

CITY OF VICTORVILLE



Comprehensive Annual Financial Report

Fiscal year ended June 30, 2012



CITY OF VICTORVILLE
Victorville, California

Comprehensive Annual Financial Report

Year ended June 30, 2012

Prepared by:
Department of Finance



CITY OF VICTORVILLE
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February 14, 2013

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

It is with great pleasure that we present to you the City of Victorville's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. The Comprehensive Annual Financial Report consists of the following: transmittal letter, the independent auditor's report, management's discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, the combining and individual fund statements and schedules and the statistical section.

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

It is the policy of the City of Victorville to have an annual audit performed by an independent certified public accountant. The City's financial statements for the fiscal year ended June 30, 2012 were audited by Mayer Hoffman McCann P.C, Certified Public Accountants. An independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditor's unqualified opinion on the basic financial statement is included in the Financial Section of this report.

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

Profile of the Government

The City of Victorville is located in the High Desert, along Interstate 15 about 40 miles north of the City of San Bernardino and serves an area of 74.09 square miles with a population of approximately 102,538.

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

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

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

Local Economy

The City of Victorville, like most cities throughout California, has withstood many economic challenges. A slowdown in the housing markets, starting in fiscal year 2007, has caused a decline in residential construction. Problems resulting from the Great Recession and the State budget will continue to impact the growth statewide as well as locally.

In fiscal year 2012, Sales Tax collections increased by about 9%. Retail sales of general consumers goods continue to show strong numbers. Autos and transportation industries such as

car dealers and service stations are slowly gaining back their sales tax revenue. Retail sales and Autos make up more than 70% of sales tax revenue generated in the City of Victorville.

According to Bradco High Desert Report “the High Desert Single Family Market appears to be stabilizing.” This seems to be true as indicated by the Property tax revenue receipt for fiscal year 2012. The largest source of tax revenue is property tax and it increased by 4 % over the prior year. The demand for Single Family homes showed a slight increase due to change in Federal Government policies. Low interest rates and minimum down payments helped make home buying in the High Desert more affordable. The median price for Single family homes in March 2012 was \$110,000. Home prices have declined 65% from the peak in 2006.

Despite the challenge with unemployment nationally and locally, the economy is slowly turning around as shown by an increase in retail sales of consumable goods. New housing markets continue to lag throughout the Victor Valley. When the excess housing is absorbed, and prices increase, homebuilders will build new homes if they can sell for more than costs incurred. Some analysts believe the rebound in the Single Family housing market could begin in the next two to seven years.

Long-term Financial Planning

The City of Victorville has successfully reduced its budget since Fiscal Year 2008-2009 to bring expenditures in line with revenues. The City’s General Fund has been using the fund balance accumulated at 6-30-2007 of \$22,667,501 to weather the storm of the Great Recession. For the first time in the past five years, the City of Victorville’s General Fund has increased its fund balance at year end 6-30-2012 by \$638,730. The budget for the General Fund in Fiscal Year 2012-2013 also reflects an estimated fund balance addition of \$74,992. The balancing of revenues to expenditures has been accomplished through layoffs, furloughs, retirements, reorganizations and deep reductions in employee benefits. The Reserve Policy requiring a minimum of 5% was suspended on June 1, 2010. However, the 5% minimum reserve requirement was met at 6-30-2012 with an unassigned General Fund reserve of \$3,661,389. The three major tax revenues: sales tax, property tax and franchise tax, continue to modestly increase. The City is committed to monitoring the budget closely and provide for the accumulation of reserves until the target level of 15% has been realized in accordance with the City’s General Fund Reserve Policy.

Major Initiatives for the Year

- As the center of the High Desert, Victorville still continues to lead the way for economic growth in this region. The construction of the Nisqualli/La Mesa Interstate- I 15 interchange, a project partnered with the City Victorville, SANBAG and Caltrans is underway and is expected to be completed by early fall 2013. The interchange will help alleviate traffic congestion on Bear Valley interchange and will provide a new east/west route through the Victor Valley.

- On December 29, 2011, the California Supreme Court upheld its decision to dissolve all Redevelopment Agencies effective February 1, 2012. Upon the dissolution of the Victorville Redevelopment Agency, a Successor Agency to the Victorville Redevelopment Agency was created to wind down the affairs of the former Redevelopment Agency. The assets, properties, contracts and leases of the former RDA have been transferred to the Successor Agency. The impact of redevelopment elimination will weakened the City revenue source for economic development projects. The City will have to be creative in helping balance this economic shift.
- Victorville has seen an increase of commercial and retail development. A local Hyundai car dealer is expanding its space to add a Mazda Dealership. The new dealership will be located on the corner of Palmdale Road and Cahuenga.
- The Mall of Victor Valley is also expanding and remodeling. Macy's will be moving in to the former site of Gottschalks with a 103,000 square-foot department store. JC Penny's has moved from its current location to the expanded space of almost 100,000 square-feet. This new space doubles its current size.
- A new 193,000 square foot Super Wal-Mart was constructed at Dunia Plaza. The Wal-Mart is located next to the existing Lowe's and Kohl's. Another Wal-Mart at the corner of Highway 395 and Palmdale Road is currently in the planning stages.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in the Local Agency Investment Fund. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Nearly all investments held by the City at June 30, 2012 are classified in the category of lowest custodial credit risk as defined by the Government Accounting Standards Board.

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

Risk Management

The City participates in the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA provides \$40 million of general liability coverage per occurrence and is responsible for paying claims in excess of the City's \$50,000 deductible. The City also participates in PERMA's worker's

compensation coverage program and the City has a \$250,000 deductible. In addition, various risk control techniques, including a safety committee, have been implemented to minimize losses.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. In addition, we would like to express our appreciation to members of all the departments within the City of Victorville who assisted and contributed to the preparation of this report. Recognition is also given to all employees of the City of Victorville who continue to serve our community with commitment and dedication throughout the year.

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

Respectfully submitted,

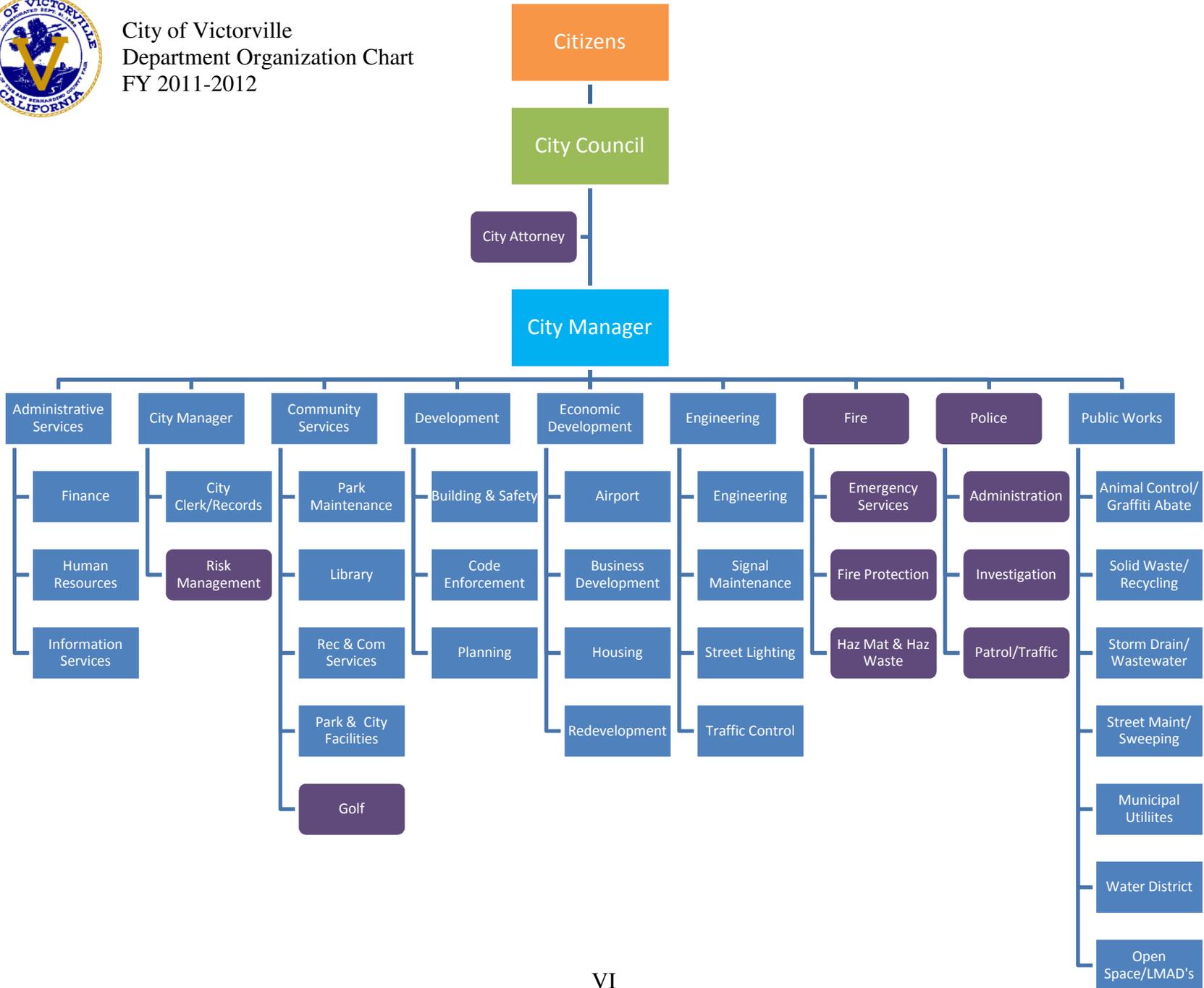


Adele Mosher,
Chief Financial Officer





City of Victorville
 Department Organization Chart
 FY 2011-2012





CITY OF VICTORVILLE

List of Elected and Appointed Officials

Elected Officials

City Council

	<u>Term Expires</u>
Ryan McEachron, Mayor	2012
Rudy N. Cabriales, Mayor Pro Tempore	2012
Mike Rothschild	2012
Jim Kennedy	2014
Angela Valles	2014

Appointed Officials

City Manager

Douglas B. Robertson

City Attorney

Andre de Bortnowsky

Senior Management Team

Keith Metzler, Assistant City Manager

Carolee Bates, City Clerk

Christian Guntert, Community Services

Bill Webb, Development Department

John A. McGlade, Engineering/Public Works/Water

Don Trapp, Fire

Don Yoder, Police





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Honorable Mayor and City Council
City of Victorville, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Victorville. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Victorville for the year ended June 30, 2011 and, in our report dated February 14, 2012, we expressed an unqualified opinion on those financial statements, with an explanatory paragraph added to indicate that there was substantial doubt about the City of Victorville's ability to continue as a going concern.

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 includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, of the City of Victorville, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Southern California Logistics Airport Authority is a component unit of the City. The accompanying financial statements have been prepared assuming that the Southern California Logistics Airport Authority (SCLAA) will continue as a going concern. As discussed in note 21 to the financial statements, the SCLAA has suffered recurring losses in recent years. The state-wide dissolution of all redevelopment agencies in the State of California create additional uncertainty with respect to the SCLAA due to its dependency upon tax increment funding from the Victor Valley Economic Development Authority. These circumstances raise substantial doubt about the SCLAA's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the SCLAA be unable to continue as a going concern.

Honorable Mayor and City Council
City of Victorville, California

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* and the budgetary comparison information identified as required supplementary information in the 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 regarding 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Victorville's basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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 financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in 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 it.

In accordance with Government Auditing Standards, we have also issued a report dated February 21, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayor Hoffman McCann P.C.

Irvine, California
February 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Victorville, we offer readers of Victorville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying table of contents.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and an optional section that presents *combining statements* for nonmajor 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 fund* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates like businesses, such as the water and sewer system.
- *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as an *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

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

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.

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

City of Victorville Management's Discussion and Analysis

Reporting the City as a Whole

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

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

In the Statement of Net Assets 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 – the City Redevelopment Agency and the City Financing Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Major Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other resources. 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 and the balances left at year end that 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 readily be 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 determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net

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

Assets 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 Assets 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 Assets. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

City of Victorville's Net Position

	Governmental activities		Business-type activities	
	2012	2011	2012	2011
Cash and Investments	\$ 23,778,772	\$ 48,596,498	\$ 51,724,457	\$ 51,677,321
Other Assets	11,776,840	22,905,350	35,993,854	30,026,142
Interfund Balances	1,334,797	4,486,752	(1,334,797)	(4,486,752)
Capital Assets	479,820,548	511,777,601	487,755,597	498,609,854
Total Assets	516,710,957	587,766,201	574,139,111	575,826,565
Other Liabilities	3,178,734	4,631,108	67,883,597	16,614,464
Long-Term Liabilities	13,820,001	53,176,928	379,628,003	431,705,883
Total Liabilities	16,998,735	57,808,036	447,511,600	448,320,347
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	479,820,547	450,605,614	418,557,415	416,397,220
Restricted	27,685,765	85,008,460	4,430,770	2,076,305
Unrestricted	(7,794,090)	(5,655,909)	(296,360,674)	(290,967,307)
Total Net Asset	\$ 499,712,222	\$ 529,958,165	\$ 126,627,511	\$ 127,506,218

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

Governmental Activities

Net assets serve as a useful indicator of a government's financial position. In the case of the City of Victorville, net assets of the City's governmental activities decreased by 6% at the close of the most recent fiscal year. This decrease took into account a \$30 million one-time loss on the dissolution of redevelopment; an accounting adjustment that moved the Redevelopment Agency, a governmental fund, to the Successor Agency to the Redevelopment Agency, a fiduciary fund.

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

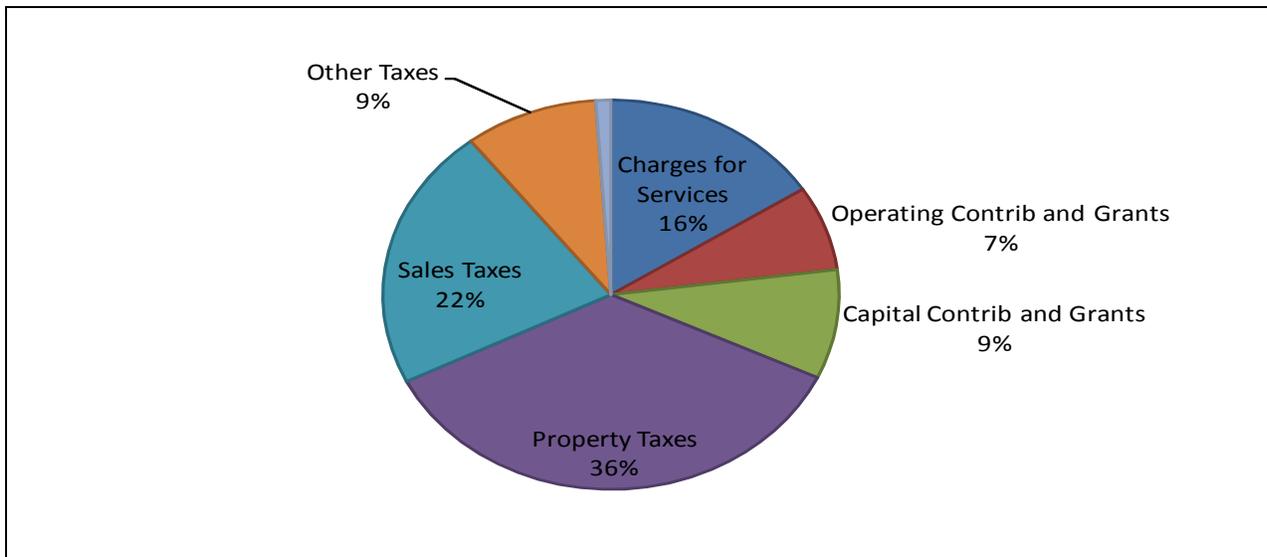
	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 12,016,933	\$ 12,154,992	\$ 71,214,587	\$ 68,952,732
Operating Contributions and Grants	5,308,565	15,062,461	10,634,516	4,282,808
Capital Contributions and Grants	6,817,541	13,174	11,846,855	14,652,301
General Revenues:				
Property Taxes	26,967,354	23,998,553	541,385	27,402
Sales Taxes	16,430,943	11,426,814	-	-
Transient Occupancy Tax	709,360	794,451	-	-
Franchise taxes	2,553,350	2,491,729	-	-
Other Taxes	3,824,981	25,366,557	-	710,460
SERAF Obligation	-	(2,544,572)	-	-
Investment Income	297,177	880,572	1,748,723	1,772,671
Motor Vehicle in Lieu, Unrestricted	61,032	567,000	-	-
Gain (loss) on Sale of Assets	(3,439)	-	538,000	402,140
Miscellaneous Revenues	521,834	54,349	960,626	798,903
Total Revenues	75,505,631	90,266,080	97,484,692	91,599,417
Expenses:				
General Government	4,977,433	17,037,143	-	-
Public Safety	30,723,689	35,416,163	-	-
Community Development	1,588,948	6,037,266	-	-
Public Works	31,675,483	24,164,241	-	-
Park and Recreation	4,550,014	6,312,933	-	-
Sanitary	-	-	10,554,921	11,149,777
Airport	-	-	33,582,633	45,010,457
Golf Courses	-	-	2,371,642	2,526,395
Solid Waste Management	-	-	11,397,950	11,641,524
Water	-	-	29,782,391	27,142,537
Rail	-	-	269,315	1,748,104
Municipal Utility	-	-	12,236,463	12,806,295
Interest on Long-Term Debt	1,397,079	2,456,848	-	-
Total Expenses	74,912,646	91,424,594	100,195,315	112,025,089
Change in Net Assets Before Transfers	592,985	(1,158,514)	(2,710,623)	(20,425,672)
Extraordinary Gain (Loss)	(29,740,054)	-	-	-
Transfers	(1,098,874)	(22,986,921)	1,098,874	22,986,921
Change in Net Assets	(30,245,943)	(24,145,435)	(1,611,749)	2,561,249
Net Assets-07/01/2011 (As Restated)	529,958,165	554,103,600	128,239,260	124,944,969
Net Assets-06/30/2012	\$ 499,712,222	\$ 529,958,165	\$ 126,627,511	\$ 127,506,218

City of Victorville Management's Discussion and Analysis

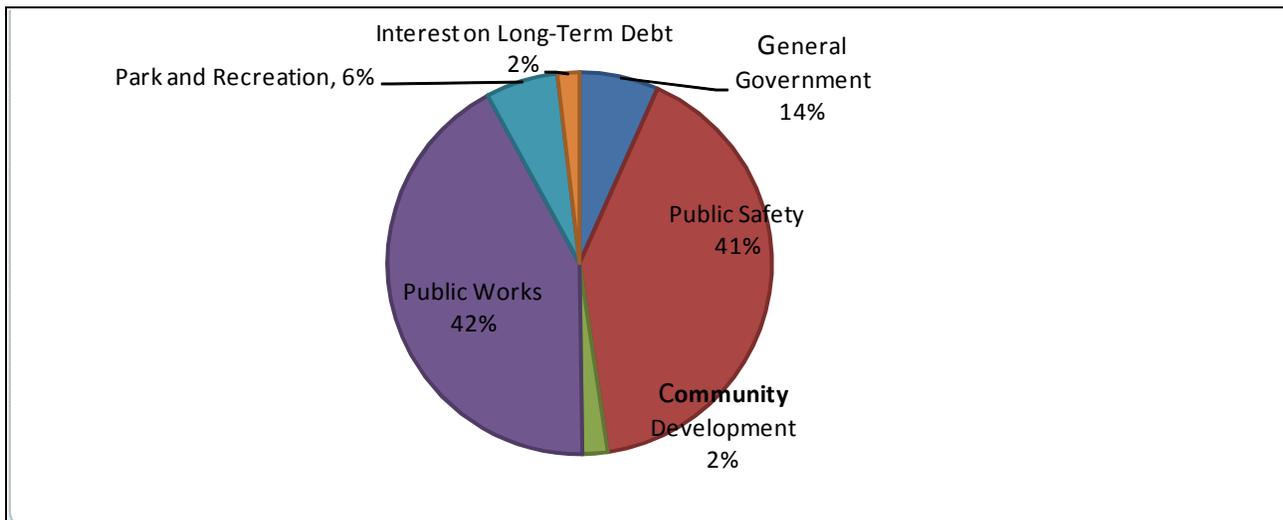
The reasons for significant changes in the revenue and expenses of the City's governmental activities are as follows:

- Total revenue decreased by 16% (\$75.5 million compared to \$90.3 million for the 2010-2011 fiscal year). This was primarily due to a loss of tax increment revenue receipt by the former Redevelopment Agency fund.
- Total expenses decreased in all categories except for public works. Similar to the revenue, a reduction included a onetime accounting adjustment transferring expenses from former Redevelopment Agency to Successor Agency of the Redevelopment Agency. Public work expense increased primarily due to a capital project incurred for the Nisqualli/ I-15 Interchange project.

Revenues by Source - Governmental Activities



Expenses by Function - Governmental Activities



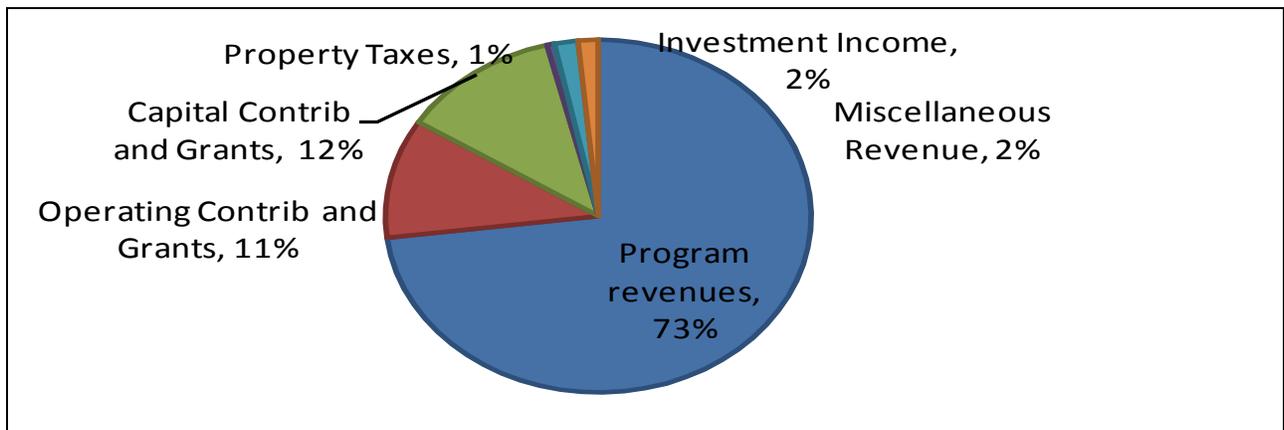
**City of Victorville
Management's Discussion and Analysis**

Business-type activities

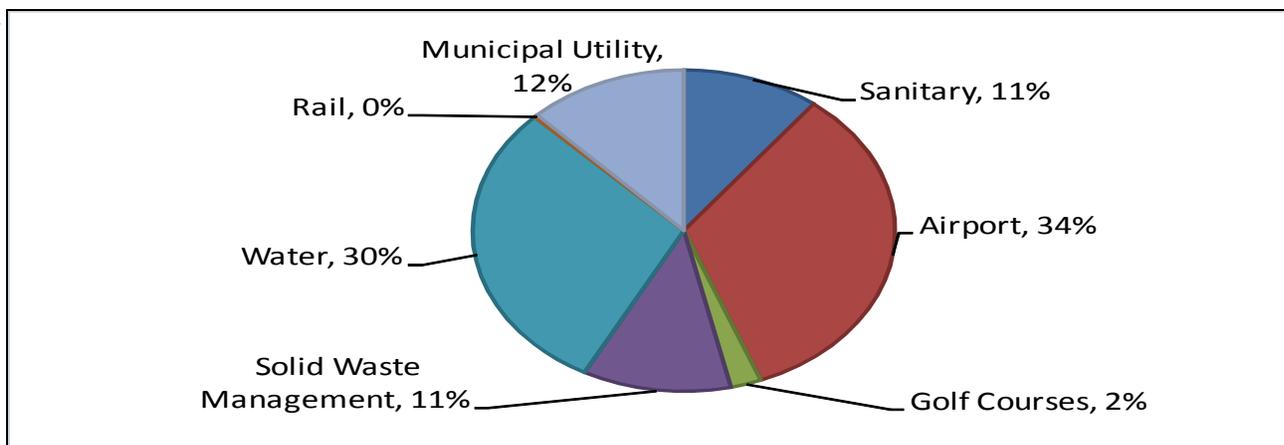
During the year ended June 30, 2012, the financial condition of the City's business-type activities declined as indicated by the decrease in business-type net assets in the amount of \$1.6 million. Revenue of the City's business-type activities (see Table 2) increase by 6%; however, expenses decreased by 11%. The factors driving these results included:

- Charges for services have increased in business-type activities. The revenue increased by 3% percent or \$2.3 million from the previous fiscal year 2011.
- Expenditures in all categories decreased except for the Water Department. Expenditures were reduced due to various cost cutting by the departments. A decrease of \$11.4 million in Airport expenses was primarily due to a reclassification of grant expenditures to the Federal Grants Fund.

Revenue by Source- Business-type Activities



Expenses by Function – Business-type Activities



City of Victorville Management's Discussion and Analysis

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

Major Governmental Funds

General Fund

The General Fund is the chief operating fund of the City of Victorville. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3.66 million, while the total fund balance was \$3.74 million. As a measure of the General Fund's liquidity, unassigned fund balance and total fund balance represents 8% of the total General Fund expenditures.

General Fund revenues decreased by \$0.3 million this fiscal year. Almost all of the decreased revenues were from intergovernmental, charges for services, and license and permits. General Fund expenditure also decreased by \$2.9 million. The decrease was primarily a result of budget cuts in all categories except for public safety.

General Fund Budget

There was a minor difference between the original budget and the final amended budget for revenue in the General Fund. The increase was mainly from sales tax and charges for services. These increases were offset by reduction in revenue from motor vehicle in lieu fee.

Total expenditures also showed a decrease. Public safety expenditures reduced budget by \$1 million as a result of credit receipt from the police department. Other expenditures were also declined as a result of various cost cutting measures.

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

Low and Moderate Income Housing Fund and Redevelopment Agency Capital Projects Fund

All redevelopment agencies were dissolved effective February 1, 2012, see Note 23. As of June 30, 2012, the Low and Moderate Income Housing Fund and Redevelopment Agency Capital Projects Fund transferred all their assets and activities to the fiduciary fund. The receipt of these assets and liabilities was reported in the private-purpose trust fund. The decrease in net assets of the Successor Agency Trust Fund was a result of the transfer of \$29.7 million as part of the Redevelopment Agency dissolution.

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

Major Enterprise Funds

The unrestricted net assets of the Victorville Water District, Southern California Logistic Airport Authority, Municipal Utility Fund, Solid Waste Management, and Sanitary Fund had a total negative balance of \$296 million, a decrease of \$5 million from last year's negative balance of \$291 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City of Victorville's investment in capital assets for its governmental and business-type assets as of June 30, 2012, amounts to \$967.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture, equipment, computer, communications, vehicles, roads, streets, storm drain, sewer, water lines, and gas lines. The total decrease in the City of Victorville's investment in capital assets for the current fiscal year was \$24.1million or 2%. The decrease was primarily due to transfer of land recorded in Redevelopment Agency to land held for resale in the Successor Agency Trust Fund.

