



AUDIT COMMITTEE

Special Meeting Agenda
Thursday, May 9, 2024, 3:00 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 before 2:00 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.

3:00 p.m. Call to Order

Roll Call

Public Comments

Consent Calendar

1. Minutes of the April 10, 2023, Regular Meeting

Recommendation:

That the Audit Committee approve the minutes of the April 10, 2023, 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, 2023

Recommendation:

That the Audit Committee accept the draft financial reports for Fiscal Year ending June 30, 2023, and authorize the documents to be finalized.

Adjournment



Item Number: 1

Audit Committee

Consent Calendar

Meeting of: May 9, 2024

Submitted By:

Jennifer Thompson, City Clerk

Subject:

Minutes of the April 10, 2023, Regular Audit Committee Meeting

Recommendation:

That the Audit Committee approve the minutes of the Regular Meeting of April 10, 2023.

Fiscal Impact:

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

Attachments:

A. Minutes of the April 10, 2023, Regular Meeting

ATTACHMENT A



Conference Room D
14343 Civic Drive
Victorville, CA
www.victorvilleca.gov

Audit Committee

Regular Meeting Minutes
Monday, April 10, 2023, 4:00 p.m.

Call to Order: The regular meeting of the Audit Committee was called to order by Jennifer Thompson at 4:02 p.m.

Roll Call:

Members Present: Debra Jones, Mayor; Liz Becerra, Mayor Pro-Tem; Keith C. Metzler, City Manager; Sophie Smith, Deputy City Manager; John Mendiola, Finance Director/City Treasurer and Kim Scott, Finance Manager

Absent: Jenele Davidson, Deputy City Manager

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

Public Comment:

None

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.

Motion was made to approve staff recommendation

Moved: Mayor Jones
Seconded: Mayor Pro Tem Becerra

Motion passed 6-0

Ayes: Members Mendiola, Metzler, Scott, Smith, Mayor Pro Tem Becerra and Mayor Jones

Absent: Member Davidson

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.

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.

Questions ensued

Motion was made to approve staff recommendation

Moved: Mayor Jones
Seconded: Mayor Pro Tem Becerra

Motion passed 6-0

Ayes: Members Mendiola, Metzler, Scott, Smith, Mayor Pro Tem Becerra and Mayor Jones
Absent: Member Davidson

Adjournment

The meeting was adjourned at 4:36 p.m.

Attest:

Jennifer Thompson, City Clerk



Item Number: 2

Audit Committee

Written Communications

Meeting of: May 9, 2024

Submitted By:

Carmen Cun, 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, 2023.

Recommendation:

That the Audit Committee accept the draft financial reports for Fiscal Year ending June 30, 2023, 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, 2023, were audited by the independent audit firm CliftonLarsonAllen LLP, Certified Public Accountants.

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 May 21, 2024, 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, 2023, 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 2023.

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, 2023, 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, 2023
- B. Draft Independent Auditor's Report for Fiscal Year Ending June 30, 2023
- C. Draft Victorville Water District Basic Financial Statements for Fiscal Year Ending June 30, 2023
- D. Draft Southern California Logistics Airport Authority Basic Financial Statements for Fiscal Year Ending June 30, 2023

ATTACHMENT A

**CITY OF VICTORVILLE
VICTORVILLE, CALIFORNIA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023



**CITY OF VICTORVILLE
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INTRODUCTORY SECTION

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May 6, 2024

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

In accordance with California state law, please accept submission of the Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2023. 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 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 136,854.

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 founded 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. 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 2022 and continued in fiscal year 2023.

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. 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 the year ending June 2023, brought in tax revenue of just over \$39.8 million. This has afforded the City the ability to hire additional police, fire, code and animal control enforcement personnel and equipment to aid response times for our citizens.

Also bolstering the City's financial position, the City applied for and received 13.5 million dollars in federal funding to expand services to the Victorville community. The City used more than two million dollars in federal Community Development Block Grants to help 21 local nonprofits that provide services to Victorville residents ranging from rental assistance and homeless outreach to foodbanks and support for victims of domestic violence. More than 40 Victorville households received grants for home repairs and rehabilitation totaling 601,000 dollars.

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 \$12 million to its General Fund Reserves. Reserves now stand at 60%, 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 2023, the City was able to complete the Victorville Wellness Center. One of the City's overarching goals is help reduce homelessness in Victorville. The impact of our Wellness Center will be far-reaching because it provides support to those experiencing a full spectrum of issues. One of the center's most unique features is the inclusion of medical services and recuperative care, an extremely challenging component of wellness for individuals who lack proper shelter and access to ongoing medical care. The non-congregate, modular design offers 110 separate units with a minimum capacity of 170 beds. Units vary in size including single, double, and family.

The City continues to expand public safety services due to new funding sources including Measure P. T Victorville Fire continues to be one of the busiest departments in the nation with more than 24,000 calls for service last year. Approximately 85 percent of these calls were for emergency medical service. To expand its medical response capability, the City added twelve firefighter/paramedics which will man two paramedic squads. In December and January, the City put into service two of three, new Type 1 fire engines purchased with federal American Rescue Plan Act dollars. To reduce wear and tear on these engines, the City ordered three transport-capable squad units expected to go into service in October 2024.

In 2023, The City completed the conceptual design for a new, larger police station. We've housed our police personnel at the station on Amargosa Road since 2001. Since then, our police force has more than doubled, and the station is at capacity. A larger station is needed before we can make further additions to our police force. In 2023, the City increased its network of automatic license plate readers by 16 bringing the total number of ALPR's in Victorville to 123. The ALPRS are a cost-effective tool helping the Victorville Police Department solve a variety of crimes such as auto theft, assault, domestic violence, carjacking, and robbery. The ALPR's captured 374 hits and led to 96 arrests in 2023. To increase safety on local roads, the department used deputies funded through Measure P revenue to conduct more traffic enforcement. The Traffic Division issued 4,200 traffic

citations in 2023. As a result of the increased traffic personnel and enforcement operations, fatal collisions in Victorville reduced 47 percent from 2022 totals.

In April 2023, the City faced an unforeseen issue when its long-time animal shelter operator provided just 30 days of notice that it would cease operations. The City's Animal Care and Control Division immediately took action to create a temporary shelter operation and pet adoption center at two existing City properties. They worked with Best Friends Animal Society to learn and implement industry standards and best practices. In just six months, City staff hosted 38 adoption events and found homes for 250 animals in the City's care. The City also scouted locations and secured the former Goodwill High School to serve as the City's permanent animal shelter thanks to a lease agreement with the Victor Valley Union High School District. Updates to the facility are underway, and the permanent animal shelter is expected to open before Winter 2024

In May, the City had the grand opening of its Green Tree Extension. The City extended Green Tree Boulevard 1.5 miles from Hesperia Road to Ridgecrest Road, constructed a 600-foot bridge over the BNSF Railroad, and added an intersection and traffic signal improvements. This much-needed East/West corridor has reduced commute times in the Victor Valley by eight minutes or more. The Green Tree Extension was named the Best Transportation Project of the Year by the American Public Works Association of Southern California.

In November, the City completed the Bear Valley Road Bridge Widening. The bridge was widened, retrofitted, and rehabilitated. Two traffic signals were upgraded, and portions of Bear Valley Road were repaved. An additional turn lane was added at Ridgecrest Road to reduce congestion at this busy intersection. The City also made infrastructure improvements in Old Town. Approximately 11,072 linear feet of aging, smaller-diameter water pipelines were replaced for increased waterflow and added fire suppression capability. Additionally, through its Sidewalk Connectivity Project, the City improved pedestrian paths and ADA-accessibility in Old Town. Concrete sidewalks were improved or reconstructed in 13 locations.

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.

An advantage of Victorville's Recycling Drop Off Center is many of the items collected can be recycled and diverted from the landfill. In 2023, more than 13,000 residents visit the Center and dropped off a combined 1,429 tons of recyclable material.

Long-term Financial Planning

The 2024 fiscal year budget continues to practice conservative revenue estimates. Overall, the 2024 budget anticipates a slight increase in tax revenues with permits and licensing

revenue remaining steady. The total estimated revenue for the general fund is \$93.1 million, an increase of approximately \$5 million as compared to 2023 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 2023 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.

Water rights valued at \$2.6 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 \$6.5 million, occurred throughout the City.

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, 2023 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.

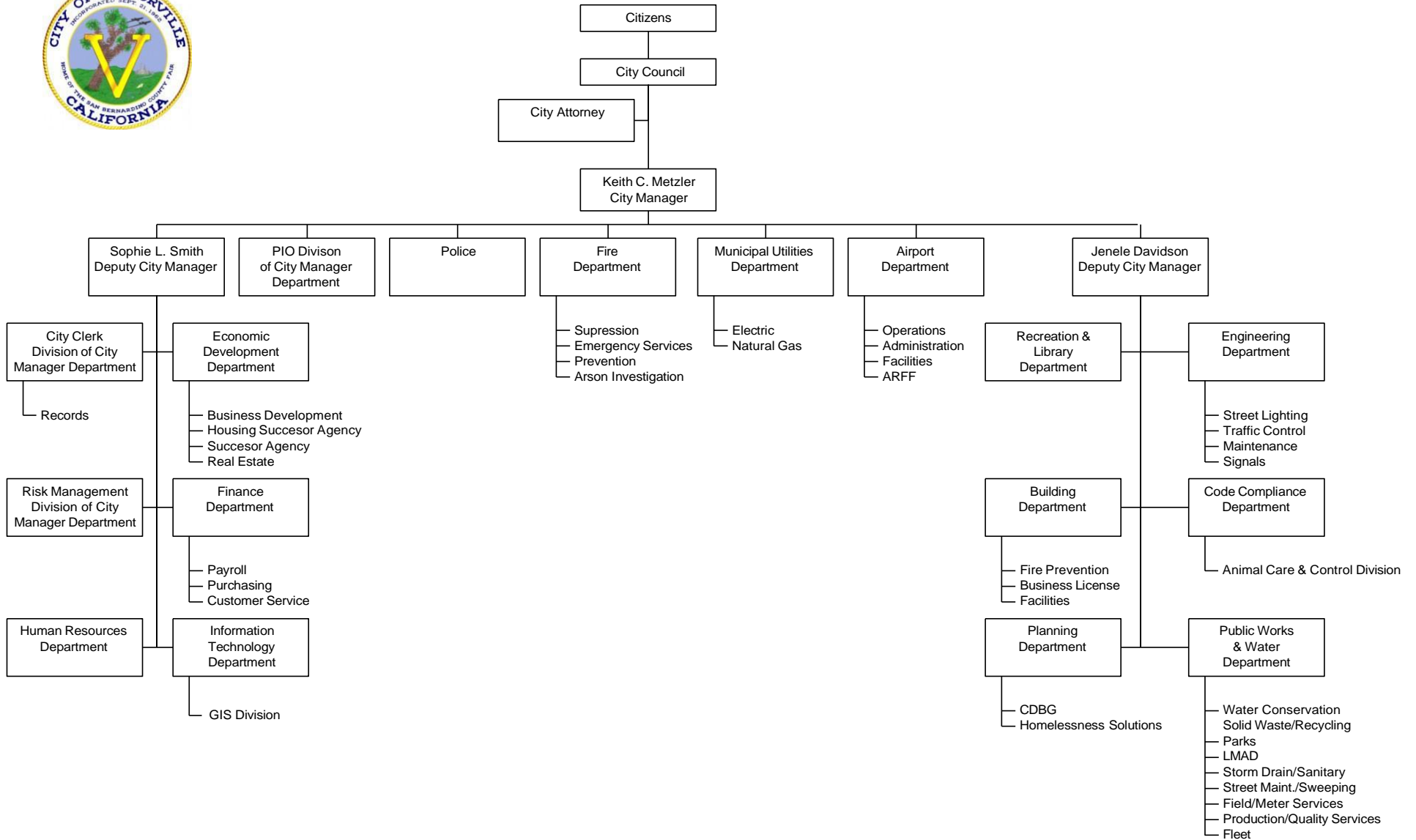
Acknowledgements

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,

Carmen Cun
Director of Finance / City Treasurer

CITY OF VICTORVILLE ORGANIZATIONAL CHART JUNE 30, 2023



**CITY OF VICTORVILLE
ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2023**



Mayor
Debra Jones – District 2
Re-Elected 2022 4-year term



Mayor Pro Tem
Elizabeth Becerra – At Large
Elected 2020 4-year term.



Council Member
Blanca Gomez – At Large
Elected 2020 4-year term.



Council Member
Bob Harriman – District 4
Elected 2022 4-year term.



Council Member
Leslie Irving – At Large
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 AttorneyAndre de Bortnowsky

CITY OF VICTORVILLE

**ELECTED AND APPOINTED OFFICIALS (CONTINUED)
JUNE 30, 2023**

Appointed Officials Team

	Appointed By	Date Appointed	Term Expires
Planning Commission			
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
Community Services Advisory Committee			
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
Measure P Oversight Committee			
	Category		
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, 2023**

Leadership Team

Fire Chief	William Racowski
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	Mazharul Islam
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, 2023, 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, 2023, 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 Matter

Changes in Accounting Principle

During the fiscal year ended June 30, 2023, the City adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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, 2023**

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, 2023**

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, 2023**

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, 2023**

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, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
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	<u>479,808</u>	<u>454,542</u>	<u>357,752</u>	<u>353,828</u>	<u>837,560</u>	<u>808,370</u>
Total assets	<u>706,816</u>	<u>614,951</u>	<u>621,665</u>	<u>505,682</u>	<u>1,328,481</u>	<u>1,120,633</u>
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	<u>-</u>	<u>-</u>	<u>1,532</u>	<u>1,667</u>	<u>1,532</u>	<u>1,667</u>
Total deferred outflows of resources	<u>12,902</u>	<u>12,739</u>	<u>9,447</u>	<u>9,541</u>	<u>22,350</u>	<u>22,280</u>
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	<u>7,524</u>	<u>9,119</u>	<u>357,170</u>	<u>360,339</u>	<u>364,694</u>	<u>369,458</u>
Total Liabilities	<u>111,591</u>	<u>103,771</u>	<u>409,684</u>	<u>413,651</u>	<u>521,275</u>	<u>517,422</u>
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	<u>6,239</u>	<u>-</u>	<u>85,636</u>	<u>-</u>	<u>91,874</u>	<u>-</u>
Total deferred inflows of resources	<u>26,375</u>	<u>6,952</u>	<u>97,362</u>	<u>4,980</u>	<u>123,737</u>	<u>11,932</u>
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	<u>19,767</u>	<u>(23,215)</u>	<u>76,595</u>	<u>56,629</u>	<u>96,362</u>	<u>33,414</u>
Total Net Position	<u>581,752</u>	<u>516,967</u>	<u>124,066</u>	<u>96,591</u>	<u>705,818</u>	<u>613,558</u>

**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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.

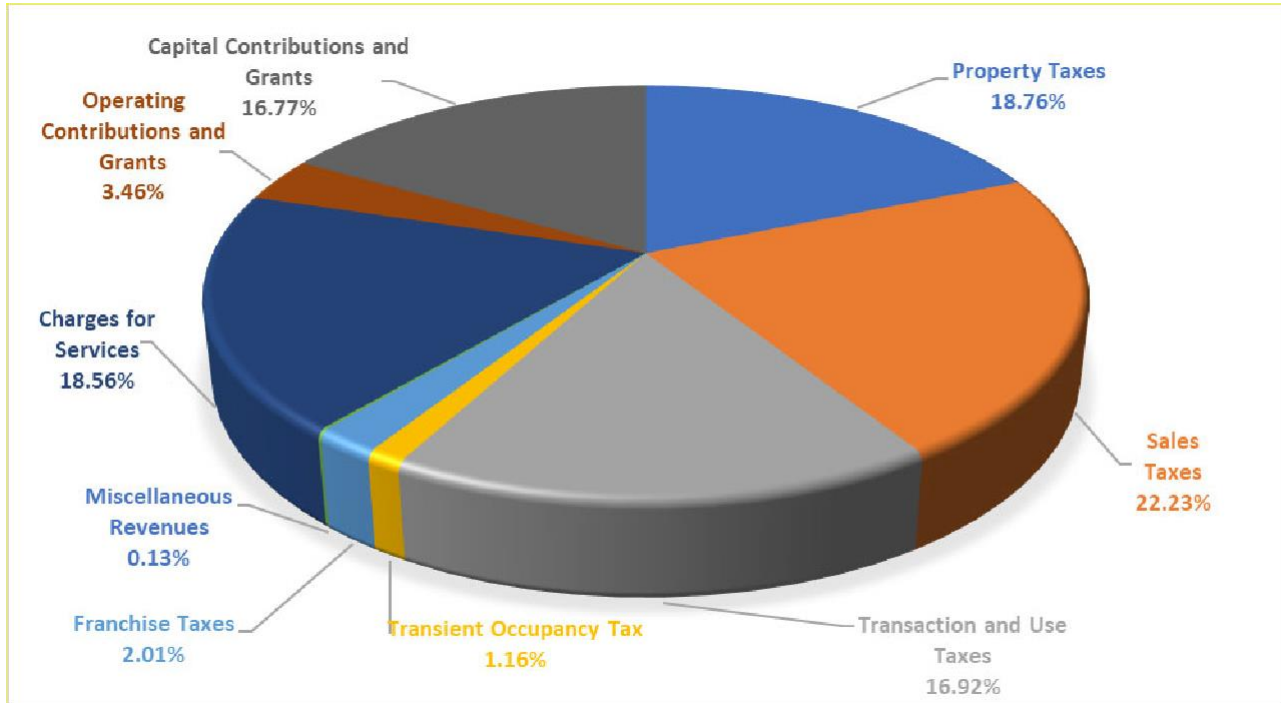
**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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

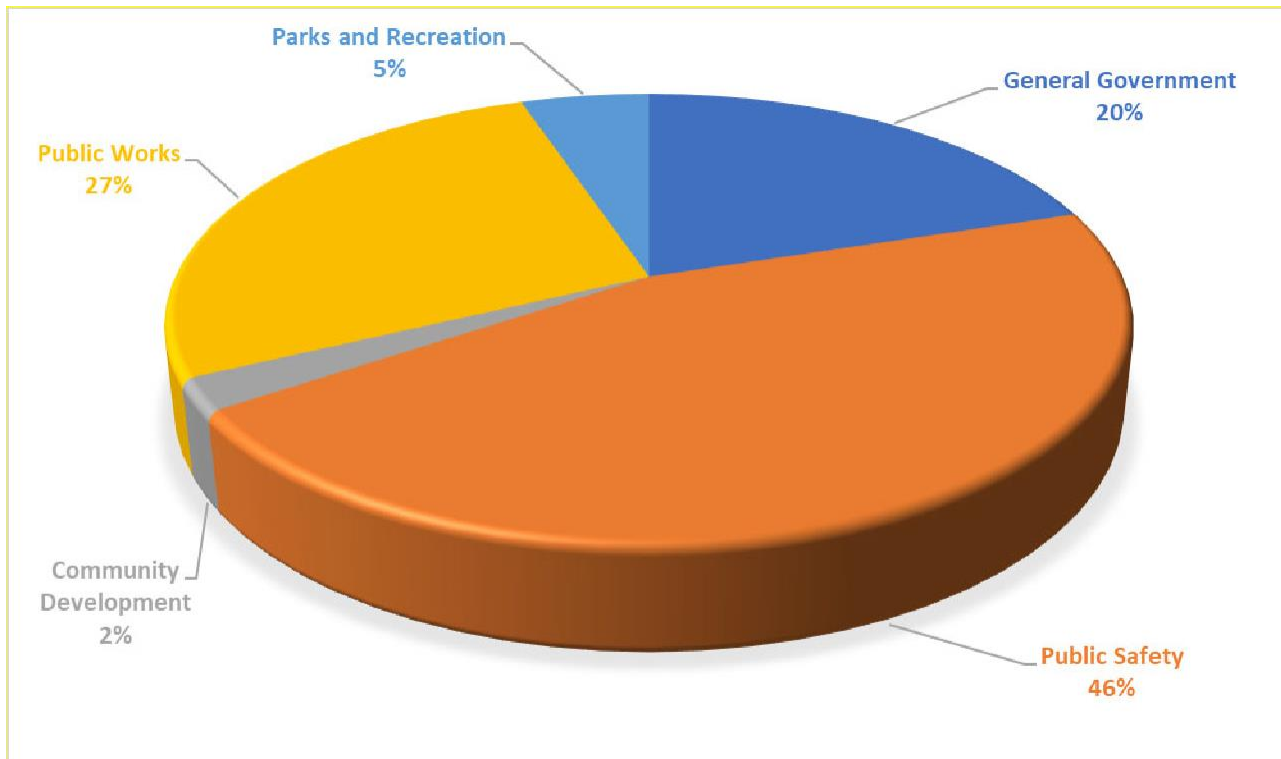
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 32,441	\$ 28,837	\$ 121,697	\$ 108,779	\$ 154,138	\$ 137,615
Operating Contributions and Grants	6,050	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
Total Revenues	<u>172,487</u>	<u>129,295</u>	<u>157,713</u>	<u>145,436</u>	<u>330,200</u>	<u>274,731</u>
Expenses:						
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
Total Expenses	<u>107,784</u>	<u>114,051</u>	<u>136,695</u>	<u>132,701</u>	<u>244,480</u>	<u>246,752</u>
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)	-	-
Change in net position	64,785	16,929	20,936	11,051	85,721	27,979
Net Position - Beginning of Year (as restated)	<u>516,967</u>	<u>500,038</u>	<u>103,130</u>	<u>85,541</u>	<u>620,097</u>	<u>585,579</u>
Net Position - End of Year	<u>581,752</u>	<u>516,967</u>	<u>124,066</u>	<u>96,591</u>	<u>705,818</u>	<u>613,558</u>

**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Revenues by Source - Governmental Activities

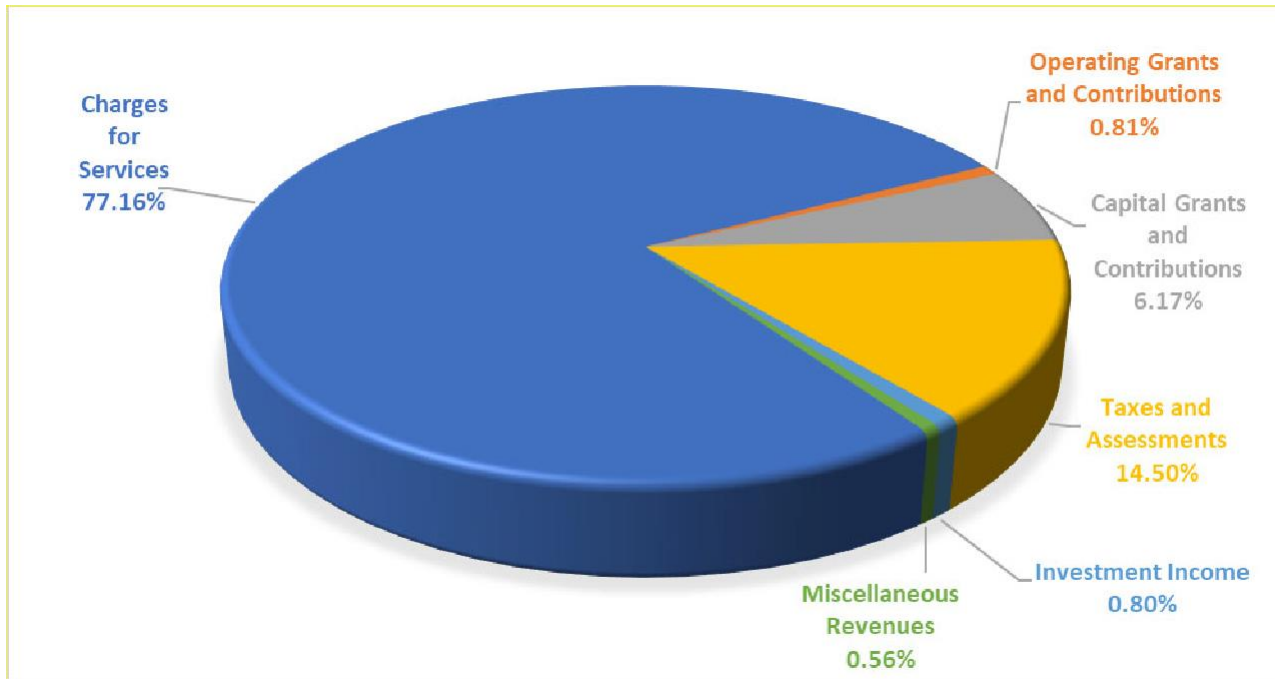


Expenses by Function - Governmental Activities

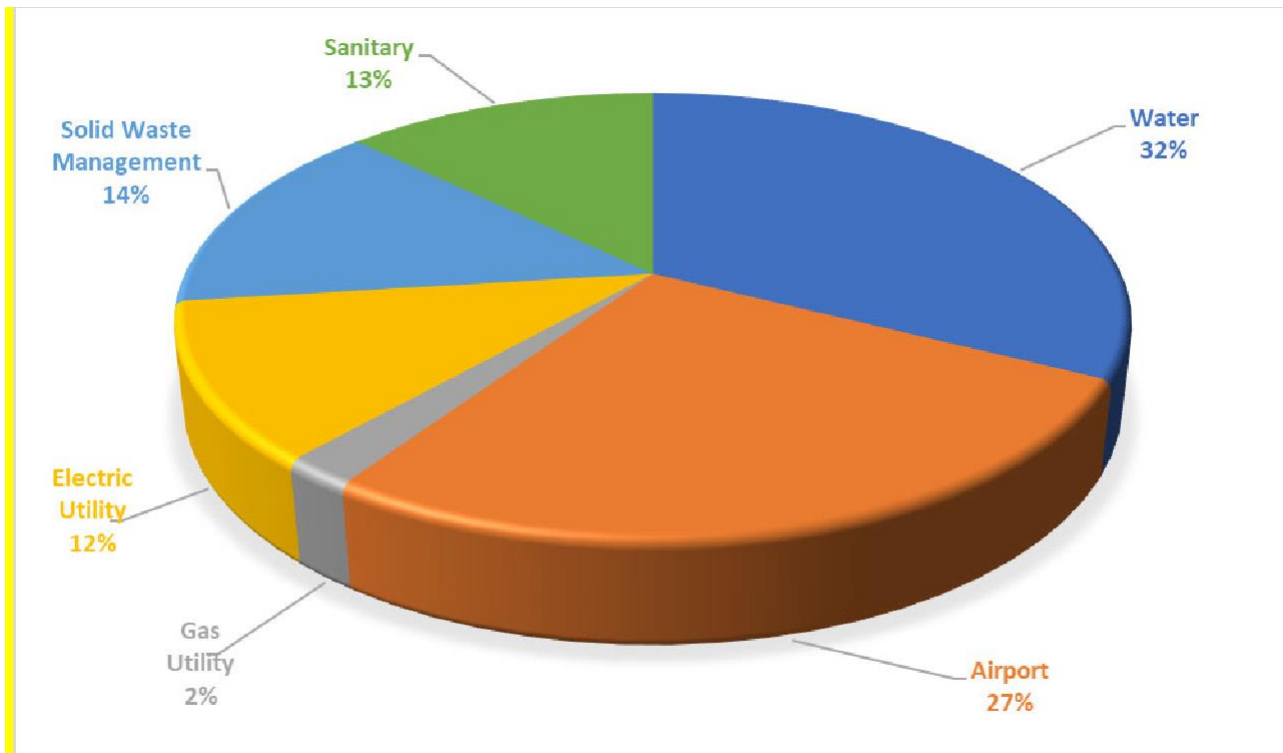


**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Revenue by Source - Business-Type Activities



Expenses by Function – Business-Type Activities



**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

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, 2023**

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, 2023**

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, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<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	<u>46,687</u>	<u>10,107</u>	<u>11,667</u>	<u>10,104</u>	<u>58,354</u>	<u>20,212</u>
Total	<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, 2023**

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
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)
Total	<u>60,686</u>	<u>76,223</u>	<u>378,086</u>	<u>389,820</u>	<u>438,772</u>	<u>466,043</u>

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, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 185,587,349	\$ 164,208,796	\$ 349,796,145
Cash with Fiscal Agent	-	30,146,896	30,146,896
Receivables:			
Accounts, Net	6,066,550	12,378,554	18,445,104
Interest	1,719,128	385,098	2,104,226
Due from Other Governments	23,072,911	246,591	23,319,502
Due from Successor Agency	13,180,909	-	13,180,909
Leases Receivable, Current	6,284,854	7,770,582	14,055,436
Deposits and Prepaid Items	4,439,678	197,382	4,637,060
Inventory and Other Assets	179,895	880,812	1,060,707
Interfund Balances	2,916,480	(2,916,480)	-
Investment in Joint Venture	-	340,230	340,230
Land Held for Resale	1,549,837	-	1,549,837
Leases Receivable, Noncurrent	-	86,033,169	86,033,169
Capital Assets, Net:			
Nondepreciable	283,090,548	68,030,837	351,121,385
Depreciable or Amortizable, Net	236,336,639	283,727,345	520,063,984
Long-Term Notes Receivable	<u>14,644,342</u>	<u>-</u>	<u>14,644,342</u>
Total Assets	<u>779,069,120</u>	<u>651,429,812</u>	<u>1,430,498,932</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - OPEB Related	3,861,459	3,447,654	7,309,113
Deferred Outflows - Pension Related	20,402,301	11,022,183	31,424,484
Deferred Charge on Refunding	<u>-</u>	<u>1,397,897</u>	<u>1,397,897</u>
Total Deferred Outflows of Resources	<u>24,263,760</u>	<u>15,867,734</u>	<u>40,131,494</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 11,568,229	\$ 10,334,018	\$ 21,902,247
Accrued Liabilities	1,295,967	-	1,295,967
Interest Payable	-	1,746,093	1,746,093
Deposits Payable	3,306,020	2,607,793	5,913,813
Prepaid Water Connection Fees	-	217,489	217,489
Unearned Revenue	<u>29,496,791</u>	<u>1,976,225</u>	<u>31,473,016</u>
Total Current Liabilities	45,667,007	16,881,618	62,548,625
NONCURRENT LIABILITIES			
Advances from Other Governments	-	11,267,089	11,267,089
Total OPEB Liability:			
Due Within One Year	278,650	347,204	625,854
Due in More Than One Year	18,392,691	16,250,918	34,643,609
Net Pension Liability	54,247,121	28,016,544	82,263,665
Long-Term Liabilities:			
Due Within One Year	3,434,712	9,930,538	13,365,250
Due in More Than One Year	<u>5,136,105</u>	<u>327,153,456</u>	<u>332,289,561</u>
Total Noncurrent Liabilities	<u>81,489,279</u>	<u>392,965,749</u>	<u>474,455,028</u>
Total Liabilities	127,156,286	409,847,367	537,003,653
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - OPEB Related	11,929,972	6,434,214	18,364,186
Deferred Inflows - Pension Related	840,089	1,651,507	2,491,596
Deferred Inflows - Leases	<u>6,011,072</u>	<u>90,264,124</u>	<u>96,275,196</u>
Total Deferred Inflows of Resources	<u>18,781,133</u>	<u>98,349,845</u>	<u>117,130,978</u>
NET POSITION			
Net Investment in Capital Assets	510,418,445	46,894,350	557,312,795
Restricted for:			
Public Safety	57,035	-	57,035
Community Development	31,987,337	-	31,987,337
Public Works	68,728,646	-	68,728,646
Unrestricted	<u>46,203,998</u>	<u>112,205,984</u>	<u>158,409,982</u>
Total Net Position	<u>\$ 657,395,461</u>	<u>\$ 159,100,334</u>	<u>\$ 816,495,795</u>

See accompanying Notes to Basic Financial Statements.

