



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014



# CITY OF VICTORVILLE

CITY OF VICTORVILLE  
Victorville, California

Comprehensive Annual Financial Report

Year ended June 30, 2014

Prepared by  
Department of Finance

*Cover photo courtesy of Felipe Sanchez*



CITY OF VICTORVILLE  
Comprehensive Annual Financial Report  
Year ended June 30, 2014

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February 12, 2015

To: The Citizens of the City of Victorville,  
The Mayor and City Council, and  
The City Manager

### **Introduction**

The Administrative Services department presents to you the City of Victorville's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. The Comprehensive Annual Financial Report consists of the following: transmittal letter, the independent auditor's report, management's discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, the combining and individual fund statements and schedules, and the statistical section.

This report consists of management's representations concerning the finances of the City of Victorville. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

It is the policy of the City of Victorville to have an annual audit performed by an independent certified public accountant. The City's financial statements for the fiscal year ended June 30, 2014 were audited by Mayer Hoffman McCann P.C, Certified Public Accountants. An independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditor's unqualified opinion on the basic financial statement is included in the Financial Section of this report.

GASB Statement 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Victorville's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Victorville is located in the High Desert, along Interstate 15, about 40 miles north of the City of San Bernardino, and serves an area of 74.09 square miles, with a population of approximately 120,590.

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

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

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

## **Local Economy**

Victorville continued to thrive with its economic growth. Completion of commercial development, such as Super Wal-Mart and several other retail businesses on Highway 395, helped bring additional revenues to the City.

Unemployment rates have declined over the past year; Victorville rates still remain high in comparison to the State. The California Employment Development Department reports that as of June 2014, Victorville's unemployment rate was 10.2%, a decline of 2.3% from 2013.

In fiscal year 2014, sales tax collections increased by about 4%. Retail sales of general consumers goods continue to show strong numbers. Auto and transportation

industries, such as car dealers and service stations, are slowly gaining back their sales tax revenue. Retail sales and autos make up more than 60% of sales tax revenue generated in the City of Victorville.

Southern California home prices continue to rise. Low mortgage interest rates, combined with low housing inventory, continue to drive up demand for housing. Victorville's median housing price at the end of June 2013 was \$155,000 and at the end of June 2014, that price has soared up to \$167,000 an 8% increase in home price value. Economists predict that the price and the demand for housing will continue to rise until interest rates increase.

The economy is slowly turning around, as shown by an increase in retail sales of consumable goods. Strong sales and new business additions boosted sales tax revenues for the City. The current pattern of increase still continues through the remainder of fiscal year 2015. Property tax revenue also continues to grow, but at a more modest pace than the prior year.

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

The 2015 fiscal year budget still continues to practice conservative revenue estimates. Overall, the 2015 budget anticipates a small increase in most revenues. The total estimated revenue for the general fund will be \$51.5 million, an increase of \$2.4 million as compared to 2014 fiscal year budget. The total General Fund expenditures are estimated slightly higher than that of fiscal year 2014 due to increases in police and fire contracts.

Annually, the City of Victorville updates its five year Capital Improvement Project (CIP) plan. Planned capital expenditures for FY 2014-15 total \$26.1 million. The CIP includes: street, traffic signal, drainage and sewer improvements in various locations; ROW relocation, water pumps, wells and pipeline replacement, truck and vehicle replacement for the Water District; construction of a percolation pond for the waste water treatment facility; ramp and runway rehabilitation at the airport; and Palmdale yard improvement. Funding comes from multiple sources including Measure I fund, Local Transportation fund, Gas Tax fund, Storm Drain Utility and Sewer funds, Water fund and various grants.

Due to an ongoing lawsuit from the Security Exchange Commission (SEC) and SCLAA's defaults on bonded debt, the ability to obtain future financing for the City of Victorville and SCLAA can be very challenging. The trial for the SEC lawsuit has been delayed, but is expected to begin sometime in 2015. The defaulted bonds were partially paid from reserves in the Trustee account. SCLAA plans to make up future payments as soon as there is an increase in future tax increment revenue. Reduction in tax increment revenues have been due to a decrease in assessed values for the Victor Valley Redevelopment Project Area, which was a result of the economic downturn.

Another economic challenge for the City of Victorville is the rising cost in contributions to the state's CalPERS pension system. The recent actuarial statement from CalPERS projects that the contribution will be at 17.038% by 2015-16 and then at 18.2% by 2016-



17. This projection does not take into account the employee contribution that is paid by the City. Management is looking into ways of addressing these increases.

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

### **Highlights**

During the fiscal year ended June 30, 2014, the City continued to see a slight improvement in economic growth. Some of the highlights of the year were:

- Valley Center repaving and street widening, with the section from 7<sup>th</sup> street to Lorene being completed and reopened in August.
- La Mesa/Nisqualli Bridge with on/off ramps was completed and opened in September.
- Public Works poured over 6,700 square feet of new sidewalk in various locations throughout the city.
- The Water Department placed new water pipeline and fire hydrants along Seneca Road between Borrego Road and Carob Street. The project was completed in September.
- In March, the City laid new infrastructure linking existing water, storm drain, and sewer on Seneca road between Hesperia and Woodland. Also, this section of dirt road was paved to connect the two paved areas and sidewalks with curbs and gutters being poured.
- New traffic signals were installed along La Mesa Road in May.
- The City was awarded over \$1.2 million in CDBG money to continue to support public service programs, construction for public buildings, and housing, including the Senior Housing Repair Program.
- The voters of Victorville approved a citywide street lighting assessment district in July.
- In August, the City Council approved an agreement between SCLA and Boeing Company to expand its operations at SCLA.
- In addition to the new Macy's that opened in prior fiscal year, the Victor Valley Mall has been busy with the opening of Dick's Sporting Goods and Red Robin restaurant in November 2013.
- In February 2014, World Gym opened its second Victorville location on Valley center Drive. This gym is a 32,000 square foot facility with various degrees of fitness exercise and equipment.
- Kaiser Permanente finished construction on its additional medical building on Park Avenue in March 2014. This project included new parking lots and medical office building, with 9 doctor's offices and 16 exam rooms.

- Between April and June 2014, the Victorville West Wal-Mart Supercenter, Panda Express, and Auto Zone located on Palmdale at Highway 395 finished their constructions and opened for business.

### **Cash Management Policies and Practices**

Cash which is temporarily idle during the year was invested in the Local Agency Investment Fund. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Nearly all investments held by the City at June 30, 2014 are classified in the category of lowest custodial credit risk as defined by the Government Accounting Standards Board.

This Investment Policy is reviewed annually to ensure its consistency with respect to the overall objectives of safety, liquidity and yield, and its relevance to current laws and financial trends. Proposed amendments to the Policy are prepared by Finance staff and then reviewed and approved by the City Manager and City Council.

### **Risk Management**

The City participates in the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA provides \$40 million of general liability coverage per occurrence and is responsible for paying claims in excess of the City's \$50,000 deductible. The City also participates in PERMA's worker's compensation coverage program where the City has a \$250,000 deductible. In addition, various risk control techniques, including a safety committee, have been implemented to minimize losses.

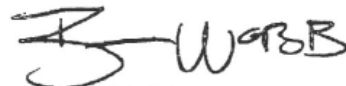
### **Acknowledgements**

We would also like to thank the mayor and the governing council for their interest and support toward conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



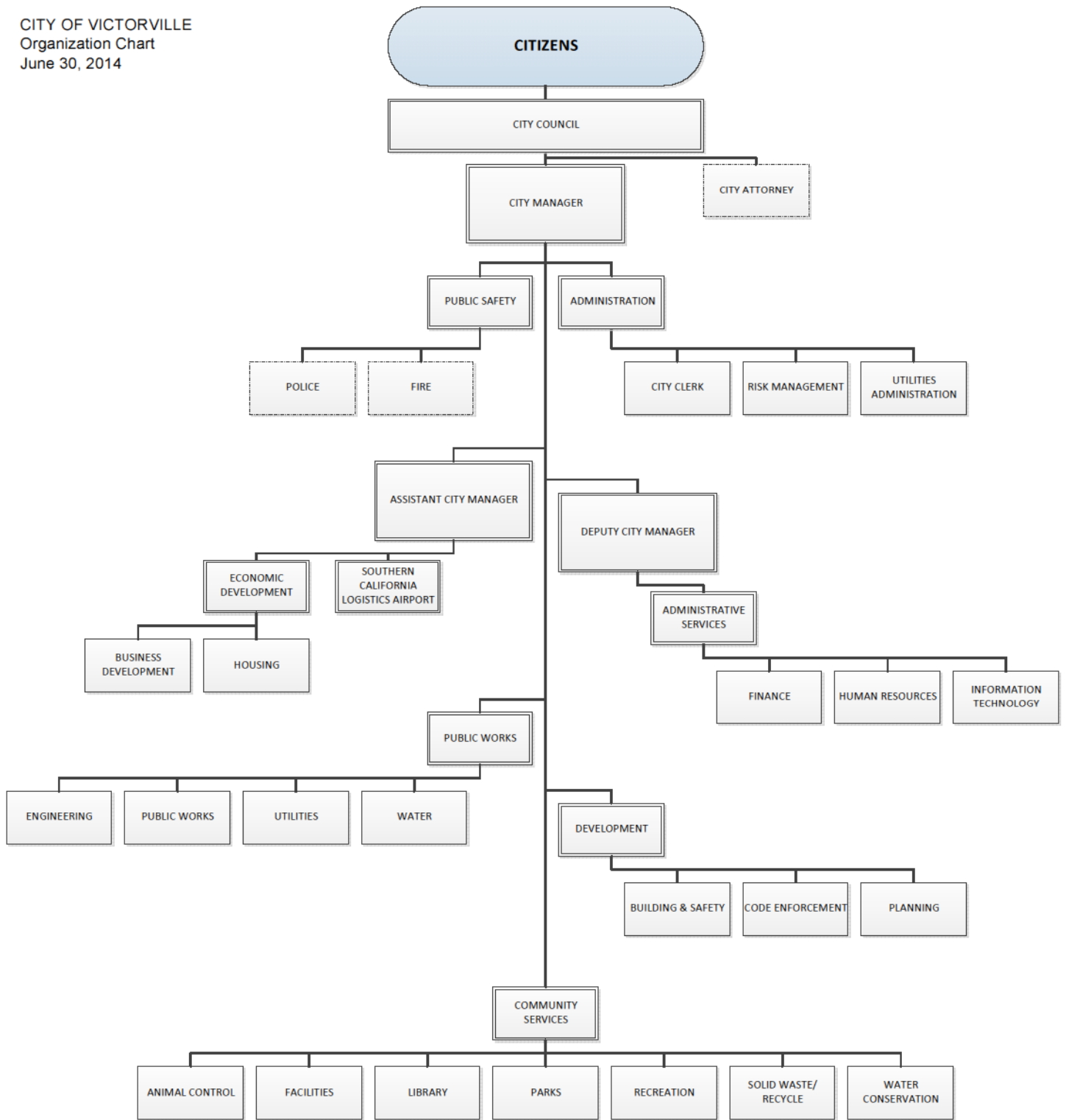
Pat Rosenberg,  
Finance Manager  
ADMIN SERVICES DEPT



Bill Webb,  
Deputy City Manager  
ADMIN SERVICES DEPT

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CITY OF VICTORVILLE  
 Organization Chart  
 June 30, 2014



# CITY OF VICTORVILLE

## Elected Officials and Administrative Personnel

June 30, 2014

### Elected Officials



**Mayor**  
Jim Cox



**Mayor Pro-Tem**  
Ryan McEachron



**Council Member**  
Gloria Garcia



**Council Member**  
Jim Kennedy



**Council Member**  
Angela Valles

### Administrative Personnel

City Manager	Douglas B. Robertson
City Clerk	Carolee Bates
Assistant City Manager	Keith Metzler
Deputy City Manager	Bill Webb
Director of Community Services	Christian Guntert
Chief Financial Officer	Adele Mosher
Acting Director of Development	Chris Borchert
Director of Engineering, Public Works, Water	Sean A. McGlade
Fire Chief	Dan Munsey
Police Chief	Sam Lucia



Honorable Mayor and City Council  
City of Victorville, California

## **INDEPENDENT AUDITORS' REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Victorville's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

The Southern California Logistics Airport Authority is a component unit of the City. The accompanying financial statements have been prepared assuming that the Southern California Logistics Airport Authority (SCLAA) will continue as a going concern. As discussed in note 20 to the financial statements, the SCLAA has suffered recurring losses in recent years and the SCLAA has defaulted on a number of its recent debt payments. The statewide dissolution of all redevelopment agencies in the State of California creates additional uncertainty with respect to the SCLAA due to its dependency upon tax increment funding from the Victor Valley Economic Development Authority. These circumstances raise substantial doubt about the SCLAA's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the SCLAA be unable to continue as a going concern. Our opinion is not modified with respect to this matter.

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

The financial statements for the year ended June 30, 2014 reflect certain prior period adjustments as described further in note 23 to the financial statements. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited the City of Victorville's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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* and the *budgetary comparison information* for the General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015 on our consideration of the City of Victorville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Victorville's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Mayor Hoffman" followed by some illegible initials or a date.

Irvine, California  
February 12, 2015

**City of Victorville  
Management's Discussion and Analysis**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Victorville, we offer readers of Victorville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying table of contents.

Using the Accompanying Financial Statements

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

**City of Victorville  
Management's Discussion and Analysis**

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

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

## City of Victorville Management's Discussion and Analysis

### Reporting the City as a Whole

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

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

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

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

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

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

### Reporting the City's Major Funds

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

**Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds as well as the balances that are left at year end which are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can be readily converted to cash. The governmental fund statements provide a detailed

## **City of Victorville Management's Discussion and Analysis**

*short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.

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

### Reporting the City's Fiduciary Responsibilities

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

**City of Victorville  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

**City of Victorville's Net Position**

	Governmental activities		Business-type activities	
	2014	2013	2014	2013
Cash and Investments	\$ 39,804,949	\$ 36,721,022	\$ 93,995,077	\$ 84,107,628
Other Assets	12,955,446	12,314,704	16,741,213	16,621,002
Interfund Balances	(5,450,265)	(5,582,825)	5,450,265	5,582,825
Capital Assets	474,471,135	496,544,227	463,057,742	477,418,883
<b>Total assets</b>	<b>521,781,265</b>	<b>539,997,128</b>	<b>579,244,297</b>	<b>583,730,338</b>
Deferred charge on refunding	-	-	2,728,859	2,875,880
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>2,728,859</b>	<b>2,875,880</b>
Other Liabilities	6,707,418	4,517,878	80,530,963	127,777,087
Long-Term Liabilities	18,532,231	21,933,108	330,879,501	287,775,512
<b>Total Liabilities</b>	<b>25,239,649</b>	<b>26,450,986</b>	<b>411,410,464</b>	<b>415,552,599</b>
Net Position:				
Invested in Capital Assets, Net of Related Debt	462,431,920	478,455,011	188,424,841	194,387,445
Restricted	45,594,025	48,920,900	8,604,147	7,200,324
Unrestricted	(11,484,329)	(13,829,769)	(26,466,296)	(30,534,150)
<b>Total Net Position</b>	<b>\$ 496,541,616</b>	<b>\$ 513,546,142</b>	<b>\$ 170,562,692</b>	<b>\$ 171,053,619</b>

Net Position serves as a useful indicator of a government's financial position. In the case of the City of Victorville, Net Position of the City's business activities decreased by \$490 thousand while the governmental activities reduced by \$17 million or 3% at the close of the most recent fiscal year. The governmental activities decreased primarily due to annual depreciation adjustment in infrastructure reported in the General Fixed Account Group.

**Governmental Activities**

The reasons for the significant changes in the revenue and expenses within the City's governmental activities presented are as follows:

- Operating Contributions and Grants decreased by \$12.4 million due to a one-time adjustment in fiscal year 2013 of capital assets to a new housing fund that was previously recorded in the former Redevelopment Agency fund.
- All major tax revenue, except for Property Taxes, increased by \$1.9 million or 8% due to economic growth and an increase in consuming spending.
- Total expenses increased by \$6.2 million from fiscal year 2013 in all categories except for Community Development and Park & Recreation. The largest increases occurred in Public Safety and Public Works which resulted from an increase in Police and Fire contracts and La Mesa/Nisqualli Bridge construction.

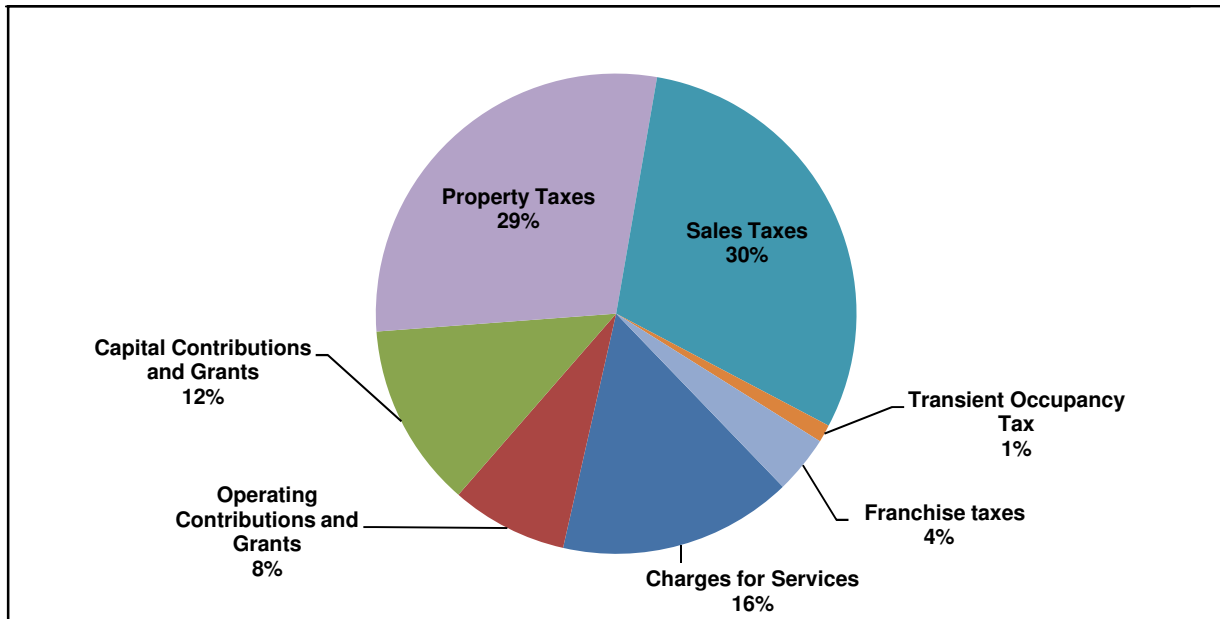
**City of Victorville  
Management's Discussion and Analysis**

**City of Victorville's Change in Net Position (Table 2)**

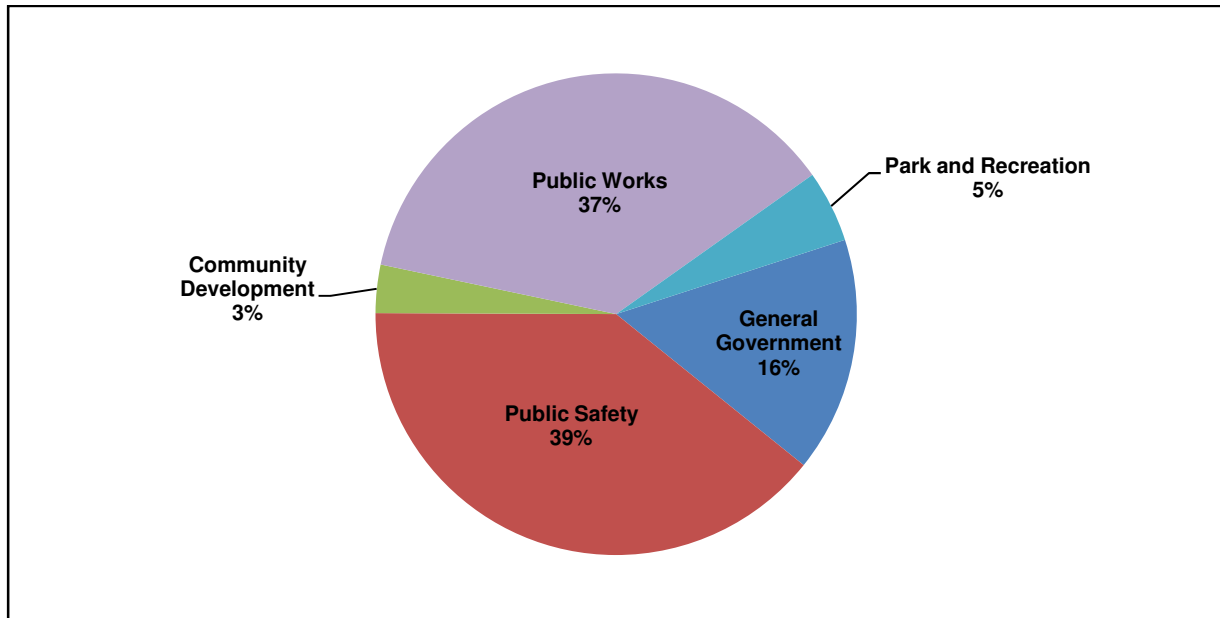
	Governmental activities		Business-type activities	
	2014	2013	2014	2013
<b>Revenues:</b>				
Program revenues:				
Charges for Services	\$ 11,740,545	\$ 10,933,557	\$ 73,043,133	\$ 73,854,864
Operating Contributions and Grants	5,859,217	18,265,583	-	-
Capital Contributions and Grants	9,251,456	6,939,875	2,656,601	2,576,264
General Revenues:				
Property Taxes	21,521,733	21,926,255	18,418,166	20,413,549
Sales Taxes	22,328,737	20,670,911	-	-
Transient Occupancy Tax	881,275	841,113	-	-
Franchise taxes	2,892,178	2,684,493	-	-
Other Taxes	-	-	-	-
Investment Income	138,108	168,737	192,450	200,225
Motor vehicle in Lieu, unrestricted	30,605	51,098	-	-
Gain ( loss) on sale of Assets	33,503	-	-	60,000
Legal Settlement	-	1,753,586	-	52,246,414
Miscellaneous Revenues	189,975	691,082	1,901,907	1,767,777
<b>Total Revenues</b>	74,867,332	84,926,290	96,212,257	151,119,093
<b>Expenses:</b>				
General Government	14,341,915	13,691,221	-	-
Public Safety	35,678,855	32,118,214	-	-
Community Development	2,931,435	4,093,538	-	-
Public Works	33,471,587	29,845,737	-	-
Park and Recreation	4,395,216	4,813,485	-	-
Sanitary	-	-	12,415,221	11,114,306
Airport	-	-	32,528,185	30,844,664
Golf Courses	-	-	2,231,139	2,418,562
Solid Waste Management	-	-	13,011,398	12,383,080
Water	-	-	28,419,422	29,842,378
Rail	-	-	269,314	274,680
Municipal utility	-	-	10,746,587	11,767,274
Interest on Long-Term Debt	60,628	74,363	-	-
<b>Total Expenses</b>	90,879,636	84,636,558	99,621,266	98,644,944
Change in Net Position before Transfers	(16,012,304)	289,732	(3,409,009)	52,474,149
Transfers	(992,222)	(2,328,376)	992,222	2,328,376
<b>Change in net position</b>	(17,004,526)	(2,038,644)	(2,416,787)	54,802,525
Net Position as of 07/01/2013	513,546,142	515,584,786	172,979,479	116,251,094
<b>Net Position as of 06/30/2014</b>	\$ 496,541,616	\$ 513,546,142	\$ 170,562,692	\$ 171,053,619

**City of Victorville  
Management's Discussion and Analysis**

**Revenues by Source - Governmental Activities**



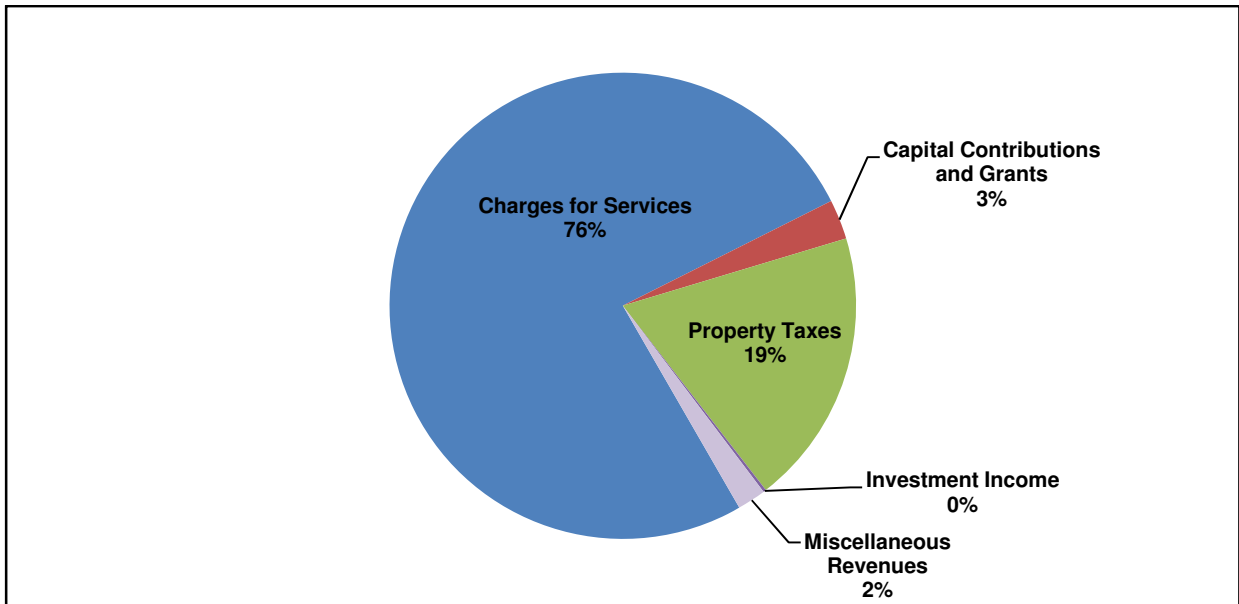
**Expenses by Function - Governmental Activities**



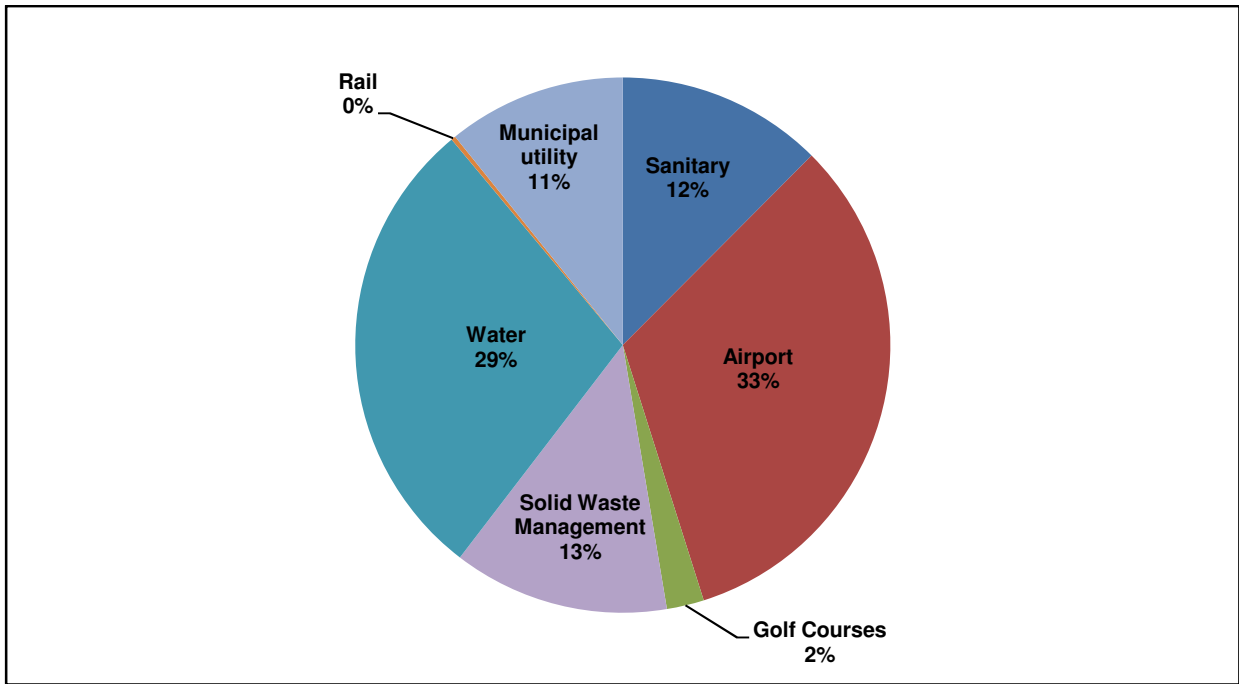


**City of Victorville  
Management's Discussion and Analysis**

**Revenue by Source- Business-type Activities**



**Expenses by Function – Business-type Activities**



## **City of Victorville Management's Discussion and Analysis**

### **Business-type activities**

During the year ended June 30, 2014, the City's business-type Net Position decreased in the amount of \$2.4 million. Revenue in the City's business-type activities (see Table 2) decreased by 36% and expenses decreased by 1%. The factors driving these results included:

- Charges for services decreased in all business-type activities. The revenue decreased by 1% percent, or \$812 thousand, from the 2013 fiscal year.
- Other general revenue decreases included a receipt of \$52 million from Carter Burgess due to lawsuit settlement in 2013.
- Total expenses were increased by \$976 thousand. The increase was primarily due to the following: additional legal expenses for the SEC lawsuit at the Airport, cost allocation and depreciation increases for both Sanitary and Solid Waste.

