



AUDIT COMMITTEE

Regular Meeting Agenda
Tuesday, February 22, 2022, 5:30 p.m.
Conference Room D

Victorville City Hall
14343 Civic Dr.
Victorville, CA 92392

The Audit Committee holds its business meetings in public in accordance with the requirements of the Ralph M. Brown Act, its established policies and procedures, and its adopted parliamentary authority. The Audit Committee strives to carry out its meetings in an atmosphere of professionalism with full participation by members of the body and the public. As such, the Presiding Officer is empowered to govern meetings to foster the efficient and fair administration of City business.

The Audit Committee welcomes and encourages public participation and invites the community to attend in person. Public comments will be no longer than three (3) minutes per community member. Should a speaker conclude their comments prior to the expiration of three (3) minutes, the speaker waives the right to speak for any remaining amount of time. If you cannot attend in person but would like your comments to be read during the meeting, please email your comments to cityclerk@victorvilleca.gov before 3:30 p.m. the day of the meeting. If your comment does not apply to a specific Agenda Item, please write General Public Comment in the subject line.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the office of the City Clerk at (760) 955-5188 no later than 72 hours prior to the meeting.

5:30 p.m. Call to Order

Public Comments

Written Communications

1. Presentation and Discussion of Draft City of Victorville Annual Comprehensive Financial Report (ACFR), and Victorville Water District and Southern California Logistics Airport Authority Basic Financial Statements for Fiscal Year Ending June 30, 2021

Recommendation:

No action needed at this time.

Adjournment

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Audit Committee

Written Communications

Meeting of: February 22, 2022

Submitted By:

Sophie Smith, Deputy City Manager
John Mendiola, Finance Director/City Treasurer

Subject:

Presentation and Discussion of Draft City of Victorville Annual Comprehensive Financial Report (ACFR), and Victorville Water District and Southern California Logistics Airport Authority Basic Financial Statements for Fiscal Year Ending June 30, 2021

Recommendation:

No action needed at this time.

Fiscal Impact:

There is no fiscal impact associated with this item.

Background:

In September 2008, the City's Auditors recommended that the City form an ad hoc committee to review the results of the audit and make accounting procedure recommendations to the City Council. On December 16, 2008, the City Council appointed two members to serve on the Finance Ad Hoc committee. Through the years, the committee has transformed into the Audit Committee and is currently comprised of two City Council members appointed by the entire body, along with the City Manager, Deputy City Managers, Finance Director/City Treasurer, and other key staff members.

In recent months, as staff prepared for the annual committee appointments process to begin, the question arose as to the status of the Audit Committee as an ad hoc committee. The City attorney's office has since advised that due to the addition of staff members on the committee, as well as the Audit Committee's continuing subject matter jurisdiction over the City's annual audits, it more likely resembles a standing committee and should be held as a public meeting subject to the Brown Act.

Discussion:

Attached is a draft version of the Fiscal Year Ending (FYE) June 30, 2021 Annual Comprehensive Financial Report (ACFR), the Victorville Water District Basic Financial Statements and the Southern California Logistics Airport Authority Basic Financial Statements. Also attached is the Draft Independent Auditor's Report for FYE 2021.

Ms. Kassie Radermacher, CPA, CFE and Principal of CliftonLarsonAllen LLP (CLA) will present the draft documents to the Audit Committee at the meeting. The committee members will have the opportunity to ask questions and discuss the contents of the reports.

Staff members of the Audit Committee will also be present to discuss and answer any questions from the Council-appointed Committee members.

Attachments:

- A. Draft City of Victorville Annual Comprehensive Financial Report (ACFR) for Fiscal Year Ended June 30, 2021
- B. Draft Independent Auditors' Report for Fiscal Year Ended June 30, 2021
- C. Draft Victorville Water District Basic Financial Statements for Fiscal Year Ended June 30, 2021
- D. Draft Southern California Logistics Airport Authority Basic Financial Statements for Fiscal Year Ended June 30, 2021

Attachment A

Draft City of Victorville Annual
Comprehensive Financial Report
(ACFR) for Fiscal Year Ended
June 30, 2021

**CITY OF VICTORVILLE
VICTORVILLE, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021**



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INTRODUCTORY SECTION

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February xx, 2022

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

In accordance with the City Charter of the City of Victorville and California state law, please accept submission of the Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2021. Responsibility for the accuracy of the data, completeness, and fairness of the presentation, including all disclosures, rests with the City. 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 it has established for this purpose. We believe the data included is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and operational achievements of the City, as measured by the financial activity of its various funds. In addition, all disclosures necessary to enable the reader to gain maximum understanding of the City's financial activities have been included.

The City Charter requires an annual audit of the City's financial statements by an independent Certified Public Accountant. Accordingly, this year's audit was completed by Clifton Larson Allen LLP in conformance with generally accepted auditing standards (GAAS). The ACFR was prepared in conformance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). 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's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the City's basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

City of Victorville Profile

The City of Victorville is 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 134,810.

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. On September 27, 2021, the Victorville City Council declared its intention to transition from at-large to district-based elections. After gathering community input through three community meetings and six public hearings, the City Council adopted Ordinance 2422, which includes the final district election map and corresponding sequencing. Additional information on terms can be found on the Council page or on the city website. 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, animal control, fire, and general administrative services. The City contracts with the County of San Bernardino for police services. In addition to general government activities, the City Council also serves as the Board of Directors of Southern California Logistics Airport Authority (SCLAA) 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 founded 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 project 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. Ongoing capital budgets and grants roll forward to the following year. Other encumbered amounts lapse at year-end. However, outstanding operating encumbrances generally are re-appropriated as part of the following year's budget.

Local Economy

Victorville has continued to strive with its economic growth. Although the pandemic hit many businesses hard, resulting in some closures, new businesses such as restaurants, gas stations, and retail stores, along with online shopping, helped boost the City of Victorville's Sales Tax revenue for fiscal year 2021.

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 for calendar year 2021, San Bernardino/Riverside Metropolitan Area was at 3.7%, down from 6.5% for calendar year 2020. Victorville's December unemployment rate was 8.2%, which is high compared to the 5.2% for San Bernardino County as a whole.

Starting in fiscal year 2017, the sales tax revenue reverted to the original Bradley Burns tax rate of 1%. Auto sales and retail sales of general consumer goods continue to show strong numbers and make up more than 50% of sales tax revenue generated in the City of Victorville. Restaurants, along with fuel and service stations, also produce a large portion of the sales tax revenue for the City.

In November of 2020, Victorville voters elected to approve a 1% transactions and use tax on the ballot, designated as Measure P. This 1% general tax was effective April 1, 2021 and as of June 2021, brought in tax revenue of just over \$7 million. Beginning in 2021, city council approved the hiring of additional police, fire, code and animal control enforcement personnel and equipment to aid response times for our citizens.

Southern California home prices continue to rise, and the number of sales, continues to decline. Low mortgage interest rates slowly started climbing throughout the year but combined with low housing

inventory and stimulus money distributed through federal and state sources, the demand for housing continued, although at a slower rate as 2021 ended. Victorville's median housing price at the end of June 2021 was \$261,327 and at the end of 2021, there was a 1.18% increase in median home price value over the twelve-month period.

The economy is continuing to turn around despite setbacks related to the pandemic, as shown by an increase in retail sales of consumable goods. Strong sales and new business additions boosted sales tax revenues for the City. Property tax revenue also continued to grow. The current pattern of increases are anticipated to continue throughout most of fiscal year 2022.

CITY ACCOMPLISHMENTS

A strong fiscal position is key to us achieving our lofty goals. Through hard work, reduced spending, and increasing revenue streams, the City of Victorville is in a very strong fiscal position. We increased our General Fund Reserve Target from 15% to 17% this past year. Currently, we are exceeding this reserve target, which puts the City in a very good position to weather unexpected future expenses.

Underscoring our strong fiscal position, we also received a credit rating from Standard and Poor's of AA- as well as a clean audit for Fiscal Year 2019-20. The City received \$61 million in grant funding to further our initiatives. We opened Fire Station 315 with the addition of six firefighter/paramedics, enabling us to expand service in the Southwest part of Victorville. We have four new fire apparatus on order which includes three Type 1 Engines and a Tiller. These new apparatuses will update our aging fleet to aid our fire & medical response. Also, Victorville Fire is the first fire agency in the region to equip every responding apparatus with a LUCAS Device that delivers automated chest compressions to improve patient outcomes. We added eleven police personnel - including five sheriff's deputies, five sheriff's service specialists, and one crime analyst to help us prevent crime, and speed up response times. We are also adding fifty automatic license plate readers or ALPRS, which will bring the total number of ALPRS in Victorville to 107. The ALPRS are proving to be very effective in helping us prevent, investigate, and solve crime.

The Victorville economy is thriving. A key indicator of this is the explosive growth at our Southern California Logistics Airport (SCLA). Currently, four large industrial buildings totaling nearly 3 million square feet are under construction at SCLA thanks to our development partner, ProLogis. This development nearly equals all the development at SCLA over the past 22 years. One of the buildings under construction is an Amazon Fulfillment Center, which is expected to bring 1,000 new jobs to Victorville. SCLA is the largest employment center in the region, and we look forward to more opportunities to bring good paying jobs to our community.

We issued more than 2,000 business licenses in 2021 including more than 100 new retail businesses. A few of the notable businesses were Amazon Last Mile Delivery Station that moved into the old, vacant Walmart on Bear Valley Road; the much-anticipated Chick-fil-A on

Mariposa Road, and the Multi-tenant retail development located on Bear Valley Road near Cottonwood that included Dutch Bros Coffee, Jersey Mike's, Cricket Wireless, and Buffalo Spot. We have continued to see sustained increases in most of our major permit categories, but especially in the area of single-family home development. As of November 2021, we issued 740 single-family home permits - an increase of 46% over last year.

We have made great progress on our Green Tree Extension since our groundbreaking last June. We are extending Green Tree Boulevard to Ridgecrest/Yates Road connecting the communities of Victorville and Apple Valley. We re-located a sewer main line, and the major utility and drainage work is complete. Right now, crews are constructing the 600-foot bridge over the BNSF Railroad. Barring any delays, our Green Tree Extension will be complete by Summer 2023.

In 2021, we undertook several significant road improvement projects. We reconstructed Industrial Boulevard and Silica Drive. We also replaced 960 water services and repaired 15 miles of roadway in the Liberty Village Area. We installed a new traffic signal at the intersection of Mariposa & Yates. Public works crews were busy throughout the year and filled 7,611 potholes, repaired 215,630 linear feet of streets with crack sealing and poured 21,335 square feet of concrete.

During fiscal year 2021 we also undertook a very important project to upgrade pipe in our natural gas distribution system for Victorville Municipal Utility Services (VMUS). We replaced 7,000 feet of outdated plastic pipe to add safety and reliability for our VMUS customers; and we added nine new services to increase our capacity for future growth. Our VMUS also executed another renewable power purchase agreement. With this agreement in place, VMUS exceeds regulatory requirements at this time. Adding renewable energy to our resource mix also enables VMUS to offer fair and reasonable rates and meet customer demands for clean energy. We used GIS technology to collect data about our water distribution network. This data will help us optimize water distribution and more-easily plan for future capacity growth as needed. We continue to upgrade our systems to enhance our customer service. During 2021, we installed two customer drive through kiosks in front of City Hall that enable customers to pay bills and make bill inquiries 24 hours a day, seven days a week and two more in the lobby for contact free interaction. We upgraded our Citizen Self-Service Portal. Now, the portal is easier to use on a variety of browsers, and provides easy, convenient self-service options for permits, plans, licenses, inspections, and fees.

In December 2021, we learned that we have been awarded a 28-million-dollar grant from the state to construct our Wellness Center Campus, which is key to our efforts to reduce homelessness in Victorville. We expect to begin construction in 2022. The City also funded the operation of an interim homeless shelter at Westwinds Sports Center to increase access to shelter and services. The shelter operator, Illumination Foundation began operation in June. We also constructed a few field treatment tents at the interim shelter that were used for COVID-19 quarantine and isolation of shelter occupants. Additionally, Desert Haven opened in September. We collaborated with the County on this 52-unit complex that provides housing to the chronically homeless.

As an entitlement City, we receive Federal Department of Housing and Urban Development (HUD) dollars that we gladly invest in our community. This year, we distributed more than \$3.2 million dollars to local service organizations and programs that provide beneficial services to our community members. Through our many abatement efforts and community clean ups, we collected more than eleven-hundred tons of trash that was illegally dumped in our desert. New for 2022, we added five code enforcement officers to help us be more proactive in responding to nuisance complaints including illegal dumping. We also started using work release prisoners to

conduct large-scale cleanups once or twice a month. With their help, we cleaned up several large dump sites and encampments. Usage of our Recycling Drop Off Center increased significantly. This year, we hit a milestone with nearly 12,900 visitors taking advantage of the center; and the tons collected increased 65% over last year's total.

Connecting with our community is one of our greatest priorities. When COVID-restrictions allowed, we hosted a variety of events that brought our community together to connect and have fun. This includes our first-ever Concert in the Park Series and Victorville Sings Competition, which drew thousands of community members to Hook Park each Friday in September. We repaired the pool deck that was damaged by the Ridgecrest Earthquake and resumed swim lessons at Doris Davies Park Pool in July and August. We also hosted our first-ever adult cornhole tournament. In December, we were awarded a \$3.3-million-dollar grant from the state department of parks and recreation to expand offerings and upgrade existing features to increase inclusivity at Eva Dell Park.

We also used our communication platform to engage with our community. In 2021, we distributed 134 news bulletins to our community and shared nearly 600 posts to our social media channels. Subscribers to our digital newsletter, Victorville Connect, grew to 35,000; and we now have nearly 23,000 social media followers, which is double the followers we had in 2019.

COVID-19

In March 2020, the Victorville City Council, in response to declarations by the United States President and the California Governor along with proclamation by the San Bernardino County Board of Supervisors, adopted Proclamation 20-01 wherein the Director of Emergency Services for Victorville proclaimed a State of Emergency and activated the Emergency Operations Center (EOC). This made the City eligible to receive funding to assist in costs incurred in the response to this pandemic.

During fiscal year 2021, the City received a total of \$6.5 million in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding passed through various agencies, including the State of California, Department of Housing and Urban Development (HUD), and the County of San Bernardino. These funds were spent to provide the Victorville community through continued services since March 2020 with purchases of emergency management equipment and resources, telecommuting equipment, strengthened broadband, additional cybersecurity to ensure safety of data, online payments, permitting and licensing, community meetings with audio visual improvements to council chambers, online library book ordering, safety measures to public buildings, small business loans and aid, and assistance to the homeless as well as other COVID-19 related necessities. Additional expenditures not covered by CARES funding are anticipated to be reimbursed through FEMA assistance.

The City was allocated \$33.5 million of federal assistance through the Federal American Rescue Plan Act (ARPA), of which the first tranche of \$16.75 million was received in June 2021 with the second tranche of \$16.75 million to be received in June 2022. A presentation of funding opportunities for this assistance was given to council on July 20, 2021 and the budget for expenditures was approved with the first program of utility assistance rolling out. Additional programs continue to be implemented in support of continuing providing excellent service to the community.

Long-term Financial Planning

The 2022 fiscal year budget continues to practice conservative revenue estimates. Overall, the 2022 budget anticipates an increase in revenues. The total estimated revenue for the general fund is \$76.5 million, an increase of approximately \$7.8 million as compared to 2021 fiscal year budget, resulting from increased charges for services in 2022 mostly relating to recreation and library closures in 2021 and increases in Sales Tax received primarily. The total General fund expenditures are estimated higher than fiscal year 2021 due to a continued increase in the public safety contracts, increase in recreation and library staff programs, employee investment programs and the rising costs in contributions to the State's CalPERS pension system.

Annually, the City of Victorville updates its five-year Capital Improvement Project (CIP) plan. Infrastructure improvements are considered capital improvement projects when the expected life is more than five years and expenditures are at least \$50,000. In contrast, scheduled purchases of vehicles, computer hardware and equipment are capitalized when the individual cost is \$5,000 or more, with an estimated useful life of at least five years. These routine purchases are generally accounted for out of special funds or enterprise funds. During the 2021 Calendar year there were several completed projects including \$5.7 million in road rehabilitation and slurry seal on Industrial Boulevard and Silica Road as well as in the Liberty Village area. Upgrades and new water service in area five as well as El Rio and Calvary totaled \$1.9 million. A new traffic signal was installed at the intersection of Mariposa and Yates. In preparation for the connection of Green Tree Boulevard to Yucca Loma, the Green Tree sewer trunk line was put into service and improvements were done for increase of sewer capacity in the C-1 area at a total cost of just over \$4.5 million. Improvements continued out at the SCLAA with \$653 thousand in natural gas replacement to improve service to the tenants there. There are 45 vehicle, equipment and computer capital purchases budgeted for 2022, totaling \$4.9 million.

Pension costs are expected to continue to rise annually because of reductions to the expected rate of return assumption change approved by the CalPERS board. This adjustment will affect pension costs for all employees and the remaining unfunded liability that exists for the former Victorville fire employees. Other Post-Employment Benefits (OPEB) also continue to grow as a liability mostly resulting from increasing medical insurance costs. Additional information on retirement benefit costs can be found in Notes 10 through 14 of these financial statements.

Despite the economic challenges the City has faced, the City of Victorville continues to maintain the following goals and objectives in alignment with the city council's three-year strategic plan from October 2020: 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.

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 as of June 30, 2021 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. Although, no amendments to the policy are proposed, it is the goal of management to pursue a more diversified investment portfolio in 2022 to try to achieve a better return overall. 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 \$50 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. In addition, various risk control techniques, including a safety committee, have been implemented to minimize losses. During Fiscal Year 2020-21, the City decided to bring the risk management supervision in house and hired a full-time Risk Manager starting in Fiscal Year 2021-22.

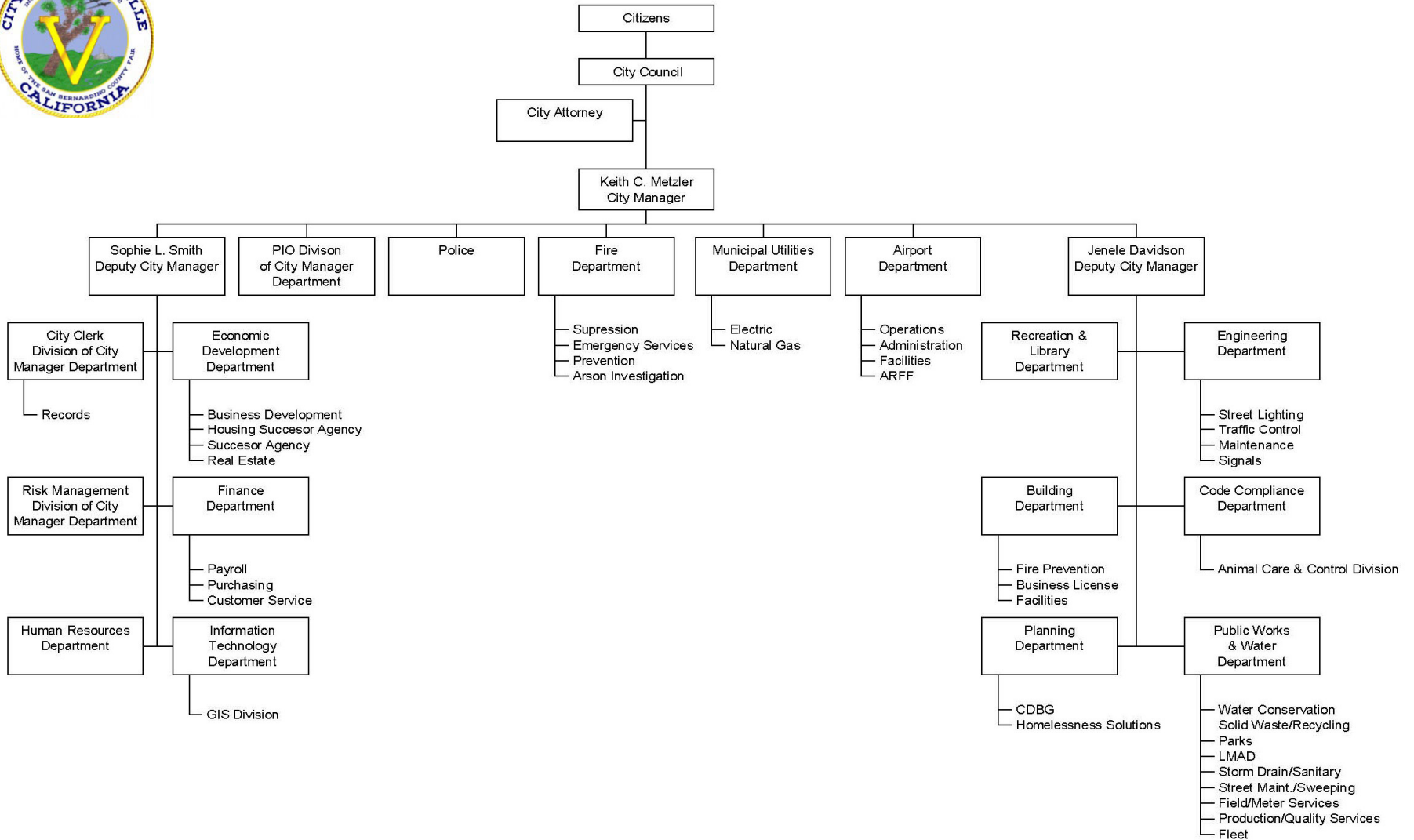
Acknowledgements

I would like to express my appreciation to all the dedicated employees of the City of Victorville 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,

John Mendiola
Director of Finance/City Treasurer

**CITY OF VICTORVILLE
ORGANIZATIONAL CHART
JUNE 30, 2021**



**CITY OF VICTORVILLE
ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2021**



Mayor
Debra Jones
(Elected 2018 4-year term)



Mayor Pro-Tem
Leslie Irving
(Elected 2020 4-year term)



Council Member
Blanca Gomez
(Elected 2020 4-year term)



Council Member
Liz Becerra
(Elected 2020 4-year term)

Executive Team

City Manager.....Keith C. Metzler
Deputy City Manager Sophie L. Smith
Deputy City ManagerJenele Davidson

Legal Counsel

City Attorney..... Andre de Bortnowsky

**CITY OF VICTORVILLE
ELECTED AND APPOINTED OFFICIALS
JUNE 30, 2021**

Appointed Officials Team

	Appointed By	Date Appointed	Term Expires
Planning Commission			
Kenneth Cook-Askins, Jr.	Irving	01-2021	December 2024
Robert Kurth	Becerra	01-2021	December 2024
Bill Thomas	Gomez	02-2021	December 2024
Robert Harriman	Jones	01-2019	December 2022
Kimberly Mesen	Vacant	11-2021	December 2022
Community Services Advisory Committee			
Loretta Star-Bolden	Irving	01-2021	December 2024
Brandon Dixon	Becerra	02-2021	December 2024
Adrian Belcher	Gomez	07-2021	December 2024
Michael Smith	Jones	01-2018	December 2022
Bill Pyle	Ramirez	12-2018	December 2022
Measure P Oversight Committee			
	Category		
Mark Creffield	Chamber of Commerce	04-2021	
Michael Krause	Education	04-2021	
Matthew Pellouchoud	Major Retail Industry	04-2021	
Margaret Cooker	Senior Community	04-2021	
Vacant	Business Owner		
Vacant	Youth/Recreation		
Vacant	Clergy		
Vacant	Non-Profit Social Services Provider		

**CITY OF VICTORVILLE
LEADERSHIP TEAM
JUNE 30, 2021**

Leadership Team

Fire Chief.....	Jeffrey Armstrong
Police Captain (Sheriff)	John Wickum
City Clerk.....	Charlene Robinson
Public Information Officer (PIO)	Sue Jones
Director of Public Works/Water	Doug Mathews
City Engineer.....	Brian Gengler
Airport Director	Eric Ray
City Planner.....	Scott Webb
Building Official	Kevin Collins
Code Enforcement Official	Jorge Duran
Technology Officer	Frank Rick (Interim)
Human Resources Officer	Josie Trevino
Director of Finance.....	John Mendiola
VMUS Utility Director	Brenda Hampton

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable City Council
City of Victorville
Victorville, California

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 (the City), as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021 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 Matter

During the fiscal year ended June 30, 2021, the City adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the previously reported Deposit and Foxborough Rail agency funds were reclassified to special revenue funds with a portion of the Deposit agency fund reclassified to the General Fund since these activities no longer meet the definition of fiduciary activities and beginning fund balance and net position was restated (See Notes 1D and 23). Our opinion is not modified with respect to this matter.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund Budgetary Comparison Schedule, Housing Asset Successor Special Revenue Fund Budgetary Comparison Schedule, Agent Plan Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Plan Contributions, Cost Sharing Plan Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Plan Contributions, and Schedule of Changes in the Total OPEB Liability and Related Ratios, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 RSI 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 RSI 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's basic financial statements. The introductory section, Capital Impact Facilities – Major Fund Budget and Actual Schedule, combining and individual nonmajor fund financial statements and schedules (supplementary information), and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, on our consideration of the City'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 solely 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 the effectiveness of the City's 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 the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Irvine, California
REPORT DATE

**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter along with 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. For proprietary funds, the statements offer the short- and long-term financial information on the activities operating like businesses. 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 supplementary information 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 airport, water, and sanitation activities.
- *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
YEAR ENDED JUNE 30, 2021**

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

	<i>Government-wide Statements</i>	<i>Fund Statements</i>		
		<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
<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; Reconciliation of the balance sheet to the statement of net position; Statement of revenues, expenditures and changes in fund balances; Reconciliation of the statement of revenues, expenditures and changes in fund balance to the statement of activities	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, deferred outflows, liability, and deferred inflows information</i>	All assets, liabilities, and deferred outflows and inflows of resources, 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, liabilities, and deferred outflows and inflows of resources, 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
YEAR ENDED JUNE 30, 2021**

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, liabilities, and deferred outflows and inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources – 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 two separate legal entities in its report: Southern California Logistics Airport Authority and Victorville Water District. Although legally separate, these "blended component units" are important because they are part of the City's operations and so data from these units are reported with the interfund data of the primary government.

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 financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between

**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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
YEAR ENDED JUNE 30, 2021**

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			
	2021	2020	2021	2020	2021	2020
Cash and Investments	\$ 103,629	\$ 54,959	\$ 140,840	\$ 128,948	\$ 244,469	\$ 183,907
Other Assets	51,977	43,636	15,816	12,888	67,794	56,524
Interfund Balances	4,802	5,897	(4,802)	(5,897)	-	-
Capital Assets	454,542	467,902	353,828	362,658	808,370	830,560
Total assets	614,951	572,394	505,682	498,597	1,120,633	1,070,991
Deferred outflows - pension	8,006	7,588	4,682	4,370	12,688	11,958
Deferred outflows - OPEB	4,733	1,527	3,192	1,039	7,925	2,566
Deferred charge on refunding	-	-	1,667	1,801	1,667	1,801
Total deferred outflows of resources	12,739	9,115	9,541	7,210	22,280	16,325
Short-Term Liabilities	27,548	6,090	12,235	11,900	39,783	17,990
Total OPEB Liability	22,159	20,358	17,352	15,487	39,511	35,845
Net Pension Liability	44,945	42,026	23,725	21,694	68,670	63,720
Other Long-Term Liabilities	9,119	7,966	360,339	366,467	369,458	374,433
Total Liabilities	103,771	76,439	413,651	415,549	517,422	491,988
Deferred inflows - pension	30	1,179	393	920	423	2,099
Deferred inflows - OPEB	6,923	4,328	4,587	3,798	11,509	8,126
Total deferred inflows of resources	6,952	5,507	4,980	4,717	11,932	10,224
Net Position:						
Net Investment in Capital Assets						
Assets	451,333	466,516	38,243	42,900	489,576	509,416
Restricted	86,627	77,665	-	-	86,627	77,665
Unrestricted	(20,993)	(44,619)	58,348	42,641	37,355	(1,978)
Total Net Position	\$ 516,967	\$ 499,563	\$ 96,591	\$ 85,541	\$ 613,558	\$ 585,104

**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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 \$28.5 million primarily due to the increase in cash and investments and a restatement of \$475,499 due to the implementation of GASB No. 84 that resulted in the reclassification of fiduciary funds to governmental activities. Cash and investments increased by \$60.6 million; however, it was offset by the decrease in value of capital assets and the increases in short-term liabilities and the pension and OPEB liabilities. The restricted portion of the net position represents resources that are subject to external restrictions on how they may be used.

Brief explanations for the other changes shown in Table 1 are as follows:

Total Assets:

- Total Governmental assets increased by \$42.6 million primarily due to an increase in cash and investments of \$48.7 million.
- A total decrease of \$22.2 million in capital assets for both Governmental and Business-Type Activities (a \$13.4 million decrease for governmental activities and a \$8.8 million decrease for business-type activities) was largely due to recorded depreciation of \$38.6 million for the fiscal year.

Total Liabilities:

- Governmental total liabilities increased by \$27.3 million primarily due to an increase in unearned revenue of \$16.75 million from the receipt of American Rescue Plan Act funding in this amount with the remainder primarily coming from the reclassifying of the engineering deposit funds into governmental from fiduciary with GASB 84 implementation. Increases also occurred in the total OPEB liability of \$1.8 million and net pension liability of \$2.9 million.
- Business-type total liabilities decreased by \$1.9 million due to the reduction of bonds payable resulting from the annual principal debt service payments. Principal debt service payments totaled \$7.7 million for the Business-type (Enterprise) Funds. The reduction of these liabilities was offset by the increase in OPEB and pension liabilities.

GOVERNMENTAL ACTIVITIES

During the year ended June 30, 2021, the City's governmental activities had an increase of \$17.4 million in the total net position as compared to fiscal year 2020. Significant changes in the revenue and expenses within the City's governmental activities presented are as follows:

- Total revenue increased by \$27 million for the governmental activities. Charges for services increased by \$6.4 million as a result of increased permit activity by developers and homeowners from the prior year and operating contributions and grants revenue increased by \$7.2 million over the prior year. See Coronavirus Relief Funding below for detailed information contributing to the increase in governmental activities. Capital contributions and grants revenue decreased by \$3.9 million from the prior year.
- Property tax revenue increased by \$3.8 million from the prior year and sales and transaction tax revenue increased by \$13.8 million due to the additional amount received from the passing of Measure P. There was not a significant change in franchise tax, with an increase of only \$124 thousand.
- Investment income decreased by half compared to fiscal year 2020 due to the decrease in interest rates during the fiscal year.
- Total governmental expenses increased by \$11.4 million as compared to fiscal year 2020. The increase is primarily due to the increase in Community Development resulting from higher activity for planning and building and Public Safety due to increased police costs as well as

**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

capital and other needed purchases for fire. See Coronavirus Relief Funding below for detailed information contributing to the increase in governmental activities.

- General Government expenditures decreased from the prior year by \$1.5 million. This was primarily related to the shutdown of recreation activities in response to COVID-19 mandates as well as the delay of several capital projects and purchases.
- Coronavirus Relief Funding - During fiscal year 2021, the City received a total of \$6.5 million in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding passed through various agencies, including the State of California, Department of Housing and Urban Development (HUD), and the County of San Bernardino. These funds were spent to provide the Victorville community through continued services since March 2020 with purchases of emergency management equipment and resources, telecommuting equipment, strengthened broadband, additional cybersecurity to ensure safety of data, online payments, permitting and licensing, community meetings with audio visual improvements to council chambers, online library book ordering, safety measures to public buildings, small business loans and aid, and assistance to the homeless as well as other COVID-19 related necessities. Additional expenditures not covered by above funding are anticipated to be reimbursed through FEMA assistance.
- The City was allocated \$33.5 million of federal assistance through the Federal American Rescue Plan Act (ARPA), of which the first tranche of \$16.75 million was received in June 2021 with the second tranche of \$16.75 million to be received in June 2022. A presentation of funding opportunities for this assistance was given to council on July 20, 2021 and the budget for expenditures was approved with the first program of utility assistance rolling out. Additional programs continue to be implemented in support of continuing providing excellent service to the community.

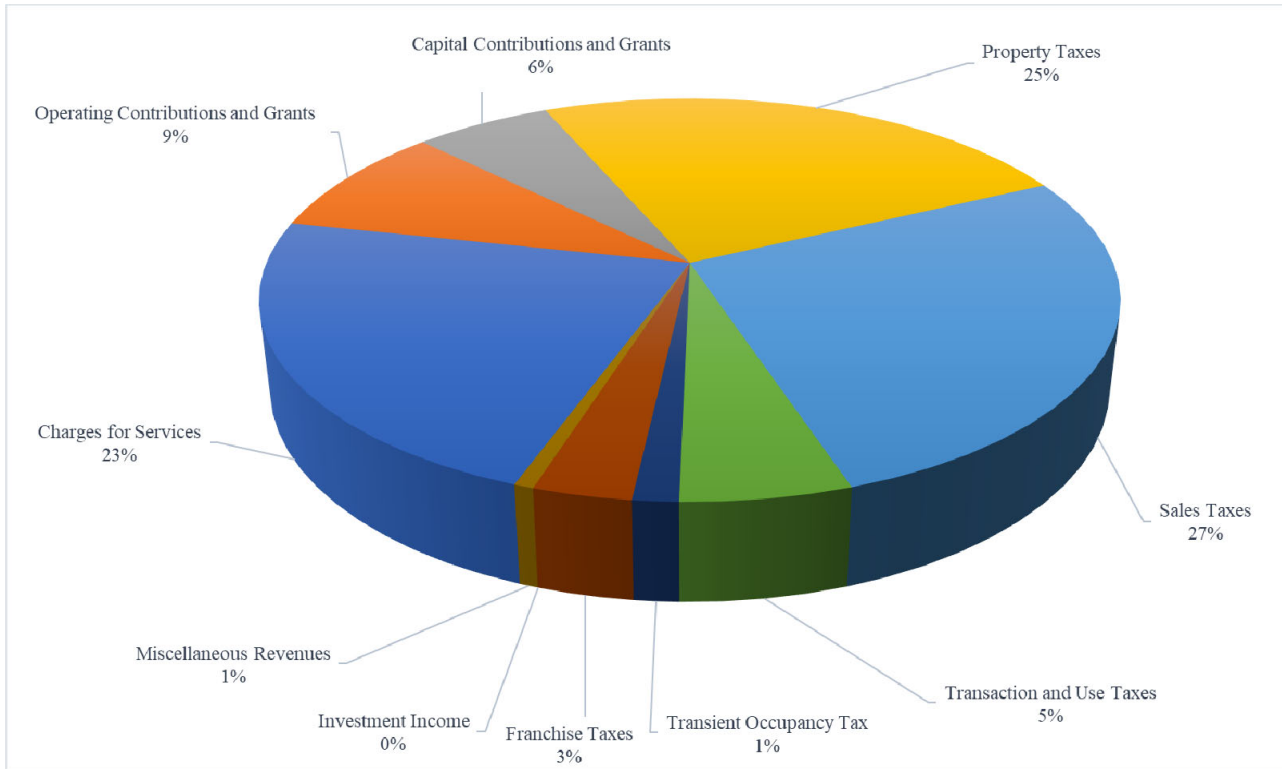
**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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

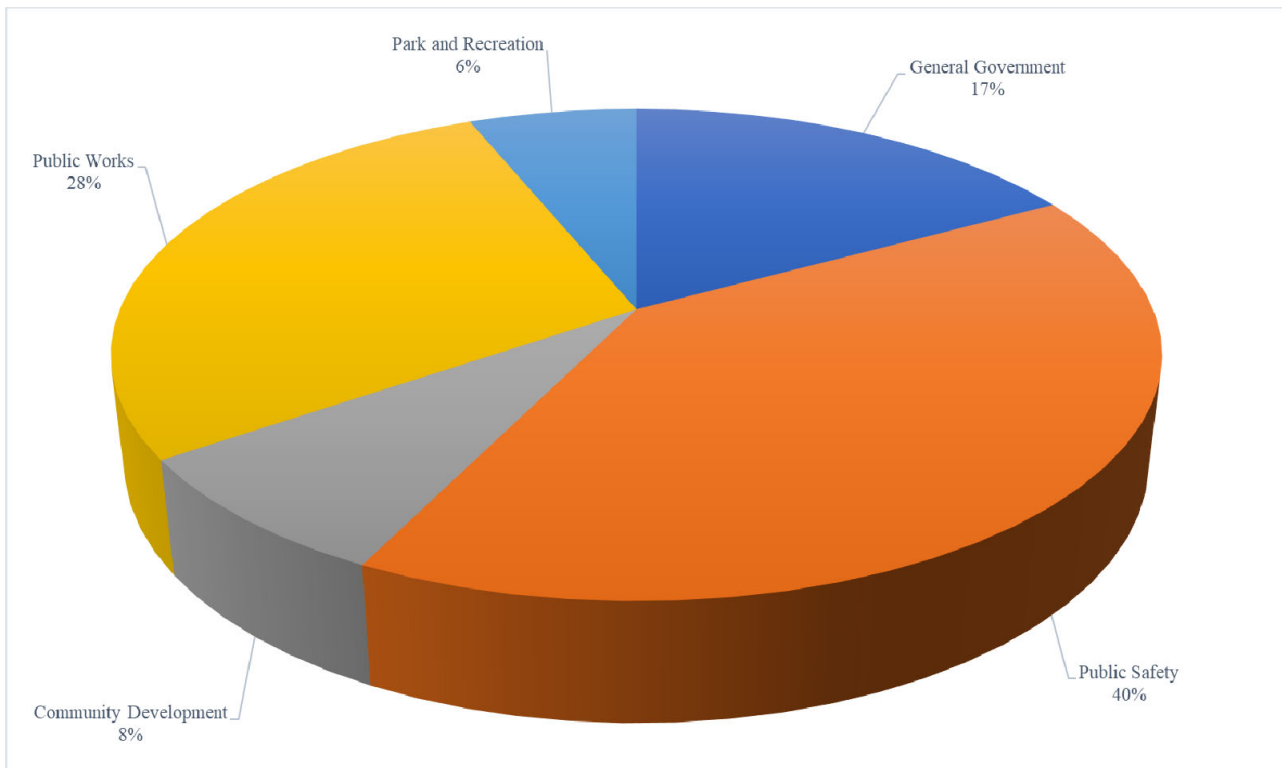
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 28,837	\$ 22,402	\$ 108,779	\$ 96,215	\$ 137,615	\$ 118,617
Operating Contributions and Grants	11,719	4,555	-	-	11,719	4,555
Capital Contributions and Grants	7,992	11,916	13,777	6,393	21,769	18,309
General Revenues:						
Property Taxes	31,980	28,211	22,405	20,772	54,386	48,983
Sales Taxes	42,330	28,566	-	-	42,330	28,566
Transient Occupancy Tax	1,899	1,539	-	-	1,899	1,539
Franchise Taxes	4,112	3,988	-	-	4,112	3,988
Investment Income	(391)	574	216	1,918	(176)	2,492
Miscellaneous Revenues	818	515	259	630	1,076	1,145
Total Revenues	<u>129,295</u>	<u>102,267</u>	<u>145,436</u>	<u>125,928</u>	<u>274,731</u>	<u>228,195</u>
Expenses:						
General Government	19,440	20,924	-	-	19,440	20,924
Public Safety	45,868	42,413	-	-	45,868	42,413
Community Development	9,231	1,314	-	-	9,231	1,314
Public Works	32,425	31,103	-	-	32,425	31,103
Park and Recreation	7,035	6,826	-	-	7,035	6,826
Sanitary	-	-	16,552	17,314	16,552	17,314
Airport	-	-	40,578	34,860	40,578	34,860
Solid Waste Management	-	-	18,616	17,850	18,616	17,850
Water	-	-	42,734	39,439	42,734	39,439
Municipal Utility - Gas	-	-	2,064	2,353	2,064	2,353
Municipal Utility - Electric	-	-	12,156	11,717	12,156	11,717
Interest on Long-Term Debt	51	104	-	-	51	104
Total Expenses	<u>114,051</u>	<u>102,684</u>	<u>132,701</u>	<u>123,533</u>	<u>246,752</u>	<u>226,216</u>
Change in Net Assets before Transfers	15,244	(417)	12,735	2,396	27,979	1,979
Transfers	1,685	-	(1,685)	-	-	-
Change in net position	<u>16,929</u>	<u>(417)</u>	<u>11,051</u>	<u>2,396</u>	<u>27,979</u>	<u>1,979</u>
Net Position - Beginning of Year (as restated)	500,038	499,980	85,541	83,145	585,579	583,124
Net Position - End of Year	<u>\$ 516,967</u>	<u>\$ 499,563</u>	<u>\$ 96,591</u>	<u>\$ 85,541</u>	<u>\$ 613,558</u>	<u>\$ 585,104</u>

**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Revenues by Source - Governmental Activities

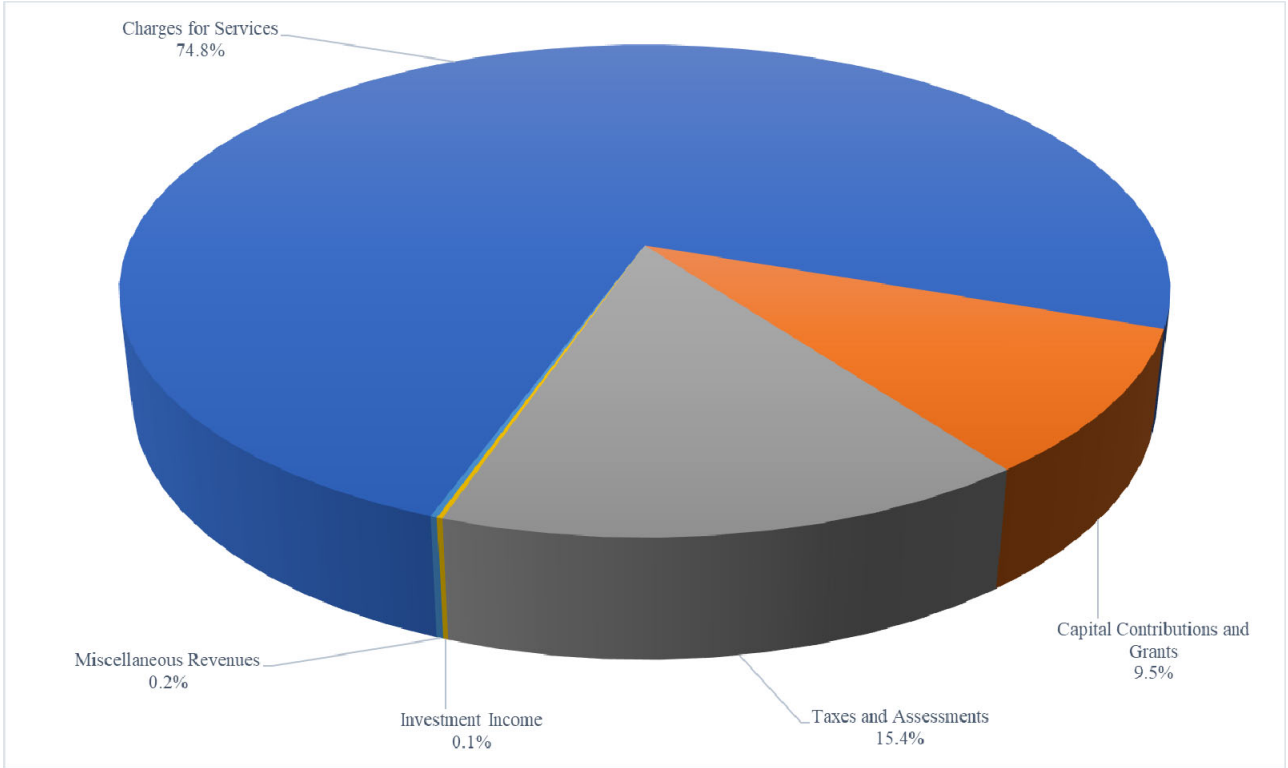


Expenses by Function - Governmental Activities

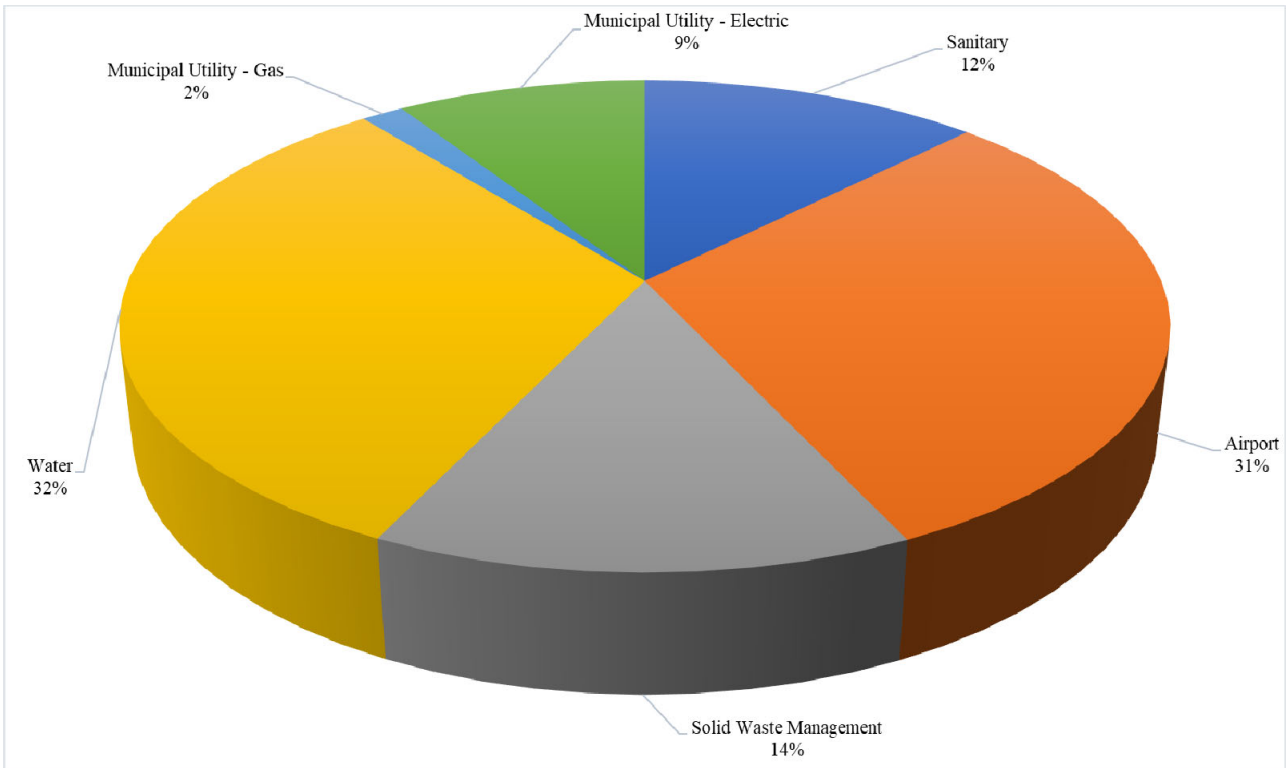


**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Revenue by Source - Business-Type Activities



Expenses by Function – Business-Type Activities



**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

BUSINESS TYPE ACTIVITIES

During the year ended June 30, 2021, the City's business-type activities had an increase of \$11 million in the total net position as compared to fiscal year 2020.

