



## AUDIT COMMITTEE

**Regular Meeting Agenda**  
**Monday, April 10, 2023, 4:00 p.m.**  
**Conference Room D**

**Victorville City Hall**  
**14343 Civic Dr.**  
**Victorville, CA 92392**

The Audit Committee holds its business meetings in public in accordance with the requirements of the Ralph M. Brown Act, its established policies and procedures, and its adopted parliamentary authority. The Audit Committee strives to carry out its meetings in an atmosphere of professionalism with full participation by members of the body and the public. As such, the Presiding Officer is empowered to govern meetings to foster the efficient and fair administration of City business.

The Audit Committee welcomes and encourages public participation and invites the community to attend in person. Public comments will be no longer than three (3) minutes per community member. Should a speaker conclude their comments prior to the expiration of three (3) minutes, the speaker waives the right to speak for any remaining amount of time. If you cannot attend in person but would like your comments to be read during the meeting, please email your comments to [cityclerk@victorvilleca.gov](mailto:cityclerk@victorvilleca.gov) before 3:00 p.m. the day of the meeting. If your comment does not apply to a specific Agenda Item, please write General Public Comment in the subject line.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the office of the City Clerk at (760) 955-5188 no later than 72 hours prior to the meeting.

**4:00 p.m. Call to Order**

**Roll Call**

**Public Comments**

### **Consent Calendar**

1. Minutes of the February 22, 2022, Regular Meeting

**Recommendation:**

That the Audit Committee approve the minutes of the February 22, 2022 Regular Meeting.

### **Written Communications**

2. Presentation and Discussion of Draft City of Victorville Annual Comprehensive Financial Report (ACFR), and Victorville Water District and Southern California Logistics Airport Authority Basic Financial Statements for Fiscal Year Ending June 30, 2022

#### **Recommendation:**

That the Audit Committee accept the draft financial reports for Fiscal Year ending June 30, 2022 and authorize the documents to be finalized.

### **Adjournment**



Item Number: 1

**Audit Committee**

**Consent Calendar**

**Meeting of: April 10, 2023**

**Submitted By:**

Jennifer Thompson, City Clerk

**Subject:**

Minutes of the February 22, 2022, Regular Audit Committee Meeting

**Recommendation:**

That the Audit Committee approve the minutes of the Regular Meeting of February 22, 2022.

**Fiscal Impact:**

There is no fiscal impact as a result of this action.

**Attachments:**

A. Minutes of the February 22, 2022, Regular Meeting

# ATTACHMENT A



Conference Room D  
14343 Civic Drive  
Victorville, CA  
[www.victorvilleca.gov](http://www.victorvilleca.gov)

## Audit Committee

### Regular Meeting Minutes

Tuesday, February 22, 2022, 5:30 p.m.

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**Call to Order:** The regular meeting of the Audit Committee was called to order by Keith Metzler at 5:41 p.m.

**Members Present:** Debra Jones, Mayor; Leslie Irving, Mayor Pro-Tem; Keith Metzler, City Manager; Sophie Smith, Deputy City Manager; Jenele Davidson, Deputy City Manager, John Mendiola, Finance Director/City Treasurer and Kim Scott, Finance Manager

**Others Present:** Jennifer Thompson, City Clerk and Kassie Radermacher, CliftonLarsonAllen LLP

### Written Communication

1. Presentation and Discussion of Draft City of Victorville Annual Comprehensive Financial Report (ACFR), and Victorville Water District and Southern California Logistics Airport Authority Basic Financial Statements for Fiscal Year Ending June 30, 2021

Recommendation: No action needed at this time.

Keith Metzler provided a brief introduction to the Committee.

Kassie Radermacher reviewed the draft reports and findings with the Committee and answered questions relative to said findings.

### Adjournment

The meeting was adjourned at 6:11 p.m.



Item Number: 2

**Audit Committee**

**Written Communications**

**Meeting of: April 10, 2023**

**Submitted By:**

John Mendiola, Finance Director / City Treasurer

**Subject:**

Presentation and Discussion of Draft City of Victorville Annual Comprehensive Financial Report (ACFR), and Victorville Water District and Southern California Logistics Airport Authority Basic Financial Statements for Fiscal Year Ending June 30, 2022.

**Recommendation:**

That the Audit Committee accept the draft financial reports for Fiscal Year ending June 30, 2022 and authorize the documents to be finalized.

**Fiscal Impact:**

There is no fiscal impact associated with this item.

**Strategic Plan Goal:**

This meeting is part of Goal A: Financial Sustainability as these reports are indicators of our past performance and convey valuable information to future planning and forecasting.

**Background:**

In September 2008, the City's Auditors recommended the City form an ad hoc committee to review the results of the annual audit and make accounting procedure recommendations to the City Council. On December 16, 2008, the City Council appointed two members to serve on the Finance Ad Hoc committee. Through the years, the committee has transformed into an Audit Committee and is currently comprised of two City Council members appointed by the entire body, along with the City Manager, Deputy City Managers, Finance Director/City Treasurer, and other key staff members. The Audit Committee's current structure and continuing subject matter jurisdiction more likely resembles a standing committee and, therefore is being held as a public meeting subject to the Brown Act.

The City's basic financial statements, along with both the Victorville Water District and Southern California Logistics Airport Authority financial statements for the Fiscal Year

ending June 30, 2022 were audited by the independent audit firm CliftonLarsonAllen LLP, Certified Public Accountants. The City of Victorville's Audit Committee is meeting on April 10, 2023 to review and discuss the final draft of the City's ACFR.

The final version of the ACFR for the City of Victorville, and the basic financial statements for the Victorville Water District and the Southern California Logistics Airport Authority, will be scheduled for presentation to the City Council and the Board of Directors for receipt and filing at the upcoming April 18, 2023 meeting. The Victorville Water District and the Southern California Logistics Airport Authority issue separate financial statements since they are considered component units of the City; however, the financial information for these component units is also included in the ACFR.

**Discussion:**

Attached is a draft version of the Fiscal Year Ending (FYE) June 30, 2022 Annual Comprehensive Financial Report (ACFR) for the City of Victorville, the Victorville Water District Basic Financial Statements and the Southern California Logistics Airport Authority Basic Financial Statements. Also attached is the Draft Independent Auditor's Report for FYE 2022.

Ms. Kassie Radermacher, CPA, CFE and Principal of CliftonLarsonAllen LLP (CLA) will present the draft documents to the Audit Committee at the meeting, presenting highlights of the information in the audit, issues related to the audit, new standards implemented for the FYE June 30, 2022, as well as upcoming standards. The committee members will have the opportunity to ask questions and discuss the contents of the reports.

**Attachments:**

- A. Draft City of Victorville Annual Comprehensive Financial Report (ACFR) for Fiscal Year Ending June 30, 2022
- B. Draft Independent Auditor's Report for Fiscal Year Ending June 30, 2022
- C. Draft Victorville Water District Basic Financial Statements for Fiscal Year Ending June 30, 2022
- D. Draft Southern California Logistics Airport Authority Basic Financial Statements for Fiscal Year Ending June 30, 2022

ATTACHMENT A  
Draft City of Victorville Annual  
Comprehensive Financial Report (ACFR)  
for Fiscal Year Ended June 30, 2022



**CITY OF VICTORVILLE  
VICTORVILLE, CALIFORNIA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2022**



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## INTRODUCTORY SECTION

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April 10, 2023

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

In accordance with the City Charter of the City of Victorville and California state law, please accept submission of the Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2022. Responsibility for the accuracy of the data, completeness, and fairness of the presentation, including all disclosures, rests with the City. 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 it has established for this purpose. We believe the data included is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and operational achievements of the City, as measured by the financial activity of its various funds. In addition, all disclosures necessary to enable the reader to gain maximum understanding of the City's financial activities have been included.

The City Charter requires an annual audit of the City's financial statements by an independent Certified Public Accountant. Accordingly, this year's audit was completed by Clifton Larson Allen LLP in conformance with generally accepted auditing standards (GAAS). The ACFR was prepared in conformance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). 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's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the City's basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **City of Victorville Profile**

The City of Victorville is 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 135,950.

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. On September 27, 2021, the Victorville City Council declared its intention to transition from at-large to district-based elections. After gathering community input through three community meetings and six public hearings, the City Council adopted Ordinance 2422, which includes the final district election map and corresponding sequencing. Additional information on terms can be found on the Council page or on the city website. 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, animal control, fire, and general administrative services. The City contracts with the County of San Bernardino for police services. In addition to general government activities, the City Council also serves as the Board of Directors of Southern California Logistics Airport Authority (SCLAA) 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 cannot 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. Ongoing capital budgets and grants roll forward to the following year. Other encumbered amounts lapse at year-end. However, outstanding operating encumbrances generally are re-appropriated as part of the following year's budget.

### **Local Economy**

Victorville has continued to strive with its economic growth. Although the pandemic hit many businesses hard, resulting in some closures, new businesses such as restaurants, gas stations, and retail stores, along with online shopping, helped boost the City of Victorville's Sales Tax revenue for fiscal year 2021 and continued in fiscal year 2022.

Nationally, unemployment rates have declined over the past year with the U.S. average of 4.3% as of December 2022; California closed out 2022 with a 3.5% unemployment. The California Employment Development Department reports that for calendar year 2022, San Bernardino/Riverside Metropolitan Area was at 3.6%, down just slightly from 3.7% for calendar year 2021.

Starting in fiscal year 2017, the sales tax revenue reverted 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. A new CarMax facility is estimated to open in late summer of 2023 which will continue the strength of used auto sales in the current supply-deprived auto industry. Restaurants, along with fuel and service stations, also produce a large portion of the sales tax revenue for the City.

In November of 2020, Victorville voters elected to approve a 1% transactions and use tax on the ballot, designated as Measure P. This 1% general tax was effective April 1, 2021 and for its first full year ending June 2022, brought in tax revenue of just under \$29.6 million. Beginning in 2021, city council approved the hiring of additional police, fire, code and animal control enforcement personnel and equipment to aid response times for our citizens.

Southern California home prices dropped throughout 2022, and the number of single-family residential sales continues to decline. San Bernardino County was one of the few counties that actually had higher average home prices at the end of 2022 than at the beginning based on data from the California Association of Realtors. Low mortgage interest rates slowly started climbing throughout the year as the interest rate increases reflected in these loan rates. Victorville's median housing price at the end of June 2022 was \$363,000 an increase of 27% over the same time in 2021.

The economy is continuing to do well as we come out of the pandemic, as shown by an increase in retail sales of consumable goods. Strong sales and new business additions boosted sales and transaction tax revenues for the City. Property tax revenue also continued to grow with the continued rise in property values. As interest rates continue to climb to curb inflation, slow growth is forecasted compared to prior years.

### **CITY ACCOMPLISHMENTS**

The City of Victorville continues to be in strong fiscal health thanks to conservative fiscal management and the cultivation of new revenue streams including federal dollars, Measure P, and grant monies. Despite the recent market slowdown, the City was been able to increase services for the benefit of our growing community. Last year, the City added \$14 million to its General Fund Reserves. Reserves now stand at 57 %, far exceeding the City's General Fund Reserve Target of 17 %.

With the approval of its Measure P Oversight Committee, the City also established a similar reserve target for its Measure P fund to protect the sustainability of this fund for the long-term.

In 2022, the City secured nearly \$38 million in grant funding to assist community members and address strategic priorities. For example, the City participated in the Low-Income Household Water Assistance Program making it eligible to receive federal funds to help Victorville residents pay down outstanding water and wastewater utility bills. Through this program, the City used \$91,000 to help 200 Victorville households. The City also helped local nonprofits and service agencies that provide beneficial services to Victorville residents by awarding them nearly \$2 million in federal Community Development Block Grants.

The revitalization of Old Town Victorville is another key priority. When the state stopped funding local redevelopment with the dissolution of the California Redevelopment Act of 1945 in 2012, the City struggled to find a way to invest in Old Town. In 2022, the City continued its effort to establish a Community Revitalization Investment Authority (CRIA) for Old Town Victorville. The CRIA is an economic and affordable housing tool authorized by Assembly Bill 2 in 2015. Increased revenue is not generated from a new tax. Instead, the revenue comes from increased property values as developers and businesses improve and build on properties in the investment area. The increased revenue can be used by the CRIA to improve infrastructure, develop affordable housing, rehabilitate property, and assist businesses. To further incentivize new development, the City Council authorized the waiver of development impact fees within the Old Town CRIA Area. The Old Town CRIA Board comprised of three Council Members and two community members has been established and its draft plan is available for community input. When the plan is adopted in 2023, Victorville's CRIA will be the first in California.

The City continues to expand public safety services due to new funding sources including Measure P. The City has added eleven police personnel, five code compliance officers, and expanded fire and medical service at station 315. With these new additions, our public safety personnel can be more proactive to prevent issues throughout the community. With the addition of personnel, the Victorville Police Department was able to conduct more traffic enforcement on city streets. The department issued 4,806 traffic citations, doubling the number of fines issued in 2021.

The Police Department continues to use automatic license plate readers (A.L.P.R.'s) as a cost-effective crime prevention tool. In 2022, the A.L.P.R.'s resulted in 159 arrests for a variety of crimes including auto theft, carjacking, assault, domestic violence, and robbery. In the coming year, another 16 ALPRs will be installed in Victorville bringing the total number to 123. In December, the Victorville Police Department became the first department in San Bernardino County to implement an eight-beat patrol system, resulting in deputies patrolling smaller geographic areas giving them more visibility and a greater ability to establish relationships with the businesses and residents within their respective beats.

The City also further expanded fire and medical service. Nine firefighters were added to expand service at Fire Station 315 speeding response times in the southwest portion of the City where a coverage gap previously existed. With nearly 24,000 calls for service each year, Victorville Fire is the busiest, non-contract fire department in San Bernardino County and one of the busiest departments in the nation. Approximately 85 percent of Victorville Fire's calls are for medical purposes. The large call volume is straining the staff and equipment relied upon to respond to community needs, so the City is actively considering ways to further expand fire and medical services to effectively manage growing call volume.

The Victorville City Council approved tougher ordinances aimed at reducing nuisance behavior in neighborhoods like illegal grows and fireworks. In combination with a more proactive Code Compliance effort, these ordinances are restoring health and safety and improving quality of life for residents. Since the stricter ordinances were enacted in 2020, illegal grows are down 89% and illegal fireworks reports reduced 88%. These improvements are attributable to added Code Compliance and Animal Care and Control personnel being more visible in neighborhoods seven days-a-week along with extended service hours.

The City is committed to further expanding public safety service for our growing community. Staff has launched plans for a new police station to accommodate a larger police force. The current Victorville Police Station is at capacity. Further additions to the police force require more space for personnel and vehicles. The City is in the design phase for a new police station to be located on the vacant lot across from City Hall. Preliminary plans call for a 50,000 square foot building, which would increase space available for personnel by 60 percent while accommodating 50 additional police vehicles.

Victorville economy continues to thrive. Recently, Smart Asset ranked Victorville 13th on its list of the fastest-growing cities in the nation. The City's favorable economy continues to make Victorville a top choice for large and small businesses alike. In 2022, the City of Victorville welcomed more than 200 new commercial businesses, including 69 new retail businesses like Six Beans, Nothing Bundt Cakes, Dutch Bros, and the Vegan Vato. In the first few weeks of 2023, the City received applications from more than 10 commercial businesses expected to open within the next 12 months. Among the new businesses currently under construction are large retailers like CarMax, Dollar General, and Superior Grocers; an all-inclusive elderly care facility called the Pace Center; a multi-tenant development at the corner of Palmdale Road and Highway 395 which will include Chipotle and Jersey Mike's; as well as a Holiday Inn Express and Avid Hotel.

The City is also experiencing tremendous growth at Southern California Logistics Airport. Industry leaders like Boeing, GE Aviation, Keurig Dr. Pepper, and Newell Rubbermaid are putting Victorville on the map as a regional leader in aviation, industrial, and warehousing. Thanks to the efforts of the City's development partner, Prologis, three large industrial buildings totaling 2.4 million square feet were constructed at the Southern California Logistics Airport in 2022. This large development included a one-million-square-foot Amazon Fulfillment Center that is expected to employ 1,000 people, a distribution facility for Mars Petcare, and a recordkeeping and storage facility for Iron Mountain. Currently, another industrial building totaling 475,000 square feet is under construction at SCLA, and an additional two-million square feet of future commercial development is already planned. SCLA continues to be the area's largest employment center offering more than 3,400 jobs.

The City of Victorville's most anticipated infrastructure project is the Green Tree Extension which will complete a new East/West corridor before summer 2023. The City is extending Green Tree Boulevard 1.5 miles from Hesperia Road to Ridgecrest/Yates Road. The 600-foot bridge over the BNSF Railway is complete, and so is the earthwork to the east of the train tracks. Improvements to the intersection of Green Tree Boulevard and Hesperia Road were made including a new traffic signal.

The next large effort will be the paving of the new roadway and improvements at the Ridgecrest intersection. The Green Tree Extension should ease congestion on Bear Valley Road and Highway 18 benefitting the entire region.

Another large infrastructure project, the Bear Valley Road Bridge Widening, should be complete by summer 2023. To improve travel on Bear Valley Road, the City is widening the bridge between Industrial Boulevard and Ridgecrest Road. A double turn lane is being added from Eastbound Bear Valley Road to Ridgecrest Road in order to alleviate traffic congestion at this busy intersection.

Last year, the City also completed a large road maintenance project. The two-mile stretch of Seventh Avenue and Arrowhead Drive from Bear Valley Road to Green Tree Boulevard was reconstructed. The City widened Seventh Avenue to four lanes, improved drainage; and added sidewalks, ramps, and bike lanes. To reduce costs and waste, recycled road materials were used.

Looking ahead, the City plans to rehabilitate Bear Valley Road between Amethyst Road and Highway 395. Construction is planned to begin summer 2023 and should be complete by the fall.

With new Measure P revenue, the City is making much-needed improvements to aging City facilities. These upgrades are enabling us to expand recreational programming and offer the amenities our residents demand.

Last year, the City of Victorville used revenue generated by Measure P to make infrastructure improvements at four community facilities. Westwinds Sports Center, Westwinds Activities Center, and Doris Davies Recreation Center were reroofed allowing for an increase in youth and recreation programs. Additionally, the tennis courts at Sunset Ridge Park were resurfaced and now offer pickleball.

Building strong community connections is one of the City's greatest priorities, so we were pleased to return to a full year of recreational programming and special events. We were especially proud to celebrate the return of our Victorville Fall Festival. In October, the City hosted its first Fall Festival since COVID restrictions sidelined the event in 2019. More than

20,000 community members took part in this family-oriented street fair experience. The day was packed with fun activities, live music, and great-tasting food for all to enjoy. Fall Festival headlined a full calendar of community events like Spring Festival, Hallow Boo Drive Thru, Concerts in the Park, and the Victorville Sings Competition.

The City takes great pride in offering 19 parks for our Victorville community to enjoy. This year, you can expect to see some great upgrades at three of our parks thanks to new grant money we received. The City will use a combination of State CPRS Funding, Prop 68 dollars, and donations from the nonprofit BEARS to modernize the playgrounds at Center Street Park and Brentwood Park.

Improvements to Eval Dell Park are also in the works thanks to a \$3.3million grant from the California Department of Parks and Recreation. An all-inclusive playground will be constructed to provide access to those with physical, social emotional, sensory, cognitive, communicative or no disabilities. A splash pad, walking loop, covered picnic areas, and new lighting will be installed as well.

The City also launched its plan for a new Victorville City Library. The library will be moved to the former Clubhouse at the Green Tree Golf Course. Repurposing the existing clubhouse offers the City an affordable way to modernize and expand the library as outlined in the Library Master Plan. Right now, the City is working with an architect to repurpose the clubhouse space to best serve library patrons. Up to 5,000 feet of increased space will be added. The Green Tree Library is supported in whole or in part by funding provided by the State of California and administered by the California State Library. The Victorville City Library is at the heart of our community. We look forward to constructing a larger, modern facility that enables us to expand programming for the benefit of our Victorville residents.

The City of Victorville continues to invest in a robust Environmental Services Program that combines free disposal services, clean up events, and educational outreach to foster a cleaner Victorville. Through its #DumpItRightVV Campaign, the City of Victorville encourages residents to take advantage of many free and convenient disposal services designed to keep Victorville clean.

The City operates free drop off locations like the Victorville Recycling Center and Household Hazardous Waste Collection Center and hosts several free disposal events making it easy for residents to properly dispose of mattresses, tires, furniture, electronics, appliances, and more. Through these efforts, the City collected more than 1,600 tons of unwanted items, trash, and debris in 2022. An advantage of Victorville's Recycling Drop Off Center is many of the items collected can be recycled and diverted from the landfill. On average, more than 12,000 residents visit the Center each year and 110 tons of material is collected each month.

With the help of added Code Compliance Officers, we are taking a proactive approach to address nuisance behaviors including illegal dumping. In 2022, the City of Victorville used Measure P revenue to add five Code Compliance Officers. With the increased personnel, the City's Code Compliance Department was able to address more than 4,300 cases in 2022, an increase of 30 percent over 2021 totals. Code Compliance Officers are collaborating with the City's abatement team to search through and investigate illegally dumped trash to identify responsible persons and clear debris from illegal dump sites and encampments more quickly. In 2022, the abatement team collected 1,326 tons of debris from throughout the City. Beautification efforts were also conducted by Public Works crews who picked up 700 tons of weeds and covered 163,000 square feet of graffiti throughout the City.

The cornerstone of Victorville’s strategy to reduce homelessness is our Wellness Center. Last year, we made significant progress on this facility that will help homeless individuals stabilize their lives. We expect the Wellness Center to be complete in summer 2023. The City of Victorville’s Wellness Center was envisioned with the help of its Homelessness Solutions Task Force. The center will increase access to shelter, health care, and supportive services to break the cycle of homelessness. The center will offer 110 separate modular units with a minimum 170-bed capacity increasing the number of shelter beds in Victorville 56%. The Wellness Center is currently under construction on City-owned land at 16902 First Street. The underground utilities have been installed and the earthwork is complete. The concrete footings have been poured and the modular units are being installed.

Construction is being funded primarily through a \$28million Homekey Grant from the California Department of Housing and Community Development. It will be the first facility of its kind in the state to combine a low-barrier emergency shelter, recuperative care, medical clinic, interim housing, and wraparound support services. Until the Wellness Center comes online, the City established and is funding a 92-bed, interim shelter at Westwinds Sports Center. This 24/7 interim shelter operation provides supportive services, including helping many connect to permanent housing.

The City also staffs a Homeless Engagement Team who outreaches to Victorville’s homeless and connects them with shelter and supportive services. In the five-month period between July and November 2022, the engagement team referred 276 homeless individuals to the interim shelter. Homelessness is one of the most complex issues we face as a City. We are balancing the needs of the most vulnerable with the needs of our businesses and residents to reduce the negative impacts homelessness can have.

The City’s Code Compliance Division works with local businesses and property owners to establish anti-trespass agreements. When in place, these agreements allow for proactive trespass enforcement even when owners are not present. In 2022, the City issued more than 302 Trespass Agreements – triple the number issued in 2021 thanks to the addition of more Code Compliance officers and a more proactive approach to enforcement. We recognize that homelessness is one of the issues most impacting quality of life in Victorville. Together, with our local shelter operators and service agencies, we are doing the hard work to make positive change in our community.

## **COVID-19**

In March 2020, the Victorville City Council, in response to declarations by the United States President and the California Governor along with proclamation by the San Bernardino County Board of Supervisors, adopted Proclamation 20-01 wherein the Director of Emergency Services for Victorville proclaimed a State of Emergency and activated the Emergency Operations Center (EOC). This made the City eligible to receive funding to assist in costs incurred in the response to this pandemic.

During fiscal year 2021, the City received a total of \$6.5 million in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding passed through various agencies, including the State of California, Department of Housing and Urban Development (HUD), and the County of San Bernardino. These funds were spent to provide the Victorville community assistance through continued services since March 2020 with purchases of emergency management equipment and resources, telecommuting equipment, strengthened broadband, additional cybersecurity to ensure safety of data, online payments, permitting and licensing, community meetings with audio visual improvements to council chambers, online library book ordering, safety measures to public buildings, small business loans and aid, and assistance to the homeless as well as

other COVID-19 related necessities. Additional expenditures not covered by CARES funding or other Coronavirus-related grants are anticipated to be reimbursed through FEMA assistance.

The City was allocated \$33.5 million of federal assistance through the Federal American Rescue Plan Act (ARPA), of which the first tranche of \$16.75 million was received in June 2021 with the second tranche of \$16.75 million in July 2022. A presentation of funding opportunities for this assistance was given to council on July 20, 2021 and various programs rolled out in 2022 included assistance to several impacted nonprofit organizations, Utility Bill Assistance of Past Due Amounts for Victorville residents who has been unable to pay their water, sanitation/trash, sewer, storm drain, or household hazardous waste bill due to financial impacts related to COVID-19, improved internet bandwidth/capability for citizen connections within existing city facilities, purchase of a Tractor Drawn Ladder Tiller and procurement of three Type 1 engines to assist Fire Department in call response, additional laptops for telecommuting staff, and vaccination incentives to motivate staff safety and health to keep staff available to assist the public. Other programs continue to be taken to council for approval to benefit the city residents and businesses in the recovery efforts. As of June 2022, \$491,769 had been expended with the remainder to be expended by 2026.

### **Long-term Financial Planning**

The 2023 fiscal year budget continues to practice conservative revenue estimates. Overall, the 2023 budget anticipates a slight increase in tax revenues with a decrease in permits and licensing revenue. The total estimated revenue for the general fund is \$94.9 million, an increase of approximately \$9 million as compared to 2022 fiscal year budget, resulting from increased charges for services, transfers, and Sales Tax received primarily. The total General fund expenditures are estimated higher than fiscal year 2022 due to a continued increase in the public safety contracts, staffing increases, capital projects 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 more than five 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 at least five years. These routine purchases are generally accounted for out of special funds or enterprise funds. During the 2022 Calendar year the City completed a large road maintenance project. The two-mile stretch of Seventh Avenue and Arrowhead Drive from Bear Valley Road to Green Tree Boulevard was reconstructed. The City widened Seventh Avenue to four lanes; improved drainage; and added sidewalks, ramps, and bike lanes. To reduce costs and waste, recycled road materials were used.

Water rights valued at \$6 million were purchased to ensure available water for future years. Various other Street, Sewer, Storm Drain and Water improvements were completed by the city or through developer projects of \$6.9 million, occurred throughout the City. Improvements continued out at the SCLAA with \$409 thousand for a roof replacement to improve service to the tenants there. There were 45 vehicle, equipment and computer capital purchases budgeted for 2022, totaling \$4.9 million of which \$1.84 million was completed. The remainder will be carried forward to 2023.

Pension costs are expected to continue to rise annually because 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. Other Post-Employment Benefits (OPEB) also continue to grow as a



liability mostly resulting from increasing medical insurance costs. Additional information on retirement benefit costs can be found in Notes 10 through 14 of these financial statements.

Despite the economic challenges the City has faced, the City of Victorville continues to maintain the following goals and objectives in alignment with the city council's three-year strategic plan from October 2020: 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 as of June 30, 2022 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 2023 to try to achieve a better return overall. Proposed amendments to the Policy are prepared by Finance staff and reviewed and approved by the City Manager and the City Council.

### **Risk Management**

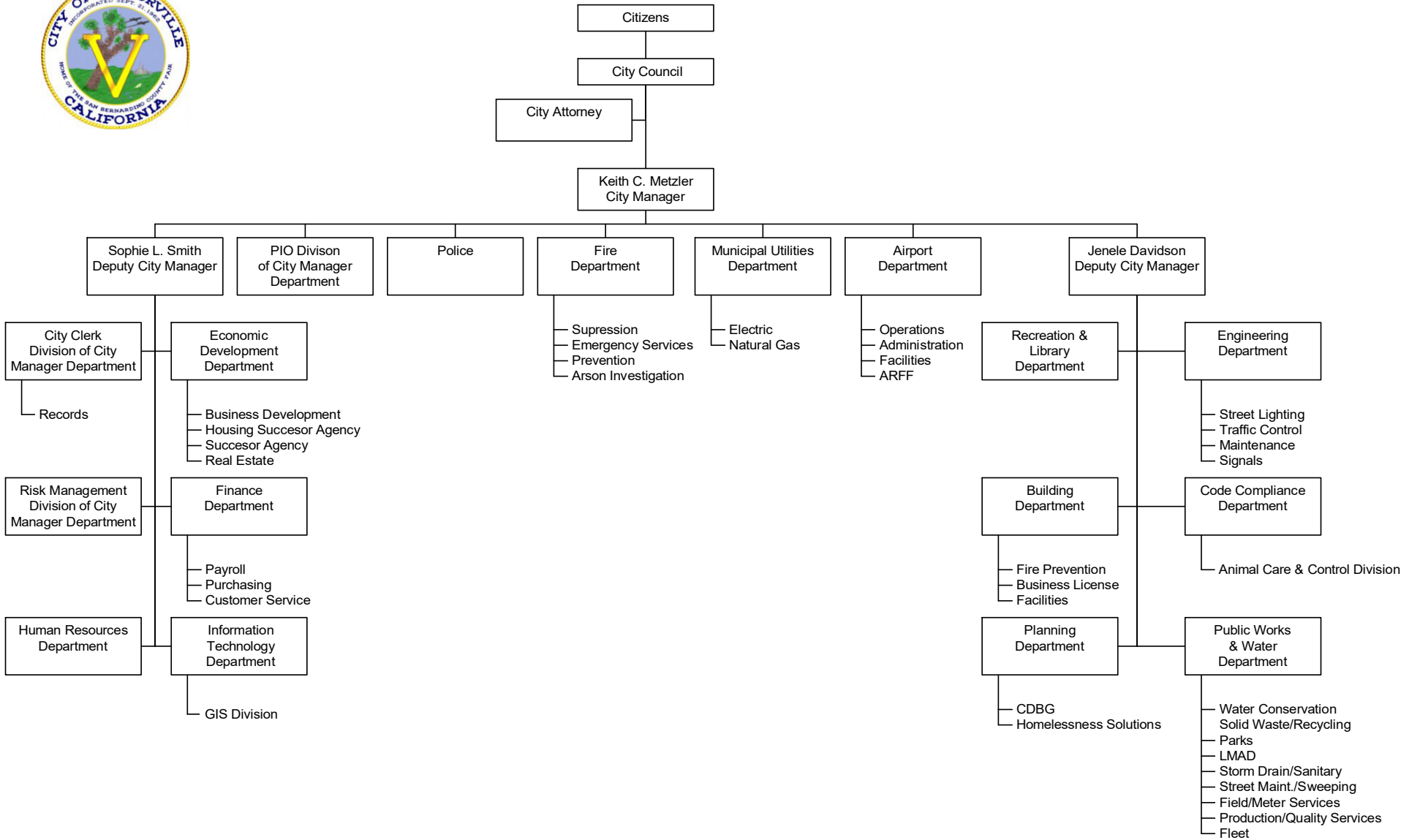
The City participates in the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA provides \$50 million of general liability 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. During Fiscal Year 2020-21, the City decided to bring the risk management supervision in house and hired a full-time Risk Manager starting in Fiscal Year 2021-22.

### **Acknowledgements**

I would like to express my appreciation to all the dedicated 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,

# CITY OF VICTORVILLE ORGANIZATIONAL CHART JUNE 30, 2022



**CITY OF VICTORVILLE  
ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2022**



**Mayor**  
Debra Jones  
(Elected 2018 4-year term)



**Mayor Pro-Tem**  
Leslie Irving  
(Elected 2020 4-year term)



**Council Member**  
Blanca Gomez  
(Elected 2020 4-year term)



**Council Member**  
Liz Becerra  
(Elected 2020 4-year term)

**Executive Team**

City Manager.....Keith C. Metzler  
Deputy City Manager ..... Sophie L. Smith  
Deputy City Manager .....Jenele Davidson

**Legal Counsel**

City Attorney..... Andre de Bortnowsky

**CITY OF VICTORVILLE  
ELECTED AND APPOINTED OFFICIALS (CONTINUED)  
JUNE 30, 2022**

**Appointed Officials Team**

	<b>Appointed By</b>	<b>Date Appointed</b>	<b>Term Expires</b>
<b>Planning Commission</b>			
Kenneth Cook-Askins, Jr.	Irving	01-2021	December 2024
Robert Kurth	Becerra	01-2021	December 2024
Bill Thomas	Gomez	02-2021	December 2024
Robert Harriman	Jones	01-2019	December 2022
Kimberly Mesen	Vacant	11-2021	December 2022
<b>Community Services Advisory Committee</b>			
Loretta Star-Bolden	Irving	01-2021	December 2024
Brandon Dixon	Becerra	02-2021	December 2024
Adrian Belcher	Gomez	07-2021	December 2024
Michael Smith	Jones	01-2018	December 2022
Bill Pyle	Ramirez	12-2018	December 2022
<b>Measure P Oversight Committee</b>			
	<b>Category</b>		
Mark Creffield	Chamber of Commerce	04-2021	
Michael Krause	Education	04-2021	
Margaret Cooker	Senior Community	04-2021	
	Non-Profit Social		
Edwin Henderson	Services Provider	05-2022	
Jeremy Taylor	Youth/Recreation	05-2022	
Vacant	Major Retail Industry		
Vacant	Clergy		

**CITY OF VICTORVILLE  
LEADERSHIP TEAM  
JUNE 30, 2022**

**Leadership Team**

Fire Chief.....	Brian Fallon
Police Captain (Sheriff) .....	John Wickum
City Clerk.....	Jennifer Thompson
Public Information Officer (PIO) .....	Sue Jones
Director of Public Works/Water .....	Doug Mathews
City Engineer.....	Brian Gengler
Airport Director .....	Eric Ray
City Planner.....	Scott Webb
Building Official .....	Joseph Slegers
Code Enforcement Official .....	Jorge Duran
Technology Officer .....	Matthew Pugh (Interim)
Human Resources Officer .....	Josie Trevino
Director of Finance.....	John Mendiola
VMUS Utility Director .....	Brenda Hampton

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Honorable City Council  
City of Victorville  
Victorville, California

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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 (the City), as of and for the year ended June 30, 2022, 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.

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, as of June 30, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Victorville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matters**

##### ***Changes in Accounting Principle***

As described in Note 1 to the financial statements, during the fiscal year ended June 30, 2022, the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

##### ***Restatement for Correction of Errors***

As discussed in Note 23 to the financial statements, the City made restatements to beginning net position to correct prior period misstatements. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Victorville’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors’ Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Victorville’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Victorville’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund Budgetary Comparison Schedule, Major Special Revenue Funds Budgetary Comparison Schedules, Agent Plan Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Plan Contributions, Cost Sharing Plan Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Plan Contributions, and Schedule of Changes in the Total OPEB Liability and Related Ratios, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

***Supplementary 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 General Fund combining statements, the Capital Impact Facilities Fund budgetary comparison, the nonmajor fund combining statements, and the individual fund budgetary comparison schedules (supplementary information), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable City Council  
City of Victorville

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Victorville’s 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 the City of Victorville’s internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Irvine, California  
REPORT DATE

**CITY OF VICTORVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

As management of the City of Victorville, we offer readers of Victorville's financial statements this narrative overview and analysis of the City's financial performance as a whole for the fiscal year ended June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with additional information found in the financial statements, notes to financial statements, transmittal letter, along with the accompanying table of contents to enhance their understanding of the City's overall financial performance.

*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 showing how the City's net position changed during the most recent fiscal year, along with presenting 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. For proprietary funds, the statements offer the short- and long-term financial information on the activities operating like businesses. 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 supplementary information 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. The governmental funds financial statements can be found on pages 30-35.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates like businesses: such as airport, water, and sanitation activities. The proprietary funds financial statements can be found on pages 38-47.
- *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 fiduciary funds financial statements can be found on pages 48-49.

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  
YEAR ENDED JUNE 30, 2022**

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>Government-wide Statements</i>	<i>Fund 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; Reconciliation of the balance sheet to the statement of net position; Statement of revenues, expenditures and changes in fund balances; Reconciliation of the statement of revenues, expenditures and changes in fund balance to the statement of activities	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, deferred outflows, liability, and deferred inflows information</i>	All assets, liabilities, and deferred outflows and inflows of resources, 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, liabilities, and deferred outflows and inflows of resources, 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  
YEAR ENDED JUNE 30, 2022**

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 which helps answer this question. These statements include *all* assets, liabilities, and deferred outflows and inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources – 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 which 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 two separate legal entities in its report: Southern California Logistics Airport Authority and Victorville Water District. Although legally separate, these "blended component units" are important because they are part of the City's operations and so data from these units are reported with the interfund data of the primary government.

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) appropriately. 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 which 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 financial resources which can be spent in the near future to finance the City's programs. We describe the relationship or differences between

**CITY OF VICTORVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

*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 which 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 which 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 the assets reported in these funds are used for their intended purpose.



**CITY OF VICTORVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**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)**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Cash and Investments	\$ 149,476	\$ 103,629	\$ 164,609	\$ 140,840	\$ 314,086	\$ 244,469
Other Assets	73,666	51,977	103,168	15,816	176,835	67,794
Interfund Balances	3,865	4,802	(3,865)	(4,802)	-	-
Capital Assets	479,808	454,542	357,752	353,828	837,560	808,370
<b>Total assets</b>	<b>706,816</b>	<b>614,951</b>	<b>621,665</b>	<b>505,682</b>	<b>1,328,481</b>	<b>1,120,633</b>
Deferred outflows - pension	8,488	8,006	4,964	4,682	13,452	12,688
Deferred outflows - OPEB	4,414	4,733	2,951	3,192	7,365	7,925
refunding	-	-	1,532	1,667	1,532	1,667
<b>Total deferred outflows of resources</b>	<b>12,902</b>	<b>12,739</b>	<b>9,447</b>	<b>9,541</b>	<b>22,350</b>	<b>22,280</b>
Short-Term Liabilities	50,905	27,548	19,019	12,235	69,924	39,783
Total OPEB Liability	24,496	22,159	18,528	17,352	43,024	39,511
Net Pension Liability	28,667	44,945	14,967	23,725	43,633	68,670
Other Long-Term Liabilities	7,524	9,119	357,170	360,339	364,694	369,458
<b>Total Liabilities</b>	<b>111,591</b>	<b>103,771</b>	<b>409,684</b>	<b>413,651</b>	<b>521,275</b>	<b>517,422</b>
Deferred inflows - pension	14,309	30	7,968	393	22,277	423
Deferred inflows - OPEB	5,827	6,923	3,759	4,587	9,585	11,509
Deferred inflows - Leases	6,239	-	85,636	-	91,874	-
<b>Total deferred inflows of resources</b>	<b>26,375</b>	<b>6,952</b>	<b>97,362</b>	<b>4,980</b>	<b>123,737</b>	<b>11,932</b>
Net Position:						
Invested in Capital Assets, Net of Related Debt	471,522	453,555	47,471	39,962	518,993	493,517
Restricted	90,462	86,627	-	-	90,462	86,627
Unrestricted	19,767	(23,215)	76,595	56,629	96,362	33,414
<b>Total Net Position</b>	<b>581,752</b>	<b>516,967</b>	<b>124,066</b>	<b>96,591</b>	<b>705,818</b>	<b>613,558</b>

**CITY OF VICTORVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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 increased by \$85.7 million primarily due to the increase in cash and investments. Cash and investments increased by \$69.6 million and capital assets increased by \$29.2million; however, it was offset by the increases in short-term liabilities and the OPEB liabilities. With the implementation of GASB 87 reflecting present value on long-term leases, there is a new line reflecting in the deferred inflows of resources for this in Table 1 above as well as a restatement of fiscal year 2021 amounts in both Table 1 and Table 2. The restricted portion of the net position represents resources that are subject to external restrictions on how they may be used.

Brief explanations for the other changes shown in Table 1 are as follows:

**Total Assets:**

- Total Governmental assets increased by \$91.8 million primarily due to an increase in cash and investments of \$45.8 million and an increase in capital and other assets totaling \$47 million.
- Interfund loan balance decrease of \$1 million was for the annual repayment by Victorville Municipal Utilities.

**Total Liabilities:**

- Governmental total liabilities increased by \$7.8 million primarily due to an increase in unearned revenue of \$15.0 million and accounts payable of \$8.2 million. This was offset primarily by decreases in the pension liability of \$16.3 million.
- Business-type total liabilities decreased by \$4.0 million due to the decrease in pension liabilities of \$8.8 million and a reduction of bonds payable resulting from the annual principal debt service payments. Principal debt service payments totaled \$6.2 million for the Business-type (Enterprise) Funds. The reduction of these liabilities was offset primarily by the increase in OPEB liabilities of \$1.2 million, a \$2.9 million increase in accounts payable, and an increase of \$2.1 million in unearned revenue. The remaining increases were spread across the remaining liabilities.

**GOVERNMENTAL ACTIVITIES**

During the year ended June 30, 2022, the City's governmental activities had an increase of \$64.8 million in the total net position as compared to fiscal year 2021. Significant changes in the revenue and expenses within the City's governmental activities presented are as follows:

- Total revenue increased by \$43.2 million for the governmental activities. Charges for services increased by \$3.6 million from the prior year and capital grants and contributions revenue increased by \$21.3 million over the prior year; however, operating grants and contributions revenue decreased by \$5.7 million from the prior year.
- Property tax revenue increased by \$ 815 thousand from the prior year and sales and transaction tax revenue increased by \$24.1 million due to the additional amount received from the passing of Measure P. There was not a significant change in franchise tax, with an increase of only \$330 thousand.
- Investment income reflected a loss of \$882 thousand compared to fiscal year 2021 due to the decrease in interest rates and high credit card fees and other bank charges offsetting this income during the fiscal year.
- Total governmental expenses decreased by \$6.3 million as compared to fiscal year 2021. The decrease is primarily due to the decreases in Community Development of \$6.8 million, Public Works of \$3.4 million, and Parks and Recreation of \$1.5 million.
- General Government expenditures increased from the prior year by \$2.2 million and Public Safety increased by \$3.1 million.