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

### **Major Governmental Funds**

#### **General Fund**

The General Fund is the chief operating fund of the City of Victorville. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4.6 million, while the total fund balance was \$4.8 million. As a measure of the General Fund's liquidity, the unassigned fund balance and the total fund balance represents 10% of the total general fund expenditures.

General Fund revenues have increased by \$395 thousand this fiscal year. Almost all of the increased revenues were from Intergovernmental and Charges for Services. General Fund expenditures increased by \$ 3.8 million. The resulting increase came primarily from public safety and legal fees.

#### **General Fund Budget**

There was a minor difference between the original budget and the final amended budget for revenue in the General Fund. The increase was mainly due to property taxes and charges for services. Total expenditures also showed an increase. General Government expenditures increased due to addition legal costs related to the SEC lawsuit. Public safety expenditures showed a slight increase due to additional pension costs. Other expenditures declined as a result of various cost cutting measures.

These deviations did not significantly affect the City's liquidity or ability to provide future government services.

**City of Victorville  
Management's Discussion and Analysis**

**Capital Impact Facilities Fund**

This fund accounts for the acquisition or construction of major capital facilities related to public improvements. Fees are collected from developers to pay for additional roads, parks, public buildings, fire service, and public safety to support development. Total revenue collected decreased by \$171 thousand this fiscal year. Total expenditures also showed a decrease of \$73 thousand due to a reduction in development.

**Major Enterprise Funds**

The unrestricted Net Position of the Victorville Water District, Southern California Logistic Airport Authority, Municipal Utility Fund, Solid Waste Management, and Sanitary Fund had a total negative balance of \$26.5 million, decreasing the negative balance of last year's total of \$30.5 million by \$4 million. All funds showed an increase in the unrestricted Net Position account except for Solid Waste and City Golf Course. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2014	2013	2014	2013
Land	\$ 37,325,224	\$ 37,992,432	\$ 42,939,917	\$ 43,203,588
Land Right of way	179,995,939	179,995,939	-	-
Buildings and Improvements	48,285,971	50,306,247	134,426,270	140,003,019
Furniture and Equipment	1,398,273	1,677,100	26,921,304	31,212,247
Computer and Communication	249,111	128,612	273,830	403,248
Vehicles	99,634	70,934	537,681	706,988
Infrastructure	192,340,049	186,393,033	218,704,944	224,980,958
Land Improvement	109,317	123,125	439,493	496,089
Water Rights	-	-	14,186,605	14,254,993
Intangible Assets	10,888	19,598	4,631,819	4,908,993
Construction in progress	2,617,515	21,747,992	19,995,879	19,174,620
Total	<u>\$462,431,921</u>	<u>\$ 478,455,012</u>	<u>\$ 463,057,742</u>	<u>\$ 479,344,743</u>

**Capital assets:** The City of Victorville's investment in capital assets for its governmental and business-type assets as of June 30, 2014, amounted to 925 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture, equipment, computers, communications, vehicles, roads, streets, storm drain, sewer, water lines, and gas lines. The total decrease in the City of Victorville's capital assets for the current fiscal year was \$32 million, or 3 percent (a \$16 million decrease for governmental activities and a \$16 million decrease for business-type activities). The decrease is primarily due to depreciation expenses. The major additions to capital assets during the year ended June 30, 2014 were: \$22 million in infrastructure improvements including La Mesa traffic signals, a pipeline and paving project on Seneca Road and pipeline and paving around the La Mesa/Nisqualli interchange area.

**City of Victorville  
Management's Discussion and Analysis**

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

**Long-term debt:** At the end of the current fiscal year, the City of Victorville had a total outstanding debt of \$407 million. Of this amount, \$322 million is tax allocation debt, and \$16 million is OPEB obligation. The remainder of the City of Victorville's debt represents bonds secured solely by specified revenue sources. The City of Victorville's total debt decreased by \$8.4 million in fiscal year 2014. This decrease is primarily due to a reduction in Tax Allocation Bond principal payments and a settlement payment made to Nutro Company for the Claim Payable.

Additional information on the City of Victorville's long-term debt can be found in Note 6 on the Notes to Basic Financial Statement.

**City of Victorville's Outstanding Debt**

	Governmental activities		Business activities	
	2014	2013	2014	2013
Compensated Absences	\$ 2,882,877	\$ 2,660,489	432,608	427,758
OPEB Obligation	14,772,400	12,268,691	1,071,134	891,923
Claim Payable	876,954	953,928	-	1,471,661
Lease Agreement	-	-	748,475	1,132,780
Loans Payable	-	6,050,000	-	-
Tax Allocation Bond	-	-	321,507,536	324,330,317
Revenue Bond	-	-	54,422,500	54,612,500
Certificate of Participation	-	-	12,875,000	13,260,000
Refunding Charges & Unamortized	-	-	(2,765,216)	(2,861,797)
<b>Total</b>	<b><u>\$ 18,532,231</u></b>	<b><u>\$ 21,933,108</u></b>	<b><u>\$ 388,292,037</u></b>	<b><u>\$ 393,265,142</u></b>

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

CITY OF VICTORVILLE  
Statement of Net Position  
June 30, 2014  
(with comparative totals for June 30, 2013)

	Governmental	Business-Type	Totals	
	Activities	Activities	2014	2013
<b>Assets:</b>				
Cash and investments (note 2)	\$ 39,774,893	69,744,410	109,519,303	95,118,014
Cash with fiscal agent (note 2)	-	23,458,098	23,458,098	24,847,876
Restricted cash (note 2)	30,056	792,569	822,625	860,330
Receivables:				
Accounts	1,752,997	8,817,113	10,570,110	9,710,553
Interest	41,559	11,787	53,346	57,043
Due from other governments	8,868,120	45,684	8,913,804	9,185,646
Deposits and prepaid items	937,560	446,883	1,384,443	1,706,416
Inventory and other assets	168,422	504,127	672,549	696,095
Interfund balances	(5,450,265)	5,450,265	-	-
Advances to other governments (note 3)	-	6,915,619	6,915,619	6,998,744
Land held for resale (note 5)	12,039,214	-	12,039,214	18,089,215
Capital assets, net (note 4)	462,431,921	463,057,742	925,489,663	955,873,895
Long-term notes receivable	1,186,788	-	1,186,788	583,639
Total assets	<u>521,781,265</u>	<u>579,244,297</u>	<u>1,101,025,562</u>	<u>1,123,727,466</u>
<b>Deferred Outflows of Resources:</b>				
Deferred charge on refunding	-	2,728,859	2,728,859	2,875,880
Total deferred outflows of resources	<u>-</u>	<u>2,728,859</u>	<u>2,728,859</u>	<u>2,875,880</u>
<b>Liabilities:</b>				
Accounts payable	5,296,160	5,111,514	10,407,674	7,613,466
Accrued liabilities	766,645	-	766,645	507,141
Interest payable	-	1,729,087	1,729,087	1,773,429
Deposits payable	24,595	1,641,763	1,666,358	1,913,909
Prepaid water connection fees	-	1,395,788	1,395,788	1,395,788
Unearned revenue	620,018	-	620,018	251,792
Accrued rent credit payable	-	1,300,678	1,300,678	1,439,123
Bonds subject to call (note 8)	-	57,412,536	57,412,536	117,400,317
Noncurrent liabilities:				
Advances from other governments (note 3)	-	11,939,597	11,939,597	11,910,687
Long-term liabilities (note 7 & 8)				
Due within one year	1,142,079	4,814,667	5,956,746	12,702,944
Due in more than one year	17,390,152	326,064,834	343,454,986	285,094,989
Total liabilities	<u>25,239,649</u>	<u>411,410,464</u>	<u>436,650,113</u>	<u>442,003,585</u>
<b>Net Position:</b>				
Net investment in capital assets	462,431,920	188,424,841	650,856,761	672,842,456
Restricted for:				
Public safety	114,128	-	114,128	123,666
Community development	12,333,674	-	12,333,674	19,254,385
Public works	33,146,223	-	33,146,223	29,542,849
Capital asset construction	-	4,659,538	4,659,538	3,834,737
Debt service	-	3,944,609	3,944,609	3,365,587
Unrestricted	(11,484,329)	(26,466,296)	(37,950,625)	(44,363,919)
Total net position	<u>\$ 496,541,616</u>	<u>170,562,692</u>	<u>667,104,308</u>	<u>684,599,761</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE  
Statement of Activities  
Year ended June 30, 2014  
(with comparative totals for year ended June 30, 2013)

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental activities:</b>				
General government	\$ 14,341,915	4,351,024	-	-
Public safety	35,678,855	1,572,096	879,280	-
Community development	2,931,435	1,628,920	2,266,845	-
Public works	33,471,587	3,306,084	2,678,694	9,251,456
Parks and recreation	4,395,216	882,421	34,398	-
Interest on long-term debt	60,628	-	-	-
Total governmental activities	<u>90,879,636</u>	<u>11,740,545</u>	<u>5,859,217</u>	<u>9,251,456</u>
<b>Business-type activities:</b>				
Water	28,419,422	25,933,371	-	1,536,510
Airport	32,528,185	8,164,183	-	20,211
Municipal utility	10,746,587	11,364,121	-	1,099,880
Solid waste management	13,011,398	12,003,521	-	-
Sanitary	12,415,221	14,729,318	-	-
City golf	2,231,139	848,619	-	-
Rail	269,314	-	-	-
Total business-type activities	<u>99,621,266</u>	<u>73,043,133</u>	<u>-</u>	<u>2,656,601</u>
Total primary government	<u>\$ 190,500,902</u>	<u>84,783,678</u>	<u>5,859,217</u>	<u>11,908,057</u>

General revenues:

Taxes:

- Property taxes
- Sales taxes
- Transient occupancy tax
- Franchise taxes
- Investment income
- Gain (loss) on sale of assets
- Legal Settlement
- Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated (note 23)

Net position at end of year

See accompanying notes to the basic financial statements

Governmental Activities	Business-type Activities	Totals	
		2014	2013
(9,990,891)	-	(9,990,891)	(10,132,590)
(33,227,479)	-	(33,227,479)	(30,884,288)
964,330	-	964,330	15,629,154
(18,235,353)	-	(18,235,353)	(19,496,871)
(3,478,397)	-	(3,478,397)	(3,538,585)
(60,628)	-	(60,628)	(74,363)
<u>(64,028,418)</u>	<u>-</u>	<u>(64,028,418)</u>	<u>(48,497,543)</u>
-	(949,541)	(949,541)	(2,752,152)
-	(24,343,791)	(24,343,791)	(21,588,226)
-	1,717,414	1,717,414	(497,572)
-	(1,007,877)	(1,007,877)	(191,585)
-	2,314,097	2,314,097	4,338,295
-	(1,382,520)	(1,382,520)	(1,247,896)
-	(269,314)	(269,314)	(274,680)
<u>-</u>	<u>(23,921,532)</u>	<u>(23,921,532)</u>	<u>(22,213,816)</u>
<u>(64,028,418)</u>	<u>(23,921,532)</u>	<u>(87,949,950)</u>	<u>(70,711,359)</u>
21,521,733	18,418,166	39,939,899	42,339,804
22,328,737	-	22,328,737	20,670,911
881,275	-	881,275	841,113
2,892,178	-	2,892,178	2,684,493
138,108	192,450	330,558	368,962
30,605	-	30,605	60,000
33,503	-	33,503	54,000,000
189,975	1,901,907	2,091,882	2,509,957
(992,222)	992,222	-	-
<u>47,023,892</u>	<u>21,504,745</u>	<u>68,528,637</u>	<u>123,475,240</u>
(17,004,526)	(2,416,787)	(19,421,313)	52,763,881
<u>513,546,142</u>	<u>172,979,479</u>	<u>686,525,621</u>	<u>631,835,880</u>
<u>\$ 496,541,616</u>	<u>170,562,692</u>	<u>667,104,308</u>	<u>684,599,761</u>

See accompanying notes to the basic financial statements



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# Major Governmental Funds

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## ***General Fund***

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

## ***Capital Impact Facilities***

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

CITY OF VICTORVILLE  
Balance Sheet  
Governmental Funds  
June 30, 2014  
(with comparative totals for June 30, 2013)

	General	Capital Projects	Nonmajor	Totals	
		Capital Impact Facilities	Governmental Funds	2014	2013
<b>Assets:</b>					
Cash and investments	\$ 4,339,738	5,504,314	29,930,841	39,774,893	36,691,002
Restricted cash	30,056	-	-	30,056	30,020
Accounts receivable	1,532,561	-	220,436	1,752,997	1,569,778
Interest receivable	41,559	-	-	41,559	48,728
Notes receivable	4,689	-	1,182,099	1,186,788	583,639
Advances to other funds (note 3)	-	-	1,177,111	1,177,111	1,185,428
Due from other governments	2,813,205	-	6,054,915	8,868,120	9,124,431
Inventories	168,422	-	-	168,422	200,840
Prepaid items	10,709	-	830	11,539	11,375
Land held for resale (note 5)	-	-	12,039,214	12,039,214	18,089,215
Total assets	<u>\$ 8,940,939</u>	<u>5,504,314</u>	<u>50,605,446</u>	<u>65,050,699</u>	<u>67,534,456</u>
<b>Liabilities:</b>					
Accounts payable	\$ 3,348,921	356,234	1,591,056	5,296,211	3,729,460
Accrued liabilities	766,645	-	-	766,645	507,141
Deposits payable	21,285	-	3,310	24,595	29,486
Due to other funds (note 3)	-	-	3,507,967	3,507,967	3,627,568
Unearned revenue	-	-	620,018	620,018	251,792
Advances from other funds (note 3)	-	3,119,359	-	3,119,359	3,140,684
Total liabilities	<u>4,136,851</u>	<u>3,475,593</u>	<u>5,722,351</u>	<u>13,334,795</u>	<u>11,286,131</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue	-	117,959	2,445,809	2,563,768	4,735,467
Total deferred inflows of resources	<u>-</u>	<u>117,959</u>	<u>2,445,809</u>	<u>2,563,768</u>	<u>4,735,467</u>
<b>Fund Balances (Deficits) (note 11):</b>					
Non-spendable:					
Prepaid items	10,709	-	830	11,539	11,375
Inventory	168,422	-	-	168,422	200,840
Spendable:					
Restricted	30,056	-	44,015,287	44,045,343	48,523,827
Assigned	-	1,910,762	-	1,910,762	573,054
Unassigned	4,594,901	-	(1,578,831)	3,016,070	2,203,762
Total fund balances	<u>4,804,088</u>	<u>1,910,762</u>	<u>42,437,286</u>	<u>49,152,136</u>	<u>51,512,858</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 8,940,939</u>	<u>5,504,314</u>	<u>50,605,446</u>	<u>65,050,699</u>	<u>67,534,456</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE  
Governmental Funds  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2014

Fund balances of governmental funds	\$ 49,152,136
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	
Capital assets	800,999,888
Accumulated depreciation	(338,567,967)
Deposits receivable relating to governmental activities were not financial resources and therefore were not reported in governmental funds.	
	926,021
Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.	
	(876,954)
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Other post employment benefits	(14,772,399)
Compensated absences	(2,882,877)
Certain revenues in the governmental funds are deferred using the modified accrual basis and are recognized as revenue under the full accrual basis for reporting in the Government-wide Financial Statements.	
	<u>2,563,768</u>
Net position of governmental activities	<u><u>\$ 496,541,616</u></u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2014  
(with comparative totals for year ended June 30, 2013)

	General	Capital Projects	Nonmajor Governmental Funds	Totals	
		Capital Impact Facilities		2014	2013
<b>Revenues:</b>					
Taxes and assessments	\$ 39,478,467	-	8,145,456	47,623,923	46,122,772
Licenses and permits	1,229,852	-	-	1,229,852	1,107,246
Intergovernmental	1,040,624	-	16,208,763	17,249,387	9,927,949
Charges for services	7,523,275	1,405,685	1,550,945	10,479,905	9,255,673
Fines and forfeitures	290,259	-	851,379	1,141,638	1,354,613
Investment income	54,110	6,750	77,248	138,108	168,737
Legal settlement	33,503	-	-	33,503	1,753,586
Other	143,667	19,068	27,240	189,975	203,176
<b>Total revenues</b>	<u>49,793,757</u>	<u>1,431,503</u>	<u>26,861,031</u>	<u>78,086,291</u>	<u>69,893,752</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	9,747,030	-	4,467	9,751,497	8,217,575
Public safety	33,556,334	3,779	712,155	34,272,268	32,061,343
Community development	-	-	2,787,595	2,787,595	3,929,883
Public works	3,423,483	29,388	20,243,871	23,696,742	18,480,782
Parks and recreation	2,849,581	-	15,982	2,865,563	3,022,334
<b>Debt service:</b>					
Principal	32,088	-	6,050,000	6,082,088	32,088
Interest	-	60,628	-	60,628	74,363
<b>Total expenditures</b>	<u>49,608,516</u>	<u>93,795</u>	<u>29,814,070</u>	<u>79,516,381</u>	<u>65,818,368</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>185,241</u>	<u>1,337,708</u>	<u>(2,953,039)</u>	<u>(1,430,090)</u>	<u>4,075,384</u>
<b>Other financing sources (uses):</b>					
Gain (loss) on sale of assets	30,605	-	-	30,605	-
Transfers in (note 3)	292,000	-	73,415	365,415	21,518,898
Transfers out (note 3)	(992,222)	-	(334,430)	(1,326,652)	(2,653,376)
<b>Total other financing sources (uses)</b>	<u>(669,617)</u>	<u>-</u>	<u>(261,015)</u>	<u>(930,632)</u>	<u>18,865,522</u>
<b>Net change in fund balances</b>	<u>(484,376)</u>	<u>1,337,708</u>	<u>(3,214,054)</u>	<u>(2,360,722)</u>	<u>22,940,906</u>
<b>Fund balances at beginning of year</b>	<u>5,288,464</u>	<u>573,054</u>	<u>45,651,340</u>	<u>51,512,858</u>	<u>28,571,952</u>
<b>Fund balances at end of year</b>	<u>\$ 4,804,088</u>	<u>1,910,762</u>	<u>42,437,286</u>	<u>49,152,136</u>	<u>51,512,858</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 Year ended June 30, 2014

Net changes in fund balances - total governmental funds	\$ (2,360,722)
Amounts reported for governmental activities in the statement of activities is different because:	
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay	2,843,369
Depreciation expense	(18,866,492)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	6,050,000
To record as an expense the net change in claims payable and deposits relating to claims in the statement of activities.	227,115
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,169,700)
To record as an expense the net change in other post employment benefits in the statement of activities.	(2,505,708)
To record as an expense the net change in compensated absences in the statement of activities.	<u>(222,388)</u>
Change in net position of governmental activities	<u>\$ (17,004,526)</u>

See accompanying notes to the basic financial statements

# Major Enterprise Funds

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## ***Victorville Water District***

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

## ***Southern California Logistics Airport Authority Fund***

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

## ***Municipal Utility Fund***

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

## ***Solid Waste Management***

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

## ***Sanitary Fund***

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

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CITY OF VICTORVILLE  
Statement of Net Position  
Proprietary Funds  
June 30, 2014  
(with comparative totals for June 30, 2013)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 35,486,012	18,118,774	4,567,156
Cash with fiscal agent	1,930,332	15,359,889	5,877,757
Restricted cash	-	-	792,569
Accounts receivable, net	3,073,136	785,082	1,942,753
Interest receivable	11,787	-	-
Due from other funds (note 3)	-	-	-
Due from other governments	30,604	-	1,191
Inventory and other assets	466,367	7,148	-
Total current assets	<u>40,998,238</u>	<u>34,270,893</u>	<u>13,181,426</u>
Noncurrent assets:			
Capital assets, net (note 4)	185,660,391	162,594,611	20,219,913
Advances to other funds (note 3)	-	1,942,298	-
Advances to fiduciary funds (note 3)	-	6,915,619	-
Prepaid deposits	297,561	2,075	119,162
Total noncurrent assets	<u>185,957,952</u>	<u>171,454,603</u>	<u>20,339,075</u>
Total assets	<u>226,956,190</u>	<u>205,725,496</u>	<u>33,520,501</u>
<b>Deferred Outflows of Resources:</b>			
Deferred charge on refunding	<u>120,323</u>	<u>2,608,536</u>	<u>-</u>
Total deferred outflows of resources	<u>120,323</u>	<u>2,608,536</u>	<u>-</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	854,290	1,520,387	694,331
Deposits payable	1,558,754	-	-
Prepaid water connection fees	1,395,788	-	-
Interest payable	249,450	1,434,637	45,000
Bonds subject to call (note 8)	-	57,412,536	-
Long-term debt - due within one year (note 8)	668,270	3,556,282	-
Total current liabilities	<u>4,726,552</u>	<u>63,923,842</u>	<u>739,331</u>
Noncurrent liabilities:			
Accrued rent credit payable	-	1,300,678	-
Advances from other funds (note 3)	-	-	-
Advances from other governments (note 3)	-	11,939,597	-
Long-term debt - due beyond one year (note 8)	13,702,398	257,836,347	53,070,000
Total noncurrent liabilities	<u>13,702,398</u>	<u>271,076,622</u>	<u>53,070,000</u>
Total liabilities	<u>18,428,950</u>	<u>335,000,464</u>	<u>53,809,331</u>
<b>Net Position:</b>			
Net investment in capital assets	174,715,723	(52,148,920)	(26,968,705)
Restricted for capital asset construction	4,659,538	-	-
Restricted for debt service	3,944,609	-	-
Unrestricted	<u>25,327,693</u>	<u>(74,517,512)</u>	<u>6,679,875</u>
Total net position	<u>208,647,563</u>	<u>(126,666,432)</u>	<u>(20,288,830)</u>
Total liabilities and net position	<u>\$ 227,076,513</u>	<u>208,334,032</u>	<u>33,520,501</u>