Significant changes in the revenue and expenses within the business-type activities are as follows:

- Overall revenues improved by \$19.5 million from the prior year with the majority coming from charges for services and capital grants and contributions.
- Charges for services increased \$12.6 million, mainly due to increases for the Water District and Sanitary revenues resulting from increased usage as a result of COVID-19 stay at home orders.
- Property taxes grew \$1.6 million due to the increase in tax increment revenue receipts for SCLAA and Water District. Capital contributions and grants also increased by \$7.4 million with several additional Federal Aviation Administration (FAA) grants being awarded and completed.
- Overall expenditures for business-type activities increased by \$9.2 million with the majority in Water and Airport. The Airport had a significant increase in expenditures in the amount of \$5.7 million with the majority related to capital improvement projects of roofing and runway improvements. Water also had large capital improvements in its infrastructure.

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 (GF) is the chief operating fund of the City of Victorville. For the purposes of the financial statements, the General Fund is comprised of General Fund, Measure P Fund, Technology Fund Fueling Stations Fund, and Developer Deposit Fund. Details on revenue and expenditures in each of these funds is found in the supplemental information section of these financial reports. At the end of the current fiscal year, the unrestricted fund balance of the General Fund was \$41.1 million, while the total fund balance was \$46.3 million. This is an increase of \$21.8 million in total fund balance from fiscal year 2020. As a measure of the General Fund's liquidity, the unrestricted fund balance represents 61.2% of the total General Fund expenditures and the total fund balance represents 68.9% of the General Fund expenditures. The General Fund reserve policy requires that the unrestricted fund balance represents 17% of the total GF expenditures.

General Fund revenue increased by \$21.1 million during this fiscal year over the last fiscal year, mainly due to the increase in revenue generated from taxes and assessments of \$18.2 million. Sales tax increased by \$13.9 million and the first quarter of transactions and use tax was \$7.1 million. Pass-through distribution of former redevelopment property tax increased by \$2.7 million.

General Fund expenditures increased by \$3.6 million as compared to last fiscal year. Public safety had the largest increase in expenditures in the amount of \$3.4 million as a result of the annual schedule A amendment.

Measure P is a 1% Transactions and Use Tax adopted by the voters of Victorville in November 2020. The tax went into effect April 1, 2021. Revenue received for this transactions tax in Fiscal Year 2021 was \$7.1 million. Per the Public Safety Plan presented to council in May 2020 and the committee formed to review and comment on revenue and expenditures in this fund, expenditures for the year

**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

included public safety staffing of additional police, code enforcement, animal control, and fire departments.

Budget vs. Actual – The General Fund revenue original budget was \$64.9 million, and the final budget was adjusted throughout the year to \$69.6 million. Actual revenue at the end of the year totaled \$88.9 million, which was \$19.3 million over revised budgeted amount. This variance was primarily related to the first quarter of Measure P Transactions and Use Tax revenue which had not been budgeted and adjustments to other tax revenue that decreased the budget for expected shortfalls; however, realized amounts came in better than expected. Charges for services and investment income were also better than expected by \$1.7 million.

The General Fund expenditures original budget was \$68.4 million and was adjusted throughout the year to \$70.9 million. This increase was primarily for public safety and capital outlay expenditures. Actual expenditures were only \$67.2 million with most of the cost savings realized in public safety and general government. Capital expenditure actuals were \$948 thousand with the balance rolled forward to the Fiscal Year 2021-22 budget for projects that were not completed in the current fiscal year.

City as Housing Asset Successor

The City Housing Asset Successor (CHAS) fund is a special revenue fund relating to the housing aspect of the dissolved Redevelopment Agency of the City. The assets of this fund primarily consist of properties allocated to it in the Dissolution Housing Asset Transfer (HAT) and the Mortgage Assistance Program loans that were outstanding and were previously accounted for in the low and moderate housing redevelopment agency fund. At the end of the current fiscal year, fund balance decreased from \$32.36 million to \$28.99 million. This was primarily due to an expenditure relating to impairment of some of the remaining land for current market value on the HAT.

Capital Impact Fees

This fund accounts for the acquisition or construction of major capital facilities related to public improvements needed as population increases. Fund balance increase of just over \$6.2 million resulted from charges for services revenue of \$8.6 million from increased developer activity and total expenditures of only \$2.3 million as construction for the Greentree Extension project gets underway in FY2021-22. The Capital Impact Facilities has a fund balance of \$18.6 million.

MAJOR ENTERPRISE FUNDS

The major enterprise funds of the City of Victorville are the Victorville Water District, Southern California Logistic Airport Authority (SCLAA), Municipal Electric Utility, Solid Waste Management, and Sanitary. The Municipal Gas Utility is reported as a nonmajor enterprise fund. All enterprise funds reported an increase in net position for fiscal year 2021, except for the Southern California Logistics Airport Authority with a net position decrease of \$3.5 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

**City of Victorville's Capital Assets
(Net of depreciation)
(In Thousands)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 59,460	\$ 59,460	\$ 25,153	\$ 25,153	\$ 84,614	\$ 84,614
Land Right of Way	178,172	180,002	-	-	178,172	180,002
Buildings and Improvements	45,147	45,510	92,032	97,144	137,180	142,654
Furniture and Equipment	3,079	2,766	11,122	12,442	14,201	15,207
Computers and Communication:	696	630	67	124	764	754
Vehicles	3,134	3,399	2,257	2,232	5,391	5,631
Infrastructure	148,666	158,394	192,889	195,548	341,555	353,943
Land Improvement	5,786	7,277	540	552	6,326	7,830
Water Rights	-	-	12,678	12,678	12,678	12,678
Intangible Assets	293	565	3,967	3,996	4,260	4,561
Idle Assets	-	-	3,018	3,018	3,018	3,018
Construction in Progress	10,107	9,899	10,104	9,770	20,212	19,669
Total	\$ 454,542	\$ 467,902	\$ 353,828	\$ 362,658	\$ 808,370	\$ 830,560

Capital assets: The City of Victorville's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$808 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, computers and communications, vehicles, roads, streets, storm drain, sewer, water and gas lines, intangible assets and construction in progress. The total decrease in the City of Victorville's investment in capital assets for the current fiscal year is \$22 million (a \$13.4 million decrease for governmental activities and a \$8.8 million decrease for business-type activities). The decrease is primarily due to annual depreciation.

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

**CITY OF VICTORVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

**City of Victorville's Outstanding Debt
(In Thousands)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Compensated Absences	\$ 4,234	\$ 4,343	\$ 723	\$ 771	\$ 4,957	\$ 5,114
Capital Lease	889	1,048	-	-	889	1,048
OPEB Liability	22,159	20,358	17,352	15,487	39,511	35,845
Net Pension Liability	44,945	42,026	23,725	21,694	68,670	63,720
Claim Payable	2,952	1,327	2,510	2,950	5,462	4,277
Pollution Remediation Obligation	1,044	1,248	-	-	1,044	1,248
Tax Allocation Bond	-	-	291,960	296,558	291,960	296,558
Lease Revenue Bond	-	-	46,710	48,115	46,710	48,115
Certificate of Participation	-	-	8,930	9,310	8,930	9,310
Refunding Charges & Unamortized Discount/Premiums	-	-	(2,091)	(2,177)	(2,091)	(2,177)
Total	\$ 76,223	\$ 70,349	\$ 389,820	\$ 392,709	\$ 466,043	\$ 463,059

Long-term debt: At the end of the current fiscal year, the City of Victorville had a total outstanding debt of \$466 million, an increase of \$3 million as compared to the prior fiscal year. This increase is primarily due to the increase in the City's Pension and OPEB liabilities.

Additional information on the City of Victorville's long-term debt can be found in Notes 7 and 8 of 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.

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BASIC FINANCIAL STATEMENTS

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CITY OF VICTORVILLE
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Investments	\$ 103,629,386	\$ 109,943,141	\$ 213,572,527
Cash With Fiscal Agent	-	30,896,926	30,896,926
Receivables:			
Accounts, Net	3,864,407	11,431,877	15,296,284
Interest	75,911	25,368	101,279
Due from Other Governments	18,838,505	2,345,643	21,184,148
Due from Successor Agency	12,514,738	-	12,514,738
Deposits and Prepaid Items	21,348	312,725	334,073
Inventory and Other Assets	255,978	1,263,998	1,519,976
Interfund Balances	4,802,141	(4,802,141)	-
Investment in Joint Venture	-	436,647	436,647
Land Held for Resale	2,479,641	-	2,479,641
Capital Assets, Net:			
Nondepreciable	247,739,720	55,445,506	303,185,226
Depreciable, Net	206,802,473	298,382,022	505,184,495
Long-Term Notes Receivable	13,926,795	-	13,926,795
Total Assets	<u>614,951,043</u>	<u>505,681,712</u>	<u>1,120,632,755</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - OPEB Related	4,732,976	3,192,161	7,925,137
Deferred Outflows - Pension Related	8,006,218	4,681,575	12,687,793
Deferred Charge on Refunding	-	1,666,928	1,666,928
Total Deferred Outflows of Resources	<u>12,739,194</u>	<u>9,540,664</u>	<u>22,279,858</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021

LIABILITIES	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT LIABILITIES			
Accounts Payable	\$ 5,080,918	\$ 8,439,054	\$ 13,519,972
Accrued Liabilities	1,407,602	-	1,407,602
Interest Payable	28,093	1,460,857	1,488,950
Deposits Payable	4,148,368	2,073,394	6,221,762
Prepaid Water Connection Fees	-	217,489	217,489
Unearned Revenue	16,883,054	44,066	16,927,120
NONCURRENT LIABILITIES			
Accrued Rent Credit Payable	-	601,572	601,572
Advances from Other Governments	-	10,995,517	10,995,517
Total OPEB Liability:			
Due Within One Year	281,765	294,850	576,615
Due in More Than One Year	21,877,259	17,057,555	38,934,814
Net Pension Liability	44,944,871	23,725,015	68,669,886
Long-Term Liabilities:			
Due Within One Year	2,964,504	9,801,533	12,766,037
Due in More Than One Year	6,154,552	338,940,457	345,095,009
Total Liabilities	<u>103,770,986</u>	<u>413,651,359</u>	<u>517,422,345</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - OPEB Related	6,922,708	4,586,655	11,509,363
Deferred Inflows - Pension Related	29,508	393,055	422,563
Total Deferred Inflows of Resources	<u>6,952,216</u>	<u>4,979,710</u>	<u>11,931,926</u>
NET POSITION (DEFICIT)			
Net Investment in Capital Assets	451,332,844	38,243,033	489,575,877
Restricted for:			
Public Safety	68,414	-	68,414
Community Development	31,578,373	-	31,578,373
Public Works	54,980,691	-	54,980,691
Unrestricted	(20,993,287)	58,348,274	37,354,987
Total Net Position	<u>\$ 516,967,035</u>	<u>\$ 96,591,307</u>	<u>\$ 613,558,342</u>

See accompanying Notes to Basic Financial Statements.

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**CITY OF VICTORVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ 19,440,477	\$ 10,159,471	\$ 159,606	\$ -
Public Safety	45,867,510	1,466,169	5,249,479	192,148
Community Development	9,231,263	8,066,157	5,447,542	1,002,214
Public Works	32,425,132	8,310,218	862,538	6,797,660
Parks and Recreation	7,035,167	834,488	-	-
Interest Expense	51,495	-	-	-
Total Governmental Activities	<u>114,051,044</u>	<u>28,836,503</u>	<u>11,719,165</u>	<u>7,992,022</u>
Business-Type Activities:				
Water	42,734,294	42,167,002	-	6,662,821
Airport	40,577,596	11,056,341	-	6,344,691
Gas Utility	2,064,496	2,657,229	-	12,487
Electric Utility	12,156,206	15,830,202	-	757,246
Solid Waste Management	18,616,463	19,776,298	-	-
Sanitary	16,551,591	17,291,832	-	-
Total Business-Type Activities	<u>132,700,646</u>	<u>108,778,904</u>	<u>-</u>	<u>13,777,245</u>
Total Primary Government	<u>\$ 246,751,690</u>	<u>\$ 137,615,407</u>	<u>\$ 11,719,165</u>	<u>\$ 21,769,267</u>
GENERAL REVENUES				
Taxes:				
Property Taxes				
Sales Taxes				
Transactions and Use Tax				
Transient Occupancy Tax				
Franchise Taxes				
Investment Income				
Miscellaneous Revenues				
Gain on Disposal of Assets				
Transfers				
Total General Revenues and Transfers				

CHANGE IN NET POSITION

Net Position - Beginning of Year, as Restated

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (9,121,400)	\$ -	\$ (9,121,400)
(38,959,714)	-	(38,959,714)
5,284,650	-	5,284,650
(16,454,716)	-	(16,454,716)
(6,200,679)	-	(6,200,679)
(51,495)	-	(51,495)
(65,503,354)	-	(65,503,354)
-	6,095,529	6,095,529
-	(23,176,564)	(23,176,564)
-	605,220	605,220
-	4,431,242	4,431,242
-	1,159,835	1,159,835
-	740,241	740,241
-	(10,144,497)	(10,144,497)
(65,503,354)	(10,144,497)	(75,647,851)
31,980,216	22,405,298	54,385,514
35,226,994	-	35,226,994
7,102,985	-	7,102,985
1,899,038	-	1,899,038
4,111,950	-	4,111,950
(391,468)	215,839	(175,629)
817,563	148,875	966,438
-	109,829	109,829
1,684,653	(1,684,653)	-
82,431,931	21,195,188	103,627,119
16,928,577	11,050,691	27,979,268
500,038,458	85,540,616	585,579,074
\$ 516,967,035	\$ 96,591,307	\$ 613,558,342

See accompanying Notes to Basic Financial Statements.

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.

Housing Asset Successor Special Revenue Fund

This fund accounts for the housing activities of the City that were previously accounted for in the low and moderate housing redevelopment agency fund. Funding sources consists primarily of loan repayments and corresponding interest that are used to increase, improve, and preserve the community's supply of low- and moderate-income housing.

Capital Impact Facilities Fund

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

**CITY OF VICTORVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Special Revenue	Capital Projects	Nonmajor	Totals
		Housing Asset Successor	Capital Impact Facilities	Governmental Funds	
ASSETS					
Cash and Investments	\$ 26,430,581	\$ 100,391	\$ 21,515,990	\$ 55,582,424	\$ 103,629,386
Accounts Receivable	1,375,135	-	-	2,489,272	3,864,407
Interest Receivable	75,911	-	-	-	75,911
Notes Receivable	-	12,030,867	-	1,895,928	13,926,795
Due from Other Funds	4,163,082	-	-	-	4,163,082
Advances to Other Funds	4,877,304	1,864,932	-	267,483	7,009,719
Due from Other Governments	12,577,030	-	-	6,261,475	18,838,505
Due from the Successor Agency	-	12,514,738	-	-	12,514,738
Inventories	255,978	-	-	-	255,978
Prepaid Items	15,902	-	-	5,446	21,348
Land Held for Resale	-	2,479,641	-	-	2,479,641
	<u>\$ 49,770,923</u>	<u>\$ 28,990,569</u>	<u>\$ 21,515,990</u>	<u>\$ 66,502,028</u>	<u>\$ 166,779,510</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 2,021,906	\$ 213	\$ 691,818	\$ 2,366,981	\$ 5,080,918
Accrued Liabilities	1,407,602	-	-	-	1,407,602
Deposits Payable	85,278	-	-	4,063,090	4,148,368
Due to Other Funds	-	-	-	4,163,082	4,163,082
Unearned Revenue	153	-	-	16,882,901	16,883,054
Advances from Other Funds	-	-	2,207,578	-	2,207,578
Total Liabilities	<u>3,514,939</u>	<u>213</u>	<u>2,899,396</u>	<u>27,476,054</u>	<u>33,890,602</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	-	6,019,131	6,019,131
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,019,131</u>	<u>6,019,131</u>
FUND BALANCES					
Nonspendable:					
Advances to Other Funds	4,877,304	-	-	-	4,877,304
Prepaid Items	15,902	-	-	5,446	21,348
Inventories	255,978	-	-	-	255,978
Restricted:					
Public Safety	-	-	-	68,414	68,414
Highways and Street Projects	-	-	18,616,594	34,498,459	53,115,053
Community Development	-	28,990,356	-	1,380,969	30,371,325
Unassigned	41,106,800	-	-	(2,946,445)	38,160,355
Total Fund Balances	<u>46,255,984</u>	<u>28,990,356</u>	<u>18,616,594</u>	<u>33,006,843</u>	<u>126,869,777</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 49,770,923</u>	<u>\$ 28,990,569</u>	<u>\$ 21,515,990</u>	<u>\$ 66,502,028</u>	<u>\$ 166,779,510</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Fund Balances - Governmental Funds	\$ 126,869,777
 Amounts reported for governmental activities in the statement of net position are different because:	
 Capital assets, net of depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	
Capital Assets	918,069,703
Accumulated Depreciation	(463,527,510)
 Accrued interest on long-term debt is not due and payable in the current period and is not reported in the governmental funds.	
	(28,093)
 Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.	
	(2,951,890)
 Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.	
Capital Lease	(889,473)
Compensated Absences	(4,233,586)
Pollution Remediation	(1,044,107)
 Pension and OPEB related debt applicable to the City governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pension and OPEB are only reported in the Statement of Net Position as the changes in these amounts effect only the government-wide statements for governmental activities:	
Deferred Outflows - OPEB Related	4,732,976
Deferred Inflows - OPEB Related	(6,922,708)
Total OPEB Liability	(22,159,024)
Deferred Outflows - Pension Related	8,006,218
Deferred Inflows - Pension Related	(29,508)
Net Pension Liability	(44,944,871)
 Certain revenues in the governmental funds are unavailable because they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide statements.	
	6,019,131
 Net Position of Governmental Activities	 <u><u>\$ 516,967,035</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General	Special Revenue	Capital Projects	Nonmajor	Totals
		Housing Asset Successor	Capital Impact Facilities	Governmental Funds	
REVENUES					
Taxes and Assessments	\$ 69,488,310	\$ -	\$ -	\$ 13,681,477	\$ 83,169,787
Licenses and Permits	4,244,266	-	-	-	4,244,266
Intergovernmental	95,255	375,000	-	8,680,120	9,150,375
Charges for Services	13,480,288	-	8,486,660	1,959,665	23,926,613
Fines and Forfeitures	649,020	-	-	54,846	703,866
Gain (Loss) on Sale of Property Held for Resale	-	-	109,091	-	109,091
Investment Income	(424,335)	556,320	30,661	113,806	276,452
Other	1,351,300	1,821,512	-	769,510	3,942,322
Total Revenues	88,884,104	2,752,832	8,626,412	25,259,424	125,522,772
EXPENDITURES					
Current:					
General Government	11,977,814	-	-	-	11,977,814
Public Safety	43,280,102	-	-	1,758,418	45,038,520
Community Development	53,240	6,127,459	-	2,553,593	8,734,292
Public Works	6,392,285	-	12,763	12,894,197	19,299,245
Parks and Recreation	4,307,982	-	-	-	4,307,982
Capital Outlay	947,924	-	2,311,333	4,168,809	7,428,066
Debt Service:					
Principal	158,890	-	-	-	158,890
Interest on Advances	39,733	-	16,779	-	56,512
Total Expenditures	67,157,970	6,127,459	2,340,875	21,375,017	97,001,321
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,726,134	(3,374,627)	6,285,537	3,884,407	28,521,451
OTHER FINANCING SOURCES (USES)					
Transfers in	46,482	-	-	1,710,798	1,757,280
Transfers Out	-	-	-	(72,627)	(72,627)
Total Other Financing Sources (Uses)	46,482	-	-	1,638,171	1,684,653
NET CHANGE IN FUND BALANCES	21,772,616	(3,374,627)	6,285,537	5,522,578	30,206,104
Fund Balances - Beginning of Year, as Restated	24,483,368	32,364,983	12,331,057	27,484,265	96,663,673
FUND BALANCES - END OF YEAR	\$ 46,255,984	\$ 28,990,356	\$ 18,616,594	\$ 33,006,843	\$ 126,869,777

See accompanying Notes to 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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 30,206,104

Amounts reported for governmental activities in the statement of activities are 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	5,783,916
Depreciation Expense	(19,144,134)

Certain revenues in the governmental funds are unavailable if they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis in the government-wide statements.

3,772,196

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of loan proceeds is an other financing source and repayment of loan principal is an expenditure in the governmental funds, but issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net position.

Repayment of Principal	158,890
------------------------	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in Accrued Interest on Long-Term Debt	5,017
Change in Compensated Absences	109,257
Change in Claims Payable	(1,624,841)
Change in Pollution Remediation Payable	203,768

OPEB expense reported in the governmental funds includes the insurance premiums paid. In the statement of activities, OPEB expense includes the change in the OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.

(1,189,996)

Pension expense reported in the governmental funds includes the annual required contributions. In the statement of activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.

(1,351,600)

Change in Net Position of Governmental Activities

\$ 16,928,577

PROPRIETARY FUNDS

Major Proprietary Funds

Victorville Water District Fund

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, shortly thereafter, the Victorville Redevelopment Agency was removed as a result of the dissolution of all Redevelopment Agencies. 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).

Electric Utility Fund

Accounts for the operation, maintenance, and capital assets of the City's electric utility, which is funded by user charges, other fees and loans.

Solid Waste Management Fund

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.

Nonmajor Proprietary Fund

Gas Utility Fund

Accounts for the operation and maintenance, and capital assets of the City's gas utility, which is funded by user charges, other fees and loans.

**CITY OF VICTORVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

ASSETS	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
CURRENT ASSETS				
Cash and Investments	\$ 61,344,992	\$ 17,453,500	\$ 11,890,324	\$ 5,274,325
Cash With Fiscal Agent	836,313	23,952,767	6,107,846	-
Accounts Receivable, Net	4,814,719	452,419	1,346,039	2,512,067
Interest Receivable	25,368	-	-	-
Due from Other Governments	14,711	2,241,469	-	89,463
Inventory and Other Assets	1,247,678	16,320	-	-
Total Current Assets	<u>68,283,781</u>	<u>44,116,475</u>	<u>19,344,209</u>	<u>7,875,855</u>
NONCURRENT ASSETS				
Prepaid Deposits	203,888	2,759	103,800	944
Advances to Other Funds	-	1,940,095	-	-
Investment in Joint Venture	-	-	-	436,647
Capital Assets:				
Not Being Depreciated	29,397,572	15,806,452	379,170	348,278
Being Depreciated, Net	128,298,559	116,571,538	11,581,914	994,230
Total Noncurrent Assets	<u>157,900,019</u>	<u>134,320,844</u>	<u>12,064,884</u>	<u>1,780,099</u>
Total Assets	226,183,800	178,437,319	31,409,093	9,655,954
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - OPEB Related	2,285,798	322,970	99,843	149,116
Deferred Outflow - Pension Related	2,723,322	789,736	176,696	336,952
Deferred Charges on Refunding	-	1,666,928	-	-
Total Deferred Outflows of Resources	<u>5,009,120</u>	<u>2,779,634</u>	<u>276,539</u>	<u>486,068</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2021**

Sanitary Fund	Nonmajor Gas Utility Fund	Totals
\$ 11,307,964	\$ 2,672,036	\$ 109,943,141
-	-	30,896,926
2,163,003	143,630	11,431,877
-	-	25,368
-	-	2,345,643
-	-	1,263,998
<u>13,470,967</u>	<u>2,815,666</u>	<u>155,906,953</u>
1,334	-	312,725
-	-	1,940,095
-	-	436,647
9,476,413	37,621	55,445,506
<u>39,196,167</u>	<u>1,739,614</u>	<u>298,382,022</u>
<u>48,673,914</u>	<u>1,777,235</u>	<u>356,516,995</u>
62,144,881	4,592,901	512,423,948
316,045	18,389	3,192,161
614,879	39,990	4,681,575
-	-	1,666,928
<u>930,924</u>	<u>58,379</u>	<u>9,540,664</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2021**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 2,279,680	\$ 1,265,784	\$ 895,928	\$ 1,476,868
Interest Payable	175,208	1,283,294	2,355	-
Prepaid Water Connection Fees	217,489	-	-	-
Deposits Payable	1,438,378	-	615,997	1,180
Unearned Revenue	-	44,066	-	-
Total OPEB Liability - Due Within One Year	224,298	28,165	7,571	12,002
Long-Term Debt - Due Within One Year	781,743	6,349,790	1,480,000	-
Total Current Liabilities	<u>5,116,796</u>	<u>8,971,099</u>	<u>3,001,851</u>	<u>1,490,050</u>
NONCURRENT LIABILITIES				
Accrued Rent Credit Payable	-	601,572	-	-
Advances from Other Funds	-	1,864,932	4,877,304	-
Advances from Other Governments	-	10,995,517	-	-
Total OPEB Liability	11,579,695	2,186,816	587,844	931,848
Net Pension Liability	14,076,845	3,838,581	1,046,259	1,666,944
Long-Term Debt - Due Beyond One Year	8,734,544	283,655,913	45,230,000	-
Total Noncurrent Liabilities	<u>34,391,084</u>	<u>303,143,331</u>	<u>51,741,407</u>	<u>2,598,792</u>
Total Liabilities	39,507,880	312,114,430	54,743,258	4,088,842
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - OPEB Related	3,036,460	589,499	171,638	256,621
Deferred Inflows - Pension Related	260,383	76,839	(3,624)	32,856
Total Deferred Inflows of Resources	<u>3,296,843</u>	<u>666,338</u>	<u>168,014</u>	<u>289,477</u>
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	148,855,087	(132,728,001)	(28,744,815)	1,342,508
Unrestricted	39,533,110	1,164,186	5,519,175	4,421,195
Total Net Position	<u>\$ 188,388,197</u>	<u>\$ (131,563,815)</u>	<u>\$ (23,225,640)</u>	<u>\$ 5,763,703</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2021**

Sanitary Fund	Nonmajor Gas Utility Fund	Totals
\$ 2,519,763	\$ 1,031	\$ 8,439,054
-	-	1,460,857
-	-	217,489
-	17,839	2,073,394
-	-	44,066
21,375	1,439	294,850
1,190,000	-	9,801,533
<u>3,731,138</u>	<u>20,309</u>	<u>22,331,243</u>
-	-	601,572
-	-	6,742,236
-	-	10,995,517
1,659,621	111,731	17,057,555
3,005,504	90,882	23,725,015
1,320,000	-	338,940,457
<u>5,985,125</u>	<u>202,613</u>	<u>398,062,352</u>
9,716,263	222,922	420,393,595
500,013	32,424	4,586,655
23,834	2,767	393,055
<u>523,847</u>	<u>35,191</u>	<u>4,979,710</u>
47,741,019	1,777,235	38,243,033
5,094,676	2,615,932	58,348,274
<u>\$ 52,835,695</u>	<u>\$ 4,393,167</u>	<u>\$ 96,591,307</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
OPERATING REVENUES				
Charges for Services	\$ 40,741,945	\$ 10,496,816	\$ 15,759,119	\$ 19,515,651
Pass-Thru Charges for Services	1,084,485	-	-	-
Fines and Forfeitures	-	34,986	-	-
Other	340,572	524,539	71,083	260,647
Total Operating Revenues	<u>42,167,002</u>	<u>11,056,341</u>	<u>15,830,202</u>	<u>19,776,298</u>
OPERATING EXPENSES				
Personnel Services	10,901,457	2,794,061	1,087,493	1,619,133
Maintenance and Operations	16,916,550	11,570,873	2,487,767	16,813,076
Production Costs	4,631,287	-	7,120,395	-
Pass-Thru Production Costs	2,530,813	-	-	-
Depreciation	7,338,599	9,073,542	1,380,494	184,254
Total Operating Expenses	<u>42,318,706</u>	<u>23,438,476</u>	<u>12,076,149</u>	<u>18,616,463</u>
OPERATING INCOME (LOSS)	(151,704)	(12,382,135)	3,754,053	1,159,835
NONOPERATING REVENUES (EXPENSES)				
Property Taxes	1,096,573	21,308,725	-	-
Investment Income	112,170	49,414	21,325	8,834
Interest Expense	(415,588)	(17,139,120)	(80,057)	-
Gain on Disposal of Assets	12,976	6,775	90,078	-
Other Nonoperating Revenues (Expenses)	118,006	(19,487)	-	-
Total Nonoperating Revenues (Expenses)	<u>924,137</u>	<u>4,206,307</u>	<u>31,346</u>	<u>8,834</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	772,433	(8,175,828)	3,785,399	1,168,669
CAPITAL CONTRIBUTIONS				
Connection Fees	5,169,389	-	730,263	-
Alternate Water Source Fees	903,332	-	-	-
Capital Restricted Use Fees	590,100	-	-	-
Capital Contributions	-	-	-	-
Capital Grants	-	6,344,691	26,983	-
Transfers Out	-	(1,684,653)	-	-
Total Capital Contributions	<u>6,662,821</u>	<u>4,660,038</u>	<u>757,246</u>	<u>-</u>
CHANGE IN NET POSITION	7,435,254	(3,515,790)	4,542,645	1,168,669
Net Position (Deficit) - Beginning of Year	<u>180,952,943</u>	<u>(128,048,025)</u>	<u>(27,768,285)</u>	<u>4,595,034</u>
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 188,388,197</u>	<u>\$ (131,563,815)</u>	<u>\$ (23,225,640)</u>	<u>\$ 5,763,703</u>

See accompanying Notes to Basic Financial Statements.

CITY OF VICTORVILLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

Sanitary Fund	Nonmajor Gas Utility Fund	Totals
\$ 17,275,767	\$ 2,637,828	\$ 106,427,126
-	-	1,084,485
-	-	34,986
16,065	19,401	1,232,307
<u>17,291,832</u>	<u>2,657,229</u>	<u>108,778,904</u>
3,305,284	257,219	19,964,647
11,943,114	141,742	59,873,122
-	1,539,607	13,291,289
-	-	2,530,813
1,303,193	125,928	19,406,010
<u>16,551,591</u>	<u>2,064,496</u>	<u>115,065,881</u>
740,241	592,733	(6,286,977)
-	-	22,405,298
20,002	4,094	215,839
-	-	(17,634,765)
-	-	109,829
50,356	-	148,875
<u>70,358</u>	<u>4,094</u>	<u>5,245,076</u>
810,599	596,827	(1,041,901)
-	-	5,899,652
-	-	903,332
-	-	590,100
-	12,487	12,487
-	-	6,371,674
-	-	(1,684,653)
<u>-</u>	<u>12,487</u>	<u>12,092,592</u>
810,599	609,314	11,050,691
<u>52,025,096</u>	<u>3,783,853</u>	<u>85,540,616</u>
<u>\$ 52,835,695</u>	<u>\$ 4,393,167</u>	<u>\$ 96,591,307</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 39,476,109	\$ 11,085,240	\$ 16,099,781	\$ 19,292,373
Cash Payments to Employees for Services	(10,014,033)	(2,593,711)	(971,031)	(1,485,267)
Cash Payments to Suppliers for Goods and Services	(16,036,451)	(10,505,189)	(9,057,412)	(16,673,014)
Net Cash Provided (Used) by Operating Activities	13,425,625	(2,013,660)	6,071,338	1,134,092
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash Received from Other Governments	1,096,573	19,972,799	-	-
Cash Paid to Other Funds	-	(1,751,479)	(1,093,352)	-
Net Cash Provided (Used) by Noncapital Financing Activities	1,096,573	18,221,320	(1,093,352)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash Received from Sale of Capital Assets	37,023	6,775	90,078	-
Capital Grants	-	6,344,691	26,983	-
Cash Payments to Acquire Capital and Other Assets	(4,410,837)	(2,338,353)	(735,725)	-
Principal Paid on Capital-Related Debt	(380,000)	(5,920,000)	(1,405,000)	-
Interest Paid on Capital-Related Debt	(428,194)	(15,550,721)	(56,036)	-
Interest Paid on Interfund Advance	-	-	(27,161)	-
Net Cash Used by Capital and Related Financing Activities	(5,182,008)	(17,457,608)	(2,106,861)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	199,219	49,414	21,325	8,834
Net Cash Provided by Investing Activities	199,219	49,414	21,325	8,834
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,539,409	(1,200,534)	2,892,450	1,142,926
Cash and Cash Equivalents - Beginning of Year	52,641,896	42,606,801	15,105,720	4,131,399
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 62,181,305</u>	<u>\$ 41,406,267</u>	<u>\$ 17,998,170</u>	<u>\$ 5,274,325</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION				
Cash and Investments	\$ 61,344,992	\$ 17,453,500	\$ 11,890,324	\$ 5,274,325
Cash With Fiscal Agent	836,313	23,952,767	6,107,846	-
Cash and Cash Equivalents	<u>\$ 62,181,305</u>	<u>\$ 41,406,267</u>	<u>\$ 17,998,170</u>	<u>\$ 5,274,325</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

Sanitary Fund	Nonmajor Gas Utility Fund	Totals
\$ 16,842,256	\$ 2,664,415	\$ 105,460,174
(3,012,550)	(242,847)	(18,319,439)
<u>(11,827,266)</u>	<u>(1,827,628)</u>	<u>(65,926,960)</u>
2,002,440	593,940	21,213,775
-	-	21,069,372
-	-	<u>(2,844,831)</u>
-	-	18,224,541
-	-	133,876
-	-	6,371,674
(3,095,178)	(7,220)	(10,587,313)
-	-	(7,705,000)
-	-	(16,034,951)
-	-	<u>(27,161)</u>
(3,095,178)	(7,220)	(27,848,875)
<u>20,002</u>	<u>4,094</u>	<u>302,888</u>
<u>20,002</u>	<u>4,094</u>	<u>302,888</u>
<u>(1,072,736)</u>	<u>590,814</u>	<u>11,892,329</u>
<u>12,380,700</u>	<u>2,081,222</u>	<u>128,947,738</u>
<u>\$ 11,307,964</u>	<u>\$ 2,672,036</u>	<u>\$ 140,840,067</u>
\$ 11,307,964	\$ 2,672,036	\$ 109,943,141
-	-	30,896,926
<u>11,307,964</u>	<u>2,672,036</u>	<u>140,840,067</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Victorville Water District	Southern California Logistics Airport Authority	Electric Utility Fund	Solid Waste Management
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (151,704)	\$ (12,382,135)	\$ 3,754,053	\$ 1,159,835
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	7,338,599	9,073,542	1,380,494	184,254
Nonoperating Miscellaneous Revenue (Expense)	6,780,827	(19,487)	730,263	-
(Increase) Decrease in Assets:				
Accounts Receivable, Net	(147,293)	34,574	(214,888)	(477,335)
Due from Other Governments	1,050	-	-	(7,769)
Inventory and Other Assets	(491,887)	(4,720)	-	-
Prepaid Deposits	78,514	51,058	57	(319)
Deferred Outflows - OPEB	(1,532,401)	(216,414)	(72,415)	(104,691)
Deferred Outflows - Pension	(174,814)	(43,855)	(17,294)	(23,441)
Increase (Decrease) in Liabilities:				
Accounts Payable	747,732	1,019,346	(179,570)	140,380
Prepaid Water Connection Fees	(498,044)	-	-	1,180
Deposits Payable	(1,119,593)	-	484,467	-
Unearned Revenue	-	(2,344)	-	-
Accrued Rent Credits Payable	-	16,156	-	-
Compensated Absences	6,276	(53,902)	-	-
Claims Payable	-	-	-	-
Total OPEB Liability	1,515,258	121,332	41,242	59,251
Net Pension Liability	1,080,748	291,645	136,566	158,415
Deferred Inflows - OPEB	287,727	175,643	57,584	83,939
Deferred Inflows - Pension	(295,370)	(74,099)	(29,221)	(39,607)
Net Cash Provided by Operating Activities	<u>\$ 13,425,625</u>	<u>\$ (2,013,660)</u>	<u>\$ 6,071,338</u>	<u>\$ 1,134,092</u>
NONCASH CAPITAL, FINANCING AND INVESTING ACTIVITIES				
Interest Accretion Expenses	<u>\$ -</u>	<u>\$ 1,321,695</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

Sanitary Fund	Nonmajor Gas Utility Fund	Totals
\$ 740,241	\$ 592,733	\$ (6,286,977)
1,303,193	125,928	19,406,010
50,356	-	7,541,959
(433,139)	(10,653)	(1,248,734)
-	-	(6,719)
-	-	(496,607)
(372)	-	128,938
(215,437)	(12,269)	(2,153,627)
(49,191)	(3,049)	(311,644)
489,427	(146,279)	2,071,036
-	-	(496,864)
-	17,839	(617,287)
-	-	(2,344)
-	-	16,156
-	-	(47,626)
(440,000)	-	(440,000)
121,211	6,872	1,865,166
345,205	18,000	2,030,579
174,060	9,970	788,923
(83,114)	(5,152)	(526,563)
<u>\$ 2,002,440</u>	<u>\$ 593,940</u>	<u>\$ 21,213,775</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,695</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	Custodial Funds	Successor Agency to the Victorville RDA
ASSETS		
Cash and Investments	\$ 304,261	\$ 4,070,553
Restricted Assets:		
Cash and Investments With Fiscal Agent	1,712,638	1,866,712
Accounts Receivable, Net	2,699	-
Land Held for Resale	-	3,084,917
	2,019,598	9,022,182
Total Assets		
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	980,572	125,000
Interest Payable	-	140,838
Due to The City	-	12,514,738
Current Portion of Long-Term Liabilities:		
Bonds Payable	-	1,495,000
Total Current Liabilities	980,572	14,275,576
LONG-TERM LIABILITIES		
Bonds Payable	-	29,385,000
Total Liabilities	980,572	43,660,576
NET POSITION (DEFICIT)		
Restricted for:		
Individuals, Organizations, and Other Governments	1,039,026	(34,638,394)
Total Net Position	\$ 1,039,026	\$ (34,638,394)

See accompanying Notes to Basic Financial Statements.

