SOUTHERN CALIFORNIA
LOGISTICS AIRPORT AUTHORITY

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2017

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Basic Financial Statements

Year ended June 30, 2017

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Board of Directors
Southern California Logistics Airport Authority
Victorville, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise SCLAA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southern California Logistics Airport Authority, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

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

Emphasis of Matters

The accompanying financial statements have been prepared assuming that the SCLAA will continue as a going concern. As discussed in note 8 to the financial statements, the SCLAA has suffered recurring losses in recent years and the SCLAA has defaulted on a number of its recent debt payments. The statewide dissolution of all redevelopment agencies in the State of California creates additional uncertainty with respect to the SCLAA due to its dependency upon tax increment funding from the Victor Valley Economic Development Authority. These circumstances raise substantial doubt about the SCLAA's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the SCLAA be unable to continue as a going concern. Our opinion is not modified with respect to this matter.

As described further in note 7, on April 29, 2013, the United States Securities and Exchange Commission filed a complaint alleging that a number of defendants, including the City of Victorville, the Southern California Logistics Airport Authority, and certain City officials, committed certain fraudulent acts associated with the issuance in 2008 of $13,334,925 of Subordinate Tax Allocation Revenue Bonds, Series 2008A. As of the date of issuance of the financial statements, there was a possibility that this matter might result in a loss to the SCLAA. However, the amount of the loss, if any, that might result from this matter could not be reasonably estimated. Our opinion is not modified with respect to this matter.

The financial statements for the year ended June 30, 2017 reflect certain prior period adjustments as described further in note 11 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SCLAA's basic financial statements. The *Combining Schedule of Net Position* and the *Combining Schedule of Revenues, Expenses and Changes in Net* Position is presented for purposes of additional analysis and are not a required part of the basic financial statements. The *Combining Schedule of Revenues, Expenses and Changes in Net Position* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Combining Schedule of Net Position* and the *Combining Schedule of Revenues, Expenses and Changes in Net Position* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2018 on our consideration of 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCLAA's internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
February 12, 2018

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
Statement of Net Position
June 30, 2017
(with comparative data for June 30, 2016)

Assets:		2017	2016
Current assets:			
Cash and investments (note 2)	$	17,188,127	15,080,604
Cash and investments with fiscal agent (note 2)		19,822,110	19,640,266
Accounts receivable, net		478,158	231,346
Due from other governments		18,609	1,722,966
Inventory		10,630	5,982
Total current assets		37,517,634	36,681,164
Noncurrent assets:			
Prepaid items		494	565
Advances to other funds (note 5)		2,592,188	-
Advances to City of Victorville (note 5)		1,923,175	1,929,341
Advances to other governments (note 5)		131,776	2,558,202
Nondepreciable capital assets (note 3)		15,464,629	18,433,623
Depreciable capital assets, net (note 3)		135,211,615	139,424,511
Total noncurrent assets		155,323,877	162,346,242
Total assets		192,841,511	199,027,406
Deferred Outflow of Resources:			
Deferred outflow - pension contribution (note 6)		273,075	233,116
Deferred outflow - pension actuarial (note 6)		587,465	-
Deferred charge on refunding		2,204,990	2,339,505
Total deferred outflow of resources		3,065,530	2,572,621
Liabilities:			
Current liabilities:			
Accounts payable		353,451	431,472
Interest payable		3,688,197	1,396,360
Unearned revenue		121,926	-
Bonds subject to call (note 4)		59,620,645	58,630,561
Long-term liabilities, due within one year (note 4)		4,405,160	4,393,231
Total current liabilities		68,189,379	64,851,624
Noncurrent liabilities:			
Accrued rent credit payable		503,060	814,554
Advances from other funds (note 5)		2,592,188	-
Advances from City of Victorville (note 5)		1,755,951	1,742,931
Advances from other governments (note 5)		10,355,181	10,278,395
Net pension liability		2,805,052	2,090,587
Long-term liabilities, due in more than one year (note 4 and note 6)		245,341,036	249,423,516
Total noncurrent liabilities		263,352,468	264,349,983
Total liabilities		331,541,847	329,201,607
Deferred Inflows of Resources:			
Deferred inflows - actuarial (note 6)		174,681	270,322
Total deferred outflows of resources		174,681	270,322
Net position (deficiency):			
Net position (deficiency):			
Net investment in capital assets		(136,485,763)	(132,454,260)
Unrestricted		676,276	4,582,358
Total net position (deficiency)	$	(135,809,487)	(127,871,902)