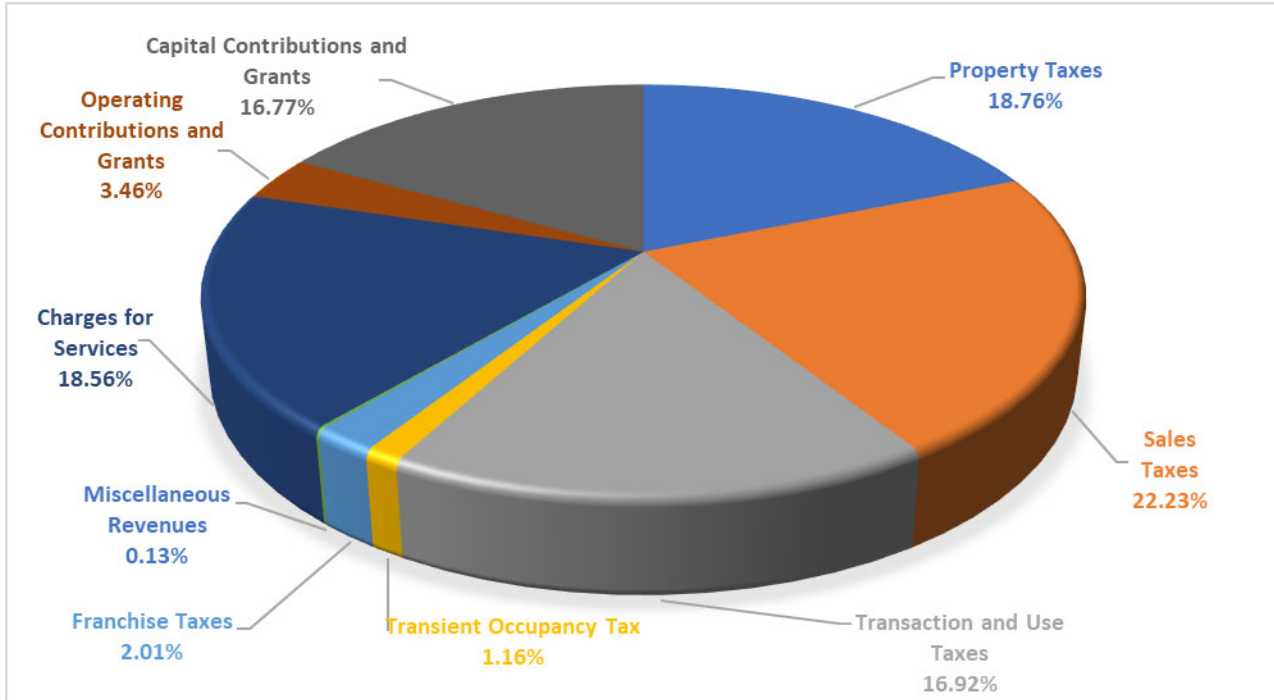
**CITY OF VICTORVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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

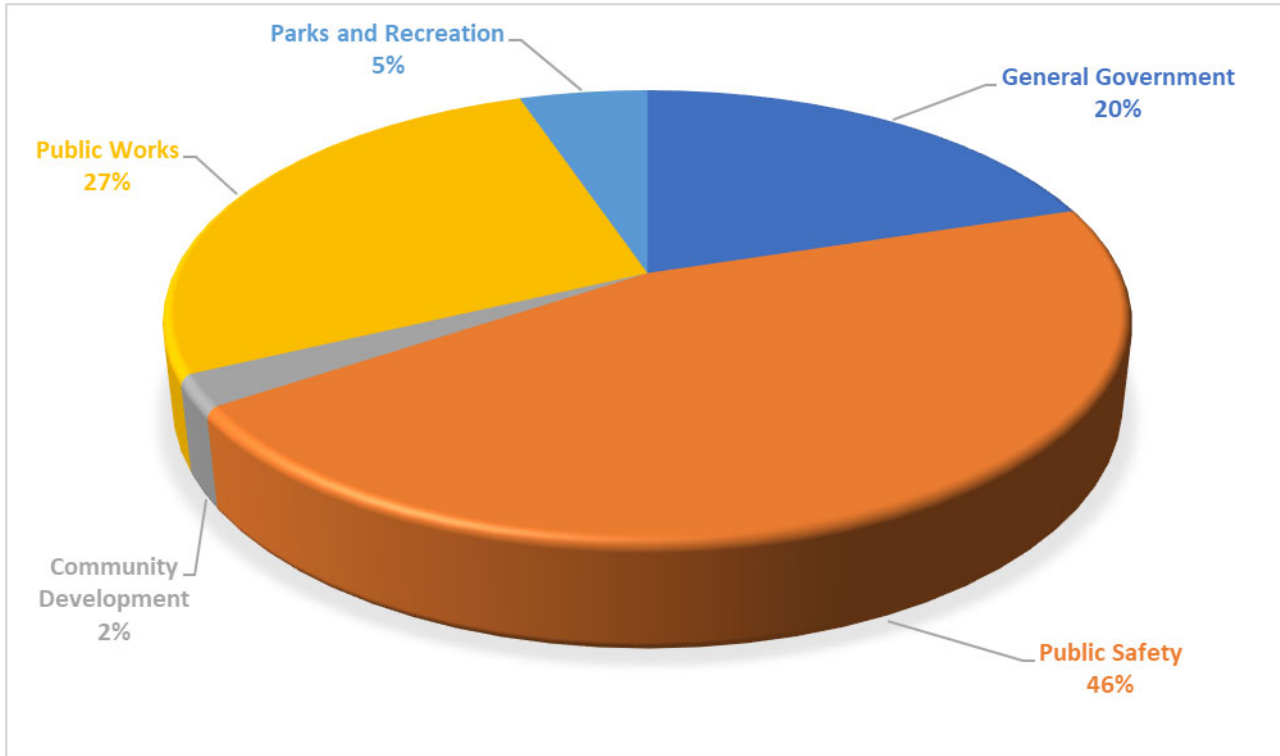
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 32,441	\$ 28,837	\$ 121,697	\$ 108,779	\$ 154,138	\$ 137,615
Operating Contributions and Grants	6,050	11,719	1,273	-	7,323	11,719
Capital Contributions and Grants	29,326	7,992	9,731	13,777	39,056	21,769
General Revenues:						
Property Taxes	32,795	31,980	22,862	22,405	55,657	54,386
Sales Taxes	66,452	42,330	-	-	66,452	42,330
Transient Occupancy Tax	2,026	1,899	-	-	2,026	1,899
Franchise Taxes	4,442	4,112	-	-	4,442	4,112
Investment Income	(1,274)	(391)	1,266	216	(8)	(176)
Miscellaneous Revenues	230	818	884	259	1,114	1,076
<b>Total Revenues</b>	<b><u>172,487</u></b>	<b><u>129,295</u></b>	<b><u>157,713</u></b>	<b><u>145,436</u></b>	<b><u>330,200</u></b>	<b><u>274,731</u></b>
<b>Expenses:</b>						
General Government	21,653	19,440	-	-	21,653	19,440
Public Safety	49,006	45,868	-	-	49,006	45,868
Community Development	2,477	9,231	-	-	2,477	9,231
Public Works	29,054	32,425	-	-	29,054	32,425
Park and Recreation	5,562	7,035	-	-	5,562	7,035
Sanitary	-	-	17,630	16,552	17,630	16,552
Airport	-	-	36,659	40,578	36,659	40,578
Solid Waste Management	-	-	19,640	18,616	19,640	18,616
Water	-	-	44,121	42,734	44,121	42,734
Municipal Utility - Gas	-	-	2,844	2,064	2,844	2,064
Municipal Utility - Electric	-	-	15,801	12,156	15,801	12,156
Interest on Long-Term Debt	33	51	-	-	33	51
<b>Total Expenses</b>	<b><u>107,784</u></b>	<b><u>114,051</u></b>	<b><u>136,695</u></b>	<b><u>132,701</u></b>	<b><u>244,480</u></b>	<b><u>246,752</u></b>
Change in Net Assets before Transfers	64,703	15,244	21,018	12,735	85,721	27,979
Transfers	82	1,685	(82)	(1,685)	-	-
<b>Change in net position</b>	<b>64,785</b>	<b>16,929</b>	<b>20,936</b>	<b>11,051</b>	<b>85,721</b>	<b>27,979</b>
Net Position - Beginning of Year (as restated)	516,967	500,038	103,130	85,541	620,097	585,579
<b>Net Position - End of Year</b>	<b><u>581,752</u></b>	<b><u>516,967</u></b>	<b><u>124,066</u></b>	<b><u>96,591</u></b>	<b><u>705,818</u></b>	<b><u>613,558</u></b>

**CITY OF VICTORVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

Revenues by Source - Governmental Activities

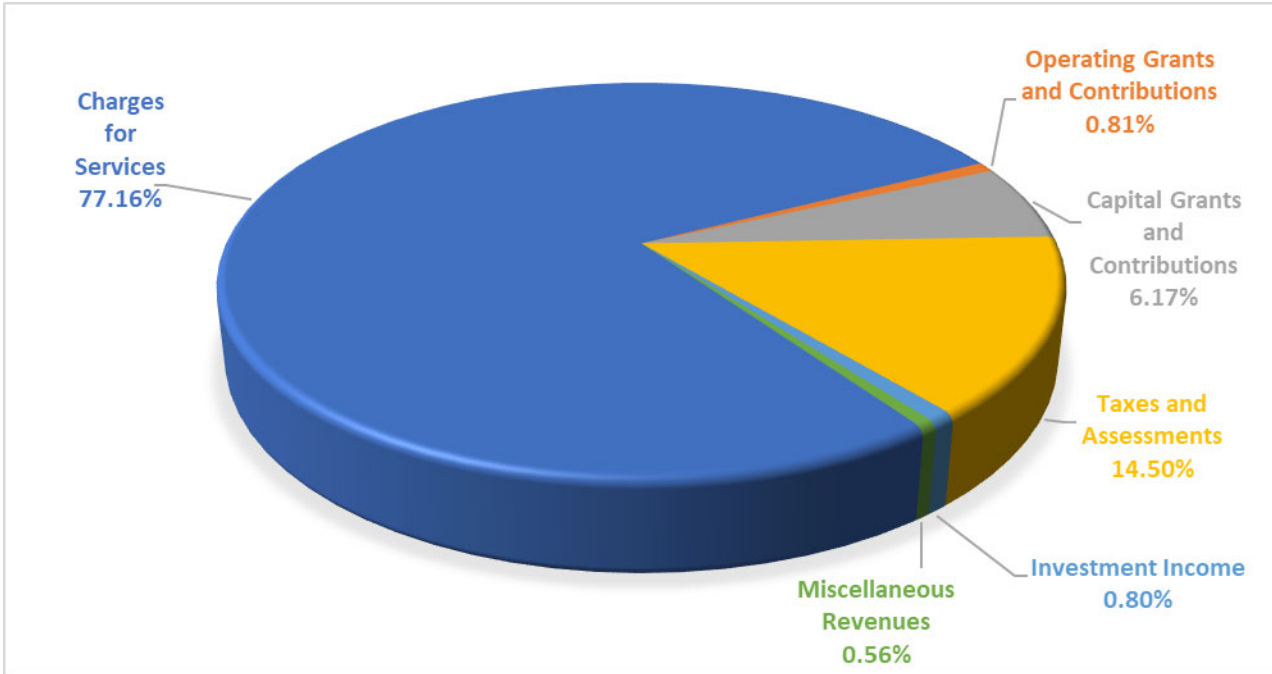


Expenses by Function - Governmental Activities

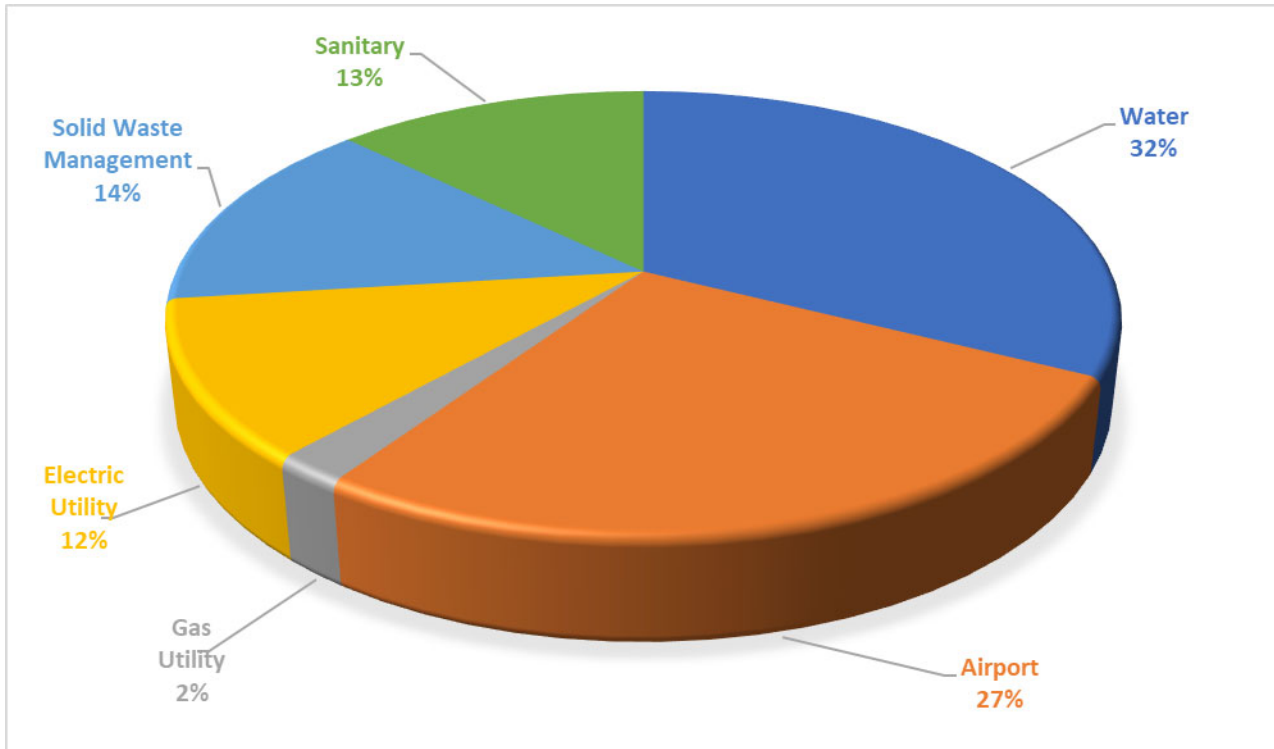


**CITY OF VICTORVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

Revenue by Source - Business-Type Activities



Expenses by Function – Business-Type Activities



**CITY OF VICTORVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**BUSINESS TYPE ACTIVITIES**

During the year ended June 30, 2022, the City's business-type activities had an increase of \$20.9million in the total net position as compared to fiscal year 2021. With the implementation of GASB 87 reflecting present value on long-term leases, there is a new line reflecting in the deferred inflows of resources for this in Table 1 as well as a restatement of fiscal year 2021 amounts in both Table 1 and Table 2.

Significant changes in the revenue and expenses within the business-type activities are as follows:

- Overall revenues improved by \$12.3 million from the prior year.
- Charges for services increased 12.9 million, mainly due to increases for the Airport revenues.
- Property taxes grew \$457 thousand due to the increase in tax increment revenue receipts for SCLAA and Water District.
- Capital contributions and grants decreased by \$4.05 million as a result of completion of several FAA grants.
- Overall expenditures for business-type activities increased by \$4.0 million. All business-type activities increased with the exception of the Airport, which had a significant decrease in expenditures in the amount of \$3.9 million related to the completion of grants. VMUS electric had the largest increase at \$3.6 million.

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 (GF) is the chief operating fund of the City of Victorville. For the purposes of the financial statements, the General Fund is comprised of General Fund, Measure P Fund, Technology Fund Fueling Stations Fund, Victor Valley Transportation Center, and Street Lighting Assessments. Details on revenue and expenditures in each of these funds is found in the supplemental information section of these financial reports. At the end of the current fiscal year, the unrestricted fund balance of the General Fund was \$75.5 million, while the total fund balance was \$79.7 million. This is an increase of \$33.4 million in total fund balance from fiscal year 2021. As a measure of the General Fund's liquidity, the unrestricted fund balance represents 95.7% of the total General Fund expenditures and the total fund balance represents 100.1% of the General Fund expenditures. The General Fund reserve policy requires that the unrestricted fund balance represents 17% of the total GF expenditures.

General Fund revenue increased by \$25.6 million during this fiscal year over the last fiscal year, mainly due to the increase in revenue generated from taxes and assessments of \$25.4 million.

General Fund expenditures increased by \$11.7 million as compared to last fiscal year. Major changes were General Government with a \$4.5 million increase in expenditures, Public safety had an increase in expenditures in the amount of \$4.1 million, and Public Works had a \$2.7 million expenditure increase.

**Measure P**

Measure P is a 1% Transactions and Use Tax adopted by the voters of Victorville in November 2020. The tax went into effect April 1, 2021. Revenue received for this transactions tax in Fiscal Year 2022 was \$29.6 million. Per the Public Safety Plan presented to council in May 2020 and the committee

**CITY OF VICTORVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

formed to review and comment on revenue and expenditures in this fund, expenditures for the year included public safety staffing of additional police, code enforcement, animal control, and fire departments as well as several parks improvements.

**Budget vs. Actual** – The General Fund revenue original budget was \$93.0 million, and the final budget was adjusted throughout the year to \$109.8 million. Actual revenue at the end of the year totaled \$114.5 million, which was \$4.7 million over revised budgeted amount. This variance was primarily related to the Sales Tax and Measure P Transactions and Use Tax revenue realized amounts which came in better than expected.

The General Fund expenditures original budget was \$90.0 million and was adjusted throughout the year to \$93.5 million. This increase was primarily for capital outlay expenditures. Actual expenditures were only \$78.9 million with most of the cost savings realized in public safety and general government. Capital expenditure actuals were \$1.4 million with the balance rolled forward to the Fiscal Year 2022-23 budget for projects that were not completed in the current fiscal year.

**City as Housing Asset Successor**

The City Housing Asset Successor (CHAS) fund is a special revenue fund relating to the housing aspect of the dissolved Redevelopment Agency of the City. The assets of this fund primarily consist of properties allocated to it in the Dissolution Housing Asset Transfer (HAT) and the Mortgage Assistance Program loans that were outstanding and were previously accounted for in the low and moderate housing redevelopment agency fund. At the end of the current fiscal year, fund balance increased from \$28.99 million to \$29.39 million. This was primarily due to sale of one of the properties allocated in the HAT.

**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. Fiscal Year 2021-22 expenditures were \$15.1 million, primarily in capital expenditures. As these expenditures are general reimbursed after payment has incurred, the revenue lags behind the expenditures reflecting a negative fund balance of \$5.1 million for reimbursements received in Fiscal Year 2022-23.

**Capital Impact Fees**

This fund accounts for the acquisition or construction of major capital facilities related to public improvements needed as population increases. Fund balance increase of just over \$3.8 million resulted from charges for services revenue of \$9.4 million and payment of a loan by the general fund of \$4.2 million. The Capital Impact Facilities has a fund balance of \$22.4 million.

**Coronavirus Relief Funding**

During fiscal year 2022 the City received a total of \$6.5 million in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding passed through various agencies, including the State of California, Department of Housing and Urban Development (HUD), and the County of San Bernardino.

These funds were spent to provide the Victorville community through continued services since March 2020 with purchases of emergency management equipment and resources, telecommuting equipment, strengthened broadband, additional cybersecurity to ensure safety of data, online payments, permitting and licensing, community meetings with audio visual improvements to council chambers, online library book ordering, safety measures to public buildings, small business loans and aid, and assistance to the

**CITY OF VICTORVILLE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

homeless as well as other COVID-19 related necessities. Additional expenditures not covered by above funding are anticipated to be reimbursed through FEMA assistance.

The City was allocated \$33.5 million of federal assistance through the Federal American Rescue Plan Act (ARPA), of which the first tranche of \$16.75 million was received in June 2021 and the second tranche of \$16.75 million was received in June 2022. A presentation of funding opportunities for this assistance was given to council on July 20, 2021 and expenditures of \$1.3 million were awarded with the first program of utility assistance rolling out. Other programs throughout the year were updated laptops for telecommuting needs, non-profit assistance, employee vaccination incentives, and wellness center support. Additional programs continue to be implemented in support of continuing to provide excellent service to the community. Since the utility assistance was within the guidelines of the California Water and Wastewater Arrearage Payment Program, the revenue and expenditures for this \$1.3 million benefit to our residents is reflected in the Business-Type activities.

**MAJOR ENTERPRISE FUNDS**

The major enterprise funds of the City of Victorville are the Victorville Water District, Southern California Logistic Airport Authority (SCLAA), Municipal Electric Utility, Solid Waste Management, and Sanitary. The Municipal Gas Utility is reported as a nonmajor enterprise fund. All enterprise funds reported an increase in net position for fiscal year 2022. 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  
YEAR ENDED JUNE 30, 2022**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 55,951	\$ 59,460	\$ 27,048	\$ 25,153	\$ 83,000	\$ 84,614
Land Right of Way	180,002	178,172	-	-	180,002	178,172
Buildings and Improvements	42,871	45,147	89,740	92,032	132,610	137,180
Furniture and Equipment	2,824	3,079	9,691	11,122	12,514	14,201
Computers and Communica	489	696	28	67	517	764
Vehicles	3,207	3,134	2,591	2,257	5,798	5,391
Infrastructure	143,447	148,666	191,314	192,889	334,761	341,555
Land Improvement	4,296	5,786	536	540	4,832	6,326
Water Rights	-	-	18,163	12,678	18,163	12,678
Intangible Assets	36	293	3,955	3,967	3,991	4,260
Idle Assets	-	-	3,018	3,018	3,018	3,018
Construction in Progress	46,687	10,107	11,667	10,104	58,354	20,212
<b>Total</b>	<u>479,808</u>	<u>454,542</u>	<u>357,752</u>	<u>353,828</u>	<u>837,560</u>	<u>808,370</u>

**Capital assets:** The City of Victorville's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounted to \$837.6 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 increase in the City of Victorville's investment in capital assets for the current fiscal year is \$29.2 million (a \$25.3 million increase for governmental activities and a \$3.9 million increase for business-type activities). The increase is primarily due to \$5.5 million in water rights purchased and additional construction in progress.

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  
YEAR ENDED JUNE 30, 2022**

**City of Victorville's Outstanding Debt  
(In Thousands)**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Compensated Absences	\$ 4,410	\$ 4,234	\$ 791	\$ 723	\$ 5,201	\$ 4,957
Financed Purchase	725	889	-	-	725	889
OPEB Liability	24,496	22,159	18,528	17,352	43,024	39,511
Net Pension Liability	28,667	44,945	14,967	23,725	43,633	68,670
Claim Payable	1,647	2,952	2,070	2,510	3,717	5,462
Pollution Remediation Obligation	742	1,044	-	-	742	1,044
Tax Allocation Bond	-	-	287,156	291,960	287,156	291,960
Lease Revenue Bond	-	-	46,050	46,710	46,050	46,710
Certificate of Participation Unamortized	-	-	8,535	8,930	8,535	8,930
Discount/Premiums	-	-	(11)	(2,091)	(11)	(2,091)
<b>Total</b>	<b><u>60,686</u></b>	<b><u>76,223</u></b>	<b><u>378,086</u></b>	<b><u>389,820</u></b>	<b><u>438,772</u></b>	<b><u>466,043</u></b>

**Long-term debt:** At the end of the current fiscal year, the City of Victorville had a total outstanding debt of \$438.8 million, a decrease of \$27.3 million as compared to the prior fiscal year. This decrease is primarily due to the decrease in the City's Pension and Tax Allocation Bond liabilities.

Additional information on the City of Victorville's long-term debt can be found in Notes 7 and 8 of 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 Finance Department, at 14343 Civic Drive, Victorville, CA 92392.

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF VICTORVILLE  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

<b>ASSETS</b>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Investments	\$ 149,476,400	\$ 133,033,255	\$ 282,509,655
Cash with Fiscal Agent	-	31,575,939	31,575,939
Receivables:			
Accounts, Net	3,245,235	13,568,889	16,814,124
Interest	178,731	157,503	336,234
Due from Other Governments	30,306,617	462,470	30,769,087
Due from Successor Agency	12,786,238	-	12,786,238
Leases Receivable	6,380,099	87,332,450	93,712,549
Deposits and Prepaid Items	4,277,911	182,000	4,459,911
Inventory and Other Assets	270,489	978,178	1,248,667
Interfund Balances	3,864,966	(3,864,966)	-
Investment in Joint Venture	-	486,963	486,963
Land Held for Resale	2,003,616	-	2,003,616
Capital Assets, Net:			
Nondepreciable	282,639,492	64,387,955	347,027,447
Depreciable, Net	197,168,638	293,364,180	490,532,818
Long-Term Notes Receivable	14,217,322	-	14,217,322
Total Assets	<u>706,815,754</u>	<u>621,664,816</u>	<u>1,328,480,570</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - OPEB Related	4,413,869	2,951,389	7,365,258
Deferred Outflows - Pension Related	8,488,292	4,963,570	13,451,862
Deferred Charge on Refunding	-	1,532,412	1,532,412
Total Deferred Outflows of Resources	<u>12,902,161</u>	<u>9,447,371</u>	<u>22,349,532</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**JUNE 30, 2022**

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 13,303,805	\$ 11,326,909	\$ 24,630,714
Accrued Liabilities	1,789,791	-	1,789,791
Interest Payable	22,884	1,756,666	1,779,550
Deposits Payable	3,914,302	3,569,580	7,483,882
Prepaid Water Connection Fees	-	217,489	217,489
Unearned Revenue	31,874,230	2,148,069	34,022,299
Total Current Liabilities	50,905,012	19,018,713	69,923,725
<b>NONCURRENT LIABILITIES</b>			
Accrued Rent Credit Payable	-	1,545,494	1,545,494
Advances from Other Governments	-	11,034,017	11,034,017
Total OPEB Liability:			
Due Within One Year	282,998	322,546	605,544
Due in More Than One Year	24,212,704	18,205,786	42,418,490
Net Pension Liability	28,666,665	14,966,702	43,633,367
Long-Term Liabilities:			
Due Within One Year	2,983,944	10,427,375	13,411,319
Due in More Than One Year	4,539,726	334,163,204	338,702,930
Total Noncurrent Liabilities	60,686,037	390,665,124	451,351,161
Total Liabilities	111,591,049	409,683,837	521,274,886
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - OPEB Related	5,826,861	3,758,569	9,585,430
Deferred Inflows - Pension Related	14,309,498	7,967,899	22,277,397
Deferred Inflows - Leases	6,238,561	85,635,978	91,874,539
Total Deferred Inflows of Resources	26,374,920	97,362,446	123,737,366
<b>NET POSITION (DEFICIT)</b>			
Net Investment in Capital Assets	471,522,212	47,470,857	518,993,069
Restricted for:			
Public Safety	50,826	-	50,826
Community Development	58,795,827	-	58,795,827
Public Works	31,615,800	-	31,615,800
Unrestricted	19,767,281	76,595,047	96,362,328
Total Net Position	\$ 581,751,946	\$ 124,065,904	\$ 705,817,850

See accompanying Notes to Basic Financial Statements.

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**CITY OF VICTORVILLE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities:</b>				
General Government	\$ 21,652,539	\$ 10,274,323	\$ 670,454	\$ -
Public Safety	49,005,996	1,679,084	137,354	312,581
Community Development	2,476,637	9,804,452	4,397,354	6,355,730
Public Works	29,054,003	9,937,544	844,832	22,657,294
Parks and Recreation	5,561,927	745,792	-	-
Interest Expense	33,009	-	-	-
Total Governmental Activities	<u>107,784,111</u>	<u>32,441,195</u>	<u>6,049,994</u>	<u>29,325,605</u>
<b>Business-Type Activities:</b>				
Water	44,121,123	46,259,252	634,939	8,176,242
Airport	36,659,045	13,027,737	-	1,300,445
Gas Utility	2,843,779	3,216,392	-	-
Electric Utility	15,801,461	17,420,691	-	-
Solid Waste Management	19,639,906	21,986,852	317,611	-
Sanitary	17,630,140	19,785,975	320,707	254,093
Total Business-Type Activities	<u>136,695,454</u>	<u>121,696,899</u>	<u>1,273,257</u>	<u>9,730,780</u>
Total Primary Government	<u>\$ 244,479,565</u>	<u>\$ 154,138,094</u>	<u>\$ 7,323,251</u>	<u>\$ 39,056,385</u>
<b>GENERAL REVENUES</b>				
Taxes:				
Property Taxes				
Sales Taxes				
Transactions and Use Tax				
Transient Occupancy Tax				
Franchise Taxes				
Investment Income				
Miscellaneous Revenues				
Gain on Disposal of Assets				
Transfers				
Total General Revenues and Transfers				

**CHANGE IN NET POSITION**

Net Position - Beginning of Year, as Restated

**NET POSITION - END OF YEAR**

See accompanying Notes to Basic Financial Statements.



**CITY OF VICTORVILLE  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (10,707,762)	\$ -	\$ (10,707,762)
(46,876,977)	-	(46,876,977)
18,080,899	-	18,080,899
4,385,667	-	4,385,667
(4,816,135)	-	(4,816,135)
(33,009)	-	(33,009)
(39,967,317)	-	(39,967,317)
-	10,949,310	10,949,310
-	(22,330,863)	(22,330,863)
-	372,613	372,613
-	1,619,230	1,619,230
-	2,664,557	2,664,557
-	2,730,635	2,730,635
-	(3,994,518)	(3,994,518)
(39,967,317)	(3,994,518)	(43,961,835)
32,794,762	22,862,261	55,657,023
36,865,430	-	36,865,430
29,586,784	-	29,586,784
2,025,727	-	2,025,727
4,441,842	-	4,441,842
(1,273,952)	1,265,628	(8,324)
210,645	866,822	1,077,467
19,097	17,326	36,423
81,893	(81,893)	-
104,752,228	24,930,144	129,682,372
64,784,911	20,935,626	85,720,537
516,967,035	103,130,278	620,097,313
\$ 581,751,946	\$ 124,065,904	\$ 705,817,850

See accompanying Notes to Basic Financial Statements.

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## **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.

### **Housing Asset Successor Special Revenue Fund**

This fund accounts for the housing activities of the City that were previously accounted for in the low and moderate housing redevelopment agency fund. Funding sources consists primarily of loan repayments and corresponding interest that are used to increase, improve, and preserve the community's supply of low- and moderate-income housing.

### **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.

### **COVID-19 Funds**

This fund accounts for the revenues and expenditures received from federal, state, and county funds for COVID-19 relief and response. The grants are primarily used for public safety, telecommuting, homelessness and outreach, and social distancing communications.

### **Capital Impact Facilities Fund**

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

**CITY OF VICTORVILLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	General	Special Revenue	Special Revenue	Special Revenue
		Housing Asset Successor	Other Federal Grants	COVID-19 Funds
<b>ASSETS</b>				
Cash and Investments	\$ 60,790,440	\$ 1,947,119	\$ -	\$ 24,963,160
Accounts Receivable	1,307,181	-	-	-
Interest Receivable	178,731	-	-	-
Notes Receivable	-	12,658,279	-	-
Due from Other Funds	6,610,655	-	-	-
Advances to Other Funds	3,864,966	-	-	-
Due from Other Governments	11,185,192	-	5,166,601	2,599,895
Leases Receivable	6,380,099	-	-	-
Due from the Successor Agency	-	12,786,238	-	-
Inventories	270,489	-	-	-
Prepaid Items	56,961	-	-	4,214,889
Land Held for Resale	-	2,003,616	-	-
	<u>\$ 90,644,714</u>	<u>\$ 29,395,252</u>	<u>\$ 5,166,601</u>	<u>\$ 31,777,944</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,805,059	\$ 5,113	\$ 3,680,592	\$ 74,074
Accrued Liabilities	1,789,791	-	-	-
Deposits Payable	152,358	-	-	-
Due to Other Funds	-	-	1,353,123	-
Unearned Revenue	263	-	67,803	31,703,870
Total Liabilities	<u>4,747,471</u>	<u>5,113</u>	<u>5,101,518</u>	<u>31,777,944</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	-	5,166,601	2,187,409
Leases	6,238,561	-	-	-
Total Deferred Inflows of Resources	<u>6,238,561</u>	<u>-</u>	<u>5,166,601</u>	<u>2,187,409</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Advances to Other Funds	3,864,966	-	-	-
Prepaid Items	56,961	-	-	4,214,889
Inventories	270,489	-	-	-
Restricted:				
Public Safety	-	-	-	-
Highways and Street Projects	-	-	-	-
Community Development	-	29,390,139	(5,101,518)	(6,402,298)
Unassigned	75,466,266	-	-	-
Total Fund Balances	<u>79,658,682</u>	<u>29,390,139</u>	<u>(5,101,518)</u>	<u>(2,187,409)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 90,644,714</u>	<u>\$ 29,395,252</u>	<u>\$ 5,166,601</u>	<u>\$ 31,777,944</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2022**

	Capital Projects <u>Capital Impact Facilities</u>	Nonmajor Governmental <u>Funds</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and Investments	\$ 24,590,218	\$ 37,185,463	\$ 149,476,400
Accounts Receivable	86,091	1,851,963	3,245,235
Interest Receivable	-	-	178,731
Notes Receivable	-	1,559,043	14,217,322
Due from Other Funds	-	-	6,610,655
Advances to Other Funds	-	-	3,864,966
Due from Other Governments	-	11,354,929	30,306,617
Leases Receivable	-	-	6,380,099
Due from the Successor Agency	-	-	12,786,238
Inventories	-	-	270,489
Prepaid Items	-	6,061	4,277,911
Land Held for Resale	-	-	2,003,616
	<u>\$ 24,676,309</u>	<u>\$ 51,957,459</u>	<u>\$ 233,618,279</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,242,845	\$ 4,496,122	\$ 13,303,805
Accrued Liabilities	-	-	1,789,791
Deposits Payable	-	3,761,944	3,914,302
Due to Other Funds	-	5,257,532	6,610,655
Unearned Revenue	-	102,294	31,874,230
Total Liabilities	<u>2,242,845</u>	<u>13,617,892</u>	<u>57,492,783</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	-	3,930,731	11,284,741
Leases	-	-	6,238,561
Total Deferred Inflows of Resources	<u>-</u>	<u>3,930,731</u>	<u>17,523,302</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Advances to Other Funds	-	-	3,864,966
Prepaid Items	-	6,061	4,277,911
Inventories	-	-	270,489
Restricted:			
Public Safety	-	50,826	50,826
Highways and Street Projects	22,433,464	34,087,550	56,521,014
Community Development	-	2,052,187	19,938,510
Unassigned	-	(1,787,788)	73,678,478
Total Fund Balances	<u>22,433,464</u>	<u>34,408,836</u>	<u>158,602,194</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 24,676,309</u>	<u>\$ 51,957,459</u>	<u>\$ 233,618,279</u>

See accompanying Notes to Basic Financial Statements.

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**CITY OF VICTORVILLE  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022**

<b>Fund Balances - Governmental Funds</b>	<b>\$ 158,602,194</b>
 Amounts reported for governmental activities in the statement of net position are different because:	
 Capital assets, net of depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	
Capital Assets	961,870,542
Accumulated Depreciation	(482,062,412)
 Accrued interest on long-term debt is not due and payable in the current period and is not reported in the governmental funds.	
	(22,884)
 Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.	
	(1,646,933)
 Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Capital Lease	(724,561)
Compensated Absences	(4,409,852)
Pollution Remediation	(742,324)
 Pension and OPEB related debt applicable to the City governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pension and OPEB are only reported in the statement of net position as the changes in these amounts effect only the government-wide statements for governmental activities:	
Deferred Outflows - OPEB Related	4,413,869
Deferred Inflows - OPEB Related	(5,826,861)
Total OPEB Liability	(24,495,702)
Deferred Outflows - Pension Related	8,488,292
Deferred Inflows - Pension Related	(14,309,498)
Net Pension Liability	(28,666,665)
 Certain revenues in the governmental funds are unavailable because they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide statements.	
	11,284,741
<b>Net Position of Governmental Activities</b>	<b>\$ 581,751,946</b>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	General	Special Revenue	Special Revenue	Special Revenue
		Housing Asset Successor	Other Federal Grants	COVID-19 Funds
<b>REVENUES</b>				
Taxes and Assessments	\$ 94,851,845	\$ -	\$ -	\$ -
Licenses and Permits	5,392,575	-	-	-
Intergovernmental	152,600	375,000	10,744,949	904,055
Charges for Services	13,859,303	-	-	-
Fines and Forfeitures	765,463	-	-	-
Investment Income (Loss)	(1,071,796)	594,622	-	-
Other	536,135	-	-	-
Total Revenues	114,486,125	969,622	10,744,949	904,055
<b>EXPENDITURES</b>				
Current:				
General Government	16,518,567	-	-	203,521
Public Safety	47,391,340	-	31,686	-
Community Development	-	569,839	-	100,000
Public Works	9,116,056	-	-	-
Parks and Recreation	4,247,535	-	-	-
Capital Outlay	1,418,535	-	15,106,581	190,387
Debt Service:				
Principal	164,912	-	-	-
Interest on Advances	33,711	-	-	-
Total Expenditures	78,890,656	569,839	15,138,267	493,908
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	35,595,469	399,783	(4,393,318)	410,147
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	94,224	-	-	-
Transfers Out	(2,286,995)	-	-	-
Total Other Financing Sources (Uses)	(2,192,771)	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	33,402,698	399,783	(4,393,318)	410,147
Fund Balances (Deficit) - Beginning of Year	46,255,984	28,990,356	(708,200)	(2,597,556)
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 79,658,682</u>	<u>\$ 29,390,139</u>	<u>\$ (5,101,518)</u>	<u>\$ (2,187,409)</u>

See accompanying Notes to Basic Financial Statements.



**CITY OF VICTORVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**

	Capital Projects <u>Capital Impact Facilities</u>	Nonmajor Governmental <u>Funds</u>	<u>Totals</u>
<b>REVENUES</b>			
Taxes and Assessments	\$ -	\$ 13,603,181	\$ 108,455,026
Licenses and Permits	-	-	5,392,575
Intergovernmental	-	15,161,930	27,338,534
Charges for Services	9,427,960	1,694,511	24,981,774
Fines and Forfeitures	-	63,539	829,002
Investment Income (Loss)	-	120,227	(356,947)
Other	3,757	41,663	581,555
Total Revenues	<u>9,431,717</u>	<u>30,685,051</u>	<u>167,221,519</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	16,722,088
Public Safety	-	642,792	48,065,818
Community Development	-	1,806,480	2,476,319
Public Works	26,678	13,517,584	22,660,318
Parks and Recreation	19,291	-	4,266,826
Capital Outlay	9,795,295	16,560,788	43,071,586
Debt Service:			
Principal	-	-	164,912
Interest on Advances	4,507	-	38,218
Total Expenditures	<u>9,845,771</u>	<u>32,527,644</u>	<u>137,466,085</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(414,054)	(1,842,593)	29,755,434
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	4,230,924	-	4,325,148
Transfers Out	-	(61,170)	(2,348,165)
Total Other Financing Sources (Uses)	<u>4,230,924</u>	<u>(61,170)</u>	<u>1,976,983</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,816,870	(1,903,763)	31,732,417
Fund Balances (Deficit) - Beginning of Year	<u>18,616,594</u>	<u>36,312,599</u>	<u>126,869,777</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 22,433,464</u>	<u>\$ 34,408,836</u>	<u>\$ 158,602,194</u>

See accompanying Notes to 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, 2022**

**Net Change in Fund Balances - Total Governmental Funds** \$ 31,732,417

Amounts reported for governmental activities in the statement of activities are 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	44,538,603
Depreciation Expense	(19,272,666)

Certain revenues in the governmental funds are unavailable if they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide statements.

5,265,610

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of loan proceeds is an other financing source and repayment of loan principal is an expenditure in the governmental funds, but issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.

Repayment of Principal	164,912
------------------------	---------

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

Change in Accrued Interest on Long-Term Debt	5,209
Change in Compensated Absences	(176,266)
Change in Claims Payable	1,304,957
Change in Pollution Remediation Payable	301,783

OPEB expense reported in the governmental funds includes the insurance premiums paid. In the statement of activities, OPEB expense includes the change in the OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.

(1,559,938)

Pension expense reported in the governmental funds includes the annual required contributions. In the statement of activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.

2,480,290

**Change in Net Position of Governmental Activities**

\$ 64,784,911

## PROPRIETARY FUNDS

### **Major Proprietary Funds**

#### **Victorville Water District Fund**

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).

#### **Electric Utility Fund**

Accounts for the operation, maintenance, and capital assets of the City's electric utility, which is funded by user charges, other fees, and loans.

#### **Solid Waste Management Fund**

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.

### **Nonmajor Proprietary Fund**

#### **Gas Utility Fund**

Accounts for the operation and maintenance, and capital assets of the City's gas utility, which is funded by user charges, other fees, and loans.

**CITY OF VICTORVILLE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2022**

<b>ASSETS</b>	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
<b>CURRENT ASSETS</b>				
Cash and Investments	\$ 74,178,469	\$ 20,904,681	\$ 15,046,640	\$ 8,020,370
Cash with Fiscal Agent	836,313	23,938,255	6,801,371	-
Accounts Receivable, Net	6,340,504	622,321	1,422,719	2,453,512
Interest Receivable	58,333	99,170	-	-
Due from Other Governments	34,652	347,685	-	80,133
Leases Receivable	-	84,512,923	-	2,819,527
Inventory and Other Assets	948,273	29,905	-	-
Total Current Assets	<u>82,396,544</u>	<u>130,454,940</u>	<u>23,270,730</u>	<u>13,373,542</u>
<b>NONCURRENT ASSETS</b>				
Prepaid Deposits	21,523	53,755	103,800	929
Investment in Joint Venture	-	-	-	486,963
Capital Assets:				
Not Being Depreciated	35,176,126	16,542,239	2,183,690	348,278
Being Depreciated, Net	<u>122,916,314</u>	<u>117,979,955</u>	<u>10,231,194</u>	<u>969,927</u>
Total Noncurrent Assets	<u>158,113,963</u>	<u>134,575,949</u>	<u>12,518,684</u>	<u>1,806,097</u>
Total Assets	240,510,507	265,030,889	35,789,414	15,179,639
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows - OPEB Related	2,106,668	301,356	92,769	138,791
Deferred Outflows - Pension Related	2,876,885	829,725	194,908	357,826
Deferred Charges on Refunding	-	1,532,412	-	-
Total Deferred Outflows of Resources	<u>4,983,553</u>	<u>2,663,493</u>	<u>287,677</u>	<u>496,617</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE  
STATEMENT OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
JUNE 30, 2022**

<b>ASSETS</b>	Sanitary Fund	Nonmajor Gas Utility Fund	Totals
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 12,184,190	\$ 2,698,905	\$ 133,033,255
Cash with Fiscal Agent	-	-	31,575,939
Accounts Receivable, Net	2,515,045	214,788	13,568,889
Interest Receivable	-	-	157,503
Due from Other Governments	-	-	462,470
Leases Receivable	-	-	87,332,450
Inventory and Other Assets	-	-	978,178
Total Current Assets	<u>14,699,235</u>	<u>2,913,693</u>	<u>267,108,684</u>
<b>NONCURRENT ASSETS</b>			
Prepaid Deposits	1,993	-	182,000
Investment in Joint Venture	-	-	486,963
Capital Assets:			
Not Being Depreciated	9,446,579	691,043	64,387,955
Being Depreciated, Net	<u>39,653,357</u>	<u>1,613,433</u>	<u>293,364,180</u>
Total Noncurrent Assets	<u>49,101,929</u>	<u>2,304,476</u>	<u>358,421,098</u>
Total Assets	63,801,164	5,218,169	625,529,782
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - OPEB Related	294,642	17,163	2,951,389
Deferred Outflows - Pension Related	661,498	42,728	4,963,570
Deferred Charges on Refunding	-	-	1,532,412
Total Deferred Outflows of Resources	<u>956,140</u>	<u>59,891</u>	<u>9,447,371</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE  
STATEMENT OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
JUNE 30, 2022**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 4,592,839	\$ 1,386,449	\$ 1,538,583	\$ 1,530,643
Interest Payable	168,460	1,256,389	331,817	-
Prepaid Water Connection Fees	217,489	-	-	-
Deposits Payable	1,669,971	-	1,855,478	9,180
Unearned Revenue	-	1,301,095	846,974	-
Total OPEB Liability - Due Within One Year	253,227	27,309	7,558	11,764
Long-Term Debt - Due Within One Year	841,847	6,680,528	1,715,000	-
Total Current Liabilities	<u>7,743,833</u>	<u>10,651,770</u>	<u>6,295,410</u>	<u>1,551,587</u>
<b>NONCURRENT LIABILITIES</b>				
Accrued Rent Credit Payable	-	1,545,494	-	-
Advances from Other Funds	-	-	3,864,966	-
Advances from Other Governments	-	11,034,017	-	-
Total OPEB Liability	12,275,005	2,336,476	646,608	1,006,499
Net Pension Liability	9,263,027	2,599,527	505,255	1,015,398
Long-Term Debt - Due Beyond One Year	8,330,788	278,623,283	46,329,133	-
Total Noncurrent Liabilities	<u>29,868,820</u>	<u>296,138,797</u>	<u>51,345,962</u>	<u>2,021,897</u>
Total Liabilities	37,612,653	306,790,567	57,641,372	3,573,484
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows - OPEB Related	2,420,187	519,180	144,477	221,656
Deferred Inflows - Pension Related	4,385,336	1,151,011	485,585	593,555
Deferred Inflows - Leases	-	82,884,600	-	2,751,378
Total Deferred Inflows of Resources	<u>6,805,523</u>	<u>84,554,791</u>	<u>630,062</u>	<u>3,566,589</u>
<b>NET POSITION (DEFICIT)</b>				
Net Investment in Capital Assets	150,031,812	(125,452,052)	(29,620,020)	1,318,205
Unrestricted	51,044,072	1,801,076	7,425,677	7,217,978
Total Net Position	<u>\$ 201,075,884</u>	<u>\$ (123,650,976)</u>	<u>\$ (22,194,343)</u>	<u>\$ 8,536,183</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	Sanitary Fund	Nonmajor Gas Utility Fund	Totals
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 2,033,140	\$ 245,255	\$ 11,326,909
Interest Payable	-	-	1,756,666
Prepaid Water Connection Fees	-	-	217,489
Deposits Payable	-	34,951	3,569,580
Unearned Revenue	-	-	2,148,069
Total OPEB Liability - Due Within One Year	21,282	1,406	322,546
Long-Term Debt - Due Within One Year	1,190,000	-	10,427,375
Total Current Liabilities	<u>3,244,422</u>	<u>281,612</u>	<u>29,768,634</u>
<b>NONCURRENT LIABILITIES</b>			
Accrued Rent Credit Payable	-	-	1,545,494
Advances from Other Funds	-	-	3,864,966
Advances from Other Governments	-	-	11,034,017
Total OPEB Liability	1,820,874	120,324	18,205,786
Net Pension Liability	1,577,856	5,639	14,966,702
Long-Term Debt - Due Beyond One Year	880,000	-	334,163,204
Total Noncurrent Liabilities	<u>4,278,730</u>	<u>125,963</u>	<u>383,780,169</u>
Total Liabilities	7,523,152	407,575	413,548,803
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - OPEB Related	424,683	28,386	3,758,569
Deferred Inflows - Pension Related	1,276,093	76,319	7,967,899
Deferred Inflows - Leases	-	-	85,635,978
Total Deferred Inflows of Resources	<u>1,700,776</u>	<u>104,705</u>	<u>97,362,446</u>
<b>NET POSITION (DEFICIT)</b>			
Net Investment in Capital Assets	48,888,436	2,304,476	47,470,857
Unrestricted	6,644,940	2,461,304	76,595,047
Total Net Position	<u>\$ 55,533,376</u>	<u>\$ 4,765,780</u>	<u>\$ 124,065,904</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 44,717,238	\$ 11,910,350	\$ 17,420,691	\$ 21,629,745
Pass-Thru Charges for Services	991,164	-	-	-
Fines and Forfeitures	145,832	22,003	-	101,817
Other	405,018	1,095,384	-	255,290
Total Operating Revenues	<u>46,259,252</u>	<u>13,027,737</u>	<u>17,420,691</u>	<u>21,986,852</u>
<b>OPERATING EXPENSES</b>				
Personnel Services	9,681,920	2,646,192	1,023,401	1,373,892
Maintenance and Operations	13,118,928	7,506,153	2,819,798	18,174,100
Production Costs	11,026,983	-	9,449,736	-
Pass-Thru Production Costs	2,698,831	-	-	-
Depreciation	7,194,999	9,610,772	1,379,648	91,914
Total Operating Expenses	<u>43,721,661</u>	<u>19,763,117</u>	<u>14,672,583</u>	<u>19,639,906</u>
<b>OPERATING INCOME (LOSS)</b>	2,537,591	(6,735,380)	2,748,108	2,346,946
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Change in Investment in Joint Ventures	-	-	-	50,316
Intergovernmental	634,939	59,000	-	317,611
Property Taxes	1,130,682	21,731,579	-	-
Investment Income	(243,999)	1,448,371	3,649	57,607
Bond Issuance Fee	-	-	(674,184)	-
Interest Expense	(399,462)	(16,895,928)	(454,694)	-
Gain on Disposal of Assets	16,201	1,125	-	-
Other Nonoperating Revenues (Expenses)	(8,427)	(19,087)	-	-
Settlement Proceeds	843,920	-	-	-
Total Nonoperating Revenues (Expenses)	<u>1,973,854</u>	<u>6,325,060</u>	<u>(1,125,229)</u>	<u>425,534</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	4,511,445	(410,320)	1,622,879	2,772,480
<b>CAPITAL CONTRIBUTIONS</b>				
Connection Fees	6,053,629	-	-	-
Alternate Water Source Fees	1,110,296	-	-	-
Capital Restricted Use Fees	813,860	-	-	-
Capital Contributions	198,457	607,812	-	-
Capital Contributions from the City	-	1,895,090	-	-
Capital Grants	-	633,633	-	-
Transfers Out	-	(1,943,929)	-	-
Total Capital Contributions	<u>8,176,242</u>	<u>1,192,606</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	12,687,687	782,286	1,622,879	2,772,480
Net Position (Deficit) - Beginning of Year, as Restated	<u>188,388,197</u>	<u>(124,433,262)</u>	<u>(23,817,222)</u>	<u>5,763,703</u>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<u>\$ 201,075,884</u>	<u>\$ (123,650,976)</u>	<u>\$ (22,194,343)</u>	<u>\$ 8,536,183</u>

See accompanying Notes to Basic Financial Statements.



