SOUTHERN CALIFORNIA
LOGISTICS AIRPORT AUTHORITY

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2018

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Basic Financial Statements

Year ended June 30, 2018

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Davis Farr
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018, 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, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The accompanying financial statements have been prepared assuming that the SCLAA will continue as a going concern. As discussed in Note 9 to the financial statements, the SCLAA has a significant balance of negative Net Position 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 12 to the financial statements, during the year ended June 30, 2018, the SCLAA implemented Governmental Accounting Standards Board (GASB) Statement No. 75. The Authority reported a prior period adjustment related to the implementation of GASB No. 75 as described further in Note 12 to the financial statements. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the financial statements of the Southern California Logistics Airport Authority, as of June 30, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis*, *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 and related ratios* be presented to supplement the basic financial statements. 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.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 Net Position* and 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 January 25, 2019 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
January 25, 2019

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Net Position

June 30, 2018

(with comparative data for June 30, 2017)

Assets:		2018	2017
Current assets:			
Cash and investments (note 2)	$	11,692,834	17,188,127
Cash and investments with fiscal agent (note 2)		26,206,782	19,822,110
Accounts receivable, net		274,116	478,158
Due from other governments		1,698,194	18,609
Inventory		15,845	10,630
Total current assets		39,887,771	37,517,634
Noncurrent assets:			
Prepaid items		967	494
Advances to other funds (note 5)		3,953,878	2,592,188
Advances to City of Victorville (note 5)		1,931,763	1,923,175
Advances to other governments (note 5)		-	131,776
Nondepreciable capital assets (note 3)		18,865,821	15,464,629
Depreciable capital assets, net (note 3)		127,990,148	135,211,615
Total noncurrent assets		152,742,577	155,323,877
Total assets		192,630,348	192,841,511
Deferred Outflow of Resources:			
Deferred outflow - OPEB (note 7)		26,723	-
Deferred outflow - pension related (note 6)		882,527	860,540
Deferred charge on refunding		2,070,474	2,204,990
Total deferred outflow of resources		2,979,724	3,065,530
Liabilities:			
Current liabilities:			
Accounts payable		1,758,426	353,451
Interest payable		1,355,003	3,688,197
Unearned revenue		193,308	121,926
Bonds subject to call (note 4)		60,684,877	59,620,645
Long-term liabilities, due within one year (note 4)		4,625,107	4,405,160
Total current liabilities		68,616,721	68,189,379
Noncurrent liabilities:			
Accrued rent credit payable		378,163	503,060
Advances from other funds (note 5)		3,953,878	2,592,188
Advances from City of Victorville (note 5)		1,781,016	1,755,951
Advances from other governments (note 5)		10,502,996	10,355,181
Total OPEB liability (note 7)		2,014,829	-
Net pension liability (note 6)		3,210,086	2,805,052
Long-term liabilities, due in more than one year (note 4 and note 6)		240,861,877	245,341,036
Total noncurrent liabilities		262,702,845	263,352,468
Total liabilities		331,319,566	331,541,847
Deferred Inflows of Resources:			
Deferred inflows - OPEB (note 7)		262,593	-
Deferred inflows - pension related (note 6)		137,361	174,681
Total deferred outflows of resources		399,954	174,681
Net position (deficiency):			
Net position (deficiency):			
Net investment in capital assets		(130,806,982)	(136,485,763)
Unrestricted		(5,302,466)	676,276
Total net position (deficiency)	$	(136,109,448)	(135,809,487)

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, 2018
(with comparative data for June 30, 2017)

