



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015



# CITY OF VICTORVILLE

**CITY OF VICTORVILLE**  
Victorville, California

Comprehensive Annual Financial Report

Year ended June 30, 2015



# CITY OF VICTORVILLE

## Comprehensive Annual Financial Report

Year ended June 30, 2015

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February 2, 2016

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, 2015. 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 it has 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, 2015 were audited by Davis Farr, 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 unmodified 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 120,485.

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 of Southern California Logistics Airport Authority (SCLAA), the Southern California Logistics Rail Authority (SCLRA), and Victorville Water District. Therefore, these activities have been included as part of the City of Victorville's financial report. Additional information on these entities can be found in Note 1 in the notes to the financial statements.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Council. Activities of the general fund and special revenue funds are included in the annual appropriated budget. Project-length budgets are prepared for the capital 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 strive with its economic growth. New businesses such as restaurants, a car dealership, and a hotel helped boost the City of Victorville's Sales Tax revenue for fiscal year 2015.

Unemployment rates have declined over the past year; however, Victorville rates still remain high in comparison to the State. The California Employment Development Department reports that as of June 2015, Victorville's unemployment rate was 6.9%, a decline of 3.3% from 2014.

In fiscal year 2015, Sales Tax collections increased by about 5%. Retail sales of general consumer 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 2014 was \$167,000 and at the end of June 2015, that price has soared up to \$199,000, a 19% 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 increases will continue through the remainder of fiscal year 2016. Property tax revenue also continued to grow, but at a more modest pace than the prior year.

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

The 2016 fiscal year budget still continues to practice conservative revenue estimates. Overall, the 2016 budget anticipates a small increase in most revenues. The total estimated revenue for

the general fund will be \$54.2 million, an increase of \$1.4 million as compared to 2015 fiscal year budget. The total General fund expenditures are estimated slightly higher than that of fiscal year 2015 due to an increase in legal costs, as well as police and fire contracts.

Annually, the City of Victorville updates its five year Capital Improvement Project (CIP) plan. Planned capital expenditures for FY 2015-16 total \$27.3 million. The CIP includes: street, traffic signal, drainage, and sewer improvements in various locations; ROW relocation, water pumps, wells, meters and pipeline replacement, and truck and equipment replacement for the Water District; ramp and runway rehabilitation at the airport; and an SCE study for VMUS. 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. 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 value 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 18.2% by 2016-17 and then at 19.1% by 2017-18. This projection does not take into account the employee contributions that have been recently contributed by the employees.

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.

### **Major Initiatives**

Slight positive growth continued in the City of Victorville during fiscal year ending June 30, 2015. This included new businesses coming into existing empty commercial and retail spaces such as restaurants Steak and Shake, Waba Grill, Tilted Kilt, Itchy Foot Island Deli & BBQ, Chester's, Broken Saddle Saloon, Dickey's BBQ Pit, Brooklyn Bakery Pizza & Pasta, and Cupid's Hot Dogs. Desert Fiat joined the auto dealerships in the high desert and Victorville Mitsubishi moved to be closer to the majority of the dealers located along Civic Drive. Charlotte Russe opened a high desert location in the mall. Holiday Inn totally renovated the old Ambassador Hotel building and reopened in June. Planet Fitness expanded its gym. My Gym opened a Victorville location to the delight of children and parents alike. Wienerschnitzel built a new restaurant on 7th closer to the freeway and its old building was soon occupied. Hope Academy opened a new Charter school in August to serve up to 300 elementary age students. Sweet Frog frozen yogurt opened its first location in Victorville and started construction on its second one out on Highway 395.

Infrastructure repairs and expansion continued throughout the year with Southwest Gas completing the northern portion of their gas pipeline project in June. The City continued to upgrade traffic signals and pour sidewalk, curbs, and gutters along city streets in their ongoing goal to complete the missing pieces. The City Library got a new roof and new parking lot lighting and more improvements are planned for the upcoming year. SCLA has continued to rehabilitate the runways, working primarily on Runway 3-21 this year and with plans on repairing Runway 17-35, which is the primary runway, in FY16, thanks largely to grants received from the FAA.



The Water District started its meter replacement program to improve service and replace old, worn out meters in residential areas.

### **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, 2015 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 reviewed and approved by City Manager and the City Council.

### **Risk Management**

The City participates in the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA provides \$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,



Patricia Rosenberg  
Finance Manager  
ADMIN SERVICES DEPT

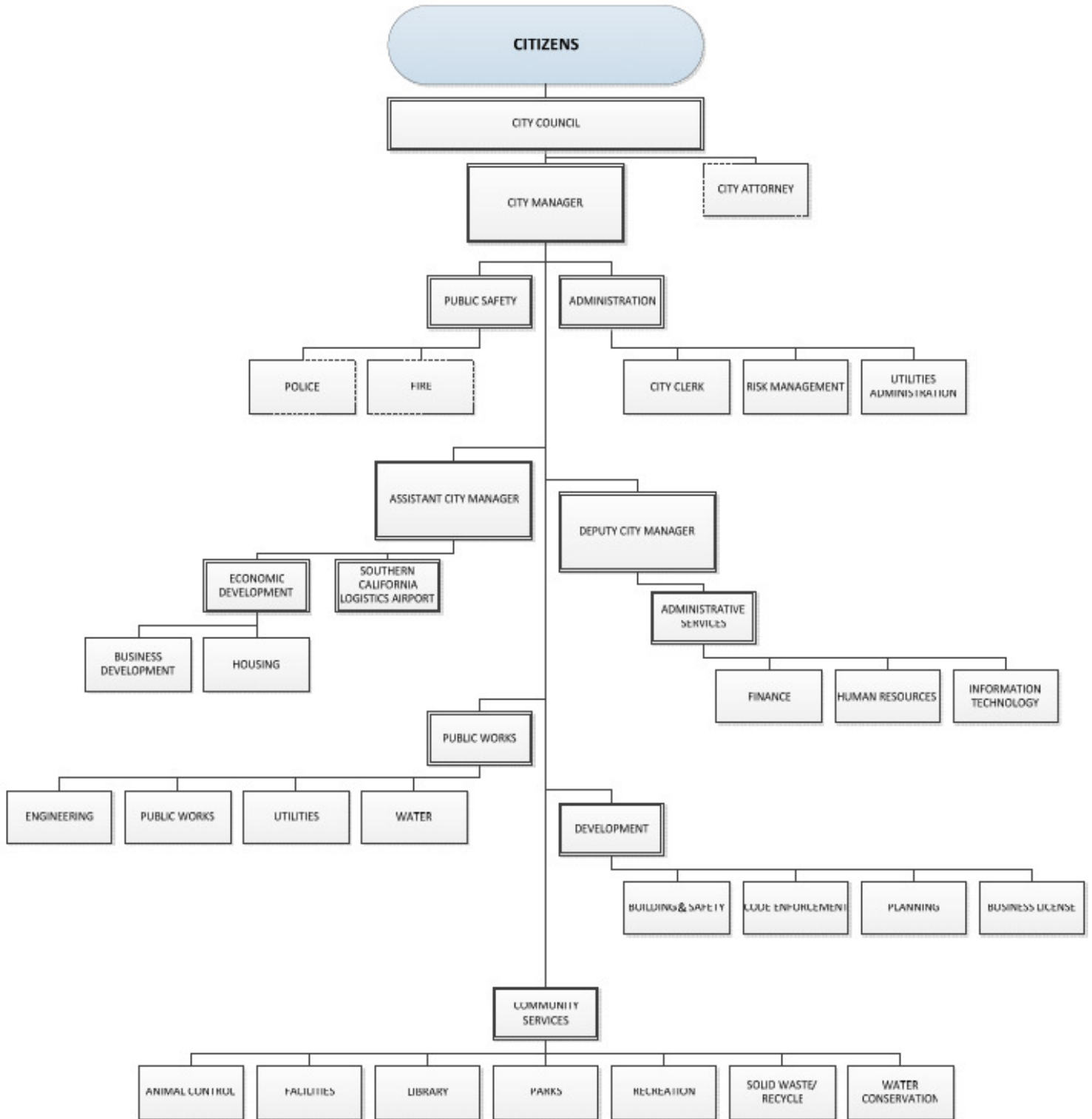


Bill Webb,  
Deputy City Manager  
ADMIN SERVICES DEPT

# City of Victorville

## Organization Chart

For the year ended June 30, 2015



# CITY OF VICTORVILLE

## Public Officials

### City Council



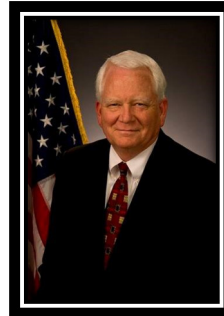
**Mayor**  
Gloria Garcia



**Mayor Pro-Tem**  
Jim Cox



**Council Member**  
Ryan McEachron



**Council Member**  
Jim Kennedy



**Council Member**  
Eric Negrete

### City Manager

Douglas B. Robertson

### City Attorney

Andre de Bortnowsky

### Senior Management Team

Keith Metzler, Assistant City Manager  
Bill Webb, Deputy City Manager/Treasurer  
Carolee Bates, City Clerk  
Chris Borchert, Development  
Christian Guntert, Community Services  
John A. McGlade, Engineering/Public Works/Water  
Dan Munsey, Fire  
Sam Lucia, Police

Honorable Mayor and City Council  
City of Victorville  
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, 2015, 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, 2015, 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, 2015 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.

As described further in note 23 to the financial statements, during the year ended June 30, 2015 the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Prior Year Comparative Financial Statements*

The financial statements of the City as of and for the year ended June 30, 2014 were audited by other auditors whose report dated February 12, 2015 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison schedules, Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period (Agent Plan), Schedule of Plan Contributions (Agent Plan), Schedule of the Plan's Proportioned Share of the Net Pension Liability (Cost Sharing Plan), and Schedule of Plan Contributions (Cost Sharing Plan)* 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

Honorable Mayor and City Council  
City of Victorville, California  
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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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016 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 blue ink that reads "Davis Fan UP". The signature is written in a cursive, flowing style.

Irvine, California  
February 2, 2016

## City of Victorville

### Management's Discussion and Analysis

For the year ended June 30, 2015

### **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, 2015. 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

For the year ended June 30, 2015

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.

	Fund Statements			
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
<i>Scope</i>	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of Net Position, Statement of Activities	Balance sheet, 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
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid.

## City of Victorville

### Management's Discussion and Analysis

For the year ended June 30, 2015

#### 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 *short-term view* of the City's general government operations and the basic services it

## City of Victorville

### Management's Discussion and Analysis

For the year ended June 30, 2015

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

For the year ended June 30, 2015

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cash and Investments	\$ 36,099,874	39,804,949	105,143,324	93,995,077
Other Assets	22,227,029	12,955,446	13,038,051	16,741,213
Interfund Balances	(5,066,076)	(5,450,265)	5,066,076	5,450,265
Capital Assets	484,943,195	474,471,135	421,600,106	463,057,742
<b>Total assets</b>	<b>538,204,022</b>	<b>521,781,265</b>	<b>544,847,557</b>	<b>579,244,297</b>
Deferred outflows - actuarial	309,020	-	-	-
Deferred outflows - pension contributions	2,305,839	-	1,203,778	-
Deferred charge on refunding	-	-	2,581,839	2,728,859
<b>Deferred outflows of resources</b>	<b>2,614,859</b>	<b>-</b>	<b>3,785,617</b>	<b>2,728,859</b>
Other Liabilities	6,348,793	6,707,418	82,421,036	80,530,963
Long-Term Liabilities	44,077,633	18,532,231	338,458,777	330,879,501
<b>Total liabilities</b>	<b>50,426,426</b>	<b>25,239,649</b>	<b>420,879,813</b>	<b>411,410,464</b>
Deferred inflows - additional deferral	169,286	-	-	-
Deferred inflows - actuarial	6,585,339	-	3,365,759	-
<b>Deferred inflows of resources</b>	<b>6,754,625</b>	<b>-</b>	<b>3,365,759</b>	<b>-</b>
Invested in Capital Assets, Net of Related Debt	484,943,195	462,431,920	150,793,714	188,424,841
Restricted	44,922,028	45,594,025	8,810,622	8,604,147
Unrestricted	(46,227,393)	(11,484,329)	(35,216,734)	(26,466,296)
<b>Total net position</b>	<b>\$ 483,637,830</b>	<b>496,541,616</b>	<b>124,387,602</b>	<b>170,562,692</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 \$46 million while the governmental activities reduced by \$13 million or 3% at the close of the most recent fiscal year. The governmental activities decreased primarily due to implementation of GASB 68, a new accounting standard required report of pension liability as part of the Long-Term Liabilities. While the Business-type activities decreased due to annual depreciation adjustment and transfer of land and construction in progress from SCLRA to General Fixed Asset Account Group.

## **City of Victorville**

### Management's Discussion and Analysis

For the year ended June 30, 2015

#### **Governmental Activities**

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

- All major tax revenue, except for Property Taxes, increased by \$ 2.7million or 6% due to economic growth and an increase in consuming spending.
- Total expenses decreased by \$8.7 million from fiscal year 2014 in all categories except for Public Safety. The largest decrease was in Public Works, which resulted from completion of La Mesa/Nisqualli Bridge construction. Public Safety increased due to Police and Fire contracts.

## City of Victorville

### Management's Discussion and Analysis

For the year ended June 30, 2015

#### City of Victorville's Change in Net Position (table 2)

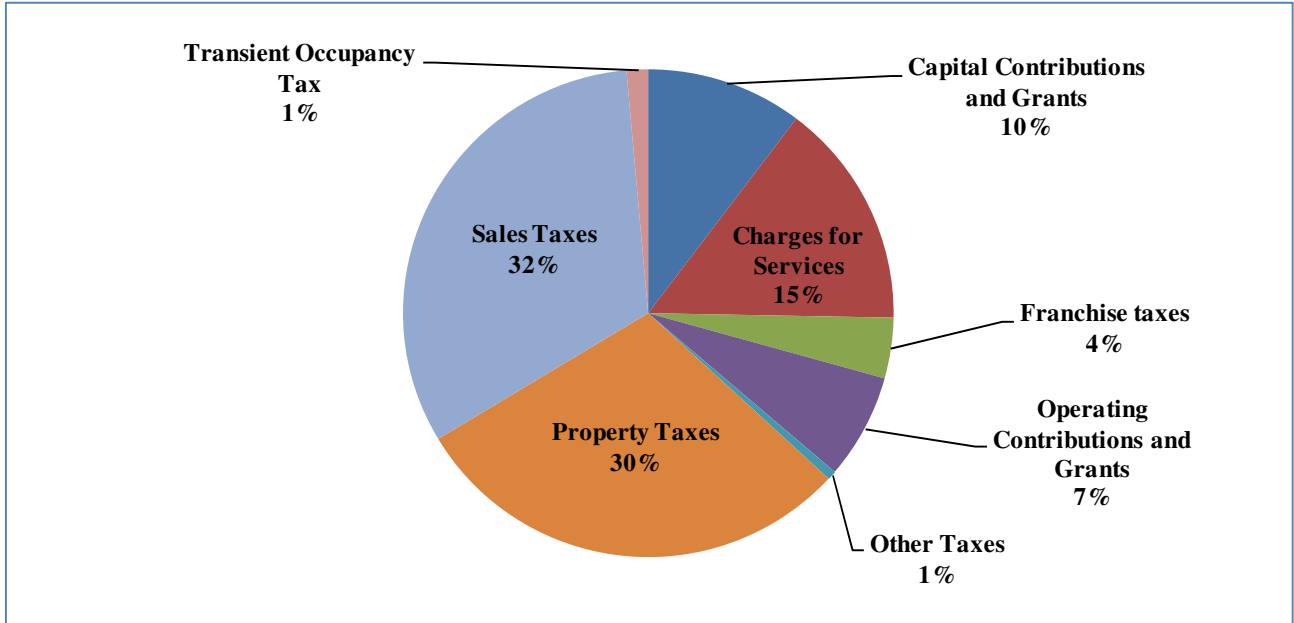
	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>				
Program revenues:				
Charges for Services	\$ 11,186,821	11,740,545	76,022,384	73,043,133
Operating Contributions and Grants	5,191,251	5,859,217	-	-
Capital Contributions and Grants	7,745,091	9,251,456	53,702	2,656,601
General Revenues:				
Property Taxes	22,138,070	21,521,733	19,781,445	18,418,166
Sales Taxes	24,085,230	22,328,737	-	-
Transient Occupancy Tax	1,063,819	881,275	-	-
Franchise taxes	2,999,881	2,892,178	-	-
Other Taxes	-	-	-	-
Investment Income	68,493	138,108	176,898	192,450
Motor vehicle in Lieu, unrestricted	49,419	30,605	-	-
Gain ( loss) on sale of Assets	55,110	33,503	-	-
Miscellaneous Revenues	<u>264,647</u>	<u>189,975</u>	<u>2,003,142</u>	<u>1,901,907</u>
<b>Total Revenues</b>	<u>74,847,832</u>	<u>74,867,332</u>	<u>98,037,571</u>	<u>96,212,257</u>
<b>Expenses:</b>				
General Government	12,187,625	14,341,915	-	-
Public Safety	36,066,235	35,678,855	-	-
Community Development	1,779,974	2,931,435	-	-
Public Works	28,856,021	33,471,587	-	-
Park and Recreation	3,187,898	4,395,216	-	-
Sanitary	-	-	13,523,111	12,415,221
Airport	-	-	35,452,608	32,528,185
Golf Courses	-	-	1,715,814	2,231,139
Solid Waste Management	-	-	13,143,791	13,011,398
Water	-	-	30,298,228	28,419,422
Rail	-	-	-	269,314
Municipal utility	-	-	11,602,782	10,746,587
Interest on Long-Term Debt	<u>63,332</u>	<u>60,628</u>	-	-
<b>Total Expenses</b>	<u>82,141,086</u>	<u>90,879,636</u>	<u>105,736,334</u>	<u>99,621,266</u>
Change in Net Position before Transfers	(7,293,254)	(16,012,304)	(7,698,763)	(3,409,009)
Extraordinary gain (loss)	-	-	-	-
Transfers	<u>24,089,989</u>	<u>(992,222)</u>	<u>(24,089,989)</u>	<u>992,222</u>
<b>Change in net position</b>	<u>16,796,735</u>	<u>(17,004,526)</u>	<u>(31,788,752)</u>	<u>(2,416,787)</u>
Beginning net position, as restated	<u>466,841,095</u>	<u>513,546,142</u>	<u>156,176,354</u>	<u>172,979,479</u>
<b>Ending net position</b>	<u>\$ 483,637,830</u>	<u>496,541,616</u>	<u>124,387,602</u>	<u>170,562,692</u>