**CITY OF VICTORVILLE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (CONTINUED)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Sanitary Fund	Nonmajor Gas Utility Fund	Totals
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 19,678,584	\$ 3,216,116	\$ 118,572,724
Pass-Thru Charges for Services	-	-	991,164
Fines and Forfeitures	107,391	-	377,043
Other	-	276	1,755,968
Total Operating Revenues	<u>19,785,975</u>	<u>3,216,392</u>	<u>121,696,899</u>
<b>OPERATING EXPENSES</b>			
Personnel Services	3,062,812	267,425	18,055,642
Maintenance and Operations	13,245,913	148,073	55,012,965
Production Costs	-	2,302,100	22,778,819
Pass-Thru Production Costs	-	-	2,698,831
Depreciation	1,321,415	126,181	19,724,929
Total Operating Expenses	<u>17,630,140</u>	<u>2,843,779</u>	<u>118,271,186</u>
<b>OPERATING INCOME (LOSS)</b>	2,155,835	372,613	3,425,713
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Change in Investment in Joint Ventures	-	-	50,316
Intergovernmental	320,707	-	1,332,257
Property Taxes	-	-	22,862,261
Investment Income	-	-	1,265,628
Bond Issuance Fee	-	-	(674,184)
Interest Expense	-	-	(17,750,084)
Gain on Disposal of Assets	-	-	17,326
Other Nonoperating Revenues (Expenses)	100	-	(27,414)
Settlement Proceeds	-	-	843,920
Total Nonoperating Revenues (Expenses)	<u>320,807</u>	<u>-</u>	<u>7,920,026</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	2,476,642	372,613	11,345,739
<b>CAPITAL CONTRIBUTIONS</b>			
Connection Fees	-	-	6,053,629
Alternate Water Source Fees	-	-	1,110,296
Capital Restricted Use Fees	254,093	-	1,067,953
Capital Contributions	-	-	806,269
Capital Contributions from the City	-	-	1,895,090
Capital Grants	-	-	633,633
Transfers Out	(33,054)	-	(1,976,983)
Total Capital Contributions	<u>221,039</u>	<u>-</u>	<u>9,589,887</u>
<b>CHANGE IN NET POSITION</b>	2,697,681	372,613	20,935,626
Net Position (Deficit) - Beginning of Year, as Restated	<u>52,835,695</u>	<u>4,393,167</u>	<u>103,130,278</u>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<u>\$ 55,533,376</u>	<u>\$ 4,765,780</u>	<u>\$ 124,065,904</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2022**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 43,403,105	\$ 12,577,899	\$ 18,838,884	\$ 21,994,589
Cash Payments to Employees for Services	(10,179,711)	(2,740,404)	(1,054,744)	(1,435,840)
Cash Payments to Suppliers for Goods and Services	(14,339,984)	(7,450,069)	(11,626,879)	(18,120,310)
Net Cash Provided by Operating Activities	18,883,410	2,387,426	6,157,261	2,438,439
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash Received from Other Governments	1,765,621	23,722,863	-	317,611
Cash Received from Settlements	843,920	-	-	-
Cash Received from Other Funds	-	1,940,931	-	-
Cash Paid to Other Funds	-	(3,847,361)	(1,012,338)	-
Net Cash Provided (Used) by Noncapital Financing Activities	2,609,541	21,816,433	(1,012,338)	317,611
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Cash Received from Sale of Capital Assets	16,252	1,125	-	-
Capital Grants	-	633,633	-	-
Cash Payments to Acquire Capital and Other Assets	(7,591,359)	(1,288,044)	(1,833,448)	(67,611)
Bond principal and premium issued	-	-	48,044,133	-
Payment to escrow agent for refunded debt	-	-	(45,230,000)	-
Bond issuance fees paid	-	-	(674,184)	-
Principal Paid on Capital-Related Debt	(395,000)	(6,225,000)	(1,480,000)	-
Interest Paid on Capital-Related Debt	(412,403)	(15,238,105)	(110,409)	-
Interest Paid on Interfund Advance	-	-	(14,823)	-
Net Cash Used by Capital and Related Financing Activities	(8,382,510)	(22,116,391)	(1,298,731)	(67,611)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Purchases	(276,964)	-	-	-
Interest Received on Investments	-	1,349,201	3,649	57,606
Net Cash Provided (Used) by Investing Activities	(276,964)	1,349,201	3,649	57,606
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	12,833,477	3,436,669	3,849,841	2,746,045
Cash and Cash Equivalents - Beginning of Year	61,344,992	41,406,267	17,998,170	5,274,325
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 74,178,469</u>	<u>\$ 44,842,936</u>	<u>\$ 21,848,011</u>	<u>\$ 8,020,370</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</b>				
Cash and Investments	\$ 74,178,469	\$ 20,904,681	\$ 15,046,640	\$ 8,020,370
Cash with Fiscal Agent	-	23,938,255	6,801,371	-
Cash and Cash Equivalents	<u>\$ 74,178,469</u>	<u>44,842,936</u>	<u>21,848,011</u>	<u>8,020,370</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2022**

	Sanitary Fund	Nonmajor Gas Utility Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 19,433,274	\$ 3,162,346	\$ 119,410,097
Cash Payments to Employees for Services	(3,177,587)	(276,106)	(18,864,392)
Cash Payments to Suppliers for Goods and Services	(13,918,343)	(2,205,949)	(67,661,534)
Net Cash Provided by Operating Activities	2,337,344	680,291	32,884,171
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash Received from Other Governments	320,707	-	26,126,802
Cash Received from Settlements	-	-	843,920
Cash Received from Other Funds	-	-	1,940,931
Cash Paid to Other Funds	(33,054)	-	(4,892,753)
Net Cash Provided (Used) by Noncapital Financing Activities	287,653	-	24,018,900
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Cash Received from Sale of Capital Assets	-	-	17,377
Capital Grants	-	-	633,633
Cash Payments to Acquire Capital and Other Assets	(1,748,771)	(653,422)	(13,182,655)
Bond principal and premium issued	-	-	48,044,133
Payment to escrow agent for refunded debt	-	-	(45,230,000)
Bond issuance fees paid	-	-	(674,184)
Principal Paid on Capital-Related Debt	-	-	(8,100,000)
Interest Paid on Capital-Related Debt	-	-	(15,760,917)
Interest Paid on Interfund Advance	-	-	(14,823)
Net Cash Used by Capital and Related Financing Activities	(1,748,771)	(653,422)	(34,267,436)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Purchases	-	-	(276,964)
Interest Received on Investments	-	-	1,410,456
Net Cash Provided (Used) by Investing Activities	-	-	1,133,492
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	876,226	26,869	23,769,127
Cash and Cash Equivalents - Beginning of Year	11,307,964	2,672,036	140,003,754
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 12,184,190</u>	<u>\$ 2,698,905</u>	<u>\$ 163,772,881</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</b>			
Cash and Investments	\$ 12,184,190	\$ 2,698,905	\$ 133,033,255
Cash with Fiscal Agent	-	-	30,739,626
Cash and Cash Equivalents	<u>12,184,190</u>	<u>2,698,905</u>	<u>163,772,881</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2022**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
<b>RECONCILIATION OF OPERATING INCOME</b>				
<b>(LOSS) TO NET CASH PROVIDED BY</b>				
<b>OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 2,537,591	\$ (6,735,380)	\$ 2,748,108	\$ 2,346,946
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	7,194,999	9,610,772	1,379,648	91,914
Nonoperating Miscellaneous Revenue (Expense) and Capital Contributions	8,167,815	(19,087)	-	-
(Increase) Decrease in Assets:				
Accounts Receivable, Net	(1,525,785)	(247,475)	(76,680)	58,555
Due from Other Governments	(19,941)	-	-	9,330
Leases Receivable	-	4,588,236	-	(10,021)
Inventory and Other Assets	299,405	(13,585)	-	-
Prepaid Deposits	182,365	(50,996)	-	15
Deferred Outflows - OPEB	179,130	21,614	7,074	10,325
Deferred Outflows - Pension	(153,563)	(39,989)	(18,212)	(20,874)
Increase (Decrease) in Liabilities:				
Accounts Payable	2,313,159	120,665	642,655	53,775
Prepaid Water Connection Fees	-	-	-	8,000
Deposits Payable	231,593	-	1,239,481	-
Unearned Revenue	-	1,257,029	-	-
Accrued Rent Credits Payable	-	188,018	255,392	-
Compensated Absences	57,541	10,560	-	-
Claims Payable	-	-	-	-
Total OPEB Liability	724,239	148,804	58,751	74,413
Net Pension Liability	(4,813,818)	(1,239,054)	(541,004)	(651,546)
Deferred Inflows - OPEB	(616,273)	(70,319)	(27,161)	(34,965)
Deferred Inflows - Pension	4,124,953	1,074,172	489,209	560,699
Deferred Inflows - Leases	-	(6,216,559)	-	(58,127)
Total Adjustments	16,345,819	9,122,806	3,409,153	91,493
Net Cash Provided by Operating Activities	<u>\$ 18,883,410</u>	<u>\$ 2,387,426</u>	<u>\$ 6,157,261</u>	<u>\$ 2,438,439</u>
<b>NONCASH CAPITAL, FINANCING, AND</b>				
<b>INVESTING ACTIVITIES</b>				
Developer Contributed Capital Assets	\$ -	\$ 2,505,902	\$ -	\$ -
Interest Accretion Expenses	-	1,420,680	-	-
Amortization of Bond Discounts	-	91,868	-	-
Total	<u>\$ -</u>	<u>\$ 4,018,450</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2022**

	Sanitary Fund	Nonmajor Gas Utility Fund	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 2,155,835	\$ 372,613	\$ 3,425,713
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	1,321,415	126,181	19,724,929
Nonoperating Miscellaneous Revenue (Expense) and Capital Contributions	254,193	-	8,402,921
(Increase) Decrease in Assets:			
Accounts Receivable, Net	(352,042)	(71,158)	(2,214,585)
Due from Other Governments	-	-	(10,611)
Leases Receivable	-	-	4,578,215
Inventory and Other Assets	-	-	285,820
Prepaid Deposits	(659)	-	130,725
Deferred Outflows - OPEB	21,403	1,226	240,772
Deferred Outflows - Pension	(46,619)	(2,738)	(281,995)
Increase (Decrease) in Liabilities:			
Accounts Payable	(486,623)	244,224	2,887,855
Prepaid Water Connection Fees	-	-	8,000
Deposits Payable	-	17,112	1,488,186
Unearned Revenue	-	-	1,257,029
Accrued Rent Credits Payable	-	-	443,410
Compensated Absences	-	-	68,101
Claims Payable	(440,000)	-	(440,000)
Total OPEB Liability	161,160	8,560	1,175,927
Net Pension Liability	(1,427,648)	(85,243)	(8,758,313)
Deferred Inflows - OPEB	(75,330)	(4,038)	(828,086)
Deferred Inflows - Pension	1,252,259	73,552	7,574,844
Deferred Inflows - Leases	-	-	(6,274,686)
Total Adjustments	181,509	307,678	29,458,458
Net Cash Provided by Operating Activities	<u>\$ 2,337,344</u>	<u>\$ 680,291</u>	<u>\$ 32,884,171</u>
<b>NONCASH CAPITAL, FINANCING, AND INVESTING ACTIVITIES</b>			
Developer Contributed Capital Assets	\$ -	\$ -	\$ 2,505,902
Interest Accretion Expenses	-	-	1,420,680
Amortization of Bond Discounts	-	-	91,868
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,018,450</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2022**

	<u>Custodial Funds</u>	<u>Successor Agency to the Victorville RDA</u>
<b>ASSETS</b>		
Cash and Investments	\$ 309,040	\$ 2,362,522
Restricted Assets:		
Cash and Investments with Fiscal Agent	1,714,014	1,866,707
Accounts Receivable, Net	4,255	-
Land Held for Resale	-	3,029,917
Total Assets	<u>2,027,309</u>	<u>7,259,146</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	907,710	96
Interest Payable	-	134,013
Due to The City	-	12,786,238
Current Portion of Long-Term Liabilities:		
Bonds Payable	-	1,575,000
Total Current Liabilities	<u>907,710</u>	<u>14,495,347</u>
<b>LONG-TERM LIABILITIES</b>		
Bonds Payable	<u>-</u>	<u>27,810,000</u>
Total Liabilities	<u>907,710</u>	<u>42,305,347</u>
<b>NET POSITION (DEFICIT)</b>		
Restricted for:		
Individuals, Organizations, and Other Governments	<u>1,119,599</u>	<u>(35,046,201)</u>
Total Net Position	<u>\$ 1,119,599</u>	<u>\$ (35,046,201)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2022**

	Custodial Funds	Successor Agency to the Victorville RDA
<b>ADDITIONS</b>		
RPTTF Distributions	\$ -	\$ 2,090,143
Property Assessments Collected	484,632	-
City Contributions	50,438	-
Investment Income	1,377	40,214
Total Additions	536,447	2,130,357
<b>DEDUCTIONS</b>		
Community Development	22,304	150,432
Payments on Special Assessment Debt	433,570	-
Contribution to the City	-	430,000
Interest	-	1,957,732
Total Deductions	455,874	2,538,164
<b>CHANGE IN NET POSITION</b>	80,573	(407,807)
Net Position (Deficit) - Beginning of Year	1,039,026	(34,638,394)
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	\$ 1,119,599	\$ (35,046,201)

See accompanying Notes to Basic Financial Statements.

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**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Victorville , California (the City), have been prepared in accordance with generally accepted accounting principles (U.S. 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 on June 30, 2022 of 134,810.

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, 2022, the City's staff comprised of 432 full- and 72 part-time employees who were responsible for the City-provided services.

The accounting policies of the City conform to U.S. GAAP as applicable to governments.

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 (SCLAA) and the Victorville Water District.

Since City Council serves as the governing board for the SCLAA and Victorville Water District, the component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. The SCLAA 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.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

A brief description of the component units follows:

**Southern California Logistics Airport Authority (SCLAA)**

The 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, shortly thereafter, the Victorville Redevelopment Agency was removed as a result of the dissolution of all Redevelopment Agencies. SCLAA has a financial benefit/burden relationship with the City and the 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 (the 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.

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 (the City Council), each holding staggered four-year terms.

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 Wastewater 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. Victorville Water District has a financial benefit/burden relationship with the City and the financial data and transactions are included as an enterprise fund of the City.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation**

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

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

**Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. In the government-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds.

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 are recorded when earned and expenses are recorded when a liability takes place, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Grants and similar items are recognized as revenue as soon as the eligibility requirements imposed by the provider have been satisfied. Unbilled receivables are recorded as revenues when the services are provided.

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 discretely presented component units. The City has no discretely 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.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)**

**Government-Wide Financial Statements (Continued)**

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The types of transactions reported as program revenues of the City are reported in three categories:

- Charges for services,
- Operating grants and contributions, and
- Capital grants and contributions.

Charges for services include revenues from the reporting government's citizenry who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. 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 government-wide financial statements. 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 and acquisitions of capital leases 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

**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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)**

**Fund Financial Statements (Continued)**

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 the City's fiduciary activities. 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 60-day availability period. The City accrues the following revenue types: taxes, licenses, intergovernmental revenues, fines and forfeitures, and other miscellaneous revenues. 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 nonexchange 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 nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

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 and acquisitions under capital leases 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.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets, liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance 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 fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)**

**Governmental Funds (Continued)**

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect fund balance, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. Noncurrent portions of long-term receivables are reported on their balance sheets in spite of their spending measurement focus.

**Governmental Fund Balances**

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

**Nonspendable Fund Balance**

This includes amounts that cannot be spent because they are either not physically held in spendable form (such as prepaid items and inventory for all governmental funds, and advances to other funds for the general fund only) 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.

*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.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)**

**Governmental Fund Balances (Continued)**

**Spendable Fund Balance (Continued)**

*Unassigned Fund Balance* – This includes the remaining spendable amounts which are not included in one of the other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Only the General Fund shows a positive unassigned fund balance.

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, deferred outflows of resources, liabilities, and deferred inflows of resources (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, pass-thru charges for services, and fines and forfeitures, 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. Nonoperating revenues, such as property taxes and investment income result from nonexchange transactions or ancillary activities. Operating expenses for enterprise funds include the cost of sales and services, such as personnel services, maintenance and operations, production costs, pass-thru production costs, and depreciation on capital assets.

All expenses not meeting this definition, such as interest expense, 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 and acquisitions under capital leases 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. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)**

**Proprietary and Fiduciary Funds (Continued)**

Custodial funds and the private-purpose trust fund are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds do not involve the recording of City revenue and expenses and, therefore, are not included in the government-wide financial statements.

**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.

**Housing Asset Successor Special Revenue Fund**

This special revenue fund accounts for the housing activities of the City that were previously accounted for in the low and moderate housing redevelopment agency fund. Funding sources consists primarily of loan repayments and corresponding interest that are used to increase, improve, and preserve the community's supply of low- and moderate-income housing.

**Other Federal Grants Special Revenue Fund**

This special revenue 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.

**COVID-19 Funds Special Revenue Fund**

This special revenue fund accounts for the revenues and expenditures received from federal, state, and county funds for COVID-19 relief and response. The grants are primarily used for public safety, telecommuting, homelessness and outreach, and social distancing communications.

**Capital Impact Facilities Fund**

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



**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Major Funds and Fiduciary Fund Types (Continued)**

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 are comprised of federal grants, charges for services, and tax increment revenues passed through from the Victor Valley Economic Development Authority (VVEDA).

Electric Utility Fund

Accounts for the operation, maintenance, and capital assets of the City's electric 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.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Major Funds and Fiduciary Fund Types (Continued)**

Additionally, the City reports the following fiduciary fund types:

Custodial Fiduciary Funds

Fiduciary fund used to account for assets held by the City as in a custodial capacity for individuals, private organizations, other governments, and/or other funds.

Private-Purpose Trust Fiduciary 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.

The City reports the following nonmajor fund types:

Special Revenue Funds

Nonmajor special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Enterprise Fund

The nonmajor enterprise fund is used to account for the operation, maintenance, and capital assets of the City's gas utility, which is funded by user charges and other fees.

**D. Adoption of New Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. 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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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.

**F. 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 that meet the definition noted above.

**G. 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 nonrepayment cannot be reasonably estimated at this time.

**H. Due from Other Governments**

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, motor vehicle in-lieu taxes, property taxes, and grant revenues collected or provided by Federal, State, County, and City Governments and unremitted to the City as of June 30, 2022.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Leases**

When the City is a lessee, a lease liability and a lease asset is recognized at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

When the City is a lessor, a lease receivable and a deferred inflow of resources is recognized at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

**J. Deposits and Prepaid Items**

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide, fund and proprietary financial statements utilizing the purchases method.

**K. Inventory and Other Assets**

The City uses the consumption method of accounting for inventories. General Fund inventory consists of office supplies, hardware supplies, fuel, and oil, which are valued at cost. 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.

**L. 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.

**M. Capital Assets**

Capital assets (including infrastructure) are reported in the applicable governmental or business-type activities column in the government-wide financial statements and the fund financial statements of proprietary funds.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Capital Assets (Continued)**

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. Capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at acquisition value on the date of 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 (including infrastructure) are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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 Improvement	10 to 50 Years
Furniture and Equipment	5 to 10 Years
Computer and Communications	5 Years
Vehicles	5 to 10 Years
Infrastructure	20 to 80 Years
Water Rights	10 to 25 Years
Intangibles	5 to 25 Years
Land Improvements	10 to 50 Years

**N. Compensated Absences**

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.

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 payments, 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**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. 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 and proprietary fund 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.

**O. 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 government-wide financial statements and proprietary fund financial statements.

**P. Deposits Payable**

Deposits payable in the governmental funds primarily consist of engineering deposits that are refunded once compliance work from the depositor has been performed. Deposits payable in the enterprise funds primarily consist of security deposits for utility accounts that are refunded to the customer when the account is closed or applied to past-due bills in certain cases of delinquency.

**Q. Unearned Revenue**

Unearned revenue is recorded when the City receives funds for which the goods or services have not yet been provided and, therefore, revenue has not yet been earned. Unearned revenue in the governmental funds primarily consists of funds received in advance from the American Rescue Plan Act (ARPA) federal program that have not yet been spent for allowable expenditures. Unearned revenue in enterprise funds primarily consists of funds received in advance from tenants in which the City serves as the lessor and amounts received in advance from the California Air Resources Board that have not yet been spent for allowable expenses.

**R. 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 60 days.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Property Taxes (Continued)**

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.

**S. 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 (including premiums and discounts) and other capital related payables that attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Position* – This amount is restricted by enabling legislation (such as 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.”

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by the Council.

**T. Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the government-wide and proprietary funds statements of net position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has the following items that qualify for reporting in this category:

- Unamortized loss on bond defeasance reported in the government-wide statement of net position and the proprietary funds financial statements. An unamortized loss on bond defeasance results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. Deferred Outflows and Deferred Inflows of Resources (Continued)**

- Deferred outflows related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability and the total OPEB liability.
- Deferred outflows related to pensions differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to OPEB for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.

In addition to liabilities, the government-wide and proprietary funds statements of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and investment income. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows related to OPEB for differences between expected and actual experiences and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.
- Deferred inflows related to pension plans for the changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred inflows related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.
- Deferred inflows related to leases for amounts not yet received. These amounts are deferred and recognized as an inflows of resources in the period that the amounts are available or earned.



**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. 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 of the City’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS. 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.

**V. Estimates**

The presentation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

**NOTE 2 CASH AND INVESTMENTS**

Cash and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 282,509,655
Cash With Fiscal Agents	31,575,939
Fiduciary Funds:	
Cash and Investments	2,671,562
Cash With Fiscal Agents	3,580,721
Total Cash and Investments	<u>\$ 320,337,877</u>

Cash and investments as of June 30, 2022 consist of the following:

Cash on Hand	\$ 11,854
Deposits with Financial Institutions	162,388,350
Investments	157,937,673
Total Cash and Investments	<u>\$ 320,337,877</u>

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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

The table below 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.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
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	40%	30%
Commercial Paper - Non-Pooled Funds	No	270 Days	25%	10%
Commercial Paper - Pooled Funds	No	270 Days	40%	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%	None
Mutual Funds***	No	5 Years	20%*	10%*
Money Market Mutual Funds***	Yes	5 Years	20%*	None
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.

\*\* Ginnie Mae is not to exceed 20% of the total portfolio.

\*\*\* Fund must be an AAA rated Government or US Treasury money fund.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 Days	None	None
Commercial Paper	270 Days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Federal Housing Admin Debentures	None	None	None
Certificates of Deposits	None	None	None
State Obligations	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Pre-refunded Municipal Obligations	None	None	None

**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	Remaining Maturities (in Months)			
		Within 12	13 to 24	25 to 60	60+
LAIF	\$ 122,789,326	\$ 122,789,326	\$ -	\$ -	\$ -
Held by Bond Trustee:					
Guaranteed Investment					
Contract (GIC)*	816,500	-	-	-	816,500
Money Market Mutual Funds	34,331,847	34,331,847	-	-	-
Total	<u>\$ 157,937,673</u>	<u>\$ 157,121,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 816,500</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%, respectively, 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, 2022, FSA was not in default and the value of the collateral met the requirements.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**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 by Standard & Poor's required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual Standard & Poor's rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
LAIF	\$ 122,789,326	N/A	\$ -	\$ 122,789,326
Held by Bond Trustee:				
Guaranteed Investment				
Contract (GIC)	816,500	N/A	-	816,500
Money Market Mutual Funds	34,331,847	Multiple*	34,331,847	-
Total	<u>\$ 157,937,673</u>		<u>\$ 34,331,847</u>	<u>\$ 123,605,826</u>

\*Must receive highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered by 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. The City has no investments in any one issuer (other than LAIF and money market mutual funds) that represent 5% or more of the City's investments.

**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**  
**JUNE 30, 2022**

**NOTE 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. At June 30, 2022, the City's deposits (bank balances) were insured by the federal depository insurance limits or collateralized as required under California Law.

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.

**Fair Value Measurements**

The City categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. 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 of other items.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**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.

The City’s investments in LAIF and money market mutual funds (held by bond trustee) are not subject to the fair value measurement hierarchy. The City’s investment in the GIC is included in Level 3 since they are not actively traded. To value the GIC, the City verified the collateral required was held at a minimum of 100% of the value reported above and recorded the investment at that amount.

**NOTE 3 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2022 is as follows:

Due To/From Other Funds		
Fund Reporting Receivable	Fund Reporting Payable	Amount
General Fund	Nonmajor Governmental Funds	\$ 5,257,532 a)
General Fund	Other Federal Grants	
	Special Revenue Fund	1,353,123 a)
	Total	\$ 6,610,655
Advances To/From Other Funds		
Fund Reporting Receivable	Fund Reporting Payable	Amount
General Fund	Electric Utility Enterprise Fund	\$ 3,864,966 b)

Generally, the above balances result from:

- a) These represent short term borrowings to cover negative cash balances due to grant funds that must be paid out before reimbursement is received. It is anticipated these funds will come in from reimbursements received in FY 22-23.
- b) A loan agreement was signed on July 1, 2018 by the City Council for a reimbursement of funds previously advanced from fiscal year 2003-2004 through 2007-2008 from the General Fund to the Municipal Utility Enterprise Fund for working capital, startup costs, and operation funding shortfalls in the amount of \$17,850,143. This loan agreement was recorded in fiscal year 2018-2019 through transfers in and out of the respective funds. The loan has an interest rate equal to the annualized LAIF rate of return. The advance will be repaid over a term of eight years with \$11,000,000 paid on July 1, 2018 and annual installments of \$1,000,000 over the following six years with \$850,143 due for the last year with each installment due on July 1 of each year. The outstanding balance of the advance as of June 30, 2022 is \$3,864,966.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

Transfers in/out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 61,170
General Fund	Sanitary Enterprise Fund	33,054
Capital Impact Facilities Capital Projects Fund	General Fund	2,286,995
Capital Impact Facilities Capital Projects Fund	SCLAA Enterprise Fund	1,943,929
	Total	<u>\$ 4,325,148</u>

- a) The transfer of \$61,170 from the Nonmajor Governmental Funds to the General Fund to support the engineering function of traffic safety.
- b) The transfer of \$33,054 from the Sanitary Enterprise Fund to the General Fund for receipts received in previous years that belong to the transferred fund.
- c) The transfer of \$2,286,995 from the General Fund to the Capital Impact Facilities Capital Projects Fund for road improvements.
- d) The transfer of \$1,684,653 from the SCLAA Enterprise Fund to the Capital Impact Facilities Capital Projects Fund for termination of the interfund advance.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 CAPITAL ASSETS**

**Governmental Activities**

The following is a summary of changes in capital assets for the year ended June 30, 2022:

	Balance at July 1, 2021	Additions	Deletions	Transfers	Balance at June 30, 2022
<b>Nondepreciable Assets:</b>					
Land	\$ 59,460,387	\$ 215,449	\$ -	\$ (3,724,762)	\$ 55,951,074
Right of Way	178,171,931	-	-	1,829,672	180,001,603
Construction in Progress	10,107,402	39,399,649	(2,820,236)	-	46,686,815
Total Nondepreciable Assets	<u>247,739,720</u>	<u>39,615,098</u>	<u>(2,820,236)</u>	<u>(1,895,090)</u>	<u>282,639,492</u>
<b>Depreciable Assets:</b>					
Buildings and Improvements	87,596,728	32,371	-	-	87,629,099
Furniture and Equipment	15,702,742	373,289	(595,883)	(69,498)	15,410,650
Computer and Communications	3,102,533	-	-	-	3,102,533
Land Improvements	14,775,383	-	-	-	14,775,383
Vehicles	6,684,782	522,385	(85,431)	13,048	7,134,784
Infrastructure	539,785,648	8,710,786	-	-	548,496,434
<b>Intangible Assets:</b>					
Computer Software	2,672,167	-	-	-	2,672,167
Right-of-Way Easements	10,000	-	-	-	10,000
Total Depreciable Assets	<u>670,329,983</u>	<u>9,638,831</u>	<u>(681,314)</u>	<u>(56,450)</u>	<u>679,231,050</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and Improvements	(42,449,475)	(2,309,016)	-	-	(44,758,491)
Furniture and Equipment	(12,623,732)	(628,736)	595,883	69,498	(12,587,087)
Computer and Communications	(2,406,248)	(207,617)	-	-	(2,613,865)
Land Improvements	(8,989,260)	(1,490,196)	-	-	(10,479,456)
Vehicles	(3,550,669)	(449,818)	85,431	(13,048)	(3,928,104)
Infrastructure	(391,119,159)	(13,930,541)	-	-	(405,049,700)
<b>Intangible Assets:</b>					
Computer Software	(2,378,967)	(256,742)	-	-	(2,635,709)
Right-of-Way Easements	(10,000)	-	-	-	(10,000)
Total Accumulated Depreciation	<u>(463,527,510)</u>	<u>(19,272,666)</u>	<u>681,314</u>	<u>56,450</u>	<u>(482,062,412)</u>
Total Depreciable Assets, Net	<u>206,802,473</u>	<u>(9,633,835)</u>	<u>-</u>	<u>-</u>	<u>197,168,638</u>
Capital Assets, Net	<u>\$ 454,542,193</u>	<u>\$ 29,981,263</u>	<u>\$ (2,820,236)</u>	<u>\$ (1,895,090)</u>	<u>\$ 479,808,130</u>

Depreciation expense was charged in the following functions in the statement of activities:

General Government	\$ 6,150,370
Public Safety	852,104
Community Development	5,697
Public Works	10,477,166
Parks and Recreation	1,787,329
Total	<u>\$ 19,272,666</u>



**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

**Business-Type Activities**

The following is a summary of capital assets for enterprise funds at June 30, 2022:

	Balance at July 1, 2021	Restatement	Restated Balance at July 1, 2021
<b>Nondepreciable Assets:</b>			
Land and Easements	\$ 25,153,443	\$ -	\$ 25,153,443
Intangibles - Service Credit	3,954,891	-	3,954,891
Water Rights	12,678,475	-	12,678,475
Idle Assets	3,017,958	-	3,017,958
Land Improvements	536,342	-	536,342
Construction in Progress	10,104,397	5,901,312	16,005,709
Total Nondepreciable Assets	<u>55,445,506</u>	<u>5,901,312</u>	<u>61,346,818</u>
<b>Depreciable Assets:</b>			
Buildings and Improvements	218,581,266	1,361,461	219,942,727
Furniture and Equipment	49,808,048	-	49,808,048
Computer and Communication	972,541	-	972,541
Vehicles	6,473,063	-	6,473,063
Infrastructure	382,125,895	902,194	383,028,089
Intangibles	1,589,862	-	1,589,862
Land Improvements	128,489	-	128,489
Total Depreciable Assets	<u>659,679,164</u>	<u>2,263,655</u>	<u>661,942,819</u>
<b>Less Accumulated Depreciation:</b>			
Buildings and Improvements	(126,548,833)	(200,941)	(126,749,774)
Furniture and Equipment	(38,686,122)	-	(38,686,122)
Computer and Communication	(905,323)	-	(905,323)
Vehicles	(4,216,301)	-	(4,216,301)
Infrastructure	(189,237,301)	-	(189,237,301)
Intangibles	(1,577,985)	-	(1,577,985)
Land Improvements	(125,277)	-	(125,277)
Total Accumulated Depreciation	<u>(361,297,142)</u>	<u>(200,941)</u>	<u>(361,498,083)</u>
Total Depreciable Assets, Net	<u>298,382,022</u>	<u>2,062,714</u>	<u>300,444,736</u>
<b>Capital Assets, Net</b>	<u><u>\$ 353,827,528</u></u>	<u><u>\$ 7,964,026</u></u>	<u><u>\$ 361,791,554</u></u>

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

**Business-Type Activities**

The following is a summary of capital assets for enterprise funds at June 30, 2022:

	Restated Balance at July 1, 2021	Additions	Deletions	Transfers	Balance at June 30, 2022
<b>Nondepreciable Assets:</b>					
Land and Easements	\$ 25,153,443	\$ -	\$ (51)	\$ 1,895,090	\$ 27,048,482
Intangibles - Service Credit	3,954,891	-	-	-	3,954,891
Water Rights	12,678,475	5,484,505	-	-	18,162,980
Idle Assets	3,017,958	-	-	-	3,017,958
Land Improvements	536,342	-	-	-	536,342
Construction in Progress	16,005,709	7,847,195	(12,185,602)	-	11,667,302
Total Nondepreciable Assets	<u>61,346,818</u>	<u>13,331,700</u>	<u>(12,185,653)</u>	<u>1,895,090</u>	<u>64,387,955</u>
<b>Depreciable Assets:</b>					
Buildings and Improvements	219,942,727	1,855,591	-	-	221,798,318
Furniture and Equipment	49,808,048	638,181	-	69,498	50,515,727
Computer and Communication	972,541	-	-	-	972,541
Vehicles	6,473,063	684,238	(239,006)	(13,048)	6,905,247
Infrastructure	383,028,089	9,466,363	-	-	392,494,452
Intangibles	1,589,862	-	-	-	1,589,862
Land Improvements	128,489	-	-	-	128,489
Total Depreciable Assets	<u>661,942,819</u>	<u>12,644,373</u>	<u>(239,006)</u>	<u>56,450</u>	<u>674,404,636</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and Improvements	(126,749,774)	(5,308,786)	-	-	(132,058,560)
Furniture and Equipment	(38,686,122)	(2,069,466)	-	(69,498)	(40,825,086)
Computer and Communication	(905,323)	(39,219)	-	-	(944,542)
Vehicles	(4,216,301)	(349,636)	239,006	13,048	(4,313,883)
Infrastructure	(189,237,301)	(11,942,735)	-	-	(201,180,036)
Intangibles	(1,577,985)	(11,875)	-	-	(1,589,860)
Land Improvements	(125,277)	(3,212)	-	-	(128,489)
Total Accumulated Depreciation	<u>(361,498,083)</u>	<u>(19,724,929)</u>	<u>239,006</u>	<u>(56,450)</u>	<u>(381,040,456)</u>
Total Depreciable Assets, Net	<u>300,444,736</u>	<u>(7,080,556)</u>	<u>-</u>	<u>-</u>	<u>293,364,180</u>
Capital Assets, Net	<u>\$ 361,791,554</u>	<u>\$ 6,251,144</u>	<u>\$ (12,185,653)</u>	<u>\$ 1,895,090</u>	<u>\$ 357,752,135</u>

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

Water	\$ 7,194,999
Airport	9,610,772
Electric Utility	1,379,648
Solid Waste Management	91,914
Sanitary	1,321,415
Nonmajor Gas Utility	126,181
Total	<u>\$ 19,724,929</u>

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 LAND HELD FOR RESALE**

As of June 30, 2022, 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 net realizable values of \$3,029,917 and \$2,003,616, respectively.

**NOTE 6 LONG-TERM NOTES RECEIVABLE**

**Affordable Housing Loans Receivable**

The City has entered into agreements with developers to establish various affordable housing project loans, the significant loans are 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% annually and repayments are based on earning of the housing facility. The expected payoff date is February 17, 2050. At June 30, 2022, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$5,226,970.

**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% annually and repayments are based on earning of the housing facility. The expected payoff date is December 20, 2041. At June 30, 2022, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$1,128,803.

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% annually and repayments are based on earning of the housing facility. The expected payoff date is December 15, 2045. At June 30, 2022, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$6,173,623.

**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, 2022, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$128,883.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 LONG-TERM NOTES RECEIVABLE (CONTINUED)**

**Affordable Housing Loans Receivable (Continued)**

Desert Haven

In November 2019, the City entered into an affordable housing loan agreement in a total amount of \$1,509,505 with Desert Haven Victorville, LP, to repay the \$1,500,000 borrowed from the Housing Authority of the County of San Bernardino to purchase the property known as Desert Haven and \$9,505 for closing costs with the property acquisition. The note accrues simple interest at 1% annually and repayments are based on the earnings of the housing facility. The note is secured by a deed of trust against the property in the first priority position. The term of the note is 55 years and is expected to be paid off by October 1, 2074. At June 30, 2022, the City HUD Grants Special Revenue Fund has recorded an outstanding loan balance of \$1,540,953.

Other Loans

At June 30, 2022, the Nonmajor Governmental Funds report first-time homebuyer loans, secured by a deed of trust, that are due upon the sale of the property in the amount of \$490. These loans are secured by a deed of trust. Also, at June 30, 2022, the Nonmajor Governmental Funds report residential curb appeal loans, which are 100% forgiven at the time they are issued. The allowance of \$410,603 offsets the receivable resulting in net \$-0- in the balance sheet. Other various loans reported in the Nonmajor Governmental Funds total \$17,600.

**NOTE 7 GOVERNMENTAL LONG-TERM LIABILITIES**

**Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022	Due Within One Year
Other Long-Term Liabilities:					
Financed Purchase	\$ 889,473	\$ -	\$ (164,912)	\$ 724,561	\$ 171,162
Compensated Absences	4,233,586	3,034,116	(2,857,850)	4,409,852	2,141,620
Claims Payable	2,951,890	427,311	(1,732,268)	1,646,933	300,000
Pollution Remediation Obligation	1,044,107	-	(301,783)	742,324	371,162
Total	<u>\$ 9,119,056</u>	<u>\$ 3,461,427</u>	<u>\$ (5,056,813)</u>	<u>\$ 7,523,670</u>	<u>\$ 2,983,944</u>

**Financed Purchase**

This transaction was previously accounted for as a capital lease and is now considered a financed purchase with the implementation of GASB 87, *Leases*. On September 6, 2018, the City entered into a financing agreement with Rev Financial Services, LLC to purchase two pumper trucks for the fire department in the amount of \$1,201,450. The financing agreement bears interest at 3.79% and installment payments of \$198,623 are due each September 6 over the next seven years with a final maturity date of September 6, 2025. The trucks are included in capital assets with a cost and accumulated depreciation of \$1,390,358 and \$(359,176), respectively, as of June 30, 2022. The outstanding balance on this capital lease, which will be liquidated by the General Fund, is \$724,561 as of June 30, 2022.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 7 GOVERNMENTAL LONG-TERM LIABILITIES (CONTINUED)**

**Financed Purchase (Continued)**

The annual requirements for debt service payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 171,162	\$ 27,461	\$ 198,623
2024	177,649	20,974	198,623
2025	184,382	14,241	198,623
2026	191,368	7,253	198,621
Total	<u>\$ 724,561</u>	<u>\$ 69,929</u>	<u>\$ 794,490</u>

**Compensated Absences**

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$4,409,852 at June 30, 2022 will be paid in future years from future resources, generally liquidated by the General Fund.

**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 (U.S. 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 U.S. EPA. In June 2011, the U.S. EPA issued 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 \$1,457,598, and the duration of the efforts to be three years. This cost is anticipated to be covered with grant from the State Water Board in the amount of \$1,457,598.

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, 2022, the City is in the second year of the PEP and has spent a total of \$715,274 with a remaining Pollution Remediation liability of \$742,324.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 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, 2022 is as follows:

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022	Due Within One Year
Other Long-Term Liabilities:					
Compensated Absences	\$ 723,049	\$ 601,297	\$ (533,196)	\$ 791,150	\$ 562,375
Claims Payable	2,510,000	-	(440,000)	2,070,000	1,190,000
Other Debt:					
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	14,205,000	-	(1,165,000)	13,040,000	1,210,000
2006 Tax Allocation Bonds (Non-Housing)	47,840,000	-	(1,205,000)	46,635,000	1,265,000
2006 Tax Allocation Bonds (Housing)	12,850,000	-	(325,000)	12,525,000	340,000
2006 Tax Allocation Parity Bonds	41,530,000	-	(155,000)	41,375,000	160,000
2006 Tax Allocation Revenue Parity Bonds	29,655,000	-	(610,000)	29,045,000	650,000
2006 Tax Allocation Revenue Bonds	53,740,000	-	(1,135,000)	52,605,000	1,205,000
2007 Tax Allocation Bonds (Housing)	33,335,000	-	(760,000)	32,575,000	800,000
2007 Tax Allocation Bonds (Non-Housing)	34,825,000	-	(765,000)	34,060,000	805,000
2008A Tax Allocation Bonds	23,980,115	1,420,680	(105,000)	25,295,795	115,000
Unamortized Discounts/Premiums	(2,184,064)	-	91,868	(2,092,196)	-
Tax Allocation Bonds Subtotal	289,776,051	1,420,680	(6,133,132)	285,063,599	6,550,000
Lease Revenue Bonds:					
2007A Variable Rate Lease Revenue Bond	46,710,000	-	(46,710,000)	-	-
Revenue Refunding Bonds:					
Electric Revenue Bonds 2022A	-	35,980,000	-	35,980,000	-
Electric Revenue Bonds 2022B	-	10,070,000	-	10,070,000	1,715,000
Unamortized Discounts/Premiums	-	1,994,133	-	1,994,133	-
Certificates of Participation (COP):					
2006 COPs	8,930,000	-	(395,000)	8,535,000	410,000
Unamortized Discounts/Premiums	92,890	-	(6,193)	86,697	-
Total	<u>\$ 348,741,990</u>	<u>\$ 50,066,110</u>	<u>\$ (54,217,521)</u>	<u>\$ 344,590,579</u>	<u>\$ 10,427,375</u>

See Note 10 for pledged revenue information.

**Compensated Absences**

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$791,150 at June 30, 2022, will be paid in future years from future resources, generally liquidated by the Victorville Water District, Victorville Municipal Utility, and the SCLAA Enterprise Funds.

**Tax Allocation Bonds**

**Tax Allocation Parity Bonds, Series 2005A**

In June 2005, the SCLAA 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 SCLAA.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)**

**Tax Allocation Bonds (Continued)**

**Tax Allocation Parity Bonds, Series 2005A (Continued)**

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). As of June 30, 2022, required reserve for the Bonds was met with fiscal agent cash. The Bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$13,040,000.

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

In June 2006, the SCLAA 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.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)**

**Tax Allocation Bonds (Continued)**

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

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.

As of June 30, 2022, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$46,635,000.

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

In June 2006, the SCLAA 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.

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.



**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)**

**Tax Allocation Bonds (Continued)**

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

As of June 30, 2022, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$12,525,000.

**Tax Allocation Revenue Parity Bonds, Taxable Series 2006**

In June 2006, the SCLAA 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 SCLAA.

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 and December 1, 2043 are subject to mandatory redemption in part by pro-rata, without premium, commencing December 1, 2006 and December 1, 2037, respectively, from sinking fund payments made by SCLAA.

As of June 30, 2022, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$41,375,000.

**Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006**

In November 2006, SCLAA 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 SCLAA.

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 semi-annually on each June 1 and December 1, commencing June 1, 2007. The bonds are subject to optional and mandatory redemption prior to maturity.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)**

**Tax Allocation Bonds (Continued)**

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

The bonds are secured by pledged tax revenues - see Note 10. As of June 30, 2022, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$29,045,000.

**Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006**

In November 2006, the SCLAA 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 SCLAA.

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 - see Note 10. As of June 30, 2022, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$52,605,000.

**Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007**

In March 2007, the SCLAA 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 this loan was repaid in full with interest.

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.

As of June 30, 2022, required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$32,575,000.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)**

**Tax Allocation Bonds (Continued)**

**Subordinate Tax Allocation Revenue Bonds, Series 2007 (Non-Housing)**

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

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.

As of June 30, 2022, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$34,060,000.