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

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

	Governmental activities		Business activities	
	2012	2011	2012	2011
Land	\$ 36,217,070	\$ 46,036,053	\$ 43,203,589	\$ 42,839,714
Land Right of way	179,995,939	179,995,939	-	-
Buildings and Improvements	52,173,502	54,541,596	144,456,451	139,835,031
Furniture and Equipment	2,281,000	2,960,250	35,392,400	17,998,426
Computer and Communication	287,860	493,894	428,234	170,526
Vehicles	148,404	290,696	925,659	1,198,880
Infrastructure	186,369,182	195,423,235	230,401,800	229,165,307
Land Improvement	136,933	-	-	-
Water Rights	-	-	6,968,699	7,696,252
Intangible Assets	38,410	68,205	6,199,962	3,819,197
Construction in progress	22,172,248	11,535,558	19,778,804	57,641,139
Total	\$ 479,820,548	\$ 491,345,426	\$ 487,755,598	\$ 500,364,472

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

Long-term debt. At the end of the current fiscal year, the City of Victorville had a total outstanding debt of \$435 million. Of this amount, \$327 million are tax allocation debts, and \$10.6 million are OPEB obligations. The remainder of the City of Victorville's debt represents bonds secured solely by specified revenue sources. The City of Victorville's total debt decreased by \$48 million in fiscal year 2012. Due to dissolution of the Redevelopment Agency, the Tax Allocation Bonds previously belonging to the Redevelopment Agency were transferred to Successor Agency of the Redevelopment Agency and reported in the Fiduciary Fund statements.

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

*City of Victorville's Outstanding Debt
General Obligation and Revenue Bonds*

	Governmental activities		Business activities	
	2012	2011	2012	2011
Compensated Absences	\$ 2,608,462	\$ 2,717,187	\$ 414,428	\$ 382,850
OPEB Obligation	9,943,713	6,952,230	762,441	553,441
Lease Agreement	-	142,188	1,500,439	2,012,820
Notes Payable	-	-	-	6,012,639
Tax Allocation Bond	-	42,395,000	327,033,643	330,173,644
Revenue Bond	-	-	84,795,000	85,367,500
Certificate of Participation	-	-	13,630,000	13,990,000
Refunding Charges & Unamortized				
Discount/Premiums	-	-	(5,981,277)	(7,220,070)
Total	\$ 12,552,175	\$ 52,206,605	\$ 422,154,674	\$ 431,272,824

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

These Basic Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Finance Department, at 14343 Civic Drive, Victorville, CA 92392.



BASIC FINANCIAL STATEMENTS



CITY OF VICTORVILLE
Statement of Net Assets
June 30, 2012
(with comparative totals for June 30, 2011)

	Governmental	Business-Type	Totals	
	Activities	Activities	2012	2011
Assets:				
Cash and investments (note 2)	\$ 23,764,572	25,923,116	49,687,688	63,379,927
Cash with fiscal agent (note 2)	-	24,857,807	24,857,807	35,950,358
Restricted cash (note 2)	14,200	943,534	957,734	943,534
Receivables:				
Accounts	1,233,207	9,915,273	11,148,480	9,833,346
Interest	48,263	3,266	51,529	93,553
Due from other governments	8,305,176	980,419	9,285,595	16,671,805
Deposits and prepaid items	1,871,680	917,073	2,788,753	3,830,759
Inventory and other assets	158,032	624,638	782,670	570,622
Interfund balances	1,334,797	(1,334,797)	-	-
Advances from other governments (note 3)	-	7,005,044	7,005,044	-
Land held for resale	-	-	-	20,432,175
Deferred charges, net	-	15,153,300	15,153,300	15,092,184
Capital assets, net (note 4)	479,820,548	487,755,597	967,576,145	989,955,280
Long-term notes receivable	160,482	1,394,841	1,555,323	6,839,223
Total assets	<u>516,710,957</u>	<u>574,139,111</u>	<u>1,090,850,068</u>	<u>1,163,592,766</u>
Liabilities:				
Accounts payable	2,257,997	5,158,997	7,416,994	11,536,808
Accrued liabilities	304,499	-	304,499	834,231
Interest payable	-	1,924,973	1,924,973	2,045,234
Deposits payable	23,698	3,517,648	3,541,346	3,608,339
PERS sidefund payment due	592,540	-	592,540	-
Unearned revenue	-	1,408,336	1,408,336	1,649,180
Bonds subject to call (note 8)	-	55,873,643	55,873,643	-
Noncurrent liabilities:				
Due within one year				
Claims payable (note 17)	300,000	1,471,647	1,771,647	1,571,780
Long-term liabilities (note 7 & 8)	926,722	4,966,625	5,893,347	8,641,802
Due in more than one year				
Advances to other governments (note 3)	-	11,875,325	11,875,325	-
Claims payable (note 17)	967,826	-	967,826	970,322
Long-term liabilities (note 7 & 8)	11,625,453	361,314,406	372,939,859	475,270,687
Total liabilities	<u>16,998,735</u>	<u>447,511,600</u>	<u>464,510,335</u>	<u>506,128,383</u>
Net assets:				
Net investment in capital assets	479,820,547	418,557,415	898,377,962	867,002,834
Restricted for:				
Public safety	111,526	-	111,526	84,389
Community development	936,532	-	936,532	51,996,931
Public works	26,637,707	-	26,637,707	32,927,140
Capital asset construction	-	3,308,656	3,308,656	2,618,076
Debt service	-	1,122,114	1,122,114	1,306,844
Unrestricted	(7,794,090)	(296,360,674)	(304,154,764)	(298,471,831)
Total net assets	<u>\$ 499,712,222</u>	<u>126,627,511</u>	<u>626,339,733</u>	<u>657,464,383</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Activities
Year ended June 30, 2012
(with comparative totals for year ended June 30, 2011)

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 4,977,433	2,859,658	88,356	-
Public safety	30,723,689	1,408,763	448,724	-
Community development	1,588,948	2,593,420	4,605,815	295,344
Public works	31,675,483	4,216,385	74,372	6,522,197
Parks and recreation	4,550,014	938,707	91,298	-
Interest on long-term debt	1,397,079	-	-	-
Total governmental activities	<u>74,912,646</u>	<u>12,016,933</u>	<u>5,308,565</u>	<u>6,817,541</u>
Business-type activities:				
Water	29,782,391	26,557,671	-	1,781,241
Airport	33,582,633	9,069,963	10,634,516	6,974,822
Municipal utility	12,236,463	10,290,093	-	732,336
Solid waste management	11,397,950	11,528,433	-	129,558
Sanitary	10,554,921	12,607,941	-	2,228,898
City golf	2,371,642	1,160,486	-	-
Rail	269,315	-	-	-
Total business-type activities	<u>100,195,315</u>	<u>71,214,587</u>	<u>10,634,516</u>	<u>11,846,855</u>
Total primary government	<u>\$ 175,107,961</u>	<u>83,231,520</u>	<u>15,943,081</u>	<u>18,664,396</u>

General revenues:

Taxes:

- Property taxes
- Sales taxes
- Transient occupancy tax
- Franchise taxes
- Other taxes

- Investment income
- Motor vehicle in lieu, unrestricted
- Gain (loss) on sale of assets
- Miscellaneous revenues
- SERAF obligation

Extraordinary gain (loss) (note 22)

Transfers

Total general revenues and transfers

Change in net assets

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

Net assets at end of year

Governmental Activities	Business-type Activities	Totals	
		2012	2011
(2,029,419)	-	(2,029,419)	(10,635,835)
(28,866,202)	-	(28,866,202)	(27,787,941)
5,905,631	-	5,905,631	(1,784,629)
(20,862,529)	-	(20,862,529)	(19,405,625)
(3,520,009)	-	(3,520,009)	(5,537,694)
<u>(1,397,079)</u>	<u>-</u>	<u>(1,397,079)</u>	<u>(2,456,848)</u>
<u>(50,769,607)</u>	<u>-</u>	<u>(50,769,607)</u>	<u>(67,608,572)</u>
-	(1,443,479)	(1,443,479)	3,101,787
-	(6,903,332)	(6,903,332)	(29,196,753)
-	(1,214,034)	(1,214,034)	2,034,658
-	260,041	260,041	897,729
-	4,281,918	4,281,918	2,373,575
-	(1,211,156)	(1,211,156)	(1,600,140)
-	(269,315)	(269,315)	(1,748,104)
<u>-</u>	<u>(6,499,357)</u>	<u>(6,499,357)</u>	<u>(24,137,248)</u>
<u>(50,769,607)</u>	<u>(6,499,357)</u>	<u>(57,268,964)</u>	<u>(91,745,820)</u>
26,967,354	541,385	27,508,739	46,347,969
16,430,943	-	16,430,943	14,841,420
709,360	-	709,360	794,451
2,553,350	-	2,553,350	2,491,729
3,824,981	-	3,824,981	3,755,002
297,177	1,748,723	2,045,900	2,653,243
61,032	-	61,032	567,000
(3,439)	538,000	534,561	402,140
521,834	960,626	1,482,460	853,252
-	-	-	(2,544,572)
(29,740,054)	-	(29,740,054)	-
<u>(1,098,874)</u>	<u>1,098,874</u>	<u>-</u>	<u>-</u>
<u>20,523,664</u>	<u>4,887,608</u>	<u>25,411,272</u>	<u>70,161,634</u>
(30,245,943)	(1,611,749)	(31,857,692)	(21,584,186)
<u>529,958,165</u>	<u>128,239,260</u>	<u>658,197,425</u>	<u>679,048,569</u>
<u>\$ 499,712,222</u>	<u>126,627,511</u>	<u>626,339,733</u>	<u>657,464,383</u>

See accompanying notes to the basic financial statements



Major Governmental Funds

General Fund

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

Low and Moderate Income Housing Special Revenue Fund

This fund accounts for property tax increments received by the Victorville Redevelopment Agency to use for low and moderate-income housing programs.

Victorville Redevelopment Agency Capital Projects

This fund accounts for financial resources to be used for acquisition or construction of major capital facilities.

CITY OF VICTORVILLE
Balance Sheet
Governmental Funds
June 30, 2012
(with comparative totals for June 30, 2011)

	General	Special Revenue	Capital Projects	Nonmajor Governmental Funds	Totals	
		Low and Moderate Income Housing	Victorville Redevelopment Agency		2012	2011
<u>Assets</u>						
Cash and investments	\$ 1,702,057	-	-	22,062,515	23,764,572	46,799,121
Cash with fiscal agent	-	-	-	-	-	1,797,377
Restricted cash	14,200	-	-	-	14,200	-
Accounts receivable	564,441	-	-	668,766	1,233,207	734,063
Interest receivable	48,263	-	-	-	48,263	62,249
Notes receivable	-	-	-	160,482	160,482	4,677,917
Due from other funds (note 3)	486,109	-	-	831,781	1,317,890	1,286,362
Advances to other funds (note 3)	-	-	-	7,818,527	7,818,527	25,158,514
Due from other governments	2,633,357	-	-	5,671,819	8,305,176	14,313,563
Inventories	158,032	-	-	-	158,032	177,331
Prepaid items	66,771	-	-	728,068	794,839	1,354,324
Land held for resale	-	-	-	-	-	20,432,175
Total assets	<u>\$ 5,673,230</u>	<u>-</u>	<u>-</u>	<u>37,941,958</u>	<u>43,615,188</u>	<u>116,792,996</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 1,011,373	-	-	1,246,621	2,257,994	3,284,992
Accrued liabilities	304,499	-	-	-	304,499	834,231
Deposits payable	22,458	-	-	1,240	23,698	19,625
PERS sidefund payment due	592,540	-	-	-	592,540	-
Due to other funds (note 3)	-	-	-	4,654,902	4,654,902	1,413,264
Advances from other funds (note 3)	-	-	-	3,146,719	3,146,719	19,893,895
Deferred revenue	-	-	-	4,062,884	4,062,884	1,606,733
Total liabilities	<u>1,930,870</u>	<u>-</u>	<u>-</u>	<u>13,112,366</u>	<u>15,043,236</u>	<u>27,052,740</u>
Fund Balances (note 11):						
Non-spendable:						
Advances to other funds	-	-	-	7,818,527	7,818,527	2,314,851
Prepaid items	66,771	-	-	728,068	794,839	1,354,324
Spendable:						
Restricted	14,200	-	-	20,673,448	20,687,648	86,616,803
Unassigned	<u>3,661,389</u>	<u>-</u>	<u>-</u>	<u>(4,390,451)</u>	<u>(729,062)</u>	<u>(545,722)</u>
Total fund balances	<u>3,742,360</u>	<u>-</u>	<u>-</u>	<u>24,829,592</u>	<u>28,571,952</u>	<u>89,740,256</u>
Total liabilities and fund balances	<u>\$ 5,673,230</u>	<u>-</u>	<u>-</u>	<u>37,941,958</u>	<u>43,615,188</u>	<u>116,792,996</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

Fund balances of governmental funds	\$ 28,571,952
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	
Capital assets	795,512,157
Accumulated depreciation	(315,691,609)
Deposits receivable relating to governmental activities were not financial resources and therefore were not reported in governmental funds.	
	1,076,841
Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.	
	(1,267,826)
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Other post employment benefits	(9,943,713)
Compensated absences	(2,608,462)
Certain revenues in the governmental funds are deferred using the modified accrual basis and are recognized as revenue under the full accrual basis for reporting in the Government-wide Financial Statements.	
	<u>4,062,882</u>
Net assets of governmental activities	<u><u>\$ 499,712,222</u></u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012
(with comparative totals for year ended June 30, 2011)

	General	Special Revenue	Capital Projects	Nonmajor Governmental Funds	Totals	
		Low and Moderate Income Housing	Victorville Redevelopment Agency		2012	2011
Revenues:						
Taxes	\$ 36,094,486	1,154,133	6,284,489	6,922,808	50,455,916	64,883,244
Licenses and permits	1,197,702	-	-	-	1,197,702	1,188,456
Intergovernmental	88,629	-	-	8,560,509	8,649,138	15,212,089
Charges for services	6,530,445	-	-	4,075,891	10,606,336	10,308,069
Fines and forfeitures	383,582	-	-	653,044	1,036,626	1,139,150
Investment income	3,073	89,975	4,740	199,389	297,177	398,588
Other	106,519	2,200	-	413,115	521,834	755,471
Total revenues	<u>44,404,436</u>	<u>1,246,308</u>	<u>6,289,229</u>	<u>20,824,756</u>	<u>72,764,729</u>	<u>93,885,067</u>
Expenditures:						
Current:						
General government	8,608,941	-	1,310	-	8,610,251	11,566,869
Public safety	30,181,428	-	-	178,811	30,360,239	29,050,337
Community development	-	111,250	910,058	1,700,273	2,721,581	5,062,548
Public works	3,926,357	-	-	25,189,751	29,116,108	19,798,423
Parks and recreation	2,739,788	-	-	57,179	2,796,967	5,178,224
Debt service:						
Principal	142,188	-	-	925,000	1,067,188	1,231,280
Interest	2,915	15,818	57,235	1,321,111	1,397,079	2,463,329
SERAF Obligation	-	-	-	-	-	2,544,572
Total expenditures	<u>45,601,617</u>	<u>127,068</u>	<u>968,603</u>	<u>29,372,125</u>	<u>76,069,413</u>	<u>76,895,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,197,181)</u>	<u>1,119,240</u>	<u>5,320,626</u>	<u>(8,547,369)</u>	<u>(3,304,684)</u>	<u>16,989,485</u>
Other financing sources (uses):						
Transfers in (note 3)	2,542,090	-	-	3,289,890	5,831,980	2,775,773
Transfers out (note 3)	(706,179)	-	(2,071,685)	(4,152,990)	(6,930,854)	(25,762,694)
Total other financing sources (uses)	<u>1,835,911</u>	<u>-</u>	<u>(2,071,685)</u>	<u>(863,100)</u>	<u>(1,098,874)</u>	<u>(22,986,921)</u>
Extraordinary gain/(loss)	-	(34,338,168)	(29,303,397)	(1,797,401)	(65,438,966)	-
Net change in fund balances	638,730	(33,218,928)	(26,054,456)	(11,207,870)	(69,842,524)	(5,997,436)
Fund balances at beginning of year, as restated (note 23)	<u>3,103,630</u>	<u>33,218,928</u>	<u>26,054,456</u>	<u>36,037,462</u>	<u>98,414,476</u>	<u>95,737,692</u>
Fund balances at end of year	<u>\$ 3,742,360</u>	<u>-</u>	<u>-</u>	<u>24,829,592</u>	<u>28,571,952</u>	<u>89,740,256</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year ended June 30, 2012

Net changes in fund balances - total governmental funds \$ (69,842,524)

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

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

Capital outlay	26,538,103
Depreciation expense	(24,533,897)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, returned of leased vehicles, asset transfers to proprietary funds, and asset disposals) is to decrease net assets. (3,439)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,067,188

To record as an expense the net change in claims payable and deposits relating to claims in the statement of activities. 144,399

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 3,568,072

To record as an expense the net change in other post employment benefits in the statement of activities. (2,991,482)

To record as an expense the net change in compensated absences in the statement of activities. 108,725

Differences in presentation of the extraordinary gain (loss) through the dissolution of the redevelopment agency 35,698,912

Change in net assets of governmental activities \$ (30,245,943)



Major Enterprise Funds

Victorville Water District

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

Southern California Logistics Airport Authority Fund

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

Municipal Utility Fund

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

Solid Waste Management

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

Sanitary Fund

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

CITY OF VICTORVILLE
Balance Sheet
Proprietary Funds
June 30, 2012
(with comparative totals for June 30, 2011)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 20,866,517	-	1,579,023
Cash with fiscal agent	2,019,604	16,670,148	5,877,757
Restricted cash	-	-	943,534
Accounts receivable, net	4,383,374	678,720	1,313,571
Interest receivable	3,266	-	-
Due from other funds (note 3)	-	-	-
Due from other governments	517,970	428,606	328
Inventory and other assets	595,094	3,684	-
Total current assets	<u>28,385,825</u>	<u>17,781,158</u>	<u>9,714,213</u>
Noncurrent assets:			
Capital assets, net (note 4)	193,390,090	172,366,584	21,154,563
Deferred charges	386,973	14,766,327	-
Advances to other funds (note 3)	22,193,025	26,061,232	-
Advances to other governments (note 3)	-	7,005,044	-
Prepaid deposits	907,273	-	3,800
Notes receivable (note 6)	-	1,394,841	-
Total noncurrent assets	<u>216,877,361</u>	<u>221,594,028</u>	<u>21,158,363</u>
Total assets	<u>245,263,186</u>	<u>239,375,186</u>	<u>30,872,576</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	854,254	614,669	621,424
Deposits payable	1,961,906	1,480,309	-
Unearned revenue	1,395,788	12,548	-
Interest payable	262,965	1,468,518	193,490
Claims payable	-	-	1,471,647
Bonds subject to call (note 8)	-	55,873,643	-
Long-term debt - due within one year (note 8)	744,787	3,171,679	500,000
Total current liabilities	<u>5,219,700</u>	<u>62,621,366</u>	<u>2,786,561</u>
Noncurrent liabilities:			
Advances from other funds (note 3)	24,111,781	7,524,465	22,193,025
Advances from other governments (note 3)	-	11,875,325	-
Long-term debt - due more than one year (note 8)	13,932,570	262,209,584	82,570,000
Total noncurrent liabilities	<u>38,044,351</u>	<u>281,609,374</u>	<u>104,763,025</u>
Total liabilities	<u>43,264,051</u>	<u>344,230,740</u>	<u>107,549,586</u>
Net assets (deficit):			
Net investment in capital assets	181,779,694	123,818,395	21,154,563
Restricted for capital asset construction	3,308,656	-	-
Restricted for debt service	1,122,114	-	-
Unrestricted	15,788,671	(228,673,949)	(97,831,573)
Total net assets (deficit)	<u>201,999,135</u>	<u>(104,855,554)</u>	<u>(76,677,010)</u>
Total liabilities and net assets	<u>\$ 245,263,186</u>	<u>239,375,186</u>	<u>30,872,576</u>

See accompanying notes to the basic financial statements

Solid Waste Management	Sanitary Fund	Nonmajor Enterprise Funds	Totals	
			2012	2011
1,875,058	1,554,775	47,743	25,923,116	16,580,806
290,298	-	-	24,857,807	34,152,981
-	-	-	943,534	943,534
1,670,351	1,867,338	1,919	9,915,273	9,099,283
-	-	-	3,266	31,304
-	3,337,012	-	3,337,012	777,867
33,515	-	-	980,419	2,358,240
-	-	25,860	624,638	393,292
<u>3,869,222</u>	<u>6,759,125</u>	<u>75,522</u>	<u>66,585,065</u>	<u>64,337,307</u>
2,994,743	48,625,259	49,224,358	487,755,597	498,609,854
-	-	-	15,153,300	14,659,124
7,263,190	-	-	55,517,447	61,857,112
-	-	-	7,005,044	-
6,000	-	-	917,073	1,541,497
-	-	-	1,394,841	1,510,341
<u>10,263,933</u>	<u>48,625,259</u>	<u>49,224,358</u>	<u>567,743,302</u>	<u>578,177,928</u>
<u>14,133,155</u>	<u>55,384,384</u>	<u>49,299,880</u>	<u>634,328,367</u>	<u>642,515,235</u>
1,778,776	1,046,652	243,223	5,158,998	8,258,080
36	70,000	5,397	3,517,648	3,582,449
-	-	-	1,408,336	1,646,783
-	-	-	1,924,973	1,855,371
-	-	-	1,471,647	1,271,780
-	-	-	55,873,643	-
367,659	-	182,500	4,966,625	5,785,333
<u>2,146,471</u>	<u>1,116,652</u>	<u>431,120</u>	<u>74,321,870</u>	<u>22,399,796</u>
-	-	6,359,984	60,189,255	67,121,731
-	-	-	11,875,325	-
2,036,531	-	565,721	361,314,406	425,487,490
<u>2,036,531</u>	<u>-</u>	<u>6,925,705</u>	<u>433,378,986</u>	<u>492,609,221</u>
<u>4,183,002</u>	<u>1,116,652</u>	<u>7,356,825</u>	<u>507,700,856</u>	<u>515,009,017</u>
880,851	48,625,259	42,298,653	418,557,415	393,252,379
-	-	-	3,308,656	2,618,076
-	-	-	1,122,114	1,306,844
9,069,302	5,642,473	(355,598)	(296,360,674)	(269,671,081)
<u>9,950,153</u>	<u>54,267,732</u>	<u>41,943,055</u>	<u>126,627,511</u>	<u>127,506,218</u>
<u>14,133,155</u>	<u>55,384,384</u>	<u>49,299,880</u>	<u>634,328,367</u>	<u>642,515,235</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2012
(with comparative totals for year ended June 30, 2011)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund
Operating revenues:			
Charges for services	\$ 26,557,671	9,069,963	10,290,093
Fines and forfeitures	46,208	1,269	-
Other	40,899	170,726	5,534
Total operating revenues	<u>26,644,778</u>	<u>9,241,958</u>	<u>10,295,627</u>
Operating expenses:			
Personnel services	6,310,210	1,568,984	376,917
Maintenance and operations	9,209,430	5,344,673	2,771,960
Production costs	4,319,988	-	5,348,346
Depreciation	7,876,061	7,378,258	1,206,048
Total operating expenses	<u>27,715,689</u>	<u>14,291,915</u>	<u>9,703,271</u>
Operating income (loss)	<u>(1,070,911)</u>	<u>(5,049,957)</u>	<u>592,356</u>
Nonoperating revenues (expenses):			
Intergovernmental	902,447	5,369,267	-
Taxes	520,351	15,494	-
Investment income	154,065	1,543,333	19,441
Interest expense	(2,065,537)	(19,175,218)	(2,333,325)
Gain (loss) on sale of assets	-	38,000	500,000
Other nonoperating revenues (expenses)	(1,165)	(115,500)	(199,867)
Total nonoperating revenues (expenses)	<u>(489,839)</u>	<u>(12,324,624)</u>	<u>(2,013,751)</u>
Income (loss) before transfers	(1,560,750)	(17,374,581)	(1,421,395)
Capital contributions:			
Developer contributed facilities	884,040	-	-
Facilities contributed from other funds	(5,246)	-	732,336
Capital-related revenue	-	1,605,555	-
Transfers in (note 3)	508,963	11,029,994	-
Transfers out (note 3)	-	-	-
Change in net assets	(172,993)	(4,739,032)	(689,059)
Net assets (deficit) at beginning of year, as restated (note 23)	<u>202,172,128</u>	<u>(100,116,522)</u>	<u>(75,987,951)</u>
Net assets (deficit) at end of year	<u>\$ 201,999,135</u>	<u>(104,855,554)</u>	<u>(76,677,010)</u>