See accompanying notes to the basic financial statements

Solid Waste Management	Sanitary Fund	Nonmajor Enterprise Funds	Totals	
			2014	2013
1,906,109	9,620,720	45,639	69,744,410	58,427,012
290,120	-	-	23,458,098	24,847,876
-	-	-	792,569	830,310
1,220,605	1,795,537	-	8,817,113	8,140,775
-	-	-	11,787	8,315
-	3,507,967	-	3,507,967	3,627,568
13,889	-	-	45,684	61,215
-	-	30,612	504,127	495,255
<u>3,430,723</u>	<u>14,924,224</u>	<u>76,251</u>	<u>106,881,755</u>	<u>96,438,326</u>
2,764,291	45,697,980	46,120,556	463,057,742	477,418,883
6,394,409	-	-	8,336,707	8,334,181
-	-	-	6,915,619	6,998,744
28,085	-	-	446,883	919,128
<u>9,186,785</u>	<u>45,697,980</u>	<u>46,120,556</u>	<u>478,756,951</u>	<u>493,670,936</u>
<u>12,617,508</u>	<u>60,622,204</u>	<u>46,196,807</u>	<u>585,638,706</u>	<u>590,109,262</u>
-	-	-	2,728,859	2,875,880
-	-	-	2,728,859	2,875,880
1,149,622	792,445	100,439	5,111,514	3,884,005
2,276	70,000	10,733	1,641,763	1,884,423
-	-	-	1,395,788	1,395,788
-	-	-	1,729,087	1,773,429
-	-	-	57,412,536	117,400,317
398,224	-	191,891	4,814,667	5,538,289
<u>1,550,122</u>	<u>862,445</u>	<u>303,063</u>	<u>72,105,355</u>	<u>131,876,251</u>
-	-	-	1,300,678	1,439,123
-	-	6,394,409	6,394,409	6,378,926
-	-	-	11,939,597	11,910,687
<u>1,253,391</u>	-	<u>202,698</u>	<u>326,064,834</u>	<u>270,326,536</u>
<u>1,253,391</u>	-	<u>6,597,107</u>	<u>345,699,518</u>	<u>290,055,272</u>
<u>2,803,513</u>	<u>862,445</u>	<u>6,900,170</u>	<u>417,804,873</u>	<u>421,931,523</u>
1,402,796	45,697,980	45,725,967	188,424,841	194,387,445
-	-	-	4,659,538	3,834,737
-	-	-	3,944,609	3,365,587
8,411,199	14,061,779	(6,429,330)	(26,466,296)	(30,534,150)
<u>9,813,995</u>	<u>59,759,759</u>	<u>39,296,637</u>	<u>170,562,692</u>	<u>171,053,619</u>
<u>12,617,508</u>	<u>60,622,204</u>	<u>46,196,807</u>	<u>588,367,565</u>	<u>592,985,142</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year ended June 30, 2014  
(with comparative totals for year ended June 30, 2013)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund
Operating revenues:			
Charges for services	\$ 25,933,371	8,164,183	11,364,121
Fines and forfeitures	334,972	4,832	-
Other	<u>299,958</u>	<u>336,772</u>	<u>248,332</u>
Total operating revenues	<u>26,568,301</u>	<u>8,505,787</u>	<u>11,612,453</u>
Operating expenses:			
Personnel services	6,746,211	1,915,422	579,871
Maintenance and operations	6,242,311	7,736,304	2,456,567
Production costs	4,760,590	-	5,586,617
Depreciation	<u>10,058,329</u>	<u>6,944,620</u>	<u>1,387,313</u>
Total operating expenses	<u>27,807,441</u>	<u>16,596,346</u>	<u>10,010,368</u>
Operating income (loss)	<u>(1,239,140)</u>	<u>(8,090,559)</u>	<u>1,602,085</u>
Nonoperating revenues (expenses):			
Intergovernmental	175,845	-	-
Taxes	519,739	17,717,042	-
Investment income	107,079	43,949	7,287
Interest expense	(611,981)	(16,051,707)	(736,219)
Gain (loss) on sale of assets	(250,853)	5,382	361,277
Legal settlement	-	-	-
Other nonoperating revenues (expenses)	<u>(85,243)</u>	<u>(223,613)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(145,414)</u>	<u>1,491,053</u>	<u>(367,655)</u>
Income (loss) before transfers	(1,384,554)	(6,599,506)	1,234,430
Capital contributions:			
Developer contributed facilities	1,257,652	7,940	-
Facilities contributed (to) from other funds	278,858	136,164	1,099,880
Capital-related revenue	-	12,271	-
Transfers in (note 3)	-	-	-
Transfers out (note 3)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	151,956	(6,443,131)	2,334,310
Net position at beginning of year, as restated (note 23)	<u>208,495,607</u>	<u>(120,223,301)</u>	<u>(22,623,140)</u>
Net position at end of year	<u>\$ 208,647,563</u>	<u>(126,666,432)</u>	<u>(20,288,830)</u>

See accompanying notes to the basic financial statements

Solid Waste Management	Sanitary Fund	Nonmajor Enterprise Funds	Totals	
			2014	2013
12,003,521	14,729,318	848,619	73,043,133	73,854,864
213,364	227,781	-	780,949	949,775
400,164	849	61,776	1,347,851	818,002
<u>12,617,049</u>	<u>14,957,948</u>	<u>910,395</u>	<u>75,171,933</u>	<u>75,622,641</u>
1,396,047	1,340,024	890,736	12,868,311	11,856,575
11,287,929	9,850,282	788,020	38,361,413	36,798,225
-	42,828	-	10,390,035	9,521,760
202,340	1,165,189	806,214	20,564,005	17,877,803
<u>12,886,316</u>	<u>12,398,323</u>	<u>2,484,970</u>	<u>82,183,764</u>	<u>76,054,363</u>
<u>(269,267)</u>	<u>2,559,625</u>	<u>(1,574,575)</u>	<u>(7,011,831)</u>	<u>(431,722)</u>
-	-	-	175,845	9,878,224
-	5,540	-	18,242,321	520,617
17,739	16,396	-	192,450	200,225
(92,693)	-	(15,483)	(17,508,083)	(20,002,082)
-	-	(132,102)	(16,296)	60,000
-	-	-	-	52,246,414
38,327	43,636	-	(226,893)	(2,588,499)
<u>(36,627)</u>	<u>65,572</u>	<u>(147,585)</u>	<u>859,344</u>	<u>40,314,899</u>
(305,894)	2,625,197	(1,722,160)	(6,152,487)	39,883,177
-	-	-	1,265,592	1,235,321
(32,389)	(16,898)	-	1,465,615	443,837
-	-	-	12,271	-
-	-	992,222	992,222	14,673,590
-	-	-	-	(1,433,400)
(338,283)	2,608,299	(729,938)	(2,416,787)	54,802,525
<u>10,152,278</u>	<u>57,151,460</u>	<u>40,026,575</u>	<u>172,979,479</u>	<u>116,251,094</u>
<u>9,813,995</u>	<u>59,759,759</u>	<u>39,296,637</u>	<u>170,562,692</u>	<u>171,053,619</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2014  
(with comparative totals for year ended June 30, 2013)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund	Solid Waste Management
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 27,054,580	7,958,786	11,034,328	12,586,695
Cash payments to employees for services	(6,746,211)	(1,915,422)	(579,871)	(1,396,047)
Cash payments to suppliers for goods and services	(10,953,981)	(6,780,840)	(8,059,789)	(11,227,098)
Legal settlement	-	-	-	-
Net cash provided by (used for) operating activities	<u>9,354,388</u>	<u>(737,476)</u>	<u>2,394,668</u>	<u>(36,450)</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from other governments	695,584	17,829,029	-	-
Cash paid to other governments	-	-	-	-
Cash received from other funds	278,858	247,260	-	-
Cash paid to other funds	-	-	-	(15,483)
Net cash provided by (used for) noncapital financing activities	<u>974,442</u>	<u>18,076,289</u>	<u>-</u>	<u>(15,483)</u>
<b>Cash flows from capital and related financing activities:</b>				
Cash received from sale of capital assets	362,528	-	361,277	-
Cash payments to acquire capital and other assets	(2,085,275)	(612,494)	(163,062)	(95,323)
Cash received from capital restricted revenues	-	12,271	-	-
Principal paid on capital-related debt	(210,278)	(2,578,969)	(1,471,660)	(383,517)
Interest paid on capital-related debt	(619,419)	(16,069,331)	(755,499)	(92,693)
Net cash provided by (used for) capital and related financing activities	<u>(2,552,444)</u>	<u>(19,248,523)</u>	<u>(2,028,944)</u>	<u>(571,533)</u>
<b>Cash flows from investing activities:</b>				
Interest received on investments	103,607	43,949	7,286	17,739
Net cash provided by (used for) investing activities	<u>103,607</u>	<u>43,949</u>	<u>7,286</u>	<u>17,739</u>
Net increase (decrease) in cash and cash equivalents	7,879,993	(1,865,761)	373,010	(605,727)
Cash and cash equivalents at beginning of year	<u>29,536,351</u>	<u>35,344,424</u>	<u>10,864,472</u>	<u>2,801,956</u>
Cash and cash equivalents at end of year	<u>\$ 37,416,344</u>	<u>33,478,663</u>	<u>11,237,482</u>	<u>2,196,229</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (1,239,140)	(8,090,559)	1,602,085	(269,267)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	10,058,329	6,944,620	1,387,313	202,340
Legal settlement	-	-	-	-
Nonoperating miscellaneous revenue (expense)	(85,243)	-	-	38,327
(Increase) decrease in accounts receivable, net	116,498	(408,556)	(576,934)	(40,474)
(Increase) decrease in due from other governments	6,602	-	(1,191)	10,120
(Increase) decrease in inventory and other assets	(10,039)	156	-	-
(Increase) decrease in prepaid deposits	609,712	(20)	(115,362)	(22,085)
Increase (decrease) in accounts payable	137,600	955,328	98,757	42,616
Increase (decrease) in deposits payable	(239,931)	-	-	1,973
Increase (decrease) in accrued rent credits payable	-	(138,445)	-	-
Increase (decrease) in unearned revenue	-	-	-	-
Total adjustments	<u>10,593,528</u>	<u>7,353,083</u>	<u>792,583</u>	<u>232,817</u>
Net cash provided by (used for) operating activities	<u>\$ 9,354,388</u>	<u>(737,476)</u>	<u>2,394,668</u>	<u>(36,450)</u>
<b>Noncash capital, financing and investing activities:</b>				
Allowance for doubtful notes receivable	\$ -	-	-	-
Capital asset contributions (to) from other funds	278,858	136,164	1,099,880	(32,389)
Developer contributed capital assets	<u>1,257,652</u>	<u>7,940</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,536,510</u>	<u>144,104</u>	<u>1,099,880</u>	<u>(32,389)</u>

See accompanying notes to the basic financial statements

Sanitary Fund	Nonmajor Enterprise Funds	Totals	
		2014	2013
15,234,711	910,395	74,779,495	76,038,175
(1,340,024)	(890,736)	(12,868,311)	(11,856,546)
(9,698,764)	(992,848)	(47,713,320)	(46,916,588)
-	-	-	52,246,414
<u>4,195,923</u>	<u>(973,189)</u>	<u>14,197,864</u>	<u>69,511,455</u>
5,540	-	18,530,153	11,030,851
-	-	-	(7,524,465)
102,703	1,007,704	1,636,525	61,911,159
-	-	(15,483)	(46,686,562)
<u>108,243</u>	<u>1,007,704</u>	<u>20,151,195</u>	<u>18,730,983</u>
-	-	723,805	24,446
(49,571)	-	(3,005,725)	(2,648,480)
-	-	12,271	-
-	(181,659)	(4,826,083)	(33,279,213)
-	(15,483)	(17,552,425)	(20,153,626)
<u>(49,571)</u>	<u>(197,142)</u>	<u>(24,648,157)</u>	<u>(56,056,873)</u>
<u>16,396</u>	<u>-</u>	<u>188,977</u>	<u>195,176</u>
<u>16,396</u>	<u>-</u>	<u>188,977</u>	<u>195,176</u>
4,270,991	(162,627)	9,889,879	32,380,741
<u>5,349,729</u>	<u>208,266</u>	<u>84,105,198</u>	<u>51,724,457</u>
<u>9,620,720</u>	<u>45,639</u>	<u>93,995,077</u>	<u>84,105,198</u>
<u>2,559,625</u>	<u>(1,574,575)</u>	<u>(7,011,831)</u>	<u>(431,722)</u>
1,165,189	806,214	20,564,005	17,877,803
-	-	-	52,246,414
-	-	(46,916)	-
276,763	-	(632,703)	623,011
-	-	15,531	490,270
-	1,011	(8,872)	129,383
-	-	472,245	(2,055)
194,346	(201,137)	1,227,510	(1,274,999)
-	(4,702)	(242,660)	1,201,686
-	-	(138,445)	-
-	-	-	(1,408,336)
<u>1,636,298</u>	<u>601,386</u>	<u>21,209,695</u>	<u>69,943,177</u>
<u>4,195,923</u>	<u>(973,189)</u>	<u>14,197,864</u>	<u>69,511,455</u>
-	-	-	457,254
(16,898)	-	1,465,615	-
-	-	1,265,592	2,827,496
<u>(16,898)</u>	<u>-</u>	<u>2,731,207</u>	<u>3,284,750</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014  
(with comparative totals for June 30, 2013)

	<u>Agency Funds</u>	<u>Private Purpose Trust Fund</u>
<b>Assets:</b>		
Cash and investments (note 2)	\$ 3,776,245	3,919,997
Restricted assets:		
Cash with fiscal agent (note 2)	2,882,201	1,794,393
Accounts receivable, net	10,632	128,518
Due from other governments (note 3)	-	11,939,597
Notes receivable, net (note 6)	-	8,247,971
Land held for resale (note 5)	-	17,183,494
Noncurrent assets:		
Capital assets (note 4)	-	2,312,930
Total noncurrent assets	<u>-</u>	<u>2,312,930</u>
Total assets	<u>6,669,078</u>	<u>45,526,900</u>
 <b>Liabilities:</b>		
Accounts payable	3,117	361,954
Interest payable	-	186,306
Deposits payable	6,665,961	-
Unearned revenue	-	12,086
Due to other governments (note 3)	-	6,915,619
Current portion of long-term liabilities:		
Bonds payable (note 9)	-	1,060,000
Long-term liabilities:		
Bonds payable (note 9)	-	38,435,000
Total long-term liabilities	<u>-</u>	<u>38,435,000</u>
Total liabilities	<u>6,669,078</u>	<u>46,970,965</u>
 <b>Net Position:</b>		
Held in trust for other taxing entities	<u>-</u>	<u>(1,444,065)</u>
Total net position	<u>\$ -</u>	<u>(1,444,065)</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE  
Statement of Changes in Fiduciary Net Position  
Private Purpose Trust Funds  
Year ended June 30, 2014  
(with comparative totals for year ended June 30, 2013)

	2014	2013
Additions:		
RPTTF distributions	\$ 5,675,299	11,213,056
Investment income	263,278	294,325
Housing trust assumption of county loan	-	6,050,000
Capital assets transferred	223,613	-
Other	19,881	54,495
Total additions	6,182,071	17,611,876
Deductions:		
Current:		
Community development	789,437	9,210,523
Debt service:		
Interest	2,301,144	2,375,879
Transfers out (note 3)	30,985	32,105,711
Total deductions	3,121,566	43,692,113
Change in net position	3,060,505	(26,080,237)
Net position at beginning of year	(4,504,570)	21,575,667
Net position at end of year	\$ (1,444,065)	(4,504,570)

See accompanying notes to the basic financial statements



**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

(1) Summary of Significant Accounting Policies
------------------------------------------------

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

(a) Reporting Entity

The City of Victorville is situated approximately 97 miles northeast of Los Angeles in Southern California's Mojave Desert. The City was incorporated in 1962 and had an estimated population at June 30, 2014 of 119,059.

On July 26, 2008 the City became a charter City that operates under the Council-Manager form of government, with five elected Council members served by a full time City Manager and staff. At June 30, 2014, the City's staff comprised of 387 full and part time employees who were responsible for the City-provided services.

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

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

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

Since City Council serves as the governing board for the Southern California Logistics Airport Authority, Southern California Logistic Rail Authority, and Victorville Water District the component units are considered to be blended component units. Regional Center of Victorville Development, Inc. (RCVD), a nonprofit corporation is also considered to be blended component unit. RCVD is governed by Board of Directors appointed by the City Council. Key personnel of the City serve in the board of directors of the RCVD. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. The Southern California Logistics Airport Authority, Southern California Logistic Rail Authority, and the Victorville Water District issue separate component unit financial statements. Upon completion, the financial statements of these component units can be obtained at the City of Victorville, located at 14343 Civic Drive, Victorville, CA 92392. A brief description of the component units follows:

Southern California Logistics Airport Authority

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

Southern California Logistics Rail Authority

The Southern California Logistics Rail Authority (SCLRA) was formed on October 17, 2001 by the City of Victorville, the former Victorville Redevelopment Agency and the Southern California Logistic Airport Authority (SCLAA). The purpose of SCLRA is to provide for the coordination of long range planning of the development of rail facilities and adjoining land surrounding and including Southern California Logistic Airport. SCLRA's financial data and transactions are included as an enterprise fund of the City. SCLRA prepares a budget in sufficient detail to constitute an operating outline for the source and amount of funds available to SCLRA and expenditures to be made during the ensuing fiscal year. SCLRA revenues consist primarily of grants and loans received by SCLRA.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

Victorville Water District

On August 15, 2007, the Victor Valley Water District and the Baldy Mesa Water District were approved to be consolidated into a subsidiary district of the City of Victorville (City), known as the Victorville Water District (District, per Resolution No. 2977 of the Executive Officer of the Local Agency formation Commission (LAFCO) of San Bernardino County, which adopted a change of organization without election. All of the liabilities including debt obligations of the Victor Valley Water District and the Baldy Mesa Water District were assumed by this subsidiary district and the City effective July 1, 2007 upon consolidation. Upon consolidation July 1, 2007 of the two districts the City consolidated the operations and activities of its Water Department and Water Funds into the district to serve all of the water customers of the City of Victorville under this District. The basic operations of the District are financed by user charges plus capital contributions to finance growth of the water delivery system. The District is governed by a five-member Board of Directors (City Council), each holding staggered four-year terms. The District is being treated as a blended component unit subsidiary district in the City of Victorville's financial statements for the year ended June 30, 2014.

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

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

Regional Center of Victorville Development, Inc.

The Regional Center of Victorville Development (RCVD), Inc. is a non-profit corporation created for the purpose of promoting social welfare by providing advisory and administrative services associated with fundraising investments in the Victorville Regional Center. Since September 2011, the RCVD has not had any activities. Fundraising opportunities and loans have ceased since the elimination of the Victorville Regional Center. Currently, RCVD staff is preparing for the dissolution of the non-profit. The dissolution is expected to occur in fiscal year 2014/2015.

Redevelopment Agency of the City of Victorville

The Redevelopment Agency's financial activity commenced in September 1980. All redevelopment agencies in the State of California were dissolved effective February 1, 2012 (see note 22). The primary purpose of the Agency was to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. City Council members, in separate session, served as the governing board of the Agency, and all accounting and administrative functions were performed by the City. Subsequent to February 1, 2012, the assets and liabilities of the former redevelopment agency have been recorded in a private-purpose trust fund pending the liquidation and distribution of net position to other taxing entities. Separate financial statements for the Agency are not available.

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

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

Government-wide Financial Statements

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

(b) Basis of Accounting and Measurement Focus

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

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

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

Fund Financial Statements

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

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

Governmental Funds

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

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

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

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

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

Governmental Fund Balances

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

*Nonspendable Fund Balance*

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

*Spendable Fund Balance*

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

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

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

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

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

Proprietary and Fiduciary Funds

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

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

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

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

(c) Major Funds and Fiduciary Fund Types

The City reports the following major governmental funds:

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

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



**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

The City reports the following major proprietary funds:

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

Southern California Logistics Airport Authority Fund – Accounts for both operation and capital acquisition of the activities surrounding the airport. The former George Air Force Base now known as Southern California Logistics Airport Authority is a joint power authority formed by the City of Victorville and the Victorville Redevelopment Agency. The authority was created to effectuate the redevelopment of the former base and certain properties within an eight mile radius of the boundaries of the airport. The airport funding sources comprised of federal grants, charges for services and Tax Allocation Bonds.

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

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

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

Additionally, the City reports the following fiduciary fund types:

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

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

(d) Cash and Investments

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

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

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

(e) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are defined to be demand deposits and money market funds for which funds can be deposited and withdrawn without prior notice or penalty. Cash equivalents represent the proprietary funds’ share in the cash and investment pool of the City of Victorville, and the cash recorded in the proprietary funds held by a fiscal agent.

(f) Due from Other Governments

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, and motor vehicle in-lieu taxes, collected or provided by Federal, State, County and City Governments and unremitted to the City as of June 30, 2014.

(g) Inventory and Prepaid Items

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

Inventory in the proprietary funds consist primarily of water meters, pipe and pipe fittings for construction and repair. Materials and supplies items in the proprietary funds are valued at cost using the weighted average method.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

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

(h) Land Held for Resale

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

(i) Capital Assets

Capital assets (including infrastructure) greater than \$5,000 are capitalized and recorded at cost or at the estimated fair value of the assets at the time of acquisition where complete historical records have not been maintained. Donated capital assets are valued at their estimated fair market value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

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

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

(j) Compensated Absences

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

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

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

(k) Claims and Judgments

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

(l) Bond Discounts/Issuance Costs

For the government fund financial statements, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of any applicable discount or premium. Issuance costs, whether or not withheld from actual net proceeds received, are reported as current expenditures. For government-wide financial statements and proprietary fund financial statements, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Debt issuance costs other than prepaid insurance are expensed when incurred.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

(m) Property Taxes

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

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

(n) Estimates

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

(o) Loans Receivable

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

(p) Net Position

Net position is classified in the following categories:

*Net Investment in Capital Assets*

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

*Restricted Net Position*

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

*Unrestricted Net Position*

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

(q) Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and balance sheet will report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, are not recognized as an expense or expenditure until that time.

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.

(r) Prior Year Data

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

**(2) Cash and Investments**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 109,519,303
Cash with fiscal agents	23,458,098
Restricted cash	822,625
Fiduciary funds:	
Cash and investments	7,696,242
Cash with fiscal agents	4,676,594
Total cash and investments	<u>\$ 146,172,862</u>

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(2) Cash and Investments, (Continued)**

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 7,119
Deposits with financial institutions	32,322,632
Investments	<u>113,843,111</u>
Total cash and investments	<u>\$ 146,172,862</u>

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

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

<u>Investment Types Authorized by State Law</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer*</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	70%	None
U.S. Agency Securities	Yes	5 years	75%	None
Banker's Acceptances	No	180 days	40%	30%
Commercial Paper	No	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	2 years	15%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	5 years	5%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	No	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(2) Cash and Investments, (Continued)**

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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



**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(2) Cash and Investments, (Continued)**

Disclosures Relating to Interest Rate Risk (Continued)

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

Investment type	Total	Remaining Maturities (in Months)			
		Within 12	13 to 24	25 to 60	60+
State Investment Pool	\$ 84,885,592	84,885,592	-	-	-
Certificates of Deposit	822,705	822,705	-	-	-
Held by bond trustee:					
State Investment Pool	2,215,020	2,215,020	-	-	-
Money Market Funds	<u>25,919,669</u>	<u>25,919,669</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 113,842,986</u>	<u>113,842,986</u>	<u>-</u>	<u>-</u>	<u>-</u>

Disclosures Relating to Credit Risk

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

<u>Type of Investment</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
State Investment Pool	\$ 84,885,592	N/A	-	-	84,885,592
Certificates of Deposit	822,705	N/A	-	-	822,705
Held by bond trustee:					
Money Market Funds	25,919,669	N/A	-	25,919,669	-
State Investment Pool	<u>2,215,020</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>2,215,020</u>
Total	<u>\$ 113,842,986</u>		<u>-</u>	<u>25,919,669</u>	<u>87,923,317</u>

Concentration of Credit Risk

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(2) Cash and Investments, (Continued)**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2014, \$50,841,459 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

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

Investment in State Investment Pool

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(3) Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Due to/from other funds:</u>			
<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>	
Sanitary Fund	Nonmajor Gov't funds	\$ 3,507,967	a)
	Total	<u>\$ 3,507,967</u>	

<u>Advances to/from other funds:</u>			
<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>	
Successor Agency *	Southern California Logistics Airport	\$ 11,939,597	b)
Solid Waste Management	City Golf Course	6,394,409	c)
Southern California Logistics Airport	Capital Impact Facilities	1,942,248	d)
Southern California Logistics Airport	Successor Agency *	6,915,667	e)
Nonmajor Governmental Funds	Capital Impact Facilities	<u>1,177,111</u>	f)
	Total	<u>\$ 28,369,032</u>	

\* - Advances to or from the Successor Agency have been classified as Due to or from Other Governments in the government-wide financial statements.

Generally, the above balances result from:

- a) The \$3,507,967 due to the Sanitary Fund is made of receivables from the Federal Grants Fund and the HUD Grants fund in the amount of \$2,335,174 and \$1,172,793, respectively. These are short term borrowings to cover negative cash balances due to federal grant funds that must be paid out before reimbursement is received. It is anticipated these funds will come in from reimbursements received in FY 14-15.
- b) Southern California Logistics Airport Authority (SCLAA) entered into two agreements to borrow money from the Victorville Redevelopment Agency to fund the cost of redevelopment activity and prior years' capital improvements and redevelopment projects that were incurred by the SCLAA in prior years:
  - i. Per a loan agreement approved on October 20, 2009 by the Board of the Victorville RDA, a \$1,700,000 advance was made from the Low and Moderate Housing Fund to the SCLAA. The advance is to be used for SCLAA redevelopment activities. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2014 is \$1,731,081.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(3) Interfund Receivables, Payables and Transfers, (Continued)**

- ii. Per a loan agreement approved on September 15, 2009 by the Board of Victorville RDA, a \$10,000,000 advance was made from the Bear Valley Road Redevelopment Project Area (RDA Capital Project Fund) to the Southern California Logistics Airport Authority. The advance is to be used to continue redevelopment at SCLA and to fund prior years' capital improvements and redevelopment project expenses. The advance has 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, 2014 is \$10,208,516.
  
- c) A loan agreement was signed on November 15, 2011 by the City Council for a \$6,335,780 advance from the Solid Waste Management Fund to the Golf Course Fund. The advance is due to negative cash balances in the Golf Course Fund which had accumulated over several years of expenses exceeding revenues. The advance has a term ending June 30, 2016, with the annualized Local Agency Investment Fund ("LAIF") rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2014 is \$6,394,409.
  
- d) Per a loan agreement signed on September 21, 2010, by the board of the SCLAA, a \$1,895,000 advance was made from the SCLAA to the Capital Impact Facilities Fund. The advance is to be used for the purchase of land. The advance has a term of repayment to automatically renew the loan until there are sufficient funds to repay. There is an annualized rate of return at 0.495%, as the interest rate. The outstanding balance of the advance as of June 30, 2014 is \$1,942,248.
  
- e) Per a loan agreement approved on July 21, 2009, by the Board of the Victorville RDA a \$6,906,148 advance was made from the Agency's portion of VVEDA's 20% Low and Moderate Housing Fund to the Southern California Logistics Airport Authority. The advance is to be used to fund land acquisitions associated within the Old Town project area. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2014 is \$6,915,667.
  