**Subordinate Tax Allocation Revenue Bonds, Series 2008A**

In May 2008, the SCLAA 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 SCLAA 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.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)**

**Tax Allocation Bonds (Continued)**

**Subordinate Tax Allocation Revenue Bonds, Series 2008A (Continued)**

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 \$131,805,000 at June 30, 2022.

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.

As of June 30, 2022, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$25,295,795, which includes an accretion balance of \$13,040,870.

**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.

These bonds were fully defeased in the current fiscal year with the issuance of the 2022A&B Electric Revenue Bonds.

**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 - see Note 10. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The required reserve for the Bonds is \$816,500. As of June 30, 2022, the reserve amount was \$836,333. The amount of Certificates of Participation outstanding at June 30, 2022 is \$8,535,000.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)**

**2022A&B Electric Revenue Bonds**

On May 19, 2022, the City of Victorville issued \$35,980,000 and \$10,070,000 for a total of \$46,050,000 principal of 2022A and 2022B Electric Revenue Bonds, respectively. The bonds were issued to refund the 2007A Variable Rate Lease Revenue Bonds and pay for costs of issuance (\$41,050,000) and to finance the design, acquisition, construction, and equipping of certain distribution system and interconnection facility upgrades for the benefit of the Electric System (\$5,000,000).

The refunding resulted in an estimated cash flow difference of \$3,555,286 and an estimated economic loss (difference between the present values of the old debt and new debt service payments) of (\$1,404,538). The estimated cash flow and economic loss figures are calculated based upon an assumed interest rate of 2% for the 2007A Bonds beginning in June 2022 through May 2040, plus cost estimates for an irrevocable letter of credit and remarketing agent.

The Electric Revenue Bonds have stated interest rates ranging from 4.08% to 5.00%. The annual debt service is payable from and secured by a pledge of and lien on the net revenues of the District - see Note 10. Principal and interest payments are due each May 1 and interest only payments are due each November 1. As of June 30, 2022, required reserve for the Bonds was met with fiscal agent cash. The amount of Electric Revenue Bonds outstanding at June 30, 2022 is \$46,050,000.

**Rate Covenants**

The 2006 Certificate 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 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, 2022. The calculation was prepared using revenues and the proportionate expenses applicable to the Baldy Mesa Water District and is included in Note 10.

The 2022A&B Electric Revenue Bonds require that the City generate sufficient net revenues which are at least equal to 115% of the debt service on all outstanding bonds and outstanding parity obligations coming due and payable in each fiscal year. The City performed the calculation that demonstrated compliance with rate covenant for the fiscal year ended June 30, 2022. The calculation was prepared using revenues and the proportionate expenses applicable to the Electric Enterprise Fund and is included in Note 10.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)**

**Debt Service Requirements to Maturity**

The annual requirements to amortize outstanding proprietary funds debt of the City as of June 30, 2022, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30,</u>	Tax Allocation Bonds Principal *	Tax Allocation Bonds Interest	Certificate of Participation Principal	Certificate of Participation Interest	Revenue Refunding Bonds Principal	Revenue Refunding Bonds Interest
2023	\$ 6,550,000	\$ 14,906,577	\$ 410,000	\$ 395,388	\$ 1,715,000	\$ 2,101,503
2024	6,885,000	14,555,859	425,000	377,226	1,525,000	2,142,137
2025	7,245,000	14,184,559	445,000	358,304	1,595,000	2,076,867
2026	7,630,000	13,792,810	465,000	338,511	1,665,000	2,005,411
2027	8,035,000	13,379,169	485,000	317,849	1,740,000	1,927,489
2028-32	47,055,000	59,793,970	2,775,000	1,229,700	10,760,000	8,175,172
2033-37	61,780,000	44,560,046	3,530,000	458,250	13,730,000	5,200,500
2038-42	81,830,000	23,916,699	-	-	6,500,000	1,940,750
2043-47	77,048,620	61,461,020	-	-	-	1,449,250
2048-2052	89,301,380	60,122,588	-	-	6,820,000	1,449,250
Subtotal	393,360,000	320,673,297	8,535,000	3,475,228	46,050,000	28,468,329
Discounts/Premiums	(2,092,196)	-	86,697	-	1,994,133	-
Total	<u>\$ 391,267,804</u>	<u>\$ 320,673,297</u>	<u>\$ 8,621,697</u>	<u>\$ 3,475,228</u>	<u>\$ 48,044,133</u>	<u>\$ 28,468,329</u>

\* This total includes capital appreciation of \$106,204,205 for tax allocation bonds that will be accrued in the future years.

**NOTE 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, 2022 is as follows:

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022	Due Within One Year
Redevelopment Agency Debt:					
Other Debt:					
Tax Allocation Bonds:					
2002A Tax Allocation Bonds	\$ 5,325,000	\$ -	\$ (370,000)	\$ 4,955,000	\$ 395,000
2003A Tax Allocation Bonds	5,635,000	-	(395,000)	5,240,000	415,000
2003B Tax Allocation Bonds	2,770,000	-	(195,000)	2,575,000	205,000
2006A Tax Allocation Bonds	17,150,000	-	(535,000)	16,615,000	560,000
Total	<u>\$ 30,880,000</u>	<u>\$ -</u>	<u>\$ (1,495,000)</u>	<u>\$ 29,385,000</u>	<u>\$ 1,575,000</u>

**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.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)**

**Tax Allocation Bonds (Continued)**

**2002 Tax Allocation Bonds, Series A (Continued)**

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.

As of June 30, 2022, the required reserve for the was met with fiscal agent cash and an insurance policy. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area - see Note 10. The amount of bonds outstanding at June 30, 2022 is \$4,955,000.

**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.

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.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)**

**Tax Allocation Bonds (Continued)**

**2003 Tax Allocation Bonds, Series A (Continued)**

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area - see Note 10. The amount of bonds outstanding at June 30, 2022 is \$5,240,000.

**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.

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area - see Note 10. The amount of bonds outstanding at June 30, 2022 is \$2,575,000.

**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  
JUNE 30, 2022**

**NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)**

**Tax Allocation Bonds (Continued)**

**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.

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area - see Note 10. The amount of bonds outstanding at June 30, 2022 is \$16,615,000.

**Debt Service Requirements to Maturity**

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2022, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,575,000	\$ 1,608,159
2024	1,660,000	1,521,006
2025	1,745,000	1,429,231
2026	1,840,000	1,332,556
2027	1,940,000	1,230,575
2028-32	11,405,000	4,399,631
2033-37	9,220,000	958,200
Total	<u>\$ 29,385,000</u>	<u>\$ 12,479,358</u>

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)**

**Advances To/From the Former Victorville Redevelopment Agency**

The composition of advances to or from the former Victorville RDA as of June 30, 2022, is as follows:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Housing Asset Successor		
Special Revenue Fund	RDA Successor Agency	\$ 12,786,238 a)
RDA Successor Agency	SCLAA Enterprise Fund	<u>11,034,017 b)</u>
	Total	<u>\$ 23,820,255</u>

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, 2022 is \$12,786,238, 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 bears interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2022, is \$5,492,902.
- 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 interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2022, is \$507,000.
- 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 bears interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2022, is \$6,786,336.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)**

**Advances To/From the Former Victorville Redevelopment Agency (Continued)**

- b) Southern California Logistics Airport Authority (SCLAA) entered into an agreement 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.

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 SCLAA. The advance is to be used to continue redevelopment at SCLAA and to fund prior years' capital improvements and redevelopment project expenses. The advance bears interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2022, is \$11,034,017. Due to the uncertainty on when sufficient tax increment will be available to make payments on this loan, the obligation has not yet been included on the ROPS to request funding for repayment. Beginning in FY 2022-2023, the loan will be added to the ROPS. Considering the uncertainty of the timing of repayment and the lack of prior approval by the California Department of Finance of this obligation, as of June 30, 2022, the receivable within the Successor Agency to the Victorville RDA Fiduciary Fund has an allowance of an equal amount.

**NOTE 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.

Also, as noted previously, the 2006 Certificates of Participation result in a pledge of the net revenues of the Victorville Water District Enterprise Fund and the 2022A&B Electric Revenue Bonds result in a pledge of the net revenues of the Electric Utility Enterprise Fund.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 10 PLEDGED REVENUE (CONTINUED)**

For the current year, pledged gross revenue (net of certain expenses where so required by the debt agreement) as a percentage of debt service payments 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	Coverage
Property Tax Increment pledged by the Successor Agency of the Victorville Redevelopment Agency	\$ 1,850,213	\$ 3,185,057	172%	58%
Property Tax Increment and Other Revenue Pledged by the Southern California Logistics Airport Authority	22,409,651	21,463,105	96%	104%
Net Revenues Pledged by the Victorville Water District for the 2006 Certificates of Participation	1,312,104	807,403	62%	163%
Net Revenues Pledged by the City of Victorville for the 2022 Electric Revenue Bonds	4,131,398	1,588,054	38%	260%

It should be noted that the coverage ratios identified above are calculated based on Pledged Revenues, which represent the potential funds that VVEDA may be able to access for debt service, if needed. These financial statements report the coverage ratio based on revenue received. Because Dissolution Law restricts Successor Agencies from receiving more revenue than is needed for enforceable obligations, these financial statements will generally show coverage ratios of approximately 1.00, and potentially less than 1.00, if revenues from prior years are retained.

While the above shows that the Successor Agency has only 58% of net revenues to cover the debt service, the State of California Department of Finance communicated in a letter dated April 13, 2022, that the Successor Agency had approximately \$10.3 million on hand from previous RPTTF distributions to fund the enforceable obligations, including the debt service payments. Therefore, the Successor Agency has sufficient funds to make the required debt service payments.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 FUND DISCLOSURES**

The following funds had deficit fund balances/net position as of June 30, 2022:

	Deficit Fund Balance
Major Special Revenue Funds:	
Other Federal Grants Fund	\$ (5,101,518) (a)
COVID-19 Funds	(6,402,298) (a)
Nonmajor Special Revenue Funds:	
Transportation Tax	(525,789) (b)
Other State/Local Grants	(1,261,999) (a)
Enterprise Funds:	
SCLAA	(123,650,976) (c)
Electric Utility Fund	(22,194,343) (d)

- (a) The deficit fund balance in this fund 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) The deficit fund balance in this fund is the result of grant expenditures being incurred during the fiscal year while the related reimbursements were collected outside the City's availability period and future transfers from the General Fund.
- (c) See Note 20 for further information regarding the deficit balance in the SCLAA fund.
- (d) The deficit fund balance in the Electric Utility Fund is primarily the result of an impairment on capital assets that was recognized in prior years and a transfer out of \$17,850,143 to the General Fund in fiscal year 2018-2019 for reimbursement of historical start-up costs paid from the General Fund. The City has refinanced the old debt and a cost-of-service study was completed to ensure sufficient revenues will be collected to cover the long-term liabilities.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 12 PENSION PLANS**

**General Information about the Pension Plans**

**Plan Descriptions**

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiple-employer defined benefit pension plan, or the City's Safety plan, a cost-sharing multiple-employer defined benefit pension plan, both administered by California Public Employees' Retirement System (CalPERS). For the Miscellaneous Plan, CalPERS acts as a common investment and administrative agent for its participating member employers and the Plan is included within the Public Employees' Retirement Fund A (PERF A). The CalPERS Safety Plan consists of safety pools (referred to as "risk pools"), which are comprised of individual employer safety rate plans. The risk pools are included within the Public Employees' Retirement Fund C (PERF C). The CalPERS Safety Plan was closed to new entrants until the measurement period ended June 30, 2021, which is the time period in which the City ceased outsourcing the safety function of the City. 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. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least five years of services. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty disability benefits after five years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 12 PENSION PLANS (CONTINUED)**

**General Information about the Pension Plans (Continued)**

**Benefits Provided (Continued)**

The Plan's provisions and benefits in effect as of the measurement period ended June 30, 2021, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>on or after January 1, 2013</u>
Hire Date		
Benefit Formula	2.5%@55	2.0%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 67
Required Employee Contribution Rates	8.00%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	10.50%	9.69%
Payment of Unfunded Liability	\$4,014,423	N/A
	<u>Safety</u>	
	<u>Prior to January 1, 2013</u>	<u>on or after January 1, 2013</u>
Hire Date		
Benefit Formula	2.0%@50	2.7%@57
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 57
Required Employee Contribution Rates	9.00%	13.75%
Required Employer Contribution Rates:		
Normal Cost Rate	20.94%	13.98%
Payment of Unfunded Liability	\$1,077,178	\$1,352

**Employees Covered**

As of the June 30, 2021 measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	<u>Miscellaneous</u>
Active Employees	349
Inactive Employees or Beneficiaries Currently Receiving Benefits	323
Inactive Employees Entitled to, But Not Yet Receiving Benefits	380
Total	<u>1,052</u>

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 12 PENSION PLANS (CONTINUED)**

**General Information about the Pension Plans (Continued)**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2022, the City contributed \$6,748,512 and \$1,910,223 to the miscellaneous and safety plans, respectively, which results in total contributions of \$8,658,735.

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Relation to Pensions**

Actuarial Assumptions

The total pension liability for both the Miscellaneous and Safety Plans for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. The total pension liability for both the Miscellaneous and Safety Plans was based on the following assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.



**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 12 PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources  
Relation to Pensions (Continued)**

**Long-Term Expected Rate of Return**

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 fund. The expected rate of return was set by calculating the rounded 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 adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
Total	<u>100.00 %</u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 12 PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources  
Relation to Pensions (Continued)**

**Changes in Net Pension Liability – Miscellaneous Agent Multiple-Employer Plan**

The changes in the net pension liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2020 (MD)	\$ 213,295,811	\$ 157,141,917	\$ 56,153,894
Changes Recognized for the Measurement Period:			
Service Cost	4,361,938	-	4,361,938
Interest on Total Pension Liability	15,327,363	-	15,327,363
Differences between Expected and Actual Experience	3,594,527	-	3,594,527
Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	5,963,725	(5,963,725)
Contributions from the Employees	-	1,889,577	(1,889,577)
Net Investment Income	-	35,514,329	(35,514,329)
Benefit Payments, including Refunds of Employee Contributions	(9,405,164)	(9,405,164)	-
Administrative Expenses	-	(156,975)	156,975
Balance at June 30, 2021 (MD)	<u>\$ 227,174,475</u>	<u>\$ 190,947,409</u>	<u>\$ 36,227,066</u>

**Proportionate Share of Net Pension Liability – Safety Cost-Sharing Plan**

As of June 30, 2022, the City reported a net pension liability for its proportionate share of the collective net pension liability of the Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	<u>\$ 7,406,301</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 12 PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources  
Relation to Pensions (Continued)**

Proportionate Share of Net Pension Liability – Safety Cost-Sharing Plan (Continued)

The City's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2020 and 2021, was as follows:

	<u>Safety</u>
Proportion - June 30, 2020	0.18786%
Proportion - June 30, 2021	0.21104%
Change - Increase (Decrease)	0.02318%

**Pension Expense and Deferred Outflows and Inflows of Resources**

Miscellaneous Agent Multiple-Employer Plan

For the year ended June 30, 2022, the City recognized pension expense of \$3,663,791 for the Miscellaneous agent multiple-employer Plan. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to the Measurement Date	\$ 6,748,512	\$ -
Differences Between Expected and Actual Experience	3,527,767	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(17,623,061)
Total	<u>\$ 10,276,279</u>	<u>\$ (17,623,061)</u>

\$6,748,512 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period <u>Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2023	\$ (2,554,223)
2024	(2,944,702)
2025	(3,722,997)
2026	(4,873,372)
2027	-
Thereafter	-

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 12 PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Relation to Pensions (Continued)**

**Pension Expense and Deferred Outflows and Inflows of Resources (Continued)**

**Safety Cost-Sharing Plan**

For the year ended June 30, 2022, the City recognized pension expense of \$1,051,513 for the Safety cost-sharing Plan. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to the Measurement Date	\$ 1,910,223	\$ -
Differences Between Expected and Actual Experiences	1,265,360	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(4,408,173)
Changes in Proportion and Differences Between Employer Contributions and Employer's Proportionate Share of Contributions	-	(246,163)
Total	\$ 3,175,583	\$ (4,654,336)

\$1,910,223 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period <u>Ended June 30,</u>	Deferred Inflows of Resources
2023	\$ (561,550)
2024	(686,827)
2025	(927,532)
2026	(1,213,067)
2027	-
Thereafter	-

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 12 PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources  
Relation to Pensions (Continued)**

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

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (6.15%)	Current Rate (7.15%)	1% Increase (8.15%)
Miscellaneous Agent Multiple-Employer Plan	\$ 68,346,615	\$ 36,227,066	\$ 9,858,284
Safety Cost-Sharing Plan	13,562,550	7,406,301	2,349,702

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separate issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2022, the City had no outstanding amount of contributions to the Miscellaneous Agent Multiple-Employer or Safety Cost-Sharing pension plans required for the year ended June 30, 2022.

Summary of Plan Amounts for Government-Wide Financial Statements

The following is a summary of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the Miscellaneous Agent Multiple-Employer Plan and the Safety Cost-Sharing Plan for the government-wide financial statements:

	Net Pension Liability	Deferred Outflows	Deferred Inflows
Miscellaneous Agent Multiple-Employer Plan	\$ (36,227,066)	\$ 10,276,279	\$ (17,623,061)
Safety Cost-Sharing Plan	(7,406,301)	3,175,583	(4,654,336)
Total	<u>\$ (43,633,367)</u>	<u>\$ 13,451,862</u>	<u>\$ (22,277,397)</u>

Subsequent Event for CalPERS Pension Plans

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-2021. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 12 PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources  
Relation to Pensions (Continued)**

**Subsequent Event for CalPERS Pension Plans (Continued)**

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions, and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**NOTE 13 DEFERRED COMPENSATION**

As of January 1, 2021, employees shall be eligible to transfer up to \$20,500 of annual salary per year into a City-approved Deferred Compensation Plan; employees 50 years of age and above are allowed a catch-up provision of \$6,500. An additional standard provision is available to employees who are planning on retiring within three years. Under this provision, funds not utilized may be contributed the year prior to retirement. Deferred Compensation funds may be accessed through a loan program. A 401(a) Defined Contribution Plan is available for new full-time employees who may elect an employee contribution, under Section 401(a) of the IRC. The plan document allows a 60-day period for the individuals to make an election from the initial date of hire. Pursuant to Federal Regulations, effective December 31, 2009, existing full-time employees may not enroll or modify an existing 401(a) plan. The City makes no contribution to the plan on behalf of the members and the City has no liability for losses under the plan.

The City has established a deferred compensation plan through Great-West Life and Annuity Insurance Company in accordance with IRC 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 except for those specific positions as noted below. 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.

The following Victorville Fire Department positions will receive employer contributions per month: Fire Chief \$800, Division Chief \$750, Battalion Chief \$750, Fire Marshal \$750, Fire Training Captain Officer \$600, Fire Captain \$600, Fire Engineer \$250, and Firefighter Paramedic \$150. For the fiscal year ended June 30, 2022, the City contributed \$202,525 for covered payroll totaling \$5,856,619.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS**

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 Postemployment Benefits Plan – City Plan**

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

**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 eight 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.

**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). The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

**Employees Covered**

As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active Employees	313
Inactive Employees or Beneficiaries Currently Receiving Benefits	60
Inactive Employees Entitled to, But Not Yet Receiving Benefits	152
Total	<u>525</u>

**Contributions**

The City Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units.

The annual contribution is based on the year's retiree medical premiums (pay-as-you-go basis). For the fiscal year ended June 30, 2022, the City's cash contributions were \$294,336 for current premiums, administrative costs of \$1,360, and the estimated implied subsidy was \$143,000 resulting in total payments of \$438,696.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)**

**Other Postemployment Benefits Plan – City Plan (Continued)**

Total OPEB Liability

The City's Total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020, using update procedures to roll forward the Total OPEB Liability to the measurement date of June 30, 2021.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.16%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability, and Termination	1997-2015 Experience Study
Mortality Improvement	Postretirement mortality projected fully generational with Scale MP-2020
Healthcare Trend Rate	Non-Medicare: 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. The discount rate is determined based on the Bond Buyer 20-bond index since the City has not established a trust.

Change in Actuarial Assumptions

The discount rate changed from 2.21% at the beginning of the measurement period to 2.16% based on changes in the index.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the City Plan are as follows:

	<u>Total OPEB Liability</u>
Total OPEB Liability at June 30, 2020 (MD)	\$ 27,707,436
Service Cost	2,235,761
Interest	657,508
Changes of Assumptions	278,410
Benefit Payments	<u>(383,313)</u>
Net Changes	2,788,366
Total OPEB Liability at June 30, 2021 (MD)	<u>\$ 30,495,802</u>



**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)**

**Other Postemployment Benefits Plan – City Plan (Continued)**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (1.16%)	Current Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 36,871,225	\$ 30,495,802	\$ 25,526,294

Sensitivity of the Total OPEB Liability to Changes in Health Care Cost Trend Rates

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower (Non-Medicare: 6.0% for 2022 decreasing to 3.0% in 2076; Medicare (Non-Kaiser): 5.1% for 2022, decreasing to an ultimate rate of 3.0% in 2076; Medicare (Kaiser): 4.0% for 2022, decreasing to an ultimate rate of 3.0% in 2076) or one percentage point higher (Non-Medicare: 8.0% for 2022 decreasing to 5.0% in 2076; Medicare (Non-Kaiser): 7.1% for 2022, decreasing to an ultimate rate of 5.0% in 2076; Medicare (Kaiser): 6.0% for 2022, decreasing to an ultimate rate of 5.0% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 24,319,381	\$ 30,495,802	\$ 38,861,901

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in the total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

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

Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	5 Years
All Other Amounts	Expected average remaining service lifetime (EARSL) (9.6 Years at June 30, 2021 measurement date)

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)**

**Other Postemployment Benefits Plan – City Plan (Continued)**

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$2,300,151. As of the fiscal year ended June 30, 2022, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions Subsequent to the Measurement Date	\$ 438,696	\$ -
Differences Between Expected and Actual Experience	-	(4,912,144)
Changes of Assumptions	4,819,894	(2,253,099)
Total	\$ 5,258,590	\$ (7,165,243)

\$438,696 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense as follow:

<u>Year Ended June 30,</u>	Deferred Outflows/ (Inflows) of Resources
2023	\$ (594,382)
2024	(594,382)
2025	(594,382)
2026	(594,378)
2027	(205,162)
Thereafter	237,337

Payable to the OPEB Plan

At June 30, 2022, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)**

**Other Postemployment 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 five 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). The District has not established a trust for the purpose of holding assets accumulated for plan benefits.

Employees Covered

As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active Employees	84
Inactive Employees or Beneficiaries Currently Receiving Benefits	34
Inactive Employees Entitled to, But Not Yet Receiving Benefits	6
Total	124

Contributions

The District Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units.

The annual contribution is based on the year’s retiree medical premiums (pay-as-you-go basis). For the fiscal year ended June 30, 2022, the District’s cash contributions were \$226,537 for current premiums, administrative costs of \$672, and the estimated implied subsidy was \$47,000 resulting in total payments of \$274,209.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)**

**Other Postemployment Benefits Plan – Water District Plan (Continued)**

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020, using update procedures to roll forward the Total OPEB Liability to the measurement date of June 30, 2021.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.16%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability, and Termination	1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2020
Healthcare Trend Rate	Non-Medicare: 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. The discount rate is determined based on the Bond Buyer 20-bond index since the District has not established a trust.

Change in Actuarial Assumptions

The discount rate changed from 2.21% at the beginning of the measurement period to 2.16% based on changes in the index.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the District Plan are as follows:

	<u>Total OPEB Liability</u>
Total OPEB Liability at June 30, 2020 (MD)	\$ 11,803,993
Service Cost	600,360
Interest	271,338
Changes of Assumptions	105,768
Benefit Payments	<u>(253,227)</u>
Net Changes	724,239
Total OPEB Liability at June 30, 2021 (MD)	<u>\$ 12,528,232</u>

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)**

**Other Postemployment Benefits Plan – Water District Plan (Continued)**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (1.16%)	Current Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 14,935,279	\$ 12,528,232	\$ 10,631,127

Sensitivity of the Total OPEB Liability to Changes in Health Care Cost Trend Rates

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower (Non-Medicare: 6.0% for 2022 decreasing to 3.0% in 2076; Medicare (Non-Kaiser): 5.1% for 2022, decreasing to an ultimate rate of 3.0% in 2076; Medicare (Kaiser): 4.0% for 2022, decreasing to an ultimate rate of 3.0% in 2076) or one percentage point higher (Non-Medicare: 8.0% for 2022 decreasing to 5.0% in 2076; Medicare (Non-Kaiser): 7.1% for 2022, decreasing to an ultimate rate of 5.0% in 2076; Medicare (Kaiser): 6.0% for 2022, decreasing to an ultimate rate of 5.0% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 10,316,986	\$ 12,528,232	\$ 15,453,270

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in the total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

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

Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	5 Years
All Other Amounts	Expected average remaining service lifetime (EARSL) (8.2 Years at June 30, 2021 measurement date)

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)**

**Other Postemployment Benefits Plan – Water District Plan (Continued)**

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$561,305. As of the fiscal year ended June 30, 2022, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions Subsequent to the Measurement Date	\$ 274,209	\$ -
Differences Between Expected and Actual Experience	-	(1,650,715)
Changes of Assumptions	1,832,459	(769,472)
Total	\$ 2,106,668	\$ (2,420,187)

The \$274,209 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2023	\$ (310,954)
2024	(310,954)
2025	(273,704)
2026	(60,763)
2027	195,075
Thereafter	173,572

**Payable to the OPEB Plan**

At June 30, 2022, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

**Summary of OPEB Amounts for Government-Wide Financial Statements**

	Total OPEB Liability	Deferred Outflows	Deferred Inflows
City OPEB Plan	\$ (30,495,802)	\$ 5,258,590	\$ (7,165,243)
Water District OPEB Plan	(12,528,232)	2,106,668	(2,420,187)
Total	\$ (43,024,034)	\$ 7,365,258	\$ (9,585,430)

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 15 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:

**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, Twentynine 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. Contribution 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, 2022 and the gain (loss) on the investment recognized in the statement of revenues, expenses, and changes in fund net position for the year ended June 30, 2022:

Percentage Ownership	Total Joint Venture Equity	City's Equity Interest	City's Share of Joint Venture Net Income (Loss)
50%	\$ 873,294	\$ 486,963	\$ -

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  
JUNE 30, 2022**

**NOTE 15 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 distribution's provisions of the bill. The SCLAA contains a portion of the VVEDA Successor Agency with the Town of Apple Valley and City of Adelanto comprising the rest of the VVEDA Successor Agency. The RPTTF (tax increment distributions) from VVEDA represent the primary revenue of the SCLAA. 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. There is no resulting equity applicable to the City from this arrangement. Financial statements may be obtained by sending a written request to Victor Valley Transit Authority, 17150 Smoke Tree Street, Hesperia, CA 92345.

**Victor Valley Wastewater Reclamation Authority**

The Victor Valley Wastewater Reclamation Authority (VWVRA) 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 VWVRA is made up of representatives of each significant participant in VWVRA. Budgeting and financing are the responsibility of the VWVRA. The City makes monthly payments to VWVRA for sewer treatment and connection fee services. The City made payments totaling \$13,144,321 to VWVRA for the year ended June 30, 2022. 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  
JUNE 30, 2022**

**NOTE 16 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 31 participating member agencies, 21 cities with populations ranging from 2,300 to 198,000, 3 transit agencies, and 6 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 three years.

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

Year	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance	Due Within One Year
2020-21	\$ 4,277,049	\$ 2,476,321	\$ (1,291,480)	\$ 5,461,890	\$ 1,723,576
2021-22	5,461,890	427,311	(2,172,268)	3,716,933	1,490,000

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 17 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 and 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 custodial 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, nor 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, 2022, for the 2002 Series A and 2005 Series A was \$550,000 and \$2,040,000, respectively.

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 custodial 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, 2022 was \$2,565,000.

**NOTE 18 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.

**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**B. Commitments for the Purchase of Electricity**

Victorville Municipal Utility Services (VMUS, an enterprise fund of the City of Victorville) executed agreements for the purchase of electricity with Shell Energy North America (US), L.P. in March 2016. A commitment was executed on November 1, 2021 for the purchase of future electricity with Shell between January 1, 2023 through December 31, 2024. 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 4% of current VMUS customer requirements, and the term of the agreement runs from October 1, 2017, through September 30, 2067. In November 2019, VMUS entered into an agreement with ZGlobal to contract for scheduling coordination and other settlement services through December 31, 2023.

On June 4, 2020, VMUS entered into a Power Purchase Agreement (PPA) with AM Wind Repower LLC (AM Wind) for the acquisition of renewable energy from the Alta Mesa RP27 Wind Energy Center located in Riverside County. The scheduled projected "Commercial Operation Date" is May 2023, which serves as the commencement date for the 25-year purchase obligation period in the total amount of \$41,380,000. The annual obligation is forecasted to be \$1,655,200 over the 25-year period. This power purchase agreement will supply 11 MW of renewable power to VMUS from the Alta Mesa RP27 Wind Energy Center for a fee of \$40 per megawatt-hour. This is in response to the California Renewable Portfolio Standard Regulations (RPS) that requires load serving entities (LSE) to procure eligible renewable energy resources (ERRs) so that the amount of electricity generated from ERRs equals or exceeds a specified percentage of the total electricity sold to retail customers in California. Beginning in 2021, at least 65% of the LSE's RPC compliance requirements must be procured from generation-owned resources or power purchase agreements that are least 10 years in duration.

The City also entered into a Renewable Power Purchase and Sale Agreement with Gaskell West 2 LLC (Gaskell West 2), effective October 27, 2021 (the Gaskell West 2 PPA), for the purchase of renewable energy and battery storage from a 29 MW solar photovoltaic electric generating facility combined with a 20 MW/80 MWh lithium-ion battery storage facility, to be located in Kern County, California. The Gaskell West 2 solar project is under development by Recurrent Energy and has projected commercial operation date of March 2023. Pursuant to the Gaskell West 2 PPA, the City has agreed to purchase a 10 MW share of the output of the project (as delivered), including all energy, environmental attributes and capacity attributes associated therewith, and an 8 MW interest in the battery energy storage system. The term of the Gaskell West 2 PPA is for 25 years from the commercial operation date for the power purchase and 20 years for the battery storage product.

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**C. Southern California Logistics Airport Authority and Stirling Enterprise LLC**

In the early 1990's the U.S. 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 SCLAA. The Fourth Amended and Restated Master Agreement (Stirling Agreement) is the current agreement superseding all previous versions.

**D. 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 nonaviation (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  
JUNE 30, 2022**

**NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**D. Revenues from Sales of Land (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 nonperformance described in Section 1.5 of the Option and Development Agreement.

**E. 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 from those leases 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.

**F. Construction Commitments**

The following material construction commitments existed at June 30, 2022:

<u>Project Title</u>	<u>Commitment</u>
BM21-064 GT Blvd Extension	\$ 21,205,174
CC22-076 Pipeline Replacement Area 1&2	5,291,906
CC22-031 7th Avenue & Arrowhead Road Improvement	1,976,189
CC22-090 Pipeline Replacement Area 31	2,633,940
CC22-033 Sewer Main Lining	1,682,657
CC21-102 BV Overhead Bridge at BNSF Railroad	10,000,000

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 19 SALES 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, 2022 the City did remit payments totaling \$466,859 to Macerich for sales tax revenue earned from January 2021 to December 2021. 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.

**NOTE 20 SCLAA’S FINANCIAL CONDITION, SIGNIFICANT FINANCIAL OBLIGATIONS, AND MANAGEMENT PLANS**

**Southern California Logistics Airport Authority (SCLAA)**

In fiscal year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Beginning in fiscal year 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 fiscal year 12/13.

The decrease was largely the result of the Great Recession. Since fiscal year 12/13, assessed values have increased steadily. For fiscal year 20/21, the assessed value for the Project Area was approximately \$9.99 billion. In 2018, Moody’s issued an upgraded rating on the Successor Agency to the Victor Valley Economic Development Authority (VVEDA) Housing Set-Aside Tax Allocation Bonds and the Non-Housing Tax Allocation Bonds to “stable” outlook as a result of resolving the outstanding defaults, and the prospective analysis on increasing assessed values in the project area.

During the prior two fiscal years, SCLAA had results that were not as favorable as fiscal year 18/19 with a net loss of \$3.5 million and \$2.5 million, respectively. However, in the current fiscal year, SCLAA had a positive net income of \$782,286. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	SCLAA Deficit
	Balance
Beginning Net Position, as Restated	\$(124,433,262)
Net Income (Loss)	782,286
Ending Net Position	<u><u>\$(123,650,976)</u></u>

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 20 SCLAA'S FINANCIAL CONDITION, SIGNIFICANT FINANCIAL OBLIGATIONS, AND MANAGEMENT PLANS (CONTINUED)**

**Management's Plans with Respect to its Financial Condition**

Management plans to ensure that annual expenditures do not exceed annual revenues and to build the reserves that are necessary to provide for economic uncertainties.

The City has continued to maintain a balance budget since 2007-2008 and all revenues are projected to cover current liabilities.

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. The advance has a term repayment of five years, with an annualized Wall Street Journal Prime Rate as the interest rate. The outstanding balance of the advance as of June 30, 2022 is \$8,824,244, which has been eliminated for financial statement purposes within the SCLAA since the advance is within the fund itself. SCLAA is currently preparing for payment of this loan in FY 2022-2023 using funding from property sales.

**NOTE 21 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.

The Bill provided 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).

**CITY OF VICTORVILLE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 22 LEASES**

**General Fund**

The General Fund, acting as lessor, leases buildings and land under long-term, noncancelable lease agreements. The leases expire at various dates through 2123 and provide for renewal options ranging from 1 year to 55 years. Certain leases provide for increases in future minimum annual rental payments based on a defined percent in the contract or increases in the Consumer Price Index, subject to certain minimum increases.

During the year ended June 30, 2022, the General Fund recognized \$154,930 and \$48,879 in lease revenue and interest revenue, respectively, pursuant to these contracts.

**SCLAA Enterprise Fund**

The SCLAA, acting as lessor, leases buildings and land under long-term, non-cancelable lease agreements. The leases expire at various dates through 2056 and provide for renewal options ranging from 1 year to 55 years. During the year ended June 30, 2022, the SCLAA recognized \$8,251,728 and \$1,524,013 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on a defined percent in the contract or increases in the Consumer Price Index, subject to certain minimum increases. Lease revenue comprises a majority of the SCLAA's operating revenues, therefore, this activity is considered to be the principal operation of the SCLAA. Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 7,662,011	\$ 1,462,845	\$ 9,124,856
2024	6,868,119	1,374,054	8,242,173
2025	6,021,790	1,278,378	7,300,168
2026	6,165,361	1,252,066	7,417,427
2027	6,236,410	1,159,686	7,396,096
2028-2032	26,252,464	3,870,687	30,123,151
2033-2037	12,252,870	1,797,082	14,049,952
2038-2042	3,753,055	1,157,998	4,911,053
2043-2047	4,323,812	725,707	5,049,519
2048-2052	3,622,056	325,329	3,947,385
2053-2056	1,354,975	52,136	1,407,111
Total	<u>\$ 84,512,923</u>	<u>\$ 14,455,968</u>	<u>\$ 98,968,891</u>

**Sanitary Enterprise Fund**

The Sanitary Enterprise Fund, acting as lessor, leases a land under a long-term, noncancelable lease agreement. The lease expires in 2069 and provides for increases in future minimum annual rental payments based on increases in the Consumer Price Index, subject to certain minimum increases. During the year ended June 30, 2022, the Sanitary Enterprise Fund recognized \$58,722 and \$57,607 in lease revenue and interest revenue, respectively, pursuant to this contract.



**CITY OF VICTORVILLE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 23 RESTATEMENTS**

	Beginning Net Position as Previously Reported	Restatements		Beginning Net Position As Restated
	<u>                    </u>	<u>                    </u>		<u>                    </u>
Business Type Activities	\$ 96,591,307	\$ 6,538,971	(a),(b)	\$ 103,130,278
SCLAA	(131,563,815)	7,130,553	(a)	(124,433,262)
Electric Utility Fund	(23,225,640)	(591,582)	(b)	(23,817,222)

(a) Restatements include the following:

Capital Expenses Not Capitalized in the Prior Year	\$ 8,164,967
Depreciation Expense for Assets Not Capitalized in Prior Year	(200,941)
Liability for Rental Credits Due to Tenants for Capital Improvements Made and Contributed to the SCLAA	(755,900)
Revenue Recorded Twice for Receivable	(77,573)
Net Restatements	<u><u>\$ 7,130,553</u></u>

(b) Remove revenue recognized for funds received that must be returned to ratepayers if not utilized, which should have been recorded as unearned revenue.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF VICTORVILLE**  
**SCHEDULE OF IN NET PENSION LIABILITY AND RELATED RATIOS**  
**DURING THE MEASUREMENT PERIOD (AGENT PLAN)**  
**LAST TEN FISCAL YEARS\***

Reporting Fiscal Year (Measurement Date)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
<b>Total Pension Liability:</b>				
Service Cost	\$ 4,361,938	\$ 3,917,361	\$ 3,878,156	\$ 3,925,313
Interest	15,327,363	14,388,003	13,664,664	12,780,111
Changes of Assumptions	-	-	-	(1,453,429)
Difference Between Expected and Actual Experience	3,594,527	901,693	3,533,778	1,426,643
Benefit Payments, Including Refunds of Employee Contributions	(9,405,164)	(8,563,342)	(8,131,659)	(7,556,833)
Net Change in Total Pension Liability	13,878,664	10,643,715	12,944,939	9,121,805
Total Pension Liability – Beginning	213,295,811	202,652,096	189,707,157	180,585,352
Total Pension Liability – Ending (a)	227,174,475	213,295,811	202,652,096	189,707,157
<b>Plan Fiduciary Net Position:</b>				
Plan to Plan Resource Movement	-	-	-	(332)
Contributions – Employer	5,963,725	5,479,864	4,590,346	4,017,440
Contributions – Employee	1,889,577	1,928,672	1,749,709	1,942,720
Net Investment Income	35,514,329	7,528,774	9,361,466	11,287,052
Benefit Payments, Including Refunds of Employee Contributions	(9,405,164)	(8,563,342)	(8,131,659)	(7,556,833)
Administrative Expense	(156,975)	(212,846)	(102,414)	(209,479)
Other Miscellaneous Income (Expense)	-	-	332	(397,805)
Net Change in Fiduciary Net Position	33,805,492	6,161,122	7,467,780	9,082,763
Plan Fiduciary Net Position – Beginning	157,141,917	150,980,795	143,513,015	134,430,252
Plan Fiduciary Net Position – Ending (b)	<u>\$ 190,947,409</u>	<u>\$ 157,141,917</u>	<u>\$ 150,980,795</u>	<u>\$ 143,513,015</u>
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 36,227,066</u>	<u>\$ 56,153,894</u>	<u>\$ 51,671,301</u>	<u>\$ 46,194,142</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.05%	73.67%	74.50%	75.65%
Covered Payroll	\$ 24,525,949	\$ 24,562,823	\$ 22,226,999	22,506,989
Plan Net Pension Liability as a Percentage of Covered Payroll	147.71%	228.61%	232.47%	205.24%

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the 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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2022:

There were no significant changes in assumptions.

\*Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE**  
**SCHEDULE OF IN NET PENSION LIABILITY AND RELATED RATIOS**  
**DURING THE MEASUREMENT PERIOD (AGENT PLAN) (CONTINUED)**  
**LAST TEN FISCAL YEARS\***

Reporting Fiscal Year (Measurement Date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
<b>Total Pension Liability:</b>				
Service Cost	\$ 3,913,955	\$ 3,391,116	\$ 3,399,557	\$ 3,479,263
Interest	12,143,449	11,593,629	10,950,745	10,425,889
Changes of Assumptions	10,784,766	-	(2,900,838)	-
Difference Between Expected and Actual Experience	(1,294,528)	(114,587)	(1,452,436)	-
Benefit Payments, Including Refunds of Employee Contributions	(6,707,043)	(6,190,255)	(5,465,312)	(5,288,466)
Net Change in Total Pension Liability	18,840,599	8,679,903	4,531,716	8,616,686
Total Pension Liability – Beginning	161,744,753	153,064,850	148,533,134	139,916,448
Total Pension Liability – Ending (a)	180,585,352	161,744,753	153,064,850	148,533,134
<b>Plan Fiduciary Net Position:</b>				
Plan to Plan Resource Movement	-	-	29,796	-
Contributions – Employer	3,945,743	3,406,692	3,132,116	2,729,427
Contributions – Employee	1,762,125	1,615,618	1,655,311	1,675,275
Net Investment Income	13,554,180	663,966	2,712,238	18,040,044
Benefit Payments, Including Refunds of Employee Contributions	(6,707,043)	(6,190,255)	(5,465,312)	(5,288,466)
Administrative Expense	(180,207)	(74,739)	(138,171)	(138,890)
Other Miscellaneous Income (Expense)	-	-	-	-
Net Change in Fiduciary Net Position	12,374,798	(578,718)	1,925,978	17,017,390
Plan Fiduciary Net Position – Beginning	122,055,454	122,634,172	120,708,194	103,690,804
Plan Fiduciary Net Position – Ending (b)	<u>\$ 134,430,252</u>	<u>\$ 122,055,454</u>	<u>\$ 122,634,172</u>	<u>\$ 120,708,194</u>
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 46,155,100</u>	<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	74.44%	75.46%	80.12%	81.27%
Covered Payroll	22,354,507	19,918,813	19,872,318	19,389,560
Plan Net Pension Liability as a Percentage of Covered Payroll	206.47%	199.26%	153.13%	143.50%

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE  
SCHEDULE OF PLAN CONTRIBUTIONS (AGENT PLAN)  
LAST TEN FISCAL YEARS\***

Fiscal Year	<u>2021-2022</u>	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>
Contractually Required Contribution (Actuarially Determined)	\$ 6,748,512	\$ 5,961,400	\$ 5,477,574	\$ 4,622,469
Contributions in Relation to the Actuarially Determined Contributions	<u>(6,748,512)</u>	<u>(5,961,400)</u>	<u>(5,477,574)</u>	<u>(4,622,469)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 26,035,500	\$ 24,525,949	\$ 24,562,823	\$ 22,226,999
Contributions as a Percentage of Covered Payroll	25.92%	24.31%	22.30%	20.80%
<b>Notes to Schedule:</b>				
Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.50%	2.50%	2.63%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 - 55 for 2.5%@55; 52 - 67 for 2.0%@62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\*Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

**CITY OF VICTORVILLE**  
**SCHEDULE OF PLAN CONTRIBUTIONS (AGENT PLAN) (CONTINUED)**  
**LAST TEN FISCAL YEARS\***

Fiscal Year	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 4,014,719	\$ 3,787,877	\$ 3,504,788	\$ 3,132,116
Contributions in Relation to the Actuarially Determined Contributions	<u>(4,014,719)</u>	<u>(3,787,877)</u>	<u>(3,504,788)</u>	<u>(2,923,805)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,311</u>
Covered Payroll	\$ 22,506,989	\$ 22,354,507	\$ 19,918,813	\$ 19,872,318
Contributions as a Percentage of Covered Payroll	17.84%	16.94%	17.60%	15.76%
<b>Notes to Schedule:</b>				
Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE  
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
(COST SHARING PLAN)  
LAST TEN FISCAL YEARS\***

Reporting Fiscal Year (Measurement Date)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
Plan's Proportion of the Net Pension Liability	0.21104%	0.18786%	0.19301%	0.19843%
Plan's Proportionate Share of the Net Pension Liability	\$ 7,406,301	\$ 12,515,992	\$ 12,048,837	\$ 11,643,274
Plan's Covered Payroll**	\$ 5,123,885	\$ 4,931,300	\$ 2,530,529	N/A
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll**	144.54%	253.81%	476.14%	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.14623%	0.12039%	0.12227%	0.12558%

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the 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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2021:

There were no changes in assumptions.

\*Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

\*\*The plan has no active members until fiscal year ended June 30, 2019 and, therefore, no covered payroll.

*See accompanying Note to Required Supplementary Information.*



**CITY OF VICTORVILLE**  
**SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**(COST SHARING PLAN) (CONTINUED)**  
**LAST TEN FISCAL YEARS\***

Reporting Fiscal Year (Measurement Date)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan's Proportion of the Net Pension Liability	0.19780%	0.20676%	0.21750%	0.20657%
Plan's Proportionate Share of the Net Pension Liability	\$ 11,818,679	\$ 10,708,540	\$ 8,961,994	\$ 7,748,626
Plan's Covered Payroll**	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll**	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.12223%	0.13033%	0.14547%	0.14547%

*See accompanying Note to Required Supplementary Information.*

**CITY OF VICTORVILLE  
SCHEDULE OF PLAN CONTRIBUTIONS  
(COST SHARING PLAN)  
LAST TEN FISCAL YEARS\***

Fiscal Year	2021-2022	2020-2021	2019-2020	2018-2019
Contractually Required Contribution (Actuarially Determined)	\$ 1,910,223	\$ 1,820,085	\$ 1,737,805	\$ 1,406,021
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,910,223)</u>	<u>(1,820,085)</u>	<u>(1,737,805)</u>	<u>(1,406,021)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll **	5,534,300	5,123,885	4,931,300	2,530,529
Contributions as a Percentage of Covered Payroll **	34.52%	35.52%	35.24%	55.56%
<b>Notes to Schedule:</b>				
Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.50%	2.50%	2.63%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)
Mortality	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed

(2) Depending on Age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\*Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

\*\*The plan has no active members through June 30, 2018 and, therefore, no covered payroll.

