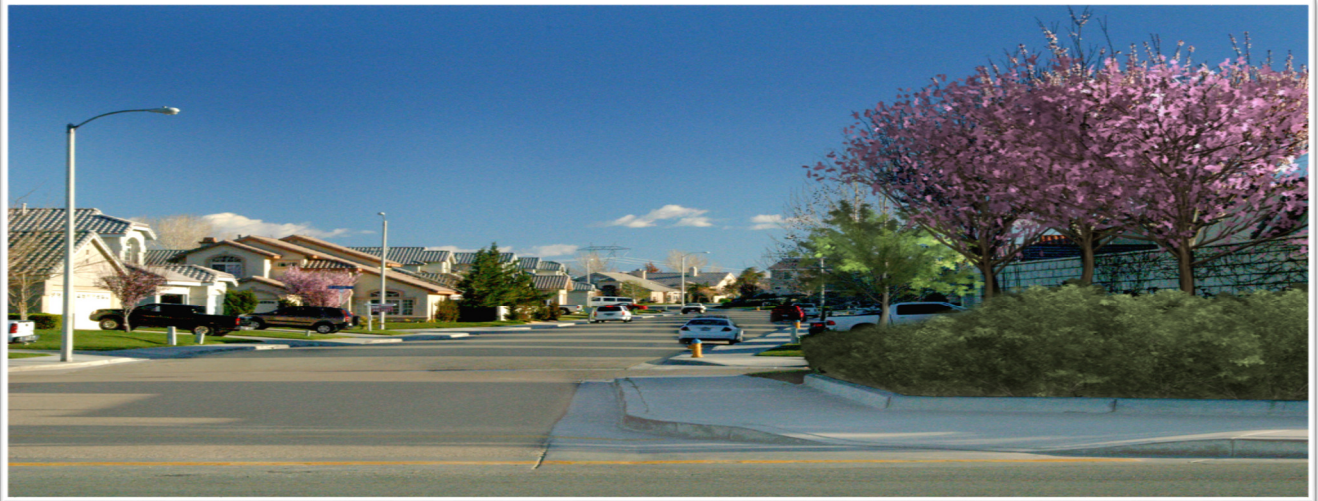


COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016

CITY OF VICTORVILLE

VICTORVILLE, CALIFORNIA



Prepared by:
Finance Department



CITY OF VICTORVILLE
Victorville, California

Comprehensive Annual Financial Report

Year ended June 30, 2016

CITY OF VICTORVILLE

Comprehensive Annual Financial Report

Year ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Transmittal Letter	I
Organizational Chart	VI
List of Elected and Appointed Officials	VII
<u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis – Required Supplementary Information	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Proprietary Funds:	
Statement of Net Position	30
Statement of Revenues, Expenses and Changes in Fund Net Position	32
Statement of Cash Flows	34
Fiduciary Funds:	
Statement of Fiduciary Net Position	36
Statement of Changes in Fiduciary Net Position	37
Notes to the Basic Financial Statements	38
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period (Agent Plan)	114
Schedule of Plan Contributions (Agent Plan)	115
Schedule of Plan's Proportioned Share of the Net Pension Liability (Cost Sharing Plan)	116
Schedule of Plan Contributions (Cost Sharing Plan)	117
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	118
Notes to the Required Supplementary Information	119
Nonmajor Governmental Funds - Special Revenue Funds:	
Combining Balance Sheet	124
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	126

CITY OF VICTORVILLE

Comprehensive Annual Financial Report

Year ended June 30, 2016

TABLE OF CONTENTS, (CONTINUED)

Schedule of Revenues, Expenditures and Changes in Fund	
Balances - Budget and Actual:	
Measure I Fund	128
Other Federal Grants Fund	129
City Housing Asset Successor Agency	130
Landscape Maintenance and Drainage Facilities Assessment District Fund	131
Street Lighting Fund	132
Traffic Safety Fund	133
Asset Seizure Fund	134
Storm Drain Utility Fund	135
Gas Tax Fund	136
Transportation Tax Fund	137
Other State / Local Grants Fund	138
HUD Grants Fund	139
Fiduciary Funds:	
Combining Statement of Assets and Liabilities – Fiduciary Funds	142
Combining Statement of Changes in Fiduciary Net Position	144
<u>STATISTICAL SECTION:</u>	
Financial Trends:	
Net Position by Component	148
Changes in Net Position	149
Fund Balances of Governmental Funds	151
Changes in Fund Balances of Governmental Funds	152
Revenue Capacity:	
Assessed Value of Taxable Property	153
Property Tax Rates – Direct and Overlapping Governments	154
Principal Property Taxpayers	155
Property Tax Levies and Collections by District	156
Debt Capacity:	
Ratios of Outstanding Debt by Type	157
Ratios of General Bonded Debt Outstanding	158
Legal Debt Margin Information	159
Direct and Overlapping Debt	160
Pledged-Revenue Coverage	161
Demographic and Economic Information:	
Demographic and Economic Statistics	162
Principal Employers	164
Operating Information:	
Full-Time and Part-Time Equivalent Employees by Function	165
Operating Indicators by Function	166
Capital Asset Statistics by Function	168



December 22, 2016

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

Introduction

The City Charter and California state law require that the City of Victorville issue a complete set of financial statements annually and that an independent firm of certified public accountants audit this report in conformance with generally accepted auditing standards (GAAS). The Comprehensive Annual Financial Report (CAFR) of the City of Victorville for the year ended June 30, 2016, is hereby submitted.

The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). 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.

The City's financial statements for the fiscal year ended June 30, 2016 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.

Management provides 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 123,510.

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 and retail stores helped boost the City of Victorville's Sales Tax revenue for fiscal year 2016.

Nationally, 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 2016, Victorville's unemployment rate was 6.9%, which has remained steady since June 2015.

In fiscal year 2016, Sales Tax collections increased by about 9% primarily due to a final true up payment on the Triple Flip reimbursement of \$2.4 million. Starting in fiscal year 2017, the sales tax revenue will revert back to the original Bradley Burns tax rate of 1%. 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 2015 was \$199,000 and at the end of June 2016, that price has risen to \$209,000, a 5% 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 2017. Property tax revenue also continued to grow, but at a more modest pace than the prior year.

Long-term Financial Planning

The 2017 fiscal year budget still continues to practice conservative revenue estimates. Overall, the 2017 budget anticipates a small increase in most revenues. The total estimated revenue for the general fund will be \$56.2 million, an increase of almost \$2 million as compared to 2016 fiscal year budget. The total General fund expenditures are estimated slightly higher than that of fiscal year 2016 due to a continued increase in the public safety contract, the rising costs in contributions to the State's CALPERS pension system and an increase in water expenditures based on the new water rate structure.

Annually, the City of Victorville updates its five year Capital Improvement Project (CIP) plan. Planned capital expenditures for fiscal year 2017 total \$35.1 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 and equipment improvements for VMUS. Public Works is working with MDAQMD to open a new CNG Fueling Station which is expected to be complete in fiscal year 2017. 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.

In April 2016, the Department of Finance has changed its position and authorized the payment of previously defaulted amounts and reserve shortfalls from all tax increment available from the revenues pledged for debt service. SCLAA plans to make up payments in the future as soon as there is an increase in 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, currently at 17.866% for 2016-17 will be at 19.1% by 2017-18. This projection does not take into account the employee contributions that are 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, 2016. New commercial and retail businesses include the opening of BJ's Restaurant & Brewhouse, Dollar Tree, Desert Fiat and DaVita Mojave Sage Dialysis Clinic. Michael's, Staples, Vitelli's Deli and O'Reilly Auto Parts moved to new locations. New businesses coming into existing empty commercial and retail spaces include restaurants and stores such as Georgio & Luigi Pizzeria, Candy Crate, Shoe Palace, Ribka Ethiopian Restaurant, Starbucks, Louisiana Cajun Seafood House, Pholicious, Subway, Art Junkies, Wendy's/Taco Bell, Diana's Mexican Restaurant and Sleep Train. Other new businesses include Child Care Resources Center, Mojave River Academy, Coldwell Banker, Hope Center Academy, American Red Cross, and Pacific Dental Services. Wal-Mart on Amargosa Road put up a parking lot improvement of solar shade canopies

which benefits both the store and the customers. Many other businesses made tenant improvements as well.

Infrastructure repairs and expansion continued throughout the year. Almost \$6 million was spent in road improvements including Bear Valley Road on both sides of I-15, Spring Valley Parkway, Eagle Ranch and Brentwood neighborhoods, and the new Stoddard Wells Road left turn pocket. The transportation center was repaved with concrete pads for high traffic bus areas. Work for the new Foxborough CNG Fuel Station got underway with the demolition of existing structure and property clearing completing phase one of the project. A new traffic signal was installed at Amethyst Road and Hook Boulevard and addition communication lines and conduit improved traffic signal communications through the fiber optic network. Several sewer improvements were made through the city as well as storm drain improvements at various washes. Water continued to replace meters and also installed new water mains downtown and at the I-15 widening between D Street and Stoddard Wells Road. Airport spent almost \$10 million in improvements in FY16 with the completion of phase two of the Fuel Farm, Repairs of Runway 3/21, rehabilitation work on runway 17/35, and repairs and improvements to Taxiway Echo, its primary runway, thanks to several grants. The City will continue to strive forward with infrastructure repairs of all types in fiscal year 2017.

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, 2016 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.

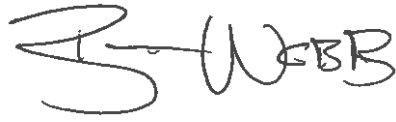
Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Administrative Services – Finance Division. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor, City Council members, and the City Manager for their support in maintaining the highest standards of professionalism in the management of the City of Victorville's finances.

Respectfully submitted,



Patricia Rosenberg, CPA
Finance Manager
ADMIN SERVICES DEPT

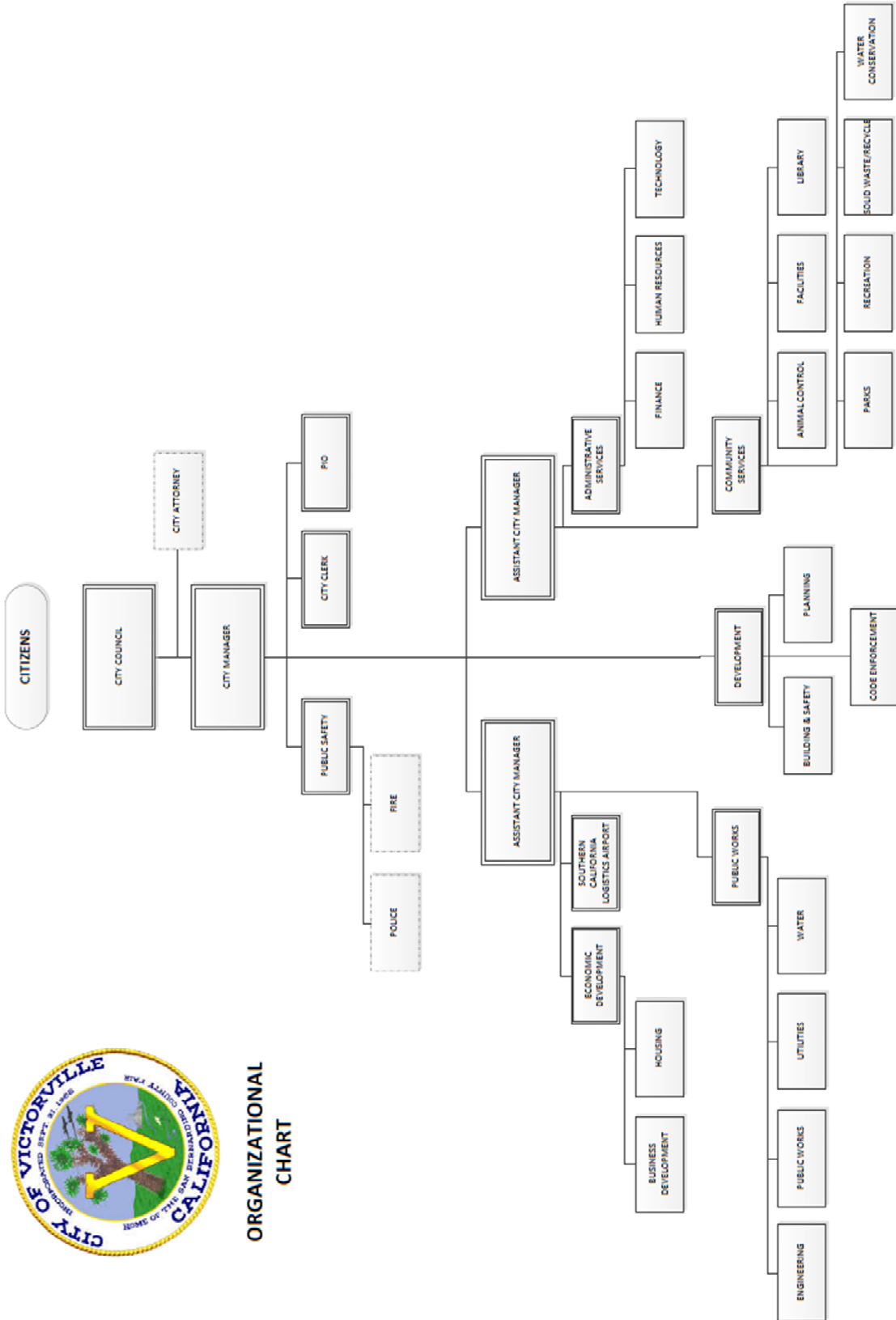


Bill Webb
Assistant City Manager/Treasurer
ADMIN SERVICES DEPT

City of Victorville

Organizational Chart

For the year ended June 30, 2016



ORGANIZATIONAL CHART

CITY OF VICTORVILLE

Elected Officials and Administrative Personnel - June 30, 2016

Elected Officials



Mayor
Gloria Garcia



Mayor Pro-Tem
Jim Cox



Council Member
Jim Kennedy



Council Member
Ryan McEachron



Council Member
Eric Negrete

City Manager Douglas B. Robertson
City Attorney Andre de Bortnowsky

Senior Management Team

Assistant City Manager Keith Metzler
Assistant City Manager Bill Webb
City Clerk Carolee Bates
Public Information Officer (PIO) Sue Jones
Director of Development Chris Borchert
Director of Community Service Christian Guntert
City Engineer Brian Gengler
Director of Public Works/Water Doug Mathews
Director of Economic Development Sophie Smith
Director of Southern California Logistics Airport Authority Eric Ray
Fire Chief Dan Munsey
Police Chief Sam Lucia

(This page is intentionally left blank)

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, 2016, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinion

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, 2016, 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, 2016 reflect certain prior period adjustments as described further in note 23 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 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
December 22, 2016

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2016

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, 2016. 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, 2016

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.

	<u>Government-wide Statements</u>	<u>Fund 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, 2016

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 within. 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 provides. Governmental fund information helps you determine whether there are more or fewer

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2016

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, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2016	2015	2016	2015	2016	2015
Cash and Investments	\$ 39,415	\$ 36,100	\$ 111,999	\$ 105,143	\$ 151,415	\$ 141,243
Other Assets	35,807	22,227	10,714	13,038	46,521	35,265
Interfund Balances	(6,462)	(5,066)	6,462	5,066	-	-
Capital Assets	479,306	484,943	414,995	421,600	894,301	906,543
Total assets	548,065	538,204	544,172	544,848	1,092,237	1,083,052
Deferred outflows - actuarial	320	309	-	-	320	309
Deferred outflows - pension contributions	2,648	2,306	1,373	1,204	4,021	3,510
Deferred charge on refunding	-	-	2,435	2,582	2,435	2,582
Total deferred outflows of resources	2,968	2,615	3,808	3,786	6,776	6,400
Other Liabilities	8,307	6,349	69,747	12,326	78,055	18,675
Long-Term Liabilities	50,298	44,078	346,350	408,554	396,649	452,631
Total Liabilities	58,606	50,426	416,097	420,880	474,703	471,306
Deferred inflows - actuarial	3,224	6,585	1,592	3,366	4,816	9,951
Deferred inflows - additional deferral	294	169	-	-	294	169
Total deferred inflows of resources	3,518	6,755	1,592	3,366	5,111	10,120
Net Position:						
Invested in Capital Assets, Net of Related Debt	479,306	484,943	66,591	63,979	545,897	548,922
Restricted	56,682	44,922	9,600	8,911	66,282	53,833
Unrestricted	(47,079)	(46,227)	54,098	51,498	7,020	5,271
Total Net Position	488,909	483,638	130,290	124,388	619,199	608,025

Net Position serves as a useful indicator of a government's financial position. In the case of the City of Victorville, the total Net Position increased by \$11.2 million primarily due to an increase in the restricted portion as related to community development for a one-time transfer of note receivables recorded in Successor Agency to the City Housing Asset Successor fund as approved by the Department of Finance. The restricted portion represents resources that are subject to external restrictions on how they may be used. Other changes in the Net Position include a decrease of \$12.2 million in the Invested in Capital Assets primarily due to depreciation expenses. This amount was offset by an increase in Pension liability and other Debt Services.

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2016

A brief explanation for the other balance changes of Table 1 is as follow:

Total assets:

- Governmental assets increased by \$9.9 million primarily due to an increase in Other Assets such as Accounts Receivable and Due from Other Government. Sales Tax receipts of approximately \$6.3 million that were due in fiscal year 2016 were recorded in Due from Other Government at year end due to the timing delay of the payment.
- Business-type assets decreased by \$6.8 million primarily caused by depreciation of capital assets although there was an increase in cash and investment with Municipal Utility and Sanitary funds.
- A total decrease of \$12.2 million in Capital Assets for both Governmental and Business – type was largely due to depreciation expense of \$39 million offset by \$8 million in runway improvement, \$2.8 million in new water pipelines, \$5.8 million in transfer of assets from Successor Agency, \$6.7 million in city wide infrastructure improvements, and \$1.5 million in construction in progress.

Total Liabilities:

- Governmental total liabilities increased by \$7.9 million primarily due to long-term liabilities increase of \$6.2 million. The liabilities include future expenditures for OPEB liability, claims payable and pollution remediation obligation.
- Business-type liabilities decreased by \$4.8 million primarily due a decrease in debt service of \$3.8 million in principal payments for SCLAA bonds and Interfund loans of \$16.9 million. This amount is offset by an increase in Net OPEB and pension liability of \$8.6 million and \$1.1 million in other liabilities.

GOVERNMENTAL ACTIVITIES

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

- Capital contribution and Grants increased by \$14.1 million primarily from a transfer of \$11.2 million in loan receivables recorded in Successor Agency to the City Housing Asset Successor. As stated in the Net Position section, these Note receivables are a one-time revenue transfer. The remaining increase was revenue received from the Gas Tax fund.
- Total tax revenue increased by \$5.7 million due to economic growth and an increase in consumer spending.
- Total expenses increased by \$3.5 million as compared to fiscal year 2015. The increase is primarily related to Public Works and Park and Recreation. An additional \$3.1 million spent in Public Work were projects such as: repaving of Bear Valley Road on both sides of I-15, Spring Valley Parkway, Eagle Ranch and Brentwood neighborhoods, transportation center and Stoddard Wells Road new left turn pocket. Also included was a new traffic signal at Amethyst Road and Hook Boulevard and sewer and storm drain improvements throughout the city.

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2016

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

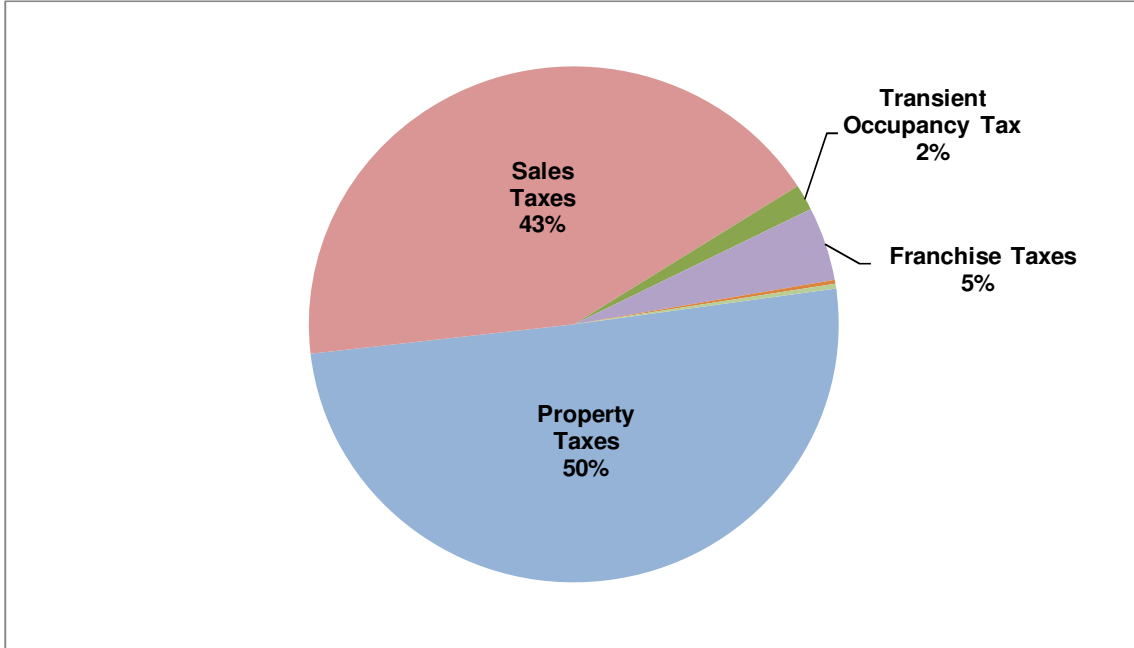
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for Services	\$ 11,031	11,187	76,310	76,022	87,341	87,209
Operating Contributions and Grants	15,165	5,191	-	-	15,165	5,191
Capital Contributions and Grants	10,386	7,745	6,263	716	16,649	8,462
General Revenues:						
Property Taxes	23,752	22,138	24,879	19,781	48,630	41,920
Sales Taxes	28,212	24,085	-	-	28,212	24,085
Transient Occupancy Tax	1,074	1,064	-	-	1,074	1,064
Franchise Taxes	3,039	3,000	-	-	3,039	3,000
Other Taxes	-	-	-	-	-	-
Investment Income	158	75	1,002	177	1,160	252
Gain (loss) on sale of Assets	-	55	125	-	125	55
Miscellaneous Revenues	201	308	1,432	2,003	1,633	2,311
Total Revenues	93,018	74,848	110,011	98,700	203,030	173,548
Expenses:						
General Government	12,121	12,418	-	-	12,121	12,418
Public Safety	35,624	36,082	-	-	35,624	36,082
Community Development	1,646	1,780	-	-	1,646	1,780
Public Works	31,972	29,209	-	-	31,972	29,209
Park and Recreation	4,911	3,251	-	-	4,911	3,251
Sanitary	-	-	11,960	13,523	11,960	13,523
Airport	-	-	31,597	35,453	31,597	35,453
Golf Courses	-	-	1,566	1,716	1,566	1,716
Solid Waste Management	-	-	14,197	13,144	14,197	13,144
Water	-	-	33,851	30,298	33,851	30,298
Municipal utility	-	-	11,016	11,603	11,016	11,603
Interest on Long-Term Debt	102	63	-	-	102	63
Total Expenses	86,376	82,804	104,186	105,736	190,563	188,540
Change in Net Assets before Transfers	6,642	(7,956)	5,825	(7,036)	12,467	(14,992)
Extraordinary gain (loss)	-	-	-	-	-	-
Transfers	(779)	24,753	779	(24,753)	-	-
Change in net position	5,864	16,797	6,604	(31,789)	12,467	(14,992)
Net Assets-07/01/2015	483,045	466,841	123,686	156,176	606,731	623,017
Net Position-06/30/2016	\$ 488,909	483,638	130,290	124,388	619,199	608,025