# City of Victorville

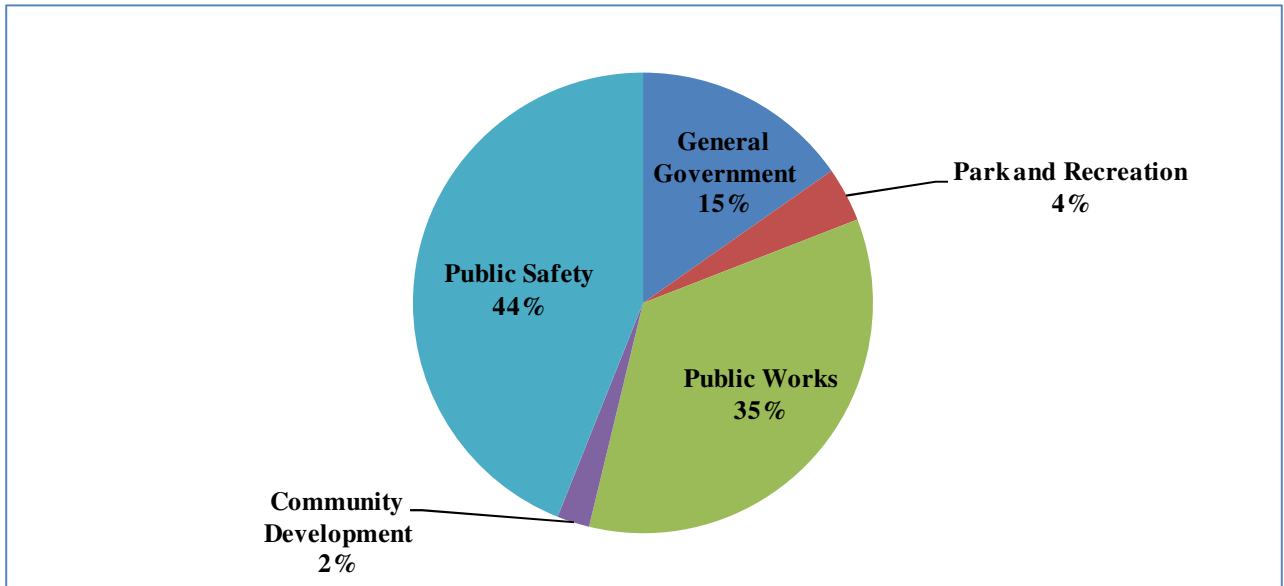
## Management's Discussion and Analysis

For the year ended June 30, 2015

### Revenues by Source - Governmental Activities



### Expenses by Function - Governmental Activities

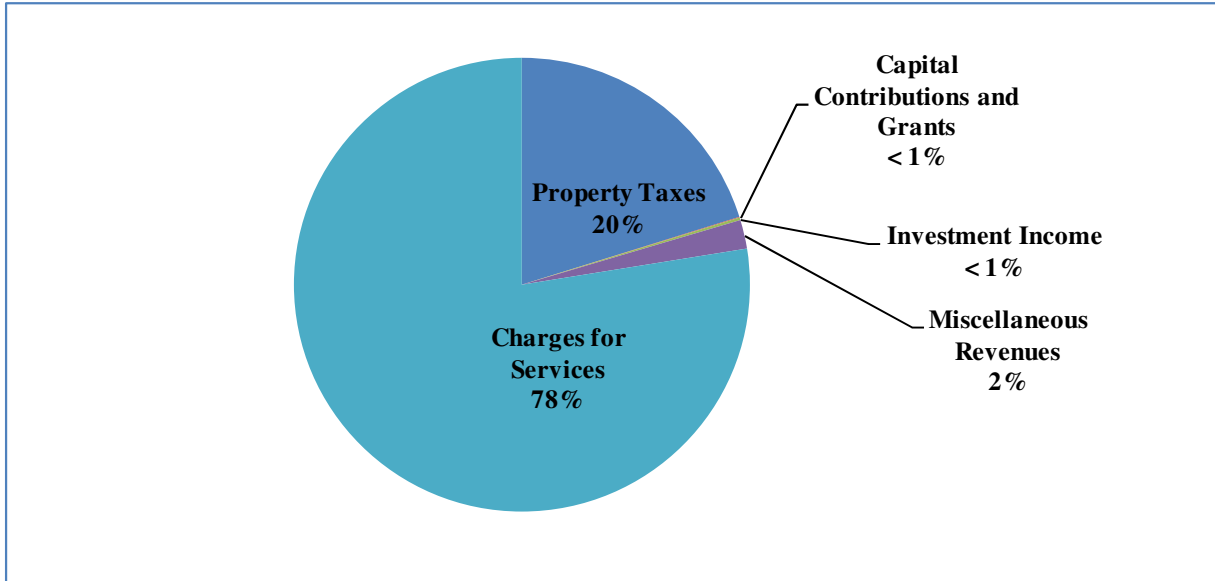


# City of Victorville

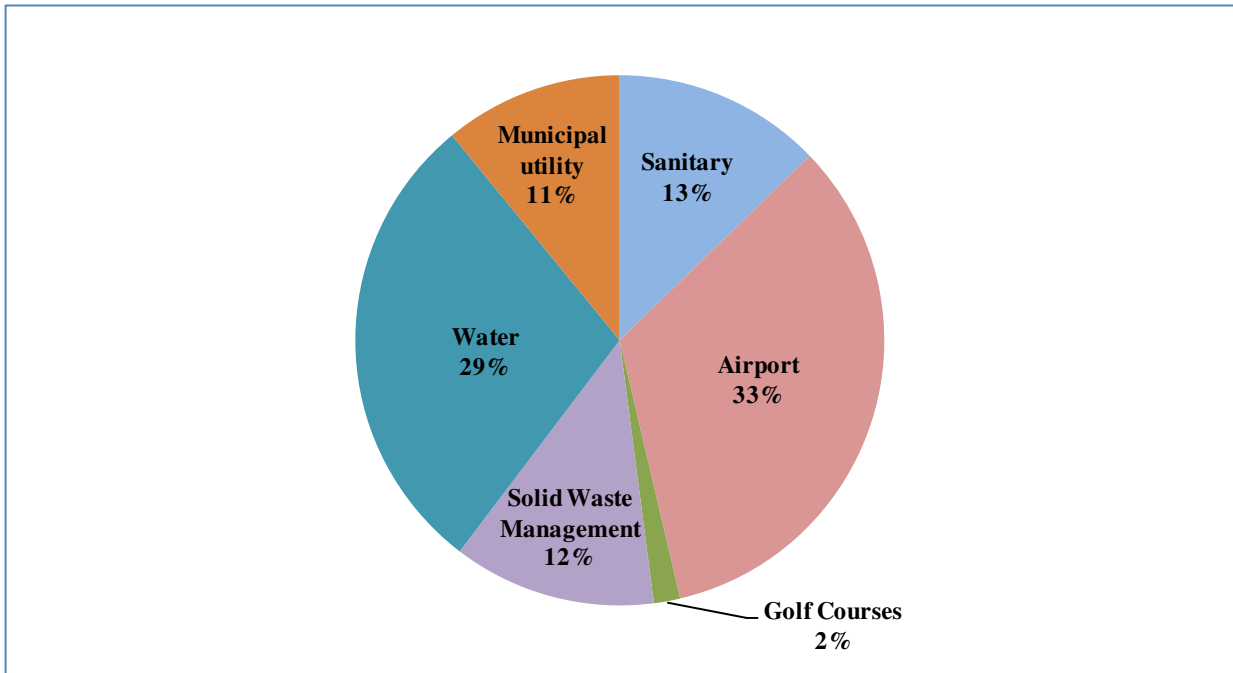
## Management's Discussion and Analysis

For the year ended June 30, 2015

### Revenue by Source - Business-type Activities



### Expenses by Function – Business-type Activities





## City of Victorville

### Management's Discussion and Analysis

For the year ended June 30, 2015

#### **Business-type Activities**

During the year ended June 30, 2015, the City's business-type activities has a significant reduction in the total Net Position as compared to fiscal year 2014. A total decrease of \$46 million was primarily due to assets transferred out of SCLRA and annual depreciation adjustment in the proprietary funds. The Revenue in the City's business-type activities (see Table 2) increased by 2% and expenses increased by 6%. The factors driving these results included:

- Charges for services increased in all business-type activities. However, the most significant increases were in Municipal Utility and Sanitary funds. Total revenue increased by \$1.8 million, from fiscal year 2014.
- Total expenses were increased by \$6.1 million. The increase was primarily due to the following: additional legal expenses for the SEC lawsuit at the Airport, and operation expenses increased for both Sanitary and Water funds.

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 \$3.2 million, while the total fund balance was \$3.4 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 \$1.3 million this fiscal year. Almost all of the increased revenues were from Taxes. General Fund expenditures increased by \$ 3.1 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 both revenue and expenditures in the General Fund. The decrease in revenue was mainly from charges for services and other revenue. General Government expenditures increased due to addition legal costs related to the SEC lawsuit. Other expenditures declined as a result of various cost cutting measures. A transfer in of \$1.2 million was for the repayment of a subsidy that General Fund made to Gas Tax in a prior year. Transfer out was higher than budgeted due to additional funding to balance budgeted expenditures for the golf course.

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

For the year ended June 30, 2015

#### 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 \$649 thousand this fiscal year. Total expenditures showed an increase of \$2.8 million primarily due to repayment of the Measure I SANBAG loan for the Nisqualli/La Mesa Interchange project.

#### 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 \$35.2 million, increasing the negative balance of last year's total of \$26.5 million by \$8.7 million. All funds showed a decrease in the unrestricted Net Position account except for Municipal Utility and Sanitary. 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

##### City of Victorville's Capital Assets (Net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 47,580,792	37,325,224	32,732,451	42,939,917
Land Right of way	180,001,603	179,995,939	-	-
Buildings and Improvements	46,728,225	48,285,971	129,356,864	134,426,270
Furniture and Equipment	1,886,539	1,398,273	23,114,550	26,921,304
Computer and Communication	228,525	249,111	200,767	273,830
Vehicles	584,364	99,634	1,005,941	537,681
Infrastructure	188,684,723	192,340,049	207,082,656	218,704,944
Land Improvement	14,855,651	109,317	382,896	439,493
Water Rights	-	-	12,678,475	14,186,605
Intangible Assets	86,706	10,888	5,678,149	4,631,819
Construction in progress	4,306,067	2,617,515	9,367,357	19,995,879
Total	<u>\$ 484,943,195</u>	<u>462,431,921</u>	<u>421,600,106</u>	<u>463,057,742</u>

**Capital assets:** The City of Victorville's investment in capital assets for its governmental and business-type assets as of June 30, 2015, amounted to \$906 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 investment in capital assets for the current fiscal year was \$19 million, or 2 percent (a \$23 million increase for governmental activities and a \$41 million decrease for business-type activities). An increase for

## City of Victorville

### Management's Discussion and Analysis

For the year ended June 30, 2015

governmental activities is primarily due to transfer of Land and land improvements from the Rail Authority. While the decrease for business-type activities is due to reduction of assets in Rail Authority, and the annual depreciation expenses.

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

#### City of Victorville's Outstanding Debt

	Governmental activities		Business activities	
	2015	2014	2015	2014
Compensated Absences	\$ 2,953,758	2,882,877	470,776	432,608
OPEB Obligation	15,935,842	14,772,400	1,723,930	1,071,134
Net Pension Liability	24,117,590	26,567,366	11,455,976	14,914,681
Claim Payable	1,070,443	876,954	-	-
Lease Agreement	-	-	346,731	748,475
Loans Payable	-	-	-	-
Tax Allocation Bond	-	-	318,564,460	321,507,536
Revenue Bond	-	-	54,225,000	54,422,500
Certificate of Participation	-	-	12,465,000	12,875,000
Refunding Charges & Unamortized Discounts/Premiums	-	-	(2,668,636)	(2,765,216)
Total	<u>\$ 44,077,633</u>	<u>45,099,597</u>	<u>396,583,237</u>	<u>403,206,718</u>

**Long-term debt:** At the end of the current fiscal year, the City of Victorville had a total outstanding debt of \$441 million. Of this amount, \$319 million is tax allocation debt, 18 million is OPEB obligation and \$36 million in Net Pension Liability. 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 \$7.6 million in fiscal year 2015. This decrease is primarily due to a reduction in Tax Allocation Bond principal payments and earnings on pension plan investments for the net pension liability.

Additional information on the City of Victorville's long-term debt can be found in Note 7 in the Notes to the Basic Financial Statements.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

## BASIC FINANCIAL STATEMENTS

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**CITY OF VICTORVILLE**

Statement of Net Position

June 30, 2015

(with comparative totals for June 30, 2014)

	Governmental Activities	Business-Type Activities	Totals	
			2015	2014
<b>Assets:</b>				
Cash and investments (note 2)	\$ 36,099,874	80,832,904	116,932,778	110,341,928
Cash with fiscal agent (note 2)	-	24,310,420	24,310,420	23,458,098
Receivables:				
Accounts	2,040,292	7,797,488	9,837,780	10,570,110
Interest	46,863	20,345	67,208	53,346
Due from other governments	6,781,097	26,206	6,807,303	8,913,804
Deposits and prepaid items	15,189	9,738	24,927	1,384,443
Inventory and other assets	180,446	502,782	683,228	672,549
Interfund balances	(5,066,076)	5,066,076	-	-
Advances to other governments (note 3)	-	4,681,492	4,681,492	6,915,619
Land held for resale (note 5)	12,014,214	-	12,014,214	12,039,214
Capital assets, net (note 4)	484,943,195	421,600,106	906,543,301	925,489,663
Long-term notes receivable	1,148,928	-	1,148,928	1,186,788
Total assets	<u>538,204,022</u>	<u>544,847,557</u>	<u>1,083,051,579</u>	<u>1,101,025,562</u>
<b>Deferred Outflows of Resources:</b>				
Deferred outflows - actuarial	309,020	-	309,020	-
Deferred outflows - pension contributions	2,305,839	1,203,778	3,509,617	-
Deferred charge on refunding	-	2,581,839	2,581,839	2,728,859
Total deferred outflows of resources	<u>2,614,859</u>	<u>3,785,617</u>	<u>6,400,476</u>	<u>2,728,859</u>
<b>Liabilities:</b>				
Accounts payable	4,473,923	6,507,850	10,981,773	10,407,674
Accrued liabilities	1,005,702	-	1,005,702	766,645
Interest payable	-	1,702,498	1,702,498	1,729,087
Deposits payable	25,997	1,691,464	1,717,461	1,666,358
Prepaid water connection fees	-	1,395,788	1,395,788	1,395,788
Unearned revenue	843,171	-	843,171	620,018
Accrued rent credit payable	-	1,028,605	1,028,605	1,300,678
Bonds subject to call (note 8)	-	58,269,460	58,269,460	57,412,536
Noncurrent liabilities:				
Advances from other governments (note 3)	-	11,970,371	11,970,371	11,939,597
Long-term liabilities (note 7 & 8)				
Due within one year	2,028,494	5,360,887	7,389,381	5,956,746
Due in more than one year	42,049,139	332,952,890	375,002,029	343,454,986
Total liabilities	<u>50,426,426</u>	<u>420,879,813</u>	<u>471,306,239</u>	<u>436,650,113</u>
<b>Deferred Inflows of Resources:</b>				
Deferred inflows - additional deferral	169,286	-	169,286	-
Deferred inflows - actuarial	6,585,339	3,365,759	9,951,098	-
Total deferred inflows of resources	<u>6,754,625</u>	<u>3,365,759</u>	<u>10,120,384</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	484,943,195	149,865,461	634,808,656	650,856,761
Restricted for:				
Public safety	87,590	-	87,590	114,128
Community development	14,036,816	-	14,036,816	12,333,674
Public works	30,797,622	-	30,797,622	33,146,223
Capital asset construction	-	5,227,435	5,227,435	4,659,538
Debt service	-	3,683,187	3,683,187	3,944,609
Unrestricted	(46,227,393)	(34,388,481)	(80,615,874)	(37,950,625)
Total net position	<u>\$ 483,637,830</u>	<u>124,387,602</u>	<u>608,025,432</u>	<u>667,104,308</u>

See accompanying notes to the basic financial statements

**CITY OF VICTORVILLE**  
Statement of Activities  
Year ended June 30, 2015  
(with comparative totals for year ended June 30, 2014)

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
<b>Governmental activities:</b>				
General government	\$ 12,417,893	4,202,700	49,793	-
Public safety	36,082,133	1,569,887	35,626	500,813
Community development	1,780,129	960,043	3,724,718	-
Public works	29,208,924	3,519,388	1,381,114	7,244,278
Parks and recreation	3,251,471	934,803	-	-
Interest on long-term debt	63,332	-	-	-
<b>Total governmental activities</b>	<b>82,803,883</b>	<b>11,186,821</b>	<b>5,191,251</b>	<b>7,745,091</b>
<b>Business-type activities:</b>				
Water	30,298,228	25,978,193	-	29,883
Airport	35,452,608	8,110,091	-	-
Municipal utility	11,602,782	13,638,226	-	23,819
Solid waste management	13,143,791	12,341,533	-	-
Sanitary	13,523,111	15,559,813	-	662,797
Rail	-	-	-	-
City golf	1,715,814	394,528	-	-
<b>Total business-type activities</b>	<b>105,736,334</b>	<b>76,022,384</b>	<b>-</b>	<b>716,499</b>
<b>Total primary government</b>	<b>\$ 188,540,217</b>	<b>87,209,205</b>	<b>5,191,251</b>	<b>8,461,590</b>

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy tax

Franchise taxes

Investment income

Gain 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

Governmental Activities	Business-type Activities	Totals	
		2015	2014
(8,165,400)	-	(8,165,400)	(9,990,891)
(33,975,807)	-	(33,975,807)	(33,227,479)
2,904,632	-	2,904,632	964,330
(17,064,144)	-	(17,064,144)	(18,235,353)
(2,316,668)	-	(2,316,668)	(3,478,397)
(63,332)	-	(63,332)	(60,628)
<u>(58,680,720)</u>	<u>-</u>	<u>(58,680,720)</u>	<u>(64,028,418)</u>
-	(4,290,152)	(4,290,152)	(949,541)
-	(27,342,517)	(27,342,517)	(24,343,791)
-	2,059,263	2,059,263	1,717,414
-	(802,258)	(802,258)	(1,007,877)
-	2,699,499	2,699,499	2,314,097
-	-	-	(269,314)
-	(1,321,286)	(1,321,286)	(1,382,520)
<u>-</u>	<u>(28,997,451)</u>	<u>(28,997,451)</u>	<u>(23,921,532)</u>
<u>(58,680,720)</u>	<u>(28,997,451)</u>	<u>(87,678,171)</u>	<u>(87,949,950)</u>
22,138,070	19,781,445	41,919,515	39,939,899
24,085,230	-	24,085,230	22,328,737
1,063,819	-	1,063,819	881,275
2,999,881	-	2,999,881	2,892,178
75,006	176,898	251,904	330,558
55,110	-	55,110	30,605
-	-	-	33,503
307,553	2,003,142	2,310,695	2,091,882
<u>24,752,786</u>	<u>(24,752,786)</u>	<u>-</u>	<u>-</u>
<u>75,477,455</u>	<u>(2,791,301)</u>	<u>72,686,154</u>	<u>68,528,637</u>
16,796,735	(31,788,752)	(14,992,017)	(19,421,313)
<u>466,841,095</u>	<u>156,176,354</u>	<u>623,017,449</u>	<u>686,525,621</u>
<u>\$ 483,637,830</u>	<u>124,387,602</u>	<u>608,025,432</u>	<u>667,104,308</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, 2015  
 (with comparative totals for June 30, 2014)

	General	Capital Projects	Nonmajor	Totals	
		Capital Impact Facilities	Governmental Funds	2015	2014
<b>Assets:</b>					
Cash and investments	\$ 1,455,361	3,053,106	31,591,407	36,099,874	39,804,949
Accounts receivable	1,178,124	-	862,168	2,040,292	1,752,997
Interest receivable	46,863	-	-	46,863	41,559
Notes receivable	4,089	-	1,144,839	1,148,928	1,186,788
Advances to other funds (note 3)	-	-	1,175,484	1,175,484	1,177,111
Due from other governments	2,918,948	-	3,862,149	6,781,097	8,868,120
Inventories	180,446	-	-	180,446	168,422
Prepaid items	14,589	-	600	15,189	11,539
Land held for resale (note 5)	-	-	12,014,214	12,014,214	12,039,214
<b>Total assets</b>	<b>5,798,420</b>	<b>3,053,106</b>	<b>50,650,861</b>	<b>59,502,387</b>	<b>65,050,699</b>
<b>Liabilities:</b>					
Accounts payable	1,329,592	-	3,144,331	4,473,923	5,296,211
Accrued liabilities	1,005,702	-	-	1,005,702	766,645
Deposits payable	24,727	-	1,270	25,997	24,595
Due to other funds (note 3)	-	-	3,126,213	3,126,213	3,507,967
Unearned revenue	5,000	-	838,171	843,171	620,018
Advances from other funds (note 3)	-	3,115,347	-	3,115,347	3,119,359
<b>Total liabilities</b>	<b>2,365,021</b>	<b>3,115,347</b>	<b>7,109,985</b>	<b>12,590,353</b>	<b>13,334,795</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue	-	173,252	1,494,266	1,667,518	2,563,768
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>173,252</b>	<b>1,494,266</b>	<b>1,667,518</b>	<b>2,563,768</b>
<b>Fund Balances (Deficits) (note 11):</b>					
<b>Non-spendable:</b>					
Prepaid items	14,589	-	-	14,589	11,539
Inventory	180,446	-	-	180,446	168,422
<b>Spendable:</b>					
Restricted	-	-	44,922,028	44,922,028	44,045,343
Assigned	-	-	-	-	1,910,762
Unassigned	3,238,364	(235,493)	(2,875,418)	127,453	3,016,070
<b>Total fund balances</b>	<b>3,433,399</b>	<b>(235,493)</b>	<b>42,046,610</b>	<b>45,244,516</b>	<b>49,152,136</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,798,420</b>	<b>3,053,106</b>	<b>50,650,861</b>	<b>59,502,387</b>	<b>65,050,699</b>

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, 2015

Fund balances of governmental funds	\$ 45,244,516
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	842,030,270
Accumulated depreciation	(357,087,075)
Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.	
	(1,070,443)
Long-term liabilities that have not been included in the governmental fund activity	
Net pension liability	(24,117,590)
Other post employment benefits	(15,935,842)
Compensated absences	(2,953,758)
Deferred outflows and inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Deferred outflows - contributions	2,305,839
Deferred outflows - actuarial	309,020
Deferred outflows - additional deferral	(169,286)
Deferred inflows - actuarial	(6,585,339)
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>1,667,518</u>
Net position of governmental activities	<u>\$ 483,637,830</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, 2015  
(with comparative totals for year ended June 30, 2014)

	General	Capital Projects	Nonmajor Governmental Funds	Totals	
		Capital Impact Facilities		2015	2014
<b>Revenues:</b>					
Taxes and assessments	\$ 41,674,386	-	8,612,614	50,287,000	47,623,923
Licenses and permits	1,532,900	-	-	1,532,900	1,229,852
Intergovernmental	51,581	-	13,781,011	13,832,592	17,249,387
Charges for services	7,257,815	780,316	1,549,225	9,587,356	10,479,905
Fines and forfeitures	338,694	-	968,878	1,307,572	1,141,638
Investment income	6,513	1,907	66,586	75,006	138,108
Other	194,665	-	112,888	307,553	223,478
<b>Total revenues</b>	<b>51,056,554</b>	<b>782,223</b>	<b>25,091,202</b>	<b>76,929,979</b>	<b>78,086,291</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	10,935,757	-	235,708	11,171,465	9,783,585
Public safety	34,395,864	-	1,278,096	35,673,960	34,272,268
Community development	-	-	1,768,600	1,768,600	2,787,595
Public works	4,534,649	2,865,146	20,948,764	28,348,559	23,696,742
Parks and recreation	2,888,632	-	67,213	2,955,845	2,865,563
<b>Debt service:</b>					
Principal	-	-	-	-	6,050,000
Interest	-	63,332	-	63,332	60,628
<b>Total expenditures</b>	<b>52,754,902</b>	<b>2,928,478</b>	<b>24,298,381</b>	<b>79,981,761</b>	<b>79,516,381</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,698,348)</b>	<b>(2,146,255)</b>	<b>792,821</b>	<b>(3,051,782)</b>	<b>(1,430,090)</b>
<b>Other financing sources (uses):</b>					
Proceeds from sale of assets	5,110	-	50,000	55,110	30,605
Transfers in (note 3)	1,289,151	-	-	1,289,151	365,415
Transfers out (note 3)	(966,602)	-	(1,233,497)	(2,200,099)	(1,326,652)
<b>Total other financing sources (uses)</b>	<b>327,659</b>	<b>-</b>	<b>(1,183,497)</b>	<b>(855,838)</b>	<b>(930,632)</b>
<b>Net change in fund balances</b>	<b>(1,370,689)</b>	<b>(2,146,255)</b>	<b>(390,676)</b>	<b>(3,907,620)</b>	<b>(2,360,722)</b>
Fund balances at beginning of year	4,804,088	1,910,762	42,437,286	49,152,136	51,512,858
Fund balances (deficit) at end of year	\$ 3,433,399	(235,493)	42,046,610	45,244,516	49,152,136

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, 2015

Net changes in fund balances - total governmental funds \$ (3,907,620)

Amounts reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	14,301,712
Depreciation expense	(17,322,342)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, returned of leased vehicles, asset transfers from proprietary funds, and asset disposals) is to increase net position.