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**CITY OF VICTORVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ 27,940,933	\$ 11,800,230	\$ 12,040,121	\$ -
Public Safety	59,555,714	5,586,852	1,133,144	-
Community Development	3,585,835	6,802,219	6,002,158	17,433,075
Public Works	34,793,540	7,557,148	3,668,074	22,484,035
Parks and Recreation	7,226,297	891,611	82,570	-
Interest Expense	13,743	-	-	-
Total Governmental Activities	<u>133,116,062</u>	<u>32,638,060</u>	<u>22,926,067</u>	<u>39,917,110</u>
Business-Type Activities:				
Water	44,649,302	42,295,468	-	4,875,008
Airport	37,390,598	13,676,278	-	369,259
Gas Utility	4,378,219	4,571,742	-	33,884
Electric Utility	15,566,962	20,223,493	-	2,135,794
Solid Waste Management	21,968,758	23,365,593	-	-
Sanitary	20,206,571	21,953,054	-	1,031,572
Total Business-Type Activities	<u>144,160,410</u>	<u>126,085,628</u>	<u>-</u>	<u>8,445,517</u>
Total Primary Government	<u>\$ 277,276,472</u>	<u>\$ 158,723,688</u>	<u>\$ 22,926,067</u>	<u>\$ 48,362,627</u>

GENERAL REVENUES

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

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2023

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (4,100,582)	\$ -	\$ (4,100,582)
(52,835,718)	-	(52,835,718)
26,651,617	-	26,651,617
(1,084,283)	-	(1,084,283)
(6,252,116)	-	(6,252,116)
(13,743)	-	(13,743)
(37,634,825)	-	(37,634,825)
-	2,521,174	2,521,174
-	(23,345,061)	(23,345,061)
-	227,407	227,407
-	6,792,325	6,792,325
-	1,396,835	1,396,835
-	2,778,055	2,778,055
-	(9,629,265)	(9,629,265)
(37,634,825)	(9,629,265)	(47,264,090)
36,458,252	23,407,703	59,865,955
37,381,932	-	37,381,932
29,260,255	-	29,260,255
2,012,578	-	2,012,578
4,764,153	-	4,764,153
2,786,944	6,774,827	9,561,771
519,102	-	519,102
-	14,576,289	14,576,289
95,124	(95,124)	-
113,278,340	44,663,695	157,942,035
75,643,515	35,034,430	110,677,945
581,751,946	124,065,904	705,817,850
\$ 657,395,461	\$ 159,100,334	\$ 816,495,795

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 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.

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, 2023**

	General	Special Revenue	Special Revenue	Special Revenue
		Housing Asset Successor	Other State / Local Grants	COVID-19 Funds
ASSETS				
Cash and Investments	\$ 88,222,150	\$ 2,067,867	\$ 11,160,717	\$ 18,163,602
Accounts Receivable	1,596,631	26,775	52,489	-
Interest Receivable	1,719,128	-	-	-
Notes Receivable	-	13,074,151	-	-
Due from Other Funds	5,647,588	-	-	-
Advances to Other Funds	2,916,480	-	-	-
Due from Other Governments	10,617,204	-	1,638,623	152,292
Leases Receivable	6,284,854	-	-	-
Due from the Successor Agency	123,171	13,057,738	-	-
Inventories	179,895	-	-	-
Prepaid Items	190,221	-	28,362	4,214,889
Land Held for Resale	-	1,549,837	-	-
	<u>\$ 117,497,322</u>	<u>\$ 29,776,368</u>	<u>\$ 12,880,191</u>	<u>\$ 22,530,783</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 2,494,605	\$ 12,009	\$ 1,692,915	\$ 2,727,056
Accrued Liabilities	1,295,967	-	-	-
Deposits Payable	538,203	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenue	1,207	-	9,603,088	19,803,727
Total Liabilities	<u>4,329,982</u>	<u>12,009</u>	<u>11,296,003</u>	<u>22,530,783</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	1,339,316	152,292
Leases	6,011,072	-	-	-
Total Deferred Inflows of Resources	<u>6,011,072</u>	<u>-</u>	<u>1,339,316</u>	<u>152,292</u>
FUND BALANCES				
Nonspendable:				
Advances to Other Funds	2,916,480	-	-	-
Prepaid Items	190,221	-	28,362	4,214,889
Inventories	179,895	-	-	-
Restricted:				
Public Safety	-	-	-	-
Highways and Street Projects	-	-	216,510	-
Community Development	-	29,764,359	-	-
Unassigned	103,869,672	-	-	(4,367,181)
Total Fund Balances	<u>107,156,268</u>	<u>29,764,359</u>	<u>244,872</u>	<u>(152,292)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 117,497,322</u>	<u>\$ 29,776,368</u>	<u>\$ 12,880,191</u>	<u>\$ 22,530,783</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2023**

	Capital Projects <u>Capital Impact Facilities</u>	Nonmajor Governmental <u>Funds</u>	<u>Totals</u>
ASSETS			
Cash and Investments	\$ 23,689,606	\$ 42,283,407	\$ 185,587,349
Accounts Receivable	2,500,000	1,890,655	6,066,550
Interest Receivable	-	-	1,719,128
Notes Receivable	-	1,570,191	14,644,342
Due from Other Funds	-	-	5,647,588
Advances to Other Funds	-	-	2,916,480
Due from Other Governments	-	10,664,792	23,072,911
Leases Receivable	-	-	6,284,854
Due from the Successor Agency	-	-	13,180,909
Inventories	-	-	179,895
Prepaid Items	-	6,206	4,439,678
Land Held for Resale	-	-	1,549,837
	<u>\$ 26,189,606</u>	<u>\$ 56,415,251</u>	<u>\$ 265,289,521</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,144,599	\$ 3,497,045	\$ 11,568,229
Accrued Liabilities	-	-	1,295,967
Deposits Payable	-	2,767,817	3,306,020
Due to Other Funds	-	5,647,588	5,647,588
Unearned Revenue	-	88,769	29,496,791
Total Liabilities	<u>1,144,599</u>	<u>12,001,219</u>	<u>51,314,595</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	9,872,415	11,364,023
Leases	-	-	6,011,072
Total Deferred Inflows of Resources	<u>-</u>	<u>9,872,415</u>	<u>17,375,095</u>
FUND BALANCES			
Nonspendable:			
Advances to Other Funds	-	-	2,916,480
Prepaid Items	-	6,206	4,439,678
Inventories	-	-	179,895
Restricted:			
Public Safety	-	57,035	57,035
Highways and Street Projects	25,045,007	41,206,294	66,467,811
Community Development	-	1,651,687	31,416,046
Unassigned	-	(8,379,605)	91,122,886
Total Fund Balances	<u>25,045,007</u>	<u>34,541,617</u>	<u>196,599,831</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 26,189,606</u>	<u>\$ 56,415,251</u>	<u>\$ 265,289,521</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, 2023**

Fund Balances - Governmental Funds	\$ 196,599,831
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets, net of depreciation and amortization, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.</p>	
Capital Assets	1,018,683,631
Accumulated Depreciation	(499,256,444)
<p>Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.</p>	
	(1,926,713)
<p>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.</p>	
SBITAs	(946,701)
Compensated Absences	(5,146,709)
Pollution Remediation	(550,694)
<p>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:</p>	
Deferred Outflows - OPEB Related	3,861,459
Deferred Inflows - OPEB Related	(11,929,972)
Total OPEB Liability	(18,671,341)
Deferred Outflows - Pension Related	20,402,301
Deferred Inflows - Pension Related	(840,089)
Net Pension Liability	(54,247,121)
<p>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.</p>	
	11,364,023
Net Position of Governmental Activities	\$ 657,395,461

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, 2023

	General	Special Revenue Housing Asset Successor	Special Revenue Other State / Local Grants	Special Revenue COVID-19 Funds
REVENUES				
Taxes and Assessments	\$ 98,302,831	\$ -	\$ -	\$ -
Licenses and Permits	4,036,465	-	-	-
Intergovernmental	141,144	250,000	21,295,865	13,935,259
Charges for Services	18,701,444	-	-	-
Fines and Forfeitures	801,755	-	-	-
Investment Income	2,846,097	648,595	283,585	-
Other	943,353	26,775	-	-
Total Revenues	<u>125,773,089</u>	<u>925,370</u>	<u>21,579,450</u>	<u>13,935,259</u>
EXPENDITURES				
Current:				
General Government	19,598,588	39,560	-	270,385
Public Safety	58,240,319	-	226,144	-
Community Development	19,168	511,590	1,254,691	-
Public Works	11,585,105	-	477,331	-
Parks and Recreation	5,538,665	-	-	-
Capital Outlay	3,388,060	-	18,114,413	11,629,757
Debt Service:				
Principal	724,561	-	-	-
Interest and Loan Fees	36,346	-	-	-
Principal - SBITA	318,810	-	-	-
Interest - SBITA	281	-	-	-
Total Expenditures	<u>99,449,903</u>	<u>551,150</u>	<u>20,072,579</u>	<u>11,900,142</u>
EXCESS OF REVENUES OVER EXPENDITURES	26,323,186	374,220	1,506,871	2,035,117
OTHER FINANCING SOURCES (USES)				
SBITA Financing	794,266	-	-	-
Proceeds from Sale of Assets	325,234	-	-	-
Transfers In	54,900	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,174,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	27,497,586	374,220	1,506,871	2,035,117
Fund Balances (Deficit) - Beginning of Year	<u>79,658,682</u>	<u>29,390,139</u>	<u>(1,261,999)</u>	<u>(2,187,409)</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 107,156,268</u>	<u>\$ 29,764,359</u>	<u>\$ 244,872</u>	<u>\$ (152,292)</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, 2023

	Capital Projects	Nonmajor Governmental Funds	Totals
	Capital Impact Facilities		
REVENUES			
Taxes and Assessments	\$ -	\$ 14,739,853	\$ 113,042,684
Licenses and Permits	-	-	4,036,465
Intergovernmental	-	18,949,015	54,571,283
Charges for Services	9,155,653	1,704,035	29,561,132
Fines and Forfeitures	-	78,125	879,880
Investment Income	598,030	1,043,585	5,419,892
Other	-	103,707	1,073,835
Total Revenues	<u>9,753,683</u>	<u>36,618,320</u>	<u>208,585,171</u>
EXPENDITURES			
Current:			
General Government	554	-	19,909,087
Public Safety	506	91,670	58,558,639
Community Development	-	1,479,844	3,265,293
Public Works	63,430	12,371,625	24,497,491
Parks and Recreation	18,288	50,000	5,606,953
Capital Outlay	7,634,362	18,600,650	59,367,242
Debt Service:			
Principal	-	-	724,561
Interest and Loan Fees	-	-	36,346
Principal - SBITA	-	1,387	320,197
Interest - SBITA	-	-	281
Total Expenditures	<u>7,717,140</u>	<u>32,595,176</u>	<u>172,286,090</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,036,543	4,023,144	36,299,081
OTHER FINANCING SOURCES (USES)			
SBITA Financing	-	4,056	798,322
Proceeds from Sale of Assets	575,000	-	900,234
Transfers In	-	-	54,900
Transfers Out	-	(54,900)	(54,900)
Total Other Financing Sources (Uses)	<u>575,000</u>	<u>(50,844)</u>	<u>1,698,556</u>
NET CHANGE IN FUND BALANCES	2,611,543	3,972,300	37,997,637
Fund Balances (Deficit) - Beginning of Year	<u>22,433,464</u>	<u>30,569,317</u>	<u>158,602,194</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 25,045,007</u>	<u>\$ 34,541,617</u>	<u>\$ 196,599,831</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 37,997,637

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 or amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.

Capital Outlay	60,766,749
Depreciation and Amortization Expense	(19,936,142)
Disposal of Capital Assets	(1,680,126)

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.

79,282

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 loans and SBITAs is an other financing source and repayment of loan and SBITA 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 on Loans	724,561
Repayment of Principal on SBITAs	320,197
Issuance of SBITAs	(798,322)

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	22,884
Change in Compensated Absences	(736,857)
Change in Claims Payable	(279,780)
Change in Pollution Remediation Payable	191,630

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.

(831,160)

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.

(197,038)

Change in Net Position of Governmental Activities

\$ 75,643,515

See accompanying Notes to Basic Financial Statements.

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, 2023**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 78,986,581	\$ 37,577,125	\$ 18,090,907	\$ 10,167,261
Cash with Fiscal Agent	836,639	24,761,205	4,549,052	-
Accounts Receivable, Net	5,176,781	390,776	1,687,762	2,469,354
Interest Receivable	248,870	136,228	-	-
Due from Other Governments	19,946	152,472	-	74,173
Leases Receivable	-	7,770,582	-	-
Inventory and Other Assets	866,934	13,878	-	-
Total Current Assets	<u>86,135,751</u>	<u>70,802,266</u>	<u>24,327,721</u>	<u>12,710,788</u>
NONCURRENT ASSETS				
Prepaid Deposits	28,306	55,594	109,770	809
Advances to Other Funds	-	2,000,000	-	-
Leases Receivable	-	83,207,311	-	2,825,858
Investment in Joint Venture	-	-	-	340,230
Capital Assets:				
Not Being Depreciated	40,643,195	13,981,248	4,842,254	348,278
Being Depreciated or Amortized, Net	119,672,824	109,697,569	9,649,414	960,243
Total Noncurrent Assets	<u>160,344,325</u>	<u>208,941,722</u>	<u>14,601,438</u>	<u>4,475,418</u>
Total Assets	246,480,076	279,743,988	38,929,159	17,186,206
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - OPEB Related	2,707,614	267,603	79,426	121,880
Deferred Outflows - Pension Related	6,095,478	1,709,212	589,831	828,818
Deferred Charges on Refunding	-	1,397,897	-	-
Total Deferred Outflows of Resources	<u>8,803,092</u>	<u>3,374,712</u>	<u>669,257</u>	<u>950,698</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2023

	Sanitary Fund	Nonmajor Gas Utility Fund	Totals
ASSETS			
CURRENT ASSETS			
	\$ 14,517,078	\$ 4,869,844	\$ 164,208,796
Cash and Investments	-	-	30,146,896
Cash with Fiscal Agent	2,457,888	195,993	12,378,554
Accounts Receivable, Net	-	-	385,098
Interest Receivable	-	-	246,591
Due from Other Governments	-	-	7,770,582
Leases Receivable	-	-	880,812
Inventories and Other Assets	16,974,966	5,065,837	216,017,329
Total Current Assets			
NONCURRENT ASSETS			
	2,903	-	197,382
Prepaid Deposits	-	-	2,000,000
Advances to Other Funds	-	-	86,033,169
Leases Receivable	-	-	340,230
Investment in Joint Venture			
Capital Assets:	7,269,769	946,093	68,030,837
Not Being Depreciated	42,260,043	1,487,252	283,727,345
Being Depreciated or Amortized, Net	49,532,715	2,433,345	440,328,963
Total Noncurrent Assets			
	66,507,681	7,499,182	656,346,292
Total Assets			
DEFERRED OUTFLOWS OF RESOURCES			
	255,996	15,135	3,447,654
Deferred Outflows - OPEB Related	1,692,917	105,927	11,022,183
Deferred Outflows - Pension Related	-	-	1,397,897
Deferred Charges on Refunding	1,948,913	121,062	15,867,734
Total Deferred Outflows of Resources			

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2023**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 4,376,617	\$ 445,642	\$ 1,586,574	\$ 1,799,480
Interest Payable	161,029	1,228,041	357,023	-
Prepaid Water Connection Fees	217,489	-	-	-
Deposits Payable	1,700,469	720,696	162,840	10,166
Unearned Revenue	-	1,063,573	912,652	-
Total OPEB Liability - Due Within One Year	273,537	30,446	7,762	12,738
Long-Term Debt - Due Within One Year	962,094	7,002,127	1,525,000	-
Total Current Liabilities	<u>7,691,235</u>	<u>10,490,525</u>	<u>4,551,851</u>	<u>1,822,384</u>
NONCURRENT LIABILITIES				
Advances from Other Funds	-	-	2,916,480	-
Advances from Other Governments	-	11,267,089	-	-
Total OPEB Liability	11,388,426	2,009,638	512,357	840,803
Net Pension Liability	16,156,738	4,503,688	1,357,646	2,040,750
Long-Term Debt - Due Beyond One Year	7,935,676	273,345,970	44,680,459	-
Total Noncurrent Liabilities	<u>35,480,840</u>	<u>291,126,385</u>	<u>49,466,942</u>	<u>2,881,553</u>
Total Liabilities	43,172,075	301,616,910	54,018,793	4,703,937
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - OPEB Related	3,985,338	854,840	284,211	392,771
Deferred Inflows - Pension Related	1,029,801	234,104	73,859	102,523
Deferred Inflows - Leases	-	87,570,873	-	2,693,251
Total Deferred Inflows of Resources	<u>5,015,139</u>	<u>88,659,817</u>	<u>358,070</u>	<u>3,188,545</u>
NET POSITION (DEFICIT)				
Net Investment in Capital Assets Unrestricted	151,942,967	(130,315,399)	(27,330,594)	1,308,521
	<u>55,152,987</u>	<u>23,157,372</u>	<u>12,552,147</u>	<u>8,935,901</u>
Total Net Position	<u>\$ 207,095,954</u>	<u>\$ (107,158,027)</u>	<u>\$ (14,778,447)</u>	<u>\$ 10,244,422</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2023

	Sanitary Fund	Nonmajor Gas Utility Fund	Totals
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 1,896,376	\$ 229,329	\$ 10,334,018
Interest Payable	-	-	1,746,093
Prepaid Water Connection Fees	-	-	217,489
Deposits Payable	12,498	1,124	2,607,793
Unearned Revenue	-	-	1,976,225
Total OPEB Liability - Due Within One Year	21,221	1,500	347,204
Long-Term Debt - Due Within One Year	441,317	-	9,930,538
Total Current Liabilities	<u>2,371,412</u>	<u>231,953</u>	<u>27,159,360</u>
NONCURRENT LIABILITIES			
Advances from Other Funds	-	2,000,000	4,916,480
Advances from Other Governments	-	-	11,267,089
Total OPEB Liability	1,400,699	98,995	16,250,918
Net Pension Liability	3,813,849	143,873	28,016,544
Long-Term Debt - Due Beyond One Year	1,191,351	-	327,153,456
Total Noncurrent Liabilities	<u>6,405,899</u>	<u>2,242,868</u>	<u>387,604,487</u>
Total Liabilities	8,777,311	2,474,821	414,763,847
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - OPEB Related	866,433	50,621	6,434,214
Deferred Inflows - Pension Related	200,789	10,431	1,651,507
Deferred Inflows - Leases	-	-	90,264,124
Total Deferred Inflows of Resources	<u>1,067,222</u>	<u>61,052</u>	<u>98,349,845</u>
NET POSITION (DEFICIT)			
Net Investment in Capital Assets	48,855,510	2,433,345	46,894,350
Unrestricted	9,756,551	2,651,026	112,205,984
Total Net Position	<u>\$ 58,612,061</u>	<u>\$ 5,084,371</u>	<u>\$ 159,100,334</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, 2023

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
OPERATING REVENUES				
Charges for Services	\$ 40,356,202	\$ 13,209,066	\$ 20,223,493	\$ 22,678,778
Pass-Thru Charges for Services	1,211,013	-	-	-
Fines and Forfeitures	485,824	28,873	-	411,683
Other	242,429	438,339	-	275,132
Total Operating Revenues	<u>42,295,468</u>	<u>13,676,278</u>	<u>20,223,493</u>	<u>23,365,593</u>
OPERATING EXPENSES				
Personnel Services	11,648,542	3,329,516	1,253,459	1,548,831
Maintenance and Operations	19,228,008	7,432,535	1,337,492	20,171,043
Production Costs	5,434,263	-	9,506,758	-
Pass-Thru Production Costs	1,211,013	-	-	-
Depreciation and Amortization	6,524,962	9,744,648	1,399,881	102,151
Total Operating Expenses	<u>44,046,788</u>	<u>20,506,699</u>	<u>13,497,590</u>	<u>21,822,025</u>
OPERATING INCOME (LOSS)	(1,751,320)	(6,830,421)	6,725,903	1,543,568
NONOPERATING REVENUES (EXPENSES)				
Change in Investment in Joint Ventures	-	-	-	(146,733)
Property Taxes	1,335,019	22,072,684	-	-
Investment Income	1,898,079	3,494,189	623,091	311,404
Interest Expense	(381,764)	(16,864,762)	(2,069,372)	-
Gain on Disposal of Assets	338,923	14,236,886	480	-
Other Nonoperating Expenses	(220,750)	(19,137)	-	-
Proceeds from Capital Asset Sold to City	-	1,929,341	-	-
Capital Asset Sold to City	-	(1,895,090)	-	-
Total Nonoperating Revenues (Expenses)	<u>2,969,507</u>	<u>22,954,111</u>	<u>(1,445,801)</u>	<u>164,671</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	1,218,187	16,123,690	5,280,102	1,708,239
CAPITAL CONTRIBUTIONS				
Connection Fees	3,749,915	-	-	-
Alternate Water Source Fees	528,412	-	-	-
Capital Restricted Use Fees	586,681	-	-	-
Capital Contributions	10,000	183,723	800,531	-
Capital Contributions to the City	(73,125)	-	-	-
Capital Grants	-	183,722	1,335,263	-
Capital Contribution from Tenant	-	1,814	-	-
Total Capital Contributions	<u>4,801,883</u>	<u>369,259</u>	<u>2,135,794</u>	<u>-</u>
CHANGE IN NET POSITION	6,020,070	16,492,949	7,415,896	1,708,239
Net Position (Deficit) - Beginning of Year	<u>201,075,884</u>	<u>(123,650,976)</u>	<u>(22,194,343)</u>	<u>8,536,183</u>
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 207,095,954</u>	<u>\$ (107,158,027)</u>	<u>\$ (14,778,447)</u>	<u>\$ 10,244,422</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, 2023