See accompanying notes to the basic financial statements

Solid Waste Management	Sanitary Fund	Nonmajor Enterprise Funds	Totals	
			2012	2011
11,528,433	12,607,941	1,160,486	71,214,587	69,379,651
25,988	24,566	-	98,031	11,688
18,901	-	52,616	288,676	384,853
<u>11,573,322</u>	<u>12,632,507</u>	<u>1,213,102</u>	<u>71,601,294</u>	<u>69,776,192</u>
870,885	1,051,114	781,936	10,960,046	10,567,700
10,195,457	8,258,320	939,769	36,719,609	42,720,000
-	-	-	9,668,334	8,596,788
200,475	1,245,487	843,736	18,750,065	17,517,137
<u>11,266,817</u>	<u>10,554,921</u>	<u>2,565,441</u>	<u>76,098,054</u>	<u>79,401,625</u>
<u>306,505</u>	<u>2,077,586</u>	<u>(1,352,339)</u>	<u>(4,496,760)</u>	<u>(9,625,433)</u>
129,558	-	-	6,401,272	4,447,717
-	5,540	-	541,385	545,550
26,983	4,901	-	1,748,723	1,772,671
(131,133)	-	(24,204)	(23,729,417)	(28,702,578)
-	-	-	538,000	(3,073,528)
<u>317,891</u>	<u>256,028</u>	<u>(51,312)</u>	<u>206,075</u>	<u>(442,373)</u>
<u>343,299</u>	<u>266,469</u>	<u>(75,516)</u>	<u>(14,293,962)</u>	<u>(25,452,541)</u>
649,804	2,344,055	(1,427,855)	(18,790,722)	(35,077,974)
-	1,943,456	-	2,827,496	12,037,631
-	285,442	-	1,012,532	-
-	-	-	1,605,555	2,614,670
-	-	703,396	12,242,353	24,490,362
-	(508,963)	-	(508,963)	(1,503,440)
649,804	4,063,990	(724,459)	(1,611,749)	2,561,249
<u>9,300,349</u>	<u>50,203,742</u>	<u>42,667,514</u>	<u>128,239,260</u>	<u>124,944,969</u>
<u>9,950,153</u>	<u>54,267,732</u>	<u>41,943,055</u>	<u>126,627,511</u>	<u>127,506,218</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2012
(with comparative totals for year ended June 30, 2011)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund
Cash flows from operating activities:			
Cash received from customers	\$ 26,545,441	8,829,746	10,293,449
Cash payments to employees for services	(6,310,210)	(1,568,984)	(376,917)
Cash payments to suppliers for goods and services	(14,161,623)	(7,007,880)	(8,012,323)
Cash payments to other governments	-	-	-
Nonoperating miscellaneous revenue received	-	-	-
Net cash provided by (used for) operating activities	<u>6,073,608</u>	<u>252,882</u>	<u>1,904,209</u>
Cash flows from noncapital financing activities:			
Cash received from other governments	1,422,798	(65,841)	-
Cash paid to other governments	-	3,434,187	-
Cash received from other funds	1,908,963	11,029,994	816,793
Cash paid to other funds	(89,703)	-	1,230,671
Net cash provided by (used for) noncapital financing activities	<u>3,242,058</u>	<u>14,398,340</u>	<u>2,047,464</u>
Cash flows from capital and related financing activities:			
Proceeds of debt	-	-	-
Cash received for capital grants	-	5,369,267	(327)
Cash received from sale of capital assets	582,519	38,000	-
Cash payments to acquire capital and other assets	(968,107)	(2,023,431)	(813,315)
Cash received from capital restricted revenues	-	1,605,555	-
Principal paid on capital-related debt	(282,478)	(8,414,335)	(400,000)
Interest paid on capital-related debt	(2,071,884)	(19,189,851)	(2,242,743)
Net cash provided by (used for) capital and related financing activities	<u>(2,739,950)</u>	<u>(22,614,795)</u>	<u>(3,456,385)</u>
Cash flows from investing activities:			
Repayments received on notes receivable	-	-	-
Interest received on investments	155,145	1,566,277	23,455
Net cash provided by (used for) investing activities	<u>155,145</u>	<u>1,566,277</u>	<u>23,455</u>
Net increase (decrease) in cash and cash equivalents	6,730,861	(6,397,296)	518,743
Cash and cash equivalents at beginning of year	<u>16,155,260</u>	<u>23,067,444</u>	<u>7,881,571</u>
Cash and cash equivalents at end of year	<u>\$ 22,886,121</u>	<u>16,670,148</u>	<u>8,400,314</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
Operating income (loss)	<u>\$ (1,070,911)</u>	<u>(5,049,957)</u>	<u>592,356</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	7,876,061	7,378,258	1,206,048
Nonoperating miscellaneous revenue	-	-	-
Gain (loss) on sale of capital asset	-	-	500,000
(Increase) decrease in accounts receivable, net	(422,764)	(377,499)	(2,178)
(Increase) decrease in due from other governments	3,088	-	-
(Increase) decrease in inventory and other assets	(227,111)	-	-
(Increase) decrease in prepaid deposits	592,680	9,244	-
Increase (decrease) in accounts payable	(408,182)	(1,672,451)	(392,017)
Increase (decrease) in deposits payable	(78,953)	13,434	-
Increase (decrease) in unearned revenue	(190,300)	(48,147)	-
Total adjustments	<u>7,144,519</u>	<u>5,302,839</u>	<u>1,311,853</u>
Net cash provided by (used for) operating activities	<u>\$ 6,073,608</u>	<u>252,882</u>	<u>1,904,209</u>
<u>Noncash capital, financing and investing activities:</u>			
Allowance for doubtful notes receivable	\$ (1,165)	(115,500)	-
Developer contributed capital assets	884,040	-	-
Total	<u>\$ 882,875</u>	<u>(115,500)</u>	<u>-</u>

See accompanying notes to the basic financial statements

Solid Waste Management	Sanitary Fund	Nonmajor Enterprise Funds	Totals	
			2012	2011
11,864,486	12,694,997	1,400,920	71,629,039	70,781,819
(870,885)	(1,051,114)	(781,936)	(10,960,046)	(9,588,386)
(10,283,237)	(9,378,570)	(1,082,162)	(49,925,795)	(54,596,613)
-	-	-	-	(717,015)
-	-	-	-	2,845
<u>710,364</u>	<u>2,265,313</u>	<u>(463,178)</u>	<u>10,743,198</u>	<u>5,882,650</u>
-	5,540	-	1,362,497	711,075
-	-	-	3,434,187	-
(927,409)	(2,273,703)	727,600	11,282,238	38,395,563
-	80,986	-	1,221,954	(19,389,061)
<u>(927,409)</u>	<u>(2,187,177)</u>	<u>727,600</u>	<u>17,300,876</u>	<u>19,717,577</u>
-	-	-	-	4,500,000
129,558	-	-	5,498,498	8,858,241
-	-	-	620,519	13,167,328
-	(370,341)	-	(4,175,194)	(19,427,978)
-	-	-	1,605,555	3,151,459
(352,334)	-	(214,115)	(9,663,262)	(6,845,938)
<u>(131,133)</u>	<u>-</u>	<u>-</u>	<u>(23,635,611)</u>	<u>(21,579,390)</u>
<u>(353,909)</u>	<u>(370,341)</u>	<u>(214,115)</u>	<u>(29,749,495)</u>	<u>(18,176,278)</u>
-	-	-	-	115,500
26,983	4,901	(24,204)	1,752,557	1,822,455
<u>26,983</u>	<u>4,901</u>	<u>(24,204)</u>	<u>1,752,557</u>	<u>1,937,955</u>
(543,971)	(287,304)	26,103	47,136	9,361,904
<u>2,709,327</u>	<u>1,842,079</u>	<u>21,640</u>	<u>51,677,321</u>	<u>42,315,417</u>
<u>2,165,356</u>	<u>1,554,775</u>	<u>47,743</u>	<u>51,724,457</u>	<u>51,677,321</u>
<u>306,505</u>	<u>2,077,586</u>	<u>(1,352,339)</u>	<u>(4,496,760)</u>	<u>(9,625,433)</u>
200,475	1,245,487	843,736	18,750,065	17,517,137
-	-	-	-	2,845
-	-	-	500,000	-
308,897	62,490	187,818	(243,236)	1,349,496
(17,733)	-	-	(14,645)	(709,153)
-	-	(4,236)	(231,347)	(115,449)
-	-	22,500	624,424	425,927
(87,816)	(1,120,250)	(161,338)	(3,842,054)	(3,147,739)
36	-	681	(64,802)	124,324
-	-	-	(238,447)	60,695
<u>403,859</u>	<u>187,727</u>	<u>889,161</u>	<u>15,239,958</u>	<u>15,508,083</u>
<u>710,364</u>	<u>2,265,313</u>	<u>(463,178)</u>	<u>10,743,198</u>	<u>5,882,650</u>
317,891	256,028	-	457,254	-
-	1,943,456	-	2,827,496	12,037,595
<u>317,891</u>	<u>2,199,484</u>	<u>-</u>	<u>3,284,750</u>	<u>12,037,595</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(with comparative totals for June 30, 2011)

	Agency Funds	Private Purpose Trust Fund	<u>Totals</u>	
			2012	2011
<u>Assets</u>				
Cash and investments (note 2)	\$ 4,313,418	15,381,306	19,694,724	4,166,452
Restricted assets:				
Cash with fiscal agent (note 2)	2,892,588	1,794,393	4,686,981	2,934,722
Accounts receivable, net	22,938	285,140	308,078	70,634
Due from other governments	-	11,996,362	11,996,362	-
Notes receivable, net (note 6)	-	7,271,562	7,271,562	-
Land held for resale (note 5)	-	29,106,392	29,106,392	-
Assets for use in operations	1,729	-	1,729	4,548
Noncurrent assets:				
Capital assets (note 4)	-	2,306,331	2,306,331	-
Total noncurrent assets	-	2,306,331	2,306,331	-
Total assets	<u>7,230,673</u>	<u>68,141,486</u>	<u>75,372,159</u>	<u>7,176,356</u>
<u>Liabilities</u>				
Accounts payable	30,316	299,900	330,216	1,742
Due to other governments (note 3)	-	7,005,044	7,005,044	-
Interest payable	-	186,306	186,306	-
Deposits payable	7,200,357	-	7,200,357	7,174,614
Current portion of long-term liabilities:				
Bonds payable (note 9)	-	965,000	965,000	-
Long-term liabilities:				
Bonds payable (note 9)	-	40,505,000	40,505,000	-
Total long-term liabilities	-	40,505,000	40,505,000	-
Total liabilities	<u>7,230,673</u>	<u>48,961,250</u>	<u>56,191,923</u>	<u>7,176,356</u>
<u>Net Assets</u>				
Invested in capital assets	-	2,306,331	2,306,331	-
Held in trust for other taxing entities	-	16,873,905	16,873,905	-
Total net assets (deficit)	<u>\$ -</u>	<u>19,180,236</u>	<u>19,180,236</u>	<u>-</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
Year ended June 30, 2012
(with comparative totals for year ended June 30, 2011)

	2012	2011
Additions:		
Taxes	\$ 2,723,705	-
Investment income	1,953,873	-
Extraordinary gain	29,740,054	-
Total additions	34,417,632	-
Deductions:		
Community development	888,091	-
Interest	1,184,832	-
Contributed Facilities	2,529,957	-
Transfers out (note 3)	10,634,516	-
Total deductions	15,237,396	-
Change in net assets	19,180,236	-
Net assets at beginning of year	-	-
Net assets at end of year	\$ 19,180,236	-

See accompanying notes to the basic financial statements

City of Victorville
Notes to Basic Financial Statements
Year Ended June 30, 2012

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

(a) Reporting Entity

The City of Victorville is situated approximately 97 miles northeast of Los Angeles in Southern California's Mojave Desert. The City was incorporated in 1962 and had an estimated population at June 30, 2012 of 119,059.

On July 26, 2008 the City became a charter City that operates under the Council-Manager form of government, with five elected Council members served by a full time City Manager and staff. At June 30, 2012, the City's staff comprised of 285 full and part time employees who were responsible for the City-provided services.

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

Redevelopment Agency of the City of Victorville

The Redevelopment Agency's financial activity commenced in September 1980. All redevelopment agencies in the State of California were dissolved effective February 1, 2012 (see note 23). The primary purpose of the Agency is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. City Council members, in separate session, served as the governing board of the Agency, and all accounting and administrative functions were performed by the City. The financial activity of the Agency, through January 31, 2012, has been blended into the City's financial statements within the Governmental Activities in the financial statements. Subsequent to February 1, 2012, the assets and liabilities of the former redevelopment agency have been recorded in a private-purpose trust fund pending the liquidation and distribution of net assets to other taxing entities. Separate financial statements for the Agency are not available.

Southern California Logistics Airport Authority

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(1)	Summary of Significant Accounting Policies, (Continued)
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Southern California Logistics Rail Authority

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

Victorville Water District

On August 15, 2007, the Victor Valley Water District and the Baldy Mesa Water District were approved to be consolidated into a subsidiary district of the City of Victorville (City), known as the Victorville Water District (District, per Resolution No. 2977 of the Executive Officer of the Local Agency formation Commission (LAFCO) of San Bernardino County, which adopted a change of organization without election. All of the liabilities including debt obligations of the Victor Valley Water District and the Baldy Mesa Water District were assumed by this subsidiary district and the City effective July 1, 2007 upon consolidation. Upon consolidation July 1, 2007 of the two districts the City consolidated the operations and activities of its Water Department and Water Funds into the district to serve all of the water customers of the City of Victorville under this District. The basic operations of the District are financed by user charges plus capital contributions to finance growth of the water delivery system. The District is governed by a five-member Board of Directors (City Council), each holding staggered four-year terms. The District is being treated as a blended component unit subsidiary district in the City of Victorville's financial statements for the year ended June 30, 2012.

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

Regional Center of Victorville Development, Inc.

The Regional Center of Victorville Development, Inc. (RCVD) is a nonprofit public benefit corporation formed on August 27, 2009 by the City of Victorville. RCVD is organized and operated exclusively for social welfare purposes within the meaning of Section 501(c)(4) of the Internal Revenue Code. The purpose of RCVD is to promote social welfare by providing advisory, administrative and analytical services associated with and making recommendations regarding potential investments in the Victorville Regional Center to foster economic growth, encourage industrial development and enhance job creation in the City of Victorville and surrounding communities.

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

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(b) Basis of Accounting and Measurement Focus

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

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

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

Fund Financial Statements

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Governmental Funds

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Governmental Fund Balances

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

Nonspendable Fund Balance

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

Spendable Fund Balance

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Proprietary and Fiduciary Funds

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating expenses. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

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

(c) Major Funds and Fiduciary Fund Types

The City reports the following major governmental funds:

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

Low and Moderate Housing Special Revenue Fund – Accounts for property tax increments received by the Victorville Redevelopment Agency to use for low and moderate income housing programs.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Victorville Redevelopment Agency Capital Projects Fund – Accounts for financial resources to be used for acquisition or construction of major capital facilities. The fund is composed of the redevelopment project area in Bear Valley Road / Hook Boulevard, the Old Town / Midtown project area and Victorville’s portion of the Victor Valley Project Area.

The City reports the following major proprietary funds:

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Additionally, the City reports the following fiduciary fund type:

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

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

(d) Cash and Investments

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

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

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

(e) Cash and Cash Equivalents

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

(f) Due from Other Governments

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, and motor vehicle in-lieu taxes, collected or provided by Federal, State, County and City Governments and unremitted to the City as of June 30, 2012.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(g) Inventory and Prepaid Items

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

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

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

(h) Land Held for Resale

Land held for resale consists of property acquired by the Victorville Redevelopment Agency and intended to be sold for private developers. Land held for resale is valued at the lower of cost or realizable value once that value becomes determinable by entering into a contract for sale.

(i) Capital Assets

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

Buildings and Improvements	10-50 years
Furniture and Equipment	3-7 years
Computer and Communications	5 years
Vehicles	5-15 years
Infrastructure	20-80 years
Water Rights	10-25 years
Other Intangible Assets	5-25 years

(j) Compensated Absences

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

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

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

(k) Claims and Judgments

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(l) Bond Discounts/Issuance Costs

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

(m) Property Taxes

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

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

(n) Estimates

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

(o) Loans Receivable

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(p) Net Assets

Net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

This amount is all net assets that do not meet the definition of “invested in capital assets” or “restricted net assets.”

(q) Prior Year Data

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

(2) Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 49,687,688
Cash with fiscal agents	24,857,807
Restricted cash	957,734

Fiduciary funds:

Cash and investments	19,694,724
Cash with fiscal agent	<u>4,686,981</u>

Total cash and investments	<u><u>\$ 99,884,934</u></u>
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City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$	7,269
Deposits with financial institutions		9,929,308
Investments		89,948,357
Total cash and investments	\$	<u>99,884,934</u>

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

Investment type	Total	Remaining Maturity (in Months)			
		Within 12	13 to 24	25 to 60	60 +
State investment pool	\$ 59,445,837	59,445,837	-	-	-
Certificates of deposit	957,734	957,734	-	-	-
Held by bond trustee:					
State investment pool	2,216,880	2,216,880	-	-	-
Money market funds	27,327,906	27,327,906	-	-	-
Total	\$ 89,948,357	89,948,357	-	-	-

Disclosures Relating to Credit Risk

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

Investment type	Total	Minimum Legal Rating	Exempt from Disclosure	Ratings as of Year end	
				AAA	Not Rated
State investment pool	\$ 59,445,837	N/A	-	-	59,445,837
Certificates of deposit	957,734	N/A	-	-	957,734
Held by bond trustee:					
State investment pool	2,216,880	N/A	-	-	2,216,880
Money market funds	27,327,906	A	-	27,327,906	-
Total	\$ 89,948,357		-	27,327,906	62,620,451

Concentration of Credit Risk

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2012, \$9,792,491 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

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

Investment in State Investment Pool

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(3) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2012 is as follows:

Due to/from Other Funds:

Fund Reporting Receivable	Fund Reporting Payable	Amount	
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 831,781	a)
Sanitary District	Nonmajor Governmental Funds	3,337,012	b)
General Fund	Nonmajor Governmental Funds	486,109	c)
	Total	\$ 4,654,902	

Advances to/from other funds:

Fund Reporting Receivable	Fund Reporting Payable	Amount	
Successor Agency *	Southern California Logistics Airport	\$ 11,875,325	d)
Nonmajor Governmental Funds	Southern California Logistics Airport	6,621,259	e)
Solid Waste Management	Southern California Logistics Airport	903,206	e)
Solid Waste Management	City Golf Course	6,359,984	f)
Victorville Water District	Municipal Utility	22,193,025	g)
Southern California Logistics Airport	Victorville Water District	24,111,781	h)
Southern California Logistics Airport	Nonmajor Governmental Funds	1,949,451	i)
Southern California Logistics Airport	Successor Agency *	7,005,044	j)
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,197,268	k)
	Total	\$ 82,216,343	

* - Advances to or from the Successor Agency have been classified as Due to or from Other Governments in the basic financial statements

Generally, the above balances result from:

- (a) The \$831,781 due between two Nonmajor Governmental Funds is a short term borrowing by the HUD Grants Fund from the Storm Drain Utility Fund due to negative cash balances at the end of this fiscal year.
- (b) The \$3,337,012 due from the Other Federal Grants Fund to the Wastewater Enterprise Fund is a short term borrowing due to negative cash balances at the end of this fiscal year.
- (c) The \$486,109 due from the HUD Grants Fund to the General Fund is a short term borrowing due to negative cash balances at the end of this fiscal year.
- (d) The City of Victorville Southern California Logistics Airport Authority (SCLAA) entered into two agreements to borrow money from the Victorville Redevelopment Agency to fund the cost of redevelopment activity and prior years' capital improvements and redevelopment projects that were incurred by the SCLAA in prior years:

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

- i. Per a loan agreement approved on October 20, 2009 by the Board of the Victorville RDA, a \$1,700,000 advance was made from the Low and Moderate Housing Fund to the Southern California Logistics Airport Authority. The advance is to be used for Southern California Logistics Airport Authority redevelopment activities. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund (“LAIF”) rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2012 is \$1,721,762.
 - ii. Per a loan agreement approved on September 15, 2009 by the Board of the Victorville RDA, a \$10,000,000 advance was made from the Bear Valley Road Redevelopment Project Area (RDA Capital Project Fund) to the Southern California Logistics Airport Authority. The advance is to be used to continue redevelopment at the Southern California Logistics Airport and to fund prior years’ capital improvements and redevelopment project expenses. The advance has a term of repayment of five years from the date of the agreement, with an annualized Local Agency Investment Fund (“LAIF”) rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2012 is \$10,153,563.
- (e) The \$6,621,259 and \$903,206 due from the Southern California Logistic Airport Authority to the Landscape Maintenance and Drainage Facilities Assessment District Fund and the Solid Waste Management Fund are interfund borrowings due to negative cash balances at the end of this fiscal year.
- (f) A loan agreement was signed on November 15, 2011 by the City Council for a \$6,335,780 advance from the Solid Waste Management Fund to the Golf Course Fund. The advance is due to negative cash balances in the Golf Course Fund at year end. The advance has a term ending June 30, 2016, with annualized Local Agency Investment Fund (“LAIF”) Rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2012 is \$6,359,984.
- (g) The City of Victorville Municipal Utility entered into two agreements to borrow money from the Victorville Water District to fund the cost of capital improvements, general administrative and operating expenditures that were incurred by the City of Victorville Municipal Utility in the prior years:
- i. An agreement was entered into on April 13, 2009 for \$2,700,000, with a term of repayment of five years from the date of the agreement, with the annualized Local Agency Investment Fund (“LAIF”) rate as the interest rate. The outstanding balance of the first advance as of June 30, 2012 is \$1,885,900.
 - ii. An agreement was entered into on June 30, 2009 for \$20,000,000, with a term of repayment of five years from the date of the agreement, with the annualized Local Agency Investment Fund (“LAIF”) rate as the interest rate. The outstanding balance of the second advance as of June 30, 2012 is \$20,307,125.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

The sum of the two outstanding advances as of June 30, 2012 is \$22,193,025.

- (h) The City of Victorville Southern California Logistics Airport Authority entered into an agreement to lend money to the Victorville Water District to partially fund the Wastewater Treatment Facility project. The agreement was entered into on July 23, 2009 for \$20,000,000, with a term of repayment of two years from the date of the agreement with an interest rate of 7% annually. The outstanding balance of the advance (including accrued interest) as of June 30, 2012 is \$24,111,781.
- (i) Per a loan agreement signed on September 21, 2010 by the board of the SCLAA, a \$1,895,090 advance was made from the SCLAA to the Capital Impact Facilities Fund. The advance is to be used for the purchased of land. The advance has a term of repayment to automatically renew the loan until there are sufficient funds to repay. There is an annualized rate of return at 0.495%, as the interest rate. The outstanding balance of the advance as of June 30, 2012 is \$1,949,451.
- (j) Per a loan agreement approved on July 21, 2009 by the Board of the Victorville RDA, a \$6,906,148 advance was made from the Agency's portion of VVEDA's 20% Low and Moderate Housing Fund to the Southern California Logistics Airport Authority. The advance is to be used to fund land acquisitions associated within the Old Town project area. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2012 is \$7,005,044.
- (k) The \$1,197,268 advance from the Storm Drain Utilities Fund to the Capital Impact Facilities Fund is a borrowing due to negative cash balances at the end of this fiscal year.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Transfers in/out:

Transfers In	Transfers Out	Amount	
General Fund	Nonmajor Governmental Funds	\$ 2,542,090	1
Other Federal Grants	RDA Successor Agency	464,433	2
Other Federal Grants	Measure I	349,834	3
LMADS/DFADS District	General Fund	2,783	4
LMADS/DFADS District	Measure I	36,459	5
Golf Course Fund	General Fund	703,396	6
Victorville Water District	Sanitary District	508,963	7
RDA Debt Service Fund	RDA Capital Projects Fund	2,069,968	8
HUD Grants	RDA Capital Projects Fund	1,717	9
Southern California Logistic Airport	RDA Successor Agency	10,170,083	10
Southern California Logistic Airport	Other Federal Grants	859,911	11
HUD Grants	Other Federal Grants	364,696	12
	Total	\$ 18,074,333	

1. The Nonmajor Governmental fund transfer of \$2,542,090 to General Fund consisted of a transfer from Traffic Safety fund of \$640,112 to support engineering function traffic safety and a transfer of \$1,901,978 from the Capital Impact Facilities Fund to record the movement of a loan associated with the City's library land.
2. To transfer matching fund expenditures of the Bear Valley Project Area for the Electrical Backbone West and High Pressure Gas Backbone projects.
3. To transfer matching fund expenditures of the Measure I Fund for the Mojave Drive Bridge Widening project.
4. To transfer property tax revenues collections intended for the LMADS/DFADS District.
5. To reallocate refunds intended for the LMADS/DFADS District.
6. Transfer of revenue from General Fund to the Golf Course to balance budgeted expenditures.
7. To fund the Capital Expenditures associated with the Victorville Wastewater Treatment Facility.
8. To transfer \$2,069,968 to the RDA Debt Service for the payment of principal and interest on RDA bonds, and
9. To transfer \$1,717 of accumulated activity for a federal grant to the HUD Grants fund.
10. To transfer pledged property tax increment revenue to make Debt Service payments of the Southern California Logistics Airport Authority (SCLAA).
11. To transfer the accumulated activity of a federal grant funds in the SCLAA to the Other Federal Grants Fund.
12. To transfer the accumulated activity of a federal grant funds in the Other Federal Grants Fund to the HUD Grants Fund.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets

Governmental activities

The following is a summary of changes in capital assets for the year ended June 30, 2012:

	Balance at 7/1/2011	Additions	Deletions	Transfers to Successor Agency *	Balance at 6/30/2012
Non-depreciable assets:					
Land	\$ 46,036,053	843,127	(8,644,148)	(2,017,962)	36,217,070
Right of way	179,995,939	-	-	-	179,995,939
Construction in progress	11,535,558	18,046,807	(4,880,160)	(2,529,957)	22,172,248
Total non-depreciable assets	<u>237,567,550</u>	<u>18,889,934</u>	<u>(13,524,308)</u>	<u>(4,547,919)</u>	<u>238,385,257</u>
Depreciable assets:					
Buildings and improvements	71,046,802	30,502	-	(1,352,128)	69,725,176
Furniture and equipment	12,110,408	-	-	(72,385)	12,038,023
Computer and communications	2,962,931	-	-	-	2,962,931
Land improvements	-	138,084	-	-	138,084
Vehicles	3,201,481	-	(7,653)	(23,523)	3,170,305
Infrastructure	455,447,387	12,359,743	-	-	467,807,130
Intangible assets:					
Computer software	1,275,251	-	-	-	1,275,251
Right-of-way easements	10,000	-	-	-	10,000
Total depreciable assets	<u>546,054,260</u>	<u>12,528,329</u>	<u>(7,653)</u>	<u>(1,448,036)</u>	<u>557,126,900</u>
Less accumulated depreciable:					
Buildings and improvements	(16,505,206)	(2,073,102)	-	1,026,634	(17,551,674)
Furniture and equipment	(9,150,158)	(679,250)	-	72,385	(9,757,023)
Computer and communications	(2,469,037)	(206,034)	-	-	(2,675,071)
Land improvements	-	(1,151)	-	-	(1,151)
Vehicles	(2,910,785)	(130,769)	4,216	15,437	(3,021,901)
Infrastructure	(260,024,152)	(21,413,796)	-	-	(281,437,948)
Intangible assets:					
Computer software	(1,207,046)	(29,795)	-	-	(1,236,841)
Right-of-way easements	(10,000)	-	-	-	(10,000)
Total accumulated depreciation	<u>(292,276,384)</u>	<u>(24,533,897)</u>	<u>4,216</u>	<u>1,114,456</u>	<u>(315,691,609)</u>
Total depreciable assets, net	<u>253,777,876</u>	<u>(12,005,568)</u>	<u>(3,437)</u>	<u>(333,580)</u>	<u>241,435,291</u>
Capital assets, net	<u>\$ 491,345,426</u>	<u>6,884,366</u>	<u>(13,527,745)</u>	<u>(4,881,499)</u>	<u>479,820,548</u>

* - See footnote 23 for additional information regarding the transfer of Capital Assets to the Successor Agency of the Victorville Redevelopment Agency

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets, (Continued)

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

General government	\$ 4,444,193
Public safety	567,706
Community development	29,588
Public works	17,727,413
Parks and recreation	<u>1,764,997</u>
	<u>\$24,533,897</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets, (Continued)

Business-type activities

The following is a summary of capital assets for enterprise funds at June 30, 2012:

	<u>Balance at</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/2012</u>
Non-depreciable assets:				
Land	\$ 42,839,714	1,207,002	(843,127)	43,203,589
Intangibles – service credit	3,785,497	-	-	3,785,497
Water rights	1,433,400	-	-	1,433,400
Construction in progress	57,641,139	3,987,054	(41,849,390)	19,778,803
Total non-depreciable assets	<u>105,699,750</u>	<u>5,194,056</u>	<u>(42,692,517)</u>	<u>68,201,289</u>
Depreciable assets:				
Buildings and improvements	217,487,396	10,736,417	-	228,223,813
Furniture and equipment	29,431,966	19,039,182	-	48,471,148
Computer and communication	773,192	318,263	-	1,091,455
Vehicles	3,779,270	-	-	3,779,270
Infrastructure	321,821,063	11,111,039	(151,952)	332,780,150
Water rights	11,245,075	-	-	11,245,075
Intangibles - water related	377,446	654,776	-	1,032,222
Intangibles - software	-	1,214,006	-	1,214,006
Land improvements	-	565,968	-	565,968
Total depreciable assets	<u>584,915,408</u>	<u>43,639,651</u>	<u>(151,952)</u>	<u>628,403,107</u>
Less accumulated depreciation:				
Buildings and improvements	(77,652,365)	(6,114,997)	-	(83,767,362)
Furniture and equipment	(11,433,540)	(1,645,208)	-	(13,078,748)
Computer and communication	(602,666)	(60,555)	-	(663,221)
Vehicles	(2,580,390)	(273,221)	-	(2,853,611)
Infrastructure	(92,655,756)	(9,874,546)	151,952	(102,378,350)
Water rights	(4,982,223)	(727,553)	-	(5,709,776)
Intangibles - water related	(343,746)	(17,486)	-	(361,232)
Intangibles - software	-	(23,217)	-	(23,217)
Intangibles - water related	-	(13,282)	-	(13,282)
Total accumulated depreciation	<u>(190,250,686)</u>	<u>(18,750,065)</u>	<u>151,952</u>	<u>(208,848,799)</u>
Total depreciable assets, net	<u>394,664,722</u>	<u>24,889,586</u>	<u>-</u>	<u>419,554,308</u>
Capital assets, net	<u>\$500,364,472</u>	<u>30,083,642</u>	<u>(42,692,517)</u>	<u>487,755,597</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets, (Continued)

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

Water	\$ 7,876,061
Airport	7,378,258
Municipal utility	1,206,048
Solid waste management	200,475
Sanitary	1,245,487
Golf courses	574,421
Rail	269,315
Total	<u>\$18,750,065</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets, (Continued)

Successor Agency activities

The following is a summary of capital assets for fiduciary funds at June 30, 2012:

	Balance at 7/1/2011	Additions	Deletions	Transfers from City of Victorville *	Balance at 6/30/2012
Non-depreciable assets:					
Land	\$ -	-	-	2,017,962	2,017,962
Construction in progress	-	-	(2,529,957)	2,529,957	-
Total non-depreciable assets	-	-	(2,529,957)	4,547,919	2,017,962
Depreciable assets:					
Buildings and improvements	-	-	-	1,352,128	1,352,128
Furniture and equipment	-	-	-	72,385	72,385
Vehicles	-	-	-	23,523	23,523
Total depreciable assets	-	-	-	1,448,036	1,448,036
Less accumulated depreciable:					
Buildings and improvements	-	(43,986)	-	(1,026,634)	(1,070,620)
Furniture and equipment	-	-	-	(72,385)	(72,385)
Vehicles	-	(1,225)	-	(15,437)	(16,662)
Total accumulated depreciation	-	(45,211)	-	(1,114,456)	(1,159,667)
Total depreciable assets, net	-	(45,211)	-	333,580	288,369
Capital assets, net	\$ -	(45,211)	(2,529,957)	4,881,499	2,306,331

* - See footnote 23 for additional information regarding the transfer of capital assets to the Successor Agency of the Victorville Redevelopment Agency

(5) Land Held for Resale

As of June 30, 2012, the Successor Agency of the Victorville Redevelopment Agency had acquired and developed parcels of land in the Bear Valley and Old Town/Midtown project areas. These parcels were purchased for the purpose of providing incentives to developers in order to construct future commercial projects on the property, and are recorded as land held for resale at the recorded amount of \$29,106,392.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(6) Long-Term Notes Receivable

Affordable Housing Loans Receivable

The Successor Agency of the Victorville Redevelopment Agency and Southern California Logistic Airport Authority (SCLAA) have entered into agreements with developers to establish various affordable housing project loans. At June 30, 2012, the Victorville Redevelopment Agency and SCLAA outstanding loans receivable are \$7,271,562 and \$1,394,841 respectively.