Transfer of assets from proprietary funds	28,743,510
Transfer of assets to proprietary funds	(3,168,522)
Loss on disposal of assets	(43,084)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (896,250)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and changes in other long-term liabilities affect the current financial resources of governmental funds. None of these transactions, however, has any affect on net position:

Change in compensated absences	(70,881)
Change in OPEB obligation	(1,163,443)
Change in claims payable	(193,489)
Change in net pension liability and related deferred accounts	<u>517,144</u>

Change in net position of governmental activities \$ 16,796,735

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# Enterprise Funds

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## **Major Enterprise Funds:**

### ***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 increment revenues.

### ***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.

### ***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.

## **Nonmajor Enterprise Fund:**

### ***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.



**CITY OF VICTORVILLE**  
Statement of Net Position  
Proprietary Funds  
June 30, 2015  
(with comparative totals for June 30, 2014)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund	Solid Waste Management	Sanitary Fund
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and investments	\$ 39,526,413	16,984,157	8,745,607	1,647,810	13,928,917
Cash with fiscal agent	1,949,500	16,125,511	5,922,701	312,708	-
Accounts receivable, net	3,340,953	125,144	1,906,772	1,008,699	1,415,920
Interest receivable	20,345	-	-	-	-
Due from other funds (note 3)	-	-	-	-	3,126,213
Due from other governments	19,167	-	-	7,039	-
Inventory and other assets	499,264	3,518	-	-	-
Total current assets	<u>45,355,642</u>	<u>33,238,330</u>	<u>16,575,080</u>	<u>2,976,256</u>	<u>18,471,050</u>
<b>Noncurrent assets:</b>					
Capital assets, net (note 4)	178,157,468	157,298,401	19,087,028	2,523,984	47,632,279
Advances to other funds (note 3)	-	1,939,863	-	6,410,890	-
Advances to fiduciary funds (note 3)	-	4,681,492	-	-	-
Prepaid deposits	1,400	4,538	3,800	-	-
Total noncurrent assets	<u>178,158,868</u>	<u>163,924,294</u>	<u>19,090,828</u>	<u>8,934,874</u>	<u>47,632,279</u>
Total assets	<u>223,514,510</u>	<u>197,162,624</u>	<u>35,665,908</u>	<u>11,911,130</u>	<u>66,103,329</u>
<b>Deferred Outflows of Resources:</b>					
Deferred outflow - pension contribution	709,786	197,631	65,005	87,209	144,147
Deferred charge on refunding	107,818	2,474,021	-	-	-
Total deferred outflows of resources	<u>817,604</u>	<u>2,671,652</u>	<u>65,005</u>	<u>87,209</u>	<u>144,147</u>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	1,193,216	2,000,809	476,214	1,919,827	817,760
Deposits payable	1,616,093	-	-	5,371	70,000
Prepaid water connection fees	1,395,788	-	-	-	-
Interest payable	241,523	1,416,033	44,942	-	-
Bonds subject to call (note 8)	-	58,269,460	-	-	-
Long-term debt - due within one year (note 8)	716,713	4,087,443	-	354,032	-
Total current liabilities	<u>5,163,333</u>	<u>65,773,745</u>	<u>521,156</u>	<u>2,279,230</u>	<u>887,760</u>
<b>Noncurrent liabilities:</b>					
Accrued rent credit payable	-	1,028,605	-	-	-
Advances from other funds (note 3)	-	-	-	-	-
Advances from other governments (note 3)	-	11,970,371	-	-	-
Net pension liability	6,754,806	1,880,791	618,633	829,944	1,371,802
Long-term debt - due beyond one year (note 8)	13,927,056	253,600,501	53,070,000	899,357	-
Total noncurrent liabilities	<u>20,681,862</u>	<u>268,480,268</u>	<u>53,688,633</u>	<u>1,729,301</u>	<u>1,371,802</u>
Total liabilities	<u>25,845,195</u>	<u>334,254,013</u>	<u>54,209,789</u>	<u>4,008,531</u>	<u>2,259,562</u>
<b>Deferred Inflows of Resources:</b>					
Deferred inflows - actuarial	1,984,558	552,576	181,754	243,837	403,034
Total deferred outflows of resources	<u>1,984,558</u>	<u>552,576</u>	<u>181,754</u>	<u>243,837</u>	<u>403,034</u>
<b>Net Position:</b>					
Net investment in capital assets	167,641,968	(55,893,369)	(28,109,674)	1,896,010	47,632,279
Restricted for capital asset construction	5,227,435	-	-	-	-
Restricted for debt service	3,683,187	-	-	-	-
Unrestricted	19,949,771	(79,078,944)	9,449,044	5,849,961	15,952,601
Total net position	<u>\$ 196,502,361</u>	<u>(134,972,313)</u>	<u>(18,660,630)</u>	<u>7,745,971</u>	<u>63,584,880</u>

See accompanying notes to the basic financial statements

Southern California Logistics Rail Authority	Nonmajor City Golf	Totals	
		2015	2014
-	-	80,832,904	70,536,979
-	-	24,310,420	23,458,098
-	-	7,797,488	8,817,113
-	-	20,345	11,787
-	-	3,126,213	3,507,967
-	-	26,206	45,684
-	-	502,782	504,127
-	-	<u>116,616,358</u>	<u>106,881,755</u>
-	16,900,946	421,600,106	463,057,742
-	-	8,350,753	8,336,707
-	-	4,681,492	6,915,619
-	-	9,738	446,883
-	<u>16,900,946</u>	<u>434,642,089</u>	<u>478,756,951</u>
-	<u>16,900,946</u>	<u>551,258,447</u>	<u>585,638,706</u>
-	-	1,203,778	-
-	-	<u>2,581,839</u>	<u>2,728,859</u>
-	-	<u>3,785,617</u>	<u>2,728,859</u>
-	100,024	6,507,850	5,111,514
-	-	1,691,464	1,641,763
-	-	1,395,788	1,395,788
-	-	1,702,498	1,729,087
-	-	58,269,460	57,412,536
-	<u>202,699</u>	<u>5,360,887</u>	<u>4,814,667</u>
-	<u>302,723</u>	<u>74,927,947</u>	<u>72,105,355</u>
-	-	1,028,605	1,300,678
-	6,410,890	6,410,890	6,394,409
-	-	11,970,371	11,939,597
-	-	11,455,976	-
-	-	<u>321,496,914</u>	<u>326,064,834</u>
-	<u>6,410,890</u>	<u>352,362,756</u>	<u>345,699,518</u>
-	<u>6,713,613</u>	<u>427,290,703</u>	<u>417,804,873</u>
-	-	3,365,759	-
-	-	<u>3,365,759</u>	<u>-</u>
-	16,698,247	149,865,461	188,424,841
-	-	5,227,435	4,662,074
-	-	3,683,187	3,575,742
-	<u>(6,510,914)</u>	<u>(34,388,481)</u>	<u>(26,099,965)</u>
-	<u>10,187,333</u>	<u>124,387,602</u>	<u>170,562,692</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, 2015  
(with comparative totals for year ended June 30, 2014)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund	Solid Waste Management
Operating revenues:				
Charges for services	\$ 25,978,193	8,110,091	13,638,226	12,341,533
Fines and forfeitures	324,611	124	-	163,948
Other	188,332	381,681	307,058	210,584
Total operating revenues	<u>26,491,136</u>	<u>8,491,896</u>	<u>13,945,284</u>	<u>12,716,065</u>
Operating expenses:				
Personnel services	7,619,285	1,910,583	734,365	1,455,162
Maintenance and operations	7,545,130	10,403,318	2,937,808	11,337,778
Production costs	4,394,426	-	5,951,256	-
Depreciation	10,194,572	6,947,027	1,424,531	223,171
Total operating expenses	<u>29,753,413</u>	<u>19,260,928</u>	<u>11,047,960</u>	<u>13,016,111</u>
Operating income (loss)	<u>(3,262,277)</u>	<u>(10,769,032)</u>	<u>2,897,324</u>	<u>(300,046)</u>
Nonoperating revenues (expenses):				
Intergovernmental	198,328	-	-	-
Taxes	527,126	19,050,451	-	-
Investment income	110,700	31,610	6,602	17,607
Interest expense	(534,558)	(15,809,747)	(554,126)	(76,556)
Gain (loss) on disposal of assets	(10,257)	(381,933)	(696)	-
Other nonoperating revenues (expenses)	74,848	-	-	(53,996)
Total nonoperating revenues (expenses)	<u>366,187</u>	<u>2,890,381</u>	<u>(548,220)</u>	<u>(112,945)</u>
Income (loss) before transfers and contributions	<u>(2,896,090)</u>	<u>(7,878,651)</u>	<u>2,349,104</u>	<u>(412,991)</u>
Capital contributions:				
Developer contributed facilities	29,883	-	23,819	-
Facilities contributed (to) from other funds	-	3,079,776	-	(51,124)
Transfers in (note 3)	-	944,616	-	-
Transfers out (note 3)	(988,987)	-	-	-
Change in net position	<u>(3,855,194)</u>	<u>(3,854,259)</u>	<u>2,372,923</u>	<u>(464,115)</u>
Net position at beginning of year, as restated (note 23)	<u>200,357,555</u>	<u>(131,118,054)</u>	<u>(21,033,553)</u>	<u>8,210,086</u>
Net position at end of year	<u>\$ 196,502,361</u>	<u>(134,972,313)</u>	<u>(18,660,630)</u>	<u>7,745,971</u>

See accompanying notes to the basic financial statements

Sanitary Fund	Southern California Logistics Rail Authority	Nonmajor City Golf	Totals	
			2015	2014
15,559,813	-	394,528	76,022,384	73,043,133
171,195	-	-	659,878	780,949
291,081	-	173	1,378,909	1,347,851
<u>16,022,089</u>	<u>-</u>	<u>394,701</u>	<u>78,061,171</u>	<u>75,171,933</u>
1,581,769	-	491,230	13,792,394	12,868,311
10,612,315	-	727,003	43,563,352	38,361,413
68,656	-	-	10,414,338	10,390,035
1,140,381	-	481,100	20,410,782	20,564,005
<u>13,403,121</u>	<u>-</u>	<u>1,699,333</u>	<u>88,180,866</u>	<u>82,183,764</u>
2,618,968	-	(1,304,632)	(10,119,695)	(7,011,831)
-	-	-	198,328	175,845
5,540	-	-	19,583,117	18,242,321
10,379	-	-	176,898	192,450
-	-	(16,481)	(16,991,468)	(17,508,083)
(119,990)	(28,743,510)	-	(29,256,386)	(16,296)
(56,497)	-	-	(35,645)	(226,893)
<u>(160,568)</u>	<u>(28,743,510)</u>	<u>(16,481)</u>	<u>(26,325,156)</u>	<u>859,344</u>
2,458,400	(28,743,510)	(1,321,113)	(36,444,851)	(6,152,487)
662,797	-	-	716,499	1,265,592
-	-	-	3,028,652	1,477,886
-	-	955,319	1,899,935	992,222
-	-	-	(988,987)	-
3,121,197	(28,743,510)	(365,794)	(31,788,752)	(2,416,787)
<u>60,463,683</u>	<u>28,743,510</u>	<u>10,553,127</u>	<u>156,176,354</u>	<u>172,979,479</u>
<u>63,584,880</u>	<u>-</u>	<u>10,187,333</u>	<u>124,387,602</u>	<u>170,562,692</u>

See accompanying notes to the basic financial statements

**CITY OF VICTORVILLE**  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2015  
(with comparative totals for year ended June 30, 2014)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund	Solid Waste Management	Sanitary Fund
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 26,576,819	8,879,763	13,982,456	12,934,821	16,401,706
Cash payments to employees for services	(7,033,760)	(1,935,534)	(743,705)	(1,467,693)	(1,602,482)
Cash payments to suppliers for goods and services	(11,547,242)	(9,921,729)	(8,991,820)	(11,195,195)	(10,712,153)
Net cash provided by (used for) operating activities	<u>7,995,817</u>	<u>(2,977,500)</u>	<u>4,246,931</u>	<u>271,933</u>	<u>4,087,071</u>
<b>Cash flows from noncapital financing activities:</b>					
Cash received from other governments	725,454	21,315,400	-	-	5,540
Cash received from other funds	-	947,001	-	-	381,754
Cash paid to other funds	(988,987)	-	-	(16,481)	-
Net cash provided by (used for) noncapital financing activities	<u>(263,533)</u>	<u>22,262,401</u>	<u>-</u>	<u>(16,481)</u>	<u>387,294</u>
<b>Cash flows from capital and related financing activities:</b>					
Cash received from sale of capital assets	-	-	-	-	-
Cash payments to acquire capital and other assets	(2,830,461)	(1,140,462)	(268,523)	(33,988)	(176,547)
Principal paid on capital-related debt	(401,911)	(2,716,693)	-	(398,226)	-
Interest paid on capital-related debt	(542,485)	(15,828,351)	(554,184)	(76,556)	-
Net cash provided by (used for) capital and related financing activities	<u>(3,774,857)</u>	<u>(19,685,506)</u>	<u>(822,707)</u>	<u>(508,770)</u>	<u>(176,547)</u>
<b>Cash flows from investing activities:</b>					
Interest received on investments	102,142	31,610	6,602	17,607	10,379
Net cash provided by (used for) investing activities	<u>102,142</u>	<u>31,610</u>	<u>6,602</u>	<u>17,607</u>	<u>10,379</u>
Net increase (decrease) in cash and cash equivalents	4,059,569	(368,995)	3,430,826	(235,711)	4,308,197
Cash and cash equivalents at beginning of year	<u>37,416,344</u>	<u>33,478,663</u>	<u>11,237,482</u>	<u>2,196,229</u>	<u>9,620,720</u>
Cash and cash equivalents at end of year	<u>\$ 41,475,913</u>	<u>33,109,668</u>	<u>14,668,308</u>	<u>1,960,518</u>	<u>13,928,917</u>
<b>Reconciliation of operating income to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	\$ (3,262,277)	(10,769,032)	2,897,324	(300,046)	2,618,968
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	10,194,572	6,947,027	1,424,531	223,171	1,140,381
Nonoperating miscellaneous revenue (expense)	74,848	-	-	(53,996)	(56,497)
(Increase) decrease in accounts receivable, net	(267,817)	659,940	35,981	211,906	379,617
(Increase) decrease in due from other governments	11,437	-	1,191	6,850	-
(Increase) decrease in inventory and other assets	(32,897)	3,630	-	-	-
(Increase) decrease in prepaid deposits	296,161	(2,463)	115,362	28,085	-
(Increase) decrease in deferred outflows	(47,188)	(13,139)	(4,320)	(5,798)	(9,583)
Increase (decrease) in accounts payable	338,926	480,422	(218,118)	165,399	25,315
Increase (decrease) in deposits payable	57,339	-	-	3,095	-
Increase (decrease) in accrued rent credits payable	-	(272,073)	-	-	-
Increase (decrease) in OPEB obligation	652,796	-	-	-	-
Increase (decrease) in compensated absences	34,721	3,447	-	-	-
Increase (decrease) in net pension liability	(2,039,362)	(567,835)	(186,774)	(250,570)	(414,164)
Increase (decrease) in deferred inflows	1,984,558	552,576	181,754	243,837	403,034
Total adjustments	<u>11,258,094</u>	<u>7,791,532</u>	<u>1,349,607</u>	<u>571,979</u>	<u>1,468,103</u>
Net cash provided by (used for) operating activities	<u>\$ 7,995,817</u>	<u>(2,977,500)</u>	<u>4,246,931</u>	<u>271,933</u>	<u>4,087,071</u>
<b>Noncash capital, financing and investing activities:</b>					
Developer contributed capital assets	\$ 29,883	-	23,819	-	662,797
Capital asset contributions (to) from other funds	-	3,079,776	-	(51,124)	-
Loss on disposal of capital assets	(10,257)	(381,933)	(696)	-	(119,990)
Total	<u>\$ 19,626</u>	<u>2,697,843</u>	<u>23,123</u>	<u>(51,124)</u>	<u>542,807</u>

See accompanying notes to the basic financial statements

Southern California Logistics Rail Authority	Nonmajor City Golf	Totals	
		2015	2014
-	394,701	79,170,266	74,779,495
-	(491,230)	(13,274,404)	(12,684,250)
-	<u>(707,540)</u>	<u>(53,075,679)</u>	<u>(47,713,320)</u>
-	<u>(804,069)</u>	<u>12,820,183</u>	<u>14,381,925</u>
-	-	22,046,394	18,530,153
-	971,801	2,300,556	1,636,525
-	-	<u>(1,005,468)</u>	<u>(15,483)</u>
-	<u>971,801</u>	<u>23,341,482</u>	<u>20,151,195</u>
-	-	-	723,805
-	(5,000)	(4,454,981)	(2,993,454)
-	(191,890)	(3,708,720)	(5,010,144)
-	<u>(16,481)</u>	<u>(17,018,057)</u>	<u>(17,552,425)</u>
-	<u>(213,371)</u>	<u>(25,181,758)</u>	<u>(24,832,218)</u>
-	-	168,340	188,977
-	-	168,340	188,977
-	(45,639)	11,148,247	9,889,879
-	<u>45,639</u>	<u>93,995,077</u>	<u>84,105,198</u>
-	-	<u>105,143,324</u>	<u>93,995,077</u>
-	<u>(1,304,632)</u>	<u>(10,119,695)</u>	<u>(7,011,831)</u>
-	481,100	20,410,782	20,564,005
-	-	(35,645)	(46,916)
-	-	1,019,627	(632,703)
-	-	19,478	15,531
-	30,612	1,345	(8,872)
-	-	437,145	472,245
-	-	(80,028)	-
-	(416)	791,528	1,227,510
-	(10,733)	49,701	(242,660)
-	-	(272,073)	(138,445)
-	-	652,796	(12,578)
-	-	38,168	196,639
-	-	(3,458,705)	-
-	-	<u>3,365,759</u>	-
-	<u>500,563</u>	<u>22,939,878</u>	<u>21,393,756</u>
-	<u>(804,069)</u>	<u>12,820,183</u>	<u>14,381,925</u>
-	-	716,499	1,265,592
(28,743,510)	-	(25,714,858)	1,465,615
-	-	<u>(512,876)</u>	<u>(16,296)</u>
<u>(28,743,510)</u>	-	<u>(25,511,235)</u>	<u>2,714,911</u>

See accompanying notes to the basic financial statements

**CITY OF VICTORVILLE**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

	<u>Agency Funds</u>	<u>Successor Agency to the Victorville RDA</u>
<b>Assets:</b>		
Cash and investments (note 2)	\$ 3,839,796	2,928,239
Restricted assets:		
Cash with fiscal agent (note 2)	2,477,426	1,793,352
Accounts receivable, net	8,673	24,910
Due from other governments (note 3)	-	11,970,371
Notes receivable, net (note 6)	-	8,984,160
Land held for resale (note 5)	-	17,183,494
Noncurrent assets:		
Capital assets (note 4)	-	2,241,575
Total noncurrent assets	-	2,241,575
Total assets	<u>\$ 6,325,895</u>	<u>45,126,101</u>
<b>Liabilities:</b>		
Accounts payable	\$ 19,799	288,048
Interest payable	-	173,813
Deposits payable	6,306,096	-
Unearned revenue	-	12,086
Due to other governments (note 3)	-	4,681,492
Current portion of long-term liabilities:		
Bonds payable (note 9)	-	1,060,000
Long-term liabilities:		
Bonds payable (note 9)	-	37,375,000
Total long-term liabilities	-	37,375,000
Total liabilities	<u>\$ 6,325,895</u>	<u>43,590,439</u>
<b>Net Position:</b>		
Held in trust for other taxing entities		<u>1,535,662</u>
Total net position		<u>\$ 1,535,662</u>

See accompanying notes to the basic financial statements

**CITY OF VICTORVILLE**  
Statement of Changes in Fiduciary Net Position  
Successor Agency to the Victorville RDA  
Year ended June 30, 2015  
(with comparative totals for year ended June 30, 2014)

	2015	2014
Additions:		
RPTTF distributions	\$ 20,050,019	5,675,299
Investment income	278,897	263,278
Capital assets transferred	-	223,613
Other	37,379	19,881
Total additions	20,366,295	6,182,071
Deductions:		
Current:		
Community development	1,492,804	789,437
Debt service:		
Interest	2,200,117	2,301,144
Transfers out (note 3)	13,693,647	30,985
Total deductions	17,386,568	3,121,566
Change in net position	2,979,727	3,060,505
Net position at beginning of year	(1,444,065)	(4,504,570)
Net position at end of year	\$ 1,535,662	(1,444,065)

See accompanying notes to the basic financial statements



## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

(1) Summary of Significant Accounting Policies
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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, 2015 of 121,901.

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, 2015, the City's staff comprised of 410 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

For the year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)
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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) is a joint powers authority (JPA) formed in 1997 between the City of Victorville and the former Redevelopment Agency of Victorville to provide for the coordination of long range planning of the territory of George Air Force Base. In 2012 the Victorville Water District was added as a member of the JPA. 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 passed through from the Victor Valley Economic Development Authority (VVEDA).

### 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. During the year ended June 30, 2015 the SCLRA transferred all capital assets to the governmental activities because it was determined that they would be used for City purposes. As a result, the net position in the fund at June 30, 2015 is zero.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)
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#### 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 in the City of Victorville's financial statements for the year ended June 30, 2015.