	Sanitary Fund	Nonmajor Gas Utility Fund	Totals
OPERATING REVENUES			
Charges for Services	\$ 21,483,084	\$ 4,571,742	\$ 122,522,365
Pass-Thru Charges for Services	-	-	1,211,013
Fines and Forfeitures	452,124	-	1,378,504
Other	17,846	-	973,746
Total Operating Revenues	<u>21,953,054</u>	<u>4,571,742</u>	<u>126,085,628</u>
OPERATING EXPENSES			
Personnel Services	3,717,095	332,863	21,830,306
Maintenance and Operations	15,062,995	384,642	63,616,715
Production Costs	-	3,534,533	18,475,554
Pass-Thru Production Costs	-	-	1,211,013
Depreciation and Amortization	1,426,481	126,181	19,324,304
Total Operating Expenses	<u>20,206,571</u>	<u>4,378,219</u>	<u>124,457,892</u>
OPERATING INCOME (LOSS)	1,746,483	193,523	1,627,736
NONOPERATING REVENUES (EXPENSES)			
Change in Investment in Joint Ventures	-	-	(146,733)
Property Taxes	-	-	23,407,703
Investment Income	356,880	91,184	6,774,827
Interest Expense	-	-	(19,315,898)
Gain on Disposal of Assets	-	-	14,576,289
Other Nonoperating Expenses	-	-	(239,887)
Proceeds from Capital Asset Sold to City	-	-	1,929,341
Capital Asset Sold to City	-	-	(1,895,090)
Total Nonoperating Revenues (Expenses)	<u>356,880</u>	<u>91,184</u>	<u>25,090,552</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	2,103,363	284,707	26,718,288
CAPITAL CONTRIBUTIONS			
Connection Fees	1,031,572	-	4,781,487
Alternate Water Source Fees	-	-	528,412
Capital Restricted Use Fees	-	-	586,681
Capital Contributions	-	-	994,254
Capital Contributions to the City	(56,250)	-	(129,375)
Capital Grants	-	33,884	1,552,869
Capital Contribution from Tenant	-	-	1,814
Total Capital Contributions	<u>975,322</u>	<u>33,884</u>	<u>8,316,142</u>
CHANGE IN NET POSITION	3,078,685	318,591	35,034,430
Net Position (Deficit) - Beginning of Year	<u>55,533,376</u>	<u>4,765,780</u>	<u>124,065,904</u>
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 58,612,061</u>	<u>\$ 5,084,371</u>	<u>\$ 159,100,334</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 41,565,129	\$ 1,918,566	\$ 18,331,490	\$ 23,312,496
Cash Payments to Employees for Services	(11,108,779)	(3,200,698)	(1,188,687)	(1,462,199)
Cash Payments to Suppliers for Goods and Services	(19,431,426)	(8,359,154)	(10,802,229)	(19,902,086)
Net Cash Provided (Used) by Operating Activities	11,024,924	(9,641,286)	6,340,574	1,948,211
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Received from Other Governments	1,335,019	22,500,969	-	-
Cash Received from Other Funds for Advances	-	-	-	-
Cash Paid to Other Funds for Advances	-	(2,000,000)	-	-
Cash Paid to Other Funds	-	(233,072)	(948,486)	-
Net Cash Provided (Used) by Noncapital Financing Activities	1,335,019	20,267,897	(948,486)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash Received from Sale of Capital Assets	614,109	14,408,189	480	-
Capital Grants	-	183,722	1,335,263	-
Cash Received from Leases and Rent	-	9,129,103	-	37,521
Cash Received from Other Funds for Purchase of Capital Assets	-	1,929,341	-	-
Cash Payments to Other Funds for Acquisition of Capital Assets	(73,125)	-	-	-
Cash Payments to Acquire Capital and Other Assets	(8,983,075)	(782,127)	(2,676,134)	(92,467)
SBITA Principal Payments	(9,888)	-	-	-
Principal Paid on Capital-Related Debt	(410,000)	(6,550,000)	(1,715,000)	-
Interest Paid on Capital-Related Debt	(395,388)	(14,906,576)	(2,101,503)	-
Interest Paid on Interfund Advance	-	-	(66,337)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,257,367)	3,411,652	(5,223,231)	(54,946)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	1,705,536	3,457,131	623,091	253,626
Net Cash Provided by Investing Activities	1,705,536	3,457,131	623,091	253,626
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,808,112	17,495,394	791,948	2,146,891
Cash and Cash Equivalents - Beginning of Year	74,178,469	44,842,936	21,848,011	8,020,370
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 78,986,581</u>	<u>\$ 62,338,330</u>	<u>\$ 22,639,959</u>	<u>\$ 10,167,261</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION				
Cash and Investments	\$ 78,986,581	\$ 37,577,125	\$ 18,090,907	\$ 10,167,261
Cash with Fiscal Agent	-	24,761,205	4,549,052	-
Cash and Cash Equivalents	<u>\$ 78,986,581</u>	<u>\$ 62,338,330</u>	<u>\$ 22,639,959</u>	<u>\$ 10,167,261</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Sanitary Fund	Nonmajor Gas Utility Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 21,991,455	\$ 4,556,710	\$ 111,675,846
Cash Payments to Employees for Services	(3,527,665)	(320,688)	(20,808,716)
Cash Payments to Suppliers for Goods and Services	(14,577,843)	(3,935,101)	(77,007,839)
Net Cash Provided (Used) by Operating Activities	3,885,947	300,921	13,859,291
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Received from Other Governments	-	-	23,835,988
Cash Received from Other Funds for Advances	-	2,000,000	2,000,000
Cash Paid to Other Funds for Advances	-	-	(2,000,000)
Cash Paid to Other Funds	-	-	(1,181,558)
Net Cash Provided (Used) by Noncapital Financing Activities	-	2,000,000	22,654,430
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash Received from Sale of Capital Assets	-	-	15,022,778
Capital Grants	-	33,884	1,552,869
Cash Received from Leases and Rent	-	-	9,166,624
Cash Received from Other Funds for Purchase of Capital Assets	-	-	1,929,341
Cash Payments to Other Funds for Acquisition of Capital Assets	(56,250)	-	(129,375)
Cash Payments to Acquire Capital and Other Assets	(1,852,301)	(255,050)	(14,641,154)
SBITA Principal Payments	(1,388)	-	(11,276)
Principal Paid on Capital-Related Debt	-	-	(8,675,000)
Interest Paid on Capital-Related Debt	-	-	(17,403,467)
Interest Paid on Interfund Advance	-	-	(66,337)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,909,939)	(221,166)	(13,254,997)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received on Investments	356,880	91,184	6,487,448
Net Cash Provided by Investing Activities	356,880	91,184	6,487,448
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,332,888	2,170,939	29,746,172
Cash and Cash Equivalents - Beginning of Year	12,184,190	2,698,905	163,772,881
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,517,078</u>	<u>\$ 4,869,844</u>	<u>\$ 193,519,053</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION			
Cash and Investments	\$ 14,517,078	\$ 4,869,844	\$ 164,208,796
Cash with Fiscal Agent	-	-	29,310,257
Cash and Cash Equivalents	<u>\$ 14,517,078</u>	<u>\$ 4,869,844</u>	<u>\$ 193,519,053</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (1,751,320)	\$ (6,830,421)	\$ 6,725,903	\$ 1,543,568
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	6,524,962	9,744,648	1,399,881	102,151
Operating Rental and Lease Revenue	-	(10,907,800)	-	(44,201)
Nonoperating Miscellaneous Revenue (Expense) and Capital Contributions	4,644,258	(19,137)	-	-
(Increase) Decrease in Assets:				
Accounts Receivable, Net	1,163,723	231,545	(265,043)	(15,842)
Due from Other Governments	14,706	-	-	5,960
Inventory and Other Assets	81,339	16,027	-	-
Prepaid Deposits	(6,783)	(1,839)	(5,970)	120
Deferred Outflows - OPEB	(600,946)	33,753	13,343	16,911
Deferred Outflows - Pension	(3,218,593)	(879,487)	(394,923)	(470,992)
Increase (Decrease) in Liabilities:				
Accounts Payable	(216,222)	(940,807)	47,991	268,837
Deposits Payable	30,498	(824,798)	(1,692,638)	986
Unearned Revenue	-	(237,522)	65,678	-
Compensated Absences	122,244	(24,661)	-	-
Claims Payable	-	-	-	-
Total OPEB Liability	(866,269)	(323,701)	(134,047)	(164,722)
Net Pension Liability	6,893,711	1,904,161	852,391	1,025,352
Deferred Inflows - OPEB	1,565,151	335,660	139,734	171,115
Deferred Inflows - Pension	(3,355,535)	(916,907)	(411,726)	(491,032)
Total Adjustments	<u>12,776,244</u>	<u>(2,810,865)</u>	<u>(385,329)</u>	<u>404,643</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 11,024,924</u>	<u>\$ (9,641,286)</u>	<u>\$ 6,340,574</u>	<u>\$ 1,948,211</u>
NONCASH CAPITAL, FINANCING, AND INVESTING ACTIVITIES				
Developer/Tenant Contributed Capital Assets	\$ 10,000	\$ 185,537	\$ 800,531	\$ -
Interest Accretion Expenses	-	1,527,079	-	-
Amortization of Bond Discounts	-	91,868	-	-
SBITA Acquisition	30,652	-	-	-
Total	<u>\$ 40,652</u>	<u>\$ 1,804,484</u>	<u>\$ 800,531</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Sanitary Fund	Nonmajor Gas Utility Fund	Totals
RECONCILIATION OF OPERATING INCOME			
(LOSS) TO NET CASH PROVIDED BY			
OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 1,746,483	\$ 193,523	\$ 1,627,736
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,426,481	126,181	1,932,304
Operating Rental and Lease Revenue	-	-	(10,952,001)
Nonoperating Miscellaneous Revenue (Expense) and Capital Contributions	1,031,572	-	5,656,693
(Increase) Decrease in Assets:			
Accounts Receivable, Net	57,157	18,795	1,190,335
Due from Other Governments	-	-	20,666
Inventory and Other Assets	-	-	97,366
Prepaid Deposits	(910)	-	(15,382)
Deferred Outflows - OPEB	38,646	2,028	(496,265)
Deferred Outflows - Pension	(1,031,419)	(63,199)	(6,058,613)
Increase (Decrease) in Liabilities:			
Accounts Payable	(136,764)	(15,926)	(992,891)
Deposits Payable	12,498	(33,827)	(2,507,281)
Unearned Revenue	-	-	(171,844)
Compensated Absences	-	-	97,583
Claims Payable	(440,000)	-	(440,000)
Total OPEB Liability	(420,236)	(21,235)	(1,930,210)
Net Pension Liability	2,235,993	138,234	13,049,842
Deferred Inflows - OPEB	441,750	22,235	2,675,645
Deferred Inflows - Pension	(1,075,304)	(65,888)	(6,316,392)
Total Adjustments	<u>2,139,464</u>	<u>107,398</u>	<u>12,231,555</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,885,947</u>	<u>\$ 300,921</u>	<u>\$ 13,859,291</u>
NONCASH CAPITAL, FINANCING, AND			
INVESTING ACTIVITIES			
Developer/Tenant Contributed Capital Assets	\$ -	\$ -	\$ 996,068
Interest Accretion Expenses	-	-	1,527,079
Amortization of Bond Discounts	-	-	91,868
SBITA Acquisition	4,056	-	34,708
Total	<u>\$ 4,056</u>	<u>\$ -</u>	<u>\$ 2,649,723</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	<u>Custodial Funds</u>	<u>Successor Agency to the Victorville RDA</u>
ASSETS		
Cash and Investments	\$ 565,629	\$ 2,524,290
Restricted Assets:		
Cash and Investments with Fiscal Agent	603,666	1,931,403
Accounts Receivable, Net	1,694	-
Land Held for Resale	<u>-</u>	<u>1,379,917</u>
Total Assets	<u>1,170,989</u>	<u>5,835,610</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	552	126,374
Interest Payable	-	126,751
Due to The City	-	13,180,909
Current Portion of Long-Term Liabilities:		
Bonds Payable	<u>-</u>	<u>1,660,000</u>
Total Current Liabilities	552	15,094,034
LONG-TERM LIABILITIES		
Bonds Payable	<u>-</u>	<u>26,150,000</u>
Total Liabilities	<u>552</u>	<u>41,244,034</u>
NET POSITION (DEFICIT)		
Restricted for:		
Individuals, Organizations, and Other Governments	<u>1,170,437</u>	<u>(35,408,424)</u>
Total Net Position	<u>\$ 1,170,437</u>	<u>\$ (35,408,424)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023**

	Custodial Funds	Successor Agency to the Victorville RDA
ADDITIONS		
RPTTF Distributions	\$ -	\$ 3,502,542
Property Assessments Collected	469,374	-
Investment Income	<u>41,082</u>	<u>337,402</u>
Total Additions	510,456	3,839,944
 DEDUCTIONS		
Community Development	24,303	419,844
Loss on Sale of Land Held for Resale	-	1,650,000
Payments on Special Assessment Debt	435,315	-
Contribution to the City	-	250,000
Interest	<u>-</u>	<u>1,882,323</u>
Total Deductions	<u>459,618</u>	<u>4,202,167</u>
 CHANGE IN NET POSITION	 50,838	 (362,223)
 Net Position (Deficit) - Beginning of Year	 <u>1,119,599</u>	 <u>(35,046,201)</u>
 NET POSITION (DEFICIT) - END OF YEAR	 <u>\$ 1,170,437</u>	 <u>\$ (35,408,424)</u>

See accompanying Notes to Basic Financial Statements.

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CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 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, 2023, 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, 2023

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, 2023

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, 2023

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, acquisitions of leases and SBITAs 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 for bonds issued through 2021 and the effective interest method for bonds issued thereafter. 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, 2023

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 leases and SBITAs 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, 2023

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. The City has no 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. The City has no assigned fund balance.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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 leases and SBITAs 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, 2023**

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 State / Local Grants

This special revenue 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.

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, 2023

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, 2023

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 May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The City adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the Government reporting a SBITA asset and a SBITA liability as disclosed in Note 4 and Note 7.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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, lighting systems and intangible assets such as subscription-based information technology arrangements (SBITAs). Tangible capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated tangible capital assets are valued at acquisition value on the date of donation. SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. 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 tangible 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 for tangible capital assets.

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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences (Continued)

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.

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 and other grants 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, amounts received in advance for services not yet provided, and amounts received in advance from the California Air Resources Board that have not yet been spent for allowable expenses.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The category of deferred outflow of resources reported in the government-wide statement of net position and the proprietary funds financial statements and is related to a loss on refunding, pension, and other postemployment benefits. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows on pension and other postemployment benefits are more fully discussed in Notes 12 and 14, respectively.

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 assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The City's deferred inflows of resources reported on the government-wide statement of net position and the proprietary funds financial statements relate to leases, pension and other postemployment benefits. Amounts for leases are for amounts not yet received that are deferred and recognized as an inflow of resources in the period that the amounts are available or earned. Pension and other postemployment benefits deferred inflows of resources are more fully discussed in Notes 12 and 14, respectively.

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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 349,796,145
Cash with Fiscal Agents	30,146,896
Fiduciary Funds:	
Cash and Investments	3,089,919
Cash with Fiscal Agents	<u>2,535,069</u>
Total Cash and Investments	<u>\$ 385,568,029</u>

Cash and investments as of June 30, 2023 consist of the following:

Cash on Hand	\$ 11,664
Deposits with Financial Institutions	232,336,402
Investments	<u>153,219,963</u>
Total Cash and Investments	<u>\$ 385,568,029</u>

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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	\$75M
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, 2023**

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	\$ 120,537,998	\$ 120,537,998	\$ -	\$ -	\$ -
Held by Bond Trustee:					
Guaranteed Investment					
Contract (GIC)*	816,500	-	-	-	816,500
Money Market Mutual Funds	31,865,465	31,865,465	-	-	-
Total	<u>\$ 153,219,963</u>	<u>\$ 152,403,463</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%, 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, 2023, FSA was not in default and the value of the collateral met the requirements.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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	\$ 120,537,998	N/A	\$ -	\$ 120,537,998
Held by Bond Trustee:				
Guaranteed Investment				
Contract (GIC)	816,500	N/A	-	816,500
Money Market Mutual Funds	<u>31,865,465</u>	Multiple*	<u>31,865,465</u>	<u>-</u>
Total	<u>\$ 153,219,963</u>		<u>\$ 31,865,465</u>	<u>\$ 121,354,498</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, 2023

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, 2023, 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, 2023**

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, 2023 is as follows:

Due To/From Other Funds		
Fund Reporting Receivable	Fund Reporting Payable	Amount
General Fund	Nonmajor Other Federal Grants Special Revenue Fund	\$ 5,647,588 a)
Advances To/From Other Funds		
Fund Reporting Receivable	Fund Reporting Payable	Amount
General Fund	Electric Utility Enterprise Fund	\$ 2,916,480 b)
Southern California Logistics Airport Authority Enterprise Fund	Nonmajor Gas Utility Enterprise Fund	2,000,000 c)
	Total	\$ 4,916,480

Generally, the above balances result from:

- a) This balance represents a short term borrowing to cover a negative cash balance due to grant funds that must be paid out before the reimbursement is received. It is anticipated these funds will come in from reimbursements received in FY 23-24.
- 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, 2023 is \$2,916,480.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

c) A loan agreement was signed on April 18, 2023 by the City Council that authorizes the SCLAA enterprise fund to loan \$2,000,000 to the nonmajor gas utility enterprise fund for the construction of new gas infrastructure that will allow for the purchase of lower priced natural gas and future growth at SCLAA. The loan principal shall be repaid in five equal installments of \$400,000 to commence in the year ending June 30, 2024 and conclude in the year ending June 30, 2028. Interest shall begin to accrue on the total principal amount commencing on July 1, 2023, and shall thereafter be calculated annually on the balance of the outstanding principal and shall be payable each year on June 30 at the annualized (averaged) LAIF rate of return. The outstanding balance of the advance as of June 30, 2023 is \$2,000,000.

Transfers in/out:

Transfer In	Transfer Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 54,900

The transfer of \$54,900 from the Nonmajor Governmental Funds to the General Fund to support the engineering function of traffic safety.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	Balance at July 1, 2022* as Restated	Additions	Deletions	Transfers	Balance at June 30, 2023
Nondepreciable Assets:					
Land	\$ 55,951,074	\$ 1,965,090	\$ (1,642,350)	\$ -	\$ 56,273,814
Right of Way	180,001,603	-	-	-	180,001,603
Construction in Progress	46,686,815	56,740,426	(56,612,110)	-	46,815,131
Total Nondepreciable Assets	<u>282,639,492</u>	<u>58,705,516</u>	<u>(58,254,460)</u>	<u>-</u>	<u>283,090,548</u>
Depreciable Assets:					
Buildings and Improvements	87,629,099	1,398,590	(34,181)	-	88,993,508
Furniture and Equipment	15,410,650	2,567,398	-	-	17,978,048
Computer and Communications	3,102,533	2,548,942	-	-	5,651,475
Land Improvements	14,775,383	138,084	-	-	14,913,467
Vehicles	7,134,784	450,872	(63,538)	-	7,522,118
Infrastructure	548,496,434	50,706,200	-	-	599,202,634
Intangible Assets:					
Computer Software	2,672,167	-	(2,672,167)	-	-
Right-of-Way Easements	10,000	-	(10,000)	-	-
Total Depreciable Assets	<u>679,231,050</u>	<u>57,810,086</u>	<u>(2,779,886)</u>	<u>-</u>	<u>734,261,250</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(44,758,491)	(2,357,147)	32,863	-	(47,082,775)
Furniture and Equipment	(12,587,087)	(773,593)	-	-	(13,360,680)
Computer and Communications	(2,613,865)	(213,923)	-	-	(2,827,788)
Land Improvements	(10,479,456)	(1,477,538)	-	-	(11,956,994)
Vehicles	(3,928,104)	(509,618)	63,538	-	(4,374,184)
Infrastructure	(405,049,700)	(14,286,967)	-	-	(419,336,667)
Intangible Assets:					
Computer Software	(2,635,709)	-	2,635,709	-	-
Right-of-Way Easements	(10,000)	-	10,000	-	-
Total Accumulated Depreciation	<u>(482,062,412)</u>	<u>(19,618,786)</u>	<u>2,742,110</u>	<u>-</u>	<u>(498,939,088)</u>
Total Depreciable Assets, Net	<u>197,168,638</u>	<u>38,191,300</u>	<u>(37,776)</u>	<u>-</u>	<u>235,322,162</u>
Subscription Based Information					
Technology Arrangement (SBITA)					
Assets Being Amortized:					
SBITA Assets*	468,576	863,257	-	-	1,331,833
Accumulated Amortization*	-	(317,356)	-	-	(317,356)
Total SBITA Assets, Being Amortized, Net	<u>468,576</u>	<u>545,901</u>	<u>-</u>	<u>-</u>	<u>1,014,477</u>
Capital Assets, Net	<u>\$ 480,276,706</u>	<u>\$ 97,442,717</u>	<u>\$ (58,292,236)</u>	<u>\$ -</u>	<u>\$ 519,427,187</u>

*SBITAs were restated from \$-0- as of July 1, 2022 to \$468,576. This restatement was offset by the restatement in long-term liabilities for \$468,576 (See Note 7). This restatement was due to the implementation of GASB 96, Subscription-Based Information Technology Arrangements (SBITAs).

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Governmental Activities (Continued)

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

General Government	\$ 7,415,952
Public Safety	938,951
Community Development	5,697
Public Works	10,188,536
Parks and Recreation	<u>1,387,006</u>
Total	<u>\$ 19,936,142</u>

The ARPA special revenue fund purchased land from the SCLAA enterprise fund at a price of \$1,929,341 (the book value of \$1,895,090 was appropriately recorded as a disposition of enterprise fund capital assets and an addition to governmental activities capital assets). In the fund financial statements, the ARPA special revenue fund includes the cost of the land as capital outlay.

Business-Type Activities

The water enterprise fund purchased land from the SCLAA enterprise fund at a price of \$700,000 (the book value of \$7,876 was appropriately recorded as a disposition of enterprise fund capital assets and an addition to enterprise fund capital assets). In the fund financial statements, the SCLAA enterprise fund has a gain on sale of \$692,124 from this transaction that is included with other gains on sales of capital assets.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 CAPITAL ASSETS (CONTINUED)

Business-Type Activities (Continued)

The following is a summary of capital assets for enterprise funds at June 30, 2023:

	Balance at July 1, 2022	Additions	Deletions	Transfers	Balance at June 30, 2023
Nondepreciable Assets:					
Land and Easements	\$ 27,048,482	\$ 228,602	\$ (2,066,393)	\$ -	\$ 25,210,691
Intangibles - Service Credit	3,954,891	-	-	-	3,954,891
Water Rights	18,162,980	646,966	(24,974)	-	18,784,972
Idle Assets	3,017,958	-	-	-	3,017,958
Land Improvements	536,342	-	-	-	536,342
Construction in Progress	11,667,302	12,569,524	(7,710,843)	-	16,525,983
Total Nondepreciable Assets	64,387,955	13,445,092	(9,802,210)	-	68,030,837
Depreciable Assets:					
Buildings and Improvements	221,798,318	1,359,262	(734,495)	-	222,423,085
Furniture and Equipment	50,515,727	195,401	-	88,598	50,799,726
Computer and Communication	972,541	67,337	-	-	1,039,878
Vehicles	6,905,247	471,399	(142,237)	(88,598)	7,145,811
Infrastructure	392,494,452	7,809,574	-	-	400,304,026
Intangibles	1,589,862	-	-	-	1,589,862
Land Improvements	128,489	-	-	-	128,489
Total Depreciable Assets	674,404,636	9,902,973	(876,732)	-	683,430,877
Less Accumulated Depreciation:					
Buildings and Improvements	(132,058,560)	(5,425,244)	484,283	-	(136,999,521)
Furniture and Equipment	(40,825,086)	(1,323,241)	-	-	(42,148,327)
Computer and Communication	(944,542)	(17,660)	-	-	(962,202)
Vehicles	(4,313,883)	(413,024)	142,237	-	(4,584,670)
Infrastructure	(201,180,036)	(12,142,172)	-	-	(213,322,208)
Intangibles	(1,589,860)	-	-	-	(1,589,860)
Land Improvements	(128,489)	-	-	-	(128,489)
Total Accumulated Depreciation	(381,040,456)	(19,321,341)	626,520	-	(399,735,277)
Total Depreciable Assets, Net	293,364,180	(9,418,368)	(250,212)	-	283,695,600
Subscription Based Information Technology Arrangement (SBITA)					
Assets Being Amortized:					
SBITA Assets	-	34,708	-	-	34,708
Accumulated Amortization	-	(2,963)	-	-	(2,963)
Total SBITA Assets, Being Amortized, Net	-	31,745	-	-	31,745
Total Capital Assets Being Depreciated or Amortized, Net	293,364,180	(9,386,623)	(250,212)	-	283,727,345
Capital Assets, Net	\$ 357,752,135	\$ 4,058,469	\$ (10,052,422)	\$ -	\$ 351,758,182

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Business-Type Activities (Continued)

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

Water	\$ 6,524,962
Airport	9,744,648
Electric Utility	1,399,881
Solid Waste Management	102,151
Sanitary	1,426,481
Nonmajor Gas Utility	<u>126,181</u>
Total	<u>\$ 19,324,304</u>

NOTE 5 LAND HELD FOR RESALE

As of June 30, 2023, 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 \$1,379,917 and \$1,549,837, 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, 2023, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$5,343,760.

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, 2023, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$1,051,869.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 LONG-TERM NOTES RECEIVABLE (CONTINUED)

Affordable Housing Loans Receivable (Continued)

Southern California Housing Development Corporation (Continued)

In December 2005, the former RDA entered into an affordable housing loan agreement with Southern California Housing Development Corporation to develop the Northgate Apartments housing project. The note accrues interest at 3% annually and repayments are based on earning of the housing facility. The expected payoff date is December 15, 2045. At June 30, 2023, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$6,575,177.

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, 2023, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$103,345.

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, 2023, the City HUD Grants Special Revenue Fund has recorded an outstanding loan balance of \$1,556,049.

Other Loans

These loans are secured by a deed of trust. Also, at June 30, 2023, the Nonmajor Governmental Funds report residential curb appeal loans, which are 100% forgiven at the time they are issued. The allowance of \$580,991 offsets the receivable resulting in net \$-0- in the balance sheet. Other various loans reported in the Nonmajor Governmental Funds total \$14,142.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023 is as follows:

	Balance at July 1, 2022, as Restated*	Additions	Retirements	Balance at Balance at June 30, 2023	Due Within Due Within One Year
Other Long-Term Liabilities:					
Financed Purchase	\$ 724,561	\$ -	\$ (724,561)	\$ -	\$ -
Compensated Absences	4,409,852	3,517,753	(2,780,896)	5,146,709	2,499,470
Claims Payable	1,646,933	1,193,497	(913,717)	1,926,713	300,000
Pollution Remediation Obligation	742,324	-	(191,630)	550,694	388,725
SBITAs	468,576	798,322	(320,197)	946,701	246,517
Total	<u>\$ 7,992,246</u>	<u>\$ 5,509,572</u>	<u>\$ (4,931,001)</u>	<u>\$ 8,570,817</u>	<u>\$ 3,434,712</u>

*SBITAs were restated from \$-0- as of July 1, 2022 to \$468,576. This restatement was offset by the restatement in capital assets for \$468,576 (See Note 4). This restatement was due to the implementation of GASB 96, Subscription-Based Information Technology Arrangements (SBITAs).

Financed Purchase

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 bore interest at 3.79% and installment payments of \$198,623 were 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 \$(498,211), respectively, as of June 30, 2023. The outstanding balance on this lease was liquidated by the General Fund. The debt was paid off early with no penalty as of June 30, 2023.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$5,146,709 at June 30, 2023, 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, the City has undertaken the damages that the EPA has the right to assess for failure to comply an EPA order.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 GOVERNMENTAL LONG-TERM LIABILITIES (CONTINUED)

Pollution Remediation (Continued)

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, which has since been extended to at least five years. This cost is anticipated to be covered with grant from the State Water Board in the amount of \$1,457,598. The City applied in 2023 for another grant for \$700,000 from the State Water Board for the upcoming three years to continue monitoring and remediation efforts as needed.

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, 2023, the City is in the third year of the PEP and has spent a total of \$906,904 with a remaining Pollution Remediation liability of \$550,694.

SBITAs

The City has entered into subscription-based information technology arrangements (SBITAs) for various software licenses. The SBITA arrangements expire at various dates through 2027 and do not provide for renewal options. The interest rates vary from 1.7% to 3.3% and there are no variable payments.

The future subscription payments under SBITA agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 246,517	\$ 25,793	\$ 272,310
2025	251,482	19,267	270,749
2026	261,646	12,509	274,155
2027	<u>187,056</u>	<u>5,449</u>	<u>192,505</u>
Total	<u>\$ 946,701</u>	<u>\$ 63,018</u>	<u>\$ 1,009,719</u>

Right-to-use assets acquired through SBITAs, net of accumulated amortization, are reported in Note 4, Capital Assets.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 is as follows:

	Balance at July 1, 2022	Additions	Retirements	Balance at June 30, 2023	Due Within One Year
Other Long-Term Liabilities:					
Compensated Absences	\$ 791,150	\$ 691,679	\$ (594,096)	\$ 888,733	\$ 644,793
Claims Payable	2,070,000	-	(440,000)	1,630,000	440,000
SBITAs	-	33,028	(11,276)	21,752	10,745
Other Debt:					
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	13,040,000	-	(1,210,000)	11,830,000	1,265,000
2006 Tax Allocation Bonds (Non-Housing)	46,635,000	-	(1,265,000)	45,370,000	1,315,000
2006 Tax Allocation Bonds (Housing)	12,525,000	-	(340,000)	12,185,000	355,000
2006 Tax Allocation Parity Bonds	41,375,000	-	(160,000)	41,215,000	180,000
2006 Tax Allocation Revenue Parity Bonds	29,045,000	-	(650,000)	28,395,000	690,000
2006 Tax Allocation Revenue Bonds	52,605,000	-	(1,205,000)	51,400,000	1,280,000
2007 Tax Allocation Bonds (Housing)	32,575,000	-	(800,000)	31,775,000	840,000
2007 Tax Allocation Bonds (Non-Housing)	34,060,000	-	(805,000)	33,255,000	850,000
2008A Tax Allocation Bonds	25,295,795	1,527,079	(115,000)	26,707,874	110,000
Unamortized Discounts/Premiums	(2,092,196)	-	91,868	(2,000,328)	-
Tax Allocation Bonds Subtotal	285,063,599	1,527,079	(6,458,132)	280,132,546	6,885,000
Revenue Refunding Bonds:					
Electric Revenue Bonds 2022A	35,980,000	-	-	35,980,000	-
Electric Revenue Bonds 2022B	10,070,000	-	(1,715,000)	8,355,000	1,525,000
Unamortized Discounts/Premiums	1,994,133	-	(123,674)	1,870,459	-
Certificates of Participation (COP):					
2006 COPs	8,535,000	-	(410,000)	8,125,000	425,000
Unamortized Discounts/Premiums	86,697	-	(6,193)	80,504	-
Total	<u>\$ 344,590,579</u>	<u>\$ 2,251,786</u>	<u>\$ (9,758,371)</u>	<u>\$ 337,083,994</u>	<u>\$ 9,930,538</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, 2023, will be paid in future years from future resources, generally liquidated by the Victorville Water District, Victorville Municipal Utility, and the SCLAA Enterprise Funds.

SBITAs

The City has entered into subscription-based information technology arrangements (SBITAs) for various software licenses. The SBITA arrangements expire at various dates through 2027 and do not provide for renewal options. The interest rates vary from 2.4% to 2.7% and there are no variable payments.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

SBITAs (Continued)

The future subscription payments under SBITA agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 10,745	\$ 530	\$ 11,275
2025	11,007	268	11,275
Total	<u>\$ 21,752</u>	<u>\$ 798</u>	<u>\$ 22,550</u>

Right-to-use assets acquired through SBITAs, net of accumulated amortization, are reported in Note 4, Capital Assets.

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.

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, respectively, 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, 2023, 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, 2023 is \$11,830,000.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

Tax Allocation Bonds (Continued)

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, respectively, 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, 2023, 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, 2023 is \$45,370,000.

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, respectively, are term bonds. The outstanding bonds bear interest at 4.50% to 5.00% due June 1 and December 1 of each year.

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

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

Tax Allocation Bonds (Continued)

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

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

As of June 30, 2023, 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, 2023 is \$12,185,000.

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, respectively, 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, 2023, 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, 2023 is \$41,215,000.

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, 2023

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, 2023, 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, 2023 is \$28,395,000.

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, 2023, 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, 2023 is \$51,400,000.

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, respectively, 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, 2023, 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, 2023 is \$31,775,000.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, respectively, 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, 2023, 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, 2023 is \$33,255,000.

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, respectively, 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, 2023**

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, 2023.

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, 2023, 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, 2023 is \$26,707,874, which includes an accretion balance of \$14,567,949.

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, 2023, the reserve amount was \$836,333. The amount of Certificates of Participation outstanding at June 30, 2023 is \$8,125,000.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, required reserve for the Bonds was met with fiscal agent cash. The amount of Electric Revenue Bonds outstanding at June 30, 2023 is \$44,335,000.

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, 2023. 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, 2023. 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, 2023**

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, 2023, 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
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	8,455,000	12,942,639	505,000	295,938	1,945,000	1,841,272
2029-33	49,610,000	57,879,636	2,910,000	1,094,263	11,300,000	7,635,250
2034-38	65,345,000	40,602,179	2,890,000	297,750	14,415,000	4,514,000
2039-43	86,570,000	18,591,969	-	-	3,330,000	1,615,750
2044-48	58,771,157	76,802,744	-	-	-	1,449,250
2049-2051	88,263,843	43,035,156	-	-	6,820,000	1,159,400
Subtotal	386,810,000	305,766,720	8,125,000	3,079,840	44,335,000	26,366,826
Discounts/Premiums	(2,000,328)	-	80,504	-	1,870,459	-
Total	<u>\$ 384,809,672</u>	<u>\$ 305,766,720</u>	<u>\$ 8,205,504</u>	<u>\$ 3,079,840</u>	<u>\$ 46,205,459</u>	<u>\$ 26,366,826</u>

* This total includes capital appreciation of \$104,677,126 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, 2023 is as follows:

	Balance at July 1, 2022	Additions	Retirements	Balance at June 30, 2023	Due Within One Year
Redevelopment Agency Debt:					
Other Debt:					
Tax Allocation Bonds:					
2002A Tax Allocation Bonds	\$ 4,955,000	\$ -	\$ (395,000)	\$ 4,560,000	\$ 410,000
2003A Tax Allocation Bonds	5,240,000	-	(415,000)	4,825,000	440,000
2003B Tax Allocation Bonds	2,575,000	-	(205,000)	2,370,000	215,000
2006A Tax Allocation Bonds	16,615,000	-	(560,000)	16,055,000	595,000
Total	<u>\$ 29,385,000</u>	<u>\$ -</u>	<u>\$ (1,575,000)</u>	<u>\$ 27,810,000</u>	<u>\$ 1,660,000</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.

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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds (Continued)

2002 Tax Allocation Bonds, Series A (Continued)

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, 2023, 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, 2023 is \$4,560,000.

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, respectively, 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.

As of June 30, 2023, 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, 2023 is \$4,825,000.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds (Continued)

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, respectively, 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, 2023, 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, 2023 is \$2,370,000.

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, respectively, 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.