(7) Governmental Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Retirements	Transfers to RDA Successor Agency *	Balance at June 30, 2012	Due Within One Year
City Debt:						
Compensated Absences	\$ 2,717,187	1,142,775	(1,251,500)	-	2,608,462	521,692
OPEB Obligation	6,952,230	3,178,000	(186,517)	-	9,943,713	405,030
Capital Leases:						
Bank of America	142,188	-	(142,188)	-	-	-
Redevelopment Agency Debt:						
Tax Allocation Bonds:						
2002A Tax Allocation Bonds	8,255,000	-	(240,000)	(8,015,000)	-	-
2003A Tax Allocation Bonds	8,750,000	-	(260,000)	(8,490,000)	-	-
2003B Tax Allocation Bonds	4,300,000	-	(125,000)	(4,175,000)	-	-
2006A Tax Allocation Bonds	21,090,000	-	(300,000)	(20,790,000)	-	-
Totals	<u>\$ 52,206,605</u>	<u>4,320,775</u>	<u>(2,505,205)</u>	<u>(41,470,000)</u>	<u>12,552,175</u>	<u>926,722</u>

* - See footnote 23 for additional information regarding the transfer of long term liabilities to the Successor Agency of the Former Victorville Redevelopment Agency

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$2,608,462 at June 30, 2012 will be paid in future years from future resources, generally liquidated by the General Fund.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(7) Governmental Long-Term Liabilities
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Capital Leases

Bank of America

In November 2006, the City entered into an agreement with Bank of America Public Capital Corp. to set up a \$1,300,000 lease purchase agreement. The proceeds were used to lease three fire trucks, recorded at its acquisition cost of \$1,300,000.

The lease has an interest rate of 4.10%. Repayments by the City will be made in semi-annual payments of \$145,103. Semi-annual payments from the City began in May of 2007 and continued through November of 2011. The Bank of America Public Capital Corp. Lease has been paid in full as of June 30, 2012.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities,

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Retirements	Balance at June 30, 2012	Due Within One Year
Compensated Absences	\$ 382,850	262,607	(231,029)	414,428	82,886
OPEB Obligation	553,441	418,000	(209,000)	762,441	291,901
Notes Payable:					
EB 5 Loans Payable	6,012,639	-	(6,012,639)	-	-
Lease Purchase Agreements:					
Key Government Finance	911,024	-	(162,803)	748,221	171,973
Burrtec Industries	941,183	-	(188,965)	752,218	195,686
Lease Subtotal	1,852,207	-	(351,768)	1,500,439	367,659
Installment Sale Agreement:					
LaSalle Bank National Association	160,612	-	(160,612)	-	-
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	23,460,000	-	(750,000)	22,710,000	780,000
2006 Tax Allocation Bonds (Non-Housing)	57,550,000	-	(820,000)	56,730,000	845,000
2006 Tax Allocation Bonds (Housing)	15,460,000	-	(220,000)	15,240,000	225,000
2006 Tax Allocation Parity Bonds	42,680,000	-	(85,000)	42,595,000	90,000
2006 Tax Allocation Revenue Parity Bonds	34,080,000	-	(330,000)	33,750,000	350,000
2006 Tax Allocation Revenue Bonds	62,085,000	-	(630,000)	61,455,000	670,000
2007 Tax Allocation Bonds (Housing)	39,140,000	-	(460,000)	38,680,000	485,000
2007 Tax Allocation Bonds (Non-Housing) *	40,650,000	-	(465,000)	40,185,000	40,185,000
2008 Tax Allocation Bonds *	15,068,644	689,999	(70,000)	15,688,643	15,688,643
Tax Allocation Funds Subtotal	330,173,644	689,999	(3,830,000)	327,033,643	59,318,643
Lease Revenue Bonds:					
2007A Variable Rate Lease Revenue Bond	83,470,000	-	(400,000)	83,070,000	500,000
Revenue Refunding Bonds:					
2004 Refunding Bonds	1,897,500	-	(172,500)	1,725,000	182,500
Certificates of Participation (COP):					
1998 COPs	1,890,000	-	(95,000)	1,795,000	100,000
2006 COPs	12,100,000	-	(265,000)	11,835,000	270,000
COP Subtotal	13,990,000	-	(360,000)	13,630,000	370,000
Deferred Refunding Charges & Unamortized					
Discounts/Premiums	(7,220,070)	-	1,238,793	(5,981,277)	(273,321)
Total	\$ 431,272,823	1,370,606	(10,488,755)	422,154,674	60,840,268

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$414,428 at June 30, 2012, will be paid in future years from future resources, generally liquidated by the Victorville Water District, Victorville Municipal Utility and the Southern California Logistic Airport Authority.

EB5 Loan Payable

On January 15, 2009, the City of Victorville, on behalf of the Regional Center of Victorville Development, Inc. (RCVD) submitted a regional center application to the USCIS requesting its consideration in approving qualified investment to be made by investor visa applicants within the City of Victorville. On June 29, 2009, the USCIS awarded the designation of the Regional Center to the Victorville Regional Center (VRC). Later on August 27, 2009 the RCVD became a new California nonprofit corporation. The Board of Directors of the RCVD is comprised of three city employees.

The EB-5 Pilot Immigration Program ("Program") permits foreign citizens to receive permanent U.S. residency in exchange for making a minimum investment of \$500,000 in a new commercial enterprise that will create at least ten direct or indirect full-time jobs in an area designated by the USCIS as a Regional Center.

On September 3, 2009, the RCVD, Inland Group, Inc. (Inland), the Inland Development Group I, Inc. (the General Partner), and the Victorville Regional Center I, L.P. (the Partnership) entered into the RCVD Advisory Agreement to formally permit fundraising from EB-5 immigrant investors and making loans to the SCLAA up to \$25 million for the construction of the SCLAA Wastewater Treatment Facility. During Fiscal Year 2012, the SCLAA received no investment money.

The loans have an annual interest of 5% and mature in 5 years. One half of the interest accrued on these loans are payable annually.

On May 4, 2010 the United States Customs and Immigration Services (USCIS) issued a notice with intent to terminate the Victorville Regional Center (VRC) designation as a regional center. This letter is followed by a second intent to terminate letter on August 10, 2010 and a final termination notice on October 20, 2010. According to the notice, USCIS could not conclude that the Victorville Regional Center remained eligible for the Regional Center designation as several issues remained unresolved with respect to the underlying viability and EB-5 compliance of the Victorville Regional Center's capital investment projects. The final notice indicated that evidence (provided by the VRC) fails to establish that the Victorville Regional Center has or will continue to serve the purpose of the Pilot Program.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

On November 16, 2010, the USCIS received a motion to Reopen/Motion to Reconsider (“MTR”) filed by the Victorville Regional Center in response to the USCIS’ Notice of Termination. On December 14, 2010 the USCIS sent a Request for Evidence related to the motion, indicating that the Victorville Regional Center has not provided sufficient evidence to establish eligibility for the benefit sought. The Victorville Regional Center has since decided to abandon the EB-5 project and return all principal and accrued interest to the investors. As of June 30, 2012 the amount of loans payable outstanding is \$0.

Lease Purchase Agreements:

Key Government Finance, Inc.

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

The lease has an interest rate of 5.49%. Repayments by the City Golf will be made in annual payments of \$214,115. Annual payments from the City Golf began in July of 2006 and continue through July of 2015. The amount of the equipment lease purchase agreement outstanding at June 30, 2012 is \$748,221.

Burrtec Waste Industries

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

The lease has an interest rate of 3.50%. Repayments by the Solid Waste Management will be made in monthly payments of \$30,901. Monthly payments from the Solid Waste Management began in March of 2006 and continue through February of 2016. The outstanding amount at June 30, 2012 for the City of Victorville is \$752,218.

Installment Sale Agreement:

2004 LaSalle Water Rights Note Payable

In May 2004, the City of Victorville’s Baldy Mesa Water District entered into a note payable for \$2,243,000. The proceeds were used for the purpose of financing the purchase of water rights.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

The note payable has an interest rate of 3.76%. The annual debt service is a special limited obligation of the Baldy Mesa Water District payable from and secured by a pledge of and lien on the net revenues of the Water District. Principal and interest payments are due each November 26th and May 26th. The LaSalle Bank Installment Sale Agreement has been paid in full as of June 30, 2012.

Tax Allocation Bonds:

Tax Allocation Parity Bonds, Series 2005A

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

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

Bonds maturing on December 1, 2010, December 1, 2015, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 in the amounts of \$2,765,000, \$3,365,000, \$5,140,000, \$6,335,000, \$7,870,000 and \$15,335,000 are term bonds. The outstanding bonds bear interest at 3.50% to 5.00% due June 1 and December 1 of each year.

The bonds are subject to redemption prior to maturity as described in the bond covenants. The bonds maturing on or after June 1, 2015 are subject to optional redemption in whole or in part by lot, without premium.

The bonds maturing on December 1, 2010, December 1, 2015, December 1, 2020, December 1, 2025, December 1, 2030, and December 1, 2035 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2012, December 1, 2016, December 1, 2021, December 1, 2026, and December 1, 2031, respectively, from sinking fund payments made by SCLAA.

In the fiscal year ended June 30, 2006 these bonds have been partially defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing). The required reserve for the Bonds is \$1,797,890. As of June 30, 2012 the reserve amount was \$1,291,308. The Bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2012 is \$22,710,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

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

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

The required reserve for the bonds is \$3,519,300. As of June 30, 2012, the reserve amount was \$2,439,923. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2012 is \$56,730,000.

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

The required reserve for the bonds is \$945,975. As of June 30, 2012, the reserve amount was \$946,001. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2012 is \$15,240,000.

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

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

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

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

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

The required reserve for the bonds is \$4,273,214. As of June 30, 2012, the reserve amount was \$3,557,079. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2012 is \$42,595,000.

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006

In November 2006, Southern California Logistics Airport Authority issued \$34,980,000 principal amount of Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006. The proceeds were used to finance and refinance certain redevelopment activities benefiting the Southern California Logistics Airport.

The bonds mature from December 1, 2007 to December 1, 2043 in varying amounts. Principal is payable in annual installments ranging from \$50,000 to \$2,320,000, commencing December 1, 2007. The bonds accrue interest at rates between 6.25% and 6.30%. Interest on the bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2007.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

The bonds are secured by pledged tax revenues. The required reserve for the Bonds is \$2,476,455. As of June 30, 2012, the reserve amount was \$1,778,900. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2012 is \$33,750,000.

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

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

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

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

The bonds are secured by pledged tax revenues. The required reserve for the bonds is \$4,389,930. As of June 30, 2012, the reserve amount was \$2,530,917. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2012 is \$61,455,000.

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

The required reserve for the Bonds is \$2,602,410. As of June 30, 2012, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,602,410. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2012 is \$38,680,000.

Subordinate Tax Allocation Revenue Bonds, Series 2007

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

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

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

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

The required reserve for the Bonds is \$2,824,473. As of June 30, 2012, the reserve amount was \$1,657,902. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2012 is \$40,185,000.

Subordinate Tax Allocation Revenue Bonds, Series 2008

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

The required reserve for the Bonds is \$1,333,492. As of June 30, 2012, the reserve amount was \$1,166,913. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2012 is \$15,688,643, which includes an accretion balance of \$2,553,718.

Lease Revenue Bonds:

Variable Rate Lease Revenue Bonds, Series 2007A

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

The required reserve for the Bonds is \$5,872,900. As of June 30, 2012, the reserve amount was \$5,877,757. The bonds are a special obligation of the Victorville Joint Powers Financing Authority payable from revenues consisting primarily of base rental lease payments paid by the city and amount held in the funds and established under the indenture. The amount of bonds outstanding at June 30, 2012 is \$83,070,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Revenue Refunding Bonds:

2004 Project Revenue Bonds

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

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

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

Covenants within the installment purchase agreement require the City of Victorville to establish annual rates sufficient to pay operating expenses and debt service payments in such fiscal year. In addition, such rates shall be charged to produce net revenues equal to at least 125% of the debt service payments due and payable in such fiscal year. Since the beginning of the fiscal year on July 1, 2008 through June 30, 2009, the City was in compliance with the rate covenants.

The required reserve for the bonds is \$536,070. As of June 30, 2012, the reserve amount was \$536,070. The City of Victorville's 50% amount of bonds outstanding at June 30, 2012 is \$1,725,000.

Certificates of Participation:

1998 Certificates of Participation

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

The Certificates of Participation had a stated interest rates ranging from 4.10% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2012 is \$1,795,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type 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. 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, 2012 is \$11,835,000.

Rate Covenant

The 1998 and 2006 Certificates of Participation require that the Baldy Mesa Water District to generate sufficient net revenues which are at least equal to 110% of the amount of the installment payments and Parity Obligation coming due and payable in each fiscal year. The 1998 and 2006 Certificate of Participations were issued before Baldy Mesa and Victor Valley Water District were consolidated into Victorville Water District. The City performed the calculation that demonstrated compliance with rate covenant for the fiscal year ended June 30, 2012. The calculation was prepared using revenues and the proportionate expenses of the Baldy Mesa Water District.

SCLAA Defaults on Bonded Debt

On December 1, 2011, the SCLAA defaulted on the principal payment of \$465,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal payment of \$70,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A.

Draws on Reserves with the Trustee for the December 1, 2011 interest payments were as follows:

SCLAA Tax Allocation Revenue Parity Bonds	2005A	\$ 635,349
SCLAA Tax Allocation Revenue Parity Bonds	2006	688,480
SCLAA Tax Allocation Revenue Parity Bonds, Ref	2006	1,079,377
SCLAA Tax Allocation Revenue Parity Bonds	2006	697,556
SCLAA Taxable Subordinate Revenue Bonds	2006	2,497,140
SCLAA Subordinate Tax Allocation Rev Bonds	2007	1,169,709
SCLAA Subordinate Tax Allocation Rev Bonds	2008A	166,579

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Several material events have occurred that have resulted in SCLAA defaulting on the two bond issues and the use of reserves with the Trustee for interest payments:

- (1) As part of adopting its 2009 budget bill, the State of California approved AB 26 4X, which included a provision that required redevelopment agencies to make remittance in the aggregate amount of \$1.7 billion for FY 09/10 and \$350 million for FY 10/11 to a county Supplemental Educational Revenue Augmentation Funds (SERAF), in order to assist the State in balancing its budget. Tax increment used to pay the SERAF obligation that would have otherwise been available to pay SCLAA debt service amounted to \$9,352,308 in FY 09/10 and \$1,923,641 in FY 10/11. These payments essentially resulted in use of cash on hand of \$11,275,949.
- (2) There has been a significant decrease in assessed value for the Victor Valley Redevelopment Project Area. The decrease was largely the result of the recent economic downturn. The Original Area and the Amendment VIII areas saw reductions in value of \$1.6 billion and \$1 billion respectively.
- (3) Due to uncertainty relating to actions taken by the California Supreme Court regarding Assembly Bills AB1X26 and AB1X27, SCLAA was unable to rely on inter-fund borrowing from the Victorville Redevelopment Agency to assist in satisfying debt service obligations due December 1, 2011.

On March 13, 2012, SCLAA received a distribution of tax increment from Victor Valley Economic Development Authority (VVEDA) as anticipated. On March 16, 2012, SCLAA wired to Bank of New York Mellon, the Trustee, \$7,469,191. These funds cured the principal default of \$465,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal default of \$70,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. The additional \$6,934,191 was placed into special funds for each bond issue as listed in the draw on reserves table above.

Additionally, on December 1, 2012, the SCLAA defaulted on the principal payment of \$485,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal payment of \$75,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A.

Draws on Reserves with the Trustee for the December 1, 2012 interest payments were as follows:

SCLAA Taxable Subordinate Revenue Bonds	2006	\$ 2,529,014
SCLAA Subordinate Tax Allocation Rev Bonds	2007	1,166,571
SCLAA Subordinate Tax Allocation Rev Bonds	2008A	168,325

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Several material events have occurred that have resulted in SCLAA defaulting on the two bond issues and the use of reserves with the Trustee for interest payments:

- (1) As part of adopting its 2009 budget bill, the State of California approved AB 26 4X, which included a provision that required redevelopment agencies to make remittance in the aggregate of \$1.7 billion for FY 09/10 and \$350 million for FY 10/11 to a county Supplemental Education Revenue Augmentation Fund (SERAF), in order to assist the State in balancing its budget. Tax increment from SCLAA was used to pay the SERAF obligation amounting to \$9,352,308 in FY 09/10 and \$1,923,641 in FY 10/11.
- (2) There has been a significant decrease in assessed value for the Victor Valley Redevelopment Project Area. The decrease was largely the result of the recent economic downturn.
- (3) The California Redevelopment Agency (RDA) dissolution process has created cash flow issues due to the new processes imposed by the legislation. Essentially, revenue receipts are delayed significantly for each six month period as the Recognized Obligation Payment Schedule (ROPS) makes its way through the various levels of approval. For the July through December 2012 period, the new cash made available via distribution from the County represented funds collected from February 1 through April 30, 2012. The May 2012 amounts, which typically equal about 40% of the entire year's collections, will not be distributed to the Successor Agencies until January 2012. This delayed receipt of funds by Victor Valley Economic Development Agency (VVEDA) leads to a delayed distribution to its JPA members, which ultimately contributes to the shortfall already realized due to sharp decreases in property values of the last several years. For December 2012, any and all existing cash balances on hand must be sent to the Trustee in order for the RDA and SCLAA to meet as much of its contractual obligations as possible.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding proprietary fund debt of the City as of June 30, 2012, are as follows for each fiscal year ending June 30:

Year Ending June 30	Lease Purchase Agreements Principal	Lease Purchase Agreements Interest	Tax Allocation Bonds Principal*	Tax Allocation Bonds Interest	Certificate of Participation Principal	Certificate of Participation Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Refunding Bonds Principal	Refunding Bonds Interest
2013	\$ 367,659	65,351	4,005,000	17,524,678	370,000	623,823	500,000	3,738,150	182,500	84,658
2014	387,305	48,704	4,195,000	17,427,121	385,000	613,905	750,000	3,715,650	190,000	76,445
2015	398,744	31,266	4,410,000	17,215,649	410,000	595,805	1,000,000	3,681,900	197,500	67,515
2016	346,731	13,314	4,635,000	16,992,396	430,000	576,655	1,620,000	3,636,900	210,000	58,035
2017	-	-	4,865,000	16,756,321	440,000	556,705	1,705,000	3,564,000	220,000	47,745
2018	-	-	5,110,000	16,515,295	465,000	536,055	1,795,000	3,487,275	230,000	36,745
2019	-	-	5,365,000	16,260,028	490,000	516,240	1,895,000	3,406,500	242,500	25,245
2020	-	-	5,635,000	15,988,755	505,000	495,240	1,995,000	3,321,225	252,500	12,877
2021	-	-	5,920,000	15,701,908	530,000	473,390	2,100,000	3,231,450	-	-
2022	-	-	6,225,000	15,399,533	550,000	450,375	2,210,000	3,136,950	-	-
2023-27	-	-	36,345,000	71,774,015	2,750,000	1,875,531	12,955,000	14,081,625	-	-
2028-32	-	-	47,055,000	61,069,109	2,775,000	1,295,100	16,785,000	10,840,050	-	-
2033-37	-	-	61,780,000	46,345,079	3,530,000	546,500	21,740,000	6,640,425	-	-
2038-42	-	-	81,830,000	26,286,947	-	-	16,020,000	1,466,775	-	-
2043-47	-	-	94,010,000	3,491,415	-	-	-	-	-	-
2048-51	-	-	72,340,000	-	-	-	-	-	-	-
Subtotal	<u>1,500,439</u>	<u>158,635</u>	<u>443,725,000</u>	<u>374,748,249</u>	<u>13,630,000</u>	<u>9,155,324</u>	<u>83,070,000</u>	<u>67,948,875</u>	<u>1,725,000</u>	<u>409,265</u>
Less Deferred	-	-	(5,888,443)	-	(19,806)	-	-	-	(73,028)	-
Total	<u>\$ 1,500,439</u>	<u>158,635</u>	<u>437,836,557</u>	<u>374,748,249</u>	<u>13,610,194</u>	<u>9,155,324</u>	<u>83,070,000</u>	<u>67,948,875</u>	<u>1,651,972</u>	<u>409,265</u>

* This total includes capital appreciation of \$116,691,357 for tax allocation bonds that will be accrued in the future years.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(9)	Successor Agency Long-Term Liabilities
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Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

		Balance at			Transfers	Balance at	Due Within
		July 1, 2011	Additions	Retirements	From City of Victorville *	June 30, 2012	One Year
Tax Allocation Bonds:							
2002A Tax Allocation Bonds	\$	-	-	-	8,015,000	8,015,000	250,000
2003A Tax Allocation Bonds		-	-	-	8,490,000	8,490,000	265,000
2003B Tax Allocation Bonds		-	-	-	4,175,000	4,175,000	130,000
2006A Tax Allocation Bonds		-	-	-	20,790,000	20,790,000	320,000
Totals	\$	-	-	-	41,470,000	41,470,000	965,000

* - See footnote 23 for additional information regarding the transfer of long term liabilities from the City of Victorville.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

The required reserve for the Bonds is \$650,054. As of June 30, 2012, the reserve amount consisting of fiscal agent cash and an insurance policy was \$650,372. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2012 is \$8,015,000.

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.

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

The required reserve for the Bonds is \$687,275. As of June 30, 2012, the reserve amount consisting of fiscal agent cash and an insurance policy was \$688,106. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2012 is \$8,490,000.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

The required reserve for the Bonds is \$340,963. As of June 30, 2012, the reserve amount consisting of fiscal agent cash and an insurance policy was \$341,103. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2012 is \$4,175,000.

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.

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

The required reserve for the Bonds is \$2,087,412. As of June 30, 2012, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,088,452. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2012 is \$20,790,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(9)	Successor Agency Long-Term Liabilities, (Continued)
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Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2012, are as follows for each fiscal year ending June 30:

Year Ending June 30	Principal	Interest
2013	\$ 965,000	2,235,673
2014	1,010,000	2,189,548
2015	1,060,000	2,139,494
2016	1,110,000	2,085,756
2017	1,165,000	2,029,330
2018	1,225,000	1,969,850
2019	1,285,000	1,907,094
2020	1,350,000	1,839,540
2021	1,420,000	1,766,854
2022	1,495,000	1,690,057
2023-27	8,760,000	7,121,527
2028-32	11,405,000	4,399,651
2033-37	9,220,000	958,200
Total	\$ 41,470,000	32,332,574

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Property Tax Increment pledged by the Successor Agency of the Victorville Redevelopment Agency	\$3,332,605	3,200,673	96%
Property Tax Increment (non-housing) pledged by the Southern California Logistics Airport Authority	12,831,279	18,002,108	140%
Property Tax Increment (housing) pledged by the Southern California Logistics Airport Authority	4,228,754	3,527,570	83%
Water Charges for Services	2,124,779	993,824	47%

City of Victorville
Notes to Basic Financial Statements
(Continued)

(11) Fund Balances

Fund balances of governmental funds at June 30, 2012 consisted of the following reserves:

	General Fund	Low/Mod Fund	RDA CP Fund	Non-Major Governmental	Total
Fund balances:					
Nonspendable:					
Advances to other funds	\$ -	-	-	7,818,527	7,818,527
Prepaid items	66,771	-	-	728,068	794,839
Restricted for:					
Public Safety	-	-	-	165,743	165,743
Highways and street projects	-	-	-	19,328,922	19,328,922
Other purposes	14,200	-	-	1,178,783	1,192,983
Unassigned:	3,661,389	-	-	(4,390,451)	(729,062)
Total fund balances	<u>\$3,742,360</u>	<u>-</u>	<u>-</u>	<u>24,829,592</u>	<u>28,571,952</u>

(12) Deficit Fund Balances

The following funds had deficit fund balances/net assets as of June 30, 2012.

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Other Federal Grants	\$ 2,083,074
Capital Impact Facilities	862,453
HUD Grants	773,099
Enterprise Funds:	
Southern California Logistics	
Airport Authority (SCLAA)	104,855,544
Municipal Utility	76,677,010

(13) Defined Benefit Pension Plan

Plan Description

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(13) Defined Benefit Pension Plan, (Continued)

Funding Policy

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

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2010. The contribution rate indicated for the period is 13.774% of payroll for the miscellaneous plan.

