

CITY OF VICTORVILLE
Victorville, California

Basic Financial Statements
and Supplementary Information

Year ended June 30, 2009



CITY OF VICTORVILLE
Basic Financial Statements and
Supplementary Information
Year ended June 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Assets	18
Statement of Revenues, Expenses and Changes in Fund Net Assets	20
Statement of Cash Flows	22
Fiduciary Funds:	
Statement of Fiduciary Net Assets	24
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	103
Low and Moderate Income Housing	104
Measure I Street Arterials Fund	105

CITY OF VICTORVILLE
 Basic Financial Statements and
 Supplementary Information
 Year ended June 30, 2009

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
Notes to the Required Supplementary Information	106
Supplementary Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	108
Combined Statement of Revenues, Expenditures and Changes in Fund Balance	109
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	114
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual:	
Fire Protection Fund	116
Parks and Recreation Fund	117
Landscape Maintenance and Drainage Facilities Assessment District	118
Street Lighting Fund	119
Traffic Safety Fund	120
General Asset Seizure Fund	121
Storm Drain Utility Fund	122
Gas Tax Fund	123
Transportation Tax Fund	124
Other State Grants Fund	125
CDBG and HOME Grants Fund	126
Other Federal Grants Fund	127
Nonmajor Debt Service Fund:	
Combining Balance Sheet	130
Combining Statement of Revenues, Expenses and Changes in Fund Balances	131
Fiduciary Funds:	
Combining Statement of Fiduciary Assets and Liabilities	134
Combining Statement of Changes in Fiduciary Assets and Liabilities	135

CITY OF VICTORVILLE
Basic Financial Statements and
Supplementary Information
Year ended June 30, 2009

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
<u>STATISTICAL</u>	
Net Assets by Component	141
Change in Net Asset	142
Fund Balances of Governmental Funds	144
Changes in Fund Balance Governmental Funds	145
Tax Revenue by Source	146
General Government Revenues by Sources	147
General Government Expenditures by Function	148
Combined Revenue and Expenditures	149
Assessed Value of Property	150
Property Tax Rates- Directing and Overlapping Governments	151
Principal Property Taxpayers	152
Property Tax Levies and Collections by District	153
Property Tax Levies and Collection All Districts	154
Ratios of Outstanding Debt by Type	155
Ratio of Net General Bonded Debt to Assessed Value and Net	156
Computation of Direct and Overlapping Debt	157
Legal Debt Margin	158
Demographic Statistics	159
Principal Employers	160
Full-Time and Part-time City Employees by Function	161
Operation Indicators by Function	162
Capital Asset Statistics by Function	163
Property Values and Construction	164
Breakdown of Basic 1% Property Tax Rate	165





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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, 2009, 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 summarized comparative information has been derived from the financial statements of the City of Victorville for the year ended June 30, 2008 and, in our report dated August 25, 2009, 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. The financial statements of the Victorville Water District for the year ended June 30, 2008 were audited by other auditors whose report we relied upon for the June 30, 2008 Victorville Water District.

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, 2009, and the respective changes in financial position and cash flows of the City of Victorville, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in note 15 to the financial statements, the City changed its method of accounting for postemployment benefits for fiscal years ending on or after June 30, 2009.



Honorable Mayor and City Council
City of Victorville, California

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 21 to the financial statements, the City has suffered recurring losses in its General Fund, the Southern California Logistics Airport Authority Enterprise Fund and the Municipal Utilities Enterprise Fund, and those funds have a lack of liquidity and net asset deficiencies that should raise substantial doubt about the City's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 21. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The information identified in the accompanying table of contents as *required supplementary information* is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented "Managements Discussion and Analysis" that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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, budget schedules, and the statistical tables as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budget schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Mayer Hoffman McCann P.C.

Irvine, California
January 29, 2010

BASIC FINANCIAL STATEMENTS



CITY OF VICTORVILLE
Statement of Net Assets
June 30, 2009
(with comparative totals for June 30, 2008)