City of Victorville

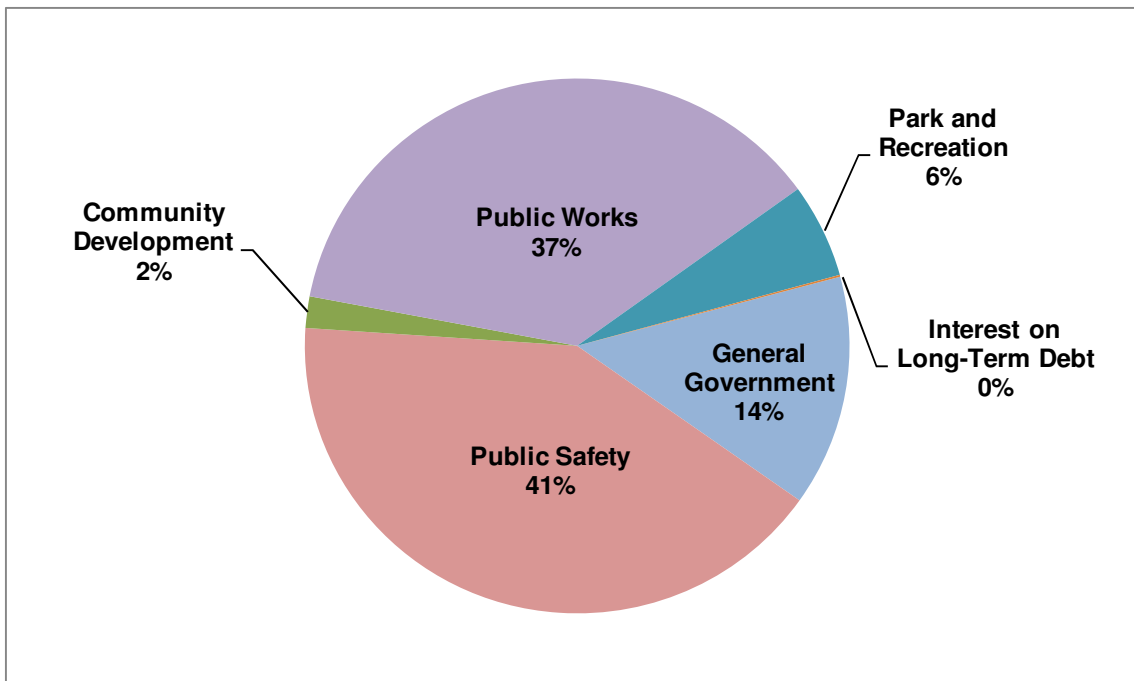
Management's Discussion and Analysis

For the year ended June 30, 2016

Revenues by Source - Governmental Activities



Expenses by Function - Governmental Activities

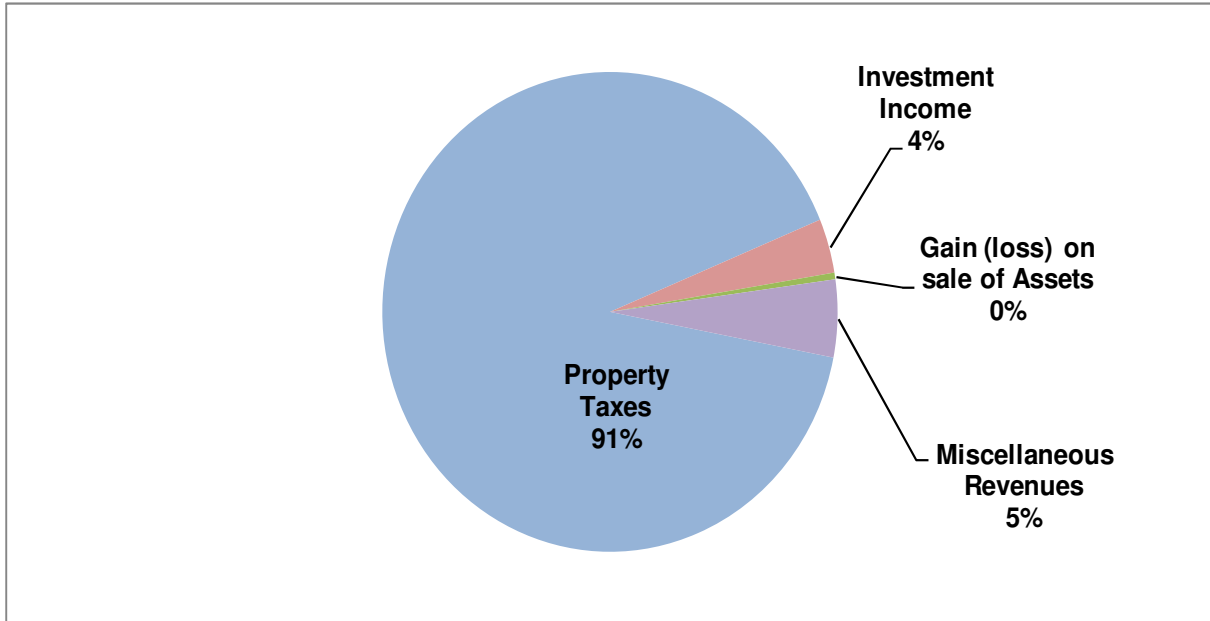


City of Victorville

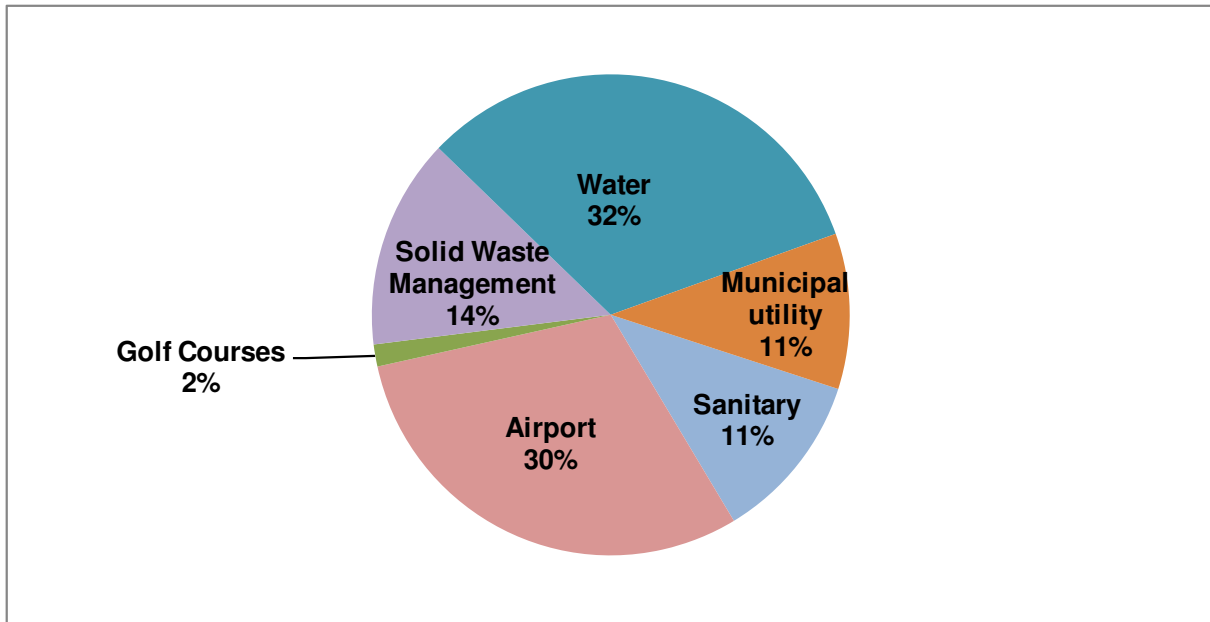
Management's Discussion and Analysis

For the year ended June 30, 2016

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, 2016

BUSINESS TYPE ACTIVITIES

During the year ended June 30, 2016, the City's business-type activities had a slight increase in the total Net Position as compared to fiscal year 2015. A total gain of \$6.6 million was primarily due to revenue in the City's business-type activities (see Table 2) having increased by 12% and expenses having decreased by 1%. 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.
- Capital Contributions and Grants increased by \$6 million primarily due to receipts from the FAA grant for the Airport runway project.
- Property Taxes largely increased due to additional tax increment revenue receipts of \$5 million for SCLAA.
- Total expenses were decreased by \$1.5 million. All expenses by function show a decrease with the exception of Water and Solid Waste management. Water increased \$3.5 million primarily due to Capital improvement projects. Solid Waste increased \$1 million largely due to additional cost of living expenses charged by the contractor. The remaining funds that showed a decrease are Airport and Sanitary. Airport expense was reduced by \$3.8 million due to lower spending in legal expenses as related to the SEC lawsuit.

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 unrestricted fund balance of the General Fund was \$4.7 million, while the total fund balance was \$4.9 million. As a measure of the General Fund's liquidity the total fund balance represents 9% of the total general fund expenditures.

General Fund revenues have increased by \$4.3 million this fiscal year. Almost all of the increased revenues were from Taxes. General Fund expenditures remain constant at approximately \$52.7 million as compared to last fiscal year. Transfers In decreased primarily due to a reduction in the Safety Traffic fund.

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 increase in revenue was mainly from Sales Tax revenue. A 4% increase was from a final true up payment of the Triple Flip Reimbursement. All expenditures were spent under budget. The total expenditures variance between the final budget and actual was \$2 million.

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2016

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 increased by \$1 million in this fiscal year. Total expenditures showed a decrease of \$1.8 million primarily due to completion of 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 \$28.7 million, decreasing the negative balance of last year's total of \$34.4 million by \$5.7 million. All funds showed an increase in the unrestricted Net Position account except for Water and Solid Waste. 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) (In Thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 51,910	\$ 47,581	\$ 33,141	\$ 32,732	\$ 85,051	\$ 80,313
Land Right of way	180,002	180,002	-	-	180,002	180,002
Buildings and Improvements	44,805	46,728	122,783	129,357	167,588	176,085
Furniture and Equipment	2,252	1,887	19,717	23,115	21,969	25,001
Computer and Communication	576	229	131	201	707	429
Vehicles	546	584	1,184	1,006	1,730	1,590
Infrastructure	180,329	188,685	208,590	207,083	388,919	395,767
Land Improvement	13,381	14,856	431	383	13,811	15,239
Water Rights	-	-	12,678	12,678	12,678	12,678
Intangible Assets	149	87	4,978	5,678	5,127	5,765
Construction in progress	5,356	4,306	11,363	9,367	16,719	13,673
Total	\$ 479,306	484,943	414,995	421,600	894,301	906,544

Capital assets: The City of Victorville's investment in capital assets for its governmental and business-type assets as of June 30, 2016, amounted to \$894 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 \$12.2 million, or 2 percent (a \$5.6 million decrease for

City of Victorville

Management's Discussion and Analysis

For the year ended June 30, 2016

governmental activities and a \$6.6 million decrease for business-type activities). These decreases are primarily 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 (In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Compensated Absences	\$ 3,356	\$ 2,954	\$ 523	\$ 471	\$ 3,879	\$ 3,425
OPEB Obligation	17,188	15,936	2,423	1,724	19,611	17,660
Net Pension Liability	27,077	24,118	12,315	11,456	39,393	35,574
Claim Payable	1,145	1,070	1,028	-	2,173	1,070
Pollution Remediation Obligation	1,532	-	-	-	1,532	-
Lease Agreement	-	-	-	347	-	347
Loans Payable	-	-	-	-	-	-
Tax Allocation Bond	-	-	314,936	318,564	314,936	318,564
Revenue Bond	-	-	53,070	53,070	53,070	53,070
Certificate of Participation	-	-	12,035	12,465	12,035	12,465
Refunding Charges & Unamortized Discount/Premiums	-	-	(2,572)	(2,669)	(2,572)	(2,669)
Total	\$ 50,298	44,078	393,757	395,428	444,056	439,506

Long-term debt: At the end of the current fiscal year, the City of Victorville had a total outstanding debt of \$444 million, an increase of \$4.5 million as compared to the prior fiscal year. The increase was primarily due to the liabilities of the governmental activities such as OPEB Obligation and Net Pension Liability. While the business activities shown a decrease in total outstanding debt which was primarily due to Tax Allocation Bond principal payments of approximately \$3.6 million.

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 92392.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

CITY OF VICTORVILLE
Statement of Net Position
June 30, 2016
(with comparative totals for June 30, 2015)

	Governmental Activities	Business-Type Activities	Totals	
			2016	2015
Assets:				
Cash and investments (note 2)	\$ 39,415,313	83,044,329	122,459,642	116,932,778
Cash with fiscal agent (note 2)	-	28,963,219	28,963,219	24,310,420
Receivables:				
Accounts	2,267,168	7,192,172	9,459,340	9,837,780
Interest	100,043	39,318	139,361	67,208
Due from other governments	10,668,366	44,570	10,712,936	6,807,303
Deposits and prepaid items	18,362	12,440	30,802	24,927
Inventory and other assets	175,681	666,634	842,315	683,228
Interfund balances	(6,462,410)	6,462,410	-	-
Investment in joint venture (note 16)	-	192,948	192,948	-
Advances to other governments (note 3)	-	2,558,202	2,558,202	4,681,492
Land held for resale (note 5)	12,014,214	-	12,014,214	12,014,214
Capital assets, net (note 4)				
Nondepreciable	237,267,722	60,962,716	298,230,438	290,446,745
Depreciable, net	242,037,874	354,032,702	596,070,576	616,096,556
Long-term notes receivable (note 6)	10,562,772	-	10,562,772	1,148,928
Total assets	<u>548,065,105</u>	<u>544,171,660</u>	<u>1,092,236,765</u>	<u>1,083,051,579</u>
Deferred Outflows of Resources:				
Deferred outflows - actuarial (note 13)	319,880	-	319,880	309,020
Deferred outflows - pension contributions (note 12)	2,647,838	1,373,245	4,021,083	3,509,617
Deferred charge on refunding	-	2,434,818	2,434,818	2,581,839
Total deferred outflows of resources	<u>2,967,718</u>	<u>3,808,063</u>	<u>6,775,781</u>	<u>6,400,476</u>
Liabilities:				
Accounts payable	5,706,320	5,490,613	11,196,933	10,981,773
Accrued liabilities	1,228,911	-	1,228,911	1,005,702
Interest payable	-	1,679,813	1,679,813	1,702,498
Deposits payable	20,415	1,735,874	1,756,289	1,717,461
Prepaid water connection fees	-	1,395,788	1,395,788	1,395,788
Unearned revenue	1,351,852	-	1,351,852	843,171
Accrued rent credit payable	-	814,554	814,554	1,028,605
Bonds subject to call (note 8)	-	58,630,561	58,630,561	58,269,460
Noncurrent liabilities:				
Advances from other governments (note 3)	-	10,278,395	10,278,395	11,970,371
Net OPEB liability (note 15)	17,187,816	2,423,280	19,611,096	17,659,772
Net pension liability (note 12)	27,077,378	12,315,294	39,392,672	35,573,566
Long-term liabilities (note 7 & 8)				
Due within one year	2,034,191	7,506,217	9,540,408	7,389,381
Due in more than one year	3,999,075	313,827,077	317,826,152	321,768,691
Total liabilities	<u>58,605,958</u>	<u>416,097,466</u>	<u>474,703,424</u>	<u>471,306,239</u>
Deferred Inflows of Resources:				
Deferred inflows - actuarial (note 12)	3,224,000	1,592,419	4,816,419	9,951,098
Deferred inflows - additional deferral (note 13)	294,161	-	294,161	169,286
Total deferred inflows of resources	<u>3,518,161</u>	<u>1,592,419</u>	<u>5,110,580</u>	<u>10,120,384</u>
Net Position:				
Net investment in capital assets	479,305,596	66,591,063	545,896,659	548,921,997
Restricted for:				
Public safety	85,628	-	85,628	87,590
Community development	24,633,628	-	24,633,628	14,036,816
Public works	31,891,179	-	31,891,179	30,797,622
Capital asset construction	-	5,792,795	5,792,795	5,227,435
Debt service	-	3,807,520	3,807,520	3,683,187
Unrestricted	(47,007,327)	54,098,460	7,091,133	5,270,785
Total net position	<u>\$ 488,908,704</u>	<u>130,289,838</u>	<u>619,198,542</u>	<u>608,025,432</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Activities
Year ended June 30, 2016
(with comparative totals for year ended June 30, 2015)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 12,049,451	3,135,858	48,889	-
Public safety	35,624,321	873,543	43,677	-
Community development	1,646,049	1,949,621	13,957,498	-
Public works	31,971,809	4,142,483	1,040,808	10,386,218
Parks and recreation	4,910,866	929,836	2,777	-
Interest expense	102,069	-	-	-
Total governmental activities	<u>86,304,565</u>	<u>11,031,341</u>	<u>15,093,649</u>	<u>10,386,218</u>
Business-type activities:				
Water	33,851,064	27,703,854	-	-
Airport	31,596,506	8,027,381	-	6,263,239
Municipal utility	11,015,805	13,898,502	-	-
Solid waste management	14,196,555	12,716,297	-	-
Sanitary	11,960,388	13,381,190	-	-
City golf	1,566,169	582,517	-	-
Total business-type activities	<u>104,186,487</u>	<u>76,309,741</u>	<u>-</u>	<u>6,263,239</u>
Total primary government	<u>\$ 190,491,052</u>	<u>87,341,082</u>	<u>15,093,649</u>	<u>16,649,457</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy tax

Franchise taxes

Investment income

Gain on sale of assets

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	
		2016	2015
(8,864,704)	-	(8,864,704)	(8,165,400)
(34,707,101)	-	(34,707,101)	(33,975,807)
14,261,070	-	14,261,070	2,904,632
(16,402,300)	-	(16,402,300)	(17,064,144)
(3,978,253)	-	(3,978,253)	(2,316,668)
(102,069)	-	(102,069)	(63,332)
<u>(49,793,357)</u>	<u>-</u>	<u>(49,793,357)</u>	<u>(58,680,720)</u>
-	(6,147,210)	(6,147,210)	(4,290,152)
-	(17,305,886)	(17,305,886)	(27,342,517)
-	2,882,697	2,882,697	2,059,263
-	(1,480,258)	(1,480,258)	(802,258)
-	1,420,802	1,420,802	2,699,499
-	(983,652)	(983,652)	(1,321,286)
<u>-</u>	<u>(21,613,507)</u>	<u>(21,613,507)</u>	<u>(28,997,451)</u>
<u>(49,793,357)</u>	<u>(21,613,507)</u>	<u>(71,406,864)</u>	<u>(87,678,171)</u>
23,751,525	24,878,919	48,630,444	41,919,515
28,211,755	-	28,211,755	24,085,230
1,074,273	-	1,074,273	1,063,819
3,038,995	-	3,038,995	2,999,881
158,010	1,002,438	1,160,448	251,904
-	124,997	124,997	55,110
201,132	1,431,952	1,633,084	2,310,695
(778,824)	778,824	-	-
<u>55,656,866</u>	<u>28,217,130</u>	<u>83,873,996</u>	<u>72,686,154</u>
5,863,509	6,603,623	12,467,132	(14,992,017)
<u>483,045,195</u>	<u>123,686,215</u>	<u>606,731,410</u>	<u>623,017,449</u>
<u>\$ 488,908,704</u>	<u>130,289,838</u>	<u>619,198,542</u>	<u>608,025,432</u>

See accompanying notes to the basic financial statements

(This page intentionally left blank)

Major Governmental Funds

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, 2016
 (with comparative totals for June 30, 2015)

	General	Capital Projects	Nonmajor	Totals	
		Capital Impact Facilities	Governmental Funds	2016	2015
Assets:					
Cash and investments	\$ 2,213,795	3,781,340	33,420,178	39,415,313	36,099,874
Accounts receivable	1,404,819	-	862,349	2,267,168	2,040,292
Interest receivable	100,043	-	-	100,043	46,863
Notes receivable	3,489	-	10,559,283	10,562,772	1,148,928
Advances to other funds (note 3)	-	-	2,911,436	2,911,436	1,175,484
Due from other governments	6,311,478	-	4,356,888	10,668,366	6,781,097
Inventories	175,681	-	-	175,681	180,446
Prepaid items	16,322	-	2,040	18,362	15,189
Land held for resale (note 5)	-	-	12,014,214	12,014,214	12,014,214
Total assets	\$ 10,225,627	3,781,340	64,126,388	78,133,355	59,502,387
Liabilities:					
Accounts payable	\$ 978,163	-	4,728,157	5,706,320	4,473,923
Accrued liabilities	1,228,911	-	-	1,228,911	1,005,702
Deposits payable	19,830	-	585	20,415	25,997
Due to other funds (note 3)	3,099,495	-	3,176,505	6,276,000	3,126,213
Unearned revenue	5,255	239,355	1,107,242	1,351,852	843,171
Advances from other funds (note 3)	-	3,097,846	-	3,097,846	3,115,347
Total liabilities	5,331,654	3,337,201	9,012,489	17,681,344	12,590,353
Deferred Inflows of Resources:					
Unavailable revenue	-	-	1,909,696	1,909,696	1,667,518
Total deferred inflows of resources	-	-	1,909,696	1,909,696	1,667,518
Fund Balances (Deficits) (note 11):					
Non-spendable:					
Prepaid items	16,322	-	2,040	18,362	14,589
Inventory	175,681	-	-	175,681	180,446
Spendable:					
Restricted	-	-	56,233,061	56,233,061	44,922,028
Unassigned	4,701,970	444,139	(3,030,898)	2,115,211	127,453
Total fund balances	4,893,973	444,139	53,204,203	58,542,315	45,244,516
Total liabilities, deferred inflows of resources and fund balances	\$ 10,225,627	3,781,340	64,126,388	78,133,355	59,502,387

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, 2016

Fund balances of governmental funds	\$ 58,542,315
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	856,532,021
Accumulated depreciation	(377,226,425)
Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.	
	(1,145,020)
Long-term liabilities that have not been included in the governmental fund activity	
Net pension liability	(27,077,378)
Other post employment benefits	(17,187,816)
Compensated absences	(3,355,925)
Pollution remediation	(1,532,321)
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	2,647,838
Deferred outflows - actuarial	319,880
Deferred inflows - additional deferral	(294,161)
Deferred inflows - actuarial	(3,224,000)
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>1,909,696</u>
Net position of governmental activities	<u>\$ 488,908,704</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, 2016
(with comparative totals for year ended June 30, 2015)

	General	Capital Projects	Nonmajor	Totals	
		Capital Impact Facilities	Governmental Funds	2016	2015
Revenues:					
Taxes and assessments	\$ 45,119,748	-	10,846,129	55,965,877	50,287,000
Licenses and permits	1,386,818	-	-	1,386,818	1,532,900
Intergovernmental	49,580	-	25,825,469	25,875,049	13,832,592
Charges for services	8,272,465	1,793,945	1,560,115	11,626,525	9,587,356
Fines and forfeitures	359,667	-	377,499	737,166	1,307,572
Investment income	48,679	2,133	107,198	158,010	75,006
Other	114,045	22,846	64,239	201,130	307,553
Total revenues	<u>55,351,002</u>	<u>1,818,924</u>	<u>38,780,649</u>	<u>95,950,575</u>	<u>76,929,979</u>
Expenditures:					
Current:					
General government	9,488,007	-	116,880	9,604,887	11,171,465
Public safety	35,490,973	-	384,516	35,875,489	35,673,960
Community development	-	-	1,437,809	1,437,809	1,768,600
Public works	4,571,971	1,033,723	26,350,579	31,956,273	28,348,559
Parks and recreation	3,122,943	3,500	236,846	3,363,289	2,955,845
Debt service:					
Interest	-	102,069	-	102,069	63,332
Total expenditures	<u>52,673,894</u>	<u>1,139,292</u>	<u>28,526,630</u>	<u>82,339,816</u>	<u>79,981,761</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,677,108</u>	<u>679,632</u>	<u>10,254,019</u>	<u>13,610,759</u>	<u>(3,051,782)</u>
Other financing sources (uses):					
Proceeds from sale of assets	-	-	1,058,499	1,058,499	55,110
Transfers in (note 3)	154,925	-	63,296	218,221	1,289,151
Transfers out (note 3)	<u>(778,824)</u>	<u>-</u>	<u>(218,221)</u>	<u>(997,045)</u>	<u>(2,200,099)</u>
Total other financing sources (uses)	<u>(623,899)</u>	<u>-</u>	<u>903,574</u>	<u>279,675</u>	<u>(855,838)</u>
Net change in fund balances	2,053,209	679,632	11,157,593	13,890,434	(3,907,620)
Fund balances (deficit) at beginning of year as restated (note 23)	<u>2,840,764</u>	<u>(235,493)</u>	<u>42,046,610</u>	<u>44,651,881</u>	<u>49,152,136</u>
Fund balances at end of year	<u>\$ 4,893,973</u>	<u>444,139</u>	<u>53,204,203</u>	<u>58,542,315</u>	<u>45,244,516</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2016

Net changes in fund balances - total governmental funds \$ 13,890,434

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	15,445,398
Depreciation expense	(19,086,914)

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 to proprietary funds	(525,931)
Loss on disposal of assets	(1,470,152)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 242,178

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	(402,167)
Change in OPEB obligation	(1,251,974)
Change in claims payable	(74,577)
Change in pollution remediation payable	(1,532,321)
Change in net pension liability and related deferred accounts	<u>629,535</u>

Change in net position of governmental activities \$ 5,863,509

(This page intentionally left blank)

Enterprise Funds

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.