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE  
SCHEDULE OF PLAN CONTRIBUTIONS  
(COST SHARING PLAN) (CONTINUED)  
LAST TEN FISCAL YEARS\***

Fiscal Year	2017-2018	2016-2017	2015-2016	2014-2015
Contractually Required Contribution (Actuarially Determined)	\$ 862,264	\$ 700,198	\$ 650,960	\$ 585,811
Contributions in Relation to the Actuarially Determined Contribution	<u>(862,264)</u>	<u>(700,198)</u>	<u>(650,960)</u>	<u>(585,811)</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
<b>Notes to Schedule:</b>				
Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Mortality	(4)	(4)	(4)	(4)

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**LAST TEN FISCAL YEARS\***

Reporting Fiscal Year (Measurement Date)	June 30, 2022 (June 30, 2021)	
	City	Water
Total OPEB Liability:		
Service Cost	\$ 2,235,761	\$ 600,360
Interest on the Total OPEB Liability	657,508	271,338
Changes of Assumptions	278,410	105,768
Differences Between Expected and Actual Experience	-	-
Changes of Benefit Terms	-	-
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	(383,313)	(253,227)
Net Change in Total OPEB Liability	2,788,366	724,239
Total OPEB Liability - Beginning	27,707,436	11,803,993
Total OPEB Liability - Ending	\$ 30,495,802	\$ 12,528,232
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%
 Covered-Employee Payroll	\$ 30,916,888	\$ 7,710,052
 Total OPEB Liability as a Percentage of Covered-Employee Payroll	98.64%	162.49%

**Notes to Schedule:**

Changes in assumptions:

Discount rate	2.16%	2.16%
Mortality improvement rates	Scale MP-2020	Scale MP-2020

The mortality, retirement, disability, and termination rates for the measurement periods ended June 30, 2017 and 2018 were based on the CalPERS 1997-2011 Experience Study and CalPERS 1997-2015 Experience Study, respectively.

In the June 30, 2018 measurement period, the pre-65 waived retiree re-election was updated to be 10% after age 65.

In the June 30, 2020 measurement period, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

\*Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.

*See accompanying Note to Required Supplementary Information.*

**CITY OF VICTORVILLE**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (CONTINUED)**  
**LAST TEN FISCAL YEARS\***

Reporting Fiscal Year (Measurement Date)	June 30, 2021 (June 30, 2020)		June 30, 2020 (June 30, 2019)	
	City	Water	City	Water
	<b>Total OPEB Liability:</b>			
Service Cost	\$ 1,486,270	\$ 474,890	\$ 1,301,917	\$ 417,399
Interest on the Total OPEB Liability	940,317	372,802	896,741	364,950
Changes of Assumptions	4,480,447	1,795,864	1,650,512	601,978
Differences Between Expected and Actual Experience	(4,403,383)	(904,000)	-	-
Changes of Benefit Terms				
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	(352,317)	(224,298)	(325,520)	(216,889)
Net Change in Total OPEB Liability	2,151,334	1,515,258	3,523,650	1,167,438
Total OPEB Liability - Beginning	25,556,102	10,288,735	22,032,452	9,121,297
Total OPEB Liability - Ending	<u>\$ 27,707,436</u>	<u>\$ 11,803,993</u>	<u>\$ 25,556,102</u>	<u>\$ 10,288,735</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%
Covered-Employee Payroll	\$ 29,376,376	\$ 7,618,996	\$ 24,330,808	\$ 7,078,295
Total OPEB Liability as a Percentage of Covered-Employee Payroll	94.32%	154.93%	105.04%	145.36%
<b>Notes to Schedule:</b>				
Changes in assumptions:				
Discount rate	2.21%	2.21%	3.50%	3.50%
Mortality improvement rates	Scale MP-2020	Scale MP-2020	Scale MP-2018	Scale MP-2018

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (CONTINUED)**  
**LAST TEN FISCAL YEARS\***

Reporting Fiscal Year (Measurement Date)	June 30, 2019 (June 30, 2018)		June 30, 2018 (June 30, 2017)	
	City	Water	City	Water
	<b>Total OPEB Liability:</b>			
Service Cost	\$ 1,467,025	\$ 494,095	\$ 1,740,815	\$ 583,831
Interest on the Total OPEB Liability	902,150	404,923	763,058	345,325
Changes of Assumptions	(1,253,215)	(509,085)	(3,502,958)	(1,452,630)
Differences Between Expected and Actual Experience	(2,657,769)	(1,985,311)	-	-
Changes of Benefit Terms	-	-	-	-
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	(316,872)	(199,802)	(285,893)	(185,817)
Net Change in Total OPEB Liability	(1,858,681)	(1,795,180)	(1,284,978)	(709,291)
Total OPEB Liability - Beginning	23,891,133	10,916,477	25,176,111	11,625,768
Total OPEB Liability - Ending	<u>\$ 22,032,452</u>	<u>\$ 9,121,297</u>	<u>\$ 23,891,133</u>	<u>\$ 10,916,477</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%
Covered-Employee Payroll	\$ 20,246,960	\$ 6,818,328	\$ 17,722,441	\$ 4,577,527
Total OPEB Liability as a Percentage of Covered-Employee Payroll	108.82%	133.78%	134.81%	238.48%
<b>Notes to Schedule:</b>				
Changes in assumptions:				
Discount rate	3.87%	3.87%	3.58%	3.58%
Mortality improvement rates	Scale MP-2018	Scale MP-2018	Scale MP-2016	Scale MP-2016

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and Assessments	\$ 74,284,658	\$ 89,662,335	\$ 94,851,845	\$ 5,189,510
Licenses and Permits	4,159,200	5,133,700	5,392,575	258,875
Intergovernmental	94,300	94,300	152,600	58,300
Charges for Services	13,615,827	13,507,043	13,859,303	352,260
Fines and Forfeitures	417,020	906,770	765,463	(141,307)
Investment Income	50,000	50,000	(1,071,796)	(1,121,796)
Other	331,200	407,036	536,135	129,099
Total Revenues	<u>92,952,205</u>	<u>109,761,184</u>	<u>114,486,125</u>	<u>4,724,941</u>
<b>EXPENDITURES</b>				
Current:				
General Government	17,579,753	19,466,218	16,518,567	2,947,651
Public Safety	53,292,328	53,389,909	47,391,340	5,998,569
Public Works	10,764,311	10,942,927	9,116,056	1,826,871
Parks and Recreation	6,280,566	6,023,877	4,247,535	1,776,342
Capital Outlay	1,919,500	3,432,094	1,418,535	2,013,559
Debt Service:				
Principal	164,912	164,912	164,912	-
Interest on Advances	33,711	33,711	33,711	-
Total Expenditures	<u>90,035,081</u>	<u>93,453,648</u>	<u>78,890,656</u>	<u>14,562,992</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,917,124	16,307,536	35,595,469	19,287,933
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	14,000	14,000	94,224	80,224
Transfers Out	-	(2,286,536)	(2,286,995)	(459)
Total Other Financing Sources (Uses)	<u>14,000</u>	<u>(2,272,536)</u>	<u>(2,192,771)</u>	<u>79,765</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,931,124	14,035,000	33,402,698	19,367,698
Fund Balances - Beginning of Year	<u>46,255,984</u>	<u>46,255,984</u>	<u>46,255,984</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 49,187,108</u>	<u>\$ 60,290,984</u>	<u>\$ 79,658,682</u>	<u>\$ 19,367,698</u>

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE  
BUDGETARY COMPARISON SCHEDULE  
CITY HOUSING ASSET SUCCESSOR SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 375,000	\$ 375,000
Investment Income	73,000	73,000	594,622	521,622
Total Revenues	<u>73,000</u>	<u>73,000</u>	<u>969,622</u>	<u>896,622</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	<u>83,764</u>	<u>83,764</u>	<u>569,839</u>	<u>(486,075)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(10,764)	(10,764)	399,783	410,547
Fund Balances - Beginning of Year	<u>28,990,356</u>	<u>28,990,356</u>	<u>28,990,356</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 28,979,592</u></u>	<u><u>\$ 28,979,592</u></u>	<u><u>\$ 29,390,139</u></u>	<u><u>\$ 410,547</u></u>

See accompanying Note to Required Supplementary Information.



**CITY OF VICTORVILLE  
BUDGETARY COMPARISON SCHEDULE  
OTHER FEDERAL GRANTS SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 13,429,245	\$ 43,255,486	\$ 10,744,949	\$ (32,510,537)
Investment Income	9,284	9,284	-	(9,284)
Total Revenues	<u>13,438,529</u>	<u>43,264,770</u>	<u>10,744,949</u>	<u>(32,519,821)</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	82,628	82,628	31,686	50,942
Capital Outlay	<u>13,991,978</u>	<u>43,818,219</u>	<u>15,106,581</u>	<u>28,711,638</u>
Total Expenditures	<u>14,074,606</u>	<u>43,900,847</u>	<u>15,138,267</u>	<u>28,762,580</u>
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	(636,077)	(636,077)	(4,393,318)	(3,757,241)
Fund Balance (Deficit) - Beginning of Year, as Restated	<u>(708,200)</u>	<u>(708,200)</u>	<u>(708,200)</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u><u>\$ (1,344,277)</u></u>	<u><u>\$ (1,344,277)</u></u>	<u><u>\$ (5,101,518)</u></u>	<u><u>\$ (3,757,241)</u></u>

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE  
BUDGETARY COMPARISON SCHEDULE  
COVID-19 FUNDS SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	<u>\$ 35,066,369</u>	<u>\$ 35,066,369</u>	<u>\$ 904,055</u>	<u>\$ (34,162,314)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	15,119,780	15,119,780	203,521	14,916,259
Public Safety	127,803	127,803	-	127,803
Community Development	-	1,470,000	100,000	1,370,000
Capital Outlay	<u>18,708,415</u>	<u>17,005,839</u>	<u>190,387</u>	<u>16,815,452</u>
Total Expenditures	<u>33,955,998</u>	<u>33,723,422</u>	<u>493,908</u>	<u>33,229,514</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,110,371	1,342,947	410,147	(932,800)
Fund Balance (Deficit) - Beginning of Year	<u>(2,597,556)</u>	<u>(2,597,556)</u>	<u>(2,597,556)</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u><u>\$ (1,487,185)</u></u>	<u><u>\$ (1,254,609)</u></u>	<u><u>\$ (2,187,409)</u></u>	<u><u>\$ (932,800)</u></u>

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2022**

**NOTE 1 BUDGETARY DATA**

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

- a. The City Manager submits to the City Council a proposed operating budget. The operating budget includes the proposed expenditures and source of financing;
- b. Public hearings are conducted to obtain taxpayer comments;
- c. A budget is legally enacted through passage of a resolution;
- d. 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;
- e. Budgeted amounts are as originally adopted and as further amended by the City Council;
- f. 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 U.S. 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. The Engineering Security Special Revenue Fund does not have a legally adopted budget.
- g. The City Housing Asset Successor Major Special Revenue Fund had total appropriations of \$83,764 and actual expenditures of \$569,839, which resulted in excess expenditures over appropriations of \$486,075 for the year ended June 30, 2022.

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## SUPPLEMENTARY INFORMATION

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**CITY OF VICTORVILLE  
DESCRIPTION OF GENERAL FUNDS  
YEAR ENDED JUNE 30, 2022**

**General Fund**

This fund accounts for all general activity not within the funds mentioned below.

**Measure P**

This fund accounts for the 1% transactions and use tax approved by the voters in November 2020. This is a general tax that the City Council and Measure P committee are involved in reviewing the expenditures budget and making recommendations and comments.

**Technology**

This fund accounts for fees charged to ensure the support of the permitting system by the users of the system.

**Fueling Stations**

This fund accounts for fees charged to upgrade the fueling stations as needed and their continued maintenance.

**Victor Valley Transportation Center**

This fund accounts for rental income and corresponding lease and maintenance expenditures for leasing the Victor Valley Transportation Center to the Victor Valley Transit Authority.

**Sidewalk Assessment District**

This fund accounts for assessment collected on the property tax and is to be used on the maintenance and installation of sidewalks in the City.

**CITY OF VICTORVILLE  
COMBINING BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2022**

<b>ASSETS</b>	<u>General</u>	<u>Measure P</u>	<u>Technology</u>	<u>Fueling Stations</u>
Cash and Investments	\$ 33,977,161	\$ 23,672,746	\$ 733,846	\$ 2,243,394
Accounts Receivable	1,219,725	-	2,074	85,382
Interest Receivable	178,313	-	-	-
Due from Other Funds	6,610,655	-	-	-
Advances to Other Funds	3,864,966	-	-	-
Due from Other Governments	6,090,308	5,094,884	-	-
Leases Receivable	6,024,986	-	-	-
Inventories	270,489	-	-	-
Prepaid Items	56,961	-	-	-
<b>Total Assets</b>	<b><u>\$ 58,293,564</u></b>	<b><u>\$ 28,767,630</u></b>	<b><u>\$ 735,920</u></b>	<b><u>\$ 2,328,776</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,433,474	\$ 202,241	\$ 100,874	\$ 68,470
Accrued Liabilities	1,789,791	-	-	-
Deposits Payable	152,358	-	-	-
Unearned Revenue	263	-	-	-
<b>Total Liabilities</b>	<b><u>4,375,886</u></b>	<b><u>202,241</u></b>	<b><u>100,874</u></b>	<b><u>68,470</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	-	-	-
Leases	5,894,132	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b><u>5,894,132</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>				
Nonspendable:				
Advances to Other Funds	3,864,966	-	-	-
Prepaid Items	56,961	-	-	-
Inventories	270,489	-	-	-
Unassigned	43,831,130	28,565,389	635,046	2,260,306
<b>Total Fund Balances</b>	<b><u>48,023,546</u></b>	<b><u>28,565,389</u></b>	<b><u>635,046</u></b>	<b><u>2,260,306</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 58,293,564</u></b>	<b><u>\$ 28,767,630</u></b>	<b><u>\$ 735,920</u></b>	<b><u>\$ 2,328,776</u></b>



**CITY OF VICTORVILLE  
COMBINING BALANCE SHEET  
GENERAL FUND (CONTINUED)  
JUNE 30, 2022**

	Victor Valley Transportation Center	Engineering Deposits	Totals
<b>ASSETS</b>			
Cash and Investments	\$ 12,520	\$ 150,773	\$ 60,790,440
Accounts Receivable	-	-	1,307,181
Interest Receivable	418	-	178,731
Due from Other Funds	-	-	6,610,655
Advances to Other Funds	-	-	3,864,966
Due from Other Governments	-	-	11,185,192
Leases Receivable	355,113	-	6,380,099
Inventories	-	-	270,489
Prepaid Items	-	-	56,961
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 368,051</u>	<u>\$ 150,773</u>	<u>\$ 90,644,714</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 2,805,059
Accrued Liabilities	-	-	1,789,791
Deposits Payable	-	-	152,358
Unearned Revenue	-	-	263
Total Liabilities	<u>-</u>	<u>-</u>	<u>4,747,471</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	-	-	-
Leases	344,429	-	6,238,561
Total Deferred Inflows of Resources	<u>344,429</u>	<u>-</u>	<u>6,238,561</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Advances to Other Funds	-	-	3,864,966
Prepaid Items	-	-	56,961
Inventories	-	-	270,489
Unassigned	23,622	150,773	75,466,266
Total Fund Balances	<u>23,622</u>	<u>150,773</u>	<u>79,658,682</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 368,051</u>	<u>\$ 150,773</u>	<u>\$ 90,644,714</u>

**CITY OF VICTORVILLE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2022**

	General	Measure P	Technology	Fueling Stations
<b>REVENUES</b>	\$ 65,262,840	\$ 29,586,784	\$ -	\$ -
Taxes and Assessments	5,392,575	-	-	-
Licenses and Permits	152,600	-	-	-
Intergovernmental	12,423,262	-	403,007	1,027,362
Charges for Services	765,463	-	-	-
Fines and Forfeitures	(1,077,225)	-	-	-
Investment Income (Loss)	491,044	-	-	-
Other	83,410,559	29,586,784	403,007	1,027,362
Total Revenues				
<b>EXPENDITURES</b>				
Current:	16,123,543	112,631	282,393	-
General Government	44,766,979	2,624,361	-	-
Public Safety	6,902,046	1,324,869	-	856,571
Public Works	4,211,550	35,985	-	-
Parks and Recreation	864,570	473,604	-	80,361
Capital Outlay				
Debt Service:	164,912	-	-	-
Principal	33,711	-	-	-
Interest on Advances	73,067,311	4,571,450	282,393	936,932
Total Expenditures				
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	10,343,248	25,015,334	120,614	90,430
<b>OTHER FINANCING SOURCES (USES)</b>	3,647,311	-	-	-
Transfers in	(2,286,995)	(3,553,087)	-	-
Transfers Out	1,360,316	(3,553,087)	-	-
Total Other Financing Sources (Uses)				
	11,703,564	21,462,247	120,614	90,430
<b>NET CHANGE IN FUND BALANCES</b>				
Fund Balances - Beginning of Year, as Restated	36,319,982	7,103,142	514,432	2,169,876
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 48,023,546</u>	<u>\$ 28,565,389</u>	<u>\$ 635,046</u>	<u>\$ 2,260,306</u>

**CITY OF VICTORVILLE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GENERAL FUND (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

	Victor Valley Transportation Center	Engineering Deposits	Eliminations	Totals
<b>REVENUES</b>				
Taxes and Assessments	\$ -	\$ 2,221	\$ -	\$ 94,851,845
Licenses and Permits	-	-	-	5,392,575
Intergovernmental	-	-	-	152,600
Charges for Services	5,672	-	-	13,859,303
Fines and Forfeitures	-	-	-	765,463
Investment Income (Loss)	5,429	-	-	(1,071,796)
Other	45,091	-	-	536,135
Total Revenues	56,192	2,221	-	114,486,125
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	16,518,567
Public Safety	-	-	-	47,391,340
Public Works	32,570	-	-	9,116,056
Parks and Recreation	-	-	-	4,247,535
Capital Outlay	-	-	-	1,418,535
Debt Service:				
Principal	-	-	-	164,912
Interest on Advances	-	-	-	33,711
Total Expenditures	32,570	-	-	78,890,656
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	23,622	2,221	-	35,595,469
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	(3,553,087)	94,224
Transfers Out	-	-	3,553,087	(2,286,995)
Total Other Financing Sources (Uses)	-	-	-	(2,192,771)
<b>NET CHANGE IN FUND BALANCES</b>	23,622	2,221	-	33,402,698
Fund Balances - Beginning of Year, as Restated	-	148,552	-	46,255,984
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 23,622</u>	<u>\$ 150,773</u>	<u>\$ -</u>	<u>\$ 79,658,682</u>

**CITY OF VICTORVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**CAPITAL IMPACT FACILITIES – MAJOR FUND**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 6,752,500	\$ 6,752,500	\$ 9,427,960	\$ 2,675,460
Investment Income	10,000	10,000	-	(10,000)
Other	-	-	3,757	3,757
Total Revenues	<u>6,762,500</u>	<u>6,762,500</u>	<u>9,431,717</u>	<u>2,669,217</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	20,564	34,407	26,678	7,729
Capital Outlay	4,494,336	10,638,492	9,795,295	843,197
Debt Service:				
Interest on Advances	127,100	127,100	4,507	122,593
Total Expenditures	<u>4,642,000</u>	<u>10,820,765</u>	<u>9,845,771</u>	<u>974,994</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,120,500	(4,058,265)	(414,054)	3,644,211
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	2,286,536	4,230,924	1,944,388
<b>NET CHANGE IN FUND BALANCES</b>	2,120,500	(1,771,729)	3,816,870	5,588,599
Fund Balance - Beginning of Year	<u>18,616,594</u>	<u>18,616,594</u>	<u>18,616,594</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 20,737,094</u>	<u>\$ 16,844,865</u>	<u>\$ 22,433,464</u>	<u>\$ 5,588,599</u>

## **NONMAJOR GOVERNMENTAL FUNDS 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.

### **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.

### **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.

**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS (CONTINUED)**

**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.

**Engineering Security**

This fund accounts for various deposits that the City receives as deposits. These deposits are held by the City and returned to the depositor upon completion of projects or fulfillment of purpose and cannot be utilized for any other purpose.

**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.

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**CITY OF VICTORVILLE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022**

<b>ASSETS</b>	Measure I	Landscape Maintenance	Street Lighting	Traffic Safety	Asset Seizure
Cash and Investments	\$ 12,702,125	\$ 10,589,439	\$ 2,375,461	\$ -	\$ 50,826
Accounts Receivable	1,791,248	-	-	12,565	-
Notes Receivable	11,713	1,298	-	-	-
Due from Other Governments	-	32,643	38,501	-	-
Prepaid Items	1,105	1,127	688	-	-
<b>Total Assets</b>	<b>\$ 14,506,191</b>	<b>\$ 10,624,507</b>	<b>\$ 2,414,650</b>	<b>\$ 12,565</b>	<b>\$ 50,826</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 120,225	\$ 174,725	\$ 199,109	\$ -	\$ -
Deposits Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>120,225</b>	<b>174,725</b>	<b>199,109</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	599,093	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>599,093</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Prepaid Items	1,105	1,127	688	-	-
Spendable:					
Restricted:					
Public Safety	-	-	-	-	50,826
Highways and Street Projects	13,785,768	10,448,655	2,214,853	12,565	-
Community Development	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances (Deficit)</b>	<b>13,786,873</b>	<b>10,449,782</b>	<b>2,215,541</b>	<b>12,565</b>	<b>50,826</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 14,506,191</b>	<b>\$ 10,624,507</b>	<b>\$ 2,414,650</b>	<b>\$ 12,565</b>	<b>\$ 50,826</b>



**CITY OF VICTORVILLE  
COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022**

<b>ASSETS</b>	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants
Cash and Investments	\$ 3,348,076	\$ 3,594,014	\$ -	\$ -	\$ 309,647
Accounts Receivable	(761)	1,751	1,554	45,606	-
Notes Receivable	-	-	4,589	490	1,540,953
Due from Other Governments	-	1,031,377	285,527	9,227,672	739,209
Prepaid Items	1,025	2,116	-	-	-
<b>Total Assets</b>	<b>\$ 3,348,340</b>	<b>\$ 4,629,258</b>	<b>\$ 291,670</b>	<b>\$ 9,273,768</b>	<b>\$ 2,589,809</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 24,709	\$ 740,732	\$ 145,953	\$ 2,680,524	\$ 364,146
Deposits Payable	-	105	8,761	-	-
Due to Other Funds	-	-	377,218	4,880,314	-
Unearned Revenue	-	-	-	102,294	-
<b>Total Liabilities</b>	<b>24,709</b>	<b>740,837</b>	<b>531,932</b>	<b>7,663,132</b>	<b>364,146</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	-	-	285,527	2,872,635	173,476
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>285,527</b>	<b>2,872,635</b>	<b>173,476</b>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Prepaid Items	1,025	2,116	-	-	-
Spendable:					
Restricted:					
Public Safety	-	-	-	-	-
Highways and Street Projects	3,322,606	3,886,305	-	-	-
Community Development	-	-	-	-	2,052,187
Unassigned	-	-	(525,789)	(1,261,999)	-
<b>Total Fund Balances (Deficit)</b>	<b>3,323,631</b>	<b>3,888,421</b>	<b>(525,789)</b>	<b>(1,261,999)</b>	<b>2,052,187</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,348,340</b>	<b>\$ 4,629,258</b>	<b>\$ 291,670</b>	<b>\$ 9,273,768</b>	<b>\$ 2,589,809</b>

**CITY OF VICTORVILLE  
COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	Engineering Security	Foxborough Rail	Totals
<b>ASSETS</b>			
Cash and Investments	\$ 3,753,196	\$ 462,679	\$ 37,185,463
Accounts Receivable	-	-	1,851,963
Notes Receivable	-	-	1,559,043
Due from Other Governments	-	-	11,354,929
Prepaid Items	-	-	6,061
	<u>\$ 3,753,196</u>	<u>\$ 462,679</u>	<u>\$ 51,957,459</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 45,999	\$ 4,496,122
Deposits Payable	3,753,078	-	3,761,944
Due to Other Funds	-	-	5,257,532
Unearned Revenue	-	-	102,294
Total Liabilities	<u>3,753,078</u>	<u>45,999</u>	<u>13,617,892</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	-	-	3,930,731
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>3,930,731</u>
<b>FUND BALANCES (DEFICIT)</b>			
Nonspendable:			
Prepaid Items	-	-	6,061
Spendable:			
Restricted:			
Public Safety	-	-	50,826
Highways and Street Projects	118	416,680	34,087,550
Community Development	-	-	2,052,187
Unassigned	-	-	(1,787,788)
Total Fund Balances (Deficit)	<u>118</u>	<u>416,680</u>	<u>34,408,836</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,753,196</u>	<u>\$ 462,679</u>	<u>\$ 51,957,459</u>

**CITY OF VICTORVILLE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022**

	Measure I	Landscape Maintenance	Street Lighting	Traffic Safety	Asset Seizure
<b>REVENUES</b>					
Taxes and Assessments	\$ 6,456,950	\$ 2,512,595	\$ 1,895,376	\$ -	\$ -
Intergovernmental	-	-	694,077	-	-
Charges for Services	74,550	-	-	-	-
Fines and Forfeitures	-	-	-	56,068	-
Investment Income	110	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>6,531,610</u>	<u>2,512,595</u>	<u>2,589,453</u>	<u>56,068</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
Public Safety	-	-	-	-	17,588
Community Development	-	-	-	-	-
Public Works	2,028,146	2,390,408	2,248,479	-	-
Capital Outlay	<u>2,200,822</u>	<u>-</u>	<u>483,369</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,228,968</u>	<u>2,390,408</u>	<u>2,731,848</u>	<u>-</u>	<u>17,588</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,302,642	122,187	(142,395)	56,068	(17,588)
<b>OTHER FINANCING USES</b>					
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,170)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,302,642	122,187	(142,395)	(5,102)	(17,588)
Fund Balances (Deficit) - Beginning of Year, as Restated	<u>11,484,231</u>	<u>10,327,595</u>	<u>2,357,936</u>	<u>17,667</u>	<u>68,414</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u><u>\$ 13,786,873</u></u>	<u><u>\$ 10,449,782</u></u>	<u><u>\$ 2,215,541</u></u>	<u><u>\$ 12,565</u></u>	<u><u>\$ 50,826</u></u>

**CITY OF VICTORVILLE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022**

	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants
<b>REVENUES</b>					
Taxes and Assessments	\$ -	\$ 2,602,257	\$ -	\$ -	\$ -
Intergovernmental	31,541	3,020,098	545,575	7,546,450	3,324,189
Charges for Services	1,603,288	6,870	9,803	-	-
Fines and Forfeitures	7,471	-	-	-	-
Investment Income	95,649	-	-	245	24,223
Other	5,187	-	36,476	-	-
Total Revenues	<u>1,743,136</u>	<u>5,629,225</u>	<u>591,854</u>	<u>7,546,695</u>	<u>3,348,412</u>
<b>EXPENDITURES</b>					
Current:					
Public Safety	-	-	-	625,204	-
Community Development	-	-	-	62,868	1,743,612
Public Works	1,168,168	3,081,278	746,700	891,088	888,032
Capital Outlay	11,015	5,395,063	261,215	8,163,791	45,513
Total Expenditures	<u>1,179,183</u>	<u>8,476,341</u>	<u>1,007,915</u>	<u>9,742,951</u>	<u>2,677,157</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	563,953	(2,847,116)	(416,061)	(2,196,256)	671,255
<b>OTHER FINANCING USES</b>					
Transfers Out	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	563,953	(2,847,116)	(416,061)	(2,196,256)	671,255
Fund Balances (Deficit) - Beginning of Year, as Restated	<u>2,759,678</u>	<u>6,735,537</u>	<u>(109,728)</u>	<u>934,257</u>	<u>1,380,932</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u><u>\$ 3,323,631</u></u>	<u><u>\$ 3,888,421</u></u>	<u><u>\$ (525,789)</u></u>	<u><u>\$ (1,261,999)</u></u>	<u><u>\$ 2,052,187</u></u>

**CITY OF VICTORVILLE  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022**

	Engineering Security	Foxborough Rail	Totals
<b>REVENUES</b>			
Taxes and Assessments	\$ -	\$ 136,003	\$ 13,603,181
Intergovernmental	-	-	15,161,930
Charges for Services	-	-	1,694,511
Fines and Forfeitures	-	-	63,539
Investment Income	-	-	120,227
Other	-	-	41,663
Total Revenues	<u>-</u>	<u>136,003</u>	<u>30,685,051</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	-	-	642,792
Community Development	-	-	1,806,480
Public Works	-	75,285	13,517,584
Capital Outlay	-	-	16,560,788
Total Expenditures	<u>-</u>	<u>75,285</u>	<u>32,527,644</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	60,718	(1,842,593)
<b>OTHER FINANCING USES</b>			
Transfers Out	-	-	(61,170)
<b>NET CHANGE IN FUND BALANCES</b>	-	60,718	(1,903,763)
Fund Balances (Deficit) - Beginning of Year, as Restated	<u>118</u>	<u>355,962</u>	<u>36,312,599</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 118</u>	<u>\$ 416,680</u>	<u>\$ 34,408,836</u>

**CITY OF VICTORVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**MEASURE I FUND**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and Assessments	\$ 5,597,290	\$ 5,597,290	\$ 6,456,950	\$ 859,660
Charges for Services	42,500	42,500	74,550	32,050
Investment Income	-	-	110	110
Total Revenues	<u>5,639,790</u>	<u>5,639,790</u>	<u>6,531,610</u>	<u>891,820</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	2,331,377	2,343,877	2,028,146	315,731
Capital Outlay	5,681,825	9,432,929	2,200,822	7,232,107
Total Expenditures	<u>8,013,202</u>	<u>11,776,806</u>	<u>4,228,968</u>	<u>7,547,838</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,373,412)</u>	<u>(6,137,016)</u>	<u>2,302,642</u>	<u>8,439,658</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,373,412)	(6,137,016)	2,302,642	8,439,658
Fund Balance - Beginning of Year, as Restated	<u>11,484,231</u>	<u>11,484,231</u>	<u>11,484,231</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 9,110,819</u>	<u>\$ 5,347,215</u>	<u>\$ 13,786,873</u>	<u>\$ 8,439,658</u>

**CITY OF VICTORVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**LANDSCAPE MAINTENANCE AND DRAINAGE FACILITIES ASSESMENT DISTRICT FUND**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and Assessments	\$ 2,449,086	\$ 2,449,086	\$ 2,512,595	\$ 63,509
<b>EXPENDITURES</b>				
Current:				
Public Works	2,772,135	3,000,135	2,390,408	609,727
Capital Outlay	600	275,040	-	275,040
Total Expenditures	<u>2,772,735</u>	<u>3,275,175</u>	<u>2,390,408</u>	<u>884,767</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(323,649)</u>	<u>(826,089)</u>	<u>122,187</u>	<u>948,276</u>
<b>NET CHANGE IN FUND BALANCE</b>	(323,649)	(826,089)	122,187	948,276
Fund Balance - Beginning of Year	<u>10,327,595</u>	<u>10,327,595</u>	<u>10,327,595</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 10,003,946</u></u>	<u><u>\$ 9,501,506</u></u>	<u><u>\$ 10,449,782</u></u>	<u><u>\$ 948,276</u></u>

**CITY OF VICTORVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**STREET LIGHTING FUND**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and Assessments	\$ 1,655,000	\$ 1,655,000	\$ 1,895,376	\$ 240,376
Intergovernmental	654,384	654,384	694,077	39,693
Investment Income	5,000	5,000	-	(5,000)
Total Revenues	<u>2,314,384</u>	<u>2,314,384</u>	<u>2,589,453</u>	<u>275,069</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	2,609,918	2,595,718	2,248,479	347,239
Capital Outlay	539,275	812,688	483,369	329,319
Total Expenditures	<u>3,149,193</u>	<u>3,408,406</u>	<u>2,731,848</u>	<u>676,558</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(834,809)</u>	<u>(1,094,022)</u>	<u>(142,395)</u>	<u>951,627</u>
<b>NET CHANGE IN FUND BALANCE</b>	(834,809)	(1,094,022)	(142,395)	951,627
Fund Balance - Beginning of Year	<u>2,357,936</u>	<u>2,357,936</u>	<u>2,357,936</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,523,127</u>	<u>\$ 1,263,914</u>	<u>\$ 2,215,541</u>	<u>\$ 951,627</u>



**CITY OF VICTORVILLE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
TRAFFIC SAFETY FUND  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Fines and Forfeitures	\$ 41,000	\$ 41,000	\$ 56,068	\$ 15,068
<b>EXPENDITURES</b>				
Current:				
Public Safety	27,000	27,000	-	27,000
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	14,000	14,000	56,068	42,068
<b>OTHER FINANCING USES</b>				
Transfers Out	(14,000)	(14,000)	(61,170)	(47,170)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(5,102)	(5,102)
Fund Balance - Beginning of Year	17,667	17,667	17,667	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 17,667</u>	<u>\$ 17,667</u>	<u>\$ 12,565</u>	<u>\$ (5,102)</u>

**CITY OF VICTORVILLE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
ASSET SEIZURE FUND  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 43,735	\$ 43,735	\$ -	\$ (43,735)
<b>EXPENDITURES</b>				
Current:				
Public Safety	37,482	37,482	17,588	19,894
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	6,253	6,253	(17,588)	(23,841)
<b>NET CHANGE IN FUND BALANCE</b>	6,253	6,253	(17,588)	(23,841)
Fund Balance - Beginning of Year	68,414	68,414	68,414	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 74,667</u>	<u>74,667</u>	<u>50,826</u>	<u>(23,841)</u>

**CITY OF VICTORVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**STORM DRAIN UTILITY FUND**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 1,579,944	\$ 1,579,944	\$ 1,603,288	\$ 23,344
Fines and Forfeitures	7,500	7,500	7,471	(29)
Investment Income	-	-	95,649	95,649
Other	-	-	5,187	5,187
Total Revenues	<u>1,587,444</u>	<u>1,587,444</u>	<u>1,743,136</u>	<u>155,692</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	1,843,482	1,843,482	1,168,168	675,314
Capital Outlay	12,000	12,000	11,015	985
Total Expenditures	<u>1,855,482</u>	<u>1,855,482</u>	<u>1,179,183</u>	<u>676,299</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(268,038)</u>	<u>(268,038)</u>	<u>563,953</u>	<u>831,991</u>
<b>NET CHANGE IN FUND BALANCE</b>	(268,038)	(268,038)	563,953	831,991
Fund Balance - Beginning of Year	<u>2,759,678</u>	<u>2,759,678</u>	<u>2,759,678</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 2,491,640</u></u>	<u><u>\$ 2,491,640</u></u>	<u><u>\$ 3,323,631</u></u>	<u><u>\$ 831,991</u></u>

**CITY OF VICTORVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**GAS TAX FUND**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and Assessments	\$ 2,428,796	\$ 2,428,796	\$ 2,602,257	\$ 173,461
Intergovernmental	3,046,252	3,046,252	3,020,098	(26,154)
Charges for Services	6,700	6,700	6,870	170
Investment Income	14,000	14,000	-	(14,000)
Total Revenues	<u>5,495,748</u>	<u>5,495,748</u>	<u>5,629,225</u>	<u>133,477</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	3,420,059	3,430,224	3,081,278	348,946
Capital Outlay	1,508,000	7,081,426	5,395,063	1,686,363
Total Expenditures	<u>4,928,059</u>	<u>10,511,650</u>	<u>8,476,341</u>	<u>2,035,309</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>567,689</u>	<u>(5,015,902)</u>	<u>(2,847,116)</u>	<u>2,168,786</u>
<b>NET CHANGE IN FUND BALANCE</b>	567,689	(5,015,902)	(2,847,116)	2,168,786
Fund Balance - Beginning of Year	<u>6,735,537</u>	<u>6,735,537</u>	<u>6,735,537</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 7,303,226</u>	<u>\$ 1,719,635</u>	<u>\$ 3,888,421</u>	<u>\$ 2,168,786</u>

**CITY OF VICTORVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**TRANSPORTATION TAX FUND**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 42,000	\$ 546,253	\$ 545,575	\$ (678)
Charges for Services	-	-	9,803	9,803
Other	24,800	24,800	36,476	11,676
Total Revenues	<u>66,800</u>	<u>571,053</u>	<u>591,854</u>	<u>20,801</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	1,034,434	923,971	746,700	177,271
Capital Outlay	-	528,357	261,215	267,142
Total Expenditures	<u>1,034,434</u>	<u>1,452,328</u>	<u>1,007,915</u>	<u>444,413</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(967,634)</u>	<u>(881,275)</u>	<u>(416,061)</u>	<u>465,214</u>
<b>NET CHANGE IN FUND BALANCE</b>	(967,634)	(881,275)	(416,061)	465,214
Fund Balance - Beginning of Year, as Restated	<u>(109,728)</u>	<u>(109,728)</u>	<u>(109,728)</u>	<u>-</u>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u><u>\$ (1,077,362)</u></u>	<u><u>\$ (991,003)</u></u>	<u><u>\$ (525,789)</u></u>	<u><u>\$ 465,214</u></u>

**CITY OF VICTORVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**OTHER STATE/LOCAL GRANTS FUND**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 9,862,415	\$ 38,055,623	\$ 7,546,450	\$ (30,509,173)
Investment Income	-	-	245	245
<b>Total Revenues</b>	<u>9,862,415</u>	<u>38,055,623</u>	<u>7,546,695</u>	<u>(30,508,928)</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	85,838	812,196	625,204	186,992
Community Development	2,059,713	2,180,118	62,868	2,117,250
Public Works	2,720,461	2,720,461	891,088	1,829,373
Capital Outlay	6,378,433	34,798,127	8,163,791	26,634,336
<b>Total Expenditures</b>	<u>11,244,445</u>	<u>40,510,902</u>	<u>9,742,951</u>	<u>30,767,951</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,382,030)	(2,455,279)	(2,196,256)	259,023
Fund Balance - Beginning of Year	<u>934,257</u>	<u>934,257</u>	<u>934,257</u>	-
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ (447,773)</u>	<u>\$ (1,521,022)</u>	<u>\$ (1,261,999)</u>	<u>\$ 259,023</u>

**CITY OF VICTORVILLE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
HUD GRANTS FUND  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 11,764,696	\$ 12,204,179	\$ 3,324,189	\$ (8,879,990)
Investment Income	694,098	694,098	24,223	(669,875)
<b>Total Revenues</b>	<u>12,458,794</u>	<u>12,898,277</u>	<u>3,348,412</u>	<u>(9,549,865)</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	780	780	-	780
Community Development	6,856,332	7,029,192	1,743,612	5,285,580
Public Works	1,794,749	1,931,616	888,032	1,043,584
Parks and Recreation	80,000	80,000	-	80,000
Capital Outlay	37,116	37,116	45,513	(8,397)
<b>Total Expenditures</b>	<u>8,768,977</u>	<u>9,078,704</u>	<u>2,677,157</u>	<u>6,401,547</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	3,689,817	3,819,573	671,255	(3,148,318)
Fund Balance - Beginning of Year, as Restated	<u>1,380,932</u>	<u>1,380,932</u>	<u>1,380,932</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 5,070,749</u></u>	<u><u>\$ 5,200,505</u></u>	<u><u>\$ 2,052,187</u></u>	<u><u>\$ (3,148,318)</u></u>

**CITY OF VICTORVILLE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
FOXBOROUGH RAIL FUND  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and Assessments	\$ 117,006	\$ 117,006	\$ 136,003	\$ 18,997
Investment Income	-	-	-	-
Total Revenues	<u>117,006</u>	<u>117,006</u>	<u>136,003</u>	<u>18,997</u>
<b>EXPENDITURES</b>				
Current:				
Public Works	<u>120,500</u>	<u>170,500</u>	<u>75,285</u>	<u>95,215</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(3,494)	(53,494)	60,718	114,212
Fund Balance - Beginning of Year	<u>355,962</u>	<u>355,962</u>	<u>355,962</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 352,468</u></u>	<u><u>\$ 302,468</u></u>	<u><u>\$ 416,680</u></u>	<u><u>\$ 114,212</u></u>



## **FIDUCIARY FUNDS CUSTODIAL FUNDS**

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

### **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 debit 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 debit is debt without government commitment of the City of Victorville.

### **Community Facilities District Cahuenga**

This fund accounts for the Cahuenga 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 debit 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. The Authority was dissolved and all assets distributed as of June 30, 2021.

**CITY OF VICTORVILLE  
COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
JUNE 30, 2022**

	Community Facilities District 90-01	Community Facilities District 07-01	Community Facilities District 01-01	Community Facilities District Cahuenga	Regional Fire Protection Authority	Totals
<b>ASSETS</b>						
Cash and Investments	\$ 77,516	\$ 196,183	\$ -	\$ 35,341	\$ -	\$ 309,040
Restricted Assets:						
Investments With Fiscal Agent	-	271,191	1,442,823	-	-	1,714,014
Accounts Receivable	537	2,372	1,346	-	-	4,255
Total Assets	<u>78,053</u>	<u>469,746</u>	<u>1,444,169</u>	<u>35,341</u>	<u>-</u>	<u>2,027,309</u>
<b>LIABILITIES</b>						
Accounts Payable	-	-	907,710	-	-	907,710
Total Liabilities	<u>-</u>	<u>-</u>	<u>907,710</u>	<u>-</u>	<u>-</u>	<u>907,710</u>
<b>NET POSITION</b>						
Restricted for:						
Individuals, Organizations, and Other Governments	<u>\$ 78,053</u>	<u>\$ 469,746</u>	<u>\$ 536,459</u>	<u>\$ 35,341</u>	<u>\$ -</u>	<u>\$ 1,119,599</u>

**CITY OF VICTORVILLE  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 YEAR ENDED JUNE 30, 2022**

	Community Facilities District 90-01	Community Facilities District 07-01	Community Facilities District 01-01	Community Facilities District Cahuenga	Regional Fire Protection Authority	Totals
<b>ADDITIONS</b>						
Property Assessments Collected	\$ 3,142	\$ 181,784	\$ 299,706	\$ -	\$ -	\$ 484,632
City Contributions	-	-	50,438	-	-	50,438
Investment Income	-	231	1,146	-	-	1,377
Total Additions	<u>3,142</u>	<u>182,015</u>	<u>351,290</u>	<u>-</u>	<u>-</u>	<u>536,447</u>
<b>DEDUCTIONS</b>						
Community Development	1,624	7,668	13,012	-	-	22,304
Payments on Special Assessment Debt	-	168,904	264,666	-	-	433,570
Total Deductions	<u>1,624</u>	<u>176,572</u>	<u>277,678</u>	<u>-</u>	<u>-</u>	<u>455,874</u>
<b>CHANGE IN NET POSITION</b>	1,518	5,443	73,612	-	-	80,573
Net Position - Beginning of Year	<u>76,535</u>	<u>464,303</u>	<u>462,847</u>	<u>35,341</u>	<u>-</u>	<u>1,039,026</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 78,053</u>	<u>\$ 469,746</u>	<u>\$ 536,459</u>	<u>\$ 35,341</u>	<u>\$ -</u>	<u>\$ 1,119,599</u>

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## 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.

### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.

### **Debt Capacity**

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.

### **Demographic and Economic Information**

This schedule presents information to help the reader understand the environment within which the City's financial activities take place.

### **Operating Information**

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.