- f) Per a loan agreement approved on November 15, 2011, the Storm Drain Utility Fund advanced to the Capital Impact Facilities Fund – Public Buildings \$1,200,000 for the City Hall Expansion Project. The advance has a termination date of June 30, 2016. 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, 2014 is \$1,177,111.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(3) Interfund Receivables, Payables and Transfers, (Continued)**

Transfers in/out:

Transfers In	Transfers Out	Amount	
General Fund	Traffic Safety (non Major)	\$ 292,000	1
Golf Course Fund	General Fund	992,222	2
Federal Grants	RDA Successor Agency *	30,985	3
Federal Grants	State Grants	1,796	3
State Grants	Federal Grants	40,634	3
	Total	\$ 1,357,637	

\* - Transfers out of the RDA Successor Agency have been reclassified in the Government Wide Activities as Operating Contributions.

1. The Nonmajor Governmental fund transfer of \$292,000 to General Fund was from the Traffic Safety fund to support engineering functions of traffic safety.
2. The General fund transfer of \$992,222 to the Golf Course Fund consisted of a transfer of \$214,115 to support the payment of the irrigation system lease payment and a transfer of \$778,107 to balance budgeted expenditures.
3. To transfer resources between grant funds in order to correct expenditures for each fund.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(4) Capital Assets**

Governmental activities

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	Balance at <u>7/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/2014</u>
Non-depreciable assets:				
Land	\$ 37,992,432	2,466,514	(3,133,722)	37,325,224
Right of way	179,995,939	-	-	179,995,939
Construction in progress	<u>21,747,992</u>	<u>9,404,658</u>	<u>(28,535,135)</u>	<u>2,617,515</u>
Total non-depreciable assets	<u>239,736,363</u>	<u>11,871,172</u>	<u>(31,668,857)</u>	<u>219,938,678</u>
Depreciable assets:				
Buildings and improvements	69,831,238	-	(192,849)	69,638,389
Furniture and equipment	12,050,661	372,786	(260,408)	12,163,039
Computer and communications	2,962,931	219,620	-	3,182,551
Land improvements	138,084	-	-	138,084
Vehicles	3,170,305	179,553	(107,359)	3,242,499
Infrastructure	468,981,654	22,429,743	-	491,411,397
Intangible assets:				
Computer Software	1,275,251	-	-	1,275,251
Right-of-way easements	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total depreciable assets	<u>558,420,124</u>	<u>23,201,702</u>	<u>(560,616)</u>	<u>581,061,210</u>
Less accumulated depreciation:				
Buildings and improvements	(19,524,991)	(2,003,704)	176,277	(21,352,418)
Furniture and equipment	(10,373,561)	(570,043)	178,838	(10,764,766)
Computer and communications	(2,834,319)	(99,121)	-	(2,933,440)
Land Improvements	(14,959)	(13,808)	-	(28,767)
Vehicles	(3,099,371)	(56,761)	13,267	(3,142,865)
Infrastructure	(282,588,621)	(16,482,727)	-	(299,071,348)
Intangible assets:				
Computer Software	(1,255,653)	(8,710)	-	(1,264,363)
Right-of-way easements	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Total accumulated depreciation	<u>(319,701,475)</u>	<u>(19,234,874)</u>	<u>368,382</u>	<u>(338,567,967)</u>
Total depreciable assets, net	<u>238,718,649</u>	<u>3,966,828</u>	<u>(192,234)</u>	<u>242,493,243</u>
Capital assets, net	<u>\$ 478,455,012</u>	<u>15,838,000</u>	<u>(31,861,091)</u>	<u>462,431,921</u>

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

(4) Capital Assets, (Continued)
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Depreciation expense was charged in the following functions in the Statement of Activities:

General government	\$ 5,335,809
Public safety	406,069
Community development	6,263
Public works	11,796,161
Parks and recreation	<u>1,690,572</u>
	<u>\$19,234,874</u>

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(4) Capital Assets, (Continued)**

Business-type activities

The following is a summary of capital assets for enterprise funds at June 30, 2014:

	Balance at <u>7/1/2013*</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/2014</u>
Non-depreciable assets:				
Land	\$ 43,203,588	-	(263,671)	42,939,917
Intangibles – service credit	3,785,497	-	-	3,785,497
Water rights	12,678,475	-	-	12,678,475
Idle assets	2,973,899	44,059	-	3,017,958
Construction in progress	<u>16,200,721</u>	<u>1,756,113</u>	<u>(978,913)</u>	<u>16,977,921</u>
Total non-depreciable assets	<u>78,842,180</u>	<u>1,800,172</u>	<u>(1,242,584)</u>	<u>79,399,768</u>
Depreciable assets:				
Buildings and improvements	229,449,472	117,583	(145,788)	229,421,267
Furniture and equipment	48,659,189	621,046	(1,863,962)	47,416,273
Computer and communication	1,185,335	-	(45,741)	1,139,594
Vehicles	3,779,270	269,165	(327,277)	3,721,158
Infrastructure	336,434,035	3,745,350	(742,339)	339,437,046
Intangibles - water related	2,188,499	194,630	(313,064)	2,070,065
Intangibles – software	1,388,907	-	-	1,388,907
Land improvements	<u>565,969</u>	<u>-</u>	<u>-</u>	<u>565,969</u>
Total depreciable assets	<u>623,650,676</u>	<u>4,947,774</u>	<u>(3,438,171)</u>	<u>625,160,279</u>
Less accumulated depreciation:				
Buildings and improvements	(89,446,453)	(5,694,618)	146,074	(94,994,997)
Furniture and equipment	(17,446,942)	(4,210,223)	1,162,196	(20,494,969)
Computer and communication	(782,087)	(128,843)	45,166	(865,764)
Vehicles	(3,072,282)	(205,035)	93,840	(3,183,477)
Infrastructure	(111,453,077)	(9,728,498)	449,473	(120,732,102)
Intangibles - water related	(611,981)	(263,018)	313,064	(561,935)
Intangibles - software	(265,411)	(277,174)	-	(542,585)
Land improvements	<u>(69,880)</u>	<u>(56,596)</u>	<u>-</u>	<u>(126,476)</u>
Total accumulated depreciation	<u>(223,148,113)</u>	<u>(20,564,005)</u>	<u>2,209,813</u>	<u>(241,502,305)</u>
Total depreciable assets, net	<u>400,502,563</u>	<u>(15,616,231)</u>	<u>(1,228,358)</u>	<u>383,657,974</u>
Capital assets, net	<u>\$ 479,344,743</u>	<u>(13,816,059)</u>	<u>(2,470,942)</u>	<u>463,057,742</u>

\* - See footnote 23 for additional information regarding a prior period adjustment to adjust beginning accumulated depreciation



**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(4) Capital Assets, (Continued)**

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

Water	\$ 10,058,329
Airport	6,944,620
Municipal utility	1,387,313
Solid waste management	202,340
Sanitary	1,165,189
Golf courses	536,900
Rail	269,314
Total	<u>\$ 20,564,005</u>

Successor Agency activities

The following is a summary of capital assets for fiduciary funds at June 30, 2014:

	Balance at <u>7/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/2014</u>
Non-depreciable assets:				
Land	<u>\$ 2,017,962</u>	<u>223,613</u>	<u>-</u>	<u>2,241,575</u>
Total non-depreciable assets	<u>2,017,962</u>	<u>223,613</u>	<u>-</u>	<u>2,241,575</u>
Depreciable assets:				
Buildings and improvements	1,352,128	-	-	1,352,128
Furniture and equipment	72,385	-	-	72,385
Vehicles	<u>23,523</u>	<u>-</u>	<u>-</u>	<u>23,523</u>
Total depreciable assets	<u>1,448,036</u>	<u>-</u>	<u>-</u>	<u>1,448,036</u>
Less accumulated depreciable:				
Buildings and improvements	(1,176,186)	(105,565)	-	(1,281,751)
Furniture and equipment	(72,385)	-	-	(72,385)
Vehicles	<u>(19,602)</u>	<u>(2,943)</u>	<u>-</u>	<u>(22,545)</u>
Total accumulated depreciation	<u>(1,268,173)</u>	<u>(108,508)</u>	<u>-</u>	<u>(1,376,681)</u>
Total depreciable assets, net	<u>179,863</u>	<u>(108,508)</u>	<u>-</u>	<u>71,355</u>
Capital assets, net	<u>\$ 2,197,825</u>	<u>115,105</u>	<u>-</u>	<u>2,312,930</u>

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(5) Land Held for Resale**

As of June 30, 2014, the Successor Agency of the Victorville Redevelopment Agency and the Housing Fund of the City of Victorville had acquired and developed parcels of land in the Bear Valley and Old Town/Midtown project areas. These parcels were purchased for the purpose of providing incentives to developers in order to construct future commercial projects on the property, and are recorded as land held for resale at the recorded amount of \$29,222,708.

**(6) Long-Term Notes Receivable**

Affordable Housing Loans Receivable

The Successor Agency of the Victorville Redevelopment Agency and the Victorville Housing Fund have entered into agreements with developers to establish various affordable housing project loans. At June 30, 2014, the Successor Agency's outstanding loans receivable was \$9,434,759.

**(7) Governmental Long-Term Liabilities**

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One year</u>
Compensated Absences	\$ 2,660,489	1,000,474	(778,086)	2,882,877	576,575
OPEB Obligation	12,266,691	2,701,000	(195,291)	14,772,400	265,504
Claims Payable	953,928	172,301	(249,275)	876,954	300,000
Loans Payable	<u>6,050,000</u>	<u>-</u>	<u>(6,050,000)</u>	<u>-</u>	<u>-</u>
Totals	<u>\$21,931,108</u>	<u>3,873,775</u>	<u>(7,272,652)</u>	<u>18,532,231</u>	<u>1,142,079</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$2,882,877 at June 30, 2014 will be paid in future years from future resources, generally liquidated by the General Fund.

Loans Payable

In July 2010 the former Victorville Redevelopment Agency entered into a \$6,050,000 loan agreement with the County of San Bernardino to rehabilitate the Hillcrest Apartments. In June 2013 the Successor Agency and the City signed an Assignment and Assumption Agreement, recognizing that the Victorville Housing Fund has assumed this obligation to the County. In July 2013, the property associated with the use of this loan was sold. At the time of sale, the buyer assumed responsibility for this loan.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

(8) Business-Type Long-Term Liabilities,

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Retirements	Balance at June 30, 2014	Due Within One Year
Compensated Absences	\$ 427,758	224,202	(219,352)	432,608	86,521
Claims Payable	1,471,661	-	(1,471,661)	-	-
OPEB Obligation	<u>891,923</u>	<u>285,000</u>	<u>(105,789)</u>	<u>1,071,134</u>	<u>192,223</u>
Lease Purchase Agreements:					
Key Government Finance	576,248	-	(181,659)	394,589	191,891
Burrtec Industries	<u>556,532</u>	<u>-</u>	<u>(202,646)</u>	<u>353,886</u>	<u>209,853</u>
Lease Subtotal	<u>1,132,780</u>	<u>-</u>	<u>(384,305)</u>	<u>748,475</u>	<u>401,744</u>
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	21,930,000	-	(820,000)	21,110,000	860,000
2006 Tax Allocation Bonds (Non-Housing)	55,885,000	-	(880,000)	55,005,000	905,000
2006 Tax Allocation Bonds (Housing)	15,015,000	-	(235,000)	14,780,000	245,000
2006 Tax Allocation Parity Bonds	42,505,000	-	(95,000)	42,410,000	105,000
2006 Tax Allocation Revenue Parity Bonds	33,400,000	-	(375,000)	33,025,000	400,000
2006 Tax Allocation Revenue Bonds	60,785,000	-	(710,000)	60,075,000	755,000
2007 Tax Allocation Bonds (Housing)	38,195,000	-	(505,000)	37,690,000	530,000
2007 Tax Allocation Bonds (Non-Housing) *	40,185,000	-	-	40,185,000	40,185,000
2008 Tax Allocation Bonds *	<u>16,430,317</u>	<u>797,219</u>	<u>-</u>	<u>17,227,536</u>	<u>17,227,536</u>
Tax Allocation Bonds Subtotal	<u>324,330,317</u>	<u>797,219</u>	<u>(3,620,000)</u>	<u>321,507,536</u>	<u>61,212,536</u>
Lease Revenue Bonds:					
2007A Variable Rate Lease Revenue Bond	53,070,000	-	-	53,070,000	-
Revenue Refunding Bonds:					
2004 Refunding Bonds	1,542,500	-	(190,000)	1,352,500	197,500
Certificates of Participation (COP):					
1998 COPs	1,695,000	-	(105,000)	1,590,000	115,000
2006 COPs	<u>11,565,000</u>	<u>-</u>	<u>(280,000)</u>	<u>11,285,000</u>	<u>295,000</u>
COP Subtotal	<u>13,260,000</u>	<u>-</u>	<u>(385,000)</u>	<u>12,875,000</u>	<u>410,000</u>
Unamortized Discounts/Premiums	<u>(2,861,797)</u>	<u>-</u>	<u>96,581</u>	<u>(2,765,216)</u>	<u>(273,321)</u>
Total	<u>\$393,265,142</u>	<u>1,306,421</u>	<u>(6,279,526)</u>	<u>388,292,037</u>	<u>62,227,203</u>

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$432,608 at June 30, 2014, will be paid in future years from future resources, generally liquidated by the Victorville Water District, Victorville Municipal Utility and the Southern California Logistic Airport Authority.

Lease Purchase Agreements:

Key Government Finance, Inc.

In June 2006, the City of Victorville entered into an agreement with Key Government Finance, Inc. to set up a \$2,200,000 equipment lease purchase agreement. The proceeds were used to purchase a Rainbird Golf Irrigation System necessary for repair, maintenance parts and minimal repair training technique.

The lease has an interest rate of 5.49%. Repayments by the City Golf will be made in annual payments of \$214,115. Annual payments from the City Golf began in July of 2006 and continue through July of 2015. The amount of the equipment lease purchase agreement outstanding at June 30, 2014 is \$394,589.

Burrtec Waste Industries

In March 2004, the City of Victorville and the Town of Apple Valley entered into an agreement with Burrtec Waste Industries to set up a \$3,124,875 lease purchase agreement. The proceeds were used to make certain facility improvements in order to increase materials recovery and reduce operating costs.

The lease has an interest rate of 3.50%. Repayments by the Solid Waste Management will be made in monthly payments of \$30,901. Monthly payments from the Solid Waste Management began in March of 2006 and continue through February of 2016. The outstanding amount at June 30, 2014 for the City of Victorville is \$353,886.

Tax Allocation Bonds:

Tax Allocation Parity Bonds, Series 2005A

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(8) Business-Type Long-Term Liabilities, (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, December 1, 2030, and December 1, 2035 in the amounts of \$2,765,000, \$3,365,000, \$5,140,000, \$6,335,000, \$7,870,000 and \$15,335,000 are term bonds. The outstanding bonds bear interest at 3.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 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, December 1, 2030, and December 1, 2035 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2012, December 1, 2016, December 1, 2021, December 1, 2026, and December 1, 2031, respectively, from sinking fund payments made by SCLAA.

In the fiscal year ended June 30, 2006 these bonds have been 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, 2014 the reserve amount was \$1,797,890. 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, 2014 is \$21,110,000.

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.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(8) Business-Type Long-Term Liabilities, (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, 2014, the reserve amount was \$3,519,301. 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, 2014 is \$55,005,000.

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 a all of the 2003 Tax Allocation Bonds and a portion of the 2005 Tax Allocation Parity Bonds. As a result the 2003 Tax Allocation Bond is considered to be defeased and the liability has been removed from the statement of net position.

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

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

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

The required reserve for the bonds is \$945,975. As of June 30, 2014, the reserve amount was \$946,001. 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, 2014 is \$14,780,000.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(8) Business-Type 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 \$4,334,090. As of June 30, 2014, the reserve amount was \$4,334,091. 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, 2014 is \$42,410,000.

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, 2014, the reserve amount was \$2,476,455. 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, 2014 is \$33,025,000.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(8) Business-Type 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, 2014, the reserve amount was \$0. 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, 2014 is \$60,075,000.

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.

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

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

The required reserve for the Bonds is \$2,602,410. As of June 30, 2014, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,602,410. 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, 2014 is \$37,690,000.



**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

Subordinate Tax Allocation Revenue Bonds, Series 2007

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

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

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

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

The required reserve for the Bonds is \$2,824,473. As of June 30, 2014, the reserve amount was \$491,331. 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, 2014 is \$40,185,000.

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.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

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

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

The required reserve for the Bonds is \$1,333,492. As of June 30, 2014, the reserve amount was \$493,613. 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, 2014 is \$17,227,536, which includes an accretion balance of \$4,092,612.

Lease Revenue Bonds:

Variable Rate Lease Revenue Bonds, Series 2007A

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

The required reserve for the Bonds is \$5,872,900. As of June 30, 2014, the reserve amount was \$5,877,757. The bonds are a special obligation of the Victorville Joint Powers Financing Authority payable from revenues consisting primarily of base rental lease payments paid by the city and amount held in the funds and established under the indenture. The amount of bonds outstanding at June 30, 2014 is \$53,070,000.

Revenue Refunding Bonds:

2004 Project Revenue Bonds

In November 1994, the City entered into an installment purchase agreement to acquire a one-half undivided interest in the Victor Valley Materials Recovery Facility. The design and construction of the Facility was completed in October 1995 and was funded by the issuance of \$6,825,000 Project Revenue Bonds, Series 1994 through the Mojave Desert and Mountain Solid Waste Joint Powers Authority (Authority). On May 1, 2004, the \$5,910,000 Project Revenue Refunding Bonds, Series 2004 were used to currently refund the 1994 bonds, which have no balance.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

The City is obligated to make monthly installment purchase payments to the Authority equal to the sum of (1) one-twelfth of the next principal payment and (2) one-sixth of the next interest payment. Interest on the installment purchase obligation ranges from 2.0% to 5.1% and total annual principal installments range from \$135,000 to \$252,500.

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

Covenants within the installment purchase agreement require the City of Victorville to establish annual rates sufficient to pay operating expenses and debt service payments in such fiscal year. In addition, such rates shall be charged to produce net revenues equal to at least 125% of the debt service payments due and payable in such fiscal year. Since the beginning of the fiscal year on July 1, 2008 through June 30, 2014, the City was in compliance with the rate covenants.

The required reserve for the bonds is \$536,070. As of June 30, 2014, the reserve amount was \$536,070. The City of Victorville's 50% amount of bonds outstanding at June 30, 2014 is \$1,352,500.

Certificates of Participation:

1998 Certificates of Participation

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

The Certificates of Participation had a stated interest rates ranging from 4.10% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2014 is \$1,590,000.

2006 Certificates of Participation

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

The Certificates of Participation had a stated interest rates ranging from 3.20% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2014 is \$11,285,000.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

Rate Covenant

The 1998 and 2006 Certificates of Participation require that the Baldy Mesa Water District to generate sufficient net revenues which are at least equal to 110% of the amount of the installment payments and Parity Obligation coming due and payable in each fiscal year. The 1998 and 2006 Certificate of Participations were issued before Baldy Mesa and Victor Valley Water District were consolidated into Victorville Water District. The City performed the calculation that demonstrated compliance with rate covenant for the fiscal year ended June 30, 2014. The calculation was prepared using revenues and the proportionate expenses applicable to the Baldy Mesa Water District.

SCLAA Defaults on Bonded Debt

As of June 30, 2013, the SCLAA had outstanding defaults on interest and principal payments for the following debt issues:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Subordinate Tax Allocation Rev Bonds, 2007	\$ 485,000	\$ 1,155,961	\$ 1,640,961
Subordinate Tax Allocation Rev Bonds, 2008A	75,000	-	75,000

On December 1, 2013, the SCLAA defaulted on:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Taxable Subordinate Revenue Bonds, 2006	\$ 710,000	\$ 1,838,746	\$ 2,548,746
Subordinate Tax Allocation Rev Bonds, 2007	505,000	1,155,961	1,660,961
Subordinate Tax Allocation Rev Bonds, 2008A	70,000	-	70,000

On December 1, 2013 the following draws on reserves were made:

Tax Allocation Revenue Parity Bonds	2005A	\$ 17,506
Tax Allocation Revenue Parity Bonds	2006	29,353
Tax Allocation Revenue Parity Bonds, Ref.	2006	40,933
Tax Allocation Revenue Parity Bonds, For.	2006	22,807
Subordinate Tax Allocation Rev Bonds	2008A	166,638

The SCLAA had available from tax increment distribution on March 20, 2014, from VVEDA \$9,384,278. This amount plus an additional draw on reserves for the Taxable Subordinate Tax Allocation Bonds, 2006, of \$1,112,017 enabled SCLAA to cure the December 1, 2013, default on the Taxable Subordinate Tax Allocation Bonds, 2006, and fully fund the reserves on the Senior Bonds. The remaining amount of tax increment was set aside for the June 1, 2014 interest payment.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

On June 1, 2014, the SCLAA defaulted on:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Subordinate Tax Allocation Rev Bonds, 2007	\$ -	\$ 1,142,702	\$ 1,142,702

Draws on Reserves with the Trustee for the June 1, 2014 interest payments were as follows:

SCLAA Taxable Subordinate Revenue Bonds	2008A	\$ 165,063
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On December 1, 2014, the SCLAA defaulted on:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Taxable Subordinate Revenue Bonds, 2006	\$ 755,000	\$ 1,817,269	\$ 2,572,269
Subordinate Tax Allocation Rev Bonds, 2007	530,000	1,142,705	1,672,705
Subordinate Tax Allocation Rev Bonds, 2008A	80,000	-	80,000

Draws on Reserves with the Trustee for the December 1, 2014 interest payments were as follows:

SCLAA Subordinate Tax Allocation Rev Bonds	2008A	\$ 168,325
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Several material events have occurred that have resulted in SCLAA defaulting on the two 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 in the aggregate amount of \$1.7 billion for FY 09/10 and \$350 million for FY 10/11 to a county Supplemental Educational Revenue Augmentation Funds (SERAF), in order to assist the State in balancing its budget. Tax increment on hand from SCLAA was used to pay the SERAF obligation of \$9,352,308 in FY 09/10 and \$1,923,641 in FY 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. Since that time, there has been a significant decrease in assessed value. For Fiscal Year 12/13, the assessed value for the Project Area was approximately \$6.62 billion. This represents a 30% decrease in assessed value over that time period. The decrease was largely the result of the recent economic downturn and the housing market crisis.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

- The California Redevelopment Agency (RDA) dissolution process has created cash flow issues due to the new processes imposed by the legislation. Essentially, revenue receipts are delayed significantly for each six month period as the Recognized Obligation Payment Schedule (ROPS) makes its way through the various levels of approval. This delayed receipt of funds by Victor Valley Economic Development Agency (VVEDA) leads to a delayed distribution to its JPA members, which ultimately contributes to the shortfall already realized due to sharp decreases in property values of the last several years. For December 2013, any and all existing cash balances on hand must be sent to the Trustee in order for the RDA and SCLAA to meet as much of its contractual obligations as possible.

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding proprietary fund debt of the City as of June 30, 2014, are as follows for each fiscal year ending June 30:

Year Ending	Lease Purchase Agreements	Lease Purchase Agreements	Tax Allocation Bonds	Tax Allocation Bonds	Certificate of Participation	Certificate of Participation	Lease Revenue Bonds	Lease Revenue Bonds	Refunding Bonds	Refunding Bonds
June 30	Principal	Interest	Principal*	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 401,744	31,266	4,985,000	17,104,023	410,000	589,168	-	-	197,500	67,515
2016	346,731	13,314	4,635,000	16,874,359	430,000	569,680	-	-	210,000	58,035
2017	-	-	4,865,000	16,635,808	440,000	549,505	1,145,000	3,564,000	220,000	47,745
2018	-	-	5,110,000	16,387,661	465,000	529,523	1,205,000	3,487,275	230,000	36,745
2019	-	-	5,365,000	16,093,581	490,000	509,240	1,270,000	3,406,500	242,500	25,245
2020	-	-	5,635,000	15,812,820	505,000	487,940	1,335,000	3,321,225	252,500	12,877
2021	-	-	5,920,000	15,516,539	530,000	465,695	1,405,000	3,231,450	-	-
2022	-	-	6,225,000	15,202,086	550,000	442,278	1,480,000	3,136,950	-	-
2023-27	-	-	36,345,000	70,598,260	2,750,000	1,827,028	8,680,000	14,081,625	-	-
2028-32	-	-	47,055,000	60,225,238	2,775,000	1,229,701	11,245,000	10,840,050	-	-
2033-37	-	-	61,780,000	45,592,140	3,530,000	458,250	14,570,000	6,640,425	-	-
2038-42	-	-	81,830,000	25,277,270	-	-	10,735,000	1,466,775	-	-
2043-47	-	-	94,010,000	2,658,284	-	-	-	-	-	-
2048-51	-	-	72,900,000	-	-	-	-	-	-	-
Subtotal	<u>748,475</u>	<u>44,580</u>	<u>436,660,000</u>	<u>333,978,069</u>	<u>12,875,000</u>	<u>7,658,008</u>	<u>53,070,000</u>	<u>53,176,275</u>	<u>1,352,500</u>	<u>248,162</u>
Discounts / Premiums	-	-	(2,827,140)	-	116,695	-	-	-	(54,771)	-
Total	<u>\$ 748,475</u>	<u>44,580</u>	<u>433,832,860</u>	<u>339,978,069</u>	<u>12,991,695</u>	<u>7,658,008</u>	<u>53,070,000</u>	<u>53,176,275</u>	<u>1,297,729</u>	<u>248,162</u>

\* This total includes capital appreciation of \$115,152,464 for tax allocation bonds that will be accrued in the future years.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(9) Successor Agency Long-Term Liabilities**

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance at			Balance at	Due
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Within</u>
					<u>One Year</u>
Redevelopment Agency Debt:					
Tax Allocation Bonds:					
2002A Tax Allocation Bonds	\$ 7,765,000	-	(260,000)	7,505,000	270,000
2003A Tax Allocation Bonds	8,225,000	-	(280,000)	7,945,000	285,000
2003B Tax Allocation Bonds	4,045,000	-	(140,000)	3,905,000	140,000
2006A Tax Allocation Bonds	<u>20,470,000</u>	<u>-</u>	<u>(330,000)</u>	<u>20,140,000</u>	<u>365,000</u>
Totals	<u>\$ 40,505,000</u>	<u>-</u>	<u>(1,010,000)</u>	<u>39,495,000</u>	<u>1,060,000</u>

Tax Allocation Bonds

2002 Tax Allocation Bonds, Series A

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

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

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

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

The required reserve for the Bonds is \$650,054. As of June 30, 2014, the reserve amount consisting of fiscal agent cash and an insurance policy was \$650,372. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2014 is \$7,505,000.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

2003 Tax Allocation Bonds, Series A

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

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

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

The required reserve for the Bonds is \$687,275. As of June 30, 2014, the reserve amount consisting of fiscal agent cash and an insurance policy was \$688,550. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2014 is \$7,945,000.