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, 2016
(with comparative totals for June 30, 2015)

	Southern California				
	Victorville Water	Logistics Airport	Municipal	Solid Waste	
	District	Authority	Utility Fund	Management	Sanitary Fund
Assets:					
Current assets:					
Cash and investments	\$ 41,136,370	15,080,604	10,152,398	-	16,674,957
Cash with fiscal agent	3,132,518	19,640,266	5,878,066	312,369	-
Accounts receivable, net	2,969,149	231,346	1,868,579	971,181	1,151,917
Interest receivable	39,318	-	-	-	-
Due from other funds (note 3)	-	1,720,578	3,099,495	-	2,713,730
Due from other governments	26,278	2,388	-	15,904	-
Inventory and other assets	<u>660,652</u>	<u>5,982</u>	-	-	-
Total current assets	<u>47,964,285</u>	<u>36,681,164</u>	<u>20,998,538</u>	<u>1,299,454</u>	<u>20,540,604</u>
Noncurrent assets:					
Investment in joint venture (note 16)	-	-	-	192,948	-
Capital assets, net (note 4)	172,940,598	157,858,134	17,736,651	2,363,662	47,672,328
Advances to other funds (note 3)	-	1,929,341	-	6,437,422	-
Advances to other governments (note 3)	-	2,558,202	-	-	-
Prepaid deposits	<u>7,730</u>	<u>565</u>	<u>3,873</u>	-	<u>272</u>
Total noncurrent assets	<u>172,948,328</u>	<u>162,346,242</u>	<u>17,740,524</u>	<u>8,994,032</u>	<u>47,672,600</u>
Total assets	<u>220,912,613</u>	<u>199,027,406</u>	<u>38,739,062</u>	<u>10,293,486</u>	<u>68,213,204</u>
Deferred Outflows of Resources:					
Deferred outflow - pension contribution	827,951	233,116	55,310	97,386	159,482
Deferred charge on refunding	<u>95,313</u>	<u>2,339,505</u>	-	-	-
Total deferred outflows of resources	<u>923,264</u>	<u>2,572,621</u>	<u>55,310</u>	<u>97,386</u>	<u>159,482</u>
Liabilities:					
Current liabilities:					
Accounts payable	2,035,305	431,472	624,968	1,094,959	1,300,187
Due to other funds (note 3)	-	-	-	1,257,803	-
Deposits payable	1,663,028	-	-	2,846	70,000
Prepaid water connection fees	1,395,788	-	-	-	-
Interest payable	233,210	1,396,360	50,243	-	-
Bonds subject to call (note 8)	-	58,630,561	-	-	-
Long-term debt - due within one year (note 8)	<u>711,357</u>	<u>4,393,231</u>	<u>1,145,000</u>	<u>229,129</u>	<u>1,027,500</u>
Total current liabilities	<u>6,038,688</u>	<u>64,851,624</u>	<u>1,820,211</u>	<u>2,584,737</u>	<u>2,397,687</u>
Noncurrent liabilities:					
Accrued rent credit payable	-	814,554	-	-	-
Advances from other funds (note 3)	-	1,742,931	-	-	-
Advances from other governments (note 3)	-	10,278,395	-	-	-
Net OPEB liability	2,423,280	-	-	-	-
Net pension liability	7,425,085	2,090,587	496,019	873,360	1,430,243
Long-term debt - due beyond one year (note 8)	<u>11,799,204</u>	<u>249,423,516</u>	<u>51,925,000</u>	<u>679,357</u>	-
Total noncurrent liabilities	<u>21,647,569</u>	<u>264,349,983</u>	<u>52,421,019</u>	<u>1,552,717</u>	<u>1,430,243</u>
Total liabilities	<u>27,686,257</u>	<u>329,201,607</u>	<u>54,241,230</u>	<u>4,137,454</u>	<u>3,827,930</u>
Deferred Inflows of Resources:					
Deferred inflows - actuarial	<u>960,095</u>	<u>270,322</u>	<u>64,137</u>	<u>112,929</u>	<u>184,936</u>
Total deferred outflows of resources	<u>960,095</u>	<u>270,322</u>	<u>64,137</u>	<u>112,929</u>	<u>184,936</u>
Net Position:					
Net investment in capital assets	162,649,238	(132,454,260)	(29,467,834)	1,767,546	47,672,328
Restricted for capital asset construction	5,792,795	-	-	-	-
Restricted for debt service	3,807,520	-	-	-	-
Unrestricted	<u>20,939,972</u>	<u>4,582,358</u>	<u>13,956,839</u>	<u>4,372,943</u>	<u>16,687,492</u>
Total net position	<u>\$ 193,189,525</u>	<u>(127,871,902)</u>	<u>(15,510,995)</u>	<u>6,140,489</u>	<u>64,359,820</u>

See accompanying notes to the basic financial statements

<u>Totals</u>		
Nonmajor		
City Golf	2016	2015
-	83,044,329	80,832,904
-	28,963,219	24,310,420
-	7,192,172	7,797,488
-	39,318	20,345
-	7,533,803	3,126,213
-	44,570	26,206
-	<u>666,634</u>	<u>502,782</u>
-	<u>127,484,045</u>	<u>116,616,358</u>
-	192,948	-
16,424,045	414,995,418	421,600,106
-	8,366,763	8,350,753
-	2,558,202	4,681,492
-	<u>12,440</u>	<u>9,738</u>
<u>16,424,045</u>	<u>426,125,771</u>	<u>434,642,089</u>
<u>16,424,045</u>	<u>553,609,816</u>	<u>551,258,447</u>
-	1,373,245	1,203,778
-	<u>2,434,818</u>	<u>2,581,839</u>
-	<u>3,808,063</u>	<u>3,785,617</u>
3,722	5,490,613	6,507,850
-	1,257,803	-
-	1,735,874	1,691,464
-	1,395,788	1,395,788
-	1,679,813	1,702,498
-	58,630,561	58,269,460
-	<u>7,506,217</u>	<u>5,360,887</u>
<u>3,722</u>	<u>77,696,669</u>	<u>74,927,947</u>
-	814,554	1,028,605
6,437,422	8,180,353	6,410,890
-	10,278,395	11,970,371
-	2,423,280	1,723,930
-	12,315,294	11,455,976
-	<u>313,827,077</u>	<u>319,772,984</u>
<u>6,437,422</u>	<u>347,838,953</u>	<u>352,362,756</u>
<u>6,441,144</u>	<u>425,535,622</u>	<u>427,290,703</u>
-	<u>1,592,419</u>	<u>3,365,759</u>
-	<u>1,592,419</u>	<u>3,365,759</u>
16,424,045	66,591,063	63,978,802
-	5,792,795	5,227,435
-	3,807,520	3,683,187
<u>(6,441,144)</u>	<u>54,098,460</u>	<u>51,498,178</u>
<u>9,982,901</u>	<u>130,289,838</u>	<u>124,387,602</u>

CITY OF VICTORVILLE
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2016
(with comparative totals for year ended June 30, 2015)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund	Solid Waste Management	Sanitary Fund
Operating revenues:					
Charges for services	\$ 27,703,854	8,027,381	13,898,502	12,716,297	13,381,190
Fines and forfeitures	271,691	692	-	165,001	168,299
Other	95,516	298,417	250,837	181,103	-
Total operating revenues	<u>28,071,061</u>	<u>8,326,490</u>	<u>14,149,339</u>	<u>13,062,401</u>	<u>13,549,489</u>
Operating expenses:					
Personnel services	7,560,232	1,806,644	474,405	1,369,861	1,380,429
Maintenance and operations	11,275,403	6,324,119	3,076,514	12,542,371	8,370,547
Production costs	3,395,975	-	5,481,431	-	-
Depreciation	10,175,996	6,840,988	1,450,704	212,598	1,145,273
Total operating expenses	<u>32,407,606</u>	<u>14,971,751</u>	<u>10,483,054</u>	<u>14,124,830</u>	<u>10,896,249</u>
Operating income (loss)	<u>(4,336,545)</u>	<u>(6,645,261)</u>	<u>3,666,285</u>	<u>(1,062,429)</u>	<u>2,653,240</u>
Nonoperating revenues (expenses):					
Change in investment in joint ventures	-	-	-	192,948	-
Intergovernmental	247,618	394,819	-	9,823	-
Taxes	552,509	23,674,150	-	-	-
Investment income	723,576	38,219	9,748	27,288	10,659
Interest expense	(1,008,357)	(16,624,755)	(513,980)	(59,931)	-
Gain (loss) on disposal of assets	118,644	-	6,353	-	-
Other nonoperating revenues (expenses)	(435,101)	-	(18,771)	(11,794)	(1,064,139)
Total nonoperating revenues (expenses)	<u>198,889</u>	<u>7,482,433</u>	<u>(516,650)</u>	<u>158,334</u>	<u>(1,053,480)</u>
Income (loss) before transfers and contributions	<u>(4,137,656)</u>	<u>837,172</u>	<u>3,149,635</u>	<u>(904,095)</u>	<u>1,599,760</u>
Capital contributions:					
Developer contributed facilities	-	-	-	-	-
Facilities contributed from other funds	-	6,263,239	-	-	-
Transfers in (note 3)	824,820	-	-	-	-
Transfers out (note 3)	-	-	-	-	(824,820)
Change in net position	<u>(3,312,836)</u>	<u>7,100,411</u>	<u>3,149,635</u>	<u>(904,095)</u>	<u>774,940</u>
Net position at beginning of year as restated, (Note 23)	<u>196,502,361</u>	<u>(134,972,313)</u>	<u>(18,660,630)</u>	<u>7,044,584</u>	<u>63,584,880</u>
Net position at end of year	<u>\$ 193,189,525</u>	<u>(127,871,902)</u>	<u>(15,510,995)</u>	<u>6,140,489</u>	<u>64,359,820</u>

See accompanying notes to the basic financial statements

Totals

Nonmajor City Golf	2016	2015
582,517	76,309,741	76,022,384
-	605,683	659,878
<u>396</u>	<u>826,269</u>	<u>1,378,909</u>
<u>582,913</u>	<u>77,741,693</u>	<u>78,061,171</u>
-	12,591,571	13,792,394
1,062,341	42,651,295	43,563,352
-	8,877,406	10,414,338
<u>476,901</u>	<u>20,302,460</u>	<u>20,410,782</u>
<u>1,539,242</u>	<u>84,422,732</u>	<u>88,180,866</u>
<u>(956,329)</u>	<u>(6,681,039)</u>	<u>(10,119,695)</u>
-	192,948	-
-	652,260	198,328
-	24,226,659	19,583,117
-	809,490	176,898
(26,927)	(18,233,950)	(16,991,468)
-	124,997	(29,256,386)
-	(1,529,805)	(35,645)
<u>(26,927)</u>	<u>6,242,599</u>	<u>(26,325,156)</u>
(983,256)	(438,440)	(36,444,851)
-	-	716,499
-	6,263,239	3,028,652
778,824	1,603,644	1,899,935
-	(824,820)	(988,987)
<u>(204,432)</u>	<u>6,603,623</u>	<u>(31,788,752)</u>
<u>10,187,333</u>	<u>123,686,215</u>	<u>156,176,354</u>
<u>9,982,901</u>	<u>130,289,838</u>	<u>124,387,602</u>

CITY OF VICTORVILLE
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2016
(with comparative totals for year ended June 30, 2015)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund	Solid Waste Management
Cash flows from operating activities:				
Cash received from customers	\$ 28,483,470	8,006,237	14,187,532	13,091,054
Cash payments to employees for services	(7,308,093)	(1,914,587)	(704,941)	(1,467,530)
Cash payments to suppliers for goods and services	<u>(14,440,965)</u>	<u>(7,891,947)</u>	<u>(8,409,264)</u>	<u>(14,082,945)</u>
Net cash provided by (used for) operating activities	<u>6,734,412</u>	<u>(1,800,297)</u>	<u>5,073,327</u>	<u>(2,459,421)</u>
Cash flows from noncapital financing activities:				
Cash received from other governments	800,127	26,189,871	-	9,823
Cash paid to other governments	-	(1,691,976)	-	-
Cash received from other funds	824,820	1,753,453	-	1,257,803
Cash paid to other funds	-	(1,720,578)	(3,099,495)	(26,532)
Net cash provided by (used for) noncapital financing activities	<u>1,624,947</u>	<u>24,530,770</u>	<u>(3,099,495)</u>	<u>1,241,094</u>
Cash flows from capital and related financing activities:				
Cash received from sale of capital assets	1,506,674	-	-	-
Cash payments to acquire capital and other assets	(6,347,156)	(1,137,482)	(112,745)	(52,276)
Principal paid on capital-related debt	(421,911)	(3,375,580)	-	(344,903)
Interest paid on capital-related debt	<u>(1,016,670)</u>	<u>(16,644,428)</u>	<u>(508,679)</u>	<u>(59,931)</u>
Net cash provided by (used for) capital and related financing activities	<u>(6,279,063)</u>	<u>(21,157,490)</u>	<u>(621,424)</u>	<u>(457,110)</u>
Cash flows from investing activities:				
Interest received on investments	704,603	38,219	9,748	27,288
Net cash provided by (used for) investing activities	<u>704,603</u>	<u>38,219</u>	<u>9,748</u>	<u>27,288</u>
Net increase (decrease) in cash and cash equivalents	2,784,899	1,611,202	1,362,156	(1,648,149)
Cash and cash equivalents at beginning of year	<u>41,475,913</u>	<u>33,109,668</u>	<u>14,668,308</u>	<u>1,960,518</u>
Cash and cash equivalents at end of year	<u>\$ 44,260,812</u>	<u>34,720,870</u>	<u>16,030,464</u>	<u>312,369</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	<u>\$ (4,336,545)</u>	<u>(6,645,261)</u>	<u>3,666,285</u>	<u>(1,062,429)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	10,175,996	6,840,988	1,450,704	212,598
Nonoperating miscellaneous revenue (expense)	(435,101)	-	-	(11,794)
(Increase) decrease in accounts receivable, net	371,804	(106,202)	38,193	37,518
(Increase) decrease in due from other governments	(15,187)	-	-	(8,865)
(Increase) decrease in inventory and other assets	(161,388)	(2,464)	-	-
(Increase) decrease in prepaid deposits	(6,330)	3,973	(73)	-
(Increase) decrease in deferred outflows	(118,165)	(35,485)	9,695	(10,177)
Increase (decrease) in accounts payable	842,089	(1,569,337)	148,754	(1,526,255)
Increase (decrease) in deposits payable	46,935	-	-	(2,525)
Increase (decrease) in accrued rent credits payable	-	(214,051)	-	-
Increase (decrease) in OPEB obligation	699,350	-	-	-
Increase (decrease) in compensated absences	25,138	-	-	-
Increase (decrease) in net pension liability	670,279	209,796	(122,614)	43,416
Increase (decrease) in deferred inflows	<u>(1,024,463)</u>	<u>(282,254)</u>	<u>(117,617)</u>	<u>(130,908)</u>
Total adjustments	<u>11,070,957</u>	<u>4,844,964</u>	<u>1,407,042</u>	<u>(1,396,992)</u>
Net cash provided by (used for) operating activities	<u>\$ 6,734,412</u>	<u>(1,800,297)</u>	<u>5,073,327</u>	<u>(2,459,421)</u>
Noncash capital, financing and investing activities:				
Capital asset contributions (to) from other funds	\$ -	6,263,239	-	-
Loss on disposal of capital assets	-	-	6,353	-
Total	<u>\$ -</u>	<u>6,263,239</u>	<u>6,353</u>	<u>-</u>

See accompanying notes to the basic financial statements

Sanitary Fund	Nonmajor City Golf	Totals	
		2016	2015
13,813,220	582,913	78,164,426	79,170,266
(1,555,421)	-	(12,950,572)	(13,274,404)
<u>(7,888,120)</u>	<u>(1,158,643)</u>	<u>(53,871,884)</u>	<u>(53,075,679)</u>
4,369,679	(575,730)	11,341,970	12,820,183
-	-	26,999,821	22,046,394
-	-	(1,691,976)	-
412,483	805,356	5,053,915	2,300,556
<u>(824,820)</u>	<u>-</u>	<u>(5,671,425)</u>	<u>(1,005,468)</u>
<u>(412,337)</u>	<u>805,356</u>	<u>24,690,335</u>	<u>23,341,482</u>
-	-	1,506,674	-
(1,221,961)	-	(8,871,620)	(4,454,981)
-	(202,699)	(4,345,093)	(3,708,720)
<u>-</u>	<u>(26,927)</u>	<u>(18,256,635)</u>	<u>(17,018,057)</u>
<u>(1,221,961)</u>	<u>(229,626)</u>	<u>(29,966,674)</u>	<u>(25,181,758)</u>
10,659	-	790,517	168,340
<u>10,659</u>	<u>-</u>	<u>790,517</u>	<u>168,340</u>
2,746,040	-	6,856,148	11,148,247
<u>13,928,917</u>	<u>-</u>	<u>105,143,324</u>	<u>93,995,077</u>
<u>16,674,957</u>	<u>-</u>	<u>111,999,472</u>	<u>105,143,324</u>
<u>2,653,240</u>	<u>(956,329)</u>	<u>(6,681,039)</u>	<u>(10,119,695)</u>
1,145,273	476,901	20,302,460	20,410,782
-	-	(446,895)	(35,645)
264,003	-	605,316	1,019,627
-	-	(24,052)	19,478
-	-	(163,852)	1,345
(272)	-	(2,702)	437,145
(15,335)	-	(169,467)	(80,028)
482,427	(96,302)	(1,718,624)	791,528
-	-	44,410	49,701
-	-	(214,051)	(272,073)
-	-	699,350	652,796
-	-	25,138	38,168
58,441	-	859,318	(3,458,705)
<u>(218,098)</u>	<u>-</u>	<u>(1,773,340)</u>	<u>3,365,759</u>
<u>1,716,439</u>	<u>380,599</u>	<u>18,023,009</u>	<u>22,939,878</u>
<u>4,369,679</u>	<u>(575,730)</u>	<u>11,341,970</u>	<u>12,820,183</u>
-	-	6,263,239	5,771,800
-	-	6,353	124,997
-	-	<u>6,269,592</u>	<u>5,896,797</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>	<u>Successor Agency to the Victorville RDA</u>
Assets:		
Cash and investments (note 2)	\$ 3,489,451	2,631,648
Restricted assets:		
Cash with fiscal agent (note 2)	2,479,977	1,793,448
Accounts receivable, net	13,445	-
Due from other governments (note 9)	-	10,278,395
Land held for resale (note 5)	-	13,401,849
Total assets	<u>\$ 5,982,873</u>	<u>28,105,340</u>
Liabilities:		
Accounts payable	\$ 33,560	410,638
Interest payable	-	169,111
Deposits payable	5,949,313	-
Unearned revenue	-	12,086
Due to other governments (note 3)	-	2,558,202
Current portion of long-term liabilities:		
Bonds payable (note 9)	-	1,165,000
Long-term liabilities:		
Bonds payable (note 9)	-	36,160,000
Total long-term liabilities	<u>-</u>	<u>36,160,000</u>
Total liabilities	<u>\$ 5,982,873</u>	<u>40,475,037</u>
Net Position:		
Held in trust for other taxing entities		<u>(12,369,697)</u>
Total net position		<u>\$ (12,369,697)</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, 2016
(with comparative totals for year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Additions:		
RPTTF distributions	\$ 6,190,465	20,050,019
Investment income	305,330	278,897
Other	<u>28,252</u>	<u>37,379</u>
Total additions	<u>6,524,047</u>	<u>20,366,295</u>
Deductions:		
Current:		
Community development	817,381	1,492,804
Debt service:		
Interest	2,125,153	2,200,117
Loss on sale of capital assets	195,693	-
Assets transferred to City of Victorville	<u>17,291,179</u>	<u>13,693,647</u>
Total deductions	<u>20,429,406</u>	<u>17,386,568</u>
Change in net position	(13,905,359)	2,979,727
Net position at beginning of year	<u>1,535,662</u>	<u>(1,444,065)</u>
Net position at end of year	<u>\$ (12,369,697)</u>	<u>1,535,662</u>

See accompanying notes to the basic financial statements

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(1) Summary of Significant Accounting Policies
--

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

(a) Reporting Entity

The City of Victorville is situated approximately 97 miles northeast of Los Angeles in Southern California's Mojave Desert. The City was incorporated in 1962 and had an estimated population at June 30, 2016 of 123,510.

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, 2016, the City's staff comprised of 339 full and 97 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, 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, 2016

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

(a) Reporting Entity, (Continued)

Since City Council serves as the governing board for the Southern California Logistics Airport 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, 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).

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

(a) Reporting Entity, (Continued)

Victorville Water District, (Continued)

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, 2016.

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.

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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 discreetly presented component units. The City of Victorville has no discreetly 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.

(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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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.

Governmental Funds

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

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

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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.

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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.

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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.

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).

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

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

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

Additionally, the City reports the following fiduciary fund types:

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

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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 considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City of Victorville, and the cash recorded in the proprietary funds held by a fiscal agent.

(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, 2016.

(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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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.

(i) Capital Assets, (Continued)

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

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

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

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

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

(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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

(j) Compensated Absences. (Continued)

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.