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

Miscellaneous Plan

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	28 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of .025%

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(13) Defined Benefit Pension Plan, (Continued)

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (UAAL)/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/09	98,411,225	81,019,849	17,391,376	82.3%	31,226,736	55.7%
6/30/10	99,653,341	88,833,631	10,819,710	89.1%	23,148,596	46.7%
6/30/11	117,307,432	102,420,087	14,887,345	87.3%	20,176,295	73.8%

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

Annual Pension Cost (Employer Contribution)

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$ 3,876	2,963,395	100%	-
6/30/11	-	2,612,138	100%	-
6/30/12	-	2,585,752	100%	-

The above amounts do not include the employee contribution which was paid by the employer on behalf of the employees in the amount of \$1,501,816.

(14) Deferred Compensation

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(15) Post Employment Benefit Plan

Other Post Employment Benefits Plan

During the year ended June 30, 2009, the City implemented GASB Statement No.45 which changed the accounting and financial reporting used by local government employers for postemployment benefits. Previously, the costs of such benefits were generally recognized as expenditures/expenses of local government employers on a pay-as-you-go basis. The new reporting requirement for these benefit programs as they pertain to the City are set forth below.

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

City's Funding Policy. The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2012, the City contributed \$394,517 to the plan. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(15) Post Employment Benefit Plan, (Continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

	<u>City and Water District Plan</u>
Annual required contribution	\$3,863,000
Interest on net OPEB obligation	309,000
Adjustment to annual required contribution	<u>(576,000)</u>
Annual OPEB cost (expense)	3,596,000
Contributions made (including premiums paid)	<u>(395,517)</u>
Increase in net OPEB cost (expense)	3,200,483
Net OPEB obligation – beginning of year	<u>7,505,671</u>
Net OPEB obligation – end of year	<u>\$10,706,154</u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the three preceding years for each of the plans were as follows (dollar amounts in thousands):

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/10	\$2,591,000	267,441	10.32%
6/30/11	3,444,559	260,782	7.57%
6/30/12	3,596,000	395,517	11.00%

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(15) Post Employment Benefit Plan, (Continued)

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2009/10 fiscal year. The City has selected the discount rate (4.25%) and healthcare is assumed to increase, on the average 7.1% for HMO's and 7.5% for PPO's a year for the next 9 years, with a 3% inflation rate.

Schedule of Funding Progress

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

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

(16) Joint Ventures

The City participates in joint ventures through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities 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 joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint ventures, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

Regional Fire Protection Authority

Regional Fire Protection Authority (RFPA) was formed in 1979 between 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 shall consider and adopt an annual budget for RFPA. Each member contributes its pro rata share of operating costs to RFPA. As of June 30, 2004, Hesperia Fire Protection District terminated membership in RFPA. The Authority has been inactive since the beginning of fiscal year 2010-11 and no member contributions were received. There were no separate financial statements prepared for the authority.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(16) Joint Ventures, (Continued)

Mojave Desert and Mountain Integrated Waste Management Authority

Mojave Desert and Mountain Integrated Waste Management Authority (MDMA) was formed in September of 1991 between 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 operate the recycling processing center known as Victor Valley Materials Recovery Facility (MRF). The City of Victorville maintains a 50% interest in the MRF. The remaining 50% interest is maintained by the Town of Apple Valley. Contribution rates from member agencies are based on each member's current population as a percentage of the total population of the MDMA. The City's contribution toward the cost of operating and maintaining facility during the year ended June 30, 2012 was \$57,975. The City's portion of MDMA debt and its operation are reflected in the solid waste management enterprise fund. 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 between the Cities of Victorville and Hesperia, the Town of Apple Valley and the County of San Bernardino to provide the mechanism and funding to acquire 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. Financial statements may be obtained by mailing a request to the Town of Apple Valley, 14995 Dale Evans Parkway, Apple Valley, CA 92307.

Victor Valley Transit Authority

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(16) Joint Ventures, (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 \$6,890,655 to VWVRA for the year ended June 30, 2012. Financial statements may be obtained by sending a written request to Victor Valley Wastewater Reclamation Authority, 20111 Shay Road, Victorville, CA 92394.

(17) Participation in Risk Pool

The City is a member of the Public Entity Risk Management Authority (PERMA), formerly Coachella Valley Joint Powers Insurance Authority (CVJPIA), 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 twenty-six participating member agencies, eighteen cities with populations ranging from 1,500 to 100,000, three transit agencies, and five special districts. The City participates in the liability and worker's compensation insurance 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.

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

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance	Due within one year
2010-11	\$ 1,086,972	805,072	(621,722)	1,270,322	300,000
2011-12	1,270,322	282,460	(284,956)	1,267,826	300,000

City of Victorville
Notes to Basic Financial Statements
(Continued)

(17) Participation in Risk Pool, (Continued)

Claim payments represent disbursements from deposits held by PERMA on behalf of the City. None of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage for the past 3 years. However, in addition to claims mentioned above, an additional amount of \$1,471,647 has been recorded in the Victorville Municipal Utility fund at June 30, 2012 for a pending claim that was outside the City's pool coverage.

(18) Debt Without Government Commitment

Special Tax Bonds

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2002 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2012 was \$885,000.

The City is the collection and paying agent for the Community Facilities District No. 90-1 of the City of Victorville Special Tax Refunding Bonds, 2005 Series A. The special tax bonds were issued to refund the District's Special Tax Bonds, 1991 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2012 was \$3,510,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(18) Debt Without Government Commitment, (Continued)

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2005 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2012 was \$2,925,000.

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

Refunding Improvement Bonds

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

A special assessment has been levied on the property tax bill of those residents who reside within the boundaries of Assessment District 2R to repay the debt service of this obligation. Principal and interest payments are due each September 2nd and interest only payments are due each March 2nd. The amount of refunding bonds outstanding on June 30, 2012 was \$1,580,000. These bonds do not constitute a debt or an obligation of the City because the bonds are solely payable and secured by assets and revenues of other parties.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(18) Debt Without Government Commitment, (Continued)

Multifamily Housing Revenue Bonds

In November of 1988, the City of Victorville issued \$8,400,000 Variable Rate Demand Multifamily Housing Revenue Bonds to finance the construction and development of 200 multifamily housing units in the City of Victorville. The outstanding debt at June 30, 2012 was \$5,840,000. These bonds do not constitute a debt or an obligation of the City because the bonds are solely payable and secured by assets and revenues of other parties.

(19) Commitments and Contingencies

A. Litigation

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

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 probably amount of loss associated with those claims. Additional amounts of potential loss (ranging from \$105,000 to \$1,450,000) have not been accrued because management has not determined those additional amounts to be probably of payment.

B. Examination of City's Record by Other Authorities

The matters described below are not litigation or claims, and it is unknown as to whether they would lead to loss contingencies:

- The Security and Exchange Commission (SEC) has requested records from the City and the City is cooperating fully in providing documentations in order to assist SEC's investigation of representation made with regard to the issuance of the City's Municipal bonds. As of June 30, 2012 this investigation is ongoing and the results are unknown.
- The San Bernardino County Grand Jury, as in a number of matters in the County, has investigated charges of financial instability and issued their reported dated May 15, 2012 which is available on the Grand Jury's website.

C. Construction

Various construction projects were in progress at June 30, 2012 with an estimated cost to complete of approximately \$209,521 in all fund types.

On May 17, 2011 the City Council approved a contract with the San Bernardino County Transportation Authority (the "Authority") regarding the construction of the Nisqualli interchange project, requiring the City of Victorville to remit a deposit into a joint escrow account with the Authority. In July 2011, the City deposited \$10,000,000 into the joint escrow account, and at June 30, 2012 the balance as \$6,924,401.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Commitments and Contingencies, (Continued)

D. Commitments for the Purchase of Electricity

In November, 2008 the Victorville Municipal Utility Services (an enterprise fund of the City of Victorville) entered into “Take or Pay” agreements for the purchase of electricity and other scheduling coordinator and settlement services with Sempra Energy Solutions. The commitments to purchase electricity extend through December 31, 2012 and are at varying contract prices based upon demand.

E. Pollution Remediation

In February 2007, the City acquired a property that was previously used as a dry cleaning facility. In May 2010, the United States Environmental Protection Agency (“US EPA”) issued the Unilateral Administrative Order for the performance of a removal action to City and the prior owner, due to the presence of tetrachloethylene (“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 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 cost of cleanup in order to minimize costs and avoid the potential for treble damages that the EPA has the right to assess for failure to comply an EPA order. The investigation was conducted under the supervision and guidance of the US EPA and City is currently engaged in remedial activities. The remedial activities will continue through 2013.

In June, 2011, the US EPA issued a “Notice of Completion” letter related to soil contamination at the Site. The City has recently held meetings with the State Regulatory Agency that has now been assigned responsibility for groundwater contamination investigation oversight to determine whether any contamination has reached the groundwater. The City expects within the next few months to be in a better position to have an understanding of what ground water contamination may exist, and what associated mitigation efforts or costs, if any, may be needed.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Commitments and Contingencies, (Continued)

F. Southern California Logistics Airport Authority and Stirling Enterprise LLC

Background

In the early 1990's the US Air Force closed George Air Force Base ("former Base"). In response the local communities formed the Victor Valley Economic Development Authority (VVEDA). VVEDA and the Air Force entered into agreements to lease and ultimately transfer title to the former Base to VVEDA. The subject land is designated as either Public Benefit Transfer (PBT) Parcels or Economic Development Conveyance (EDC) Parcels. The PBT Parcels are made up of approximately 2,200 acres previously used by the U.S. Air Force and are restricted to use as an airport. These parcels were transferred to SCLAA at no cost. The EDC Parcels are made up of approximately 1,800 acres of adjacent property which may be developed for use as commercial property. SCLAA paid \$1,636,489 and is required to pay additional \$37,176 for these EDC Parcels.

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

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

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

Revenues from Sales of Land

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Commitments and Contingencies, (Continued)

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

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

Management

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

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

General Fund of the City of Victorville

A city's general fund is typically a focal point when analyzing the financial health of a city. For the year ended June 30, 2012, the expenditures of the General Fund of the City of Victorville exceeded revenues in the amount of \$1,197,181. This represents substantial improvement from prior year financial results for the General Fund. For the year ended June 30, 2011, General Fund expenditures exceeded General Fund revenues by \$3,800,744.

After taking into account transfers from other funds (net of transfers to other funds) in the amount of \$1,835,911, the General Fund experienced a net increase in fund balance in the amount of \$638,730 for the twelve month period ending June 30, 2012.

For the six month period following June 30, 2012, the City's General Fund incurred an excess of expenditures over revenues (unaudited) of approximately \$9.9 million as a result of the timing of the collection of revenues for the General Fund. Sales Tax revenue is received approximately two months after it's calculated. Property Tax payments are largely disbursed in January and May. Electric and gas franchise fees are collected in April. Expenditures are approximately 51% of the annual budget at December 31, 2012.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Deficit Operations for Proprietary Funds

The Southern California Logistics Airport Authority (SCLAA) has a history of operating at a deficit. During the current fiscal year, SCLAA had a net income before depreciation of \$2.6 million. After depreciation expense of \$7.4 million, SCLAA had a net loss of \$4.7 million. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	<u>SCLAA Deficit Balance</u>
Net asset deficiency at June 30, 2011	\$(100,116,522)
Net loss for the year ended June 30, 2012	<u>(4,739,032)</u>
Net asset deficiency at June 30, 2012	<u><u>\$(104,855,554)</u></u>

For the six months ended December 31, 2012, management has estimated a net income for SCLAA of approximately \$795,009.

SCLAA Annual Debt Service Payments:

The required debt service payments of SCLAA for the fiscal year ended June 30, 2013 are \$21,529,678. Estimated pledged revenues are anticipated to be \$18,296,551 resulting in a shortfall of \$3,233,127. A draw on reserves will be necessary to bridge the gap until the economy rebounds and tax increment exceeds debt service payments.

The Victorville Municipal Utility Services (VMUS) also has a history of operating at a deficit. During the current fiscal, year VMUS had a net income before depreciation of \$516,989. After depreciation expense of \$1.2 million, VMUS had a net loss of \$689,059. A summary of the financial condition of the VMUS enterprise fund is as follows:

	<u>VMUS Deficit Balance</u>
Net asset deficiency as of June 30, 2011	\$(75,987,951)
Net loss for the year ended June 30, 2012	<u>(689,059)</u>
Net asset deficiency at June 30, 2012	<u><u>\$(76,677,010)</u></u>

Management has estimated (unaudited) the net loss for the six months ended December 31, 2012 to be \$2,337.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Carter & Burgess V. City of Victorville

This case arose out of the failed Foxborough Cogeneration Facility Project. Carter & Burgess was the City's consultant, engineer and construction manager on this Project. The case began when Carter & Burgess filed suit against the City in 2008 seeking \$106,000 in allegedly unpaid sums, after which the City cross-complained. On December 17, 2010, judgment was entered in favor of the City and against Carter & Burgess, Inc. and Jacobs Engineering Group Inc. in the amount of \$52,116,367. Jacobs acquired and merged with Carter & Burgess in 2007. The judgment accrued interest at the rate of 10% per annum. On December 18, 2012 the City reached a settlement agreement with Carter & Burgess in the amount of \$54,000,000. On February 20, 2013, these funds were placed into a trust account established for the receipt of these funds. The settlement agreement provides that upon receipt of the settlement amount by the City, the parties will jointly file with the Court of Appeal a stipulation to dismiss the matters associated with the disputes between the parties and the City will provide a satisfaction of judgment to Carter & Burgess, Inc. and Jacobs Engineering Group Inc.

Significant Financial Obligations

Over the course of the last several years, the City has undertaken a number of significant projects whose ultimate goal was to create new jobs, enter the local housing and business markets through population increases, and to implement an income stream to the City. To fund these efforts the City entered into significant obligations. The most significant obligation is the issuance of the 2007 Variable Rate Lease Revenue Bonds Series A in the amount of \$83,770,000. A summary of this obligation follows:

Victorville Joint Powers Financing Authority Bond - \$83,770,000

The bond was issued in May 2007, with the proceeds being used to liquidate earlier bonds in the amount of \$41 million and \$23 million and to provide certain improvements to the City's electrical system. The proceeds from both bond offerings were used to acquire generators and other equipment for VMUS for installation at the Foxborough Distribution Center and at Southern California Logistics Airport ("SCLA").

The bonds are structured in the form of Variable Rate Lease Revenue Bonds. Under this structure, the bonds were issued with a maturity schedule beginning in 2011 and ending in 2040, but are remarketed on a weekly basis with a weekly interest rate that is established through bids extended from buyers to the remarketing agent.

Security for the bonds is an assignment of lease revenues received by VJPFA on certain assets owned by the City, consisting primarily of fire stations, City Hall, certain parks and the Greentree Golf Course, which were leased to VJPFA, then released back to the City for a lease amount equal to the debt service on the bonds.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

The bonds have a credit enhancement instrument in the form of a letter of credit issued by BNP, Paribas (BNP) which guarantees a weekly liquidity market for the bonds. This enables VJPFA to enjoy very low interest rates.

The financing agreements with BNP contain the usual and customary terms imposed on the City and VJPFA. The financing agreements contain specific events or conditions that may constitute a default under the agreements. These include a failure to submit annual financial statements, a failure to pay any debt in excess of \$1 million, a deterioration in the financial condition of the City that would have a material adverse impact on the ability of the City to pay the lease amounts and a failure to obtain an unqualified opinion from the City's external CPA firm on the City's financial statements. These conditions, unless cured or waived by BNP, constitute a default of the financing agreements.

Management's Plans to Improve Operations and Limit City Obligations

The following are management's plans to improve City operations and limit City obligations:

The City of Victorville has successfully reduced its budget since Fiscal Year 2007-2008 to bring expenditures in line with revenues. The City's General Fund has been using the fund balance accumulated as of June 30, 2007 of \$22,667,501 to weather the storm of the Great Recession. For the first time in the past five years, the City of Victorville's General Fund has increased its fund balance by \$638,730 for the year ended June 30, 2012. The budget for the General Fund in Fiscal Year 2012-2013 also reflects an estimated fund balance addition of \$74,992. The balancing of revenues to expenditures has been accomplished through layoffs, furloughs, retirements, reorganizations and deep reductions in employee benefits. The Reserve Policy requiring a minimum reserve of 5% was suspended on June 1, 2010. However, the 5% minimum reserve requirement was met as of June 30, 2012 with an unassigned General Fund reserve of \$3,661,389. The three major taxes revenue: sales tax, property tax and franchise tax, continue to modestly increase. The City is committed to monitoring the budget closely and provide for the accumulation of reserves until the target level of 15% has been realized in accordance with the City's General Fund Reserve Policy.

(21) Subsequent Events

SCLAA Default on Bonded Debt

On December 1, 2012, the SCLAA defaulted on the principal payment of \$485,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal payment of \$75,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. See footnote 8 for further information.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(22) Successor Agency Trust for Assets of the Former Redevelopment Agency, (Continued)
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Prior to dissolution of the Redevelopment Agency on February 1, 2012, the final seven months of the activity of the redevelopment agency were reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City, pending the liquidation and distribution of the assets and liabilities of the former Redevelopment Agency to other taxing entities in accordance with state law.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds – increase to net assets of the Successor Agency Trust Fund	\$(65,438,966)
Capital assets recorded in the government-wide financial statements – increase to net assets of the Successor Agency Trust Fund	(4,881,499)
Elimination of deferred revenue not reported in the Successor Agency Trust Funds – increase to net assets of the Successor Agency Trust Funds	(1,079,452)
Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	189,863
Long-term debt reported in the government-wide financial Statements – decrease to net assets of the Successor Agency Trust Fund	<u>41,470,000</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>(\$29,740,054)</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(23) Prior Period Adjustments

	Business Type	Solid Waste Management	Southern California Logistics Rail Authority	Low and Moderate Housing Income	RDA Capital Projects
Net assets (deficit) at beginning of year, as previously reported	\$ 127,506,218	10,043,321	28,080,805	34,573,845	16,025,322
1) To remove accumulated depreciation for assets that were never in use	1,476,014	-	1,476,014	-	-
2) To record disposal expenses incurred in prior years	(742,972)	(742,972)	-	-	-
3) To move land assets previously recorded in the wrong fund	-	-	-	(1,354,917)	1,354,917
4) To reclassify assets previously recorded as land to land held for resale	-	-	-	-	8,674,217
Net assets (deficit) at beginning of year, as restated	\$ 128,239,260	9,300,349	29,556,819	33,218,928	26,054,456

- 1) During the year ended June 30, 2012, the City restored accumulated depreciation and adjusted fund balance for certain rail assets which had not yet been placed in service.
- 2) On September 12, 2012 the City made a payment to a vendor for which the underlying expenditures related to prior fiscal years.
- 3) During the year ended June 30, 2012 the City discovered certain pieces of land held for resale that were previously recorded in the wrong fund, and booked an entry to move the assets from the Low and Moderate Income Housing Fund to the RDA Capital Projects Fund.
- 4) During the year ended June 30, 2012 the City discovered certain pieces of land that would be more appropriately classified as land held for resale, and booked an entry to record these assets in the fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORVILLE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 35,953,637	35,953,637	36,094,486	140,849
Licenses and permits	1,072,933	1,072,933	1,197,702	124,769
Intergovernmental	460,824	460,824	88,629	(372,195)
Charges for services	6,104,230	6,393,648	6,530,445	136,797
Fines and forfeitures	357,084	357,084	383,582	26,498
Investment income	1,150	1,150	3,073	1,923
Other	130,817	135,292	106,519	(28,773)
Total revenues	<u>44,080,675</u>	<u>44,374,568</u>	<u>44,404,436</u>	<u>29,868</u>
Expenditures:				
Current:				
General government	8,979,553	8,887,132	8,608,941	278,191
Public safety	31,270,114	31,273,931	30,181,428	1,092,503
Public works	3,598,966	3,977,750	3,926,357	51,393
Parks and recreation	2,698,389	2,935,306	2,739,788	195,518
Debt service:				
Principal	174,278	174,278	142,188	32,090
Interest	2,915	2,915	2,915	-
Total expenditures	<u>46,724,215</u>	<u>47,251,312</u>	<u>45,601,617</u>	<u>1,649,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,643,540)</u>	<u>(2,876,744)</u>	<u>(1,197,181)</u>	<u>1,679,563</u>
Other financing sources (uses):				
Transfers in	919,800	919,800	2,542,090	1,622,290
Transfers out	(214,115)	(214,115)	(706,179)	(492,064)
Total other financing sources (uses)	<u>705,685</u>	<u>705,685</u>	<u>1,835,911</u>	<u>1,130,226</u>
Net changes in fund balances	(1,937,855)	(2,171,059)	638,730	2,809,789
Fund balances at beginning of year	<u>3,103,630</u>	<u>3,103,630</u>	<u>3,103,630</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,165,775</u>	<u>932,571</u>	<u>3,742,360</u>	<u>2,809,789</u>

CITY OF VICTORVILLE
 Low and Moderate Housing Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,116,101	6,617,419	1,154,133	(5,463,286)
Investment income	20,000	20,000	89,975	69,975
Other	-	-	2,200	2,200
Total revenues	<u>5,136,101</u>	<u>6,637,419</u>	<u>1,246,308</u>	<u>(5,391,111)</u>
Expenditures:				
Current:				
Community development	4,544,504	6,076,770	111,250	5,965,520
Interest	-	-	15,818	(15,818)
Total expenditures	<u>4,544,504</u>	<u>6,076,770</u>	<u>127,068</u>	<u>5,949,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>591,597</u>	<u>560,649</u>	<u>1,119,240</u>	<u>558,591</u>
Extraordinary gain/(loss)	-	-	(34,338,168)	(34,338,168)
Net changes in fund balances	<u>591,597</u>	<u>560,649</u>	<u>(33,218,928)</u>	<u>(33,779,577)</u>
Fund balances at beginning of year	<u>33,218,928</u>	<u>33,218,928</u>	<u>33,218,928</u>	<u>-</u>
Fund balances at end of year	<u>\$ 33,810,525</u>	<u>33,779,577</u>	<u>-</u>	<u>(33,779,577)</u>

CITY OF VICTORVILLE
Victorville Redevelopment Agency - Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 9,695,038	11,695,373	6,284,489	(5,410,884)
Investment income	78,124	78,124	4,740	(73,384)
Other	49,963	49,963	-	(49,963)
Total revenues	<u>9,823,125</u>	<u>11,823,460</u>	<u>6,289,229</u>	<u>(5,534,231)</u>
Expenditures:				
Current:				
General government	-	-	1,310	(1,310)
Community development	2,417,945	2,417,945	910,058	1,507,887
Debt service:				
Interest	-	-	57,235	(57,235)
Total expenditures	<u>2,417,945</u>	<u>2,417,945</u>	<u>968,603</u>	<u>1,449,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,405,180</u>	<u>9,405,515</u>	<u>5,320,626</u>	<u>(4,084,889)</u>
Other financing sources (uses):				
Transfers out	<u>(7,799,240)</u>	<u>(7,799,240)</u>	<u>(2,071,685)</u>	<u>5,727,555</u>
Total other financing sources (uses)	<u>(7,799,240)</u>	<u>(7,799,240)</u>	<u>(2,071,685)</u>	<u>5,727,555</u>
Extraordinary gain/(loss)	<u>-</u>	<u>-</u>	<u>(29,303,397)</u>	<u>(29,303,397)</u>
Net changes in fund balances	<u>(394,060)</u>	<u>1,606,275</u>	<u>(26,054,456)</u>	<u>(27,660,731)</u>
Fund balances at beginning of year	<u>26,054,456</u>	<u>26,054,456</u>	<u>26,054,456</u>	<u>-</u>
Fund balances at end of year	<u>\$ 25,660,396</u>	<u>27,660,731</u>	<u>-</u>	<u>(27,660,731)</u>

City of Victorville
Notes to Required Supplementary Information
Year Ended June 30, 2012

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

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

SUPPLEMENTARY SCHEDULES

CITY OF VICTORVILLE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(with comparative totals for June 30, 2011)

	Special Revenue	Debt Service	Totals	
			2012	2011
<u>Assets</u>				
Cash and investments	\$ 22,062,515	-	22,062,515	33,624,518
Cash with fiscal agent	-	-	-	1,797,377
Accounts receivable	668,766	-	668,766	150,595
Notes receivable	160,482	-	160,482	300
Due from other funds	831,781	-	831,781	635,397
Advances to other funds	7,818,527	-	7,818,527	1,200,000
Due from other governments	5,671,819	-	5,671,819	1,781,479
Prepaid items	<u>728,068</u>	-	<u>728,068</u>	<u>1,347,068</u>
Total assets	<u><u>37,941,958</u></u>	<u>-</u>	<u><u>37,941,958</u></u>	<u><u>40,536,734</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	1,246,621	-	1,246,621	1,358,727
Deposits payable	1,240	-	1,240	-
Due to other funds	4,654,902	-	4,654,902	1,413,264
Advance from other funds	3,146,719	-	3,146,719	1,200,000
Deferred revenue	<u>4,062,884</u>	-	<u>4,062,884</u>	<u>527,281</u>
Total liabilities	<u><u>13,112,366</u></u>	<u>-</u>	<u><u>13,112,366</u></u>	<u><u>4,499,272</u></u>
Fund balances:				
Non-spendable:				
Advances to other funds	7,818,527	-	7,818,527	-
Prepays	728,068	-	728,068	1,347,068
Spendable:				
Restricted	20,673,448	-	20,673,448	36,017,639
Unassigned	<u>(4,390,451)</u>	-	<u>(4,390,451)</u>	<u>(1,327,245)</u>
Total fund balances	<u><u>24,829,592</u></u>	<u>-</u>	<u><u>24,829,592</u></u>	<u><u>36,037,462</u></u>
Total liabilities and fund balances	<u><u>\$ 37,941,958</u></u>	<u><u>-</u></u>	<u><u>37,941,958</u></u>	<u><u>40,536,734</u></u>

CITY OF VICTORVILLE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2012
(with comparatives totals for year ended June 30, 2011)

	Special Revenue	Debt Service	Totals	
			2012	2011
Revenues:				
Taxes	\$ 6,922,808	-	6,922,808	11,290,034
Licenses and permits	-	-	-	1,774,508
Intergovernmental	8,560,509	-	8,560,509	11,004,645
Charges for services	4,075,891	-	4,075,891	1,989,511
Fines and forfeitures	653,044	-	653,044	947,129
Investment income	194,961	4,428	199,389	131,646
Other	413,115	-	413,115	958,721
Total revenues	20,820,328	4,428	20,824,756	28,096,194
Expenditures:				
Current:				
General government	-	-	-	1,133,912
Public safety	178,811	-	178,811	376,156
Community development	1,700,273	-	1,700,273	2,269,814
Public works	25,189,751	-	25,189,751	14,223,701
Parks and recreation	57,179	-	57,179	1,387,976
Debt service:				
Principal	-	925,000	925,000	885,000
Interest	171,739	1,149,372	1,321,111	2,318,104
Total expenditures	27,297,753	2,074,372	29,372,125	22,594,663
Excess (deficiency) of revenues over (under) expenditures	(6,477,425)	(2,069,944)	(8,547,369)	5,501,531
Other financing sources (uses):				
Transfers in	1,219,922	2,069,968	3,289,890	239,114
Transfers out	(4,152,990)	-	(4,152,990)	(4,115,498)
Total other financing sources (uses)	(2,933,068)	2,069,968	(863,100)	(3,876,384)
Extraordinary gain (loss)	-	(1,797,401)	(1,797,401)	-
Net change in fund balances	(9,410,493)	(1,797,377)	(11,207,870)	1,625,147
Fund balances at beginning of year	34,240,085	1,797,377	36,037,462	34,412,315
Fund balances at end of year	\$ 24,829,592	-	24,829,592	36,037,462

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.