**CITY OF VICTORVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Custodial Funds	Successor Agency to the Victorville RDA
ADDITIONS		
RPTTF Distributions	\$ -	\$ 1,110,749
Property Assessments Collected	458,964	-
Investment Income	1,137	67,187
Total Additions	460,101	1,177,936
DEDUCTIONS		
Community Development	23,359	525,942
Public Safety	299,393	-
Other	-	1,821,512
Loss on Sale of Land Held for Resale	-	929,273
Payments on Special Assessment Debt	431,219	-
Interest	-	2,031,954
Total Deductions	753,971	5,308,681
CHANGE IN NET POSITION	(293,870)	(4,130,745)
Net Position (Deficit) - Beginning of Year	1,332,896	(30,507,649)
NET POSITION (DEFICIT) - END OF YEAR	\$ 1,039,026	\$ (34,638,394)

See accompanying Notes to Basic Financial Statements.

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**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Victorville , California (City), have been prepared in accordance with generally accepted accounting principles (U.S. 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 on June 30, 2021 of 134,810.

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, 2021, the City's staff comprised of 432 full and 72 part time employees who were responsible for the City-provided services.

The accounting policies of the City conform to U.S. GAAP as applicable to governments.

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 (SCLAA) and the Victorville Water District.

Since City Council serves as the governing board for the SCLAA and Victorville Water District, the component units are considered to be blended component units. 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 SCLAA 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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

A brief description of the component units follows:

Southern California Logistics Airport Authority (SCLAA)

The 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, shortly thereafter, the Victorville Redevelopment Agency was removed as a result of the dissolution of all Redevelopment Agencies. SCLAA has a financial benefit/burden relationship with the City and the 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.

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.

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 Wastewater 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. Victorville Water District has a financial benefit/burden relationship with the City and the financial data and transactions are included as an enterprise fund of the City.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting, Measurement Focus and Financial Statement Presentation

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. In the government-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds.

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 are recorded when earned and expenses are recorded when a liability takes place, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Grants and similar items are recognized as revenue as soon as the eligibility requirements imposed by the provider have been satisfied. Unbilled receivables are recorded as revenues when the services are provided.

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

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Basis of Accounting, Measurement Focus and Financial Statement Presentation
(Continued)**

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The types of transactions reported as program revenues of the City are reported in three categories:

- Charges for services,
- Operating grants and contributions, and
- Capital grants and contributions

Charges for services include revenues from the reporting government's citizenry who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. 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 government-wide financial statements. 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 and acquisitions of capital leases 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)

Fund Financial Statements (Continued)

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 the City's fiduciary activities. 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 60-day availability period. The City accrues the following revenue types: taxes, licenses, intergovernmental revenues, fines and forfeitures, and other miscellaneous revenues. 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 nonexchange 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 nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

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 and acquisitions under capital leases 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.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets, liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance 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 fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)

Governmental Funds (Continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect fund balance, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. Noncurrent portions of long-term receivables are reported on their balance sheets in spite of their spending measurement focus.

Governmental Fund Balances

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

Nonspendable Fund Balance

This includes amounts that cannot be spent because they are either not physically held in spendable form (such as prepaid items and inventory for all governmental funds, and advances to other funds for the general fund only) or are legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance

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

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

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

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)

Governmental Fund Balances (Continued)

Spendable Fund Balance (Continued)

Unassigned Fund Balance – This includes the remaining spendable amounts which are not included in one of the other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Only the General Fund shows a positive unassigned fund balance.

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, deferred outflows of resources, liabilities, and deferred inflows of resources (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, pass-thru charges for services, and fines and forfeitures, 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. Nonoperating revenues, such as property taxes and investment income result from nonexchange transactions or ancillary activities. Operating expenses for enterprise funds include the cost of sales and services, such as personnel services, maintenance and operations, production costs, pass-thru production costs, and depreciation on capital assets.

All expenses not meeting this definition, such as interest expense, 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 and acquisitions under capital leases 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. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)

Proprietary and Fiduciary Funds (Continued)

Custodial funds and the private-purpose trust fund are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds do not involve the recording of City revenue and expenses and, therefore, are not included in the government-wide financial statements.

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.

Housing Asset Successor Special Revenue Fund

This fund accounts for the housing activities of the City that were previously accounted for in the low and moderate housing redevelopment agency fund. Funding sources consists primarily of loan repayments and corresponding interest that are used to increase, improve, and preserve the community's supply of low- and moderate-income housing.

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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Major Funds and Fiduciary Fund Types (Continued)

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, shortly thereafter, the Victorville Redevelopment Agency was removed as a result of the dissolution of all Redevelopment Agencies.

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 are comprised of federal grants, charges for services, and tax increment revenues passed through from the Victor Valley Economic Development Authority (VVEDA).

Electric Utility Fund

Accounts for the operation, maintenance, and capital assets of the City's electric 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:

Custodial Fiduciary Funds

Fiduciary fund used to account for assets held by the City as in a custodial capacity for individuals, private organizations, other governments and/or other funds.

Private-Purpose Trust Fiduciary 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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Major Funds and Fiduciary Fund Types (Continued)

The City reports the following fund types:

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Enterprise Fund

The nonmajor enterprise fund is used to account for the operation, maintenance, and capital assets of the City's gas utility, which is funded by user charges and other fees.

D. New Accounting Pronouncements

GASB 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The City adopted this standard in the current fiscal year. Implementation of GASB 84 resulted in the following: (1) reclassification of the previously reported Deposit and Foxborough Rail agency funds to special revenue funds with a portion of the Deposit agency fund reclassified to the General Fund since these activities no longer meet the definition of fiduciary activities, which resulted in (2) a restatement of beginning net position of the governmental activities and fund balance of the general fund, and nonmajor governmental funds, see Note 23.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, any gains or losses realized upon the liquidation or sale of investments and rental income.

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

F. 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 that meet the definition noted above.

G. 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 nonrepayment cannot be reasonably estimated at this time.

H. Due from Other Governments

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, motor vehicle in-lieu taxes, property taxes, and grant revenues collected or provided by Federal, State, County and City Governments and unremitted to the City as of June 30, 2021.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Inventory and Prepaid Items

The City uses the consumption method of accounting for inventories. General Fund inventory consists of office supplies, hardware supplies, fuel and oil, which are valued at cost. 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 that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide, fund and proprietary financial statements utilizing the purchases method.

J. 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.

K. Capital Assets

Capital assets (including infrastructure) are reported in the applicable governmental or business-type activities column in the government-wide financial statements and the fund financial statements of proprietary funds.

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. Capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets (including infrastructure) are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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

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

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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

Buildings and Improvement	10 to 50 Years
Furniture and Equipment	5 to 10 Years
Computer and Communications	5 Years
Vehicles	5 -to 10 Years
Infrastructure	20 to 80 Years
Water Rights	10 to 25 Years
Intangibles	5 to 25 Years
Land Improvements	10 to 50 Years

L. Compensated Absences

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.

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 payments, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness), which is outside the control of the City and the employee.

Compensated absences (unpaid vacation and sick leave) are recorded as expenditures in the year they are paid. The balance of unpaid vacation and vested sick leave at year-end is recorded as a long-term liability in the government-wide financial statements and proprietary fund 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.

M. 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 government-wide financial statements and proprietary fund financial statements.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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 60 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.

O. 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 (including premiums and discounts) and other capital related payables that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by enabling legislation (such as 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.”

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by Council.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the government-wide and proprietary funds statements of net position report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has the following items that qualify for reporting in this category:

- Unamortized loss on bond defeasance reported in the government-wide statement of net position and the proprietary funds financial statements. An unamortized loss on bond defeasance results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.
- Deferred outflows related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability and the total OPEB liability.
- Deferred outflows related to pensions differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.
- Deferred outflows related to OPEB for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.

In addition to liabilities, the government-wide and proprietary funds statements of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: grants, sales tax, and investment income. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows related to OPEB for differences between expected and actual experiences and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Outflows and Deferred Inflows of Resources (Continued)

- Deferred inflows related to pension plans for the changes in proportion and differences between the employer’s contributions and the employer’s proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

Q. 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 of the City’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS. 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.

R. Estimates

The presentation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 213,572,527
Cash with Fiscal Agents	30,896,926
Fiduciary Funds:	
Cash and Investments	4,374,814
Cash with Fiscal Agents	3,579,350
Total Cash and Investments	<u><u>\$ 252,423,617</u></u>

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2021 consist of the following:

Cash on Hand	\$ 10,304
Deposits with Financial Institutions	93,882,273
Investments	158,531,040
Total Cash and Investments	<u>\$ 252,423,617</u>

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

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

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Bonds	Yes	5 Years	70%	None
U.S. Treasury Obligations	Yes	5 Years	70%	None
U.S. Agency Securities	Yes	5 Years	75%**	None
Banker's Acceptances	No	180 Days	40%	30%
Commercial Paper - Non-Pooled Funds	No	270 Days	25%	10%
Commercial Paper - Pooled Funds	No	270 Days	40%	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%	None
Mutual Funds***	No	5 Years	20%*	10%*
Money Market Mutual Funds***	Yes	5 Years	20%*	None
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.

** Ginnie Mae is not to exceed 20% of the total portfolio.

*** Fund must be an AAA rated Government or US Treasury money fund.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 Days	None	None
Commercial Paper	270 Days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Federal Housing Admin Debentures	None	None	None
Certificates of Deposits	None	None	None
State Obligations	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Pre-refunded Municipal Obligations	None	None	None

Disclosures Relating to Interest Rate Risk

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

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+
LAIF	\$ 124,054,764	\$ 124,054,764	\$ -	\$ -	\$ -
Held by Bond Trustee:					
Guaranteed Investment					
Contract (GIC)*	816,500	-	-	-	816,500
Money Market Mutual Funds	33,659,776	33,659,776	-	-	-
Total	<u>\$ 158,531,040</u>	<u>\$ 157,714,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 816,500</u>

*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%, respectively, 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, 2021, FSA was not in default and the value of the collateral met the requirements.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 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 by Standard & Poor's required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual Standard & Poor's rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
LAIF	\$ 124,054,764	N/A	\$ -	\$ 124,054,764
Held by Bond Trustee:				
Guaranteed Investment				
Contract (GIC)	816,500	N/A	-	816,500
Money Market Mutual Funds	33,659,776	Multiple*	33,659,776	-
Total	<u>\$ 158,531,040</u>		<u>\$ 33,659,776</u>	<u>\$ 124,871,264</u>

*Must receive highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered by 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. The City has no investments in any one issuer (other than LAIF and money market mutual funds) that represent 5% or more of the City's investments.

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
JUNE 30, 2021

NOTE 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. At June 30, 2021, the City's deposits (bank balances) were insured by the federal depository insurance limits or collateralized as required under California Law.

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 Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. 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 of other items.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

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

The City’s investments in LAIF and money market mutual funds (held by bond trustee) are not subject to the fair value measurement hierarchy. The City’s investment in the GIC is included in Level 3 since they are not actively traded. To value the GIC, the City verified the collateral required was held at a minimum of 100% of the value reported above and recorded the investment at that amount.

NOTE 3 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

Due To/From Other Funds		
Fund Reporting Receivable	Fund Reporting Payable	Amount
General Fund	Nonmajor Governmental Funds	\$ 4,163,082 a)
Advances To/From Other Funds		
Fund Reporting Receivable	Fund Reporting Payable	Amount
Nonmajor Governmental Funds	Capital Impact Facilities Capital Projects Fund	\$ 267,483 b)
Housing Asset Successor Special Revenue Fund	SCLAA Enterprise Fund	1,864,932 c)
SCLAA Enterprise Fund	Capital Impact Facilities Capital Projects Fund	1,940,095 d)
General Fund	Electric Utility Enterprise Fund	4,877,304 e)
	Total	\$ 8,949,814

Generally, the above balances result from:

- a) These represent short term borrowings to cover negative cash balances due to grant funds that must be paid out before reimbursement is received. It is anticipated these funds will come in from reimbursements received in FY 20-21.
- b) Per a loan agreement approved on November 15, 2011 and renewed on August 9, 2016, the Nonmajor Storm Drain Utility Special Revenue Fund advanced to the Capital Impact Facilities Capital Projects Fund - Public Buildings \$1,200,000 for the City Hall Expansion Project. The advance has a term ending July 1, 2021, with the annualized LAIF rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2021 is \$267,483.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

- c) 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 Enterprise Fund. The advance is to be used for SCLAA redevelopment activities. 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. The advance has an interest rate equal to the annualized LAIF rate of return. The loan had a repayment term of five years, which was due June 30, 2014, but has not yet been repaid due to funding issues with the SCLAA. There is no current payment schedule available for this advance. The outstanding balance of the advance as of June 30, 2021 is \$1,864,932.
- d) Per a loan agreement signed on September 21, 2010, by the board of the SCLAA, a \$1,895,000 advance was made from the SCLAA Enterprise Fund to the Capital Impact Facilities Fund. The advance was 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 City is working on a play to repay this loan in fiscal year 2021-2022. The advance has an interest rate equal to the annualized LAIF rate of return. The outstanding balance of the advance as of June 30, 2021 is \$1,940,095.
- e) A loan agreement was signed on July 1, 2018 by the City Council for a reimbursement of funds previously advanced from fiscal year 2003-2004 through 2007-2008 from the General Fund to the Municipal Utility Enterprise Fund for working capital, startup costs and operation funding shortfalls in the amount of \$17,850,143. This loan agreement was recorded in fiscal year 2018-2019 through transfers in and out of the respective funds. The loan has an interest rate equal to the annualized LAIF rate of return. The advance will be repaid over a term of eight years with \$11,000,000 paid on July 1, 2018 and annual installments of \$1,000,000 over the following six years with \$850,143 due for the last year with each installment due on July 1 of each year. The outstanding balance of the advance as of June 30, 2021 is \$4,877,304.

Transfers in/out:

Transfer In	Transfer Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 46,482
Nonmajor Governmental Funds	Nonmajor Governmental Funds	26,145
Nonmajor Governmental Funds	SCLAA Enterprise Fund	1,684,653
		<u>\$ 1,757,280</u>

- a) The transfer of \$46,482 from the Nonmajor Traffic Safety Special Revenue Fund to the General Fund was to support the engineering function of traffic safety.
- b) The transfer of \$26,145 from the Nonmajor Other State/Local Grants Special Revenue Fund to the HUD Grants Special Revenue Fund for loan repayments received in previous years that belong to the transferred fund.
- c) Transfer of \$1,684,653 from the SCLAA Enterprise Fund to the Nonmajor Other Federal Grants Special Revenue Fund for costs incurred in prior years for SCLAA grant activity.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance at July 01, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
Nondepreciable Assets:					
Land	\$ 59,460,387	\$ -	\$ -	\$ -	\$ 59,460,387
Right of Way	180,001,603	-	(1,829,672)	-	178,171,931
Construction in Progress	9,898,645	2,863,617	(2,654,860)	-	10,107,402
Total Nondepreciable Assets	<u>249,360,635</u>	<u>2,863,617</u>	<u>(4,484,532)</u>	<u>-</u>	<u>247,739,720</u>
Depreciable Assets:					
Buildings and Improvements	85,629,331	1,967,397	-	-	87,596,728
Furniture and Equipment	15,486,662	866,276	(650,196)	-	15,702,742
Computer and Communications	2,771,314	331,219	-	-	3,102,533
Land Improvements	14,775,383	-	-	-	14,775,383
Vehicles	6,618,294	150,586	(101,681)	17,583	6,684,782
Infrastructure	535,696,295	4,089,353	-	-	539,785,648
Intangible Assets:					
Computer Software	2,672,167	-	-	-	2,672,167
Right-Of-Way Easements	10,000	-	-	-	10,000
Total Depreciable Assets	<u>663,659,446</u>	<u>7,404,831</u>	<u>(751,877)</u>	<u>17,583</u>	<u>670,329,983</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(40,119,623)	(2,329,852)	-	-	(42,449,475)
Furniture and Equipment	(12,721,075)	(552,853)	650,196	-	(12,623,732)
Computer and Communications	(2,141,460)	(264,788)	-	-	(2,406,248)
Land Improvements	(7,497,914)	(1,491,346)	-	-	(8,989,260)
Vehicles	(3,218,936)	(415,831)	101,681	(17,583)	(3,550,669)
Infrastructure	(377,301,889)	(13,817,270)	-	-	(391,119,159)
Intangible Assets:					
Computer Software	(2,106,773)	(272,194)	-	-	(2,378,967)
Right-Of-Way Easements	(10,000)	-	-	-	(10,000)
Total Accumulated Depreciation	<u>(445,117,670)</u>	<u>(19,144,134)</u>	<u>751,877</u>	<u>(17,583)</u>	<u>(463,527,510)</u>
Total Depreciable Assets, Net	<u>218,541,776</u>	<u>(11,739,303)</u>	<u>-</u>	<u>-</u>	<u>206,802,473</u>
Capital Assets, Net	<u>\$ 467,902,411</u>	<u>\$ (8,875,686)</u>	<u>\$ (4,484,532)</u>	<u>\$ -</u>	<u>\$ 454,542,193</u>

Depreciation expense was charged in the following functions in the statement of activities:

General Government	\$ 6,182,099
Public Safety	743,058
Community Development	6,900
Public Works	10,376,287
Parks and Recreation	1,835,790
Total	<u>\$ 19,144,134</u>

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 CAPITAL ASSETS (CONTINUED)

Business-Type Activities

The following is a summary of capital assets for enterprise funds at June 30, 2021:

	Balance at July 01, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
Nondepreciable Assets:					
Land and Easements	\$ 25,153,443	\$ -	\$ -	\$ -	\$ 25,153,443
Intangibles - Service Credit	3,954,891	-	-	-	3,954,891
Water Rights	12,678,475	-	-	-	12,678,475
Idle Assets	3,017,958	-	-	-	3,017,958
Land Improvements	536,342	-	-	-	536,342
Construction in Progress	9,769,981	6,763,936	(6,429,520)	-	10,104,397
Total Nondepreciable Assets	55,111,090	6,763,936	(6,429,520)	-	55,445,506
Depreciable Assets:					
Buildings and Improvements	218,457,315	123,951	-	-	218,581,266
Furniture and Equipment	49,343,134	771,562	(306,648)	-	49,808,048
Computer and Communication	972,541	-	-	-	972,541
Vehicles	6,238,435	359,066	(106,855)	(17,583)	6,473,063
Infrastructure	373,115,090	9,010,805	-	-	382,125,895
Intangibles	1,589,862	-	-	-	1,589,862
Land Improvements	128,489	-	-	-	128,489
Total Depreciable Assets	649,844,866	10,265,384	(413,503)	(17,583)	659,679,164
Less Accumulated Depreciation:					
Buildings and Improvements	(121,313,073)	(5,235,760)	-	-	(126,548,833)
Furniture and Equipment	(36,901,281)	(2,091,489)	306,648	-	(38,686,122)
Computer and Communication	(848,696)	(56,627)	-	-	(905,323)
Vehicles	(4,006,817)	(309,875)	82,808	17,583	(4,216,301)
Infrastructure	(177,566,719)	(11,670,582)	-	-	(189,237,301)
Intangibles	(1,549,157)	(28,828)	-	-	(1,577,985)
Land Improvements	(112,428)	(12,849)	-	-	(125,277)
Total Accumulated Depreciation	(342,298,171)	(19,406,010)	389,456	17,583	(361,297,142)
Total Depreciable Assets, Net	307,546,695	(9,140,626)	(24,047)	-	298,382,022
Capital Assets, Net	\$ 362,657,785	\$ (2,376,690)	\$ (6,453,567)	\$ -	\$ 353,827,528

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

Water	\$ 7,338,599
Airport	9,073,542
Electric Utility	1,380,494
Solid Waste Management	184,254
Sanitary	1,303,193
Nonmajor Gas Utility	125,928
Total	\$ 19,406,010

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 LAND HELD FOR RESALE

As of June 30, 2021, 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 net realizable values of \$3,084,917 and \$2,479,641, respectively.

NOTE 6 LONG-TERM NOTES RECEIVABLE

Affordable Housing Loans Receivable

The City has entered into agreements with developers to establish various affordable housing project loans, the significant loans are 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 expected payoff date is February 17, 2050. At June 30, 2021, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$5,110,180.

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 expected payoff date is December 20, 2041. At June 30, 2021, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$1,104,965.

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 expected payoff date is December 15, 2045. At June 30, 2021, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$5,659,131.

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, 2021, the City Housing Asset Successor Special Revenue Fund has recorded outstanding loan receivable balance of \$156,591.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 LONG-TERM NOTES RECEIVABLE (CONTINUED)

Desert Haven

In November 2019, the City entered into an affordable housing loan agreement in a total amount of \$1,509,505 with Desert Haven Victorville, LP, to repay the \$1,500,000 borrowed from the Housing Authority of the County of San Bernardino to purchase the property known as Desert Haven and \$9,505 for closing costs with the property acquisition. The note accrues simple interest at 1% annually and repayments are based on the earnings of the housing facility. The note is secured by a deed of trust against the property in the first priority position. The term of the note is 55 years and is expected to be paid off by October 1, 2074. At June 30, 2021, the City HUD Grants Special Revenue Fund has recorded an outstanding loan balance of \$1,525,858.

Other Loans

At June 30, 2021, the Nonmajor Governmental Funds report first time homebuyer loans, secured by a deed of trust, that are due upon the sale of the property in the amount of \$63,466. These loans are secured by a deed of trust. Also, at June 30, 2021, the Nonmajor Governmental Funds report residential curb appeal loans, which are 50% forgiven at five years and 100% forgiven at 10 years, that are due upon the sale of the property prior to the five- or ten-year time period in the amount of \$285,844. Other various loans reported in the Nonmajor Governmental Funds total \$20,760.

NOTE 7 GOVERNMENTAL LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	Balance at July 01, 2020	Additions	Retirements	Balance at June 30, 2021	Due Within One Year
Other Long-Term Liabilities:					
Capital Lease	\$ 1,048,362	\$ -	\$ (158,889)	\$ 889,473	\$ 164,911
Compensated Absences	4,342,843	2,726,375	(2,835,632)	4,233,586	2,056,017
Claims Payable	1,327,049	2,476,321	(851,480)	2,951,890	533,576
Pollution Remediation Obligation	1,247,875	-	(203,768)	1,044,107	210,000
Totals	<u>\$ 7,966,129</u>	<u>\$ 5,202,696</u>	<u>\$ (4,049,769)</u>	<u>\$ 9,119,056</u>	<u>\$ 2,964,504</u>

Capital Lease

On September 6, 2018, the City entered into a financing agreement with Rev Financial Services, LLC to purchase two pumper trucks for the fire department in the amount of \$1,201,450. The financing agreement bears interest at 3.79% and installment payments of \$198,623 are due each September 6 over the next seven years with a final maturity date of September 6, 2025. The trucks are included in the City's capital assets with a cost and accumulated depreciation of \$1,390,358 and \$(220,140), respectively, as of June 30, 2021. The outstanding balance on this capital lease, which will be liquidated by the General Fund, is \$889,472 as of June 30, 2021.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 GOVERNMENTAL LONG-TERM LIABILITIES (CONTINUED)

Capital Lease (Continued)

The annual requirements for debt service payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 164,911	\$ 33,712	\$ 198,623
2023	171,162	27,461	198,623
2024	177,649	20,974	198,623
2025	184,382	14,241	198,623
2026	191,369	7,254	198,623
Total	<u>\$ 889,473</u>	<u>\$ 103,642</u>	<u>\$ 993,115</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$4,233,586 at June 30, 2021 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 (U.S. EPA) issued the Unilateral Administrative Order for the performance of a removal action to City and the prior owner, due to the presence of tetrachloroethylene ("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 U.S. EPA. In June 2011, the U.S. EPA issued 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 \$1,457,598, and the duration of the efforts to be three years. This cost is anticipated to be covered with grant from the State Water Board in the amount of \$1,457,598.

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, 2021, the City is in the second year of the PEP and has spent a total of \$413,491 with a remaining Pollution Remediation liability of \$1,044,107.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 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, 2021 is as follows:

	Balance at July 01, 2020	Additions	Retirements	Balance at June 30, 2021	Due Within One Year
Other Long-Term Liabilities:					
Compensated Absences	\$ 770,675	\$ 627,216	\$ (674,842)	\$ 723,049	\$ 511,533
Claims Payable	2,950,000	-	(440,000)	2,510,000	1,190,000
Other Debt:					
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	15,320,000	-	(1,115,000)	14,205,000	1,165,000
2006 Tax Allocation Bonds (Non-Housing)	48,995,000	-	(1,155,000)	47,840,000	1,205,000
2006 Tax Allocation Bonds (Housing)	13,160,000	-	(310,000)	12,850,000	325,000
2006 Tax Allocation Parity Bonds	41,675,000	-	(145,000)	41,530,000	155,000
2006 Tax Allocation Revenue Parity Bonds	30,230,000	-	(575,000)	29,655,000	610,000
2006 Tax Allocation Revenue Bonds	54,810,000	-	(1,070,000)	53,740,000	1,135,000
2007 Tax Allocation Bonds (Housing)	34,055,000	-	(720,000)	33,335,000	760,000
2007 Tax Allocation Bonds (Non-Housing)	35,550,000	-	(725,000)	34,825,000	765,000
2008 Tax Allocation Bonds	22,763,420	1,321,695	(105,000)	23,980,115	105,000
Unamortized Discounts/Premiums	(2,275,932)	-	91,868	(2,184,064)	-
Tax Allocation Bonds Subtotal	294,282,488	1,321,695	(5,828,132)	289,776,051	6,225,000
Lease Revenue Bonds:					
2007A Variable Rate Lease Revenue Bond	48,115,000	-	(1,405,000)	46,710,000	1,480,000
Certificates of Participation (COP):					
2006 COPs	9,310,000	-	(380,000)	8,930,000	395,000
Unamortized Discounts/Premiums	99,083	-	(6,193)	92,890	-
Total	<u>\$ 355,527,246</u>	<u>\$ 1,948,911</u>	<u>\$ (8,734,167)</u>	<u>\$ 348,741,990</u>	<u>\$ 9,801,533</u>

See Note 10 for pledged revenue information.

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$723,049 at June 30, 2021, will be paid in future years from future resources, generally liquidated by the Victorville Water District, Victorville Municipal Utility and the SCLAA Enterprise Funds.

Tax Allocation Bonds

Tax Allocation Parity Bonds, Series 2005A

In June 2005, the SCLAA 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 SCLAA.

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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds (Continued)

Tax Allocation Parity Bonds, Series 2005A (Continued)

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). As of June 30, 2021, required reserve for the Bonds was met with fiscal agent cash. The Bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$14,205,000.

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

In June 2006, the SCLAA 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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds (Continued)

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

As of June 30, 2021, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$47,840,000.

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

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

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

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

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

As of June 30, 2021, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$12,850,000.

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

In June 2006, the SCLAA 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 SCLAA.

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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds (Continued)

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

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.

As of June 30, 2021, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$41,530,000.

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006

In November 2006, SCLAA 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 SCLAA.

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 - see Note 10. As of June 30, 2021, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$29,655,000.

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

In November 2006, the SCLAA 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 SCLAA.

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 - see Note 10. As of June 30, 2021, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$53,740,000.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds (Continued)

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

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

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

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

As of June 30, 2021, required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$33,335,000.

Subordinate Tax Allocation Revenue Bonds, Series 2007

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

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.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds (Continued)

Subordinate Tax Allocation Revenue Bonds, Series 2007 (Continued)

As of June 30, 2021, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$34,825,000.

Subordinate Tax Allocation Revenue Bonds, Series 2008

In May 2008, the SCLAA 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 SCLAA 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 \$131,805,000 at June 30, 2021.

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.

As of June 30, 2021, required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$23,980,115, which includes an accretion balance of \$11,620,190.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds (Continued)

Variable Rate Lease Revenue Bonds, Series 2007A

In May 2007, the Victorville Joint Powers Financing Authority issued \$83,770,000 principal amount of Variable Rate Lease Revenue Bonds, Series 2007A. The bonds were issued to refund the 2005 Variable Rate Lease Revenue Bonds, Series A (\$41,000,000) and 2006 Variable Rate Lease Revenue Bonds, Series A (\$23,645,000). The proceeds were used to assist the City of Victorville in financing a cogeneration power plant and other related facilities. The bonds are subject to optional redemption in whole or in part by lot, without premium. The payments of principal and interest are supported by an irrevocable letter of credit that will be utilized if other funds are not available to make the debt service payments. The letter of credit is applicable as long as the interest is at a variable rate. The Authority has pledged and placed a first and prior lien upon and granted a security interest in the leased properties to secure the obligation. Such lien is subject to no other liens other than the lien in favor of the trustee on behalf of the holders on the bonds.

As of June 30, 2021, required reserve for the Bonds was met with fiscal agent cash. 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, 2021 is \$46,710,000.

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 - see Note 10. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The required reserve for the Bonds is \$816,500. As of June 30, 2021, the reserve amount was \$836,333. The amount of Certificates of Participation outstanding at June 30, 2021 is \$8,930,000.

Rate Covenant

The 2006 Certificate 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 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, 2021. The calculation was prepared using revenues and the proportionate expenses applicable to the Baldy Mesa Water District and is included in Note 10.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 BUSINESS-TYPE LONG-TERM LIABILITIES (CONTINUED)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding proprietary funds debt of the City as of June 30, 2021, are as follows for each fiscal year ending June 30:

Year Ending June 30,	Tax	Tax	Certificate of Participation Principal	Certificate of Participation Interest	Lease	Lease
	Allocation Bonds Principal *	Allocation Bonds Interest			Revenue Bonds Principal	Revenue Bonds Interest
2022	\$ 6,225,000	\$ 15,238,104	\$ 395,000	\$ 412,403	\$ 1,480,000	\$ 698,800
2023	6,550,000	14,906,577	410,000	395,388	1,560,000	676,500
2024	6,885,000	14,555,859	425,000	377,226	1,645,000	652,994
2025	7,245,000	14,184,559	445,000	358,304	1,730,000	628,212
2026	7,630,000	13,792,810	465,000	338,511	1,825,000	602,144
2027-31	44,665,000	62,262,070	2,655,000	1,355,924	10,675,000	2,568,082
2032-36	58,425,000	48,026,395	3,360,000	630,500	13,835,000	1,673,656
2037-41	77,350,000	28,526,413	775,000	19,375	13,960,000	519,550
2042-46	94,184,999	47,291,605	-	-	-	-
2047-2051	90,425,001	77,127,009	-	-	-	-
Subtotal	399,585,000	335,911,401	8,930,000	3,887,631	46,710,000	8,019,938
Discounts/Premiums	(2,184,064)	-	92,890	-	-	-
Total	\$ 397,400,936	\$ 335,911,401	\$ 9,022,890	\$ 3,887,631	\$ 46,710,000	\$ 8,019,938

* This total includes capital appreciation of \$107,624,885 for tax allocation bonds that will be accrued in the future years.

NOTE 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, 2021 is as follows:

	Balance at July 01, 2020	Additions	Retirements	Balance at June 30, 2021	Due Within One Year
Redevelopment Agency Debt:					
Other Debt:					
Tax Allocation Bonds:					
2002A Tax Allocation Bonds	\$ 5,675,000	\$ -	\$ (350,000)	\$ 5,325,000	\$ 370,000
2003A Tax Allocation Bonds	6,015,000	-	(380,000)	5,635,000	395,000
2003B Tax Allocation Bonds	2,960,000	-	(190,000)	2,770,000	195,000
2006A Tax Allocation Bonds	17,650,000	-	(500,000)	17,150,000	535,000
Totals	\$ 32,300,000	\$ -	\$ (1,420,000)	\$ 30,880,000	\$ 1,495,000

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 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.

As of June 30, 2021, the required reserve for the was met with fiscal agent cash and an insurance policy. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area - see Note 10. The amount of bonds outstanding at June 30, 2021 is \$5,325,000.

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
JUNE 30, 2021

NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds (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.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area - see Note 10. The amount of bonds outstanding at June 30, 2021 is \$5,635,000.

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.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area - see Note 10. The amount of bonds outstanding at June 30, 2021 is \$2,770,000.

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
JUNE 30, 2021**

NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Bonds (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.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area - see Note 10. The amount of bonds outstanding at June 30, 2021 is \$17,150,000.

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2021, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,495,000	\$ 1,690,057
2023	1,575,000	1,608,159
2024	1,660,000	1,521,006
2025	1,745,000	1,429,231
2026	1,840,000	1,332,556
2027-31	10,815,000	5,007,434
2032-36	11,380,000	1,569,872
2037	370,000	11,100
Total	<u>\$ 30,880,000</u>	<u>\$ 14,169,415</u>

Advances To/From the Former Victorville Redevelopment Agency

The composition of advances to or from the former Victorville RDA as of June 30, 2021 is as follows:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Housing Asset Successor		
Special Revenue Fund	RDA Successor Agency	\$ 12,514,738 a)
RDA Successor Agency	SCLAA Enterprise Fund	10,995,517 b)
		<u>\$ 23,510,255</u>

a) The former Victorville Redevelopment Agency (RDA) entered into three agreements in which the Low- and Moderate-Income Fund (Low/Mod) advanced money to other funds within the RDA to fund the cost of redevelopment activity and capital improvements. In association with the RDA dissolution and Housing Asset Transfer process the Department of Finance approved the transfer of these advances to the City's Housing Asset Successor. The outstanding balance of these three advances as of June 30, 2021 is \$12,514,738, and the terms of each are described below:

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 SUCCESSOR AGENCY LONG-TERM LIABILITIES (CONTINUED)

Advances To/From the Former Victorville Redevelopment Agency

- i) Per a loan agreement approved March 16, 2010 by the Board of the Victorville RDA, a \$3,750,000 was made from the Low/Mod Fund to the Victor Valley Project Area Non-Housing Fund. The advance is to be used to cover necessary redevelopment activities of the Victor Valley Project Area. The advance bears interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2021 is \$5,380,403.

 - ii) Per a loan agreement approved on May 20, 2010 a \$300,000 advance was made from the Bear Valley Road Low/Mod fund to the Old Town/Midtown Project Area. The advance is to be used to fund redevelopment activities within the Old Town/Midtown Project Area. The advance bears interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2021 is \$498,000.

 - iii) Per a loan agreement approved on May 4, 2010 a \$5,000,000 advance was made from the Low/Mod Fund to the Victor Valley Project Area Non-Housing Fund. The advance is to be used to partially fund the Supplemental Educational Revenue Augmentation Fund (SERAF) payment. The advance bears interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2021 is \$6,636,335.
- b) Southern California Logistics Airport Authority (SCLAA) entered into an agreement 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.

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 SCLAA. The advance is to be used to continue redevelopment at SCLAA and to fund prior years' capital improvements and redevelopment project expenses. The advance bears interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2021 is \$10,995,517. Since this loan has been denied repayment by the California Department of Finance, as of June 30, 2021, the receivable within the Successor Agency to the Victorville RDA Fiduciary Fund has an allowance of an equal amount.

NOTE 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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 PLEDGED REVENUE (CONTINUED)

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.

Also, as noted previously, the 2006 Certificates of Participation result in a pledge of the net revenues of the Victorville Water District Enterprise Fund.

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

Description of Pledged Revenue	Annual Amount of Pledged Revenue (Net of Expenses, Where Required)	Annual Debt Service Payment (of All Debt Secured by This Revenue)	Debt Service as a Percentage of Pledged Revenue	Coverage
Property Tax Increment pledged by the Successor Agency of the Victorville Redevelopment Agency	\$ 640,807	\$ 3,186,854	497%	20%
Property Tax Increment and Other Revenue Pledged by the Southern California Logistics Airport Authority	23,020,692	21,470,720	93%	107%
Net Revenues Pledged by the Victorville Water District for the 2006 Certificates of Participation	1,294,351	808,195	62%	160%

It should be noted that the coverage ratios identified above are calculated based on Pledged Revenues, which represent the potential funds that VVEDA may be able to access for debt service, if needed. These financial statements report the coverage ratio based on revenue received. Because Dissolution Law restricts Successor Agencies from receiving more revenue than is needed for enforceable obligations, these financial statements will generally show coverage ratios of approximately 1.00, and potentially less than 1.00, if revenues from prior years are retained.

While the above shows that the Successor Agency has only 20% of net revenues to cover the debt service, the State of California Department of Finance communicated in a letter dated April 7, 2021, that the Successor Agency had approximately \$3.6 million on hand from previous RPTTF distributions to fund the enforceable obligations, including the debt service payments. Therefore, the Successor Agency has sufficient funds to make the required debt service payments.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 FUND DISCLOSURES

The following funds had deficit fund balances/net position as of June 30, 2021:

	Deficit Fund Balance
Nonmajor Special Revenue Funds:	
Other Federal Grants Fund	\$ (348,889) (a)
COVID-19 Funds	(2,597,556) (b)
Enterprise Funds:	
SCLAA	(131,563,815) (c)
Electric Utility Fund	(23,225,640) (d)

- (a) The deficit fund balance in this fund 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) The deficit fund balance in this fund is the result of expenditures related to the emergency response to COVID-19 for which CARES Act funding from the State and County will be received in fiscal year 2021-2022.
- (b) See footnote 20 for further information regarding the deficit balance in the SCLAA fund.
- (c) The deficit fund balance in the Electric Utility Fund is primarily the result of an impairment on capital assets that was recognized in prior years and a transfer out of \$17,850,143 to the General Fund in fiscal year 2018-2019 for reimbursement of historical start-up costs paid from the General Fund. The City is working on a refinancing mechanism for the current debt and is preparing a cost-of-service study to ensure sufficient revenues will be collected to cover the long-term liabilities.

NOTE 12 PENSION PLANS

General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiple-employer defined benefit pension plan, or the City's Safety plan, a cost-sharing multiple-employer defined benefit pension plan, both administered by California Public Employees' Retirement System (CalPERS). For the Miscellaneous Plan, CalPERS acts as a common investment and administrative agent for its participating member employers and the Plan is included within the Public Employees' Retirement Fund A (PERF A). The CalPERS Safety Plan consists of safety pools (referred to as "risk pools"), which are comprised of individual employer safety rate plans. The risk pools are included within the Public Employees' Retirement Fund C (PERF C). The CalPERS Safety Plan was closed to new entrants until the measurement period ended June 30, 2020, which is the time period in which the City ceased outsourcing the safety function of the City. 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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least five years of services. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty disability benefits after five years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect as of the measurement period ended June 30, 2020, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	on or after January 1, 2013
Hire Date		
Benefit Formula	2.5%@55	2.0%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 67
Required Employee Contribution Rates	8.00%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	10.59%	9.69%
Payment of Unfunded Liability	\$3,368,321	N/A
	Safety	
	Prior to January 1, 2013	on or after January 1, 2013
Hire Date		
Benefit Formula	2.0%@50	2.7%@57
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 57
Required Employee Contribution Rates	9.00%	13.75%
Required Employer Contribution Rates:		
Normal Cost Rate	20.89%	13.88%
Payment of Unfunded Liability	\$1,029,329	\$958

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

General Information about the Pension Plans (Continued)

Employees Covered

As of the June 30, 2020 measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	<u>Miscellaneous</u>
Active Employees	338
Inactive Employees Or Beneficiaries Currently Receiving Benefits	370
Inactive Employees Entitled To, But Not Yet Receiving Benefits	409
Total	1,117

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are 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 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 City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2021, the City contributed \$5,961,400 and \$1,820,085 to the miscellaneous and safety plans, respectively, which results in total contributions of \$7,781,485.