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

For the year ended June 30, 2015

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

For the year ended June 30, 2015

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

For the year ended June 30, 2015

(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 sixty 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

For the year ended June 30, 2015

(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

For the year ended June 30, 2015

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

For the year ended June 30, 2015

(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 (SCLAA) – Accounts for both operation and capital acquisition of the activities surrounding the airport. The former George Air Force Base now known as Southern California Logistics Airport Authority is a joint powers authority formed by the City of Victorville and the Victorville Redevelopment Agency. In 2012, the Victorville Water District was added as a member of the JPA. The authority was created to effectuate the redevelopment of the former base and certain properties within an eight mile radius of the boundaries of the airport. The airport funding sources comprised of federal grants, charges for services, and tax increment revenues passed through from the Victor Valley Economic Development Authority (VVEDA).

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.

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 and loans.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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.

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, 2015.

# City of Victorville

## Notes to Basic Financial Statements

For the year ended June 30, 2015

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

# City of Victorville

## Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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

#### (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. Issuance costs, whether or not withheld from actual net proceeds received, are reported as current expenditures.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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.

##### (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.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

(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.

*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. The government has three items that qualify for reporting in this category. Deferred outflows – pension contribution and deferred outflows – actuarial relate to the net pension liability. Deferred charge on refunding is the difference between the reacquisition price and net carrying amount of refunded debt and is deferred and amortized over a period time.

When applicable, the statement of net position and the balance sheet will report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. One of these items arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue related to items received outside the City’s availability period of 60 days. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second and third items, deferred inflows – actuarial and deferred inflows – additional deferral relate to the net pension liability.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

(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.

(s) Pensions

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

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

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	June 30, 2013 to June 30, 2014

#### (2) Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 116,932,778
Cash with fiscal agents	24,310,420

Fiduciary funds:

Cash and investments	6,768,035
Cash with fiscal agents	4,270,778
Total cash and investments	<u>\$ 152,282,011</u>

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

(2)	Cash and Investments, (Continued)
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Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 9,669
Deposits with financial institutions	28,661,309
Investments	<u>123,611,033</u>
Total cash and investments	<u>\$ 152,282,011</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

For the year ended June 30, 2015

#### (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

For the year ended June 30, 2015

#### (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	\$ 94,244,865	94,244,865	-	-	-
Certificates of Deposit	784,975	784,975	-	-	-
Held by bond trustee:					
Guaranteed Investment Contract (GIC)*	816,500	-	-	-	816,500
Certificates of Deposit	993,000	993,000			
Money market funds	26,771,693	26,771,693	-	-	-
<b>Total</b>	<b>\$ 123,611,033</b>	<b>122,794,533</b>	<b>-</b>	<b>-</b>	<b>816,500</b>

\* - The City's GIC is with Financial Security Assurance (FSA). The contract required FSA to deposit cash, governmental securities, or governmental bonds as collateral with Bank of New York, at a value of at least 100%, 104%, or 105%, respectfully, of the investment balance. The termination of the investment contract and release of collateral would occur in the event of default by FSA. As of June 30, 2015, FSA was not in default and the value of the collateral met the requirements.

##### Disclosures Relating to Credit Risk

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

Investment type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
State Investment Pool	\$ 94,244,865	N/A	-	94,244,865
Certificates of Deposit	784,975	N/A	-	784,975
Held by bond trustee:				
Guaranteed Investment Contract (GIC)	816,500	N/A	-	816,500
Certificates of Deposit	993,000	N/A	-	993,000
Money market funds	26,771,693	Multiple*	26,771,693	-
<b>Total</b>	<b>\$123,611,033</b>		<b>26,771,693</b>	<b>96,839,340</b>

\* - Must receive highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of \$500 million.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

##### 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.

##### 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, 2015, \$27,396,127 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

For the year ended June 30, 2015

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

The composition of interfund balances as of June 30, 2015 is as follows:

Due to/from other funds:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Sanitary Fund	Nonmajor gov't funds	\$ 3,126,213 a)
	Total	<u>\$ 3,126,213</u>

Advances to/from other funds:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Successor Agency *	SCLAA	\$ 11,970,371 b)
Solid Waste Management	City Golf Course	6,410,890 c)
SCLAA	Capital Impact Facilities	1,939,863 d)
SCLAA	Successor Agency *	4,681,492 e)
Nonmajor Gov't funds	Capital Impact Facilities	1,175,484 f)
	Total	<u>\$ 26,178,100</u>

\* - Advances to or from the Successor Agency have been classified as advances to other governments in the basic financial statements. They have been classified as due from other governments in the fiduciary fund financial statements.

Generally, the above balances result from:

- a) The \$3,126,213 due to the Sanitary Fund is made of a receivable from the Federal Grants Fund. This is a short term borrowing 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 15-16.
- 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, 2015 is \$1,735,543.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (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 an annualized Local Agency Investment Fund ("LAIF") rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2015 is \$10,234,828.
- 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, 2015 is \$6,410,890.
- 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. The advance has an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. Throughout the life of the loan \$25,144 in interest has been paid. The outstanding balance of the advance as of June 30, 2015 is \$1,939,863.
- 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 Southern California Logistics Airport Authority to the Agency's portion of VVEDA's 20% Low and Moderate Housing Fund (Successor Agency). The advance is to be used to fund land acquisitions associated within the Old Town project area. The advance will be repaid through approvals by the California Department of Finance (DOF) during the Recognized Obligation Payment Schedule (ROPS) process. The outstanding balance of the advance as of June 30, 2015 is \$4,681,492.
- 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, 2015 is \$1,175,484.

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

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

Transfers in/out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	
General Fund	Nonmajor gov't funds	\$ 1,233,497	a)
General Fund	Water Fund	55,654	b)
Golf Course Fund	General Fund	955,319	c)
SCLAA	Successor Agency - VVEDA 80%*	13,693,647	d)
SCLAA	General Fund	11,283	e)
SCLAA	Water Fund	<u>933,333</u>	f)
	Total	<u>\$ 16,882,733</u>	

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

- a) The transfer of \$1,233,497 to the General Fund was from the Traffic Safety fund to support engineering functions of traffic safety and the Gas Tax fund to support the repayment of a subsidy for operating expenditures.
- b) The Water fund transfer of \$55,654 was for the purchase of office furniture and equipment.
- c) The General fund transfer of \$955,319 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 \$741,204 to balance budgeted expenditures.
- d) The Successor Agency fund transfer of \$13,693,647 to the SCLAA fund was to support the SCLAA's portion of property tax increment that was pledged for debt service as approved by the DOF on the ROPS.
- e) The General fund transfer of \$11,283 to the SCLAA fund was for the purchase of equipment.
- f) The Water fund transfer of \$933,333 to the SCLAA fund was for the payment of interest expenses.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (4) Capital Assets

##### Governmental activities

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	Balance at 7/1/2014	Additions	Deletions	Transfers	Balance at 6/30/2015
Non-depreciable assets:					
Land	\$ 37,325,224	48,102	-	10,207,466	47,580,792
Right of way	179,995,939	167	-	5,497	180,001,603
Construction in progress	<u>2,617,515</u>	<u>7,033,831</u>	<u>(1,513,960)</u>	<u>(3,831,319)</u>	<u>4,306,067</u>
Total non-depreciable assets	<u>219,938,678</u>	<u>7,082,100</u>	<u>(1,513,960)</u>	<u>6,381,644</u>	<u>231,888,462</u>
Depreciable assets:					
Buildings and improvements	69,638,389	462,221	(173,183)	-	69,927,427
Furniture and equipment	12,163,039	1,136,318	(65,122)	-	13,234,235
Computer and communications	3,182,551	62,638	(24,362)	-	3,220,827
Land improvements	138,084	-	-	14,760,142	14,898,226
Vehicles	3,242,499	548,250	(199,538)	-	3,591,211
Infrastructure	491,411,397	7,093,021	-	5,386,291	503,890,709
Intangible assets:					
Computer software	1,275,251	93,920	-	-	1,369,171
Right-of-way easements	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total depreciable assets	<u>581,061,210</u>	<u>9,396,368</u>	<u>(462,205)</u>	<u>20,146,433</u>	<u>610,141,806</u>
Less accumulated depreciation:					
Buildings and improvements	(21,352,418)	(1,998,411)	151,627	-	(23,199,202)
Furniture and equipment	(10,764,766)	(641,698)	58,768	-	(11,347,696)
Computer and communications	(2,933,440)	(83,224)	24,362	-	(2,992,302)
Land Improvements	(28,767)	(13,808)	-	-	(42,575)
Vehicles	(3,142,865)	(48,350)	184,368	-	(3,006,847)
Infrastructure	(299,071,348)	(14,518,749)	-	(1,615,889)	(315,205,986)
Intangible assets:					
Computer Software	(1,264,363)	(18,102)	-	-	(1,282,465)
Right-of-way easements	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Total accumulated depreciation	<u>(338,567,967)</u>	<u>(17,322,342)</u>	<u>419,125</u>	<u>(1,615,889)</u>	<u>(357,087,073)</u>
Total depreciable assets, net	<u>242,493,243</u>	<u>(7,925,974)</u>	<u>(43,080)</u>	<u>18,530,544</u>	<u>253,054,733</u>
Capital assets, net	<u>462,431,921</u>	<u>(843,874)</u>	<u>(1,557,040)</u>	<u>24,912,188</u>	<u>484,943,195</u>

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

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

Depreciation expense was charged in the following functions in the Statement of Activities:

General government	\$ 6,018,105
Public safety	415,488
Community development	4,049
Public works	9,223,201
Parks and recreation	<u>1,661,499</u>
	<u>\$ 17,322,342</u>



## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (4) Capital Assets, (Continued)

##### Business-type activities

The following is a summary of capital assets for enterprise funds at June 30, 2015:

	Balance at 7/1/2014*	Additions	Deletions	Transfers	Balance at 6/30/2015
<b>Non-depreciable assets:</b>					
Land	\$ 42,939,917	-	-	(10,207,466)	32,732,451
Intangibles – service credit	3,785,497	-	-	(5,497)	3,780,000
Water rights	12,678,475	-	-	-	12,678,475
Idle assets	3,017,958	-	-	-	3,017,958
Construction in progress	16,977,921	1,643,441	(680,343)	(11,591,620)	6,349,399
Total non-depreciable assets	79,399,768	1,643,441	(680,343)	(21,804,583)	58,558,283
<b>Depreciable assets:</b>					
Buildings and improvements	229,421,267	744,572	(19,319)	-	230,146,520
Furniture and equipment	47,416,273	366,710	(89,262)	-	47,693,721
Computer and communication	1,139,594	30,405	(20,932)	-	1,149,067
Vehicles	3,721,158	681,168	(53,147)	-	4,349,179
Infrastructure	339,437,046	1,022,317	(32,091)	(4,723,494)	335,703,778
Intangibles - water related	2,070,065	93,210	-	-	2,163,275
Intangibles – software	1,388,907	-	-	-	1,388,907
Land improvements	565,969	-	-	-	565,969
Total depreciable assets	625,160,279	2,938,382	(214,751)	(4,723,494)	623,160,416
<b>Less accumulated depreciation:</b>					
Buildings and improvements	(94,994,997)	(5,813,977)	19,318	-	(100,789,656)
Furniture and equipment	(20,494,969)	(4,149,681)	65,479	-	(24,579,171)
Computer and communication	(865,764)	(103,469)	20,933	-	(948,300)
Vehicles	(3,183,477)	(222,275)	62,514	-	(3,343,238)
Infrastructure	(120,732,102)	(9,515,270)	10,361	1,615,889	(128,621,122)
Intangibles - water related	(561,935)	(269,423)	-	-	(831,358)
Intangibles - software	(542,585)	(280,090)	-	-	(822,675)
Land improvements	(126,476)	(56,597)	-	-	(183,073)
Total accumulated depreciation	(241,502,305)	(20,410,782)	178,605	1,615,889	(260,118,593)
Total depreciable assets, net	383,657,974	(17,472,400)	(36,146)	(3,107,605)	363,041,823
Capital assets, net	\$ 463,057,742	(15,828,959)	(716,489)	(24,912,188)	421,600,106

\* - See footnote 23 for additional information regarding a prior period adjustment to adjust beginning accumulated depreciation amongst various enterprise funds.

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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

Water	\$ 10,194,572
Airport	6,947,027
Municipal utility	1,424,531
Solid waste management	223,171
Sanitary	1,140,381
Golf course	481,100
Total	<u>\$ 20,410,782</u>

Successor Agency activities

The following is a summary of capital assets for fiduciary funds at June 30, 2015:

	<u>Balance at</u> <u>7/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/2015</u>
Non-depreciable assets:				
Land	\$ 2,241,575	-	-	2,241,575
Total non-depreciable assets	<u>2,241,575</u>	<u>-</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	23,523	-	-	23,523
Total depreciable assets	<u>1,448,036</u>	<u>-</u>	<u>-</u>	<u>1,448,036</u>
Less accumulated depreciable:				
Buildings and improvements	(1,281,751)	(70,377)	-	(1,352,128)
Furniture and equipment	(72,385)	-	-	(72,385)
Vehicles	(22,544)	(979)	-	(23,523)
Total accumulated depreciation	<u>(1,376,680)</u>	<u>(71,356)</u>	<u>-</u>	<u>(1,448,036)</u>
Total depreciable assets, net	<u>71,356</u>	<u>(71,356)</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>\$ 2,312,931</u>	<u>(71,356)</u>	<u>-</u>	<u>2,241,575</u>

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

**(5) Land Held for Resale**

As of June 30, 2015, the Successor Agency of the Victorville Redevelopment Agency and the Victorville Housing Trust 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 amounts of \$17,183,494 and \$12,014,214, respectively.

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

Affordable Housing Loans Receivable

The Successor Agency of the Victorville Redevelopment Agency and the Victorville Housing Trust have entered into agreements with developers to establish various affordable housing project loans. At June 30, 2015, the Successor Agency's outstanding loans receivable was \$8,984,160.

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

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance at 7/1/2014, as restated*	<u>Additions</u>	<u>Retirements</u>	Balance at 6/30/2015	Due Within One year
Compensated Absences	\$ 2,882,877	1,837,477	(1,766,596)	2,953,758	1,506,417
OPEB Obligation	14,772,400	1,367,000	(203,558)	15,935,842	222,077
Net Pension Liability	26,567,366	-	(2,449,776)	24,117,590	-
Claims Payable	876,954	532,063	(338,574)	1,070,443	300,000
Totals	<u>\$ 45,099,597</u>	<u>3,736,540</u>	<u>(4,758,504)</u>	<u>44,077,633</u>	<u>2,028,494</u>

\* - See footnote 23 for additional information regarding a prior period adjustment in accordance with the City's implementation of GASB 68.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$2,953,758 at June 30, 2015 will be paid in future years from future resources, generally liquidated by the General Fund.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (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, 2015 is as follows:

	Balance at 7/1/2014, as restated**	<u>Additions</u>	<u>Retirements</u>	Balance at 6/30/2015	Due Within One Year
Compensated Absences	\$ 432,607	418,371	(380,202)	470,776	86,521
Net Pension Liability	14,914,681	-	(3,458,705)	11,455,976	-
OPEB Obligation	1,071,134	768,000	(115,204)	1,723,930	192,223
Lease Purchase Agreements:					
Key Government Finance	394,589	-	(191,890)	202,699	202,699
Burrtec Industries	353,886	-	(209,854)	144,032	144,032
Lease Subtotal	<u>748,475</u>	<u>-</u>	<u>(401,744)</u>	<u>346,731</u>	<u>346,731</u>
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	21,110,000	-	(860,000)	20,250,000	905,000
2006 Tax Allocation Bonds (Non-Housing)	55,005,000	-	(905,000)	54,100,000	940,000
2006 Tax Allocation Bonds (Housing)	14,780,000	-	(245,000)	14,535,000	255,000
2006 Tax Allocation Parity Bonds	42,410,000	-	(105,000)	42,305,000	110,000
2006 Tax Allocation Revenue Parity Bonds	33,025,000	-	(400,000)	32,625,000	420,000
2006 Tax Allocation Revenue Bonds	60,075,000	-	(755,000)	59,320,000	800,000
2007 Tax Allocation Bonds (Housing)	37,690,000	-	(530,000)	37,160,000	560,000
2007 Tax Allocation Bonds (Non-Housing) *	40,185,000	-	-	40,185,000	40,185,000
2008 Tax Allocation Bonds *	<u>17,227,536</u>	<u>856,924</u>	<u>-</u>	<u>18,084,460</u>	<u>18,084,460</u>
Tax Allocation Bonds Subtotal	<u>321,507,536</u>	<u>856,924</u>	<u>(3,800,000)</u>	<u>318,564,460</u>	<u>62,259,460</u>
Lease Revenue Bonds:					
2007A Variable Rate Lease Revenue Bond	53,070,000	-	-	53,070,000	-
Revenue Refunding Bonds:					
2004 Refunding Bonds	1,352,500	-	(197,500)	1,155,000	210,000
Certificates of Participation (COP):					
1998 COPs	1,590,000	-	(115,000)	1,475,000	120,000
2006 COPs	<u>11,285,000</u>	<u>-</u>	<u>(295,000)</u>	<u>10,990,000</u>	<u>310,000</u>
COP Subtotal	<u>12,875,000</u>	<u>-</u>	<u>(410,000)</u>	<u>12,465,000</u>	<u>430,000</u>
Unamortized Discounts/Premiums	<u>(2,765,216)</u>	<u>-</u>	<u>96,580</u>	<u>(2,668,636)</u>	<u>105,412</u>

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

\*\* - See footnote 23 for additional information regarding a prior period adjustment in accordance with the City's implementation of GASB 68.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (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 \$470,776 at June 30, 2015, 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, 2015 is \$202,699.

##### 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 \$36,317. Monthly payments from the Solid Waste Management began in March of 2006 and continue through February of 2016. The outstanding amount at June 30, 2015 for the City of Victorville is \$144,032.

##### 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

For the year ended June 30, 2015

#### (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 were partially defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing). The required reserve for the Bonds is \$1,797,890. As of June 30, 2015 the reserve amount was \$1,797,960. 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, 2015 is \$20,250,000.

#### 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

For the year ended June 30, 2015

#### (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, 2015, the reserve amount was \$3,519,302. 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, 2015 is \$54,100,000.

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

In June 2006, the Southern California Logistics Airport Authority issued \$16,855,000 principal amount of Housing Set-Aside Revenue Bonds, Refunding Series 2006. The proceeds were used to refund all of the 2003 Tax Allocation Bonds and a portion of the 2005 Tax Allocation Parity Bonds. As a result the 2003 Tax Allocation 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, 2015, 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, 2015 is \$14,535,000.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (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 \$4,367,507. As of June 30, 2015, the reserve amount was \$4,367,508. 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, 2015 is \$42,305,000.

##### 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, 2015, the reserve amount was \$2,476,456. 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, 2015 is \$32,625,000.



## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (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, 2015, the reserve amount was \$1,065,519. 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, 2015 is \$59,320,000.

##### 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 \$1,301,205. As of June 30, 2015, 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, 2015 is \$37,160,000.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (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, 2015, 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, 2015 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

For the year ended June 30, 2015

#### (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, 2015, the reserve amount was \$160,226. 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, 2015 is \$18,084,460, which includes an accretion balance of \$4,949,536.

#### 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, 2015, the reserve amount was \$5,877,758. 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, 2015 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

For the year ended June 30, 2015

#### (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, 2015, the City was in compliance with the rate covenants.

The required reserve for the bonds is \$536,070. As of June 30, 2015, the reserve amount was \$536,070. The City of Victorville's 50% amount of bonds outstanding at June 30, 2015 is \$1,155,000.

#### 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, 2015 is \$1,475,000.

##### 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, 2015 is \$10,990,000.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

(8)	Business-Type Long-Term Liabilities, (Continued)
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#### 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, 2015. 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, 2015, the SCLAA had outstanding defaults on interest and principal payments for the following debt issues:

	Principal	Interest	Total
Subordinate Tax Allocation Rev Bonds, 2007	\$ 1,520,000	5,779,806	7,299,806
Subordinate Tax Allocation Rev Bonds, 2008A	225,000	-	225,000

On December 1, 2014, the SCLAA defaulted on:

	Principal	Interest	Total
Taxable Subordinate Revenue Bonds, 2006	\$755,000	1,817,269	2,572,269
Subordinate Tax Allocation Rev Bonds, 2007	530,000	1,155,961	1,685,961
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
---	-----------

From the tax increment distribution received from VVEDA on April 6, 2015, SCLAA was able to cure the December 1, 2014 default on the Taxable Subordinate Tax Allocation Bonds, Series 2006 and partially fund the reserves for that bond issue.

On June 1, 2015, the SCLAA defaulted on:

	Principal	Interest	Total
Subordinate Tax Allocation Rev Bonds, 2007	\$ -	1,155,961	1,155,961

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

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

Draws on Reserves with the Trustee for the June 1, 2015 interest payments were as follows:

SCLAA Subordinate Tax Allocation Rev Bonds, 2008A	\$165,063
---	-----------

On December 1, 2015, the SCLAA defaulted on:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Subordinate Tax Allocation Rev Bonds, 2007	\$ 560,000	1,155,961	1,715,961
Subordinate Tax Allocation Rev Bonds, 2008A	85,000	165,063	250,063

Draws on Reserves with the Trustee for the December 1, 2015 debt service payments were as follows:

Taxable Subordinate Revenue Bonds, 2006	\$788,690
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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. In 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. For Fiscal Year 14/15, the assessed value for the Project Area was approximately \$7.05 billion. The decrease since Fiscal Year 08/09 was largely the result of the economic downturn and the housing market crisis.

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. Since Fiscal Year 12/13, 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.