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, 2023, 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, 2023 is \$16,055,000.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2023, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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	2,045,000	1,123,034
2029-33	12,030,000	3,749,697
2034-37	<u>6,550,000</u>	<u>485,100</u>
Total	<u>\$ 27,810,000</u>	<u>\$ 10,871,200</u>

Advances To/From the Former Victorville Redevelopment Agency

The composition of advances to or from the former Victorville RDA as of June 30, 2023, 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	\$ 13,057,738 a)
General Fund	RDA Successor Agency	123,171 b)
RDA Successor Agency	SCLAA Enterprise Fund	<u>11,267,089 c)</u>
	Total	<u>\$ 24,447,998</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, 2023 is \$13,057,738, 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, 2023, is \$5,605,402.
- 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, 2023, is \$516,000.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)

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

- 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, 2023, is \$6,936,336.

- b) The General Fund provided funds for the former Victorville RDA of \$123,171 for fiscal year 2022-2023 administrative costs for which RPTTF was unavailable. No interest is charged on this loan and it will be repaid from future RPTTF once it is placed on a future ROPS for repayment.

- c) 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, 2023, is \$11,267,089. 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. In future fiscal years, 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, 2023, 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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 PLEDGED REVENUE (CONTINUED)

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.

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	\$ 3,305,842	\$ 3,183,159	96%	104%
Property Tax Increment and Other Revenue Pledged by the Southern California Logistics Airport Authority	22,582,823	21,456,577	95%	105%
Net Revenues Pledged by the Victorville Water District for the 2006 Certificates of Participation	1,570,863	805,388	51%	195%
Net Revenues Pledged by the City of Victorville for the 2022 Electric Revenue Bonds	8,748,878	3,845,634	44%	228%

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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 FUND DISCLOSURES

The following funds had deficit fund balances/net position as of June 30, 2023:

	Deficit Fund Balance
Major Special Revenue Funds:	
COVID-19 Funds	\$ (4,367,181) (a)
Nonmajor Special Revenue Funds:	
Other Federal Grants Fund	(8,379,605) (a)
Enterprise Funds:	
SCLAA	(107,158,027) (b)
Electric Utility Fund	(14,778,447) (c)

- (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) See Note 20 for further information regarding the deficit balance in the SCLAA fund.
- (c) 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 competed to ensure sufficient revenues will be collected to cover the long-term liabilities.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2022, 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, 2023**

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, 2022, 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	10.34%	10.25%
Payment of Unfunded Liability	\$4,900,766	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	20.97%	13.66%
Payment of Unfunded Liability	\$1,139,072	\$3,154

Employees Covered

As of the June 30, 2022 measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	<u>Miscellaneous</u>
Active Employees	340
Inactive Employees or Beneficiaries Currently Receiving Benefits	404
Inactive Employees Entitled to, But Not Yet Receiving Benefits	<u>313</u>
Total	<u><u>1,057</u></u>

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, the City contributed \$8,144,580 and \$2,154,542 to the miscellaneous and safety plans, respectively, which results in total contributions of \$10,299,122.

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, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability for both the Miscellaneous and Safety Plans was based on the following assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

(3) The lesser of contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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. Using historical returns all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. 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 (a) (b)</u>
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	<u>(5.00)</u>	(0.59)
Total	<u>100.00 %</u>	

(a) An expected inflation of 2.30% used for this period

(b) Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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, 2023**

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, 2021 (MD)	\$ 227,174,475	\$ 190,947,409	\$ 36,227,066
Changes Recognized for the Measurement Period:			
Service Cost	4,702,701	-	4,702,701
Interest on Total Pension Liability	15,892,288	-	15,892,288
Change in Assumptions	8,923,031	-	8,923,031
Differences between Expected and Actual Experience	(3,062,363)	-	(3,062,363)
Contributions from the Employer	-	6,751,004	(6,751,004)
Contributions from the Employees	-	2,011,858	(2,011,858)
Net Investment Income	-	(14,410,875)	14,410,875
Benefit Payments, including Refunds of Employee Contributions	(10,126,951)	(10,126,951)	-
Administrative Expenses	-	(118,949)	118,949
Balance at June 30, 2022 (MD)	<u>\$ 243,503,181</u>	<u>\$ 175,053,496</u>	<u>\$ 68,449,685</u>

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

As of June 30, 2023, 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>\$ 13,813,980</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, 2023**

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, 2021 and 2022, was as follows:

	Safety
Proportion - June 30, 2021	0.21104%
Proportion - June 30, 2022	0.20103%
Change - Increase (Decrease)	-0.01001%

Pension Expense and Deferred Outflows and Inflows of Resources

Miscellaneous Agent Multiple-Employer Plan

For the year ended June 30, 2023, the City recognized pension expense of \$10,175,938 for the Miscellaneous agent multiple-employer Plan. At June 30, 2023, the City 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	\$ 8,144,580	\$ -
Changes in Assumptions	6,444,411	-
Differences Between Expected and Actual Experience	1,646,592	(2,211,707)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,823,095	-
Total	\$ 25,058,678	\$ (2,211,707)

\$8,144,580 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, 2024. 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 Ending June 30,	Deferred Inflows of Resources
2024	\$ 4,185,953
2025	3,407,656
2026	1,606,094
2027	5,502,688
2028	-
Thereafter	-

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, the City recognized pension expense of \$997,551 for the Safety cost-sharing Plan. At June 30, 2023, 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	\$ 2,154,542	\$ -
Differences Between Expected and Actual Experiences	571,711	(150,009)
Changes in Assumptions	1,392,867	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,181,421	-
Changes in Proportion and Differences Between Employer Contributions and Employer's Proportionate Share of Contributions	65,265	(129,880)
Total	\$ 6,365,806	\$ (279,889)

\$2,154,542 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, 2024. 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
2024	\$ 1,152,361
2025	914,344
2026	533,974
2027	1,330,696
2028	-
Thereafter	-

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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 (5.90%)	Current Rate (6.90%)	1% Increase (7.90%)
Miscellaneous Agent Multiple-Employer Plan	\$ 103,684,058	\$ 68,449,685	\$ 39,636,212
Safety Cost-Sharing Plan	20,575,925	13,813,980	8,287,617

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, 2023, 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, 2023.

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	\$ (68,449,685)	\$ 25,058,678	\$ (2,211,707)
Safety Cost-Sharing Plan	(13,813,980)	6,365,806	(279,889)
Total	<u>\$ (82,263,665)</u>	<u>\$ 31,424,484</u>	<u>\$ (2,491,596)</u>

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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. In accordance with the Memorandum of Understanding adopted May 17, 2022, "...the existing deferred compensation structure for all represented classifications will be phased out and will not apply to recruitments started after July 1, 2022. Those represented employees as of July 1, 2022, will be "grandfathered" into the existing deferred compensation structure." For the fiscal year ended June 30, 2023, the City contributed \$226,425 for covered payroll totaling \$8,735,716.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active Employees	329
Inactive Employees or Beneficiaries Currently Receiving Benefits	64
Inactive Employees Entitled to, But Not Yet Receiving Benefits	159
Total	552

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, 2023, the City's cash contributions were \$326,948 for current premiums, administrative costs of \$1,935, and the estimated implied subsidy was \$166,000 resulting in total payments of \$494,883.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2022 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.54%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability, and Termination	2000-2019 Experience Study
Mortality Improvement	Postretirement mortality projected fully generational with Scale MP-2021
Healthcare Trend Rate	Non-Medicare: 8.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. The discount rate is determined based on the Bond Buyer 20-bond index since the City has not established a trust.

Changes in Actuarial Assumptions

The following actuarial assumption changes occurred from the measurement periods ended June 30, 2021 to 2022:

- The discount rate changed from 2.16% to 3.54% based on changes in the index.
- Inflation was lowered from 2.75% to 2.50%.
- The healthcare trend rate was updated as follows: Non-Medicare increased from 7.0% to 8.5%; Medicare (Non-Kaiser) increased from 6.1% to 7.5%; and Medicare (Kaiser) increased from 7.0% to 6.25%.
- Demographic assumptions were updated from the CalPERS 1997-2015 Experience Study to the CalPERS 2000-2019 Experience Study.
- Mortality improvement was updated from Scale MP-2020 to Scale MP-2021.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Other Postemployment Benefits Plan – City Plan (Continued)

Changes in the Total OPEB Liability

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

	Total OPEB Liability
Total OPEB Liability at June 30, 2021 (MD)	\$ 30,495,802
Service Cost	2,334,220
Interest	704,405
Differences Between Expected and Actual Experience	(3,673,118)
Changes of Assumptions	(5,816,473)
Benefit Payments	(437,336)
Net Changes	(6,888,302)
Total OPEB Liability at June 30, 2022 (MD)	\$ 23,607,500

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 (2.54%)	Current Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 27,940,679	\$ 23,607,500	\$ 20,152,933

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: 7.5% for 2024 decreasing to 2.45% in 2076; Medicare (Non-Kaiser): 6.5% for 2024, decreasing to an ultimate rate of 2.45% in 2076; Medicare (Kaiser): 5.25% for 2024, decreasing to an ultimate rate of 2.45% in 2076) or one percentage point higher (Non-Medicare: 9.5% for 2024 decreasing to 4.45% in 2076; Medicare (Non-Kaiser): 8.5% for 2024, decreasing to an ultimate rate of 4.45% in 2076; Medicare (Kaiser): 7.25% for 2024, decreasing to an ultimate rate of 4.45% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 19,465,512	\$ 23,607,500	\$ 29,055,712

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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Other Postemployment Benefits Plan – City 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	5 Years
All Other Amounts	Expected average remaining service lifetime (EARSL) (9.8 Years at June 30, 2022 measurement date)

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

For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$1,477,277. As of the fiscal year ended June 30, 2023, the City 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	\$ 494,883	\$ -
Differences Between Expected and Actual Experience	-	(7,431,258)
Changes of Assumptions	<u>4,106,616</u>	<u>(6,947,590)</u>
Total	<u>\$ 4,601,499</u>	<u>\$ (14,378,848)</u>

\$494,883 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, 2024. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense as follow:

<u>Year Ending June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2024	\$ (1,562,708)
2025	(1,562,708)
2026	(1,562,704)
2027	(1,173,488)
2028	(815,704)
Thereafter	(3,594,920)

Payable to the OPEB Plan

At June 30, 2023, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active Employees	85
Inactive Employees or Beneficiaries Currently Receiving Benefits	38
Inactive Employees Entitled to, But Not Yet Receiving Benefits	6
Total	129

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, 2023, the District’s cash contributions were \$247,663 for current premiums, administrative costs of \$965, and the estimated implied subsidy was \$66,000 resulting in total payments of \$314,628.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2022 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.54%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability, and Termination	2000-2019 Experience Study
Mortality Improvement	Postretirement mortality projected fully generational with Scale MP-2021
Healthcare Trend Rate	Non-Medicare: 8.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. The discount rate is determined based on the Bond Buyer 20-bond index since the District has not established a trust.

Changes in Actuarial Assumptions

The following actuarial assumption changes occurred from the measurement periods ended June 30, 2021 to 2022:

- The discount rate changed from 2.16% to 3.54% based on changes in the index.
- Inflation was lowered from 2.75% to 2.50%.
- The healthcare trend rate was updated as follows: Non-Medicare increased from 7.0% to 8.5%; Medicare (Non-Kaiser) increased from 6.1% to 7.5%; and Medicare (Kaiser) increased from 7.0% to 6.25%.
- Demographic assumptions were updated from the CalPERS 1997-2015 Experience Study to the CalPERS 2000-2019 Experience Study.
- Mortality improvement was updated from Scale MP-2020 to Scale MP-2021.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Other Postemployment Benefits Plan – Water District 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, 2021 (MD)	\$ 12,528,232
Service Cost	626,941
Interest	281,198
Differences Between Expected and Actual Experience	987,796
Changes of Assumptions	(2,488,667)
Benefit Payments	(273,537)
Net Changes	(866,269)
Total OPEB Liability at June 30, 2022 (MD)	\$ 11,661,963

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 (2.54%)	Current Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 13,625,698	\$ 11,661,963	\$ 10,082,917

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: 7.5% for 2024 decreasing to 2.45% in 2076; Medicare (Non-Kaiser): 6.5% for 2024, decreasing to an ultimate rate of 2.45% in 2076; Medicare (Kaiser): 5.25% for 2024, decreasing to an ultimate rate of 2.45% in 2076) or one percentage point higher (Non-Medicare: 9.5% for 2024 decreasing to 4.45% in 2076; Medicare (Non-Kaiser): 8.5% for 2024, decreasing to an ultimate rate of 4.45% in 2076; Medicare (Kaiser): 7.25% for 2024, decreasing to an ultimate rate of 4.45% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 9,896,799	\$ 11,661,963	\$ 13,927,124

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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Other Postemployment Benefits Plan – Water District 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	5 Years
All Other Amounts	Expected average remaining service lifetime (EARSL) (8.1 Years at June 30, 2022 measurement date)

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

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$412,564. As of the fiscal year ended June 30, 2023, 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	\$ 314,628	\$ -
Differences Between Expected and Actual Experience	865,846	(1,285,944)
Changes of Assumptions	1,527,140	(2,699,394)
Total	\$ 2,707,614	\$ (3,985,338)

The \$314,628 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, 2024. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense as follows:

Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2024	\$ (496,247)
2025	(458,997)
2026	(246,056)
2027	9,782
2028	(48,948)
Thereafter	(351,886)

Payable to the OPEB Plan

At June 30, 2023, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Summary of OPEB Amounts for Government-Wide Financial Statements

	Total OPEB Liability	Deferred Outflows	Deferred Inflows
City OPEB Plan	\$ (23,607,500)	\$ 4,601,499	\$ (14,378,848)
Water District OPEB Plan	(11,661,963)	2,707,614	(3,985,338)
Total	\$ (35,269,463)	\$ 7,309,113	\$ (18,364,186)

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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Mojave Desert and Mountain Integrated Waste Management Authority (Continued)

The following schedule summarizes the City’s investment in the Authority as of June 30, 2023 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, 2023:

Percentage Ownership	Total Joint Venture Equity	City’s Equity Interest	City’s Share of Joint Venture Net Income (Loss)
50%	\$ 680,460	\$ 340,230	\$ (146,733)

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

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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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 \$12,864,849 to VWVRA for the year ended June 30, 2023. 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.

Consolidated Fire Agencies JPA (CONFIRE)

In 2022, the City joined Consolidated Fire Agencies (CONFIRE), a Joint Powers Authority (JPA), located in San Bernardino County established to provide communications, dispatch, computer information systems support, and geographic information systems to CONFIRE members and contract agencies.

The CONFIRE Communications Center's (Comm Center) primary function is to provide 24-hour/365-day direct fire, EMS, and rescue dispatch services to CONFIRE's member and contract agencies. Beyond the direct fire dispatch role, Comm Center also functions as the San Bernardino County Operational Area dispatch, which provides large incident coordination for fire, local government, and emergency medical resources on a countywide basis. Comm Center also provides after-hours dispatch services for local government, i.e. County Public Health and Road Departments, and the City of Loma Linda.

Each member agency has one elected official that is appointed to the CONFIRE Board of Directors by the legislative body of each party. The Board of Directors is responsible for adopting the CONFIRE budget, for establishing assessments to member agencies, and for establishing overall fiscal policy. The Board also establishes the overall policy direction of CONFIRE and its operation and assures that the well-being and interests of each of the agencies or entities are maintained. Each Board member has one vote.

CONFIRE bills each member agency quarterly for the required fiscal contributions determined by the Board. In the fiscal year ended June 30, 2023, the City contributed \$1,324,313.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Consolidated Fire Agencies JPA (CONFIRE) (Continued)

In fiscal year 2022-2023, CONFIRE joined the San Bernardino County Employees' Retirement Association (SBCERA). Each member agency is jointly and severably liable for the entire retirement obligation and liability to SBCERA (San Bernardino County Employees' Retirement Association). With regard to other CONFIRE liabilities, each party is responsible for its pro-rata share of any obligation which was incurred at a time when that entity was a party.

In the case of a member withdrawal, notice of intent to withdraw must be presented in writing to the Chairperson of the Board of Directors of CONFIRE with proof of certified mail. No party may withdraw until they have either paid in full their pro-rata share of all outstanding debts and obligations that were incurred while they were a Party. This includes long-term debt, pension obligations and multi-fiscal-year debt. Or executed a contract with CONFIRE to pay for all outstanding debts and obligations incurred while they were a party.

CONFIRE can be dissolved and terminated by a Board vote of not less than 90% of the total parties at that time. No assets may be distributed until all outstanding debts and obligations have been resolved. Resolved means that each Party has (a) either paid their pro-rata share of all outstanding debts and obligations that were incurred while they were a Party; or (b) executed a contract with CONFIRE to pay for all outstanding debts and obligations incurred while they were a Party; and (c) all assets of CONFIRE will be distributed in proportion to the contributions of the Parties during the fiscal year of distribution.

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, workers' 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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 16 PARTICIPATION IN RISK POOL (CONTINUED)

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:

<u>Year</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2021-22	\$ 5,461,890	\$ 427,311	\$ (2,172,268)	\$ 3,716,933	\$ 1,490,000
2022-23	3,716,933	1,193,497	(1,353,717)	3,556,713	740,000

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, 2023, for the 2002 Series A and 2005 Series A was \$510,000 and \$1,950,000, 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, 2023 was \$2,525,000.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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.

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 2024, 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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Commitments for the Purchase of Electricity (Continued)

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. 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.

C. Southern California Logistics Airport Authority and Stirling Enterprise LLC

In the early 1990s 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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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 the Authority.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

F. Construction Commitments

The following material construction commitments existed at June 30, 2023:

<u>Project Title</u>	<u>Commitment</u>
CC21-102 BV Overhead Bridge at BNSF Railroad	\$ 3,025,922
CC23-020 Village Tawney Ridge Traffic Signal	360,752
CC23-024 Guard Rail (Fed fund)	10,553
CC23-033 Civic Area Pavement Rehabilitation	360,730
CC23-067 Sewer Main Lining for 2023	1,232,074
Wellness Center Phase 1	200,663

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, 2023 the City did remit payments totaling \$408,960 to Macerich for sales tax revenue earned from January 2022 to December 2022. 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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

During fiscal year 19/20 and 20/21, 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 fiscal years 21/22 and 22/23, SCLAA had a positive net income of \$782,286 and \$15,894,051, respectively. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	SCLAA Deficit Balance
Beginning Net Position	\$(123,650,976)
Net Income (Loss)	16,492,949
Ending Net Position	\$(107,158,027)

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. In October 2022, the outstanding balance of the loan was repaid.

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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 21 SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

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 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, 2023, the General Fund recognized \$143,464 and \$80,142 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, 2023, the SCLAA recognized \$8,159,454 and \$1,624,219 in lease revenue and interest revenue, respectively, pursuant to these contracts.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 22 LEASES (CONTINUED)

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>
2024	\$ 7,770,582	\$ 1,784,891	\$ 9,555,473
2025	7,020,478	1,700,945	8,721,423
2026	6,996,082	1,644,500	8,640,582
2027	7,201,850	1,521,580	8,723,430
2028	7,553,445	1,312,066	8,865,511
2029-2033	30,788,077	4,412,609	35,200,686
2034 -2038	11,193,728	1,722,627	12,916,355
2039-2043	3,962,741	1,079,111	5,041,852
2044-2048	4,144,818	638,687	4,783,505
2049-2053	3,279,898	254,237	3,534,135
2054-2056	<u>1,066,194</u>	<u>27,697</u>	<u>1,093,891</u>
Total	<u>\$ 90,977,893</u>	<u>\$ 16,098,950</u>	<u>\$ 107,076,843</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, 2023, the Sanitary Enterprise Fund recognized \$-0- and \$51,447 in lease revenue and interest revenue, respectively, pursuant to this contract.

REQUIRED SUPPLEMENTARY INFORMATION

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

Reporting Fiscal Year (Measurement Date)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
Total Pension Liability:					
Service Cost	\$ 4,702,701	\$ 4,361,938	\$ 3,917,361	\$ 3,878,156	\$ 3,925,313
Interest	15,892,288	15,327,363	14,388,003	13,664,664	12,780,111
Changes of Assumptions	8,923,031	-	-	-	(1,453,429)
Difference Between Expected and Actual Experience	(3,062,363)	3,594,527	901,693	3,533,778	1,426,643
Benefit Payments, Including Refunds of Employee Contributions	(10,126,951)	(9,405,164)	(8,563,342)	(8,131,659)	(7,556,833)
Net Change in Total Pension Liability	16,328,706	13,878,664	10,643,715	12,944,939	9,121,805
Total Pension Liability – Beginning	227,174,475	213,295,811	202,652,096	189,707,157	180,585,352
Total Pension Liability – Ending (a)	243,503,181	227,174,475	213,295,811	202,652,096	189,707,157
Plan Fiduciary Net Position:					
Plan to Plan Resource Movement	-	-	-	-	(332)
Contributions – Employer	6,751,004	5,963,725	5,479,864	4,590,346	4,017,440
Contributions – Employee	2,011,858	1,889,577	1,928,672	1,749,709	1,942,720
Net Investment Income	(14,410,875)	35,514,329	7,528,774	9,361,466	11,287,052
Benefit Payments, Including Refunds of Employee Contributions	(10,126,951)	(9,405,164)	(8,563,342)	(8,131,659)	(7,556,833)
Administrative Expense	(118,949)	(156,975)	(212,846)	(102,414)	(209,479)
Other Miscellaneous Inc (Exp)	-	-	-	332	(397,805)
Net Change in Fiduciary Net Position	(15,893,913)	33,805,492	6,161,122	7,467,780	9,082,763
Plan Fiduciary Net Position – Beginning	190,947,409	157,141,917	150,980,795	143,513,015	134,430,252
Plan Fiduciary Net Position – Ending (b)	\$ 175,053,496	\$ 190,947,409	\$ 157,141,917	\$ 150,980,795	\$ 143,513,015
Plan Net Pension Liability – Ending (a) - (b)	\$ 68,449,685	\$ 36,227,066	\$ 56,153,894	\$ 51,671,301	\$ 46,194,142
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.89%	84.05%	73.67%	74.50%	75.65%
Covered Payroll	\$ 26,035,500	\$ 24,525,949	\$ 24,562,823	\$ 22,226,999	22,506,989
Plan Net Pension Liability as a Percentage of Covered Payroll	262.91%	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.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30%.

*Fiscal year 2015 was the first year of implementation, therefore, only nine 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)
Total Pension Liability:				
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
Plan Fiduciary Net Position:				
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 Inc (Exp)	-	-	-	-
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)	\$ 134,430,252	\$ 122,055,454	\$ 122,634,172	\$ 120,708,194
Plan Net Pension Liability – Ending (a) - (b)	\$ 46,155,100	\$ 39,689,299	\$ 30,430,678	\$ 27,824,940
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	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019
Contractually Required Contribution (Actuarially Determined)	\$ 8,144,580	\$ 6,748,512	\$ 5,961,400	\$ 5,477,574	\$ 4,622,469
Contributions in Relation to the Actuarially Determined Contributions	(8,144,580)	(6,748,512)	(5,961,400)	(5,477,574)	(4,622,469)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 31,453,365	\$ 26,035,500	\$ 24,525,949	\$ 24,562,823	\$ 22,226,999
Contributions as a Percentage of Covered Payroll	25.89%	25.92%	24.31%	22.30%	20.80%
Notes to Schedule:					
Valuation Date	6/30/2020	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	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.300%	2.50%	2.50%	2.63%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)
Mortality	(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 nine years are shown.

See accompanying Note to Required Supplementary Information.

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

Fiscal Year	2017-2018	2016-2017	2015-2016	2014-2015
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%
Notes to Schedule:				
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)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
Plan's Proportion of the Net Pension Liability	20.10300%	0.21104%	0.18786%	0.19301%	0.19843%
Plan's Proportionate Share of the Net Pension Liability	\$ 13,813,980	\$ 7,406,301	\$ 12,515,992	\$ 12,048,837	\$ 11,643,274
Plan's Covered Payroll**	\$ 5,534,300	\$ 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**	249.61%	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	0.12520%	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.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30%.

*Fiscal year 2015 was the first year of implementation, therefore, only nine 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	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019
Contractually Required Contribution (Actuarially Determined)	\$ 2,154,542	\$ 1,910,223	\$ 1,820,085	\$ 1,737,805	\$ 1,406,021
Contributions in Relation to the Actuarially Determined Contribution	<u>(2,154,542)</u>	<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>	<u>\$ -</u>
Covered Payroll **	6,864,378	5,534,300	5,123,885	4,931,300	2,530,529
Contributions as a Percentage of Covered Payroll **	31.39%	34.52%	35.52%	35.24%	55.56%
Notes to Schedule:					
Valuation Date	6/30/2020	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	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.300%	2.50%	2.50%	2.63%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	6.90% (3)	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)
Mortality	(4)	(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 nine 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
Notes to Schedule:				
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, 2023 (June 30, 2022)		June 30, 2022 (June 30, 2021)	
	City	Water	City	Water
Total OPEB Liability:				
Service Cost	\$ 2,334,220	\$ 626,941	\$ 2,235,761	\$ 600,360
Interest on the Total OPEB Liability	704,405	281,198	657,508	271,338
Changes of Assumptions	(5,816,473)	(2,488,667)	278,410	105,768
Differences Between Expected and Actual Experience	(3,673,118)	987,796	-	-
Changes of Benefit Terms	-	-	-	-
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	(437,336)	(273,537)	(383,313)	(253,227)
Net Change in Total OPEB Liability	(6,888,302)	(866,269)	2,788,366	724,239
Total OPEB Liability - Beginning	30,495,802	12,528,232	27,707,436	11,803,993
Total OPEB Liability - Ending	\$ 23,607,500	\$ 11,661,963	\$ 30,495,802	\$ 12,528,232
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%
Covered-Employee Payroll	\$ 32,718,185	\$ 7,778,497	\$ 30,916,888	\$ 7,710,052
Total OPEB Liability as a Percentage of Covered-Employee Payroll	72.15%	149.93%	98.64%	162.49%

Notes to Schedule:

Changes in assumptions:

Discount rate	3.54%	3.54%	2.16%	2.16%
Mortality improvement rates	Scale MP-2021	Scale MP-2021	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%.

In the June 30, 2022 measurement period, the following medical trend rates changed: Non-Medicare increased from 7.0% to 8.5%; Medicare increased from 6.1% to 7.5%; and Kaiser increased from 7.0% to 6.25%.

*Fiscal year 2018 was the first year of implementation, therefore, only six 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
	Total OPEB Liability:			
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%
Notes to Schedule:				
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
	Total OPEB Liability:			
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%
Notes to Schedule:				
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, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes and Assessments	\$ 93,316,416	\$ 94,948,730	\$ 98,302,831	\$ 3,354,101
Licenses and Permits	6,246,500	3,222,000	4,036,465	814,465
Intergovernmental	100,000	100,000	141,144	41,144
Charges for Services	17,903,305	16,744,854	18,701,444	1,956,590
Fines and Forfeitures	602,177	717,177	801,755	84,578
Investment Income	12,000	12,000	2,846,097	2,834,097
Other	<u>446,520</u>	<u>581,520</u>	<u>943,353</u>	<u>361,833</u>
Total Revenues	<u>118,626,918</u>	<u>116,326,281</u>	<u>125,773,089</u>	<u>9,446,808</u>
EXPENDITURES				
Current:				
General Government	23,879,114	24,154,495	19,598,588	4,555,907
Public Safety	62,881,515	65,828,203	58,240,319	7,587,884
Community Development	510,813	510,813	19,168	491,645
Public Works	19,825,189	20,134,006	11,585,105	8,548,901
Parks and Recreation	7,824,281	7,789,412	5,538,665	2,250,747
Capital Outlay	6,384,481	8,240,415	3,388,060	4,852,355
Debt Service:				
Principal	724,561	724,561	724,561	-
Interest on Advances	27,461	36,346	36,346	-
Principal - SBITA	-	-	318,810	(318,810)
Interest - SBITA	-	-	281	(281)
Total Expenditures	<u>122,057,415</u>	<u>127,418,251</u>	<u>99,449,903</u>	<u>27,968,348</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,430,497)	(11,091,970)	26,323,186	37,415,156
OTHER FINANCING SOURCES				
SBITA Financing	-	-	794,266	794,266
Proceeds from Sale of Assets	-	-	325,234	325,234
Transfers In	<u>14,000</u>	<u>14,000</u>	<u>54,900</u>	<u>40,900</u>
Total Other Financing Sources	<u>14,000</u>	<u>14,000</u>	<u>1,174,400</u>	<u>1,160,400</u>
NET CHANGE IN FUND BALANCES	(3,416,497)	(11,077,970)	27,497,586	38,575,556
Fund Balances - Beginning of Year	<u>79,658,682</u>	<u>79,658,682</u>	<u>79,658,682</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 76,242,185</u>	<u>\$ 68,580,712</u>	<u>\$ 107,156,268</u>	<u>\$ 38,575,556</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, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 250,000	\$ 250,000
Gain (Loss) on Sale of Property Held for Resale	-	-	-	-
Investment Income	322,500	322,500	648,595	326,095
Other	-	-	26,775	26,775
Total Revenues	<u>322,500</u>	<u>322,500</u>	<u>925,370</u>	<u>602,870</u>
EXPENDITURES				
Current:				
General Government	10,000	40,000	39,560	440
Community Development	<u>38,949</u>	<u>109,949</u>	<u>511,590</u>	<u>(401,641)</u>
Total Expenditures	<u>48,949</u>	<u>149,949</u>	<u>551,150</u>	<u>(401,201)</u>
EXCESS OF REVENUES OVER EXPENDITURES	273,551	172,551	374,220	201,669
Fund Balances - Beginning of Year	<u>29,390,139</u>	<u>29,390,139</u>	<u>29,390,139</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 29,663,690</u>	<u>\$ 29,562,690</u>	<u>\$ 29,764,359</u>	<u>\$ 201,669</u>

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE
BUDGETARY COMPARISON SCHEDULE
OTHER STATE / LOCAL GRANTS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 25,625,416	\$ 58,391,979	\$ 21,295,865	\$ (37,096,114)
Investment Income	-	-	283,585	283,585
Total Revenues	25,625,416	58,391,979	21,579,450	(36,812,529)
EXPENDITURES				
Current:				
Public Safety	797,365	1,791,235	226,144	1,565,091
Community Development	3,071,468	3,379,350	1,254,691	2,124,659
Public Works	11,468,362	11,931,117	477,331	11,453,786
Capital Outlay	16,187,802	43,031,866	18,114,413	24,917,453
Total Expenditures	31,524,997	60,133,568	20,072,579	40,060,989
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,899,581)	(1,741,589)	1,506,871	3,248,460
OTHER FINANCING SOURCES				
Proceeds from Sale of Assets	61,253	61,253	-	(61,253)
NET CHANGE IN FUND BALANCE	(5,838,328)	(1,680,336)	1,506,871	3,187,207
Fund Balance (Deficit) - Beginning of Year	(1,261,999)	(1,261,999)	(1,261,999)	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (7,100,327)</u>	<u>\$ (2,942,335)</u>	<u>\$ 244,872</u>	<u>\$ 3,187,207</u>

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE
BUDGETARY COMPARISON SCHEDULE
COVID-19 FUNDS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 35,066,369	\$ 35,056,463	\$ 13,935,259	\$ (21,121,204)
EXPENDITURES				
Current:				
General Government	16,174,177	10,053,232	270,385	9,782,847
Public Safety	227,912	100,108	-	100,108
Community Development	-	1,470,000	-	1,470,000
Capital Outlay	<u>29,600,246</u>	<u>23,309,386</u>	<u>11,629,757</u>	<u>11,679,629</u>
Total Expenditures	<u>46,002,335</u>	<u>34,932,726</u>	<u>11,900,142</u>	<u>23,032,584</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,935,966)	123,737	2,035,117	1,911,380
Fund Balance (Deficit) - Beginning of Year	<u>(2,187,409)</u>	<u>(2,187,409)</u>	<u>(2,187,409)</u>	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (13,123,375)</u>	<u>\$ (2,063,672)</u>	<u>\$ (152,292)</u>	<u>\$ 1,911,380</u>

See accompanying Note to Required Supplementary Information.