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Relation to Pensions**

Actuarial Assumptions

The total pension liability for both the Miscellaneous and Safety Plans for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The total pension liability for both the Miscellaneous and Safety Plans was based on the following assumptions:

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Relation to Pensions (Continued)**

Actuarial Assumptions (Continued)

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

Long-term Expected Rate of Return

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

In determining the long term expected rate of return, CalPERS took into account both short term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11+ 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Relation to Pensions (Continued)**

Long-term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as follows:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
	<u>100.00 %</u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Relation to Pensions (Continued)**

Changes in Net Pension Liability – Miscellaneous Agent Multiple-Employer Plan

The changes in the net pension liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2019 (MD)	\$ 202,652,096	\$ 150,980,795	\$ 51,671,301
Changes Recognized for the Measurement Period:			
Service Cost	3,917,361	-	3,917,361
Interest on Total Pension Liability	14,388,003	-	14,388,003
Change in Assumptions	-	-	-
Differences between Expected and Actual Experience	901,693	-	901,693
Plan to Plan Resource Movement	-	-	-
Contributions from the Employer	-	5,479,864	(5,479,864)
Contributions from the Employees	-	1,928,672	(1,928,672)
Net Investment Income	-	7,528,774	(7,528,774)
Benefit Payments, including Refunds of Employee Contributions	(8,563,342)	(8,563,342)	-
Administrative Expenses	-	(212,846)	212,846
Other Miscellaneous Expense	-	-	-
Balance at June 30, 2020 (MD)	<u>\$ 213,295,811</u>	<u>\$ 157,141,917</u>	<u>\$ 56,153,894</u>

Proportionate Share of Net Pension Liability – Safety Cost-Sharing Plan

As of June 30, 2021, the City reported a net pension liability for its proportionate share of the collective net pension liability of the Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	<u>\$ 12,515,992</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Relation to Pensions (Continued)**

Proportionate Share of Net Pension Liability – Safety Cost-Sharing Plan (Continued)

The City's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2019 and 2020 was as follows:

	<u>Safety</u>
Proportion - June 30, 2019	0.19301%
Proportion - June 30, 2020	0.18786%
Change - Increase (Decrease)	-0.00515%

Pension Expense and Deferred Outflows and Inflows of Resources

Miscellaneous Agent Multiple-Employer Plan

For the year ended June 30, 2021, the City recognized pension expense of \$8,602,598 for the Miscellaneous agent multiple-employer Plan. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to the Measurement Date	\$ 5,961,400	\$ -
Changes in Assumptions	-	(132,130)
Differences Between Expected and Actual Experience	2,336,752	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>1,326,979</u>	<u>-</u>
Total	<u>\$ 9,625,131</u>	<u>\$ (132,130)</u>

\$5,961,400 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 700,926
2023	1,292,141
2024	901,662
2025	636,872
2026	-
Thereafter	-

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Relation to Pensions (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

Safety Cost-Sharing Plan

For the year ended June 30, 2021, the City recognized pension expense of \$1,725,153 for the Safety cost-sharing Plan. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Safety Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to the Measurement Date	\$ 1,820,085	\$ -
Differences Between Expected and Actual Experiences	970,552	-
Changes in Assumptions	-	(41,691)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	272,025	-
Changes in Proportion and Differences Between Employer Contributions and Employer's Proportionate Share of Contributions	-	(248,742)
Total	\$ 3,062,662	\$ (290,433)

\$1,820,085 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period <u>Ended June 30,</u>	Deferred Inflows of Resources
2022	\$ 111,797
2023	406,009
2024	298,039
2025	136,299
2026	-
Thereafter	-

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Relation to Pensions (Continued)

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

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (6.15%)	Current Rate (7.15%)	1% Increase (8.15%)
Miscellaneous Agent Multiple-Employer Plan	\$ 86,277,212	\$ 56,153,894	\$ 31,439,809
Safety Cost-Sharing Plan	18,267,388	12,515,992	7,796,427

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separate issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2021, the City had no outstanding amount of contributions to the Miscellaneous Agent Multiple-Employer or Safety Cost-Sharing pension plans required for the year ended June 30, 2021.

Summary of Plan Amounts for Government-Wide Financial Statements

The following is a summary of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the Miscellaneous Agent Multiple-Employer Plan and the Safety Cost-Sharing Plan for the government-wide financial statements:

	Net Pension Liability	Deferred Outflows	Deferred Inflows
Miscellaneous Agent Multiple-Employer Plan	\$ (56,153,894)	\$ 9,625,131	\$ (132,130)
Safety Cost-Sharing Plan	(12,515,992)	3,062,662	(290,433)
Total	<u>\$ (68,669,886)</u>	<u>\$ 12,687,793</u>	<u>\$ (422,563)</u>

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 DEFERRED COMPENSATION

As of January 1, 2021, employees shall be eligible to transfer up to \$19,500 of annual salary per year into a City-approved Deferred Compensation Plan; employees 50 years of age and above are allowed a catch-up provision of \$6,500. An additional standard provision is available to employees who are planning on retiring within three years. Under this provision, funds not utilized may be contributed the year prior to retirement. Deferred Compensation funds may be accessed through a loan program. A 401(a) Defined Contribution Plan is available for new full-time employees who may elect an employee contribution, under Section 401(a) of the IRC. The plan document allows a 60-day period for the individuals to make an election from the initial date of hire. Pursuant to Federal Regulations, effective December 31, 2009, existing full-time employees may not enroll or modify an existing 401(a) plan. The City makes no contribution to the plan on behalf of the members and the City has no liability for losses under the plan.

The City has established a deferred compensation plan through Great-West Life and Annuity Insurance Company in accordance with IRC 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 except for those specific positions as noted below. 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.

The following Victorville Fire Department positions will receive employer contributions per month: Fire Chief \$800, Division Chief \$750, Battalion Chief \$750, Fire Marshal \$750, Fire Training Captain Officer \$600, Fire Captain \$600, Fire Engineer \$250. For the fiscal year ended June 30, 2021, the City contributed \$191,975 for covered payroll totaling \$4,799,965.

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

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 Postemployment Benefits Plan – City Plan

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Other Postemployment Benefits Plan – City Plan (Continued)

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). The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active Employees	322
Inactive Employees Or Beneficiaries Currently Receiving Benefits	59
Inactive Employees Entitled To, But Not Yet Receiving Benefits	151
Total	<u><u>532</u></u>

Contributions

The City Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units.

The annual contribution is based on the year's retiree medical premiums (pay-as-you-go basis). For the fiscal year ended June 30, 2021, the City's cash contributions were \$275,577 for current premiums and the estimated implied subsidy was \$109,000 resulting in total payments of \$384,577.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Other Postemployment Benefits Plan – City Plan (Continued)

Total OPEB Liability

The City's Total OPEB liability was measure as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.21%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability Termination	1997-2015 Experience Study
Mortality Improvement	Postretirement mortality projected fully generational with Scale MP-2020
Healthcare Trend Rate	Non-Medicare: 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The discount rate is determined based on the Bond Buyer 20-bond index since the City has not established a trust.

Change in Actuarial Assumptions

The discount rate changed from 3.50% at the beginning of the measurement period to 2.21% based on changes in the index. In addition, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

Changes in the Total OPEB Liability

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

	<u>Total OPEB Liability</u>
Total OPEB Liability 6/30/2019 (MD)	\$ 25,556,102
Service Cost	1,486,270
Interest	940,317
Differences Between Expected and Actual Experience	(4,403,383)
Changes of Assumptions	4,480,447
Benefit Payments	<u>(352,317)</u>
Net Changes During 2019-2020 (MP)	2,151,334
Total OPEB Liability 6/30/2020 (MD)	<u>\$ 27,707,436</u>

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Other Postemployment Benefits Plan – City Plan (Continued)

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

The following presents the total OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (1.21%)	Current Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 33,510,351	\$ 27,707,436	\$ 23,183,204

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

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower (Non-Medicare: 6.0% for 2022 decreasing to 3.0% in 2076; Medicare (Non-Kaiser): 5.1% for 2022, decreasing to an ultimate rate of 3.0% in 2076; Medicare (Kaiser): 4.0% for 2022, decreasing to an ultimate rate of 3.0% in 2076) or one percentage point higher (Non-Medicare: 8.0% for 2022 decreasing to 5.0% in 2076; Medicare (Non-Kaiser): 7.1% for 2022, decreasing to an ultimate rate of 5.0% in 2076; Medicare (Kaiser): 6.0% for 2022, decreasing to an ultimate rate of 5.0% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 22,297,384	\$ 27,707,436	\$ 34,986,241

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in the total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

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

Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	5 Years
All Other Amounts	Expected average remaining service lifetime (EARSL) (9.1 Years at June 30, 2020 measurement date)

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Other Postemployment Benefits Plan – City Plan (Continued)

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

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$1,804,451. As of the fiscal year ended June 30, 2021, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions Subsequent To The Measurement Date	\$ 384,577	\$ -
Differences Between Expected and Actual Experience	-	(5,691,340)
Changes of Assumptions	5,254,762	(2,781,563)
Total	\$ 5,639,339	\$ (8,472,903)

\$384,577 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense as follow:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2022	\$ (623,383)
2023	(623,383)
2024	(623,383)
2025	(623,383)
2026	(623,379)
Thereafter	(101,230)

Payable to the OPEB Plan

At June 30, 2021, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Other Postemployment 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 five 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). The District has not established a trust for the purpose of holding assets accumulated for plan benefits.

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active Employees	81
Inactive Employees Or Beneficiaries Currently Receiving Benefits	28
Inactive Employees Entitled To, But Not Yet Receiving Benefits	4
Total	113

Contributions

The District Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units.

The annual contribution is based on the year’s retiree medical premiums (pay-as-you-go basis). For the fiscal year ended June 30, 2021, the District’s cash contributions were \$205,788 for current premiums and the estimated implied subsidy was \$48,000 resulting in total payments of \$253,788.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Other Postemployment Benefits Plan – Water District Plan (Continued)

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.21%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability Termination	1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2020
Healthcare Trend Rate	Non-Medicare: 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The discount rate is determined based on the Bond Buyer 20-bond index since the City has not established a trust.

Change in Actuarial Assumptions

The discount rate changed from 3.50% at the beginning of the measurement period to 2.21% based on changes in the index. In addition, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

Changes in the Total OPEB Liability

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

	<u>Total OPEB Liability</u>
Total OPEB Liability 6/30/2019 (MD)	\$ 10,288,735
Service Cost	474,890
Interest	372,802
Differences Between Expected and Actual Experience	(904,000)
Changes of Assumptions	1,795,864
Benefit Payments	(224,298)
Net Changes During 2019-2020 (MP)	<u>1,515,258</u>
Total OPEB Liability 6/30/2020 (MD)	<u>\$ 11,803,993</u>

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Other Postemployment Benefits Plan – Water District Plan (Continued)

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

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (1.21%)	Current Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 14,080,594	\$ 11,803,993	\$ 10,010,162

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

The following presents the total OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower (Non-Medicare: 6.0% for 2022 decreasing to 3.0% in 2076; Medicare (Non-Kaiser): 5.1% for 2022, decreasing to an ultimate rate of 3.0% in 2076; Medicare (Kaiser): 4.0% for 2022, decreasing to an ultimate rate of 3.0% in 2076) or one percentage point higher (Non-Medicare: 8.0% for 2022 decreasing to 5.0% in 2076; Medicare (Non-Kaiser): 7.1% for 2022, decreasing to an ultimate rate of 5.0% in 2076; Medicare (Kaiser): 6.0% for 2022, decreasing to an ultimate rate of 5.0% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 9,802,311	\$ 11,803,993	\$ 14,437,580

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in the total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

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

Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	5 Years
All Other Amounts	Expected average remaining service lifetime (EARSL) (8.2 Years at June 30, 2020 measurement date)

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Other Postemployment Benefits Plan – Water District Plan (Continued)

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$524,372. As of the fiscal year ended June 30, 2021, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions Subsequent To The Measurement Date	\$ 253,788	\$ -
Differences Between Expected and Actual Experience	-	(2,015,486)
Changes of Assumptions	2,032,010	(1,020,974)
Total	<u>\$ 2,285,798</u>	<u>\$ (3,036,460)</u>

The \$253,788 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2022	\$ (323,853)
2023	(323,853)
2024	(323,853)
2025	(286,603)
2026	(73,662)
Thereafter	327,374

Payable to the OPEB Plan

At June 30, 2021, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

Summary of OPEB Amounts for Government-Wide Financial Statements

	<u>Total OPEB Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
City OPEB Plan	\$ (27,707,436)	\$ 5,639,339	\$ (8,472,903)
Water District OPEB Plan	(11,803,993)	2,285,798	(3,036,460)
Total	<u>\$ (39,511,429)</u>	<u>\$ 7,925,137</u>	<u>\$ (11,509,363)</u>

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 JOINTLY GOVERNED ORGANIZATIONS

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

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. The Authority was dissolved and all assets distributed to the member agencies as of June 20, 2021.

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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 15 JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Mojave Desert and Mountain Integrated Waste Management Authority (Continued)

The following schedule summarizes the City's investment in the Authority as of June 30, 2021 and the gain (loss) on the investment recognized in the statement of revenues, expenses, and changes in fund net position for the year ended June 30, 2021:

Percentage Ownership	Total Joint Venture Equity	City's Equity Interest	City's Share of Joint Venture Net Income (Loss)
50%	\$ 873,294	\$ 436,647	\$ -

Financial statements may be obtained by mailing a request to the Town of Apple Valley, 14955 Dale Evans Parkway, Apple Valley, California 92307.

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 distribution's provisions of the bill. The SCLAA contains a portion of the VVEDA Successor Agency with the Town of Apple Valley and City of Adelanto comprising the rest of the VVEDA Successor Agency. The RPTTF (tax increment distributions) from VVEDA represent the primary revenue of the SCLAA. 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. There is no resulting equity applicable to the City from this arrangement. Financial statements may be obtained by sending a written request to Victor Valley Transit Authority, 17150 Smoke Tree Street, Hesperia, CA 92345.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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 \$11,685,572 to VWVRA for the year ended June 30, 2021. 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.

NOTE 16 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.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 16 PARTICIPATION IN RISK POOL (CONTINUED)

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 three years.

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

Year	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance	Due Within One Year
2019-20	\$ 2,569,636	\$ 3,041,645	\$ (1,334,232)	\$ 4,277,049	\$ 1,490,000
2020-21	4,277,049	2,476,321	(1,291,480)	5,461,890	1,723,576

NOTE 17 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 and 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 custodial 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 nor 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, 2021, for the 2002 Series A and 2005 Series A was \$585,000 and \$2,130,000, respectively.

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 custodial 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, 2021 was \$2,600,000.

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 18 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. Commitments for the Purchase of Electricity

Victorville Municipal Utility Services ("VMUS," an enterprise fund of the City of Victorville) executed agreements for the purchase of electricity with Shell Energy North America (US), L.P. in March 2016. These commitments extend through June 30, 2021 and were not renewed past this date. 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 5% of current VMUS customer requirements, and the term of the agreement runs from October 1, 2017, through September 30, 2067. In November 2019, VMUS entered into an agreement with ZGlobal to contract for scheduling coordination and other settlement services through December 31, 2023.

On June 4, 2020, VMUS entered into a Power Purchase Agreement (PPA) with AM Wind Repower LLC (AM Wind) for the acquisition of renewable energy from the Alta Mesa RP27 Wind Energy Center located in Riverside County. The scheduled "Commercial Operation Date" is January 1, 2022, which serves as the commencement date for the 25-year purchase obligation period in the total amount of \$41,380,000. The annual obligation is forecasted to be \$1,655,200 over the 25-year period. This power purchase agreement will supply 11 MW of renewable power to VMUS from the Alta Mesa RP27 Wind Energy Center for a fee of \$40 per megawatt-hour. This is in response to the California Renewable Portfolio Standard Regulations (RPS) that requires load serving entities (LSE) to procure eligible renewable energy resources (ERRs) so that the amount of electricity generated from ERRs equals or exceeds a specified percentage of the total electricity sold to retail customers in California. Beginning in 2021, at least 65% of the LSE's RPC compliance requirements must be procured from generation-owned resources or power purchase agreements that are least 10 years in duration.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Southern California Logistics Airport Authority and Stirling Enterprise LLC

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

The EDC Parcels are made up of approximately 1,800 acres of adjacent property which may be developed for use as commercial property. SCLAA paid \$1,636,489 and is required to pay additional \$37,176 for these EDC Parcels. In 1993 a Redevelopment Plan was adopted by VVEDA establishing a redevelopment project area encompassing the former Base as well as approximately 55,000 additional acres. VVEDA delegated its decision-making authority relative to the former Base, now known as Southern California Logistics Airport or SCLA, to the Southern California Logistics Airport Authority (SCLAA). SCLAA is a component unit entity of the City of Victorville. It is also a Joint Power Authority comprised of the City of Victorville and the Victorville Water District.

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 SCLAA. The Fourth Amended and Restated Master Agreement (Stirling Agreement) is the current agreement superseding all previous versions.

D. Revenues from Sales of Land

In August 2016, three agreements with Stirling were approved by the SCLAA Board of Directors that were intended to serve as a framework that encourages development before the expiration of the Master Agreement (MA). The three agreements are a Satisfaction and Termination Agreement, a Disposition, Exchange and Development Agreement (#2) and an Option and Development Agreement.

The Disposition, Exchange and Development Agreement allows for the removal of approximately 280 acres of Airport-owned property from the definition of EDC Parcels and the title transfer in fee to Stirling, of approximately 280 acres. The Airport-owned property will become available for the Airport for revenue-producing purposes and the Airport will have the flexibility to develop the subject property on a ground-lease basis with aviation and nonaviation (Section 2.01 of the Development and Exchange Agreement). Revenue sharing will only exist relating to these parcels if the respective transaction is procured by Stirling and be split 80/20 with the larger share to benefit SCLAA.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. Revenues from Sales of Land (Continued)

The Agreement also provides for the disposition of additional off-airport property. In addition to the Stirling Exchange Parcels, SCLAA will then transfer, in fee, 200 acres of property for the \$.0203/psf purchase price (\$176,448) and participate in revenue sharing for net proceeds in an amount equal to 30% (Section 2.03 of the Development and Exchange Agreement). Net proceeds are generally defined to be revenues generated from the eventual sale by Stirling that are residual to infrastructure costs, EIR costs and developer credits. The Agreement also transfers the public infrastructure obligations of the Authority pursuant to the MA and DDA to Stirling.

Finally, the Option Agreement, in connection with performance obligations related to the Development and Exchange Agreement, will provide Stirling the ability to acquire additional acreage currently provided for in the Master Agreement. Such an exercise of option will occur in 50-acre increments based on Stirling having developed 500,000 square feet of property owned by it. The Option Agreement is set up to run through December 2050 and can terminate sooner due to nonperformance described in Section 1.5 of the Option and Development Agreement.

E. 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 from those leases 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. Construction Commitments

The following material construction commitments existed at June 30, 2021:

Project Title	Commitment
BM21-061 Water Service Area 5	\$ 196,748
BM20-123 Mariposa/Yates Traffic Signal	330,915
BM21-048 Sewer Capacity Improvement	557,120
BM21-067 Industrial Blvd & Silica Road Improvement	3,549,965
CC21-103 Liberty Village Pavement Rehab	1,456,757
BM21-095 Natural Gas Replacement	747,118
BM21-064 GT Blvd Extension	33,020,251
BM21-046 Third Ave/Herbert Road Improvement	281,184
CC21-111 Pond 14 Overflow Discharge	99,368
BM21-101 Block Wall Gates Well Sites	216,617
CC21-116 Unity Hall Asbestos & Re-Roof	152,000
CC20-065 Runway 17-35	289,635

CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

G. COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of an outbreak of a new strain of coronavirus (the COVID-19 outbreak) and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The City's operations are heavily dependent on the ability to raise sales taxes, property taxes and transient occupancy taxes and assess business licenses, developer fees and construction permits. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued adverse impact on economic and market conditions, triggering a period of global economic slowdown. The outbreak could also have other potential impacts, including disruptions or restrictions on employees' ability to work. As such, this may hinder the ability for the City to meet the needs of its constituents. The City cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time.

NOTE 19 SALES TAX ABATEMENTS

On September 7, 2012, the City Council approved 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, 2021 the City did not remit a payment to Macerich for sales tax revenue earned from January 2020 to December 2020 as the amount generated did not exceed \$1,000,000 for the year. Additional payments are contingent upon the occurrence of uncertain future events, including the generation of sales tax revenue in excess of \$1,000,000 per year.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 20 SCLAA’S FINANCIAL CONDITION, SIGNIFICANT FINANCIAL OBLIGATIONS AND MANAGEMENT PLANS

Southern California Logistics Airport Authority (SCLAA)

In Fiscal Year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Beginning in FY 09/10, there were significant decreases in assessed value for the Victor Valley Redevelopment Project Area. Assessed values for the Project Area reached a low point of \$6.6 Billion in FY 12/13. The decrease was largely the result of the Great Recession. Since FY 12/13, assessed values have increased steadily. For Fiscal Year 2020-2021, the assessed value for the Project Area was approximately \$9.99 billion. The steady increase in assessed values have resulted in the SCLAA paying all past due debt service in the previous fiscal year. As of the December 1, 2018 tax distribution, the SCLAA was no longer in default. In 2018, Moody’s issued an upgraded rating on the Successor Agency to the Victor Valley Economic Development Authority (VVEDA) housing set-aside Tax Allocation Bonds and the Non-Housing Tax Allocation Bonds to “stable” outlook as a result of resolving the outstanding defaults, and the prospective analysis on increasing assessed values in the project area.

During the current fiscal year and prior year, SCLAA had results that were not as favorable as fiscal year 2018-2019 with a net loss of \$3.5 million and \$2.5 million, respectively. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	SCLAA Deficit Balance
Beginning Net Position	\$(128,048,025)
Net Income (Loss)	(3,515,790)
Ending Net Position	\$(131,563,815)

Management’s Plans with Respect to its Financial Condition

Management plans to ensure that annual expenditures do not exceed annual revenues and to build the reserves that are necessary to provide for economic uncertainties.

The City has continued to maintain a balance budget since 2007-2008 and all revenues are projected to cover current liabilities.

Regarding the SCLAA’s financial condition, an Interfund loan agreement was signed July 1, 2016, by the Board of SCLAA, and a \$10,000,000 advance was made available from the 2007 SCLA Housing bond fund to the Airport Operations Fund and has been used to subsidize operations. The advance has a term repayment of five years, with an annualized Wall Street Journal Prime Rate as the interest rate. The outstanding balance of the advance as of June 30, 2021 is \$8,824,244, which has been eliminated for financial statement purposes within the SCLAA since the advance is within the fund itself. SCLAA is currently preparing for payment of this loan in FY 2021-2022 using funding from property sales.

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 21 SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the state of California. This action impacted the reporting entity of the City of Victorville that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the state of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Bill provided 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).

NOTE 22 LEASES

The SCLAA has various leases for rental of portions certain real property and improvements for which the cost and accumulated depreciation cannot readily be determined. Lease terms vary. Future minimum rental payments to be received on the leases that are contractually due as of June 30, 2021 are estimated as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2022	\$ 8,022,722
2023	8,185,944
2024	8,433,322
2025	8,700,875
2026	8,909,364
2027-2031	48,720,055
2032-2036	55,915,099
2037-2041	63,504,771
Total	<u><u>\$ 210,392,152</u></u>

**CITY OF VICTORVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 23 RESTATEMENT

	Beginning Net Position or Fund Balance As Previously Reported	GASB 84 <i>Fiduciary Activities</i> (a)	Beginning Net Position or Fund Balance As Restated
Governmental Activities	\$ 499,562,959	\$ 475,499	\$ 500,038,458
General Fund	24,335,090	148,278	24,483,368
Nonmajor Governmental Funds	27,157,044	327,221	27,484,265

(a) Implementation of GASB 84, *Fiduciary Activities*, resulted in some previously reported fiduciary funds reclassified to governmental funds.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORVILLE
SCHEDULE OF IN NET PENSION LIABILITY AND RELATED RATIOS
DURING THE MEASUREMENT PERIOD (AGENT PLAN)
LAST TEN FISCAL YEARS*

Reporting Fiscal Year (Measurement Date)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total Pension Liability:				
Service Cost	\$ 3,917,361	\$ 3,878,156	\$ 3,925,313	\$ 3,913,955
Interest	14,388,003	13,664,664	12,780,111	12,143,449
Changes of Assumptions	-	-	(1,453,429)	10,784,766
Difference between Expected and Actual Experience	901,693	3,533,778	1,426,643	(1,294,528)
Benefit Payments, Including Refunds of Employee Contributions	(8,563,342)	(8,131,659)	(7,556,833)	(6,707,043)
Net Change in Total Pension Liability	10,643,715	12,944,939	9,121,805	18,840,599
Total Pension Liability – Beginning	202,652,096	189,707,157	180,585,352	161,744,753
Total Pension Liability – Ending (a)	213,295,811	202,652,096	189,707,157	180,585,352
Plan Fiduciary Net Position:				
Plan to Plan Resource Movement	-	-	(332)	-
Contributions – Employer	5,479,864	4,590,346	4,017,440	3,945,743
Contributions – Employee	1,928,672	1,749,709	1,942,720	1,762,125
Net Investment Income	7,528,774	9,361,466	11,287,052	13,554,180
Benefit Payments, Including Refunds of Employee Contributions	(8,563,342)	(8,131,659)	(7,556,833)	(6,707,043)
Administrative Expense	(212,846)	(102,414)	(209,479)	(180,207)
Other Miscellaneous Income (Expense)	-	332	(397,805)	-
Net Change in Fiduciary Net Position	6,161,122	7,467,780	9,082,763	12,374,798
Plan Fiduciary Net Position – Beginning	150,980,795	143,513,015	134,430,252	122,055,454
Plan Fiduciary Net Position – Ending (b)	<u>\$ 157,141,917</u>	<u>\$ 150,980,795</u>	<u>\$ 143,513,015</u>	<u>\$ 134,430,252</u>
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 56,153,894</u>	<u>\$ 51,671,301</u>	<u>\$ 46,194,142</u>	<u>\$ 46,155,100</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.67%	74.50%	75.65%	74.44%
Covered Payroll	\$ 24,562,823	\$ 22,226,999	22,506,989	22,354,507
Plan Net Pension Liability as a Percentage of Covered Payroll	228.61%	232.47%	205.24%	206.47%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the 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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2021:

There were no significant changes in assumptions.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

See accompanying Note to Required Supplementary Information.

CITY OF VICTORVILLE
SCHEDULE OF IN NET PENSION LIABILITY AND RELATED RATIOS
DURING THE MEASUREMENT PERIOD (AGENT PLAN) (CONTINUED)
LAST TEN FISCAL YEARS*

Reporting Fiscal Year (Measurement Date)	2017 <u>(2016)</u>	2016 <u>(2015)</u>	2015 <u>(2014)</u>
Total Pension Liability:			
Service Cost	\$ 3,391,116	\$ 3,399,557	\$ 3,479,263
Interest	11,593,629	10,950,745	10,425,889
Changes of Assumptions	-	(2,900,838)	-
Difference between Expected and Actual Experience	(114,587)	(1,452,436)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(6,190,255)</u>	<u>(5,465,312)</u>	<u>(5,288,466)</u>
Net Change in Total Pension Liability	8,679,903	4,531,716	8,616,686
Total Pension Liability – Beginning	<u>153,064,850</u>	<u>148,533,134</u>	<u>139,916,448</u>
Total Pension Liability – Ending (a)	161,744,753	153,064,850	148,533,134
Plan Fiduciary Net Position:			
Plan to Plan Resource Movement	-	29,796	-
Contributions – Employer	3,406,692	3,132,116	2,729,427
Contributions – Employee	1,615,618	1,655,311	1,675,275
Net Investment Income	663,966	2,712,238	18,040,044
Benefit Payments, Including Refunds of Employee Contributions	(6,190,255)	(5,465,312)	(5,288,466)
Administrative Expense	(74,739)	(138,171)	(138,890)
Other Miscellaneous Income (Expense)	-	-	-
Net Change in Fiduciary Net Position	<u>(578,718)</u>	<u>1,925,978</u>	<u>17,017,390</u>
Plan Fiduciary Net Position – Beginning	<u>122,634,172</u>	<u>120,708,194</u>	<u>103,690,804</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 122,055,454</u>	<u>\$ 122,634,172</u>	<u>\$ 120,708,194</u>
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 39,689,299</u>	<u>\$ 30,430,678</u>	<u>\$ 27,824,940</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.46%	80.12%	81.27%
Covered Payroll	19,918,813	19,872,318	19,389,560
Plan Net Pension Liability as a Percentage of Covered Payroll	199.26%	153.13%	143.50%

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE
SCHEDULE OF PLAN CONTRIBUTIONS (AGENT PLAN)
LAST TEN FISCAL YEARS***

Fiscal Year	2020-2021	2019-2020	2018-2019	2017-2018
Contractually Required Contribution (Actuarially Determined)	\$ 5,961,400	\$ 5,477,574	\$ 4,622,469	\$ 4,014,719
Contributions in Relation to the Actuarially Determined Contributions	<u>(5,961,400)</u>	<u>(5,477,574)</u>	<u>(4,622,469)</u>	<u>(4,014,719)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 24,525,949	\$ 24,562,823	\$ 22,226,999	\$ 22,506,989
Contributions as a Percentage of Covered Payroll	24.31%	22.30%	20.80%	17.84%
Notes to Schedule:				
Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.50%	2.63%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 - 55 for 2.5%@55; 52 - 67 for 2.0%@62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

CITY OF VICTORVILLE
SCHEDULE OF PLAN CONTRIBUTIONS (AGENT PLAN) (CONTINUED)
LAST TEN FISCAL YEARS*

Fiscal Year	2016-2017	2015-2016	2014-2015
Contractually Required Contribution (Actuarially Determined)	\$ 3,787,877	\$ 3,504,788	\$ 3,132,116
Contributions in Relation to the Actuarially Determined Contributions	(3,787,877)	(3,504,788)	(2,923,805)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 208,311
Covered Payroll	\$ 22,354,507	\$ 19,918,813	\$ 19,872,318
Contributions as a Percentage of Covered Payroll	16.94%	17.60%	15.76%
Notes to Schedule:			
Valuation Date	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:			
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)
Investment Rate of Return	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)
Mortality	(5)	(5)	(5)

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

Reporting Fiscal Year (Measurement Date)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Plan's Proportion of the Net Pension Liability	0.18786%	0.19301%	0.19843%	0.19780%
Plan's Proportionate Share of the Net Pension Liability	\$ 12,515,992	\$ 12,048,837	\$ 11,643,274	\$ 11,818,679
Plan's Covered Payroll**	\$ 4,931,300	\$ 2,530,529	N/A	N/A
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll**	253.81%	476.14%	N/A	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.12039%	0.12227%	0.12558%	0.12223%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the 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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**The plan has no active members until fiscal year ended 6/30/2019, and, therefore, no covered payroll.

CITY OF VICTORVILLE
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(COST SHARING PLAN) (CONTINUED)
LAST TEN FISCAL YEARS*

Reporting Fiscal Year (Measurement Date)	2017 (2016)	2016 (2015)	2015 (2014)
Plan's Proportion of the Net Pension Liability	0.20676%	0.21750%	0.20657%
Plan's Proportionate Share of the Net Pension Liability	\$ 10,708,540	\$ 8,961,994	\$ 7,748,626
Plan's Covered Payroll**	N/A	N/A	N/A
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll**	N/A	N/A	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.13033%	0.14547%	0.14547%

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE
SCHEDULE OF PLAN CONTRIBUTIONS (COST SHARING PLAN)
LAST TEN FISCAL YEARS***

Fiscal Year	2020-2021	2019-2020	2018-2019	2017-2018
Contractually Required Contribution (Actuarially Determined)	\$ 1,820,085	\$ 1,737,805	\$ 1,406,021	\$ 862,264
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,820,085)</u>	<u>(1,737,805)</u>	<u>(1,406,021)</u>	<u>(862,264)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll **	5,123,885	4,931,300	2,530,529	N/A
Contributions as a Percentage of Covered Payroll **	35.52%	35.24%	55.56%	N/A
Notes to Schedule:				
Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Methods and Assumptions Used to Determine Contribution Rates:				
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.50%	2.63%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)
Mortality	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed

(2) Depending on Age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**The plan has no active members through June 30, 2018 and, therefore, no covered payroll.

**CITY OF VICTORVILLE
SCHEDULE OF PLAN CONTRIBUTIONS (COST SHARING PLAN) (CONTINUED)
LAST TEN FISCAL YEARS***

Fiscal Year	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 700,198	\$ 650,960	\$ 585,811
Contributions in Relation to the Actuarially Determined Contribution	<u>(700,198)</u>	<u>(650,960)</u>	<u>(585,811)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll **	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll **	N/A	N/A	N/A
Notes to Schedule:			
Valuation Date	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:			
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)
Investment Rate of Return	7.50% (3)	7.50% (3)	7.50% (3)
Mortality	(4)	(4)	(4)

See accompanying Note to Required Supplementary Information.

CITY OF VICTORVILLE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*

Reporting Fiscal Year (Measurement Date)	June 30, 2021 (June 30, 2020)		June 30, 2020 (June 30, 2019)	
	City	Water	City	Water
	TOTAL OPEB LIABILITY			
Service Cost	\$ 1,486,270	\$ 474,890	\$ 1,301,917	\$ 417,399
Interest on the Total OPEB Liability	940,317	372,802	896,741	364,950
Changes of Assumptions	4,480,447	1,795,864	1,650,512	601,978
Differences Between Expected and Actual Experience	(4,403,383)	(904,000)	-	-
Changes of Benefit Terms				
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	(352,317)	(224,298)	(325,520)	(216,889)
Net Change in Total OPEB Liability	2,151,334	1,515,258	3,523,650	1,167,438
Total OPEB Liability - Beginning	25,556,102	10,288,735	22,032,452	9,121,297
Total OPEB Liability - Ending (a)	<u>\$ 27,707,436</u>	<u>\$ 11,803,993</u>	<u>\$ 25,556,102</u>	<u>\$ 10,288,735</u>
Net OPEB Liability - Ending (a)-(b)	<u>27,707,436</u>	<u>11,803,993</u>	<u>25,556,102</u>	<u>10,288,735</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%
Covered-Employee Payroll	\$ 29,376,376	\$ 7,618,996	\$ 24,330,808	\$ 7,078,295
Total OPEB Liability as a Percentage of Covered-Employee Payroll	94.32%	154.93%	105.04%	145.36%

Notes to Schedule:

Changes in assumptions:

Discount rate	2.21%	2.21%	3.50%	3.50%
Mortality improvement rates	Scale MP-2020	Scale MP-2020	Scale MP-2018	Scale MP-2018

The mortality, retirement, disability, and termination rates for the measurement periods ended June 30, 2017 and 2018 were based on the CalPERS 1997-2011 Experience Study and CalPERS 1997-2015 Experience Study, respectively.

In the June 30, 2018 measurement period, the pre-65 waived retiree re-election was updated to be 10% after age 65.

In the June 30, 2020 measurement period, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

*Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

CITY OF VICTORVILLE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (CONTINUED)
LAST TEN FISCAL YEARS*

Reporting Fiscal Year (Measurement Date)	June 30, 2019 (June 30, 2018)		June 30, 2018 (June 30, 2017)	
	City	Water	City	Water
	TOTAL OPEB LIABILITY			
Service Cost	\$ 1,467,025	\$ 494,095	\$ 1,740,815	\$ 583,831
Interest on the Total OPEB Liability	902,150	404,923	763,058	345,325
Changes of Assumptions	(1,253,215)	(509,085)	(3,502,958)	(1,452,630)
Differences Between Expected and Actual Experience	(2,657,769)	(1,985,311)	-	-
Changes of Benefit Terms	-	-	-	-
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	(316,872)	(199,802)	(285,893)	(185,817)
Net Change in Total OPEB Liability	(1,858,681)	(1,795,180)	(1,284,978)	(709,291)
Total OPEB Liability - Beginning	23,891,133	10,916,477	25,176,111	11,625,768
Total OPEB Liability - Ending (a)	<u>\$ 22,032,452</u>	<u>\$ 9,121,297</u>	<u>\$ 23,891,133</u>	<u>\$ 10,916,477</u>
Net OPEB Liability - Ending (a)-(b)	<u>22,032,452</u>	<u>9,121,297</u>	<u>23,891,133</u>	<u>10,916,477</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%
Covered-Employee Payroll	\$ 20,246,960	\$ 6,818,328	\$ 17,722,441	\$ 4,577,527
Total OPEB Liability as a Percentage of Covered-Employee Payroll	108.82%	133.78%	134.81%	238.48%

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 49,805,010	\$ 53,360,010	\$ 69,488,310	\$ 16,128,300
Licenses and Permits	2,350,028	3,091,300	4,244,266	1,152,966
Intergovernmental	100,857	100,857	95,255	(5,602)
Charges for Services	11,948,222	11,775,924	13,480,288	1,704,364
Fines and Forfeitures	358,380	403,380	649,020	245,640
Investment Income	80,000	80,000	(424,335)	(504,335)
Other	285,550	812,135	1,351,300	539,165
Total Revenues	<u>64,928,047</u>	<u>69,623,606</u>	<u>88,884,104</u>	<u>19,260,498</u>
EXPENDITURES				
Current:				
General Government	12,591,143	13,117,396	11,977,814	1,139,582
Public Safety	43,651,974	44,501,066	43,280,102	1,220,964
Public Works	6,416,725	6,635,434	6,392,285	243,149
Parks and Recreation	4,908,110	5,177,215	4,307,982	869,233
Capital Outlay	596,220	1,258,607	947,924	310,683
Debt Service:				
Principal	158,890	158,890	158,890	-
Interest on Advances	39,733	39,733	39,733	-
Total Expenditures	<u>68,362,795</u>	<u>70,888,341</u>	<u>67,157,970</u>	<u>3,730,371</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,434,748)	(1,264,735)	21,726,134	22,990,869
OTHER FINANCING SOURCES				
Transfers In	<u>23,000</u>	<u>23,000</u>	<u>46,482</u>	<u>23,482</u>
NET CHANGE IN FUND BALANCES	(3,411,748)	(1,241,735)	21,772,616	23,014,351
Fund Balances - Beginning of Year, as Restated	<u>24,483,368</u>	<u>24,483,368</u>	<u>24,483,368</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 21,071,620</u>	<u>\$ 23,241,633</u>	<u>\$ 46,255,984</u>	<u>\$ 23,014,351</u>

See accompanying Note to Required Supplementary Information.

**CITY OF VICTORVILLE
BUDGETARY COMPARISON SCHEDULE
CITY HOUSING ASSET SUCCESSOR SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ 216,000	\$ 259,360	\$ 556,320	\$ 296,960
Other	-	-	1,821,512	1,821,512
Total Revenues	<u>216,000</u>	<u>259,360</u>	<u>2,752,832</u>	<u>2,493,472</u>
EXPENDITURES				
Current:				
Community Development	<u>180,403</u>	<u>6,210,286</u>	<u>6,127,459</u>	<u>82,827</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>35,597</u>	<u>(5,950,926)</u>	<u>(3,374,627)</u>	<u>2,576,299</u>
Fund Balances - Beginning of Year	<u>32,364,983</u>	<u>32,364,983</u>	<u>32,364,983</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 32,400,580</u></u>	<u><u>\$ 26,414,057</u></u>	<u><u>\$ 28,990,356</u></u>	<u><u>\$ 2,576,299</u></u>

See accompanying Note to Required Supplementary Information.

CITY OF VICTORVILLE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

NOTE 1 BUDGETARY DATA

The City follows these procedures in establishing the budgetary data in the financial statements.

- a. The City Manager submits to the City Council a proposed operating budget. The operating budget includes the proposed expenditures and source of financing;
- b. Public hearings are conducted to obtain taxpayer comments;
- c. A budget is legally enacted through passage of a resolution;
- d. 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;
- e. Budgeted amounts are as originally adopted and as further amended by the City Council;
- f. 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 U.S. 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. The Engineering Security Special Revenue Fund does not have a legally adopted budget.
- g. The COVID-19 Special Revenue Fund had total appropriations of \$1,565,703 and actual expenditures of \$2,836,030, which resulted in excess expenditures over appropriations of \$1,270,327 for the year ended June 30, 2021.

SUPPLEMENTARY INFORMATION

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**CITY OF VICTORVILLE
DESCRIPTION OF GENERAL FUNDS
YEAR ENDED JUNE 30, 2021**

General Fund

This fund accounts for all general activity not within the funds mentioned below.

Measure P

This fund accounts for the 1% transactions and use tax approved by the voters in November 2020. This is a general tax that the City Council and Measure P committee are involved in reviewing the expenditures budget and making recommendations and comments.

Technology

This fund accounts for fees charged to ensure the support of the permitting system by the users of the system.

Fueling Stations

This fund accounts for fees charged to upgrade the fueling stations as needed and their continued maintenance.

Engineering Deposits

This fund accounts for monies paid by developers for the City to perform the developer required infrastructure improvements at the time the area is built out. These funds are separately tracked to ensure funding is available at the time needed.

**CITY OF VICTORVILLE
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2021**

ASSETS	<u>General</u>	<u>Measure P</u>	<u>Technology</u>	<u>Fueling Stations</u>	<u>Engineering Deposits</u>	<u>Totals</u>
Cash and Investments	\$ 22,169,528	\$ 1,576,061	\$ 514,468	\$ 2,021,972	\$ 148,552	\$ 26,430,581
Accounts Receivable	1,174,865	-	60	200,210	-	1,375,135
Interest Receivable	75,911	-	-	-	-	75,911
Due from Other Funds	4,163,082	-	-	-	-	4,163,082
Advances to Other Funds	4,877,304	-	-	-	-	4,877,304
Due from Other Governments	7,103,189	5,473,841	-	-	-	12,577,030
Inventories	255,978	-	-	-	-	255,978
Prepaid Items	15,902	-	-	-	-	15,902
	<u>\$ 39,835,759</u>	<u>\$ 7,049,902</u>	<u>\$ 514,528</u>	<u>\$ 2,222,182</u>	<u>\$ 148,552</u>	<u>\$ 49,770,923</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 1,969,504	\$ -	\$ 96	\$ 52,306	\$ -	\$ 2,021,906
Accrued Liabilities	1,407,602	-	-	-	-	1,407,602
Deposits Payable	85,278	-	-	-	-	85,278
Unearned Revenue	153	-	-	-	-	153
Total Liabilities	<u>3,462,537</u>	<u>-</u>	<u>96</u>	<u>52,306</u>	<u>-</u>	<u>3,514,939</u>
FUND BALANCES						
Nonspendable:						
Advances to Other Funds	4,877,304	-	-	-	-	4,877,304
Prepaid Items	15,902	-	-	-	-	15,902
Inventories	255,978	-	-	-	-	255,978
Unassigned	<u>31,224,038</u>	<u>7,049,902</u>	<u>514,432</u>	<u>2,169,876</u>	<u>148,552</u>	<u>41,106,800</u>
Total Fund Balances	<u>36,373,222</u>	<u>7,049,902</u>	<u>514,432</u>	<u>2,169,876</u>	<u>148,552</u>	<u>46,255,984</u>
Total Liabilities and Fund Balances	<u>\$ 39,835,759</u>	<u>\$ 7,049,902</u>	<u>\$ 514,528</u>	<u>\$ 2,222,182</u>	<u>\$ 148,552</u>	<u>\$ 49,770,923</u>

CITY OF VICTORVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	General	Measure P	Technology	Fueling Stations	Engineering Deposits	Totals
REVENUES						
Taxes and Assessments	\$ 62,385,325	\$ 7,102,985	\$ -	\$ -	\$ -	\$ 69,488,310
Licenses and Permits	4,244,266	-	-	-	-	4,244,266
Intergovernmental	95,255	-	-	-	-	95,255
Charges for Services	12,273,892	-	348,000	858,396	-	13,480,288
Fines and Forfeitures	649,020	-	-	-	-	649,020
Investment Income	(424,766)	157	-	-	274	(424,335)
Other	1,351,300	-	-	-	-	1,351,300
Total Revenues	<u>80,574,292</u>	<u>7,103,142</u>	<u>348,000</u>	<u>858,396</u>	<u>274</u>	<u>88,884,104</u>
EXPENDITURES						
Current:						
General Government	11,852,122	-	125,692	-	-	11,977,814
Public Safety	43,280,102	-	-	-	-	43,280,102
Community Development	-	53,240	-	-	-	53,240
Public Works	5,872,207	-	-	520,078	-	6,392,285
Parks and Recreation	4,307,982	-	-	-	-	4,307,982
Capital Outlay	947,924	-	-	-	-	947,924
Debt Service:						
Principal	158,890	-	-	-	-	158,890
Interest on Advances	39,733	-	-	-	-	39,733
Total Expenditures	<u>66,458,960</u>	<u>53,240</u>	<u>125,692</u>	<u>520,078</u>	<u>-</u>	<u>67,157,970</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,115,332	7,049,902	222,308	338,318	274	21,726,134
OTHER FINANCING SOURCES						
Transfers in	46,482	-	-	-	-	46,482
Total Other Financing Sources	<u>46,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,482</u>
NET CHANGE IN FUND BALANCES	14,161,814	7,049,902	222,308	338,318	274	21,772,616
Fund Balances - Beginning of Year, as Restated	<u>22,211,408</u>	<u>-</u>	<u>292,124</u>	<u>1,831,558</u>	<u>148,278</u>	<u>24,483,368</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 36,373,222</u></u>	<u><u>\$ 7,049,902</u></u>	<u><u>\$ 514,432</u></u>	<u><u>\$ 2,169,876</u></u>	<u><u>\$ 148,552</u></u>	<u><u>\$ 46,255,984</u></u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
CAPITAL IMPACT FACILITIES – MAJOR FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 9,062,866	\$ 8,051,644	\$ 8,486,660	\$ 435,016
Gain (Loss) on Sale of Property Held for Resale	-	24,280	109,091	84,811
Investment Income	328,550	316,350	30,661	(285,689)
Other	13,240	13,240	-	(13,240)
Total Revenues	<u>9,404,656</u>	<u>8,405,514</u>	<u>8,626,412</u>	<u>220,898</u>
EXPENDITURES				
Current:				
Public Works	10,938	12,397	12,763	(366)
Capital Outlay	6,129,866	7,986,539	2,311,333	5,675,206
Debt Service:				
Interest on Advances	84,140	234,140	16,779	217,361
Total Expenditures	<u>6,224,944</u>	<u>8,233,076</u>	<u>2,340,875</u>	<u>5,892,201</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,179,712	172,438	6,285,537	6,113,099
Fund Balance - Beginning of Year	<u>12,331,057</u>	<u>12,331,057</u>	<u>12,331,057</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 15,510,769</u>	<u>\$ 12,503,495</u>	<u>\$ 18,616,594</u>	<u>\$ 6,113,099</u>

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.