	Governmental Activities	Business-Type Activities	Total	2008
Assets:				
Cash and investments (note 2)	\$ 57,967,495	12,078,866	70,046,361	84,025,128
Cash with fiscal agent (note 2)	3,606,171	39,075,618	42,681,789	109,514,083
Restricted cash (note 2)	-	1,094,500	1,094,500	-
Receivables:				
Accounts	1,551,703	8,920,222	10,471,925	13,893,673
Interest	94,231	150,088	244,319	784,475
Due from other governments	22,408,588	6,988,721	29,397,309	39,040,302
Inventory	213,854	266,741	480,595	732,416
Prepaid items	1,971,805	3,482,491	5,454,296	4,058,623
Interfund balances	8,630,363	(8,630,363)	-	-
Land held for resale (note 5)	20,438,941	-	20,438,941	19,681,434
Deferred charges, net	-	16,150,105	16,150,105	11,360,444
Capital assets, net (note 4):	521,842,081	418,525,416	940,367,497	899,979,823
Deposits (note 21)	2,648,435	50,020,070	52,668,505	52,506,334
Long-term notes receivable (note 6)	2,638,770	69,288,411	71,927,181	68,694,717
Other assets	-	-	-	3,152,843
Total assets	<u>644,012,437</u>	<u>617,410,886</u>	<u>1,261,423,323</u>	<u>1,307,424,295</u>
Liabilities:				
Accounts payable	8,418,983	7,547,450	15,966,433	25,556,889
Accrued liabilities	1,316,066	-	1,316,066	1,462,570
Interest payable	199,390	1,938,246	2,137,636	2,767,811
Deposits payable	131,352	3,250,879	3,382,231	3,685,375
Unearned revenue	303,895	2,887,862	3,191,757	7,171,633
Due to other governments	58	-	58	2,074
Claims Payable	1,035,168	-	1,035,168	1,835,121
Noncurrent liabilities (notes 7 and 8):				
Due within one year	2,286,658	5,088,919	7,375,577	32,551,814
Due in more than one year	49,031,917	429,528,771	478,560,688	484,289,994
Total liabilities	<u>62,723,487</u>	<u>450,242,127</u>	<u>512,965,614</u>	<u>559,323,281</u>
Net assets:				
Invested in capital assets, net of related debt	477,975,776	270,533,541	748,509,317	699,669,573
Restricted for:				
Public safety	68,173	-	68,173	34,290
Community development	70,114,675	-	70,114,675	55,965,408
Public works	26,064,808	-	26,064,808	38,133,572
Parks and recreation	-	-	-	2,734,693
Capital asset construction	-	1,004,108	1,004,108	21,293,590
Debt service	-	773,962	773,962	1,036,623
Unrestricted	<u>7,065,518</u>	<u>(105,142,852)</u>	<u>(98,077,334)</u>	<u>(70,766,735)</u>
Total net assets	<u>\$ 581,288,950</u>	<u>167,168,759</u>	<u>748,457,709</u>	<u>748,101,014</u>

See accompanying notes to the basic financial statements.

CITY OF VICTORVILLE
Statement of Activities
Year ended June 30, 2009
(with comparative totals for year ended June 30, 2008)

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 13,133,276	3,736,617	83,875	-
Public safety	30,285,026	2,094,977	984,059	-
Community development	6,655,391	-	1,944,532	-
Public works	35,443,180	6,399,187	16,778,540	-
Parks and recreation	14,163,518	2,108,921	5,000	-
Interest on long-term debt	2,658,471	-	-	-
Total governmental activities	<u>102,338,862</u>	<u>14,339,702</u>	<u>19,796,006</u>	<u>-</u>
Business-type activities:				
Water	29,476,474	21,755,429	-	7,514,028
Airport	42,874,028	7,362,683	8,074,251	-
Municipal utility	16,883,245	6,174,881	-	-
City golf	2,973,111	1,042,900	-	3,073,364
Solid waste management	12,202,770	13,376,039	-	-
Sanitary	8,026,156	9,575,667	-	1,922,094
Rail	366,417	-	-	-
Total business-type activities	<u>112,802,201</u>	<u>59,287,599</u>	<u>8,074,251</u>	<u>12,509,486</u>
Total primary government	<u>\$ 215,141,063</u>	<u>73,627,301</u>	<u>27,870,257</u>	<u>12,509,486</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy tax

Franchise taxes

Other taxes

Investment income

Motor vehicle in lieu, unrestricted

Gain on sale of assets

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated (note 20)

Net assets (deficit) at end of year

See accompanying notes to the basic financial statements.