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**CITY OF VICTORVILLE**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(IN THOUSANDS)**

	<u>Fiscal Year</u>									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 478,455	\$ 462,432	\$ 484,943	\$ 479,306	\$ 473,590	\$ 462,796	\$ 480,006	\$ 466,516	\$ 453,555	\$ 471,522
Restricted	48,921	45,594	44,922	56,682	58,111	58,571	63,733	77,665	86,627	90,462
Unrestricted	<u>(13,830)</u>	<u>(11,484)</u>	<u>(46,227)</u>	<u>(47,079)</u>	<u>(47,596)</u>	<u>(50,734)</u>	<u>(43,759)</u>	<u>(44,619)</u>	<u>(23,215)</u>	<u>19,767</u>
Total governmental activities net position	<u>513,546</u>	<u>496,542</u>	<u>483,638</u>	<u>488,909</u>	<u>484,105</u>	<u>470,633</u>	<u>499,980</u>	<u>499,563</u>	<u>516,967</u>	<u>581,752</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	363,671	188,425	150,794	66,591	59,439	64,164	49,262	42,900	39,962	47,471
Restricted	7,200	8,604	8,911	9,600	11,981	13,937	0	0	0	0
Unrestricted	<u>(199,817)</u>	<u>(26,466)</u>	<u>(35,217)</u>	<u>54,098</u>	<u>48,212</u>	<u>24,147</u>	<u>33,883</u>	<u>42,640</u>	<u>56,629</u>	<u>76,595</u>
Total business-type activities net position	<u>171,054</u>	<u>170,563</u>	<u>124,488</u>	<u>130,290</u>	<u>119,632</u>	<u>102,248</u>	<u>83,145</u>	<u>85,541</u>	<u>96,591</u>	<u>124,066</u>
<b>Primary government</b>										
Invested in capital assets, net of related debt	842,126	650,857	635,737	545,897	533,029	526,960	529,267	509,416	493,517	518,993
Restricted	56,121	54,198	53,833	66,282	70,092	72,508	63,733	77,665	86,627	90,462
Unrestricted	<u>(213,647)</u>	<u>(37,951)</u>	<u>(81,444)</u>	<u>7,020</u>	<u>616</u>	<u>(26,587)</u>	<u>(9,876)</u>	<u>(1,978)</u>	<u>33,414</u>	<u>96,362</u>
Total primary government net position	<u>\$ 684,600</u>	<u>\$ 667,104</u>	<u>\$ 608,125</u>	<u>\$ 619,199</u>	<u>\$ 603,738</u>	<u>\$ 572,881</u>	<u>\$ 583,124</u>	<u>\$ 585,104</u>	<u>\$ 613,558</u>	<u>\$ 705,818</u>

**CITY OF VICTORVILLE**  
**CHANGES IN NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(IN THOUSANDS)**

	<u>Fiscal Year</u>									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020*</u>	<u>2021</u>	<u>2022</u>
<b>Expenses</b>										
<i>Governmental activities:</i>										
General government	\$13,691	\$14,342	\$12,188	\$12,121	\$8,982	\$21,271	\$19,256	\$20,924	\$19,440	\$21,653
Public safety	32,422	35,679	36,066	35,624	37,719	37,294	45,498	42,413	45,868	49,006
Community Development	4,094	2,931	1,780	1,646	5,375	1,696	1,552	1,314	9,231	2,477
Public works	29,846	33,472	28,856	31,972	33,835	29,076	28,971	31,103	32,425	29,054
Park and recreation	4,509	4,395	3,188	4,911	5,245	5,113	6,090	6,826	7,035	5,562
Interest on long-term debt	74	61	63	102	177	44	112	104	51	33
<i>Total governmental activities expenses</i>	<u>84,637</u>	<u>90,880</u>	<u>82,141</u>	<u>86,376</u>	<u>91,332</u>	<u>94,493</u>	<u>101,481</u>	<u>102,685</u>	<u>114,051</u>	<u>107,784</u>
<i>Business-type activities</i>										
Sanitary Sewer	11,114	12,415	13,523	11,960	12,651	17,019	14,994	17,314	16,552	17,630
Golf course	2,419	2,231	1,716	1,566	1,507	1,544	439	-	-	-
Airport	30,845	32,528	35,453	31,597	32,742	37,406	32,756	34,860	40,578	36,659
Water	29,842	28,419	30,298	33,851	40,185	35,431	41,110	39,439	42,734	44,121
Rail	275	269	-	-	-	-	-	-	-	-
Solid Waste	12,383	13,011	13,144	14,197	15,467	16,614	16,516	17,850	18,616	19,640
Municipal Utilities*	11,767	10,747	11,603	11,016	10,479	12,967	13,569	-	-	-
Municipal Utilities - Gas	-	-	-	-	-	-	-	2,353	2,064	2,844
Municipal Utilities - Electric	-	-	-	-	-	-	-	11,717	12,156	15,801
<i>Total business-type activities expenses</i>	<u>98,645</u>	<u>99,621</u>	<u>105,736</u>	<u>104,186</u>	<u>113,031</u>	<u>120,982</u>	<u>119,383</u>	<u>123,533</u>	<u>132,701</u>	<u>136,695</u>
Total primary government expenses	<u>183,282</u>	<u>190,501</u>	<u>187,877</u>	<u>190,563</u>	<u>204,363</u>	<u>215,475</u>	<u>220,864</u>	<u>226,217</u>	<u>246,752</u>	<u>244,480</u>
<b>Program Revenues</b>										
<i>Governmental activities:</i>										
Charges for services:										
General government	3,559	4,351	4,203	3,136	3,221	5,493	9,144	10,240	10,159	10,274
Public safety	1,425	2,451	1,570	874	720	575	571	887	1,466	1,679
Community development	1,528	3,896	960	1,950	3,163	2,874	5,163	5,800	8,066	9,804
Public works	3,532	15,236	3,519	4,142	4,745	4,560	4,591	4,905	8,310	9,938
Parks and recreation	890	917	935	930	956	876	856	569	834	746
Operating grants and contributions	18,266	5,859	5,191	15,165	10,654	3,964	6,947	4,555	11,719	6,050
Capital contributions and grants	6,940	9,251	7,745	10,626	8,076	4,702	10,312	11,916	7,992	29,326
<i>Total governmental activities program revenues</i>	<u>36,139</u>	<u>41,962</u>	<u>24,123</u>	<u>36,822</u>	<u>31,537</u>	<u>23,044</u>	<u>37,584</u>	<u>38,873</u>	<u>48,548</u>	<u>67,817</u>
<i>Business-type activities:</i>										
Charges for services:										
Sanitary Sewer	14,934	14,729	15,560	13,381	11,374	11,694	13,196	14,663	17,292	19,786
Golf course	1,171	849	395	583	432	470	-	-	-	-
Airport	8,204	8,184	8,110	8,027	6,949	7,531	9,315	11,198	11,056	13,028
Water	26,207	27,470	25,978	27,704	31,146	30,907	31,820	35,607	42,167	46,259
Solid Waste	12,069	12,004	12,342	12,716	13,965	14,336	17,546	18,867	19,776	21,987
Municipal Utilities*	11,270	12,464	13,638	13,899	14,483	13,885	14,882	-	-	-
Municipal Utilities - Gas	-	-	-	-	-	-	-	2,616	2,657	3,216
Municipal Utilities - Electric	-	-	-	-	-	-	-	13,131	15,830	17,421
Operating grants and contributions	10,912	-	-	-	-	-	-	-	-	1,273
Capital contributions and grants	11,557	2,657	54	6,263	2,297	5,178	12,688	6,393	13,777	9,731
<i>Total business-type activities program revenues</i>	<u>96,324</u>	<u>78,356</u>	<u>76,076</u>	<u>82,573</u>	<u>80,647</u>	<u>84,002</u>	<u>99,446</u>	<u>102,474</u>	<u>122,556</u>	<u>132,701</u>
Total primary government program revenues	<u>\$132,463</u>	<u>\$120,318</u>	<u>\$100,199</u>	<u>\$119,395</u>	<u>\$112,184</u>	<u>\$107,046</u>	<u>\$137,031</u>	<u>\$141,347</u>	<u>\$171,104</u>	<u>\$200,518</u>

\* Started reporting Gas and Electric utilities separately in FY2020.



**CITY OF VICTORVILLE**  
**CHANGES IN NET POSITION BY COMPONENT (CONTINUED)**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(IN THOUSANDS)**

	<u>Fiscal Year</u>									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Net (expense) revenue										
Governmental activities	\$(48,498)	\$(48,918)	\$(58,018)	\$(49,554)	\$(59,796)	\$(71,449)	\$(63,897)	\$(63,812)	\$(65,503)	\$(39,967)
Business-type activities	<u>(2,321)</u>	<u>(21,265)</u>	<u>(29,660)</u>	<u>(21,614)</u>	<u>(32,384)</u>	<u>(36,980)</u>	<u>(19,937)</u>	<u>(21,058)</u>	<u>(10,144)</u>	<u>(3,995)</u>
Total primary government net expense	<u>(50,818)</u>	<u>(70,183)</u>	<u>(87,678)</u>	<u>(71,168)</u>	<u>(92,180)</u>	<u>(108,429)</u>	<u>(83,834)</u>	<u>(84,870)</u>	<u>(75,648)</u>	<u>(43,962)</u>
<b>General Revenues and Other Changes in Net Position</b>										
<i>Governmental activities:</i>										
Taxes:										
Property taxes	21,926	21,522	22,138	23,752	24,097	25,662	27,202	28,211	31,980	32,795
Sales taxes	20,671	22,329	24,085	28,212	26,802	26,653	30,629	28,566	35,227	36,865
Transactions and Use Tax*	-	-	-	-	-	-	-	-	7,103	29,587
Transient occupancy tax	841	881	1,064	1,074	1,138	1,305	1,487	1,539	1,899	2,026
Other taxes	2,684	2,892	3,000	3,039	2,840	3,737	3,816	3,988	4,112	4,442
Investment income	169	138	68	158	478	726	1,148	574	(391)	(1,274)
Motor vehicle in lieu	51	-	-	-	-	-	-	-	-	-
Gain on sale of assets	-	31	55	-	-	-	-	-	-	19
Miscellaneous revenues	691	190	314	201	192	377	384	515	818	211
SERAF Obligation	-	-	-	-	-	-	-	-	-	-
Transfers	(2,328)	992	24,090	(779)	(554)	(521)	26,795	-	1,685	82
Extraordinary Gain	-	-	-	-	-	-	-	-	-	-
Legal Settlement	1,754	34	-	-	-	-	-	-	-	-
<i>Total governmental activities</i>	<u>46,459</u>	<u>47,024</u>	<u>74,815</u>	<u>55,657</u>	<u>54,992</u>	<u>57,940</u>	<u>91,461</u>	<u>63,394</u>	<u>82,432</u>	<u>104,752</u>
<i>Business-type activities:</i>										
Taxes	521	18,418	19,781	24,879	25,918	29,070	24,659	20,772	22,405	22,862
Other Taxes	-	-	177	-	-	-	-	-	-	-
Investment income	200	192	-	1,002	726	1,828	2,374	1,918	216	1,266
Gain on sale of assets	60	-	-	125	17	290	-	-	110	17
Miscellaneous revenues	1,768	1,902	2,003	1,432	1,779	1,099	190	630	149	867
Impairment loss on Capital assets	-	-	(24,090)	-	-	-	-	-	-	-
Legal Settlement	52,246	-	-	-	-	-	-	-	-	-
Transfers	2,328	992	-	779	554	521	(26,795)	-	(1,685)	(82)
<i>Total business-type activities</i>	<u>57,123</u>	<u>21,505</u>	<u>(2,129)</u>	<u>28,217</u>	<u>28,993</u>	<u>32,808</u>	<u>429</u>	<u>23,320</u>	<u>21,196</u>	<u>24,930</u>
Total primary government	<u>103,582</u>	<u>68,529</u>	<u>72,686</u>	<u>83,874</u>	<u>83,985</u>	<u>90,748</u>	<u>91,890</u>	<u>86,714</u>	<u>103,628</u>	<u>129,682</u>
<b>Change in Net Position</b>										
Governmental activities	(2,039)	(1,894)	16,797	6,103	(4,803)	(13,510)	27,564	(418)	16,929	64,785
Business-type activities	<u>54,803</u>	<u>240</u>	<u>(31,789)</u>	<u>6,604</u>	<u>(3,392)</u>	<u>(4,171)</u>	<u>(19,509)</u>	<u>2,262</u>	<u>11,051</u>	<u>20,936</u>
Total primary government	<u>\$ 52,764</u>	<u>\$ (1,654)</u>	<u>\$ (14,992)</u>	<u>\$ 12,706</u>	<u>\$ (8,195)</u>	<u>\$ (17,681)</u>	<u>\$ 8,056</u>	<u>\$ 1,844</u>	<u>\$ 27,980</u>	<u>\$ 85,721</u>

\* Measure P Transactions and Use Tax was approved by voters in November 2020 election and went into effect April 1, 2021.

**CITY OF VICTORVILLE**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(IN THOUSANDS)**

	<u>Fiscal Year</u>									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General fund										
Nonspendable	\$ 211	\$ 179	\$ 195	\$ 192	\$ 172	\$ 472	\$ 7,236	\$ 6,225	\$ 5,149	\$ 4,192
Restricted	30	30	-	-	-	-	-	-	-	-
Unassigned	<u>5,047</u>	<u>4,595</u>	<u>3,238</u>	<u>4,630</u>	<u>5,181</u>	<u>6,179</u>	<u>12,812</u>	<u>18,110</u>	<u>41,107</u>	<u>75,466</u>
Total general fund	<u>\$ 5,288</u>	<u>\$ 4,804</u>	<u>\$ 3,433</u>	<u>\$ 4,822</u>	<u>\$ 5,353</u>	<u>\$ 6,651</u>	<u>\$ 20,049</u>	<u>\$ 24,335</u>	<u>\$ 46,256</u>	<u>\$ 79,659</u>
All other governmental funds										
Unreserved, reported in:										
Nonspendable	\$ 212	\$ 180	\$ 195	\$ 194	\$ 174	\$ 474	\$ 04	\$ 11	\$ 05	\$ 4,221
Restricted	48,494	43,869	44,922	56,305	58,108	60,819	62,198	75,962	83,555	76,510
Assigned	573	1,911	-	-	-	-	-	-	-	-
Unassigned	<u>(2,843)</u>	<u>(1,543)</u>	<u>(3,111)</u>	<u>(2,587)</u>	<u>(882)</u>	<u>(2,487)</u>	<u>(7,599)</u>	<u>(4,120)</u>	<u>(2,946)</u>	<u>(1,788)</u>
Total all other governmental funds	<u>\$46,436</u>	<u>\$44,417</u>	<u>\$42,006</u>	<u>\$53,912</u>	<u>\$57,400</u>	<u>\$ 58,807</u>	<u>\$ 54,602</u>	<u>\$ 71,853</u>	<u>\$ 80,614</u>	<u>\$ 78,944</u>

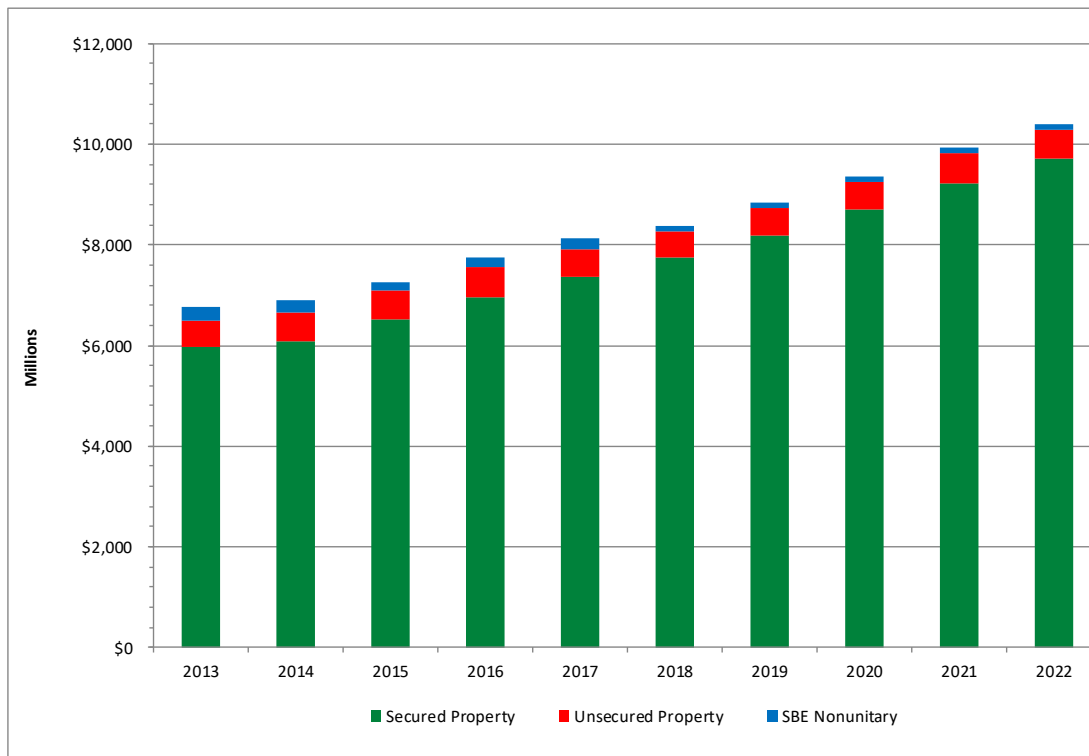
Beginning in 2011, the City started reporting fund balance in conformity with GASB 54, which changed fund balance reclassification.

**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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Revenue</b>										
Taxes	\$46,123	\$47,624	\$50,287	\$55,966	\$54,877	\$57,357	\$65,402	\$64,092	\$83,170	\$108,455
Licenses and permits	1,107	1,230	1,533	1,387	1,463	1,863	2,633	2,786	4,244	5,393
Intergovernmental	9,928	17,249	13,833	25,947	19,293	8,404	8,920	14,651	9,150	27,339
Charges for services	9,256	10,480	9,587	11,627	13,247	15,016	17,236	23,306	23,927	24,982
Fines and forfeitures	1,355	1,142	1,308	737	793	514	473	418	704	829
Investment income	169	138	68	158	478	726	966	1,437	276	(357)
Sale of assets	-	-	-	-	(3,544)	-	-	-	109	-
Legal Settlement	1,754	34	-	-	-	-	-	-	-	-
Other	203	190	314	201	192	464	532	849	3,942	582
<b>Total revenues</b>	<b>\$69,894</b>	<b>\$78,086</b>	<b>\$76,930</b>	<b>\$96,022</b>	<b>\$86,798</b>	<b>\$84,345</b>	<b>\$96,164</b>	<b>\$107,539</b>	<b>\$125,523</b>	<b>\$167,222</b>
<b>Expenditures</b>										
General government	8,218	9,751	11,171	9,676	9,272	11,105	10,625	11,650	11,978	16,722
Public safety	32,061	34,272	35,674	35,875	37,855	39,185	45,004	41,731	45,039	48,066
Community development	3,930	2,788	1,769	1,438	1,899	1,629	1,118	1,128	8,734	2,476
Public works	18,481	23,697	28,349	31,956	29,412	26,185	17,781	18,926	19,299	22,660
Park and recreation	3,022	2,866	2,956	3,363	3,746	3,739	4,047	4,238	4,308	4,267
Capital Outlay*	-	-	-	-	-	-	21,593	8,068	7,428	43,072
Debt services:										
Principal	32	6,082	-	-	-	-	-	153	159	165
Interest & Fiscal agent charges	74	61	63	102	177	44	74	109	57	38
<b>Total expenditures</b>	<b>\$65,818</b>	<b>\$79,516</b>	<b>\$79,982</b>	<b>\$82,411</b>	<b>\$82,362</b>	<b>\$81,887</b>	<b>\$100,243</b>	<b>\$86,003</b>	<b>\$97,001</b>	<b>\$137,466</b>
Excess of revenues over (under) expenditures	4,075	(1,430)	(3,052)	13,611	4,437	2,458	(4,080)	21,536	28,521	29,755
<b>Other financing sources (uses):</b>										
Capital lease proceeds	-	-	-	-	-	-	1,201	-	-	-
Transfer in	21,519	365	1,289	218	246	80	18,424	41	1,757	4,325
Transfer out	(2,653)	(1,327)	(2,200)	(997)	(800)	(601)	(6,649)	(41)	(73)	(2,348)
Gain (loss) on sale of assets	-	31	55	1,058	156	28	-	-	-	-
<b>Total other financing sources(uses)</b>	<b>18,866</b>	<b>(931)</b>	<b>(856)</b>	<b>280</b>	<b>(398)</b>	<b>(494)</b>	<b>12,977</b>	<b>\$-</b>	<b>1,685</b>	<b>1,977</b>
<b>Net change in fund balances</b>	<b>22,941</b>	<b>(2,361)</b>	<b>(3,908)</b>	<b>13,890</b>	<b>4,039</b>	<b>1,964</b>	<b>8,897</b>	<b>21,536</b>	<b>30,206</b>	<b>31,732</b>
Debt service as a percentage of noncapital expenditures	0.2%	7.7%	0.1%	0.1%	0.2%	0.1%	0.1%	0.3%	0.2%	0.1%

\*Starting in FY2019, Capital outlay was broken out of categorical expenditures

**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>
2004	3,141,841,715	222,573,199	477,500,712	3,841,915,626	8.10%
2005	3,828,701,477	219,700,978	492,977,851	4,541,380,306	16.75%
2006	4,973,962,731	234,285,388	487,511,504	5,695,759,623	3.79%
2007	6,671,588,958	254,201,465	475,654,862	7,401,445,285	10.22%
2008	8,445,139,241	528,505,928	483,739,950	9,457,385,119	7.70%
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%
2018	7,751,404,680	507,854,639	106,929,139	8,366,188,458	18.22%
2019	8,173,462,255	553,108,056	104,329,108	8,830,899,419	18.21%
2020	8,697,654,376	549,306,339	98,788,971	9,345,749,686	18.20%
2021	9,212,471,887	608,604,365	100,188,971	9,921,265,223	18.19%
2022	9,722,567,162	570,333,790	116,988,971	10,409,889,923	20.26%

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  
(RATE PER \$100 OF TAXABLE VALUE)  
LAST TEN FISCAL YEARS**

	<u>Fiscal Year</u>									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</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	0.0707	0.0746	0.0810	0.0797	0.0830	0.0871	0.0970	0.0835	0.0916	0.0912
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	0.0381	0.0377	0.0379	0.0378	0.0898	(0.0102)	0.0000	0.0000	0.0000	0.0000
Victor Elementary Bond	0.1026	0.1086	0.1022	0.1124	0.1162	0.1216	0.1204	0.0406	0.0611	0.0591
Victor High School Bond	0.0768	0.0792	0.0770	0.0716	0.0986	0.0915	0.0958	0.0703	0.0445	0.0532
Victor Valley Community College Bond	0.0274	0.0264	0.0262	0.0197	0.0174	0.0198	0.0181	0.0181	0.0198	0.0218
<b>Total Direct and Overlapping Tax Rates</b>	<b>1.4831</b>	<b>1.4940</b>	<b>1.4918</b>	<b>1.4887</b>	<b>1.5725</b>	<b>1.4773</b>	<b>1.4988</b>	<b>1.3800</b>	<b>1.3845</b>	<b>1.3928</b>
City's basic rate**	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605
Total Direct Rate^	0.2162	0.1833	0.1825	0.1824	0.1823	0.1822	0.1821	0.1820	0.1819	0.2026

**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>2022</u>		<u>2013</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>
Higcov SCLC	\$ 143,053,872	1.37%		
Macerich Victor Valley	138,574,840	1.33%	98,015,834	1.45%
High Desert Power Trust	116,200,000	1.12%	278,600,000	4.12%
The American Bottling Company	80,991,601	0.78%	110,575,502	1.63%
Cemex Construction Materials Pacific	75,683,046	0.73%	63,664,488	0.94%
Veyron KDP 1 Partners	65,976,508	0.63%		
Desert Valley Hospital Inc,	65,618,646	0.63%		
Walmart Stores Inc.	64,846,421	0.62%		
Federal Express Corporation	63,558,787	0.61%		
Nutro Products	63,302,530	0.61%	97,058,334	1.43%
Striling Capital Investments			76,534,939	1.13%
Prime Investments			72,443,974	1.07%
Plastipak Packaging Inc			33,484,632	0.49%
AGC Flat Glass North America			27,455,884	0.41%
Goodyear Tire and Rubber			26,489,383	0.39%
	<u>\$ 877,806,251</u>	<u>8.43%</u>	<u>\$ 884,322,970</u>	<u>13.06%</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
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016	-	-	0.00%
2017	-	-	0.00%
2018	-	-	0.00%
2019	-	-	0.00%
2020	-	-	0.00%
2021	-	-	0.00%
2022	-	-	0.00%

<i>Park District***</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016	-	-	0.00%
2017	-	-	0.00%
2018	-	-	0.00%
2019	-	-	0.00%
2020	-	-	0.00%
2021	-	-	0.00%
2022	-	-	0.00%

<i>Sanitary District**</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016	-	-	0.00%
2017	-	-	0.00%
2018	-	-	0.00%
2019	-	-	0.00%
2020	-	-	0.00%
2021	-	-	0.00%
2022	-	-	0.00%

<i>Street Lighting District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
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	725,345	723,720	99.78%
2018	706,459	704,679	99.75%
2019	735,987	734,996	99.87%
2020	756,545	754,972	99.79%
2021	765,513	764,053	99.81%
2022	804,802	803,156	99.80%

\*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. 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. Additional tax levy is based on the districts above.

\*\* 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**

**Governmental Activities**

<b>Fiscal Year</b>	<b>Certificate of Participation</b>	<b>Tax Allocation Bonds*</b>	<b>Capital Lease Agreement</b>	<b>Other**</b>	<b>Total Governmental Activities</b>
2013	\$ -	\$ -	\$ -	\$ 21,933	\$ 21,933
2014	\$ -	\$ -	\$ -	\$ 45,100	\$ 45,100
2015	\$ -	\$ -	\$ -	\$ 44,078	\$ 44,078
2016	\$ -	\$ -	\$ -	\$ 33,111	\$ 33,111
2017	\$ -	\$ -	\$ -	\$ 59,503	\$ 59,503
2018	\$ -	\$ -	\$ -	\$ 65,026	\$ 65,026
2019	\$ -	\$ -	\$ 1,201	\$ 62,594	\$ 63,795
2020	\$ -	\$ -	\$ -	\$ 70,349	\$ 70,349
2021	\$ -	\$ -	\$ -	\$ 76,223	\$ 76,223
2022	\$ -	\$ -	\$ -	\$ 60,686	\$ 60,686

^ In Fiscal Year 2007, the City reclass Solid Waste from Governmental activities to Business- the revenue bond for this fund also got reclass. \$ -

\*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. In Fiscal Year 2018, the City implemented GASB75 which adjusted the amount for 2017 to reflect prior Net OPEB 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</u>	<u>Total Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Debt Per Capita*</u>	<u>% of Personal Income*</u>
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	\$ 21,160	\$ 395,910	\$ 455,413	3,686	238.40
2018	\$ -	\$ 308,400	\$ 50,720	\$ 495	\$ 10,025	\$ 35,661	\$ 405,301	\$ 470,327	3,806	234.98
2019	\$ -	\$ 300,964	\$ 49,450	\$ 253	\$ 9,675	\$ 20,481	\$ 380,822	\$ 444,618	3,514	208.77
2020	\$ -	\$ 294,282	\$ 48,214	\$ -	\$ 9,310	\$ 40,902	\$ 392,709	\$ 463,058	3,663	200.58
2021	\$ -	\$ 289,776	\$ 46,710	\$ -	\$ 8,930	\$ 44,403	\$ 389,819	\$ 466,042	3,665	192.45
2022	\$ -	\$ 285,064	\$ -	\$ 48,044	\$ 8,622	\$ 36,356	\$ 378,086	\$ 438,772	3,213	165.43

^ 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.

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

\* 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> <sup>□</sup>	<u>Total</u>	<u>Percentage Assessed Value</u> *	<u>Per Capita</u>
2013	-	-	-	-	0.00%	-
2014	-	-	-	-	0.00%	-
2015	-	-	-	-	0.00%	-
2016	-	-	-	-	0.00%	-
2017	-	-	-	-	0.00%	-
2018	-	-	-	-	0.00%	-
2019	-	-	-	-	0.00%	-
2020	-	-	-	-	0.00%	-
2021	-	-	-	-	0.00%	-
2022	-	-	-	-	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 Annual Comprehensive Financial Reports FY22

**CITY OF VICTORVILLE  
LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS  
(IN THOUSANDS)**

<u>Fiscal Year</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Debt Limit	\$ 1,014,928	\$ 1,033,611	\$ 1,090,223	\$ 1,160,616	\$ 1,219,803	\$ 1,254,928	\$ 1,324,635	\$ 1,401,862	\$ 1,488,190	\$ 1,561,483
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<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>	<u>1,254,928</u>	<u>1,324,635</u>	<u>1,401,862</u>	<u>1,488,190</u>	<u>1,561,483</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 2022**

Assessed value	\$ 10,409,890
Debt Limit (15% of total assessed value)	1,561,483
Debt applicable to limit:	
General obligation bond	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 1,561,483</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**

2021-22 Assessed Valuation: \$10,404,335,696

	Total Debt <u>6/30/2022</u>	<u>% Applicable (1)</u>	City's Share of <u>Debt 6/30/21</u>
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>			
Victor Valley Joint Community College District	\$154,371,987	28.410%	\$43,857,082
Victor Valley Joint Union High School District	112,632,565	61.91	69,730,821
Adelanto School District	1,368,398	43.017	588,644
Victor School District	47,737,047	83.993	40,095,778
Mojave Water Agency Assessments	1,685,000	24.658	415,487
Adelanto School District Community Facilities District No. 1, I.A. A	12,920,000	100.000	12,920,000
Adelanto School District Community Facilities District No. 2	3,745,000	100.000	3,745,000
Hesperia Unified School District Community Facilities Districts	7,925,000	100.000	7,925,000
Snowline Joint Unified School District Community Facilities Districts	8,990,000	100.000	8,990,000
Victor School District Community Facilities Districts	28,200,000	100.000	28,200,000
Victor Valley Joint Union High School District Community Facilities Districts	5,075,000	100.000	5,075,000
City of Victorville Community Facilities Districts	5,155,000	100.000	<u>5,155,000</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$226,697,812</b>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>			
San Bernardino County General Fund Obligations	\$188,035,000	3.908%	\$7,348,408
San Bernardino Pension Obligation Bonds	119,835,000	3.908	4,683,152
San Bernardino County Flood Control District General Fund Obligations	44,780,000	3.908	1,750,002
Hesperia Unified School District General Fund Obligations	120,185,000	7.582	9,112,427
Snowline Joint Unified School District General Fund Obligations	62,100,000	15.544	9,652,824
Victor Valley Joint Union High School District Certificates of Participation	18,720,000	61.91	11,589,552
Adelanto School District Certificates of Participation	6,050,000	43.017	2,602,529
Oro Grande School District Certificates of Participation	31,120,000	0.572	178,006
<b>City of Victorville General Fund Obligations</b>	<b>0</b>	<b>100</b>	<b><u>0</u></b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$46,916,900</b>
<b><u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u></b>	<b>\$309,369,925</b>	<b>67.159- 100. %</b>	<b>\$217,420,076</b>
<b>TOTAL DIRECT DEBT</b>			<b>\$0</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$491,034,788</b>
<b>COMBINED TOTAL DEBT</b>			<b>\$491,034,788 (2)</b>

(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 2021-22 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.18%
Total Direct Debt (\$0)	0.00%
<u>Combined Total Debt</u>	4.72%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$5,918,416,298)

Total Overlapping Tax Increment Debt	3.67%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

**CITY OF VICTORVILLE  
PLEDGE REVENUE COVERAGE  
LAST TEN FISCAL YEARS  
(IN THOUSANDS)**

**Fiduciary Trust Activities - Successor Agency Tax Allocation Bond**

<u>Fiscal Year</u>	<u>Pledged Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
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%
2018	3,955	1,225	1,965	124%
2019	3,569	1,285	1,907	112%
2020	2,797	1,350	1,840	88%
2021	641	1,420	1,767	20%
2022	1,850	1,495	1,690	58%

**Business Type Activities Debt - SCLAA Tax Allocation Bond**

<u>Fiscal Year</u>	<u>Pledged Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
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%
2018	28,983	4,405	17,580	132%
2019	23,801	5,365	16,208	110%
2020	20,407	5,635	15,845	95%
2021	23,021	5,920	15,551	107%
2022	22,410	6,225	15,238	104%

**Business Type Activities Debt - Water District Certificates of Participation**

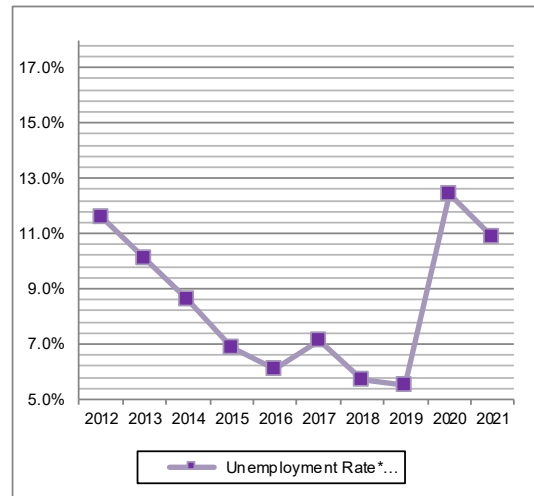
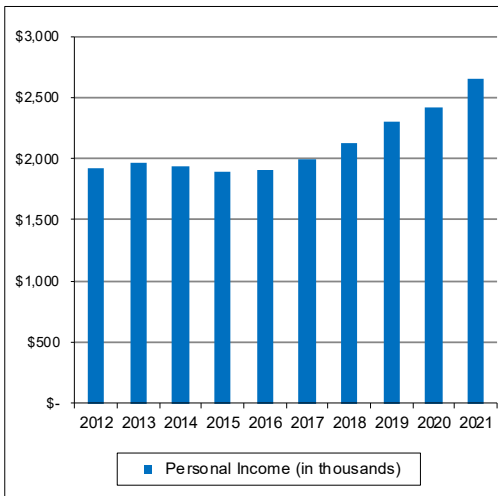
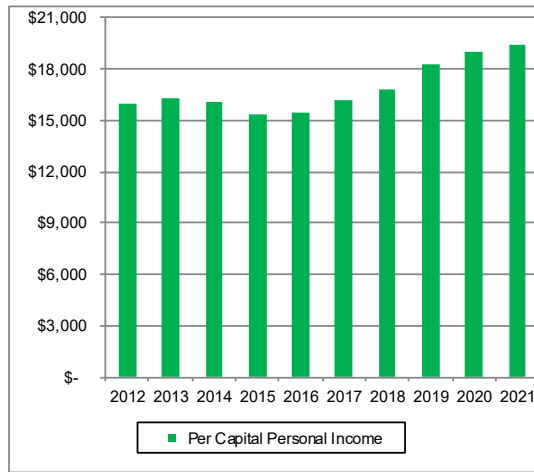
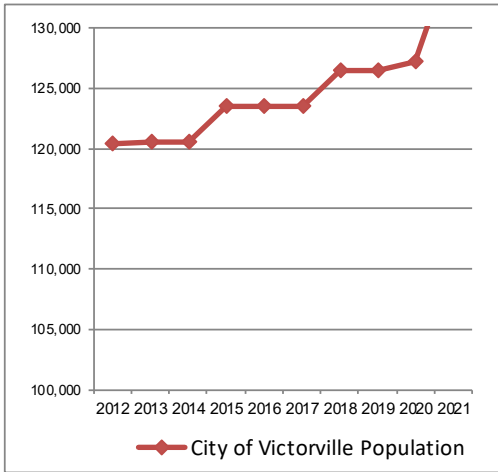
<u>Fiscal Year</u>	<u>Pledged Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2013	1,480	375	619	149%
2014	1,321	395	602	132%
2015	1,157	415	583	116%
2016	1,183	430	564	119%
2017	1,244	320	485	155%
2018	1,244	335	471	154%
2019	1,285	350	457	159%
2020	1,330	365	443	165%
2021	1,294	380	428	160%
2022	1,312	395	412	163%

**Business Type Activities Debt - Electric**

<u>Fiscal Year</u>	<u>Pledged Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2022	4,131	1,480	108	260%

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

**CITY OF VICTORVILLE  
DEMOGRAPHIC AND ECONOMIC 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>
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
2017	123,565	\$ 2,001,567	7.1%	\$ 16,198
2018	126,543	\$ 2,129,706	5.7%	\$ 16,829
2019	126,432	\$ 2,308,617	5.5%	\$ 18,259
2020	127,170	\$ 2,421,637	12.4%	\$ 19,042
2021	136,561	\$ 2,652,278	10.9%	\$ 19,421

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**

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General government	71	72	71	72	73	77	77	75	76	86
Public Safety*	1	1	0	0	0	1	60	59	60	76
Public Works	124	114	108	110	113	116	113	118	116	138
Community Development	4	4	4	4	4	4	4	3	3	3
Community Services	110	104	112	75	75	82	78	86	85	86
Airport	21	24	26	25	26	26	26	24	24	23
Water	56	50	53	57	63	66	66	59	56	56
Total	387	369	374	343	354	372	424	424	420	468

\* Only includes Fire Services. In fiscal year 2018, fire staff were added for start up of new City fire department.

Source: City of Victorville Finance Department.

**CITY OF VICTORVILLE  
OPERATION INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Function</b>	<b>Fiscal Year</b>								
	<b>2013</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Public Safety</b>									
Police									
Physical arrests	4,096	5,389	5,194	5,716	5,733	*	*	*	*
Traffic Violations	9,404	6,759	4,070	5,561	3,635	*	*	*	*
<b>Public works</b>									
Street Maintenance									
Potholes repaired (number)	3,124	3,832	4,138	5,667	7,427	7,713	11,444	8,653	9,455
Graffiti removal (locations)	14,708	5,687	4,708	2,824	3,116	2,592	2,966	3,240	2,793
Streets sweeping (tons)	1,907	1,782	1,687	1,627	1,544	1,712	1,878	1,877	1,824
<b>Sanitation</b>									
Refuse collected (tons/day)	166	182	202	206	210	220	228	236	240
Recyclables collected (tons/day)	28	32	33	32	32	33	35	39	40
<b>Community Services</b>									
Park and Recreation									
Athletic field permits issued	6,788	5,970	5,905	6,310	5,785	5,020	162	41***	45***
Community center enrollments	30,915	31,384	29,958	25,343	19,518	14,503	1,973	882**	1,667
Facilities rental used	2,062	2,036	2,388	2,469	2,252	1,803	62	9**	177**
<b>Water</b>									
Water Consumption (in hundred cubic feet)									
Residential	6,198,485	5,991,545	5,191,845	5,505,636	5,722,934	4,961,977	5,135,298	5,522,763	5,371,857
Multi Residential	483,968	467,812	405,373	444,737	490,302	752,766	781,018	840,414	844,824
Commercial	1,535,667	1,484,402	1,286,280	1,357,027	1,587,468	1,325,873	1,551,122	1,628,740	1,486,743
Institutional	465,354	449,819	389,782	437,698	470,500	773,125	857,134	852,178	944,442
Irrigation	623,574	602,757	522,308	491,157	471,954	460,627	486,095	541,868	592,475
Fire service	22	43	50	94	148	2,963	3,919	3,112	3,844
Recycled	-	407,194	274,824	127,752	205,354	316,953	275,268	344,982	380,617
Total	9,307,070	9,403,572	8,070,462	8,364,101	8,948,660	8,594,284	9,089,854	9,734,057	9,624,802
Water Sold (in acre feet)	21,366	20,653	17,896	19,201	20,543	19,730	20,868	22,346	22,096
Number of Customer Connections									
Residential	32,145	32,841	32,884	32,650	32,386	32,680	33,047	33,709	34,501
Multi Residential	195	195	198	197	776	768	759	762	762
Commercial	1,059	1,064	1,066	1,074	1,099	1,333	1,325	1,358	1,363
Institutional	204	205	206	207	169	256	225	226	226
Irrigation	235	236	236	239	266	331	371	386	396
Fire service	554	555	555	564	580	598	608	616	625
Recycled	-	2	2	2	4	4	5	7	5
Total	34,392	35,098	35,147	34,933	35,280	35,970	36,340	37,064	37,878
Average Daily Consumption (in thousands of gallons)	19,074	19,272	16,540	17,142	16,917	17,614	18,629	19,950	19,726
Estimated Population	119,658	122,233	121,419	121,608	122,699	123,758	125,085	127,543	130,788
Per Capita Average Daily Consumption (in gallons)	159	158	136	141	138	142	149	156	151
Rainfall in inches	1.90	2.75	0.92	5.69	4.92	0.69	4.16	4.95	1.63

Source: City of Victorville departments

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

\* Indicator information unavailable at this time. San Bernamndino County changed reporting software for Police and information has not been retrievable.

\*\* Parks and Recreation facilities and classes were closed through most of the year related to COVID-19 restrictions.

\*\*\*Athletic Permits issued for six month periods instead of the previous monthly periods.



**CITY OF VICTORVILLE  
OPERATION INDICATORS BY FUNCTION (CONTINUED)  
LAST TEN FISCAL YEARS**

	<u>Fiscal Year</u>								
	<u>2013</u>	<u>2015</u>	<u>2016*</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Consumption (per hundred cubic feet)</b>									
Standard Domestic	\$ 1.53	\$ 1.53	\$ 1.75	\$ 1.75	\$ 1.88	\$ 2.03	\$ 2.18	\$ 2.35	\$ 2.61
Construction Flow	2.47	2.47	2.77	2.77	2.94	3.12	3.32	\$ 3.51	\$ 3.56
Untreated Well	0.52	0.52	0.60	0.60	0.64	0.69	0.74	\$ 0.80	\$ 0.89
Recycled	0.92	0.92	1.05	1.05	1.13	1.22	1.31	\$ 1.41	\$ 1.57
Public Benefit	0.61	0.61	-	-	-	-	-	-	-
<b>Monthly Service Fee</b>									
Monthly per average daily use 0.00-0.26	\$ 17.25	\$ 17.25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Monthly per average daily use 0.27-1.17	18.25	18.25	-	-	-	-	-	-	-
Monthly per average daily use 1.18-6.60	36.50	36.50	-	-	-	-	-	-	-
Monthly per average daily use > 6.60	130.50	130.50	-	-	-	-	-	-	-
3/4 inch meter	\$ -	\$ -	\$ 11.78	\$ 11.78	\$ 12.23	\$ 12.68	\$ 13.15	\$ 13.36	\$ 15.24
1 inch meter	-	-	18.59	18.59	19.30	20.02	20.75	21.09	23.31
1 1/2 inch meter	-	-	35.62	35.62	36.99	38.37	39.76	40.41	43.49
2 inch meter	-	-	56.06	56.06	58.21	60.39	62.58	63.60	67.71
3 inch meter	-	-	110.56	110.56	114.80	119.09	123.42	125.44	132.28
4 inch meter	-	-	171.88	171.88	179.47	185.14	191.87	195.01	204.93
6 inch meter	-	-	342.19	342.19	355.32	368.60	382.00	388.25	406.72
8 inch meter	-	-	955.34	955.34	991.99	1,029.07	1,066.48	1,083.92	1,133.18
> 8 inch meter	-	-	1,432.23	1,432.23	1,487.17	1,542.77	1,598.85	1,624.99	1,698.21
<b>Fire Service Fee</b>									
1 inch meter	\$ 10.00	\$ 10.00	\$ 2.69	\$ 2.69	\$ 2.82	\$ 2.96	\$ 3.10	3.20	4.14
2 inch meter	10.00	10.00	5.19	5.19	5.48	5.78	6.09	4.64	5.15
2 1/2 inch meter	10.00	10.00	5.19	5.19	5.48	10.65	6.09	6.37	6.36
3 inch meter			9.50	9.50	10.06	19.62	11.27	11.83	10.19
4 inch meter	10.00	10.00	17.45	17.45	18.50	42.68	20.80	21.90	17.26
6 inch meter	10.00	10.00	37.88	37.88	40.21	73.44	45.31	47.78	35.42
8 inch meter	10.00	10.00	65.13	65.13	69.16	114.45	77.99	82.30	59.63
> 8 inch meter	10.00	10.00	101.45	101.45	107.75	114.45	121.56	128.31	91.91

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Public Safety</b>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	52	52	52	52	55	54	54	54	70	70
Fire Stations	6	6	6	5	5	5	5	5	5	5
<b>Public Works</b>										
Highways and streets:										
Streets (miles)	448	448	448	449	449	449	449	449	449	449
Streetlights	376	392	392	396	404	408	418	418	428	428
Traffic Signals	83	87	87	88	90	91	94	94	97	97
Sewer:										
Sanitary sewers (miles)	419	419	419	440	440	443	443	449	455	455
Storm sewers (miles)	473	473	473	473	473	473	473	473	473	473
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	40,226	40,152	40,029	40,092	40,551	41,232	41,723	36,616	36,222	36,764
<b>Community Services</b>										
Parks acreage	263	263	263	263	180	180	180	180	180	180
Park	18	18	18	18	19	19	19	19	19	19
Golf Courses	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	6	6	6	6	6	6	6	6	6	6
Community Centers	6	6	6	6	7	7	7	7	7	7
<b>Airport</b>										
Runway length (miles)	5	5	5	5	5	5	5	5	5	4*
Sewer pipeline	30	30	30	30	30	30	30	30	30	30
Number of hangars	26	26	26	26	26	26	26	26	26	26
Number of buildings	52	52	52	52	52	52	52	52	52	52
<b>Water</b>										
Water Production in Acre feet	23,518	23,830	22,030	20,905	22,476	24,383	21,755	22,017	23,487	22,468
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	1	1	1	1
Recycled Storage in Millions of Gallons	1	1	1	1	1	1	2	2	2	2
Wells	32	32	32	32	32	32	34	34	34	34
Pipeline - Linear Feet (in thousands)	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	4,087
Pipeline - Miles	694	694	694	694	694	694	694	709	709	774
Booster Pumping Stations	4	4	4	4	4	4	4	4	4	4
Pressure Regulating Stations	24	24	24	24	25	25	25	25	25	25

\*Per request by FAA, Runways were shortened to a combined total of 4 miles.