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.

Storm Drain Utility

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

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS (CONTINUED)**

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.

COVID-19 Funds

This fund accounts for the revenues and expenditures received from federal, state, and county funds for COVID-19 relief and response. The grants are primarily used for public safety, telecommuting, homelessness and outreach, and social distancing communications.

Engineering Security

This fund accounts for various deposits that the City receives as deposits. These deposits are held by the City and returned to the depositor upon completion of projects or fulfillment of purpose and cannot be utilized for any other purpose.

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.

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**CITY OF VICTORVILLE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Measure I	Other Federal Grants	Landscape Maintenance	Street Lighting	Traffic Safety	Asset Seizure
ASSETS						
Cash and Investments	\$ 8,870,021	\$ -	\$ 10,482,171	\$ 2,453,558	\$ -	\$ 68,414
Accounts Receivable	1,862,261	-	-	-	17,667	-
Notes Receivable	12,673	-	2,498	-	-	-
Advances to Other Funds	-	-	-	-	-	-
Due from Other Governments	-	538,096	16,234	20,607	-	-
Prepaid Items	986	-	1,070	432	-	-
Total Assets	<u>\$ 10,745,941</u>	<u>\$ 538,096</u>	<u>\$ 10,501,973</u>	<u>\$ 2,474,597</u>	<u>\$ 17,667</u>	<u>\$ 68,414</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 94,346	\$ 300,543	\$ 174,278	\$ 116,661	\$ -	\$ -
Deposits Payable	-	-	-	-	-	-
Due to Other Funds	-	48,866	-	-	-	-
Unearned Revenue	-	26,460	100	-	-	-
Total Liabilities	<u>94,346</u>	<u>375,869</u>	<u>174,378</u>	<u>116,661</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	511,116	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>511,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT)						
Nonspendable:						
Prepaid Items	986	-	1,070	432	-	-
Spendable:						
Restricted:						
Public Safety	-	-	-	-	-	68,414
Highways and Street Projects	10,650,609	-	10,326,525	2,357,504	17,667	-
Community Development	-	-	-	-	-	-
Unassigned	-	(348,889)	-	-	-	-
Total Fund Balances (Deficit)	<u>10,651,595</u>	<u>(348,889)</u>	<u>10,327,595</u>	<u>2,357,936</u>	<u>17,667</u>	<u>68,414</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,745,941</u>	<u>\$ 538,096</u>	<u>\$ 10,501,973</u>	<u>\$ 2,474,597</u>	<u>\$ 17,667</u>	<u>\$ 68,414</u>

**CITY OF VICTORVILLE
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	COVID-19 Funds	Engineering Security	Foxborough Rail	Totals
\$ 2,643,970	\$ 6,987,734	\$ 963,923	\$ 1,260,571	\$ 637,488	\$ 16,750,333	\$ 4,065,876	\$ 398,365	\$ 55,582,424
12,477	3,425	525,572	1,498	66,372	-	-	-	2,489,272
-	-	5,589	63,466	1,811,702	-	-	-	1,895,928
267,483	-	-	-	-	-	-	-	267,483
-	743,618	-	1,102,935	1,242,429	2,597,556	-	-	6,261,475
968	1,946	44	-	-	-	-	-	5,446
<u>\$ 2,924,898</u>	<u>\$ 7,736,723</u>	<u>\$ 1,495,128</u>	<u>\$ 2,428,470</u>	<u>\$ 3,757,991</u>	<u>\$ 19,347,889</u>	<u>\$ 4,065,876</u>	<u>\$ 398,365</u>	<u>\$ 66,502,028</u>
\$ 70,218	\$ 1,001,081	\$ 17,290	\$ 285,270	\$ 243,422	\$ 8,495	\$ 12,974	\$ 42,403	\$ 2,366,981
-	105	10,201	-	-	-	4,052,784	-	4,063,090
-	-	598,599	-	926,556	2,589,061	-	-	4,163,082
-	-	-	106,008	-	16,750,333	-	-	16,882,901
<u>70,218</u>	<u>1,001,186</u>	<u>626,090</u>	<u>391,278</u>	<u>1,169,978</u>	<u>19,347,889</u>	<u>4,065,758</u>	<u>42,403</u>	<u>27,476,054</u>
95,002	-	505,478	1,102,935	1,207,044	2,597,556	-	-	6,019,131
<u>95,002</u>	<u>-</u>	<u>505,478</u>	<u>1,102,935</u>	<u>1,207,044</u>	<u>2,597,556</u>	<u>-</u>	<u>-</u>	<u>6,019,131</u>
968	1,946	44	-	-	-	-	-	5,446
-	-	-	-	-	-	-	-	68,414
2,758,710	6,733,591	363,516	934,257	-	-	118	355,962	34,498,459
-	-	-	-	1,380,969	-	-	-	1,380,969
-	-	-	-	-	(2,597,556)	-	-	(2,946,445)
<u>2,759,678</u>	<u>6,735,537</u>	<u>363,560</u>	<u>934,257</u>	<u>1,380,969</u>	<u>(2,597,556)</u>	<u>118</u>	<u>355,962</u>	<u>33,006,843</u>
<u>\$ 2,924,898</u>	<u>\$ 7,736,723</u>	<u>\$ 1,495,128</u>	<u>\$ 2,428,470</u>	<u>\$ 3,757,991</u>	<u>\$ 19,347,889</u>	<u>\$ 4,065,876</u>	<u>\$ 398,365</u>	<u>\$ 66,502,028</u>

**CITY OF VICTORVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	Measure I	Other Federal Grants	Landscape Maintenance	Street Lighting	Traffic Safety	Asset Seizure
REVENUES						
Taxes and Assessments	\$ 7,050,798	\$ -	\$ 2,455,699	\$ 1,730,616	\$ -	\$ -
Intergovernmental	-	1,032,973	-	746,263	-	-
Charges for Services	364,182	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	54,846	-
Investment Income	38,063	17	18,201	3,653	-	129
Other	733,596	-	-	-	-	-
Total Revenues	8,186,639	1,032,990	2,473,900	2,480,532	54,846	129
EXPENDITURES						
Current:						
Public Safety	-	1,317	-	-	-	1,944
Community Development	-	-	-	-	-	-
Public Works	2,153,898	-	2,214,431	2,154,676	-	-
Capital Outlay	1,249,746	850,616	32,371	117,959	-	-
Total Expenditures	3,403,644	851,933	2,246,802	2,272,635	-	1,944
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,782,995	181,057	227,098	207,897	54,846	(1,815)
OTHER FINANCING SOURCES (USES)						
Transfers In	-	1,684,653	-	-	-	-
Transfers Out	-	-	-	-	(46,482)	-
Total Other Financing Uses	-	1,684,653	-	-	(46,482)	-
NET CHANGE IN FUND BALANCES	4,782,995	1,865,710	227,098	207,897	8,364	(1,815)
Fund Balances (Deficit) - Beginning of Year, as Restated	5,868,600	(2,214,599)	10,100,497	2,150,039	9,303	70,229
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 10,651,595</u>	<u>\$ (348,889)</u>	<u>\$ 10,327,595</u>	<u>\$ 2,357,936</u>	<u>\$ 17,667</u>	<u>\$ 68,414</u>

**CITY OF VICTORVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	COVID-19 Funds	Engineering Security	Foxborough Rail	Totals
\$ -	\$ 2,343,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,499	\$ 13,681,477
-	2,838,292	32,715	663,561	1,222,750	2,143,566	-	-	8,680,120
1,576,340	6,889	12,254	-	-	-	-	-	1,959,665
-	-	-	-	-	-	-	-	54,846
3,090	11,085	8,080	3,077	27,783	-	-	628	113,806
3,942	4,909	27,063	-	-	-	-	-	769,510
<u>1,583,372</u>	<u>5,205,040</u>	<u>80,112</u>	<u>666,638</u>	<u>1,250,533</u>	<u>2,143,566</u>	<u>-</u>	<u>101,127</u>	<u>25,259,424</u>
-	-	-	-	-	1,755,157	-	-	1,758,418
-	-	-	14,546	1,646,615	892,432	-	-	2,553,593
1,252,400	2,952,709	1,068,617	777,950	247,248	-	-	72,268	12,894,197
166,728	1,471,116	48,512	43,320	-	188,441	-	-	4,168,809
<u>1,419,128</u>	<u>4,423,825</u>	<u>1,117,129</u>	<u>835,816</u>	<u>1,893,863</u>	<u>2,836,030</u>	<u>-</u>	<u>72,268</u>	<u>21,375,017</u>
164,244	781,215	(1,037,017)	(169,178)	(643,330)	(692,464)	-	28,859	3,884,407
-	-	-	-	26,145	-	-	-	1,710,798
-	-	-	(26,145)	-	-	-	-	(72,627)
-	-	-	(26,145)	26,145	-	-	-	1,638,171
164,244	781,215	(1,037,017)	(195,323)	(617,185)	(692,464)	-	28,859	5,522,578
<u>2,595,434</u>	<u>5,954,322</u>	<u>1,400,577</u>	<u>1,129,580</u>	<u>1,998,154</u>	<u>(1,905,092)</u>	<u>118</u>	<u>327,103</u>	<u>27,484,265</u>
<u>\$ 2,759,678</u>	<u>\$ 6,735,537</u>	<u>\$ 363,560</u>	<u>\$ 934,257</u>	<u>\$ 1,380,969</u>	<u>\$ (2,597,556)</u>	<u>\$ 118</u>	<u>\$ 355,962</u>	<u>\$ 33,006,843</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
MEASURE I FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 4,093,694	\$ 4,093,694	\$ 7,050,798	\$ 2,957,104
Charges for Services	53,000	371,978	364,182	(7,796)
Investment Income	-	-	38,063	38,063
Other	-	-	733,596	733,596
Total Revenues	<u>4,146,694</u>	<u>4,465,672</u>	<u>8,186,639</u>	<u>3,720,967</u>
EXPENDITURES				
Current:				
Public Works	2,497,063	2,483,012	2,153,898	329,114
Capital Outlay	<u>2,828,480</u>	<u>5,142,884</u>	<u>1,249,746</u>	<u>3,893,138</u>
Total Expenditures	<u>5,325,543</u>	<u>7,625,896</u>	<u>3,403,644</u>	<u>4,222,252</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,178,849)</u>	<u>(3,160,224)</u>	<u>4,782,995</u>	<u>7,943,219</u>
NET CHANGE IN FUND BALANCE	(1,178,849)	(3,160,224)	4,782,995	7,943,219
Fund Balance - Beginning of Year	<u>5,868,600</u>	<u>5,868,600</u>	<u>5,868,600</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 4,689,751</u></u>	<u><u>\$ 2,708,376</u></u>	<u><u>\$ 10,651,595</u></u>	<u><u>\$ 7,943,219</u></u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
OTHER FEDERAL GRANTS FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 40,015,318	\$ 31,286,684	\$ 1,032,973	\$ (30,253,711)
Investment Income	-	-	17	17
Total Revenues	<u>40,015,318</u>	<u>31,286,684</u>	<u>1,032,990</u>	<u>(30,253,694)</u>
EXPENDITURES				
Current:				
Public Safety	107,019	107,019	1,317	105,702
Capital Outlay	61,551,924	47,329,281	850,616	46,478,665
Total Expenditures	<u>61,658,943</u>	<u>47,436,300</u>	<u>851,933</u>	<u>46,584,367</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,643,625)	(16,149,616)	181,057	16,330,673
OTHER FINANCING SOURCES				
Transfers In	30,948	30,985	1,684,653	1,653,668
NET CHANGE IN FUND BALANCE	(21,612,677)	(16,118,631)	1,865,710	17,984,341
Fund Balance (Deficit) - Beginning of Year	<u>(2,214,599)</u>	<u>(2,214,599)</u>	<u>(2,214,599)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (23,827,276)</u></u>	<u><u>\$ (18,333,230)</u></u>	<u><u>\$ (348,889)</u></u>	<u><u>\$ 17,984,341</u></u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
LANDSCAPE MAINTENANCE AND DRAINAGE FACILITIES ASSESMENT DISTRICT FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 2,449,086	\$ 2,449,086	\$ 2,455,699	\$ 6,613
Investment Income	-	-	18,201	18,201
Total Revenues	<u>2,449,086</u>	<u>2,449,086</u>	<u>2,473,900</u>	<u>24,814</u>
EXPENDITURES				
Current:				
Public Works	2,715,046	2,742,124	2,214,431	527,693
Capital Outlay	6,265	306,811	32,371	274,440
Total Expenditures	<u>2,721,311</u>	<u>3,048,935</u>	<u>2,246,802</u>	<u>802,133</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(272,225)</u>	<u>(599,849)</u>	<u>227,098</u>	<u>826,947</u>
NET CHANGE IN FUND BALANCE	(272,225)	(599,849)	227,098	826,947
Fund Balance - Beginning of Year	<u>10,100,497</u>	<u>10,100,497</u>	<u>10,100,497</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 9,828,272</u>	<u>\$ 9,500,648</u>	<u>\$ 10,327,595</u>	<u>\$ 826,947</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
STREET LIGHTING FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 1,415,000	\$ 1,415,000	\$ 1,730,616	\$ 315,616
Intergovernmental	400,000	400,000	746,263	346,263
Investment Income	5,000	5,000	3,653	(1,347)
Total Revenues	<u>1,820,000</u>	<u>1,820,000</u>	<u>2,480,532</u>	<u>660,532</u>
EXPENDITURES				
Current:				
Public Works	2,384,302	2,290,577	2,154,676	135,901
Capital Outlay	<u>86,000</u>	<u>363,080</u>	<u>117,959</u>	<u>245,121</u>
Total Expenditures	<u>2,470,302</u>	<u>2,653,657</u>	<u>2,272,635</u>	<u>381,022</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(650,302)</u>	<u>(833,657)</u>	<u>207,897</u>	<u>1,041,554</u>
NET CHANGE IN FUND BALANCE	(650,302)	(833,657)	207,897	1,041,554
Fund Balance - Beginning of Year	<u>2,150,039</u>	<u>2,150,039</u>	<u>2,150,039</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,499,737</u>	<u>\$ 1,316,382</u>	<u>\$ 2,357,936</u>	<u>\$ 1,041,554</u>

**CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
TRAFFIC SAFETY FUND
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and Forfeitures	\$ 50,000	\$ 33,000	\$ 54,846	\$ 21,846
Total Revenues	50,000	33,000	54,846	21,846
EXPENDITURES				
Current:				
Public Safety	27,000	27,000	-	27,000
Total Expenditures	27,000	27,000	-	27,000
EXCESS OF REVENUES OVER EXPENDITURES	23,000	6,000	54,846	48,846
OTHER FINANCING USES				
Transfers Out	(23,000)	(23,000)	(46,482)	(23,482)
NET CHANGE IN FUND BALANCE	-	(17,000)	8,364	25,364
Fund Balance - Beginning of Year	9,303	9,303	9,303	-
FUND BALANCE - END OF YEAR	<u>\$ 9,303</u>	<u>\$ (7,697)</u>	<u>\$ 17,667</u>	<u>\$ 25,364</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
ASSET SEIZURE FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,500	\$ 4,500	\$ -	\$ (4,500)
Investment Income	-	-	129	129
Total Revenues	<u>4,500</u>	<u>4,500</u>	<u>129</u>	<u>(4,371)</u>
EXPENDITURES				
Current:				
Public Safety	39,500	39,796	1,944	37,852
Total Expenditures	<u>39,500</u>	<u>39,796</u>	<u>1,944</u>	<u>37,852</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(35,000)</u>	<u>(35,296)</u>	<u>(1,815)</u>	<u>33,481</u>
NET CHANGE IN FUND BALANCE	(35,000)	(35,296)	(1,815)	33,481
Fund Balance - Beginning of Year	<u>70,229</u>	<u>70,229</u>	<u>70,229</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 35,229</u></u>	<u><u>34,933</u></u>	<u><u>68,414</u></u>	<u><u>33,481</u></u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
STORM DRAIN UTILITY FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 1,555,368	\$ 1,480,515	\$ 1,576,340	\$ 95,825
Fines and Forfeitures	15,000	15,000	-	(15,000)
Investment Income	-	-	3,090	3,090
Other	-	-	3,942	3,942
Total Revenues	<u>1,570,368</u>	<u>1,495,515</u>	<u>1,583,372</u>	<u>87,857</u>
EXPENDITURES				
Current:				
Public Works	1,746,155	1,756,524	1,252,400	504,124
Capital Outlay	-	205,000	166,728	38,272
Total Expenditures	<u>1,746,155</u>	<u>1,961,524</u>	<u>1,419,128</u>	<u>542,396</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(175,787)</u>	<u>(466,009)</u>	<u>164,244</u>	<u>630,253</u>
NET CHANGE IN FUND BALANCE	(175,787)	(466,009)	164,244	630,253
Fund Balance - Beginning of Year	<u>2,595,434</u>	<u>2,595,434</u>	<u>2,595,434</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,419,647</u></u>	<u><u>\$ 2,129,425</u></u>	<u><u>\$ 2,759,678</u></u>	<u><u>\$ 630,253</u></u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GAS TAX FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 2,174,850	\$ 2,174,850	\$ 2,343,865	\$ 169,015
Intergovernmental	2,972,883	2,972,883	2,838,292	(134,591)
Charges for Services	7,000	7,000	6,889	(111)
Investment Income	14,000	14,000	11,085	(2,915)
Other	-	-	4,909	4,909
Total Revenues	<u>5,168,733</u>	<u>5,168,733</u>	<u>5,205,040</u>	<u>36,307</u>
EXPENDITURES				
Current:				
Public Works	3,381,327	3,425,894	2,952,709	473,185
Capital Outlay	79,125	7,050,732	1,471,116	5,579,616
Total Expenditures	<u>3,460,452</u>	<u>10,476,626</u>	<u>4,423,825</u>	<u>6,052,801</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,708,281</u>	<u>(5,307,893)</u>	<u>781,215</u>	<u>6,089,108</u>
NET CHANGE IN FUND BALANCE	1,708,281	(5,307,893)	781,215	6,089,108
Fund Balance - Beginning of Year	<u>5,954,322</u>	<u>5,954,322</u>	<u>5,954,322</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,662,603</u>	<u>\$ 646,429</u>	<u>\$ 6,735,537</u>	<u>\$ 6,089,108</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
TRANSPORTATION TAX FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 763,253	\$ 763,253	\$ 32,715	\$ (730,538)
Charges for Services	7,206	-	12,254	12,254
Investment Income	-	-	8,080	8,080
Other	169,028	169,028	27,063	(141,965)
Total Revenues	<u>939,487</u>	<u>932,281</u>	<u>80,112</u>	<u>(852,169)</u>
EXPENDITURES				
Current:				
Public Works	1,554,251	1,542,166	1,068,617	473,549
Capital Outlay	244,000	596,810	48,512	548,298
Total Expenditures	<u>1,798,251</u>	<u>2,138,976</u>	<u>1,117,129</u>	<u>1,021,847</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(858,764)</u>	<u>(1,206,695)</u>	<u>(1,037,017)</u>	<u>169,678</u>
NET CHANGE IN FUND BALANCE	(858,764)	(1,206,695)	(1,037,017)	169,678
Fund Balance - Beginning of Year	<u>1,400,577</u>	<u>1,400,577</u>	<u>1,400,577</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 541,813</u>	<u>\$ 193,882</u>	<u>\$ 363,560</u>	<u>\$ 169,678</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
OTHER STATE/LOCAL GRANTS FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,301,544	\$ 9,654,396	\$ 663,561	\$ (8,990,835)
Investment Income	-	-	3,077	3,077
Total Revenues	<u>7,301,544</u>	<u>9,654,396</u>	<u>666,638</u>	<u>(8,987,758)</u>
EXPENDITURES				
Current:				
Public Safety	750,406	116,197	-	116,197
Community Development	588,494	756,849	14,546	742,303
Public Works	6,849,918	5,171,234	777,950	4,393,284
Capital Outlay	<u>4,936,054</u>	<u>3,168,329</u>	<u>43,320</u>	<u>3,125,009</u>
Total Expenditures	<u>13,124,872</u>	<u>9,212,609</u>	<u>835,816</u>	<u>8,376,793</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,823,328)</u>	<u>441,787</u>	<u>(169,178)</u>	<u>(610,965)</u>
OTHER FINANCING USES				
Transfers Out	-	-	(26,145)	(26,145)
NET CHANGE IN FUND BALANCE	(5,823,328)	441,787	(195,323)	(637,110)
Fund Balance - Beginning of Year	<u>1,129,580</u>	<u>1,129,580</u>	<u>1,129,580</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (4,693,748)</u>	<u>\$ 1,571,367</u>	<u>\$ 934,257</u>	<u>\$ (637,110)</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
HUD GRANTS FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 27,724,095	\$ 21,401,105	\$ 1,222,750	\$(20,178,355)
Investment Income	57,595	717,094	27,783	(689,311)
Total Revenues	<u>27,781,690</u>	<u>22,118,199</u>	<u>1,250,533</u>	<u>(20,867,666)</u>
EXPENDITURES				
Current:				
Public Safety	2,057,591	318,269	-	318,269
Community Development	20,843,476	19,850,232	1,646,615	18,203,617
Public Works	2,847,386	2,565,991	247,248	2,318,743
Parks and Recreation	120,000	116,580	-	116,580
Capital Outlay	270,944	227,907	-	227,907
Total Expenditures	<u>26,139,397</u>	<u>23,078,979</u>	<u>1,893,863</u>	<u>21,185,116</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,642,293</u>	<u>(960,780)</u>	<u>(643,330)</u>	<u>317,450</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	659,499	-	26,145	26,145
Transfers Out	(29,152)	-	-	-
Total Other Financing Sources (Uses)	<u>630,347</u>	<u>-</u>	<u>26,145</u>	<u>26,145</u>
NET CHANGE IN FUND BALANCE	2,272,640	(960,780)	(617,185)	343,595
Fund Balance - Beginning of Year	<u>1,998,154</u>	<u>1,998,154</u>	<u>1,998,154</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,270,794</u>	<u>\$ 1,037,374</u>	<u>\$ 1,380,969</u>	<u>\$ 343,595</u>

CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
COVID-19 FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,565,703	\$ 35,066,369	\$ 2,143,566	\$ (32,922,803)
EXPENDITURES				
Current:				
Public Safety	227,912	227,912	1,755,157	(1,527,245)
Community Development	1,143,511	1,143,511	892,432	251,079
Capital Outlay	194,280	194,280	188,441	5,839
Total Expenditures	<u>1,565,703</u>	<u>1,565,703</u>	<u>2,836,030</u>	<u>(1,270,327)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>33,500,666</u>	<u>(692,464)</u>	<u>(34,193,130)</u>
Fund Balance (Deficit) - Beginning of Year	<u>(1,905,092)</u>	<u>(1,905,092)</u>	<u>(1,905,092)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (1,905,092)</u></u>	<u><u>\$ 31,595,574</u></u>	<u><u>\$ (2,597,556)</u></u>	<u><u>\$ (34,193,130)</u></u>

**CITY OF VICTORVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOXBOROUGH RAIL FUND
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and Assessments	\$ 116,878	\$ 116,878	\$ 100,499	\$ (16,379)
Investment Income	-	-	628	628
Total Revenues	<u>116,878</u>	<u>116,878</u>	<u>101,127</u>	<u>(15,751)</u>
EXPENDITURES				
Current:				
Public Works	<u>120,500</u>	<u>170,500</u>	<u>72,268</u>	<u>98,232</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,622)</u>	<u>(53,622)</u>	<u>28,859</u>	<u>82,481</u>
Fund Balance - Beginning of Year	<u>327,103</u>	<u>327,103</u>	<u>327,103</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 323,481</u></u>	<u><u>\$ 273,481</u></u>	<u><u>\$ 355,962</u></u>	<u><u>\$ 82,481</u></u>

FIDUCIARY FUNDS CUSTODIAL FUNDS

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

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 debit 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 debit is debt without government commitment of the City of Victorville.

Community Facilities District Cahuenga

This fund accounts for the Cahuenga 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 debit 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. The Authority was dissolved and all assets distributed as of June 30, 2021.

**CITY OF VICTORVILLE
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2021**

	Community Facilities District 90-01	Community Facilities District 07-01	Community Facilities District 01-01	Community Facilities District Cahuenga	Regional Fire Protection Authority	Totals
ASSETS						
Cash and Investments	\$ 76,535	\$ 192,385	\$ -	\$ 35,341	\$ -	\$ 304,261
Restricted Assets:						
Investments With Fiscal Agent	-	270,961	1,441,677	-	-	1,712,638
Accounts Receivable	-	1,126	1,573	-	-	2,699
	<u>-\$ 76,535</u>	<u>\$ 464,472</u>	<u>\$ 1,443,250</u>	<u>\$ 35,341</u>	<u>\$ -</u>	<u>\$ 2,019,598</u>
LIABILITIES						
Accounts Payable	-	169	980,403	-	-	980,572
	<u>-</u>	<u>169</u>	<u>980,403</u>	<u>-</u>	<u>-</u>	<u>980,572</u>
Total Liabilities	-	169	980,403	-	-	980,572
NET POSITION						
Restricted for:						
Individuals, Organizations, and Other Governments	<u>\$ 76,535</u>	<u>\$ 464,303</u>	<u>\$ 462,847</u>	<u>\$ 35,341</u>	<u>\$ -</u>	<u>\$ 1,039,026</u>

**CITY OF VICTORVILLE
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
YEAR ENDED JUNE 30, 2021**

	Community Facilities District 90-01	Community Facilities District 07-01	Community Facilities District 01-01	Community Facilities District Cahuenga	Regional Fire Protection Authority	Totals
ADDITIONS						
Property Assessments Collected	\$ -	\$ 177,732	\$ 281,232	\$ -	\$ -	\$ 458,964
Investment Income	143	245	144	65	540	1,137
Total Additions	143	177,977	281,376	65	540	460,101
DEDUCTIONS						
Community Development	1,623	7,847	13,889	-	-	23,359
Public Safety	-	-	-	-	299,393	299,393
Payments on Special Assessment Debt	-	165,248	265,971	-	-	431,219
Total Deductions	1,623	173,095	279,860	-	299,393	753,971
CHANGE IN NET POSITION	(1,480)	4,882	1,516	65	(298,853)	(293,870)
Net Position - Beginning of Year	78,015	459,421	461,331	35,276	298,853	1,332,896
NET POSITION - END OF YEAR	<u>\$ 76,535</u>	<u>\$ 464,303</u>	<u>\$ 462,847</u>	<u>\$ 35,341</u>	<u>\$ -</u>	<u>\$ 1,039,026</u>

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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.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.

Debt Capacity

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.

Demographic and Economic Information

This schedule presents information to help the reader understand the environment within which the City's financial activities take place.

Operating Information

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.

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CITY OF VICTORVILLE
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(IN THOUSANDS)

	<u>Fiscal Year</u>									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental activities										
Net investment in capital assets	\$ 479,821	\$ 478,455	\$ 462,432	\$ 484,943	\$ 479,306	\$ 473,590	\$ 462,796	\$ 480,006	\$ 466,516	\$ 451,333
Restricted	27,686	48,921	45,594	44,922	56,682	58,111	58,571	63,733	77,665	86,627
Unrestricted	<u>(7,794)</u>	<u>(13,830)</u>	<u>(11,484)</u>	<u>(46,227)</u>	<u>(47,079)</u>	<u>(47,596)</u>	<u>(50,734)</u>	<u>(43,759)</u>	<u>(44,619)</u>	<u>(20,993)</u>
Total governmental activities net position	<u>499,712</u>	<u>513,546</u>	<u>496,542</u>	<u>483,638</u>	<u>488,909</u>	<u>484,105</u>	<u>470,633</u>	<u>499,980</u>	<u>499,563</u>	<u>516,967</u>
Business-type activities										
Invested in capital assets, net of related debt	418,557	363,671	188,425	150,794	66,591	59,439	64,164	49,262	42,900	38,243
Restricted	4,431	7,200	8,604	8,911	9,600	11,981	13,937	0	0	0
Unrestricted	<u>(296,361)</u>	<u>(199,817)</u>	<u>(26,466)</u>	<u>(35,217)</u>	<u>54,098</u>	<u>48,212</u>	<u>24,147</u>	<u>33,883</u>	<u>42,640</u>	<u>58,348</u>
Total business-type activities net position	<u>126,628</u>	<u>171,054</u>	<u>170,563</u>	<u>124,488</u>	<u>130,290</u>	<u>119,632</u>	<u>102,248</u>	<u>83,145</u>	<u>85,541</u>	<u>96,591</u>
Primary government										
Invested in capital assets, net of related debt	898,378	842,126	650,857	635,737	545,897	533,029	526,960	529,267	509,416	493,517
Restricted	32,117	56,121	54,198	53,833	66,282	70,092	72,508	63,733	77,665	86,627
Unrestricted	<u>(304,155)</u>	<u>(213,647)</u>	<u>(37,951)</u>	<u>(81,444)</u>	<u>7,020</u>	<u>616</u>	<u>(26,587)</u>	<u>(9,876)</u>	<u>(1,978)</u>	<u>33,414</u>
Total primary government net position	<u>\$ 626,340</u>	<u>\$ 684,600</u>	<u>\$ 667,104</u>	<u>\$ 608,125</u>	<u>\$ 619,199</u>	<u>\$ 603,738</u>	<u>\$ 572,881</u>	<u>\$ 583,124</u>	<u>\$ 585,104</u>	<u>\$ 613,558</u>

CITY OF VICTORVILLE
CHANGES IN NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(IN THOUSANDS)

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020*	2021
Expenses										
<i>Governmental activities:</i>										
General government	\$4,977	\$13,691	\$14,342	\$12,188	\$12,121	\$8,982	\$21,271	\$19,256	\$20,924	\$19,440
Public safety	30,724	32,422	35,679	36,066	35,624	37,719	37,294	45,498	42,413	45,868
Community Development	1,589	4,094	2,931	1,780	1,646	5,375	1,696	1,552	1,314	9,231
Public works	31,675	29,846	33,472	28,856	31,972	33,835	29,076	28,971	31,103	32,425
Park and recreation	4,550	4,509	4,395	3,188	4,911	5,245	5,113	6,090	6,826	7,035
Interest on long-term debt	1,397	74	61	63	102	177	44	112	104	51
<i>Total governmental activities expenses</i>	<u>74,913</u>	<u>84,637</u>	<u>90,880</u>	<u>82,141</u>	<u>86,376</u>	<u>91,332</u>	<u>94,493</u>	<u>101,481</u>	<u>102,685</u>	<u>114,051</u>
<i>Business-type activities:</i>										
Sanitary Sewer	10,555	11,114	12,415	13,523	11,960	12,651	17,019	14,994	17,314	16,552
Golf course	2,372	2,419	2,231	1,716	1,566	1,507	1,544	439	-	-
Airport	33,583	30,845	32,528	35,453	31,597	32,742	37,406	32,756	34,860	40,578
Water	29,782	29,842	28,419	30,298	33,851	40,185	35,431	41,110	39,439	42,734
Rail	269	275	269	-	-	-	-	-	-	-
Solid Waste	11,398	12,383	13,011	13,144	14,197	15,467	16,614	16,516	17,850	18,616
Municipal Utilities*	12,236	11,767	10,747	11,603	11,016	10,479	12,967	13,569	-	\$ -
Municipal Utilities - Gas	-	-	-	-	-	-	-	-	2,353	2,064
Municipal Utilities - Electric	-	-	-	-	-	-	-	-	11,717	12,156
<i>Total business-type activities expenses</i>	<u>100,195</u>	<u>98,645</u>	<u>99,621</u>	<u>105,736</u>	<u>104,186</u>	<u>113,031</u>	<u>120,982</u>	<u>119,383</u>	<u>123,533</u>	<u>132,701</u>
<i>Total primary government expenses</i>	<u>175,108</u>	<u>183,282</u>	<u>190,501</u>	<u>187,877</u>	<u>190,563</u>	<u>204,363</u>	<u>215,475</u>	<u>220,864</u>	<u>226,217</u>	<u>246,752</u>
Program Revenues										
<i>Governmental activities:</i>										
Charges for services:										
General government	2,860	3,559	4,351	4,203	3,136	3,221	5,493	9,144	10,240	10,159
Public safety	1,409	1,425	2,451	1,570	874	720	575	571	887	1,466
Community development	2,593	1,528	3,896	960	1,950	3,163	2,874	5,163	5,800	8,066
Public works	4,216	3,532	15,236	3,519	4,142	4,745	4,560	4,591	4,905	8,310
Parks and recreation	939	890	917	935	930	956	876	856	569	834
Operating grants and contributions	5,309	18,266	5,859	5,191	15,165	10,654	3,964	6,947	4,555	11,719
Capital contributions and grants	6,818	6,940	9,251	7,745	10,626	8,076	4,702	10,312	11,916	7,992
<i>Total governmental activities program revenues</i>	<u>24,143</u>	<u>36,139</u>	<u>41,962</u>	<u>24,123</u>	<u>36,822</u>	<u>31,537</u>	<u>23,044</u>	<u>37,584</u>	<u>38,873</u>	<u>48,548</u>
<i>Business-type activities:</i>										
Charges for services:										
Sanitary Sewer	12,608	14,934	14,729	15,560	13,381	11,374	11,694	13,196	14,663	17,292
Golf course	1,160	1,171	849	395	583	432	470	-	-	-
Airport	9,070	8,204	8,184	8,110	8,027	6,949	7,531	9,315	11,198	11,056
Water	26,558	26,207	27,470	25,978	27,704	31,146	30,907	31,820	35,607	42,167
Solid Waste	11,528	12,069	12,004	12,342	12,716	13,965	14,336	17,546	18,867	19,776
Municipal Utilities*	10,290	11,270	12,464	13,638	13,899	14,483	13,885	14,882	-	-
Municipal Utilities - Gas	-	-	-	-	-	-	-	-	2,616	2,657
Municipal Utilities - Electric	-	-	-	-	-	-	-	-	13,131	15,830
Operating grants and contributions	10,635	10,912	-	-	-	-	-	-	-	-
Capital contributions and grants	11,847	11,557	2,657	54	6,263	2,297	5,178	12,688	6,393	13,777
<i>Total business-type activities program revenues</i>	<u>93,696</u>	<u>96,324</u>	<u>78,356</u>	<u>76,076</u>	<u>82,573</u>	<u>80,647</u>	<u>84,002</u>	<u>99,446</u>	<u>102,474</u>	<u>122,556</u>
<i>Total primary government program revenues</i>	<u>\$117,839</u>	<u>\$132,463</u>	<u>\$120,318</u>	<u>\$100,199</u>	<u>\$119,395</u>	<u>\$112,184</u>	<u>\$107,046</u>	<u>\$137,031</u>	<u>\$141,347</u>	<u>\$171,104</u>

* Started reporting Gas and Electric utilities separately in FY2020.

CITY OF VICTORVILLE
CHANGES IN NET POSITION BY COMPONENT (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(IN THOUSANDS)

	<u>Fiscal Year</u>									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net (expense) revenue										
Governmental activities	\$ (50,770)	\$ (48,498)	\$ (48,918)	\$ (58,018)	\$ (49,554)	\$ (59,796)	\$ (71,449)	\$ (63,897)	\$ (63,812)	\$ (65,503)
Business-type activities	(6,499)	(2,321)	(21,265)	(29,660)	(21,614)	(32,384)	(36,980)	(19,937)	(21,058)	(10,144)
Total primary government net expense	<u>(57,269)</u>	<u>(50,818)</u>	<u>(70,183)</u>	<u>(87,678)</u>	<u>(71,168)</u>	<u>(92,180)</u>	<u>(108,429)</u>	<u>(83,834)</u>	<u>(84,870)</u>	<u>(75,648)</u>
General Revenues and Other Changes in Net Position										
<i>Governmental activities:</i>										
<i>Taxes:</i>										
Property taxes	26,967	21,926	21,522	22,138	23,752	24,097	25,662	27,202	28,211	31,980
Sales taxes	16,431	20,671	22,329	24,085	28,212	26,802	26,653	30,629	28,566	35,227
Transactions and Use Tax*	-	-	-	-	-	-	-	-	-	7,103
Transient occupancy tax	709	841	881	1,064	1,074	1,138	1,305	1,487	1,539	1,899
Other taxes	6,378	2,684	2,892	3,000	3,039	2,840	3,737	3,816	3,988	4,112
Investment income	297	169	138	68	158	478	726	1,148	574	(391)
Motor vehicle in lieu	61	51	-	-	-	-	-	-	-	-
Gain on sale of assets	(3)	-	31	55	-	-	-	-	-	-
Miscellaneous revenues	522	691	190	314	201	192	377	384	515	818
SERAF Obligation	-	-	-	-	-	-	-	-	-	-
Transfers	(1,099)	(2,328)	992	24,090	(779)	(554)	(521)	26,795	-	1,685
Extraordinary Gain	(29,740)	-	-	-	-	-	-	-	-	-
Legal Settlement	-	1,754	34	-	-	-	-	-	-	-
<i>Total governmental activities</i>	<u>20,524</u>	<u>46,459</u>	<u>47,024</u>	<u>74,815</u>	<u>55,657</u>	<u>54,992</u>	<u>57,940</u>	<u>91,461</u>	<u>63,394</u>	<u>82,432</u>
<i>Business-type activities:</i>										
Taxes	541	521	18,418	19,781	24,879	25,918	29,070	24,659	20,772	22,405
Other Taxes	-	-	-	177	-	-	-	-	-	-
Investment income	1,749	200	192	-	1,002	726	1,828	2,374	1,918	216
Gain on sale of assets	538	60	-	-	125	17	290	-	-	110
Miscellaneous revenues	961	1,768	1,902	2,003	1,432	1,779	1,099	190	630	149
Impairment loss on Capital assets	-	-	-	(24,090)	-	-	-	-	-	-
Legal Settlement	-	52,246	-	-	-	-	-	-	-	-
Transfers	1,099	2,328	992	-	779	554	521	(26,795)	-	(1,685)
<i>Total business-type activities</i>	<u>4,888</u>	<u>57,123</u>	<u>21,505</u>	<u>(2,129)</u>	<u>28,217</u>	<u>28,993</u>	<u>32,808</u>	<u>429</u>	<u>23,320</u>	<u>21,195</u>
Total primary government	<u>25,411</u>	<u>103,582</u>	<u>68,529</u>	<u>72,686</u>	<u>83,874</u>	<u>83,985</u>	<u>90,748</u>	<u>91,890</u>	<u>86,714</u>	<u>103,627</u>
Change in Net Position										
Governmental activities	(30,246)	(2,039)	(1,894)	16,797	6,103	(4,803)	(13,510)	27,564	(418)	16,929
Business-type activities	(1,612)	54,803	240	(31,789)	6,604	(3,392)	(4,171)	(19,509)	2,262	11,051
Total primary government	<u>\$ (31,858)</u>	<u>\$ 52,764</u>	<u>\$ (1,654)</u>	<u>\$ (14,992)</u>	<u>\$ 12,706</u>	<u>\$ (8,195)</u>	<u>\$ (17,681)</u>	<u>\$ 8,056</u>	<u>\$ 1,844</u>	<u>\$ 27,979</u>

* Measure P Transactions and Use Tax was approved by voters in November 2020 election and went into effect April 1, 2021.