	2018	2017
Operating revenues:		
Charges for services:		
Landing fees	$ 889,690	296,219
Fuel flowage fees	411,315	786,301
Concession sales	-	8,795
Rent and lease revenue	6,204,173	5,858,082
Total charges for services	7,505,178	6,949,397
Fines and forfeitures	25,855	-
Other	381,739	316,279
Total operating revenues	7,912,772	7,265,676
Operating expenses:		
Personnel services	2,594,793	2,009,557
Maintenance and operations	8,633,284	5,181,728
Depreciation	7,434,827	7,409,060
Total operating expenses	18,662,904	14,600,345
Operating income (loss)	(10,750,132)	(7,334,669)
Nonoperating revenues (expenses):		
Taxes	28,219,842	24,497,408
Investment income	510,326	223,393
Interest expense	(18,140,586)	(18,059,453)
Gain (loss) on sale of capital assets	22,222	14,245
Other nonoperating revenues (expenses)	(602,694)	(81,723)
Total nonoperating revenues (expenses)	10,009,110	6,593,870
Income (loss) before and capital contributions	(741,022)	(740,799)
Capital contributions	-	69,107
Capital grants	2,540,147	-
Total contributions	2,540,147	69,107
Change in net position	1,799,125	(671,692)
Net position (deficiency) at beginning of year, as restated (note 12)	(137,908,573)	(135,137,795)
Net position (deficiency) at end of year	$ (136,109,448)	(135,809,487)

See accompanying notes to the basic financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
Statement of Cash Flows
Year ended June 30, 2018
(with comparative data for June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from customers	$ 7,502,909	6,829,296
Cash payments to employees for services	(2,042,689)	(1,995,576)
Cash payments to suppliers for goods and services	(7,233,524)	(5,264,326)
Net cash provided by (used for) operating activities	(1,773,304)	(430,606)
Cash flows from noncapital financing activities:		
Cash received from other governments	28,499,433	27,000,620
Cash received from City of Victorville	-	1,723,543
Cash paid to City of Victorville	(1,663,108)	-
Net cash provided by (used for) noncapital	26,836,325	28,724,163
Cash flows from capital and related financing activities:		
Cash payments to acquire capital assets	(3,614,552)	(261,085)
Cash received from the sale of capital assets	22,222	35,590
Capital grants received	2,540,147	
Principal paid on capital-related debt	(4,405,000)	(4,185,000)
Interest paid on capital-related debt	(19,226,785)	(21,817,042)
Net cash provided by (used for) capital and related financing activities	(24,683,968)	(26,227,537)
Cash flows from investing activities:		
Interest received on investments	510,326	223,347
Net cash provided by investing activities	510,326	223,347
Net increase in cash and cash equivalents	889,379	2,289,367
Cash and cash equivalents at beginning of year	37,010,237	34,720,870
Cash and cash equivalents at end of year	$ 37,899,616	37,010,237
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (10,750,132)	(7,334,669)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	7,434,827	7,409,060
(Increase) decrease in accounts receivable	(355,875)	(246,812)
(Increase) decrease in inventory and other assets	(5,215)	(4,648)
(Increase) decrease in prepaid items	(473)	71
(Increase) decrease in deferred outflows	(24,609)	(627,424)
Increase (decrease) in accounts payable	1,404,975	(78,021)
Increase (decrease) in unearned revenue	71,382	121,926
Increase (decrease) in accrued rent credits payable	(124,897)	(311,494)
Increase (decrease) in accrued compensated absences	53,923	22,581
Increase (decrease) in total OPEB liability	(107,517)	-
Increase (decrease) in net pension liability	405,034	714,465
Increase (decrease) in deferred inflows	225,273	(95,641)
Total adjustments	8,976,828	6,904,063
Net cash provided by (used for) operating activities	$ (1,773,304)	(430,606)
Noncash capital, financing and investing activities		
Accreation expenses	$ 1,064,232	990,084
Capital assets contributed (to) from the City of Victorville	11,317	(69,103)
Total noncash capital, financing and investing activities	$ 1,075,549	920,981

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 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.

(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 Authority has three items that qualify for reporting in this category: deferred outflows – pension related and deferred outflows – OPEB related and deferred charge on refunding.

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 Authority has two items that qualifies for reporting in this category: deferred inflows – pension related and deferred inflows – OPEB related.

(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 California Public Employees' Retirement System ("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.

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

(o) Pensions

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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	June 30, 2017 to June 30, 2018

(p) Other Postemployment Benefits OPEB

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense of the Authority's plan (OPEB Plan), these have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

(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 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, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 11,692,834
Cash and investments with fiscal agent	26,206,782
Total cash and investments	$ 37,899,616

Cash and investments as of June 30, 2018, consist of the following:

Equity in City of Victorville Pool	$ (4,695,581)
Investments	42,595,197
Total cash and investments	$ 37,899,616

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.

(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.

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.