See accompanying notes to the basic financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2017

(with comparative data for June 30, 2016)

	2017	2016
Operating revenues:		
Charges for services:		
Landing fees	$ 296,219	368,192
Fuel flowage fees	786,301	554,503
Concession sales	8,795	3,645
Rent and lease revenue	5,858,082	7,101,041
Total charges for services	6,949,397	8,027,381
Fines and forfeitures	-	692
Other	316,279	298,417
Total operating revenues	7,265,676	8,326,490
Operating expenses:		
Personnel services	2,009,557	1,806,644
Maintenance and operations	5,181,728	6,324,119
Depreciation	7,409,060	6,840,988
Total operating expenses	14,600,345	14,971,751
Operating income (loss)	(7,334,669)	(6,645,261)
Nonoperating revenues (expenses):		
Intergovernmental	-	394,819
Taxes	24,497,408	23,674,150
Investment income	223,393	38,219
Interest expense	(18,059,453)	(16,624,755)
Gain (loss) on sale of capital assets	14,245	-
Other nonoperating revenues (expenses)	(81,723)	-
Total nonoperating revenues (expenses)	6,593,870	7,482,433
Income (loss) before transfers and capital contributions	(740,799)	837,172
Capital contributions	69,107	6,263,239
Total contributions and transfers	69,107	6,263,239
Change in net position	(671,692)	7,100,411
Net position (deficiency) at beginning of year, as restated (note 11)	(135,137,795)	(134,972,313)
Net position (deficiency) at end of year	$ (135,809,487)	(127,871,902)

See accompanying notes to the basic financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Cash Flows

Year ended June 30, 2017

(with comparative data for June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from customers	$ 6,829,296	8,006,237
Cash payments to employees for services	(1,995,576)	(1,914,587)
Cash payments to suppliers for goods and services	(5,264,326)	(7,891,947)
Net cash provided by (used for) operating activities	(430,606)	(1,800,297)
Cash flows from noncapital financing activities:		
Cash received from other governments	27,000,620	26,189,871
Cash paid to other governments	-	(1,691,976)
Cash received from City of Victorville	1,723,543	32,875
Net cash provided by (used for) noncapital financing activities	28,724,163	24,530,770
Cash flows from capital and related financing activities:		
Cash payments to acquire capital assets	(179,362)	(1,137,482)
Cash received from the sale of capital assets	35,590	-
Principal paid on capital-related debt	(4,185,000)	(3,375,580)
Interest paid on capital-related debt	(21,817,042)	(16,644,428)
Net cash provided by (used for) capital and related financing activities	(26,145,814)	(21,157,490)
Cash flows from investing activities:		
Interest received on investments	223,347	38,219
Net cash provided by investing activities	223,347	38,219
Net increase in cash and cash equivalents	2,371,090	1,611,202
Cash and cash equivalents at beginning of year	34,720,870	33,109,668
Cash and cash equivalents at end of year	$ 37,091,960	34,720,870
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (7,334,669)	(6,645,261)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	7,409,060	6,840,988
(Increase) decrease in accounts receivable	(246,812)	(106,200)
(Increase) decrease in inventory	(4,648)	(2,464)
(Increase) decrease in prepaid items	71	3,973
(Increase) decrease in deferred outflow - pension	(627,424)	(35,485)
Increase (decrease) in accounts payable	(78,021)	(1,569,339)
Increase (decrease) in unearned revenue	121,926	-
Increase (decrease) in accrued rent credits payable	(311,494)	(214,051)
Increase (decrease) in accrued compensated absences	22,581	-
Increase (decrease) in net pension liability	714,465	209,796
Increase (decrease) in deferred inflows	(95,641)	(282,254)
Total adjustments	6,904,063	4,844,964
Net cash provided by (used for) operating activities	$ (430,606)	(1,800,297)
Noncash capital, financing and investing activities		
Accreation expenses	$ 990,084	-
Capital assets contributed (to) from the City of Victorville	(69,103)	6,263,239
Total noncash capital, financing and investing activities	$ 920,981	6,263,239

See accompanying notes to the basic financial statements.