CITY OF VICTORVILLE
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(IN THOUSANDS)

	<u>Fiscal Year</u>									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General fund										
Nonspendable	\$ 67	\$ 211	\$ 179	\$ 195	\$ 192	\$ 172	\$ 472	\$ 7,236	\$ 6,225	\$ 5,149
Restricted	14	30	30	-	-	-	-	-	-	-
Unassigned	<u>3,661</u>	<u>5,047</u>	<u>4,595</u>	<u>3,238</u>	<u>4,630</u>	<u>5,181</u>	<u>6,179</u>	<u>12,812</u>	<u>18,110</u>	<u>41,107</u>
Total general fund	<u>\$ 3,742</u>	<u>\$ 5,288</u>	<u>\$ 4,804</u>	<u>\$ 3,433</u>	<u>\$ 4,822</u>	<u>\$ 5,353</u>	<u>\$ 6,651</u>	<u>\$ 20,049</u>	<u>\$ 24,335</u>	<u>\$ 46,256</u>
All other governmental funds										
Unreserved, reported in:										
Nonspendable	\$ 8,547	\$ 212	\$ 180	\$ 195	\$ 194	\$ 174	\$ 474	\$ 4	\$ 11	\$ 5
Restricted	20,673	48,494	43,869	44,922	56,305	58,108	60,819	62,198	75,962	83,555
Assigned	-	573	1,911	-	-	-	-	-	-	-
Unassigned	<u>(4,390)</u>	<u>(2,843)</u>	<u>(1,543)</u>	<u>(3,111)</u>	<u>(2,587)</u>	<u>(882)</u>	<u>(2,487)</u>	<u>(7,599)</u>	<u>(4,120)</u>	<u>(2,946)</u>
Total all other governmental funds	<u>\$24,830</u>	<u>\$46,436</u>	<u>\$44,417</u>	<u>\$42,006</u>	<u>\$53,912</u>	<u>\$57,400</u>	<u>\$ 58,807</u>	<u>\$ 54,602</u>	<u>\$ 71,853</u>	<u>\$ 80,614</u>

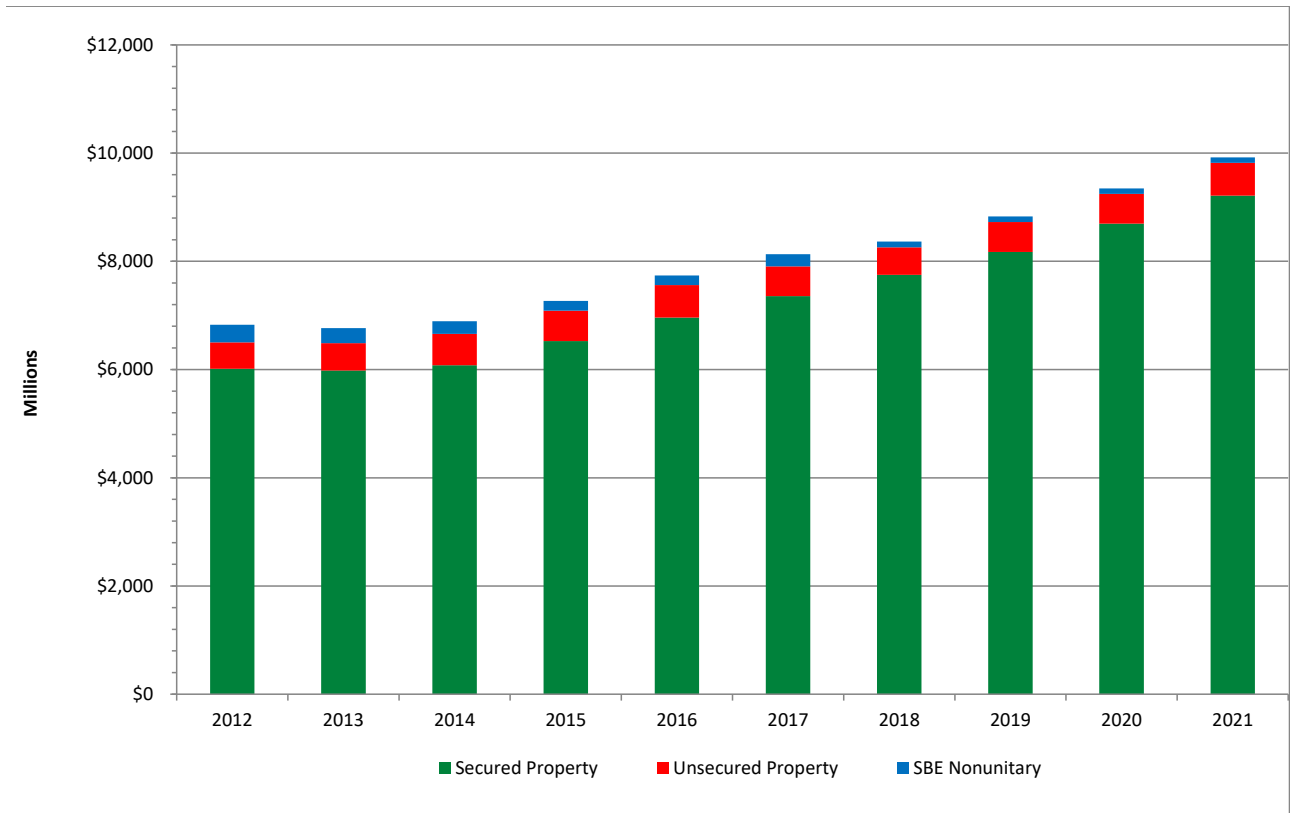
Beginning in 2011, the City started reporting fund balance in conformity with GASB 54, which changed fund balance reclassification.

CITY OF VICTORVILLE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(IN THOUSANDS)

	<u>Fiscal Year</u>									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenue										
Taxes	\$ 50,456	\$ 46,123	\$ 47,624	\$ 50,287	\$ 55,966	\$ 54,877	\$ 57,357	\$ 65,402	\$ 64,092	\$ 83,170
Licenses and permits	1,198	1,107	1,230	1,533	1,387	1,463	1,863	2,633	2,786	4,244
Intergovernmental	8,649	9,928	17,249	13,833	25,947	19,293	8,404	8,920	14,651	9,150
Charges for services	10,606	9,256	10,480	9,587	11,627	13,247	15,016	17,236	23,306	23,927
Fines and forfeitures	1,037	1,355	1,142	1,308	737	793	514	473	418	704
Investment income	297	169	138	68	158	478	726	966	1,437	276
Sale of assets	-	-	-	-	-	(3,544)	-	-	-	109
Legal Settlement	-	1,754	34	-	-	-	-	-	-	-
Other	522	203	190	314	201	192	464	532	849	3,942
Total revenues	\$ 72,765	\$ 69,894	\$ 78,086	\$ 76,930	\$ 96,022	\$ 86,798	\$ 84,345	\$ 96,164	\$ 107,539	\$ 125,523
Expenditures										
General government	8,610	8,218	9,751	11,171	9,676	9,272	11,105	10,625	11,650	11,978
Public safety	30,360	32,061	34,272	35,674	35,875	37,855	39,185	45,004	41,731	45,039
Community development	2,722	3,930	2,788	1,769	1,438	1,899	1,629	1,118	1,128	8,734
Public works	29,116	18,481	23,697	28,349	31,956	29,412	26,185	17,781	18,926	19,299
Park and recreation	2,797	3,022	2,866	2,956	3,363	3,746	3,739	4,047	4,238	4,308
Capital Outlay*	-	-	-	-	-	-	-	21,593	8,068	7,428
Debt services:										
Principal	1,067	32	6,082	-	-	-	-	-	153	159
Interest & Fiscal agent charges	1,397	74	61	63	102	177	44	74	109	57
Total expenditures	\$ 76,069	\$ 65,818	\$ 79,516	\$ 79,982	\$ 82,411	\$ 82,362	\$ 81,887	\$ 100,243	\$ 86,003	\$ 97,001
Excess of revenues over (under) expenditures	(3,305)	4,075	(1,430)	(3,052)	13,611	4,437	2,458	(4,080)	21,536	28,521
Other financing sources (uses):										
Capital lease proceeds	-	-	-	-	-	-	-	1,201	-	-
Transfer in	5,832	21,519	365	1,289	218	246	80	18,424	41	1,757
Transfer out	(6,931)	(2,653)	(1,327)	(2,200)	(997)	(800)	(601)	(6,649)	(41)	(73)
Gain (loss) on sale of assets	-	-	31	55	1,058	156	28	-	-	-
Total other financing sources(uses)	(1,099)	18,866	(931)	(856)	280	(398)	(494)	12,977	\$ -	1,685
Extraordinary gain(loss)	(65,439)	-	-	-	-	-	-	-	-	-
Net change in fund balances	(69,843)	22,941	(2,361)	(3,908)	13,890	4,039	1,964	8,897	21,536	30,206
Debt service as a percentage of noncapital expenditures	3.2%	0.2%	7.7%	0.1%	0.1%	0.2%	0.1%	0.1%	0.3%	0.2%

*Starting in FY2019, Capital outlay was broken out of categorical expenditures

**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>
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%
2017	7,358,274,302	548,314,490	225,429,163	8,132,017,955	18.23%
2018	7,751,404,680	507,854,639	106,929,139	8,366,188,458	18.22%
2019	8,173,462,255	553,108,056	104,329,108	8,830,899,419	18.21%
2020	8,697,654,376	549,306,339	98,788,971	9,345,749,686	18.20%
2021	9,212,471,887	608,604,365	100,188,971	9,921,265,223	18.19%

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
(RATE PER \$100 OF TAXABLE VALUE)
LAST TEN FISCAL YEARS**

	<u>Fiscal Year</u>									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</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	0.0665	0.0707	0.0746	0.0810	0.0797	0.0830	0.0871	0.0970	0.0835	0.0916
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	0.0348	0.0381	0.0377	0.0379	0.0378	0.0898	(0.0102)	0.0000	0.0000	0.0000
Victor Elementary Bond	0.0932	0.1026	0.1086	0.1022	0.1124	0.1162	0.1216	0.1204	0.0406	0.0611
Victor High School Bond	0.0619	0.0768	0.0792	0.0770	0.0716	0.0986	0.0915	0.0958	0.0703	0.0445
Victor Valley Community College Bond	0.0253	0.0274	0.0264	0.0262	0.0197	0.0174	0.0198	0.0181	0.0181	0.0198
Total Direct and Overlapping Tax Rates	1.4492	1.4831	1.4940	1.4918	1.4887	1.5725	1.4773	1.4988	1.3800	1.3845
City's basic rate**	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605	0.1605
Total Direct Rate^	0.2063	0.2162	0.1833	0.1825	0.1824	0.1823	0.1822	0.1821	0.1820	0.1819

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>2021</u>		<u>2012</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>
Stirling Capital Investments	\$ 148,459,257	1.50%	\$ 75,034,252	1.10%
Macerich Victor Valley	143,662,318	1.45%	101,833,556	1.49%
High Desert Power Trust	99,400,000	1.00%	323,700,000	4.74%
Cemex Construction Materials Pacific	83,365,688	0.84%	64,910,362	0.95%
The American Bottling Company	81,680,656	0.82%	87,884,123	1.29%
Desert Valley Hospital Inc,	69,769,074	0.70%		
Nutro Products Inc.	67,095,857	0.68%	96,793,998	1.42%
Walmart Stores Inc.	65,034,821	0.66%	32,308,043	0.47%
Federal Express Corporation	53,463,287	0.54%		
Veyron KDP 1 Partners	50,121,635	0.51%		
Prime A Investments LLC			55,662,965	0.82%
Plastipak Packaging Inc.			34,947,028	0.51%
Goodyear Tire and Rubber Company			3,270,125	0.48%
	<u>\$ 862,052,593</u>	<u>8.70%</u>	<u>\$ 876,344,452</u>	<u>13.27%</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
2012	-	-	0.00%
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016	-	-	0.00%
2017	-	-	0.00%
2018	-	-	0.00%
2019	-	-	0.00%
2020	-	-	0.00%
2021	-	-	0.00%

<i>Park District***</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2012	-	-	0.00%
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016	-	-	0.00%
2017	-	-	0.00%
2018	-	-	0.00%
2019	-	-	0.00%
2020	-	-	0.00%
2021	-	-	0.00%

<i>Sanitary District**</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2012	-	-	0.00%
2013	-	-	0.00%
2014	-	-	0.00%
2015	-	-	0.00%
2016	-	-	0.00%
2017	-	-	0.00%
2018	-	-	0.00%
2019	-	-	0.00%
2020	-	-	0.00%
2021	-	-	0.00%

<i>Street Lighting District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
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%
2017	725,345	723,720	99.78%
2018	706,459	704,679	99.75%
2019	735,987	734,996	99.87%
2020	756,545	754,972	99.79%
2021	756,546	754,973	99.79%

*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. 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. Additional tax levy is based on the districts above.

** 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**

Governmental Activities

Fiscal Year	Certificate of Participation	Tax Allocation Bonds*	Capital Lease Agreement	Other**	Total Governmental Activities
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
2017	\$ -	\$ -	\$ -	\$ 59,503	\$ 59,503
2018	\$ -	\$ -	\$ -	\$ 65,026	\$ 65,026
2019	\$ -	\$ -	\$ 1,201	\$ 62,594	\$ 63,795
2020	\$ -	\$ -	\$ -	\$ 70,349	\$ 70,349
2021	\$ -	\$ -	\$ -	\$ 76,223	\$ 76,223

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

*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. In Fiscal Year 2018, the City implemented GASB75 which adjusted the amount for 2017 to reflect prior Net OPEB 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

Fiscal Year	Lease Purchase Agreement	Tax Allocation Bonds	Lease Revenue Bonds	Revenue Bonds[^]	Certificate of Participation	Other	Total Business-Type Activities	Total Primary Government	Debt Per Capita*	% of Personal Income*
2012	\$ 1,500	\$ 327,034	\$ 83,070	\$ -	\$ 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
2017	\$ -	\$ 311,741	\$ 51,925	\$ 725	\$ 10,360	\$ 21,160	\$ 395,910	\$ 455,413	3,686	238.40
2018	\$ -	\$ 308,400	\$ 50,720	\$ 495	\$ 10,025	\$ 35,661	\$ 405,301	\$ 470,327	3,806	234.98
2019	\$ -	\$ 300,964	\$ 49,450	\$ 253	\$ 9,675	\$ 20,481	\$ 380,822	\$ 444,618	3,514	208.77
2020	\$ -	\$ 294,282	\$ 48,214	\$ -	\$ 9,310	\$ 40,902	\$ 392,709	\$ 463,058	3,663	200.58
2021	\$ -	\$ 289,776	\$ 46,710	\$ -	\$ 8,930	\$ 44,403	\$ 389,819	\$ 466,042	3,665	192.45

^ In Fiscal Year 2007, the City reclassified 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 Liability. In Fiscal Year 2018, the City implemented GASB75 which adjusted the amount for 2017 to reflect prior Net OPEB Liability.

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

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

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

<u>Fiscal Year</u>	<u>Certificate of Participation</u>	<u>Revenue Bonds</u>	<u>Tax Allocation Bonds</u> [□]	<u>Total</u>	<u>Percentage Assessed Value*</u>	<u>Per Capita</u>
2012	-	-	-	-	0.00%	-
2013	-	-	-	-	0.00%	-
2014	-	-	-	-	0.00%	-
2015	-	-	-	-	0.00%	-
2016	-	-	-	-	0.00%	-
2017	-	-	-	-	0.00%	-
2018	-	-	-	-	0.00%	-
2019	-	-	-	-	0.00%	-
2020	-	-	-	-	0.00%	-
2021	-	-	-	-	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 FY21

**CITY OF VICTORVILLE
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(IN THOUSANDS)**

<u>Fiscal Year</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt Limit	\$ 1,024,007	\$ 1,014,928	\$ 1,033,611	\$ 1,090,223	\$ 1,160,616	\$ 1,219,803	\$ 1,254,928	\$ 1,324,635	\$ 1,401,862	\$ 1,488,190
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>1,024,007</u>	<u>1,014,928</u>	<u>1,033,611</u>	<u>1,090,223</u>	<u>1,160,616</u>	<u>1,219,803</u>	<u>1,254,928</u>	<u>1,324,635</u>	<u>1,401,862</u>	<u>1,488,190</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	\$ 9,921,265
Debt Limit (15% of total assessed value)	1,488,190
Debt applicable to limit:	
General obligation bond	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 1,488,190</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 DIRECT AND OVERLAPPING DEBT

2020-21 Assessed Valuation: \$9,919,352,933

	Total Debt	6/30/2021	City's Share of
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 6/30/21</u>	
Victor Valley Joint Community College District	\$159,002,414	28.526%	\$45,357,029
Victor Valley Joint Union High School District	115,292,037	62.032	71,517,956
Adelanto School District	2,690,991	43.169	1,161,674
Victor School District	49,806,332	84.095	41,884,635
Mojave Water Agency Assessments	3,290,000	24.805	816,085
Adelanto School District Community Facilities District No. 1, I.A. A	13,380,000	100.000	13,380,000
Adelanto School District Community Facilities District No.2	2,995,000	100.000	2,995,000
Hesperia Unified School District Community Facilities Districts	8,280,000	100.000	8,280,000
Snowline Joint Unified School District Community Facilities Districts	9,415,000	100.000	9,415,000
Victor School District Community Facilities Districts	28,895,000	100.000	28,895,000
Victor Valley Joint Union High School District Community Facilities Districts	5,220,000	100.000	5,220,000
City of Victorville Community Facilities Districts	<u>5,315,000</u>	100.000	<u>5,315,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$234,237,379
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Bernardino County General Fund Obligations	\$214,095,000	3.963%	\$8,484,585
San Bernardino Pension Obligation Bonds	180,825,585	3.963	7,166,118
San Bernardino County Flood Control District General Fund Obligations	51,360,000	3.963	2,035,397
Victor Valley Union High School District Certificates of Participation	20,235,000	62.032	12,552,175
Hesperia Unified School District General Fund Obligations	120,650,000	7.354	8,872,601
Snowline Joint Unified School District General Fund Obligations	63,210,000	14.899	9,417,658
Adelanto School District Certificates of Participation	6,340,000	43.169	2,736,915
Oro Grande School District Certificates of Participation	33,160,000	0.570	189,012
City of Victorville General Fund Obligations	0	100	0
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$51,454,461
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	 \$316,219,925	 66.778 - 100. %	 \$221,424,295
 TOTAL DIRECT DEBT			 \$0
TOTAL OVERLAPPING DEBT			\$507,116,135
 COMBINED TOTAL DEBT			 \$507,116,135 (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 2020-21 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.36%
Total Direct Debt (\$0)	0.00%
<u>Combined Total Debt</u>	5.11%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$5,509,185,995)

Total Overlapping Tax Increment Debt	4.02%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

**CITY OF VICTORVILLE
PLEDGE REVENUE COVERAGE
LAST TEN FISCAL YEARS
(IN THOUSANDS)**

Fiduciary Trust Activities - Successor Agency Tax Allocation Bond

<u>Fiscal Year</u>	<u>Pledged</u>	<u>Debt Service</u>		<u>Coverage</u>
	<u>Revenue</u>	<u>Principal</u>	<u>Interest</u>	
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%
2017	5,689	1,165	2,029	178%
2018	3,955	1,225	1,965	124%
2019	3,569	1,285	1,907	112%
2020	2,797	1,350	1,840	88%
2021	641	1,420	1,767	20%

Business Type Activities Debt - SCLAA Tax Allocation Bond

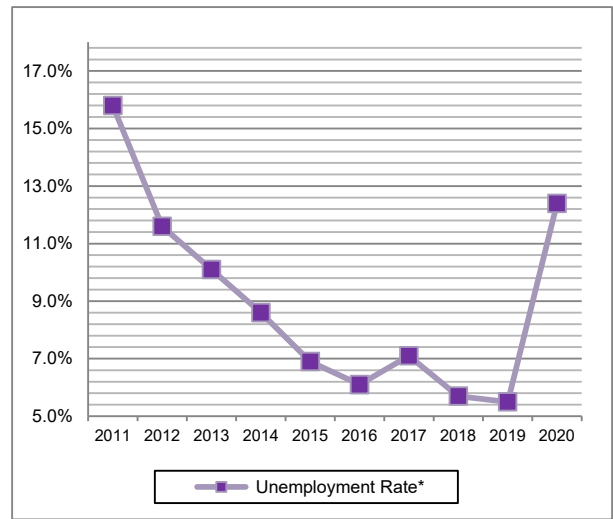
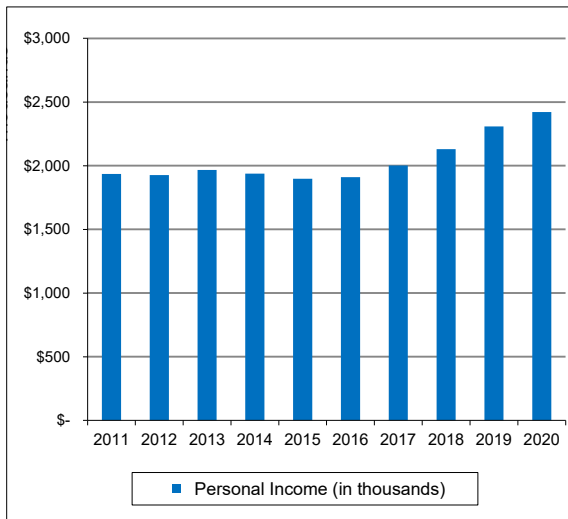
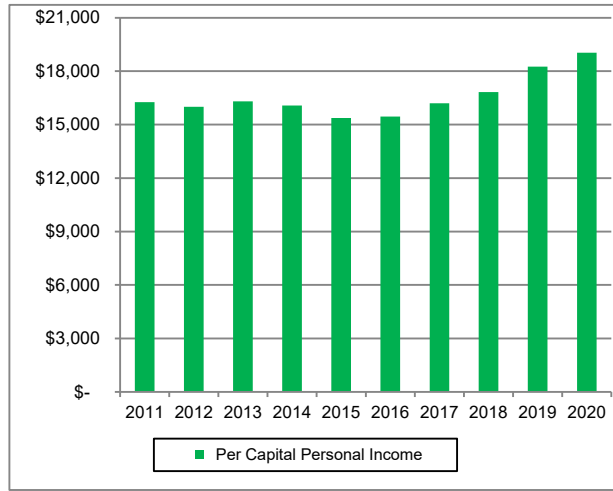
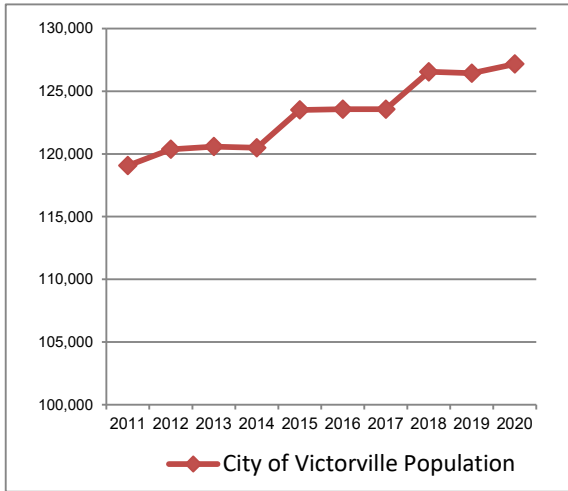
<u>Fiscal Year</u>	<u>Pledged</u>	<u>Debt Service</u>		<u>Coverage</u>
	<u>Revenue</u>	<u>Principal</u>	<u>Interest</u>	
2012	17,059	3,830	17,699	79%
2013	19,893	4,005	17,525	92%
2014	17,562	4,195	17,321	82%
2015	18,554	4,410	17,150	86%
2016	25,176	4,635	16,950	117%
2017	24,649	4,865	16,746	114%
2018	28,983	4,405	17,580	132%
2019	23,801	5,365	16,208	110%
2020	20,407	5,635	15,845	95%
2021	23,021	5,920	15,551	107%

Business Type Activities Debt - Water District Certificates of Participation

<u>Fiscal Year</u>	<u>Pledged</u>	<u>Debt Service</u>		<u>Coverage</u>
	<u>Revenue</u>	<u>Principal</u>	<u>Interest</u>	
2012	1,444	365	633	145%
2013	1,480	375	619	149%
2014	1,321	395	602	132%
2015	1,157	415	583	116%
2016	1,183	430	564	119%
2017	1,244	320	485	155%
2018	1,244	335	471	154%
2019	1,285	350	457	159%
2020	1,330	365	443	165%
2021	1,294	380	428	160%

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

**CITY OF VICTORVILLE
DEMOGRAPHIC AND ECONOMIC 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>
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
2016	123,565	\$ 1,910,290	6.1%	\$ 15,459
2017	123,565	\$ 2,001,567	7.1%	\$ 16,198
2018	126,543	\$ 2,129,706	5.7%	\$ 16,829
2019	126,432	\$ 2,308,617	5.5%	\$ 18,259
2020	127,170	\$ 2,421,637	12.4%	\$ 19,042

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

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

<u>Function</u>	<u>Fiscal Year</u>								
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General government	71	71	72	72	73	77	77	75	76
Public Safety*	0	1	1	0	0	1	60	59	60
Public Works	113	124	114	110	113	116	113	118	116
Community Development	11	4	4	4	4	4	4	3	3
Community Services	110	110	104	75	75	82	78	86	85
Airport	23	21	24	25	26	26	26	24	24
Water**	60	56	50	57	63	66	66	59	56
Total	388	387	369	343	354	372	424	424	420

* Only includes Fire Services. In fiscal year 2018, fire staff were added for start up of new City fire department.

Source: City of Victorville Finance Department.

**CITY OF VICTORVILLE
OPERATION INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year								
	2012	2013	2015	2016	2017	2018	2019	2020	2021
Public Safety									
Police									
Physical arrests	4,202	4,096	5,389	5,194	5,716	5,733	*	*	*
Traffic Violations	7,828	9,404	6,759	4,070	5,561	3,635	*	*	*
Public works									
Street Maintenance									
Potholes repaired (number)	3,004	3,124	3,832	4,138	5,667	7,427	7,713	11,444	8,653
Graffiti removal (locations)	12,460	14,708	5,687	4,708	2,824	3,116	2,592	2,966	3,240
Streets sweeping (tons)	1,862	1,907	1,782	1,687	1,627	1,544	1,712	1,878	1,877
Sanitation									
Refuse collected (tons/day)	177	166	182	202	206	210	220	228	236
Recyclables collected (tons/day)	31	28	32	33	32	32	33	35	39
Community Services									
Park and Recreation									
Athletic field permits issued	4,970	6,788	5,970	5,905	6,310	5,785	5,020	162	41***
Community center enrollments	30,193	30,915	31,384	29,958	25,343	19,518	14,503	1,973	882**
Facilities rental used	1,819	2,062	2,036	2,388	2,469	2,252	1,803	62	9**
Water									
Water Consumption (in hundred cubic feet)									
Residential	6,617,018	6,198,485	5,991,545	5,191,845	5,505,636	5,722,934	4,961,977	5,135,298	5,522,763
Multi Residential	516,645	483,968	467,812	405,373	444,737	490,302	752,766	781,018	840,414
Commercial	1,639,355	1,535,667	1,484,402	1,286,280	1,357,027	1,587,468	1,325,873	1,551,122	1,628,740
Institutional	496,774	465,354	449,819	389,782	437,698	470,500	773,125	857,134	852,178
Irrigation	665,678	623,574	602,757	522,308	491,157	471,954	460,627	486,095	541,868
Fire service	16	22	43	50	94	148	2,963	3,919	3,112
Recycled	-	-	407,194	274,824	127,752	205,354	316,953	275,268	344,982
Total	9,935,486	9,307,070	9,403,572	8,070,462	8,364,101	8,948,660	8,594,284	9,089,854	9,734,057
Water Sold (in acre feet)	22,809	21,366	20,653	17,896	19,201	20,543	19,730	20,868	22,346
Number of Customer Connections									
Residential	31,694	32,145	32,841	32,884	32,650	32,386	32,680	33,047	33,709
Multi Residential	192	195	195	198	197	776	768	759	762
Commercial	1,058	1,059	1,064	1,066	1,074	1,099	1,333	1,325	1,358
Institutional	203	204	205	206	207	169	256	225	226
Irrigation	235	235	236	236	239	266	331	371	386
Fire service	554	554	555	555	564	580	598	608	616
Recycled	-	-	2	2	2	4	4	5	7
Total	33,936	34,392	35,098	35,147	34,933	35,280	35,970	36,340	37,064
Average Daily Consumption (in thousands of gallons)	20,362	19,074	19,272	16,540	17,142	16,917	17,614	18,629	19,950
Estimated Population	117,978	119,658	122,233	121,419	121,608	122,699	123,758	125,085	127,543
Per Capita Average Daily Consumption (in gallons)	173	159	158	136	141	138	142	149	156
Rainfall in inches	1.90	2.75	0.92	5.69	4.92	0.69	4.16	4.95	0.25

Source: City of Victorville departments

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

* Indicator information unavailable at this time. San Bernardino County changed reporting software for Police and information has not been retrievable.

** Parks and Recreation facilities and classes were closed through most of the year related to COVID-19 restrictions.

***Athletic Permits issued for six month periods instead of the previous monthly periods.

**CITY OF VICTORVILLE
OPERATION INDICATORS BY FUNCTION (CONTINUED)
LAST TEN FISCAL YEARS**

Principal Water Rates

	<u>Fiscal Year</u>								
	<u>2012</u>	<u>2013</u>	<u>2015</u>	<u>2016*</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Consumption (per hundred cubic feet)									
Standard Domestic	\$ 1.47	\$ 1.53	\$ 1.53	\$ 1.75	\$ 1.75	\$ 1.88	\$ 2.03	\$ 2.18	\$ 2.35
Construction Flow	2.39	2.47	2.47	2.77	2.77	2.94	3.12	3.32	3.51
Untreated Well	0.50	0.52	0.52	0.60	0.60	0.64	0.69	0.74	0.80
Recycled	0.88	0.92	0.92	1.05	1.05	1.13	1.22	1.31	1.41
Public Benefit	0.59	0.61	0.61	-	-	-	-	-	-
Monthly Service Fee									
Monthly per average daily use 0.00-0.26	\$ 16.50	\$ 17.25	\$ 17.25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Monthly per average daily use 0.27-1.17	17.50	18.25	18.25	-	-	-	-	-	-
Monthly per average daily use 1.18-6.60	35.00	36.50	36.50	-	-	-	-	-	-
Monthly per average daily use > 6.60	125.00	130.50	130.50	-	-	-	-	-	-
3/4 inch meter	\$ -	\$ -	\$ -	\$ 11.78	\$ 11.78	\$ 12.23	\$ 12.68	\$ 13.15	\$ 13.36
1 inch meter	-	-	-	18.59	18.59	19.30	20.02	20.75	21.09
1 1/2 inch meter	-	-	-	35.62	35.62	36.99	38.37	39.76	40.41
2 inch meter	-	-	-	56.06	56.06	58.21	60.39	62.58	63.60
3 inch meter	-	-	-	110.56	110.56	114.80	119.09	123.42	125.44
4 inch meter	-	-	-	171.88	171.88	179.47	185.14	191.87	195.01
6 inch meter	-	-	-	342.19	342.19	355.32	368.60	382.00	388.25
8 inch meter	-	-	-	955.34	955.34	991.99	1,029.07	1,066.48	1,083.92
> 8 inch meter	-	-	-	1,432.23	1,432.23	1,487.17	1,542.77	1,598.85	1,624.99
Fire Service Fee									
1 inch meter	\$ 10.00	\$ 10.00	\$ 10.00	\$ 2.69	\$ 2.69	\$ 2.82	\$ 2.96	\$ 3.10	\$ 3.20
2 inch meter	10.00	10.00	10.00	5.19	5.19	5.48	5.78	6.09	4.64
2 1/2 inch meter	10.00	10.00	10.00	5.19	5.19	5.48	10.65	6.09	6.37
3 inch meter				9.50	9.50	10.06	19.62	11.27	11.83
4 inch meter	10.00	10.00	10.00	17.45	17.45	18.50	42.68	20.80	21.90
6 inch meter	10.00	10.00	10.00	37.88	37.88	40.21	73.44	45.31	47.78
8 inch meter	10.00	10.00	10.00	65.13	65.13	69.16	114.45	77.99	82.30
> 8 inch meter	10.00	10.00	10.00	101.45	101.45	107.75	114.45	121.56	128.31

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**

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	52	52	52	52	52	55	54	54	54	70
Fire Stations	6	6	6	6	5	5	5	5	5	5
Public Works										
Highways and streets:										
Streets (miles)	448	448	448	448	449	449	449	449	449	449
Streetlights	376	376	392	392	396	404	408	418	418	428
Traffic Signals	83	83	87	87	88	90	91	94	94	97
Sewer:										
Sanitary sewers (miles)	419	419	419	419	440	440	443	443	449	455
Storm sewers (miles)	473	473	473	473	473	473	473	473	473	473
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	37,081	40,226	40,152	40,029	40,092	40,551	41,232	41,723	36,616	36,222
Community Services										
Parks acreage	263	263	263	263	263	180	180	180	180	180
Park	18	18	18	18	18	19	19	19	19	19
Golf Courses	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	6	6	6	6	6	6	6	6	6	6
Community Centers	6	6	6	6	6	7	7	7	7	7
Airport										
Runway length (miles)	5	5	5	5	5	5	5	5	5	5
Sewer pipeline	25	30	30	30	30	30	30	30	30	30
Number of hangars	25	26	26	26	26	26	26	26	26	26
Number of buildings	47	52	52	52	52	52	52	52	52	52
Water										
Water Production in Acre feet	23,520	23,518	23,830	22,030	20,905	22,476	24,383	21,755	22,017	23,487
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	1	1	1	1	1
Recycled Storage in Millions of Gallons	1	1	1	1	1	1	1	2	2	2
Wells	32	32	32	32	32	32	32	34	34	34
Pipeline - Linear Feet (in thousands)	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Pipeline - Miles	694	694	694	694	694	694	694	694	709	709
Booster Pumping Stations	4	4	4	4	4	4	4	4	4	4
Pressure Regulating Stations	24	24	24	24	24	25	25	25	25	25

Source: City of Victorville departments

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

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Attachment B

Draft Independent Auditors' Report
for Fiscal Year Ended June 30,
2021

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council
City of Victorville
Victorville, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Victorville, including the Southern California Logistics Airport Authority (SCLAA) and Victorville Water District (District) blended component units, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Victorville's basic financial statements, and have issued our report thereon dated REPORT DATE.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Victorville's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Victorville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Victorville's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

Material Weakness – Pension Amounts

Condition: Amounts recorded in the general ledger for the net pension liability and corresponding deferred outflows and inflows of resources and amounts allocated to governmental activities, business-type activities, and enterprise funds for these amounts did not agree individually or in total to the City's calculated pension amounts.

Criteria or specific requirement: The net pension liability and corresponding deferred outflows and inflows of resources should be recorded in the general ledger at amounts that agree to the CalPERS provided amounts for the miscellaneous defined benefit pension plan and to the calculated amounts utilizing the CalPERS tool for the safety cost-sharing defined benefit pension plan. The amounts allocated to City funds should follow the City's historical policy for allocating such amounts, which is based on the current year CalPERS contributions by fund.

Effect: The net pension liability and corresponding deferred outflows and inflows of resources were materially misstated, which resulted in an overall increase to pension expense of approximately \$3.6 million.

Cause: The City made errors when generating the journal entry to record the net pension liability and corresponding deferred outflows and inflows of resources.

Repeat Finding: This finding is a repeat of a finding in the immediately prior year.

Recommendation: We recommend the City implement policies and procedures to ensure the accurate recording of pension amounts in all funds.

Views of responsible officials and planned corrective actions:

With staff shortages leading to additional duties being handled by remaining finance staff, second and third-tier reviews were not able to occur while keeping up with the workload. Without the additional reviews on this issue and staff trying to meet the strict deadline, a clerical error occurred where numbers were transposed when generating the journal entry to record the net pension liability. During the fiscal year 2020-21, there were several vacancies in the finance department during most of the year. In May, the vacant accountant position was filled. In June, the vacant finance manager position was filled leaving a vacant finance analyst position and a finance technician position, open at year's end. Additionally, a senior staff member was on medical leave for two months just after year end, leaving remaining staff struggling to handle all duties. Additional staff training involving a three-tier review process will ensure the amounts reflected in the General Ledger tie properly to the actuarial report.

This is not a direct repeat finding as the finding from the prior year was a reconciling of amounts within the funds and this finding was a result of an input error and cross-footing which would have been caught through the three-tier review process being implemented in FY22 with the additional staff training on this complex item.

Material Weakness – Capital Assets

Condition: The sanitary enterprise fund had a project in construction in progress that was expensed. Due to audit inquiry, this amount was re-capitalized and depreciation expense was recorded.

Criteria or specific requirement: When capital projects are complete and meet the City’s capitalization policy, these projects should be moved to the appropriate asset category, such as infrastructure, and depreciated over the life of the asset. Projects that do not meet the City’s capitalization policy should not be recorded as construction in progress and should be expensed as incurred.

Effect: Capital asset balances were increased, and expenses were decreased by approximately \$2 million.

Cause: The City made an error when moving the project out of construction in progress and the review process did not identify this issue.

Repeat Finding: This particular finding was not noted in the immediately prior year; however, findings related to audit adjustments for capital assets were noted in the immediately prior year.

Recommendation: We recommend the City implement policies and procedures to review capital assets at year-end for appropriate classification.

Views of responsible officials and planned corrective actions:

This resulted from a staff error in deciding not to capitalize an asset without reviewing the information with supervisor and is being addressed through the training of two new staff members to process and review all assets for upcoming years. Additionally, a second review by management will occur semi-annually prior to audit and during the mid-year budget review for capital improvement projects. Staff handling capital asset review was newly trained the prior year and additional review and corrections were made by prior asset staff at audit time. Reviews during the FY21 mid-year and near year-end showed no issues, but year-end project reviews had not been completed. The staff member departed the City before the audit started in October without the supervisor having time to review asset decisions with him. Staff has been hired to replace the Finance Specialist position and recruitment for the technician vacancy is proceeding. The filling of the vacancies will allow the manager proper time to review work and ensure accuracy of reporting.

Material Weakness – Grants Receivable and Unavailable Revenue

Condition: The City has various projects that are grant funded on a reimbursement basis, which means that the City incurs the cost and then requests for reimbursement from the funding source. During our audit, we reviewed these projects and had numerous inquiries when grant receivables did not equal the unreimbursed eligible expenditures. This led to numerous adjustments to correct the balances.

Criteria or specific requirement: Grant receivables should be equal to the eligible project expenditures less any amounts previously reimbursed by the grantor. For governmental funds, deferred inflows of resources, unavailable revenues, should be recorded instead of revenue when those amounts are received after the City’s availability period, which is 60 days.

Effect: Approximate changes in the general ledger balances due to the adjustments are as follows: increase of \$1.0 million in grants receivable, increase of \$0.7 million in deferred inflows of resources, unavailable revenues, and increase of \$0.3 million in grant revenues. In addition, the City’s review of two projects under inquiry resulted in a transfer of cash from the Southern California Logistics Airport Authority (SCLAA) enterprise fund to the City’s governmental nonmajor other federal grants special

revenue fund of \$0.8 million for historical activity that had been recorded in the governmental fund and required reimbursement from the enterprise fund.

Cause: The City did not perform an analysis on each project to verify the balances in these accounts prior to commencement of the audit procedures.

Repeat Finding: This finding is a repeat of a finding in the immediately prior year.

Recommendation: We recommend the City implement policies and procedures to review all project activity and verify the amounts recorded for grants receivable and deferred inflows of resources, unavailable revenues, are accurate prior to the commencement of the audit.

Views of responsible officials and planned corrective actions:

Current year finding is not a repeat of prior year grant receivable recording. This issue stems from the setup of proprietary grants incorrectly when converting to a new ERP system several years ago. When this issue was discovered by auditors at that time, the prior balances were not reflected in the correction, thus leading to cash shortage in governmental fund for grants. Upon detailed review of the proprietary and governmental grants, this was discovered by staff and reviewed with auditor for correction. As this dealt with prior year, it required reporting as a finding and due to the large amount, was decided by the auditor to report as a material weakness. Staff does not feel this is a material weakness as this was a correction discovered by staff and to correct an issue stemming from many years back which results in fairly presenting our statements. Nonetheless, staff has implemented additional procedures and reviews, along with establishing a separate fund for proprietary grants to ensure this will not occur in future years.

COVID-19 and vacancies have taken their toll on the Victorville Finance Department. With the increase in grants and special funding over the past two years, as a result of the pandemic, as well as City staff efforts to secure additional resources for projects, additional staff is being hired and trained to spread the duties ensuring each grant is reviewed on a quarterly basis. Finance staff will also conduct departmental grant meetings with appropriate staff, on a quarterly basis to review activity and follow up on any concerns. Grant policy and procedures are being updated to reflect current regulations and expectations of all involved parties. Currently there are two vacancies within the finance core general ledger division and two new employees since May that are still being trained.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies.

Significant Deficiency – Airport Loan

Condition: The City has loans due from the SCLAA enterprise fund to the Successor Agency to the Victorville Redevelopment Agency (Successor Agency) totaling approximately \$11 million that were due to be repaid on June 30, 2014. Due to revenue shortfalls, the loans were not repaid as scheduled and there were no amendments to the underlying promissory notes to extend the period of repayment. There are no current repayment terms or plans.

Criteria or specific requirement: Outstanding obligations should have current repayment terms to ensure the legal obligations of the fund are satisfied.

Effect: The loan is not currently being repaid and there are no current plans for future repayment of amounts due to the Successor Agency.

Cause: Altering the repayment terms requires approval by the Oversight Board, which is a long process that has not yet been completed.

Repeat Finding: This finding is a repeat of a finding in the immediately prior year.

Recommendation: We recommend the City take the action necessary to amend the promissory notes and extend the period of repayment for a reasonable time period.

Views of responsible officials and planned corrective actions:

Management disagrees this loan was not repaid due to revenue shortfalls, but instead, this loan was not repaid due to not having an approved enforceable obligation through the VVEDA Recognized Obligation Payment Schedule (ROPS) process. This loan has always been intended to be repaid with tax increment revenues from the VVEDA Redevelopment Authority that were passed through to SCLAA; however, the RDA Dissolution process complicated our ability to receive the intended funding resources to pay off this loan. Any mention of revenue shortfalls stem from VVEDA and not SCLAA.