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	$ 16,388,433	16,388,433	-	-	-
Held by bond trustee:					
Money market funds	26,206,764	26,206,764	-	-	-
Total	$ 42,595,197	42,595,197	-	-	-

(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

Investment Type	Total	Minimum Legal Rating	Rating as of Year End AAA	Not Rated
State investment pool	$ 16,388,433	N/A	-	16,388,433
Held by bond trustee:				
Money market funds	26,206,764	A	26,206,764	-
Total	$ 42,595,197		26,206,764	16,388,433

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.

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.

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 SCLAA'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.

(2) Cash and Investments, (Continued)

Custodial Credit Risk, (Continued)

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 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.

(3) Capital Assets

The following is a summary of changes in capital assets for SCLAA at June 30, 2018:

	Balance at 7/1/2017	Additions	Deletions	Balance at 6/30/2018
Non-depreciable assets:				
Land	$ 14,372,776	-	-	14,372,776
Construction in progress	1,091,853	3,525,771	(124,579)	4,493,045
Total non-depreciable assets	15,464,629	3,525,771	(124,579)	18,865,821
Depreciable assets:				
Buildings and improvements	180,463,587	51,210	-	180,514,797
Computer and communication	240,380	-	-	240,380
Furniture and equipment	8,406,100	178,089	(343,566)	8,240,623
Infrastructure	83,368,091	-	(76,698)	83,291,393
Intangibles	-	137,155	-	137,155
Land improvements	128,489	-	-	128,489
Vehicles	660,688	120,440	(17,340)	763,788
Total depreciable assets	273,267,335	486,894	(437,604)	273,316,625

(3) Capital Assets, (Continued)

Less accumulated depreciation:				
Buildings and improvements	(92,732,527)	(4,139,822)	-	(96,872,349)
Computer and communication	(197,983)	(22,334)	-	(220,317)
Furniture and equipment	(4,938,440)	(558,878)	343,566	(5,153,752)
Infrastructure	(39,509,045)	(2,844,572)	76,698	(42,276,919)
Intangibles Plans and Studies	-	(2,286)	-	(2,286)
Land improvements	(73,881)	(12,849)	-	(86,730)
Vehicles	(603,844)	(127,620)	17,340	(714,124)
Total accumulated depreciation	(138,055,720)	(7,708,361)	437,604	(145,326,477)
Total depreciable assets, net	135,211,615	(7,221,467)	-	127,990,148
Capital assets, net	$ 150,676,244	(3,695,696)	(124,579)	146,855,969

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is noted below:

	Balance at July 1, 2017	Additions	Retirements	Balance at June 30, 2018	Due Within One Year
Compensated Absences	$ 177,731	149,363	(95,440)	231,654	96,976
Tax Allocation Bonds:					
2005 Tax Allocation Parity Bonds	18,400,000	-	(985,000)	17,415,000	1,025,000
2006 Tax Allocation Bonds (Non-Housing)	52,180,000	-	(1,020,000)	51,160,000	1,060,000
2006 Tax Allocation Bonds (Housing)	14,015,000	-	(275,000)	13,740,000	285,000
2006 Tax Allocation Parity Bonds	42,075,000	-	(125,000)	41,950,000	135,000
2006 Tax Allocation Revenue Parity Bonds	31,760,000	-	(480,000)	31,280,000	510,000
2006 Tax Allocation Revenue Bonds	57,675,000	-	(900,000)	56,775,000	955,000
2007 Tax Allocation Bonds	36,015,000	-	(620,000)	35,395,000	650,000
2007 Tax Allocation Bonds (Non-Housing)*	39,700,000	-	-	39,700,000	39,700,000
2008 Tax Allocation Bonds*	19,920,645	1,064,232	-	20,984,877	20,984,877
Tax Allocation Funds Subtotal	311,740,645	1,064,232	(4,405,000)	308,399,877	65,304,877
Unamortized Discounts/Premiums	(2,551,538)	-	91,868	(2,459,670)	(91,869)
Total	$ 309,366,838	1,213,595	(4,408,572)	306,171,861	65,309,984

* - 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.

(4) Long-Term Liabilities, (Continued)

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

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

Bonds maturing on December 1, 2010, December 1, 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.