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

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

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding proprietary fund debt of the City as of June 30, 2015, are as follows for each fiscal year ending June 30:

Year Ending June 30	Lease Purchase Agreements Principal	Lease Purchase Agreements Interest	Tax Allocation Bonds Principal*	Tax Allocation Bonds Interest	Certificate of Participation Principal	Certificate of Participation Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Refunding Bonds Principal	Refunding Bonds Interest
2016	\$ 346,731	13,314	5,245,000	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	794,619	220,000	47,745
2018	-	-	5,110,000	16,387,661	465,000	529,523	1,205,000	777,369	230,000	36,745
2019	-	-	5,365,000	16,093,581	490,000	509,240	1,270,000	759,213	242,500	25,245
2020	-	-	5,635,000	15,812,820	505,000	487,940	1,335,000	740,081	252,500	12,878
2021-25	-	-	32,825,000	74,242,015	2,880,000	2,078,640	7,820,000	3,376,475	-	-
2026-30	-	-	42,410,000	64,551,304	2,540,000	1,473,185	10,140,000	2,720,850	-	-
2031-35	-	-	55,280,000	52,228,741	3,200,000	794,500	13,135,000	1,871,556	-	-
2036-40	-	-	73,120,000	34,100,665	1,515,000	76,625	17,020,000	771,025	-	-
2041-45	-	-	93,360,000	9,947,092	-	-	-	-	-	-
2046-50	-	-	90,425,000	-	-	-	-	-	-	-
2051	-	-	19,075,000	-	-	-	-	-	-	-
Subtotal	<u>346,731</u>	<u>13,314</u>	<u>432,715,000</u>	<u>316,874,046</u>	<u>12,465,000</u>	<u>7,068,838</u>	<u>53,070,000</u>	<u>11,811,188</u>	<u>1,155,000</u>	<u>180,648</u>
Discounts / Premiums	-	-	(2,735,274)	-	112,279	-	-	-	(45,641)	-
Total	<u>\$ 346,731</u>	<u>13,314</u>	<u>429,979,726</u>	<u>316,874,046</u>	<u>12,577,279</u>	<u>7,068,838</u>	<u>53,070,000</u>	<u>11,811,188</u>	<u>1,109,359</u>	<u>180,648</u>

\* This total includes capital appreciation of \$114,150,540 for tax allocation bonds that will be accrued in the future years.

**(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, 2015 is as follows:

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015	Due Within One Year
Redevelopment Agency Debt:					
Tax Allocation Bonds:					
2002A Tax Allocation Bonds	\$ 7,505,000	-	(270,000)	7,235,000	290,000
2003A Tax Allocation Bonds	7,945,000	-	(285,000)	7,660,000	300,000
2003B Tax Allocation Bonds	3,905,000	-	(140,000)	3,765,000	145,000
2006A Tax Allocation Bonds	20,140,000	-	(365,000)	19,775,000	375,000
Totals	<u>\$ 39,495,000</u>	<u>-</u>	<u>(1,060,000)</u>	<u>38,435,000</u>	<u>1,110,000</u>

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

##### 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, 2015, 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, 2015 is \$7,235,000.

##### 2003 Tax Allocation Bonds, Series A

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

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



## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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, 2015, the reserve amount consisting of fiscal agent cash and an insurance policy was \$687,550. 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, 2015 is \$7,660,000.

#### 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, 2015, 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, 2015 is \$3,765,000.

#### 2006 Taxable Tax Allocation Parity Bonds, Series A

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

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

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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

The required reserve for the Bonds is \$2,087,412. As of June 30, 2015, 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, 2015 is \$19,775,000.

#### Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2015, are as follows for each fiscal year ending June 30:

Year Ending		
June 30	Principal	Interest
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	1,350,000	1,839,540
2021-25	7,895,000	8,015,307
2026-30	10,255,000	5,581,656
2031-35	13,430,000	2,295,506
2036-37	720,000	43,800
Total	<u>\$ 38,435,000</u>	<u>25,767,839</u>

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

**(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 Payment (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	\$ 5,599,854	3,199,494	57%
Property Tax Increment pledged by the Southern California Logistics Airport Authority	18,554,337	21,559,709	116%
Water Improvement District No.2	1,613,062	999,168	62%

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

**(11) Fund Disclosures**

Fund balances of governmental funds at June 30, 2015 consisted of the following reserves:

	<u>General Fund</u>	<u>Capital Impact Facilities Fund</u>	<u>Non-Major Governmental</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 14,589	-	-	14,589
Inventories	180,446	-	-	180,446
Restricted for:				
Public Safety	-	-	87,590	87,590
Highways and street projects	-	-	30,797,022	30,797,022
Community development	-	-	14,036,816	14,036,816
Other purposes	30,147	-	-	30,147
Unassigned	<u>3,208,217</u>	<u>(235,493)</u>	<u>(2,875,418)</u>	<u>97,306</u>
Total fund balances	<u>\$ 3,433,399</u>	<u>(235,493)</u>	<u>42,046,010</u>	<u>45,243,916</u>

For the year ended June 30, 2015, total expenditures exceeded appropriations for the following funds:

	<u>Amount in Excess of Appropriations</u>
Nonmajor Special Revenue Funds:	
Measure I Fund	1,595,660
Housing Fund	105,461

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

**(11) Fund Disclosures, (Continued)**

The following funds had deficit fund balances/net position as of June 30, 2015:

	<u>Deficit Fund Balance</u>
Major Governmental Funds:	
Capital Impact Facilities	\$ (235,493) (a)
Nonmajor Special Revenue Funds:	
Other Federal Grants Fund	(2,583,832) (b)
Other State / Local Grants Fund	(291,586) (b)
Enterprise Funds:	
SCLAA	(134,972,313) (c)
Municipal Utility Fund	(18,660,630) (d)

- (a) The deficit fund balance was the result of a \$2,836,933 one-time payment made to the San Bernardino Associated Governments (SANBAG) per the agreement for the construction of the La Mesa/Nisquali Interchange.
- (b) The deficit fund balances in these funds is the result of grant expenditures being incurred during the fiscal year while the related reimbursements were collected outside the City's availability period.
- (c) See footnote 20 for further information regarding the deficit balance in the SCLAA fund.
- (d) The deficit fund balance in the Municipal Utility Fund is the result of an impairment on capital assets that was recognized in prior years.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.5% @ 62
Benefit vesting schedule	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Required employee contribution rates	8%	6.75%
Required employer contribution rates	17.038%	17.038%
	Miscellaneous	
Inactive employees or beneficiaries currently receiving benefits	273	
Inactive employees entitled to but not yet receiving benefits	458	
Active employees	343	
Total	1,074	

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (12) Pension Plan – Agent Plan, (Continued)

contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2014 (the measurement date), the average active employee contribution rate is 7.980 percent of annual pay, and the average employer's contribution rate is 21.352 percent of annual payroll. It is the responsibility of the employer and its auditor to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions (EPMC) or cost sharing whether by contract amendment or by resolution of the governing board.

#### Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the PERF. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (12) Pension Plan – Agent Plan, (Continued)

return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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



## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (12) Pension Plan – Agent Plan, (Continued)

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>1</sup></u>	<u>Real Return Years 11+<sup>2</sup></u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

#### Pension Plan Fiduciary Net Position

The plan fiduciary net position (assets) disclosed in your GASB report may differ from the plan assets reported in your actuarial valuation report due to several reasons. First, CalPERS must keep Reserves for Deficiencies and Fiduciary Self Insurance. These amounts are excluded for rate setting purposes in your actuarial valuation report while required to be included for GASB reporting purposes. In addition, differences may result from early CAFR closing and final reconciled reserves.

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

**(12) Pension Plan – Agent Plan, (Continued)**

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c) = (a) - (b)</u>
Balance at: 6/30/2013 (VD)	<u>\$ 139,916,448</u>	<u>103,690,804</u>	<u>36,225,644</u>
Changes Recognized for the Measurement Period:			
Service Cost	3,479,263	-	3,479,263
Interest on the Total Pension Liability	10,425,889	-	10,425,889
Contributions from the Employer	-	2,729,426	(2,729,426)
Contributions from Employees	-	1,675,275	(1,675,275)
Investment Income	-	18,040,044	(18,040,044)
Administrative Expense	-	(138,890)	138,890
Benefit Payments, including Refunds of Employee Contributions	<u>(5,288,466)</u>	<u>(5,288,466)</u>	<u>-</u>
Net Changes during 2013-14	<u>8,616,686</u>	<u>17,017,389</u>	<u>(8,400,703)</u>
Balance at: 6/30/2014 (MD)	<u>\$ 148,533,134</u>	<u>120,708,193</u>	<u>27,824,941</u>

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's Net Pension Liability	<u>\$49,121,329</u>	<u>\$27,824,941</u>	<u>\$10,370,010</u>

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

**(12) Pension Plan – Agent Plan, (Continued)**

Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

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

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

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period).

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan for the 2013-14 measurement period was 3.2 years, which was obtained by dividing the total service years of 3,392 (the sum of remaining service lifetimes of the active employees) by 1,074 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the measurement period ending June 30, 2014 (the measurement date), the City of Victorville recognized a pension expense of \$2,729,426 for the Plan.

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

(12)	Pension Plan – Agent Plan, (Continued)
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As of June 30, 2014, the City of Victorville reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,923,805	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(8,174,950)
Total	\$ 2,923,805	(8,174,950)

\$2,923,805 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measure Period Ended June 30:	Deferred (Inflows) of Resources
2015	\$ (2,043,738)
2016	(2,043,738)
2017	(2,043,738)
2018	(2,043,736)
2019	-
Thereafter	-

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

**(13) Pension Plan – Cost Sharing Plan**

Plan Description (Cost Sharing Plan) – The City’s Safety Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS) is closed to new entrants. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website under Forms and Publications.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan’s provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Safety</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2.0% @ 50	2.0% @ 50
Benefit vesting schedule	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	50-55
Required employee contribution rates	8.91%	8.91%
Required employer contribution rates	20.083%	20.083%

Contribution Description

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined contribution is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs related to any unfunded accrued liability. There are no active employees in this plan; therefore, no employee contributions were made during the measurement period ended June 30, 2014. The employer made a contribution for the measurement period in the amount of \$500,003 toward the payment of unfunded accrued liability.

# City of Victorville

## Notes to Basic Financial Statements

For the year ended June 30, 2015

### (13) Pension Plan – Cost Sharing Plan, (Continued)

#### Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all funds

#### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the PERF. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

# City of Victorville

## Notes to Basic Financial Statements

For the year ended June 30, 2015

### (13) Pension Plan – Cost Sharing Plan, (Continued)

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>1</sup></u>	<u>Real Return Years 11+<sup>2</sup></u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

### Allocation of Net Pension Liability and Pension Expense to Individual Employers

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

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

(13) Pension Plan – Cost Sharing Plan, (Continued)
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- (1) In determining a cost-sharing employer's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date. The risk pool's FNP subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date. Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date.

Note: for purposes of FNP in this step (2) and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period.

- (3) The individual employer's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the employer's individual TPL and FNP from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The employer's TPL as of the measurement date is equal to the TPL generated in (2) multiplied by the TPL ratio generated in (4).

The employer's FNP as of the measurement date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

- (6) The employer's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 31,873,422	22,404,204	9,469,218
Balance at: 6/30/2014 (MD)	33,524,593	25,775,967	7,748,626
Net Changes during 2013-14	\$ 1,651,171	3,371,763	(1,720,592)



**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

**(13) Pension Plan – Cost Sharing Plan, (Continued)**

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate -1% <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	Discount Rate +1% <u>(8.5%)</u>
Plan's Net Pension Liability	\$12,239,162	7,748,626	4,048,618

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

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

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

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period).

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Plan was 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also, note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

**(13) Pension Plan – Cost Sharing Plan, (Continued)**

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

For the measurement period ending June 30, 2014 (the measurement date), the City of Victorville recognized a pension expense of \$315,825 for the Plan.

As of June 30, 2014, the City of Victorville reports other amounts for the Plan as deferred outflow and deferred inflow of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions	\$ 585,812	-
Change in proportion and differences between employer contributions and proportionate share of contribution	-	(169,286)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(1,776,148)
Adjustment due to Differences in Proportions	<u>309,020</u>	<u>-</u>
Total	<u>\$ 894,832</u>	<u>(1,945,434)</u>

\$585,812 reported as deferred outflows of resources, within the table, above is related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Included in the table above is an employer-specific type of deferred inflow of \$169,286. This is derived from the difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contributions. This deferral and the corresponding amortization amount are calculated separately by each employer. The employer's pension expense is adjusted for the amortization of this additional deferral. This item is required to be amortized over the plan's Expected Average Remaining Service Lives (EARSL).

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (13) Pension Plan – Cost Sharing Plan, (Continued)

Amounts reported as deferred outflows and deferred inflows of resources in the previous chart, including the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	\$ (502,959)
2016	(333,673)
2017	(355,745)
2018	(444,037)
2019	-
Thereafter	-

#### (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.

#### (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 of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

(15) Post Employment Benefit Plan, (Continued)
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*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, 2015, the City contributed \$318,762 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:

	City and Water District Plan
Annual required contribution	\$ 2,825,000
Interest on net OPEB obligation	634,000
Adjustment to annual required contribution	(1,324,000)
Annual OPEB cost (expense)	2,135,000
Contributions made (including premiums paid)	(318,762)
Increase in net OPEB cost (expense)	1,816,238
Net OPEB obligation – beginning of year	15,843,534
Net OPEB obligation – end of year	\$ 17,659,772

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):

Year	Annual	Actual	Percentage
<u>Ended</u>	<u>OPEB Cost</u>	<u>Contribution</u>	<u>Contributed</u>
6/30/2013	\$ 2,813,000	359,540	12.78%
6/30/2014	2,986,000	301,080	10.08%
6/30/2015	2,135,000	318,762	14.93%

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

<u>Actuarial Date</u>	<u>Actuarial Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded AAL Unfunded (UAAL)</u>	<u>Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2010	\$ -	30,408,000	30,408,000	0%	26,072,000	116.63%
6/30/2012	-	28,312,000	28,312,000	0%	23,288,000	121.57%
6/30/2014	-	25,394,000	25,394,000	0%	17,803,000	142.64%

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

#### (15) Jointly Governed Organizations

The City participates in certain jointly governed organizations that have been formally organized as separate entities under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise all of the powers within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each jointly governed organization is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective jointly governed organizations, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. The City of Victorville does not control appointments to a majority of the governing boards for any of these organizations. 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, 2015 was \$126,210. 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

For the year ended June 30, 2015

#### (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 \$7,226,377 to VWVRA for the year ended June 30, 2015. 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

For the year ended June 30, 2015

**(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>
2013-14	953,928	172,301	(249,275)	876,954	300,000
2014-15	876,954	532,063	(338,574)	1,070,443	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

For the year ended June 30, 2015

#### (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, 2015 was \$810,000.

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, 2015 was \$1,490,000.

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, 2015 was \$2,730,000.

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

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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, 2015 was \$2,805,000.

#### 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 was 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. During the year ending June 30, 2015 these bonds fully matured and the outstanding balance and June 30, 2015 \$0. 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. During the year ending June 30, 2015 these bonds fully matured and the outstanding balance at June 30, 2015 is \$0. 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. In the normal course of municipal operations, the City has recorded a liability for claims and judgments based upon management's best estimate of the probable amount of loss associated with those claims. Additional amounts of potential loss have not been accrued because management has not determined those additional amounts to be probable of payment.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

##### (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. The City, Southern California Logistics Airport Authority and relevant City officials are currently awaiting the Federal Court's ruling on their Motions for Summary Judgment.

##### (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 EDF Trading North America in September 2010, Exelon Generation Company in May 2014, and Shell Energy North America (US), L.P. in both October 2014 and March 2015. These commitments extend through December 31, 2014, June 30, 2015, January 31, 2016, and June 30, 2016, 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, 2015 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

For the year ended June 30, 2015

#### (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

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

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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 the EDC Parcels and shall participate in 20% of the Net Lease Revenue from any such leases. The Authority has retained the right to lease the PBT Parcels and retain revenues therefrom, but shall allow Stirling to participate in 20% of any net lease revenues from tenants who may be procured by Stirling and approval by the Authority. Any revenues from other interim uses on the former Base such as filming will be shared on a 50%/50% basis between Stirling and Authority.

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

#### General Fund

During the fiscal year ended June 30, 2015, the fund balance of the General Fund of the City decreased \$1,370,689 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.

#### Southern California Logistics Airport Authority

During the current fiscal year, SCLAA had a net income before depreciation of \$3.1 million. After depreciation expense of \$7 million, SCLAA had a net loss of \$3.9 million. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	SCLAA Deficit Balance
Beginning Net Position, as restated	\$ (131,118,054)
Net loss	<u>(3,854,259)</u>
Ending Net Position	<u>\$ (134,972,313)</u>

#### *SCLAA Annual Debt Service Payments:*

The required debt service payments of SCLAA for the fiscal year ended June 30, 2016 are \$21,584,522. Estimated pledged revenues are anticipated to be \$20,930,317 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

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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 has continued to maintain a balance budget since 2007-2008. However, the ongoing lawsuit from the U.S. Securities and Exchange Commission (SEC) and the legal fees incurred continue to draw down the General Fund and SCLAA reserves. The trial for the lawsuit has been delayed and currently awaiting for the Federal Court's ruling on their Motions for Summary Judgment. The additional sales tax revenue receipts in fiscal year 2015 helped to subsidize the additional legal costs.

The budget for the General Fund in fiscal year 2015-2016 also estimates revenue to equal expenditures. The Reserve Policy requiring a minimum reserve of 5% was suspended on June 1, 2010. However, the 5% minimum reserve requirement was met as of June 30, 2015 with an unassigned General Fund reserve \$3,238,364 or a 6.18% reserve for the General Fund. The City is committed to monitoring the budget closely and providing for the accumulation of reserves until the target level of 15% has been realized in accordance with the General Fund policy. Regarding the SCLAA's financial condition, a draw on reserves and defaults will be necessary to bridge the gap until the economy rebounds and tax increment revenues exceed debt services payments.

#### (21) Subsequent Events

##### SCLAA Default on Bonded Debt

On December 1, 2015, the SCLAA defaulted on the principal and interest payment, of \$1,715,961 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal and interest payment of \$250,063 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A.

#### (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.

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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

On November 10, 2012 the Successor Agency Board approved Resolution R-SA-12-006 and established the Victorville Housing Trust 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

## City of Victorville

### Notes to Basic Financial Statements

For the year ended June 30, 2015

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

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.

(23) Prior Period Adjustments

The accompanying financial statements reflect certain other prior period adjustments, as set for below. It is not practical to restate the 2014 partial comparative financial information due to the unavailability of information.

Below is a summary of prior period adjustments affecting net position of Business-Type Activities:

	Business Type Activities	Water District	SCLAA	Municipal Utility	Solid Waste	Sanitary District
As previously reported	\$ 170,562,692	208,647,563	(126,666,432)	(20,288,830)	9,813,995	59,759,759
a) Accumulated depreciation	9,400	(158,438)	(2,187,488)	-	-	2,355,326
b) GASB 68	(13,790,932)	(8,131,570)	(2,264,134)	(744,723)	(999,103)	(1,651,402)
c) Accounts Payable	(604,806)	-	-	-	(604,806)	-
As restated	<u>\$ 156,176,354</u>	<u>200,357,555</u>	<u>(131,118,054)</u>	<u>(21,033,553)</u>	<u>8,210,086</u>	<u>60,463,683</u>

- a) During the year ended June 30, 2015, the City identified a discrepancy in their records causing accumulated depreciation to be recorded in the incorrect funds in prior years. An entry was booked to adjust beginning accumulated depreciation. There was also an immaterial error noted in the calculation of prior year depreciation expense.
- b) During the fiscal year ended June 30, 2015 the City implemented GASB No. 68. As part of the implementation of this accounting standard, net position as of June 30, 2014 was restated.
- c) During the year ended June 30, 2015, the City identified an item that was paid during the year ending June 30, 2015, but was incurred in prior years.