Management has made significant progress securing funding to pay off this loan and said repayment will be realized in the annual ROPS approval process. This loan involves funding through the RDA Dissolution process; therefore, it requires approval from the County-Wide Oversight Board (CWOB). Approval was obtained at the January 10, 2022, CWOB meeting and was submitted to Department of Finance for its approval for the VVEDA FY22-23 ROPS funding cycle. Staff is awaiting DOF's approval so the loan can begin repayment in the FY 22-23.

Significant Deficiency – Prepaid Water Connection Fees

Condition: Due to our audit inquiry, the City identified homes or units that were connected to the City's water system during the fiscal year for which connection fees had been collected in advance. These amounts were not recognized as revenue and remained a liability on the water enterprise fund's statement of net position.

Criteria or specific requirement: The City collects connection fees in advance for large capital projects that will result in connections to the City's water lines. As the individual homes or units are connected to the City's system, the amounts collected should be recognized as revenue.

Effect: The liability was decreased, and revenues were increased by approximately \$0.5 million.

Cause: The City did not perform the analysis on the connections for the prepaid water connection fees account until after audit inquiry occurred.

Repeat Finding: This finding is a repeat of a finding in the immediately prior year.

Recommendation: We recommend the City perform the analysis required on this account prior to the commencement of the audit.

Views of responsible officials and planned corrective actions:

Finance staff has been working with water administrative staff regarding this matter and the item has been calendared for review annually to ensure that this is updated. Water administrative staff is working with field staff to ensure they get a record of connections at year end to reconcile and recognize all connections.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Victorville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Victorville's Response to Findings

City of Victorville's response to the findings identified in our audit are described above. City of Victorville's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Irvine, California
REPORT DATE

City Council
City of Victorville
Victorville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Victorville, California, including the Southern California Logistics Airport Authority (SCLAA) and Victorville Water District (District) blended component units, as of and for the year ended June 30, 2021, and have issued our report thereon **dated REPORT DATE**. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Victorville are described in Note 1 to the financial statements.

As described in Note 1D , the City implemented the Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, in fiscal year 2020-2021 by reclassifying the previously reported Deposit and Foxborough Rail agency funds to special revenue funds with a portion of the Deposit agency fund reclassified to the General Fund since these activities no longer meet the definition of fiduciary activities. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of activities and the statement of revenues, expenditures, and changes in fund balance.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.
- The Other Post-Employment Benefit Plan (OPEB) expense, total OPEB liability, and corresponding deferred outflows of resources and deferred inflows of resources for the City's OPEB plan are based on several key assumptions that are set by management with the

assistance of an independent third party actuary. These key assumptions include anticipated investment rate of return, health care cost trends, mortality, and certain amortization periods.

- Management's estimate of the claims payable liabilities related to general liability and worker's compensation claims are based on actuarial valuations.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of pledged revenue in Note 10 to the financial statements as it relates to bond covenants.
- The disclosure of fund deficits in Note 11 to the financial statements and the City's plans to address such deficits.
- The disclosure of SCLAA's financial condition, significant financial obligations, and management plans in Note 20 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Corrected misstatements

The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjustments to correct the net pension liability and corresponding deferred outflows and inflows of resources and pension expense to agree to the pension amounts provided by CalPERS, the City's calculation, and the City's allocation to funds policy.
- Adjustments to correct grant receivables, deferred inflows of resources unavailable revenues, and grant revenues to match project expenditures with project revenues and reimbursements due to the City.
- Adjustment to correct capital assets and depreciation expense for a capital project that was expensed instead of capitalized.

- Adjustment to recognize revenue reduce the prepaid water connection fees liability for homes and units that were hooked up to the City's water system during the fiscal year.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter **dated REPORT DATE.**

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the combining and individual non-major fund financial statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting

records used to prepare the financial statements or to the financial statements themselves. We have issued our report **thereon dated REPORT DATE.**

The introductory and statistical sections accompanying the financial statements, which are the responsibility of management, were prepared for purposes of additional analysis and are not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

* * *

This communication is intended solely for the information and use of the City Council and management of City of Victorville and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Irvine, California
DATE

REPORT DATE

Attachment C

Draft Victorville Water District Basic Financial Statements for Fiscal Year Ended June 30, 2021

**VICTORVILLE WATER DISTRICT
(A COMPONENT UNIT OF THE CITY OF VICTORVILLE,
CALIFORNIA)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

**VICTORVILLE WATER DISTRICT
(A COMPONENT UNIT OF THE CITY OF VICTORVILLE, CALIFORNIA)
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
Victorville Water District
Victorville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Victorville Water District (the District), a component unity of the City of Victorville, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2021, and the changes financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the District's June 30, 2020 financial statements, and we expressed an unmodified opinion on the financial statements of the District in our report dated February 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the plan's proportionate share of the net pension liability, schedule of plan contributions, and schedule of the plan's proportionate share of the total OPEB liability, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 the 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the District as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated February 23, 2021, which contained an unmodified opinion on the financial statements of the District. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information) for the year ended June 30, 2020, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2020 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the June 30, 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated REPORT DATE on our consideration of the District'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 solely 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 the effectiveness on the District's 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 the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Irvine, California
REPORT DATE

VICTORVILLE WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 61,344,992	\$ 51,805,262
Cash and Investments With Fiscal Agent	836,313	836,634
Accounts Receivable, Net	4,814,719	4,667,426
Interest Receivable	25,368	112,417
Due from Other Governments	14,711	15,761
Inventory	1,247,678	755,791
Total Current Assets	68,283,781	58,193,291
NONCURRENT ASSETS		
Prepaid Deposits	203,888	282,402
Nondepreciable Capital Assets	29,397,572	31,941,407
Depreciable Capital Assets, Net	128,298,559	128,706,533
Total Noncurrent Assets	157,900,019	160,930,342
Total Assets	226,183,800	219,123,633
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - OPEB Related	2,285,798	753,397
Deferred Outflow - Pension Related	2,723,322	2,548,508
Total Deferred Outflows of Resources	5,009,120	3,301,905

See accompanying Notes to Financial Statements.

VICTORVILLE WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

	2021	2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,279,680	\$ 1,531,948
Interest Payable	175,208	181,621
Prepaid Water Connection Fees	217,489	715,533
Deposits Payable	1,438,378	2,557,971
Total OPEB Liability - Due Within One Year	224,298	-
Long-Term Liabilities, Due Within One Year	781,743	761,824
Total Current Liabilities	5,116,796	5,748,897
NONCURRENT LIABILITIES		
Total OPEB Liability	11,579,695	10,288,735
Net Pension Liability	14,076,845	12,996,097
Long-Term Liabilities, Due in More Than One Year	8,734,544	9,134,380
Total Noncurrent Liabilities	34,391,084	32,419,212
Total Liabilities	39,507,880	38,168,109
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow - OPEB Related	3,036,460	2,748,733
Deferred Inflow - Pension Related	260,383	555,753
Total Deferred Inflows of Resources	3,296,843	3,304,486
NET POSITION		
Net Investment in Capital Assets	148,855,087	151,694,293
Unrestricted	39,533,110	29,258,650
Total Net Position	\$ 188,388,197	\$ 180,952,943

See accompanying Notes to Financial Statements.

VICTORVILLE WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
OPERATING REVENUES		
Utility Sales	\$ 32,996,925	\$ 27,405,638
Meter and Service Fees	7,481,406	7,217,219
Pass-Thru Charges	1,084,485	289,000
Fines and Forfeitures	-	231,994
Arsenic Surcharge	263,614	264,302
Other	340,572	198,467
Total Operating Revenues	42,167,002	35,606,620
OPERATING EXPENSES		
Personnel Services	10,901,457	11,689,745
Maintenance and Operations	16,916,550	15,718,657
Production Costs	4,631,287	4,034,055
Pass-Thru Production Costs	2,530,813	289,000
Depreciation	7,338,599	7,276,463
Total Operating Expenses	42,318,706	39,007,920
OPERATING LOSS	(151,704)	(3,401,300)
NONOPERATING REVENUES (EXPENSES)		
Taxes	1,096,573	912,768
Investment Income	112,170	998,042
Interest Expense	(415,588)	(430,914)
Gain on Disposition of Assets	12,976	-
Other Nonoperating Revenues	118,006	292,774
Total Nonoperating Revenues (Expenses)	924,137	1,772,670
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	772,433	(1,628,630)
CAPITAL CONTRIBUTIONS		
Capital Restricted Use Fees	5,169,389	3,619,685
Alternate Water Source Fees	903,332	574,233
Contributions from the City of Victorville	590,100	1,048,742
Capital Grants	-	60,020
Total Capital Contributions	6,662,821	5,302,680
CHANGE IN NET POSITION	7,435,254	3,674,050
Net Position - Beginning of Year	180,952,943	177,278,893
NET POSITION - END OF YEAR	\$ 188,388,197	\$ 180,952,943

See accompanying Notes to Financial Statements.

VICTORVILLE WATER DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 39,476,109	\$ 35,062,940
Cash Payments to Employees for Services	(10,014,033)	(9,848,593)
Cash Payments to Suppliers for Goods and Services	(16,036,451)	(15,557,548)
Net Cash Provided by Operating Activities	13,425,625	9,656,799
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Other Governments	1,096,573	912,768
Net Cash Provided by Noncapital Financing Activities	1,096,573	912,768
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from the Sale of Capital Assets	37,023	-
Capital Grants	-	60,020
Cash Payments to Acquire Capital Assets and Other Assets	(4,410,837)	(4,191,451)
Principal Paid on Capital-Related Debt	(380,000)	(365,000)
Interest Paid on Capital-Related Debt	(428,194)	(443,190)
Net Cash Used by Capital and Related Financing Activities	(5,182,008)	(4,939,621)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	199,219	1,077,974
Net Cash Provided by Investing Activities	199,219	1,077,974
 NET INCREASE IN CASH AND CASH EQUIVALENTS	9,539,409	6,707,920
 Cash and Cash Equivalents - Beginning of Year	52,641,896	45,933,976
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 62,181,305	\$ 52,641,896
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and Investments	\$ 61,344,992	\$ 51,805,262
Cash and Investments With Fiscal Agent	836,313	836,634
Cash and Cash Equivalents	\$ 62,181,305	\$ 52,641,896

See accompanying Notes to Financial Statements.

VICTORVILLE WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (151,704)	\$ (3,401,300)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities:		
Depreciation	7,338,599	7,276,463
Nonoperating Miscellaneous Expense	6,780,827	5,535,434
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable, Net	(147,293)	(588,476)
Due from Other Governments	1,050	(2,905)
Inventory	(491,887)	(64,468)
Prepaid Deposits	78,514	255,504
Deferred Outflows - OPEB	(1,532,401)	(536,508)
Deferred Outflows - Pension	(174,814)	230,521
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	747,732	(1,063,831)
Prepaid Water Connection Fees	(498,044)	(897,936)
Deposits Payable	(1,119,593)	767,162
Compensated Absences	6,276	65,542
Total OPEB Liability	1,515,258	1,167,438
Net Pension Liability	1,080,748	1,469,663
Deferred Inflows - OPEB	287,727	(506,029)
Deferred Inflows - Pension	(295,370)	(49,475)
Net Cash Provided by Operating Activities	\$ 13,425,625	\$ 9,656,799

See accompanying Notes to Financial Statements.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

On August 15, 2007, the Victor Valley Water District and the Baldy Mesa Water District were 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 upon consolidation. Upon consolidation 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 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 an integral part of the reporting entity of the City of Victorville (City) and is reflected as a blended component unit within the City of Victorville. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. The District fund has been included within the scope of the basic financial statements of the City because the City Council is the governing board and has financial accountability over the operations of the District. Only the District fund is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Victorville, California.

B. Basic Financial Statements

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows, and the notes to the basic financial statements.

C. Basis of Accounting, Measurement Focus and Financial Statement Presentation

The District reports its activities as an enterprise fund (proprietary fund type), which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales and services), capital grants and similar funding.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Basis of Accounting, Measurement Focus and Financial Statement Presentation
(Continued)**

Proprietary funds are presented using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statement of net position.

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, regardless of when the related cash flows take place. Amounts paid to acquire capital assets are capitalized as assets. Proceeds of long-term debt and acquisitions under capital leases are recorded as a liability. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues, such as water sales and service charges that include utility sales, meter and service fees, pass-thru charges, fines and forfeitures, arsenic surcharge, and other reimbursements, result from exchange transactions associated with the principal activities of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as taxes and investment income, result from nonexchange transactions, in which, the District gives (receives) value without directly receiving (giving) value in exchange.

Operating expenses, such as the cost of providing water, include the personnel services, maintenance and operations, production costs, pass-thru production costs, and depreciation on capital assets. All expenses not meeting this definition, such as interest expense, are reported as nonoperating expenses.

D. Cash and Investments

Investments are reported in the accompanying statement of net position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include the cash and investments held by a fiscal agent.

F. Accounts Receivable, Net

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and directly write-off of those accounts.

G. Inventory

The District uses the consumption method of accounting for inventories. Inventory consists primarily of water meters, pipe and pipe fittings for construction and repair to the District's water transmission and distribution system. Materials and supplies are valued at cost using a weighted average method.

H. Prepaid Deposits

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements utilizing the consumption method.

I. Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are recorded at estimated acquisition value at the date of donation. The District capitalizes all assets with an initial individual cost of more than \$5,000 and a useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life are not capitalized.

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

Buildings and Improvements	10 to 50 Years
Computer and Communications	5 Years
Furniture and Equipment	3 to 7 Years
Infrastructure:	
Transmission and Distribution Systems	40 Years
Source of Supply – Wells	10 to 40 Years
Water Treatment Systems	5 to 10 Years
Intangibles	5 to 25 Years
Vehicles	8 to 15 Years

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Customer Deposits

Based on a customer's credit, the District may require a deposit deemed reasonable by the District. These deposits are held to pay off close out bills or to cover delinquent payments.

K. Compensated Absences

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.

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 District. 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 District and the employee.

The balance of unpaid vacation and vested sick leave at year-end is recorded as a long-term liability in the financial statements.

L. Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports 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 until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability and the total OPEB liability.
- Deferred outflows related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.
- Deferred outflows related to OPEB for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows and Deferred Inflows of Resources (Continued)

The statement of net position reports 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 District has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflows related to OPEB for differences between expected and actual experiences and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plan.

M. Prepaid Water Connection Fees

Prepaid connection fees were received before year-end but will not be earned until the properties are developed and connected to the District's system.

N. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District through the collection of AB-1600 connection fees, by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

O. 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 (including premiums and discounts) that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by enabling legislation (such as external creditors, grantors, contributors, laws or regulations of other governments).

Unrestricted Net Position – This amount is all of the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position (Continued)

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by Council.

P. 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 of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS. 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.

Q. Prior Year Data

Selected information regarding the prior year had been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

R. 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 61,344,992
Cash and Investments With Fiscal Agent	836,313
Total Cash and Investments	<u>\$ 62,181,305</u>

Cash and investments as of June 30, 2021, consist of the following:

Deposits with Financial institutions	\$ 99,104
Deposits Held in City Pool	30,172,952
Investments	31,909,249
Total Cash and Investments	<u>\$ 62,181,305</u>

Investments Pool of the City of Victorville

The District's equity in the cash and investment City pool is managed by the City of Victorville. The District is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Victorville. The District has not adopted an investment policy separate from that of the City of Victorville. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

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

The City adopts the investment policy for the District. The table on the following page identifies the investment types that are authorized for the District 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.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the City's Investment Policy (Continued)

Investment Types <u>Authorized by State Law</u>	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Bonds	Yes	5 Years	70%	None
U.S. Treasury Obligations	Yes	5 Years	70%	None
U.S. Agency Securities	Yes	5 Years	75%**	None
Banker's Acceptances	No	180 Days	40%	30%
Commercial Paper - Nonpooled Funds	No	270 Days	25%	10%
Commercial Paper - Pooled Funds	No	270 Days	40%	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%	None
Mutual Funds***	Yes	5 Years	20%*	10%
Money Market Mutual Funds***	Yes	5 Years	20%*	None
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.

** Ginnie Mae is not to exceed 20% of the total portfolio.

*** Fund must be an AAA rated Government or US Treasury money fund.

Investments Authorized by Debt Agreements

Investments 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 District's investment policy. The table on the following page identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 Days	None	None
Commercial Paper	270 Days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Certificate of Deposit	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None
California Common Law Trust Shares	None	None	None

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 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 District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Total	Remaining Maturities (in Months)	
		Within 12	60+
LAIF	\$ 31,072,936	\$ 31,072,936	-
Held by Bond Trustee:			
Guaranteed Investment Contract (GIC)*	-	-	816,500
Money Market Mutual Funds	19,813	19,813	-
Total	<u>\$ 31,909,249</u>	<u>\$ 31,092,749</u>	<u>816,500</u>

*The District'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, 2021, FSA was not in default and the value of the collateral met the requirements.

Disclosures Relating to Credit Risk

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

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
LAIF	\$ 31,072,936	N/A	\$ -	\$ 31,072,936
Held by Bond Trustee:				
Guaranteed Investment Contract (GIC)	-	-	-	-
Money Market Mutual Funds	816,500	N/A	-	816,500
Total	19,813	AAA	19,813	-
Total	<u>\$ 31,909,249</u>		<u>\$ 19,813</u>	<u>\$ 31,889,436</u>

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District has no investments in any one issuer (other than LAIF and money market mutual funds) that represent 5% or more of the City's investments.

Custodial Credit Risk

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

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2021, the District's deposits (bank balances) were insured by the federal depository insurance limits or collateralized as required under California Law.

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

Investment in State Investment Pool

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

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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 of other items.

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

The District's investments in LAIF and money market mutual funds (held by bond trustee) are not subject to the fair value measurement hierarchy. The District's investment in the GIC are included in Level 3 since they are not actively traded. To value the GIC, the District verified the collateral required was held at a minimum of 100% of the value reported above and recorded the investment at that amount.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Nondepreciable Assets:				
Land	\$ 8,884,222	\$ -	\$ -	\$ 8,884,222
Intangibles	12,853,367	-	-	12,853,367
Idle Assets	3,017,958	-	-	3,017,958
Land Improvements	536,342	-	-	536,342
Construction in Progress	6,649,518	1,594,782	(4,138,617)	4,105,683
Total Nondepreciable Assets	<u>31,941,407</u>	<u>1,594,782</u>	<u>(4,138,617)</u>	<u>29,397,572</u>
Depreciable Assets:				
Buildings and Improvements	28,105,888	46,398	-	28,152,286
Computer and Communication	672,671	-	-	672,671
Furniture and Equipment	37,136,465	763,548	-	37,900,013
Infrastructure	195,982,625	5,785,660	-	201,768,285
Intangibles	1,542,724	-	-	1,542,724
Vehicles	3,554,588	359,066	(88,772)	3,824,882
Total Depreciable Assets	<u>266,994,961</u>	<u>6,954,672</u>	<u>(88,772)</u>	<u>273,860,861</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(10,069,757)	(690,148)	-	(10,759,905)
Computer and Communication	(571,706)	(49,244)	-	(620,950)
Furniture and Equipment	(28,332,530)	(1,502,582)	-	(29,835,112)
Infrastructure	(95,334,080)	(4,905,471)	-	(100,239,551)
Intangibles	(1,520,091)	(19,401)	-	(1,539,492)
Vehicles	(2,460,264)	(171,753)	64,725	(2,567,292)
Total Accumulated Depreciation	<u>(138,288,428)</u>	<u>(7,338,599)</u>	<u>64,725</u>	<u>(145,562,302)</u>
Total Depreciable Assets, Net	<u>128,706,533</u>	<u>(383,927)</u>	<u>(24,047)</u>	<u>128,298,559</u>
Capital Assets, Net	<u>\$ 160,647,940</u>	<u>\$ 1,210,855</u>	<u>\$ (4,162,664)</u>	<u>\$ 157,696,131</u>

Depreciation expense for the District was \$7,338,599 for the year ended June 30, 2021.

NOTE 4 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2021, is noted below:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Other Long-Term Liabilities:					
Compensated Absences	\$ 487,121	\$ 462,547	\$ (456,271)	\$ 493,397	\$ 386,743
Other Debt:					
2006 Certificate of Participation	9,310,000	-	(380,000)	8,930,000	395,000
Unamortized Discounts/Premiums	99,083	-	(6,193)	92,890	-
Total	<u>\$ 9,896,204</u>	<u>\$ 462,547</u>	<u>\$ (842,464)</u>	<u>\$ 9,516,287</u>	<u>\$ 781,743</u>

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

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 - see end of note. 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, 2020 is \$8,930,000.

The annual requirements to amortize outstanding debt of the District as of June 30, 2021 are as follows for each fiscal year ending June 30:

<u>Year Ending June 30,</u>	Certificates of Participation	
	Principal	Interest
2022	\$ 395,000	\$ 412,403
2023	410,000	395,388
2024	425,000	377,226
2025	445,000	358,304
2026	465,000	338,511
2030-31	2,655,000	1,355,924
2032-36	3,360,000	630,500
2037	775,000	19,375
Subtotal	8,930,000	\$ 3,887,631
Premium	92,890	
Total	\$ 9,022,890	

Rate Covenant

The 2006 Certificate 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 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, 2021. The calculation was prepared using revenues and the proportionate expenses applicable to the Baldy Mesa Water District.

Pledged Revenues

The District has a debt issuance outstanding that is collateralized by the pledging of certain revenues. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table presented previously. The purpose for which the proceeds of the related debt issuance was utilized are disclosed in the debt description noted previously.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Pledged Revenues (Continued)

For the current year, pledged gross revenue (or net of certain expenses were so required by the debt agreement) as a percentage of the debt service payments 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>Pledged Revenue as a Percentage of Debt Service</u>
Net Revenues Pledged by the District for the 2006 Certificates of Participation	\$ 1,294,351	\$ 808,195	160%

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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 five 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). The District has not established a trust for the purpose of holding assets accumulated for plan benefits.

Employees Covered

As of the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active Employees	81
Inactive Employees Or Beneficiaries Currently Receiving Benefits	28
Inactive Employees Entitled To, But Not Yet Receiving Benefits	4
Total	113

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Contributions

The District Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units.

The annual contribution is based on the year's retiree medical premiums (pay-as-you-go basis). For the fiscal year ended June 30, 2021, the District's cash contributions were \$205,227 for current premiums and \$561 for administrative costs and the estimated implied subsidy was \$48,000 resulting in total payments of \$253,788.

OPEB Liability

The District's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation dated June 30, 2020.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.21%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability, Termination	1997-2015 Experience Study
Mortality Improvement	Postretirement mortality projected fully generational with Scale MP-2020
Healthcare Trend Rate	Non-Medicare: 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The discount rate is determined based on the Bond Buyer 20-bond index since the District has not established a trust.

Change in Actuarial Assumptions

The discount rate changed from 3.50% at the beginning of the measurement period to 2.21% based on changes in the index. In addition, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Changes in the Total OPEB Liability

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

	Total OPEB Liability
Total OPEB Liability 6/30/2019 (MD)	\$ 10,288,735
Service Cost	474,890
Interest	372,802
Differences Between Expected and Actual Experience	(904,000)
Changes of Assumptions	1,795,864
Benefit Payments	(224,298)
Net Changes During 2019-2020 (MP)	1,515,258
Total OPEB Liability 6/30/2020 (MD)	\$ 11,803,993

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

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (1.21%)	Current Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 14,080,594	\$ 11,803,993	\$ 10,010,162

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

The following presents the total OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower (Non-Medicare: 6.0% for 2022 decreasing to 3.0% in 2076; Medicare (Non-Kaiser): 5.1% for 2022, decreasing to an ultimate rate of 3.0% in 2076; Medicare (Kaiser): 4.0% for 2022, decreasing to an ultimate rate of 3.0% in 2076) or one percentage point higher (Non-Medicare: 8.0% for 2022 decreasing to 5.0% in 2076; Medicare (Non-Kaiser): 7.1% for 2022, decreasing to an ultimate rate of 5.0% in 2076; Medicare (Kaiser): 6.0% for 2022, decreasing to an ultimate rate of 5.0% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 9,802,311	\$ 11,803,993	\$ 14,437,580

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in the total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Recognition of Deferred Outflows and Deferred Inflows of Resources (Continued)

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

Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	
Plan Investments	5 Years
All Other Amounts	Expected average remaining service lifetime (EARSL) (8.2 Years at June 30, 2020 measurement date)

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$524,372. As of the fiscal year ended June 30, 2021, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions Subsequent to the Measurement Date	\$ 253,788	\$ -
Differences Between Expected and Actual Experience	-	(2,015,486)
Changes of Assumptions	<u>2,032,010</u>	<u>(1,020,974)</u>
Total	<u>\$ 2,285,798</u>	<u>\$ (3,036,460)</u>

The \$253,788 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2022	\$ (323,853)
2023	(323,853)
2024	(323,853)
2025	(286,603)
2026	(73,662)
Thereafter	327,374

Payable to the Pension Plan

At June 30, 2021, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN

General Information about the Pension Plans

Plan Description

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. The District's share of the net pension liability is reported as a cost-sharing plan in these financial statements. 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. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of services. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for nonduty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect as of the measurement period ended June 30, 2020, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	on or after January 1, 2013
Hire Date		
Benefit Formula	2.5%@55	2.0%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 67
Required Employee Contribution Rates	8.00%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	10.59%	9.69%
Payment of Unfunded Liability	\$859,002	N/A

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Authority contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2021, the District made contributions of \$1,520,299 to the plan.

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Actuarial Assumptions

The total pension liability for the Miscellaneous Plan for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with standard update procedures used to roll forward the total pension liability to June 30, 2020.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Actuarial Assumptions (Continued)

The total pension liability for the Miscellaneous Plan was based on the following assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. for more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Long-Term Expected Rate of Return

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

In determining the long term expected rate of return, CalPERS took into account both short term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11+ 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Long-Term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as follows:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
	<u>100.00 %</u>		

(a) in the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Proportionate Share of Net Pension Liability – City's Miscellaneous Agent Multiple-Employer Plan Allocation to the District

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the Miscellaneous Plan relative to the projected contributions of the City, actuarially determined.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability – City’s Miscellaneous Agent Multiple-Employer Plan Allocation to the District (Continued)

The District’s proportionate share of the net pension liability for the Miscellaneous Plan as of the measurement date ended June 30, 2019 and 2020 was as follows:

	Increase (Decrease)			Proportionate Share
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)	
Balance at: 6/30/2019 (MD)	\$ 50,970,002	\$ 37,973,905	\$ 12,996,097	25.15%
Balance at: 6/30/2020 (MD)	53,469,704	39,392,859	14,076,845	25.07%
Net Changes During 2019-20	<u>\$ 2,499,702</u>	<u>\$ 1,418,954</u>	<u>\$ 1,080,748</u>	-0.08%

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the District recognized pension expense of \$2,156,528 for the Miscellaneous Plan. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to the Measurement Date	\$ 1,520,299	\$ -
Changes of Assumptions	-	(260,383)
Differences Between Expected and Actual Experience	767,296	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	435,727	-
Total	<u>\$ 2,723,322</u>	<u>\$ (260,383)</u>

\$1,520,299 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits.

**VICTORVILLE WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

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

Measurement Period Ended June 30,	Deferred Inflows of Resources
2022	\$ 187,088
2023	344,893
2024	240,668
2025	169,991
2026	-
Thereafter	-

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

The following presents the District's proportionate share of the net pension liability for the Miscellaneous Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Discount Rate		
	1% Decrease (6.15%)	Current Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	\$ 21,628,259	\$ 14,076,845	\$ 7,881,436

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separate issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2021, the District had no outstanding amount of contributions to the Miscellaneous Plan required for the year ended June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**VICTORVILLE WATER DISTRICT
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Reporting Fiscal Year (Measurement Date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan's Proportion of the Net Pension Liability	25.07%	25.15%	24.95%	24.87%	24.63%	24.40%	24.28%
Plan's Proportionate Share of the Net Pension Liability	\$ 14,076,845	\$ 12,996,097	\$ 11,526,434	\$ 11,480,941	\$ 9,777,304	\$ 7,425,085	\$ 6,754,806
Plan's Covered Payroll	\$ 6,177,914	\$ 5,546,115	\$ 5,598,545	\$ 5,506,946	\$ 4,860,190	\$ 4,824,221	\$ 4,707,026
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	227.86%	234.33%	205.88%	208.48%	201.17%	153.91%	143.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	18.47%	18.74%	18.88%	18.52%	18.59%	19.55%	19.73%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

from fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the 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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

from fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

from fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

from fiscal year June 30, 2018 to June 30, 2021:

There were no significant changes in assumptions.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**VICTORVILLE WATER DISTRICT
SCHEDULE OF PLAN CONTRIBUTIONS
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Fiscal Year						
	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 1,520,299	\$ 1,459,333	\$ 1,221,074	\$ 1,026,643	\$ 916,742	\$ 827,951	\$ 709,786
Contributions in relation to the Actuarially Determined Contribution	<u>(1,520,299)</u>	<u>(1,459,333)</u>	<u>(1,221,074)</u>	<u>(1,026,643)</u>	<u>(916,742)</u>	<u>(827,951)</u>	<u>(709,786)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 6,148,247	\$ 6,177,914	\$ 5,546,115	\$ 5,598,545	\$ 5,506,946	\$ 4,860,190	\$ 4,824,221
Contributions as a Percentage of Covered Payroll	24.73%	23.62%	22.02%	18.34%	16.65%	17.04%	14.71%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 - 55 for 2.5%@55; 52 - 67 for 2.0%@62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**VICTORVILLE WATER DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

	Fiscal Year Ended (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB Liability:				
Service Cost	\$ 474,890	\$ 417,399	\$ 494,095	\$ 583,831
Interest on the Total OPEB Liability	372,802	364,950	404,923	345,325
Changes of Assumptions	1,795,864	601,978	(509,085)	(1,452,630)
Differences Between Expected and Actual Experience	(904,000)	-	(1,985,311)	-
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	<u>(224,298)</u>	<u>(216,889)</u>	<u>(199,802)</u>	<u>(185,817)</u>
Net Change in Total OPEB Liability	1,515,258	1,167,438	(1,795,180)	(709,291)
Total OPEB Liability - Beginning	<u>10,288,735</u>	<u>9,121,297</u>	<u>10,916,477</u>	<u>11,625,768</u>
Total OPEB Liability - Ending (A)	<u>\$ 11,803,993</u>	<u>\$ 10,288,735</u>	<u>\$ 9,121,297</u>	<u>\$ 10,916,477</u>
Covered-Employee Payroll	\$ 7,618,996	\$ 7,078,295	\$ 6,818,328	\$ 4,577,527
Total OPEB Liability As A Percentage of Covered-Employee Payroll	154.93%	145.36%	133.78%	238.48%

Notes to Schedule:

Changes in Assumptions:

Discount rate	2.21%	3.50%	3.87%	3.58%
Mortality improvement rates	Scale MP-2020	Scale MP-2018	Scale MP-2018	Scale MP-2016

The mortality, retirement, disability, and termination rates for the measurement periods ended June 30, 2017 and 2018 were based on the CalPERS 1997-2011 Experience Study and CalPERS 1997-2015 Experience Study, respectively.

In the June 30, 2018 measurement period, the pre-65 waived retiree re-election was updated to be 10% after age 65.

In the June 30, 2020 measurement period, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

*Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

SUPPLEMENTARY INFORMATION

**VICTORVILLE WATER DISTRICT
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)**

	Water	Victorville	Reclaimed	Eliminations	Totals	
		Wastewater Reclamation Facility			Water	2021
ASSETS						
Current Assets						
Cash and Investments	\$ 50,441,260	\$ 5,479,546	\$ 5,424,186	\$ -	\$ 61,344,992	\$ 51,805,262
Cash and Investments with Fiscal Agent	836,313	-	-	-	836,313	836,634
Accounts Receivable, Net	4,001,721	780,619	32,379	-	4,814,719	4,667,426
Interest Receivable	25,368	-	-	-	25,368	112,417
Due from Other Governments	14,711	-	-	-	14,711	15,761
Inventory	1,247,678	-	-	-	1,247,678	755,791
Total Current Assets	56,567,051	6,260,165	5,456,565	-	68,283,781	58,193,291
Noncurrent Assets						
Prepaid Deposits	17,319	186,569	-	-	203,888	282,402
Advances to Other Funds	29,010,274	-	-	(29,010,274)	-	-
Nondepreciable Capital Assets	27,393,985	1,956,017	47,570	-	29,397,572	31,941,407
Depreciable Capital Assets, Net	111,524,166	12,236,286	4,538,107	-	128,298,559	128,706,533
Total Noncurrent Assets	167,945,744	14,378,872	4,585,677	(29,010,274)	157,900,019	160,930,342
Total Assets	224,512,795	20,639,037	10,042,242	(29,010,274)	226,183,800	219,123,633
Deferred Outflows of Resources						
Deferred Outflows - OPEB Related	2,220,373	65,425	-	-	2,285,798	753,397
Deferred Charge on Refunding	2,644,536	78,786	-	-	2,723,322	2,548,508
	4,864,909	144,211	-	-	5,009,120	3,301,905
LIABILITIES						
Current Liabilities						
Accounts Payable	2,064,050	213,226	2,404	-	2,279,680	1,531,948
Interest Payable	175,208	-	-	-	175,208	181,621
Prepaid Water Connection Fees	217,489	-	-	-	217,489	715,533
Deposits Payable	1,438,378	-	-	-	1,438,378	2,557,971
Total OPEB Liability - Due Within One Year	219,599	4,699	-	-	224,298	-
Long-Term Liabilities, Due Within One Year	781,743	-	-	-	781,743	761,824
Total Current Liabilities	4,896,467	217,925	2,404	-	5,116,796	5,748,897
Noncurrent Liabilities:						
Advances from Other Funds	-	29,010,274	-	(29,010,274)	-	-
Total OPEB Liability	11,337,124	242,571	-	-	11,579,695	10,288,735
Net Pension Liability	13,882,814	194,031	-	-	14,076,845	12,996,097
Long-Term Liabilities, Due in More Than One Year	8,734,544	-	-	-	8,734,544	9,134,380
Total Noncurrent Liabilities	33,954,482	29,446,876	-	(29,010,274)	34,391,084	32,419,212
Total Liabilities	38,850,949	29,664,801	2,404	(29,010,274)	39,507,880	38,168,109
Deferred Inflows of Resources						
Deferred Inflows - OPEB Related	2,978,187	58,273	-	-	3,036,460	2,748,733
Deferred Inflows - Pension Related	255,592	4,791	-	-	260,383	555,753
Total Deferred Outflows of Resources	3,233,779	63,064	-	-	3,296,843	3,304,486
Net Position						
Net Investment in Capital Assets	130,077,107	14,192,303	4,585,677	-	148,855,087	151,694,293
Unrestricted	57,215,869	(23,136,920)	5,454,161	-	39,533,110	29,258,650
Total Net Position	\$ 187,292,976	\$ (8,944,617)	\$ 10,039,838	\$ -	\$ 188,388,197	\$ 180,952,943

VICTORVILLE WATER DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	Water	Victorville	Reclaimed	Eliminations	Totals	
		Wastewater Reclamation Facility			Water	2021
Operating Revenues						
Utility Sales	\$ 24,153,594	\$ 8,294,456	\$ 548,875	\$ -	\$ 32,996,925	\$ 27,405,638
Meter and Service Fees	7,481,406	-	-	-	7,481,406	7,217,219
Pass-Thru Charges	1,084,485	-	-	-	1,084,485	289,000
Fines and Forfeitures	-	-	-	-	-	231,994
Arsenic Surcharge	263,614	-	-	-	263,614	264,302
Other	335,654	4,918	-	-	340,572	198,467
Total Operating Revenues	33,318,753	8,299,374	548,875	-	42,167,002	35,606,620
Operating Expenses						
Personnel Services	10,619,704	191,935	89,818	-	10,901,457	11,689,745
Maintenance and Operations	12,582,989	4,231,086	102,475	-	16,916,550	15,718,657
Production Costs	4,625,808	-	5,479	-	4,631,287	4,034,055
Pass-Thru Production Costs	1,084,485	1,446,328	-	-	2,530,813	289,000
Depreciation	5,957,947	1,215,150	165,502	-	7,338,599	7,276,463
Total Operating Expenses	34,870,933	7,084,499	363,274	-	42,318,706	39,007,920
Operating Income (Loss)	(1,552,180)	1,214,875	185,601	-	(151,704)	(3,401,300)
Nonoperating Revenues (Expenses)						
Taxes	1,096,573	-	-	-	1,096,573	912,768
Investment Income	270,724	8,813	8,561	(175,928)	112,170	998,042
Interest Expense	(415,588)	(175,928)	-	175,928	(415,588)	(430,914)
Gain on Disposal of Assets	12,976	-	-	-	12,976	-
Other Nonoperating Revenues	62,540	55,466	-	-	118,006	292,774
Total Nonoperating Revenues (Expenses)	1,027,225	(111,649)	8,561	-	924,137	1,772,670
Income (Loss) Before Capital Contributions	(524,955)	1,103,226	194,162	-	772,433	(1,628,630)
Capital Contributions						
Connection Fees	3,078,389	2,091,000	-	-	5,169,389	3,619,685
Alternate Water Source Fees	-	-	903,332	-	903,332	574,233
Capital Restricted Use Fees	-	590,100	-	-	590,100	1,048,742
Capital Grants	-	-	-	-	-	60,020
Total Capital Contributions	3,078,389	2,681,100	903,332	-	6,662,821	5,302,680
Change in Net Position	2,553,434	3,784,326	1,097,494	-	7,435,254	3,674,050
Net Position - Beginning of Year	184,739,542	(12,728,943)	8,942,344	-	180,952,943	177,278,893
Net Position - End of Year	\$ 187,292,976	\$ (8,944,617)	\$ 10,039,838	\$ -	\$ 188,388,197	\$ 180,952,943

Attachment D

Draft Southern California Logistics Airport Authority Basic Financial Statements for Fiscal Year Ended June 30, 2021

**SOUTHERN CALIFORNIA
LOGISTICS AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southern California Logistics Airport Authority
Willows, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Southern California Logistics Airport Authority (SCLAA), a component unity of the City of Victorville, California, as of and for the year ended June 30 2021, and the related notes to the financial statements which collectively comprise SCLAA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCLAA as of June 30 2021, and the changes financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information

We have previously audited the SCLAA's June 30, 2020 financial statements, and we expressed an unmodified opinion on the financial statements of the SCLAA in our report dated February 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the plan's proportionate share of the net pension liability, schedule of plan contributions, and schedule of the plan's proportionate share of the total OPEB liability, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 the 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SCLAA's basic financial statements. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the SCLAA as of and for the year ended June 30, 2020 (not presented herein), and have issued our report thereon dated February 23, 2021, which contained an unmodified opinion on the financial statements of the SCLAA. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position (supplementary information) for the year ended June 30, 2020, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2020 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the June 30, 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated REPORT DATE on our consideration of SCLAA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness on SCLAA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCLAA's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Irvine, California
REPORT DATE

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Investments	\$ 17,453,500	\$ 18,656,468
Cash and Investments with Fiscal Agent	23,952,767	23,950,333
Accounts Receivable, Net	452,419	486,993
Due from Other Governments	2,241,469	849,543
Inventory	16,320	11,600
Total Current Assets	44,116,475	43,954,937
NONCURRENT ASSETS		
Prepaid Items	2,759	53,817
Advances to City of Victorville	1,940,095	1,929,269
Nondepreciable Capital Assets	15,806,452	13,871,003
Depreciable Capital Assets, Net	116,571,538	125,242,176
Total Noncurrent Assets	134,320,844	141,096,265
Total Assets	178,437,319	185,051,202
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow - OPEB Related	322,970	106,556
Deferred Outflow - Pension Related	789,736	745,881
Deferred Charge on Refunding	1,666,928	1,801,443
Total Deferred Outflows of Resources	2,779,634	2,653,880

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

LIABILITIES	2021	2020
CURRENT LIABILITIES		
Accounts Payable	\$ 1,265,784	\$ 246,438
Interest Payable	1,283,294	1,308,493
Unearned Revenue	44,066	46,410
Total OPEB Liability - Due Within One Year	28,165	-
Long-Term Liabilities, Due Within One Year	6,349,790	6,074,079
Total Current Liabilities	8,971,099	7,675,420
NONCURRENT LIABILITIES		
Accrued Rent Credit Payable	601,572	585,416
Advances from City of Victorville	1,864,932	1,855,412
Advances from Other Governments	10,995,517	10,939,517
Total OPEB Liability	2,186,816	2,093,649
Net Pension Liability	3,838,581	3,546,936
Long-Term Liabilities, Due in More Than One Year	283,655,913	288,491,963
Total Noncurrent Liabilities	303,143,331	307,512,893
Total Liabilities	312,114,430	315,188,313
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - OPEB Related	589,499	413,856
Deferred Inflows - Pension Related	76,839	150,938
Total Deferred Inflows of Resources	666,338	564,794
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	(132,728,001)	(129,417,584)
Unrestricted	1,164,186	1,369,559
Total Net Position (Deficit)	\$(131,563,815)	\$(128,048,025)

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
OPERATING REVENUES		
Charges for Services:		
Landing Fees	\$ 1,576,966	\$ 893,765
Fuel Flowage Fees	278,938	251,575
Rent and Lease Revenue	8,640,912	9,207,397
Total Charges for Services	10,496,816	10,352,737
Fines and Forfeitures	34,986	121,180
Other	524,539	724,410
Total Operating Revenues	11,056,341	11,198,327
OPERATING EXPENSES		
Personnel Services	2,794,061	2,812,135
Maintenance and Operations	11,570,873	4,827,337
Depreciation	9,073,542	9,097,915
Total Operating Expenses	23,438,476	16,737,387
OPERATING LOSS	(12,382,135)	(5,539,060)
NONOPERATING REVENUES (EXPENSES)		
Taxes	21,308,725	19,858,962
Investment Income	49,414	519,981
Interest Expense	(17,139,120)	(17,518,436)
Gain (Loss) on Sale of Capital Assets	6,775	(604,144)
Other Nonoperating Expenses	(19,487)	(19,537)
Total Nonoperating Revenues (Expenses)	4,206,307	2,236,826
LOSS BEFORE CAPITAL CONTRIBUTIONS	(8,175,828)	(3,302,234)
CAPITAL CONTRIBUTIONS		
Capital Grants	6,344,691	843,148
Capital Contributions to the City of Victorville	(1,684,653)	-
Total Capital Contributions	4,660,038	843,148
CHANGE IN NET POSITION	(3,515,790)	(2,459,086)
Net Position (Deficit) - Beginning of Year	(128,048,025)	(125,588,939)
NET POSITION (DEFICIT) - END OF YEAR	\$(131,563,815)	\$(128,048,025)

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 11,085,240	\$ 10,894,428
Cash Payments to Employees for Services	(2,593,711)	(2,318,965)
Cash Payments to Suppliers for Goods and Services	(10,505,189)	(5,638,483)
Net Cash Provided (Used) by Operating Activities	(2,013,660)	2,936,980
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Other Governments	19,972,799	20,108,992
Cash Received from City of Victorville	-	15,369
Cash Paid to City of Victorville	(1,751,479)	-
Net Cash Provided by Noncapital Financing Activities	18,221,320	20,124,361
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash Received from the Sale of Capital Assets	6,775	14,874
Capital Grants	6,344,691	843,148
Cash Payments to Acquire Capital Assets	(2,338,353)	(36,297)
Principal Paid on Capital-Related Debt	(5,920,000)	(5,635,000)
Interest Paid on Capital-Related Debt	(15,550,721)	(15,845,328)
Net Cash Used by Capital and Related Financing Activities	(17,457,608)	(20,658,603)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	49,414	313,981
Net Cash Provided by Investing Activities	49,414	313,981
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,200,534)	2,716,719
Cash and Cash Equivalents - Beginning of Year	42,606,801	39,890,082
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 41,406,267	\$ 42,606,801
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and Investments	\$ 17,453,500	\$ 18,656,468
Cash and Investments with Fiscal Agent	23,952,767	23,950,333
Cash and Cash Equivalents	\$ 41,406,267	\$ 42,606,801

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (12,382,135)	\$ (5,539,060)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) By Operating Activities:		
Depreciation	9,073,542	9,097,915
Nonoperating Miscellaneous Expense	(19,487)	(19,537)
(Increase) Decrease in Assets:		
Accounts Receivable, Net	34,574	(294,741)
Inventory	(4,720)	5,019
Prepaid Items	51,058	(51,410)
Deferred Outflows - OPEB	(216,414)	(85,499)
Deferred Outflows - Pension	(43,855)	54,589
Increase (Decrease) in Liabilities:		
Accounts Payable	1,019,346	(764,755)
Unearned Revenue	(2,344)	14,709
Accrued Rent Credits Payable	16,156	(4,330)
Accrued Compensated Absences	(53,902)	21,477
Total OPEB Liability	121,332	205,277
Net Pension Liability	291,645	357,481
Deferred Inflows - OPEB	175,643	(48,438)
Deferred Inflows - Pension	(74,099)	(11,717)
Net Cash Provided (Used) by Operating Activities	\$ (2,013,660)	\$ 2,936,980
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Interest Accretion Expenses	\$ 1,321,695	\$ 1,229,608
Amortization of Bond Discounts and Premiums	91,868	91,868
Loss on Disposal of Capital Assets	-	(619,018)
Total	\$ 1,413,563	\$ 702,458

See accompanying Notes to Financial Statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The Southern California Logistics Airport Authority (SCLAA), a component unit of the City of Victorville, was formed in June of 1997 by the City of Victorville and the former Victorville Redevelopment Agency. Prior to the dissolution of the Victorville Redevelopment Agency in 2012, the Victorville Water District was added as a member of the JPA. The purpose of SCLAA is to provide for the coordination of long-range planning of the territory of George Air Force Base (now Southern California Logistics Airport, or the Airport). The Victor Valley Economic Development Authority (VVEDA), a Joint Powers Authority of the City of Victorville and other entities, was authorized to exclusively exercise the powers of a redevelopment agency in the area including and surrounding the Airport. VVEDA subsequently delegated to the SCLAA all of its redevelopment authority over the portion of the VVEDA project area comprised of the Airport.