Capital Impact Facilities

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

Landscape Maintenance and Drainage Facilities Assessment District

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

Street Lighting

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

Traffic Safety

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

Asset Seizure

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

Nonmajor Governmental Funds

Special Revenue Funds

(Continued)

Storm Drain Utility

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

Gas Tax

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

Transportation Tax

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

Other State / Local Grants

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

HUD Grants

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

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Special Revenue Funds
Combining Balance Sheet
June 30, 2012
(with comparative totals for June 30, 2011)

	Measure I	Other Federal Grants	Capital Impact Facilities	Landscape Maintenance and Drainage Facilities Assessment District	Street Lighting
<u>Assets</u>					
Cash and investments	\$ 8,136,925	110,723	2,355,356	-	327,608
Accounts receivable	12,100	484	-	-	-
Notes receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	6,621,259	-
Due from other governments	-	4,037,024	-	48,177	8,690
Prepaid items	189,034	539,034	-	-	-
Total assets	<u>8,338,059</u>	<u>4,687,265</u>	<u>2,355,356</u>	<u>6,669,436</u>	<u>336,298</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	205,037	414,991	71,090	180,968	94,047
Deposits payable	-	-	-	-	-
Due to other funds	-	3,337,012	-	-	-
Advances from other funds	-	-	3,146,719	-	-
Deferred revenue	-	3,018,336	-	-	-
Total liabilities	<u>205,037</u>	<u>6,770,339</u>	<u>3,217,809</u>	<u>180,968</u>	<u>94,047</u>
Fund balances (deficit):					
Non-spendable:					
Advances to other funds	-	-	-	6,621,259	-
Prepaid items	189,034	539,034	-	-	-
Spendable:					
Restricted	7,943,988	-	-	-	242,251
Unassigned	-	(2,622,108)	(862,453)	(132,791)	-
Total fund balances (deficit)	<u>8,133,022</u>	<u>(2,083,074)</u>	<u>(862,453)</u>	<u>6,488,468</u>	<u>242,251</u>
Total liabilities and fund balances	<u>\$ 8,338,059</u>	<u>4,687,265</u>	<u>2,355,356</u>	<u>6,669,436</u>	<u>336,298</u>

Traffic Safety	Asset Seizure	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	Totals	
							2012	2011
-	113,114	2,352	3,188,348	6,896,515	931,574	-	22,062,515	33,624,518
54,118	-	209,951	2,138	9	-	389,966	668,766	150,595
-	-	-	-	-	-	160,482	160,482	300
-	-	831,781	-	-	-	-	831,781	635,397
-	-	1,197,268	-	-	-	-	7,818,527	1,200,000
99	-	-	329,773	-	147,047	1,101,009	5,671,819	1,781,479
-	-	-	-	-	-	-	728,068	1,347,068
<u>54,217</u>	<u>113,114</u>	<u>2,241,352</u>	<u>3,520,259</u>	<u>6,896,524</u>	<u>1,078,621</u>	<u>1,651,457</u>	<u>37,941,958</u>	<u>38,739,357</u>
-	1,588	8,395	44,115	22,183	10,421	193,786	1,246,621	1,358,727
-	-	-	-	1,240	-	-	1,240	-
-	-	-	-	-	-	1,317,890	4,654,902	1,413,264
-	-	-	-	-	-	-	3,146,719	1,200,000
-	-	-	-	-	131,668	912,880	4,062,884	527,281
<u>-</u>	<u>1,588</u>	<u>8,395</u>	<u>44,115</u>	<u>23,423</u>	<u>142,089</u>	<u>2,424,556</u>	<u>13,112,366</u>	<u>4,499,272</u>
-	-	1,197,268	-	-	-	-	7,818,527	-
-	-	-	-	-	-	-	728,068	1,347,068
54,217	111,526	1,035,689	3,476,144	6,873,101	936,532	-	20,673,448	34,220,262
-	-	-	-	-	-	(773,099)	(4,390,451)	(1,327,245)
<u>54,217</u>	<u>111,526</u>	<u>2,232,957</u>	<u>3,476,144</u>	<u>6,873,101</u>	<u>936,532</u>	<u>(773,099)</u>	<u>24,829,592</u>	<u>34,240,085</u>
<u>54,217</u>	<u>113,114</u>	<u>2,241,352</u>	<u>3,520,259</u>	<u>6,896,524</u>	<u>1,078,621</u>	<u>1,651,457</u>	<u>37,941,958</u>	<u>38,739,357</u>

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012
(with comparative totals for year ended June 30, 2011)

	Measure I	Other Federal Grants	Capital Impact Facilities	Landscape Maintenance and Drainage Facilities Assessment District	Street Lighting
Revenues:					
Taxes	\$ 4,006,962	-	-	2,180,767	735,079
Licenses and permits	-	-	-	-	-
Intergovernmental	-	3,508,179	-	-	3,653
Charges for services	24,740	-	2,695,182	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	29,028	3,056	122,091	6,631	328
Other	200	-	-	-	-
Total revenues	<u>4,060,930</u>	<u>3,511,235</u>	<u>2,817,273</u>	<u>2,187,398</u>	<u>739,060</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	88,608	466	-	-
Community development	-	1,150	-	-	-
Public works	2,136,339	5,497,191	10,206,746	1,726,243	1,103,484
Parks and recreation	-	12,724	-	-	-
Debt service:					
Interest	-	-	171,739	-	-
Total expenditures	<u>2,136,339</u>	<u>5,599,673</u>	<u>10,378,951</u>	<u>1,726,243</u>	<u>1,103,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,924,591</u>	<u>(2,088,438)</u>	<u>(7,561,678)</u>	<u>461,155</u>	<u>(364,424)</u>
Other financing sources (uses):					
Transfers in	-	814,267	-	39,242	-
Transfers out	<u>(386,293)</u>	<u>(1,224,607)</u>	<u>(1,901,978)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(386,293)</u>	<u>(410,340)</u>	<u>(1,901,978)</u>	<u>39,242</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>1,538,298</u>	<u>(2,498,778)</u>	<u>(9,463,656)</u>	<u>500,397</u>	<u>(364,424)</u>
Fund balances (deficit) at beginning of year	<u>6,594,724</u>	<u>415,704</u>	<u>8,601,203</u>	<u>5,988,071</u>	<u>606,675</u>
Fund balances (deficit) at end of year	<u>\$ 8,133,022</u>	<u>(2,083,074)</u>	<u>(862,453)</u>	<u>6,488,468</u>	<u>242,251</u>

Traffic Safety	Asset Seizure	Storm	Gas Tax	Transportation Tax	Other	HUD Grants	Totals	
		Drain Utility			State / Local Grants		2012	2011
-	-	-	-	-	-	-	6,922,808	6,450,967
-	-	-	-	-	-	-	-	1,774,508
-	40,118	-	3,255,085	74,372	436,193	1,242,909	8,560,509	11,004,645
-	-	1,340,559	2,084	13,326	-	-	4,075,891	1,989,511
649,896	-	3,148	-	-	-	-	653,044	947,129
-	113	5,413	3,194	24,057	1,050	-	194,961	120,126
-	-	57,204	-	-	11,000	344,711	413,115	958,721
<u>649,896</u>	<u>40,231</u>	<u>1,406,324</u>	<u>3,260,363</u>	<u>111,755</u>	<u>448,243</u>	<u>1,587,620</u>	<u>20,820,328</u>	<u>23,245,607</u>
-	-	-	-	-	-	-	-	1,133,912
15,431	13,094	-	-	-	45,626	15,586	178,811	376,156
-	-	-	-	-	11,412	1,687,711	1,700,273	2,269,814
-	-	642,576	2,176,747	453,520	844,294	402,611	25,189,751	14,223,701
-	-	-	-	-	8,146	36,309	57,179	1,387,976
-	-	-	-	-	-	-	171,739	-
<u>15,431</u>	<u>13,094</u>	<u>642,576</u>	<u>2,176,747</u>	<u>453,520</u>	<u>909,478</u>	<u>2,142,217</u>	<u>27,297,753</u>	<u>19,391,559</u>
<u>634,465</u>	<u>27,137</u>	<u>763,748</u>	<u>1,083,616</u>	<u>(341,765)</u>	<u>(461,235)</u>	<u>(554,597)</u>	<u>(6,477,425)</u>	<u>3,854,048</u>
-	-	-	-	-	-	366,413	1,219,922	239,114
<u>(640,112)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,152,990)</u>	<u>(2,465,641)</u>
<u>(640,112)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,413</u>	<u>(2,933,068)</u>	<u>(2,226,527)</u>
(5,647)	27,137	763,748	1,083,616	(341,765)	(461,235)	(188,184)	(9,410,493)	1,627,521
<u>59,864</u>	<u>84,389</u>	<u>1,469,209</u>	<u>2,392,528</u>	<u>7,214,866</u>	<u>1,397,767</u>	<u>(584,915)</u>	<u>34,240,085</u>	<u>32,612,564</u>
<u>54,217</u>	<u>111,526</u>	<u>2,232,957</u>	<u>3,476,144</u>	<u>6,873,101</u>	<u>936,532</u>	<u>(773,099)</u>	<u>24,829,592</u>	<u>34,240,085</u>

CITY OF VICTORVILLE
Measure I - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,000,000	3,000,000	4,006,962	1,006,962
Charges for services	-	-	24,740	24,740
Investment income	-	-	29,028	29,028
Other	-	-	200	200
Total revenues	<u>3,000,000</u>	<u>3,000,000</u>	<u>4,060,930</u>	<u>1,060,930</u>
Expenditures:				
Current:				
Public works	<u>3,859,697</u>	<u>3,868,387</u>	<u>2,136,339</u>	<u>1,732,048</u>
Total expenditures	<u>3,859,697</u>	<u>3,868,387</u>	<u>2,136,339</u>	<u>1,732,048</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(859,697)</u>	<u>(868,387)</u>	<u>1,924,591</u>	<u>2,792,978</u>
Other financing sources (uses):				
Transfers out	-	-	(386,293)	(386,293)
Total other financing sources (uses)	-	-	(386,293)	(386,293)
Net change in fund balances	(859,697)	(868,387)	1,538,298	2,406,685
Fund balances at beginning of year	<u>6,594,724</u>	<u>6,594,724</u>	<u>6,594,724</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,735,027</u>	<u>5,726,337</u>	<u>8,133,022</u>	<u>2,406,685</u>

CITY OF VICTORVILLE
Other Federal Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 12,326,763	12,291,461	3,508,179	(8,783,282)
Investment income	-	-	3,056	3,056
Total revenues	<u>12,326,763</u>	<u>12,291,461</u>	<u>3,511,235</u>	<u>(8,780,226)</u>
Expenditures:				
Current:				
Public safety	198,400	259,489	88,608	170,881
Community development	-	30,947	1,150	29,797
Public works	12,128,363	12,203,289	5,497,191	6,706,098
Parks and recreation	-	-	12,724	(12,724)
Total expenditures	<u>12,326,763</u>	<u>12,493,725</u>	<u>5,599,673</u>	<u>6,894,052</u>
Excess (deficiency) of revenues over (under) expenditures	-	(202,264)	(2,088,438)	(1,886,174)
Other financing sources (uses):				
Transfers in	-	30,947	814,267	783,320
Transfers out	-	-	(1,224,607)	(1,224,607)
Total other financing sources (uses)	-	30,947	(410,340)	(441,287)
Net change in fund balances	-	(171,317)	(2,498,778)	(2,327,461)
Fund balances at beginning of year	415,704	415,704	415,704	-
Fund balances (deficit) at end of year	<u>\$ 415,704</u>	<u>244,387</u>	<u>(2,083,074)</u>	<u>(2,327,461)</u>

CITY OF VICTORVILLE
 Capital Impact Facilities Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 1,696,686	1,696,686	2,695,182	998,496
Investment income	-	-	122,091	122,091
Total revenues	<u>1,696,686</u>	<u>1,696,686</u>	<u>2,817,273</u>	<u>1,120,587</u>
Expenditures:				
Current:				
Public safety	-	-	466	(466)
Public works	295,118	10,385,784	10,206,746	179,038
Debt service:				
Interest	<u>25,334</u>	<u>25,334</u>	<u>171,739</u>	<u>(146,405)</u>
Total expenditures	<u>320,452</u>	<u>10,411,118</u>	<u>10,378,951</u>	<u>32,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,376,234</u>	<u>(8,714,432)</u>	<u>(7,561,678)</u>	<u>1,152,754</u>
Other financing sources (uses):				
Transfers in	175,000	175,000	-	(175,000)
Transfers out	<u>-</u>	<u>-</u>	<u>(1,901,978)</u>	<u>(1,901,978)</u>
Total other financing sources (uses)	<u>175,000</u>	<u>175,000</u>	<u>(1,901,978)</u>	<u>(2,076,978)</u>
Net change in fund balances	1,551,234	(8,539,432)	(9,463,656)	(924,224)
Fund balances at beginning of year	<u>8,601,203</u>	<u>8,601,203</u>	<u>8,601,203</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 10,152,437</u>	<u>61,771</u>	<u>(862,453)</u>	<u>(924,224)</u>

CITY OF VICTORVILLE
Landscape Maintenance and Drainage Facilities Assessment District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,491,521	2,491,521	2,180,767	(310,754)
Investment income	-	-	6,631	6,631
Total revenues	<u>2,491,521</u>	<u>2,491,521</u>	<u>2,187,398</u>	<u>(304,123)</u>
Expenditures:				
Current:				
Public works	1,854,386	2,013,932	1,726,243	287,689
Total expenditures	<u>1,854,386</u>	<u>2,013,932</u>	<u>1,726,243</u>	<u>287,689</u>
Excess (deficiency) of revenues over (under) expenditures	<u>637,135</u>	<u>477,589</u>	<u>461,155</u>	<u>(16,434)</u>
Other financing sources (uses):				
Transfers in	-	-	39,242	39,242
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>39,242</u>	<u>39,242</u>
Net change in fund balances	637,135	477,589	500,397	22,808
Fund balances at beginning of year	5,988,071	5,988,071	5,988,071	-
Fund balances at end of year	<u>\$ 6,625,206</u>	<u>6,465,660</u>	<u>6,488,468</u>	<u>22,808</u>

CITY OF VICTORVILLE
Street Lighting Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 580,000	580,000	735,079	155,079
Intergovernmental	-	-	3,653	3,653
Investment income	-	-	328	328
Total revenues	<u>580,000</u>	<u>580,000</u>	<u>739,060</u>	<u>159,060</u>
Expenditures:				
Current:				
Public works	<u>1,159,751</u>	<u>1,159,976</u>	<u>1,103,484</u>	<u>56,492</u>
Total expenditures	<u>1,159,751</u>	<u>1,159,976</u>	<u>1,103,484</u>	<u>56,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(579,751)</u>	<u>(579,976)</u>	<u>(364,424)</u>	<u>215,552</u>
Net change in fund balances	(579,751)	(579,976)	(364,424)	215,552
Fund balances at beginning of year	<u>606,675</u>	<u>606,675</u>	<u>606,675</u>	<u>-</u>
Fund balances at end of year	<u>\$ 26,924</u>	<u>26,699</u>	<u>242,251</u>	<u>215,552</u>

CITY OF VICTORVILLE
Traffic Safety Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 980,000	980,000	649,896	(330,104)
Total revenues	<u>980,000</u>	<u>980,000</u>	<u>649,896</u>	<u>(330,104)</u>
Expenditures:				
Current:				
Public safety	60,200	60,200	15,431	44,769
Total expenditures	<u>60,200</u>	<u>60,200</u>	<u>15,431</u>	<u>44,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>919,800</u>	<u>919,800</u>	<u>634,465</u>	<u>(285,335)</u>
Other financing sources (uses):				
Transfers out	(919,800)	(919,800)	(640,112)	279,688
Total other financing sources (uses)	<u>(919,800)</u>	<u>(919,800)</u>	<u>(640,112)</u>	<u>279,688</u>
Net change in fund balances	-	-	(5,647)	(5,647)
Fund balances at beginning of year	59,864	59,864	59,864	-
Fund balances at end of year	<u>\$ 59,864</u>	<u>59,864</u>	<u>54,217</u>	<u>(5,647)</u>

CITY OF VICTORVILLE
 Asset Seizure Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 54,600	54,600	40,118	(14,482)
Investment income	-	-	113	113
Total revenues	<u>54,600</u>	<u>54,600</u>	<u>40,231</u>	<u>(14,369)</u>
Expenditures:				
Current:				
Public safety	113,400	113,400	13,094	100,306
Total expenditures	<u>113,400</u>	<u>113,400</u>	<u>13,094</u>	<u>100,306</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(58,800)</u>	<u>(58,800)</u>	<u>27,137</u>	<u>85,937</u>
Net change in fund balances	(58,800)	(58,800)	27,137	85,937
Fund balances at beginning of year	<u>84,389</u>	<u>84,389</u>	<u>84,389</u>	<u>-</u>
Fund balances at end of year	<u>\$ 25,589</u>	<u>25,589</u>	<u>111,526</u>	<u>85,937</u>

CITY OF VICTORVILLE
Storm Drain Utility Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 1,352,208	1,352,208	1,340,559	(11,649)
Fines and forfeitures	-	-	3,148	3,148
Investment income	-	-	5,413	5,413
Other	-	-	57,204	57,204
Total revenues	<u>1,352,208</u>	<u>1,352,208</u>	<u>1,406,324</u>	<u>54,116</u>
Expenditures:				
Current:				
Public works	898,421	903,511	642,576	260,935
Total expenditures	<u>898,421</u>	<u>903,511</u>	<u>642,576</u>	<u>260,935</u>
Excess (deficiency) of revenues over (under) expenditures	<u>453,787</u>	<u>448,697</u>	<u>763,748</u>	<u>315,051</u>
Net change in fund balances	453,787	448,697	763,748	315,051
Fund balances at beginning of year	<u>1,469,209</u>	<u>1,469,209</u>	<u>1,469,209</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,922,996</u>	<u>1,917,906</u>	<u>2,232,957</u>	<u>315,051</u>

CITY OF VICTORVILLE
Gas Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 3,000,382	3,000,382	3,255,085	254,703
Charges for services	-	-	2,084	2,084
Investment income	-	-	3,194	3,194
Total revenues	<u>3,000,382</u>	<u>3,000,382</u>	<u>3,260,363</u>	<u>259,981</u>
Expenditures:				
Current:				
Public works	2,438,016	2,462,527	2,176,747	285,780
Total expenditures	<u>2,438,016</u>	<u>2,462,527</u>	<u>2,176,747</u>	<u>285,780</u>
Excess (deficiency) of revenues over (under) expenditures	<u>562,366</u>	<u>537,855</u>	<u>1,083,616</u>	<u>545,761</u>
Net change in fund balances	562,366	537,855	1,083,616	545,761
Fund balances at beginning of year	<u>2,392,528</u>	<u>2,392,528</u>	<u>2,392,528</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,954,894</u>	<u>2,930,383</u>	<u>3,476,144</u>	<u>545,761</u>

CITY OF VICTORVILLE
Transportation Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 798,262	955,302	74,372	(880,930)
Charges for services	13,326	13,326	13,326	-
Investment income	-	-	24,057	24,057
Total revenues	<u>811,588</u>	<u>968,628</u>	<u>111,755</u>	<u>(856,873)</u>
Expenditures:				
Current:				
Public works	<u>2,078,101</u>	<u>2,287,634</u>	<u>453,520</u>	<u>1,834,114</u>
Total expenditures	<u>2,078,101</u>	<u>2,287,634</u>	<u>453,520</u>	<u>1,834,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,266,513)</u>	<u>(1,319,006)</u>	<u>(341,765)</u>	<u>977,241</u>
Net change in fund balances	(1,266,513)	(1,319,006)	(341,765)	977,241
Fund balances at beginning of year	<u>7,214,866</u>	<u>7,214,866</u>	<u>7,214,866</u>	-
Fund balances at end of year	<u>\$ 5,948,353</u>	<u>5,895,860</u>	<u>6,873,101</u>	<u>977,241</u>

CITY OF VICTORVILLE
Other State / Local Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 427,995	909,018	436,193	(472,825)
Investment income	-	-	1,050	1,050
Other	-	-	11,000	11,000
Total revenues	<u>427,995</u>	<u>909,018</u>	<u>448,243</u>	<u>(460,775)</u>
Expenditures:				
Current:				
Public safety	-	222,443	45,626	176,817
Community development	-	-	11,412	(11,412)
Public works	427,995	944,884	844,294	100,590
Parks and recreation	-	11,000	8,146	2,854
Total expenditures	<u>427,995</u>	<u>1,178,327</u>	<u>909,478</u>	<u>268,849</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(269,309)</u>	<u>(461,235)</u>	<u>(191,926)</u>
Net change in fund balances	-	(269,309)	(461,235)	(191,926)
Fund balances at beginning of year	<u>1,397,767</u>	<u>1,397,767</u>	<u>1,397,767</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,397,767</u>	<u>1,128,458</u>	<u>936,532</u>	<u>(191,926)</u>

CITY OF VICTORVILLE
HUD Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,180,159	3,289,896	1,242,909	(2,046,987)
Other	<u>-</u>	<u>-</u>	<u>344,711</u>	<u>344,711</u>
Total revenues	<u>1,180,159</u>	<u>3,289,896</u>	<u>1,587,620</u>	<u>(1,702,276)</u>
Expenditures:				
Current:				
Public safety	-	-	15,586	(15,586)
Community development	1,180,342	3,303,131	1,687,711	1,615,420
Public works	-	-	402,611	(402,611)
Parks and recreation	<u>-</u>	<u>-</u>	<u>36,309</u>	<u>(36,309)</u>
Total expenditures	<u>1,180,342</u>	<u>3,303,131</u>	<u>2,142,217</u>	<u>1,160,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183)</u>	<u>(13,235)</u>	<u>(554,597)</u>	<u>(541,362)</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>366,413</u>	<u>366,413</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>366,413</u>	<u>366,413</u>
Net change in fund balances	(183)	(13,235)	(188,184)	(174,949)
Fund balances (deficit) at beginning of year	<u>(584,915)</u>	<u>(584,915)</u>	<u>(584,915)</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ (585,098)</u>	<u>(598,150)</u>	<u>(773,099)</u>	<u>(174,949)</u>

Nonmajor Governmental Funds

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for and payment of the City's general long-term debt principal and interest.

Redevelopment Agency Debt Service

This fund accounts for the accumulation of resources for and payment of principal and interest on the Victorville Redevelopment Agency Tax Allocation Bonds 2002 and 2003 Series A, 2003 Series B and 2006 Series A.

CITY OF VICTORVILLE
 Nonmajor Governmental Funds
 Redevelopment Agency Debt Service Fund
 Balance Sheet
 June 30, 2012
 (with comparative totals for June 30, 2011)

	Totals	
	2012	2011
<u>Assets</u>		
Cash with fiscal agent	\$ -	1,797,377
Total assets	-	1,797,377
<u>Liabilities and Fund Balances</u>		
Fund balances:		
Spendable:		
Restricted	-	1,797,377
Total fund balances	-	1,797,377
Total liabilities and fund balances	\$ -	1,797,377

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Redevelopment Agency Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012
(with comparative totals for year ended June 30, 2011)

	Totals	
	2012	2011
Revenues:		
Tax Increment	\$ -	4,839,067
Investment income	4,428	11,520
Total revenues	4,428	4,850,587
Expenditures:		
Debt service:		
Principal	925,000	885,000
Interest	1,149,372	2,318,104
Total expenditures	2,074,372	3,203,104
Excess (deficiency) of revenues over (under) expenditures	(2,069,944)	1,647,483
Other financing sources (uses):		
Transfers in	2,069,968	-
Transfers out	-	(1,649,857)
Total other financing sources (uses)	2,069,968	(1,649,857)
Extraordinary gain (loss)	(1,797,401)	-
Excess (deficiency) of revenues and other sources over (under)		
Net change in fund balances (deficit)	(1,797,377)	(2,374)
Fund balances at beginning of year	1,797,377	1,799,751
Fund balances at end of year	\$ -	1,797,377

CITY OF VICTORVILLE
Redevelopment Agency Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Investment income	-	-	4,428	4,428
Total revenues	-	-	4,428	4,428
Expenditures:				
Debt service:				
Principal	925,000	925,000	925,000	-
Interest	2,278,359	2,278,359	1,149,372	1,128,987
Total expenditures	3,203,359	3,203,359	2,074,372	1,128,987
Excess (deficiency) of revenues over (under) expenditures	(3,203,359)	(3,203,359)	(2,069,944)	1,133,415
Other financing sources (uses):				
Transfers in	3,203,339	3,203,339	2,069,968	(1,133,371)
Total other financing sources (uses)	3,203,339	3,203,339	2,069,968	(1,133,371)
Extraordinary gain (loss)	-	-	(1,797,401)	(1,797,401)
Net change in fund balances	(20)	(20)	(1,797,377)	(1,797,357)
Fund balances (deficit) at beginning of year	1,797,377	1,797,377	1,797,377	-
Fund balances (deficit) at end of year	<u>\$ 1,797,357</u>	<u>1,797,357</u>	<u>-</u>	<u>(1,797,357)</u>

Nonmajor Enterprise Funds

City Golf Course

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

Southern California Logistics Rail Authority

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

CITY OF VICTORVILLE
Balance Sheet
Nonmajor Proprietary Funds
June 30, 2012
(with comparative totals for June 30, 2011)

	City Golf	Southern California Logistics Rail Authority	Total	
			2012	2011
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 42,377	5,366	47,743	21,640
Accounts receivable, net	1,919	-	1,919	189,737
Inventory and other assets	25,860	-	25,860	44,124
Total current assets	<u>70,156</u>	<u>5,366</u>	<u>75,522</u>	<u>255,501</u>
Noncurrent assets:				
Capital assets, net (note 4)	19,942,220	29,282,138	49,224,358	48,592,080
Total noncurrent assets	<u>19,942,220</u>	<u>29,282,138</u>	<u>49,224,358</u>	<u>48,592,080</u>
Total assets	<u>20,012,376</u>	<u>29,287,504</u>	<u>49,299,880</u>	<u>48,847,581</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	243,223	-	243,223	404,831
Deposits payable	5,397	-	5,397	4,716
Long-term debt - due within one year (note 8)	182,500	-	182,500	162,803
Total current liabilities	<u>431,120</u>	<u>-</u>	<u>431,120</u>	<u>572,350</u>
Noncurrent liabilities (note 8):				
Advances from other funds (note 3)	6,359,984	-	6,359,984	6,335,780
Long-term debt - due more than one year (note 8)	565,721	-	565,721	748,221
Total noncurrent liabilities	<u>6,925,705</u>	<u>-</u>	<u>6,925,705</u>	<u>7,084,001</u>
Total liabilities	<u>7,356,825</u>	<u>-</u>	<u>7,356,825</u>	<u>7,656,351</u>
Net assets (deficit):				
Invested in capital assets, net of related debt	13,016,515	29,282,138	42,298,653	41,345,276
Unrestricted	(360,964)	5,366	(355,598)	(154,046)
Total net assets (deficit)	<u>12,655,551</u>	<u>29,287,504</u>	<u>41,943,055</u>	<u>41,191,230</u>
Total liabilities and net assets	<u>\$ 20,012,376</u>	<u>29,287,504</u>	<u>49,299,880</u>	<u>48,847,581</u>