Source: City of Victorville departments

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

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ATTACHMENT B  
Draft Independent Auditor's Report for  
Fiscal Year Ended June 30, 2022

City Council  
City of Victorville  
Victorville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Victorville, California, (City) including the Southern California Logistics Airport Authority (SCLAA) and Victorville Water District (District) blended component units, as of and for the year ended June 30, 2022, and have issued our report thereon dated **REPORT DATE**. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our engagement agreement dated June 7, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings or issues**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

As described in Note 1 , the City changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 87, *Leases*, in fiscal year 2021-2022. There was no impact to net position resulting from the accounting change as of the beginning of the year.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.
- The Other Postemployment Benefit Plan (OPEB) expense, total OPEB liability, and corresponding deferred outflows of resources and deferred inflows of resources for the City's OPEB plan are based on several key assumptions that are set by management with the assistance of an independent third party actuary. These key assumptions include anticipated investment rate of return, health care cost trends, mortality, and certain amortization periods.
- Management's estimate of the claims payable liabilities related to general liability and worker's compensation claims are based on actuarial valuations.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

#### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of pledged revenue in Note 10 to the financial statements as it relates to bond covenants.
- The disclosure of fund deficits in Note 11 to the financial statements and the City's plans to address such deficits.
- The disclosure of SCLAA's financial condition, significant financial obligations, and management plans in Note 20 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### ***Corrected misstatements***

The following material misstatements detected as a result of audit procedures were corrected by management:

- The net pension liability and corresponding deferred outflows and inflows of resources were adjusted, which resulted in an overall decrease to pension expense of approximately \$2.4 million.

- Audit adjustments had a net impact to decrease capital assets \$4.5 million, decreasing expenses/expenditures \$2.7 million and increase prepaid items \$4.2 million.
- Approximate changes in the general ledger balances due to the adjustments are as follows: net decrease in receivables of \$13.4 million, net decrease in deferred inflows of resources, unavailable revenues, and unearned revenues of \$12.5 million, and a net decrease in revenues of \$803 thousand.

### ***Disagreements with management***

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

### ***Circumstances that affect the form and content of the auditors' report***

As previously communicated to you, the report was modified to include emphasis of matter paragraphs relating to (1) the restatement of beginning net position for error corrections and (2) the adoption of GASB 87.

### ***Management representations***

We have requested certain representations from management that are included in the management representation letter dated **REPORT DATE**.

### ***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

### ***Other audit findings or issues***

We have provided a separate communication to you dated **DATE**, communicating internal control related matters identified during the audit.

### ***Supplementary information in relation to the financial statements as a whole***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such

changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the General Fund combining statements, the Capital Impact Facilities Fund budgetary comparison, the nonmajor fund combining statements, and the individual fund budgetary comparison schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated **REPORT DATE**.

#### **Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory and statistical sections. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

\* \* \*

This communication is intended solely for the information and use of the City Council and management of the City of Victorville and is not intended to be, and should not be, used by anyone other than these specified parties.

**CliftonLarsonAllen LLP**

Irvine, California  
**REPORT DATE**



ATTACHMENT C  
Draft Victorville Water District for  
Fiscal Year Ended June 30, 2022

**VICTORVILLE WATER DISTRICT  
(A COMPONENT UNIT OF THE CITY OF VICTORVILLE,  
CALIFORNIA)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**

**VICTORVILLE WATER DISTRICT  
(A COMPONENT UNIT OF THE CITY OF VICTORVILLE, CALIFORNIA)  
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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
Victorville Water District  
Victorville, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Victorville Water District (the District), a component unit of the City of Victorville, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Victorville Water District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2022, and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Victorville Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of the plan's proportionate share of the net pension liability, schedule of plan contributions, and schedule of the plan's proportionate share of the total OPEB liability, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Supplementary Information***

Our audit for the year ended June 30, 2022 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information) for the year ended June 30, 2022 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2022 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2022.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the District as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated February 25, 2022, which contained an unmodified opinion on the financial statements of the District. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information) for the year ended June 30, 2021, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2021 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the June 30, 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

***Report on Summarized Comparative Information***

We have previously audited the District's 2021 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated February 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, on our consideration of the District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 the Victorville Water District's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Irvine, California  
REPORT DATE

**VICTORVILLE WATER DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**  
(WITH COMPARATIVE DATA FOR JUNE 30, 2021)

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 74,178,469	\$ 61,344,992
Cash and Investments with Fiscal Agent	836,313	836,313
Accounts Receivable, Net	6,340,504	4,814,719
Interest Receivable	58,333	25,368
Due from Other Governments	34,652	14,711
Inventory	948,273	1,247,678
Total Current Assets	82,396,544	68,283,781
<b>NONCURRENT ASSETS</b>		
Prepaid Deposits	21,523	203,888
Nondepreciable Capital Assets	35,176,126	29,397,572
Depreciable Capital Assets, Net	122,916,314	128,298,559
Total Noncurrent Assets	158,113,963	157,900,019
Total Assets	240,510,507	226,183,800
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - OPEB Related	2,106,668	2,285,798
Deferred Outflows - Pension Related	2,876,885	2,723,322
Total Deferred Outflows of Resources	4,983,553	5,009,120

See accompanying Notes to Financial Statements.



**VICTORVILLE WATER DISTRICT**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**JUNE 30, 2022**  
(WITH COMPARATIVE DATA FOR JUNE 30, 2021)

	2022	2021
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 4,592,839	\$ 2,279,680
Interest Payable	168,460	175,208
Prepaid Water Connection Fees	217,489	217,489
Deposits Payable	1,669,971	1,438,378
Total OPEB Liability - Due Within One Year	253,227	224,298
Long-Term Liabilities, Due Within One Year	841,847	781,743
Total Current Liabilities	7,743,833	5,116,796
<b>NONCURRENT LIABILITIES</b>		
Total OPEB Liability	12,275,005	11,579,695
Net Pension Liability	9,263,027	14,076,845
Long-Term Liabilities, Due in More Than One Year	8,330,788	8,734,544
Total Noncurrent Liabilities	29,868,820	34,391,084
Total Liabilities	37,612,653	39,507,880
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - OPEB Related	2,420,187	3,036,460
Deferred Inflows - Pension Related	4,385,336	260,383
Total Deferred Inflows of Resources	6,805,523	3,296,843
<b>NET POSITION</b>		
Net Investment in Capital Assets	150,031,812	148,855,087
Unrestricted	51,044,072	39,533,110
Total Net Position	\$ 201,075,884	\$ 188,388,197

See accompanying Notes to Financial Statements.

**VICTORVILLE WATER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2022**  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
<b>OPERATING REVENUES</b>		
Utility Sales	\$ 36,135,804	\$ 32,996,925
Meter and Service Fees	8,306,160	7,481,406
Pass-Thru Charges	991,164	1,084,485
Fines and Forfeitures	145,832	-
Arsenic Surcharge	275,274	263,614
Other	405,018	340,572
Total Operating Revenues	46,259,252	42,167,002
<b>OPERATING EXPENSES</b>		
Personnel Services	9,681,920	10,901,457
Maintenance and Operations	13,118,928	16,916,550
Production Costs	11,026,983	4,631,287
Pass-Thru Production Costs	2,698,831	2,530,813
Depreciation	7,194,999	7,338,599
Total Operating Expenses	43,721,661	42,318,706
<b>OPERATING INCOME (LOSS)</b>	2,537,591	(151,704)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Taxes	1,130,682	1,096,573
Intergovernmental	634,939	-
Investment Income	(243,999)	112,170
Interest Expense	(399,462)	(415,588)
Gain on Disposition of Assets	16,201	12,976
Other Nonoperating Revenues	(8,427)	118,006
Settlement Proceeds	843,920	-
Total Nonoperating Revenues (Expenses)	1,973,854	924,137
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	4,511,445	772,433
<b>CAPITAL CONTRIBUTIONS</b>		
Capital Restricted Use Fees	6,053,629	5,169,389
Alternate Water Source Fees	1,110,296	903,332
Contributions from the City of Victorville	813,860	590,100
Capital Contributions	198,457	-
Total Capital Contributions	8,176,242	6,662,821
<b>CHANGE IN NET POSITION</b>	12,687,687	7,435,254
Net Position - Beginning of Year	188,388,197	180,952,943
<b>NET POSITION - END OF YEAR</b>	\$ 201,075,884	\$ 188,388,197

See accompanying Notes to Financial Statements.

**VICTORVILLE WATER DISTRICT  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2021)**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 43,403,105	\$ 39,476,109
Cash Payments to Employees for Services	(10,179,711)	(10,014,033)
Cash Payments to Suppliers for Goods and Services	<u>(14,339,984)</u>	<u>(16,036,451)</u>
Net Cash Provided by Operating Activities	18,883,410	13,425,625
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash Received from Other Governments	1,765,621	1,096,573
Cash Received from Settlements	843,920	-
Net Cash Provided by Noncapital Financing Activities	<u>2,609,541</u>	<u>1,096,573</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash Received from the Sale of Capital Assets	16,252	37,023
Cash Payments to Acquire Capital Assets and Other Assets	(7,591,359)	(4,410,837)
Principal Paid on Capital-Related Debt	(395,000)	(380,000)
Interest Paid on Capital-Related Debt	<u>(412,403)</u>	<u>(428,194)</u>
Net Cash Used by Capital and Related Financing Activities	(8,382,510)	(5,182,008)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Purchases	(276,964)	-
Interest Received on Investments	-	199,219
Net Cash Provided (Used) by Investing Activities	<u>(276,964)</u>	<u>199,219</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	12,833,477	9,539,409
 Cash and Cash Equivalents - Beginning of Year	<u>61,344,992</u>	<u>51,805,583</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 74,178,469</u></u>	<u><u>\$ 61,344,992</u></u>
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:</b>		
Cash and Investments	<u><u>\$ 74,178,469</u></u>	<u><u>\$ 61,344,992</u></u>

See accompanying Notes to Financial Statements.

**VICTORVILLE WATER DISTRICT**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 2,537,591</b>	<b>\$ (151,704)</b>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Depreciation	7,194,999	7,338,599
Nonoperating Miscellaneous Revenue (Expense) and Capital Contributions	8,167,815	6,780,827
(Increase) Decrease in Assets:		
Accounts Receivable, Net	(1,525,785)	(147,293)
Due from Other Governments	(19,941)	1,050
Inventory	299,405	(491,887)
Prepaid Deposits	182,365	78,514
Deferred Outflows - OPEB	179,130	(1,532,401)
Deferred Outflows - Pension	(153,563)	(174,814)
Increase (Decrease) in Liabilities:		
Accounts Payable	2,313,159	747,732
Prepaid Water Connection Fees	-	(498,044)
Deposits Payable	231,593	(1,119,593)
Compensated Absences	57,541	6,276
Total OPEB Liability	724,239	1,515,258
Net Pension Liability	(4,813,818)	1,080,748
Deferred Inflows - OPEB	(616,273)	287,727
Deferred Inflows - Pension	4,124,953	(295,370)
Net Cash Provided by Operating Activities	<b>\$ 18,883,410</b>	<b>\$ 13,425,625</b>

See accompanying Notes to Financial Statements.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Reporting Entity**

On August 15, 2007, the Victor Valley Water District and the Baldy Mesa Water District were consolidated into a subsidiary district of the City of Victorville (the City), known as the Victorville Water District (the 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 upon consolidation. Upon consolidation 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 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 (the City Council), each holding staggered four-year terms.

The District is an integral part of the reporting entity of the City of Victorville (the City) and is reflected as a blended component unit within the City of Victorville. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. The District fund has been included within the scope of the basic financial statements of the City because the City Council is the governing board and has financial accountability over the operations of the District. Only the District fund is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Victorville, California.

**B. Basic Financial Statements**

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the notes to the basic financial statements.

**C. Basis of Accounting, Measurement Focus, and Financial Statement Presentation**

The District reports its activities as an enterprise fund (proprietary fund type), which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales and services), capital grants and similar funding.

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

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting, Measurement Focus, and Financial Statement Presentation  
(Continued)**

Proprietary funds are presented using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statement of net position.

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, regardless of when the related cash flows take place. Amounts paid to acquire capital assets are capitalized as assets. Proceeds of long-term debt and acquisitions under capital leases are recorded as a liability. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues, such as water sales and service charges that include utility sales, meter and service fees, pass-thru charges, fines and forfeitures, arsenic surcharge, and other reimbursements, result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as taxes and investment income, result from nonexchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Operating expenses, such as the cost of providing water, include the personnel services, maintenance and operations, production costs, pass-thru production costs, and depreciation on capital assets. All expenses not meeting this definition, such as interest expense, are reported as nonoperating expenses.

**D. Cash and Investments**

Investments are reported in the accompanying statement of net position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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, and any gains or losses realized upon the liquidation or sale of investments.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include the cash and investments held by a fiscal agent.

**F. Accounts Receivable, Net**

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and directly write-off of those accounts.

**G. Inventory**

The District uses the consumption method of accounting for inventories. Inventory consists primarily of water meters, pipe and pipe fittings for construction, and repair to the District's water transmission and distribution system. Materials and supplies are valued at cost using a weighted average method.

**H. Prepaid Deposits**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements utilizing the consumption method.

**I. Capital Assets**

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are recorded at estimated acquisition value at the date of donation. The District capitalizes all assets with an initial individual cost of more than \$5,000 and a useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life are not capitalized.

Depreciation is computed utilizing the straight-line method over the following useful lives:

Buildings and Improvements	10 to 50 Years
Computer and Communications	5 Years
Furniture and Equipment	3 to 7 Years
Infrastructure:	
Transmission and Distribution Systems	40 Years
Source of Supply – Wells	10 to 40 Years
Water Treatment Systems	5 to 10 Years
Intangibles	5 to 25 Years
Vehicles	8 to 15 Years

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Customer Deposits**

Based on a customer's credit, the District may require a deposit deemed reasonable by the District. These deposits are held to pay off close out bills or to cover delinquent payments.

**K. Compensated Absences**

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances is 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.

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 District. 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 District and the employee.

The balance of unpaid vacation and vested sick leave at year-end is recorded as a long-term liability in the financial statements.

**L. Deferred Outflows and Deferred Inflows of Resources**

The statement of net position reports 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 until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability and the total OPEB liability.
- Deferred outflows related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to OPEB for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.



**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Deferred Outflows and Deferred Inflows of Resources (Continued)**

The statement of net position reports 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 District has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflows related to OPEB for differences between expected and actual experiences and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plan.
- Deferred inflows related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

**M. Prepaid Water Connection Fees**

Prepaid connection fees were received before year-end but will not be earned until the properties are developed and connected to the District's system.

**N. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the District through the collection of AB-1600 connection fees, by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

**O. 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 (including premiums and discounts) that attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Position* – This amount is restricted by enabling legislation (such as external creditors, grantors, contributors, laws or regulations of other governments).

*Unrestricted Net Position* – This amount is all of the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Net Position (Continued)**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by Council.

**P. 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 of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS. 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.

**Q. Prior Year Data**

Selected information regarding the prior year had 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

**R. 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS**

Cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 74,178,469
Cash and Investments with Fiscal Agent	836,313
Total Cash and Investments	<u>\$ 75,014,782</u>

Cash and investments as of June 30, 2022, consist of the following:

Deposits with Financial institutions	\$ 99,256
Deposits Held in City Pool	43,323,241
Investments	31,592,285
Total Cash and Investments	<u>\$ 75,014,782</u>

**Investments Pool of the City of Victorville**

The District's equity in the cash and investment City pool is managed by the City of Victorville. The District is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Victorville. The District has not adopted an investment policy separate from that of the City of Victorville. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

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

The City adopts the investment policy for the District. The table on the following page identifies the investment types that are authorized for the District 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.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments Authorized by the California Government Code and the City's Investment Policy (Continued)**

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
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	40%	30%
Commercial Paper - Nonpooled Funds	No	270 Days	25%	10%
Commercial Paper - Pooled Funds	No	270 Days	40%	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%	None
Mutual Funds***	Yes	5 Years	20%*	10%
Money Market Mutual Funds***	Yes	5 Years	20%*	None
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.

\*\* Ginnie Mae is not to exceed 20% of the total portfolio.

\*\*\* Fund must be an AAA rated Government or U.S. Treasury money fund.

**Investments Authorized by Debt Agreements**

Investments 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 District's investment policy. The following table 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 and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 Days	None	None
Commercial Paper	270 Days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Certificate of Deposit	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None
California Common Law Trust Shares	None	None	None

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**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 District 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 District's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

Investment Type	Total	Remaining Maturities (in Months)	
		Within 12	60+
LAIF	\$ 30,755,972	\$ 30,755,972	\$ -
Held by Bond Trustee:			
Guaranteed Investment Contract (GIC)*	816,500	-	816,500
Money Market Mutual Funds	19,813	19,813	-
Total	<u>\$ 31,592,285</u>	<u>\$ 30,775,785</u>	<u>816,500</u>

\* The District'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, 2022, FSA was not in default and the value of the collateral met the requirements.

**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 Standard & Poor's rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Ratings as of Year-End	
			AAA	Not Rated
LAIF	\$ 30,755,972	N/A	\$ -	\$ 30,755,972
Held by Bond Trustee:				
Guaranteed Investment Contract (GIC)	816,500	N/A	-	816,500
Money Market Mutual Funds	19,813	AAA	19,813	-
Total	<u>\$ 31,592,285</u>		<u>\$ 19,813</u>	<u>\$ 31,572,472</u>

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District has no investments in any one issuer (other than LAIF and money market mutual funds) that represent 5% or more of the City's investments.

**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).

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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2022, the District's deposits (bank balances) were insured by the federal depository insurance limits or collateralized as required under California Law.

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 District 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 District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District'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.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements**

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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 of other items.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurements. These unobservable inputs reflect the District'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 District's own data.

The District's investments in LAIF and money market mutual funds (held by bond trustee) are not subject to the fair value measurement hierarchy. The District's investment in the GIC are included in Level 3 since they are not actively traded. To value the GIC, the District verified the collateral required was held at a minimum of 100% of the value reported above and recorded the investment at that amount.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022, is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
<b>Nondepreciable Assets:</b>				
Land	\$ 8,884,222	\$ -	\$ (51)	\$ 8,884,171
Intangibles	12,853,367	5,484,505	-	18,337,872
Idle Assets	3,017,958	-	-	3,017,958
Land Improvements	536,342	-	-	536,342
Construction in Progress	4,105,683	2,458,113	(2,164,013)	4,399,783
Total Nondepreciable Assets	<u>29,397,572</u>	<u>7,942,618</u>	<u>(2,164,064)</u>	<u>35,176,126</u>
<b>Depreciable Assets:</b>				
Buildings and Improvements	28,152,286	206,117	-	28,358,403
Computer and Communication	672,671	-	-	672,671
Furniture and Equipment	37,900,013	-	-	37,900,013
Infrastructure	201,768,285	1,199,984	-	202,968,269
Intangibles	1,542,724	-	-	1,542,724
Vehicles	3,824,882	406,653	(239,006)	3,992,529
Total Depreciable Assets	<u>273,860,861</u>	<u>1,812,754</u>	<u>(239,006)</u>	<u>275,434,609</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(10,759,905)	(697,235)	-	(11,457,140)
Computer and Communication	(620,950)	(29,008)	-	(649,958)
Furniture and Equipment	(29,835,112)	(1,432,672)	-	(31,267,784)
Infrastructure	(100,239,551)	(4,820,336)	-	(105,059,887)
Intangibles	(1,539,492)	(3,233)	-	(1,542,725)
Vehicles	(2,567,292)	(212,515)	239,006	(2,540,801)
Total Accumulated Depreciation	<u>(145,562,302)</u>	<u>(7,194,999)</u>	<u>239,006</u>	<u>(152,518,295)</u>
Total Depreciable Assets, Net	<u>128,298,559</u>	<u>(5,382,245)</u>	<u>-</u>	<u>122,916,314</u>
Capital Assets, Net	<u>\$ 157,696,131</u>	<u>\$ 2,560,373</u>	<u>\$ (2,164,064)</u>	<u>\$ 158,092,440</u>

Depreciation expense for the District was \$7,194,999 for the year ended June 30, 2022.

**NOTE 4 LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2022, is noted below:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
<b>Other Long-Term Liabilities:</b>					
Compensated Absences	\$ 493,397	\$ 431,801	\$ (374,260)	\$ 550,938	\$ 431,847
<b>Other Debt:</b>					
2006 Certificate of Participation	8,930,000	-	(395,000)	8,535,000	410,000
Unamortized Discounts/Premiums	92,890	-	(6,193)	86,697	-
Total	<u>\$ 9,516,287</u>	<u>\$ 431,801</u>	<u>\$ (775,453)</u>	<u>\$ 9,172,635</u>	<u>\$ 841,847</u>



**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

**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 - see end of note. 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, 2022 is \$8,535,000.

The annual requirements to amortize outstanding debt of the District as of June 30, 2022, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30,</u>	Certificates of Participation	
	Principal	Interest
2023	\$ 410,000	\$ 395,388
2024	425,000	377,226
2025	445,000	358,304
2026	465,000	338,511
2027	485,000	317,849
2028-32	2,775,000	1,229,700
2033-37	3,530,000	458,250
Subtotal	8,535,000	\$ 3,475,228
Premium	86,697	
Total	\$ 8,621,697	

**Rate Covenant**

The 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 2006 Certificates of Participation 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, 2022. The calculation was prepared using revenues and the proportionate expenses applicable to the Baldy Mesa Water District.

**Pledged Revenues**

The District has a debt issuance outstanding that is collateralized by the pledging of certain revenues. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table presented previously. The purpose for which the proceeds of the related debt issuance was utilized are disclosed in the debt description noted previously.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

**Pledged Revenues (Continued)**

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

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (Net of Expenses, Where Required)</u>	<u>Annual Debt Service Payment (of All Debt Secured by This Revenue)</u>	<u>Pledged Revenue as a Percentage of Debt Service</u>
Net Revenues Pledged by the District for the 2006 Certificates of Participation	\$ 1,312,104	\$ 807,403	163%

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN**

**Plan Description**

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 five 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). The District has not established a trust for the purpose of holding assets accumulated for plan benefits.

**Employees Covered**

As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active Employees	84
Inactive Employees or Beneficiaries Currently Receiving Benefits	34
Inactive Employees Entitled to, But Not Yet Receiving Benefits	6
Total	<u><u>124</u></u>

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

**Contributions**

The District Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units.

The annual contribution is based on the year's retiree medical premiums (pay-as-you-go basis). For the fiscal year ended June 30, 2022, the District's cash contributions were \$226,537 for current premiums, \$672 for administrative costs, and the estimated implied subsidy was \$47,000 resulting in total payments of \$274,209.

**OPEB Liability**

The District's total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation dated June 30, 2020, using update procedures to roll forward the Total OPEB Liability to the measurement date of June 30, 2021.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.16%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability, and Termination	1997-2015 Experience Study
Mortality Improvement	Postretirement mortality projected fully generational with Scale MP-2020
Healthcare Trend Rate	Non-Medicare: 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.16%. The discount rate is determined based on the Bond Buyer 20-Bond Index since the District has not established a trust.

**Change in Actuarial Assumptions**

The discount rate changed from 2.21% at the beginning of the measurement period to 2.16% based on changes in the index.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

**Changes in the Total OPEB Liability**

The changes in the total OPEB liability for the District Plan are as follows:

	Total OPEB Liability
Total OPEB Liability at June 30, 2020 (MD)	\$ 11,803,993
Service Cost	600,360
Interest	271,338
Changes of Assumptions	105,768
Benefit Payments	(253,227)
Net Changes During 2020-2021	724,239
Total OPEB Liability at June 30, 2021 (MD)	\$ 12,528,232

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (1.16%)	Current Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 14,935,279	\$ 12,528,232	\$ 10,631,127

**Sensitivity of the Total OPEB Liability to Changes in Health Care Cost Trend Rates**

The following presents the total OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower (Non-Medicare: 6.0% for 2022 decreasing to 3.0% in 2076; Medicare (Non-Kaiser): 5.1% for 2022, decreasing to an ultimate rate of 3.0% in 2076; Medicare (Kaiser): 4.0% for 2022, decreasing to an ultimate rate of 3.0% in 2076) or one percentage point higher (Non-Medicare: 8.0% for 2022 decreasing to 5.0% in 2076; Medicare (Non-Kaiser): 7.1% for 2022, decreasing to an ultimate rate of 5.0% in 2076; Medicare (Kaiser): 6.0% for 2022, decreasing to an ultimate rate of 5.0% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 10,316,986	\$ 12,528,232	\$ 15,453,270

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in the total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

**Recognition of Deferred Outflows and Deferred Inflows of Resources (Continued)**

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

Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	
Plan Investments	5 Years
All Other Amounts	Expected average remaining service lifetime (EARSL) (8.2 Years at June 30, 2021 measurement date)

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$561,305. As of the fiscal year ended June 30, 2022, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions Subsequent to the Measurement Date	\$ 274,209	\$ -
Differences Between Expected and Actual Experience	-	(1,650,715)
Changes of Assumptions	1,832,459	(769,472)
Total	<u>\$ 2,106,668</u>	<u>\$ (2,420,187)</u>

The \$274,209 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2023	\$ (310,954)
2024	(310,954)
2025	(273,704)
2026	(60,763)
2027	195,075
Thereafter	173,572

**Payable to the Pension Plan**

At June 30, 2022, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 PENSION PLAN**

**General Information about the Pension Plans**

Plan Description

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. The District's share of the net pension liability is reported as a cost-sharing plan in these financial statements. 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. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least five years of services. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect as of the measurement period ended June 30, 2021, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2.5%@55	2.0%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 67
Required Employee Contribution Rates	8.00%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	10.50%	9.69%
Payment of Unfunded Liability	\$946,737	N/A

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 PENSION PLAN (CONTINUED)**

**General Information about the Pension Plans (Continued)**

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Authority contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2022, the District made contributions of \$1,591,527 to the plan.

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

**Subsequent Event for CalPERS Pension Plans**

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-2021. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions, and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates, and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**Actuarial Assumptions**

The total pension liability for the Miscellaneous Plan for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with standard update procedures used to roll forward the total pension liability to June 30, 2021.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources  
Related to Pensions (Continued)**

Actuarial Assumptions (Continued)

The total pension liability for the Miscellaneous Plan was based on the following assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. for more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

**Long-Term Expected Rate of Return**

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 fund. The expected rate of return was set by calculating the rounded 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 adjusted to account for assumed administrative expenses.



**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

**Long-Term Expected Rate of Return (Continued)**

The expected real rates of return by asset class are as follows:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
Total	<u>100.00 %</u>		

(a) in the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Proportionate Share of Net Pension Liability – City's Miscellaneous Agent Multiple-Employer Plan Allocation to the District**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the Miscellaneous Plan relative to the projected contributions of the City, actuarially determined.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

**Proportionate Share of Net Pension Liability – City’s Miscellaneous Agent Multiple-Employer Plan Allocation to the District (Continued)**

The District’s proportionate share of the net pension liability for the Miscellaneous Plan as of the measurement date ended June 30, 2020 and 2021, was as follows:

	Increase (Decrease)			Proportionate Share
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	
	(a)	(b)	(c) = (a) - (b)	
Balance at June 30, 2020 (MD)	\$ 53,469,704	\$ 39,392,859	\$ 14,076,845	25.07%
Balance at June 30, 2021 (MD)	58,087,047	48,824,020	9,263,027	25.57%
Net Changes During 2020-21	<u>\$ 4,617,343</u>	<u>\$ 9,431,161</u>	<u>\$ (4,813,818)</u>	0.50%

**Pension Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2022, the District recognized pension expense of \$936,808 for the Miscellaneous Plan. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to the Measurement Date	\$ 1,591,527	\$ -
Differences Between Expected and Actual Experience	1,285,358	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(4,385,336)
Total	<u>\$ 2,876,885</u>	<u>\$ (4,385,336)</u>

\$1,591,527 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits.

**VICTORVILLE WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	Deferred Inflows of Resources
2023	\$ (561,750)
2024	(647,628)
2025	(818,799)
2026	(1,071,801)
2027	-
Thereafter	-

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

The following presents the District's proportionate share of the net pension liability for the Miscellaneous Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (6.15%)	Current Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	\$ 17,475,788	\$ 9,263,027	\$ 2,520,700

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separate issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2022, the District had no outstanding amount of contributions to the Miscellaneous Plan required for the year ended June 30, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

**VICTORVILLE WATER DISTRICT  
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
(COST SHARING PLAN)  
LAST TEN FISCAL YEARS\***

	Reporting Fiscal Year (Measurement Date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan's Proportion of the Net Pension Liability	25.57%	25.07%	25.15%	24.95%	24.87%	24.63%	24.40%	24.28%
Plan's Proportionate Share of the Net Pension Liability	\$ 9,263,027	\$ 14,076,845	\$ 12,996,097	\$ 11,526,434	\$ 11,480,941	\$ 9,777,304	\$ 7,425,085	\$ 6,754,806
Plan's Covered Payroll	\$ 6,148,247	\$ 6,177,914	\$ 5,546,115	\$ 5,598,545	\$ 5,506,946	\$ 4,860,190	\$ 4,824,221	\$ 4,707,026
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	150.66%	227.86%	234.33%	205.88%	208.48%	201.17%	153.91%	143.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	21.49%	18.47%	18.74%	18.88%	18.52%	18.59%	19.55%	19.73%

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the 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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2022:

There were no significant changes in assumptions.

\*Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

**VICTORVILLE WATER DISTRICT  
SCHEDULE OF PLAN CONTRIBUTIONS  
(COST SHARING PLAN)  
LAST TEN FISCAL YEARS\***

	Fiscal Year							
	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 1,591,527	\$ 1,520,299	\$ 1,459,333	\$ 1,221,074	\$ 1,026,643	\$ 916,742	\$ 827,951	\$ 709,786
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,591,527)</u>	<u>(1,520,299)</u>	<u>(1,459,333)</u>	<u>(1,221,074)</u>	<u>(1,026,643)</u>	<u>(916,742)</u>	<u>(827,951)</u>	<u>(709,786)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 6,657,109	\$ 6,148,247	\$ 6,177,914	\$ 5,546,115	\$ 5,598,545	\$ 5,506,946	\$ 4,860,190	\$ 4,824,221
Contributions as a Percentage of Covered Payroll	23.91%	24.73%	23.62%	22.02%	18.34%	16.65%	17.04%	14.71%

**Notes to Schedule:**

Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.50%	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 - 55 for 2.5%@55; 52 - 67 for 2.0%@62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\*Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

**VICTORVILLE WATER DISTRICT  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS\***

	Fiscal Year Ended (Measurement Date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB Liability:					
Service Cost	\$ 600,360	\$ 474,890	\$ 417,399	\$ 494,095	\$ 583,831
Interest on the Total OPEB Liability	271,338	372,802	364,950	404,923	345,325
Changes of Assumptions	105,768	1,795,864	601,978	(509,085)	(1,452,630)
Differences Between Expected and Actual Experience	-	(904,000)	-	(1,985,311)	-
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	<u>(253,227)</u>	<u>(224,298)</u>	<u>(216,889)</u>	<u>(199,802)</u>	<u>(185,817)</u>
Net Change in Total OPEB Liability	724,239	1,515,258	1,167,438	(1,795,180)	(709,291)
Total OPEB Liability - Beginning	<u>11,803,993</u>	<u>10,288,735</u>	<u>9,121,297</u>	<u>10,916,477</u>	<u>11,625,768</u>
Total OPEB Liability - Ending	<u><u>\$ 12,528,232</u></u>	<u><u>\$ 11,803,993</u></u>	<u><u>\$ 10,288,735</u></u>	<u><u>\$ 9,121,297</u></u>	<u><u>\$ 10,916,477</u></u>
Covered-Employee Payroll	\$ 7,710,052	\$ 7,618,996	\$ 7,078,295	\$ 6,818,328	\$ 4,577,527
Total OPEB Liability as a Percentage of Covered-Employee Payroll	162.49%	154.93%	145.36%	133.78%	238.48%

**Notes to Schedule:**

Changes in Assumptions:

Discount Rate	2.16%	2.21%	3.50%	3.87%	3.58%
Mortality Improvement Rates	Scale MP-2020	Scale MP-2020	Scale MP-2018	Scale MP-2018	Scale MP-2016

The mortality, retirement, disability, and termination rates for the measurement periods ended June 30, 2017 and 2018 were based on the CalPERS 1997-2011 Experience Study and CalPERS 1997-2015 Experience Study, respectively.

In the June 30, 2018 measurement period, the pre-65 waived retiree re-election was updated to be 10% after age 65.

In the June 30, 2020 measurement period, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

\*Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.

## **SUPPLEMENTARY INFORMATION**



**VICTORVILLE WATER DISTRICT**  
**COMBINING SCHEDULE OF NET POSITION**  
**JUNE 30, 2022**  
**(WITH COMPARATIVE DATA FOR JUNE 30, 2021)**

ASSETS	Water	Victorville	Reclaimed	Eliminations	Totals	
		Wastewater Reclamation Facility			Water	2022
<b>CURRENT ASSETS</b>						
Cash and Investments	\$ 57,646,499	\$ 9,743,744	\$ 6,788,226	\$ -	\$ 74,178,469	\$ 61,344,992
Cash and Investments with Fiscal Agent	836,313	-	-	-	836,313	836,313
Accounts Receivable, Net	4,250,765	2,011,754	77,985	-	6,340,504	4,814,719
Interest Receivable	58,333	-	-	-	58,333	25,368
Due from Other Governments	34,652	-	-	-	34,652	14,711
Inventory	948,273	-	-	-	948,273	1,247,678
Total Current Assets	<u>63,774,835</u>	<u>11,755,498</u>	<u>6,866,211</u>	<u>-</u>	<u>82,396,544</u>	<u>68,283,781</u>
<b>NONCURRENT ASSETS</b>						
Prepaid Deposits	21,523	-	-	-	21,523	203,888
Advances to Other Funds	27,156,213	-	-	(27,156,213)	-	-
Nondepreciable Capital Assets	34,425,457	633,366	117,303	-	35,176,126	29,397,572
Depreciable Capital Assets, Net	107,438,648	11,104,167	4,373,499	-	122,916,314	128,298,559
Total Noncurrent Assets	<u>169,041,841</u>	<u>11,737,533</u>	<u>4,490,802</u>	<u>(27,156,213)</u>	<u>158,113,963</u>	<u>157,900,019</u>
Total Assets	232,816,676	23,493,031	11,357,013	(27,156,213)	240,510,507	226,183,800
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - OPEB Related	2,048,002	58,666	-	-	2,106,668	2,285,798
Deferred Outflow - Pension Related	2,799,801	77,084	-	-	2,876,885	2,723,322
Total Deferred Outflows of Resources	<u>4,847,803</u>	<u>135,750</u>	<u>-</u>	<u>-</u>	<u>4,983,553</u>	<u>5,009,120</u>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	4,014,904	565,687	12,248	-	4,592,839	2,279,680
Interest Payable	168,460	-	-	-	168,460	175,208
Prepaid Water Connection Fees	217,489	-	-	-	217,489	217,489
Deposits Payable	1,669,971	-	-	-	1,669,971	1,438,378
Total OPEB Liability - Due Within One Year	248,039	5,188	-	-	253,227	224,298
Long-Term Liabilities, Due Within One Year	841,847	-	-	-	841,847	781,743
Total Current Liabilities	<u>7,160,710</u>	<u>570,875</u>	<u>12,248</u>	<u>-</u>	<u>7,743,833</u>	<u>5,116,796</u>
<b>NONCURRENT LIABILITIES</b>						
Advances from Other Funds	-	27,156,213	-	(27,156,213)	-	-
Total OPEB Liability	12,023,508	251,497	-	-	12,275,005	11,579,695
Net Pension Liability	9,153,921	109,106	-	-	9,263,027	14,076,845
Long-Term Liabilities, Due in More Than One Year	8,330,788	-	-	-	8,330,788	8,734,544
Total Noncurrent Liabilities	<u>29,508,217</u>	<u>27,516,816</u>	<u>-</u>	<u>(27,156,213)</u>	<u>29,868,820</u>	<u>34,391,084</u>
Total Liabilities	36,668,927	28,087,691	12,248	(27,156,213)	37,612,653	39,507,880
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - OPEB Related	2,372,948	47,239	-	-	2,420,187	3,036,460
Deferred Inflows - Pension Related	4,267,834	117,502	-	-	4,385,336	260,383
Total Deferred Inflows of Resources	<u>6,640,782</u>	<u>164,741</u>	<u>-</u>	<u>-</u>	<u>6,805,523</u>	<u>3,296,843</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	133,813,273	11,737,533	4,481,006	-	150,031,812	148,855,087
Unrestricted	60,541,497	(16,361,184)	6,863,759	-	51,044,072	39,533,110
Total Net Position	<u>\$ 194,354,770</u>	<u>\$ (4,623,651)</u>	<u>\$ 11,344,765</u>	<u>\$ -</u>	<u>\$ 201,075,884</u>	<u>\$ 188,388,197</u>

**VICTORVILLE WATER DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2022**  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2021)

	Victorville Wastewater Reclamation				Totals	
	Water	Facility	Reclaimed Water	Eliminations	2022	2021
<b>OPERATING REVENUES</b>						
Utility Sales	\$ 26,042,302	\$ 9,463,741	\$ 629,761	\$ -	\$ 36,135,804	\$ 32,996,925
Meter and Service Fees	8,306,160	-	-	-	8,306,160	7,481,406
Pass-Thru Charges	991,164	-	-	-	991,164	1,084,485
Fines and Forfeitures	145,832	-	-	-	145,832	-
Arsenic Surcharge	275,274	-	-	-	275,274	263,614
Other	405,018	-	-	-	405,018	340,572
Total Operating Revenues	<u>36,165,750</u>	<u>9,463,741</u>	<u>629,761</u>	<u>-</u>	<u>46,259,252</u>	<u>42,167,002</u>
<b>OPERATING EXPENSES</b>						
Personnel Services	9,378,675	198,823	104,422	-	9,681,920	10,901,457
Maintenance and Operations	6,369,152	6,588,537	161,239	-	13,118,928	16,916,550
Production Costs	11,022,121	-	4,862	-	11,026,983	4,631,287
Pass-Thru Production Costs	991,164	1,707,667	-	-	2,698,831	2,530,813
Depreciation	5,898,273	1,132,119	164,607	-	7,194,999	7,338,599
Total Operating Expenses	<u>33,659,385</u>	<u>9,627,146</u>	<u>435,130</u>	<u>-</u>	<u>43,721,661</u>	<u>42,318,706</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,506,365</u>	<u>(163,405)</u>	<u>194,631</u>	<u>-</u>	<u>2,537,591</u>	<u>(151,704)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Taxes	1,130,682	-	-	-	1,130,682	1,096,573
Intergovernmental	559,542	75,397	-	-	634,939	-
Investment Income	(132,309)	-	-	(111,690)	(243,999)	112,170
Interest Expense	(399,462)	(111,690)	-	111,690	(399,462)	(415,588)
Gain on Disposal of Assets	16,201	-	-	-	16,201	12,976
Other Nonoperating Revenues	(38,311)	29,884	-	-	(8,427)	118,006
Settlement Proceeds	-	843,920	-	-	843,920	-
Total Nonoperating Revenues (Expenses)	<u>1,136,343</u>	<u>837,511</u>	<u>-</u>	<u>-</u>	<u>1,973,854</u>	<u>924,137</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<u>3,642,708</u>	<u>674,106</u>	<u>194,631</u>	<u>-</u>	<u>4,511,445</u>	<u>772,433</u>
<b>CAPITAL CONTRIBUTIONS</b>						
Connection Fees	3,220,629	2,833,000	-	-	6,053,629	5,169,389
Alternate Water Source Fees	-	-	1,110,296	-	1,110,296	903,332
Capital Restricted Use Fees	-	813,860	-	-	813,860	590,100
Capital Contributions	198,457	-	-	-	198,457	-
Total Capital Contributions	<u>3,419,086</u>	<u>3,646,860</u>	<u>1,110,296</u>	<u>-</u>	<u>8,176,242</u>	<u>6,662,821</u>
<b>CHANGE IN NET POSITION</b>	<u>7,061,794</u>	<u>4,320,966</u>	<u>1,304,927</u>	<u>-</u>	<u>12,687,687</u>	<u>7,435,254</u>
Net Position - Beginning of Year	<u>187,292,976</u>	<u>(8,944,617)</u>	<u>10,039,838</u>	<u>-</u>	<u>188,388,197</u>	<u>180,952,943</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 194,354,770</u>	<u>\$ (4,623,651)</u>	<u>\$ 11,344,765</u>	<u>\$ -</u>	<u>\$ 201,075,884</u>	<u>\$ 188,388,197</u>

ATTACHMENT D  
Draft Southern California Logistics  
Airport Authority for Fiscal Year  
Ended June 30, 2022

**SOUTHERN CALIFORNIA  
LOGISTICS AIRPORT AUTHORITY  
(A COMPONENT UNIT OF THE  
CITY OF VICTORVILLE, CALIFORNIA)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY  
(A COMPONENT UNIT OF THE CITY OF VICTORVILLE, CALIFORNIA)  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Southern California Logistics Airport Authority  
Victorville, California

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of the Southern California Logistics Airport Authority (SCLAA), a component unit of the City of Victorville, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the SCLAA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SCLAA, as of June 30, 2022, and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SCLAA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matters**

##### ***Changes in Accounting Principle***

As described in Note 1 to the financial statements, during the fiscal year ended June 30, 2022, the SCLAA adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

##### ***Restatement for Correction of Errors***

As discussed in Note 13 to the financial statements, the SCLAA made restatements to beginning net position to correct prior period misstatements. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SCLAA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SCLAA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SCLAA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of the plan's proportionate share of the net pension liability, schedule of plan contributions, and schedule of the plan's proportionate share of the total OPEB liability, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Supplementary Information***

Our audit for the year ended June 30, 2022 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the SCLAA's basic financial statements. The combining schedule of net position and the combining schedule of revenues, expenses, and changes in net position (supplementary information) for the year ended June 30, 2022 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2022 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2022.



