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 5.19	\$ 5.19
2 1/2 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 5.19	\$ 5.19
4 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 17.45	\$ 17.45
6 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 37.88	\$ 37.88
8 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 65.13	\$ 65.13
> 8 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 101.45	\$ 101.45

Source: Victorville Water District

* In 2016, the Water District changed billing method from Monthly Service Fee by usage to Monthly Service Fee by meter size.

CITY OF VICTORVILLE
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	49	52	52	52	52	52	52	52	52	55
Fire Stations	6	6	6	6	6	6	6	6	5	5
Public Works										
Highways and streets:										
Streets (miles)	448	448	448	448	448	448	448	448	449	449
Streetlights	335	335	356	364	376	376	392	392	396	404
Traffic Signals	72	72	78	182	83	83	87	87	88	90
Sewer:										
Sanitary sewers (miles)	411	411	415	416	419	419	419	419	440	740
Storm sewers (miles)	471	471	471	472	473	473	473	473	473	473
Number of treatment plants	1	1	1	1	2	2	2	2	2	2
Number of service connections	35,353	36,009	36,733	31,384	37,081	40,226	40,152	40,029	40,092	40,551
Community Services										
Parks acreage	263	263	263	263	263	263	263	263	263	180
Park	18	18	18	18	18	18	18	18	18	19
Golf Courses	2	2	2	2	1	1	1	1	1	1
Swimming pools	2	2	2	2	1	1	1	1	1	1
Tennis courts	6	6	6	6	6	6	6	6	6	6
Community Centers	6	6	6	6	6	6	6	6	6	7
Airport										
Runway length (miles)	5	5	5	5	5	5	5	5	5	5
Sewer pipeline	20	25	25	25	25	30	30	30	30	30
Number of hangars	25	25	25	25	25	26	26	26	26	26
Number of buildings	50	45	47	47	47	52	52	52	52	52
Water										
Water Production in Acre feet	26,969	24,597	23,160	22,900	23,520	23,518	23,830	22,030	20,905	22,476
Domestic Water Tanks (Reservoirs)	26	26	26	26	26	26	26	26	26	26
Domestic Storage in Millions of Gallons	74	74	74	74	74	74	74	74	74	74
Recycled Water Tanks (Reservoirs)					1	1	1	1	1	1
Recycled Storage in Millions of Gallons					1	1	1	1	1	1
Wells	32	32	32	32	32	32	32	32	32	32
Pipeline - Linear Feet (in thousands)	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Pipeline - Miles	694	694	694	694	694	694	694	694	694	694
Booster Pumping Stations	4	4	4	4	4	4	4	4	4	4
Pressure Regulating Stations	3	3	3	3	3	3	3	3	3	3

Source: City of Victorville departments

Note: Indicators are not available for the general government function.