B. Relationship to the City of Victorville

The SCLAA is an integral part of the reporting entity of the City of Victorville (City) and is reflected as a blended component unit within the City of Victorville. The SCLAA fund has been included within the scope of the basic financial statements of the City because the City Council is the governing board and has financial accountability over the operations of the SCLAA. Only the SCLAA fund is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Victorville, California.

C. Basic Financial Statements

The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows and the notes to the basic financial statements.

D. Basis of Accounting, Measurement Focus and Financial Statement Presentation

The SCLAA is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)

Proprietary funds are presented using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statement of net position.

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, regardless of when the related cash flows take place. Amounts paid to acquire capital assets are capitalized as assets. Proceeds of long-term debt and acquisitions under capital leases are recorded as a liability. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liability. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

The SCLAA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with airport and rental operations. The principal operating revenues of the SCLAA are charges to customers for services, which includes landing fees, fuel flowage fees, and rent and lease revenue, fines and forfeitures and other reimbursements. Operating expenses include personnel services, maintenance and operational costs and depreciation of capital assets. All revenues and expenses not meeting this definition, such as taxes, investment income, and interest expense, are reported as nonoperating revenues and expenses.

E. Cash and Investments

Investments are reported in the accompanying statement of net position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

F. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include the cash and investments held by a fiscal agent.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventory and Prepaid Items

The SCLAA uses the consumption method of accounting for inventories. Inventory consists primarily of supplies for construction and repair that are valued at cost using the weighted average method.

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items utilizing the consumption method.

H. Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value on the date of donation. SCLAA capitalizes all assets with an initial individual cost of more than \$5,000 and a useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life are not capitalized.

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

Buildings and Improvements	10 to 50 Years
Computer and Communications	5 Years
Furniture and Equipment	3 to 7 Years
Infrastructure	20 to 40 Years
Land Improvements	10 to 50 Years
Vehicles	8 to 15 Years

I. Compensated Absences

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.

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.

The balance of unpaid vacation and vested sick leave at year-end is recorded as a long-term liability in the financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports 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 until that time. The SCLAA has the following items that qualify for reporting in this category:

- An unamortized loss on bond defeasance that results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.
- Deferred outflow related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability and the total OPEB liability.
- Deferred outflows related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.
- Deferred outflows related to OPEB for changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plans.

The statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. The SCLAA has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan.
- Deferred inflows related to OPEB for differences between expected and actual experiences and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with retiree healthcare benefits through the plan.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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 (including premiums and discounts) and capital related payables that are attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by enabling legislation (such as external creditors, grantors, contributors, laws or regulations of other governments).

Unrestricted Net Position – This amount is the remaining net position that does not meet the definition of “invested in capital assets” or “restricted net position.”

Sometimes the SCLAA will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the SCLAA’s practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by Council.

L. 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 of the SCLAA’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS. 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.

M. 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the SCLAA’s prior year financial statements, from which this selected financial data was derived.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 17,453,500
Cash and Investments With Fiscal Agent	<u>23,952,767</u>
Total Cash and Investments	<u>\$ 41,406,267</u>

Cash and investments as of June 30, 2021, consist of the following:

Equity in City of Victorville Pool	\$ 119,703
Investments	<u>41,286,564</u>
Total Cash and Investments	<u>\$ 41,406,267</u>

Investments Pool of the City of Victorville

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

The City adopts the investment policy for the SCLAA. The table below identifies the investment types that are authorized for the SCLAA 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.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Bonds	Yes	5 Years	70%	None
U.S. Treasury Obligations	Yes	5 Years	70%	None
U.S. Agency Securities	Yes	5 Years	75%**	None
Banker's Acceptances	No	180 Days	40%	30%
Commercial Paper - Nonpooled Funds	No	270 Days	25%	10%
Commercial Paper - Pooled Funds	No	270 Days	40%	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%	None
Mutual Funds***	No	5 Years	20%*	10%*
Money Market Mutual Funds***	Yes	5 Years	20%*	None
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.

** Ginnie Mae is not to exceed 20% of the total portfolio.

*** Fund must be an AAA rated Government or US Treasury money fund.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 Days	None	None
Commercial Paper	270 Days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Certificate of Deposit	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Total	Remaining Maturities (in Months) Within 12
LAIF	\$ 17,333,797	\$ 17,333,797
Held by Bond Trustee:		
Money Market Mutual Funds	23,952,767	23,952,767
Total	<u>\$ 41,286,564</u>	<u>\$ 41,286,564</u>

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 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 Standard & Poor's rating as of year-end for each investment type.

Investment Type	Total	Minimum Legal Rating	Ratings as of Year End	
			AAA	Not Rated
LAIF	\$ 17,333,797	N/A	\$ -	\$ 17,333,797
Held by Bond Trustee:				
Money Market Mutual Funds	23,952,767	AAA	23,952,767	-
Total	<u>\$ 41,286,564</u>		<u>\$ 23,952,767</u>	<u>\$ 17,333,797</u>

Concentration of Credit Risk

The investment policy of the SCLAA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The SCLAA has no investments in any one issuer (other than LAIF and money market mutual funds) that represent 5% or more of the City's investments.

Custodial Credit Risk

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

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure SCLAA deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2021, the SCLAA's deposits (bank balances) were equity in the City of Victorville's pool, which was insured by the federal depository insurance limits or collateralized as required under California Law.

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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investment in State Investment Pool

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

Fair Value Measurements

The SCLAA categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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 of other items.

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

The SCLAA's investments in LAIF and money market mutual funds (held by bond trustee) are not subject to the fair value measurement hierarchy.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for SCLAA at June 30, 2021:

	Balance July 1, 2020	Additions	Transfers from City	Deletions	Balance June 30, 2021
Nondepreciable Assets:					
Land	\$ 13,848,689	\$ -	\$ -	\$ -	\$ 13,848,689
Construction in Progress	22,314	1,935,449	-	-	1,957,763
Total Nondepreciable Assets	<u>13,871,003</u>	<u>1,935,449</u>	<u>-</u>	<u>-</u>	<u>15,806,452</u>
Depreciable Assets:					
Buildings and Improvements	180,173,417	77,553	-	-	180,250,970
Computer and Communication	254,165	-	-	-	254,165
Furniture and Equipment	7,747,618	-	-	(306,648)	7,440,970
Infrastructure	96,466,741	325,351	-	-	96,792,092
Land Improvements	128,489	-	-	-	128,489
Vehicles	775,561	-	22,719	(18,083)	780,197
Total Depreciable Assets	<u>285,545,991</u>	<u>402,904</u>	<u>22,719</u>	<u>(324,731)</u>	<u>285,646,883</u>
Less Accumulated Depreciation:					
Buildings and Improvements	(104,689,923)	(4,077,097)	-	-	(108,767,020)
Computer and Communication	(233,548)	(5,122)	-	-	(238,670)
Furniture and Equipment	(5,339,904)	(354,349)	-	306,648	(5,387,605)
Infrastructure	(49,187,755)	(4,616,943)	-	-	(53,804,698)
Land Improvements	(112,428)	(12,849)	-	-	(125,277)
Vehicles	(740,257)	(7,182)	(22,719)	18,083	(752,075)
Total Accumulated Depreciation	<u>(160,303,815)</u>	<u>(9,073,542)</u>	<u>(22,719)</u>	<u>324,731</u>	<u>(169,075,345)</u>
Total Depreciable Assets, Net	<u>125,242,176</u>	<u>(8,670,638)</u>	<u>-</u>	<u>-</u>	<u>116,571,538</u>
Capital Assets, Net	<u>\$ 139,113,179</u>	<u>\$ (6,735,189)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,377,990</u>

Depreciation expense for the SCLAA was \$9,073,542 for the year ended June 30, 2021.

NOTE 4 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2021 is noted below:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Other Long-Term Liabilities:					
Compensated Absences	\$ 283,554	\$ 164,669	\$ (218,571)	\$ 229,652	\$ 124,790
Other Debt:					
Tax Allocation Bonds:					
2005 Tax Allocation Parity Bonds	15,320,000	-	(1,115,000)	14,205,000	1,165,000
2006 Tax Allocation Bonds (Non-Housing)	48,995,000	-	(1,155,000)	47,840,000	1,205,000
2006 Tax Allocation Bonds (Housing)	13,160,000	-	(310,000)	12,850,000	325,000
2006 Allocation Parity Bonds	41,675,000	-	(145,000)	41,530,000	155,000
2006 Tax Allocation Revenue Parity Bonds	30,230,000	-	(575,000)	29,655,000	610,000
2006 Tax Allocation Revenue Bonds	54,810,000	-	(1,070,000)	53,740,000	1,135,000
2007 Tax Allocation Bonds	34,055,000	-	(720,000)	33,335,000	760,000
2007 Tax Allocation Bonds (Non-Housing)*	35,550,000	-	(725,000)	34,825,000	765,000
2008 Tax Allocation Bonds*	22,763,420	1,321,695	(105,000)	23,980,115	105,000
Tax Allocation Bonds Subtotal	<u>296,558,420</u>	<u>1,321,695</u>	<u>(5,920,000)</u>	<u>291,960,115</u>	<u>6,225,000</u>
Unamortized Discounts/Premiums	(2,275,932)	-	91,868	(2,184,064)	-
Total	<u>\$ 294,566,042</u>	<u>\$ 1,486,364</u>	<u>\$ (6,046,703)</u>	<u>\$ 290,005,703</u>	<u>\$ 6,349,790</u>

See pledged revenue information at the end of this note.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Tax Allocation Parity Bonds, Series 2005A

In June 2005, the SCLAA 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 SCLAA.

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). As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The Bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$14,205,000.

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

In June 2006, the SCLAA 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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

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

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

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

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$47,840,000.

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

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

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

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

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

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$12,850,000.

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

In June 2006, the SCLAA 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 SCLAA.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

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

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.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$41,530,000.

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006

In November 2006, SCLAA 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 SCLAA.

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.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$29,655,000.

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

In November 2006, the SCLAA 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 SCLAA.

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

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

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

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$53,740,000.

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

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

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

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

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash and an insurance policy. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$33,335,000.

Subordinate Tax Allocation Revenue Bonds, Series 2007

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

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.

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NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Subordinate Tax Allocation Revenue Bonds, Series 2007 (Continued)

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

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$34,825,000.

Subordinate Tax Allocation Revenue Bonds, Series 2008

In May 2008, the SCLAA 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 SCLAA 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 \$131,805,000 at June 30, 2021.

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.

As of June 30, 2021, the required reserve for the Bonds was met with fiscal agent cash. The bonds are a special obligation of the SCLAA payable from tax increment revenues. The amount of bonds outstanding at June 30, 2021 is \$23,980,115, which includes an accretion balance of \$11,620,190.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding SCLAA debt as of June 30, 2021, are as follows for each fiscal year ending June 30:

<u>Year Ending June 30.</u>	<u>Tax Allocation Bonds</u>	
	<u>Principal*</u>	<u>Interest</u>
2022	\$ 6,225,000	\$ 15,238,104
2023	6,550,000	14,906,577
2024	6,885,000	14,555,859
2025	7,245,000	14,184,559
2026	7,630,000	13,792,810
2027-31	44,665,000	62,262,070
2032-36	58,425,000	48,026,395
2037-41	77,350,000	28,526,413
2042-46	94,184,999	47,291,605
2047-2051	90,425,001	77,127,009
Subtotal	399,585,000	<u>\$ 335,911,401</u>
Discounts/Premiums	(2,184,064)	
Total	<u>\$ 397,400,936</u>	

* This total includes capital appreciation of \$107,624,885 for tax allocation bonds that will be accrued in the future years.

Pledged Revenue

All of the above Tax Allocation Bonds 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.

The SCLAA contains a portion of the Victor Valley Economic Development Authority (VVEDA) Successor Agency (see Note 8 for additional information). The RPTTF (tax increment distributions) from VVEDA represent the primary revenue of the SCLAA.

As a result of the state's action to dissolve all redevelopment agencies in the state of California, the VVEDA Successor Agency 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 VVEDA 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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
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NOTE 4 LONG-TERM LIABILITIES (CONTINUED)

Pledged Revenue (Continued)

For the current year, pledged gross revenue (net of certain expenses were so required by the debt agreement) as a percentage of debt service payments 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>Pledged Revenue as a Percentage of Debt Service</u>
Property Tax Increment Pledged by the Southern California Logistics Airport Authority	\$ 23,020,692	\$ 21,470,720	107%

NOTE 5 ADVANCES TO/FROM

Advances to/from the City

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
City of Victorville	SCLAA	\$ 1,864,932 a)
Successor Agency*	SCLAA	10,995,517 b)
SCLAA	City of Victorville	1,940,095 c)

*Advances from the Successor Agency have been classified as Advances from Other Governments in the statement of net position.

- a) Per a loan agreement approved on October 20, 2009 by the Board of the Victorville Redevelopment Agency (RDA), a \$1,700,000 advance was made from the Low and Moderate Housing Fund to the SCLAA. The advance is to be used for SCLAA redevelopment activities. The advance has an interest rate equal to the annualized Local Agency Investment Fund (LAIF) rate of return. The loan had a repayment term of five years, which was due June 30, 2014, but has not yet been repaid due to funding issues with the SCLAA. There is no current payment schedule available for this advance. The outstanding balance of the advance as of June 30, 2021 is \$1,864,932.
- b) Per a loan agreement approved on September 15, 2009 by the Board of Victorville RDA, a \$10,000,000 advance was made from the Bear Valley Road Redevelopment Project Area (RDA Capital Project Fund) to the SCLAA. The advance is to be used to continue redevelopment at SCLAA and to fund prior years' capital improvements and redevelopment project expenses. The advance bears interest at 3% using the simple interest method in accordance with SB-107. The outstanding balance of the advance as of June 30, 2021 is \$10,995,517. The California Department of Finance has denied repayment on this loan.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 ADVANCES TO/FROM (CONTINUED)

Advances to/from the City (Continued)

- 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 City is working on a plan to repay this loan in fiscal year 2021-2022. The advance has an interest rate equal to the annualized Local Agency Investment Fund (LAIF) rate of return. The outstanding balance of the advance as of June 30, 2021 is \$1,940,095.

NOTE 6 PENSION PLAN

General Information about the Pension Plan

Plan Description

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. The SCLAA's share of the net pension liability is reported as a cost-sharing plan in these financial statements. 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. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least five years of services. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for nonduty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

The Plan's provisions and benefits in effect as of the measurement period ended June 30, 2020, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	on or after January 1, 2013
Hire Date		
Benefit Formula	2.5%@55	2.0%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 to 55	52 to 67
Required Employee Contribution Rates	8.00%	6.75%
Required Employer Contribution Rates:		
Normal Cost Rate	10.59%	9.69%
Payment of Unfunded Liability	\$215,495	N/A

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 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 SCLAA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. SCLAA contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For the fiscal year ended June 30, 2021, SCLAA made contributions totaling \$381,393.

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Actuarial Assumptions

The total pension liability for the Miscellaneous Plan for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The total pension liability for the Miscellaneous Plan was based on the following assumptions:

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NOTE 6 PENSION PLAN (CONTINUED)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Actuarial Assumptions (Continued)

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Long-term Expected Rate of Return

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

In determining the long term expected rate of return, CalPERS took into account both short term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11+ 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
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NOTE 6 PENSION PLAN (CONTINUED)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources
Related to Pensions (Continued)**

Long-term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as follows:

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)
	<u>100.00 %</u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Proportionate Share of Net Pension Liability – City's Miscellaneous Agent Multiple-Employer Plan Allocation to the SCLAA

The SCLAA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The SCLAA's proportionate share of the net pension liability was based on a projection of the SCLAA's long-term share of contributions to the Miscellaneous Plan relative to the projected contributions of the City, actuarially determined.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability – City’s Miscellaneous Agent Multiple-Employer Plan Allocation to the SCLAA (Continued)

The SCLAA’s proportionate share of the net pension liability for the Miscellaneous Plan as of the measurement date ended June 30, 2019 and 2020 was as follows:

	Increase (Decrease)			Proportionate Share
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)	
Balance at: 6/30/2019 (MD)	\$ 13,910,894	\$ 10,363,958	\$ 3,546,936	6.86%
Balance at: 6/30/2020 (MD)	14,580,525	10,741,944	3,838,581	6.84%
Net Changes During 2019-20	<u>\$ 669,631</u>	<u>\$ 377,986</u>	<u>\$ 291,645</u>	-0.02%

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the SCLAA recognized pension expense of \$588,058 for the Miscellaneous Plan. At June 30, 2021, the SCLAA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Miscellaneous Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to the Measurement Date	\$ 381,393	\$ -
Changes of Assumptions	-	(76,839)
Differences Between Expected and Actual Experience	260,444	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	147,899	-
Total	<u>\$ 789,736</u>	<u>\$ (76,839)</u>

\$381,393 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Differences between projected and actual investment earnings are amortized on a five-year straight-line basis and all other amounts are amortized over the expected average remaining service lives of all members that are provided with benefits.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
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NOTE 6 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

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

Measurement Period Ended June 30,	Deferred Inflows of Resources
2022	\$ 65,794
2023	121,291
2024	84,637
2025	59,782
2026	-
Thereafter	-

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

The following presents the SCLAA's proportionate share of the net pension liability for the Miscellaneous Plan, calculated using the discount rate of 7.15%, as well as what the SCLAA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (6.15%)	Current Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	\$ 5,897,758	\$ 3,838,581	\$ 2,149,170

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separate issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2021, the SCLAA had no outstanding amount of contributions to the Miscellaneous Plan required for the year ended June 30, 2021.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Descriptions

The SCLAA participates in the City's Other Postemployment Benefits Defined Benefit Pension Plan and the SCLAA's share of the total OPEB liability is reported as a cost sharing plan in these financial statements.

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 HMO single premium). The percentage varies based on years of 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). The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

Contributions

The City Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contribution is based on the year's retiree medical premiums (pay-as-you-go basis). For the fiscal year ended June 30, 2021, the SCLAA's cash contributions were \$15,564 in cash benefit payments, \$72 in administrative costs, and the estimated implied subsidy was \$6,184, resulting in total payments of \$21,820.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2020 and determined by an actuarial valuation as of June 30, 2020.

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	2.21%
Inflation	2.75%
Salary Increases	3.0% per annum, in aggregate
Investment Rate of Return	N/A
Mortality, Retirement, Disability	
Termination	1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2020
Healthcare Trend Rate	Non-Medicare: 7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4.0% in 2076 Medicare (Kaiser) - 5.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The discount rate is determined based on the Bond Buyer 20-bond index since the City has not established a trust.

Change in Actuarial Assumptions

The discount rate changed from 3.50% at the beginning of the measurement period to 2.21% based on changes in the index. In addition, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

Allocation of Total OPEB Liability

The SCLAA's proportionate share of the total OPEB liability as of the measurement dates ended June 30, 2019 and 2020 was as follows:

	Total OPEB Liability	Proportionate Share
Balance - June 30, 2019 (MD)	\$ 2,093,649	8.19%
Balance - June 30, 2020 (MD)	2,214,981	7.99%
Net Changes During 2019-20	<u>\$ (121,332)</u>	-0.20%

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

The following presents the SCLAA's proportionate share of the total OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (1.21%)	Current Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 2,678,876	\$ 2,214,981	\$ 1,853,306

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

The following presents the SCLAA's proportionate share of the total OPEB liability if it were calculated using health care cost trend rates that are one percentage point lower (Non-Medicare: 6.0% for 2022 decreasing to 3.0% in 2076; Medicare (Non-Kaiser): 5.1% for 2022, decreasing to an ultimate rate of 3.0% in 2076; Medicare (Kaiser): 4.0% for 2022, decreasing to an ultimate rate of 3.0% in 2076) or one percentage point higher (Non-Medicare: 8.0% for 2022 decreasing to 5.0% in 2076; Medicare (Non-Kaiser): 7.1% for 2022, decreasing to an ultimate rate of 5.0% in 2076; Medicare (Kaiser): 6.0% for 2022, decreasing to an ultimate rate of 5.0% in 2076) than the current rate:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 1,782,492	\$ 2,214,981	\$ 2,796,861

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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

Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	5 Years
Plan Investments	
All Other Amounts	Expected average remaining service lifetime (EARSL) (9.1 Years at June 30, 2020 measurement date)

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

For the fiscal year ended June 30, 2021, the SCLAA recognized OPEB expense of \$102,380. As of fiscal year ended June 30, 2021, the SCLAA reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions Subsequent to the Measurement Date	\$ 21,820	\$ -
Differences Between Expected and Actual Experience	-	(395,973)
Changes of Assumptions	301,150	(193,526)
Total	<u>\$ 322,970</u>	<u>\$ (589,499)</u>

The \$21,820 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB liability during the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Measurement Period Ended June 30,	Deferred Inflows of Resources
2022	\$ (55,856)
2023	(55,856)
2024	(55,856)
2025	(55,856)
2026	(55,855)
Thereafter	(9,070)

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Payable to the Pension Plan

At June 30, 2021, the SCLAA had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Litigation

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

Southern California Logistics Airport Authority and Stirling Enterprise LLC

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

The EDC Parcels are made up of approximately 1,800 acres of adjacent property which may be developed for use as commercial property. SCLAA paid \$1,636,489 and is required to pay additional \$37,176 for these EDC Parcels. In 1993 a Redevelopment Plan was adopted by VVEDA establishing a redevelopment project area encompassing the former Base as well as approximately 55,000 additional acres. VVEDA delegated its decision making authority relative to the former Base, now known as SCLAA.

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 SCLAA. The Fourth Amended and Restated Master Agreement (Stirling Agreement) is the current agreement superseding all previous versions.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Revenues from Sales of Land

In August 2016, three agreements with Stirling were approved by the SCLAA Board of Directors that were intended to serve as a framework that encourages development before the expiration of the Master Agreement (MA). The three agreements are a Satisfaction and Termination Agreement, a Disposition, Exchange and Development Agreement (#2) and an Option and Development Agreement.

The Disposition, Exchange and Development Agreement allows for the removal of approximately 280-acres of Airport-owned property from the definition of EDC Parcels and the title transfer in fee to Stirling, of approximately 280-acres. The Airport-owned property will become available for the Airport for revenue-producing purposes and the Airport will have the flexibility to develop the subject property on a ground-lease basis with aviation and nonaviation (Section 2.01 of the Development and Exchange Agreement). Revenue sharing will only exist relating to these parcels if the respective transaction is procured by Stirling and be split 80/20 with the larger share to benefit SCLAA.

The Agreement also provides for the disposition of additional off-airport property. In addition to the Stirling Exchange Parcels, SCLAA will then transfer, in fee, 200-acres of property for the \$.0203/psf purchase price (\$176,448) and participate in revenue sharing for net proceeds in an amount equal to 30% (Section 2.03 of the Development and Exchange Agreement). Net proceeds are generally defined to be revenues generated from the eventual sale by Stirling that are residual to infrastructure costs, EIR costs and developer credits. The Agreement also transfers the public infrastructure obligations of the Authority pursuant to the MA and DDA to Stirling.

Finally, the Option Agreement, in connection with performance obligations related to the Development and Exchange Agreement, will provide Stirling the ability to acquire additional acreage currently provided for in the Master Agreement. Such an exercise of option will occur in 50-acre increments based on Stirling having developed 500,000 square feet of property owned by it. The Option Agreement is set up to run through December 2050 and can terminate sooner due to nonperformance described in Section 1.5 of the Option and Development Agreement.

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 from those leases, 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.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 SCLAA'S FINANCIAL CONDITION SIGNIFICANT FINANCIAL OBLIGATIONS AND MANAGEMENT'S PLANS

In Fiscal Year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Beginning in FY 09/10, there were significant decreases in assessed value for the Victor Valley Redevelopment Project Area. Assessed values for the Project Area reached a low point of \$6.6 Billion in FY 12/13. The decrease was largely the result of the Great Recession. Since FY 12/13, assessed values have increased steadily. For Fiscal Year 2020-2021, the assessed value for the Project Area was approximately \$9.99 billion. The steady increase in assessed values have resulted in the SCLAA paying all past due debt service in the previous fiscal year. As of the December 1, 2018 tax distribution, the SCLAA was no longer in default. In 2018, Moody's issued an upgraded rating on the Successor Agency to the Victor Valley Economic Development Authority (VVEDA) housing set-aside Tax Allocation Bonds and the Non-Housing Tax Allocation Bonds to "stable" outlook as a result of resolving the outstanding defaults, and the prospective analysis on increasing assessed values in the project area.

During the current fiscal year and prior year, SCLAA had results that were not as favorable as fiscal year 2018-2019 with a net loss of \$3.5 million and \$2.5 million, respectively. A summary of the financial condition of the SCLAA enterprise fund is as follows:

Beginning Net Position	\$(128,048,025)
Net Income	<u>(3,515,790)</u>
Ending Net Position	<u><u>\$(131,563,815)</u></u>

Management's Plans with Respect to its Financial Condition

Management plans to ensure that annual expenditures do not exceed annual revenues and to build the reserves that are necessary to provide for economic uncertainties.

The SCLAA has continued to maintain a balance budget since 2007-2008 and all revenues are projected to cover current liabilities.

Regarding the SCLAA's financial condition, an Interfund loan agreement was signed July 1, 2016 by the Board of SCLAA and a \$10,000,000 advance was made available from the 2007 SCLA Housing bond fund to the Airport Operations Fund and has been used to subsidize operations. The advance has a term repayment of five years, with an annualized Wall Street Journal Prime Rate as the interest rate. The outstanding balance of the advance as of June 30, 2021 is \$8,824,244, which has been eliminated for financial statement purposes within the SCLAA since the advance is within the fund itself. SCLAA is currently preparing for payment of this loan in FY 2021-2022 using funding from property sales.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 JOINTLY GOVERNED ORGANIZATIONS

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 distribution's provisions of the bill. The SCLAA contains a portion of the VVEDA Successor Agency with the Town of Apple Valley and City of Adelanto comprising the rest of the VVEDA Successor Agency. The RPTTF (tax increment distributions) from VVEDA represent the primary revenue of the SCLAA. Financial statements may be obtained by sending a written request to Victor Valley Economic Development Authority, 18374 Phantom Street, Victorville, CA 92394.

NOTE 11 SUCCESSOR AGENCY TRUST FOR ASSETS OF THE FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the state of California. This action impacted the SCLAA because the SCLAA has historically funded its operations and debt service using significant tax increment revenue from the Victor Valley Economic Development Agency (VVEDA). VVEDA has acted as a pass-through agency for the various recipients of tax increment revenue in the Victor Valley and is subject to the dissolution requirements of the Bill.

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

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 LEASES

The SCLAA has various leases for rental of portions certain real property and improvements for which the cost and accumulated depreciation cannot readily be determined. Lease terms vary. Future minimum rental payments to be received on the leases that are contractually due as of June 30, 2021 are estimated as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2022	\$ 8,022,722
2023	8,185,944
2024	8,433,322
2025	8,700,875
2026	8,909,364
2027-2031	48,720,055
2032-2036	55,915,099
2037-2041	63,504,771
Total	<u>\$ 210,392,152</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Reporting Fiscal Year (Measurement Date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Plan's Proportion of the Net Pension Liability	6.84%	6.86%	6.90%	6.95%	7.07%	6.87%	6.76%
Plan's Proportionate Share of the Net Pension Liability	\$ 3,838,581	\$ 3,546,936	\$ 3,189,455	\$ 3,210,086	\$ 2,805,052	\$ 2,090,587	\$ 1,880,791
Plan's Covered Payroll	\$ 1,686,096	\$ 1,534,654	\$ 1,565,360	\$ 1,579,911	\$ 1,368,422	\$ 1,343,244	\$ 1,310,612
Plan's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	227.66%	231.12%	203.75%	203.18%	204.98%	155.64%	143.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	5.04%	5.11%	5.22%	5.18%	5.33%	5.50%	6.76%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the 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% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2021:

There were no significant changes in assumptions.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
SCHEDULE OF PLAN CONTRIBUTIONS
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Fiscal Year						
	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution	\$ 381,393	\$ 345,578	\$ 279,699	\$ 275,299	\$ 273,075	\$ 233,116	\$ 197,631
Contributions in relation to the Actuarially Determined Contribution	<u>(381,393)</u>	<u>(345,578)</u>	<u>(279,699)</u>	<u>(275,299)</u>	<u>(273,075)</u>	<u>(233,116)</u>	<u>(197,631)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,676,551	\$ 1,686,096	\$ 1,534,654	\$ 1,565,360	\$ 1,579,911	\$ 1,368,422	\$ 1,343,244
Contributions as a Percentage of Covered Payroll	22.75%	20.50%	18.23%	17.59%	17.28%	17.04%	14.71%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market Method
Inflation	2.50%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 - 55 for 2.5%@55; 52 - 67 for 2.0%@62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY
(COST SHARING PLAN)
LAST TEN FISCAL YEARS***

	Fiscal Year Ended (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Plan's Proportion of the Total OPEB Liability	0.00%	8.19%	8.57%	8.43%
Plan's Proportionate Share of the Total OPEB Liability	\$ 2,214,981	\$ 2,093,649	\$ 1,888,372	\$ 2,014,829
Plan's Covered Payroll	\$ 2,348,399	\$ 1,993,268	\$ 1,735,340	\$ 1,494,600
Plan's Proportionate Share of the Total OPEB Liability as a Percentage of Covered Employee Payroll	94.32%	105.04%	108.82%	134.81%

Notes to Schedule:

Changes in Assumptions:

Discount rate	2.21%	3.50%	3.87%	3.58%
Mortality improvement rates	Scale MP-2020	Scale MP-2018	Scale MP-2018	Scale MP-2016

The mortality, retirement, disability, and termination rates for the measurement periods ended June 30, 2017 and 2018 were based on the CalPERS 1997-2011 Experience Study and CalPERS 1997-2015 Experience Study, respectively.

In the June 30, 2018 measurement period, the pre-65 waived retiree re-election was updated to be 10% after age 65.

In the June 30, 2020 measurement period, the medical trend rate for Kaiser Senior Advantage plans decreased from 6.5% to 5.0%.

*Fiscal year 2018 was the first year of implementation, therefore only four years are shown.

SUPPLEMENTARY INFORMATION

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2021
(WITH COMPARATIVE DATA FOR JUNE 30, 2020)

					Totals	
	Aeronautical	Non Aeronautical	Other Services	Elimination	2021	2020
ASSETS						
Current Assets						
Cash and Investments	\$ 1,591,498	\$ 111,244	\$ 15,750,758	\$ -	\$ 17,453,500	\$ 18,656,468
Cash and Investments with Fiscal Agent	-	-	23,952,767	-	23,952,767	23,950,333
Accounts Receivable, Net	452,419	-	-	-	452,419	486,993
Due from Other Funds	-	-	-	-	-	-
Due from Other Governments	2,241,469	-	-	-	2,241,469	849,543
Inventory	16,320	-	-	-	16,320	11,600
Total Current Assets	<u>4,301,706</u>	<u>111,244</u>	<u>39,703,525</u>	<u>-</u>	<u>44,116,475</u>	<u>43,954,937</u>
Noncurrent Assets						
Prepaid Items	2,759	-	-	-	2,759	53,817
Advances to Other Funds	-	-	9,078,004	(9,078,004)	-	-
Advances to City of Victorville	-	-	1,940,095	-	1,940,095	1,929,269
Advances to Other Governments	-	-	-	-	-	-
Nondepreciable Capital Assets	2,052,694	-	13,753,758	-	15,806,452	13,871,003
Depreciable Capital Assets, Net	20,218,289	-	96,353,249	-	116,571,538	125,242,176
Total Noncurrent Assets	<u>22,273,742</u>	<u>-</u>	<u>121,125,106</u>	<u>(9,078,004)</u>	<u>134,320,844</u>	<u>141,096,265</u>
Total Assets	26,575,448	111,244	160,828,631	(9,078,004)	178,437,319	185,051,202
Deferred Outflow of Resources						
Deferred Outflows - OPEB Related	322,970	-	-	-	322,970	106,556
Deferred Outflow - Pension Related	781,130	8,606	-	-	789,736	745,881
Deferred Charge on Refunding	-	-	1,666,928	-	1,666,928	1,801,443
Total Deferred Outflow of Resources	<u>1,104,100</u>	<u>8,606</u>	<u>1,666,928</u>	<u>-</u>	<u>2,779,634</u>	<u>2,653,880</u>
LIABILITIES						
Current Liabilities						
Accounts Payable	1,251,784	14,000	-	-	1,265,784	246,438
Interest Payable	-	-	1,283,294	-	1,283,294	1,308,493
Unearned Revenue	44,066	-	-	-	44,066	46,410
Due to Other Funds	-	-	-	-	-	-
Bonds Subject to Call	-	-	-	-	-	-
Total OPEB Liability - Due Within One Year	28,165	-	-	-	28,165	-
Long-Term Liabilities, Due Within One Year	124,790	-	6,225,000	-	6,349,790	6,074,079
Total Current Liabilities	<u>1,448,805</u>	<u>14,000</u>	<u>7,508,294</u>	<u>-</u>	<u>8,971,099</u>	<u>7,675,420</u>
Noncurrent Liabilities						
Accrued Rent Credit Payable	600,572	1,000	-	-	601,572	585,416
Advances from Other Funds	9,078,004	-	-	(9,078,004)	-	-
Advances from City of Victorville	-	-	1,864,932	-	1,864,932	1,855,412
Advances from Other Governments	-	-	10,995,517	-	10,995,517	10,939,517
Total OPEB Liability	2,186,816	-	-	-	2,186,816	2,093,649
Net Pension Liability	3,825,101	13,480	-	-	3,838,581	3,546,936
Long-Term Liabilities, Due Beyond One Year	104,862	-	283,551,051	-	283,655,913	288,491,963
Total Noncurrent Liabilities	<u>15,795,355</u>	<u>14,480</u>	<u>296,411,500</u>	<u>(9,078,004)</u>	<u>303,143,331</u>	<u>307,512,893</u>
Total Liabilities	17,244,160	28,480	303,919,794	(9,078,004)	312,114,430	315,188,313
Deferred Inflows of Resources						
Deferred Inflows - OPEB Related	589,499	-	-	-	589,499	413,856
Deferred Inflows - Pension Related	74,754	2,085	-	-	76,839	150,938
Total Deferred Inflows of Resources	<u>664,253</u>	<u>2,085</u>	<u>-</u>	<u>-</u>	<u>666,338</u>	<u>564,794</u>
Net Position (Deficit)						
Net Investment in Capital Assets	21,321,348	-	(154,049,349)	-	(132,728,001)	(129,417,584)
Unrestricted	(11,550,213)	89,285	12,625,114	-	1,164,186	1,369,559
Total Net Position (Deficit)	<u>\$ 9,771,135</u>	<u>\$ 89,285</u>	<u>\$ (141,424,235)</u>	<u>\$ -</u>	<u>\$ (131,563,815)</u>	<u>\$ (128,048,025)</u>

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2020)

	Aeronautical	Non Aeronautical	Other Services	Elimination	Totals	
					2021	2020
Operating Revenues						
Charges for Services:						
Landing Fees	\$ 1,576,966	\$ -	\$ -	\$ -	\$ 1,576,966	\$ 893,765
Fuel Flowage Fees	278,938	-	-	-	278,938	251,575
Rent and Lease Revenue	7,535,912	105,000	1,000,000	-	8,640,912	9,207,397
Total Charges for Services	<u>9,391,816</u>	<u>105,000</u>	<u>1,000,000</u>	<u>-</u>	<u>10,496,816</u>	<u>10,352,737</u>
Fines and Forfeitures	34,986	-	-	-	34,986	121,180
Other	524,539	-	-	-	524,539	724,410
Total Operating Revenues	<u>9,951,341</u>	<u>105,000</u>	<u>1,000,000</u>	<u>-</u>	<u>11,056,341</u>	<u>11,198,327</u>
Operating Expenses						
Personnel Services	2,792,194	1,867	-	-	2,794,061	2,812,135
Maintenance and Operations	11,486,449	64,477	19,947	-	11,570,873	4,827,337
Depreciation	2,834,129	-	6,239,413	-	9,073,542	9,097,915
Total Operating Expenses	<u>17,112,772</u>	<u>66,344</u>	<u>6,259,360</u>	<u>-</u>	<u>23,438,476</u>	<u>16,737,387</u>
Operating Loss	(7,161,431)	38,656	(5,259,360)	-	(12,382,135)	(5,539,060)
Nonoperating Revenues (Expenses)						
Taxes	180,308	-	21,128,417	-	21,308,725	19,858,962
Investment Income	7,224	132	295,818	(253,760)	49,414	519,981
Interest Expense	(253,760)	-	(17,139,120)	253,760	(17,139,120)	(17,518,436)
Gain on Sale of Capital Assets	6,775	-	-	-	6,775	(604,144)
Other Nonoperating Expenses	-	-	(19,487)	-	(19,487)	(19,537)
Total Nonoperating Revenues (Expenses)	<u>(59,453)</u>	<u>132</u>	<u>4,265,628</u>	<u>-</u>	<u>4,206,307</u>	<u>2,236,826</u>
Income (Loss) Before Capital Contributions	(7,220,884)	38,788	(993,732)	-	(8,175,828)	(3,302,234)
Capital Contributions						
Capital Grants	6,344,691	-	-	-	6,344,691	843,148
Capital Contribution to the City of Victorville	(1,684,653)	-	-	-	(1,684,653)	-
Total Capital Contributions	<u>4,660,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,660,038</u>	<u>843,148</u>
Change in Net Position	(2,560,846)	38,788	(993,732)	-	(3,515,790)	(2,459,086)
Net Position (Deficit) - Beginning of Year	<u>12,331,981</u>	<u>50,497</u>	<u>(140,430,503)</u>	<u>-</u>	<u>(128,048,025)</u>	<u>(125,588,939)</u>
Net Position (Deficit) - End of Year	<u>\$ 9,771,135</u>	<u>\$ 89,285</u>	<u>\$ (141,424,235)</u>	<u>\$ -</u>	<u>\$ (131,563,815)</u>	<u>\$ (128,048,025)</u>