2003 Tax Allocation Bonds, Series B

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

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

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

The required reserve for the Bonds is \$340,963. As of June 30, 2014, the reserve amount consisting of fiscal agent cash and an insurance policy was \$341,103. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2014 is \$3,905,000.



**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

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

2006 Taxable Tax Allocation Parity Bonds, Series A

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

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

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

The required reserve for the Bonds is \$2,087,412. As of June 30, 2014, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,088,452. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2014 is \$20,140,000.

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2014, are as follows for each fiscal year ending June 30:

Year Ending	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2015	\$ 1,060,000	2,139,494
2016	1,110,000	2,085,756
2017	1,165,000	2,029,330
2018	1,225,000	1,969,850
2019	1,285,000	1,907,094
2020-24	7,500,000	8,425,616
2025-29	9,725,000	6,124,021
2030-34	12,705,000	3,049,172
2035-37	<u>3,720,000</u>	<u>177,000</u>
Total	<u>\$ 39,495,000</u>	<u>27,907,333</u>

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(10) Pledged Revenue**

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

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

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

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Property Tax Increment pledged by the Successor Agency of the Victorville Redevelopment Agency	\$ 4,926,947	3,199,548	65%
Property Tax Increment pledged by the Southern California Logistics Airport Authority	17,562,350	21,516,385	123%
Water Improvement District No. 2	2,143,668	992,605	46%

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(11) Fund Balances**

Fund balances of governmental funds at June 30, 2014 consisted of the following reserves:

	<b>General Fund</b>	<b>Capital Impact Facilities Fund</b>	<b>Non-Major Governmental</b>	<b>Total</b>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 10,709	-	830	11,539
Inventories	168,422	-	-	168,422
Restricted for:				
Public Safety	-	-	135,260	135,260
Highways and street projects	-	-	22,915,732	22,915,732
Community development	-	-	12,666,528	12,666,528
Other purposes	30,056	-	8,151,219	8,181,275
Assigned	-	1,910,762	-	1,910,762
Unassigned	<u>4,594,901</u>	<u>-</u>	<u>(1,542,832)</u>	<u>3,052,069</u>
Total fund balances	<u>\$ 4,804,088</u>	<u>1,910,762</u>	<u>42,326,737</u>	<u>49,041,587</u>

**(12) Deficit Fund Balances**

The following funds had deficit fund balances/net position as of June 30, 2014:

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Other Federal Grants	\$ 1,122,475
Other State / Local Grants	332,854
HUD Grants	87,503
Enterprise Funds:	
Southern California Logistics Airport Authority (SCLAA)	126,666,432
Municipal Utility Fund	20,288,830
Fiduciary Funds:	
Private Purpose Trust Fund	1,444,065

**(13) Defined Benefit Pension Plan**

Plan Description

The City of Victorville contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial reports may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

(13) Defined Benefit Pension Plan, (Continued)
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Funding Policy

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011. The contribution rate indicated for the period is 14.148% of payroll for the miscellaneous plan.

A summary of principle assumptions and methods used to determine the ARC is shown below.

Miscellaneous Plan

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of .25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(13) Defined Benefit Pension Plan, (Continued)**

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (UAAL)/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/10	\$ 99,653,341	88,833,631	10,819,710	89.1%	23,148,596	46.7%
6/30/11	117,307,432	102,420,087	14,887,345	87.3%	20,176,295	73.8%
6/30/12	124,909,019	108,522,066	16,386,953	86.9%	18,033,601	90.9%

For each of the fiscal years shown below, the City has contributed at the actuarial determined rate provided by PERS' actuaries:

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 2,585,752	100%	-
6/30/13	2,388,994	100%	-
6/30/14	2,606,164	100%	-

The above amounts do not include the employee contribution which was paid by the employer on behalf of the employees in the amount of \$1,473,646.

**(14) Deferred Compensation**

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(15) Post Employment Benefit Plan**

Other Post Employment Benefits Plan

*Plan Descriptions.* The City of Victorville contributes to two single-employer defined benefit healthcare plans: City Retiree Healthcare Plan (City Plan) and Water District Retiree Healthcare Plan (District Plan). Each plan provides medical benefits to eligible retired City employees and Water District employees and beneficiaries in accordance with various labor agreements. The plan covers employees who retire directly from the City with 8 years of service (5 years for Water District employees). The Water District Retiree Healthcare Plan also provides Dental and Vision benefits to eligible former Water District employees with 15 years of service. The City provides a contribution up to a certain amount (a portion of the Health Net HMO single premium). The percentage varies based on years of City service. The City currently also pays life insurance premium for eight Water District retirees and no benefit is available for future retirees.

*City's Funding Policy.* The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2014, the City contributed \$301,080 to the plan. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

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

	<b><u>City and Water District Plan</u></b>
Annual required contribution	\$ 3,526,000
Interest on net OPEB obligation	514,000
Adjustment to annual required contribution	<u>(1,054,000)</u>
Annual OPEB cost (expense)	2,986,000
Contributions made (including premiums paid)	<u>(301,080)</u>
Increase in net OPEB cost (expense)	2,684,920
Net OPEB obligation – beginning of year	<u>13,158,614</u>
Net OPEB obligation – end of year	<u><u>\$15,843,534</u></u>

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(15) Post Employment Benefit Plan, (Continued)**

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

<b><u>Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Actual Contribution</u></b>	<b><u>Percentage Contributed</u></b>
6/30/12	\$3,596,000	395,517	10.98%
6/30/13	2,813,000	360,540	12.82%
6/30/14	2,986,000	301,080	10.08%

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

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

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2009/10 fiscal year. The City has selected the discount rate (4.00%) and healthcare is assumed to increase, on the average 7.1% for HMO's and 7.5% for PPO's a year for the next 9 years, with a 3% inflation rate.

*Schedule of Funding Progress*

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

<b><u>Actuarial Date</u></b>	<b><u>Actuarial Assets</u></b>	<b><u>Actuarial Liability Entry Age</u></b>	<b><u>Unfunded AAL (UAAL)</u></b>	<b><u>Ratio</u></b>	<b><u>Covered Payroll</u></b>	<b><u>UAAL as a Percentage of Covered Payroll</u></b>
6/30/08	\$ -	21,266,000	21,266,000	0%	25,251,000	84.22%
6/30/10	\$ -	30,408,000	30,408,000	0%	26,072,000	116.63%
6/30/12	\$ -	28,312,000	28,312,000	0%	23,288,000	121.57%

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(16) Jointly Governed Organizations**

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

Regional Fire Protection Authority

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

Mojave Desert and Mountain Integrated Waste Management Authority

Mojave Desert and Mountain Integrated Waste Management Authority (MDMA) was formed in September of 1991 by the cities of Victorville, Barstow, Big Bear Lake, Needles, Twenty-nine Palms, the Towns of Apple Valley and Yucca Valley and the County of San Bernardino to fund the annual operating costs of a recycling processing center known as the Victor Valley Materials Recovery Facility (the facility). The Authority does not own the facility that is used in the recycling operation. Rather, the facility is owned by two of the Authority's members, each of which has a 50% interest in the facility. The City of Victorville is one of the two members that has a direct ownership interest in the facility. The City's ownership interest in the facility is reported in the Solid Waste Management Fund of the City. Contribution rates from member agencies toward the annual operating costs of the facility are based on each member's current population as a percentage of the total population of the MDMA. The City's contribution toward the cost of operating the facility during the year ended June 30, 2014 was \$85,120. The Authority reports no capital assets and the City of Victorville does not have a material equity interest in the net position of the Authority. Financial statements may be obtained by mailing a request to the Town of Apple Valley, 14955 Dale Evans Parkway, Apple Valley, California 92307.



**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(16) Jointly Governed Organizations, (Continued)**

Victor Valley Economic Development Authority

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

Victor Valley Transit Authority

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

Victor Valley Wastewater Reclamation Authority

The Victor Valley Wastewater Reclamation Authority (VWVRA) was formed in 1999 between the Cities of Victorville, Adelanto, and Hesperia, the Town of Apple Valley, and the County of San Bernardino for the purpose of construction, operation and maintenance of sewer collection, transmission and treatment facilities within the high desert region. The governing body of VWVRA is made up of representatives of each significant participant in VWVRA. Budgeting and financing are the responsibility of the VWVRA. The City makes monthly payments to VWVRA for sewer treatment and connection fee services. The City made payments totaling \$7,453,905 to VWVRA for the year ended June 30, 2014. The members have no measurable equity interest in the net position of the Authority. Section 61 of the Joint Powers Authority Agreement provides for no distribution of assets to the members upon dissolution of the Authority or upon otherwise exiting the Authority. Rather than an equity interest, Section 12.2(b) of the Joint Powers Authority Agreement provides each member with Purchased Capacity in return for its capital investment in the plant. Financial statements may be obtained by sending a written request to Victor Valley Wastewater Reclamation Authority, 20111 Shay Road, Victorville, CA 92394.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(17) Participation in Risk Pool**

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

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

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

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

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

	Beginning	Current Year Claims and Changes in	Claim	Ending	Due within
	<u>Balance</u>	<u>Estimates</u>	<u>Payments</u>	<u>Balance</u>	<u>one year</u>
2011-12	\$ 1,270,322	282,460	(284,956)	1,267,826	300,000
2012-13	1,267,826	434,036	(747,934)	953,928	300,000
2013-14	953,928	172,301	(249,275)	876,954	300,000

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

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(18) Debt Without Government Commitment**

Special Tax Bonds

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2002 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2014 was \$835,000.

The City is the collection and paying agent for the Community Facilities District No. 90-1 of the City of Victorville Special Tax Refunding Bonds, 2005 Series A. The special tax bonds were issued to refund the District's Special Tax Bonds, 1991 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2014 was \$2,195,000.

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2005 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2014 was \$2,800,000.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(18) Debt Without Government Commitment, (Continued)**

The City is the collection and paying agent for the Community Facilities District No. 07-01 of the City of Victorville Special Tax Bonds, 2012. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2014 was \$2,815,000.

Refunding Improvement Bonds

The City is the collection and paying agent for the Water Assessment District 2R of the Refunding Improvement Act Bonds, Series 2006, Assessment District 2R. On March 2, 2006, the Baldy Mesa Water District issued \$4,070,000 principal amount in Refunding improvement Bonds Series 2006. The proceeds were used to refinance and refund the Refunding Improvement Bonds, Series 1989, Assessment District 2R, to fund a reserve fund for the Bonds and pay cost related to the issuance of the Bonds.

A special assessment has been levied on the property tax bill of those residents who reside within the boundaries of Assessment District 2R to repay the debt service of this obligation. Principal and interest payments are due each September 2<sup>nd</sup> and interest only payments are due each March 2<sup>nd</sup>. The amount of refunding bonds outstanding on June 30, 2014 was \$550,000. These bonds do not constitute a debt or an obligation of the City because the bonds are solely payable and secured by assets and revenues of other parties.

Multifamily Housing Revenue Bonds

In November of 1988, the City of Victorville issued \$8,400,000 Variable Rate Demand Multifamily Housing Revenue Bonds to finance the construction and development of 200 multifamily housing units in the City of Victorville. The outstanding debt at June 30, 2014 was \$5,640,000. These bonds do not constitute a debt or an obligation of the City because the bonds are solely payable and secured by assets and revenues of other parties.

**(19) Commitments and Contingencies**

A. Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. The accompanying basic financial statements reflect a liability for the probable amounts of loss associated with these claims.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(19) Commitments and Contingencies, (Continued)**

In the normal course of municipal operations, the City has recorded a liability for claims and judgments based upon management's best estimate of the probable amount of loss associated with those claims. Additional amounts of potential loss have not been accrued because management has not determined those additional amounts to be probable of payment.

**B. Complaint Filed by the United States Securities and Exchange Commission**

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

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

Victorville Municipal Utility Services ("VMUS," an enterprise fund of the City of Victorville) executed "Take or Pay" agreements for the purchase of electricity with Exelon Generation Company in April 2013, and EDF Trading North America in September 2010. These commitments extend through June 30, 2014, and December 31, 2014 respectively. In November 2013, VMUS amended the agreement with Noble America Energy Solutions (formerly Sempra Energy Solutions) to extend scheduling coordination and other settlement services through December 31, 2015.

**D. Victor Valley Mall Development Agreement**

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

The agreement term is 28 years and includes a maximum assistance allowance of \$18,886,644. The City has recorded a liability of \$143,159 as of June 30, 2014 for sales tax revenue earned from January 2013 to December 2013. Additional payments are contingent upon the occurrence of uncertain future events, including the generation of sales tax revenue in excess of \$1,000,000 per year.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(19) Commitments and Contingencies, (Continued)**

E. Southern California Logistics Airport Authority and Stirling Enterprise LLC

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

The EDC Parcels are made up of approximately 1,800 acres of adjacent property which may be developed for use as commercial property. SCLAA paid \$1,636,489 and is required to pay additional \$37,176 for these EDC Parcels.

In 1993 a Redevelopment Plan was adopted by VVEDA establishing a redevelopment project area encompassing the former Base as well as approximately 55,000 additional acres. VVEDA delegated its decision making authority relative to the former Base, now known as Southern California Logistics Airport or SCLA, to the Southern California Logistics Airport Authority ("SCLAA"). SCLAA is a component unit entity of the City of Victorville. It is also a Joint Power Authority created by the City of Victorville and the Victorville Redevelopment Agency.

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

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

Revenues from Sales of Land

Pursuant to the Stirling Agreement SCLAA agreed to transfer a portion of the EDC Parcels to Stirling at the original cost with future revenue sharing based on the profit earned by Stirling. The revenue sharing formula states that to the extent that sales proceeds exceed the transfer price to Stirling, SCLAA and Stirling will share in the excess proceeds as follows:

- The first \$1.00 in excess is all allocated to Stirling
- The second \$1.00 is split 50%/50% between Stirling and Authority
- Thereafter, excess proceeds are split 80% to Stirling and 20% to Authority

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(19) Commitments and Contingencies, (Continued)**

The terms of sale and transfer are to be documented in a Disposition and Development Agreement (DDA).

The Stirling Agreement provides the Authority with discretion over incurring obligation to pay for pre-development costs and infrastructure costs. Prior to transfer, sources of revenue to finance SCLAA's infrastructure costs shall be identified, said financing to be made up primarily of tax increment revenues received by SCLAA as a pass through from VVEDA. To the extent tax increment revenues are not available; the obligations of SCLAA to contribute infrastructure financing shall be modified, deferred, or paid from outside sources such as grants or developer equity.

Management

Stirling is allowed to lease or cause to be leased both the EDC and PBT Parcels and shall participate in 20% of the Net Lease Revenue. To incentivize Sterling's marketing of the Airport, Stirling is paid 20% of the increase in Airport revenues over and above a base year Factor. Such Airport revenues include leases, landing fees, fuel flowage fees and any tariffs or fees pertaining to Airport operations. Additionally, any revenues from other interim uses such as filming will be shared on a 50%/50% basis between Stirling and Authority.

F. La Mesa/Nisqualli Interchange

During the year ended June 30, 2014, the City completed construction of a new interchange on Interstate 15 at the La Mesa/Nisqualli Road exit. To finance the construction of the interchange, the City made arrangements for the San Bernardino Association of Governments (SANBAG) to reimburse the City for approximately 50% of the cost of the project. SANBAG used Measure I funds to reimburse the City. The total amount of Measure I funding to be provided by SANBAG for this project is expected to be \$21,894,324. As of June 30, 2014 the unfunded portion of the project was \$8,577,891. As a result of this arrangement, the City's future allocation of Measure I funds was reduced by the amount of the funding that was provided for this project. The Measure I funds that were used for this project are not required to be repaid by the City to SANBAG. The portion of the project not funded by Measure I monies will be reimbursed by transfers from development impact fee funds of the City once those transfers have been authorized by City Council.

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

General Fund

During the fiscal year ended June 30, 2014, the fund balance of the General Fund of the City decreased \$484,376 from the balance that was reported at the beginning of that fiscal year. The General Fund's continued financial stability is dependent upon the City's continued control of expenditures and the increases in City revenues that are expected to occur as the local economy improves.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

(20) Financial Condition, Significant Financial Obligations and Management Plans, (Continued)
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Southern California Logistics Airport Authority

During the current fiscal year, SCLAA had a net income before depreciation of \$500 thousand. After depreciation expense of \$7 million, SCLAA had a net loss of \$6.4 million. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	<u>SCLAA Deficit</u>
	<u>Balance</u>
Beginning Net Position, as restated	\$(120,223,301)
Net loss	<u>(6,443,131)</u>
Ending Net Position	<u><u>\$(126,666,432)</u></u>

*SCLAA Annual Debt Service Payments:*

The required debt service payments of SCLAA for the fiscal year ended June 30, 2014 are \$21,516,385. Estimated pledged revenues are anticipated to be \$17,562,350 resulting in a shortfall. In addition, the SCLAA defaulted on debt service payments for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and 2008A. Use of reserves will be necessary to bridge the gap until the economy rebounds and tax increment exceeds debt service payments. See footnote 8 for further information.

Management’s Plans With Respect to its Financial Condition

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

The City of Victorville has reduced its budget since Fiscal Year 2007-2008 to bring expenditures in line with revenues. However, the ongoing lawsuit from the U.S. Securities and Exchange Commission (SEC) and the legal fees incurred continue to drawn down the General Fund reserves. The trial for the lawsuit has been delayed, but is expected to begin sometime in 2015. The additional sales tax revenue receipts in fiscal year 2014 helped to subsidize the additional legal costs. General Fund has decreased in fund balance by \$484 thousand for the year ended June 30, 2014.

The budget for the General Fund in fiscal year 2014-2015 also estimates revenues to equal expenditures. Management also included a \$1.2 million draw down directly from the reserve fund to cover SEC legal costs and Facility maintenance and repair. 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, 2014 with an unassigned General Fund reserve of \$ 4,594,901 or a 9.14% reserve for the General Fund. The two major taxes revenues: sales tax and franchise tax continue to increase. 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 City’s General Fund policy. Regarding the SCLAA’s financial condition, a draw on reserves and defaults will be necessary to bridge the gap until the economy rebounds and tax increment revenues exceed debt service payments.



**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(21) Subsequent Events**

SCLAA Default on Bonded Debt

On December 1, 2014, the SCLAA defaulted on the principal and interest payment of \$2,572,269 for SCLAA Taxable Subordinate Revenue bonds, 2006, the principal and interest payment of \$1,672,705 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal payment of \$80,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. The SCLAA anticipates receiving tax increment revenues in March 2015 to cure the default for SCLAA Taxable Subordinate Revenue Bonds, Series 2006 of \$2,572,269. See footnote 8 for further information.

**(22) Successor Agency Trust for Assets of the Former Redevelopment Agency**

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

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

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

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

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.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

(22) Successor Agency Trust for Assets of the Former Redevelopment Agency, (Continued)
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The assets of the Successor Agency include a receivable for loans that had been made in the past to the SCLAA. The SCLAA receives significant funding from VVEDA. As of the date of the financial statements, there is a legal uncertainty as to whether the state statutes concerning redevelopment agency dissolution would support the recognition of this obligation to the Successor Agency. The Successor Agency plans to resolve this legal uncertainty by seeking a ruling from the California Department of Finance. It is reasonably possible that the California Department of Finance will rule that VVEDA's tax increment cannot be used to satisfy this obligation. Should it become probable that a loss has been incurred with respect to this receivable, the loss will be so recognized in the financial statements of the City upon such determination.

After February 1, 2012 the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) 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 Housing Fund of the City of Victorville 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 for the Victorville Successor Agency to the California Department of Finance (DOF). The City is currently in the process of revising the plan based on recommendations from DOF and the revised plan has not yet been approved. Once the revised plan is approved, any assets authorized by the approved plan for transfer to the City or other entities will be transferred in accordance with the directives of the plan and Assembly Bill No. 1484.

On November 14, 2014 the California State Controller's Office (SCO) issued its report regarding its review of asset transfers made by the Victorville Redevelopment Agency (RDA) after January 1, 2011 to other public agencies, including the City. The report indicated that there were no unallowable transfers that occurred during the review period between the RDA, the City, and/or any other public agency.

**City of Victorville**  
**Notes to Basic Financial Statements**  
**(Continued)**

**(23) Prior Period Adjustments**

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

	Business-type <u>Activities</u>	<u>SCLAA</u>	Sanitary <u>District</u>
As previously reported	\$ 171,053,619	(121,322,393)	56,324,692
1. Accumulated depreciation	<u>1,925,860</u>	<u>1,099,092</u>	<u>826,768</u>
As restated	<u>\$ 172,979,479</u>	<u>(120,223,301)</u>	<u>57,151,460</u>

1. During the year ended June 30, 2014, the City identified a discrepancy in their records causing accumulated depreciation to be overstated in prior years. An entry was booked to adjust beginning accumulated depreciation.

**(24) Excess of Expenditures over Appropriations**

For the year ended June 30, 2014, total expenditures exceeded appropriations for the following funds:

	Amount in Excess of <u>Appropriations</u>
Major Governmental Funds:	
General Fund	\$ 941,650
Nonmajor Special Revenue Funds:	
Measure I Fund	2,966,439

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORVILLE  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes and assessments	\$ 35,265,500	35,265,500	39,478,467	4,212,967
Licenses and permits	1,131,165	1,131,165	1,229,852	98,687
Intergovernmental	1,320	1,320	1,040,624	1,039,304
Charges for services	2,996,572	2,996,572	7,523,275	4,526,703
Fines and forfeitures	199,450	199,450	290,259	90,809
Investment income	235,401	235,401	54,110	(181,291)
Legal settlement	-	-	33,503	33,503
Other	7,581,782	9,178,040	143,667	(9,034,373)
Total revenues	<u>47,411,190</u>	<u>49,007,448</u>	<u>49,793,757</u>	<u>786,309</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	8,479,851	8,532,735	9,747,030	(1,214,295)
Public safety	33,023,259	33,303,519	33,556,334	(252,815)
Public works	3,555,541	3,555,541	3,423,483	132,058
Parks and recreation	3,192,413	3,242,983	2,849,581	393,402
<b>Debt service:</b>				
Principal	32,088	32,088	32,088	-
Total expenditures	<u>48,283,152</u>	<u>48,666,866</u>	<u>49,608,516</u>	<u>(941,650)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(871,962)</u>	<u>340,582</u>	<u>185,241</u>	<u>(155,341)</u>
<b>Other financing sources (uses):</b>				
Gain (loss) on sale of assets	-	-	30,605	30,605
Transfers in	725,000	725,000	292,000	(433,000)
Transfers out	(539,065)	(539,065)	(992,222)	(453,157)
Total other financing sources (uses)	<u>185,935</u>	<u>185,935</u>	<u>(669,617)</u>	<u>(855,552)</u>
Net changes in fund balances	(686,027)	526,517	(484,376)	(1,010,893)
Fund balances at beginning of year	<u>5,288,464</u>	<u>5,288,464</u>	<u>5,288,464</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,602,437</u>	<u>5,814,981</u>	<u>4,804,088</u>	<u>(1,010,893)</u>

CITY OF VICTORVILLE  
 Capital Impact Facilities Fund - Major Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues:</b>				
Charges for services	\$ 2,746,900	2,746,900	1,405,685	(1,341,215)
Investment income	17,280	17,280	6,750	(10,530)
Other	491,417	491,417	19,068	(472,349)
<b>Total revenues</b>	<u>3,255,597</u>	<u>3,255,597</u>	<u>1,431,503</u>	<u>(1,824,094)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	-	-	3,779	(3,779)
Public works	502,092	502,092	29,388	472,704
<b>Debt service:</b>				
Principal	40,000	40,000	-	(40,000)
Interest	290,000	290,000	60,628	229,372
<b>Total expenditures</b>	<u>832,092</u>	<u>832,092</u>	<u>93,795</u>	<u>658,297</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	<u>2,423,505</u>	<u>2,423,505</u>	<u>1,337,708</u>	<u>(1,165,797)</u>
<b>Net change in fund balances</b>	2,423,505	2,423,505	1,337,708	(1,085,797)
Fund balances at beginning of year	<u>573,054</u>	<u>573,054</u>	<u>573,054</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 2,996,559</u>	<u>2,996,559</u>	<u>1,910,762</u>	<u>(1,085,797)</u>

**City of Victorville**  
**Notes to Required Supplementary Information**  
**Year Ended June 30, 2014**

(1)	Budgetary Data
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The City follows these procedures in establishing the budgetary data in the financial statements.