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, 2018, the reserve amount was $1,815,452. 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, 2018 is $17,415,000.

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.

(4) Long-Term Liabilities, (Continued)

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

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, 2018, the reserve amount was $3,553,032. 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, 2018 is $51,160,000.

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

In June 2006, the Southern California Logistics Airport Authority issued $16,855,000 principal amount of Housing Set-Aside Revenue Bonds, Refunding Series 2006. The proceeds were used to refund all of the 2003 Tax Allocation Bonds and a portion of the 2005 Tax Allocation Parity Bonds. As a result, the 2003 Tax Allocation Bonds are 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, 2018, the reserve amount was $955,069. 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, 2018 is $13,740,000.

(4) Long-Term Liabilities, (Continued)

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

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

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

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

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

The required reserve for the bonds is $4,483,177. As of June 30, 2018, the reserve amount was $4,492,908. 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, 2018 is $41,950,000.

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, 2018, the reserve amount was $2,500,193. 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, 2018 is $31,280,000.

(4) Long-Term Liabilities, (Continued)

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, 2018, the reserve amount was $4,431,789. 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, 2018 is $56,775,000.

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

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

Bonds maturing on December 1, 2012, December 1, 2017, December 1, 2022, December 1, 2027, and December 1, 2043 in the amounts of $3,265,000, $2,800,000, $3,620,000, $4,685,000 and $27,090,000 are term bonds. The outstanding bonds bear interest at 5.00%, 5.20%, 5.25%, 5.40% and 5.55% due June 1 and December 1 of each year. The amount of bonds outstanding at June 30, 2018 is $35,395,000.

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,

(4) Long-Term Liabilities, (Continued)

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

$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, 2018, in whole or in part by lot, without premium.

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

The required reserve for the Bonds is $2,824,473. As of June 30, 2018, the reserve amount was $2,825,475. 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, 2018 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.

(4) Long-Term Liabilities, (Continued)

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

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, 2018, the reserve amount was $1,106,584. 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, 2018 is $20,984,877, which includes an accretion balance of $7,924,952.

SCLAA Defaults on Bonded Debt

As of June 30, 2018, 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	$ 2,805,000	-	2,805,000
Subordinate Tax Allocation Rev Bonds, 2008A	410,000	-	410,000

The principal defaults on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A can 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. See Note 10 Subsequent Events, for update on defaults after June 30, 2018.

The following shows the changes to the default amounts during FY 2017/18 for the two subordinate bond issues in default:

	Subordinate Tax Alloc Rev Bonds, 2007	Subordinate Tax Alloc Rev Bonds, 2008A	Total
Default Balance 7/1/2017	$ 4,496,923	325,000	4,821,923
Principal Default 12/1/17	620,000	85,000	705,000
Interest Default 12/1/17	1,155,961	-	1,155,961
Pmt of Past Due Interest on 6/1/18	(3,467,884)	-	(3,467,884)
Default Balance 6/30/2018	$ 2,805,000	410,000	3,215,000

(4) Long-Term Liabilities, (Continued)

SCLAA Defaults on Bonded Debt, (Continued)

Defaults occurred on the principal and interest debt service payments due December 1, 2017 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal debt service payment due December 1, 2017 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. No defaults occurred on the debt service payments due June 1, 2018. On June 1, 2018, past due interest in the amount of $3,467,884, which resulted from defaults on 12/1/16, 6/1/17 and 12/1/17, was paid for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007.

The reserve account for the Subordinate Tax Allocation Revenue Bonds, 2008A does not meet the reserve requirement as of June 30, 2018. Reserve funds held by the Trustee were used for past debt service interest payments in order to limit the amount of defaults for these bonds. As of June 30, 2018, 83% 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 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 2017-2018, the assessed value for the Project Area was approximately $8.3 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.

(4) Long-Term Liabilities, (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding SCLAA debt as of June 30, 2018, are as follows for each fiscal year ending June 30:

Year Ending June 30	Tax Allocation Bonds Principal*	Tax Allocation Bonds Interest
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	6,550,000	14,868,625
2024-28	38,250,000	68,619,564
2029-33	49,610,000	57,817,403
2034-38	65,345,000	41,977,541
2039-43	86,570,000	20,475,234
2044-48	92,780,000	592,825
2049-51	56,765,000	-
Subtotal	419,015,000	$266,976,218
Discounts / Premiums	(2,459,670)	
Total	$ 416,555,330	

* - This total includes capital appreciation of $111,320,160 for tax allocation bonds that will be accrued in the future years.