**City of Victorville**

Notes to Basic Financial Statements

For the year ended June 30, 2015

**(23) Prior Period Adjustments, (Continued)**

Below is a summary of prior period adjustments affecting net position of Governmental Activities:

	<u>Governmental Activities</u>
As previously reported	\$ 496,541,616
a) GASB 68	<u>(29,700,521)</u>
As restated	<u>\$ 466,841,095</u>

- a) During the fiscal year ended June 30, 2015 the City implemented GASB No. 68. As part of the implementation of this accounting standard, net position as of June 30, 2014 was restated.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF VICTORVILLE**  
Schedule of Changes in Net Pension Liability and Related  
Ratios During the Measurement Period (Agent Plan)  
Year ended June 30, 2015  
(With comparative information for the last 10 years)\*

Measurement Period:	2013-14
<b>TOTAL PENSION LIABILITY</b>	
Service Cost	\$ 3,479,263
Interest	10,425,889
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(5,288,466)
Net Change in Total Pension Liability	8,616,686
Total Pension Liability – Beginning	139,916,448
Total Pension Liability – Ending (a)	148,533,134
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions – Employer	2,729,426
Contributions – Employee	1,675,275
Investment Income	18,040,044
Administrative Expense	(138,890)
Benefit Payments, Including Refunds of Employee Contributions	(5,288,466)
Net Change in Fiduciary Net Position	17,017,389
Plan Fiduciary Net Position – Beginning	103,690,804
Plan Fiduciary Net Position – Ending (b)	120,708,193
Plan Net Pension Liability – Ending (a) - (b)	\$ 27,824,941
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.27%
Covered-Employee Payroll	19,389,560
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	143.50%

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

**CITY OF VICTORVILLE**  
Schedule of Plan Contributions (Agent Plan)  
Year ended June 30, 2015  
(With comparative information for the last 10 years)\*

	Fiscal Year <u>2014-15</u>	Fiscal Year <u>2013-14</u>
Actuarially Determined Contribution	\$ 2,923,805	2,729,426
Contributions in Relation to the Actuarially Determined Contribution	<u>(2,923,805)</u>	<u>(2,729,426)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>
Covered-Employee Payroll	17,556,375	19,389,560
Contributions as a Percentage of Covered-Employee Payroll	16.65%	14.08%

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

**CITY OF VICTORVILLE**  
Schedule of the Plan's Proportionated Share  
of the Net Pension Liability (Cost Sharing Plan)  
Year ended June 30, 2015  
(With comparative information for the last 10 years)\*

	<u>Safety</u>
Measurement Date	6/30/2014
Plan's Proportion of the Net Pension Liability (Asset)	0.12453%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$7,748,626
Plan's Covered-Employee Payroll**	N/A
Plan's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll**	N/A
Plan's Proportion of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.89%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 729,748

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

*\*\*The plan has no active members, and, therefore, no covered-employee payroll.*

**CITY OF VICTORVILLE**  
Schedule of Plan Contributions (Cost Sharing Plan)  
Year ended June 30, 2015  
(With comparative information for the last 10 years)\*

Fiscal Year	<u>Safety</u> 2014-2015
Actuarially Determined Contribution	\$ 500,003
Contributions in relation to the Actuarially Determined Contribution	(500,003)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	N/A
Contributions as a Percentage of Covered-Employee Payroll	N/A

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

*\*\*The plan has no active members, and, therefore, no covered-employee payroll.*

**CITY OF VICTORVILLE**

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes and assessments	\$ 42,019,279	39,044,710	41,674,386	2,629,676
Licenses and permits	1,326,400	1,326,400	1,532,900	206,500
Intergovernmental	3,288	1,500	51,581	50,081
Charges for services	7,416,104	2,099,606	7,257,815	5,158,209
Fines and forfeitures	331,614	110,700	338,694	227,994
Other	998,700	998,700	194,665	(804,035)
Total revenues	<u>52,095,385</u>	<u>43,581,616</u>	<u>51,056,554</u>	<u>7,474,938</u>
Expenditures:				
Current:				
General government	9,572,612	10,823,468	10,935,757	(112,289)
Public safety	34,684,130	34,918,760	34,395,864	522,896
Public works	4,506,642	4,506,642	4,534,649	(28,007)
Parks and recreation	3,186,017	3,186,017	2,888,632	297,385
Total expenditures	<u>51,949,401</u>	<u>53,434,887</u>	<u>52,754,902</u>	<u>679,985</u>
Excess (deficiency) of revenues over (under) expenditures	<u>145,984</u>	<u>(9,853,271)</u>	<u>(1,698,348)</u>	<u>8,154,923</u>
Other financing sources (uses):				
Gain (loss) on sale of assets	-	-	5,110	5,110
Transfers in	350,000	350,000	1,289,151	939,151
Transfers out	-	-	(966,602)	(966,602)
Total other financing sources (uses)	<u>350,000</u>	<u>350,000</u>	<u>327,659</u>	<u>(22,341)</u>
Net changes in fund balances	495,984	(9,503,271)	(1,370,689)	8,132,582
Fund balances at beginning of year	<u>4,804,088</u>	<u>4,804,088</u>	<u>4,804,088</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,300,072</u>	<u>(4,699,183)</u>	<u>3,433,399</u>	<u>8,132,582</u>

## City of Victorville

### Notes to Required Supplementary Information

Year Ended June 30, 2015

(1) Pension Plan – Agent Plan
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#### Notes to Schedule of Changes in Net Pension Liability and Related Ratios during the Measurement Period

Benefit Changes: There were no changes to benefit terms specific to your plan

Changes of Assumptions: There were no changes in assumptions.

#### Notes to Schedule of Plan Contributions – Agent Plan

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 Funding Valuation Report
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment Expenses, including Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.



**City of Victorville**

Notes to Required Supplementary Information

Year Ended June 30, 2015

**(2) Pension Plan – Cost Sharing Plan**

Notes to Schedule of Plan Contributions – Cost Sharing Plan

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of Assumptions: None

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	15 Year Smoothed Market
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment Expenses, including Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

## City of Victorville

### Notes to Required Supplementary Information

Year Ended June 30, 2015

#### (3) Budgetary Data

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.

### ***Victorville Housing Trust***

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 with the Maintenance Assessment District boundaries.

### ***Street Lighting***

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

### ***Traffic Safety***

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

### ***Asset Seizure***

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

# 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, 2015  
(with comparative totals for June 30, 2014)

	Measure I	Other Federal Grants	Victorville Housing Trust	Landscape Maintenance	Street Lighting	Traffic Safety
<b>Assets</b>						
Cash and investments	\$ 5,968,679	71,730	54,551	7,872,850	1,628,107	-
Accounts receivable	701,193	-	-	-	-	67,789
Notes receivable	18,273	-	483,226	-	-	-
Advances to other funds	-	-	-	-	-	-
Due from other governments	-	2,513,433	-	13,484	19,393	-
Prepaid items	-	-	-	-	-	-
Land held for resale	-	-	12,014,214	-	-	-
Total assets	<u>6,688,145</u>	<u>2,585,163</u>	<u>12,551,991</u>	<u>7,886,334</u>	<u>1,647,500</u>	<u>67,789</u>
<b>Liabilities</b>						
Accounts payable	392,613	835,821	5,444	96,355	93,413	57,534
Deposits payable	-	-	-	-	-	-
Due to other funds	-	3,126,213	-	-	-	-
Unearned revenue	-	215,901	-	-	-	-
Total liabilities	<u>392,613</u>	<u>4,177,935</u>	<u>5,444</u>	<u>96,355</u>	<u>93,413</u>	<u>57,534</u>
<b>Deferred Inflow of Resources</b>						
Unavailable revenue	-	991,060	-	-	-	-
Total deferred inflow of resources	<u>-</u>	<u>991,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances (Deficit)</b>						
Spendable:						
Restricted	6,295,532	-	12,546,547	7,789,979	1,554,087	10,255
Unassigned	-	(2,583,832)	-	-	-	-
Total fund balances (deficit)	<u>6,295,532</u>	<u>(2,583,832)</u>	<u>12,546,547</u>	<u>7,789,979</u>	<u>1,554,087</u>	<u>10,255</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 6,688,145</u>	<u>2,585,163</u>	<u>12,551,991</u>	<u>7,886,334</u>	<u>1,647,500</u>	<u>67,789</u>

Asset Seizure	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	Totals	
						2015	2014
87,590	2,822,511	4,301,282	7,813,093	328,042	642,972	31,591,407	29,930,841
-	85,065	1,717	6,404	-	-	862,168	220,436
-	-	-	-	-	643,340	1,144,839	1,182,099
-	1,175,484	-	-	-	-	1,175,484	1,177,111
-	-	312,370	146,694	303,385	553,390	3,862,149	6,054,915
-	-	-	600	-	-	600	830
-	-	-	-	-	-	12,014,214	12,039,214
<u>87,590</u>	<u>4,083,060</u>	<u>4,615,369</u>	<u>7,966,791</u>	<u>631,427</u>	<u>1,839,702</u>	<u>50,650,861</u>	<u>50,605,446</u>
-	958,057	221,140	327,470	30,551	125,933	3,144,331	1,591,056
-	-	-	1,270	-	-	1,270	3,310
-	-	-	-	-	-	3,126,213	3,507,967
-	-	-	-	622,270	-	838,171	620,018
-	<u>958,057</u>	<u>221,140</u>	<u>328,740</u>	<u>652,821</u>	<u>125,933</u>	<u>7,109,985</u>	<u>5,722,351</u>
-	9,514	-	-	270,192	223,500	1,494,266	2,445,809
-	<u>9,514</u>	-	-	<u>270,192</u>	<u>223,500</u>	<u>1,494,266</u>	<u>2,445,809</u>
87,590	3,115,489	4,394,229	7,638,051	-	1,490,269	44,922,028	44,016,117
-	-	-	-	(291,586)	-	(2,875,418)	(1,578,831)
<u>87,590</u>	<u>3,115,489</u>	<u>4,394,229</u>	<u>7,638,051</u>	<u>(291,586)</u>	<u>1,490,269</u>	<u>42,046,610</u>	<u>42,437,286</u>
<u>87,590</u>	<u>4,083,060</u>	<u>4,615,369</u>	<u>7,966,791</u>	<u>631,427</u>	<u>1,839,702</u>	<u>50,650,861</u>	<u>50,605,446</u>

**CITY OF VICTORVILLE**  
Nonmajor Governmental Funds  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2015  
(with comparative totals for year ended June 30, 2014)

	Measure I	Other Federal Grants	Victorville Housing Trust	Landscape Maintenance	Street Lighting
<b>Revenues:</b>					
Taxes and assessments	\$ 4,637,254	-	-	2,303,583	1,671,777
Intergovernmental	79,861	4,455,850	-	-	234,444
Charges for services	23,676	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	16,030	45	1,880	4,902	1,014
Other	-	-	3,600	-	-
Total revenues	<u>4,756,821</u>	<u>4,455,895</u>	<u>5,480</u>	<u>2,308,485</u>	<u>1,907,235</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	-	525	9,785	-	-
Public safety	-	532,952	-	-	-
Community development	-	750	165,676	-	-
Public works	5,960,522	4,448,960	-	1,818,673	1,341,429
Parks and recreation	-	-	-	-	-
<b>Debt service:</b>					
Principal	-	-	-	-	-
Total expenditures	<u>5,960,522</u>	<u>4,983,187</u>	<u>175,461</u>	<u>1,818,673</u>	<u>1,341,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,203,701)</u>	<u>(527,292)</u>	<u>(169,981)</u>	<u>489,812</u>	<u>565,806</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of assets	-	-	50,000	-	-
Transfers in	1,032,167	-	-	-	-
Transfers out	-	(898,066)	-	-	-
Total other financing sources (uses)	<u>1,032,167</u>	<u>(898,066)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(171,534)</u>	<u>(1,425,358)</u>	<u>(119,981)</u>	<u>489,812</u>	<u>565,806</u>
Fund balances (deficit) at beginning 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>
Fund balances (deficit) at end of year	<u>\$ 6,295,532</u>	<u>(2,583,832)</u>	<u>12,546,547</u>	<u>7,789,979</u>	<u>1,554,087</u>

Traffic Safety	Asset Seizure	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	Totals	
							2015	2014
-	-	-	-	-	-	-	8,612,614	8,145,456
-	846	-	3,335,954	1,768,649	559,412	3,345,995	13,781,011	16,208,763
-	-	1,504,594	6,947	14,008	-	-	1,549,225	1,550,945
948,507	-	20,371	-	-	-	-	968,878	851,379
-	54	1,747	2,662	19,374	196	18,682	66,586	77,248
-	-	246	88,653	20,389	-	-	112,888	27,240
<u>948,507</u>	<u>900</u>	<u>1,526,958</u>	<u>3,434,216</u>	<u>1,822,420</u>	<u>559,608</u>	<u>3,364,677</u>	<u>25,091,202</u>	<u>26,861,031</u>
-	-	-	-	-	13,262	212,136	235,708	4,467
576,577	27,438	-	-	-	141,129	-	1,278,096	712,155
-	-	-	-	-	186,440	1,415,734	1,768,600	2,787,595
-	-	2,709,766	2,910,863	1,560,372	88,152	110,027	20,948,764	20,243,871
-	-	-	-	-	18,205	49,008	67,213	15,982
-	-	-	-	-	-	-	-	6,050,000
<u>576,577</u>	<u>27,438</u>	<u>2,709,766</u>	<u>2,910,863</u>	<u>1,560,372</u>	<u>447,188</u>	<u>1,786,905</u>	<u>24,298,381</u>	<u>29,814,070</u>
<u>371,930</u>	<u>(26,538)</u>	<u>(1,182,808)</u>	<u>523,353</u>	<u>262,048</u>	<u>112,420</u>	<u>1,577,772</u>	<u>792,821</u>	<u>(2,953,039)</u>
-	-	-	-	-	-	-	50,000	-
-	-	-	940,345	-	-	-	1,972,512	73,415
<u>(382,807)</u>	<u>-</u>	<u>-</u>	<u>(850,690)</u>	<u>(1,003,294)</u>	<u>(71,152)</u>	<u>-</u>	<u>(3,206,009)</u>	<u>(334,430)</u>
<u>(382,807)</u>	<u>-</u>	<u>-</u>	<u>89,655</u>	<u>(1,003,294)</u>	<u>(71,152)</u>	<u>-</u>	<u>(1,183,497)</u>	<u>(261,015)</u>
(10,877)	(26,538)	(1,182,808)	613,008	(741,246)	41,268	1,577,772	(390,676)	(3,214,054)
<u>21,132</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>
<u>10,255</u>	<u>87,590</u>	<u>3,115,489</u>	<u>4,394,229</u>	<u>7,638,051</u>	<u>(291,586)</u>	<u>1,490,269</u>	<u>42,046,610</u>	<u>42,437,286</u>



**CITY OF VICTORVILLE**

Measure I Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes and assessments	\$ -	1,900,000	4,637,254	2,737,254
Intergovernmental	-	-	79,861	79,861
Charges for services	-	-	23,676	23,676
Investment income	-	-	16,030	16,030
Total revenues	<u>-</u>	<u>1,900,000</u>	<u>4,756,821</u>	<u>2,856,821</u>
Expenditures:				
Current:				
Public works	<u>3,654,330</u>	<u>4,364,862</u>	<u>5,960,522</u>	<u>(1,595,660)</u>
Total expenditures	<u>3,654,330</u>	<u>4,364,862</u>	<u>5,960,522</u>	<u>(1,595,660)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,654,330)</u>	<u>(2,464,862)</u>	<u>(1,203,701)</u>	<u>1,261,161</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>1,032,167</u>	<u>1,032,167</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,032,167</u>	<u>1,032,167</u>
Net change in fund balances	<u>(3,654,330)</u>	<u>(2,464,862)</u>	<u>(171,534)</u>	<u>2,293,328</u>
Fund balances at beginning of year	<u>6,467,066</u>	<u>6,467,066</u>	<u>6,467,066</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,812,736</u>	<u>4,002,204</u>	<u>6,295,532</u>	<u>2,293,328</u>

**CITY OF VICTORVILLE**  
 Other Federal Grants Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 5,895,396	6,443,361	4,455,850	(1,987,511)
Investment income	-	-	45	45
Total revenues	<u>5,895,396</u>	<u>6,443,361</u>	<u>4,455,895</u>	<u>(1,987,466)</u>
Expenditures:				
Current:				
General government	-	-	525	(525)
Public safety	695,420	695,420	532,952	162,468
Community development	27,172	27,172	750	26,422
Public works	<u>7,360,734</u>	<u>7,360,734</u>	<u>4,448,960</u>	<u>2,911,774</u>
Total expenditures	<u>8,083,326</u>	<u>8,083,326</u>	<u>4,983,187</u>	<u>3,100,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,187,930)</u>	<u>(1,639,965)</u>	<u>(527,292)</u>	<u>1,112,673</u>
Other financing sources (uses):				
Transfers out	-	-	(898,066)	(898,066)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(898,066)</u>	<u>(898,066)</u>
Net change in fund balances	(2,187,930)	(1,639,965)	(1,425,358)	214,607
Fund balances (deficit) at beginning of year	<u>(1,158,474)</u>	<u>(1,158,474)</u>	<u>(1,158,474)</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ (3,346,404)</u>	<u>(2,798,439)</u>	<u>(2,583,832)</u>	<u>214,607</u>

**CITY OF VICTORVILLE**  
Victorville Housing Trust  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Investment income	\$ -	-	1,880	1,880
Other	-	-	3,600	3,600
Total revenues	<u>-</u>	<u>-</u>	<u>5,480</u>	<u>5,480</u>
Expenditures:				
Current:				
Public safety	-	-	9,785	(9,785)
Community development	64,000	70,000	165,676	(95,676)
Total expenditures	<u>64,000</u>	<u>70,000</u>	<u>175,461</u>	<u>(105,461)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(64,000)</u>	<u>(70,000)</u>	<u>(169,981)</u>	<u>(99,981)</u>
Other financing sources (uses):				
Gain (loss) on sale of assets	-	-	50,000	50,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Net change in fund balances	(64,000)	(70,000)	(119,981)	(49,981)
Fund balances at beginning of year	<u>12,666,528</u>	<u>12,666,528</u>	<u>12,666,528</u>	<u>-</u>
Fund balances at end of year	<u>\$ 12,602,528</u>	<u>12,596,528</u>	<u>12,546,547</u>	<u>(49,981)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes and assessments	\$ 2,208,549	2,208,549	2,303,583	95,034
Investment income	-	-	4,902	4,902
Total revenues	<u>2,208,549</u>	<u>2,208,549</u>	<u>2,308,485</u>	<u>99,936</u>
Expenditures:				
Current:				
Public works	<u>2,079,997</u>	<u>2,079,997</u>	<u>1,818,673</u>	<u>261,324</u>
Total expenditures	<u>2,079,997</u>	<u>2,079,997</u>	<u>1,818,673</u>	<u>261,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>128,552</u>	<u>128,552</u>	<u>489,812</u>	<u>361,260</u>
Net change in fund balances	128,552	128,552	489,812	361,260
Fund balances at beginning of year	<u>7,300,167</u>	<u>7,300,167</u>	<u>7,300,167</u>	<u>-</u>
Fund balances at end of year	<u>\$ 7,428,719</u>	<u>7,428,719</u>	<u>7,789,979</u>	<u>361,260</u>

**CITY OF VICTORVILLE**

Street Lighting Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Taxes and assessments	\$ 1,870,455	1,870,455	1,671,777	(198,678)
Intergovernmental	-	-	234,444	234,444
Investment income	-	-	1,014	1,014
Total revenues	<u>1,870,455</u>	<u>1,870,455</u>	<u>1,907,235</u>	<u>36,780</u>
Expenditures:				
Current:				
Public works	<u>1,842,643</u>	<u>1,842,643</u>	<u>1,341,429</u>	<u>501,214</u>
Total expenditures	<u>1,842,643</u>	<u>1,842,643</u>	<u>1,341,429</u>	<u>501,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,812</u>	<u>27,812</u>	<u>565,806</u>	<u>537,994</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	27,812	27,812	565,806	537,994
Fund balances at beginning of year	<u>988,281</u>	<u>988,281</u>	<u>988,281</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,016,093</u>	<u>1,016,093</u>	<u>1,554,087</u>	<u>537,994</u>

**CITY OF VICTORVILLE**

Traffic Safety Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Fines and forfeitures	<u>\$ 768,000</u>	<u>768,000</u>	<u>948,507</u>	<u>180,507</u>
Total revenues	<u>768,000</u>	<u>768,000</u>	<u>948,507</u>	<u>180,507</u>
Expenditures:				
Current:				
Public safety	<u>768,000</u>	<u>768,000</u>	<u>576,577</u>	<u>191,423</u>
Total expenditures	<u>768,000</u>	<u>768,000</u>	<u>576,577</u>	<u>191,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>371,930</u>	<u>371,930</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(382,807)</u>	<u>(382,807)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(382,807)</u>	<u>(382,807)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(10,877)</u>	<u>(10,877)</u>
Fund balances at beginning of year	<u>21,132</u>	<u>21,132</u>	<u>21,132</u>	<u>-</u>
Fund balances at end of year	<u>\$ 21,132</u>	<u>21,132</u>	<u>10,255</u>	<u>(10,877)</u>

**CITY OF VICTORVILLE**

Asset Seizure Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 8,500	8,500	846	(7,654)
Investment income	-	-	54	54
Total revenues	<u>8,500</u>	<u>8,500</u>	<u>900</u>	<u>(7,600)</u>
Expenditures:				
Current:				
Public safety	<u>75,500</u>	<u>103,500</u>	<u>27,438</u>	<u>76,062</u>
Total expenditures	<u>75,500</u>	<u>103,500</u>	<u>27,438</u>	<u>76,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(67,000)</u>	<u>(95,000)</u>	<u>(26,538)</u>	<u>68,462</u>
Net change in fund balances	(67,000)	(95,000)	(26,538)	68,462
Fund balances at beginning of year	<u>114,128</u>	<u>114,128</u>	<u>114,128</u>	<u>-</u>
Fund balances at end of year	<u>\$47,128</u>	<u>19,128</u>	<u>87,590</u>	<u>68,462</u>

**CITY OF VICTORVILLE**  
**Storm Drain Utility Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 811,325	811,325	1,504,594	693,269
Fines and forfeitures	608,198	608,198	20,371	(587,827)
Investment income	-	-	1,747	1,747
Other	-	-	246	246
Total revenues	<u>1,419,523</u>	<u>1,419,523</u>	<u>1,526,958</u>	<u>107,435</u>
Expenditures:				
Current:				
Public works	<u>2,868,402</u>	<u>4,036,402</u>	<u>2,709,766</u>	<u>1,326,636</u>
Total expenditures	<u>2,868,402</u>	<u>4,036,402</u>	<u>2,709,766</u>	<u>1,326,636</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,448,879)</u>	<u>(2,616,879)</u>	<u>(1,182,808)</u>	<u>1,434,071</u>
Net change in fund balances	(1,448,879)	(2,616,879)	(1,182,808)	1,434,071
Fund balances at beginning of year	<u>4,298,297</u>	<u>4,298,297</u>	<u>4,298,297</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,849,418</u>	<u>1,681,418</u>	<u>3,115,489</u>	<u>1,434,071</u>



**CITY OF VICTORVILLE**

Gas Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 2,979,314	2,979,314	3,335,954	356,640
Charges for services	-	-	6,947	6,947
Investment income	-	-	2,662	2,662
Other	-	-	88,653	88,653
Total revenues	<u>2,979,314</u>	<u>2,979,314</u>	<u>3,434,216</u>	<u>454,902</u>
Expenditures:				
Current:				
Public works	<u>3,705,395</u>	<u>3,705,395</u>	<u>2,910,863</u>	<u>794,532</u>
Total expenditures	<u>3,705,395</u>	<u>3,705,395</u>	<u>2,910,863</u>	<u>794,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(726,081)</u>	<u>(726,081)</u>	<u>523,353</u>	<u>1,249,434</u>
Net change in fund balances	(726,081)	(726,081)	613,008	1,339,089
Fund balances at beginning of year	<u>3,781,221</u>	<u>3,781,221</u>	<u>3,781,221</u>	-
Fund balances at end of year	<u>\$ 3,055,140</u>	<u>3,055,140</u>	<u>4,394,229</u>	<u>1,339,089</u>