(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) 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) Measurement Focus, Basis of Accounting 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. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

The SCLAA distinguishes operating revenues and expenses from non-operating 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 federal grants and charges to customers for services. Operating expenses include general and administrative costs, maintenance and operational costs and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

(d) Relationship to the City of Victorville

The SCLAA is an integral part of the reporting entity of the City of Victorville ("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 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.

(e) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value. 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.

(g) Fair Value Measurements

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

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

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

(g) Fair Value Measurements, (Continued)

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

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurements. These unobservable input 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.

(h) Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. SCLAA capitalizes all assets with a historical cost of at least $5,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life are not capitalized.

Depreciation is computed utilizing the straight-line method over the following useful lives:

Buildings and improvements	10-50 years
Furniture and equipment	3-7 years
Computer and communications	5 years
Vehicles	8-15 years
Sewer	50-60 years
Storm drains	20-100 years
Water lines	70-80 years
Runways and roads	20-40 years

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

(i) Compensated Absences

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

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

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

(j) Deferred Charges on Refunding

Unamortized losses on refunding are amortized over the shorter of the term of the new debt or the refunded debt. Unamortized losses on refunding are recorded as deferred charge on refunding, under Deferred Outflow of Resources.

(k) Bond Premiums/Discounts and Issuance Costs

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Debt issuance costs other than prepaid insurance are expensed when incurred.

(l) Estimates

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

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

(m) Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

(n) Deferred Outflows and Deferred Inflows of Resources

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

When applicable, the statement of net position and the balance sheet will report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. The SCLAA has one item that qualifies for reporting in this category. Deferred inflows – actuarial relates to the net pension liability.

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

(o) Pensions

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

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

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

(p) 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the SCLAA's prior year financial statements, from which this selected financial data was derived. In addition, certain minor reclassifications of the prior year data have been made to enhance their comparability to the current year.

(2) Cash and Investments

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

Statement of net position:	
Cash and investments	$ 17,188,127
Cash and investments with fiscal agent	19,822,110
Total cash and investments	$ 37,010,237

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

Equity in City of Victorville Pool	$ 1,247,541
Investments	35,762,696
Total cash and investments	$ 37,010,237

(2) Cash and Investments, (Continued)

Equity in the Cash and Investments Pool of the City of Victorville

The SCLAA has no separate bank accounts or investments other than investments held by bond trustee, and their investment in LAIF. The SCLAA's equity in the cash and investment pool is managed by the City of Victorville. The SCLAA is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Victorville. The SCLAA has not adopted an investment policy separate from that of the City of Victorville. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the SCLAA's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

Investments Authorized by 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.

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	1 year	None	None
Commercial Paper	180 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	None	None	None
California Common Law Trust Shares	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.

(2) Cash and Investments, (Continued)

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:

		Remaining Maturing (in Months)			
Investment Type	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State investment pool	$ 16,210,231	16,210,231	-	-	-
Held by bond trustee:					
Money market funds	19,552,465	19,552,465	-	-	-
Total	$ 35,762,696	35,762,696	-	-	-

Disclosures Relating to Credit Risk

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

		Minimum	Rating as of Year End	
Investment Type	Total	Legal Rating	AAA	Not Rated
State investment pool	$ 16,210,231	N/A	-	16,210,231
Held by bond trustee:				
Money market funds	19,552,465	A	19,552,465	-
Total	$ 35,762,696		19,552,465	16,210,231

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.

(2) Cash and Investments, (Continued)

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 District'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.