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



# Nonmajor Governmental Funds

## Special Revenue Funds

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

### ***Measure I***

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

### ***Other Federal Grants***

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

### ***Housing Fund of the City of Victorville***

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

### ***Landscape Maintenance and Drainage Facilities Assessment District***

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

### ***Street Lighting***

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

### ***Traffic Safety***

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

### ***Asset Seizure***

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

# Nonmajor Governmental Funds

## Special Revenue Funds

(Continued)

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### ***Storm Drain Utility***

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

### ***Gas Tax***

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

### ***Transportation Tax***

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

### ***Other State / Local Grants***

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

### ***HUD Grants***

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

City of Victorville  
Nonmajor Governmental Funds  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2014  
(with comparative totals for June 30, 2013)

	Measure I	Other Federal Grants	Housing Fund	Landscape Maintenance	Street Lighting	Traffic Safety
<b>Assets</b>						
Cash and investments	\$ 6,607,122	42,186	70,445	7,436,341	1,055,408	347
Accounts receivable	21,364	-	-	150	-	69,098
Notes receivable	-	-	557,044	-	-	-
Advances to other funds	-	-	-	-	-	-
Due from other governments	-	3,529,443	-	38,280	21,948	-
Prepaid items	-	-	-	-	-	-
Land held for resale	-	-	12,039,214	-	-	-
Total assets	<u>\$ 6,628,486</u>	<u>3,571,629</u>	<u>12,666,703</u>	<u>7,474,771</u>	<u>1,077,356</u>	<u>69,445</u>
<b>Liabilities</b>						
Accounts payable	\$ 144,775	344,080	175	174,604	89,075	48,313
Deposits payable	-	-	-	-	-	-
Due to other funds	-	2,335,174	-	-	-	-
Due to other governments	-	-	-	-	-	-
Unearned revenue	16,645	125,213	-	-	-	-
Total liabilities	<u>161,420</u>	<u>2,804,467</u>	<u>175</u>	<u>174,604</u>	<u>89,075</u>	<u>48,313</u>
<b>Deferred Inflow of Resources</b>						
Unavailable revenue	-	1,925,636	-	-	-	-
Total deferred inflow of resources	<u>-</u>	<u>1,925,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances (Deficit)</b>						
Non-spendable:						
Prepaid items	-	-	-	-	-	-
Spendable:						
Restricted	6,467,066	-	12,666,528	7,300,167	988,281	21,132
Unassigned	-	(1,158,474)	-	-	-	-
Total fund balances (deficit)	<u>6,467,066</u>	<u>(1,158,474)</u>	<u>12,666,528</u>	<u>7,300,167</u>	<u>988,281</u>	<u>21,132</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 6,628,486</u>	<u>3,571,629</u>	<u>12,666,703</u>	<u>7,474,771</u>	<u>1,077,356</u>	<u>69,445</u>

Asset Seizure	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	Totals	
						2014	2013
114,128	1,990,310	3,997,440	8,445,055	172,059	-	29,930,841	28,811,731
-	125,999	2,874	951	-	-	220,436	212,769
-	-	-	-	-	625,055	1,182,099	583,639
-	1,177,111	-	-	-	-	1,177,111	1,185,428
-	1,037,038	352,666	-	417,664	657,876	6,054,915	6,729,057
-	-	830	-	-	-	830	824
-	-	-	-	-	-	12,039,214	18,089,215
<u>114,128</u>	<u>4,330,458</u>	<u>4,353,810</u>	<u>8,446,006</u>	<u>589,723</u>	<u>1,282,931</u>	<u>50,605,446</u>	<u>55,612,663</u>
-	25,681	572,589	63,399	47,101	81,264	1,591,056	1,405,163
-	-	-	3,310	-	-	3,310	2,360
-	-	-	-	-	1,172,793	3,507,967	3,627,568
-	-	-	-	-	-	-	3,966
-	-	-	-	478,160	-	620,018	251,792
-	<u>25,681</u>	<u>572,589</u>	<u>66,709</u>	<u>525,261</u>	<u>1,254,057</u>	<u>5,722,351</u>	<u>5,290,849</u>
-	6,480	-	-	397,316	116,377	2,445,809	4,670,474
-	<u>6,480</u>	-	-	<u>397,316</u>	<u>116,377</u>	<u>2,445,809</u>	<u>4,670,474</u>
-	-	830	-	-	-	830	824
114,128	4,298,297	3,780,391	8,379,297	-	-	44,015,287	48,493,807
-	-	-	-	(332,854)	(87,503)	(1,578,831)	(2,843,291)
<u>114,128</u>	<u>4,298,297</u>	<u>3,781,221</u>	<u>8,379,297</u>	<u>(332,854)</u>	<u>(87,503)</u>	<u>42,437,286</u>	<u>45,651,340</u>
<u>114,128</u>	<u>4,330,458</u>	<u>4,353,810</u>	<u>8,446,006</u>	<u>589,723</u>	<u>1,282,931</u>	<u>50,605,446</u>	<u>55,612,663</u>

City of Victorville  
Nonmajor Governmental Funds  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2014  
(with comparative totals for year ended June 30, 2013)

	Measure I	Other Federal Grants	Housing Fund	Landscape Maintenance	Street Lighting	Traffic Safety
<b>Revenues:</b>						
Taxes and assessments	\$ 4,290,683	-	-	2,232,629	1,622,144	-
Intergovernmental	248,471	5,487,877	-	-	320,728	-
Charges for services	34,483	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	824,556
Investment income	18,309	95	5,495	9,089	1,189	-
Other	2,727	-	12,000	-	-	-
Total revenues	<u>4,594,673</u>	<u>5,487,972</u>	<u>17,495</u>	<u>2,241,718</u>	<u>1,944,061</u>	<u>824,556</u>
<b>Expenditures:</b>						
Current:						
General government	-	-	4,467	-	-	-
Public safety	-	62,976	-	-	-	532,773
Community development	-	1,125	22,232	-	-	-
Public works	6,730,193	3,731,201	-	2,104,489	1,061,321	-
Parks and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	6,050,000	-	-	-
Total expenditures	<u>6,730,193</u>	<u>3,795,302</u>	<u>6,076,699</u>	<u>2,104,489</u>	<u>1,061,321</u>	<u>532,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,135,520)</u>	<u>1,692,670</u>	<u>(6,059,204)</u>	<u>137,229</u>	<u>882,740</u>	<u>291,783</u>
<b>Other financing sources (uses):</b>						
Transfers in	-	32,781	-	-	-	-
Transfers out	-	(40,634)	-	-	-	(292,000)
Total other financing sources (uses)	<u>-</u>	<u>(7,853)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(292,000)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(2,135,520)</u>	<u>1,684,817</u>	<u>(6,059,204)</u>	<u>137,229</u>	<u>882,740</u>	<u>(217)</u>
Fund balances (deficit) at beginning of year	<u>8,602,586</u>	<u>(2,843,291)</u>	<u>18,725,732</u>	<u>7,162,938</u>	<u>105,541</u>	<u>21,349</u>
Fund balances (deficit) at end of year	<u>\$ 6,467,066</u>	<u>(1,158,474)</u>	<u>12,666,528</u>	<u>7,300,167</u>	<u>988,281</u>	<u>21,132</u>

Asset Seizure	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	Totals	
						2014	2013
-	-	-	-	-	-	8,145,456	7,185,831
9,595	1,037,038	3,739,773	2,676,803	248,822	2,439,656	16,208,763	9,388,398
-	1,496,131	7,005	13,326	-	-	1,550,945	1,472,048
-	26,823	-	-	-	-	851,379	762,841
138	2,459	4,904	17,888	197	17,485	77,248	74,003
-	141	-	12,372	-	-	27,240	9,125
<u>9,733</u>	<u>2,562,592</u>	<u>3,751,682</u>	<u>2,720,389</u>	<u>249,019</u>	<u>2,457,141</u>	<u>26,861,031</u>	<u>18,892,246</u>
-	-	-	-	-	-	4,467	-
19,271	-	-	-	97,135	-	712,155	860,145
-	-	-	-	72,809	2,691,429	2,787,595	3,929,883
-	1,270,703	3,571,135	811,391	963,438	-	20,243,871	14,899,470
-	-	-	-	15,982	-	15,982	112,351
-	-	-	-	-	-	6,050,000	-
<u>19,271</u>	<u>1,270,703</u>	<u>3,571,135</u>	<u>811,391</u>	<u>1,149,364</u>	<u>2,691,429</u>	<u>29,814,070</u>	<u>19,801,849</u>
(9,538)	1,291,889	180,547	1,908,998	(900,345)	(234,288)	(2,953,039)	(909,603)
-	-	-	-	40,634	-	73,415	21,193,898
-	-	-	-	(1,796)	-	(334,430)	(325,000)
-	-	-	-	38,838	-	(261,015)	20,868,898
(9,538)	1,291,889	180,547	1,908,998	(861,507)	(234,288)	(3,214,054)	19,959,295
<u>123,666</u>	<u>3,006,408</u>	<u>3,600,674</u>	<u>6,470,299</u>	<u>528,653</u>	<u>146,785</u>	<u>45,651,340</u>	<u>25,692,045</u>
<u>114,128</u>	<u>4,298,297</u>	<u>3,781,221</u>	<u>8,379,297</u>	<u>(332,854)</u>	<u>(87,503)</u>	<u>42,437,286</u>	<u>45,651,340</u>

CITY OF VICTORVILLE  
Measure I Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes and assessments	\$ 550,000	550,000	4,290,683	3,740,683
Intergovernmental	-	-	248,471	248,471
Charges for services	15,000	15,000	34,483	19,483
Investment income	-	-	18,309	18,309
Other	-	-	2,727	2,727
Total revenues	<u>565,000</u>	<u>565,000</u>	<u>4,594,673</u>	<u>4,029,673</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	<u>3,652,439</u>	<u>3,763,754</u>	<u>6,730,193</u>	<u>(2,966,439)</u>
Total expenditures	<u>3,652,439</u>	<u>3,763,754</u>	<u>6,730,193</u>	<u>(2,966,439)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,087,439)</u>	<u>(3,198,754)</u>	<u>(2,135,520)</u>	<u>1,063,234</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>174,000</u>	<u>174,000</u>	<u>-</u>	<u>(174,000)</u>
Total other financing sources (uses)	<u>174,000</u>	<u>174,000</u>	<u>-</u>	<u>(174,000)</u>
Net change in fund balances	(2,913,439)	(3,024,754)	(2,135,520)	889,234
Fund balances at beginning of year	<u>8,602,586</u>	<u>8,602,586</u>	<u>8,602,586</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,689,147</u>	<u>5,577,832</u>	<u>6,467,066</u>	<u>889,234</u>

CITY OF VICTORVILLE  
Other Federal Grants Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 11,125,440	11,125,440	5,487,877	(5,637,563)
Investment income	-	-	95	95
Total revenues	<u>11,125,440</u>	<u>11,125,440</u>	<u>5,487,972</u>	<u>(5,637,468)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	51,812	-	62,976	(62,976)
Community development	-	-	1,125	(1,125)
Public works	<u>6,110,983</u>	<u>6,187,928</u>	<u>3,731,201</u>	<u>2,456,727</u>
Total expenditures	<u>6,162,795</u>	<u>6,187,928</u>	<u>3,795,302</u>	<u>2,392,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,962,645</u>	<u>4,937,512</u>	<u>1,692,670</u>	<u>(3,244,842)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	32,781	32,781
Transfers out	<u>-</u>	<u>-</u>	<u>(40,634)</u>	<u>(40,634)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,853)</u>	<u>(7,853)</u>
Net change in fund balances	4,962,645	4,937,512	1,684,817	(3,252,695)
Fund balances (deficit) at beginning of year	<u>(2,843,291)</u>	<u>(2,843,291)</u>	<u>(2,843,291)</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 2,119,354</u>	<u>2,094,221</u>	<u>(1,158,474)</u>	<u>(3,252,695)</u>



CITY OF VICTORVILLE  
Housing Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment income	\$ -	-	5,495	5,495
Other	2,500	2,500	12,000	9,500
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>17,495</u>	<u>14,995</u>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	4,467	(4,467)
Community development	52,500	52,500	22,232	30,268
Debt service:				
Principal	-	-	6,050,000	-
Total expenditures	<u>52,500</u>	<u>52,500</u>	<u>6,076,699</u>	<u>25,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>(6,059,204)</u>	<u>40,796</u>
<b>Other financing sources (uses):</b>				
Transfers out	-	2,591,125	-	(2,591,125)
Total other financing sources (uses)	<u>-</u>	<u>2,591,125</u>	<u>-</u>	<u>(2,591,125)</u>
Net change in fund balances	(50,000)	2,541,125	(6,059,204)	(2,550,329)
Fund balances at beginning of year	<u>18,725,732</u>	<u>18,725,732</u>	<u>18,725,732</u>	<u>-</u>
Fund balances at end of year	<u>\$ 18,675,732</u>	<u>21,266,857</u>	<u>12,666,528</u>	<u>(8,600,329)</u>

CITY OF VICTORVILLE  
Landscape Maintenance and Drainage Facilities Assessment District Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes and assessments	\$ 2,161,566	2,161,566	2,232,629	71,063
Investment income	-	-	9,089	9,089
Total revenues	<u>2,161,566</u>	<u>2,161,566</u>	<u>2,241,718</u>	<u>80,152</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	<u>2,600,225</u>	<u>2,600,225</u>	<u>2,104,489</u>	<u>495,736</u>
Total expenditures	<u>2,600,225</u>	<u>2,600,225</u>	<u>2,104,489</u>	<u>495,736</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(438,659)</u>	<u>(438,659)</u>	<u>137,229</u>	<u>575,888</u>
Net change in fund balances	(438,659)	(438,659)	137,229	575,888
Fund balances at beginning of year	<u>7,162,938</u>	<u>7,162,938</u>	<u>7,162,938</u>	-
Fund balances at end of year	<u>\$ 6,724,279</u>	<u>6,724,279</u>	<u>7,300,167</u>	<u>575,888</u>

CITY OF VICTORVILLE  
Street Lighting Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes and assessments	\$ 634,286	634,286	1,622,144	987,858
Intergovernmental	-	-	320,728	320,728
Investment income	-	-	1,189	1,189
Total revenues	<u>634,286</u>	<u>634,286</u>	<u>1,944,061</u>	<u>1,309,775</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	<u>1,266,144</u>	<u>1,266,144</u>	<u>1,061,321</u>	<u>204,823</u>
Total expenditures	<u>1,266,144</u>	<u>1,266,144</u>	<u>1,061,321</u>	<u>204,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(631,858)</u>	<u>(631,858)</u>	<u>882,740</u>	<u>1,514,598</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>220,000</u>	<u>220,000</u>	-	<u>(220,000)</u>
Total other financing sources (uses)	<u>220,000</u>	<u>220,000</u>	-	<u>(220,000)</u>
Net change in fund balances	(411,858)	(411,858)	882,740	1,294,598
Fund balances at beginning of year	<u>105,541</u>	<u>105,541</u>	<u>105,541</u>	-
Fund balances at end of year	<u>\$ (306,317)</u>	<u>(306,317)</u>	<u>988,281</u>	<u>1,294,598</u>

CITY OF VICTORVILLE  
Traffic Safety Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 768,000	768,000	824,556	56,556
Total revenues	<u>768,000</u>	<u>768,000</u>	<u>824,556</u>	<u>56,556</u>
Expenditures:				
Current:				
Public safety	768,000	768,000	532,773	235,227
Total expenditures	<u>768,000</u>	<u>768,000</u>	<u>532,773</u>	<u>235,227</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>291,783</u>	<u>291,783</u>
Other financing sources (uses):				
Transfers out	-	-	(292,000)	(292,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(292,000)</u>	<u>(292,000)</u>
Net change in fund balances	-	-	(217)	(217)
Fund balances at beginning of year	<u>21,349</u>	<u>21,349</u>	<u>21,349</u>	<u>-</u>
Fund balances at end of year	<u>\$ 21,349</u>	<u>21,349</u>	<u>21,132</u>	<u>(217)</u>

CITY OF VICTORVILLE  
Asset Seizure Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	-	9,595	9,595
Investment income	-	-	138	138
Total revenues	<u>-</u>	<u>-</u>	<u>9,733</u>	<u>9,733</u>
Expenditures:				
Current:				
Public safety	47,830	47,830	19,271	28,559
Total expenditures	<u>47,830</u>	<u>47,830</u>	<u>19,271</u>	<u>28,559</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(47,830)</u>	<u>(47,830)</u>	<u>(9,538)</u>	<u>38,292</u>
Net change in fund balances	(47,830)	(47,830)	(9,538)	38,292
Fund balances at beginning of year	<u>123,666</u>	<u>123,666</u>	<u>123,666</u>	<u>-</u>
Fund balances at end of year	<u>\$ 75,836</u>	<u>75,836</u>	<u>114,128</u>	<u>38,292</u>

CITY OF VICTORVILLE  
Storm Drain Utility Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ -	-	1,037,038	1,037,038
Charges for services	1,398,730	1,398,730	1,496,131	97,401
Fines and forfeitures	-	-	26,823	26,823
Investment income	-	-	2,459	2,459
Other	17,151	17,151	141	(17,010)
<b>Total revenues</b>	<u>1,415,881</u>	<u>1,415,881</u>	<u>2,562,592</u>	<u>1,146,711</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	2,009,556	2,029,556	1,270,703	758,853
<b>Total expenditures</b>	<u>2,009,556</u>	<u>2,029,556</u>	<u>1,270,703</u>	<u>758,853</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	<u>(593,675)</u>	<u>(613,675)</u>	<u>1,291,889</u>	<u>1,905,564</u>
<b>Net change in fund balances</b>	(593,675)	(613,675)	1,291,889	1,905,564
Fund balances at beginning of year	3,006,408	3,006,408	3,006,408	-
Fund balances at end of year	<u>\$ 2,412,733</u>	<u>2,392,733</u>	<u>4,298,297</u>	<u>1,905,564</u>

CITY OF VICTORVILLE  
Gas Tax Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 3,452,933	3,452,933	3,739,773	286,840
Charges for services	7,000	7,000	7,005	5
Investment income	-	-	4,904	4,904
Total revenues	<u>3,459,933</u>	<u>3,459,933</u>	<u>3,751,682</u>	<u>291,749</u>
Expenditures:				
Current:				
Public works	4,093,045	4,163,051	3,571,135	591,916
Total expenditures	<u>4,093,045</u>	<u>4,163,051</u>	<u>3,571,135</u>	<u>591,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(633,112)</u>	<u>(703,118)</u>	<u>180,547</u>	<u>883,665</u>
Net change in fund balances	(633,112)	(703,118)	180,547	883,665
Fund balances at beginning of year	<u>3,600,674</u>	<u>3,600,674</u>	<u>3,600,674</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,967,562</u>	<u>2,897,556</u>	<u>3,781,221</u>	<u>883,665</u>

CITY OF VICTORVILLE  
Transportation Tax Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 2,913,361	2,913,361	2,676,803	(236,558)
Charges for services	11,000	11,000	13,326	2,326
Investment income	-	-	17,888	17,888
Other	-	-	12,372	12,372
Total revenues	<u>2,924,361</u>	<u>2,924,361</u>	<u>2,720,389</u>	<u>(203,972)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	1,968,786	2,775,488	811,391	1,964,097
Total expenditures	<u>1,968,786</u>	<u>2,775,488</u>	<u>811,391</u>	<u>1,964,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>955,575</u>	<u>148,873</u>	<u>1,908,998</u>	<u>1,760,125</u>
Net change in fund balances	955,575	148,873	1,908,998	1,760,125
Fund balances at beginning of year	<u>6,470,299</u>	<u>6,470,299</u>	<u>6,470,299</u>	<u>-</u>
Fund balances at end of year	<u>\$ 7,425,874</u>	<u>6,619,172</u>	<u>8,379,297</u>	<u>1,760,125</u>



CITY OF VICTORVILLE  
Other State / Local Grants Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 320,000	320,000	248,822	(71,178)
Investment income	-	-	197	197
Total revenues	<u>320,000</u>	<u>320,000</u>	<u>249,019</u>	<u>(70,981)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	183,447	261,996	97,135	164,861
Community development	1,000,000	1,000,000	72,809	927,191
Public works	987,412	1,516,600	963,438	553,162
Parks and recreation	36,481	36,481	15,982	20,499
Total expenditures	<u>2,207,340</u>	<u>2,815,077</u>	<u>1,149,364</u>	<u>1,665,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,887,340)</u>	<u>(2,495,077)</u>	<u>(900,345)</u>	<u>1,594,732</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	40,634	40,634
Transfers out	-	(95,011)	(1,796)	93,215
Total other financing sources (uses)	<u>-</u>	<u>(95,011)</u>	<u>38,838</u>	<u>133,849</u>
Net change in fund balances	(1,887,340)	(2,590,088)	(861,507)	1,728,581
Fund balances at beginning of year	<u>528,653</u>	<u>528,653</u>	<u>528,653</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ (1,358,687)</u>	<u>(2,061,435)</u>	<u>(332,854)</u>	<u>1,728,581</u>

CITY OF VICTORVILLE  
 HUD Grants Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 1,497,917	1,497,917	2,439,656	941,739
Investment income	<u>-</u>	<u>-</u>	<u>17,485</u>	<u>17,485</u>
Total revenues	<u>1,497,917</u>	<u>1,497,917</u>	<u>2,457,141</u>	<u>959,224</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Community development	<u>3,292,950</u>	<u>4,494,137</u>	<u>2,691,429</u>	<u>1,802,708</u>
Total expenditures	<u>3,292,950</u>	<u>4,494,137</u>	<u>2,691,429</u>	<u>1,802,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,795,033)</u>	<u>(2,996,220)</u>	<u>(234,288)</u>	<u>2,761,932</u>
Net change in fund balances	(1,795,033)	(2,996,220)	(234,288)	2,761,932
Fund balances (deficit) at beginning of year	<u>146,785</u>	<u>146,785</u>	<u>146,785</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ (1,648,248)</u>	<u>(2,849,435)</u>	<u>(87,503)</u>	<u>2,761,932</u>

# Nonmajor Enterprise Funds

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## ***City Golf Course***

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

## ***Southern California Logistics Rail Authority***

This fund accounts for expenditures such as: acquisition, installation, and construction of rail facilities. The future rail intermodal facilities will be located adjacent to Southern California Logistics Airport. This fund is supported by grants, loans, bonds, and tax increment revenue.

CITY OF VICTORVILLE  
Statement of Net Position  
Nonmajor Proprietary Funds  
June 30, 2014  
(with comparative totals for June 30, 2013)

	City	Southern California	Total	
	Golf	Logistics Rail Authority	2014	2013
<b>Assets:</b>				
Current assets:				
Cash and investments	\$ 45,639	-	45,639	208,266
Inventory and other assets	30,612	-	30,612	31,623
Total current assets	<u>76,251</u>	<u>-</u>	<u>76,251</u>	<u>239,889</u>
Noncurrent assets:				
Capital assets, net (note 4)	17,377,046	28,743,510	46,120,556	47,058,872
Total noncurrent assets	<u>17,377,046</u>	<u>28,743,510</u>	<u>46,120,556</u>	<u>47,058,872</u>
Total assets	<u>17,453,297</u>	<u>28,743,510</u>	<u>46,196,807</u>	<u>47,298,761</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	100,439	-	100,439	301,577
Deposits payable	10,733	-	10,733	15,435
Long-term debt - due within one year (note 8)	191,891	-	191,891	181,659
Total current liabilities	<u>303,063</u>	<u>-</u>	<u>303,063</u>	<u>498,671</u>
Noncurrent liabilities:				
Advances from other funds (note 3)	6,394,409	-	6,394,409	6,378,926
Long-term debt - due more than one year (note 8)	202,698	-	202,698	394,589
Total noncurrent liabilities	<u>6,597,107</u>	<u>-</u>	<u>6,597,107</u>	<u>6,773,515</u>
Total liabilities	<u>6,900,170</u>	<u>-</u>	<u>6,900,170</u>	<u>7,272,186</u>
<b>Net position:</b>				
Net investment in capital assets	16,982,457	28,743,510	45,725,967	40,285,357
Unrestricted	(6,429,330)	-	(6,429,330)	(258,782)
Total net position	<u>10,553,127</u>	<u>28,743,510</u>	<u>39,296,637</u>	<u>40,026,575</u>
Total liabilities and net position	<u>\$ 17,453,297</u>	<u>28,743,510</u>	<u>46,196,807</u>	<u>47,298,761</u>

CITY OF VICTORVILLE  
Nonmajor Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Year ended June 30, 2014  
(with comparative totals for year ended June 30, 2013)

	City Golf	Southern California Logistics Rail Authority	Total	
			2014	2013
Operating revenues:				
Charges for services	848,619	-	848,619	1,170,666
Other	61,776	-	61,776	91,567
Total operating revenues	<u>910,395</u>	<u>-</u>	<u>910,395</u>	<u>1,262,233</u>
Operating expenses:				
Personnel services	890,736	-	890,736	845,527
Maintenance and operations	788,020	-	788,020	963,344
Depreciation	536,900	269,314	806,214	823,286
Total operating expenses	<u>2,215,656</u>	<u>269,314</u>	<u>2,484,970</u>	<u>2,632,157</u>
Operating income (loss)	<u>(1,305,261)</u>	<u>(269,314)</u>	<u>(1,574,575)</u>	<u>(1,369,924)</u>
Nonoperating revenues (expenses):				
Interest expense	(15,483)	-	(15,483)	(18,942)
Gain (loss) on sale	(132,102)	-	(132,102)	-
Other nonoperating revenues (expenses)	-	-	-	(42,143)
Total nonoperating revenues (expenses)	<u>(147,585)</u>	<u>-</u>	<u>(147,585)</u>	<u>(61,085)</u>
Income (loss) before transfers	(1,452,846)	(269,314)	(1,722,160)	(1,431,009)
Transfers in (note 3)	992,222	-	992,222	856,729
Transfers out (note 3)	-	-	-	(1,342,200)
Change in net position	(460,624)	(269,314)	(729,938)	(1,916,480)
Net position at beginning of year	<u>11,013,751</u>	<u>29,012,824</u>	<u>40,026,575</u>	<u>41,943,055</u>
Net position at end of year	<u>\$ 10,553,127</u>	<u>28,743,510</u>	<u>39,296,637</u>	<u>40,026,575</u>

CITY OF VICTORVILLE  
Nonmajor Enterprise Funds  
Statement of Cash Flows  
Year ended June 30, 2014  
(with comparative totals for year ended June 30, 2013)

	City	Southern California Logistics Rail	Total	
	Golf	Authority	2014	2013
Cash flows from operating activities:				
Cash received from customers	\$ 910,395	-	910,395	1,264,152
Cash payments to employees for services	(890,736)	-	(890,736)	(845,528)
Cash payments to suppliers for goods and services	(992,848)	-	(992,848)	(900,715)
Net cash provided by (used for) operating activities	<u>(973,189)</u>	<u>-</u>	<u>(973,189)</u>	<u>(482,091)</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	<u>1,007,704</u>	<u>-</u>	<u>1,007,704</u>	<u>727,600</u>
Cash flows from capital and related financing activities:				
Cash received from sale of capital assets	-	-	-	-
Principal paid on capital-related debt	(181,659)	-	(181,659)	(214,115)
Interest paid on capital-related debt	(15,483)	-	(15,483)	(18,942)
Net cash provided by (used for) capital and related financing activities	<u>(197,142)</u>	<u>-</u>	<u>(197,142)</u>	<u>(233,057)</u>
Net cash provided by (used for) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(162,627)	-	(162,627)	160,523
Cash and cash equivalents at beginning of year	<u>208,266</u>	<u>-</u>	<u>208,266</u>	<u>47,743</u>
Cash and cash equivalents at end of year	<u>\$ 45,639</u>	<u>-</u>	<u>45,639</u>	<u>208,266</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,305,261)	(269,314)	(1,574,575)	(1,369,924)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	536,900	269,314	806,214	823,286
(Increase) decrease in accounts receivable	-	-	-	1,918
(Increase) decrease in inventory	1,011	-	1,011	(5,763)
Increase (decrease) in accounts payable	(201,137)	-	(201,137)	58,354
Increase (decrease) in deposits payable	(4,702)	-	(4,702)	10,038
Total adjustments	<u>332,072</u>	<u>269,314</u>	<u>601,386</u>	<u>887,833</u>
Net cash provided by (used for) operating activities	<u>\$ (973,189)</u>	<u>-</u>	<u>(973,189)</u>	<u>(482,091)</u>