**CITY OF VICTORVILLE**  
 Transportation Tax Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
 Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 957,153	957,153	1,768,649	811,496
Charges for services	23,326	23,326	14,008	(9,318)
Investment income	-	-	19,374	19,374
Other	-	-	20,389	20,389
Total revenues	<u>980,479</u>	<u>980,479</u>	<u>1,822,420</u>	<u>841,941</u>
Expenditures:				
Current:				
Public works	<u>3,032,714</u>	<u>3,421,514</u>	<u>1,560,372</u>	<u>1,861,142</u>
Total expenditures	<u>3,032,714</u>	<u>3,421,514</u>	<u>1,560,372</u>	<u>1,861,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,052,235)</u>	<u>(2,441,035)</u>	<u>262,048</u>	<u>2,703,083</u>
Net change in fund balances	(2,052,235)	(2,441,035)	(741,246)	1,699,789
Fund balances at beginning of year	<u>8,379,297</u>	<u>8,379,297</u>	<u>8,379,297</u>	-
Fund balances at end of year	<u>\$ 6,327,062</u>	<u>5,938,262</u>	<u>7,638,051</u>	<u>1,699,789</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 7,376,176	8,114,578	559,412	(7,555,166)
Investment income	-	-	196	196
Total revenues	<u>7,376,176</u>	<u>8,114,578</u>	<u>559,608</u>	<u>(7,554,970)</u>
Expenditures:				
Current:				
General government	-	-	13,262	(13,262)
Public safety	153,325	343,762	141,129	202,633
Community development	927,191	927,191	186,440	740,751
Public works	2,085,819	2,085,819	88,152	1,997,667
Parks and recreation	74,209	74,209	18,205	56,004
Total expenditures	<u>3,240,544</u>	<u>3,430,981</u>	<u>447,188</u>	<u>2,983,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,135,632</u>	<u>4,683,597</u>	<u>112,420</u>	<u>(4,571,177)</u>
Other financing sources (uses):				
Transfers out	-	-	(71,152)	(71,152)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(71,152)</u>	<u>(71,152)</u>
Net change in fund balances	4,135,632	4,683,597	41,268	(4,642,329)
Fund balances (deficit) at beginning of year	<u>(332,854)</u>	<u>(332,854)</u>	<u>(332,854)</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 3,802,778</u>	<u>4,350,743</u>	<u>(291,586)</u>	<u>(4,642,329)</u>

**CITY OF VICTORVILLE**

HUD Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 4,342,754	4,343,014	3,345,995	(997,019)
Investment income	-	-	18,682	18,682
Total revenues	<u>4,342,754</u>	<u>4,343,014</u>	<u>3,364,677</u>	<u>(978,337)</u>
Expenditures:				
Current:				
General government	-	-	212,136	212,136
Public safety	6,881	6,881	-	6,881
Community development	3,854,709	3,854,969	1,415,734	2,439,235
Public works	460,921	460,921	110,027	350,894
Parks and recreation	<u>305,188</u>	<u>305,188</u>	<u>49,008</u>	<u>256,180</u>
Total expenditures	<u>4,627,699</u>	<u>4,627,959</u>	<u>1,786,905</u>	<u>3,265,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(284,945)</u>	<u>(284,945)</u>	<u>1,577,772</u>	<u>2,286,989</u>
Net change in fund balances	(284,945)	(284,945)	1,577,772	1,862,717
Fund balances (deficit) at beginning of year	<u>(87,503)</u>	<u>(87,503)</u>	<u>(87,503)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (372,448)</u>	<u>(372,448)</u>	<u>1,490,269</u>	<u>1,862,717</u>

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# Fiduciary Funds

## Agency Funds

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).

### ***Foxborough Rail***

This fund accounts for the revenue and expenditures related to rail activities in the Foxborough area. The activities include lead track usage fees collected and reserved for maintenance and repair of the rail and related expenditures including contract services as related to rail maintenance and repair.

**CITY OF VICTORVILLE**  
Combining Statement of Assets and Liabilities - Agency Funds  
June 30, 2015  
(with comparative totals for June 30, 2014)

	<u>Deposit Funds</u>	<u>Community Facilities District 90-01</u>	<u>Community Facilities District 01-01</u>	<u>Regional Fire Protection Authority</u>	<u>Water Assessment District 2R</u>
<u>Assets</u>					
Cash and investments	\$ 1,592,196	897,697	640,313	289,264	301,779
Restricted assets:					
Investments with fiscal agent	-	798,440	1,678,986	-	-
Accounts receivable	<u>334</u>	<u>4,135</u>	<u>3,813</u>	<u>-</u>	<u>391</u>
Total assets	<u>\$ 1,592,530</u>	<u>1,700,272</u>	<u>2,323,112</u>	<u>289,264</u>	<u>302,170</u>
<u>Liabilities</u>					
Accounts payable	\$ -	2,939	686	-	-
Deposits payable	<u>1,592,530</u>	<u>1,697,333</u>	<u>2,322,426</u>	<u>289,264</u>	<u>302,170</u>
Total liabilities	<u>\$ 1,592,530</u>	<u>1,700,272</u>	<u>2,323,112</u>	<u>289,264</u>	<u>302,170</u>

Foxborough	Totals	
Rail	2015	2014
118,547	3,839,796	3,776,245
-	2,477,426	2,882,201
-	8,673	10,632
118,547	6,325,895	6,669,078

16,174	19,799	3,117
102,373	6,306,096	6,665,961
118,547	6,325,895	6,669,078



**CITY OF VICTORVILLE**  
Combining Statement of Changes in Assets and Liabilities - Agency Funds  
Agency Funds  
Year ended June 30, 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Deposit Funds</u>				
Assets:				
Cash and investments	\$ 1,330,134	262,062	-	1,592,196
Due from other governments	<u>2,553</u>	<u>-</u>	<u>(2,219)</u>	<u>334</u>
Total assets	<u>\$ 1,332,687</u>	<u>262,062</u>	<u>(2,219)</u>	<u>1,592,530</u>
Liabilities:				
Deposits payable	<u>\$ 1,332,687</u>	<u>259,843</u>	<u>-</u>	<u>1,592,530</u>
Total liabilities	<u>\$ 1,332,687</u>	<u>259,843</u>	<u>-</u>	<u>1,592,530</u>
<u>Community Facilities District 90-01</u>				
Assets:				
Cash and investments	\$ 1,110,939	-	(213,242)	897,697
Restricted assets:				
Investments with fiscal agent	797,847	593	-	798,440
Due from other governments	<u>6,529</u>	<u>-</u>	<u>(2,394)</u>	<u>4,135</u>
Total assets	<u>\$ 1,915,315</u>	<u>593</u>	<u>(215,636)</u>	<u>1,700,272</u>
Liabilities:				
Accounts payable	\$ 2,504	435	-	2,939
Deposits payable	<u>1,912,811</u>	<u>246,312</u>	<u>(461,790)</u>	<u>1,697,333</u>
Total liabilities	<u>1,915,315</u>	<u>246,747</u>	<u>(461,790)</u>	<u>1,700,272</u>
<u>Community Facilities District 01-01</u>				
Assets:				
Cash and investments	\$ 644,435	-	(4,122)	640,313
Restricted assets:				
Investments with fiscal agent	1,678,834	152	-	1,678,986
Due from other governments	<u>1,550</u>	<u>2,263</u>	<u>-</u>	<u>3,813</u>
Total assets	<u>\$ 2,324,819</u>	<u>2,415</u>	<u>(4,122)</u>	<u>2,323,112</u>
Liabilities:				
Accounts payable	\$ 613	73	-	686
Deposits payable	<u>2,324,206</u>	<u>-</u>	<u>(1,780)</u>	<u>2,322,426</u>
Total liabilities	<u>\$ 2,324,819</u>	<u>73</u>	<u>(1,780)</u>	<u>2,323,112</u>

(Continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Regional Fire Protection Authority</u>				
Assets:				
Cash and investments	\$ 289,484	-	(220)	289,264
Total assets	<u>\$ 289,484</u>	<u>-</u>	<u>(220)</u>	<u>289,264</u>
Liabilities:				
Deposits payable	\$ 289,484	-	(220)	289,264
Total liabilities	<u>\$ 289,484</u>	<u>-</u>	<u>(220)</u>	<u>289,264</u>
<u>Water Assessment District 2R</u>				
Assets:				
Cash and investments	\$ 401,253	-	(99,474)	301,779
Restricted assets:				
Investments with fiscal agent	405,520	-	(405,520)	-
Due from other governments	-	391	-	391
Total assets	<u>\$ 806,773</u>	<u>391</u>	<u>(504,994)</u>	<u>302,170</u>
Liabilities:				
Deposits payable	\$ 806,773	-	(504,603)	302,170
Total liabilities	<u>\$ 806,773</u>	<u>-</u>	<u>(504,603)</u>	<u>302,170</u>
<u>Foxborough Rail</u>				
Assets:				
Cash and investments	\$ -	118,547	-	118,547
Total assets	<u>\$ -</u>	<u>118,547</u>	<u>-</u>	<u>118,547</u>
Liabilities:				
Accounts payable	\$ -	16,174	-	16,174
Deposits payable	-	102,373	-	102,373
Total liabilities	<u>\$ -</u>	<u>118,547</u>	<u>-</u>	<u>118,547</u>

(Continued)

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

Total-All Fiduciary Funds

Assets:

Cash and investments	\$ 3,776,245	380,609	(317,058)	3,839,796
Restricted assets:				
Investments with fiscal agent	2,882,201	745	(405,520)	2,477,426
Due from other governments	<u>10,632</u>	<u>2,654</u>	<u>(4,613)</u>	<u>8,673</u>
Total assets	<u>\$ 6,669,078</u>	<u>384,008</u>	<u>(727,191)</u>	<u>6,325,895</u>

Liabilities:

Accounts payable	\$ 3,117	16,682	-	19,799
Deposits payable	<u>6,665,961</u>	<u>608,528</u>	<u>(968,393)</u>	<u>6,306,096</u>
Total liabilities	<u>\$ 6,669,078</u>	<u>625,210</u>	<u>(968,393)</u>	<u>6,325,895</u>

# Statistical Section

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

<b>Contents</b>	<b>Page</b>
Financial Trends	146-150
<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>	
Revenue Capacity	151-154
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	155-160
<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	161-162
<i>These schedules present information to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	163-165
<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>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>	<u>2015</u>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 442,887	\$ 311,739	\$ 463,898	\$ 477,976	\$ 465,339	\$ 450,606	\$ 479,821	\$ 478,455	\$ 462,432	\$ 484,943
Restricted	66,389	95,221	96,802	96,248	93,453	85,008	27,686	48,921	45,594	44,922
Unrestricted	22,750	17,585	12,678	6,320	2,290	(5,656)	(7,794)	(13,830)	(11,484)	(46,227)
Total governmental activities net position	<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>	<u>483,638</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	42,706	(213,530)	235,771	270,534	363,436	416,397	418,557	363,671	188,425	150,794
Restricted	-	86,048	22,330	1,778	1,504	2,076	4,431	7,200	8,604	8,911
Unrestricted	42,388	46,142	(83,379)	(105,654)	(246,973)	(290,967)	(296,361)	(199,817)	(26,466)	(35,217)
Total business-type activities net position	<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>	<u>124,488</u>
<b>Primary government</b>										
Invested in capital assets, net of related debt	485,593	98,209	699,670	748,509	828,775	867,003	898,378	842,126	650,857	635,737
Restricted	66,389	181,269	119,133	98,026	94,956	87,085	32,117	56,121	54,198	53,833
Unrestricted	65,138	63,726	(70,701)	(99,334)	(244,683)	(296,623)	(304,155)	(213,647)	(37,951)	(81,444)
Total primary government net position	<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>	<u>\$ 608,125</u>

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

	<b>Fiscal Year</b>									
	<b><u>2006</u></b>	<b><u>2007</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><u>2015</u></b>
<b>Expenses</b>										
<i>Governmental activities:</i>										
General government	\$ 10,229	\$ 34,539	\$ 12,656	\$ 13,133	\$ 15,165	\$ 17,037	\$ 4,977	\$13,691	\$14,342	\$12,188
Public safety	22,619	26,021	26,331	30,285	35,942	35,416	30,724	32,422	35,679	36,066
Community Development	1,272	3,147	2,861	6,655	12,109	6,037	1,589	4,094	2,931	1,780
Public works	35,875	32,853	38,049	35,443	26,377	24,164	31,675	29,846	33,472	28,856
Park and recreation	10,897	7,471	11,277	14,164	6,763	6,313	4,550	4,509	4,395	3,188
Interest on long-term debt	<u>2,556</u>	<u>2,825</u>	<u>3,777</u>	<u>2,658</u>	<u>2,495</u>	<u>2,457</u>	<u>1,397</u>	<u>74</u>	<u>61</u>	<u>63</u>
<i>Total governmental activities expenses</i>	<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>	<u>82,141</u>
<i>Business-type activities</i>										
Sanitary/Wastewater	4,954	5,655	10,766	8,026	9,750	11,150	10,555	11,114	12,415	13,523
Golf course	2,113	2,826	2,721	2,973	2,040	2,526	2,372	2,419	2,231	1,716
Airport	34,872	43,389	43,115	42,874	83,297	45,010	33,583	30,845	32,528	35,453
Transit	-	-	-	-	-	-	-	-	-	-
Water	2,398	2,584	30,677	29,476	28,665	27,143	29,782	29,842	28,419	30,298
Rail	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	13,144
Municipal utility	<u>12,685</u>	<u>21,602</u>	<u>21,256</u>	<u>16,883</u>	<u>11,705</u>	<u>12,806</u>	<u>12,236</u>	<u>11,767</u>	<u>10,747</u>	<u>11,603</u>
<i>Total business-type activities expenses</i>	<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>	<u>105,736</u>
Total primary government expenses	<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>	<u>187,877</u>
<b>Program Revenues</b>										
<i>Governmental activities:</i>										
Charges for services:										
General government	4,539	4,448	4,888	3,737	7,303	4,330	2,860	3,559	4,351	4,203
Public safety	5,140	5,307	2,101	2,095	1,677	1,552	1,409	1,425	2,451	1,570
Community development	-	26	-	-	-	18	2,593	1,528	3,896	960
Public works	36,693	18,485	11,111	6,399	5,166	4,738	4,216	3,532	15,236	3,519
Parks and recreation	11,611	9,356	4,724	2,109	1,790	1,517	939	890	917	935
Operating grants and contributions	18,731	17,853	15,460	19,796	24,126	15,062	5,309	18,266	5,859	5,191
Capital contributions and grants	<u>50,583</u>	<u>35,553</u>	<u>-</u>	<u>-</u>	<u>461</u>	<u>13</u>	<u>6,818</u>	<u>6,940</u>	<u>9,251</u>	<u>7,745</u>
<i>Total governmental activities program revenues</i>	<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>	<u>24,123</u>
<i>Business-type activities:</i>										
Charges for services:										
Sanitary/Wastewater	7,951	8,102	5,944	9,576	10,802	12,821	12,608	14,934	14,729	15,560
Golf course	1,390	1,206	1,311	1,043	760	889	1,160	1,171	849	395
Airport	4,531	5,577	8,502	7,363	8,163	9,206	9,070	8,204	8,184	8,110
Transit	-	-	-	-	-	-	-	-	-	-
Water	2,058	2,213	21,539	21,755	23,642	23,901	26,558	26,207	27,470	25,978
Solid Waste	-	12,325	12,388	13,376	12,370	12,539	11,528	12,069	12,004	12,342
Municipal utilities	3,393	4,166	5,658	6,175	5,925	9,597	10,290	11,270	12,464	13,638
Operating grants and contributions	-	-	3,761	8,074	2,601	4,283	10,635	10,912	-	-
Capital contributions and grants	<u>6,555</u>	<u>13,634</u>	<u>23,357</u>	<u>12,509</u>	<u>9,083</u>	<u>14,652</u>	<u>11,847</u>	<u>11,557</u>	<u>2,657</u>	<u>54</u>
<i>Total business-type activities program revenues</i>	<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>	<u>76,076</u>
Total primary government program revenues	<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>	<u>\$ 100,199</u>

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

	<u>Fiscal Year</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>	<u>2015</u>
Net (expense) revenue										
Governmental activities	\$ 43,850	\$ (15,829)	\$ (56,668)	\$ (68,203)	\$ (58,328)	\$ (64,194)	\$ (50,770)	\$ (48,498)	\$ (48,918)	\$ (58,018)
Business-type activities	(32,098)	(42,903)	(39,500)	(32,931)	(73,818)	(24,137)	(6,499)	(2,321)	(21,265)	(29,660)
Total primary government net expense	<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>	<u>(87,678)</u>
<b>General Revenues and Other Changes in Net Position</b>										
<i>Governmental activities:</i>										
Taxes:										
Property taxes	19,298	23,077	29,230	27,520	26,416	23,999	26,967	21,926	21,522	22,138
Sales taxes	18,008	16,835	14,626	11,556	10,814	11,427	16,431	20,671	22,329	24,085
Transient occupancy tax	895	950	964	784	760	794	709	841	881	1,064
Other taxes	7,921	16,271	40,396	40,537	33,349	27,858	6,378	2,684	2,892	3,000
Investment income	2,447	3,193	3,390	2,942	732	881	297	169	138	68
Motor vehicle in lieu	604	514	-	367	323	567	61	51	0	0
Gain on sale of assets	06	-	211	49	(126)	-	(3)	-	31	55
Miscellaneous revenues	221	589	3,555	163	80	54	522	691	190	314
SERAF Obligation	-	-	-	-	(12,368)	(2,545)	-	-	0	0
Transfers	(14,803)	(12,136)	(22,423)	(12,815)	(21,859)	(22,987)	(1,099)	(2,328)	992	24,090
Extraordinary Gain	-	-	-	-	-	-	(29,740)	-	0	0
Legal Settlement	-	-	-	-	-	-	-	1,754	34	0
<i>Total governmental activities</i>	<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>	<u>74,815</u>
<i>Business-type activities:</i>										
Taxes	-	-	1,916	1,654	27	27	541	521	18,418	19,781
Other Taxes	8,950	13,749	1,519	2,297	758	710	-	-	-	177
Investment income	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	-	-
Miscellaneous revenues	-	373	11,547	1,033	1,163	799	961	1,768	1,902	2,003
Impairment loss on Capital assets	-	(96,423)	-	-	-	-	-	-	-	(24,090)
Legal Settlement	-	-	-	-	-	-	-	52,246	-	-
Transfers	14,803	12,136	22,423	12,815	21,859	22,987	1,099	2,328	992	-
<i>Total business-type activities</i>	<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>	<u>(2,129)</u>
Total primary government	<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>	<u>72,686</u>
<b>Change in Net Position</b>										
Governmental activities	78,446	33,464	13,280	2,900	(20,207)	(24,145)	(30,246)	(2,039)	(1,894)	16,797
Business-type activities	(4,544)	(106,910)	5,555	(11,633)	(49,202)	2,561	(1,612)	54,803	240	(31,789)
Total primary government	<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>\$ (1,654)</u>	<u>\$ (14,992)</u>

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

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

	<b>Fiscal Year</b>									
	<b><u>2006</u></b>	<b><u>2007</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><u>2015</u></b>
General fund										
Reserved	\$ 9,567	\$ 1,557	\$ 323	\$ 248	\$ 5,320	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,987	21,111	12,132	10,398	2,230	-	-	-	-	-
Nonspendable	-	-	-	-	-	2,322	67	211	179	195
Restricted	-	-	-	-	-	-	14	30	30	-
Unassigned	-	-	-	-	-	782	3,661	5,047	4,595	3,238
Total general fund	<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>	<u>3,433</u>
All other governmental funds										
Reserved, reported in:										
Special revenue funds	\$ 5,775	\$ 49,123	\$ 19,345	\$ 22,113	\$ 34,010	\$ -	\$ -	\$ -	\$ -	\$ -
Capital project funds	14,640	32,995	7,783	17,577	17,836	-	-	-	-	-
Debt service funds	24,515	13,503	8,358	1,923	1,800	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	40,316	(400)	36,417	30,288	30,425	-	-	-	-	-
Capital project funds	19,314	-	27,368	20,472	11,096	-	-	-	-	-
Debt service funds										
Nonspendable	-	-	-	-	-	1,347	8,547	824	830	-
Restricted	-	-	-	-	-	86,617	20,673	48,494	43,869	44,922
Assigned										
Unassigned	-	-	-	-	-	(1,327)	(4,390)	(2,843)	(1,543)	(3,111)
Total all other governmental funds	<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>46,224</u>	<u>44,237</u>	<u>41,811</u>