CITY OF VICTORVILLE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

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 \$149,949 and actual expenditures of \$551,150, which resulted in excess expenditures over appropriations of \$401,201 for the year ended June 30, 2023.

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SUPPLEMENTARY INFORMATION

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**CITY OF VICTORVILLE
DESCRIPTION OF GENERAL FUNDS
YEAR ENDED JUNE 30, 2023**

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, 2023**

ASSETS	<u>General</u>	<u>Measure P</u>	<u>Technology</u>	<u>Fueling Stations</u>
Cash and Investments	\$ 45,258,325	\$ 39,800,812	\$ 533,085	\$ 2,436,294
Accounts Receivable	1,488,767	36	-	107,828
Interest Receivable	1,718,546	-	-	-
Due from Other Funds	5,647,588	-	-	-
Advances to Other Funds	2,916,480	-	-	-
Due from Other Governments	5,619,874	4,997,330	-	-
Due from the Successor Agency	123,171	-	-	-
Leases Receivable	5,961,695	-	-	-
Inventories	179,895	-	-	-
Prepaid Items	94,853	95,368	-	-
	<u>\$ 69,009,194</u>	<u>\$ 44,893,546</u>	<u>\$ 533,085</u>	<u>\$ 2,544,122</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 2,278,671	\$ 121,361	\$ 297	\$ 92,635
Accrued Liabilities	1,295,967	-	-	-
Deposits Payable	538,203	-	-	-
Unearned Revenue	1,207	-	-	-
Total Liabilities	<u>4,114,048</u>	<u>121,361</u>	<u>297</u>	<u>92,635</u>
DEFERRED INFLOWS OF RESOURCES				
Leases	5,701,086	-	-	-
Total Deferred Inflows of Resources	<u>5,701,086</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Advances to Other Funds	2,916,480	-	-	-
Prepaid Items	94,853	95,368	-	-
Inventories	179,895	-	-	-
Unassigned	56,002,832	44,676,817	532,788	2,451,487
Total Fund Balances	<u>59,194,060</u>	<u>44,772,185</u>	<u>532,788</u>	<u>2,451,487</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 69,009,194</u>	<u>\$ 44,893,546</u>	<u>\$ 533,085</u>	<u>\$ 2,544,122</u>

**CITY OF VICTORVILLE
COMBINING BALANCE SHEET
GENERAL FUND (CONTINUED)
JUNE 30, 2023**

	Victor Valley Transportation Center	Sidewalk Assessment District	Totals
ASSETS			
Cash and Investments	\$ 38,931	\$ 154,703	\$ 88,222,150
Accounts Receivable	-	-	1,596,631
Interest Receivable	582	-	1,719,128
Due from Other Funds	-	-	5,647,588
Advances to Other Funds	-	-	2,916,480
Due from Other Governments	-	-	10,617,204
Due from the Successor Agency	-	-	123,171
Leases Receivable	323,159	-	6,284,854
Inventories	-	-	179,895
Prepaid Items	-	-	190,221
	<u>\$ 362,672</u>	<u>\$ 154,703</u>	<u>\$ 117,497,322</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,641	\$ -	\$ 2,494,605
Accrued Liabilities	-	-	1,295,967
Deposits Payable	-	-	538,203
Unearned Revenue	-	-	1,207
Total Liabilities	<u>1,641</u>	<u>-</u>	<u>4,329,982</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	309,986	-	6,011,072
Total Deferred Inflows of Resources	<u>309,986</u>	<u>-</u>	<u>6,011,072</u>
FUND BALANCES			
Nonspendable:			
Advances to Other Funds	-	-	2,916,480
Prepaid Items	-	-	190,221
Inventories	-	-	179,895
Unassigned	51,045	154,703	103,869,672
Total Fund Balances	<u>51,045</u>	<u>154,703</u>	<u>107,156,268</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 362,672</u>	<u>\$ 154,703</u>	<u>\$ 117,497,322</u>

CITY OF VICTORVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	General	Measure P	Technology	Fueling Stations
REVENUES				
Taxes and Assessments	\$ 69,042,576	\$ 29,260,255	\$ -	\$ -
Licenses and Permits	4,036,465	-	-	-
Intergovernmental	141,144	-	-	-
Charges for Services	15,886,232	1,090,289	272,730	1,456,687
Fines and Forfeitures	801,755	-	-	-
Investment Income	1,859,863	974,147	-	-
Other	904,225	-	-	-
Total Revenues	<u>92,672,260</u>	<u>31,324,691</u>	<u>272,730</u>	<u>1,456,687</u>
EXPENDITURES				
Current:				
General Government	18,609,075	699,338	290,175	-
Public Safety	53,105,401	5,134,918	-	-
Community Development	-	19,168	-	-
Public Works	7,800,485	2,503,746	-	1,265,506
Parks and Recreation	5,502,549	36,116	-	-
Capital Outlay	2,176,934	1,126,313	84,813	-
Debt Service:				
Principal	-	724,561	-	-
Interest and Loan Fees	-	36,346	-	-
Principal - SBITA	318,810	-	-	-
Interest - SBITA	281	-	-	-
Total Expenditures	<u>87,513,535</u>	<u>10,280,506</u>	<u>374,988</u>	<u>1,265,506</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,158,725	21,044,185	(102,258)	191,181
OTHER FINANCING SOURCES (USES)				
SBITA Financing	794,266	-	-	-
Proceeds from Sale of Assets	325,234	-	-	-
Transfers In	4,892,289	-	-	-
Transfers Out	-	(4,837,389)	-	-
Total Other Financing Sources (Uses)	<u>6,011,789</u>	<u>(4,837,389)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	11,170,514	16,206,796	(102,258)	191,181
Fund Balances - Beginning of Year	<u>48,023,546</u>	<u>28,565,389</u>	<u>635,046</u>	<u>2,260,306</u>
FUND BALANCES - END OF YEAR	<u>\$ 59,194,060</u>	<u>\$ 44,772,185</u>	<u>\$ 532,788</u>	<u>\$ 2,451,487</u>

**CITY OF VICTORVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Victor Valley Transportation Center	Sidewalk Assessment District	Eliminations	Totals
REVENUES				
Taxes and Assessments	\$ -	\$ -	\$ -	\$ 98,302,831
Licenses and Permits	-	-	-	4,036,465
Intergovernmental	-	-	-	141,144
Charges for Services	(4,494)	-	-	18,701,444
Fines and Forfeitures	-	-	-	801,755
Investment Income	8,157	3,930	-	2,846,097
Other	39,128	-	-	943,353
Total Revenues	<u>42,791</u>	<u>3,930</u>	<u>-</u>	<u>125,773,089</u>
EXPENDITURES				
Current:				
General Government	-	-	-	19,598,588
Public Safety	-	-	-	58,240,319
Community Development	-	-	-	19,168
Public Works	15,368	-	-	11,585,105
Parks and Recreation	-	-	-	5,538,665
Capital Outlay	-	-	-	3,388,060
Debt Service:				
Principal	-	-	-	724,561
Interest and Loan Fees	-	-	-	36,346
Principal - SBITA	-	-	-	318,810
Interest - SBITA	-	-	-	281
Total Expenditures	<u>15,368</u>	<u>-</u>	<u>-</u>	<u>99,449,903</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,423	3,930	-	26,323,186
OTHER FINANCING SOURCES (USES)				
SBITA Financing	-	-	-	794,266
Proceeds from Sale of Assets	-	-	-	325,234
Transfers In	-	-	(4,837,389)	54,900
Transfers Out	-	-	4,837,389	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,174,400</u>
NET CHANGE IN FUND BALANCES	27,423	3,930	-	27,497,586
Fund Balances - Beginning of Year	<u>23,622</u>	<u>150,773</u>	<u>-</u>	<u>79,658,682</u>
FUND BALANCES - END OF YEAR	<u>\$ 51,045</u>	<u>\$ 154,703</u>	<u>\$ -</u>	<u>\$ 107,156,268</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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 13,472,445	\$ 13,472,445	\$ 9,155,653	\$ (4,316,792)
Investment Income	24,250	24,250	598,030	573,780
Other	1,500	1,500	-	(1,500)
Total Revenues	<u>13,498,195</u>	<u>13,498,195</u>	<u>9,753,683</u>	<u>(3,744,512)</u>
EXPENDITURES				
Current:				
General Government	554	554	554	-
Public Safety	506	506	506	-
Public Works	71,877	71,877	63,430	8,447
Parks and Recreation	18,288	18,288	18,288	-
Capital Outlay	12,429,278	15,319,489	7,634,362	7,685,127
Debt Service:				
Interest on Advances	<u>25,750</u>	<u>25,750</u>	<u>-</u>	<u>25,750</u>
Total Expenditures	<u>12,546,253</u>	<u>15,436,464</u>	<u>7,717,140</u>	<u>7,719,324</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	951,942	(1,938,269)	2,036,543	3,974,812
OTHER FINANCING SOURCES				
Proceeds from Sale of Assets	<u>-</u>	<u>-</u>	<u>575,000</u>	<u>575,000</u>
NET CHANGE IN FUND BALANCES	951,942	(1,938,269)	2,611,543	4,549,812
Fund Balance - Beginning of Year	<u>22,433,464</u>	<u>22,433,464</u>	<u>22,433,464</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 23,385,406</u>	<u>\$ 20,495,195</u>	<u>\$ 25,045,007</u>	<u>\$ 4,549,812</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 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.

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, 2023**

	<u>Measure I</u>	<u>Landscape Maintenance</u>	<u>Street Lighting</u>	<u>Traffic Safety</u>	<u>Asset Seizure</u>
ASSETS					
Cash and Investments	\$ 15,597,051	\$ 11,109,728	\$ 2,410,417	\$ -	\$ 57,035
Accounts Receivable	1,870,507	7,950	984	7,038	-
Notes Receivable	10,753	-	-	-	-
Due from Other Governments	-	16,629	35,452	-	-
Prepaid Items	<u>1,133</u>	<u>1,198</u>	<u>719</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 17,479,444</u>	<u>\$ 11,135,505</u>	<u>\$ 2,447,572</u>	<u>\$ 7,038</u>	<u>\$ 57,035</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 136,704	\$ 136,077	\$ 239,871	\$ -	\$ -
Deposits Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Unearned Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	136,704	136,077	239,871	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	<u>613,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	613,144	-	-	-	-
FUND BALANCES (DEFICIT)					
Nonspendable:					
Prepaid Items	1,133	1,198	719	-	-
Spendable:					
Restricted:					
Public Safety	-	-	-	-	57,035
Highways and Street Projects	16,728,463	10,998,230	2,206,982	7,038	-
Community Development	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficit)	<u>16,729,596</u>	<u>10,999,428</u>	<u>2,207,701</u>	<u>7,038</u>	<u>57,035</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,479,444</u>	<u>\$ 11,135,505</u>	<u>\$ 2,447,572</u>	<u>\$ 7,038</u>	<u>\$ 57,035</u>

**CITY OF VICTORVILLE
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Storm Drain Utility	Gas Tax	Transportation Tax	Other Federal Grants	HUD Grants
ASSETS					
Cash and Investments	\$ 4,140,250	\$ 4,979,724	\$ 599,074	\$ -	\$ 52,793
Accounts Receivable	1,463	1,713	1,000	-	-
Notes Receivable	-	-	3,389	-	1,556,049
Due from Other Governments	-	1,157,270	244,000	8,443,979	767,462
Prepaid Items	<u>1,049</u>	<u>2,107</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 4,142,762</u>	<u>\$ 6,140,814</u>	<u>\$ 847,463</u>	<u>\$ 8,443,979</u>	<u>\$ 2,376,304</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 61,280	\$ 19,551	\$ 29,640	\$ 2,643,248	\$ 153,325
Deposits Payable	-	105	7,529	-	-
Due to Other Funds	-	-	-	5,647,588	-
Unearned Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,769</u>	<u>-</u>
Total Liabilities	61,280	19,656	37,169	8,379,605	153,325
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	<u>-</u>	<u>-</u>	<u>244,000</u>	<u>8,443,979</u>	<u>571,292</u>
Total Deferred Inflows of Resources	-	-	244,000	8,443,979	571,292
FUND BALANCES (DEFICIT)					
Nonspendable:					
Prepaid Items	1,049	2,107	-	-	-
Spendable:					
Restricted:					
Public Safety	-	-	-	-	-
Highways and Street Projects	4,080,433	6,119,051	566,294	-	-
Community Development	-	-	-	-	1,651,687
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,379,605)</u>	<u>-</u>
Total Fund Balances (Deficit)	<u>4,081,482</u>	<u>6,121,158</u>	<u>566,294</u>	<u>(8,379,605)</u>	<u>1,651,687</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,142,762</u>	<u>\$ 6,140,814</u>	<u>\$ 847,463</u>	<u>\$ 8,443,979</u>	<u>\$ 2,376,304</u>

**CITY OF VICTORVILLE
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Engineering Security	Foxborough Rail	Totals
ASSETS			
Cash and Investments	\$ 2,821,576	\$ 515,759	\$ 42,283,407
Accounts Receivable	-	-	1,890,655
Notes Receivable	-	-	1,570,191
Due from Other Governments	-	-	10,664,792
Prepaid Items	-	-	6,206
Total Assets	<u>\$ 2,821,576</u>	<u>\$ 515,759</u>	<u>\$ 56,415,251</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 61,275	\$ 16,074	\$ 3,497,045
Deposits Payable	2,760,183	-	2,767,817
Due to Other Funds	-	-	5,647,588
Unearned Revenue	-	-	88,769
Total Liabilities	<u>2,821,458</u>	<u>16,074</u>	<u>12,001,219</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	9,872,415
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>9,872,415</u>
FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepaid Items	-	-	6,206
Spendable:			
Restricted:			
Public Safety	-	-	57,035
Highways and Street Projects	118	499,685	41,206,294
Community Development	-	-	1,651,687
Unassigned	-	-	(8,379,605)
Total Fund Balances (Deficit)	<u>118</u>	<u>499,685</u>	<u>34,541,617</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,821,576</u>	<u>\$ 515,759</u>	<u>\$ 56,415,251</u>

**CITY OF VICTORVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	Measure I	Landscape Maintenance	Street Lighting	Traffic Safety	Asset Seizure
REVENUES					
Taxes and Assessments	\$ 7,145,011	\$ 2,515,987	\$ 1,913,341	\$ -	\$ -
Intergovernmental	-	-	918,707	-	12,088
Charges for Services	46,545	-	-	-	-
Fines and Forfeitures	-	-	-	49,373	-
Investment Income	394,377	275,916	59,536	-	1,457
Other	-	7,952	-	-	-
Total Revenues	<u>7,585,933</u>	<u>2,799,855</u>	<u>2,891,584</u>	<u>49,373</u>	<u>13,545</u>
EXPENDITURES					
Current:					
Public Safety	-	-	-	-	7,336
Community Development	-	-	-	-	-
Public Works	2,359,980	2,225,152	2,503,722	-	-
Parks and Recreation	-	-	-	-	-
Capital Outlay	1,788,839	25,057	395,702	-	-
Debt Service:					
Principal - SBITA	-	-	-	-	-
Total Expenditures	<u>4,148,819</u>	<u>2,250,209</u>	<u>2,899,424</u>	<u>-</u>	<u>7,336</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,437,114	549,646	(7,840)	49,373	6,209
OTHER FINANCING SOURCES (USES)					
SBITA Financing	-	-	-	-	-
Transfers Out	-	-	-	(54,900)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,900)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3,437,114	549,646	(7,840)	(5,527)	6,209
Fund Balances (Deficit) - Beginning of Year, as Restated	<u>13,292,482</u>	<u>10,449,782</u>	<u>2,215,541</u>	<u>12,565</u>	<u>50,826</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 16,729,596</u>	<u>\$ 10,999,428</u>	<u>\$ 2,207,701</u>	<u>\$ 7,038</u>	<u>\$ 57,035</u>

**CITY OF VICTORVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	Storm Drain Utility	Gas Tax	Transportation Tax	Other Federal Grants	HUD Grants
REVENUES					
Taxes and Assessments	\$ -	\$ 3,047,702	\$ -	\$ -	\$ -
Intergovernmental	-	3,462,402	1,384,702	11,590,644	1,580,472
Charges for Services	1,640,383	6,905	-	-	-
Fines and Forfeitures	28,752	-	-	-	-
Investment Income	102,063	109,563	37,631	173	50,646
Other	<u>3,692</u>	<u>3,682</u>	<u>88,381</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,774,890</u>	<u>6,630,254</u>	<u>1,510,714</u>	<u>11,590,817</u>	<u>1,631,118</u>
EXPENDITURES					
Current:					
Public Safety	-	-	-	84,334	-
Community Development	-	-	-	-	1,479,844
Public Works	1,017,039	3,055,784	669,022	-	483,694
Parks and Recreation	-	-	-	-	50,000
Capital Outlay	-	1,344,402	244,000	14,784,570	18,080
Debt Service:					
Principal - SBITA	-	1,387	-	-	-
Total Expenditures	<u>1,017,039</u>	<u>4,401,573</u>	<u>913,022</u>	<u>14,868,904</u>	<u>2,031,618</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	757,851	2,228,681	597,692	(3,278,087)	(400,500)
OTHER FINANCING SOURCES (USES)					
SBITA Financing	-	4,056	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>4,056</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	757,851	2,232,737	597,692	(3,278,087)	(400,500)
Fund Balances (Deficit) - Beginning of Year, as Restated	<u>3,323,631</u>	<u>3,888,421</u>	<u>(31,398)</u>	<u>(5,101,518)</u>	<u>2,052,187</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 4,081,482</u>	<u>\$ 6,121,158</u>	<u>\$ 566,294</u>	<u>\$ (8,379,605)</u>	<u>\$ 1,651,687</u>

**CITY OF VICTORVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	Engineering Security	Foxborough Rail	Totals
REVENUES			
Taxes and Assessments	\$ -	\$ 117,812	\$ 14,739,853
Intergovernmental	-	-	18,949,015
Charges for Services	-	10,202	1,704,035
Fines and Forfeitures	-	-	78,125
Investment Income	-	12,223	1,043,585
Other	-	-	103,707
Total Revenues	<u>-</u>	<u>140,237</u>	<u>36,618,320</u>
EXPENDITURES			
Current:			
Public Safety	-	-	91,670
Community Development	-	-	1,479,844
Public Works	-	57,232	12,371,625
Parks and Recreation	-	-	50,000
Capital Outlay	-	-	18,600,650
Debt Service:			
Principal - SBITA	-	-	1,387
Total Expenditures	<u>-</u>	<u>57,232</u>	<u>32,595,176</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	83,005	4,023,144
OTHER FINANCING SOURCES (USES)			
SBITA Financing	-	-	4,056
Transfers Out	-	-	(54,900)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(50,844)</u>
NET CHANGE IN FUND BALANCES	-	83,005	3,972,300
Fund Balances (Deficit) - Beginning of Year, as Restated	<u>118</u>	<u>416,680</u>	<u>30,569,317</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 118</u>	<u>\$ 499,685</u>	<u>\$ 34,541,617</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
MEASURE I FUND
YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and Assessments	\$ 6,794,032	\$ 6,794,032	\$ 7,145,011	\$ 350,979
Charges for Services	57,500	57,500	46,545	(10,955)
Investment Income	-	-	394,377	394,377
Total Revenues	<u>6,851,532</u>	<u>6,851,532</u>	<u>7,585,933</u>	<u>734,401</u>
EXPENDITURES				
Current:				
Public Works	2,651,559	2,651,559	2,359,980	291,579
Capital Outlay	1,560,400	7,942,785	1,788,839	6,153,946
Total Expenditures	<u>4,211,959</u>	<u>10,594,344</u>	<u>4,148,819</u>	<u>6,445,525</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,639,573</u>	<u>(3,742,812)</u>	<u>3,437,114</u>	<u>7,179,926</u>
NET CHANGE IN FUND BALANCE	2,639,573	(3,742,812)	3,437,114	7,179,926
Fund Balance - Beginning of Year, as Restated	<u>13,292,482</u>	<u>13,292,482</u>	<u>13,292,482</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 15,932,055</u>	<u>\$ 9,549,670</u>	<u>\$ 16,729,596</u>	<u>\$ 7,179,926</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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Taxes and Assessments	\$ 2,449,086	\$ 2,449,086	\$ 2,515,987	\$ 66,901
Investment Income	-	-	275,916	275,916
Other	-	-	7,952	7,952
Total Revenues	<u>2,449,086</u>	<u>2,449,086</u>	<u>2,799,855</u>	<u>350,769</u>
EXPENDITURES				
Current:				
Public Works	2,875,168	2,924,228	2,225,152	699,076
Capital Outlay	181,700	433,511	25,057	408,454
Total Expenditures	<u>3,056,868</u>	<u>3,357,739</u>	<u>2,250,209</u>	<u>1,107,530</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(607,782)</u>	<u>(908,653)</u>	<u>549,646</u>	<u>1,458,299</u>
NET CHANGE IN FUND BALANCE	(607,782)	(908,653)	549,646	1,458,299
Fund Balance - Beginning of Year	<u>10,449,782</u>	<u>10,449,782</u>	<u>10,449,782</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 9,842,000</u>	<u>\$ 9,541,129</u>	<u>\$ 10,999,428</u>	<u>\$ 1,458,299</u>

**CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
STREET LIGHTING FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 1,735,000	\$ 1,735,000	\$ 1,913,341	\$ 178,341
Intergovernmental	745,000	745,000	918,707	173,707
Investment Income	5,000	5,000	59,536	54,536
Total Revenues	<u>2,485,000</u>	<u>2,485,000</u>	<u>2,891,584</u>	<u>406,584</u>
EXPENDITURES				
Current:				
Public Works	2,623,005	2,623,005	2,503,722	119,283
Capital Outlay	<u>648,750</u>	<u>963,205</u>	<u>395,702</u>	<u>567,503</u>
Total Expenditures	<u>3,271,755</u>	<u>3,586,210</u>	<u>2,899,424</u>	<u>686,786</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(786,755)</u>	<u>(1,101,210)</u>	<u>(7,840)</u>	<u>1,093,370</u>
NET CHANGE IN FUND BALANCE	(786,755)	(1,101,210)	(7,840)	1,093,370
Fund Balance - Beginning of Year	<u>2,215,541</u>	<u>2,215,541</u>	<u>2,215,541</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 1,428,786</u>	<u>\$ 1,114,331</u>	<u>\$ 2,207,701</u>	<u>\$ 1,093,370</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
TRAFFIC SAFETY FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$ 41,000	\$ 41,000	\$ 49,373	\$ 8,373
EXPENDITURES				
Current:				
Public Safety	27,000	27,000	-	27,000
EXCESS OF REVENUES OVER EXPENDITURES	14,000	14,000	49,373	35,373
OTHER FINANCING USES				
Transfers Out	(14,000)	(14,000)	(54,900)	(40,900)
NET CHANGE IN FUND BALANCE	-	-	(5,527)	(5,527)
Fund Balance - Beginning of Year	12,565	12,565	12,565	-
FUND BALANCE - END OF YEAR	<u>\$ 12,565</u>	<u>\$ 12,565</u>	<u>\$ 7,038</u>	<u>\$ (5,527)</u>

**CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
ASSET SEIZURE FUND
YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 12,088	\$ 12,088	\$ -
Investment Income	-	-	1,457	1,457
Total Revenues	-	12,088	13,545	1,457
EXPENDITURES				
Current:				
Public Safety	29,337	29,337	7,336	22,001
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,337)	(17,249)	6,209	23,458
NET CHANGE IN FUND BALANCE	(29,337)	(17,249)	6,209	23,458
Fund Balance - Beginning of Year	50,826	50,826	50,826	-
FUND BALANCE - END OF YEAR	<u>\$ 21,489</u>	<u>\$ 33,577</u>	<u>\$ 57,035</u>	<u>\$ 23,458</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
STORM DRAIN UTILITY FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 1,687,380	\$ 1,687,380	\$ 1,640,383	\$ (46,997)
Fines and Forfeitures	22,000	22,000	28,752	6,752
Investment Income	-	-	102,063	102,063
Other	-	-	3,692	3,692
Total Revenues	<u>1,709,380</u>	<u>1,709,380</u>	<u>1,774,890</u>	<u>65,510</u>
EXPENDITURES				
Current:				
Public Works	1,515,059	1,515,059	1,017,039	498,020
Capital Outlay	125,000	125,000	-	125,000
Total Expenditures	<u>1,640,059</u>	<u>1,640,059</u>	<u>1,017,039</u>	<u>623,020</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>69,321</u>	<u>69,321</u>	<u>757,851</u>	<u>688,530</u>
NET CHANGE IN FUND BALANCE	69,321	69,321	757,851	688,530
Fund Balance - Beginning of Year	<u>3,323,631</u>	<u>3,323,631</u>	<u>3,323,631</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 3,392,952</u></u>	<u><u>\$ 3,392,952</u></u>	<u><u>\$ 4,081,482</u></u>	<u><u>\$ 688,530</u></u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GAS TAX FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Taxes and Assessments	\$ 2,898,797	\$ 2,898,797	\$ 3,047,702	\$ 148,905
Intergovernmental	3,507,716	3,507,716	3,462,402	(45,314)
Charges for Services	-	6,700	6,905	205
Investment Income	-	-	109,563	109,563
Other	-	-	3,682	3,682
Total Revenues	<u>6,406,513</u>	<u>6,413,213</u>	<u>6,630,254</u>	<u>217,041</u>
EXPENDITURES				
Current:				
Public Works	3,521,515	3,567,389	3,055,784	511,605
Capital Outlay	2,985,797	4,671,504	1,344,402	3,327,102
Debt Service:				
Principal - SBITA	-	-	1,387	(1,387)
Total Expenditures	<u>6,507,312</u>	<u>8,238,893</u>	<u>4,401,573</u>	<u>3,837,320</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(100,799)</u>	<u>(1,825,680)</u>	<u>2,228,681</u>	<u>4,054,361</u>
OTHER FINANCING SOURCES				
SBITA Financing	-	-	4,056	4,056
NET CHANGE IN FUND BALANCE	(100,799)	(1,825,680)	2,232,737	4,058,417
Fund Balance - Beginning of Year	<u>3,888,421</u>	<u>3,888,421</u>	<u>3,888,421</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,787,622</u>	<u>\$ 2,062,741</u>	<u>\$ 6,121,158</u>	<u>\$ 4,058,417</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
TRANSPORTATION TAX FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 493,640	\$ 1,628,742	\$ 1,384,702	\$ (244,040)
Investment Income	-	-	37,631	37,631
Other	<u>24,995</u>	<u>24,995</u>	<u>88,381</u>	<u>63,386</u>
Total Revenues	<u>518,635</u>	<u>1,653,737</u>	<u>1,510,714</u>	<u>(143,023)</u>
EXPENDITURES				
Current:				
Public Works	979,271	1,006,226	669,022	337,204
Capital Outlay	<u>249,640</u>	<u>493,640</u>	<u>244,000</u>	<u>249,640</u>
Total Expenditures	<u>1,228,911</u>	<u>1,499,866</u>	<u>913,022</u>	<u>586,844</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(710,276)</u>	<u>153,871</u>	<u>597,692</u>	<u>443,821</u>
NET CHANGE IN FUND BALANCE	(710,276)	153,871	597,692	443,821
Fund Balance - Beginning of Year, as Restated	<u>(31,398)</u>	<u>(31,398)</u>	<u>(31,398)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (741,674)</u>	<u>\$ 122,473</u>	<u>\$ 566,294</u>	<u>\$ 443,821</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
OTHER FEDERAL GRANTS FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 40,335,149	\$ 100,657,026	\$ 11,590,644	\$ (89,066,382)
Investment Income	-	-	173	173
Total Revenues	40,335,149	100,657,026	11,590,817	(89,066,209)
EXPENDITURES				
Current:				
Public Safety	421,732	421,732	84,334	337,398
Capital Outlay	61,551,924	112,828,517	14,784,570	98,043,947
Total Expenditures	61,973,656	113,250,249	14,868,904	98,381,345
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,638,507)	(12,593,223)	(3,278,087)	9,315,136
OTHER FINANCING SOURCES				
Transfers In	30,948	30,985	-	(30,985)
NET CHANGE IN FUND BALANCE	(21,607,559)	(12,562,238)	(3,278,087)	9,284,151
Fund Balance (Deficit) - Beginning of Year	(5,101,518)	(5,101,518)	(5,101,518)	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (26,709,077)</u>	<u>\$ (17,663,756)</u>	<u>\$ (8,379,605)</u>	<u>\$ 9,284,151</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
HUD GRANTS FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 32,578,009	\$ 30,691,664	\$ 1,580,472	\$ (29,111,192)
Investment Income	57,595	717,094	50,646	(666,448)
Total Revenues	32,635,604	31,408,758	1,631,118	(29,777,640)
EXPENDITURES				
Current:				
Public Safety	2,082,591	2,012,741	-	2,012,741
Community Development	23,821,662	25,881,417	1,479,844	24,401,573
Public Works	4,648,122	4,616,058	483,694	4,132,364
Parks and Recreation	120,000	116,580	50,000	66,580
Capital Outlay	270,944	227,907	18,080	209,827
Total Expenditures	30,943,319	32,854,703	2,031,618	30,823,085
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,692,285	(1,445,945)	(400,500)	1,045,445
OTHER FINANCING SOURCES				
Transfers In	630,347	-	-	-
NET CHANGE IN FUND BALANCE	2,322,632	(1,445,945)	(400,500)	1,045,445
Fund Balance - Beginning of Year	2,052,187	2,052,187	2,052,187	-
FUND BALANCE - END OF YEAR	\$ 4,374,819	\$ 606,242	\$ 1,651,687	\$ 1,045,445

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOXBOROUGH RAIL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 117,815	\$ 117,815	\$ 117,812	\$ (3)
Charges for Services	-	-	10,202	10,202
Investment Income	-	-	12,223	12,223
Total Revenues	<u>117,815</u>	<u>117,815</u>	<u>140,237</u>	<u>22,422</u>
EXPENDITURES				
Current:				
Public Works	<u>121,500</u>	<u>171,500</u>	<u>57,232</u>	<u>114,268</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,685)	(53,685)	83,005	136,690
Fund Balance - Beginning of Year	<u>416,680</u>	<u>416,680</u>	<u>416,680</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 412,995</u>	<u>\$ 362,995</u>	<u>\$ 499,685</u>	<u>\$ 136,690</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 debt is debt without government commitment of the City of Victorville.