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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(3) Capital Assets

The following is a summary of changes in capital assets for SCLAA at June 30, 2017:

	Balance at 7/1/2016	Additions	Deletions	Balance at 6/30/2017
Non-depreciable assets:				
Land	$ 14,372,776	-	-	14,372,776
Construction in progress	4,060,847	147,537	(3,116,531)	1,091,853
Total non-depreciable assets	18,433,623	147,537	(3,116,531)	15,464,629
Depreciable assets:				
Buildings and improvements	177,368,400	3,095,187	-	180,463,587
Computer and communication	214,767	25,613	-	240,380
Furniture and equipment	8,411,433	147,751	(153,084)	8,406,100
Infrastructure	83,368,091	-	-	83,368,091
Land improvements	128,489	-	-	128,489
Vehicles	613,774	78,756	(31,842)	660,688
Total depreciable assets	270,104,954	3,347,307	(184,926)	273,267,335
Less accumulated depreciation:				
Buildings and improvements	(88,643,585)	(4,088,942)	-	(92,732,527)
Computer and communication	(166,125)	(31,858)	-	(197,983)
Furniture and equipment	(4,595,478)	(423,659)	80,697	(4,938,440)
Infrastructure	(36,664,473)	(2,844,572)	-	(39,509,045)
Land improvements	(61,032)	(12,849)	-	(73,881)
Vehicles	(549,750)	(85,936)	31,842	(603,844)
Total accumulated depreciation	(130,680,443)	(7,487,816)	112,539	(138,055,720)
Total depreciable assets, net	139,424,511	(4,140,509)	(72,387)	135,211,615
Capital assets, net	$157,858,134	(3,992,972)	(3,188,918)	150,676,244

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities

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

	Balance at July 1, 2016	Additions	Retirements	Balance at June 30, 2017	Due Within One Year
Compensated Absences	$ 155,153	129,168	(106,587)	177,734	82,028
Tax Allocation Bonds:					
2005 Tax Allocation Parity Bonds	19,345,000	-	(945,000)	18,400,000	985,000
2006 Tax Allocation Bonds (Non-Housing)	53,160,000	-	(980,000)	52,180,000	1,020,000
2006 Tax Allocation Bonds (Housing)	14,280,000	-	(265,000)	14,015,000	285,000
2006 Tax Allocation Parity Bonds	42,195,000	-	(120,000)	42,075,000	125,000
2006 Tax Allocation Revenue Parity Bonds	32,205,000	-	(445,000)	31,760,000	480,000
2006 Tax Allocation Revenue Bonds	58,520,000	-	(845,000)	57,675,000	900,000
2007 Tax Allocation Bonds	36,600,000	-	(585,000)	36,015,000	620,000
2007 Tax Allocation Bonds (Non-Housing)*	39,700,000	-	-	39,700,000	39,700,000
2008 Tax Allocation Bonds*	18,930,561	990,084	-	19,920,645	19,920,645
Tax Allocation Funds Subtotal	314,935,561	990,084	(4,185,000)	311,740,645	64,035,645
Unamortized Discounts/Premiums	(2,643,406)	-	91,868	(2,551,538)	(91,868)
Total	$312,447,308	1,119,252	(4,199,719)	309,366,841	64,025,805

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

Tax Allocation Parity Bonds, Series 2005A

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

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

Bonds maturing on December 1, 2010, December 1, 2015, December 1, 2020, December 1, 2025, and December 1, 2030 in the amounts of $2,765,000, $3,365,000, $5,140,000, $6,335,000 and $7,870,000 are term bonds. The outstanding bonds bear interest at 3.50% to 5.00% due June 1 and December 1 of each year.

(4) Long-Term Liabilities, (Continued)

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

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2015 are subject to optional redemption in whole or in part by lot without premium.

The bonds maturing on December 1, 2010, December 1, 2015, December 1, 2020, December 1, 2025, and December 1, 2030 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2012, December 1, 2016, December 1, 2021, and December 1, 2026, 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 2006 (Non-Housing). The required reserve for the Bonds is $1,797,890. As of June 30, 2017, the reserve amount was $1,800,265. The Bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is $18,400,000.

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

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

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

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

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

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

(4) Long-Term Liabilities, (Continued)

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

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

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

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

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

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

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

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

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

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

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

(4) Long-Term Liabilities, (Continued)

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

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

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006

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

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

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

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

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

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

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

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

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

(4) Long-Term Liabilities, (Continued)

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

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

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

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

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

Subordinate Tax Allocation Revenue Bonds, Series 2007

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

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

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

The bonds maturing on the dates described above are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2010, December 1, 2013, December 1, 2018, December 1, 2023, December 1, 2028, December 1, 2028,

(4) Long-Term Liabilities, (Continued)

Subordinate Tax Allocation Revenue Bonds, Series 2007, (Continued)

December 1, 2033, December 1, 2033, December 1, 2033, December 1, 2038, and December 1, 2038, respectively, from sinking fund payments made by SCLAA.