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

(n) Estimates

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

(o) Loans Receivable

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

(p) Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets

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

Restricted Net Position

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

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.”

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

(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 90 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.

(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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

(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, 2015
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	June 30, 2014 to June 30, 2015

(t) Fair Value Measurements

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

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

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

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

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

(t) Fair Value Measurements, (Continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurements. These unobservable input reflect the City’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City’s own data.

(2) Cash and Investments

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 122,459,642
Cash with fiscal agents	28,963,219

Fiduciary funds:

Cash and investments	6,121,099
Cash with fiscal agents	<u>4,273,425</u>
Total cash and investments	<u>\$ 161,817,385</u>

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 9,670
Deposits with financial institutions	25,681,486
Investments	<u>136,126,229</u>
Total cash and investments	<u>\$ 161,817,385</u>

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

The table on the following page 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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(2) Cash and Investments, (Continued)

<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	30%	5%
Commercial Paper	No	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	5%
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	5 years	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

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

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

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the 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.

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	\$ 102,435,116	102,435,116	-	-	-
Certificates of Deposit	766,844	766,844	-	-	-
Held by bond trustee:					
Guaranteed Investment					
Contract (GIC)*	816,500	-	-	-	816,500
Certificates of Deposit	993,000	993,000	-	-	-
Money market funds	31,114,769	31,114,769	-	-	-
Total	\$ 136,126,229	135,309,729	-	-	816,500

* - 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, 2016, FSA was not in default and the value of the collateral met the requirements.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

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

Investment type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
State Investment Pool	\$102,435,116	N/A	-	102,435,116
Certificates of Deposit	766,844	N/A	-	766,844
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	31,114,769	Multiple*	31,114,769	-
Total	\$136,126,229		31,114,769	105,011,460

* - 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 of experience investing in money market instruments with assets under management in excess of \$500 million.

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(2) Cash and Investments, (Continued)

Custodial Credit Risk, (Continued)

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, \$24,908,944 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.

Fair Value Measurement

The City categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of June 30, 2016:

	Fair Value Hierarchy			Total
Investment type:	Level 1	Level 2	Level 3	
State Investment Pool	\$ -	102,435,116	-	102,435,116
Total	\$ -	102,435,116	-	102,435,116
Investments not subject to fair value reporting				33,691,113
Total Investments				\$ 136,126,229

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(3) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2016 is as follows:

Due to/from other funds:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Victorville Municipal Utility	General Fund	\$ 3,099,495 a)
SCLAA	Nonmajor gov't funds	1,720,578 a)
Sanitary Fund	Nonmajor gov't funds	1,455,927 a)
Sanitary Fund	Solid Waste	<u>1,257,803 a)</u>
	Total	<u>\$ 7,533,803</u>

Advances to/from other funds:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Solid Waste Management	City Golf Course	\$ 6,437,422 b)
SCLAA	Capital Impact Facilities	1,929,341 c)
Nonmajor Gov't funds	Capital Impact Facilities	1,168,505 d)
Nonmajor Gov't funds	SCLAA	<u>1,742,931 e)</u>
	Total	<u>\$ 11,278,199</u>

Generally, the above balances result from:

- a) These represent short term borrowings to cover negative cash balances due to federal grant funds that must be paid out before reimbursement is received. It is anticipated these funds will come in from reimbursements received in FY 16-17.
- b) 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, 2016 is \$6,437,422.
- c) Per a loan agreement signed on September 21, 2010, by the board of the SCLAA, a \$1,895,000 advance was made from the SCLAA to the Capital Impact Facilities Fund. The advance is to be used for the purchase of land. The advance has a term of repayment to automatically renew the loan until there are sufficient funds to repay. The advance has an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. Throughout the life of the loan \$25,144 in interest has been paid. The outstanding balance of the advance as of June 30, 2016 is \$1,929,341.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

- d) 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, 2016 is \$1,168,505.

- e) 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. In accordance with the Housing Asset Transfer report approved by the California Department of finance this loan was transferred to the City Housing Asset Successor Agency fund during fiscal year 2015-16. The outstanding balance of the advance as of June 30, 2016 is \$1,742,931.

Transfers in/out:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor gov't funds	\$ 154,925 a)
Nonmajor gov't funds	Nonmajor gov't funds	63,296 b)
Water Fund	Sanitary Fund	824,820 c)
Golf Course Fund	General Fund	778,824 d)
	Total	\$ 1,821,865

- a) The transfer of \$154,925 to the General Fund was from the Traffic Safety fund to support engineering functions of traffic safety.

- b) The Federal Grant fund transfer of \$63,296 to the Measure I fund to reimburse for expenditures incurred in this fund made in error.

- c) The Sanitary fund transfer of \$804,080 to Wastewater fund and \$20,740 to Reclaimed Water fund for the establishment of each fund.

- d) The General fund transfer of \$778,824 to the Golf Course fund consists of \$214,115 to support the last payment of the irrigation system and \$564,709 to balance budgeted expenditures.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(4) Capital Assets

Governmental activities

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance at 7/1/2015	Additions	Deletions	Transfers	Balance at 6/30/2016
Non-depreciable assets:					
Land	\$ 47,580,792	5,799,607	(1,470,150)	-	51,910,249
Right of way	180,001,603	-	-	-	180,001,603
Construction in progress	4,306,067	9,744,920	(2,371,168)	(6,323,949)	5,355,870
Total non-depreciable assets	<u>231,888,462</u>	<u>15,544,527</u>	<u>(3,841,318)</u>	<u>(6,323,949)</u>	<u>237,267,722</u>
Depreciable assets:					
Buildings and improvements	69,927,427	54,028	(5,000)	1,345,554	71,322,009
Furniture and equipment	13,234,235	982,598	(195,824)	-	14,021,009
Computer and communications	3,220,827	435,412	(65,346)	-	3,590,893
Land Improvements	14,898,226	15,241	-	-	14,913,467
Vehicles	3,591,211	36,093	(60,000)	98,053	3,665,357
Infrastructure	503,890,709	140,038	-	6,323,949	510,354,696
Intangible assets:					
Computer Software	1,369,171	82,696	(64,999)	-	1,386,868
Right-of-way easements	10,000	-	-	-	10,000
Total depreciable assets	<u>610,141,806</u>	<u>1,746,106</u>	<u>(391,169)</u>	<u>7,767,556</u>	<u>619,264,299</u>
Less accumulated depreciable:					
Buildings and improvements	(23,199,202)	(2,005,251)	5,000	(1,345,554)	(26,545,007)
Furniture and equipment	(11,347,696)	(616,918)	195,824	-	(11,768,790)
Computer and communications	(2,992,302)	(88,305)	65,346	-	(3,015,261)
Land Improvements	(42,575)	(1,489,950)	-	-	(1,532,525)
Vehicles	(3,006,847)	(74,492)	60,000	(98,053)	(3,119,392)
Infrastructure	(315,205,986)	(14,789,632)	-	-	(329,995,618)
Intangible assets:					
Computer Software	(1,282,465)	(22,366)	64,999	-	(1,239,832)
Right-of-way easements	(10,000)	-	-	-	(10,000)
Total accumulated depreciation	<u>(357,087,073)</u>	<u>(19,086,914)</u>	<u>391,169</u>	<u>(1,443,607)</u>	<u>(377,226,425)</u>
Total depreciable assets, net	<u>253,054,733</u>	<u>(17,340,808)</u>	<u>-</u>	<u>6,323,949</u>	<u>242,037,874</u>
Capital assets, net	<u>\$ 484,943,195</u>	<u>(1,796,281)</u>	<u>(3,841,318)</u>	<u>-</u>	<u>479,305,596</u>

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

General government	\$ 7,722,061
Public safety	480,607
Community development	10,064
Public works	9,213,637
Parks and recreation	1,660,545
Total	<u>\$ 19,086,914</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(4) Capital Assets, (Continued)

Business-type activities

The following is a summary of capital assets for enterprise funds at June 30, 2016:

	Balance at 7/1/2015	Additions	Deletions	Transfers	Balance at 6/30/2016
Non-depreciable assets:					
Land and easements	\$ 32,732,451	408,505	-	-	33,140,956
Intangibles – service credit	3,780,000	-	-	-	3,780,000
Water rights	12,678,475	-	-	-	12,678,475
Idle assets	3,017,958	-	-	-	3,017,958
Construction in progress	6,349,399	7,165,217	-	(5,169,289)	8,345,327
Total non-depreciable assets	<u>58,558,283</u>	<u>7,573,722</u>	<u>-</u>	<u>(5,169,289)</u>	<u>60,962,716</u>
Depreciable assets:					
Buildings and improvements	230,146,520	232,559	(2,701,693)	-	227,677,386
Furniture and equipment	47,693,721	810,281	(431,976)	-	48,072,026
Computer and communication	1,149,067	18,233	(29,304)	-	1,137,996
Vehicles	4,349,179	399,026	(74,529)	-	4,673,676
Infrastructure	335,703,778	6,079,585	(1,085,602)	5,169,289	345,867,050
Intangibles - water related	2,163,275	44,302	(184,892)	-	2,022,685
Intangibles – software	1,388,907	-	-	-	1,388,907
Land improvements	565,969	105,090	-	-	671,059
Total depreciable assets	<u>623,160,416</u>	<u>7,689,076</u>	<u>(4,507,996)</u>	<u>5,169,289</u>	<u>631,510,785</u>
Less accumulated depreciation:					
Buildings and improvements	(100,789,656)	(5,568,070)	1,463,158	-	(104,894,568)
Furniture and equipment	(24,579,171)	(4,205,434)	429,329	-	(28,355,276)
Computer and communication	(948,300)	(87,809)	29,304	-	(1,006,805)
Vehicles	(3,343,238)	(221,414)	74,529	-	(3,490,123)
Infrastructure	(128,621,122)	(9,602,685)	946,650	-	(137,277,157)
Intangibles - water related	(831,358)	(282,400)	-	-	(1,113,758)
Intangibles - software	(822,675)	(277,175)	-	-	(1,099,850)
Land improvements	(183,073)	(57,473)	-	-	(240,546)
Total accumulated depreciation	<u>(260,118,593)</u>	<u>(20,302,460)</u>	<u>2,942,970</u>	<u>-</u>	<u>(277,478,083)</u>
Total depreciable assets, net	<u>363,041,823</u>	<u>(12,613,384)</u>	<u>(1,565,026)</u>	<u>5,169,289</u>	<u>354,032,702</u>
Capital assets, net	<u>\$ 421,600,106</u>	<u>(5,039,662)</u>	<u>(1,565,026)</u>	<u>-</u>	<u>414,995,418</u>

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

Water	\$ 10,175,996
Airport	6,840,988
Municipal utility	1,450,704
Solid waste management	212,598
Sanitary	1,145,273
Golf course	476,901
Total	<u>\$ 20,302,460</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(4) Capital Assets, (Continued)

Successor Agency activities

The following is a summary of capital assets for fiduciary funds at June 30, 2016:

	<u>Balance at</u> <u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/2016</u>
Non-depreciable assets:				
Land	\$ 2,241,575	-	(2,241,575)	-
Total non-depreciable assets	<u>2,241,575</u>	<u>-</u>	<u>(2,241,575)</u>	<u>-</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>(1,448,036)</u>	<u>-</u>
Less accumulated depreciation:				
Buildings and improvements	(1,352,128)	-	1,352,128	-
Furniture and equipment	(72,385)	-	72,385	-
Vehicles	(23,523)	-	23,523	-
Total accumulated depreciation	<u>(1,448,036)</u>	<u>-</u>	<u>1,448,036</u>	<u>-</u>
Total depreciable assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>\$ 2,241,575</u>	<u>-</u>	<u>(2,241,575)</u>	<u>-</u>

(5) Land Held for Resale

As of June 30, 2016, the Successor Agency to the Victorville Redevelopment Agency (RDA) and the City Housing Asset Successor Agency had acquired and developed parcels of land in the Bear Valley and Old Town/Midtown project areas. These parcels were purchased for the purpose of providing incentives to developers in order to construct future commercial projects on the property, and are recorded as land held for resale at the recorded amounts of \$13,401,849 and \$12,014,214, respectively.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(6) Long-Term Notes Receivable

Affordable Housing Loans Receivable

The City has entered into agreements with developers to establish various affordable housing project loans, as described below:

Pacific West Communities

In February 2010, the former RDA entered into an affordable housing loan agreement with Pacific West Communities to develop a housing project. The note accrues interest at 3% annual and repayments are based on earning of the housing facility. The excepted payoff date is February 17, 2050. At June 30, 2016, the City Housing Asset Successor Agency has recorded outstanding loan receivable balance of \$4,526,230.

Southern California Housing Development Corporation

In December 2001, the former RDA entered into an affordable housing loan agreement with Southern California Housing Development Corporation to develop the Impressions at Valley Center housing project. The note accrues interest at 3% annual and repayments are based on earning of the housing facility. The excepted payoff date is December 20, 2041. At June 30, 2016, the City Housing Asset Successor Agency has recorded outstanding loan receivable balance of \$985,775.

In December 2005, the former RDA entered into an affordable housing loan agreement with Southern California Housing Development Corporation to develop the Northgate Apartments housing project. The note accrues interest at 3% annual and repayments are based on earning of the housing facility. The excepted payoff date is December 15, 2045. At June 30, 2016, the City Housing Asset Successor Agency has recorded outstanding loan receivable balance of \$3,959,423.

In December 2001, the HUD Grants Fund entered into an affordable housing loan agreement with Southern California Housing Development Corporation to develop the Amcal Hillcrest Court housing project. The note accrues interest at 3% annual and repayments are based on earning of the housing facility. The excepted payoff date is December 20, 2041. At June 30, 2016, the HUD Grants Fund has recorded outstanding loan receivable balance of \$659,500.

Housing Assistance Grants

In conjunction with the City's Mortgage Assistance Program, the City provides loans up to \$55,000 to low income first time homebuyers. The loans act as down payment assistance and are deferred for up to 30 years as long as the eligible buyer occupies the property as its principal residence and is not in default under the affordability covenants and resale restrictions. The loans accrue simple interest at 3% per year. At June 30, 2016, the HUD Grants Fund has recorded outstanding loan receivable balance of \$659,499.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Balance at July1, 2015	Additions	Retirements	Balance at 6/30/2016	Due Within One year
Compensated Absences	\$ 2,953,758	2,039,546	(1,637,379)	3,355,925	1,577,285
Claims Payable	1,070,443	346,835	(272,258)	1,145,020	300,000
Pollution Remediation Obligation	-	1,532,321	-	1,532,321	156,905
Totals	\$ 4,024,201	3,918,702	(1,909,637)	6,033,266	2,034,190

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$3,355,925 at June 30, 2016 will be paid in future years from future resources, generally liquidated by the General Fund.

Pollution Remediation

In February 2007, the City acquired a property that was previously used as a dry cleaning facility. In May 2010, the United States Environmental Protection Agency ("US EPA") issued the Unilateral Administrative Order for the performance of a removal action to City and the prior owner, due to the presence of tetrachloeythyne ("PCE" aka dry cleaning solvent) contamination on site.

The UAO ordered the City to conduct the necessary environmental investigation related to the presence of PCE on the property and thereafter conduct the remediation necessary to remediate the soil and groundwater contamination found. The United States EPA has taken action against the City and the prior owner pursuant to its authority under CERCLA section 104, and in response to the UAO, City has undertaken the damages that the EPA has the right to assess for failure to comply an EPA order. The investigation was conducted under the supervision and guidance of the US EPA. In June, 2011, the US EPA issues a "Notice of Completion" letter related to soil contamination at the Site.

The City has drafted a Project Execution Plan (PEP) for the remedial efforts of groundwater contamination. Based upon ground water monitoring reports, the PEP estimates that the total project costs associated with the groundwater contamination remediation to be \$1,532,321, and the duration of the efforts to be 2 years. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. As of June 30, 2016, the City has recorded a Pollution Remediation liability of \$1,532,321.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(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, 2016 is as follows:

	Balance at 7/1/2015	Additions	Retirements	Balance at 6/30/2016	Due Within One Year
Compensated Absences	\$ 470,776	467,501	(415,428)	522,849	392,136
Claims Payable	-	1,027,500	-	1,027,500	1,027,500
Lease Purchase Agreements:					
Key Government Finance	202,699	-	(202,699)	-	-
Burrtec Industries	<u>144,032</u>	-	<u>(144,032)</u>	-	-
Lease Subtotal	<u>346,731</u>	-	<u>(346,731)</u>	-	-
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	20,250,000	-	(905,000)	19,345,000	945,000
2006 Tax Allocation Bonds (Non-Housing)	54,100,000	-	(940,000)	53,160,000	980,000
2006 Tax Allocation Bonds (Housing)	14,535,000	-	(255,000)	14,280,000	265,000
2006 Tax Allocation Parity Bonds	42,305,000	-	(110,000)	42,195,000	120,000
2006 Tax Allocation Revenue Parity Bonds	32,625,000	-	(420,000)	32,205,000	445,000
2006 Tax Allocation Revenue Bonds	59,320,000	-	(800,000)	58,520,000	845,000
2007 Tax Allocation Bonds (Housing)	37,160,000	-	(560,000)	36,600,000	585,000
2007 Tax Allocation Bonds (Non-Housing) *	40,185,000	-	(485,000)	39,700,000	39,700,000
2008 Tax Allocation Bonds *	<u>18,084,460</u>	<u>921,101</u>	<u>(75,000)</u>	<u>18,930,561</u>	<u>18,930,561</u>
Tax Allocation Bonds Subtotal	<u>318,564,460</u>	<u>921,101</u>	<u>(4,550,000)</u>	<u>314,935,561</u>	<u>62,815,561</u>
Lease Revenue Bonds:					
2007A Variable Rate Lease Revenue Bond	53,070,000	-	-	53,070,000	1,145,000
Revenue Refunding Bonds:					
2004 Refunding Bonds	1,155,000	-	(210,000)	945,000	220,000
Certificates of Participation (COP):					
1998 COPs	1,475,000	-	(120,000)	1,355,000	120,000
2006 COPs	<u>10,990,000</u>	-	<u>(310,000)</u>	<u>10,680,000</u>	<u>320,000</u>
COP Subtotal	<u>12,465,000</u>	-	<u>(430,000)</u>	<u>12,035,000</u>	<u>440,000</u>
Unamortized Discounts/Premiums	<u>(2,668,636)</u>	-	<u>96,581</u>	<u>(2,572,055)</u>	<u>96,581</u>
Total	<u>\$ 383,403,331</u>	<u>2,416,102</u>	<u>(5,855,578)</u>	<u>379,963,855</u>	<u>66,136,778</u>

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

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$522,849 at June 30, 2016, 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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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.

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

Bonds maturing on December 1, 2010, December 1, 2016, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 in the amounts of \$2,765,000, \$3,365,000, \$5,140,000, \$6,335,000, \$7,870,000 and \$15,335,000 are term bonds. The outstanding bonds bear interest at 3.50% to 5.00% due June 1 and December 1 of each year.

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

The bonds maturing on December 1, 2010, December 1, 2016, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2012, December 1, 2016, December 1, 2021, December 1, 2026, and December 1, 2031, respectively, from sinking fund payments made by SCLAA.

In the fiscal year ended June 30, 2006 these bonds were partially defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2005 (Non-Housing). The required reserve for the Bonds is \$1,797,890. As of June 30, 2016 the reserve amount was \$1,798,163. 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, 2016 is \$19,345,000.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

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

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

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

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

The required reserve for the bonds is \$3,519,300. As of June 30, 2016, the reserve amount was \$3,519,484. 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, 2016 is \$53,160,000.

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

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

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

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

The required reserve for the bonds is \$945,975. As of June 30, 2016, the reserve amount was \$946,051. 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, 2016 is \$14,280,000.

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

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

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

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

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

The required reserve for the bonds is \$4,403,373. As of June 30, 2016, the reserve amount was \$4,403,556. 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, 2016 is \$42,195,000.

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

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, 2016, the reserve amount was \$2,476,586. 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, 2016 is \$32,205,000.

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

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

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

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

The bonds are secured by pledged tax revenues. The required reserve for the bonds is \$4,389,930. As of June 30, 2016, the reserve amount was \$4,389,944. 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, 2016 is \$58,520,000.

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

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

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007, (Continued)

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, 2016, the reserve amount consisting of fiscal agent cash and an insurance policy was \$1,301,273. 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, 2016 is \$36,600,000.

Subordinate Tax Allocation Revenue Bonds, Series 2007

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

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

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

The bonds maturing on the dates described above are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2010, December 1, 2013, December 1, 2018, December 1, 2023, December 1, 2028, December 1, 2028, 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, 2016, the reserve amount was \$381,021. 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, 2016 is \$39,700,000.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

Subordinate Tax Allocation Revenue Bonds, Series 2008

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

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

Bonds maturing on December 1 of each year beginning 2044 through 2050 in the initial principal amounts of \$1,316,266, \$1,216,397, \$1,123,621, \$1,037,536, \$957,600, \$883,633, and \$814,910 are Capital Appreciation Bonds. The outstanding bonds bear yields to maturity of 7.300%, 7.320%, 7.340%, 7.360%, 7.380%, 7.400% and 7.420%. All of the bonds have a future maturity value of \$132,305,000 at June 30, 2016.

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, 2016, the reserve amount was \$160,234. 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, 2016 is \$18,930,561, which includes an accretion balance of \$5,870,636.

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

Variable Rate Lease Revenue Bonds, Series 2007A, (Continued)

The required reserve for the Bonds is \$5,872,900. As of June 30, 2016, the reserve amount was \$5,878,065. 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, 2016 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. 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, 2016, the City was in compliance with the rate covenants.

The required reserve for the bonds is \$535,490. As of June 30, 2016, the reserve amount was \$535,490. The City of Victorville's 50% amount of bonds outstanding at June 30, 2016 is \$945,000.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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, 2016 is \$1,355,000.

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, 2016 is \$10,680,000.

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, 2016. 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, 2016, the Southern California Logistics Airport Authority (SCLAA) had accumulated outstanding defaults on principal and interest debt service payments for the following debt issues:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Subordinate Tax Allocation Rev Bonds, 2007	\$ 1,595,000	6,935,768	8,530,768
Subordinate Tax Allocation Rev Bonds, 2008A	235,000	330,125	565,125

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

SCLAA Defaults on Bonded Debt. (Continued)

The following shows the changes to the default amounts during FY 2015/16 for the two bond issues in default:

	Subordinate Tax Allocation Revenue <u>Bonds, 2007</u>	Subordinate Tax Allocation Revenue <u>Bonds, 2008A</u>	<u>Total</u>
Default Balance 7/1/2015	\$ 7,310,416	225,000	7,535,416
Principal Default 12/1/15	560,000	85,000	645,000
Interest Defaults 12/1/15 & 6/1/16	2,311,923	330,125	2,642,048
Pmt of 12/1/12 Principal Default	(485,000)	(75,000)	(560,000)
Pmt of 6/1/13 Interest Default	<u>(1,166,571)</u>	-	<u>(1,166,571)</u>
Default Balance 6/30/2016	<u>\$ 8,530,768</u>	<u>565,125</u>	<u>9,095,893</u>

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

Taxable Subordinate Tax Allocation Rev Bonds, 2006	\$788,690
--	-----------

Draw on Reserves with the Trustee for the June 1, 2016 debt service payments was as follows:

Subordinate Tax Allocation Rev Bonds, 2007	\$110,335
--	-----------

In June 2016, payments were made on the past due debt service for both the Subordinate Tax Allocation Revenue Bonds, 2007 and the Subordinate Tax Allocation Revenue Bonds, 2008A. Both principal and interest was paid, starting with the oldest defaults, as advised by Bond Counsel for the SCLAA.