Community Facilities District 01-01

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

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 debt is debt without government commitment of the City of Victorville.

**CITY OF VICTORVILLE
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2023**

	Community Facilities District 90-01	Community Facilities District 07-01	Community Facilities District 01-01	Community Facilities District Cahuenga	Totals
ASSETS					
Cash and Investments	\$ 80,088	\$ 203,126	\$ 246,152	\$ 36,263	\$ 565,629
Restricted Assets:					
Investments With Fiscal Agent	-	280,555	323,111	-	603,666
Accounts Receivable	-	432	1,262	-	1,694
Total Assets	<u>80,088</u>	<u>484,113</u>	<u>570,525</u>	<u>36,263</u>	<u>1,170,989</u>
LIABILITIES					
Accounts Payable	<u>-</u>	<u>93</u>	<u>459</u>	<u>-</u>	<u>552</u>
NET POSITION					
Restricted for:					
Individuals, Organizations, and Other Governments	<u>\$ 80,088</u>	<u>\$ 484,020</u>	<u>\$ 570,066</u>	<u>\$ 36,263</u>	<u>\$ 1,170,437</u>

**CITY OF VICTORVILLE
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
YEAR ENDED JUNE 30, 2023**

	Community Facilities District 90-01	Community Facilities District 07-01	Community Facilities District 01-01	Community Facilities District Cahuenga	Totals
ADDITIONS					
Property Assessments Collected	\$ -	\$ 180,429	\$ 288,945	\$ -	\$ 469,374
Investment Income	2,035	13,656	24,469	922	41,082
Total Additions	2,035	194,085	313,414	922	510,456
DEDUCTIONS					
Community Development	-	7,526	16,777	-	24,303
Payments on Special Assessment Debt	-	172,285	263,030	-	435,315
Total Deductions	-	179,811	279,807	-	459,618
CHANGE IN NET POSITION	2,035	14,274	33,607	922	50,838
Net Position - Beginning of Year	78,053	469,746	536,459	35,341	1,119,599
NET POSITION - END OF YEAR	\$ 80,088	\$ 484,020	\$ 570,066	\$ 36,263	\$ 1,170,437

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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>
Governmental activities										
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>
Business-type activities										
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>
Primary government										
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>
Expenses										
<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>
Program Revenues										
<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 expens	<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>
General Revenues and Other Changes in Net Position										
<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>
Change in Net Position										
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>

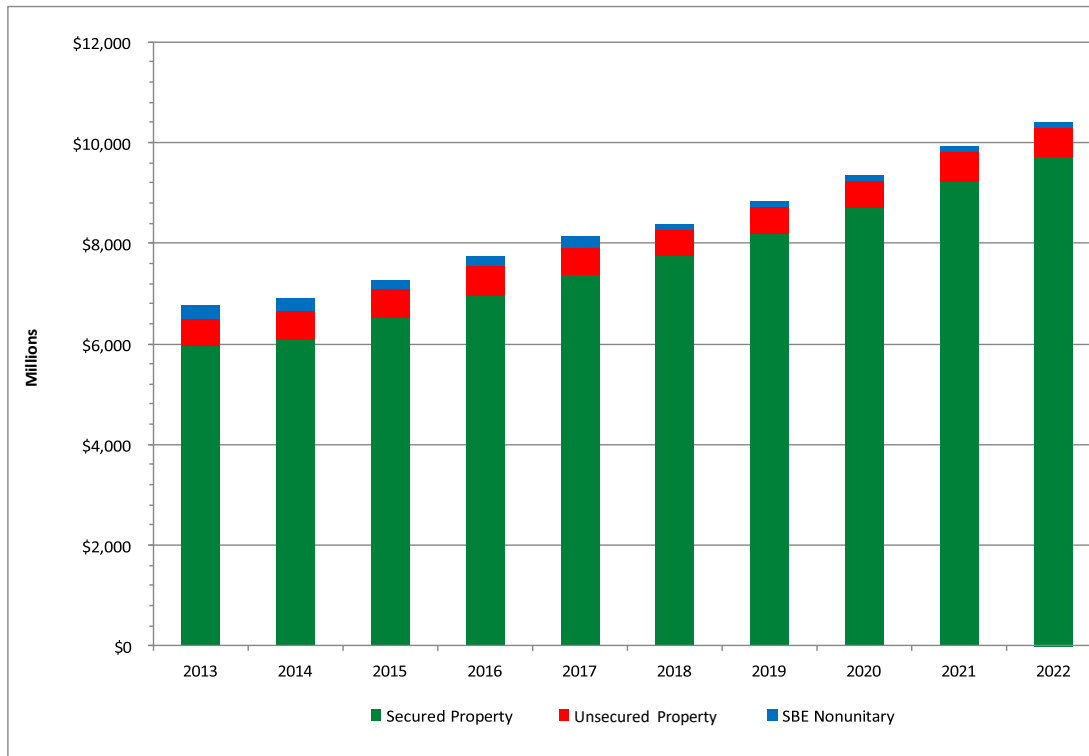
Beginning in 2011, the City started reporting fund balance in conformity with GASB 54, which changed fund balance reclassification.

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>
Revenue										
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
Total revenues	<u>\$69,894</u>	<u>\$78,086</u>	<u>\$76,930</u>	<u>\$ 96,022</u>	<u>\$86,798</u>	<u>\$84,345</u>	<u>\$ 96,164</u>	<u>\$107,539</u>	<u>\$125,523</u>	<u>\$167,222</u>
Expenditures										
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
Total expenditures	<u>\$65,818</u>	<u>\$79,516</u>	<u>\$79,982</u>	<u>\$ 82,411</u>	<u>\$82,362</u>	<u>\$81,887</u>	<u>\$100,243</u>	<u>\$ 86,003</u>	<u>\$ 97,001</u>	<u>\$137,466</u>
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
Other financing sources (uses):										
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	-	-	-	-
Total other financing sources(uses)	<u>18,866</u>	<u>(931)</u>	<u>(856)</u>	<u>280</u>	<u>(398)</u>	<u>(494)</u>	<u>12,977</u>	<u>\$ -</u>	<u>1,685</u>	<u>1,977</u>
Net change in fund balances	<u>22,941</u>	<u>(2,361)</u>	<u>(3,908)</u>	<u>13,890</u>	<u>4,039</u>	<u>1,964</u>	<u>8,897</u>	<u>21,536</u>	<u>30,206</u>	<u>31,732</u>
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
Total Direct and Overlapping Tax Rates	1.4831	1.4940	1.4918	1.4887	1.5725	1.4773	1.4988	1.3800	1.3845	1.3928
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

Fiscal Year	Certificate of Participation	Tax Allocation Bonds*	Capital Lease Agreement	Other**	Total Governmental Activities
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 (CONTINUED)
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>	<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>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
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>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$226,697,812
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
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
City of Victorville General Fund Obligations	0	100	<u>0</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$46,916,900
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	\$309,369,925	67.159- 100. %	\$217,420,076
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$491,034,788
COMBINED TOTAL DEBT			\$491,034,788 (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 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%
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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

Fiscal Year	Pledged Revenue	<u>Debt Service</u>		Coverage
		Principal	Interest	
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

Fiscal Year	Pledged Revenue	<u>Debt Service</u>		Coverage
		Principal	Interest	
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

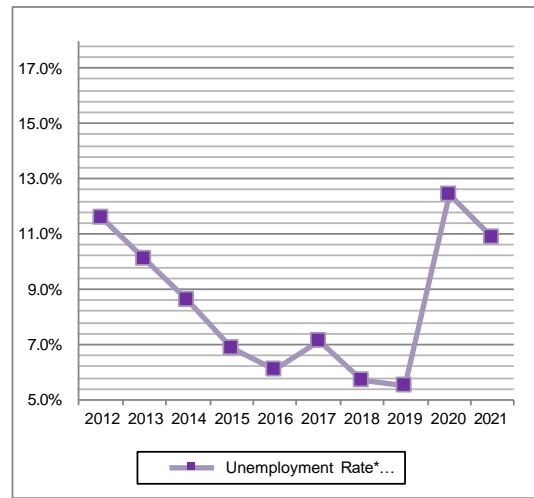
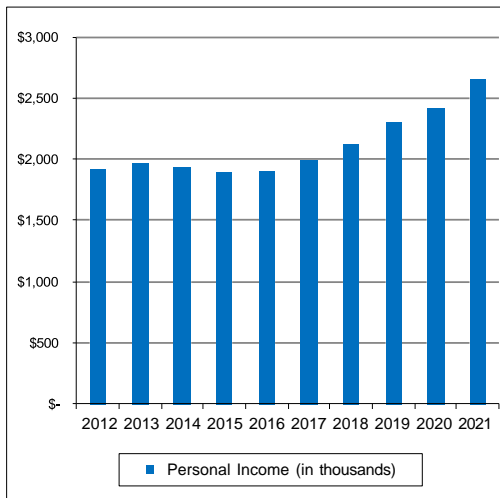
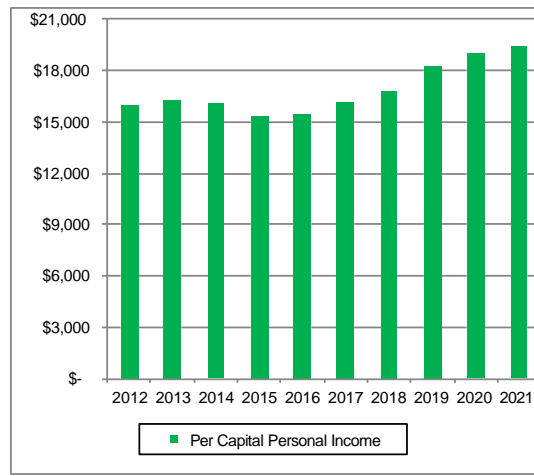
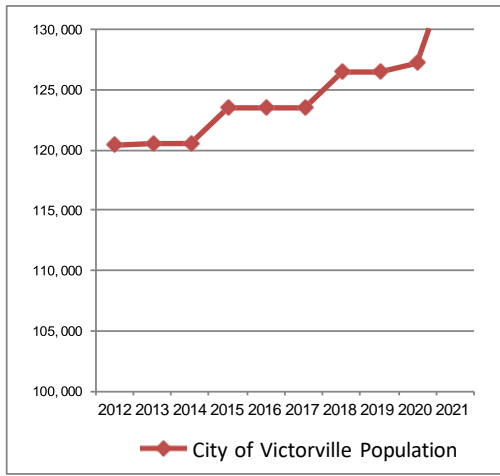
Fiscal Year	Pledged Revenue	<u>Debt Service</u>		Coverage
		Principal	Interest	
2013	1,480	375	619	149%
2014	1,321	395	602	132%
2015	1,157	415	583	116%
2016	1,183	430	564	119%
2017	1,244	320	485	155%
2018	1,244	335	471	154%
2019	1,285	350	457	159%
2020	1,330	365	443	165%
2021	1,294	380	428	160%
2022	1,312	395	412	163%

Business Type Activities Debt - Electric

Fiscal Year	Pledged Revenue	<u>Debt Service</u>		Coverage
		Principal	Interest	
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**

<u>Function</u>	<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>	
Public Safety										
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	*	*	*	*	
Public works										
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	
Sanitation										
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	
Community Services										
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**	
Water										
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 Bernardino 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>
Consumption (per hundred cubic feet)									
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	-	-	-	-	-	-	-
Monthly Service Fee									
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
Fire Service Fee									
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>
Public Safety										
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
Public Works										
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
Community Services										
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
Airport										
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
Water										
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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council
and Management of the City of Victorville
Victorville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Victorville's basic financial statements, and have issued our report thereon dated DATE.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 through 2023-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Victorville’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP
Irvine, California
DATE

City of Victorville
Schedule of Findings and Responses
June 30, 2023

2023-001

Material Weakness – Capital Assets

Condition: During our review of capital assets, we noted that some detail schedules did not agree to the capital asset roll forward, which also did not agree to the general ledger balances. The discrepancies were material and required us to request the City to re-perform the capital asset year-end close process with an emphasis on a review and approval process over the employee performing the work.

In addition, during our review of capital assets, we noted an asset that was sold from the Southern California Logistics Airport Authority (SCLA) to the Water District that was capitalized at the price paid instead of the book value.

Also, the Victorville Water District enterprise fund expensed \$4.985 million of capital project expenses that should have been capitalized as construction in progress.

Criteria or specific requirement: An important part of the reporting function is maintaining accurate and current detail schedules for account balances. In addition, general ledger amounts should be updated to reflect the current year balances for accurate financial reports. Year-end close processes should include a review and approval aspect where material differences and errors are identified and corrected prior to providing such information for the audit.

Assets sold within the City funds must be capitalized at the asset's book value as recorded in the fund from which it is sold.

Expenses that meet the City's capitalization policy should be capitalized in the year incurred.

Effect: The adjustments made after the City re-performed the year-end close had the following impact:

Business-type activities had a decrease in construction in progress of \$105 thousand, increase in buildings and improvements of \$7 thousand, increase in accumulated depreciation of \$359 thousand, increase in depreciation expense of \$352 thousand, and increase in expenses of \$105 thousand.

Specifically, Victorville Water District had a decrease in construction in progress of \$105 thousand, increase in buildings and improvements of \$7 thousand, increase in accumulated depreciation of \$25 thousand, increase in depreciation expense of \$18 thousand, and increase in expenses of \$105 thousand.

Specifically, Southern California Logistics Airport Authority had an increase in accumulated depreciation and depreciation expense of \$857 thousand.

The governmental activities had a decrease in construction in progress of \$8.6 million, increase in depreciation expense and accumulated depreciation of \$400 thousand, and increases in capital asset categories of buildings and improvements, computers and communications, furniture and equipment, infrastructure, and land of \$50 thousand, \$2.5 million, \$911 thousand, \$3.5 million, and \$70 thousand, respectively.

The Water District's capital assets were reduced, and expenses increased by \$692,124, which is the excess paid by the Water District to SCLA above the book value of the asset previously recorded in the SCLA.

The Water District's expenses were reduced and construction in progress capital asset category increased by \$4.985 million.

Cause: The City did not sufficiently follow the year-end closing procedures to identify the above errors.

The City was not aware that accounting standards require intra-entity sales to be capitalized at the book value recorded in the previous fund.

The City did not appropriately identify all capital expenses when performing year-end close for capital assets in the Water District.

Repeat Finding: This particular finding was not noted in the immediately prior year; however, findings related to audit adjustments for capital assets were noted in the immediately prior year.

Recommendation: We recommend the City implement policies and procedures to review capital assets at year-end for appropriate classification and ensure the work is reviewed in detail and approved by management who did not perform the work.

In addition, we recommend the City implement policies and procedures to review intra-entity asset sales to ensure the amounts are capitalized at book value.

Also, we recommend that the City implement policies and procedures to ensure the completeness of capital asset additions.

Views of responsible officials and planned corrective actions:

1. City personnel reconciling capital assets will be coordinating with departments at a minimum twice a year as well as reviewing budget to actual for projects and notices of completion in city council agenda items to catch all completed projects. Additionally, staff will question departments regarding all projects residing in the Construction in Progress coding with no activity for at least four months to ensure that project is still continuing forward or if it needs to move to "Idle Assets" to be completed in the future or expensed if project has been discontinued and/or did not result in an asset.
2. City personnel will be reviewing and updating as needed City Policy E-6: Fixed Asset Policy to ensure that proper capitalization and safeguarding of all assets are performed in a timely manner. The updated policy will help ensure the City is operating in a way that is consistent with current accounting principles. The policy will be reviewed annually and updated as needed. Additionally, City personnel will conduct trainings for staff that are responsible for tracking, approving, and acquiring assets at the department level.
3. City personnel reconciling capital assets will be attending additional trainings to help ensure they stay apprised of new requirements and / or are well equipped to handle non re-occurring transactions such as assets sold within City funds. Additional training on the City's ERP system will also be performed to ensure staff is aware of the any new upgrades that can impact the methodology of how the system depreciates assets.

2023-002

Material Weakness – Grants Receivable, Revenues, Expenditures/Expenses and Unavailable Revenue

Condition: The City has various projects that are grant funded on a reimbursement basis, which means that the City incurs the cost and then requests for reimbursement from the funding source. During our audit, we reviewed these projects and had numerous inquiries when grant receivables did not equal the unreimbursed eligible expenditures. This led to numerous adjustments to correct the balances.

In addition, the City had a restatement to correct the funding source for capital expenditures that reverses a restatement the City recorded in the prior year. The original restatement provided by the City for fiscal year 2022-2023 required an audit adjustment to correct the restatement.

Criteria or specific requirement: Grant receivables should be equal to the eligible project expenditures less any amounts previously reimbursed by the grantor. For governmental funds, deferred inflows of resources, unavailable revenues, should be recorded instead of revenue when those amounts are received after the City's availability period, which is 60 days. In addition, in the cases when revenues must be returned if not utilized, cash received should be offset by unearned revenue.

Grant expenditures should be carefully matched to grant revenues to record amounts in the correct fund originally. Should corrections in subsequent years be required, the history of all journal entries for grant revenues and expenditures should be performed to determine where transactions have been recorded before recording restatements.

Effect: Approximate changes in the general ledger balances due to the adjustments are as follows: other aggregate governmental funds had a net increase in receivables of \$267 thousand, increase in revenue of \$340 thousand, and an decrease in deferred inflows of resources, unavailable revenues of \$73 thousand; other state and local grants major special revenue fund had a decrease in receivables of \$186 thousand, decrease in deferred inflows of resources, unavailable revenues, of \$372 thousand and an increase in revenues of \$186 thousand; other federal grants major special revenue had a decrease in both receivables and deferred inflows of resources, unavailable revenues of \$109 thousand.

The restatement to correct the funding source for capital expenditures was \$494 thousand that impacted the measure I special revenue fund (decrease) and the transportation tax special revenue fund (increase). This restatement is appropriately not disclosed in the notes to the financial statements in accordance with generally accepted accounting principles since both funds are included in the other aggregate governmental funds, which nets the restatement to zero for the financial statement presentation of other aggregate governmental funds.

Cause: The City did not perform an analysis on each project to verify the balances in these accounts prior to commencement of the audit procedures. Regarding the restatement, the City did not perform adequate research to identify the impact of all previously recorded journal entries since the funds were originally recorded in 2020.

Repeat Finding: This finding is a repeat of a finding in the immediately prior year.

Recommendation: We recommend that the City implement policies and procedures to review all project activity and verify the amounts recorded for grants receivable and deferred inflows of resources, unavailable revenues, are accurate prior to the commencement of the audit. In addition, we recommend that the City implement policies and procedures to ensure all grant revenues and expenditures are recorded in the appropriate fund that contains the

funding source at the time the original receipt occurs. Should corrections be required in subsequent years, we recommend that the City perform an analysis that will show all activity of the grant before recording restatements.

Views of responsible officials and planned corrective actions:

1. City personnel will be reviewing and updating as needed City Policy E-8: Grant Management Policy and Procedures and City Policy E-7: Infrastructure Policy to ensure that proper verification and recording of all activity is completed in the period it was incurred.
2. The City has procedures set up to review and ensure that each project and org is reconciled at the end of the year. Unfortunately, due to the large amount of grants, there were some that had activity posted to them after personnel had reconciled and these did not get reviewed again prior to audit. Staff is working on a schedule and posting access to ensure unauthorized or unreviewed entries are not allowed to back date into the prior fiscal year while staff works on reconciliation for audit.
3. City personnel will be conducting quarterly meetings with departments to ensure that proper grant management at the department level is in place. This will help City personnel identify and correct any issues with amounts recorded and provide any additional assistance to ensure that adequate controls are in place to improve the accountability of funds received.
4. City personnel will monitor the volume of grants received by the City and will seek a grant monitoring software solution if it is determined to be needed.

2023-003

Material Weakness – Cash

Condition: The City provided a bank reconciliation as of June 30, 2023 that had an unidentified variance of \$27 thousand. In addition, the bank reconciliation contained reconciling items for May 2023 bank activity that were not posted to the general ledger until fiscal year 2023-2024 instead of recorded when the transactions occurred in fiscal year 2022-2023. The bank reconciliation also contained reconciling items for July 2023 bank activity that were recorded as cash activity in June 2023 instead of fiscal year 2023-2024.

Criteria or specific requirement: Bank reconciliations should not contain unidentified variances. Also, cash transactions should be recorded in the correct fiscal year. May 2023 cash activity should be recorded in fiscal year 2022-2023 and July 2023 cash activity should be recorded in fiscal year 2023-2024.

Effect: The unreconciled variance of \$27 thousand required an audit adjustment to increase cash by this amount in order to match the general ledger to the bank reconciliation. Audit adjustments were also required to decrease cash by \$193 thousand for May 2023 bank activity and increase cash by \$346 thousand to remove July 2023 bank activity.

Cause: The City did not complete the bank reconciliation process by identifying all reconciling items and ensuring transactions were recorded in the appropriate fiscal year.

Repeat Finding: This finding is not a repeat of a finding in the immediately prior year.

Recommendation: We recommend that the City implement policies and procedures to ensure that all reconciling items are identified and recorded in the appropriate fiscal year.

Views of responsible officials and planned corrective actions:

1. City personnel will be establishing a Bank Reconciliation policy to ensure bank reconciliations are completed in a timely manner, have proper internal controls, and workflow approvals in place.
2. A standard operating procedure will be developed and updated as needed. Management will also implement cross-training to ensure that all items are recorded in a timely manner and help identify roll forward transactions. The policy and standard operating procedure will further help identify accounting and bank errors and further strengthen the City's ability in preventing and identifying potential for fraud.

2023-004

Material Weakness – Prepaid Water Connection Fees

Condition: Due to our audit inquiry, the City identified homes or units that were connected to the City’s water system during the fiscal year for which connection fees had been collected in advance. These amounts were not recognized as revenue and remained a liability on the water enterprise fund’s statement of net position.

Criteria or specific requirement: The City collects connection fees in advance for large capital projects that will result in connections to the City’s water lines. As the individual homes or units are connected to the City’s system, the amounts collected should be recognized as revenue.

Effect: The liability was decreased, and revenues were increased by approximately \$0.2 million.

Cause: The City did not perform the analysis on the connections for the prepaid water connection fees account until after audit inquiry occurred.

Repeat Finding: This finding is not a repeat of a finding in the immediately prior year but is a repeat finding from the fiscal year 2020-2021 audit.

Recommendation: We recommend the City perform the analysis required on this account prior to the commencement of the audit.

Views of responsible officials and planned corrective actions:

1. Due to personnel turnover at the department level, current staff were unfamiliar with the process required to reconcile prepaid water connection fees. The department’s management and staff had to familiarize themselves with how these prepaids are established, how they’re tracked, and subsequently how to reconcile them. As such, a standard operating procedure will be established by the department to document the various prepaid connection fees paid by developers, how to track them in the existing software solution, and institute a re-occurring reconciliation throughout the fiscal year.
2. Reconciling will be completed at a minimum on a semi-annual basis or more regularly if needed.

2023-005

Material Weakness – Land Held for Resale

Condition: During our review of land held for resale, we noted that the general ledger did not agree to the City's detail schedule, which provided an analysis of lower of cost or market.

Criteria or specific requirement: Land held for resale is required to be recorded at the lower of cost or market value.

Effect: An audit adjustment was required to reduce land held for resale and increase expenditures by approximately \$454 thousand.

Cause: The City performed the analysis over land held for resale but did not ensure that the general ledger reflected the required value.

Repeat Finding: This finding is not a repeat of a finding in the immediately prior year.

Recommendation: We recommend that the City develop policies and procedures to ensure that land held for resale is recorded at the lower of cost or market value.

Views of responsible officials and planned corrective actions:

1. As stated in item 2023-001, City personnel will be reviewing and updating as needed City Policy E-6: Fixed Asset Policy to ensure that proper capitalization and safeguarding of all assets are performed in a timely manner. The updated policy will help ensure the City is operating in a way that is consistent with current accounting principles, including the recordation of land held for resale. The policy will be reviewed annually and updated as needed.
2. City personnel recording land held for resale will be attending additional trainings to help ensure they stay apprised of new requirements and / or are well equipped to handle non re-occurring transactions.

2023-006

Material Weakness – Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Condition: During our testing of the Schedule of Expenditures of Federal Awards (SEFA), we noted that the following federal expenditures should have been included in the fiscal year 2021-2022 SEFA, but were excluded: \$6,355,730 under Assistance Listing Number 21.027, Coronavirus State and Local Fiscal Recovery Funds, and \$199,999 under 14.231, Emergency Solutions Grant Program. These amounts were instead included in the fiscal year 2022-2023 SEFA even though the federal expenditures were incurred in fiscal year 2021-2022.

Criteria or specific requirement: The SEFA should include all federal expenditures in the appropriate fiscal year, which is the year in which the expenditures were incurred. Effect: The SEFA was materially misstated for fiscal year 2021-2022 by excluding these amounts and the SEFA is materially misstated for fiscal year 2022-2023 by including these amounts in the incorrect fiscal year.

Cause: The City did not verify that grants provided by non-federal entities did not originate from federal funding when preparing the fiscal year 2021-2022 SEFA.

Repeat Finding: This finding is not a repeat of a finding in the immediately prior year.

Recommendation: We recommend that the City implement policies and procedures to investigate the source of funding for all grants to identify federal expenditures. In addition, to ensure the ease of identification of federal funding in the general ledger, we recommend that the City include the federal program assistance listing number and name in the general ledger account name to ensure the ease of identification of federal funds and the completeness of the SEFA.

Views of responsible officials and planned corrective actions:

1. As this relates to item 2023-002; City personnel will be reviewing and updating as needed City Policy E-8: Grant Management Policy and Procedures and City Policy E-7: Infrastructure Policy to ensure that proper verification and recording of all activity is completed in the period it was incurred.
2. The City has procedures set up to review and ensure that each project and org is reconciled at the end of the year. Unfortunately, due to the large amount of grants, there were some that had activity posted to them after personnel had reconciled and these did not get reviewed again prior to audit. Staff is working on a schedule and posting access to ensure unauthorized or unreviewed entries are not allowed to back date into the prior fiscal year while staff works on reconciliation for audit.
3. City personnel will be conducting quarterly meetings with departments to ensure that proper grant management at the department level is in place. This will help City personnel identify and correct any issues with amounts recorded and provide any additional assistance to ensure that adequate controls are in place to improve the accountability of funds received.
4. City personnel will monitor the volume of grants received by the City and will seek a grant monitoring software solution if it is determined to be needed.

ATTACHMENT C

**VICTORVILLE WATER DISTRICT
(A COMPONENT UNIT OF THE CITY OF VICTORVILLE,
CALIFORNIA)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

**VICTORVILLE WATER DISTRICT
(A COMPONENT UNIT OF THE CITY OF VICTORVILLE, CALIFORNIA)
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YEAR ENDED JUNE 30, 2023**

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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, 2023, 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, 2023, and the changes in financial position, and its 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, 2023 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, 2023 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, 2023 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, 2023.

We also previously audited, in accordance with GAAS, the basic financial statements of the District as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated April 11, 2023, 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, 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 June 30, 2022 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the June 30, 2022 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, 2022.