We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the SCLAA as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated February 25, 2022, which contained an unmodified opinion on the financial statements of the SCLAA. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information) for the year ended June 30, 2021, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2021 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the June 30, 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

***Report on Summarized Comparative Information***

We have previously audited the SCLAA's 2021 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated February 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, on our consideration of the SCLAA'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SCLAA's 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 the SCLAA's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Irvine, California  
REPORT DATE

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**  
(WITH COMPARATIVE DATA FOR JUNE 30, 2021)

<b>ASSETS</b>	2022	2021
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 20,904,681	\$ 17,453,500
Cash and Investments with Fiscal Agent	23,938,255	23,952,767
Accounts Receivable, Net	622,321	452,419
Interest Receivable	99,170	-
Due from Other Governments	347,685	2,241,469
Leases	84,512,923	-
Inventory	29,905	16,320
Total Current Assets	130,454,940	44,116,475
<b>NONCURRENT ASSETS</b>		
Prepaid Items	53,755	2,759
Advances to City of Victorville	-	1,940,095
Nondepreciable Capital Assets	16,542,239	15,806,452
Depreciable Capital Assets, Net	117,979,955	116,571,538
Total Noncurrent Assets	134,575,949	134,320,844
Total Assets	265,030,889	178,437,319
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - OPEB Related	301,356	322,970
Deferred Outflows - Pension Related	829,725	789,736
Deferred Charge on Refunding	1,532,412	1,666,928
Total Deferred Outflows of Resources	2,663,493	2,779,634

See accompanying Notes to Financial Statements.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**JUNE 30, 2022**  
(WITH COMPARATIVE DATA FOR JUNE 30, 2021)

<b>LIABILITIES</b>	2022	2021
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,386,449	\$ 1,265,784
Interest Payable	1,256,389	1,283,294
Unearned Revenue	1,301,095	44,066
Total OPEB Liability - Due Within One Year	27,309	28,165
Long-Term Liabilities, Due Within One Year	6,680,528	6,349,790
Total Current Liabilities	10,651,770	8,971,099
<b>NONCURRENT LIABILITIES</b>		
Accrued Rent Credit Payable	1,545,494	601,572
Advances from City of Victorville	-	1,864,932
Advances from Other Governments	11,034,017	10,995,517
Total OPEB Liability	2,336,476	2,186,816
Net Pension Liability	2,599,527	3,838,581
Long-Term Liabilities, Due in More Than One Year	278,623,283	283,655,913
Total Noncurrent Liabilities	296,138,797	303,143,331
Total Liabilities	306,790,567	312,114,430
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - OPEB Related	519,180	589,499
Deferred Inflows - Pension Related	1,151,011	76,839
Deferred Inflows - Leases	82,884,600	-
Total Deferred Inflows of Resources	84,554,791	666,338
<b>NET POSITION (DEFICIT)</b>		
Net Investment in Capital Assets	(125,452,052)	(132,728,001)
Unrestricted	1,801,076	1,164,186
Total Net Position (Deficit)	\$(123,650,976)	\$(131,563,815)

See accompanying Notes to Financial Statements.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2022**  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
<b>OPERATING REVENUES</b>		
Charges for Services:		
Landing Fees	\$ 1,712,503	\$ 1,576,966
Fuel Flowage Fees	284,213	278,938
Rent and Lease Revenue	9,913,634	8,640,912
Total Charges for Services	11,910,350	10,496,816
Fines and Forfeitures	22,003	34,986
Other	1,095,384	524,539
Total Operating Revenues	13,027,737	11,056,341
<b>OPERATING EXPENSES</b>		
Personnel Services	2,646,192	2,794,061
Maintenance and Operations	7,506,153	11,570,873
Depreciation	9,610,772	9,073,542
Total Operating Expenses	19,763,117	23,438,476
<b>OPERATING LOSS</b>	(6,735,380)	(12,382,135)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Intergovernmental	59,000	-
Taxes	21,731,579	21,308,725
Investment Income	1,448,371	49,414
Interest Expense	(16,895,928)	(17,139,120)
Gain (Loss) on Sale of Capital Assets	1,125	6,775
Other Nonoperating Expenses	(19,087)	(19,487)
Total Nonoperating Revenues (Expenses)	6,325,060	4,206,307
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	(410,320)	(8,175,828)
<b>CAPITAL CONTRIBUTIONS</b>		
Contributions	607,812	-
Capital Grants	633,633	6,344,691
Capital Contributions from the City of Victorville	1,895,090	-
Capital Contributions to the City of Victorville	(1,943,929)	(1,684,653)
Total Capital Contributions	1,192,606	4,660,038
<b>CHANGE IN NET POSITION</b>	782,286	(3,515,790)
Net Position (Deficit) - Beginning of Year	(131,563,815)	(128,048,025)
Restatement	7,130,553	-
Net Position (Deficit) - Beginning of Year, as Restated	(124,433,262)	(128,048,025)
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<b>\$(123,650,976)</b>	<b>\$(131,563,815)</b>

See accompanying Notes to Financial Statements.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2022**  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 12,577,899	\$ 11,085,240
Cash Payments to Employees for Services	(2,740,404)	(2,593,711)
Cash Payments to Suppliers for Goods and Services	(7,450,069)	(10,505,189)
Net Cash Provided (Used) by Operating Activities	2,387,426	(2,013,660)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash Received from Other Governments	23,722,863	19,972,799
Cash Received from City of Victorville	1,940,931	-
Cash Paid to City of Victorville	(3,847,361)	(1,751,479)
Net Cash Provided by Noncapital Financing Activities	21,816,433	18,221,320
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash Received from the Sale of Capital Assets	1,125	6,775
Capital Grants	633,633	6,344,691
Cash Payments to Acquire Capital Assets	(1,288,044)	(2,338,353)
Principal Paid on Capital-Related Debt	(6,225,000)	(5,920,000)
Interest Paid on Capital-Related Debt	(15,238,105)	(15,550,721)
Net Cash Used by Capital and Related Financing Activities	(22,116,391)	(17,457,608)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	1,349,201	49,414
Net Cash Provided by Investing Activities	1,349,201	49,414
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,436,669	(1,200,534)
Cash and Cash Equivalents - Beginning of Year	41,406,267	42,606,801
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 44,842,936	\$ 41,406,267
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:</b>		
Cash and Investments	\$ 20,904,681	\$ 17,453,500
Cash and Investments with Fiscal Agent	23,938,255	23,952,767
Cash and Cash Equivalents	\$ 44,842,936	\$ 41,406,267

See accompanying Notes to Financial Statements.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2022**  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (6,735,380)	\$ (12,382,135)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) By Operating Activities:		
Depreciation	9,610,772	9,073,542
Nonoperating Miscellaneous Expense	(19,087)	(19,487)
(Increase) Decrease in Assets:		
Accounts Receivable, Net	(247,475)	34,574
Leases Receivable	4,588,236	-
Inventory	(13,585)	(4,720)
Prepaid Items	(50,996)	51,058
Deferred Outflows - OPEB	21,614	(216,414)
Deferred Outflows - Pension	(39,989)	(43,855)
Increase (Decrease) in Liabilities:		
Accounts Payable	120,665	1,019,346
Unearned Revenue	1,257,029	(2,344)
Accrued Rent Credits Payable	188,018	16,156
Accrued Compensated Absences	10,560	(53,902)
Total OPEB Liability	148,804	121,332
Net Pension Liability	(1,239,054)	291,645
Deferred Inflows - OPEB	(70,319)	175,643
Deferred Inflows - Pension	1,074,172	(74,099)
Deferred Inflows - Leases	(6,216,559)	-
Net Cash Provided (Used) by Operating Activities	\$ 2,387,426	\$ (2,013,660)
 <b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITY</b>		
Developer Contributed Capital Assets	\$ 2,505,902	\$ -
Interest Accretion Expenses	1,420,680	1,321,695
Amortization of Bond Discounts and Premiums	91,868	91,868
Total	\$ 4,018,450	\$ 1,413,563

See accompanying Notes to Financial Statements.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Reporting Entity**

The Southern California Logistics Airport Authority (SCLAA), a component unit of the City of Victorville, was formed in June of 1997 by the City of Victorville and the former Victorville Redevelopment Agency. Prior to the dissolution of the Victorville Redevelopment Agency in 2012, the Victorville Water District was added as a member of the JPA. The purpose of SCLAA is to provide for the coordination of long-range planning of the territory of George Air Force Base (now Southern California Logistics Airport, or the Airport). The Victor Valley Economic Development Authority (VVEDA), a Joint Powers Authority of the City of Victorville and other entities, was authorized to exclusively exercise the powers of a redevelopment agency in the area including and surrounding the Airport. VVEDA subsequently delegated to the SCLAA all of its redevelopment authority over the portion of the VVEDA project area comprised of the Airport.

**B. Relationship to the City of Victorville**

The SCLAA is an integral part of the reporting entity of the City of Victorville (the City) and is reflected as a blended component unit within the City of Victorville. The SCLAA fund has been included within the scope of the basic financial statements of the City because, although it is a legally separate organization, the City Council is the governing board and has financial accountability over the operations of the SCLAA. Only the SCLAA fund is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Victorville, California.

**C. Basic Financial Statements**

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows and the notes to the basic financial statements.

**D. Basis of Accounting, Measurement Focus, and Financial Statement Presentation**

The SCLAA is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

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

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Basis of Accounting, Measurement Focus, and Financial Statement Presentation (Continued)**

Proprietary funds are presented using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statement of net position.

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, regardless of when the related cash flows take place. Amounts paid to acquire capital assets are capitalized as assets. Proceeds of long-term debt and acquisitions under capital leases are recorded as a liability. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

The SCLAA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with airport and rental operations. The principal operating revenues of the SCLAA are charges to customers for services, which includes landing fees, fuel flowage fees, and rent and lease revenue, fines and forfeitures, and other reimbursements. Operating expenses include personnel services, maintenance and operational costs, and depreciation of capital assets. All revenues and expenses not meeting this definition, such as taxes, investment income, and interest expense, are reported as nonoperating revenues and expenses.

**E. Cash and Investments**

Investments are reported in the accompanying statement of net position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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, and any gains or losses realized upon the liquidation or sale of investments.

**F. Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include the cash and investments held by a fiscal agent.



**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable**

The SCLAA specifically identifies accounts that are deemed uncollectable and offsets the receivable by an allowance for doubtful accounts. The amounts recorded as accounts receivable include various reimbursements and fees due to the SCLAA, net of an allowance for doubtful accounts totaling \$595,182 as of June 30, 2022.

**H. Due from Other Governments**

The amounts recorded as a receivable due from other governments includes grant revenues collected or provided by Federal, State, County, and City Governments and unremitted to the City as of June 30, 2022.

**I. Inventory and Prepaid Items**

The SCLAA uses the consumption method of accounting for inventories. Inventory consists primarily of supplies for construction and repair that are valued at cost using the weighted average method.

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items utilizing the consumption method.

**J. Leases**

When the SCLAA is a lessee, a lease liability and a lease asset is recognized at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

When the SCLAA is a lessor, a lease receivable and a deferred inflow of resources is recognized at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets**

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value on the date of donation. SCLAA capitalizes all assets with an initial individual cost of more than \$5,000 and a useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life are not capitalized.

Depreciation is computed utilizing the straight-line method over the following useful lives:

Buildings and Improvements	10 to 50 Years
Computer and Communications	5 Years
Furniture and Equipment	3 to 7 Years
Infrastructure	20 to 40 Years
Land Improvements	10 to 50 Years
Vehicles	8 to 15 Years

**L. Compensated Absences**

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances is 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.

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.

The balance of unpaid vacation and vested sick leave at year-end is recorded as a long-term liability in the financial statements.

**M. Unearned Revenue**

Unearned revenue is recorded when the SCLAA receives funds for which the goods or services have not yet been provided and, therefore, revenue has not yet been earned. The balance in unearned revenue for the SCLAA primarily consists of funds received in advance from tenants in which the City serves as the lessor.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Deferred Outflows and Deferred Inflows of Resources**

The statement of net position reports 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 until that time. The SCLAA has the following items that qualify for reporting in this category:

- An unamortized loss on bond defeasance that results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.
- Deferred outflow related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability and the total OPEB liability.
- Deferred outflows related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to OPEB for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.

The statement of net position reports 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 SCLAA has the following items that qualify for reporting in this category:

- Deferred inflows related to OPEB for differences between expected and actual experiences and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plan.
- Deferred inflows related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.
- Deferred inflows related to leases for amounts not yet received. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are available or earned.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. 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 (including premiums and discounts) and capital related payables that are attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Position* – This amount is restricted by enabling legislation (such as external creditors, grantors, contributors, laws or regulations of other governments).

*Unrestricted Net Position* – This amount is the remaining net position that does not meet the definition of “invested in capital assets” or “restricted net position.”

Sometimes the SCLAA will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the SCLAA’s practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by Council.

**P. 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 of the SCLAA’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS. 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.

**Q. Adoption of New Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Adoption of New Accounting Standards (Continued)**

The SCLAA adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

**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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the SCLAA's prior year financial statements, from which this selected financial data was derived.

**S. 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 CASH AND INVESTMENTS**

Cash and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 20,904,681
Cash and Investments with Fiscal Agent	<u>23,938,255</u>
Total Cash and Investments	<u><u>\$ 44,842,936</u></u>

Cash and investments as of June 30, 2022, consist of the following:

Equity in City of Victorville Pool	\$ 3,747,699
Investments	<u>41,095,237</u>
Total Cash and Investments	<u><u>\$ 44,842,936</u></u>

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments Pool of the City of Victorville**

The SCLAA has no separate bank accounts or investments other than investments held by bond trustee, and their investment in LAIF. The SCLAA's equity in the cash and investment pool is managed by the City of Victorville. The SCLAA is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Victorville. The SCLAA has not adopted an investment policy separate from that of the City of Victorville. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the SCLAA's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

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

The City adopts the investment policy for the SCLAA. The table below identifies the investment types that are authorized for the SCLAA 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.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
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	40%	30%
Commercial Paper - Nonpooled Funds	No	270 Days	25%	10%
Commercial Paper - Pooled Funds	No	270 Days	40%	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%	None
Mutual Funds***	No	5 Years	20%*	10%*
Money Market Mutual Funds***	Yes	5 Years	20%*	None
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.

\*\* Ginnie Mae is not to exceed 20% of the total portfolio.

\*\*\* Fund must be an AAA rated Government or U.S. Treasury money fund.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**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 SCLAA'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 and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 Days	None	None
Commercial Paper	270 Days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Certificate of Deposit	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None

**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 Authority 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 Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity.

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturities (in Months) Within 12</u>
LAIF	\$ 17,156,982	\$ 17,156,982
Held by Bond Trustee:		
Money Market Mutual Funds	23,938,255	23,938,255
Total	<u>\$ 41,095,237</u>	<u>\$ 41,095,237</u>

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**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 Standard & Poor's rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
LAIF	\$ 17,156,982	N/A	\$ -	\$ 17,156,982
Held by Bond Trustee:				
Money Market Mutual Funds	23,938,255	AAA	23,938,255	-
Total	<u>\$ 41,095,237</u>		<u>\$ 23,938,255</u>	<u>\$ 17,156,982</u>

**Concentration of Credit Risk**

The investment policy of the SCLAA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The SCLAA has no investments in any one issuer (other than LAIF and money market mutual funds) that represent 5% or more of the City's investments.

**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).

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 SCLAA deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2022, the SCLAA's deposits (bank balances) were equity in the City of Victorville's pool, which was insured by the federal depository insurance limits or collateralized as required under California Law.

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.



**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investment in State Investment Pool**

The SCLAA 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 SCLAA's investment in this pool is reported in the accompanying financial statements at amounts based upon the SCLAA'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.

**Fair Value Measurements**

The SCLAA categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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 of other items.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurements. These unobservable inputs reflect the SCLAA'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 SCLAA's own data.

The SCLAA's investments in LAIF and money market mutual funds (held by bond trustee) are not subject to the fair value measurement hierarchy.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 CAPITAL ASSETS**

The following is a summary of changes in capital assets for SCLAA at June 30, 2022:

	Balance July 1, 2021	Restatement			Restated Balance July 1, 2021
<b>Nondepreciable Assets:</b>					
Land	\$ 13,848,689	\$ -			\$ 13,848,689
Construction in Progress	1,957,763	5,901,312			7,859,075
Total Nondepreciable Assets	<u>15,806,452</u>	<u>5,901,312</u>			<u>21,707,764</u>
<b>Depreciable Assets:</b>					
Buildings and Improvements	180,250,970	1,361,461			181,612,431
Computer and Communication	254,165	-			254,165
Furniture and Equipment	7,440,970	-			7,440,970
Infrastructure	96,792,092	902,194			97,694,286
Land Improvements	128,489	-			128,489
Vehicles	780,197	-			780,197
Total Depreciable Assets	<u>285,646,883</u>	<u>2,263,655</u>			<u>287,910,538</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and Improvements	(108,767,020)	(200,941)			(108,967,961)
Computer and Communication	(238,670)	-			(238,670)
Furniture and Equipment	(5,387,605)	-			(5,387,605)
Infrastructure	(53,804,698)	-			(53,804,698)
Land Improvements	(125,277)	-			(125,277)
Vehicles	(752,075)	-			(752,075)
Total Accumulated Depreciation	<u>(169,075,345)</u>	<u>(200,941)</u>			<u>(169,276,286)</u>
Total Depreciable Assets, Net	<u>116,571,538</u>	<u>2,062,714</u>			<u>118,634,252</u>
<b>Capital Assets, Net</b>	<u><b>\$ 132,377,990</b></u>	<u><b>\$ 7,964,026</b></u>			<u><b>\$ 140,342,016</b></u>
	Restated Balance July 1, 2021	Additions	Transfers from City	Deletions	Balance June 30, 2022
<b>Nondepreciable Assets:</b>					
Land	\$ 13,848,689	\$ -	\$ 1,895,090	\$ -	\$ 15,743,779
Construction in Progress	7,859,075	1,417,674	-	(8,478,289)	798,460
Total Nondepreciable Assets	<u>21,707,764</u>	<u>1,417,674</u>	<u>1,895,090</u>	<u>(8,478,289)</u>	<u>16,542,239</u>
<b>Depreciable Assets:</b>					
Buildings and Improvements	181,612,431	1,649,474	-	-	183,261,905
Computer and Communication	254,165	-	-	-	254,165
Furniture and Equipment	7,440,970	594,253	-	-	8,035,223
Infrastructure	97,694,286	6,576,204	-	-	104,270,490
Intangibles	-	-	-	-	-
Land Improvements	128,489	-	-	-	128,489
Vehicles	780,197	136,544	-	-	916,741
Total Depreciable Assets	<u>287,910,538</u>	<u>8,956,475</u>	<u>-</u>	<u>-</u>	<u>296,867,013</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and Improvements	(108,967,961)	(4,231,465)	-	-	(113,199,426)
Computer and Communication	(238,670)	(10,211)	-	-	(248,881)
Furniture and Equipment	(5,387,605)	(412,453)	-	-	(5,800,058)
Infrastructure	(53,804,698)	(4,943,455)	-	-	(58,748,153)
Intangibles Plans and Studies	-	-	-	-	-
Land Improvements	(125,277)	(3,212)	-	-	(128,489)
Vehicles	(752,075)	(9,976)	-	-	(762,051)
Total Accumulated Depreciation	<u>(169,276,286)</u>	<u>(9,610,772)</u>	<u>-</u>	<u>-</u>	<u>(178,887,058)</u>
Total Depreciable Assets, Net	<u>118,634,252</u>	<u>(654,297)</u>	<u>-</u>	<u>-</u>	<u>117,979,955</u>
<b>Capital Assets, Net</b>	<u><b>\$ 140,342,016</b></u>	<u><b>\$ 763,377</b></u>	<u><b>\$ 1,895,090</b></u>	<u><b>\$ (8,478,289)</b></u>	<u><b>\$ 134,522,194</b></u>

Depreciation expense for the SCLAA was \$9,610,772 for the year ended June 30, 2022.

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**NOTE 4 LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2022 is noted below:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Due Within One Year
Other Long-Term Liabilities:					
Compensated Absences	\$ 229,652	\$ 169,496	\$ (158,936)	\$ 240,212	\$ 130,528
Other Debt:					
Tax Allocation Bonds:					
2005 Tax Allocation Parity Bonds	14,205,000	-	(1,165,000)	13,040,000	1,210,000
2006 Tax Allocation Bonds (Non-Housing)	47,840,000	-	(1,205,000)	46,635,000	1,265,000
2006 Tax Allocation Bonds (Housing)	12,850,000	-	(325,000)	12,525,000	340,000
2006 Allocation Parity Bonds	41,530,000	-	(155,000)	41,375,000	160,000
2006 Tax Allocation Revenue Parity Bonds	29,655,000	-	(610,000)	29,045,000	650,000
2006 Tax Allocation Revenue Bonds	53,740,000	-	(1,135,000)	52,605,000	1,205,000
2007 Tax Allocation Bonds	33,335,000	-	(760,000)	32,575,000	800,000
2007 Tax Allocation Bonds (Non-Housing)*	34,825,000	-	(765,000)	34,060,000	805,000
2008A Tax Allocation Bonds*	23,980,115	1,420,680	(105,000)	25,295,795	115,000
Tax Allocation Bonds Subtotal	291,960,115	1,420,680	(6,225,000)	287,155,795	6,550,000
Unamortized Discounts/Premiums	(2,184,064)	-	91,868	(2,092,196)	-
Total	<u>\$ 290,005,703</u>	<u>\$ 1,590,176</u>	<u>\$ (6,292,068)</u>	<u>\$ 285,303,811</u>	<u>\$ 6,680,528</u>

See pledged revenue information at the end of this note.

**Tax Allocation Parity Bonds, Series 2005A**

In June 2005, the SCLAA 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 SCLAA.

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.

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**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

**Tax Allocation Parity Bonds, Series 2005A (Continued)**

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). As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash. The Bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$13,040,000.

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

In June 2006, the SCLAA 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.

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$46,635,000.

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**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

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

In June 2006, the SCLAA 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.

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.

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$12,525,000.

**Tax Allocation Revenue Parity Bonds, Taxable Series 2006**

In June 2006, the SCLAA 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 SCLAA.

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 and December 1, 2043 are subject to mandatory redemption in part by pro-rata, without premium, commencing December 1, 2006 and December 1, 2037, respectively, from sinking fund payments made by SCLAA.

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$41,375,000.

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**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

**Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006**

In November 2006, SCLAA 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 SCLAA.

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 semi-annually on each June 1 and December 1, commencing June 1, 2007.

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

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$29,045,000.

**Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006**

In November 2006, the SCLAA 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 SCLAA.

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.

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$52,605,000.

**Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007**

In March 2007, the SCLAA 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, this loan was repaid in full with interest.

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.

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**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

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

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

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$32,575,000.

**Subordinate Tax Allocation Revenue Bonds, Series 2007 (Non-Housing)**

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

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.

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$34,060,000.

**Subordinate Tax Allocation Revenue Bonds, Series 2008A**

In May 2008, the SCLAA 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 SCLAA and to partially refund the \$35,000,000 principal amount of Subordinate Tax Allocation Revenue Notes, Series 2008.

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**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

**Subordinate Tax Allocation Revenue Bonds, Series 2008A (Continued)**

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 \$131,805,000 at June 30, 2022.

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.

As of June 30, 2022, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2022 is \$25,295,795, which includes an accretion balance of \$13,040,870.

**Debt Service Requirements to Maturity**

The annual requirements to amortize outstanding SCLAA debt as of June 30, 2022, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30,</u>	<u>Tax Allocation Bonds</u>	
	<u>Principal*</u>	<u>Interest</u>
2023	\$ 6,550,000	\$ 14,906,577
2024	6,885,000	14,555,859
2025	7,245,000	14,184,559
2026	7,630,000	13,792,810
2027	8,035,000	13,379,169
2028-32	47,055,000	59,793,970
2033-37	61,780,000	44,560,046
2038-42	81,830,000	23,916,699
2043-47	77,048,620	61,461,020
2048-2051	89,301,380	60,122,588
Subtotal	393,360,000	\$ 320,673,297
Discounts/Premiums	(2,092,196)	
Total	<u>\$ 391,267,804</u>	

\* This total includes capital appreciation of \$106,204,205 for tax allocation bonds that will be accrued in the future years.



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**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

**Pledged Revenue**

All of the above Tax Allocation Bonds 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.

The SCLAA contains a portion of the Victor Valley Economic Development Authority (VVEDA) Successor Agency (see Note 8 for additional information). The RPTTF (tax increment distributions) from VVEDA represent the primary revenue of the SCLAA.

As a result of the state's action to dissolve all redevelopment agencies in the state of California, the VVEDA Successor Agency 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 VVEDA 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.

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

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (Net of of Expenses, Where Required)</u>	<u>Annual Debt Service Payment (of All Debt Secured by This Revenue)</u>	<u>Pledged Revenue as a Percentage of Debt Service</u>
Property Tax Increment Pledged by the Southern California Logistics Airport Authority	\$ 22,409,651	\$ 21,463,105	104%

**NOTE 5 ADVANCES TO/FROM**

**Advances to/from the City**

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Successor Agency*	SCLAA	\$ 11,034,017 a)

\*Advances from the Successor Agency have been classified as Advances from Other Governments in the statement of net position.

- a) 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 SCLAA. The advance is to be used to continue redevelopment at SCLAA and to fund prior years' capital improvements and redevelopment project expenses. The advance bears interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2022, is \$11,034,017.

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**NOTE 5    ADVANCES TO/FROM (CONTINUED)**

**Advances to/from the City (Continued)**

Due to the uncertainty on when sufficient tax increment will be available to make payments on this loan, the obligation has not yet been included on the ROPS to request funding for repayment. Beginning in FY 2022-2023, the loan will be added to the ROPS.

**NOTE 6    PENSION PLAN**

**General Information about the Pension Plan**

**Plan Description**

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. The SCLAA's share of the net pension liability is reported as a cost-sharing plan in these financial statements. 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. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least five years of services. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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**NOTE 6 PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan (Continued)**

**Benefits Provided (Continued)**

The Plan's provisions and benefits in effect as of the measurement period ended June 30, 2021, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	on or after January 1, 2013
Hire Date		
Benefit Formula	2.5%@55	2.0%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 67
Required Employee Contribution Rates	8.00%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	10.50%	9.69%
Payment of Unfunded Liability	\$246,538	N/A

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 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 SCLAA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. SCLAA contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2022, SCLAA made contributions totaling \$414,447.

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

**Actuarial Assumptions**

The total pension liability for the Miscellaneous Plan for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. The total pension liability for the Miscellaneous Plan was based on the following assumptions:

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**NOTE 6 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources  
Related to Pensions (Continued)**

**Actuarial Assumptions (Continued)**

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

**Long-Term Expected Rate of Return**

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 fund. The expected rate of return was set by calculating the rounded 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 adjusted to account for assumed administrative expenses.

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**NOTE 6 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

**Long-Term Expected Rate of Return (Continued)**

The expected real rates of return by asset class are as follows:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
Total	<u>100.00 %</u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Proportionate Share of Net Pension Liability – City's Miscellaneous Agent Multiple-Employer Plan Allocation to the SCLAA**

The SCLAA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The SCLAA's proportionate share of the net pension liability was based on a projection of the SCLAA's long-term share of contributions to the Miscellaneous Plan relative to the projected contributions of the City, actuarially determined.

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**NOTE 6 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

**Proportionate Share of Net Pension Liability – City’s Miscellaneous Agent Multiple-Employer Plan Allocation to the SCLAA (Continued)**

The SCLAA’s proportionate share of the net pension liability for the Miscellaneous Plan as of the measurement date ended June 30, 2020 and 2021, was as follows:

	Increase (Decrease)			Proportionate Share
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)	
Balance at: 6/30/2020 (MD)	\$ 14,580,525	\$ 10,741,944	\$ 3,838,581	6.84%
Balance at: 6/30/2021 (MD)	16,301,242	13,701,715	2,599,527	7.18%
Net Changes During 2020-21	<u>\$ 1,720,717</u>	<u>\$ 2,959,771</u>	<u>\$ (1,239,054)</u>	0.34%

**Pension Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2022, the SCLAA recognized pension expense of \$262,901 for the Miscellaneous Plan. At June 30, 2022, the SCLAA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to the Measurement Date	\$ 414,447	\$ -
Differences Between Expected and Actual Experience	415,278	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(1,151,011)
Total	<u>\$ 829,725</u>	<u>\$ (1,151,011)</u>

\$414,447 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits.

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**NOTE 6 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30,	Deferred Inflows of Resources
2023	\$ (133,323)
2024	(153,705)
2025	(194,330)
2026	(254,375)
2027	-
Thereafter	-

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

The following presents the SCLAA's proportionate share of the net pension liability for the Miscellaneous Plan, calculated using the discount rate of 7.15%, as well as what the SCLAA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (6.15%)	Current Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	\$ 4,904,313	\$ 2,599,527	\$ 707,396

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separate issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2022, the SCLAA had no outstanding amount of contributions to the Miscellaneous Plan required for the year ended June 30, 2022.

Subsequent Event for CalPERS Pension Plan

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-2021. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

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**NOTE 6 PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

**Subsequent Event for CalPERS Pension Plan (Continued)**

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions, and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates, and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN**

**Plan Descriptions**

The SCLAA participates in the City's Other Postemployment Benefits Defined Benefit Pension Plan and the SCLAA's share of the total OPEB liability is reported as a cost-sharing plan in these financial statements.

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 eight years of service. The City provides a contribution up to a certain amount (a portion of the HMO single premium). The percentage varies based on years of service.

**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). The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

**Contributions**

The City Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contribution is based on the year's retiree medical premiums (pay-as-you-go basis). For the fiscal year ended June 30, 2022, the SCLAA's cash contributions were \$15,828 in cash benefit payments, \$73 in administrative costs, and the estimated implied subsidy was \$7,690, resulting in total payments of \$23,591.



**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY  
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**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

**Total OPEB Liability**

The City's total OPEB liability was measured as of June 30, 2021 and determined by an actuarial valuation as of June 30, 2020, using update procedures to roll forward the Total OPEB Liability to the measurement date June 30, 2021.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.16%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability, and Termination	1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2020
Healthcare Trend Rate	Non-Medicare: 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.16%. The discount rate is determined based on the Bond Buyer 20-Bond Index since the City has not established a trust.

**Change in Actuarial Assumptions**

The discount rate changed from 2.21% at the beginning of the measurement period to 2.16% based on changes in the index.

**Allocation of Total OPEB Liability**

The SCLAA's proportionate share of the total OPEB liability as of the measurement dates ended June 30, 2020 and 2021, was as follows:

	Total OPEB Liability	Proportionate Share
Balance - June 30, 2020 (MD)	\$ 2,214,981	7.99%
Balance - June 30, 2021 (MD)	2,363,785	7.75%
Net Changes During 2020-21	<u>\$ (148,804)</u>	-0.24%

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
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**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the SCLAA's proportionate share of the total OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease	Current Rate	1% Increase
	(1.16%)	(2.16%)	(3.16%)
Total OPEB Liability	\$ 2,857,956	\$ 2,363,785	\$ 1,978,589

**Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates**

The following presents the SCLAA's proportionate share of the total OPEB liability if it were calculated using health care cost trend rates that are one percentage point lower (Non-Medicare: 6.0% for 2022 decreasing to 3.0% in 2076; Medicare (Non-Kaiser): 5.1% for 2022, decreasing to an ultimate rate of 3.0% in 2076; Medicare (Kaiser): 4.0% for 2022, decreasing to an ultimate rate of 3.0% in 2076) or one percentage point higher (Non-Medicare: 8.0% for 2022 decreasing to 5.0% in 2076; Medicare (Non-Kaiser): 7.1% for 2022, decreasing to an ultimate rate of 5.0% in 2076; Medicare (Kaiser): 6.0% for 2022, decreasing to an ultimate rate of 5.0% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 1,885,039	\$ 2,363,785	\$ 3,012,257

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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

Net Difference Between Projected and Actual	
Earnings on OPEB Plan Investments	
Plan Investments	5 Years
All Other Amounts	Expected average remaining service lifetime (EARS�) (9.6 Years at June 30, 2021 measurement date)

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY  
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**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2022, the SCLAA recognized OPEB expense of \$123,690. As of fiscal year ended June 30, 2022, the SCLAA reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions Subsequent to the Measurement Date	\$ 23,591	\$ -
Differences Between Expected and Actual Experience	-	(355,925)
Changes of Assumptions	<u>277,765</u>	<u>(163,255)</u>
Total	<u>\$ 301,356</u>	<u>\$ (519,180)</u>

The \$23,591 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2023	\$ (61,182)
2024	(61,182)
2025	(61,182)
2026	(61,181)
2027	(21,118)
Thereafter	24,430

**Payable to the Pension Plan**

At June 30, 2022, the SCLAA had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

**Litigation**

The SCLAA 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.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY  
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**NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Southern California Logistics Airport Authority and Stirling Enterprise LLC**

In the early 1990's, the U.S. 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 SCLAA.

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 SCLAA. 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 nonaviation (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.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
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**NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Revenues from Sales of Land (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 nonperformance 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 from those leases, 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.

**NOTE 9 SCLAA'S FINANCIAL CONDITION SIGNIFICANT FINANCIAL OBLIGATIONS AND MANAGEMENT'S PLANS**

In fiscal year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Beginning in fiscal year 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 fiscal year 12/13. The decrease was largely the result of the Great Recession. Since fiscal year 12/13, assessed values have increased steadily. For fiscal year 20/21, the assessed value for the Project Area was approximately \$9.99 billion. The steady increase in assessed values have resulted in the SCLAA paying all past due debt service in the previous fiscal year. As of the December 1, 2018 tax distribution, the SCLAA was no longer in default. In 2018, Moody's issued an upgraded rating on the Successor Agency to the Victor Valley Economic Development Authority (VVEDA) Housing Set-Aside Tax Allocation Bonds and the Non-Housing Tax Allocation Bonds to "stable" outlook as a result of resolving the outstanding defaults, and the prospective analysis on increasing assessed values in the project area.

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**NOTE 9 SCLAA'S FINANCIAL CONDITION SIGNIFICANT FINANCIAL OBLIGATIONS AND MANAGEMENT'S PLANS (CONTINUED)**

During the prior two fiscal years, SCLAA had results that were not as favorable as fiscal year 18/19 with a net loss of \$3.5 million and \$2.5 million, respectively. However, in the current fiscal year, SCLAA had a positive net income of \$782,286. A summary of the financial condition of the SCLAA enterprise fund is as follows:

Beginning Net Position, as Restated	\$(124,433,262)
Net Income	782,286
Ending Net Position	<u><u>\$(123,650,976)</u></u>

**Management's Plans with Respect to its Financial Condition**

Management plans to ensure that annual expenditures do not exceed annual revenues and to build the reserves that are necessary to provide for economic uncertainties.

The SCLAA has continued to maintain a balance budget since 2007-2008 and all revenues are projected to cover current liabilities.

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. The advance has a term repayment of five years, with an annualized Wall Street Journal Prime Rate as the interest rate. The outstanding balance of the advance as of June 30, 2022 is \$8,824,244, which has been eliminated for financial statement purposes within the SCLAA since the advance is within the fund itself. SCLAA is currently preparing for payment of this loan in FY 2022-2023 using funding from property sales.

**NOTE 10 JOINTLY GOVERNED ORGANIZATIONS**

**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 distribution's provisions of the Bill. The SCLAA contains a portion of the VVEDA Successor Agency with the Town of Apple Valley and City of Adelanto comprising the rest of the VVEDA Successor Agency. The RPTTF (tax increment distributions) from VVEDA represent the primary revenue of the SCLAA. Financial statements may be obtained by sending a written request to Victor Valley Economic Development Authority, 18374 Phantom Street, Victorville, CA 92394.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 11 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 SCLAA because the SCLAA has historically funded its operations and debt service using significant tax increment revenue from the Victor Valley Economic Development Agency (VVEDA). VVEDA has acted as a pass-through agency for the various recipients of tax increment revenue in the Victor Valley and is subject to the dissolution requirements of the Bill.

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 Victorville 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).

**NOTE 12 LEASES**

The SCLAA, acting as lessor, leases buildings and land under long-term, noncancelable lease agreements. The leases expire at various dates through 2056 and provide for renewal options ranging from 1 year to 55 years. During the year ended June 30, 2022, the SCLAA recognized \$8,251,728 and \$1,524,013 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on a defined percent in the contract or increases in the Consumer Price Index, subject to certain minimum increases. Lease revenue comprises a majority of the SCLAA’s operating revenues, therefore, this activity is considered to be the principal operation of the SCLAA.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
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**NOTE 12 LEASES (CONTINUED)**

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 7,662,011	\$ 1,462,845	\$ 9,124,856
2024	6,868,119	1,374,054	8,242,173
2025	6,021,790	1,278,378	7,300,168
2026	6,165,361	1,252,066	7,417,427
2027	6,236,410	1,159,686	7,396,096
2028-2032	26,252,464	3,870,687	30,123,151
2033-2037	12,252,870	1,797,082	14,049,952
2038-2042	3,753,055	1,157,998	4,911,053
2043-2047	4,323,812	725,707	5,049,519
2048-2052	3,622,056	325,329	3,947,385
2053-2056	1,354,975	52,136	1,407,111
Total	<u>\$ 84,512,923</u>	<u>\$ 14,455,968</u>	<u>\$ 98,968,891</u>

**NOTE 13 RESTATEMENTS**

Net Position (Deficit) as of July 1, 2021	\$(131,563,815)
Restatements:	
Capital expenses not capitalized in the prior years.	8,164,967
Depreciation expense for assets not capitalized in prior years.	(200,941)
Liability for rental credits due to tenants for capital improvements made and contributed to the SCLAA.	(755,900)
Revenue recorded twice for receivable.	<u>(77,573)</u>
Net Position (Deficit) as of July 1, 2021, as Restated	<u><u>\$(124,433,262)</u></u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY  
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
(COST SHARING PLAN)  
LAST TEN FISCAL YEARS\***

	Reporting Fiscal Year (Measurement Date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan's Proportion of the Net Pension Liability	0.00%	6.84%	6.86%	6.90%	6.95%	7.07%	6.87%	6.76%
Plan's Proportionate Share of the Net Pension Liability	\$ 2,599,527	\$ 3,838,581	\$ 3,546,936	\$ 3,189,455	\$ 3,210,086	\$ 2,805,052	\$ 2,090,587	\$ 1,880,791
Plan's Covered Payroll	\$ 1,676,551	\$ 1,686,096	\$ 1,534,654	\$ 1,565,360	\$ 1,579,911	\$ 1,368,422	\$ 1,343,244	\$ 1,310,612
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	155.05%	227.66%	231.12%	203.75%	203.18%	204.98%	155.64%	143.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	6.03%	5.04%	5.11%	5.22%	5.18%	5.33%	5.50%	6.76%

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the 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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2022:

There were no significant changes in assumptions.

\*Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY  
SCHEDULE OF PLAN CONTRIBUTIONS  
(COST SHARING PLAN)  
LAST TEN FISCAL YEARS\***

	Fiscal Year							
	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 414,447	\$ 381,393	\$ 345,578	\$ 279,699	\$ 275,299	\$ 273,075	\$ 233,116	\$ 197,631
Contributions in Relation to the Actuarially Determined Contribution	<u>(414,447)</u>	<u>(381,393)</u>	<u>(345,578)</u>	<u>(279,699)</u>	<u>(275,299)</u>	<u>(273,075)</u>	<u>(233,116)</u>	<u>(197,631)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,868,216	\$ 1,676,551	\$ 1,686,096	\$ 1,534,654	\$ 1,565,360	\$ 1,579,911	\$ 1,368,422	\$ 1,343,244
Contributions as a Percentage of Covered Payroll	22.18%	22.75%	20.50%	18.23%	17.59%	17.28%	17.04%	14.71%

**Notes to Schedule:**

Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.50%	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 - 55 for 2.5%@55; 52 - 67 for 2.0%@62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\*Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY  
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY  
(COST SHARING PLAN)  
LAST TEN FISCAL YEARS\***

	Fiscal Year Ended (Measurement Date)				
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Plan's Proportion of the Total OPEB Liability	7.75%	7.99%	8.19%	8.57%	8.43%
Plan's Proportionate Share of the Total OPEB Liability	\$ 2,363,785	\$ 2,214,981	\$ 2,093,649	\$ 1,888,372	\$ 2,014,829
Plan's Covered Payroll	\$ 2,396,424	\$ 2,348,399	\$ 1,993,268	\$ 1,735,340	\$ 1,494,600
Plan's Proportionate Share of the Total OPEB Liability as a Percentage of Covered Employee Payroll	98.64%	94.32%	105.04%	108.82%	134.81%

**Notes to Schedule:**

Changes in Assumptions:

Discount Rate	2.16%	2.21%	3.50%	3.87%	3.58%
Mortality Improvement Rates	Scale MP-2020	Scale MP-2020	Scale MP-2018	Scale MP-2018	Scale MP-2016

The mortality, retirement, disability, and termination rates for the measurement periods ended June 30, 2017 and 2018 were based on the CalPERS 1997-2011 Experience Study and CalPERS 1997-2015 Experience Study, respectively.

In the June 30, 2018 measurement period, the pre-65 waived retiree re-election was updated to be 10% after age 65.

In the June 30, 2020 measurement period, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

\*Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

## **SUPPLEMENTARY INFORMATION**

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**COMBINING SCHEDULE OF NET POSITION**  
**JUNE 30, 2022**  
**(WITH COMPARATIVE DATA FOR JUNE 30, 2021)**

					Totals	
	Aeronautical	Non Aeronautical	Other Services	Elimination	2022	2021
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Investments	\$ 5,869,157	\$ 166,134	\$ 14,869,390	\$ -	\$ 20,904,681	\$ 17,453,500
Cash and Investments with Fiscal Agent	-	-	23,938,255	-	23,938,255	23,952,767
Accounts Receivable, Net	622,064	-	257	-	622,321	452,419
Interest Receivable	99,170	-	-	-	99,170	-
Due from Other Governments	347,685	-	-	-	347,685	2,241,469
Leases	82,516,517	-	1,996,406	-	84,512,923	-
Inventory	29,905	-	-	-	29,905	16,320
Total Current Assets	<u>89,484,498</u>	<u>166,134</u>	<u>40,804,308</u>	<u>-</u>	<u>130,454,940</u>	<u>44,116,475</u>
<b>NONCURRENT ASSETS</b>						
Prepaid Items	53,755	-	-	-	53,755	2,759
Advances to Other Funds	-	-	9,345,975	(9,345,975)	-	-
Advances to City of Victorville	-	-	-	-	-	1,940,095
Nondepreciable Capital Assets	893,391	-	15,648,848	-	16,542,239	15,806,452
Depreciable Capital Assets, Net	<u>27,854,374</u>	<u>-</u>	<u>90,125,581</u>	<u>-</u>	<u>117,979,955</u>	<u>116,571,538</u>
Total Noncurrent Assets	<u>28,801,520</u>	<u>-</u>	<u>115,120,404</u>	<u>(9,345,975)</u>	<u>134,575,949</u>	<u>134,320,844</u>
Total Assets	118,286,018	166,134	155,924,712	(9,345,975)	265,030,889	178,437,319
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflows - OPEB Related	301,356	-	-	-	301,356	322,970
Deferred Outflows - Pension Related	829,725	-	-	-	829,725	789,736
Deferred Charge on Refunding	-	-	1,532,412	-	1,532,412	1,666,928
Total Deferred Outflows of Resources	<u>1,131,081</u>	<u>-</u>	<u>1,532,412</u>	<u>-</u>	<u>2,663,493</u>	<u>2,779,634</u>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	1,385,168	-	1,281	-	1,386,449	1,265,784
Interest Payable	-	-	1,256,389	-	1,256,389	1,283,294
Unearned Revenue	1,301,095	-	-	-	1,301,095	44,066
Total OPEB Liability - Due Within One Year	27,309	-	-	-	27,309	28,165
Long-Term Liabilities, Due Within One Year	<u>130,528</u>	<u>-</u>	<u>6,550,000</u>	<u>-</u>	<u>6,680,528</u>	<u>6,349,790</u>
Total Current Liabilities	<u>2,844,100</u>	<u>-</u>	<u>7,807,670</u>	<u>-</u>	<u>10,651,770</u>	<u>8,971,099</u>
<b>NONCURRENT LIABILITIES</b>						
Accrued Rent Credit Payable	1,543,494	2,000	-	-	1,545,494	601,572
Advances from Other Funds	9,345,975	-	-	(9,345,975)	-	-
Advances from City of Victorville	-	-	-	-	-	1,864,932
Advances from Other Governments	-	-	11,034,017	-	11,034,017	10,995,517
Total OPEB Liability	2,336,476	-	-	-	2,336,476	2,186,816
Net Pension Liability	2,599,527	-	-	-	2,599,527	3,838,581
Long-Term Liabilities, Due Beyond One Year	<u>109,684</u>	<u>-</u>	<u>278,513,599</u>	<u>-</u>	<u>278,623,283</u>	<u>283,655,913</u>
Total Noncurrent Liabilities	<u>15,935,156</u>	<u>2,000</u>	<u>289,547,616</u>	<u>(9,345,975)</u>	<u>296,138,797</u>	<u>303,143,331</u>
Total Liabilities	18,779,256	2,000	297,355,286	(9,345,975)	306,790,567	312,114,430
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflows - OPEB Related	519,180	-	-	-	519,180	589,499
Deferred Inflows - Pension Related	1,151,011	-	-	-	1,151,011	76,839
Deferred Inflows - Leases	<u>80,886,996</u>	<u>-</u>	<u>1,997,604</u>	<u>-</u>	<u>82,884,600</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>82,557,187</u>	<u>-</u>	<u>1,997,604</u>	<u>-</u>	<u>84,554,791</u>	<u>666,338</u>
<b>NET POSITION (DEFICIT)</b>						
Net Investment in Capital Assets	28,366,451	-	(153,818,503)	-	(125,452,052)	(132,728,001)
Unrestricted	<u>(10,285,795)</u>	<u>164,134</u>	<u>11,922,737</u>	<u>-</u>	<u>1,801,076</u>	<u>1,164,186</u>
Total Net Position (Deficit)	<u>\$ 18,080,656</u>	<u>\$ 164,134</u>	<u>\$ (141,895,766)</u>	<u>\$ -</u>	<u>\$ (123,650,976)</u>	<u>\$ (131,563,815)</u>

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2022**  
**(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2021)**

	Aeronautical	Non Aeronautical	Other Services	Elimination	Totals	
					2022	2021
<b>OPERATING REVENUES</b>						
Charges for Services:						
Landing Fees	\$ 1,712,503	\$ -	\$ -	\$ -	\$ 1,712,503	\$ 1,576,966
Fuel Flowage Fees	284,213	-	-	-	284,213	278,938
Rent and Lease Revenue	8,813,892	100,940	998,802	-	9,913,634	8,640,912
Total Charges for Services	10,810,608	100,940	998,802	-	11,910,350	10,496,816
Fines and Forfeitures	22,003	-	-	-	22,003	34,986
Other	1,075,884	19,500	-	-	1,095,384	524,539
Total Operating Revenues	11,908,495	120,440	998,802	-	13,027,737	11,056,341
<b>OPERATING EXPENSES</b>						
Personnel Services	2,653,151	(6,959)	-	-	2,646,192	2,794,061
Maintenance and Operations	7,430,349	52,550	23,254	-	7,506,153	11,570,873
Depreciation	3,383,105	-	6,227,667	-	9,610,772	9,073,542
Total Operating Expenses	13,466,605	45,591	6,250,921	-	19,763,117	23,438,476
<b>OPERATING INCOME (LOSS)</b>	(1,558,110)	74,849	(5,252,119)	-	(6,735,380)	(12,382,135)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Intergovernmental	59,000	-	-	-	59,000	-
Taxes	279,330	-	21,452,249	-	21,731,579	21,308,725
Investment Income	1,424,149	-	292,193	(267,971)	1,448,371	49,414
Interest Expense	(267,971)	-	(16,895,928)	267,971	(16,895,928)	(17,139,120)
Gain on Sale of Capital Assets	1,125	-	-	-	1,125	6,775
Other Nonoperating Expenses	-	-	(19,087)	-	(19,087)	(19,487)
Total Nonoperating Revenues (Expenses)	1,495,633	-	4,829,427	-	6,325,060	4,206,307
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(62,477)	74,849	(422,692)	-	(410,320)	(8,175,828)
<b>CAPITAL CONTRIBUTIONS</b>						
Contributions	607,812	-	-	-	607,812	-
Capital Grants	633,633	-	-	-	633,633	6,344,691
Capital Contribution from the City of Victorville	-	-	1,895,090	-	1,895,090	-
Capital Contribution to the City of Victorville	-	-	(1,943,929)	-	(1,943,929)	(1,684,653)
Total Capital Contributions	1,241,445	-	(48,839)	-	1,192,606	4,660,038
<b>CHANGE IN NET POSITION</b>	1,178,968	74,849	(471,531)	-	782,286	(3,515,790)
Net Position (Deficit) - Beginning of Year, as Restated	16,901,688	89,285	(141,424,235)	-	(124,433,262)	(128,048,025)
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<u>\$ 18,080,656</u>	<u>\$ 164,134</u>	<u>\$ (141,895,766)</u>	<u>\$ -</u>	<u>\$ (123,650,976)</u>	<u>\$ (131,563,815)</u>