Going forward, as stated in BNY Mellon's Notice to Bond Holders dated October 14, 2016, surplus funds will be used to pay all past due interest first and then current interest, or be held for the next due interest payment. Any funds remaining will be deposited in the Reserve Account until the Reserve Account contains the required amount set forth in the Bond Indenture. Any surplus funds then shall then be deposited into the Principal Accounts and used to pay the principal of the Bonds at their maturity, starting with the oldest unpaid matured bonds.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

SCLAA Defaults on Bonded Debt. (Continued)

Reserve Accounts for both the Subordinate Tax Allocation Revenue Bonds, 2007 and the Subordinate Tax Allocation Revenue Bonds, 2008A do not meet the reserve requirements as of 6/30/16. Reserve funds held by the Trustee have been used toward debt service interest payments in order to limit the amount of defaults for these bonds. As of 6/30/16, 13% of the Reserve Account is funded for the Subordinate Tax Allocation Revenue Bonds, 2007 and 12% of the Reserve Account is funded for the Subordinate Tax Allocation Revenue Bonds, 2008A. On 5/26/16, \$4,113,093 was sent to the Trustee for the Subordinate Taxable Revenue Bonds, 2006 to fully fund the Reserve Account for this bond issue and meet the reserve requirement set forth in the Bond Indenture.

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

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

In Fiscal Year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Since that time, there has been a significant decrease in assessed value for this area. 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 and for Fiscal Year 15/16 the assessed value was approximately \$7.5 billion. The decrease since Fiscal Year 08/09 was largely the result of the economic downturn and the housing market crisis.

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

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(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, 2016, are as follows for each fiscal year ending June 30:

Year Ending June 30	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
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	5,920,000	15,516,539	530,000	465,695	1,405,000	719,969	-	-
2022-26	34,535,000	72,470,929	2,815,000	1,951,456	8,240,000	3,258,650	-	-
2027-31	44,665,000	62,475,395	2,655,000	1,355,924	10,675,000	2,568,081	-	-
2032-36	58,425,000	48,996,792	3,360,000	630,500	13,835,000	1,673,656	-	-
2037-41	77,350,000	29,814,125	775,000	19,375	13,960,000	519,550	-	-
2042-46	94,185,000	5,796,037	-	-	-	-	-	-
2047-51	92,255,000	-	-	-	-	-	-	-
Subtotal	<u>428,310,000</u>	<u>299,999,687</u>	<u>12,035,000</u>	<u>6,499,158</u>	<u>53,070,000</u>	<u>11,811,188</u>	<u>945,000</u>	<u>122,613</u>
Discounts / Premiums	<u>(2,643,406)</u>	<u>-</u>	<u>107,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,512)</u>	<u>-</u>
Total	<u>\$ 425,666,594</u>	<u>299,999,687</u>	<u>12,142,863</u>	<u>6,499,158</u>	<u>53,070,000</u>	<u>11,811,188</u>	<u>908,488</u>	<u>122,613</u>

* This total includes capital appreciation of \$113,374,439 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, 2016 is as follows:

	Balance at July 1, 2015	Additions	Retirements	Balance at June 30, 2016	Due Within One Year
Redevelopment Agency Debt:					
Tax Allocation Bonds:					
2002A Tax Allocation Bonds	\$ 7,235,000	-	(290,000)	6,945,000	295,000
2003A Tax Allocation Bonds	7,660,000	-	(300,000)	7,360,000	315,000
2003B Tax Allocation Bonds	3,765,000	-	(145,000)	3,620,000	155,000
2006A Tax Allocation Bonds	19,775,000	-	(375,000)	19,400,000	400,000
Totals	<u>\$ 38,435,000</u>	<u>-</u>	<u>(1,110,000)</u>	<u>37,325,000</u>	<u>1,165,000</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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 \$649,798. As of June 30, 2016, the reserve amount consisting of fiscal agent cash and an insurance policy was \$650,390. 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, 2016 is \$6,945,000.

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, 2016

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

2003 Tax Allocation Bonds, Series A, (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, 2016, the reserve amount consisting of fiscal agent cash and an insurance policy was \$687,564. 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, 2016 is \$7,360,000.

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, 2016, the reserve amount consisting of fiscal agent cash and an insurance policy was \$341,110. 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, 2016 is \$3,620,000.

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, 2016

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

2006 Taxable Tax Allocation Parity Bonds, Series A, (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, 2016, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,087,466. 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, 2016 is \$19,400,000.

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2016, are as follows for each fiscal year ending June 30:

Year Ending	Principal	Interest
<u>June 30</u>	<u> </u>	<u> </u>
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	1,420,000	1,766,854
2022-26	8,315,000	7,581,009
2027-31	10,815,000	5,007,434
2032-36	11,380,000	1,569,872
2037	<u>370,000</u>	<u>11,100</u>
Total	<u>\$ 37,325,000</u>	<u>23,682,083</u>

Advances to/from the former Victorville Redevelopment Agency

The composition of advances to or from the former Victorville RDA as of June 30, 2016 is as follows:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Successor Agency *	SCLAA	\$ 10,278,395 a)
SCLAA	Successor Agency *	<u>2,558,202 b)</u>
		<u>\$ 12,836,597</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

- a) 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 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, 2016 is \$10,278,395.

- b) 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, 2016 is \$2,558,202.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(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	\$ 5,343,346	3,195,756	60%
Property Tax Increment pledged by the Southern California Logistics Airport Authority	25,175,952	21,584,521	86%

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(11) Fund Disclosures

Fund balances of governmental funds at June 30, 2016 consisted of the following reserves:

	General Fund	Capital Impact Facilities Fund	Non-Major Governmental	Total
Fund balances:				
Nonspendable:				
Prepaid items	\$ 16,322	-	2,040	18,362
Inventories	175,681	-	-	175,681
Restricted for:				
Public Safety	-	-	85,628	85,628
Highways and street projects	-	-	30,515,913	30,515,913
Community development	-	-	25,631,520	25,631,520
Unassigned	4,701,970	444,139	(3,030,898)	2,115,211
Total fund balances	\$ 4,893,973	444,139	53,204,203	58,542,315

The following funds had deficit fund balances/net position as of June 30, 2016:

	Deficit Fund Balance
Nonmajor Special Revenue Funds:	
Other Federal Grants Fund	\$ (2,613,007) (a)
Other State / Local Grants Fund	(417,891) (a)
Enterprise Funds:	
SCLAA	(127,871,902) (b)
Municipal Utility Fund	(15,510,995) (c)

(a) 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.

(b) See footnote 20 for further information regarding the deficit balance in the SCLAA fund.

(c) 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, 2016

(12) Pension Plan – Agent Plan

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

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, 2016, 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	17.04%	17.04%
	Miscellaneous	
Inactive employees or beneficiaries currently receiving benefits	284	
Inactive employees entitled to but not yet receiving benefits	446	
Active employees	346	
Total	1,076	

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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 contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2015 (the measurement date), the average active employee contribution rate is 8.000 percent of annual pay, and the average employer's contribution rate is 15.987 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, 2015 (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	7.65%
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
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality Rate Table	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 Basic Financial Statements

For the year ended June 30, 2016

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

All other actuarial assumptions used in the June 30, 2014 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 7.65 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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.

Discount Rate, (Continued)

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 (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each 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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

The plan fiduciary net position (assets) disclosed in the GASB report may differ from the plan assets reported in the 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 the 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, 2016

(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: 6/30/2014 (VD)	<u>\$148,533,134</u>	<u>120,708,194</u>	<u>27,824,940</u>
Changes Recognized for the Measurement Period:			
Service Cost	3,399,557	-	3,399,557
Interest on the Total Pension Liability	10,950,745	-	10,950,745
Change in Assumptions	(2,900,838)	-	(2,900,838)
Differences between Expected and Actual Experience	(1,452,436)	-	(1,452,436)
Plan to Plan Resource Movement	-	29,796	(29,796)
Contributions from the Employer	-	3,132,116	(3,132,116)
Contributions from Employees	-	1,655,311	(1,655,311)
Net Investment Income	-	2,712,238	(2,712,238)
Benefit Payments, including Refunds of Employee Contributions	(5,465,312)	(5,465,312)	-
Administrative Expense	-	(138,171)	138,171
Net Changes during 2014-15	<u>4,531,716</u>	<u>1,925,978</u>	<u>2,605,738</u>
Balance at: 6/30/2015 (MD)	<u>\$153,064,850</u>	<u>122,634,172</u>	<u>30,430,678</u>

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

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

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	\$ 52,883,540	30,430,678	12,106,185

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).

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

The EARSL for the Plan for the June 30, 2015 measurement date is 3.1 years, which was obtained by dividing the total service years of 3,363 (the sum of remaining service lifetimes of the active employees) by 1,076 (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, 2015 (the measurement date), the City of Victorville recognized a pension expense of \$1,497,719 for the Plan.

As of June 30, 2016, 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	\$ 3,393,241	-
Changes of Assumptions	-	(1,965,084)
Differences between Expected and Actual Experiences	-	(983,908)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(985,823)
Total	\$ 3,393,241	(3,934,815)

Employer contributions subsequent to the measurement date reported as deferred outflows of resources in the amount of \$3,393,241 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
2016	\$ (2,161,673)
2017	(2,161,673)
2018	(897,817)
2019	1,286,348
2020	-
Thereafter	-

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(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, 2016, are summarized as follows:

	<u>Safety</u>	
	<u>Prior to</u> <u>January 1, 2013</u>	<u>On or after</u> <u>January 1, 2013</u>
Hire date		
Benefit formula	2.0% @ 50	2.0% @ 50
Benefit vesting schedule	5 years service	5 years 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	20.08%	20.08%

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, 2015.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 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	7.65%
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
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality Rate Table	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.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(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 (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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.

- (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).

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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: 6/30/2014 (VD)	\$ 33,524,593	25,775,967	7,748,626
Balance at: 6/30/2015 (MD)	33,573,770	24,611,776	8,961,994
Net Changes during 2014-15	\$ 49,177	(1,164,191)	1,213,368

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

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

	Discount Rate - 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan’s Net Pension Liability	\$ 14,369,154	8,961,994	4,528,222

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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 PERF C for the June 30, 2015 measurement date is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (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, 2015 (the measurement date), the City of Victorville recognized a pension expense of \$569,363 for the Plan.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

As of June 30, 2016, 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	\$ 627,842	-
Adjustment due to Differences in Proportions	319,881	
Differences between employer contributions and proportionate share of contributions	-	(294,161)
Changes of Assumptions	-	(354,447)
Differences between Expected and Actual Experiences	-	(77,064)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(450,093)
Total	\$ 947,723	(1,175,765)

Employer contributions subsequent to the measurement date reported as deferred outflows of resources in the amount of \$627,842 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 \$294,161. 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).

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:

Measure Period Ended June 30:	Deferred (Inflows) of Resources
2016	\$ (350,639)
2017	(360,620)
2018	(365,140)
2019	220,515
2020	-
Thereafter	-

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(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

The City of Victorville contributes to two single-employer defined benefit healthcare plans: City Retiree Healthcare Plan (City Plan) and Water District Retiree Healthcare Plan (District Plan). The plan description and other related information for each plan are included below.

Other Post-Employment Benefits Plan – City Plan

Plan Descriptions. The City Plan provides medical benefits to eligible retired City employees and beneficiaries in accordance with various labor agreements. The plan covers employees who retire directly from the City with 8 years of service. The City provides a contribution up to a certain amount (a portion of the Health Net HMO single premium). The percentage varies based on years of City service.

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2016, the City contributed \$192,026 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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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 Plan
Annual required contribution	\$ 2,186,000
Interest on net OPEB obligation	635,000
Adjustment to annual required contribution	(1,377,000)
Annual OPEB cost (expense)	1,444,000
Contributions made	(75,026)
Implied subsidy	(117,000)
Increase in net OPEB cost (expense)	1,251,974
Net OPEB obligation – beginning of year	15,935,842
Net OPEB obligation – end of year	\$ 17,187,816

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 Ended	Annual OPEB Cost	Actual Contribution	Percentage Contributed
6/30/2014	\$ 2,701,000	195,291	7.23%
6/30/2015	1,367,000	203,558	14.89%
6/30/2016	1,444,000	192,026	13.30%

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 the 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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(15) Post Employment Benefit Plan, (Continued)

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 between 7.5% and 5.5% per year for Non-Medicare plans and between 7.8% and 5.5% per year for Medicare plans for 5 years and 5.0% thereafter.

Schedule of Funding Progress

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

Actuarial Date	Actuarial Assets	Actuarial			Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Accrued Liability Entry Age	Unfunded AAL (UAAL)				
6/30/2010	\$ -	24,903,000	24,903,000	0.00%	21,175,000	118%	
6/30/2012	-	24,663,000	24,663,000	0.00%	15,896,000	155%	
6/30/2014	-	17,749,000	17,749,000	0.00%	16,861,000	105%	

Other Post-Employment Benefits Plan – Water District Plan

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

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2016, the District contributed \$108,650 to the plan. The District has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(15) Post Employment Benefit Plan, (Continued)

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:

	<u>District Plan</u>
Annual required contribution	\$ 887,000
Interest on net OPEB obligation	68,000
Adjustment to annual required contribution	<u>(147,000)</u>
Annual OPEB cost (expense)	808,000
Contributions made	(80,650)
Implied subsidy	<u>(28,000)</u>
Increase in net OPEB cost (expense)	699,350
Net OPEB obligation – beginning of year	<u>1,723,930</u>
Net OPEB obligation – end of year	<u>\$ 2,423,280</u>

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):

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2014	\$ 285,000	105,789	37.12%
6/30/2015	768,000	115,204	15.00%
6/30/2016	808,000	108,650	13.45%

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(15) Post Employment Benefit Plan, (Continued)

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 the 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 between 7.5% and 5.5% per year for Non-Medicare plans and between 7.8% and 5.5% per year for Medicare plans for 5 years and 5.0% thereafter.

Schedule of Funding Progress

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

Actuarial Date	Actuarial Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL (UAAL)	Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	\$ -	5,505,000	5,505,000	0.00%	1,380,000	399%
6/30/2012	-	3,649,000	3,649,000	0.00%	1,036,000	352%
6/30/2014	-	7,645,000	7,645,000	0.00%	942,000	812%

(16) Jointly Governed Organizations

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

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(16) Jointly Governed Organizations, (Continued)

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 (the Authority) 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 Governing body of the Authority is made up of representatives from each significant participant in the Authority. Budgeting and financing are the responsibility of the Authority. Contributions Rates from member agencies are based on each member's current population as a percentage of the total population of the Authority. The Authority does not own the facility that is used in the recycling operation. Rather, the facility is owned by the City and the Town of Apple Valley, each of which has a 50% interest in the facility. The City's investment in the Authority has been recorded using the equity method of accounting and is reflected as an investment in joint venture in the Solid Waste Fund of the accompanying financial statements.

The following schedule summarizes the City's investment in the Authority as of June 30, 2016 and the gain (loss) on the investment for the year then ended:

			City's Share of
			Joint Venture
Percentage	Total Joint	City's Equity	Net Income
<u>Ownership</u>	<u>Venture Equity</u>	<u>Interest</u>	<u>(Loss)</u>
50%	\$ 385,896	192,948	192,948

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, 2016

(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. Financial statements may be obtained by sending a written request to Victor Valley Economic Development Authority, 18374 Phantom Street, Victorville, CA 92394.

Victor Valley Transit Authority

The Victor Valley Transit Authority (VVTA) was formed in 1993 by the Cities of Victorville, Adelanto, and Hesperia, the Town of Apple Valley, and the County of San Bernardino. VVTA is the regional transit entity that was created to provide a public transit system for the entire region associated with the Victor Valley. The governing body of VVTA is made up of representatives from each significant participant in VVTA. Budgeting and financing are the responsibility of VVTA. The City of Victorville has agreed to sell monthly bus passes issued by VVTA and to remit between the first and tenth day of each month the previous month's sales receipts and proceeds. 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 \$7,174,169 to VWVRA for the year ended June 30, 2016. 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, 2016

(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.

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 2 years.

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

Year	Beginning Balance	Current Year Claims and Changes in Estimates *	Claim Payments	Ending Balance	Due within one year
2014-15	\$ 876,954	532,063	(338,574)	1,070,443	300,000
2015-16	1,070,443	1,374,335	(272,258)	2,172,520	300,000

* - The current year Claims and Changes in Estimates for fiscal year 2015-16 includes two claims not being administered by PERMA, in the amount of \$1,027,500.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(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, 2016 was \$785,000.

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, 2016 was \$750,000.

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, 2016 was \$2,655,000.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(18) Debt Without Government Commitment, (Continued)

The City is the collection and paying agent for the Community Facilities District No. 07-01 of the City of Victorville Special Tax Bonds, 2012. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2016 was \$2,790,000.

(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.

(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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(19) Commitments and Contingencies, (Continued)

(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 Shell Energy North America (US), L.P. in March 2016. These commitments extend through June 30, 2018. A long term power purchase agreement for the Boulder Canyon Project was executed between VMUS, the Western Area Power Administration, and the Bureau of Reclamation, effective October 1, 2016. The annual energy allocation from the Boulder Canyon Project represents approximately five percent of current VMUS customer requirements, and the term of the agreement runs from October 1, 2017, through September 30, 2067. In November 2015, VMUS amended the agreement with Noble America Energy Solutions (formerly Sempra Energy Solutions and recently acquired by Calpine Corporation) to extend scheduling coordination and other settlement services through December 31, 2017.

(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. For the year ended June 30, 2016 the City remitted \$320,746 to Macerich for sales tax revenue earned from January 2015 to December 2015. 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.

(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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(19) Commitments and Contingencies, (Continued)

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).

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.

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

(19) Commitments and Contingencies, (Continued)

Management

Stirling is allowed to lease or cause to be leased the EDC Parcels and shall participate in 20% of the Net Lease Revenue from any such leases. The Authority has retained the right to lease the PBT Parcels and retain revenues 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.

(f) La Mesa / Nisqualli Interchange

During the year ended June 30, 2014, the City completed construction of the La Mesa/Nisqualli Road Interchange. To finance the construction of the interchange, the City made arrangements for the San Bernardino Association of Governments (SANBAG) to reimburse the City for approximately 50% of the cost of the project. SANBAG used Measure I funds to reimburse the City.

As a result of this arrangement, the City's future allocation of Measure I funds was reduced by the amount of the funding that was provided for this project. The Measure I funds that were used for this project are not required to be repaid by the City to SANBAG. The portion of the project not funded by Measure I monies will be reimbursed by transfers from development impact fee funds of the City once those transfers have been authorized by City Council. During the year the City transferred \$1,000,000 of development impact fees to SANBAG resulting in an equal release of Measure I funds from SANBAG.

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

Southern California Logistics Airport Authority

During the current fiscal year, SCLAA had a net income before depreciation of \$13.9 million. After depreciation expense of \$6.8 million, SCLAA had net income of \$7.1 million. The SCLAA received a \$6.3 million capital contribution from the City during the fiscal year ended June 30, 2016. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	SCLAA Deficit Balance
Beginning Net Position	\$ (134,972,313)
Net income	7,100,412
Ending Net Position	<u>\$ (127,871,901)</u>

SCLAA Annual Debt Service Payments:

The SCLAA defaulted on debt service payments for SCLAA Subordinate Tax Allocation

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

Revenue Bonds, Series 2007 and 2008A. Use of reserves will be necessary to bridge the gap until the economy rebounds and tax increment exceeds debt service payments. As a result the cash held in reserve accounts for these debt issues are below required minimums. See footnote 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 2016 helped to subsidize the additional legal costs.

The budget for the General Fund in fiscal year 2016-2017 also estimates revenue to equal expenditures. The Reserve Policy requiring a minimum reserve of 5% was suspended on June 1, 2010. However, the 5% minimum reserve requirement was met as of June 30, 2016 with an unassigned General Fund reserve \$4,706,430 or a 8.94% 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, 2016, the SCLAA defaulted on the principal and interest payment, of \$1,745,961 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal and interest payment of \$255,063 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, 2016

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

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

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

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

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

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

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

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

City of Victorville

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

(23) Prior Period Adjustments

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

Below is a summary of prior period adjustments:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Business-Type Activities</u>	<u>Solid Waste Fund</u>
As previously reported	\$ 483,637,830	3,433,399	124,387,602	7,745,971
a) Deposits Payable	(592,635)	(592,635)	-	-
b) Accounts Payable	-	-	(701,387)	(701,387)
As restated	<u>\$ 483,045,195</u>	<u>2,840,764</u>	<u>123,686,215</u>	<u>7,044,584</u>

- a) During the fiscal year ended June 30, 2016 the City identified certain deposits payable which were recorded as revenues in prior years in error.
- b) During the fiscal year ended June 30, 2016 the City identified an item that was paid during the year ending June 30, 2016, but was incurred in prior years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORVILLE
Schedule of Changes in Net Pension Liability and Related
Ratios During the Measurement Period (Agent Plan)
Last Ten Fiscal Years*

Measurement Period	<u>2014-15</u>	<u>2013-14</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 3,399,557	3,479,263
Interest	10,950,745	10,425,889
Changes of Benefit Terms	-	-
Changes of Assumptions	(2,900,838)	-
Difference between Expected and Actual Experience	(1,452,436)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(5,465,312)</u>	<u>(5,288,466)</u>
Net Change in Total Pension Liability	4,531,716	8,616,686
Total Pension Liability – Beginning	<u>148,533,134</u>	<u>139,916,448</u>
Total Pension Liability – Ending (a)	<u>153,064,850</u>	<u>148,533,134</u>
PLAN FIDUCIARY NET POSITION		
Plan to Plan Resource Movement	29,796	-
Contributions – Employer	3,132,116	2,729,427
Contributions – Employee	1,655,311	1,675,275
Net Investment Income	2,712,238	18,040,044
Benefit Payments, Including Refunds of Employee Contributions	(5,465,312)	(5,288,466)
Administrative Expense	<u>(138,171)</u>	<u>(138,890)</u>
Net Change in Fiduciary Net Position	<u>1,925,978</u>	<u>17,017,390</u>
Plan Fiduciary Net Position – Beginning	<u>120,708,194</u>	<u>103,690,804</u>
Plan Fiduciary Net Position – Ending (b)	<u>122,634,172</u>	<u>120,708,194</u>
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 30,430,678</u>	<u>\$ 27,824,940</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.12%	81.27%
Covered-Employee Payroll	17,556,375	19,389,560
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	173.33%	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)
Last Ten Fiscal Years*

	Fiscal Year 2015-16	Fiscal Year 2014-15	Fiscal Year 2013-14
Actuarially Determined Contribution	\$ 3,504,788	3,132,116	2,729,426
Contributions in Relation to the Actuarially Determined Contribution	<u>(3,504,788)</u>	<u>(2,923,805)</u>	<u>(2,729,426)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>208,311</u>	<u>-</u>
Covered-Employee Payroll	19,918,813	17,556,375	19,389,560
Contributions as a Percentage of Covered-Employee Payroll	17.60%	17.84%	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)
Last Ten Fiscal Years*

	<u>Safety</u>	<u>Safety</u>
Measurement Date	6/30/2015	6/30/2014
Plan's Proportion of the Net Pension Liability (Asset)	0.21750%	0.20657%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,961,994	\$ 7,748,626
Plan's Covered-Employee Payroll**	N/A	N/A
Plan's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll**	N/A	N/A
Plan's Proportion of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.14%	0.15%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 837,337	\$ 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)
Last Ten Fiscal Years*

Fiscal Year	<u>Safety</u>	<u>Safety</u>	<u>Safety</u>
	2015-2016	2014-2015	2013-2014
Actuarially Determined Contribution	\$ 650,960	\$ 585,811	\$ 500,003
Contributions in relation to the Actuarially Determined Contribution	<u>(650,960)</u>	<u>(585,811)</u>	<u>(500,003)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Pay roll *	N/A	N/A	N/A
Contributions as a Percentage of Covered-Employee Pay roll **	N/A	N/A	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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 44,720,698	44,720,698	45,119,748	399,050
Licenses and permits	1,521,100	1,521,100	1,386,818	(134,282)
Intergovernmental	60,500	60,500	49,580	(10,920)
Charges for services	7,670,162	7,721,662	8,272,465	550,803
Fines and forfeitures	309,200	309,200	359,667	50,467
Investment income	60,000	60,000	48,679	(11,321)
Other	324,875	324,875	114,045	(210,830)
Total revenues	<u>54,991,410</u>	<u>55,042,910</u>	<u>55,351,002</u>	<u>308,092</u>
Expenditures:				
Current:				
General government	9,692,511	9,763,257	9,488,007	275,250
Public safety	36,094,287	36,147,428	35,490,973	656,455
Public works	4,765,667	4,815,667	4,571,971	243,696
Parks and recreation	3,697,567	3,699,067	3,122,943	576,124
Total expenditures	<u>54,250,032</u>	<u>54,425,419</u>	<u>52,673,894</u>	<u>1,751,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>741,378</u>	<u>617,491</u>	<u>2,677,108</u>	<u>2,059,617</u>
Other financing sources (uses):				
Transfers in	300,000	300,000	154,925	(145,075)
Transfers out	(802,536)	(802,536)	(778,824)	23,712
Total other financing sources (uses)	<u>(502,536)</u>	<u>(502,536)</u>	<u>(623,899)</u>	<u>(121,363)</u>
Net changes in fund balances	238,842	114,955	2,053,209	1,938,254
Fund balances at beginning of year, as restated (note 23)	<u>2,840,764</u>	<u>2,840,764</u>	<u>2,840,764</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,079,606</u>	<u>2,955,719</u>	<u>4,893,973</u>	<u>1,938,254</u>

See accompanying notes to required supplementary information

City of Victorville

Notes to Required Supplementary Information

Year Ended June 30, 2016

(1) Pension Plan – Agent Plan

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 the plan

Changes of Assumptions: GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Notes to Schedule of Plan Contributions – Agent Plan

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2015 GASB 68 actuarial valuations.