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

Subordinate Tax Allocation Revenue Bonds, Series 2008

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

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

Bonds maturing on December 1 of each year beginning 2044 through 2050 in the initial principal amounts of $1,316,266, $1,216,397, $1,123,621, $1,037,536, $957,600, $883,633, and $814,910 are Capital Appreciation Bonds. The outstanding bonds bear yields to maturity of 7.300%, 7.320%, 7.340%, 7.360%, 7.380%, 7.400% and 7.420%. All of the bonds have a maturity value of $18,085,000.

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

The required reserve for the Bonds is $1,333,492. As of June 30, 2017, the reserve amount was $153,953. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2017 is $19,920,645, which includes an accretion balance of $6,680,720.

(4) Long-Term Liabilities, (Continued)

SCLAA Defaults on Bonded Debt

As of June 30, 2017, the SCLAA had accumulated outstanding defaults on interest and principal payments for the following debt issues:

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

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

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

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

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

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

(4) Long-Term Liabilities, (Continued)

SCLAA Defaults on Bonded Debt, (Continued)

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

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

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

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

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

(4) Long-Term Liabilities, (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding SCLAA debt as of June 30, 2016, are as follows for each fiscal year ending June 30:

Year Ending June 30	Tax Allocation Bonds Principal*	Tax Allocation Bonds Interest
2018	$ 5,110,000	16,387,661
2019	5,365,000	16,093,581
2020	5,635,000	15,812,820
2021	5,920,000	15,516,539
2022	6,225,000	15,202,086
2023-27	36,345,000	70,598,261
2028-32	47,055,000	60,225,238
2033-37	61,780,000	45,592,140
2038-42	81,830,000	25,277,270
2043-47	94,010,000	2,658,283
2048-51	74,850,000	-
Subtotal	424,125,000	283,363,879
Discounts / Premiums	(2,551,538)	
Total	$ 421,573,462	

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

(4) Long-Term Liabilities, (Continued)

Pledged Revenue

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

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

(5) Advances To/From

Fund Reporting Receivable	Fund Reporting Payable	Amount	
City of Victorville	SCLAA	$ 1,755,951	a)
Successor Agency *	SCLAA	10,355,181	b)
SCLAA	City of Victorville	1,923,175	c)
SCLAA	Successor Agency *	131,776	d)
SCLAA	SCLAA	2,592,188	e)
	Total	$16,758,271	

* - Advances to or from the Successor Agency have been classified as Advances to or from Other Governments in the basic financial statements.

a) Per a loan agreement approved on October 20, 2009 by the Board of the Victorville Redevelopment Agency (RDA), a $1,700,000 advance was made from the Low and Moderate Housing Fund to the SCLAA. The advance is to be used for SCLAA redevelopment activities. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund (“LAIF”) rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2017 is $1,755,951.

(5) Advances To/From (Continued)

After the dissolution of the Victorville Redevelopment Agency this advance was transferred to the City Housing Asset Successor Fund of the City of Victorville, and has been classified as an advance to the City of Victorville on the Statement of Net Position.

b) Per a loan agreement approved on September 15, 2009 by the Board of Victorville RDA, a $10,000,000 advance was made from the Bear Valley Road Redevelopment Project Area (RDA Capital Project Fund) to the Southern California Logistics Airport Authority. The advance is to be used to continue redevelopment at SCLA and to fund prior years' capital improvements and redevelopment project expenses. The advance has a term of repayment of five years from the date of the agreement, with an annualized Local Agency Investment Fund ("LAIF") rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2017 is $10,355,180.

c) Per a loan agreement signed on September 21, 2010, by the board of the SCLAA, a $1,895,000 advance was made from the SCLAA to the Capital Impact Facilities Fund. The advance is to be used for the purchase of land. The advance has a term of repayment to automatically renew the loan until there are sufficient funds to repay. The advance has an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. Throughout the life of the loan $78,174 in interest has been paid. The outstanding balance of the advance as of June 30, 2017 is $1,923,175.