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.

(4) Long-Term Liabilities, (Continued)

Pledged Revenue, (Continued)

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	$ 28,982,727	21,646,674	75%

(5) Advances To/From

Fund Reporting Receivable	Fund Reporting Payable	Amount	
City Housing Asset Successor (CHAS)	SCLAA	1,781,016	a)
Successor Agency *	SCLAA	10,502,996	b)
SCLAA	City of Victorville	1,931,763	c)
SCLAA	SCLAA	3,953,878	d)
	Total	$ 18,169,653	

* - 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, 2018 is $1,781,016.

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 SCLAA and to fund prior years’ capital improvements and redevelopment project expenses.

(5) Advances To/From, (Continued)

b) 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, 2018 is $10,502,996.

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

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. The outstanding balance of the advance as of June 30, 2018 is $1,931,763.

d) Per a loan agreement signed July 1, 2016 by the Board of SCLAA, an advance not to exceed $10,000,000 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, 2018 is $3,953,878.

(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.

(6) 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. The Plan's provisions and benefits in effect at June 30, 2018, 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. The Plan's actuarially is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contributions 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 contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds
Post Retirement	Contract COLA up to 2.75% until Purchasing Power Protection
Benefit Increase	Allowance Floor On Purchasing Power Applies, 2.75% thereafter

(6) Pension Plan, (Continued)

Actuarial Methods and Assumptions used to determine Total Pension Liability, (Continued)

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, 2017 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.

Changes in Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 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 7.15 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.

(6) Pension Plan, (Continued)

Discount Rate, (Continued)

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.

The target allocation shown was adopted by the Board effective on July 1, 2017.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

[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

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

(6) Pension Plan, (Continued)

Allocation of Net Pension Liability and Pension Expense to Individual Employers, (Continued)

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)	Proportionate Share
Balance at: 6/30/2016 (MD)	$ 11,435,354	8,626,302	2,805,052	7.07%
Balance at: 6/30/2017 (MD)	12,550,682	9,342,903	3,210,086	6.95%
Net Changes during 2016-17	$ 1,115,328	716,601	405,034	4.37%

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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 5,055,839	$ 3,210,086	$ 1,702,608

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

(6) Pension Plan, (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources, (Continued)

The EARSL for the Plan for the June 30, 2017 measurement date is 3.1 years, which was obtained by dividing the total service years of 3,451 (the sum of remaining service lifetimes of the active employees) by 1,103 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

For the year ended June 30, 2018, the Authority recognized a pension expense of $273,075 for the Plan.

As of June 30, 2018, 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	$ 135,501	-
Changes of Assumptions	600,829	(12,149)
Differences between Expected and Actual Experiences	-	(125,212)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	146,197	-
Total	$ 882,527	(137,361)

The $135,501 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 fiscal year ended June 30, 2019.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows (Inflows) of Resources
2019	$ 218,021
2020	386,471
2021	79,728
2022	(74,555)
2023	-
Thereafter	-

(6) Pension Plan, (Continued)

Subsequent Events

Effective June 30, 2019, the amortization period for new pension liabilities will change from the current thirty years to twenty years. This change was approved by the CalPERS Board in February 2018.

(7) Other Post-Employment Benefits Plan

Plan Descriptions

The SCLAA Plan provides medical benefits to eligible retired employees and beneficiaries in accordance with various labor agreements. The plan covers employees who retire directly from the SCLAA with 5 years of service. The Plan also provides Dental and Vision benefits to eligible former SCLAA employees with 15 years of service. The SCLAA provides a contribution up to a certain amount (a portion of the HMO single premium). The percentage varies based on years of service.

Contributions

The Authority pays benefits on a pay-as-you-go basis. For the fiscal year ended June 30, 2018, the SCLAA's cash contributions were $18,121 in cash benefit payments and the estimated implied subsidy was $8,602, resulting in total payments of $26,723.