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Increases	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

City of Victorville

Notes to Required Supplementary Information

Year Ended June 30, 2016

(2) Pension Plan – Cost Sharing Plan

Notes to Schedule of Plan Contributions – Cost Sharing Plan

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

Changes of Assumptions: GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Notes to Schedule of Plan Contributions – Agent Plan

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Increases	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

City of Victorville

Notes to Required Supplementary Information

Year Ended June 30, 2016

(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

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.

City Housing Asset Successor Agency

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)

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, 2016
(with comparative totals for June 30, 2015)

	Measure I	Other Federal Grants	Housing Asset Successor	Landscape Maintenance	Street Lighting	Traffic Safety
Assets						
Cash and investments	\$ 9,401,873	49,697	42,776	8,711,293	2,088,305	-
Accounts receivable	727,207	-	-	-	7,194	56,142
Notes receivable	-	-	9,899,784	-	-	-
Advances to other funds	-	-	1,742,931	-	-	-
Due from other governments	175,000	2,568,238	-	17,746	23,331	-
Prepaid items	410	-	-	-	-	-
Land held for resale	-	-	12,014,214	-	-	-
Total assets	<u>\$ 10,304,490</u>	<u>2,617,935</u>	<u>23,699,705</u>	<u>8,729,039</u>	<u>2,118,830</u>	<u>56,142</u>
Liabilities						
Accounts payable	\$ 1,920,975	928,078	148	109,143	101,874	6,517
Deposits payable	-	-	-	-	-	-
Due to other funds	-	3,033,970	-	-	-	-
Unearned revenue	175,000	137,802	-	-	-	-
Total liabilities	<u>2,095,975</u>	<u>4,099,850</u>	<u>148</u>	<u>109,143</u>	<u>101,874</u>	<u>6,517</u>
Deferred Inflow of Resources						
Unavailable revenue	-	1,131,092	-	-	-	-
Total deferred inflow of resources	<u>-</u>	<u>1,131,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit)						
Non-spendable:						
Prepaid items	410	-	-	-	-	-
Spendable:						
Restricted	8,208,105	-	23,699,557	8,619,896	2,016,956	49,625
Unassigned	-	(2,613,007)	-	-	-	-
Total fund balances (deficit)	<u>8,208,515</u>	<u>(2,613,007)</u>	<u>23,699,557</u>	<u>8,619,896</u>	<u>2,016,956</u>	<u>49,625</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 10,304,490</u>	<u>2,617,935</u>	<u>23,699,705</u>	<u>8,729,039</u>	<u>2,118,830</u>	<u>56,142</u>

Asset Seizure	Storm Drain	Gas	Transportation	Other	HUD	Totals	
	Utility	Tax	Tax	State / Local Grants	Grants	2016	2015
85,628	1,258,418	3,940,448	6,413,015	391,479	1,037,246	33,420,178	31,591,407
-	57,487	1,732	12,587	-	-	862,349	862,168
-	-	-	-	-	659,499	10,559,283	1,144,839
-	1,168,505	-	-	-	-	2,911,436	1,175,484
-	-	189,573	180,428	451,337	751,235	4,356,888	3,862,149
-	816	814	-	-	-	2,040	600
-	-	-	-	-	-	12,014,214	12,014,214
<u>85,628</u>	<u>2,485,226</u>	<u>4,132,567</u>	<u>6,606,030</u>	<u>842,816</u>	<u>2,447,980</u>	<u>64,126,388</u>	<u>50,650,861</u>
-	420,534	111,888	777,895	44,103	307,002	4,728,157	3,144,331
-	-	105	480	-	-	585	1,270
-	-	-	95,156	47,379	-	3,176,505	3,126,213
-	-	-	-	794,440	-	1,107,242	838,171
-	<u>420,534</u>	<u>111,993</u>	<u>873,531</u>	<u>885,922</u>	<u>307,002</u>	<u>9,012,489</u>	<u>7,109,985</u>
-	14,376	-	180,428	374,785	209,015	1,909,696	1,494,266
-	<u>14,376</u>	-	<u>180,428</u>	<u>374,785</u>	<u>209,015</u>	<u>1,909,696</u>	<u>1,494,266</u>
-	816	814	-	-	-	2,040	600
85,628	2,049,500	4,019,760	5,552,071	-	1,931,963	56,233,061	44,922,028
-	-	-	-	(417,891)	-	(3,030,898)	(2,876,018)
<u>85,628</u>	<u>2,050,316</u>	<u>4,020,574</u>	<u>5,552,071</u>	<u>(417,891)</u>	<u>1,931,963</u>	<u>53,204,203</u>	<u>42,046,610</u>
<u>85,628</u>	<u>2,485,226</u>	<u>4,132,567</u>	<u>6,606,030</u>	<u>842,816</u>	<u>2,447,980</u>	<u>64,126,388</u>	<u>50,650,861</u>

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2016
(with comparative totals for year ended June 30, 2015)

	Measure I	Other Federal Grants	Housing Asset Successor	Landscape Maintenance	Street Lighting	Traffic Safety
Revenues:						
Taxes and assessments	\$ 6,434,638	-	-	2,671,565	1,739,926	-
Intergovernmental	-	8,041,298	11,214,359	-	261,899	-
Charges for services	31,558	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	357,444
Investment income	33,457	28	20,430	4,895	1,174	-
Other	-	-	18,720	-	-	-
Total revenues	<u>6,499,653</u>	<u>8,041,326</u>	<u>11,253,509</u>	<u>2,676,460</u>	<u>2,002,999</u>	<u>357,444</u>
Expenditures:						
Current:						
General government	-	47,324	25,064	-	-	-
Public safety	-	79,667	-	-	-	163,149
Community development	-	-	75,435	-	-	-
Public works	5,706,633	7,882,046	-	1,846,543	1,540,130	-
Parks and recreation	-	-	-	-	-	-
Total expenditures	<u>5,706,633</u>	<u>8,009,037</u>	<u>100,499</u>	<u>1,846,543</u>	<u>1,540,130</u>	<u>163,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>793,020</u>	<u>32,289</u>	<u>11,153,010</u>	<u>829,917</u>	<u>462,869</u>	<u>194,295</u>
Other financing sources (uses):						
Proceeds from sale of assets	1,058,499	-	-	-	-	-
Transfers in	62,380	916	-	-	-	-
Transfers out	(916)	(62,380)	-	-	-	(154,925)
Total other financing sources (uses)	<u>1,119,963</u>	<u>(61,464)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(154,925)</u>
Net change in fund balance	1,912,983	(29,175)	11,153,010	829,917	462,869	39,370
Fund balances (deficit) at beginning 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>	<u>10,255</u>
Fund balances (deficit) at end of year	<u>\$ 8,208,515</u>	<u>(2,613,007)</u>	<u>23,699,557</u>	<u>8,619,896</u>	<u>2,016,956</u>	<u>49,625</u>

Asset Seizure	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	Totals	
						2016	2015
-	-	-	-	-	-	10,846,129	8,612,614
22,924	-	2,493,444	1,040,808	504,885	2,245,852	25,825,469	13,781,011
-	1,508,284	6,947	13,326	-	-	1,560,115	1,549,225
-	20,055	-	-	-	-	377,499	968,878
48	675	2,213	27,320	220	16,738	107,198	66,586
-	21,366	957	23,196	-	-	64,239	112,888
<u>22,972</u>	<u>1,550,380</u>	<u>2,503,561</u>	<u>1,104,650</u>	<u>505,105</u>	<u>2,262,590</u>	<u>38,780,649</u>	<u>25,091,202</u>
-	-	-	-	44,492	-	116,880	235,708
24,934	-	-	-	116,766	-	384,516	1,278,096
-	-	-	-	116,597	1,245,777	1,437,809	1,768,600
-	2,615,553	2,877,216	3,190,630	334,160	357,668	26,350,579	20,948,764
-	-	-	-	19,395	217,451	236,846	67,213
<u>24,934</u>	<u>2,615,553</u>	<u>2,877,216</u>	<u>3,190,630</u>	<u>631,410</u>	<u>1,820,896</u>	<u>28,526,630</u>	<u>24,298,381</u>
<u>(1,962)</u>	<u>(1,065,173)</u>	<u>(373,655)</u>	<u>(2,085,980)</u>	<u>(126,305)</u>	<u>441,694</u>	<u>10,254,019</u>	<u>792,821</u>
-	-	-	-	-	-	1,058,499	50,000
-	-	-	-	-	-	63,296	1,972,512
-	-	-	-	-	-	(218,221)	(3,206,009)
-	-	-	-	-	-	903,574	(1,183,497)
(1,962)	(1,065,173)	(373,655)	(2,085,980)	(126,305)	441,694	11,157,593	(390,676)
<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>85,628</u>	<u>2,050,316</u>	<u>4,020,574</u>	<u>5,552,071</u>	<u>(417,891)</u>	<u>1,931,963</u>	<u>53,204,203</u>	<u>42,046,610</u>

CITY OF VICTORVILLE

Measure I Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes and assessments	\$ 4,379,160	5,379,160	6,434,638	1,055,478
Charges for services	-	-	31,558	31,558
Investment income	-	-	33,457	33,457
Total revenues	<u>4,379,160</u>	<u>5,379,160</u>	<u>6,499,653</u>	<u>1,120,493</u>
Expenditures:				
Current:				
Public works	<u>5,874,056</u>	<u>8,637,793</u>	<u>5,706,633</u>	<u>2,931,160</u>
Total expenditures	<u>5,874,056</u>	<u>8,637,793</u>	<u>5,706,633</u>	<u>2,931,160</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,494,896)</u>	<u>(3,258,633)</u>	<u>793,020</u>	<u>4,051,653</u>
Other financing sources (uses):				
Proceeds from sale of assets	-	-	1,058,499	1,058,499
Transfers in	-	-	62,380	62,380
Transfers out	-	-	(916)	(916)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,119,963</u>	<u>1,119,963</u>
Net change in fund balances	(1,494,896)	(3,258,633)	1,912,983	5,171,616
Fund balances at beginning of year	<u>6,295,532</u>	<u>6,295,532</u>	<u>6,295,532</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,800,636</u>	<u>3,036,899</u>	<u>8,208,515</u>	<u>5,171,616</u>

CITY OF VICTORVILLE
 Other Federal Grants Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 11,525,520	11,702,580	8,041,298	(3,661,282)
Investment income	<u>-</u>	<u>-</u>	<u>28</u>	<u>28</u>
Total revenues	<u>11,525,520</u>	<u>11,702,580</u>	<u>8,041,326</u>	<u>(3,661,254)</u>
Expenditures:				
Current:				
General government	32,422	32,422	47,324	(14,902)
Public safety	246,641	246,641	79,667	166,974
Public works	<u>10,185,864</u>	<u>10,362,904</u>	<u>7,882,046</u>	<u>2,480,858</u>
Total expenditures	<u>10,464,927</u>	<u>10,641,967</u>	<u>8,009,037</u>	<u>2,632,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,060,593</u>	<u>1,060,613</u>	<u>32,289</u>	<u>(1,028,324)</u>
Other financing sources (uses):				
Transfers in	37	37	916	879
Transfers out	<u>-</u>	<u>-</u>	<u>(62,380)</u>	<u>(62,380)</u>
Total other financing sources (uses)	<u>37</u>	<u>37</u>	<u>(61,464)</u>	<u>(61,501)</u>
Net change in fund balances	1,060,630	1,060,650	(29,175)	(1,089,825)
Fund balances (deficit) at beginning of year	<u>(2,583,832)</u>	<u>(2,583,832)</u>	<u>(2,583,832)</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ (1,523,202)</u>	<u>(1,523,182)</u>	<u>(2,613,007)</u>	<u>(1,089,825)</u>

CITY OF VICTORVILLE
City Housing Asset Successor Agency
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	-	11,214,359	11,214,359
Investment income	-	-	20,430	20,430
Other	3,600	3,600	18,720	15,120
Total revenues	<u>3,600</u>	<u>3,600</u>	<u>11,253,509</u>	<u>11,249,909</u>
Expenditures:				
Current:				
General government	4,770	4,770	25,064	(20,294)
Community development	65,700	65,700	75,435	(9,735)
Total expenditures	<u>70,470</u>	<u>70,470</u>	<u>100,499</u>	<u>(30,029)</u>
Net change in fund balances	(66,870)	(66,870)	11,153,010	11,219,880
Fund balances at beginning of year	<u>12,546,547</u>	<u>12,546,547</u>	<u>12,546,547</u>	-
Fund balances at end of year	<u>\$ 12,479,677</u>	<u>12,479,677</u>	<u>23,699,557</u>	<u>11,219,880</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 2,207,654	2,207,654	2,671,565	463,911
Investment income	-	-	4,895	4,895
Total revenues	2,207,654	2,207,654	2,676,460	468,806
Expenditures:				
Current:				
Public works	2,656,236	2,656,236	1,846,543	809,693
Total expenditures	2,656,236	2,656,236	1,846,543	809,693
Excess (deficiency) of revenues over (under) expenditures	(448,582)	(448,582)	829,917	1,278,499
Net change in fund balances	(448,582)	(448,582)	829,917	1,278,499
Fund balances at beginning of year	7,789,979	7,789,979	7,789,979	-
Fund balances at end of year	\$ 7,341,397	7,341,397	8,619,896	1,278,499

CITY OF VICTORVILLE

Street Lighting Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes and assessments	\$ 1,719,060	1,719,060	1,739,926	20,866
Intergovernmental	232,000	232,000	261,899	29,899
Investment income	-	-	1,174	1,174
Total revenues	<u>1,951,060</u>	<u>1,951,060</u>	<u>2,002,999</u>	<u>51,939</u>
Expenditures:				
Current:				
Public works	<u>1,903,671</u>	<u>1,903,671</u>	<u>1,540,130</u>	<u>363,541</u>
Total expenditures	<u>1,903,671</u>	<u>1,903,671</u>	<u>1,540,130</u>	<u>363,541</u>
Excess (deficiency) of revenues over (under) expenditures	<u>47,389</u>	<u>47,389</u>	<u>462,869</u>	<u>415,480</u>
Net change in fund balances	47,389	47,389	462,869	415,480
Fund balances at beginning of year	<u>1,554,087</u>	<u>1,554,087</u>	<u>1,554,087</u>	-
Fund balances at end of year	<u>\$ 1,601,476</u>	<u>1,601,476</u>	<u>2,016,956</u>	<u>415,480</u>

CITY OF VICTORVILLE

Traffic Safety Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 384,000	384,000	357,444	(26,556)
Total revenues	384,000	384,000	357,444	(26,556)
Expenditures:				
Current:				
Public safety	417,000	417,000	163,149	253,851
Total expenditures	417,000	417,000	163,149	253,851
Excess (deficiency) of revenues over (under) expenditures	(33,000)	(33,000)	194,295	227,295
Other financing sources (uses):				
Transfers out	-	-	(154,925)	(154,925)
Total other financing sources (uses)	-	-	(154,925)	(154,925)
Net change in fund balances	(33,000)	(33,000)	39,370	72,370
Fund balances at beginning of year	10,255	10,255	10,255	-
Fund balances (deficit) at end of year	\$ (22,745)	(22,745)	49,625	72,370

CITY OF VICTORVILLE

Asset Seizure Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2016

	<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	22,924	14,424
Investment income	-	-	48	48
Total revenues	<u>8,500</u>	<u>8,500</u>	<u>22,972</u>	<u>14,472</u>
Expenditures:				
Current:				
Public safety	<u>59,830</u>	<u>59,830</u>	<u>24,934</u>	<u>34,896</u>
Total expenditures	<u>59,830</u>	<u>59,830</u>	<u>24,934</u>	<u>34,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(51,330)</u>	<u>(51,330)</u>	<u>(1,962)</u>	<u>49,368</u>
Net change in fund balances	(51,330)	(51,330)	(1,962)	49,368
Fund balances at beginning of year	<u>87,590</u>	<u>87,590</u>	<u>87,590</u>	-
Fund balances (deficit) at end of year	<u>\$ 36,260</u>	<u>36,260</u>	<u>85,628</u>	<u>49,368</u>

CITY OF VICTORVILLE

Storm Drain Utility Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 1,421,079	1,421,079	1,508,284	87,205
Fines and forfeitures	-	-	20,055	20,055
Investment income	-	-	675	675
Other	-	-	21,366	21,366
Total revenues	<u>1,421,079</u>	<u>1,421,079</u>	<u>1,550,380</u>	<u>129,301</u>
Expenditures:				
Current:				
Public works	<u>3,271,474</u>	<u>3,546,474</u>	<u>2,615,553</u>	<u>930,921</u>
Total expenditures	<u>3,271,474</u>	<u>3,546,474</u>	<u>2,615,553</u>	<u>930,921</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,850,395)</u>	<u>(2,125,395)</u>	<u>(1,065,173)</u>	<u>1,060,222</u>
Net change in fund balances	(1,850,395)	(2,125,395)	(1,065,173)	1,060,222
Fund balances at beginning of year	<u>3,115,489</u>	<u>3,115,489</u>	<u>3,115,489</u>	-
Fund balances at end of year	<u>\$ 1,265,094</u>	<u>990,094</u>	<u>2,050,316</u>	<u>1,060,222</u>

CITY OF VICTORVILLE

Gas Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,547,113	2,547,113	2,493,444	(53,669)
Charges for services	7,000	7,000	6,947	(53)
Investment income	-	-	2,213	2,213
Other	-	-	957	957
Total revenues	<u>2,554,113</u>	<u>2,554,113</u>	<u>2,503,561</u>	<u>(50,552)</u>
Expenditures:				
Current:				
Public works	<u>3,427,693</u>	<u>3,438,045</u>	<u>2,877,216</u>	<u>560,829</u>
Total expenditures	<u>3,427,693</u>	<u>3,438,045</u>	<u>2,877,216</u>	<u>560,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(873,580)</u>	<u>(883,932)</u>	<u>(373,655)</u>	<u>510,277</u>
Net change in fund balances	(873,580)	(883,932)	(373,655)	510,277
Fund balances at beginning of year	<u>4,394,229</u>	<u>4,394,229</u>	<u>4,394,229</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,520,649</u>	<u>3,510,297</u>	<u>4,020,574</u>	<u>510,277</u>

CITY OF VICTORVILLE

Transportation Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,174,877	1,355,359	1,040,808	(314,551)
Charges for services	13,326	13,326	13,326	-
Investment income	-	-	27,320	27,320
Other	45,600	45,600	23,196	(22,404)
Total revenues	<u>1,233,803</u>	<u>1,414,285</u>	<u>1,104,650</u>	<u>(309,635)</u>
Expenditures:				
Current:				
Public works	<u>2,674,011</u>	<u>5,680,454</u>	<u>3,190,630</u>	<u>2,489,824</u>
Total expenditures	<u>2,674,011</u>	<u>5,680,454</u>	<u>3,190,630</u>	<u>2,489,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,440,208)</u>	<u>(4,266,169)</u>	<u>(2,085,980)</u>	<u>2,180,189</u>
Net change in fund balances	(1,440,208)	(4,266,169)	(2,085,980)	2,180,189
Fund balances at beginning of year	<u>7,638,051</u>	<u>7,638,051</u>	<u>7,638,051</u>	<u>-</u>
Fund balances at end of year	<u>\$ 6,197,843</u>	<u>3,371,882</u>	<u>5,552,071</u>	<u>2,180,189</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 3,776,162	4,005,233	504,885	(3,500,348)
Investment income	-	-	220	220
Total revenues	<u>3,776,162</u>	<u>4,005,233</u>	<u>505,105</u>	<u>(3,500,128)</u>
Expenditures:				
Current:				
General government	95,892	95,892	44,492	51,400
Public safety	224,704	350,775	116,766	234,009
Community development	607,947	607,947	116,597	491,350
Public works	2,601,528	2,701,528	334,160	2,367,368
Parks and recreation	220,770	220,770	19,395	201,375
Total expenditures	<u>3,750,841</u>	<u>3,976,912</u>	<u>631,410</u>	<u>3,345,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,321</u>	<u>28,321</u>	<u>(126,305)</u>	<u>(154,626)</u>
Net change in fund balances	25,321	28,321	(126,305)	(154,626)
Fund balances (deficit) at beginning of year	<u>(291,586)</u>	<u>(291,586)</u>	<u>(291,586)</u>	-
Fund balances (deficit) at end of year	<u><u>\$ (266,265)</u></u>	<u><u>(263,265)</u></u>	<u><u>(417,891)</u></u>	<u><u>(154,626)</u></u>

CITY OF VICTORVILLE

HUD Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 5,985,919	5,248,414	2,245,852	(3,002,562)
Investment income	<u>-</u>	<u>-</u>	<u>16,738</u>	<u>16,738</u>
Total revenues	<u>5,985,919</u>	<u>5,248,414</u>	<u>2,262,590</u>	<u>(2,985,824)</u>
Expenditures:				
Current:				
Community development	3,758,533	4,078,290	1,245,777	2,832,513
Public works	427,114	427,114	357,668	69,446
Parks and recreation	<u>304,091</u>	<u>304,091</u>	<u>217,451</u>	<u>86,640</u>
Total expenditures	<u>4,489,738</u>	<u>4,809,495</u>	<u>1,820,896</u>	<u>2,988,599</u>
Net change in fund balances	1,496,181	438,919	441,694	2,775
Fund balances (deficit) at beginning of year	<u>1,490,269</u>	<u>1,490,269</u>	<u>1,490,269</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 2,986,450</u>	<u>1,929,188</u>	<u>1,931,963</u>	<u>2,775</u>

(This page intentionally left blank)

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.