d) Per a loan agreement approved on July 21, 2009 by the Board of the Victorville RDA, a $6,906,148 advance was made from the Agency's portion of VVEDA's 20% Low and Moderate Housing Fund to the SCLAA. The advance is to be used to fund land acquisitions associated within the Old Town project area. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2017 is $131,776.

e) Per a loan agreement signed July 1, 2016 by the Board of SCLAA, a $10,000,000 advance was made from the SCLAA Other Services Fund to the SCLAA Aeronautical Operations Fund. The advance is to be used to subsidize operations due to the increasing SEC legal costs. The advance has a term repayment of 5 years, with an annualized Wall Street Journal Prime Rate, as the interest rate. The outstanding balance of the advance as of June 30, 2017 is $2,592,188.

(6) Pension Plan

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

Certain required pension disclosures are not available separately for the Authority, including the required supplemental information, because the Authority is included in the City of Victorville Miscellaneous Plan. Complete plan information can be found in the City of Victorville Comprehensive Annual Financial Report.

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

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

Contribution Description

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

(6) Pension Plan, (Continued)

Actuarial Methods and Assumptions used to determine Total Pension Liability

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

Actuarial Cost Method	Entry age normal in accordance with the requirements of GASB 68
Asset Valuation Method:	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increases	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor On Purchasing Power Applies, 2.75% thereafter

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

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

Change of Assumption

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

(6) Pension Plan, (Continued)

Discount Rate

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

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

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

(6) Pension Plan, (Continued)

The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	1.0	(0.55)	(1.05)

[1]An expected inflation of 2.5% used for this period
[2]An expected inflation of 3.0% used for this period

Allocation of Net Pension Liability and Pension Expense to Individual Employers

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2015 (MD)	$ 10,515,552	8,424,965	2,090,587
Balance at: 6/30/2016 (MD)	11,431,354	8,626,302	2,805,052
Net Changes during 2015-16	$ 915,802	201,337	714,465

The net pension liability of the plan is measured as of June 30, 2016, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The proportion of the net pension liability was based on a projection of the Authority's long term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the plan as of June 30, 2015 and 2016 was as follows:

	SCLAA Proportion
June 30, 2015	6.87%
June 30, 2016	7.07%
Net Changes during 2015-16	0.20%

(6) Pension Plan, (Continued)

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

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

	Discount Rate - 1% 6.65%	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	$ 4,454,299	2,805,052	$ 1,456,291

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining four-year period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

(6) Pension Plan, (Continued)

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the measurement period ending June 30, 2016 is 3.1 years, which was obtained by dividing the total service years of 3,376 (the sum of remaining service lifetimes of the active employees) by 1,089 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the year ended June 30, 2017, the Authority recognized a pension expense of $877,872 for the Plan. As of June 30, 2017, the Local Government reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 273,075	-
Changes of Assumptions	-	(110,831)
Differences between Expected and Actual Experiences	-	(63,850)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	587,465	-
Total	$ 860,540	(174,681)

(6) Pension Plan, (Continued)

The $273,075 reported as deferred outflows or resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measure Period Ended June 30:	Deferred Outflows (Inflows) of Resources
2017	$ (38,743)
2018	64,596
2019	245,903
2020	141,029
2021	-
Thereafter	-

(7) 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.

Complaint Filed by the United State Securities and Exchange Commission

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

(8) Accumulated Deficit, Other Significant Financial Obligations and Management's Plan

Southern California Logistics Airport Authority

During the current fiscal year, SCLAA had a net income before depreciation of $13.9 million. After depreciation expense of $6.8 million, SCLAA had a net gain of $7.1 million. The SCLA received a $6.3 million capital contribution from the City during the fiscal year ended June 30, 2017. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	SCLAA Deficit Balance
Beginning Net Position	$ (135,137,795)
Net Loss	(671,692)
Ending Net Position	$ (135,809,487)

Additionally, the SCLAA defaulted on debt service payments for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and 2008A. Use of reserves will be necessary to bridge the gap until the economy rebounds and tax increment exceeds debt service payments. As a result, the cash held in reserve accounts for these debt issues are below required minimums. See footnote 4 for further information.