CITY OF VICTORVILLE
Nonmajor Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
Year ended June 30, 2012
(with comparative totals for year ended June 30, 2011)

	City	Southern California	Total	
	Golf	Logistics Rail Authority	2012	2011
Operating revenues:				
Charges for services	\$ 1,160,486	-	1,160,486	888,601
Other	52,616	-	52,616	133,938
Total operating revenues	<u>1,213,102</u>	<u>-</u>	<u>1,213,102</u>	<u>1,022,539</u>
Operating expenses:				
Personnel services	781,936	-	781,936	891,846
Maintenance and operations	939,769	-	939,769	1,065,274
Depreciation	574,421	269,315	843,736	2,315,507
Total operating expenses	<u>2,296,126</u>	<u>269,315</u>	<u>2,565,441</u>	<u>4,272,627</u>
Operating income (loss)	<u>(1,083,024)</u>	<u>(269,315)</u>	<u>(1,352,339)</u>	<u>(3,250,088)</u>
Nonoperating revenues (expenses):				
Investment income	-	-	-	180
Interest expense	(24,204)	-	(24,204)	(2,141)
Other nonoperating revenues (expenses)	(51,312)	-	(51,312)	-
Total nonoperating revenues (expenses)	<u>(75,516)</u>	<u>-</u>	<u>(75,516)</u>	<u>(1,961)</u>
Income (loss) before transfers	(1,158,540)	(269,315)	(1,427,855)	(3,252,049)
Capital Contributions:				
Developer contributed facilities	-	-	-	37,654
Facilities contributed from other funds	703,396	-	703,396	1,417,942
Transfers in (note 3)	-	-	-	(218,287)
Transfers out (note 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(455,144)	(269,315)	(724,459)	(2,014,740)
Net assets (deficit) at beginning of year, as restated (note 23)	<u>13,110,695</u>	<u>29,556,819</u>	<u>42,667,514</u>	<u>43,205,970</u>
Net assets (deficit) at end of year	<u>\$ 12,655,551</u>	<u>29,287,504</u>	<u>41,943,055</u>	<u>41,191,230</u>

CITY OF VICTORVILLE
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
Year ended June 30, 2012
(with comparative totals for year ended June 30, 2011)

	City	Southern California Logistics Rail	Total	
	Golf	Authority	2012	2011
Cash flows from operating activities:				
Cash received from customers	\$ 1,400,920	-	1,400,920	828,715
Cash payments to employees for services	(781,936)	-	(781,936)	(891,846)
Cash payments to suppliers for goods and services	(1,082,162)	-	(1,082,162)	(917,146)
Net cash provided by (used for) operating activities	<u>(463,178)</u>	<u>-</u>	<u>(463,178)</u>	<u>(980,277)</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	727,600	-	727,600	1,219,879
Cash paid to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(218,287)</u>
Net cash provided by (used for) noncapital financing activities	<u>727,600</u>	<u>-</u>	<u>727,600</u>	<u>1,001,592</u>
Cash flows from capital and related financing activities:				
Cash received from sale of capital assets	-	-	-	29,195
Cash payments to acquire capital and other assets	-	-	-	(33,698)
Principal paid on capital-related debt	(214,115)	-	(214,115)	-
Interest paid on capital-related debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,141)</u>
Net cash provided by (used for) capital and related financing activities	<u>(214,115)</u>	<u>-</u>	<u>(214,115)</u>	<u>(6,644)</u>
Cash flows from investing activities:				
Interest received on investments	<u>(24,204)</u>	<u>-</u>	<u>(24,204)</u>	<u>180</u>
Net cash provided by (used for) investing activities	<u>(24,204)</u>	<u>-</u>	<u>(24,204)</u>	<u>180</u>
Net increase (decrease) in cash and cash equivalents	26,103	-	26,103	14,851
Cash and cash equivalents at beginning of year	16,274	5,366	21,640	6,789
Cash and cash equivalents at end of year	<u>\$ 42,377</u>	<u>5,366</u>	<u>47,743</u>	<u>21,640</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,083,024)	(269,315)	(1,352,339)	(3,250,088)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	574,421	269,315	843,736	2,315,506
(Increase) decrease in accounts receivable	187,818	-	187,818	(186,201)
(Increase) decrease in inventory	(4,236)	-	(4,236)	14,522
(Increase) decrease in prepaids	22,500	-	22,500	27,500
Increase (decrease) in accounts payable	(161,338)	-	(161,338)	105,838
Increase (decrease) in deposits payable	681	-	681	(7,354)
Total adjustments	<u>619,846</u>	<u>269,315</u>	<u>889,161</u>	<u>2,269,811</u>
Net cash provided by (used for) operating activities	<u>\$ (463,178)</u>	<u>-</u>	<u>(463,178)</u>	<u>(980,277)</u>
<u>Noncash capital, financing or investing activities:</u>				
Developer contributed capital assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>37,654</u>

Fiduciary Funds

Agency Funds

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

Deposits Fund

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

Community Facilities District 90-01

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

Community Facilities District 01-01

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

Mojave Desert and Mountain Integrated Waste Management Authority (MDIWMA)

This agency fund accounts for the agency activities of the City on behalf of MDIWMA. The City is acting in a Fiduciary Capacity for MDIWMA.

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.

Fiduciary Funds

Agency Funds

(Continued)

Water Assessment District No. 2R

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

CITY OF VICTORVILLE
Combining Statement of Assets and Liabilities - Agency Funds
June 30, 2012
(with comparative totals for June 30, 2011)

	Deposit Funds	Community Facilities District 90-01	Community Facilities District 01-01	Regional Fire Protection Authority	Water Assessment District 2R	Totals	
						2012	2011
<u>Assets</u>							
Cash and investments	\$ 958,983	1,454,872	663,250	289,482	946,831	4,313,418	4,166,452
Restricted assets:							
Investments with fiscal agent	-	794,883	1,690,325	-	407,380	2,892,588	2,934,722
Accounts receivable	105	10,159	5,081	-	7,593	22,938	70,634
Assets used for operations	-	-	-	1,729	-	1,729	4,548
Total assets	<u>959,088</u>	<u>2,259,914</u>	<u>2,358,656</u>	<u>291,211</u>	<u>1,361,804</u>	<u>7,230,673</u>	<u>7,176,356</u>
<u>Liabilities</u>							
Accounts payable	-	23,581	3,294	-	3,441	30,316	1,742
Deposits payable	<u>959,088</u>	<u>2,236,333</u>	<u>2,355,362</u>	<u>291,211</u>	<u>1,358,363</u>	<u>7,200,357</u>	<u>7,174,614</u>
Total liabilities	<u>\$ 959,088</u>	<u>2,259,914</u>	<u>2,358,656</u>	<u>291,211</u>	<u>1,361,804</u>	<u>7,230,673</u>	<u>7,176,356</u>

CITY OF VICTORVILLE
Combining Statement of Changes in Assets and Liabilities - Agency Funds
Agency Funds
Year ended June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Deposit Funds</u>				
Assets:				
Cash and investments	\$ 983,236	-	(24,253)	958,983
Due from other governments	125	-	(20)	105
Total assets	<u>\$ 983,361</u>	<u>-</u>	<u>(24,273)</u>	<u>959,088</u>
Liabilities:				
Deposits payable	\$ 983,361	-	(24,273)	959,088
Total liabilities	<u>\$ 983,361</u>	<u>-</u>	<u>(24,273)</u>	<u>959,088</u>
<u>Community Facilities District 90-01</u>				
Assets:				
Cash and investments	\$ 1,184,979	269,893	-	1,454,872
Restricted assets:				
Investments with fiscal agent	1,102,964	-	(308,081)	794,883
Due from other governments	11,617	-	(1,458)	10,159
Total assets	<u>\$ 2,299,560</u>	<u>269,893</u>	<u>(309,539)</u>	<u>2,259,914</u>
Liabilities:				
Accounts payable	\$ -	23,581	-	23,581
Deposits payable	2,299,560	246,312	(309,539)	2,236,333
Total liabilities	<u>2,299,560</u>	<u>269,893</u>	<u>(309,539)</u>	<u>2,259,914</u>
<u>Community Facilities District 01-01</u>				
Assets:				
Cash and investments	\$ 738,371	-	(75,121)	663,250
Restricted assets:				
Investments with fiscal agent	1,422,083	268,242	-	1,690,325
Due from other governments	53,427	-	(48,346)	5,081
Total assets	<u>\$ 2,213,881</u>	<u>268,242</u>	<u>(123,467)</u>	<u>2,358,656</u>
Liabilities:				
Accounts payable	\$ 1,742	1,552	-	3,294
Deposits payable	2,212,139	143,223	-	2,355,362
Total liabilities	<u>\$ 2,213,881</u>	<u>144,775</u>	<u>-</u>	<u>2,358,656</u>

(Continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Regional Fire Protection Authority</u>				
Assets:				
Cash and investments	\$ 289,592	-	(110)	289,482
Assets used for operations	4,548	-	(2,819)	1,729
Total assets	<u>\$ 294,140</u>	<u>-</u>	<u>(2,929)</u>	<u>291,211</u>
Liabilities:				
Deposits payable	\$ 294,140	-	(2,929)	291,211
Total liabilities	<u>\$ 294,140</u>	<u>-</u>	<u>(2,929)</u>	<u>291,211</u>
<u>Water Assessment District 2R</u>				
Assets:				
Cash and investments	\$ 970,247	-	(23,416)	946,831
Restricted assets:				
Investments with fiscal agent	411,129	-	(3,749)	407,380
Due from other governments	8,909	-	(1,316)	7,593
Total assets	<u>\$ 1,390,285</u>	<u>-</u>	<u>(28,481)</u>	<u>1,361,804</u>
Liabilities:				
Accounts payable	\$ -	3,441	-	3,441
Deposits payable	-	1,358,363	-	1,358,363
Total liabilities	<u>\$ -</u>	<u>1,361,804</u>	<u>-</u>	<u>1,361,804</u>
<u>Total-All Fiduciary Funds</u>				
Assets:				
Cash and investments	\$ 4,166,425	269,893	(122,900)	4,313,418
Restricted assets:				
Investments with fiscal agent	2,936,176	268,242	(311,830)	2,892,588
Due from other governments	74,078	-	(51,140)	22,938
Assets used for operations	4,548	-	(2,819)	1,729
Total assets	<u>\$ 7,181,227</u>	<u>538,135</u>	<u>(488,689)</u>	<u>7,230,673</u>
Liabilities:				
Accounts payable	\$ 1,742	28,574	-	30,316
Deposits payable	5,789,200	1,747,898	(336,741)	7,200,357
Total liabilities	<u>\$ 5,790,942</u>	<u>1,776,472</u>	<u>(336,741)</u>	<u>7,230,673</u>

Statistical Section

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

Contents	Page
Financial Trends	140-144
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Financial Capacity	145-148
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity	149-153
<i>These schedules present information to help the reader assess the adorability of the City’s current level of outstanding debt, and the City’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	154-155
<i>These schedules present information to help the reader understand the environment within which the City’s financial activities take place.</i>	
Operating Information	156-158
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 55,753	\$ 350,772	\$ 369,718	\$ 442,887	\$ 311,739	\$ 463,898	\$ 477,976	\$ 465,339	\$ 450,606	\$ 479,821
Restricted	26,568	35,088	62,874	66,389	95,221	96,802	96,248	93,453	85,008	27,686
Unrestricted	29,053	32,526	20,988	22,750	17,585	12,678	6,320	2,290	(5,656)	(7,794)
Total governmental activities net assets	<u>111,374</u>	<u>418,386</u>	<u>453,580</u>	<u>532,026</u>	<u>424,545</u>	<u>573,378</u>	<u>580,544</u>	<u>561,082</u>	<u>529,958</u>	<u>499,713</u>
Business-type activities										
Invested in capital assets, net of related debt	88,357	69,847	44,923	42,706	213,530	235,771	270,534	363,436	416,397	418,557
Restricted	-	-	-	-	86,048	22,330	1,778	1,504	2,076	4,431
Unrestricted	(475)	25,026	42,840	42,388	46,142	(83,379)	(105,654)	(246,973)	(290,967)	(296,361)
Total business-type activities net assets	<u>87,882</u>	<u>94,873</u>	<u>87,763</u>	<u>85,094</u>	<u>345,720</u>	<u>174,722</u>	<u>166,658</u>	<u>117,967</u>	<u>127,506</u>	<u>126,627</u>
Primary government										
Invested in capital assets, net of related debt	144,110	420,618	414,641	485,593	525,269	699,670	748,509	828,775	867,003	898,378
Restricted	26,568	35,088	62,874	66,389	181,269	119,133	98,026	94,956	87,085	32,117
Unrestricted	28,578	57,551	63,828	65,138	63,726	(70,701)	(99,334)	(244,683)	(296,623)	(304,155)
Total primary government net assets	<u>\$ 199,256</u>	<u>\$ 513,257</u>	<u>\$ 541,343</u>	<u>\$ 617,120</u>	<u>\$ 770,264</u>	<u>\$ 748,102</u>	<u>\$ 747,201</u>	<u>\$ 679,048</u>	<u>\$ 657,465</u>	<u>\$ 626,340</u>

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

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses										
<i>Governmental activities:</i>										
General government	\$ 6,251	\$ 6,723	\$ 10,043	\$ 10,229	\$ 34,539	\$ 12,656	\$ 13,133	\$ 15,165	\$ 17,037	\$4,977
Public safety	14,785	16,432	24,404	22,619	26,021	26,331	30,285	35,942	35,416	30,724
Community Development	10,740	4,953	5,440	1,272	3,147	2,861	6,655	12,109	6,037	1,589
Public works	20,633	23,926	24,272	35,875	32,853	38,049	35,443	26,377	24,164	31,675
Park and recreation	4,903	5,645	14,310	10,897	7,471	11,277	14,164	6,763	6,313	4,550
Interest on long-term debt	<u>2,263</u>	<u>2,837</u>	<u>1,351</u>	<u>2,556</u>	<u>2,825</u>	<u>3,777</u>	<u>2,658</u>	<u>2,495</u>	<u>2,457</u>	<u>1,397</u>
<i>Total governmental activities expenses</i>	<u>59,575</u>	<u>60,516</u>	<u>79,820</u>	<u>83,448</u>	<u>106,856</u>	<u>94,951</u>	<u>102,338</u>	<u>98,851</u>	<u>91,424</u>	<u>74,912</u>
<i>Business-type activities</i>										
Sanitary/Wastewater	4,223	3,802	4,436	4,954	5,655	10,766	8,026	9,750	11,150	10,555
Golf course	1,667	2,012	2,103	2,113	2,826	2,721	2,973	2,040	2,526	2,372
Airport	16,829	16,883	30,897	34,872	43,389	43,115	42,874	83,297	45,010	33,583
Transit	1,470	1,717	1,161	-	-	-	-	-	-	-
Water	1,874	2,687	1,830	2,398	2,584	30,677	29,476	28,665	27,143	29,782
Rail	-	1,136	2,273	954	2,500	1,437	366	279	1,748	269
Solid Waste**	-	-	-	-	11,572	11,987	12,203	11,427	11,642	11,398
Municipal utility	-	2,561	7,368	12,685	21,602	21,256	16,883	11,705	12,806	12,236
<i>Total business-type activities expenses</i>	<u>26,063</u>	<u>30,798</u>	<u>50,068</u>	<u>57,976</u>	<u>90,128</u>	<u>121,959</u>	<u>112,801</u>	<u>147,163</u>	<u>112,025</u>	<u>100,195</u>
Total primary government expenses	<u>85,638</u>	<u>91,314</u>	<u>129,888</u>	<u>141,424</u>	<u>196,984</u>	<u>216,910</u>	<u>215,139</u>	<u>246,014</u>	<u>203,449</u>	<u>175,107</u>
Program Revenues										
<i>Governmental activities:</i>										
Charges for services:										
General government	2,704	5,457	3,382	4,539	4,448	4,888	3,737	7,303	4,330	2,860
Public safety	1,312	3,690	1,994	5,140	5,307	2,101	2,095	1,677	1,552	1,409
Community development	-	-	03	-	26	-	-	-	18	2,593
Public works	17,711	24,068	27,983	36,693	18,485	11,111	6,399	5,166	4,738	4,216
Parks and recreation	2,011	7,270	5,977	11,611	9,356	4,724	2,109	1,790	1,517	939
Operating grants and contributions	8,405	10,718	12,398	18,731	17,853	15,460	19,796	24,126	15,062	5,309
Capital contributions and grants	58	38,650	12,678	50,583	35,553	-	-	461	13	6,818
<i>Total governmental activities program revenues</i>	<u>32,201</u>	<u>89,853</u>	<u>64,415</u>	<u>127,297</u>	<u>91,028</u>	<u>38,284</u>	<u>34,136</u>	<u>40,523</u>	<u>27,230</u>	<u>24,144</u>
<i>Business-type activities:</i>										
Charges for services:										
Sanitary/Wastewater	4,756	6,528	6,236	7,951	8,102	5,944	9,576	10,802	12,821	12,608
Golf course	1,277	1,254	1,262	1,390	1,206	1,311	1,043	760	889	1,160
Airport	4,437	4,074	5,423	4,531	5,577	8,502	7,363	8,163	9,206	9,070
Transit	218	270	131	-	-	-	-	-	-	-
Water	704	2,069	1,497	2,058	2,213	21,539	21,755	23,642	23,901	26,558
Solid Waste**	-	-	-	-	12,325	12,388	13,376	12,370	12,539	11,528
Municipal utilities	-	993	1,306	3,393	4,166	5,658	6,175	5,925	9,597	10,290
Operating grants and contributions	10,674	8,178	4,141	-	-	3,761	8,074	2,601	4,283	10,635
Capital contributions and grants	58	-	12,255	6,555	13,634	23,357	12,509	9,083	14,652	11,847
<i>Total business-type activities program revenues</i>	<u>22,124</u>	<u>23,366</u>	<u>32,251</u>	<u>25,878</u>	<u>47,223</u>	<u>82,460</u>	<u>79,871</u>	<u>73,346</u>	<u>87,888</u>	<u>93,696</u>
Total primary government program revenues	<u>\$54,325</u>	<u>\$113,219</u>	<u>\$96,666</u>	<u>\$153,175</u>	<u>\$138,251</u>	<u>\$120,744</u>	<u>\$114,007</u>	<u>\$113,869</u>	<u>\$115,118</u>	<u>\$117,840</u>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense) revenue										
Governmental activities	\$ (27,374)	\$ (29,337)	\$ (15,405)	\$ 43,850	\$ (15,829)	\$ (56,668)	\$ (68,203)	\$ (58,328)	\$ (64,194)	\$ (50,770)
Business-type activities	(3,939)	(7,432)	(17,817)	(32,098)	(42,903)	(39,500)	(32,931)	(73,818)	(24,137)	(6,499)
Total primary government net expense	<u>(31,313)</u>	<u>\$ (36,769)</u>	<u>(33,222)</u>	<u>11,752</u>	<u>(58,732)</u>	<u>(96,168)</u>	<u>(101,134)</u>	<u>(132,146)</u>	<u>(88,331)</u>	<u>(57,269)</u>
General Revenues and Other Changes in Net Assets										
<i>Governmental activities:</i>										
Taxes:										
Property taxes	4,111	13,256	16,497	19,298	23,077	29,230	27,520	26,416	23,999	26,967
Sales taxes	15,826	16,456	15,641	18,008	16,835	14,626	11,556	10,814	11,427	16,431
Transient occupancy tax	957	748	761	895	950	964	784	760	794	709
Other taxes	1,825	1,285	9,361	7,921	16,271	40,396	40,537	33,349	27,858	6,378
Investment income	789	972	1,343	2,447	3,193	3,390	2,942	732	881	297
Motor vehicle in lieu	4,009	3,317	509	604	514	-	367	323	567	61
Gain on sale of assets	2,240	3,363	6,326	06	-	211	49	(126)	-	(3)
Miscellaneous revenues	2,116	739	196	221	589	3,555	163	80	54	522
SERAF Obligation	-	-	-	-	-	-	-	(12,368)	(2,545)	-
Transfers	266	(6,044)	(8,625)	(14,803)	(12,136)	(22,423)	(12,815)	(21,859)	(22,987)	(1,099)
Extraordinary Gain	-	-	-	-	-	-	-	-	-	(29,740)
<i>Total governmental activities</i>	<u>32,139</u>	<u>34,092</u>	<u>42,009</u>	<u>34,597</u>	<u>49,293</u>	<u>69,949</u>	<u>71,103</u>	<u>38,121</u>	<u>40,048</u>	<u>20,523</u>
<i>Business-type activities:</i>										
Taxes	960	-	-	-	-	1,916	1,654	27	27	541
Other Taxes	-	-	922	8,950	13,749	1,519	2,297	758	710	-
Investment income	263	473	970	3,801	6,012	7,650	3,083	2,409	1,773	1,749
Gain on sale of assets	-	-	-	-	148	-	416	(1,601)	402	538
Miscellaneous revenues	163	5,520	146	-	373	11,547	1,033	1,163	799	961
Impairment loss on Capital assets	-	-	-	-	(96,423)	-	-	-	-	-
Transfers	(266)	6,044	8,625	14,803	12,136	22,423	12,815	21,859	22,987	1,099
<i>Total business-type activities</i>	<u>1,120</u>	<u>12,037</u>	<u>10,663</u>	<u>27,554</u>	<u>(64,005)</u>	<u>45,055</u>	<u>21,298</u>	<u>24,615</u>	<u>26,698</u>	<u>4,888</u>
Total primary government	<u>33,259</u>	<u>46,129</u>	<u>52,672</u>	<u>62,151</u>	<u>(14,712)</u>	<u>115,004</u>	<u>92,401</u>	<u>62,736</u>	<u>66,746</u>	<u>25,411</u>
Change in Net Assets										
Governmental activities	4,764	63,428	26,603	78,446	33,464	13,280	2,900	(20,207)	(24,145)	(30,246)
Business-type activities	(2,819)	4,606	(7,154)	(4,544)	(106,910)	5,555	(11,633)	(49,202)	2,561	(1,612)
Total primary government	<u>\$ 1,945</u>	<u>\$ 68,034</u>	<u>\$ 19,449</u>	<u>\$ 73,902</u>	<u>\$ (73,446)</u>	<u>\$ 18,835</u>	<u>\$ (8,733)</u>	<u>\$ (69,409)</u>	<u>\$ (21,584)</u>	<u>\$ (31,858)</u>

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

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

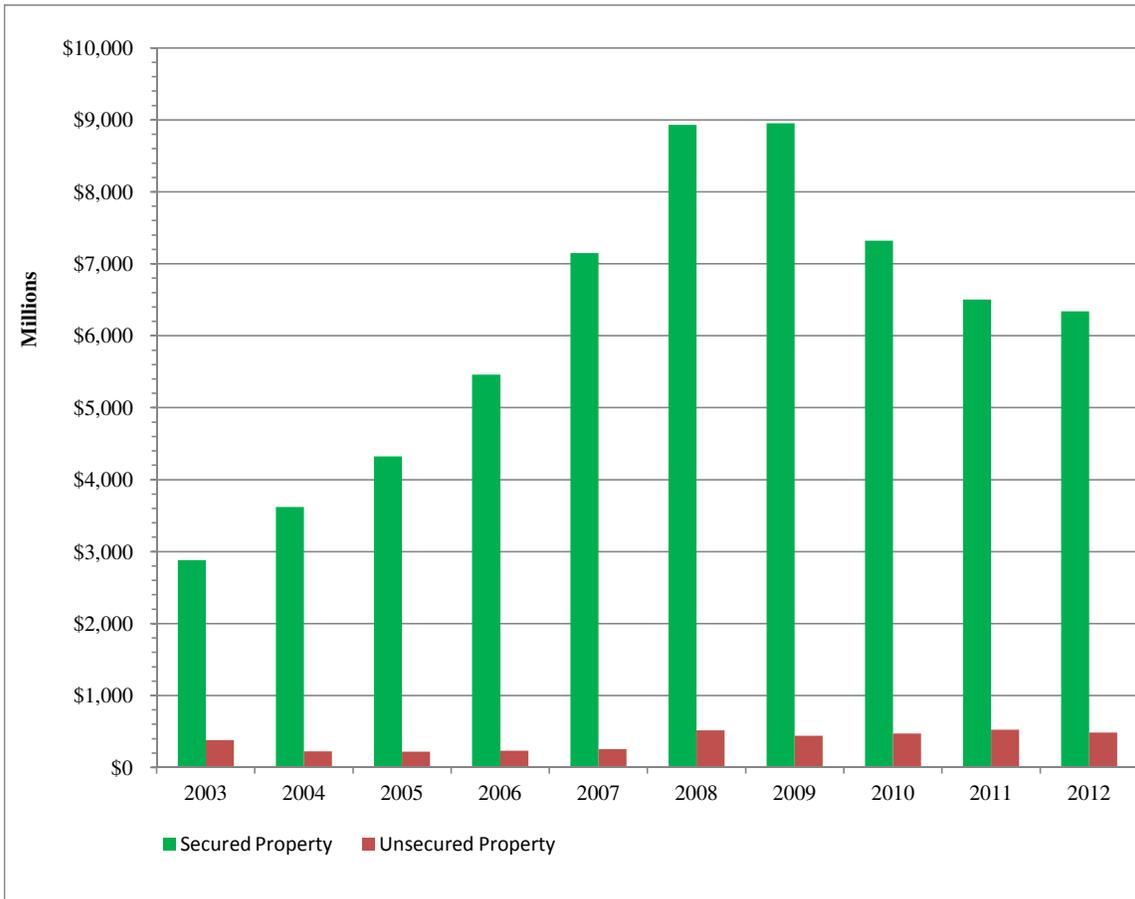
	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011**</u>	<u>2012</u>
General fund										
Reserved	\$ 17,084	\$ 11,566	\$ 12,133	\$ 9,567	\$ 1,557	\$ 323	\$ 248	\$ 5,320	\$ -	\$ -
Unreserved	4,887	13,968	16,739	17,987	21,111	12,132	10,398	2,230	-	-
Nonspendable	-	-	-	-	-	-	-	-	2,322	67
Restricted	-	-	-	-	-	-	-	-	-	14
Unassigned	-	-	-	-	-	-	-	-	782	3,661
Total general fund	<u>\$ 21,971</u>	<u>\$ 25,534</u>	<u>\$ 28,872</u>	<u>\$ 27,554</u>	<u>\$ 22,668</u>	<u>\$ 12,455</u>	<u>\$ 10,646</u>	<u>\$ 7,550</u>	<u>\$ 3,104</u>	<u>\$ 3,742</u>
All other governmental funds										
Reserved, reported in:										
Special revenue funds	\$ 5,902	\$ 6,948	\$ 7,042	\$ 5,775	\$ 49,123	\$ 19,345	\$ 22,113	\$ 34,010	\$ -	\$ -
Capital project funds	-	82	5,971	14,640	32,995	7,783	17,577	17,836	-	-
Debt service funds	4,026	3,106	3,000	24,515	13,503	8,358	1,923	1,800	-	-
Unreserved, reported in:										
Special revenue funds	20,329	22,954	23,578	40,316	(400)	36,417	30,288	30,425	-	-
Capital project funds	3,561	17,558	25,994	19,314	-	27,368	20,472	11,096	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	1,347	8,547
Restricted	-	-	-	-	-	-	-	-	86,617	20,673
Unassigned	-	-	-	-	-	-	-	-	(1,327)	(4,390)
Total all other governmental funds	<u>\$ 33,818</u>	<u>\$ 50,648</u>	<u>\$ 65,585</u>	<u>\$ 104,560</u>	<u>\$ 95,221</u>	<u>\$ 99,271</u>	<u>\$ 92,373</u>	<u>\$ 95,167</u>	<u>\$ 86,637</u>	<u>\$ 24,830</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)