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 07-01

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

Community Facilities District 01-01

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

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, 2016
(with comparative totals for June 30, 2015)

	<u>Deposit Fund</u>	<u>Community Facilities District 90-01</u>	<u>Community Facilities District 07-01</u>	<u>Community Facilities District 01-01</u>	<u>Regional Fire Protection Authority</u>
<u>Assets</u>					
Cash and investments	\$ 2,134,305	64,892	208,302	410,366	289,027
Restricted assets:					
Investments with fiscal agent	-	800,417	295,169	1,384,391	-
Accounts receivable	<u>1,739</u>	<u>418</u>	<u>351</u>	<u>2,861</u>	<u>-</u>
Total assets	<u>\$ 2,136,044</u>	<u>865,727</u>	<u>503,822</u>	<u>1,797,618</u>	<u>289,027</u>
<u>Liabilities</u>					
Accounts payable	\$ 5,000	-	-	14,268	-
Deposits payable	<u>2,131,044</u>	<u>865,727</u>	<u>503,822</u>	<u>1,783,350</u>	<u>289,027</u>
Total liabilities	<u>\$ 2,136,044</u>	<u>865,727</u>	<u>503,822</u>	<u>1,797,618</u>	<u>289,027</u>

Water		Totals	
Assessment District 2R	Foxborough Rail	2016	2015
303,447	79,112	3,489,451	3,839,796
-	-	2,479,977	2,477,426
<u>8,076</u>	<u>-</u>	<u>13,445</u>	<u>8,673</u>
<u>311,523</u>	<u>79,112</u>	<u>5,982,873</u>	<u>6,325,895</u>
-	14,292	33,560	19,799
<u>311,523</u>	<u>64,820</u>	<u>5,949,313</u>	<u>6,306,096</u>
<u>311,523</u>	<u>79,112</u>	<u>5,982,873</u>	<u>6,325,895</u>

CITY OF VICTORVILLE
Combining Statement of Changes in Assets and Liabilities - Agency Funds
Agency Funds
Year ended June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Deposit Funds</u>				
Assets:				
Cash and investments	\$ 1,592,196	542,109	-	2,134,305
Due from other governments	334	1,405	-	1,739
Total assets	<u>\$ 1,592,530</u>	<u>543,514</u>	<u>-</u>	<u>2,136,044</u>
Liabilities:				
Accounts payable	\$ -	5,000	-	5,000
Deposits payable	1,592,530	538,514	-	2,131,044
Total liabilities	<u>\$ 1,592,530</u>	<u>543,514</u>	<u>-</u>	<u>2,136,044</u>
<u>Community Facilities District 90-01</u>				
Assets:				
Cash and investments	\$ 897,697	-	(832,805)	64,892
Restricted assets:				
Investments with fiscal agent	798,440	1,977	-	800,417
Due from other governments	4,135	-	(3,717)	418
Total assets	<u>\$ 1,700,272</u>	<u>1,977</u>	<u>(836,522)</u>	<u>865,727</u>
Liabilities:				
Accounts payable	\$ 2,939	-	(2,939)	-
Deposits payable	1,697,333	246,312	(1,077,918)	865,727
Total liabilities	<u>1,700,272</u>	<u>246,312</u>	<u>(1,080,857)</u>	<u>865,727</u>
<u>Community Facilities District 07-01</u>				
Assets:				
Cash and investments	\$ 202,854	5,448	-	208,302
Restricted assets:				
Investments with fiscal agent	295,154	15	-	295,169
Due from other governments	1,368	-	(1,017)	351
Total assets	<u>\$ 499,376</u>	<u>5,463</u>	<u>(1,017)</u>	<u>503,822</u>
Liabilities:				
Accounts payable	243	-	(243)	-
Deposits payable	499,133	4,689	-	503,822
Total liabilities	<u>\$ 499,376</u>	<u>4,689</u>	<u>(243)</u>	<u>503,822</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>Community Facilities District 01-01</u>				
Assets:				
Cash and investments	\$ 437,459	-	(27,093)	410,366
Restricted assets:				
Investments with fiscal agent	1,383,832	559	-	1,384,391
Due from other governments	<u>2,447</u>	<u>414</u>	<u>-</u>	<u>2,861</u>
Total assets	<u>\$ 1,823,738</u>	<u>973</u>	<u>(27,093)</u>	<u>1,797,618</u>
Liabilities:				
Accounts payable	443	13,825	-	14,268
Deposits payable	<u>1,823,295</u>	<u>-</u>	<u>(39,945)</u>	<u>1,783,350</u>
Total liabilities	<u>\$ 1,823,738</u>	<u>13,825</u>	<u>(39,945)</u>	<u>1,797,618</u>
<u>Regional Fire Protection Authority</u>				
Assets:				
Cash and investments	\$ 289,264	-	(237)	289,027
Total assets	<u>\$ 289,264</u>	<u>-</u>	<u>(237)</u>	<u>289,027</u>
Liabilities:				
Deposits payable	\$ 289,264	-	(237)	289,027
Total liabilities	<u>\$ 289,264</u>	<u>-</u>	<u>(237)</u>	<u>289,027</u>
<u>Water Assessment District 2R</u>				
Assets:				
Cash and investments	\$ 301,779	1,668	-	303,447
Restricted assets:				
Investments with fiscal agent	-	-	-	-
Due from other governments	<u>391</u>	<u>7,685</u>	<u>-</u>	<u>8,076</u>
Total assets	<u>\$ 302,170</u>	<u>9,353</u>	<u>-</u>	<u>311,523</u>
Liabilities:				
Deposits payable	\$ 302,170	9,353	-	311,523
Total liabilities	<u>\$ 302,170</u>	<u>9,353</u>	<u>-</u>	<u>311,523</u>

(Continued)

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

Foxborough Rail

Assets:

Cash and investments	\$ 118,547	-	(39,435)	79,112
Total assets	<u>\$ 118,547</u>	<u>-</u>	<u>(39,435)</u>	<u>79,112</u>

Liabilities:

Accounts payable	\$ 16,174	-	(1,882)	14,292
Deposits payable	102,373	-	(37,553)	64,820
Total liabilities	<u>\$ 118,547</u>	<u>-</u>	<u>(39,435)</u>	<u>79,112</u>

Total-All Fiduciary Funds

Assets:

Cash and investments	\$ 3,839,796	549,225	(899,570)	3,489,451
Restricted assets:				
Investments with fiscal agent	2,477,426	2,551	-	2,479,977
Due from other governments	8,675	9,504	(4,734)	13,445
Total assets	<u>\$ 6,325,897</u>	<u>561,280</u>	<u>(904,304)</u>	<u>5,982,873</u>

Liabilities:

Accounts payable	\$ 19,799	18,825	(5,064)	33,560
Deposits payable	6,306,098	798,868	(1,155,653)	5,949,313
Total liabilities	<u>\$ 6,325,897</u>	<u>817,693</u>	<u>(1,160,717)</u>	<u>5,982,873</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.

Contents	Page
Financial Trends	148-152
<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	153-156
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	157-162
<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	163-165
<i>These schedules present information to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	165-168
<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
(accrual basis of accounting)
(in thousands)

	Fiscal Year						
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 311,739	\$ 463,898	\$ 477,976	\$ 465,339	\$ 450,606	\$ 479,821	\$ 478,455
Restricted	95,221	96,802	96,248	93,453	85,008	27,686	48,921
Unrestricted	<u>17,585</u>	<u>12,678</u>	<u>6,320</u>	<u>2,290</u>	<u>(5,656)</u>	<u>(7,794)</u>	<u>(13,830)</u>
Total governmental activities net position	<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>
Business-type activities							
Invested in capital assets, net of related debt	(213,530)	235,771	270,534	363,436	416,397	418,557	363,671
Restricted	86,048	22,330	1,778	1,504	2,076	4,431	7,200
Unrestricted	<u>46,142</u>	<u>(83,379)</u>	<u>(105,654)</u>	<u>(246,973)</u>	<u>(290,967)</u>	<u>(296,361)</u>	<u>(199,817)</u>
Total business-type activities net position	<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>
Primary government							
Invested in capital assets, net of related debt	98,209	699,670	748,509	828,775	867,003	898,378	842,126
Restricted	181,269	119,133	98,026	94,956	87,085	32,117	56,121
Unrestricted	<u>63,726</u>	<u>(70,701)</u>	<u>(99,334)</u>	<u>(244,683)</u>	<u>(296,623)</u>	<u>(304,155)</u>	<u>(213,647)</u>
Total primary government net position	<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>

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

<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 462,432	\$ 484,943	\$ 479,306
45,594	44,922	56,682
<u>(11,484)</u>	<u>(46,227)</u>	<u>(47,079)</u>
<u>496,542</u>	<u>483,638</u>	<u>488,909</u>
188,425	150,794	66,591
8,604	8,911	9,600
<u>(26,466)</u>	<u>(35,217)</u>	<u>54,098</u>
<u>170,563</u>	<u>124,488</u>	<u>130,290</u>
650,857	635,737	545,897
54,198	53,833	66,282
<u>(37,951)</u>	<u>(81,444)</u>	<u>7,020</u>
<u>\$ 667,104</u>	<u>\$ 608,125</u>	<u>\$ 619,199</u>

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

	Fiscal Year									
	<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>	<u>2016</u>
Expenses										
<i>Governmental activities:</i>										
General government	\$ 34,539	\$ 12,656	\$ 13,133	\$ 15,165	\$ 17,037	\$ 4,977	\$13,691	\$14,342	\$12,188	\$12,121
Public safety	26,021	26,331	30,285	35,942	35,416	30,724	32,422	35,679	36,066	35,624
Community Development	3,147	2,861	6,655	12,109	6,037	1,589	4,094	2,931	1,780	1,646
Public works	32,853	38,049	35,443	26,377	24,164	31,675	29,846	33,472	28,856	31,972
Park and recreation	7,471	11,277	14,164	6,763	6,313	4,550	4,509	4,395	3,188	4,911
Interest on long-term debt	<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>	<u>102</u>
<i>Total governmental activities expenses</i>	<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>	<u>86,376</u>
<i>Business-type activities</i>										
Sanitary/Wastewater	5,655	10,766	8,026	9,750	11,150	10,555	11,114	12,415	13,523	11,960
Golf course	2,826	2,721	2,973	2,040	2,526	2,372	2,419	2,231	1,716	1,566
Airport	43,389	43,115	42,874	83,297	45,010	33,583	30,845	32,528	35,453	31,597
Water	2,584	30,677	29,476	28,665	27,143	29,782	29,842	28,419	30,298	33,851
Rail	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	14,197
Municipal utility	<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>	<u>11,016</u>
<i>Total business-type activities expenses</i>	<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>	<u>104,186</u>
Total primary government expenses	<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>	<u>190,563</u>
Program Revenues										
<i>Governmental activities:</i>										
<i>Charges for services:</i>										
General government	4,448	4,888	3,737	7,303	4,330	2,860	3,559	4,351	4,203	3,136
Public safety	5,307	2,101	2,095	1,677	1,552	1,409	1,425	2,451	1,570	874
Community development	26	-	-	-	18	2,593	1,528	3,896	960	1,950
Public works	18,485	11,111	6,399	5,166	4,738	4,216	3,532	15,236	3,519	4,142
Parks and recreation	9,356	4,724	2,109	1,790	1,517	939	890	917	935	930
Operating grants and contributions	17,853	15,460	19,796	24,126	15,062	5,309	18,266	5,859	5,191	15,165
Capital contributions and grants	<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>	<u>10,626</u>
<i>Total governmental activities program revenues</i>	<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>	<u>36,822</u>
<i>Business-type activities:</i>										
<i>Charges for services:</i>										
Sanitary/Wastewater	8,102	5,944	9,576	10,802	12,821	12,608	14,934	14,729	15,560	13,381
Golf course	1,206	1,311	1,043	760	889	1,160	1,171	849	395	583
Airport	5,577	8,502	7,363	8,163	9,206	9,070	8,204	8,184	8,110	8,027
Water	2,213	21,539	21,755	23,642	23,901	26,558	26,207	27,470	25,978	27,704
Solid Waste	12,325	12,388	13,376	12,370	12,539	11,528	12,069	12,004	12,342	12,716
Municipal utilities	4,166	5,658	6,175	5,925	9,597	10,290	11,270	12,464	13,638	13,899
Operating grants and contributions	-	3,761	8,074	2,601	4,283	10,635	10,912	-	-	-
Capital contributions and grants	<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>	<u>6,263</u>
<i>Total business-type activities program revenues</i>	<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>	<u>82,573</u>
Total primary government program revenues	<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>	<u>\$ 119,395</u>

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

	<u>Fiscal Year</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>	<u>2016</u>
Net (expense) revenue										
Governmental activities	\$ (15,829)	\$ (56,668)	\$ (68,203)	\$ (58,328)	\$ (64,194)	\$ (50,770)	\$ (48,498)	\$ (48,918)	\$ (58,018)	\$ (49,554)
Business-type activities	(42,903)	(39,500)	(32,931)	(73,818)	(24,137)	(6,499)	(2,321)	(21,265)	(29,660)	(21,614)
Total primary government net expense	<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>	<u>(71,168)</u>
General Revenues and Other Changes in Net Position										
<i>Governmental activities:</i>										
Taxes:										
Property taxes	23,077	29,230	27,520	26,416	23,999	26,967	21,926	21,522	22,138	23,752
Sales taxes	16,835	14,626	11,556	10,814	11,427	16,431	20,671	22,329	24,085	28,212
Transient occupancy tax	950	964	784	760	794	709	841	881	1,064	1,074
Other taxes	16,271	40,396	40,537	33,349	27,858	6,378	2,684	2,892	3,000	3,039
Investment income	3,193	3,390	2,942	732	881	297	169	138	68	158
Motor vehicle in lieu	514	-	367	323	567	61	51	0	0	0
Gain on sale of assets	-	211	49	(126)	-	(3)	-	31	55	0
Miscellaneous revenues	589	3,555	163	80	54	522	691	190	314	201
SERAF Obligation	-	-	-	(12,368)	(2,545)	-	-	0	0	-
Transfers	(12,136)	(22,423)	(12,815)	(21,859)	(22,987)	(1,099)	(2,328)	992	24,090	(779)
Extraordinary Gain	-	-	-	-	-	(29,740)	-	0	0	-
Legal Settlement	-	-	-	-	-	-	1,754	34	0	0
<i>Total governmental activities</i>	<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>	<u>55,657</u>
<i>Business-type activities:</i>										
Taxes	-	1,916	1,654	27	27	541	521	18,418	19,781	24,879
Other Taxes	13,749	1,519	2,297	758	710	-	-	-	177	-
Investment income	6,012	7,650	3,083	2,409	1,773	1,749	200	192	-	1,002
Gain on sale of assets	148	-	416	(1,601)	402	538	60	-	-	125
Miscellaneous revenues	373	11,547	1,033	1,163	799	961	1,768	1,902	2,003	1,432
Impairment loss on Capital assets	(96,423)	-	-	-	-	-	-	-	(24,090)	-
Legal Settlement	-	-	-	-	-	-	52,246	-	-	-
Transfers	12,136	22,423	12,815	21,859	22,987	1,099	2,328	992	-	779
<i>Total business-type activities</i>	<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>	<u>28,217</u>
Total primary government	<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>	<u>55,657</u>
Change in Net Position										
Governmental activities	33,464	13,280	2,900	(20,207)	(24,145)	(30,246)	(2,039)	(1,894)	16,797	6,103
Business-type activities	(106,910)	5,555	(11,633)	(49,202)	2,561	(1,612)	54,803	240	(31,789)	(21,614)
Total primary government	<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>	<u>\$ (15,511)</u>

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

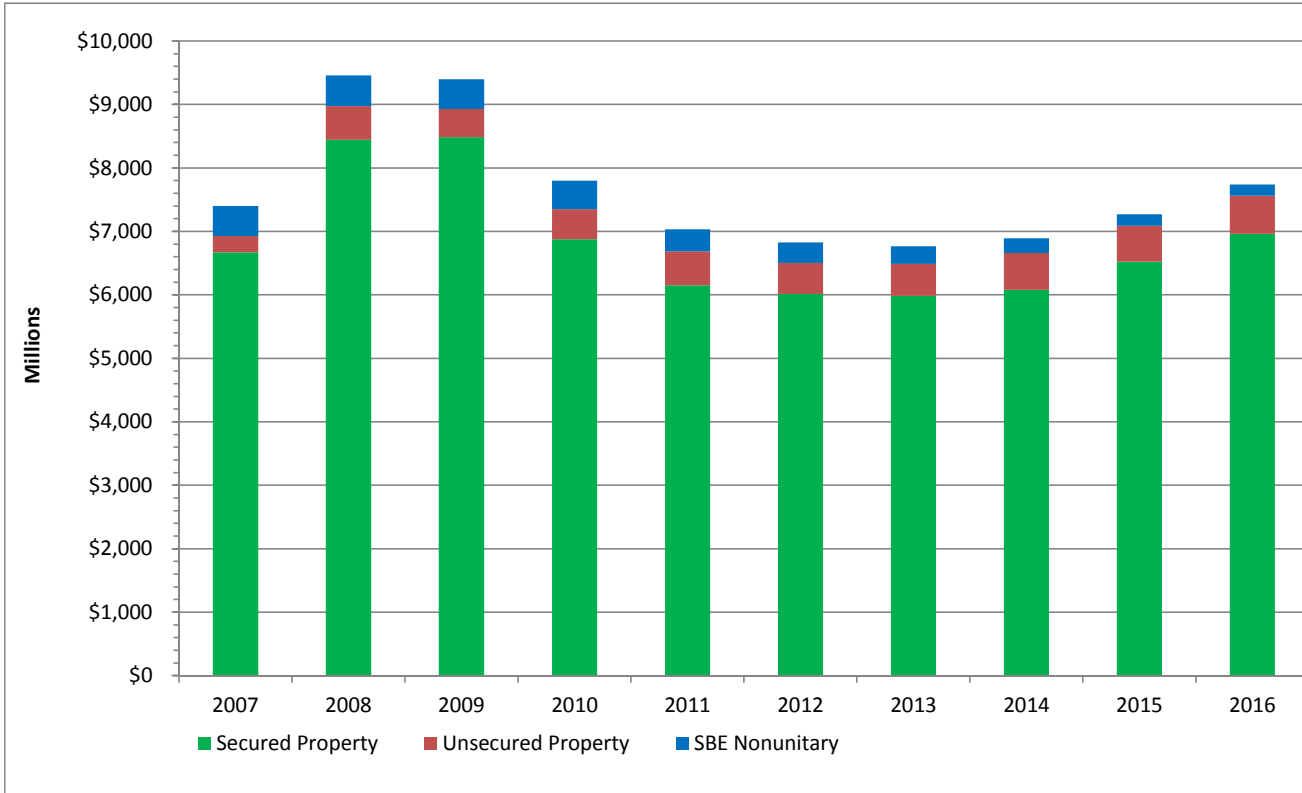
	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011**</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General fund										
Reserved	\$ 1,557	\$ 323	\$ 248	\$ 5,320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	21,111	12,132	10,398	2,230	-	-	-	-	-	-
Nonspendable	-	-	-	-	2,322	67	211	179	195	192
Restricted	-	-	-	-	-	14	30	30	-	-
Unassigned	-	-	-	-	782	3,661	5,047	4,595	3,238	4,630
Total general fund	<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>	<u>4,822</u>
All other governmental funds										
Reserved, reported in:										
Special revenue funds	\$ 49,123	\$ 19,345	\$ 22,113	\$ 34,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital project funds	32,995	7,783	17,577	17,836	-	-	-	-	-	-
Debt service funds	13,503	8,358	1,923	1,800	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	(400)	36,417	30,288	30,425	-	-	-	-	-	-
Capital project funds	-	27,368	20,472	11,096	-	-	-	-	-	-
Debt service funds										
Nonspendable	-	-	-	-	1,347	8,547	01	01	-	02
Restricted	-	-	-	-	86,617	20,673	48,494	43,869	44,922	56,305
Assigned										
Unassigned	-	-	-	-	(1,327)	(4,390)	(2,843)	(1,543)	(3,111)	(2,587)
Total all other governmental funds	<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>	<u>53,720</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>Fiscal Year</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>	<u>2016</u>
Revenue										
Taxes	\$ 61,275	\$ 57,129	\$ 49,598	\$ 45,780	\$ 43,379	\$ 50,456	\$ 46,123	\$ 47,624	\$ 50,287	\$ 55,966
Licenses and permits	20,358	14,578	7,253	6,605	5,302	1,198	1,107	1,230	1,533	1,387
Intergovernmental	18,416	43,897	47,419	52,034	33,265	8,649	9,928	17,249	13,833	25,947
Charges for services	12,122	6,752	8,174	11,102	9,197	10,606	9,256	10,480	9,587	11,627
Fines and forfeitures	667	877	1,747	1,577	1,292	1,037	1,355	1,142	1,308	737
Investment income	3,193	3,390	2,784	681	399	297	169	138	68	158
Sale of assets	(443)	50	135	69	-	-	-	-	-	-
Legal Settlement	-	-	-	-	-	-	1,754	34	-	-
Other	1,802	3,821	298	972	1,050	522	203	190	314	201
Total revenues	117,389	130,494	117,408	118,819	93,885	\$ 72,765	\$ 69,894	\$ 78,086	\$ 76,930	\$ 96,022
Expenditures										
General government	12,388	15,010	13,972	11,163	11,567	8,610	8,218	9,751	11,171	9,676
Public safety	25,516	31,072	34,031	31,154	29,050	30,360	32,061	34,272	35,674	35,875
Community development	4,039	3,374	7,024	10,471	5,063	2,722	3,930	2,788	1,769	1,438
Public works	27,265	45,252	38,630	22,731	19,798	29,116	18,481	23,697	28,349	31,956
Park and recreation	6,621	13,307	15,461	5,807	5,178	2,797	3,022	2,866	2,956	3,363
Capital outlay	33,741	-	-	-	-	-	-	-	-	-
Debt services:										
Principal	1,455	1,279	1,524	1,382	1,231	1,067	32	6,082	-	-
Interest & Fiscal agent charges	2,767	2,943	2,660	2,498	2,463	1,397	74	61	63	102
SERAF Obligation	-	-	-	12,368	2,545	-	-	-	-	-
Total expenditures	113,792	112,238	113,302	97,575	76,896	\$ 76,069	\$ 65,818	\$ 79,516	\$ 79,982	\$ 82,411
Excess of revenues over(under) expenditures	3,597	18,257	4,107	21,244	16,989	(3,305)	4,075	(1,430)	(3,052)	13,611
Other financing sources (uses):										
Transfer in	24,114	27,624	32,716	5,960	2,776	5,832	21,519	365	1,289	218
Transfer out	(36,250)	(50,048)	(45,531)	(27,506)	(25,763)	(6,931)	(2,653)	(1,327)	(2,200)	(997)
Issuance of debt	1,300	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-	-	-	31	55	1,058
Total other financing sources(uses)	(10,836)	(22,423)	(12,815)	(21,546)	(22,987)	(1,099)	18,866	(931)	(856)	279,675
Extraordinary gain(loss)	-	-	-	-	-	(65,439)	-	-	-	-
Net change in fund balances	(7,238)	(4,167)	(8,708)	(302)	(5,997)	(69,843)	22,941	(2,361)	(3,908)	13,890
Debt service as a percentage of noncapital expenditures	3.7%	3.8%	3.7%	4.0%	4.8%	3.2%	0.2%	7.7%	0.1%	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>
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%
2016	6,961,515,866	598,447,036	177,480,228	7,737,443,130	18.24%