OPEB Liability

The SCLAA's total OPEB liability was measured as of June 30, 2017 and determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	3.58%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality Rate[1]	CalPERS 1997-2011 Experience Study
Healthcare Trend Rate	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years

Discount Rate. The discount rate used to measure the total OPEB liability was 3.58 percent. The discount rate was based on the Bond Buyer 20-bond index.

(7) Other Post-Employment Benefits Plan, (Continued)

Changes in Assumptions

In 2017, the discount rate was changed from 2.85 percent to 3.58 percent.

Allocation of Total OPEB Liability to Individual Employers

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

	Total OPEB Liability	Proportionate Share
Balance at: 6/30/2016 (MD)	$ 2,122,346	8.43%
Balance at: 6/30/2017 (MD)	2,014,829	8.43%
Net Changes during 2016-17	$ (107,517)	-8.37%

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

The following presents the Total OPEB liability of the SCLAA if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Discount Rate		
	1% Decrease (2.58%)	Current Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	$ 2,434,376	$ 2,014,829	$ 1,688,298

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

The following presents the Total OPEB liability of the SCLAA if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	$ 1,625,811	$ 2,014,829	$ 2,533,264

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.

(7) Other Post-Employment 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	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (9.0 Years at June 30, 2017)

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

For the fiscal year ended June 30, 2018, the SCLAA recognized OPEB expense of $178,337. As of fiscal year ended June 30, 2018, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 26,723	-
Changes of Assumptions	-	(262,593)
Total	$ 26,723	(262,593)

The $26,723 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measure Period Ended June 30:	Deferred (Inflows) of Resources
2019	$ (32,824)
2020	(32,824)
2021	(32,824)
2022	(32,824)
2023	(32,824)
Thereafter	(98,473)

(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.

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. After settlement negotiations, the SEC dropped its claims of fraud, aiding and abetting fraud, and any requests for civil penalties or disgorgement of monetary gains from the May 2008 bond offering.

The only remaining claims were of negligence against the SCLAA and against the City, to which the City and SCLAA neither admitted nor denied the allegations. Finally, in July 2018, the City and the SCLAA entered into Consents allowing an independent consultant to review current securities related debt issuance policies and procedures. The proposed settlement along with the Proposed Final Judgements and Consents were filed with the federal court and became final with the approval of the United States District Judge on July 30, 2018.

(9) 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 $9.2 million. After depreciation expense of $7.4 million, SCLAA had a net gain of $1.8 million. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	SCLAA Deficit Balance
Beginning Net Position	$ (137,908,573)
Net Income	1,799,125
Ending Net Position	$ (136,109,448)

Additionally, the SCLAA defaulted on debt service payments for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and 2008A. Use of reserves were necessary in the past to make interest debt service payments. As a result, the cash held in reserve accounts for these debt issues were below required minimums, however, the reserves for the Series 2007 Bonds were fully replenished in June 2018. The reserves for the Series 2008 Bonds remain below reserve requirements. See footnote 4 for further information.

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

Southern California Logistics Airport Authority, (Continued)

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 continued to draw down the General Fund and SCLAA reserves during 2017-2018 with the settlement of the SEC lawsuit. See Note 8 for additional details. The City and the SCLAA did not need to budget for material legal fees for 2018-2019.

The budget for the General Fund in fiscal year 2018-2019 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, 2018 with an unassigned General Fund reserve $6,178,917 or a 10% 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.

(10) Subsequent Events

Default on Bonded Debt

After paying all debt service payments on December 1, 2018, $3,440,106 was sent to the Trustee to fully replenish the reserves for the Subordinate Tax Allocation Revenue Bonds, 2008A and pay all past due principal debt service for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. With this distribution, all debt service is now current, all reserve requirements are met, and SCLAA is no longer in default.

(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.

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

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.

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.

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

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.

(12) Prior Period Adjustments

The implementation of GASB Statement No. 75 requires reporting the Authority's OPEB liability on the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Statement No. 75 resulted in reducing the net position by $2,099,086 at the beginning of fiscal year 2018. The prior year comparative information was not restated because the actuarial information necessary to restate the information was not available.