There were no noncash capital, financing, or investing activities

# Fiduciary Funds

## Agency Funds

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

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### ***Deposits Fund***

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

### ***Community Facilities District 90-01***

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

### ***Community Facilities District 01-01***

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

### ***Regional Fire Protection Authority***

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

### ***Water Assessment District No. 2R***

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

CITY OF VICTORVILLE  
Combining Statement of Assets and Liabilities - Agency Funds  
June 30, 2014  
(with comparative totals for June 30, 2013)

	Deposit Funds	Community Facilities District 90-01	Community Facilities District 01-01	Regional Fire Protection Authority	Water Assessment District 2R	Totals	
						2014	2013
<u>Assets</u>							
Cash and investments	\$ 1,330,134	1,110,939	644,435	289,484	401,253	3,776,245	4,313,418
Restricted assets:							
Investments with fiscal agent	-	797,847	1,678,834	-	405,520	2,882,201	2,892,588
Accounts receivable	2,553	6,529	1,550	-	-	10,632	22,938
Assets used for operations	-	-	-	-	-	-	1,729
Total assets	<u>1,332,687</u>	<u>1,915,315</u>	<u>2,324,819</u>	<u>289,484</u>	<u>806,773</u>	<u>6,669,078</u>	<u>7,230,673</u>
<u>Liabilities</u>							
Accounts payable	-	2,504	613	-	-	3,117	30,316
Deposits payable	<u>1,332,687</u>	<u>1,912,811</u>	<u>2,324,206</u>	<u>289,484</u>	<u>806,773</u>	<u>6,665,961</u>	<u>7,200,357</u>
Total liabilities	<u>\$ 1,332,687</u>	<u>1,915,315</u>	<u>2,324,819</u>	<u>289,484</u>	<u>806,773</u>	<u>6,669,078</u>	<u>7,230,673</u>



CITY OF VICTORVILLE  
Combining Statement of Changes in Assets and Liabilities - Agency Funds  
Agency Funds  
Year ended June 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Deposit Funds</u>				
Assets:				
Cash and investments	\$ 1,596,457	-	(266,323)	1,330,134
Due from other governments	481	2,072	-	2,553
Total assets	<u>\$ 1,596,938</u>	<u>2,072</u>	<u>(266,323)</u>	<u>1,332,687</u>
Liabilities:				
Deposits payable	\$ 1,596,938	-	(264,251)	1,332,687
Total liabilities	<u>\$ 1,596,938</u>	<u>-</u>	<u>(264,251)</u>	<u>1,332,687</u>
<u>Community Facilities District 90-01</u>				
Assets:				
Cash and investments	\$ 1,283,503	-	(172,564)	1,110,939
Restricted assets:				
Investments with fiscal agent	796,464	1,383	-	797,847
Due from other governments	12,050	-	(5,521)	6,529
Total assets	<u>\$ 2,092,017</u>	<u>1,383</u>	<u>(178,085)</u>	<u>1,915,315</u>
Liabilities:				
Accounts payable	\$ 21,463	-	(18,959)	2,504
Deposits payable	2,070,554	246,312	(404,055)	1,912,811
Total liabilities	<u>2,092,017</u>	<u>246,312</u>	<u>(423,014)</u>	<u>1,915,315</u>
<u>Community Facilities District 01-01</u>				
Assets:				
Cash and investments	\$ 638,225	6,210	-	644,435
Restricted assets:				
Investments with fiscal agent	1,665,724	13,110	-	1,678,834
Due from other governments	4,116	-	(2,566)	1,550
Total assets	<u>\$ 2,308,065</u>	<u>19,320</u>	<u>(2,566)</u>	<u>2,324,819</u>
Liabilities:				
Accounts payable	\$ 4,777	-	(4,164)	613
Deposits payable	2,303,288	20,918	-	2,324,206
Total liabilities	<u>\$ 2,308,065</u>	<u>20,918</u>	<u>(4,164)</u>	<u>2,324,819</u>

(Continued)

CITY OF VICTORVILLE  
Combining Statement of Changes in Fiduciary Assets and Liabilities  
Fiduciary Funds  
(Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Regional Fire Protection Authority</u>				
Assets:				
Cash and investments	\$ 289,531	-	(47)	289,484
Total assets	\$ 289,531	-	(47)	289,484
Liabilities:				
Deposits payable	\$ 289,531	-	(47)	289,484
Total liabilities	\$ 289,531	-	(47)	289,484
 <u>Water Assessment District 2R</u>				
Assets:				
Cash and investments	\$ 951,511	-	(550,258)	401,253
Restricted assets:				
Investments with fiscal agent	407,740	-	(2,220)	405,520
Total assets	\$ 1,359,251	-	(552,478)	806,773
Liabilities:				
Deposits payable	\$ 1,359,251	-	(552,478)	806,773
Total liabilities	\$ 1,359,251	-	(552,478)	806,773
 <u>Total-All Fiduciary Funds</u>				
Assets:				
Cash and investments	\$ 4,759,227	6,210	(989,192)	3,776,245
Restricted assets:				
Investments with fiscal agent	2,869,928	14,493	(2,220)	2,882,201
Due from other governments	16,647	2,072	(8,087)	10,632
Total assets	\$ 7,645,802	22,775	(999,499)	6,669,078
Liabilities:				
Accounts payable	\$ 26,240	-	(23,123)	3,117
Deposits payable	7,619,562	267,230	(1,220,831)	6,665,961
Total liabilities	\$ 7,645,802	267,230	(1,243,954)	6,669,078

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# Statistical Section

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

<b>Contents</b>	<b>Page</b>
Financial Trends	128-132
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Financial Capacity	133-136
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity	137-142
<i>These schedules present information to help the reader assess the adorability of the City’s current level of outstanding debt, and the City’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	143-144
<i>These schedules present information to help the reader understand the environment within which the City’s financial activities take place.</i>	
Operating Information	145-147
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	

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

	<u>Fiscal Year</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 369,718	\$ 442,887	\$ 311,739	\$ 463,898	\$ 477,976	\$ 465,339	\$ 450,606	\$ 479,821	\$ 478,455	\$ 462,432
Restricted	62,874	66,389	95,221	96,802	96,248	93,453	85,008	27,686	48,921	45,594
Unrestricted	20,988	22,750	17,585	12,678	6,320	2,290	(5,656)	(7,794)	(13,830)	(11,484)
Total governmental activities net position	<u>453,580</u>	<u>532,027</u>	<u>424,544</u>	<u>573,379</u>	<u>580,544</u>	<u>561,082</u>	<u>529,958</u>	<u>499,712</u>	<u>513,546</u>	<u>496,542</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	44,923	42,706	(213,530)	235,771	270,534	363,436	416,397	418,557	194,387	188,425
Restricted	-	-	86,048	22,330	1,778	1,504	2,076	4,431	7,200	8,604
Unrestricted	42,840	42,388	46,142	(83,379)	(105,654)	(246,973)	(290,967)	(296,361)	(30,534)	(26,466)
Total business-type activities net position	<u>87,763</u>	<u>85,094</u>	<u>(81,341)</u>	<u>174,722</u>	<u>166,657</u>	<u>117,967</u>	<u>127,506</u>	<u>126,628</u>	<u>171,054</u>	<u>170,563</u>
<b>Primary government</b>										
Invested in capital assets, net of related debt	414,641	485,593	98,209	699,670	748,509	828,775	867,003	898,378	672,842	650,857
Restricted	62,874	66,389	181,269	119,133	98,026	94,956	87,085	32,117	56,121	54,198
Unrestricted	63,828	65,138	63,726	(70,701)	(99,334)	(244,683)	(296,623)	(304,155)	(44,364)	(37,951)
Total primary government net position	<u>\$ 541,343</u>	<u>\$ 617,121</u>	<u>\$ 343,204</u>	<u>\$ 748,101</u>	<u>\$ 747,201</u>	<u>\$ 679,049</u>	<u>\$ 657,464</u>	<u>\$ 626,340</u>	<u>\$ 684,600</u>	<u>\$ 667,104</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
<i>Governmental activities:</i>										
General government	\$ 10,043	\$ 10,229	\$ 34,539	\$ 12,656	\$ 13,133	\$ 15,165	\$ 17,037	\$ 4,977	\$ 13,691	\$ 14,342
Public safety	24,404	22,619	26,021	26,331	30,285	35,942	35,416	30,724	32,422	35,679
Community Development	5,440	1,272	3,147	2,861	6,655	12,109	6,037	1,589	4,094	2,931
Public works	24,272	35,875	32,853	38,049	35,443	26,377	24,164	31,675	29,846	33,472
Park and recreation	14,310	10,897	7,471	11,277	14,164	6,763	6,313	4,550	4,509	4,395
Interest on long-term debt	1,351	2,556	2,825	3,777	2,658	2,495	2,457	1,397	74	61
<i>Total governmental activities expenses</i>	<u>79,819</u>	<u>83,447</u>	<u>106,857</u>	<u>94,951</u>	<u>102,339</u>	<u>98,852</u>	<u>91,425</u>	<u>74,913</u>	<u>84,637</u>	<u>90,880</u>
<i>Business-type activities</i>										
Sanitary/Wastewater	4,436	4,954	5,655	10,766	8,026	9,750	11,150	10,555	11,114	12,415
Golf course	2,103	2,113	2,826	2,721	2,973	2,040	2,526	2,372	2,419	2,231
Airport	30,897	34,872	43,389	43,115	42,874	83,297	45,010	33,583	30,845	32,528
Transit	1,161	-	-	-	-	-	-	-	-	-
Water	1,830	2,398	2,584	30,677	29,476	28,665	27,143	29,782	29,842	28,419
Rail	2,273	954	2,500	1,437	366	279	1,748	269	275	269
Solid Waste**	-	-	11,572	11,987	12,203	11,427	11,642	11,398	12,383	13,011
Municipal utility	7,368	12,685	21,602	21,256	16,883	11,705	12,806	12,236	11,767	10,747
<i>Total business-type activities expenses</i>	<u>50,069</u>	<u>57,976</u>	<u>90,127</u>	<u>121,959</u>	<u>112,802</u>	<u>147,163</u>	<u>112,025</u>	<u>100,195</u>	<u>98,645</u>	<u>99,621</u>
Total primary government expenses	<u>129,888</u>	<u>141,423</u>	<u>196,984</u>	<u>216,910</u>	<u>215,141</u>	<u>246,014</u>	<u>203,450</u>	<u>175,108</u>	<u>183,282</u>	<u>190,501</u>
<b>Program Revenues</b>										
<i>Governmental activities:</i>										
<i>Charges for services:</i>										
General government	3,382	4,539	4,448	4,888	3,737	7,303	4,330	2,860	3,559	4,351
Public safety	1,994	5,140	5,307	2,101	2,095	1,677	1,552	1,409	1,425	2,451
Community development	03	-	26	-	-	-	18	2,593	1,528	3,896
Public works	27,983	36,693	18,485	11,111	6,399	5,166	4,738	4,216	3,532	15,236
Parks and recreation	5,977	11,611	9,356	4,724	2,109	1,790	1,517	939	890	917
Operating grants and contributions	12,398	18,731	17,853	15,460	19,796	24,126	15,062	5,309	18,266	5,859
Capital contributions and grants	12,678	50,583	35,553	-	-	461	13	6,818	6,940	9,251
<i>Total governmental activities program revenues</i>	<u>64,414</u>	<u>127,297</u>	<u>91,028</u>	<u>38,283</u>	<u>34,136</u>	<u>40,523</u>	<u>27,231</u>	<u>24,143</u>	<u>36,139</u>	<u>41,962</u>
<i>Business-type activities:</i>										
<i>Charges for services:</i>										
Sanitary/Wastewater	6,236	7,951	8,102	5,944	9,576	10,802	12,821	12,608	14,934	14,729
Golf course	1,262	1,390	1,206	1,311	1,043	760	889	1,160	1,171	849
Airport	5,423	4,531	5,577	8,502	7,363	8,163	9,206	9,070	8,204	8,184
Transit	131	-	-	-	-	-	-	-	-	-
Water	1,497	2,058	2,213	21,539	21,755	23,642	23,901	26,558	26,207	27,470
Solid Waste**	-	-	12,325	12,388	13,376	12,370	12,539	11,528	12,069	12,004
Municipal utilities	1,306	3,393	4,166	5,658	6,175	5,925	9,597	10,290	11,270	12,464
Operating grants and contributions	4,141	-	-	3,761	8,074	2,601	4,283	10,635	10,912	-
Capital contributions and grants	12,255	6,555	13,634	23,357	12,509	9,083	14,652	11,847	11,557	2,657
<i>Total business-type activities program revenues</i>	<u>32,252</u>	<u>25,878</u>	<u>47,224</u>	<u>82,459</u>	<u>79,871</u>	<u>73,344</u>	<u>87,888</u>	<u>93,696</u>	<u>96,324</u>	<u>78,356</u>
Total primary government program revenues	<u>\$96,666</u>	<u>\$153,175</u>	<u>\$138,252</u>	<u>\$120,742</u>	<u>\$114,007</u>	<u>\$113,868</u>	<u>\$115,118</u>	<u>\$117,839</u>	<u>\$132,463</u>	<u>\$ 120,318</u>

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

	<b>Fiscal Year</b>									
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Net (expense) revenue										
Governmental activities	\$ (15,405)	\$ 43,850	\$ (15,829)	\$ (56,668)	\$ (68,203)	\$ (58,328)	\$ (64,194)	\$ (50,770)	\$ (48,498)	\$ (48,918)
Business-type activities	(17,817)	(32,098)	(42,903)	(39,500)	(32,931)	(73,818)	(24,137)	(6,499)	(2,321)	(21,265)
Total primary government net expense	<u>(33,222)</u>	<u>11,752</u>	<u>(58,732)</u>	<u>(96,168)</u>	<u>(101,134)</u>	<u>(132,147)</u>	<u>(88,331)</u>	<u>(57,269)</u>	<u>(50,818)</u>	<u>(70,183)</u>
<b>General Revenues and Other Changes in Net Position</b>										
<i>Governmental activities:</i>										
<i>Taxes:</i>										
Property taxes	16,497	19,298	23,077	29,230	27,520	26,416	23,999	26,967	21,926	21,522
Sales taxes	15,641	18,008	16,835	14,626	11,556	10,814	11,427	16,431	20,671	22,329
Transient occupancy tax	761	895	950	964	784	760	794	709	841	881
Other taxes	9,361	7,921	16,271	40,396	40,537	33,349	27,858	6,378	2,684	2,892
Investment income	1,343	2,447	3,193	3,390	2,942	732	881	297	169	138
Motor vehicle in lieu	509	604	514	-	367	323	567	61	51	-
Gain on sale of assets	6,326	06	-	211	49	(126)	-	(3)	-	31
Miscellaneous revenues	196	221	589	3,555	163	80	54	522	691	190
SERAF Obligation	-	-	-	-	-	(12,368)	(2,545)	-	-	-
Transfers	(8,625)	(14,803)	(12,136)	(22,423)	(12,815)	(21,859)	(22,987)	(1,099)	(2,328)	(992)
Extraordinary Gain	-	-	-	-	-	-	-	(29,740)	-	-
Legal Settlement	-	-	-	-	-	-	-	-	1,754	34
<i>Total governmental activities</i>	<u>42,008</u>	<u>34,597</u>	<u>49,293</u>	<u>69,948</u>	<u>71,103</u>	<u>38,122</u>	<u>40,049</u>	<u>20,524</u>	<u>46,459</u>	<u>47,024</u>
<i>Business-type activities:</i>										
Taxes	-	-	-	1,916	1,654	27	27	541	521	18,418
Other Taxes	922	8,950	13,749	1,519	2,297	758	710	-	-	-
Investment income	970	3,801	6,012	7,650	3,083	2,409	1,773	1,749	200	192
Gain on sale of assets	-	-	148	-	416	(1,601)	402	538	60	0
Miscellaneous revenues	146	-	373	11,547	1,033	1,163	799	961	1,768	1,902
Impairment loss on Capital assets	-	-	(96,423)	-	-	-	-	-	-	-
Legal Settlement	-	-	-	-	-	-	-	-	52,246	-
Transfers	8,625	14,803	12,136	22,423	12,815	21,859	22,987	1,099	2,328	992
<i>Total business-type activities</i>	<u>10,663</u>	<u>27,554</u>	<u>(64,007)</u>	<u>45,055</u>	<u>21,298</u>	<u>24,616</u>	<u>26,698</u>	<u>4,888</u>	<u>57,123</u>	<u>21,505</u>
Total primary government	<u>52,672</u>	<u>62,151</u>	<u>(14,714)</u>	<u>115,003</u>	<u>92,401</u>	<u>62,737</u>	<u>66,747</u>	<u>25,411</u>	<u>103,582</u>	<u>68,529</u>
<b>Change in Net Position</b>										
Governmental activities	26,603	78,446	33,464	13,280	2,900	(20,207)	(24,145)	(30,246)	(2,039)	(17,005)
Business-type activities	(7,154)	(4,544)	(106,910)	5,555	(11,633)	(49,202)	2,561	(1,612)	54,803	(2,417)
Total primary government	<u>\$ 19,449</u>	<u>\$ 73,903</u>	<u>\$ (73,446)</u>	<u>\$ 18,836</u>	<u>\$ (8,733)</u>	<u>\$ (69,409)</u>	<u>\$ (21,584)</u>	<u>\$ (31,858)</u>	<u>\$ 52,764</u>	<u>\$ (19,421)</u>

\*\*In Fiscal Year 2007, the City reclass Solid Waste from Governmental activities to Business- type activities.

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

	<u>Fiscal Year</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011**</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General fund										
Reserved	\$ 12,133	\$ 9,567	\$ 1,557	\$ 323	\$ 248	\$ 5,320	\$ -	\$ -	\$ -	\$ -
Unreserved	16,739	17,987	21,111	12,132	10,398	2,230	-	-	-	-
Nonspendable	-	-	-	-	-	-	2,322	67	211	179
Restricted	-	-	-	-	-	-	-	14	30	30
Unassigned	-	-	-	-	-	-	782	3,661	5,047	4,595
Total general fund	<u>28,872</u>	<u>27,554</u>	<u>22,668</u>	<u>12,456</u>	<u>10,646</u>	<u>7,550</u>	<u>3,104</u>	<u>3,742</u>	<u>5,288</u>	<u>4,804</u>
All other governmental funds										
Reserved, reported in:										
Special revenue funds	\$ 7,042	\$ 5,775	\$ 49,123	\$ 19,345	\$ 22,113	\$ 34,010	\$ -	\$ -	\$ -	\$ -
Capital project funds	5,971	14,640	32,995	7,783	17,577	17,836	-	-	-	-
Debt service funds	3,000	24,515	13,503	8,358	1,923	1,800	-	-	-	-
Unreserved, reported in:										
Special revenue funds	23,578	40,316	(400)	36,417	30,288	30,425	-	-	-	-
Capital project funds	25,994	19,314	-	27,368	20,472	11,096	-	-	-	-
Nonspendable	-	-	-	-	-	-	1,347	8,547	212	180
Restricted	-	-	-	-	-	-	86,617	20,673	48,524	44,045
Assigned	-	-	-	-	-	-	-	-	573	1,911
Unassigned	-	-	-	-	-	-	(1,327)	(4,390)	2,204	3,016
Total all other governmental funds	<u>\$ 65,584</u>	<u>\$ 104,559</u>	<u>\$ 95,221</u>	<u>\$ 99,270</u>	<u>\$ 92,372</u>	<u>\$ 95,167</u>	<u>\$ 86,637</u>	<u>\$ 24,830</u>	<u>\$ 51,513</u>	<u>\$ 49,152</u>

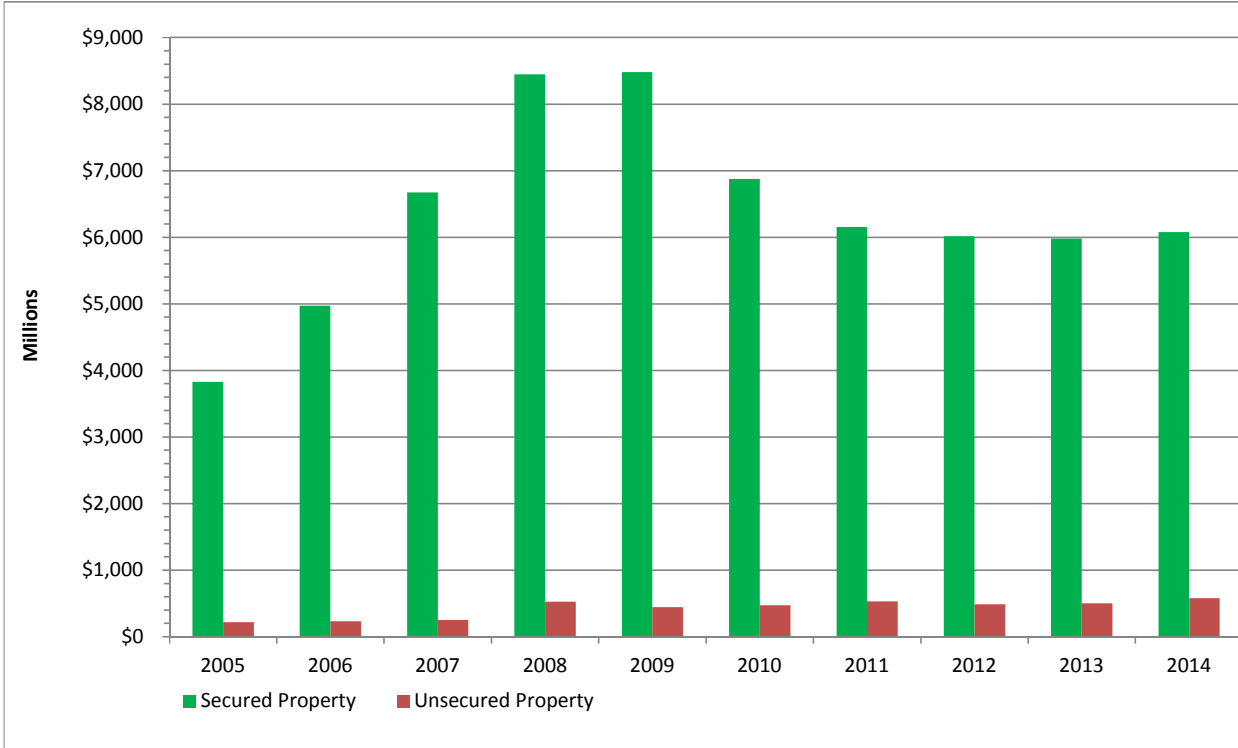
\*\*Beginning in 2011, the City started reporting fund balance in conformity with GASB 54, which changed fund balance reclassification.