Report on Summarized Comparative Information

We have previously audited the District's 2022 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated April 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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, 2023
(WITH COMPARATIVE DATA FOR JUNE 30, 2022)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 78,986,581	\$ 74,178,469
Cash and Investments with Fiscal Agent	836,639	836,313
Accounts Receivable, Net	5,176,781	6,340,504
Interest Receivable	248,870	58,333
Due from Other Governments	19,946	34,652
Inventory	866,934	948,273
Total Current Assets	86,135,751	82,396,544
NONCURRENT ASSETS		
Prepaid Deposits	28,306	21,523
Nondepreciable Capital Assets	40,643,195	35,176,126
Depreciable Capital Assets, Net	119,672,824	122,916,314
Total Noncurrent Assets	160,344,325	158,113,963
Total Assets	246,480,076	240,510,507
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - OPEB Related	2,707,614	2,106,668
Deferred Outflows - Pension Related	6,095,478	2,876,885
Total Deferred Outflows of Resources	8,803,092	4,983,553

See accompanying Notes to Financial Statements.

VICTORVILLE WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023
(WITH COMPARATIVE DATA FOR JUNE 30, 2022)

	2023	2022
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,376,617	\$ 4,592,839
Interest Payable	161,029	168,460
Prepaid Water Connection Fees	217,489	217,489
Deposits Payable	1,700,469	1,669,971
Total OPEB Liability - Due Within One Year	273,537	253,227
Long-Term Liabilities, Due Within One Year	962,094	841,847
Total Current Liabilities	7,691,235	7,743,833
NONCURRENT LIABILITIES		
Total OPEB Liability	11,388,426	12,275,005
Net Pension Liability	16,156,738	9,263,027
Long-Term Liabilities, Due in More Than One Year	7,935,676	8,330,788
Total Noncurrent Liabilities	35,480,840	29,868,820
Total Liabilities	43,172,075	37,612,653
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - OPEB Related	3,985,338	2,420,187
Deferred Inflows - Pension Related	1,029,801	4,385,336
Total Deferred Inflows of Resources	5,015,139	6,805,523
NET POSITION		
Net Investment in Capital Assets	151,942,967	150,031,812
Unrestricted	55,152,987	51,044,072
Total Net Position	\$ 207,095,954	\$ 201,075,884

See accompanying Notes to Financial Statements.

VICTORVILLE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
OPERATING REVENUES		
Utility Sales	\$ 30,269,489	\$ 36,135,804
Meter and Service Fees	9,801,678	8,306,160
Pass-Thru Charges	1,211,013	991,164
Fines and Forfeitures	485,824	145,832
Arsenic Surcharge	285,035	275,274
Other	242,429	405,018
Total Operating Revenues	42,295,468	46,259,252
OPERATING EXPENSES		
Personnel Services	11,648,542	9,681,920
Maintenance and Operations	19,228,008	13,118,928
Production Costs	5,434,263	11,026,983
Pass-Thru Production Costs	1,211,013	2,698,831
Depreciation and Amortization	6,524,962	7,194,999
Total Operating Expenses	44,046,788	43,721,661
OPERATING INCOME (LOSS)	(1,751,320)	2,537,591
NONOPERATING REVENUES (EXPENSES)		
Taxes	1,335,019	1,130,682
Intergovernmental	-	634,939
Investment Income	1,898,079	(243,999)
Interest Expense	(381,764)	(399,462)
Gain on Disposition of Assets	338,923	16,201
Other Nonoperating Revenues	(220,750)	(8,427)
Settlement Proceeds	-	843,920
Total Nonoperating Revenues (Expenses)	2,969,507	1,973,854
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,218,187	4,511,445
CAPITAL CONTRIBUTIONS		
Capital Restricted Use Fees	3,749,915	6,053,629
Alternate Water Source Fees	528,412	1,110,296
Contributions from the City of Victorville	586,681	813,860
Contributions to the City of Victorville	(73,125)	-
Capital Contributions	10,000	198,457
Total Capital Contributions	4,801,883	8,176,242
CHANGE IN NET POSITION	6,020,070	12,687,687
Net Position - Beginning of Year	201,075,884	188,388,197
NET POSITION - END OF YEAR	<u>\$ 207,095,954</u>	<u>\$ 201,075,884</u>

See accompanying Notes to Financial Statements.

**VICTORVILLE WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2022)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 41,565,129	\$ 43,403,105
Cash Payments to Employees for Services	(11,108,779)	(10,179,711)
Cash Payments to Suppliers for Goods and Services	<u>(19,431,426)</u>	<u>(14,339,984)</u>
Net Cash Provided by Operating Activities	11,024,924	18,883,410
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Other Governments	1,335,019	1,765,621
Cash Received from Settlements	-	843,920
Net Cash Provided by Noncapital Financing Activities	<u>1,335,019</u>	<u>2,609,541</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from the Sale of Capital Assets	614,109	16,252
Cash Payments to the City of Victorville for Acquisition of Capital Assets	(73,125)	-
Cash Payments to Acquire Capital Assets and Other Assets	(8,983,075)	(7,591,359)
SBITA Principal Payments	(9,888)	-
Principal Paid on Capital-Related Debt	(410,000)	(395,000)
Interest Paid on Capital-Related Debt	<u>(395,388)</u>	<u>(412,403)</u>
Net Cash Used by Capital and Related Financing Activities	(9,257,367)	(8,382,510)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Purchases	-	(276,964)
Interest Received on Investments	1,705,536	-
Net Cash Provided (Used) by Investing Activities	<u>1,705,536</u>	<u>(276,964)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	4,808,112	12,833,477
Cash and Cash Equivalents - Beginning of Year	<u>74,178,469</u>	<u>61,344,992</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 78,986,581</u>	<u>\$ 74,178,469</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and Investments	<u>\$ 78,986,581</u>	<u>\$ 74,178,469</u>

See accompanying Notes to Financial Statements.

VICTORVILLE WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (1,751,320)	\$ 2,537,591
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	6,524,962	7,194,999
Nonoperating Miscellaneous Revenue (Expense) and Capital Contributions	4,644,258	8,167,815
(Increase) Decrease in Assets:		
Accounts Receivable, Net	1,163,723	(1,525,785)
Due from Other Governments	14,706	(19,941)
Inventory	81,339	299,405
Prepaid Deposits	(6,783)	182,365
Deferred Outflows - OPEB	(600,946)	179,130
Deferred Outflows - Pension	(3,218,593)	(153,563)
Increase (Decrease) in Liabilities:		
Accounts Payable	(216,222)	2,313,159
Prepaid Water Connection Fees	-	-
Deposits Payable	30,498	231,593
Compensated Absences	122,244	57,541
Total OPEB Liability	(866,269)	724,239
Net Pension Liability	6,893,711	(4,813,818)
Deferred Inflows - OPEB	1,565,151	(616,273)
Deferred Inflows - Pension	(3,355,535)	4,124,953
Net Cash Provided by Operating Activities	\$ 11,024,924	\$ 18,883,410
 NONCASH CAPITAL, FINANCING, AND INVESTING ACTIVITIES		
Developer/Tenant Contributed Capital Assets	\$ 10,000	\$ -
SBITA Acquisition	30,652	-
Total	\$ 40,652	\$ -

See accompanying Notes to Financial Statements.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023**

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 leases and SBITAs 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 and amortization 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, 2023**

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

Tangible capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated tangible capital assets are recorded at estimated acquisition value at the date of donation. SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. 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.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

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

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.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The category of deferred outflow of resources reported in the statement of net position is related to pension and other postemployment benefits, which are more fully discussed in Notes 6 and 5, respectively.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources reported on the statement of net position relate to pension and other postemployment benefits, which are more fully discussed in Notes 6 and 5, respectively.

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, 2023**

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, 2023**

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 78,986,581
Cash and Investments with Fiscal Agent	836,639
Total Cash and Investments	<u>\$ 79,823,220</u>

Cash and investments as of June 30, 2023, consist of the following:

Deposits with Financial institutions	\$ 99,910
Deposits Held in City Pool	47,670,086
Investments	32,053,224
Total Cash and Investments	<u>\$ 79,823,220</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, 2023**

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	\$75M
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, 2023**

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	\$ 31,216,585	\$ 31,216,585	\$ -
Held by Bond Trustee:			
Guaranteed Investment Contract (GIC)*	816,500	-	816,500
Money Market Mutual Funds	20,139	20,139	-
Total	<u>\$ 32,053,224</u>	<u>\$ 31,236,724</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, 2023, 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	\$ 31,216,585	N/A	\$ -	\$ 31,216,585
Held by Bond Trustee:				
Guaranteed Investment Contract (GIC)	816,500	N/A	-	816,500
Money Market Mutual Funds	20,139	AAA	20,139	-
Total	<u>\$ 32,053,224</u>		<u>\$ 20,139</u>	<u>\$ 32,033,085</u>

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, 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, 2023**

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, 2023**

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Nondepreciable Assets:				
Land	\$ 8,884,171	\$ 17,876	\$ -	\$ 8,902,047
Intangibles	18,337,872	646,966	(24,974)	18,959,864
Idle Assets	3,017,958	-	-	3,017,958
Land Improvements	536,342	-	-	536,342
Construction in Progress	4,399,783	7,678,850	(2,851,649)	9,226,984
Total Nondepreciable Assets	<u>35,176,126</u>	<u>8,343,692</u>	<u>(2,876,623)</u>	<u>40,643,195</u>
Depreciable Assets:				
Buildings and Improvements	28,358,403	130,561	(734,495)	27,754,469
Computer and Communication	672,671	67,337	-	740,008
Furniture and Equipment	37,900,013	58,078	-	37,958,091
Infrastructure	202,968,269	2,831,156	-	205,799,425
Intangibles	1,542,724	-	-	1,542,724
Vehicles	3,992,529	413,900	(102,547)	4,303,882
Total Depreciable Assets	<u>275,434,609</u>	<u>3,501,032</u>	<u>(837,042)</u>	<u>278,098,599</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(11,457,140)	(685,265)	484,283	(11,658,122)
Computer and Communication	(649,958)	(14,903)	-	(664,861)
Furniture and Equipment	(31,267,784)	(753,226)	-	(32,021,010)
Infrastructure	(105,059,887)	(4,810,549)	-	(109,870,436)
Intangibles	(1,542,725)	-	-	(1,542,725)
Vehicles	(2,540,801)	(258,454)	102,547	(2,696,708)
Total Accumulated Depreciation	<u>(152,518,295)</u>	<u>(6,522,397)</u>	<u>586,830</u>	<u>(158,453,862)</u>
Total Depreciable Assets, Net	<u>122,916,314</u>	<u>(3,021,365)</u>	<u>(250,212)</u>	<u>119,644,737</u>
Subscription Based Information				
Technology Arrangement (SBITA)				
Assets Being Amortized:				
SBITA Assets	-	30,652	-	30,652
Accumulated Amortization	-	(2,565)	-	(2,565)
Total SBITA Assets, Being Amortized, Net	<u>-</u>	<u>28,087</u>	<u>-</u>	<u>28,087</u>
Total Capital Assets Being Depreciated or Amortized, Net	<u>122,916,314</u>	<u>(2,993,278)</u>	<u>(250,212)</u>	<u>119,672,824</u>
Capital Assets, Net	<u>\$ 158,092,440</u>	<u>\$ 5,350,414</u>	<u>\$ (3,126,835)</u>	<u>\$ 160,316,019</u>

Depreciation and amortization expense for the District was \$6,524,962 for the year ended June 30, 2023.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2023, is noted below:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Other Long-Term Liabilities:					
Compensated Absences	\$ 550,938	\$ 506,823	\$ (384,579)	\$ 673,182	\$ 527,666
SBITAs	-	28,972	(9,888)	19,084	9,428
Other Debt:					
2006 Certificate of Participation	8,535,000	-	(410,000)	8,125,000	425,000
Unamortized Discounts/Premiums	86,697	-	(6,193)	80,504	-
Total	<u>\$ 9,172,635</u>	<u>\$ 535,795</u>	<u>\$ (810,660)</u>	<u>\$ 8,897,770</u>	<u>\$ 962,094</u>

SBITAs

The District has entered into subscription based-information technology arrangements (SBITAs) for various software licenses. The SBITA arrangements expire at various dates through 2027 and do not provide for renewal options. The interest rates vary from 2.4% to 2.7% and there are no variable payments.

The future subscription payments under SBITA agreements are as follows:

<u>Year Ending June 30,</u>	SBITAs	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 9,428	\$ 465
2025	9,656	235
Total	<u>\$ 19,084</u>	<u>\$ 700</u>

Right-to-use assets acquired through SBITAs, net of accumulated amortization, are reported in Note 3, Capital Assets.

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, 2023 is \$8,125,000.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize outstanding debt of the District as of June 30, 2023, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30,</u>	<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 425,000	\$ 377,226
2025	445,000	358,304
2026	465,000	338,511
2027	485,000	317,849
2028	505,000	295,938
2029-33	2,910,000	1,094,263
2034-37	2,890,000	297,750
Subtotal	<u>8,125,000</u>	<u>\$ 3,079,840</u>
Premium	80,504	
Total	<u>\$ 8,205,504</u>	

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, 2023. 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.

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	\$ 1,570,863	\$ 805,388	195%

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2022 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active Employees	85
Inactive Employees or Beneficiaries Currently Receiving Benefits	38
Inactive Employees Entitled to, But Not Yet Receiving Benefits	6
Total	129

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, 2023, the District's cash contributions were \$247,663 for current premiums, administrative costs of \$965, and the estimated implied subsidy was \$66,000 resulting in total payments of \$314,628.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

OPEB Liability

The District's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation dated June 30, 2022.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.54%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability, and Termination	2000-2019 Experience Study
Mortality Improvement	Postretirement mortality projected fully generational with Scale MP-2021
Healthcare Trend Rate	Non-Medicare: 8.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. 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 following actuarial assumption changes occurred from the measurement periods ended June 30, 2021 to 2022:

- The discount rate changed from 2.16% to 3.54% based on changes in the index.
- Inflation was lowered from 2.75% to 2.50%.
- The healthcare trend rate was updated as follows: Non-Medicare increased from 7.0% to 8.5%; Medicare (Non-Kaiser) increased from 6.1% to 7.5%; and Medicare (Kaiser) increased from 7.0% to 6.25%.
- Demographic assumptions were updated from the CalPERS 1997-2015 Experience Study to the CalPERS 2000-2019 Experience Study.
- Mortality improvement was updated from Scale MP-2020 to Scale MP-2021.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2021 (MD)	\$ 12,528,232
Service Cost	626,941
Interest	281,198
Differences Between Expected and Actual Experience	987,796
Changes of Assumptions	(2,488,667)
Benefit Payments	(273,537)
Net Changes During 2021-2022	(866,269)
Total OPEB Liability at June 30, 2022 (MD)	\$ 11,661,963

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 (2.54%)	Current Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 13,625,698	\$ 11,661,963	\$ 10,082,917

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: 7.5% for 2024 decreasing to 2.45% in 2076; Medicare (Non-Kaiser): 6.5% for 2024, decreasing to an ultimate rate of 2.45% in 2076; Medicare (Kaiser): 5.25% for 2024, decreasing to an ultimate rate of 2.45% in 2076) or one percentage point higher (Non-Medicare: 9.5% for 2024 decreasing to 4.45% in 2076; Medicare (Non-Kaiser): 8.5% for 2024, decreasing to an ultimate rate of 4.45% in 2076; Medicare (Kaiser): 7.25% for 2024, decreasing to an ultimate rate of 4.45% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 9,896,799	\$ 11,661,963	\$ 13,927,124

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, 2023**

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) (8.1 Years at June 30, 2022 measurement date)

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

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$412,564. As of the fiscal year ended June 30, 2023, 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	\$ 314,628	\$ -
Differences Between Expected and Actual Experience	865,846	(1,285,944)
Changes of Assumptions	1,527,140	(2,699,394)
Total	<u>\$ 2,707,614</u>	<u>\$ (3,985,338)</u>

The \$314,628 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, 2024. 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>
2024	\$ (496,247)
2025	(458,997)
2026	(246,056)
2027	9,782
2028	(48,948)
Thereafter	(351,886)

Payable to the Pension Plan

At June 30, 2023, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2022, 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	10.34%	10.25%
Payment of Unfunded Liability	\$1,067,050	N/A

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, the District made contributions of \$1,773,330 to the plan.

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, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with standard update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability for the Miscellaneous Plan was based on the following assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

(3) The lesser of contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

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. Using historical returns all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. 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 (a) (b)</u>
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)
Total	<u>100.00 %</u>	

(a) An expected inflation of 2.30% used for this period

(b) Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

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.

The District’s proportionate share of the net pension liability for the Miscellaneous Plan as of the measurement date ended June 30, 2021 and 2022, was as follows:

	Increase (Decrease)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)	Proportionate Share
Balance at June 30, 2021 (MD)	\$ 58,087,047	\$ 48,824,020	\$ 9,263,027	25.57%
Balance at June 30, 2022 (MD)	57,476,037	41,319,299	16,156,738	23.60%
Net Changes During 2021-22	\$ (611,010)	\$ (7,504,721)	\$ 6,893,711	-1.97%

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the District recognized pension expense of \$2,401,909 for the Miscellaneous Plan. At June 30, 2023, 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	\$ 1,773,330	\$ -
Changes of Assumptions	1,646,774	-
Differences Between Expected and Actual Experience	420,763	(1,029,801)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,254,611	-
Total	\$ 6,095,478	\$ (1,029,801)

\$1,773,330 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, 2024. 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, 2023**

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
2024	\$ 937,371
2025	763,085
2026	359,657
2027	1,232,234
2028	-
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 (5.90%)	Current Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability	\$ 24,473,392	\$ 16,156,738	\$ 9,355,658

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, 2023, the District had no outstanding amount of contributions to the Miscellaneous Plan required for the year ended June 30, 2023.

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)								
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan's Proportion of the Net Pension Liability	23.60%	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	\$ 16,156,738	\$ 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	\$ 6,657,109	\$ 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	242.70%	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	16.97%	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.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30%.

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

**VICTORVILLE WATER DISTRICT
SCHEDULE OF PLAN CONTRIBUTIONS
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Fiscal Year								
	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 1,773,330	\$ 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>(1,773,330)</u>	<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>	<u>\$ -</u>
Covered Payroll	\$ 7,424,195	\$ 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	23.89%	23.91%	24.73%	23.62%	22.02%	18.34%	16.65%	17.04%	14.71%
Notes to Schedule:									
Valuation Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	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	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(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	Fair Value	15-Year Smoothed Market Method
Inflation	2.30%	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)	(2)
Investment Rate of Return	6.90% (3)	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)	(4)
Mortality	(5)	(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 nine 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)
	2023 (2022)
Total OPEB Liability:	
Service Cost	\$ 626,941
Interest on the Total OPEB Liability	281,198
Changes of Assumptions	(2,488,667)
Differences Between Expected and Actual	
Experience	987,796
Benefit Payments, Including Refunds and the	
Implied Subsidy Benefit Payments	(273,537)
Net Change in Total OPEB Liability	(866,269)
 Total OPEB Liability - Beginning	 12,528,232
Total OPEB Liability - Ending	\$ 11,661,963
 Covered-Employee Payroll	 \$ 7,778,497
 Total OPEB Liability as a Percentage of Covered-Employee Payroll	 149.93%

Notes to Schedule:

Changes in Assumptions:

Discount Rate	3.54%
Mortality Improvement Rates	Scale MP-2021

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%.

In the June 30, 2022 measurement period, the following medical trend rates changed: Non-Medicare increased from 7.0% to 8.5%; Medicare increased from 6.1% to 7.5%; and Kaiser increased from 7.0% to 6.25%.

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

**VICTORVILLE WATER DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (CONTINUED)
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%.

In the June 30, 2022 measurement period, the following medical trend rates changed: Non-Medicare increased from 7.0% to 8.5%; Medicare increased from 6.1% to 7.5%; and Kaiser increased from 7.0% to 6.25%.

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

SUPPLEMENTARY INFORMATION

VICTORVILLE WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED DATA FOR JUNE 30, 2022)

ASSETS	Water	Victorville Wastewater Reclamation Facility	Reclaimed Water	Eliminations	Totals	
					2023	2022
CURRENT ASSETS						
Cash and Investments	\$ 64,452,883	\$ 11,043,533	\$ 3,490,165	\$ -	\$ 78,986,581	\$ 74,178,469
Cash and Investments with Fiscal Agent	836,639	-	-	-	836,639	836,313
Accounts Receivable, Net	3,600,079	1,568,597	8,105	-	5,176,781	6,340,504
Interest Receivable	248,870	-	-	-	248,870	58,333
Due from Other Governments	19,946	-	-	-	19,946	34,652
Inventory	866,934	-	-	-	866,934	948,273
Total Current Assets	<u>70,025,351</u>	<u>12,612,130</u>	<u>3,498,270</u>	<u>-</u>	<u>86,135,751</u>	<u>82,396,544</u>
NONCURRENT ASSETS						
Prepaid Deposits	28,306	-	-	-	28,306	21,523
Advances to Other Funds	24,916,324	-	-	(24,916,324)	-	-
Capital Assets:						
Not Being Depreciated	39,494,260	942,051	206,884	-	40,643,195	35,176,126
Being Depreciated or Amortized, Net	104,708,882	10,755,049	4,208,893	-	119,672,824	122,916,314
Total Noncurrent Assets	<u>169,147,772</u>	<u>11,697,100</u>	<u>4,415,777</u>	<u>(24,916,324)</u>	<u>160,344,325</u>	<u>158,113,963</u>
Total Assets	239,173,123	24,309,230	7,914,047	(24,916,324)	246,480,076	240,510,507
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - OPEB Related	2,630,254	77,360	-	-	2,707,614	2,106,668
Deferred Outflow - Pension Related	5,954,022	141,456	-	-	6,095,478	2,876,885
Total Deferred Outflows of Resources	<u>8,584,276</u>	<u>218,816</u>	<u>-</u>	<u>-</u>	<u>8,803,092</u>	<u>4,983,553</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	3,745,256	621,282	10,079	-	4,376,617	4,592,839
Interest Payable	161,029	-	-	-	161,029	168,460
Prepaid Water Connection Fees	217,489	-	-	-	217,489	217,489
Deposits Payable	1,700,469	-	-	-	1,700,469	1,669,971
Total OPEB Liability - Due Within One Year	268,006	5,531	-	-	273,537	253,227
Long-Term Liabilities, Due Within One Year	962,094	-	-	-	962,094	841,847
Total Current Liabilities	<u>7,054,343</u>	<u>626,813</u>	<u>10,079</u>	<u>-</u>	<u>7,691,235</u>	<u>7,743,833</u>
NONCURRENT LIABILITIES						
Advances from Other Funds	-	24,916,324	-	(24,916,324)	-	-
Total OPEB Liability	11,158,150	230,276	-	-	11,388,426	12,275,005
Net Pension Liability	15,909,758	246,980	-	-	16,156,738	9,263,027
Long-Term Liabilities, Due in More Than One Year	7,935,676	-	-	-	7,935,676	8,330,788
Total Noncurrent Liabilities	<u>35,003,584</u>	<u>25,393,580</u>	<u>-</u>	<u>(24,916,324)</u>	<u>35,480,840</u>	<u>29,868,820</u>
Total Liabilities	42,057,927	26,020,393	10,079	(24,916,324)	43,172,075	37,612,653
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - OPEB Related	3,895,885	89,453	-	-	3,985,338	2,420,187
Deferred Inflows - Pension Related	979,410	50,391	-	-	1,029,801	4,385,336
Total Deferred Inflows of Resources	<u>4,875,295</u>	<u>139,844</u>	<u>-</u>	<u>-</u>	<u>5,015,139</u>	<u>6,805,523</u>
NET POSITION						
Net Investment in Capital Assets	135,830,090	11,697,100	4,415,777	-	151,942,967	150,031,812
Unrestricted	64,994,087	(13,329,291)	3,488,191	-	55,152,987	51,044,072
Total Net Position	<u>\$ 200,824,177</u>	<u>\$ (1,632,191)</u>	<u>\$ 7,903,968</u>	<u>\$ -</u>	<u>\$ 207,095,954</u>	<u>\$ 201,075,884</u>

VICTORVILLE WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED DATA FOR YEAR ENDED JUNE 30, 2022)

	Victorville Wastewater Reclamation		Reclaimed Water	Eliminations	Totals	
	Water	Facility			2023	2022
OPERATING REVENUES						
Utility Sales	\$ 20,797,930	\$ 8,801,887	\$ 669,672	\$ -	\$ 30,269,489	\$ 36,135,804
Meter and Service Fees	9,801,678	-	-	-	9,801,678	8,306,160
Pass-Thru Charges	1,211,013	-	-	-	1,211,013	991,164
Fines and Forfeitures	485,824	-	-	-	485,824	145,832
Arsenic Surcharge	285,035	-	-	-	285,035	275,274
Other	239,663	2,766	-	-	242,429	405,018
Total Operating Revenues	<u>32,821,143</u>	<u>8,804,653</u>	<u>669,672</u>	<u>-</u>	<u>42,295,468</u>	<u>46,259,252</u>
OPERATING EXPENSES						
Personnel Services	11,286,592	207,643	154,307	-	11,648,542	9,681,920
Maintenance and Operations	11,873,031	7,303,475	51,502	-	19,228,008	13,118,928
Production Costs	5,417,279	-	16,984	-	5,434,263	11,026,983
Pass-Thru Production Costs	1,211,013	-	-	-	1,211,013	2,698,831
Depreciation	5,880,674	479,681	164,607	-	6,524,962	7,194,999
Total Operating Expenses	<u>35,668,589</u>	<u>7,990,799</u>	<u>387,400</u>	<u>-</u>	<u>44,046,788</u>	<u>43,721,661</u>
OPERATING INCOME (LOSS)	(2,847,446)	813,854	282,272	-	(1,751,320)	2,537,591
NONOPERATING REVENUES (EXPENSES)						
Taxes	1,335,019	-	-	-	1,335,019	1,130,682
Intergovernmental	-	-	-	-	-	634,939
Investment Income	2,141,955	302,264	86,600	(632,740)	1,898,079	(243,999)
Interest Expense	(381,764)	(632,740)	-	632,740	(381,764)	(399,462)
Gain on Disposal of Assets	338,923	-	-	-	338,923	16,201
Other Nonoperating Revenues	(44,951)	(175,799)	-	-	(220,750)	(8,427)
Settlement Proceeds	-	-	-	-	-	843,920
Total Nonoperating Revenues (Expenses)	<u>3,389,182</u>	<u>(506,275)</u>	<u>86,600</u>	<u>-</u>	<u>2,969,507</u>	<u>1,973,854</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	541,736	307,579	368,872	-	1,218,187	4,511,445
CAPITAL CONTRIBUTIONS						
Connection Fees	1,652,715	2,097,200	-	-	3,749,915	6,053,629
Alternate Water Source Fees	528,412	-	-	-	528,412	1,110,296
Capital Restricted Use Fees	-	586,681	-	-	586,681	813,860
Capital Contributions	10,000	-	-	-	10,000	198,457
Transfer In	3,809,669	-	-	(3,809,669)	-	-
Transfers Out	-	-	(3,809,669)	3,809,669	-	-
Contributions to The City of Victorville	(73,125)	-	-	-	(73,125)	-
Total Capital Contributions	<u>5,927,671</u>	<u>2,683,881</u>	<u>(3,809,669)</u>	<u>-</u>	<u>4,801,883</u>	<u>8,176,242</u>
CHANGE IN NET POSITION	6,469,407	2,991,460	(3,440,797)	-	6,020,070	12,687,687
Net Position - Beginning of Year	<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>
NET POSITION - END OF YEAR	<u>\$ 200,824,177</u>	<u>\$ (1,632,191)</u>	<u>\$ 7,903,968</u>	<u>\$ -</u>	<u>\$ 207,095,954</u>	<u>\$ 201,075,884</u>

ATTACHMENT D

**SOUTHERN CALIFORNIA
LOGISTICS AIRPORT AUTHORITY
(A COMPONENT UNIT OF THE
CITY OF VICTORVILLE, CALIFORNIA)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF VICTORVILLE, CALIFORNIA)
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YEAR ENDED JUNE 30, 2023**

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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, 2023, 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, 2023, and the changes in financial position, and its 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.

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, 2023 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, 2023 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, 2023 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, 2023.

We also previously audited, in accordance with GAAS, the basic financial statements of the SCLAA as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated April 11, 2023, 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, 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 June 30, 2022 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the June 30, 2022 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, 2022.