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenue										
Taxes	\$ 29,903	\$ 40,713	\$ 42,221	\$ 53,139	\$ 61,275	\$ 57,129	\$ 49,598	\$ 45,780	\$ 43,379	\$ 50,456
Licenses and permits	9,069	15,217	16,052	27,869	20,358	14,578	7,253	6,605	5,302	1,198
Intergovernmental	8,832	12,542	15,041	17,949	18,416	43,897	47,419	52,034	33,265	8,649
Charges for services	12,598	17,103	20,162	23,246	12,122	6,752	8,174	11,102	9,197	10,606
Fines and forfeitures	306	385	389	604	667	877	1,747	1,577	1,292	1,037
Investment income	789	972	1,343	2,377	3,193	3,390	2,784	681	399	297
Sale of assets	1,123	3,363	6,352	06	(443)	50	135	69	-	-
Other	1,748	1,044	986	968	1,802	3,821	298	972	1,050	522
Total revenues	64,368	91,339	102,546	126,158	117,390	130,494	117,408	118,820	93,884	\$ 72,765
Expenditures										
General government	5,783	6,356	8,158	9,087	12,388	15,010	13,972	11,163	11,567	8,610
Public safety	14,343	16,157	20,919	22,123	25,516	31,072	34,031	31,154	29,050	30,360
Community development	10,740	4,953	1,042	1,267	4,039	3,374	7,024	10,471	5,063	2,722
Public works	24,622	30,635	35,669	50,088	27,265	45,252	38,630	22,731	19,798	29,116
Park and recreation	4,634	5,437	8,020	10,833	6,621	13,307	15,461	5,807	5,178	2,797
Capital outlay	-	-	-	-	33,741	-	-	-	-	-
Debt services:										
Principal	305	220	516	753	1,455	1,279	1,524	1,382	1,231	1,067
Interest & Fiscal agent charges	2,403	3,067	1,325	2,521	2,767	2,943	2,660	2,498	2,463	1,397
SERAF Obligation	-	-	-	-	-	-	-	12,368	2,545	-
Total expenditures	62,830	66,825	75,649	96,672	113,792	112,237	113,302	97,574	76,895	\$ 76,069
Excess of revenues over(under) expenditures	1,538	24,514	26,897	29,486	3,598	18,257	4,106	21,246	16,989	(3,304)
Other financing sources(uses):										
Transfer in	14,236	6,261	7,507	9,123	24,114	27,624	32,716	5,960	2,776	5,832
Transfer out	(13,970)	(12,306)	(16,132)	(23,926)	(36,250)	(50,048)	(45,531)	(27,506)	(25,763)	(6,931)
Issuance of debt	9,710	15,220	-	22,975	1,300	-	-	-	-	-
Payment of refunded escrow agent	-	(13,380)	-	-	-	-	-	-	-	-
Total other financing sources(uses)	9,976	(4,205)	(8,625)	8,172	(10,836)	(22,424)	(12,815)	(21,546)	(22,987)	(1,099)
gain(loss)	-	-	-	-	-	-	-	-	-	(65,439)
Net change in fund balances	11,514	20,309	18,272	37,658	(7,238)	(4,167)	(8,709)	(300)	(5,998)	(69,842)
Debt service as a percentage of noncapital expenditures	4.3%	4.9%	2.4%	3.4%	3.7%	3.8%	3.7%	4.0%	4.8%	3.2%

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



Fiscal Year	Secured Property	Unsecured Property	Exemptions	Total Assessed	Total Direct Tax Rate
2003	2,882,111,100	377,596,247	70,828,458	3,188,878,889	0.13%
2004	3,619,342,427	222,374,575	75,921,932	3,765,795,070	0.18%
2005	4,321,679,328	219,013,498	78,759,094	4,461,933,732	0.11%
2006	5,461,474,235	232,280,144	83,226,084	5,610,528,295	0.10%
2007	7,147,243,820	253,572,707	87,798,142	7,313,018,385	0.10%
2008	8,928,879,191	515,880,511	91,831,445	9,352,928,257	0.01%
2009	8,952,012,736	438,988,575	95,349,190	9,295,652,121	0.11%
2010	7,322,789,456	469,853,041	96,086,329	7,696,556,168	0.14%
2011	6,501,572,019	525,185,786	98,706,046	6,928,051,759	0.20%
2012	6,340,123,147	483,343,590	97,282,727	6,726,184,010	0.21%

*The Total Assessed value includes both Residential and Commercial properties.

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

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

RATE PER \$100 OF ASSESSED VALUE

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
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	0.0709	0.0610	0.0625	0.0381	0.0328	0.0263	0.0340	0.0434	0.0578	0.0665
Apple Valley Unified School Bonds	0.0000	0.0000	0.0382	0.0000	0.0303	0.0247	0.0255	0.0276	0.0387	0.0374
Csa 64- Kalin ranch Debt Service Bond 1	0.0143	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Mojave Water Agency	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675
Oro Grande Elementary Bond	0.0901	0.0751	0.0796	0.0698	0.0693	0.0264	0.0155	0.0211	0.0344	0.0348
Victor Elementary Bond	0.0442	0.0466	0.0375	0.0369	0.0335	0.0307	0.0344	0.0480	0.0900	0.0932
Victor High School Bond	0.0202	0.0197	0.0314	0.0215	0.0185	0.0162	0.0167	0.0525	0.0574	0.0619
Victor Valley Community College Bond	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0199</u>	<u>0.0306</u>	<u>0.0253</u>
Total Direct and Overlapping Tax Rates	1.4072	1.3699	1.4167	1.3338	1.3519	1.2918	1.2936	1.3800	1.4764	1.4866
City's basic rate**	0.1605	0.1605	0.1577	0.1891	0.1891	0.1891	0.1891	0.1605	0.1605	0.1605
Total Direct Rate^	0.1349	0.1183	0.1093	0.1042	0.1044	0.0940	0.1061	0.1373	0.2040	0.0206

Notes:

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

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

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

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

CITY OF VICTORVILLE
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	<u>2012</u>		<u>2003</u>	
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
High Desert Power Trust 2000-A	\$ 323,700,000	4.2%		
Macerich Victor Valley LLC	101,833,556	1.3%		
Nutro Products Inc.	96,793,998	1.2%		
The American Bottling Company	87,884,123	1.1%		
Stirling Capital Investments	75,034,252	1.0%		
Cemex Construction Materials Pacific	64,910,362	0.8%		
Prime A Investments	55,662,965	0.7%		
Pastipak Packaging Inc	34,947,028	0.4%		
Goodyear Tire and Rubber Company	32,701,255	0.4%		
Walmart Stores Inc.	32,308,043	0.4%		
	<u>\$ 905,775,582</u>	<u>11.6%</u>		
AFG Industries Inc.			62,619,612	1.07%
Delta Airline Inc.			58,650,000	1.01%
Mall of Victor Valley LP			58,144,709	1.00%
High Desert Power Trust 2000A			51,091,234	0.88%
Cemex USA			34,805,084	0.60%
Kitty Hawk International Airway Inc.			25,550,000	0.44%
Synleaseco Delaware Business Trust			24,851,790	0.43%
AHE of California Inc			24,027,895	0.41%
Charter Communications			21,984,792	0.38%
Lowe's H I W Inc			18,462,673	0.32%
			<u>\$ 380,187,789</u>	<u>6.5%</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
2003	1,643,305	1,585,666	96.49%
2004	1,736,665	1,691,645	97.41%
2005	1,935,699	1,876,704	96.95%
2006	2,354,914	2,270,771	96.43%
2007	2,844,898	2,681,864	94.27%
2008	3,292,600	3,054,828	92.78%
2009	2,769,811	2,590,297	93.52%
2010	2,437,781	2,330,366	95.59%
2011	-	-	0.00%
2012	-	-	0.00%

<i>Park District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2003	1,802,936	1,739,104	96.46%
2004	1,903,966	1,854,760	97.42%
2005	2,121,210	2,055,371	96.90%
2006	2,538,684	2,448,738	96.46%
2007	3,031,961	2,859,262	94.30%
2008	3,474,181	3,225,293	92.84%
2009	2,993,926	2,801,158	93.56%
2010	2,639,013	2,521,420	95.54%
2011	-	-	0.00%
2012	-	-	0.00%

<i>Sanitary District**</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2003	905,278	873,385	96.48%
2004	954,403	929,698	97.41%
2005	1,062,938	1,030,715	96.97%
2006	1,263,535	1,247,489	98.73%
2007	1,563,544	1,474,173	94.28%
2008	1,691,527	1,558,136	92.11%
2009	1,407,321	1,313,961	93.37%
2010	-	-	0.00%
2011	-	-	0.00%
2012	-	-	0.00%

<i>St. Lighting District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2003	450,944	434,619	96.38%
2004	460,362	448,560	97.44%
2005	495,603	482,888	97.43%
2006	595,086	574,487	96.54%
2007	709,380	669,623	94.40%
2008	793,711	738,129	93.00%
2009	670,915	628,604	93.69%
2010	585,905	558,464	95.32%
2011	575,210	553,697	96.26%
2012	-	-	0.00%

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

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

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

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

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

Fiscal Year	Governmental Activities						Business Activities						Total Business-Type Activities	Total Primary Government	Debt Per Capita*	% of Personal Income*
	Certificate of Participation	Revenue Bonds ^	Tax Allocation Bonds	Capital Lease Agreement	Total Governmental Activities	Lease Purchase Agreement	Tax Allocation Bonds	Notes Payable	Lease Revenue Bonds	Revenue Bonds^	Certificate of Participation					
2003	\$ 790	\$ 2,883	\$ 23,175	\$ -	\$ 26,848	\$ 2,300	\$ 12,845	\$ -	\$ -	\$ -	\$ -	\$ 15,145	\$ 41,993	606	4.10%	
2004	\$ 690	\$ 2,809	\$ 24,895	\$ -	\$ 28,394	\$ 2,145	\$ 56,349	\$ -	\$ -	\$ -	\$ -	\$ 58,494	\$ 86,888	1,119	7.99%	
2005	\$ 590	\$ 2,683	\$ 24,605	\$ -	\$ 27,878	\$ 3,529	\$ 97,688	\$ -	\$ 41,000	\$ -	\$ -	\$ 142,217	\$ 170,095	1,967	14.03%	
2006	\$ 480	\$ 2,550	\$ 47,070	\$ -	\$ 50,100	\$ 3,111	\$ 149,782	\$ 20,000	\$ 41,000	\$ -	\$ -	\$ 213,893	\$ 263,993	2,775	18.92%	
2007	\$ 370	\$ -	\$ 45,725	\$ 1,649	\$ 47,744	\$ 5,810	\$ 280,737	\$ -	\$ 83,770	\$ 2,414	\$ -	\$ 372,731	\$ 420,475	4,101	26.03%	
2008	\$ 255	\$ -	\$ 44,945	\$ 2,112	\$ 47,312	\$ 4,498	\$ 329,740	\$ 26,449	\$ 83,770	\$ 2,261	\$ 15,000	\$ 461,718	\$ 509,030	4,739	28.32%	
2009	\$ 130	\$ -	\$ 44,130	\$ 1,529	\$ 45,789	\$ 3,620	\$ 328,976	\$ 774	\$ 83,770	\$ 2,125	\$ 14,675	\$ 433,940	\$ 479,729	4,383	25.33%	
2010	\$ -	\$ -	\$ 43,280	\$ 488	\$ 43,768	\$ 2,391	\$ 326,278	\$ 3,522	\$ 83,770	\$ 1,974	\$ 14,340	\$ 432,275	\$ 476,043	4,486	25.14%	
2011	\$ -	\$ -	\$ 42,395	\$ 142	\$ 42,537	\$ 1,852	\$ 323,469	\$ 6,173	\$ 83,470	\$ 1,815	\$ 13,990	\$ 430,769	\$ 473,306	4,222	26.26%	
2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ 327,034	\$ -	\$ 83,070	\$ 1,725	\$ 13,630	\$ 426,959	\$ 426,959	3,809	23.69%	

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

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

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

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificate of Participation</u>	<u>Revenue Bonds</u> ^	<u>Tax Allocation Bonds</u>	<u>Total</u>	<u>Percentage Assessed Value</u> *	<u>Per Capita</u>
2003	\$ -	\$ 790,000	\$ 2,882,500	\$ 23,175,000	26,847,500	0.84%	369.39
2004	-	690,000	2,808,943	24,895,000	28,393,943	0.75%	364.76
2005	41,000,000	590,000	2,683,071	24,605,000	68,878,071	1.54%	797.91
2006	41,000,000	480,000	2,549,700	47,070,000	91,099,700	1.62%	960.65
2007	83,770,000	370,000	-	45,725,000	129,865,000	1.78%	1,272.64
2008	83,770,000	255,000	-	44,945,000	128,970,000	1.38%	1,208.53
2009	83,770,000	130,000	-	44,130,000	128,030,000	1.38%	1,171.71
2010	83,770,000	-	-	43,280,000	127,050,000	1.65%	1,133.39
2011	83,470,000	-	-	42,395,000	125,865,000	1.82%	1,057.16
2012	83,070,000	-	-	-	83,070,000	1.24%	771.40

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

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

Source: City of Victorville Comprehensive Annual Financial Reports

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

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 488,956	\$ 576,258	\$ 681,104	\$ 854,063	\$ 1,110,122	\$ 1,416,714	\$ 1,408,650	\$ 1,168,896	\$ 1,054,014	1,023,520
Total net debt applicable to limit	-	-	41,000	41,000	83,770	83,770	83,770	83,770	83,470	83,070
Legal debt margin	<u>488,956</u>	<u>576,258</u>	<u>640,104</u>	<u>813,063</u>	<u>1,026,352</u>	<u>1,332,944</u>	<u>1,324,880</u>	<u>1,085,126</u>	<u>970,544</u>	<u>940,450</u>
Legal debt margin available as a percentage of debt limit	100.00%	100.00%	93.98%	95.20%	92.45%	94.09%	94.05%	92.83%	92.08%	91.88%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 6,726,184
Add back: exempt real property	<u>97,283</u>
Total assessed value	<u>6,823,467</u>
Debt Limit(15% of total assessed value)	1,023,520
Debt applicable to limit:	
General obligation bond	83,070
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>83,070</u>
Legal debt margin	<u>\$ 940,450</u>

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

CITY OF VICTORVILLE
Direct and Overlapping Debt
June 30, 2012

2011-12 Assessed Valuation: \$6,823,466,737
 Redevelopment Incremental Valuation: 3,160,217,097
 Adjusted Assessed Valuation: \$3,663,249,640

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> <u>6/30/12</u>	<u>% Applicable (1)</u>	<u>City's Share of</u> <u>Debt 6/30/12</u>
Victor Valley Joint Community College District	\$135,332,028	21.802%	\$ 29,505,089
Victor Valley Joint Union High School District	85,111,880	52.782	44,923,753
Adelanto School District	11,397,527	27.282	3,109,473
Oro Grande School District	557,700	1.317	7,345
Victor School District	53,044,131	76.074	40,352,792
Mojave Water Agency	16,755,000	17.993	3,014,727
Adelanto School District Community Facilities District No. 1, I.A. A	16,165,000	100.	16,165,000
Adelanto School District Community Facilities District No.2	3,460,000	100.	3,460,000
Hesperia Unified School District Community Facilities Districts	9,315,000	100.	9,315,000
Snowline Joint Unified School District Community Facilities Districts	11,770,000	100.	11,770,000
Victor School District Community Facilities Districts	17,180,000	100.	17,180,000
Victor Valley Joint Union High School District Community Facilities District No. 2003-1	2,650,000	100.	2,650,000
City of Victorville Community Facilities Districts	10,135,000	100.	10,135,000
Victorville Water District 1915 Act Bonds	1,670,000	100.	<u>1,670,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$193,258,179

Ratios to 2011-12 Assessed Valuation:
 Total Overlapping Tax and Assessment Debt2.83%

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Bernardino County General Fund Obligations	\$613,235,000	3.218%	\$ 19,733,902
San Bernardino Pension Obligations	547,885,591	3.218	17,630,958
San Bernardino County Flood Control District	108,210,000	3.218	3,482,198
Victor Valley Union High School District Certificates of Participation	6,550,000	52.782	3,457,221
Hesperia Unified School District Certificates of Participation	101,890,000	3.229	3,290,028
Snowline Joint Unified School District Certificates of Participation	61,425,000	14.660	9,004,905
Adelanto School District Certificates of Participation	9,430,000	27.282	2,572,693
Oro Grande School District Certificates of Participation	35,715,000	1.317	470,367
Victor School District Certificates of Participation	6,695,000	76.074	5,093,154
City of Victorville General Fund Obligations	83,070,000	100.	<u>83,070,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$147,805,426

TOTAL DIRECT DEBT **\$83,070,000**
TOTAL OVERLAPPING DEBT **\$257,993,605**

COMBINED TOTAL DEBT **\$341,063,605 (2)**

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
 (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Adjusted Assessed Valuation:
Total Direct Debt (\$83,070,000).....2.27%
 Combined Total Debt.....9.31%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

AB:(\$425)

Source: California Municipal Statistic, Inc.

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

Governmental Activities Debt - Tax Allocation Bond

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

Business Type Activities Debt - SCLAA Tax Allocation Bond

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

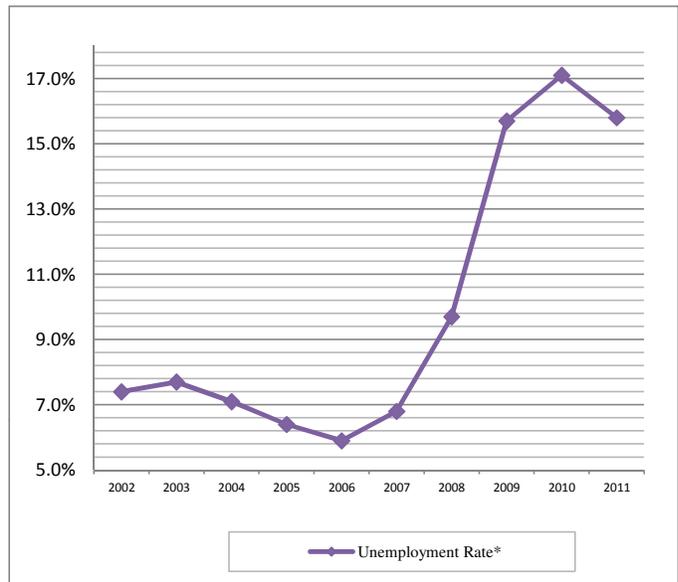
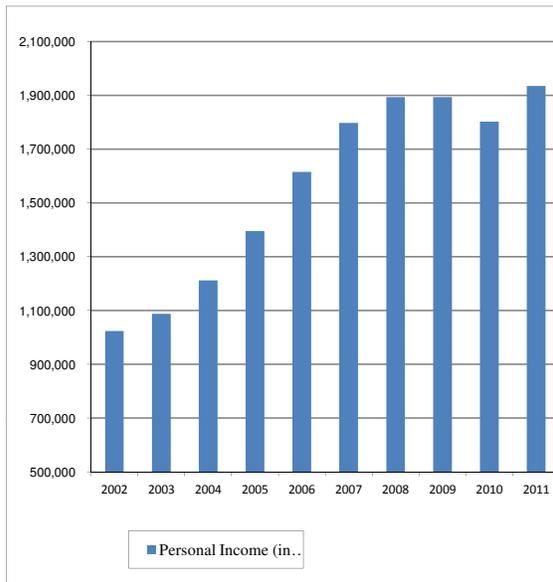
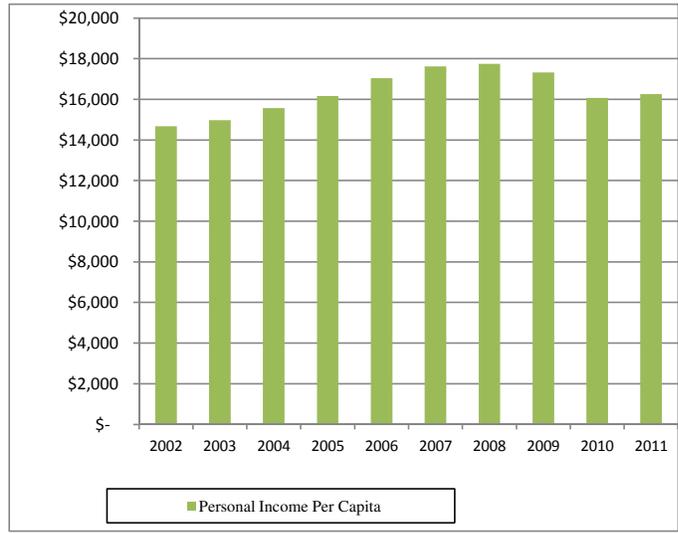
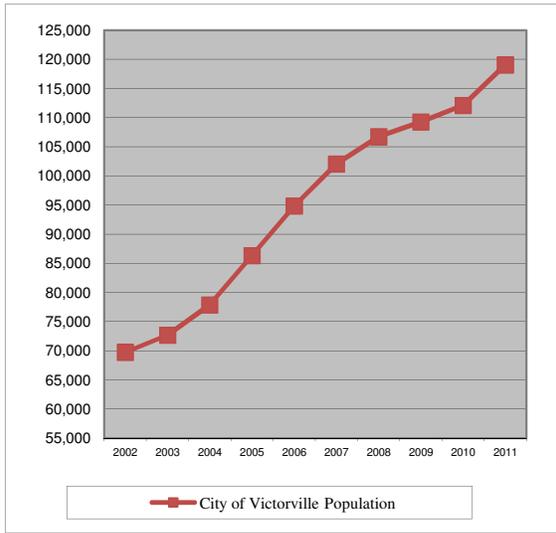
Business Type Activities Debt - Water

<u>Fiscal Year</u>	<u>Property Tax Increment</u>	<u>Debt Service</u>			<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>		
2008	**				
2009	1,461	325	679		69%
2010	1,458	335	665		69%
2011	50	50	50		199%
2012	2,125	521	473		47%

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

** Information was not available.

CITY OF VICTORVILLE
 DEMOGRAPHIC STATISTICS
 LAST TEN CALENDAR YEARS
 (modified accrual basis of accounting)
 (in thousands)



Year	City of Victorville Population	Personal Income (in thousands)	Unemployment Rate*	Personal Income Per Capita
2002	69,743	1,023,689	7.4%	\$ 14,678
2003	72,680	1,088,014	7.7%	\$ 14,970
2004	77,843	1,212,633	7.1%	\$ 15,578
2005	86,323	1,395,349	6.4%	\$ 16,164
2006	94,831	1,615,494	5.9%	\$ 17,036
2007	102,044	1,797,457	6.8%	\$ 17,615
2008	106,716	1,894,034	9.7%	\$ 17,748
2009	109,268	1,893,544	15.7%	\$ 17,329
2010	112,097	1,802,296	17.1%	\$ 16,078
2011	119,059	1,935,423	15.8%	\$ 16,256

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

CITY OF VICTORVILLE
PRINCIPAL EMPLOYERS
JUNE 30, 2012

<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Southern California Logistics Airport	2000	7.75%
The Mall of Victor Valley	1100	4.26%
Victor Valley Union High School District	1000	3.88%
Desert Valley Hospital/ Medical Group	950	3.68%
Victo Ellementary School District	948	3.67%
Verizon	900	3.49%
Federal Correction Complex Victorville	844	3.27%
Victor Valley College	830	3.22%
Victor Valley Community Hospital	570	2.21%
City of Victorville	366	1.42%

"Total Employment" as used above represents the total employment of all employers located within the City Limits

Source: City of Victorville Chamber of Commerce

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

<u>Function</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010***</u>	<u>2011****</u>	<u>2012</u>
General government****	51	57	70	77	103	112	104	66	122	71
Public Safety *	66	71	93	114	119	112	28	1	0	0
Public works	107	127	152	195	202	211	205	156	85	108
Community Development	3	6	6	8	9	15	14	14	11	11
Community Services	64	78	95	136	176	195	200	137	83	110
Airport	8	11	12	20	26	28	27	22	19	23
Municipal Utilities**	1	4	7	11	16	14	0	0	0	5
Water***	0	0	0	0	0	61	61	81	55	60
Total	300	354	435	561	651	748	639	477	375	388

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

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

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

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

Source: City of Victorville Finance Department.

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

<u>Function</u>	<u>Fiscal Year</u>						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety							
Police:							
Physical arrests	4,684	5,555	7,244	5,066	5,176	5,217	4,202
Traffic Violations	9,063	10,400	6,101	5,472	5,164	7,770	7,828
Public works							
Street Maintenance:							
Potholes repaired	4,321	5,035	3,148	2,648	5,448	2,949	3,004
Graffiti removal	5,224	7,773	8,092	7,126	8,442	5,460	12,460
Streets sweeping (tons)	1,810	1,560	2,768	2,532	2,296	2,672	1,862
Sanitation							
Refuse collected (tons/day)	224	208	190	172	180	187	177
Recyclables collected (tons/day)	44	45	40	36	33	32	31
Community Services							
Park and Recreation:							
Athletic field permits issued	4,215	4,382	4,596	4,597	3,891	4,023	4,970
Community center enrollments	54,244	50,757	49,611	43,216	39,636	36,385	30,193
Facilities rental used	3,177	2,469	3,200	2,695	2,299	1,794	1,819

Source: Various government departments.

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

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

** Information was not available

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

<u>Function</u>	<u>Fiscal Year</u>						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety							
Police:							
Stations	1	1	1	1	1	1	1
Patrol Units	39	44	49	52	52	52	52
Fire Stations	6	6	6	6	6	6	6
Public Works							
Highways and streets:							
Streets(miles)	401	486	448	448	448	448	448
Streetlights	369	335	335	335	356	364	376
Traffic Signals	62	72	72	72	78	80	83
Sewer:							
Sanitary sewers (miles)	198	411	411	411	415	416	419
Storm sewers (miles)	469	469	471	471	471	472	473
Number of treatment plants	1	1	1	1	1	2	2
Number of service connections	17,253	36,344	35,353	36,009	36,733	36,952	37,081
Community Services							
Parks acreage	263	263	263	263	263	263	263
Park	18	18	18	18	18	18	18
Golf courses	2	2	2	2	2	2	1
Swimming pools	2	2	2	2	2	2	1
Tennis courts	6	6	6	6	6	6	6
Community Centers	6	6	6	6	6	6	6
Airport							
Runway length(miles)	5	5	5	5	5	5	5
Sewer pipeline	20	20	20	25	25	25	25
Number of hangars	19	22	25	25	25	25	25
Number of buildings	67	60	50	45	47	47	47

Source: Various government departments.

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