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



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

	<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>	<u>2015</u>
<b>Revenue</b>										
Taxes	\$ 53,139	\$ 61,275	\$ 57,129	\$ 49,598	\$ 45,780	\$ 43,379	\$ 50,456	\$ 46,123	\$ 47,624	\$ 50,287
Licenses and permits	27,869	20,358	14,578	7,253	6,605	5,302	1,198	1,107	1,230	1,533
Intergovernmental	17,949	18,416	43,897	47,419	52,034	33,265	8,649	9,928	17,249	13,833
Charges for services	23,246	12,122	6,752	8,174	11,102	9,197	10,606	9,256	10,480	9,587
Fines and forfeitures	604	667	877	1,747	1,577	1,292	1,037	1,355	1,142	1,308
Investment income	2,377	3,193	3,390	2,784	681	399	297	169	138	68
Sale of assets	06	(443)	50	135	69	-	-	-	-	-
Legal Settlement	-	-	-	-	-	-	-	1,754	34	-
Other	968	1,802	3,821	298	972	1,050	522	203	190	314
Total revenues	<u>126,158</u>	<u>117,389</u>	<u>130,494</u>	<u>117,408</u>	<u>118,819</u>	<u>93,885</u>	<u>\$ 72,765</u>	<u>\$ 69,894</u>	<u>\$ 78,086</u>	<u>\$ 76,930</u>
<b>Expenditures</b>										
General government	9,087	12,388	15,010	13,972	11,163	11,567	8,610	8,218	9,751	11,171
Public safety	22,123	25,516	31,072	34,031	31,154	29,050	30,360	32,061	34,272	35,674
Community development	1,267	4,039	3,374	7,024	10,471	5,063	2,722	3,930	2,788	1,769
Public works	50,088	27,265	45,252	38,630	22,731	19,798	29,116	18,481	23,697	28,349
Park and recreation	10,833	6,621	13,307	15,461	5,807	5,178	2,797	3,022	2,866	2,956
Capital outlay	-	33,741	-	-	-	-	-	-	-	-
Debt services:										
Principal	753	1,455	1,279	1,524	1,382	1,231	1,067	32	6,082	-
Interest & Fiscal agent charges	2,521	2,767	2,943	2,660	2,498	2,463	1,397	74	61	63
SERAF Obligation	-	-	-	-	12,368	2,545	-	-	-	-
Total expenditures	<u>96,673</u>	<u>113,792</u>	<u>112,238</u>	<u>113,302</u>	<u>97,575</u>	<u>76,896</u>	<u>\$ 76,069</u>	<u>\$ 65,818</u>	<u>\$ 79,516</u>	<u>\$ 79,982</u>
Excess of revenues over(under) expenditures	29,485	3,597	18,257	4,107	21,244	16,989	(3,305)	4,075	(1,430)	(3,052)
<b>Other financing sources (uses):</b>										
Transfer in	9,123	24,114	27,624	32,716	5,960	2,776	5,832	21,519	365	1,289
Transfer out	(23,926)	(36,250)	(50,048)	(45,531)	(27,506)	(25,763)	(6,931)	(2,653)	(1,327)	(2,200)
Issuance of debt	22,975	1,300	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-	-	-	-	31	55
Total other financing sources(uses)	<u>8,172</u>	<u>(10,836)</u>	<u>(22,423)</u>	<u>(12,815)</u>	<u>(21,546)</u>	<u>(22,987)</u>	<u>(1,099)</u>	<u>18,866</u>	<u>(931)</u>	<u>(856)</u>
Extraordinary gain(loss)	-	-	-	-	-	-	(65,439)	-	-	-
Net change in fund balances	<u>37,657</u>	<u>(7,238)</u>	<u>(4,167)</u>	<u>(8,708)</u>	<u>(302)</u>	<u>(5,997)</u>	<u>(69,843)</u>	<u>22,941</u>	<u>(2,361)</u>	<u>(3,908)</u>
Debt service as a percentage of noncapital expenditures	3.4%	3.7%	3.8%	3.7%	4.0%	4.8%	3.2%	0.2%	7.7%	0.1%

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>
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%
2015	6,523,751,292	563,911,351	180,492,248	7,268,154,891	18.25%

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

Source: County of San Bernardino Assessor and HdL, Coren & Cone

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

RATE PER \$100 OF ASSESSED VALUE

	Fiscal Year									
	<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>	<u>2015</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	0.0381	0.0328	0.0263	0.0340	0.0434	0.0578	0.0665	0.0707	0.0746	0.0810
Apple Valley Unified School Bonds	0.0000	0.0303	0.0247	0.0255	0.0276	0.0387	0.0374	0.0391	0.0373	0.0355
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	0.0698	0.0693	0.0264	0.0155	0.0211	0.0344	0.0348	0.0381	0.0377	0.0379
Victor Elementary Bond	0.0369	0.0335	0.0307	0.0344	0.0480	0.0900	0.0932	0.1026	0.1086	0.1022
Victor High School Bond	0.0215	0.0185	0.0162	0.0167	0.0525	0.0574	0.0619	0.0768	0.0792	0.0770
Victor Valley Community College Bond	0.0000	0.0000	0.0000	0.0000	0.0199	0.0306	0.0253	0.0274	0.0264	0.0262
Total Direct and Overlapping Tax Rates	1.3338	1.3519	1.2918	1.2936	1.3800	1.4764	1.4866	1.5222	1.5313	1.5273
City's basic rate**	0.1891	0.1891	0.1891	0.1891	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605
Total Direct Rate^	0.1042	0.1044	0.0940	0.1061	0.1373	0.2040	0.0206	0.2162	0.1833	0.1825

**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.

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

<u>Taxpayer</u>	<u>2015</u>		<u>2006</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	\$ 179,863,000	2.47%	482,300,000	8.47%
The American Bottling Company	116,111,944	1.60%		
Macerich Victor Valley	113,912,334	1.57%	72,008,857	1.26%
Nutro Products Inc.	90,480,365	1.24%		
Stirling Capital Investments	79,410,874	1.09%		
Prime A Investments	73,189,893	1.01%		
Cemex Construction Materials Pacific	55,390,152	0.76%		
Walmart Stores Inc.	49,584,747	0.68%		
Church and Dwight Company Inc.	36,019,134	0.50%		
Goodyear Tire and Rubber Company	32,834,571	0.45%		
Cemex Inc			48,715,966	0.86%
AFG Industries Inc.			44,717,738	0.79%
AHE of California Inc			30,269,047	0.53%
AFG Leasing Company, Inc.			27,078,906	0.48%
Synleaseco Delaware Business Trust			25,365,611	0.45%
Paxbello LLC			24,127,752	0.42%
General Electric Company			24,007,602	0.42%
KB Home Greater Los Angeles Inc.			18,694,641	0.33%
	<u>\$ 826,797,014</u>	<u>11.37%</u>	<u>\$ 797,286,120</u>	<u>14.01%</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>	<b>Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>
<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>	-	-	100.00%
<b>2015</b>	-	-	200.00%

<i>Park District</i>	<b>Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>
<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>	-	-	100.00%
<b>2015</b>	-	-	200.00%

<i>Sanitary District**</i>	<b>Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>
<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%
<b>2015</b>	-	-	0.00%

<i>St. Lighting District</i>	<b>Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>
<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%
<b>2015</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 consolidation of Sanitary District to the City. This property tax revenue is currently recorded in the General Fund.

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

Source: 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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<u>Fiscal Year</u>	<u>Certificate of Participation</u>	<u>Revenue Bonds ^</u>	<u>Tax Allocation Bonds</u>	<u>Capital Lease Agreement</u>	<u>Other*</u>	<u>Total Governmental Activities</u>
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	\$ -	\$ -	\$ -	\$ -	\$ 45,100	\$ 45,100
2015	\$ -	\$ -	\$ -	\$ -	\$ 44,078	\$ 44,078

^ 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.

\* In Fiscal Year 2015, the City implemented GASB68, which adjusted the amount for 2014 to reflect prior Net Pension Liability.

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

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

**Business-Type Activities**

<u>Fiscal Year</u>	<u>Lease Purchase Agreement</u>	<u>Tax Allocation Bonds</u>	<u>Lease Revenue Bonds</u>	<u>Revenue Bonds<sup>^</sup></u>	<u>Certificate of Participation</u>	<u>Other<sup>^</sup></u>	<u>Total Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Debt Per Capita*</u>	<u>% of Personal Income*</u>
2006	\$ 3,111	\$ 149,782	\$ 41,000	\$ 0	\$ -	\$ 20,000	\$ 213,893	\$ 267,596	3,100	191.78
2007	\$ 5,810	\$ 280,737	\$ 83,770	\$ 0	\$ 15,230	\$ 1,343	\$ 386,890	\$ 434,634	4,583	269.04
2008	\$ 4,498	\$ 329,740	\$ 83,770	\$ 0	\$ 15,000	\$ 26,626	\$ 459,634	\$ 506,946	4,968	282.04
2009	\$ 3,620	\$ 328,976	\$ 83,770	\$ 0	\$ 14,675	\$ 1,452	\$ 432,493	\$ 483,812	4,534	255.44
2010	\$ 2,391	\$ 326,278	\$ 83,770	\$ 0	\$ 14,340	\$ 4,406	\$ 431,185	\$ 481,905	4,410	254.50
2011	\$ 1,852	\$ 323,469	\$ 83,470	\$ 0	\$ 13,990	\$ 7,110	\$ 429,891	\$ 482,097	4,301	267.49
2012	\$ 1,500	\$ 327,034	\$ 83,070	\$ 0	\$ 13,630	\$ -	\$ 425,234	\$ 439,055	3,688	226.85
2013	\$ 1,133	\$ 321,469	\$ 53,070	\$ 1,543	\$ 13,260	\$ 2,791	\$ 393,265	\$ 415,198	3,449	215.49
2014	\$ 748	\$ 321,508	\$ 53,070	\$ 1,353	\$ 12,875	\$ 16,418	\$ 405,972	\$ 451,072	3,741	229.37
2015	\$ 347	\$ 318,564	\$ 53,070	\$ 1,155	\$ 12,465	\$ 13,651	\$ 399,252	\$ 443,330	3,680	228.88

<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 was also reclassified.

<sup>^</sup> In Fiscal Year 2015, the City implemented GASB68, which adjusted the amount for 2014 to reflect prior Net Pension

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

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

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

<u>Fiscal year</u>	<u>Certificate of Participation</u>	<u>Revenue Bonds ^</u>	<u>Tax Allocation Bonds<sup>¶</sup></u>	<u>Total</u>	<u>Percentage Assessed Value*</u>	<u>Per Capita</u>
<b>2006</b>	480,000	2,549,700	47,070,000	50,099,700	0.88%	580.37
<b>2007</b>	370,000	-	45,725,000	46,095,000	0.62%	486.08
<b>2008</b>	255,000	-	44,945,000	45,200,000	0.48%	442.95
<b>2009</b>	130,000	-	44,130,000	44,260,000	0.47%	414.75
<b>2010</b>	-	-	43,280,000	43,280,000	0.56%	396.09
<b>2011</b>	-	-	42,395,000	42,395,000	0.60%	378.20
<b>2012</b>	-	-	-	-	0.00%	-
<b>2013</b>	-	-	-	-	0.00%	-
<b>2014</b>	-	-	-	-	0.00%	-
<b>2015</b>	-	-	-	-	0.00%	-

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

¶ The dissolution of the Redevelopment Agency in fiscal year 2012 caused the Tax Allocation bonds, liabilities of the former Redevelopment Agency, to be transferred to the Successor Agency , a private purpose trust fund.

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

Source: City of Victorville Comprehensive Annual Financial Reports



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

	Fiscal Year									
	<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>	<u>2015</u>
Debt Limit	\$ 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	\$ 1,090,223
Total net debt applicable to limit	0	0	0	0	0	0	0	0	0	0
Legal debt margin	<u>854,364</u>	<u>1,110,217</u>	<u>1,418,608</u>	<u>1,409,815</u>	<u>1,169,694</u>	<u>1,054,901</u>	<u>1,024,007</u>	<u>1,014,928</u>	<u>1,033,611</u>	<u>1,090,223</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Assessed value	\$ 7,268,155
Debt Limit(15% of total assessed value)	1,090,223
Debt applicable to limit:	0.0%
General obligation bond	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 1,090,223</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

2014-15 Assessed Valuation: \$7,268,021,655

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2015	% Applicable (1)	City's Share of Debt 6/30/15
Victor Valley Joint Community College District	\$132,135,133	29.027%	\$38,354,865
Victor Valley Joint Union High School District	114,662,496	62.828	72,040,153
Adelanto School District	8,902,427	43.155	3,841,842
Oro Grande School District	306,200	1.194	3,656
Victor School District	67,783,614	83.981	55,245,737
Mojave Water Agency Certificates of Participation	11,685,000	24.947	2,915,057
Adelanto School District Community Facilities District No. 1, I.A. A	15,115,000	100	15,115,000
Adelanto School District Community Facilities District No.2	3,365,000	100	3,365,000
Hesperia Unified School District Community Facilities Districts	7,420,000	100	7,420,000
Snowline Joint Unified School District Community Facilities Districts	10,890,000	100	10,890,000
Victor School District Community Facilities Districts	23,480,000	100	23,480,000
Victor Valley Joint Union High School District CFD	5,775,000	100	5,775,000
City of Victorville Community Facilities Districts	7,835,000	100	7,835,000
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$246,281,310</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Bernardino County General Fund Obligations	\$470,135,000	4.069%	\$19,129,793
San Bernardino Pension Obligation Bonds	455,796,704	4.069	18,546,368
San Bernardino County Flood Control District	97,230,000	4.069	3,956,289
Victor Valley Union High School District Certificates of Participation	4,020,000	62.828	2,525,686
Hesperia Unified School District Certificates of Participation	103,250,000	7.602	7,849,065
Snowline Joint Unified School District Certificates of Participation	58,535,000	14.022	8,207,778
Adelanto School District Certificates of Participation	9,070,000	43.155	3,914,159
Oro Grande School District Certificates of Participation	40,400,000	1.194	482,376
Victor School District Certificates of Participation	3,910,000	83.981	3,283,657
<b>City of Victorville General Fund Obligations</b>	<b>-</b>	<b>100</b>	<b>-</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 67,895,171</b>
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>	 \$351,824,925	 67.130-100%	 \$248,813,657
 <b>TOTAL DIRECT DEBT</b>			 <b>\$0</b>
<b>TOTAL OVERLAPPING DEBT</b>			<b>\$562,990,138</b>
 <b>COMBINED TOTAL DEBT</b>			 <b>\$562,990,138</b>

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value.

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

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.39%
<b>Total Direct Debt</b>	<b>0.00%</b>
Combined Total Debt	7.75%

Ratios to Redevelopment Incremental Valuation (\$3,426,764,612):

Total Overlapping Tax Increment Debt	7.26%
--------------------------------------	-------

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>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2008	6,299	780	2,426	196%
2009	6,055	815	2,393	189%
2010	5,802	850	2,356	181%
2011	4,839	725	2,298	160%
2012	3,333	925	2,276	104%
2013	3,201	965	2,236	100%
2014	4,927	2,010	2,190	117%
2015	5,600	1,060	2,139	175%

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

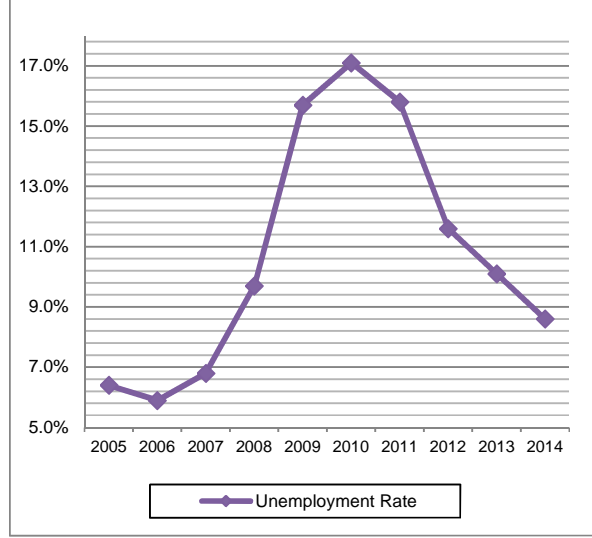
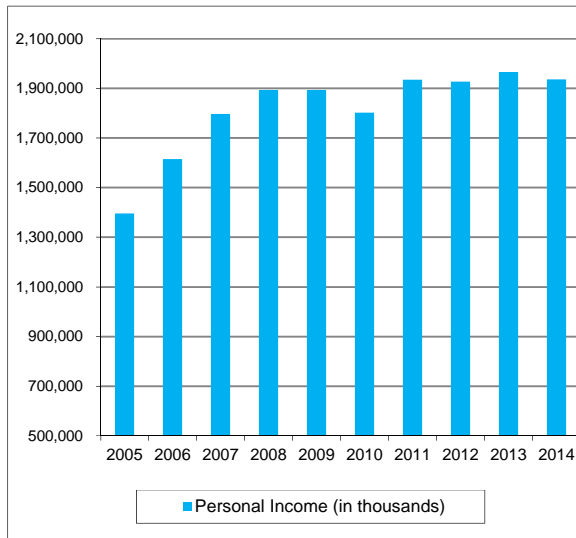
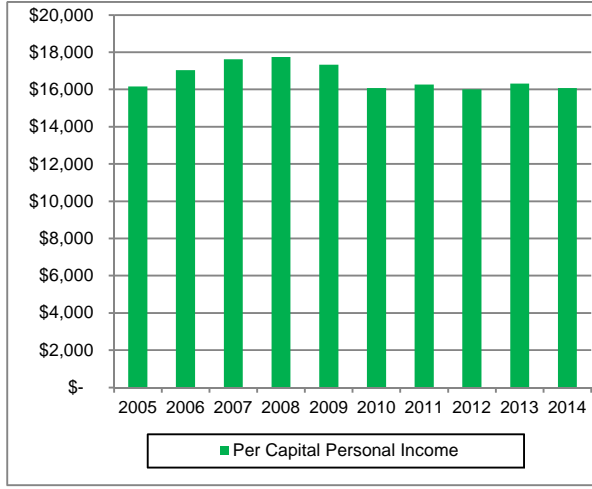
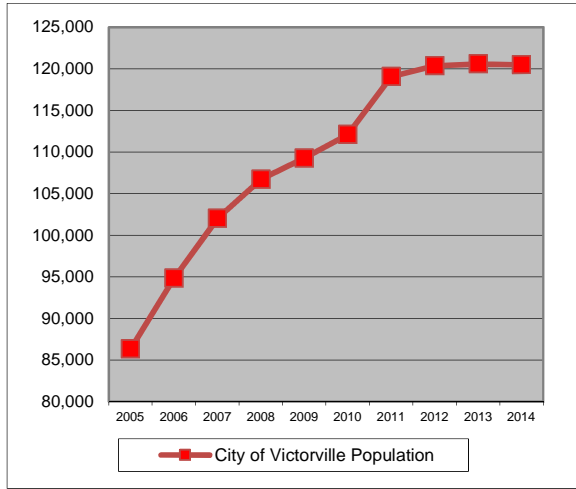
<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Debt Service</u>		
	<u>Increment</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2008	28,001	3,145	17,370	136%
2009	31,217	10,037	11,145	147%
2010	24,971	3,505	18,041	116%
2011	19,001	3,660	17,967	88%
2012	17,059	3,830	17,699	79%
2013	19,893	4,005	17,525	92%
2014	17,562	4,195	17,321	82%
2015	18,554	4,410	17,150	86%

**Business Type Activities Debt - Water**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Debt Service</u>		
	<u>Increment</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2008	**			
2009	1,461	325	679	146%
2010	1,458	335	665	146%
2011	50	50	50	50%
2012	2,125	521	473	214%
2013	1,738	370	631	174%
2014	2,144	385	608	216%
2015	1,613	410	589	161%

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

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>
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
2014	120,485	1,936,917	8.6%	\$ 16,076

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

CITY OF VICTORVILLE  
PRINCIPAL EMPLOYERS  
JUNE 30, 2015

**Employer**

City of Victorville  
Costco Wholesale Corporation  
Desert Valley Medical Group, Inc.  
E & T Foods, 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: Hoovers Inc., 2015

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

<u>Function</u>	<u>Fiscal Year</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>	<u>2015</u>
General government****	77	103	112	104	66	122	71	71	72	71
Public Safety*	114	119	112	28	1	0	0	1	1	0
Public Works	195	202	211	205	156	85	108	118	107	102
Community Development	8	9	15	14	14	11	11	4	4	4
Community Services	136	176	195	200	137	83	110	110	104	112
Airport	20	26	28	27	22	19	23	21	24	26
Municipal Utilities	11	16	14	-	-	0	5	6	7	6
Water***	-	-	61	61	81	55	60	56	50	53
<b>Total</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>369</b>	<b>374</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><u>2015</u></b>
<b>Public Safety</b>								
Police								
Physical arrests	7,244	5,066	5,176	5,217	4,202	4,096	4,965	5,389
Traffic Violations	6,101	5,472	5,164	7,770	7,828	9,404	8,649	6,759
<b>Public works</b>								
Street Maintenance								
Potholes repaired	3,148	2,648	5,448	2,949	3,004	3,124	4,198	3,832
Graffiti removal	8,092	7,126	8,442	5,460	12,460	14,708	8,605	5,687
Streets sweeping (tons)	2,768	2,532	2,296	2,672	1,862	1,907	1,598	1,782
<b>Sanitation</b>								
Refuse collected (tons/day)	190	172	180	187	177	166	181	182
Recyclables collected (tons/day)	40	36	33	32	31	28	31	32
<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	5,970
Community center enrollments	49,611	43,216	39,636	36,385	30,193	30,915	32,156	31,384
Facilities rental used	3,200	2,695	2,299	1,794	1,819	2,062	2,051	2,036

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 eight 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Public Safety</b>								
Police:								
Stations	1	1	1	1	1	1	1	1
Patrol Units	49	52	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)	448	448	448	448	448	448	448	448
Streetlights	335	335	356	364	376	376	392	392
Traffic Signals	72	72	78	182	83	83	87	87
Sewer:								
Sanitary sewers (miles)	411	411	415	416	419	419	419	419
Storm sewers (miles)	471	471	471	472	473	473	473	473
Number of treatment plants	1	1	1	1	2	2	2	2
Number of service connections	35,353	36,009	36,733	31,384	37,081	40,226	40,152	40,029
<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	1	1	1	1
Swimming pools	2	2	2	2	1	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	25	25	25	25	30	30	30
Number of hangars	25	25	25	25	25	26	26	26
Number of buildings	50	45	47	47	47	52	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.