Report on Summarized Comparative Information

We have previously audited the SCLAA's 2022 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated April 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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, 2023
(WITH COMPARATIVE DATA FOR JUNE 30, 2022)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 37,577,125	\$ 20,904,681
Cash and Investments with Fiscal Agent	24,761,205	23,938,255
Accounts Receivable, Net	390,776	622,321
Interest Receivable	136,228	99,170
Due from Other Governments	152,472	347,685
Leases	7,770,582	7,662,011
Inventory	13,878	29,905
Total Current Assets	70,802,266	53,604,028
NONCURRENT ASSETS		
Prepaid Items	55,594	53,755
Advances to City of Victorville	2,000,000	-
Leases	83,207,311	76,850,912
Nondepreciable Capital Assets	13,981,248	16,542,239
Depreciable Capital Assets, Net	109,697,569	117,979,955
Total Noncurrent Assets	208,941,722	211,426,861
Total Assets	279,743,988	265,030,889
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - OPEB Related	267,603	301,356
Deferred Outflows - Pension Related	1,709,212	829,725
Deferred Charge on Refunding	1,397,897	1,532,412
Total Deferred Outflows of Resources	3,374,712	2,663,493

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2023
(WITH COMPARATIVE DATA FOR JUNE 30, 2022)

	2023	2022
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 445,642	\$ 1,386,449
Interest Payable	1,228,041	1,256,389
Deposits Payable	720,696	1,545,494
Unearned Revenue	1,063,573	1,301,095
Total OPEB Liability - Due Within One Year	30,446	27,309
Long-Term Liabilities, Due Within One Year	7,002,127	6,680,528
Total Current Liabilities	10,490,525	12,197,264
NONCURRENT LIABILITIES		
Advances from Other Governments	11,267,089	11,034,017
Total OPEB Liability	2,009,638	2,336,476
Net Pension Liability	4,503,688	2,599,527
Long-Term Liabilities, Due in More Than One Year	273,345,970	278,623,283
Total Noncurrent Liabilities	310,433,752	316,344,993
 Total Liabilities	 320,924,277	 328,542,257
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - OPEB Related	854,840	519,180
Deferred Inflows - Pension Related	234,104	1,151,011
Deferred Inflows - Leases	87,570,873	82,884,600
Total Deferred Inflows of Resources	88,659,817	84,554,791
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	(130,315,399)	(125,452,052)
Unrestricted	23,157,372	1,801,076
 Total Net Position (Deficit)	 \$ (107,158,027)	 \$ (123,650,976)

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
OPERATING REVENUES		
Charges for Services:		
Landing Fees	\$ 1,992,027	\$ 1,712,503
Fuel Flowage Fees	309,239	284,213
Rent and Lease Revenue	10,907,800	9,913,634
Total Charges for Services	13,209,066	11,910,350
Fines and Forfeitures	28,873	22,003
Other	438,339	1,095,384
Total Operating Revenues	13,676,278	13,027,737
OPERATING EXPENSES		
Personnel Services	3,329,516	2,646,192
Maintenance and Operations	7,432,535	7,506,153
Depreciation	9,744,648	9,610,772
Total Operating Expenses	20,506,699	19,763,117
OPERATING LOSS	(6,830,421)	(6,735,380)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	-	59,000
Taxes	22,072,684	21,731,579
Investment Income	3,494,189	1,448,371
Interest Expense	(16,864,762)	(16,895,928)
Gain on Sale of Capital Assets	14,236,886	1,125
Other Nonoperating Expenses	(19,137)	(19,087)
Proceeds from Capital Asset Sold to City	1,929,341	-
Capital Asset Sold to City	(1,895,090)	-
Total Nonoperating Revenues (Expenses)	22,954,111	6,325,060
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	16,123,690	(410,320)
CAPITAL CONTRIBUTIONS		
Capital Contributions	183,723	607,812
Capital Grants	183,722	633,633
Capital Contributions from the City of Victorville	-	1,895,090
Capital Contributions to the City of Victorville	-	(1,943,929)
Capital Contribution from Tenant	1,814	-
Total Capital Contributions	369,259	1,192,606
CHANGE IN NET POSITION	16,492,949	782,286
Net Position (Deficit) - Beginning of Year	(123,650,976)	(124,433,262)
NET POSITION (DEFICIT) - END OF YEAR	\$ (107,158,027)	\$ (123,650,976)

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 1,918,566	\$ 4,292,588
Cash Payments to Employees for Services	(3,200,698)	(2,740,404)
Cash Payments to Suppliers for Goods and Services	(8,359,154)	(7,450,069)
Net Cash Used by Operating Activities	(9,641,286)	(5,897,885)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Other Governments	22,500,969	23,722,863
Cash Received from City of Victorville	-	1,940,931
Cash Paid to City of Victorville	(2,233,072)	(3,847,361)
Net Cash Provided by Noncapital Financing Activities	20,267,897	21,816,433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from the Sale of Capital Assets	14,408,189	1,125
Capital Grants	183,722	633,633
Cash Received from Leases and Rent	9,129,103	8,285,311
Cash Received from City for Acquisition of Capital Assets	1,929,341	-
Cash Payments to Acquire Capital Assets	(782,127)	(1,288,044)
Principal Paid on Capital-Related Debt	(6,550,000)	(6,225,000)
Interest Paid on Capital-Related Debt	(14,906,576)	(15,238,105)
Net Cash Provided (Used) by Capital and Related Financing Activities	3,411,652	(13,831,080)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	3,457,131	1,349,201
Net Cash Provided by Investing Activities	3,457,131	1,349,201
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,495,394	3,436,669
Cash and Cash Equivalents - Beginning of Year	44,842,936	41,406,267
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 62,338,330	\$ 44,842,936
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and Investments	\$ 37,577,125	\$ 20,904,681
Cash and Investments with Fiscal Agent	24,761,205	23,938,255
Cash and Cash Equivalents	\$ 62,338,330	\$ 44,842,936

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (6,830,421)	\$ (6,735,380)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) By Operating Activities:		
Depreciation	9,744,648	9,610,772
Operating Rental and Lease Revenue	(10,907,800)	(9,913,634)
Nonoperating Miscellaneous Expense	(19,137)	(19,087)
(Increase) Decrease in Assets:		
Accounts Receivable, Net	231,545	(247,475)
Leases Receivable	-	-
Inventory	16,027	(13,585)
Prepaid Items	(1,839)	(50,996)
Deferred Outflows - OPEB	33,753	21,614
Deferred Outflows - Pension	(879,487)	(39,989)
Increase (Decrease) in Liabilities:		
Accounts Payable	(940,807)	120,665
Deposits Payable	(824,798)	188,018
Unearned Revenue	(237,522)	1,257,029
Accrued Compensated Absences	(24,661)	10,560
Total OPEB Liability	(323,701)	148,804
Net Pension Liability	1,904,161	(1,239,054)
Deferred Inflows - OPEB	335,660	(70,319)
Deferred Inflows - Pension	(916,907)	1,074,172
Deferred Inflows - Leases	-	-
Net Cash Used by Operating Activities	\$ (9,641,286)	\$ (5,897,885)
 SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITY		
Developer/Tenant Contributed Capital Assets	\$ 185,537	\$ 2,505,902
Interest Accretion Expenses	1,527,079	1,420,680
Amortization of Bond Discounts and Premiums	91,868	91,868
Total	\$ 1,804,484	\$ 4,018,450

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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 for bonds issued through 2021 and the effective interest method for bonds issued thereafter. 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, 2023

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 \$21,654 as of June 30, 2023.

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, 2023.

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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Tangible capital assets (including infrastructure) are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated tangible capital assets are valued at acquisition value on the date of donation. SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. 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 for tangible capital assets:

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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

N. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The category of deferred outflow of resources reported in the statement of net position is related to a loss on refunding, pension, and other postemployment benefits. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows on pension and other postemployment benefits are more fully discussed in Notes 6 and 7, respectively.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The SCLAA's deferred inflows of resources reported on the statement of net position relate to leases, pension and other postemployment benefits. Amounts for leases are for amounts not yet received that are deferred and recognized as an inflow of resources in the period that the amounts are available or earned. Pension and other postemployment benefits deferred inflows of resources are more fully discussed in Notes 9 and 10, respectively.

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.”

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position (Continued)

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. 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.

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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 37,577,125
Cash and Investments with Fiscal Agent	<u>24,761,205</u>
Total Cash and Investments	<u><u>\$ 62,338,330</u></u>

Cash and investments as of June 30, 2023, consist of the following:

Equity in City of Victorville Pool	\$ 20,163,194
Investments	<u>42,175,136</u>
Total Cash and Investments	<u><u>\$ 62,338,330</u></u>

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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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	\$75M
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, 2023

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	\$ 17,413,931	\$ 17,413,931
Held by Bond Trustee:		
Money Market Mutual Funds	24,761,205	24,761,205
Total	<u>\$ 42,175,136</u>	<u>\$ 42,175,136</u>

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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	\$ 17,413,931	N/A	\$ -	\$ 17,413,931
Held by Bond Trustee:				
Money Market Mutual Funds	24,761,205	AAA	24,761,205	-
Total	<u>\$ 42,175,136</u>		<u>\$ 24,761,205</u>	<u>\$ 17,413,931</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, 2023, 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, 2023

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, 2023

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for SCLAA at June 30, 2023:

	Balance July 1, 2022	Additions	Transfers	Deletions	Balance June 30, 2023
Nondepreciable Assets:					
Land	\$ 15,743,779	\$ 210,726	\$ -	\$ (2,066,393)	\$ 13,888,112
Construction in Progress	798,460	92,968	-	(798,292)	93,136
Total Nondepreciable Assets	<u>16,542,239</u>	<u>303,694</u>	<u>-</u>	<u>(2,864,685)</u>	<u>13,981,248</u>
Depreciable Assets:					
Buildings and Improvements	183,261,905	1,228,701	-	-	184,490,606
Computer and Communication	254,165	-	-	-	254,165
Furniture and Equipment	8,035,223	84,782	88,598	-	8,208,603
Infrastructure	104,270,490	148,779	-	-	104,419,269
Land Improvements	128,489	-	-	-	128,489
Vehicles	916,741	-	(88,598)	(39,690)	788,453
Total Depreciable Assets	<u>296,867,013</u>	<u>1,462,262</u>	<u>-</u>	<u>(39,690)</u>	<u>298,289,585</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(113,199,426)	(4,360,610)	-	-	(117,560,036)
Computer and Communication	(248,881)	(2,757)	-	-	(251,638)
Furniture and Equipment	(5,800,058)	(357,039)	-	-	(6,157,097)
Infrastructure	(58,748,153)	(5,012,267)	-	-	(63,760,420)
Land Improvements	(128,489)	-	-	-	(128,489)
Vehicles	(762,051)	(11,975)	-	39,690	(734,336)
Total Accumulated Depreciation	<u>(178,887,058)</u>	<u>(9,744,648)</u>	<u>-</u>	<u>39,690</u>	<u>(188,592,016)</u>
Total Depreciable Assets, Net	<u>117,979,955</u>	<u>(8,282,386)</u>	<u>-</u>	<u>-</u>	<u>109,697,569</u>
Capital Assets, Net	<u>\$ 134,522,194</u>	<u>\$ (7,978,692)</u>	<u>\$ -</u>	<u>\$ (2,864,685)</u>	<u>\$ 123,678,817</u>

Depreciation expense for the SCLAA was \$9,744,648 for the year ended June 30, 2023.

The City of Victorville's ARPA special revenue fund purchased land from the SCLAA at a price of \$1,929,341 (the book value of \$1,895,090) that was appropriately recorded as a disposition of SCLAA capital assets.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2023 is noted below:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Other Long-Term Liabilities:					
Compensated Absences	\$ 240,212	\$ 184,856	\$ (209,517)	\$ 215,551	\$ 117,127
Other Debt:					
Tax Allocation Bonds:					
2005 Tax Allocation Parity Bonds	13,040,000	-	(1,210,000)	11,830,000	1,265,000
2006 Tax Allocation Bonds (Non-Housing)	46,635,000	-	(1,265,000)	45,370,000	1,315,000
2006 Tax Allocation Bonds (Housing)	12,525,000	-	(340,000)	12,185,000	355,000
2006 Allocation Parity Bonds	41,375,000	-	(160,000)	41,215,000	180,000
2006 Tax Allocation Revenue Parity Bonds	29,045,000	-	(650,000)	28,395,000	690,000
2006 Tax Allocation Revenue Bonds	52,605,000	-	(1,205,000)	51,400,000	1,280,000
2007 Tax Allocation Bonds	32,575,000	-	(800,000)	31,775,000	840,000
2007 Tax Allocation Bonds (Non-Housing)*	34,060,000	-	(805,000)	33,255,000	850,000
2008A Tax Allocation Bonds*	25,295,795	1,527,079	(115,000)	26,707,874	110,000
Tax Allocation Bonds Subtotal	287,155,795	1,527,079	(6,550,000)	282,132,874	6,885,000
Unamortized Discounts/Premiums	(2,092,196)	-	91,868	(2,000,328)	-
Total	<u>\$ 285,303,811</u>	<u>\$ 1,711,935</u>	<u>\$ (6,667,649)</u>	<u>\$ 280,348,097</u>	<u>\$ 7,002,127</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, respectively, 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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, 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, 2023 is \$11,830,000.

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, respectively, 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, 2023, 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, 2023 is \$45,370,000.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, respectively, 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, 2023, 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, 2023 is \$12,185,000.

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, respectively, 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, 2023, 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, 2023 is \$41,215,000.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, 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, 2023 is \$28,395,000.

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, 2023, 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, 2023 is \$51,400,000.

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, respectively, 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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, 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, 2023 is \$31,775,000.

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, respectively, 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, 2023, 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, 2023 is \$33,255,000.

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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, respectively, 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, 2023.

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, 2023, 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, 2023 is \$26,707,874, which includes an accretion balance of \$14,567,949.

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding SCLAA debt as of June 30, 2023, 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>
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	8,455,000	12,942,639
2029-33	49,610,000	57,879,636
2034-38	65,345,000	40,602,179
2039-43	86,570,000	18,591,969
2044-48	58,771,157	76,802,744
2049-51	88,263,843	43,035,156
Subtotal	<u>386,810,000</u>	<u>\$ 305,766,720</u>
Discounts/Premiums	(2,000,328)	
Total	<u>\$ 384,809,672</u>	

* This total includes capital appreciation of \$104,677,126 for tax allocation bonds that will be accrued in the future years.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
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JUNE 30, 2023**

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	\$ 22,582,823	\$ 21,456,577	105%

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	\$ 11,267,089 a)
SCLAA	City of Victorville	2,000,000 b)

*Advances from the Successor Agency have been classified as Advances from Other Governments in the statement of net position.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 ADVANCES TO/FROM (CONTINUED)

Advances to/from the City (Continued)

- 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, 2023, is \$11,267,089.

- b) A loan agreement was signed on April 18, 2023 by the City Council that authorizes the SCLAA to loan \$2,000,000 to the City's nonmajor gas utility enterprise fund for the construction of new gas infrastructure that will allow for the purchase of lower priced natural gas and future growth at SCLAA. The loan principal shall be repaid in five equal installments of \$400,000 to commence in the year ending June 30, 2024 and conclude in the year ending June 30, 2028. Interest shall begin to accrue on the total principal amount commencing on July 1, 2023, and shall thereafter be calculated annually on the balance of the outstanding principal and shall be payable each year on June 30 at the annualized (averaged) LAIF rate of return. The outstanding balance of the advance as of June 30, 2023 is \$2,000,000.

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. In future fiscal years, 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.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

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. 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, 2022, 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	10.34%	10.25%
Payment of Unfunded Liability	\$291,574	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, 2023, SCLAA made contributions totaling \$484,566.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 PENSION PLAN (CONTINUED)

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, 2022 measurement period was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The total pension liability for the Miscellaneous Plan was based on the following assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

(3) The lesser of contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% 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. Using historical returns all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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)

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return (a) (b)</u>
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)
Total	<u>100.00 %</u>	

(a) An expected inflation of 2.30% used for this period

(b) Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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.

Change in Assumptions

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30% from the measurement date June 30, 2021 to June 30, 2022.

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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 dates ended June 30, 2021 and 2022, was as follows:

	Increase (Decrease)			Proportionate Share
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	
	(a)	(b)	(c) = (a) - (b)	
Balance at: 6/30/2021 (MD)	\$ 16,301,242	\$ 13,701,715	\$ 2,599,527	7.18%
Balance at: 6/30/2022 (MD)	16,021,435	11,517,747	4,503,688	6.58%
Net Changes During 2021-22	\$ (279,807)	\$ (2,183,968)	\$ 1,904,161	-0.60%

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the SCLAA recognized pension expense of \$669,532 for the Miscellaneous Plan. At June 30, 2023, 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	\$ 484,566	\$ -
Changes of Assumptions	466,600	-
Differences Between Expected and Actual Experience	119,220	(234,104)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	638,826	-
Total	\$ 1,709,212	\$ (234,104)

\$484,566 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, 2024. 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.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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 <u>Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 282,020
2025	229,583
2026	108,207
2027	370,732
2028	-
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 6.90%, 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:

	<u>Discount Rate</u>		
	<u>1% Decrease (5.90%)</u>	<u>Current Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Net Pension Liability	\$ 6,821,953	\$ 4,503,688	\$ 2,607,888

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, 2023, the SCLAA had no outstanding amount of contributions to the Miscellaneous Plan required for the year ended June 30, 2023.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, the SCLAA's cash contributions were \$15,213 in cash benefit payments, \$90 in administrative costs, and the estimated implied subsidy was \$7,724, resulting in total payments of \$23,027.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2022 and determined by an actuarial valuation as of June 30, 2022.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.54%
Inflation	2.50%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability, and Termination	2000-2019 Experience Study
Mortality Improvement	Postretirement mortality projected fully generational with Scale MP-2021
Healthcare Trend Rate	Non-Medicare: 8.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. 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 following actuarial assumption changes occurred from the measurement periods ended June 30, 2021 to 2022:

- The discount rate changed from 2.16% to 3.54% based on changes in the index.
- Inflation was lowered from 2.75% to 2.50%.
- The healthcare trend rate was updated as follows: Non-Medicare increased from 7.0% to 8.5%; Medicare (Non-Kaiser) increased from 6.1% to 7.5%; and Medicare (Kaiser) increased from 7.0% to 6.25%.
- Demographic assumptions were updated from the CalPERS 1997-2015 Experience Study to the CalPERS 2000-2019 Experience Study.
- Mortality improvement was updated from Scale MP-2020 to Scale MP-2021.

Allocation of Total OPEB Liability

The SCLAA's proportionate share of the total OPEB liability as of the measurement dates ended June 30, 2021 and 2022, was as follows:

	Total OPEB Liability	Proportionate Share
Balance - June 30, 2021 (MD)	\$ 2,363,785	7.75%
Balance - June 30, 2022 (MD)	2,040,084	8.64%
Net Changes During 2021-22	\$ 323,701	0.89%

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 (2.54%)	Current Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 2,414,543	\$ 2,040,084	\$ 1,741,551

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
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JUNE 30, 2023**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

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: 7.5% for 2024 decreasing to 2.45% in 2076; Medicare (Non-Kaiser): 6.5% for 2024, decreasing to an ultimate rate of 2.45% in 2076; Medicare (Kaiser): 5.25% for 2024, decreasing to an ultimate rate of 2.45% in 2076) or one percentage point higher (Non-Medicare: 9.5% for 2024 decreasing to 4.45% in 2076; Medicare (Non-Kaiser): 8.5% for 2024, decreasing to an ultimate rate of 4.45% in 2076; Medicare (Kaiser): 7.25% for 2024, decreasing to an ultimate rate of 4.45% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 1,682,147	\$ 2,040,084	\$ 2,510,901

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	5 Years
Plan Investments	
All Other Amounts	Expected average remaining service lifetime (EARSL) (9.8 Years at June 30, 2022 measurement date)

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

For the fiscal year ended June 30, 2023, the SCLAA recognized OPEB expense of \$68,740. As of fiscal year ended June 30, 2023, the SCLAA 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	\$ 23,027	\$ -
Differences Between Expected and Actual Experience	-	(441,797)
Changes of Assumptions	244,576	(413,043)
Total	\$ 267,603	\$ (854,840)

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

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

The \$23,027 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, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Period Ending June 30,	Deferred Inflows of Resources
2024	\$ (92,839)
2025	(92,839)
2026	(92,839)
2027	(69,716)
2028	(48,460)
Thereafter	(213,571)

Payable to the Pension Plan

At June 30, 2023, the SCLAA had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

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 and Stirling Enterprise LLC

In the early 1990s, 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.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

**Southern California Logistics Airport Authority and Stirling Enterprise LLC
(Continued)**

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.

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.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

During fiscal year 19/20 and 20/21, 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 fiscal years 21/22 and 22/23, SCLAA had a positive net income of \$782,286 and \$15,894,051, respectively. A summary of the financial condition of the SCLAA enterprise fund is as follows:

Beginning Net Position	\$ (123,650,976)
Net Income	16,492,949
Ending Net Position	<u>\$ (107,158,027)</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.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 SCLAA'S FINANCIAL CONDITION, SIGNIFICANT FINANCIAL OBLIGATIONS, AND MANAGEMENT'S PLANS (CONTINUED)

Management's Plans with Respect to its Financial Condition (Continued)

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 had a term repayment of five years, with an annualized Wall Street Journal Prime Rate as the interest rate. In October 2022, the outstanding balance of the loan was repaid. The advance was within the fund itself.

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.

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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY (CONTINUED)

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, 2023, the SCLAA recognized \$8,159,454 and \$1,624,219 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>
2024	\$ 7,770,582	\$ 1,784,891	\$ 9,555,473
2025	7,020,478	1,700,945	8,721,423
2026	6,996,082	1,644,500	8,640,582
2027	7,201,850	1,521,580	8,723,430
2028	7,553,445	1,312,066	8,865,511
2029-2033	30,788,077	4,412,609	35,200,686
2034-2038	11,193,728	1,722,627	12,916,355
2039-2043	3,962,741	1,079,111	5,041,852
2044-2048	4,144,818	638,687	4,783,505
2049-2053	3,279,898	254,237	3,534,135
2054-2056	1,066,194	27,697	1,093,891
Total	<u>\$ 90,977,893</u>	<u>\$ 16,098,950</u>	<u>\$ 107,076,843</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)								
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan's Proportion of the Net Pension Liability	6.58%	7.18%	6.84%	6.86%	6.90%	6.95%	7.07%	6.87%	6.76%
Plan's Proportionate Share of the Net Pension Liability	\$ 4,503,687	\$ 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	\$ 1,868,216	\$ 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	241.07%	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	4.73%	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.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate and long-term rate of return decreased from 7.15% to 6.90% and the inflation rate decreased from 2.50% to 2.30%.

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

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
SCHEDULE OF PLAN CONTRIBUTIONS
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Fiscal Year								
	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 484,566	\$ 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>(484,566)</u>	<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>	<u>\$ -</u>
Covered Payroll	\$ 2,069,493	\$ 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	23.41%	22.18%	22.75%	20.50%	18.23%	17.59%	17.28%	17.04%	14.71%

Notes to Schedule:

Valuation Date	6/30/2020	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	Entry Age
Amortization Method	(1)	(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	Fair Value	15-Year Smoothed Market Method
Inflation	2.30%	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)	(2)
Investment Rate of Return	6.90% (3)	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)	(4)
Mortality	(5)	(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 nine 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)
	2023 (2022)
Plan's Proportion of the Total OPEB Liability	8.64%
Plan's Proportionate Share of the Total OPEB Liability	\$ 2,040,084
Plan's Covered Payroll	\$ 2,827,400
Plan's Proportionate Share of the Total OPEB Liability as a Percentage of Covered Employee Payroll	72.15%

Notes to Schedule:

Changes in Assumptions:

Discount Rate	3.54%
Mortality Improvement Rates	Scale MP-2021

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%.

In the June 30, 2022 measurement period, the following medical trend rates changed: Non-Medicare increased from 7.0% to 8.5%; Medicare increased from 6.1% to 7.5%; and Kaiser increased from 7.0% to 6.25%.

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

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY (CONTINUED)
(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%.

In the June 30, 2022 measurement period, the following medical trend rates changed: Non-Medicare increased from 7.0% to 8.5%; Medicare increased from 6.1% to 7.5%; and Kaiser increased from 7.0% to 6.25%.

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

SUPPLEMENTARY INFORMATION

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2023
(WITH SUMMARIZED DATA FOR JUNE 30, 2022)

	Aeronautical	Non Aeronautical	Other Services	Elimination	Totals	
					2023	2022
ASSETS						
CURRENT ASSETS						
Cash and Investments	\$ 8,790,916	\$ 2,840,265	\$ 25,945,944	\$ -	\$ 37,577,125	\$ 20,904,681
Cash and Investments with Fiscal Agent	-	-	24,761,205	-	24,761,205	23,938,255
Accounts Receivable, Net	390,341	435	-	-	390,776	622,321
Interest Receivable	136,015	13	200	-	136,228	99,170
Due from Other Governments	152,472	-	-	-	152,472	347,685
Leases	6,713,490	58,291	998,801	-	7,770,582	7,662,011
Inventory	13,878	-	-	-	13,878	29,905
Total Current Assets	16,197,112	2,899,004	51,706,150	-	70,802,266	53,604,028
NONCURRENT ASSETS						
Prepaid Items	55,594	-	-	-	55,594	53,755
Advances to City of Victorville	-	2,000,000	-	-	2,000,000	-
Leases	83,147,197	60,114	-	-	83,207,311	76,850,912
Nondepreciable Capital Assets	188,067	-	13,793,181	-	13,981,248	16,542,239
Depreciable Capital Assets, Net	25,796,888	-	83,900,681	-	109,697,569	117,979,955
Total Noncurrent Assets	109,187,746	2,060,114	97,693,862	-	208,941,722	211,426,861
Total Assets	125,384,858	4,959,118	149,400,012	-	279,743,988	265,030,889
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflows - OPEB Related	267,603	-	-	-	267,603	301,356
Deferred Outflows - Pension Related	1,709,212	-	-	-	1,709,212	829,725
Deferred Charge on Refunding	-	-	1,397,897	-	1,397,897	1,532,412
Total Deferred Outflows of Resources	1,976,815	-	1,397,897	-	3,374,712	2,663,493
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	445,642	-	-	-	445,642	1,386,449
Interest Payable	-	-	1,228,041	-	1,228,041	1,256,389
Deposits Payable	703,281	17,415	-	-	720,696	1,545,494
Unearned Revenue	1,048,124	15,449	-	-	1,063,573	1,301,095
Total OPEB Liability - Due Within One Year	30,446	-	-	-	30,446	27,309
Long-Term Liabilities, Due Within One Year	117,127	-	6,885,000	-	7,002,127	6,680,528
Total Current Liabilities	2,344,620	32,864	8,113,041	-	10,490,525	12,197,264
NONCURRENT LIABILITIES						
Advances from Other Governments	-	-	11,267,089	-	11,267,089	11,034,017
Total OPEB Liability	2,009,638	-	-	-	2,009,638	2,336,476
Net Pension Liability	4,503,688	-	-	-	4,503,688	2,599,527
Long-Term Liabilities, Due Beyond One Year	98,424	-	273,247,546	-	273,345,970	278,623,283
Total Noncurrent Liabilities	10,855,348	65,728	299,512,676	-	310,433,752	316,344,993
Total Liabilities	13,199,968	98,592	307,625,717	-	320,924,277	328,542,257
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflows - OPEB Related	854,840	-	-	-	854,840	519,180
Deferred Inflows - Pension Related	234,104	-	-	-	234,104	1,151,011
Deferred Inflows - Leases	86,455,442	116,629	998,802	-	87,570,873	82,884,600
Total Deferred Inflows of Resources	87,544,386	116,629	998,802	-	88,659,817	84,554,791
NET POSITION (DEFICIT)						
Net Investment in Capital Assets	25,964,183	-	(156,279,582)	-	(130,315,399)	(125,452,052)
Unrestricted	4,896,734	4,809,625	13,451,013	-	23,157,372	1,801,076
Total Net Position (Deficit)	\$ 30,860,917	\$ 4,809,625	\$ (142,828,569)	\$ -	\$ (107,158,027)	\$ (123,650,976)

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED DATA FOR THE YEAR ENDED JUNE 30, 2022)

	Aeronautical	Non Aeronautical	Other Services	Elimination	Totals	
					2023	2022
OPERATING REVENUES						
Charges for Services:						
Landing Fees	\$ 1,992,027	\$ -	\$ -	\$ -	\$ 1,992,027	\$ 1,712,503
Fuel Flowage Fees	309,239	-	-	-	309,239	284,213
Rent and Lease Revenue	9,675,756	233,242	998,802	-	10,907,800	9,913,634
Total Charges for Services	11,977,022	233,242	998,802	-	13,209,066	11,910,350
Fines and Forfeitures	28,873	-	-	-	28,873	22,003
Other	404,139	34,200	-	-	438,339	1,095,384
Total Operating Revenues	12,410,034	267,442	998,802	-	13,676,278	13,027,737
OPERATING EXPENSES						
Personnel Services	3,329,516	-	-	-	3,329,516	2,646,192
Maintenance and Operations	4,863,941	2,543,114	25,480	-	7,432,535	7,506,153
Depreciation	3,519,748	-	6,224,900	-	9,744,648	9,610,772
Total Operating Expenses	11,713,205	2,543,114	6,250,380	-	20,506,699	19,763,117
OPERATING INCOME (LOSS)	696,829	(2,275,672)	(5,251,578)	-	(6,830,421)	(6,735,380)
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental	-	-	-	-	-	59,000
Taxes	445,248	-	21,627,436	-	22,072,684	21,731,579
Investment Income	1,909,591	64,538	1,641,631	(121,571)	3,494,189	1,448,371
Interest Expense	(121,571)	-	(16,864,762)	121,571	(16,864,762)	(16,895,928)
Gain on Sale of Capital Assets	13,360	14,394,829	(171,303)	-	14,236,886	1,125
Other Nonoperating Expenses	-	-	(19,137)	-	(19,137)	(19,087)
Proceeds from Capital Asset Sold to City	-	1,929,341	-	-	1,929,341	-
Capital Asset Sold to City	-	-	(1,895,090)	-	(1,895,090)	-
Total Nonoperating Revenues (Expenses)	2,246,628	16,388,708	4,318,775	-	22,954,111	6,325,060
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,943,457	14,113,036	(932,803)	-	16,123,690	(410,320)
CAPITAL CONTRIBUTIONS						
Capital Contributions	183,723	-	-	-	183,723	607,812
Capital Grants	183,722	-	-	-	183,722	633,633
Capital Contribution from the City of Victorville	-	-	-	-	-	1,895,090
Capital Contribution to the City of Victorville	-	-	-	-	-	(1,943,929)
Capital Contribution from Tenant	1,814	-	-	-	1,814	-
Transfers In	9,467,545	-	-	(9,467,545)	-	-
Transfers Out	-	(9,467,545)	-	9,467,545	-	-
Total Capital Contributions	9,836,804	(9,467,545)	-	-	369,259	1,192,606
CHANGE IN NET POSITION	12,780,261	4,645,491	(932,803)	-	16,492,949	782,286
Net Position (Deficit) - Beginning of Year	18,080,656	164,134	(141,895,766)	-	(123,650,976)	(124,433,262)
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 30,860,917</u>	<u>\$ 4,809,625</u>	<u>\$ (142,828,569)</u>	<u>\$ -</u>	<u>\$ (107,158,027)</u>	<u>\$ (123,650,976)</u>