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

	<u>Fiscal year</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Revenue</b>										
Taxes	\$ 42,221	\$ 53,139	\$ 61,275	\$ 57,129	\$ 49,598	\$ 45,780	\$ 43,379	\$ 50,456	\$ 46,123	\$ 47,624
Licenses and permits	16,052	27,869	20,358	14,578	7,253	6,605	5,302	1,198	1,107	1,230
Intergovernmental	15,041	17,949	18,416	43,897	47,419	52,034	33,265	8,649	9,928	17,249
Charges for services	20,162	23,246	12,122	6,752	8,174	11,102	9,197	10,606	9,256	10,480
Fines and forfeitures	389	604	667	877	1,747	1,577	1,292	1,037	1,355	1,142
Investment income	1,343	2,377	3,193	3,390	2,784	681	399	297	169	138
Sale of assets	6,352	06	(443)	50	135	69	-	-	-	-
Legal Settlement	-	-	-	-	-	-	-	-	1,754	34
Other	986	968	1,802	3,821	298	972	1,050	522	203	190
<b>Total revenues</b>	<b>102,547</b>	<b>126,158</b>	<b>117,389</b>	<b>130,494</b>	<b>117,408</b>	<b>118,819</b>	<b>93,885</b>	<b>72,765</b>	<b>69,894</b>	<b>78,086</b>
<b>Expenditures</b>										
General government	8,158	9,087	12,388	15,010	13,972	11,163	11,567	8,610	8,218	9,751
Public safety	20,919	22,123	25,516	31,072	34,031	31,154	29,050	30,360	32,061	34,272
Community development	1,042	1,267	4,039	3,374	7,024	10,471	5,063	2,722	3,930	2,788
Public works	35,669	50,088	27,265	45,252	38,630	22,731	19,798	29,116	18,481	23,697
Park and recreation	8,020	10,833	6,621	13,307	15,461	5,807	5,178	2,797	3,022	2,866
Capital outlay	-	-	33,741	-	-	-	-	-	-	-
Debt services:										
Principal	516	753	1,455	1,279	1,524	1,382	1,231	1,067	32	6,082
Interest & Fiscal agent charges	1,325	2,521	2,767	2,943	2,660	2,498	2,463	1,397	74	61
SERAF Obligation	-	-	-	-	-	12,368	2,545	-	-	-
<b>Total expenditures</b>	<b>75,648</b>	<b>96,673</b>	<b>113,792</b>	<b>112,238</b>	<b>113,302</b>	<b>97,575</b>	<b>76,896</b>	<b>76,069</b>	<b>65,818</b>	<b>79,516</b>
Excess of revenues over(under) expenditures	26,900	29,485	3,597	18,257	4,107	21,244	16,989	(3,305)	4,075	(1,430)
<b>Other financing sources (uses):</b>										
Transfer in	7,507	9,123	24,114	27,624	32,716	5,960	2,776	5,832	21,519	365
Transfer out	(16,132)	(23,926)	(36,250)	(50,048)	(45,531)	(27,506)	(25,763)	(6,931)	(2,653)	(1,327)
Issuance of debt	-	22,975	1,300	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-	-	-	-	-	31
<b>Total other financing sources(uses)</b>	<b>(8,625)</b>	<b>8,172</b>	<b>(10,836)</b>	<b>(22,423)</b>	<b>(12,815)</b>	<b>(21,546)</b>	<b>(22,987)</b>	<b>(1,099)</b>	<b>18,866</b>	<b>(931)</b>
Extraordinary gain(loss)	-	-	-	-	-	-	-	(65,439)	-	-
<b>Net change in fund balances</b>	<b>18,274</b>	<b>37,657</b>	<b>(7,238)</b>	<b>(4,167)</b>	<b>(8,708)</b>	<b>(302)</b>	<b>(5,997)</b>	<b>(69,843)</b>	<b>22,941</b>	<b>(2,361)</b>
Debt service as a percentage of noncapital expenditures	2.4%	3.4%	3.7%	3.8%	3.7%	4.0%	4.8%	3.2%	0.2%	7.7%

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



<u>Fiscal Year</u>	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>SBE Nonunitary</u>	<u>Total Assessed</u>	<u>Total Direct Tax Rate</u>
2005	3,828,701,477	219,700,978	492,977,851	4,541,380,306	10.93%
2006	4,973,962,731	234,285,388	487,511,504	5,695,759,623	10.42%
2007	6,671,588,958	254,201,465	475,654,862	7,401,445,285	10.44%
2008	8,445,139,241	528,505,928	483,739,950	9,457,385,119	9.40%
2009	8,482,819,863	446,754,325	469,192,873	9,398,767,061	10.61%
2010	6,876,396,453	475,171,025	446,393,003	7,797,960,481	13.73%
2011	6,152,107,952	531,098,592	349,464,067	7,032,670,611	20.40%
2012	6,015,259,937	486,592,953	324,863,210	6,826,716,100	20.63%
2013	5,983,453,352	502,968,659	279,763,216	6,766,185,227	21.62%
2014	6,079,669,684	578,809,444	232,263,205	6,890,742,333	18.33%

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

Source: County of San Bernardino Auditor/ Controller- Recorder and HdL, Coren & Cone

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

RATE PER \$100 OF ASSESSED VALUE

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Basic Levy*	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Adelanto Elementary Bond	0.0625	0.0381	0.0328	0.0263	0.0340	0.0434	0.0578	0.0665	0.0707	0.0746
Apple Valley Unified School Bonds	0.0382	0.0000	0.0303	0.0247	0.0255	0.0276	0.0387	0.0374	0.0391	0.0373
Csa 64- Kalin ranch Debt Service Bond 1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Mojave Water Agency	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675
Oro Grande Elementary Bond	0.0796	0.0698	0.0693	0.0264	0.0155	0.0211	0.0344	0.0348	0.0381	0.0377
Victor Elementary Bond	0.0375	0.0369	0.0335	0.0307	0.0344	0.0480	0.0900	0.0932	0.1026	0.1086
Victor High School Bond	0.0314	0.0215	0.0185	0.0162	0.0167	0.0525	0.0574	0.0619	0.0768	0.0792
Victor Valley Community College Bond	0.0000	0.0000	0.0000	0.0000	0.0000	0.0199	0.0306	0.0253	0.0274	0.0264
Total Direct and Overlapping Tax Rates	1.4167	1.3338	1.3519	1.2918	1.2936	1.3800	1.4764	1.4866	1.5222	1.5313
City's basic rate**	0.1577	0.1891	0.1891	0.1891	0.1891	0.1605	0.1605	0.1605	0.1605	0.1605
Total Direct Rate^	0.1093	0.1042	0.1044	0.0940	0.1061	0.1373	0.2040	0.0206	0.2162	0.1833

**Notes:**

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

\* City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may be included in the ratio figures.

^ Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

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

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

<u>Taxpayer</u>	<u>2014</u>		<u>2005</u>	
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
High Desert Power Trust 2000-A	\$ 231,100,000	3.4%	489,000,000	10.77%
The American Bottling Company	119,782,014	1.7%		
Nutro Products Inc.	94,446,418	1.4%		
Stirling Capital Investments	79,051,977	1.1%		
Prime A Investments	69,173,184	1.0%		
Walmart Stores Inc.	53,246,522	0.8%		
Cemex Construction Materials Pacific	49,950,177	0.7%		
Church and Dwight Company Inc.	35,469,376	0.5%		
Plastipak Packaging Inc.	30,957,430	0.4%		
General Electric Company	27,392,132	0.4%		
SIP Victor Valley LLC			71,075,527	1.57%
Cemex Inc			50,843,868	1.12%
AFG Industries Inc.			26,547,947	0.58%
AHE of California Inc			25,466,287	0.56%
Synleaseco Delaware Business Trust			24,868,246	0.55%
Paxbello LLC			24,303,867	0.54%
General Electric Company			23,519,742	0.52%
Victor Valley Community Hospital			22,242,395	0.49%
Sun Trust Leasing Corporation			20,180,964	0.44%
	<u>\$ 790,569,230</u>	<u>11.5%</u>	<u>\$ 778,048,843</u>	<u>17.1%</u>

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

Source: HdL Coren & Cone

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

<i>Fire District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
<b>2005</b>	1,935,699	1,876,704	96.95%
<b>2006</b>	2,354,914	2,270,771	96.43%
<b>2007</b>	2,844,898	2,681,864	94.27%
<b>2008</b>	3,292,600	3,054,828	92.78%
<b>2009</b>	2,769,811	2,590,297	93.52%
<b>2010</b>	2,437,781	2,330,366	95.59%
<b>2011</b>	-	-	0.00%
<b>2012</b>	-	-	0.00%
<b>2013</b>	-	-	0.00%
<b>2014</b>	-	-	0.00%

<i>Park District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
<b>2005</b>	2,121,210	2,055,371	96.90%
<b>2006</b>	2,538,684	2,448,738	96.46%
<b>2007</b>	3,031,961	2,859,262	94.30%
<b>2008</b>	3,474,181	3,225,293	92.84%
<b>2009</b>	2,993,926	2,801,158	93.56%
<b>2010</b>	2,639,013	2,521,420	95.54%
<b>2011</b>	-	-	0.00%
<b>2012</b>	-	-	0.00%
<b>2013</b>	-	-	0.00%
<b>2014</b>	-	-	0.00%

<i>Sanitary District**</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
<b>2005</b>	1,062,938	1,030,715	96.97%
<b>2006</b>	1,263,535	1,247,489	98.73%
<b>2007</b>	1,563,544	1,474,173	94.28%
<b>2008</b>	1,691,527	1,558,136	92.11%
<b>2009</b>	1,407,321	1,313,961	93.37%
<b>2010</b>	-	-	0.00%
<b>2011</b>	-	-	0.00%
<b>2012</b>	-	-	0.00%
<b>2013</b>	-	-	0.00%
<b>2014</b>	-	-	0.00%

<i>St.Lighting District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
<b>2005</b>	495,603	482,888	97.43%
<b>2006</b>	595,086	574,487	96.54%
<b>2007</b>	709,380	669,623	94.40%
<b>2008</b>	793,711	738,129	93.00%
<b>2009</b>	670,915	628,604	93.69%
<b>2010</b>	585,905	558,464	95.32%
<b>2011</b>	575,210	553,697	96.26%
<b>2012</b>	-	-	0.00%
<b>2013</b>	-	-	0.00%
<b>2014</b>	-	-	0.00%

\*The City of Victorville elected to be a no property tax city. Therefore, the property tax revenue received is based on the above districts only.

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

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

Source: County of San Bernardino Auditor/ Controller- Recorder.

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

**Governmental Activities**

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<b>Fiscal Year</b>	<b>Certificate of Participation</b>	<b>Revenue Bonds <sup>^</sup></b>	<b>Tax Allocation Bonds</b>	<b>Capital Lease Agreement</b>	<b>Other</b>	<b>Total Governmental Activities</b>
2005	\$ 590	\$ 2,683	\$ 24,605	\$ -	\$ 3,067	\$ 30,945
2006	\$ 480	\$ 2,550	\$ 47,070	\$ -	\$ 3,603	\$ 53,703
2007	\$ 370	\$ -	\$ 45,725	\$ 1,649	\$ -	\$ 47,744
2008	\$ 255	\$ -	\$ 44,945	\$ 2,112	\$ -	\$ 47,312
2009	\$ 130	\$ -	\$ 44,130	\$ 1,529	\$ 5,530	\$ 51,319
2010	\$ -	\$ -	\$ 43,280	\$ 488	\$ 6,952	\$ 50,721
2011	\$ -	\$ -	\$ 42,395	\$ 142	\$ 9,669	\$ 52,207
2012	\$ -	\$ -	\$ -	\$ -	\$ 13,821	\$ 13,821
2013	\$ -	\$ -	\$ -	\$ -	\$ 21,933	\$ 21,933
2014	\$ -	\$ -	\$ -	\$ -	\$ 18,532	\$ 18,532

<sup>^</sup> In Fiscal Year 2007, the City reclass Solid Waste from Governmental activities to Business-type activities. Thus, the revenue bond for this fund also got reclass.

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

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

**Business-Type Activities**

<u>Fiscal Year</u>	<u>Lease Purchase Agreement</u>	<u>Tax Allocation Bonds</u>	<u>Lease Revenue Bonds</u>	<u>Revenue Bonds<sup>^</sup></u>	<u>Certificate of Participation</u>	<u>Other</u>	<u>Total Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Debt Per Capita*</u>	<u>% of Personal Income*</u>
2005	\$ 3,529	\$ 97,688	\$ 41,000	\$ -	\$ -	\$ -	\$ 142,217	\$ 173,162	2,225	142.80
2006	\$ 3,111	\$ 149,782	\$ 41,000	\$ -	\$ -	\$ 20,000	\$ 213,893	\$ 267,596	3,100	191.78
2007	\$ 5,810	\$ 280,737	\$ 83,770	\$ 6,274	\$ 15,230	\$ 1,343	\$ 393,164	\$ 440,907	4,649	272.92
2008	\$ 4,498	\$ 329,740	\$ 83,770	\$ 2,261	\$ 15,000	\$ 26,626	\$ 461,895	\$ 509,207	4,990	283.29
2009	\$ 3,620	\$ 328,976	\$ 83,770	\$ 2,125	\$ 14,675	\$ 1,452	\$ 434,618	\$ 485,936	4,554	256.56
2010	\$ 2,391	\$ 326,278	\$ 83,770	\$ 1,974	\$ 14,340	\$ 4,406	\$ 433,159	\$ 483,879	4,428	255.54
2011	\$ 1,852	\$ 323,469	\$ 83,470	\$ 1,815	\$ 13,990	\$ 7,110	\$ 431,706	\$ 483,912	4,317	268.50
2012	\$ 1,500	\$ 327,034	\$ 83,070	\$ 1,725	\$ 13,630	\$ -	\$ 426,959	\$ 440,780	3,702	227.74
2013	\$ 1,133	\$ 321,469	\$ 53,070	\$ 1,543	\$ 13,260	\$ 2,791	\$ 393,265	\$ 415,198	3,449	215.49
2014	\$ 748	\$ 321,508	\$ 53,070	\$ 1,353	\$ 12,875	\$ 1,504	\$ 391,057	\$ 409,589	3,397	208.27

<sup>^</sup> In Fiscal Year 2007, the City reclass Solid Waste from Governmental activities to Business- type activities. Thus, the revenue bond for this fund also got reclass.

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

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

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

<u>Fiscal year</u>	<u>General Obligation Bonds</u>	<u>Certificate of Participation</u>	<u>Revenue Bonds ^</u>	<u>Tax Allocation Bonds</u>	<u>Total</u>	<u>Percentage Assessed Value *</u>	<u>Per Capita</u>
<b>2005</b>	41,000,000	590,000	2,683,071	24,605,000	68,878,071	1.52%	884.83
<b>2006</b>	41,000,000	480,000	2,549,700	47,070,000	91,099,700	1.60%	1,055.34
<b>2007</b>	83,770,000	370,000	-	45,725,000	129,865,000	1.75%	1,369.44
<b>2008</b>	83,770,000	255,000	-	44,945,000	128,970,000	1.36%	1,263.87
<b>2009</b>	83,770,000	130,000	-	44,130,000	128,030,000	1.36%	1,199.73
<b>2010</b>	83,770,000	-	-	43,280,000	127,050,000	1.63%	1,162.74
<b>2011</b>	83,470,000	-	-	42,395,000	125,865,000	1.79%	1,122.82
<b>2012</b>	83,070,000	-	-	-	83,070,000	1.22%	697.72
<b>2013</b>	53,070,000	-	-	-	53,070,000	0.78%	440.90
<b>2014</b>	53,070,000	-	-	-	53,070,000	0.77%	440.09

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

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

Source: City of Victorville Comprehensive Annual Financial Reports



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

	<b>Fiscal Year</b>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit	\$ 681,207	\$ 854,364	\$ 1,110,217	\$ 1,418,608	\$ 1,409,815	\$ 1,169,694	\$ 1,054,901	\$ 1,024,007	\$ 1,014,928	\$ 1,033,611
Total net debt applicable to limit	41,000	41,000	83,770	83,770	83,770	83,770	83,470	83,070	53,070	53,070
Legal debt margin	<u>640,207</u>	<u>813,364</u>	<u>1,026,447</u>	<u>1,334,838</u>	<u>1,326,045</u>	<u>1,085,924</u>	<u>971,431</u>	<u>940,937</u>	<u>961,858</u>	<u>980,541</u>
Total net debt applicable to the limit as a percentage of debt limit	6%	5%	8%	6%	6%	7%	8%	8%	5%	5%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed value	\$ 6,890,742
Debt Limit(15% of total assessed value)	1,033,611
Debt applicable to limit:	5.4%
General obligation bond	53,070
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>53,070</u>
Legal debt margin	<u>\$ 980,541</u>

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

CITY OF VICTORVILLE  
DIRECT AND OVERLAPPING DEBT

2013-14 Assessed Valuation: \$6,887,547,509

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2014	% Applicable (1)	City's Share of Debt 6/30/14
Victor Valley Joint Community College District	\$133,406,633	28.87%	\$ 38,509,159
Victor Valley Joint Union High School District	117,429,517	62.41%	73,284,239
Adelanto School District	9,753,652	43.58%	4,250,739
Oro Grande School District	395,700	1.20%	4,764
Victor School District	48,456,600	83.91%	40,658,964
Mojave Water Agency Certificates of Participation	14,250,000	24.68%	3,517,185
Adelanto School District Community Facilities District No. 1, I.A. A	15,480,000	100.00%	15,480,000
Adelanto School District Community Facilities District No.2	3,400,000	100.00%	3,400,000
Hesperia Unified School District Community Facilities Districts	8,925,000	100.00%	8,925,000
Snowline Joint Unified School District Community Facilities Districts	11,440,000	100.00%	11,440,000
Victor School District Community Facilities Districts	28,270,000	100.00%	28,270,000
Victor Valley Joint Union High School District CFD	5,850,000	100.00%	5,850,000
City of Victorville Community Facilities Districts	8,645,000	100.00%	8,645,000
Victorville Water District 1915 Act Bonds	580,000	100.00%	580,000
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 242,815,050</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Bernardino County General Fund Obligations	\$503,145,000	4.09%	\$ 20,593,725
San Bernardino Pension Obligation Bonds	489,138,331	4.09%	20,020,432
San Bernardino County Flood Control District	101,040,000	4.09%	4,135,567
Victor Valley Union High School District Certificates of Participation	4,895,000	62.41%	3,054,823
	104,225,000	7.52%	7,834,593
Snowline Joint Unified School District Certificates of Participation	59,770,000	13.80%	8,248,260
Adelanto School District Certificates of Participation	9,205,000	43.58%	4,011,631
Oro Grande School District Certificates of Participation	41,100,000	2.20%	905,844
Victor School District Certificates of Participation	4,985,000	83.91%	4,182,814
<b>City of Victorville General Fund Obligations</b>	<b>53,070,000</b>	<b>100%</b>	<b>53,070,000</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 126,057,689</b>
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>	 \$356,764,925	 67.324 - 100%	 \$253,093,805
 <b>TOTAL DIRECT DEBT</b>			 <b>\$53,070,000</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$568,485,544</b>
 <b>COMBINED TOTAL DEBT</b>			 <b>\$621,555,544</b>

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

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.53%
<b>Total Direct Debt (\$53,070,000)</b>	<b>0.77%</b>
Combined Total Debt	9.02%

Ratios to Redevelopment Incremental Valuation (\$3,195,313,686):

Total Overlapping Tax Increment Debt	7.78%
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AB:(\$475)

Source: California Municipal Statistics, Inc.

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

**Governmental Activities Debt- Tax Allocation Bond**

<u>Fiscal Year</u>	<u>Tax Increment</u>	<u>Debt Service</u>			<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>		
2008	6,299	780	2,426	51%	
2009	6,055	815	2,393	53%	
2010	5,802	850	2,356	55%	
2011	4,839	725	2,298	62%	
2012	3,333	925	2,276	96%	
2013	3,201	965	2,236	100%	
2014	4,927	1,060	2,139	65%	

**Business Type Activities Debt - SCLAA Tax Allocation Bond**

<u>Fiscal Year</u>	<u>Property Tax Increment</u>	<u>Debt Service</u>			<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>		
2008	28,001	3,145	17,370	73%	
2009	31,217	10,037	11,145	68%	
2010	24,971	3,505	18,041	86%	
2011	19,001	3,660	17,967	114%	
2012	17,059	3,830	17,699	126%	
2013	19,893	4,005	17,525	108%	
2014	17,562	4,985	17,104	126%	

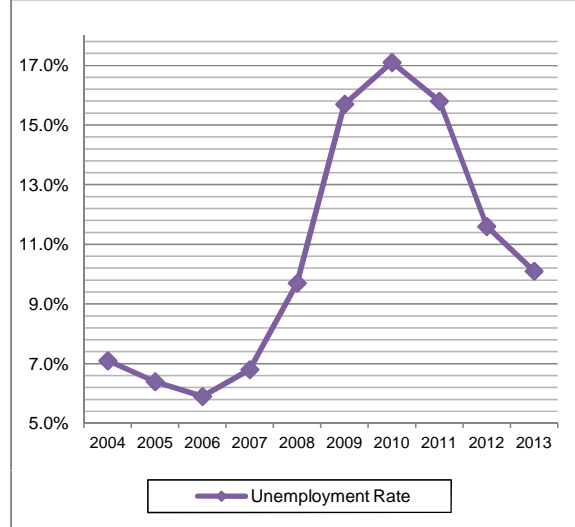
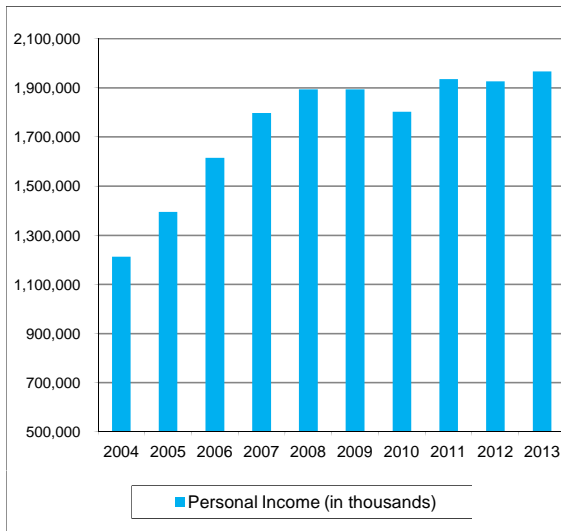
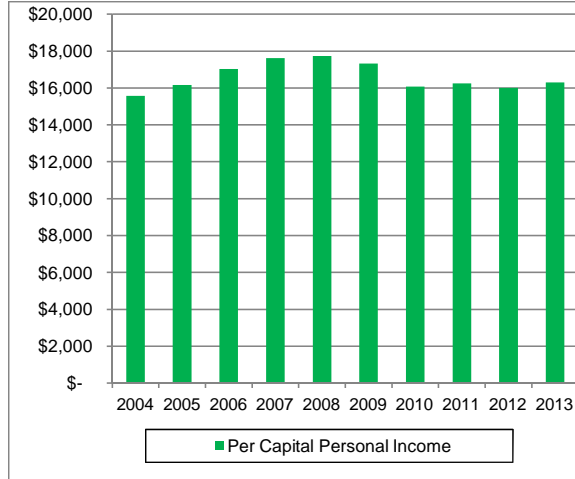
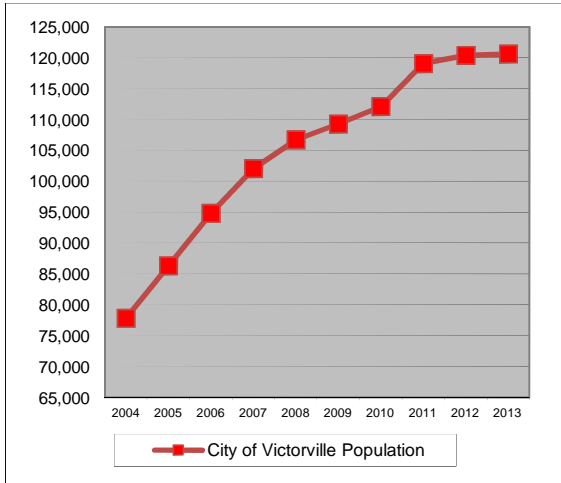
**Business Type Activities Debt - Water**

<u>Fiscal Year</u>	<u>Property Tax Increment</u>	<u>Debt Service</u>			<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>		
2008	**				
2009	1,461	325	679	69%	
2010	1,458	335	665	69%	
2011	50	50	50	199%	
2012	2,125	521	473	47%	
2013	1,738	370	631	58%	
2014	2,144	410	539	44%	

\*As part of the new requirement by GASB 44, the City has elected to show only six years of data for this schedule.

\*\* Information was not available.

CITY OF VICTORVILLE  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS



<u>Fiscal Year</u>	<u>City of Victorville Population</u>	<u>Personal Income (in thousands)</u>	<u>Unemployment Rate*</u>	<u>Per Capital Personal Income</u>
2004	77,843	1,212,633	7.1%	\$ 15,578
2005	86,323	1,395,349	6.4%	\$ 16,164
2006	94,831	1,615,494	5.9%	\$ 17,036
2007	102,044	1,797,457	6.8%	\$ 17,615
2008	106,716	1,894,034	9.7%	\$ 17,748
2009	109,268	1,893,544	15.7%	\$ 17,329
2010	112,097	1,802,296	17.1%	\$ 16,078
2011	119,059	1,935,423	15.8%	\$ 16,256
2012	120,368	1,926,731	11.6%	\$ 16,007
2013	120,590	1,966,582	10.1%	\$ 16,308

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

CITY OF VICTORVILLE  
PRINCIPAL EMPLOYERS  
JUNE 30, 2014

**Employer**

Bureau of Prisons  
City of Victorville  
Costco Wholesale Corporation  
Desert Valley Medical Group, Inc.  
Macy's Inc.  
The Boeing Company  
United Parcel Service, Inc.  
United States Department of the Air Force  
Victor Valley Community College District  
Wal-Mart Stores, Inc.

Top Victorville employers listed in alphabetical order, not by number of people employed.

Source: San Bernardino County

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

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010***</u>	<u>2011***</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government****	70	77	103	112	104	66	122	71	71	75
Public Safety*	93	114	119	112	28	1	-	-	1	1
Public Works	152	195	202	211	205	156	85	108	118	107
Community Development	6	8	9	15	14	14	11	11	4	4
Community Services	95	136	176	195	200	137	83	110	110	104
Airport	12	20	26	28	27	22	19	23	21	24
Municipal Utilities	7	11	16	14	-	-	-	5	6	7
Water***	-	-	-	61	61	81	55	60	56	50
<b>Total</b>	<b>435</b>	<b>561</b>	<b>651</b>	<b>748</b>	<b>639</b>	<b>477</b>	<b>375</b>	<b>388</b>	<b>387</b>	<b>372</b>

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

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

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

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

Source: City of Victorville Finance Department.

CITY OF VICTORVILLE  
OPERATION INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

<b><u>Function</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
<b>Public Safety</b>							
Police							
Physical arrests	7,244	5,066	5,176	5,217	4,202	4,096	4,965
Traffic Violations	6,101	5,472	5,164	7,770	7,828	9,404	8,649
<b>Public works</b>							
Street Maintenance							
Potholes repaired	3,148	2,648	5,448	2,949	3,004	3,124	4,198
Graffiti removal	8,092	7,126	8,442	5,460	12,460	14,708	8,605
Streets sweeping (tons)	2,768	2,532	2,296	2,672	1,862	1,907	1,598
<b>Sanitation</b>							
Refuse collected (tons/day)	190	172	180	187	177	166	181
Recyclables collected (tons/day)	40	36	33	32	31	28	31
<b>Community Services</b>							
Park and Recreation							
Athletic field permits issued	4,596	4,597	3,891	4,023	4,970	6,788	7,357
Community center enrollments	49,611	43,216	39,636	36,385	30,193	30,915	32,156
Facilities rental used	3,200	2,695	2,299	1,794	1,819	2,062	2,051

Sources: Various government departments.

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

\*As part of the new requirement by GASB 44, the City has elected to show only seven years of data for this schedule.

\*\* Information was not available

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

<u>Function</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Public Safety</b>								
Police:								
Stations	1	1	1	1	1	1	1	1
Patrol Units	44	49	52	52	52	52	52	52
Fire Stations	6	6	6	6	6	6	6	6
<b>Public Works</b>								
Highways and streets:								
Streets (miles)	486	448	448	448	448	448	448	448
Streetlights	335	335	335	356	364	376	376	392
Traffic Signals	72	72	72	78	80	83	83	87
Sewer:								
Sanitary sewers (miles)	411	411	411	415	416	419	419	419
Storm sewers (miles)	469	471	471	471	472	473	473	473
Number of treatment plants	1	1	1	1	2	2	2	2
Number of service connections	36,344	35,353	36,009	36,733	36,952	37,081	40,226	40,152
<b>Community Services</b>								
Parks acreage	263	263	263	263	263	263	263	263
Park	18	18	18	18	18	18	18	18
Golf Courses	2	2	2	2	2	1	1	1
Swimming pools	2	2	2	2	2	1	1	1
Tennis courts	6	6	6	6	6	6	6	6
Community Centers	6	6	6	6	6	6	6	6
<b>Airport</b>								
Runway length (miles)	5	5	5	5	5	5	5	5
Sewer pipeline	20	20	25	25	25	25	30	30
Number of hangars	22	25	25	25	25	25	26	26
Number of buildings	60	50	45	47	47	47	52	52

Source: Various government departments.

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

\*As part of the new requirement by GASB 44, the City has elected to show only eight years of data for this schedule.