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY SCHEDULES

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

Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Plan’s Proportion of the Net Pension Liability (Asset)	6.95%	7.07%	6.87%	6.76%
Plan’s Proportionate Share of the Net Pension Liability (Asset)	$ 3,210,086	$ 2,805,052	$ 2,090,587	$ 1,880,791
Plan’s Covered Payroll	1,475,502	1,428,126	1,365,228	1,310,612
Plan’s Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	217.56%	196.41%	153.13%	143.50%
Plan’s Proportion of the Fiduciary Net Position as a Percentage of the Plan’s Total Pension Liability	5.18%	5.33%	5.50%	6.76%
Plan’s Proportionate Share of Aggregate Employer Contributions	$ 273,075	$ 233,116	$ 197,631	$ 184,492

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

Notes to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (aka Golden Handshakes).

*Changes in assumptions - In 2017, t*he discount rate was changed from 7.65 percent (net of administrative expense) to 7.15 percent. 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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
Schedule of Plan Contributions (Cost Sharing Plan)
Last Ten Fiscal Years*

Fiscal Year	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Actuarially Determined Contribution	$ 135,501	$ 273,075	$ 233,116	$ 197,631	$ 184,492
Contributions in relation to the Actuarially Determined Contribution	(135,501)	(273,075)	(233,116)	(197,631)	(184,492)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,496,715	$ 1,475,502	$ 1,428,126	$ 1,365,228	$ 1,310,612
Contributions as a Percentage of Covered Payroll	9.05%	18.51%	16.32%	14.48%	14.08%

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

Notes to schedule:

Fiscal Year End:	6/30/2018
Valuation Date:	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Discount Rate	7.65%
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50 Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	2010 CaPERS Experience Study from 1997 to 2007
Mortality	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	Derived using CalPERS' Membership Data for all funds Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
Schedule of the Plan's Proportionated Share
of the Total OPEB Liability (Cost Sharing Plan)
Last Ten Fiscal Years*

Measurement Date	2017-2018
Plan's Proportion of the Total OPEB Liability	8.43%
Plan's Proportionate Share of the Total OPEB Liability	$ 2,014,829
Plan's Covered Payroll	1,494,600
Plan's Proportionate Share of the Total OPEB Liability as a percentage of its Covered Payroll	134.81%
Plan's Proportionate Share of Aggregate Employer Contributions during FY 17/18	$ 26,723

**The fiscal year ended June 30, 2018 was the first year of implementation. Information for the last 10 years is not available.*

Notes to Schedule:

Changes in assumptions. The discount rate was changed from 2.85 percent (net of administrative expense) to 3.58 percent for the measurement period ended June 30, 2017.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
Combining Schedule of Net Position
June 30, 2018
(with comparative data for June 30, 2017)