Management's Plans with Respect to its Financial Condition

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

The City of Victorville has continued to maintain a balance budget since 2007-2008. However, the ongoing lawsuit from the U.S. Securities and Exchange Commission (SEC) and the legal fees incurred continue to drawn down the General Fund and SCLAA reserves. The trial for the lawsuit has been delayed and has been set for January 2018. Regarding the SCLAA's Financial Condition, and interfund loan as described in Note 5(e) has been used to subsidize operations due to the ongoing SEC investigation.

The budget for the General Fund in fiscal year 2016-2017 also estimates revenue to equal expenditures. The Reserve Policy requiring a minimum reserve of 5% was suspended on June 1, 2010. However, the 5% minimum reserve requirement was met as of June 30, 2017 with an unassigned General Fund reserve $5,181,352 or a 9.3% reserve for the General Fund. The City is committed to monitoring the budget closely and providing for the accumulation of reserves until the target level of 15% has been realized in accordance with the General Fund policy. Regarding the SCLAA's financial condition, a draw on reserves and defaults will be necessary to bridge the gap until the economy rebounds and tax increment revenues exceed debt services payments in order to pay past due and current debt service.

(9) Subsequent Events

Default on Bonded Debt

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

(10) 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 that the Victor Valley Economic Development Agency (VVEDA) has typically provided to the SCLAA in prior fiscal years. 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.

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

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only

be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

After February 1, 2012 the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (Successor Agency to the Victorville RDA) in the financial statements of the City, pending the liquidation and distribution of the assets and liabilities of the former Redevelopment Agency to other taxing entities in accordance with state law.

On November 10, 2012 the Successor Agency Board approved Resolution R-SA-12-006 and established the City Housing Asset Successor Agency as a successor to the low and moderate income housing program of the former Redevelopment Agency.

On December 3, 2013 the Successor Agency Board approved Resolution R-SA-13-007 approving submission of the Long Range Property Management Plan (LRPMP) for the Victorville Successor Agency to the California Department of Finance (DOF). The City subsequently submitted a revised LRPMP on October 22, 2015. The DOF approved the revised plan on October 28, 2015. The Successor Agency is currently in the process of discharging assets in accordance with the plan including but not limited to the transfer of Affordable Housing Loans Receivable in the amount of $9,471,428 to City Housing Asset Successor Agency, and capital assets in the amount of $2,241,575 (net) to the City.

(11) Prior Period Adjustments

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

	Net Position
As previously reported	$ (127,871,902)
a) Interest Payable	(7,265,893)
As restated	$ (135,137,795)

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

SUPPLEMENTARY SCHEDULES

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Combining Schedule of Net Position
June 30, 2017
(with comparative data for June 30, 2016)