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>2008</u>
(9,312,784)	-	(9,312,784)	(9,689,807)
(27,205,990)	-	(27,205,990)	(22,686,439)
(4,710,859)	-	(4,710,859)	(2,185,490)
(12,265,453)	-	(12,265,453)	(14,175,651)
(12,049,597)	-	(12,049,597)	(6,434,571)
(2,658,471)	-	(2,658,471)	(3,776,872)
<u>(68,203,154)</u>	<u>-</u>	<u>(68,203,154)</u>	<u>(58,948,830)</u>
-	-	-	-
-	(207,017)	(207,017)	1,873,010
-	(27,437,094)	(27,437,094)	(30,851,904)
-	(10,708,364)	(10,708,364)	(13,414,165)
-	1,143,153	1,143,153	3,611,156
-	1,173,269	1,173,269	400,421
-	3,471,605	3,471,605	(26,396)
-	(366,417)	(366,417)	(1,431,628)
<u>-</u>	<u>(32,930,865)</u>	<u>(32,930,865)</u>	<u>(39,839,506)</u>
<u>(68,203,154)</u>	<u>(32,930,865)</u>	<u>(101,134,019)</u>	<u>(98,788,336)</u>
27,519,671	1,653,742	29,173,413	31,145,639
11,555,538	-	11,555,538	14,625,732
784,273	-	784,273	964,075
2,302,232	-	2,302,232	2,281,449
38,234,603	2,297,497	40,532,100	41,460,314
2,942,440	3,083,021	6,025,461	11,039,229
366,537	-	366,537	455,626
49,095	415,530	464,625	211,185
163,266	1,033,437	1,196,703	15,440,961
(12,814,788)	12,814,788	-	-
<u>71,102,867</u>	<u>21,298,015</u>	<u>92,400,882</u>	<u>117,624,210</u>
2,899,713	(11,632,850)	(8,733,137)	18,835,874
<u>578,389,237</u>	<u>178,801,609</u>	<u>757,190,846</u>	<u>729,265,140</u>
<u>\$ 581,288,950</u>	<u>167,168,759</u>	<u>748,457,709</u>	<u>748,101,014</u>



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.

Measure I Street Arterials

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 interjurisdictional or regional traffic.

Capital Impact Facilities

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

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, 2009
(with comparative totals for June 30, 2008)

	<u>Special Revenue</u>		
	<u>General</u>	<u>Low and Moderate Income Housing</u>	<u>Measure I Street Arterials</u>
<u>Assets</u>			
Cash and investments	\$ 3,617,692	12,799,089	9,327,352
Cash with fiscal agent	-	-	272,354
Receivables:			
Accounts	544,100	-	412,364
Interest	94,231	-	-
Notes	-	2,433,213	-
Due from other funds (note 3)	6,564,073	-	-
Advances to other funds (note 3)	-	4,674,541	-
Due from other governments	3,765,216	2,580,470	-
Inventories	213,854	-	-
Prepaid items	33,944	-	-
Land held for resale	-	13,067,232	-
Total assets	<u>\$ 14,833,110</u>	<u>35,554,545</u>	<u>10,012,070</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 2,522,561	5	1,091,984
Accrued liabilities	1,316,066	-	-
Deposits payable	44,723	-	-
Due to other funds (note 3)	-	-	-
Advances from other funds (note 3)	-	-	-
Due to other governments	-	-	-
Deferred revenue	303,895	638,441	-
Total liabilities	<u>4,187,245</u>	<u>638,446</u>	<u>1,091,984</u>
Fund balances (note 10):			
Reserved	247,798	20,174,986	-
Unreserved:			
Undesignated, reported in:			
General fund	10,398,067	-	-
Capital project funds	-	-	-
Designated for:			
Special revenue funds	-	14,741,113	8,920,086
Capital project funds	-	-	-
Total fund balances	<u>10,645,865</u>	<u>34,916,099</u>	<u>8,920,086</u>
Total liabilities and fund balances	<u>\$ 14,833,110</u>	<u>35,554,545</u>	<u>10,012,070</u>

See accompanying notes to basic financial statements.