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

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

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

RATE PER \$100 OF TAXABLE VALUE

	Fiscal Year									
	<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>	<u>2016</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	0.0328	0.0263	0.0340	0.0434	0.0578	0.0665	0.0707	0.0746	0.0810	0.0797
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	0.0693	0.0264	0.0155	0.0211	0.0344	0.0348	0.0381	0.0377	0.0379	0.0378
Victor Elementary Bond	0.0335	0.0307	0.0344	0.0480	0.0900	0.0932	0.1026	0.1086	0.1022	0.1124
Victor High School Bond	0.0185	0.0162	0.0167	0.0525	0.0574	0.0619	0.0768	0.0792	0.0770	0.0716
Victor Valley Community College Bond	0.0000	0.0000	0.0000	0.0199	0.0306	0.0253	0.0274	0.0264	0.0262	0.0197
Total Direct and Overlapping Tax Rates	1.3216	1.2671	1.2681	1.3524	1.4377	1.4492	1.4831	1.4940	1.4918	1.4887
City's basic rate**	0.1891	0.1891	0.1891	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605
Total Direct Rate^	0.1044	0.0940	0.1061	0.1373	0.2040	0.0206	0.2162	0.1833	0.1825	0.1824

Notes:

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

** City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in the ratio figures.

^ Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

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

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

<u>Taxpayer</u>	<u>2016</u>		<u>2007</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	\$ 176,851,000	2.29%		
Macerich Victor Valley	119,125,796	1.54%	101,515,078	1.37%
The American Bottling Company	102,125,363	1.32%		
Nutro Products Inc.	90,320,546	1.17%		
Stirling Capital Investments	80,997,503	1.05%		
Prime A Investments	74,408,244	0.96%		
Cemex Construction Materials Pacific	63,148,723	0.82%		
Walmart Stores Inc.	48,151,329	0.62%		
Victor Valley Hospital Real Estate	39,384,719	0.51%		
Church and Dwight Company Inc.	33,968,197	0.44%		
High Desert Power Trust 2000-A			470,600,000	6.36%
AFG Industries Inc.			70,316,167	0.95%
Cemex Inc			52,837,028	0.71%
MPT of Victorville			28,356,000	0.38%
Centex Homes			27,688,000	0.37%
Synleaseco Delaware Business Trust			25,872,923	0.35%
General Electric Company			24,630,486	0.33%
Paxbello LLC			24,560,853	0.33%
West Creek PA 2 L P			22,359,977	0.30%
	<u>\$ 828,481,420</u>	<u>10.72%</u>	<u>\$ 848,736,512</u>	<u>11.45%</u>

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

Source: HdL Coren & Cone

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

<i>Fire District***</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2007	2,844,898	2,681,864	94.27%
2008	3,292,600	3,054,828	92.78%
2009	2,769,811	2,590,297	93.52%
2010	2,437,781	2,330,366	95.59%
2011	-	-	0.00%
2012	-	-	0.00%
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016			0.00%

<i>Park District***</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2007	3,031,961	2,859,262	94.30%
2008	3,474,181	3,225,293	92.84%
2009	2,993,926	2,801,158	93.56%
2010	2,639,013	2,521,420	95.54%
2011	-	-	0.00%
2012	-	-	0.00%
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016			0.00%

<i>Sanitary District**</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2007	1,563,544	1,474,173	94.28%
2008	1,691,527	1,558,136	92.11%
2009	1,407,321	1,313,961	93.37%
2010	-	-	0.00%
2011	-	-	0.00%
2012	-	-	0.00%
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016			0.00%

<i>Street Lighting District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2007	709,380	669,623	94.40%
2008	793,711	738,129	93.00%
2009	670,915	628,604	93.69%
2010	585,905	558,464	95.32%
2011	575,210	553,697	96.26%
2012	576,592	575,926	99.88%
2013	651,767	648,817	99.55%
2014	718,124	713,835	99.40%
2015	751,196	737,646	98.20%
2016	814,455	764,955	93.92%

*In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. 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: San Bernardino County Assessor's Office

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

Governmental Activities

Fiscal Year	Certificate of Participation	Tax Allocation Bonds*	Capital Lease Agreement	Other**	Total Governmental Activities
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
2016	\$ -	\$ -	\$ -	\$ 33,111	\$ 33,111

*In 2012, the Redevelopment Agency dissolution caused the bonds to go to the Successor Agency to the Redevelopment Agency, a private purpose trust.

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

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[^]</u>	<u>Certificate of Participation</u>	<u>Other[^]</u>	<u>Total Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Debt Per Capita*</u>	<u>% of Personal Income*</u>
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
2016	\$ -	\$ 314,936	\$ 53,070	\$ 945	\$ 12,035	\$ 13,866	\$ 394,851	\$ 427,962	3,465	225.42

[^] 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.

[^] 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

Fiscal Year	Certificate of Participation	Revenue Bonds [^]	Tax Allocation Bonds[^]	Total	Percentage Assessed Value*	Per Capita
2007	370,000	-	45,725,000	46,095,000	0.62%	486.08
2008	255,000	-	44,945,000	45,200,000	0.48%	442.95
2009	130,000	-	44,130,000	44,260,000	0.47%	414.75
2010	-	-	43,280,000	43,280,000	0.56%	396.09
2011	-	-	42,395,000	42,395,000	0.60%	378.20
2012	-	-	-	-	0.00%	-
2013	-	-	-	-	0.00%	-
2014	-	-	-	-	0.00%	-
2015	-	-	-	-	0.00%	-
2016	-	-	-	-	0.00%	-

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

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

Source: City of Victorville Comprehensive Annual Financial Reports FY16



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

	Fiscal Year						
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 1,110,217	\$ 1,418,608	\$ 1,409,815	\$ 1,169,694	\$ 1,054,901	\$ 1,024,007	\$ 1,014,928
Total net debt applicable to limit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal debt margin	<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>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 7,737,443	
Debt Limit(15% of total assessed value)	1,160,616	
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><u>\$ 1,160,616</u></u>	

Note: Under state finance law, the City of Victorville's outstanding general obligation debt should not exceed 15 percent of total assessed property value.

By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying obligation bonds.

Source: HdL Companies

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

<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,033,611	\$ 1,090,223	\$ 1,160,616
0	0	0
1,033,611	1,090,223	1,160,616

0% 0% 0%

CITY OF VICTORVILLE
DIRECT AND OVERLAPPING DEBT

2015-16 Assessed Valuation: \$7,737,387,532

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2016	% Applicable (1)	City's Share of Debt 6/30/16
Victor Valley Joint Community College District	\$ 149,979,490	29.109%	\$ 43,657,530
Victor Valley Joint Union High School District	111,839,205	63.195	70,676,786
Adelanto School District	8,027,159	43.878	3,522,157
Oro Grande School District	207,900	1.185	2,464
Victor School District	57,361,905	84.124	48,255,129
Mojave Water Agency Certificates of Participation	10,405,000	25.048	2,606,244
Adelanto School District Community Facilities District No. 1, I.A. A	14,730,000	100	14,730,000
Adelanto School District Community Facilities District No.2	3,320,000	100	3,320,000
Hesperia Unified School District Community Facilities Districts	9,875,000	100	9,875,000
Snowline Joint Unified School District Community Facilities Districts	10,835,000	100	10,835,000
Victor School District Community Facilities Districts	23,155,000	100	23,155,000
Victor Valley Joint Union High School District Community Facilities Districts	5,690,000	100	5,690,000
City of Victorville Community Facilities Districts	6,980,000	100	6,980,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			243,305,310
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Bernardino County General Fund Obligations	\$ 435,550,000	4.123%	\$ 17,957,727
San Bernardino Pension Obligation Bonds	419,370,824	4.123	17,290,659
San Bernardino County Flood Control District	78,165,000	4.123	3,222,743
Victor Valley Union High School District Certificates of Participation	26,895,000	63.195	16,996,295
Hesperia Unified School District Certificates of Participation	96,945,000	7.437	7,209,800
Snowline Joint Unified School District Certificates of Participation	66,300,000	14.157	9,386,091
Adelanto School District Certificates of Participation	8,920,000	43.878	3,913,918
Oro Grande School District Certificates of Participation	39,665,000	1.185	470,030
Victor School District Certificates of Participation	2,710,000	84.124	2,279,760
City of Victorville General Fund Obligations	-	100	-
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 78,727,023
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	 \$ 346,389,925	 67.255 - 100%	 \$ 245,186,615
 TOTAL DIRECT DEBT			 \$0
TOTAL OVERLAPPING DEBT			\$ 567,218,948
 COMBINED TOTAL DEBT			 \$ 567,218,948 (2)

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

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.14%
Total Direct Debt (\$0)	0.00%
Combined Total Debt	7.33%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$3,753,973,145):

Total Overlapping Tax Increment Debt	6.53%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

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

Governmental Activities Debt- Tax Allocation Bond

<u>Fiscal Year</u>	<u>Tax Increment</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2008	6,299	780	2,426	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%
2016	5,343	1,110	2,085	167%

Business Type Activities Debt - SCLAA Tax Allocation Bond

<u>Fiscal Year</u>	<u>Property Tax Increment</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2008	28,001	3,145	17,370	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%
2016	25,176	4,635	16,950	117%

Business Type Activities Debt - Water

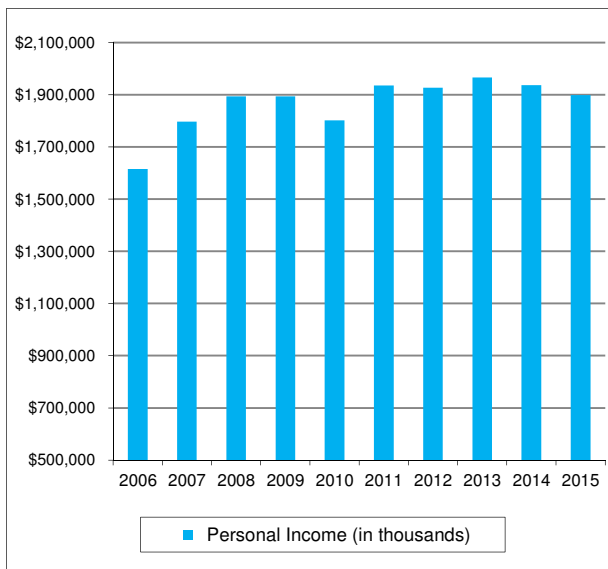
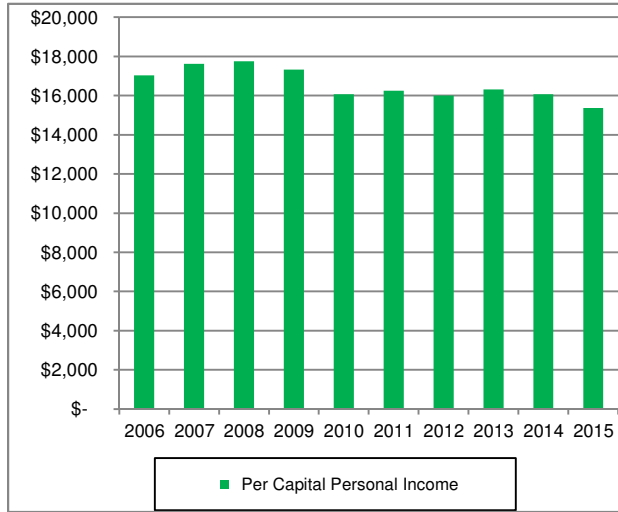
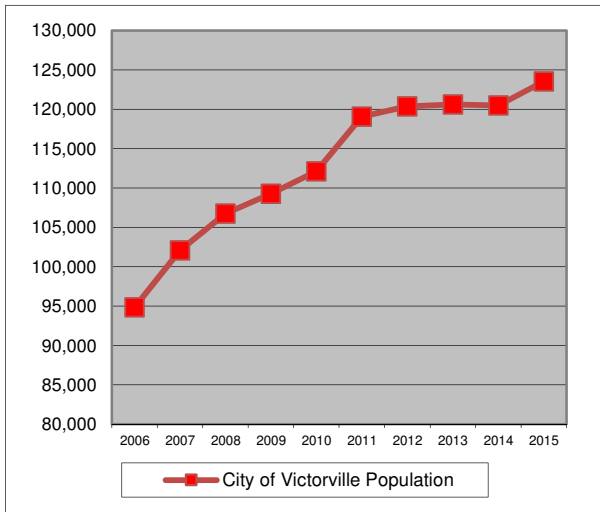
<u>Fiscal Year</u>	<u>Property Tax Increment</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2008	**			
2009	1,461	325	679	146%
2010	1,458	335	665	146%
2011	50	50	50	50%
2012	2,125	521	473	214%
2013	1,738	370	631	174%
2014	2,144	385	608	216%
2015	1,613	410	589	161%
2016	1,878	430	570	188%

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

** Information was not available.

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

**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>
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
2015	123,510	\$ 1,898,511	6.9%	\$ 15,371

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

CITY OF VICTORVILLE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2016</u> <u>Percent of Total</u> <u>Employment</u>	<u>2007</u> <u>Percent of Total</u> <u>Employment</u>
SCLA	6.55%	9.33%
Victor Elementary School District	4.21%	3.98%
Victor Valley Community College District	2.86%	5.39%
Victor Valley Global Medical Center	2.20%	
Desert Valley Medical Group, Inc.	2.18%	4.69%
Victor Valley Community Hospital	1.82%	2.57%
City of Victorville	1.39%	6.00%
Wal-Mart Stores, Inc.	1.39%	3.89%
Victor Valley Union High School District	1.32%	4.11%
Costco Wholesale Corporation	1.08%	
Cemex	0.74%	
Verizon		4.41%
Federal Correction Complex Victorville		3.96%
	<hr/> 25.75%	<hr/> 48.33%

Source: High Desert Workforce Report 2016, Victorville Chamber of Commerce

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

<u>Function</u>	<u>Fiscal Year</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>	<u>2016</u>
General government****	103	112	104	66	122	71	71	72	71	72
Public Safety*	119	112	28	1	-	-	1	1	-	-
Public Works**	202	211	205	156	85	113	124	114	108	110
Community Development	9	15	14	14	11	11	4	4	4	4
Community Services	176	195	200	137	83	110	110	104	112	75
Airport	26	28	27	22	19	23	21	24	26	25
Municipal Utilities**	16	14	-	-	-	-	-	-	-	-
Water***	-	61	61	81	55	60	56	50	53	57
Total	651	748	639	477	375	388	387	369	374	343

* 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 Administrative Services - Finance Division.

CITY OF VICTORVILLE
OPERATION INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Physical arrests	5,555	7,244	5,066	5,176	5,217	4,202	4,096	4,965	5,389	5,194
Traffic Violations	10,400	6,101	5,472	5,164	7,770	7,828	9,404	8,649	6,759	4,070
Public works										
Street Maintenance										
Potholes repaired	4,321	3,148	2,648	5,448	2,949	3,004	3,124	4,198	3,832	4,138
Graffiti removal	5,224	8,092	7,126	8,442	5,460	12,460	14,708	8,605	5,687	4,708
Streets sweeping (tons)	1,810	2,768	2,532	2,296	2,672	1,862	1,907	1,598	1,782	1,687
Sanitation										
Refuse collected (tons/day)	224	190	172	180	187	177	166	181	182	202
Recyclables collected (tons/day)	44	40	36	33	32	31	28	31	32	33
Community Services										
Park and Recreation										
Athletic field permits issued	4,215	4,596	4,597	3,891	4,023	4,970	6,788	7,357	5,970	5,905
Community center enrollments	54,244	49,611	43,216	39,636	36,385	30,193	30,915	32,156	31,384	29,958
Facilities rental used	3,177	3,200	2,695	2,299	1,794	1,819	2,062	2,051	2,036	2,388
Water										
Water Consumption (in hundred cubic feet)										
Residential	7,799,207	7,808,457	6,926,769	6,372,920	5,790,730	6,617,018	6,198,485	6,236,913	5,991,545	5,191,845
Multi Residential	608,950	609,672	540,834	497,588	452,131	516,645	483,968	486,970	467,812	405,373
Commercial	1,932,245	1,934,537	1,716,107	1,578,886	1,434,647	1,639,355	1,535,667	1,545,194	1,484,402	1,286,280
Institutional	585,529	586,223	520,032	478,450	434,742	496,774	465,354	468,241	449,819	389,782
Irrigation	784,609	785,539	696,843	641,124	582,554	665,678	623,574	627,442	602,757	522,308
Fire service	35	41	63	41	27	16	22	51	43	50
Recycled	-	-	-	-	-	-	-	31,681	407,194	274,824
Total	11,710,575	11,724,469	10,400,648	9,569,009	8,694,831	9,935,486	9,307,070	9,396,492	9,403,572	8,070,462
Water Sold (in acre feet)	26,884	26,916	23,877	21,967	19,961	22,809	21,366	21,499	20,653	17,896
Number of Customer Connections										
Residential	25,770	26,424	28,559	31,043	31,487	31,694	32,145	32,582	32,841	32,884
Multi Residential	186	189	189	192	192	192	195	195	195	198
Commercial	998	1,001	1,032	1,043	1,057	1,058	1,059	1,062	1,064	1,066
Institutional	201	201	202	202	203	203	204	204	205	206
Irrigation	232	232	233	234	234	235	235	235	236	236
Fire Service	552	552	552	553	554	554	554	554	555	555
Recycled	-	-	-	-	-	-	-	2	2	2
Total	27,939	28,599	30,767	33,267	33,727	33,936	34,392	34,834	35,098	35,147
Average Daily Consumption (in thousands of gallons)										
	24,000	24,029	21,316	19,611	17,820	20,362	19,074	19,258	19,272	16,540
Estimated Population										
	96,036	98,468	106,368	115,570	117,212	117,978	119,658	121,275	122,233	121,419
Per Capita Average Daily Consumption (in gallons)										
	250	244	200	170	152	173	159	159	158	136
Rainfall in inches										
	0.51	3.17	4.37	7.81	2.32	1.90	2.75	1.67	0.92	5.69

Source: City of Victorville departments

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

CITY OF VICTORVILLE
OPERATION INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Principal Water Rates

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Consumption (per hundred cubic feet)										
Standard Domestic	\$ 1.08	\$ 1.18	\$ 1.34	\$ 1.47	\$ 1.47	\$ 1.47	\$ 1.53	\$ 1.53	\$ 1.53	\$ 1.749
Construction Flow	\$ 1.80	\$ 1.90	\$ 2.15	\$ 2.36	\$ 2.36	\$ 2.39	\$ 2.47	\$ 2.47	\$ 2.47	\$ 2.768
Untreated Well	\$ 0.40	\$ 0.40	\$ 0.46	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.52	\$ 0.52	\$ 0.52	\$ 0.595
Recycled		\$ 0.88	\$ 0.88	\$ 0.88	\$ 0.88	\$ 0.88	\$ 0.92	\$ 0.92	\$ 0.92	\$ 1.049
Public Benefit	\$ 0.42	\$ 0.47	\$ 0.54	\$ 0.59	\$ 0.59	\$ 0.59	\$ 0.61	\$ 0.61	\$ 0.61	
Monthly Service Fee										
Monthly per average daily use 0.00-0.26	\$ 13.00	\$ 13.00	\$ 13.00	\$ 15.00	\$ 16.50	\$ 16.50	\$ 17.25	\$ 17.25	\$ 17.25	
Monthly per average daily use 0.27-1.17	\$ 14.00	\$ 14.00	\$ 14.00	\$ 16.00	\$ 17.50	\$ 17.50	\$ 18.25	\$ 18.25	\$ 18.25	
Monthly per average daily use 1.18-6.60	\$ 28.00	\$ 28.00	\$ 28.00	\$ 32.00	\$ 35.00	\$ 35.00	\$ 36.50	\$ 36.50	\$ 36.50	
Monthly per average daily use > 6.60	\$ 100.00	\$ 100.00	\$ 100.00	\$ 115.00	\$ 125.00	\$ 125.00	\$ 130.50	\$ 130.50	\$ 130.50	
3/4 inch meter										\$ 11.78
1 inch meter										\$ 18.59
1 1/2 inch meter										\$ 35.62
2 inch meter										\$ 56.06
3 inch meter										\$ 110.56
4 inch meter										\$ 171.88
6 inch meter										\$ 342.19
8 inch meter										\$ 955.34
> 8 inch meter										\$ 1,432.23
Fire Service Fee										
1 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 2.69
2 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 5.19
2 1/2 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 5.19
4 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 17.45
6 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 37.88
8 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 65.13
> 8 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 101.45

Source: Victorville Water District

* In 2016, the Water District changed billing method from Monthly Service Fee by usage to Monthly Service Fee by meter size.

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	44	49	52	52	52	52	52	52	52	52
Fire Stations	6	6	6	6	6	6	6	6	6	5
Public Works										
Highways and streets:										
Streets (miles)	486	448	448	448	448	448	448	448	448	449
Streetlights	335	335	335	356	364	376	376	392	392	396
Traffic Signals	72	72	72	78	182	83	83	87	87	88
Sewer:										
Sanitary sewers (miles)	411	411	411	415	416	419	419	419	419	440
Storm sewers (miles)	469	471	471	471	472	473	473	473	473	473
Number of treatment plants	1	1	1	1	1	2	2	2	2	2
Number of service connections	36,344	35,353	36,009	36,733	31,384	37,081	40,226	40,152	40,029	40,092
Community Services										
Parks acreage	263	263	263	263	263	263	263	263	263	263
Park	18	18	18	18	18	18	18	18	18	18
Golf Courses	2	2	2	2	2	1	1	1	1	1
Swimming pools	2	2	2	2	2	1	1	1	1	1
Tennis courts	6	6	6	6	6	6	6	6	6	6
Community Centers	6	6	6	6	6	6	6	6	6	6
Airport										
Runway length (miles)	5	5	5	5	5	5	5	5	5	5
Sewer pipeline	20	20	25	25	25	25	30	30	30	30
Number of hangars	22	25	25	25	25	25	26	26	26	26
Number of buildings	60	50	45	47	47	47	52	52	52	52
Water										
Water Production in Acre feet	29,633	26,969	24,597	23,160	22,900	23,520	23,518	23,830	22,030	20,905
Domestic Water Tanks (Reservoirs)	26	26	26	26	26	26	26	26	26	26
Domestic Storage in Millions of Gallons	74	74	74	74	74	74	74	74	74	74
Recycled Water Tanks (Reservoirs)						1	1	1	1	1
Recycled Storage in Millions of Gallons						1	1	1	1	1
Wells	32	32	32	32	32	32	32	32	32	32
Pipeline - Linear Feet	3,665,806	3,665,806	3,665,806	3,665,806	3,665,806	3,665,806	3,665,806	3,665,806	3,665,806	3,665,806
Pipeline - Miles	694	694	694	694	694	694	694	694	694	694
Booster Pumping Stations	4	4	4	4	4	4	4	4	4	4
Pressure Regulating Stations	3	3	3	3	3	3	3	3	3	3

Source: City of Victorville departments

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