		Non	Other	Totals	
Assets:	Aeronautical	Aeronautical	Services	2017	2016
Current assets:					
Cash and investments	$ (771,481)	101,348	17,858,260	17,188,127	15,080,604
Cash and investments with fiscal agent	-	-	19,822,110	19,822,110	19,640,266
Accounts receivable, net	478,158	-	-	478,158	231,346
Due from other funds	-	-	-	-	2,516,668
Due from other governments	-	-	18,609	18,609	1,722,966
Inventory	10,630	-	-	10,630	5,982
Total current assets	(282,693)	101,348	37,698,979	37,517,634	39,197,832
Noncurrent assets:					
Prepaid items	494	-	-	494	565
Advances to other funds	-	-	2,592,188	2,592,188	2,558,202
Advances to City of Victorville	-	-	1,923,175	1,923,175	1,929,341
Advances to other governments	-	-	131,776	131,776	-
Nondepreciable capital assets	1,091,853	-	14,372,776	15,464,629	18,433,623
Depreciable capital assets, net	13,707,496	-	121,504,119	135,211,615	139,424,511
Total noncurrent assets	14,799,843	-	140,524,034	155,323,877	162,346,242
Total assets	14,517,150	101,348	178,223,013	192,841,511	201,544,074
Deferred Outflow of Resources:					
Deferred outflow - pension contribution	267,614	5,461	-	273,075	233,116
Deferred outflow - pension actuarial	575,514	11,951	-	587,465	-
Deferred charge on refunding	-	-	2,204,990	2,204,990	2,339,505
Total deferred outflow of resources	843,128	17,412	2,204,990	3,065,530	2,572,621
Liabilities:					
Current liabilities:					
Accounts payable	326,002	7,421	20,028	353,451	431,472
Interest payable	-	-	3,688,197	3,688,197	1,396,360
Unearned revenue	121,926	-	-	121,926	-
Due to other funds	-	-	-	-	2,516,668
Bonds subject to call	-	-	59,620,645	59,620,645	58,630,561
Long-term liabilities, due within one year	82,028	-	4,323,132	4,405,160	4,393,231
Total current liabilities	529,956	7,421	67,652,002	68,189,379	67,368,292
Noncurrent liabilities:					
Accrued rent credit payable	503,060	-	-	503,060	814,554
Advances from other funds	2,592,188	-	-	2,592,188	10,278,395
Advances from City of Victorville	-	-	1,755,951	1,755,951	1,742,931
Advances from other governments	-	-	10,355,181	10,355,181	-
Net pension liability	2,785,807	19,245	-	2,805,052	2,090,587
Long-term liabilities, due in more than one year	95,704	-	245,245,332	245,341,036	249,423,516
Total noncurrent liabilities	5,976,759	19,245	257,356,464	263,352,468	264,349,983
Total liabilities	6,506,715	26,666	325,008,466	331,541,847	331,718,275
Deferred Inflows of Resources:					
Deferred inflows - actuarial	171,422	3,259	-	174,681	270,322
Total deferred outflows of resources	171,422	3,259	-	174,681	270,322
Net position (deficiency):					
Net position (deficiency):					
Net investment in capital assets	14,799,349	-	(151,285,112)	(136,485,763)	(132,454,260)
Unrestricted	(6,117,208)	88,835	6,704,649	676,276	4,582,358
Total net position (deficiency)	$ 8,682,141	88,835	(144,580,463)	(135,809,487)	(127,871,902)

See accompanying notes to the basic financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Combining Schedule of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2017

(with comparative data for June 30, 2016)

	Aeronautical	Non Aeronautical	Other Services	Total 2017	Total 2016
Operating revenues:					
Charges for services:					
Landing fees	$ 296,219	-	-	296,219	368,192
Fuel flowage fees	786,301	-	-	786,301	554,503
Concession sales	8,795	-	-	8,795	3,645
Rent and lease revenue	5,419,264	90,957	347,861	5,858,082	7,101,041
Total charges for services	6,510,579	90,957	347,861	6,949,397	8,027,381
Fines and forfeitures	-	-	-	-	692
Other	315,766	-	513	316,279	298,417
Total Operating Revenues	6,826,345	90,957	348,374	7,265,676	8,326,490
Operating expenses:					
Personnel services	1,940,577	68,980	-	2,009,557	1,806,644
Maintenance and operations	5,063,446	95,087	23,195	5,181,728	6,324,119
Depreciation	1,010,923	-	6,398,137	7,409,060	6,840,988
Total operating expenses	8,014,946	164,067	6,421,332	14,600,345	14,971,751
Operating income (loss)	(1,188,601)	(73,110)	(6,072,958)	(7,334,669)	(6,645,261)
Nonoperating revenues (expenses):					
Intergovernmental	-	-	-	-	394,819
Taxes	2,043	-	24,495,365	24,497,408	23,674,150
Investment income	137	468	222,788	223,393	38,219
Interest expense	(21,432)	-	(18,038,021)	(18,059,453)	(16,624,755)
Gain (loss) on sale of fixed assets	14,245	-	-	14,245	-
Other	-	-	(81,723)	(81,723)	-
Total nonoperating revenues (expenses)	(5,007)	468	6,598,409	6,593,870	7,482,433
Income (loss) before transfers and capital contributions	(1,193,608)	(72,642)	525,451	(740,799)	837,172
Capital contributions	69,107	-	-	69,107	6,263,239
Total contributions and transfers	69,107	-	-	69,107	6,263,239
Change in net position	(1,124,501)	(72,642)	525,451	(671,692)	7,100,411
Net position (deficiency) at beginning of year, as restated	9,806,642	161,477	(145,105,914)	(135,137,795)	(134,972,313)
Net position (deficiency) at end of year	$ 8,682,141	88,835	(144,580,463)	(135,809,487)	(127,871,902)