Assets:	Aeronautical	Non Aeronautical	Other Services	Totals 2018	Totals 2017
Current assets:					
Cash and investments	$ (4,056,754)	114,032	15,635,556	11,692,834	17,188,127
Cash and investments with fiscal agent	-	-	26,206,782	26,206,782	19,822,110
Accounts receivable, net	274,104	12	-	274,116	478,158
Due from other governments	688,512	-	1,009,682	1,698,194	18,609
Inventory	15,845	-	-	15,845	10,630
Total current assets	(3,078,293)	114,044	42,852,020	39,887,771	37,517,634
Noncurrent assets:					
Prepaid items	839	128	-	967	494
Advances to other funds	-	-	3,953,878	3,953,878	2,592,188
Advances to City of Victorville	-	-	1,931,763	1,931,763	1,923,175
Advances to other governments	-	-	-	-	131,776
Nondepreciable capital assets	4,493,045	-	14,372,776	18,865,821	15,464,629
Depreciable capital assets, net	12,861,436	-	115,128,712	127,990,148	135,211,615
Total noncurrent assets	17,355,320	128	135,387,129	152,742,577	155,323,877
Total assets	14,277,027	114,172	178,239,149	192,630,348	192,841,511
Deferred Outflow of Resources:					
Deferred outflows - OPEB related	26,723	-	-	26,723	-
Deferred outflow - pension related	870,880	11,647	-	882,527	860,540
Deferred charge on refunding	-	-	2,070,474	2,070,474	2,204,990
Total deferred outflow of resources	897,603	11,647	2,070,474	2,979,724	3,065,530
Liabilities:					
Current liabilities:					
Accounts payable	1,741,810	16,336	280	1,758,426	353,451
Interest payable	-	-	1,355,003	1,355,003	3,688,197
Unearned revenue	193,308	-	-	193,308	121,926
Bonds subject to call	-	-	60,684,877	60,684,877	59,620,645
Long-term liabilities, due within one year	96,976	-	4,528,131	4,625,107	4,405,160
Total current liabilities	2,032,094	16,336	66,568,291	68,616,721	68,189,379
Noncurrent liabilities:					
Accrued rent credit payable	378,163	-	-	378,163	503,060
Advances from other funds	3,953,878	-	-	3,953,878	2,592,188
Advances from City of Victorville	-	-	1,781,016	1,781,016	1,755,951
Advances from other governments	-	-	10,502,996	10,502,996	10,355,181
Total OPEB liability	2,014,829	-	-	2,014,829	-
Net pension liability	3,196,606	13,480	-	3,210,086	2,805,052
Long-term liabilities, due beyond one year	134,676	-	240,727,201	240,861,877	245,341,036
Total noncurrent liabilities	9,678,152	13,480	253,011,213	262,702,845	263,352,468
Total liabilities	11,710,246	29,816	319,579,504	331,319,566	331,541,847
Deferred Inflows of Resources:					
Deferred inflows - OPEB	262,593	-	-	262,593	-
Deferred inflows - actuarial	134,102	3,259	-	137,361	174,681
Total deferred outflows of resources	396,695	3,259	-	399,954	174,681
Net position (deficiency):					
Net position (deficiency):					
Net investment in capital assets	17,354,481	-	(148,161,463)	(130,806,982)	(136,485,763)
Unrestricted	(14,286,792)	92,744	8,891,582	(5,302,466)	676,276
Total net position (deficiency)	$ 3,067,689	92,744	(139,269,881)	(136,109,448)	(135,809,487)

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2018
(with comparative data for June 30, 2017)

	Aeronautical	Non Aeronautical	Other Services	Total 2018	Total 2017
Operating revenues:					
Charges for services:					
Landing fees	$ 889,690	-	-	889,690	296,219
Fuel flowage fees	411,315	-	-	411,315	786,301
Rent and lease revenue	5,054,923	149,250	1,000,000	6,204,173	5,866,877
Total charges for services	6,355,928	149,250	1,000,000	7,505,178	6,949,397
Fines and forfeitures	25,855	-	-	25,855	-
Other	378,784	2,955	-	381,739	316,279
Total Operating Revenues	6,760,567	152,205	1,000,000	7,912,772	7,265,676
Operating expenses:					
Personnel services	2,572,580	22,213	-	2,594,793	2,009,557
Maintenance and operations	8,486,416	126,995	19,873	8,633,284	5,181,728
Depreciation	1,059,421	-	6,375,406	7,434,827	7,409,060
Total operating expenses	12,118,417	149,208	6,395,279	18,662,904	14,600,345
Operating income (loss)	(5,357,850)	2,997	(5,395,279)	(10,750,132)	(7,334,669)
Nonoperating revenues (expenses):					
Taxes	1,584	-	28,218,258	28,219,842	24,497,408
Investment income	138	912	509,276	510,326	223,393
Interest expense	(161,690)	-	(17,978,896)	(18,140,586)	(18,059,453)
Gain (loss) on sale of capital assets	22,222	-	-	22,222	14,245
Other	(559,917)	-	(42,777)	(602,694)	(81,723)
Total nonoperating revenues (expenses)	(697,663)	912	10,705,861	10,009,110	6,593,870
Income (loss) before transfers and capital contributions	(6,055,513)	3,909	5,310,582	(741,022)	(740,799)
Capital contributions	-	-	-	-	69,107
Capital grants	2,540,147	-	-	2,540,147	-
Total contributions and transfers	2,540,147	-	-	2,540,147	69,107
Change in net position	(3,515,366)	3,909	5,310,582	1,799,125	(671,692)
Net position (deficiency) at beginning of year, as restated	6,583,055	88,835	(144,580,463)	(137,908,573)	(135,137,795)
Net position (deficiency) at end of year	$ 3,067,689	92,744	(139,269,881)	(136,109,448)	(135,809,487)