Capital Projects				
Capital Impact Facilities	Victorville Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds	2008
3,807,632	17,595,274	10,820,456	57,967,495	72,593,807
1,328,729	-	2,005,088	3,606,171	9,226,778
172,427	-	422,812	1,551,703	9,343,228
-	-	-	94,231	325,661
-	205,257	300	2,638,770	2,424,375
-	-	3,216,333	9,780,406	5,474,144
-	10,000,000	-	14,674,541	4,556,103
-	5,841,137	10,221,765	22,408,588	35,943,096
-	-	-	213,854	309,676
-	-	1,937,861	1,971,805	479,687
-	7,371,709	-	20,438,941	19,681,434
<u>5,308,788</u>	<u>41,013,377</u>	<u>28,624,615</u>	<u>135,346,505</u>	<u>160,357,989</u>
2,138,157	1,345,702	1,320,574	8,418,983	11,672,971
-	-	-	1,316,066	1,243,110
-	46,282	40,347	131,352	158,044
-	-	11,150,043	11,150,043	25,989,040
-	4,674,541	-	4,674,541	4,556,103
-	-	58	58	2,074
-	68,977	5,626,378	6,637,691	5,010,675
<u>2,138,157</u>	<u>6,135,502</u>	<u>18,137,400</u>	<u>32,328,734</u>	<u>48,632,017</u>
-	17,576,966	3,860,749	41,860,499	35,809,041
-	-	-	10,398,067	12,132,307
-	17,300,909	-	17,300,909	16,869,918
-	-	6,626,466	30,287,665	36,417,056
<u>3,170,631</u>	<u>-</u>	<u>-</u>	<u>3,170,631</u>	<u>10,497,650</u>
<u>3,170,631</u>	<u>34,877,875</u>	<u>10,487,215</u>	<u>103,017,771</u>	<u>111,725,972</u>
<u>5,308,788</u>	<u>41,013,377</u>	<u>28,624,615</u>	<u>135,346,505</u>	<u>160,357,989</u>



CITY OF VICTORVILLE

Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

June 30, 2009

Fund balances of governmental funds	\$ 103,017,771
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	767,509,988
Accumulated depreciation	(245,667,907)
Deposits payable relating to governmental activities were not financial resources and therefore were not reported in governmental funds.	2,648,435
Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.	(1,035,168)
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Certificates of participation	(130,000)
Installment purchase agreements	(1,528,938)
Tax allocation bonds	(44,130,000)
Other post employment benefits	(2,039,230)
Compensated absences	(3,490,407)
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.	6,333,796
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	<u>(199,390)</u>
Net assets of governmental activities	<u>\$ 581,288,950</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, 2009
(with comparative totals for year ended June 30, 2008)

	Special Revenue		
	General	Low and Moderate Income Housing	Measure I Street Arterials
Revenues:			
Taxes	33,717,245	1,815,628	5,326,403
Licenses and permits	3,482,429	-	-
Intergovernmental	3,056,181	8,060,034	-
Charges for services	6,549,496	-	29,211
Fines and forfeitures	407,698	-	-
Investment income	75,610	447,405	326,806
Sale of assets	135,348	-	-
Other	134,177	3,208	-
Total revenues	<u>47,558,184</u>	<u>10,326,275</u>	<u>5,682,420</u>
Expenditures:			
Current:			
General government	12,546,277	-	1,055
Public safety	32,393,883	-	-
Community development	-	2,558,744	-
Public works	9,998,465	-	10,073,319
Parks and recreation	5,970,730	-	-
Debt service:			
Principal	583,512	-	-
Interest	102,970	-	-
Total expenditures	<u>61,595,837</u>	<u>2,558,744</u>	<u>10,074,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,037,653)</u>	<u>7,767,531</u>	<u>(4,391,954)</u>
Other financing sources (uses):			
Transfers in (note 3)	16,204,132	821,661	-
Transfers out (note 3)	(3,976,284)	(3,599,726)	(2,671,054)
Total other financing sources (uses)	<u>12,227,848</u>	<u>(2,778,065)</u>	<u>(2,671,054)</u>
Net change in fund balances	(1,809,805)	4,989,466	(7,063,008)
Fund balances at beginning of year	<u>12,455,670</u>	<u>29,926,633</u>	<u>15,983,094</u>
Fund balances at end of year	<u>\$ 10,645,865</u>	<u>34,916,099</u>	<u>8,920,086</u>

See accompanying notes to the basic financial statements.

<u>Capital Projects</u>				
<u>Capital Impact Facilities</u>	<u>Victorville Redevelopment Agency</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2008</u>
-	5,533,320	3,205,314	49,597,910	57,129,482
3,770,828	-	-	7,253,257	14,578,108
71,347	23,153,629	13,077,685	47,418,876	43,896,660
-	-	1,595,273	8,173,980	6,751,706
-	-	1,339,165	1,746,863	877,498
61,296	1,678,351	194,476	2,783,944	3,389,516
-	-	-	135,348	50,350
38,264	609	121,733	297,991	3,820,968
<u>3,941,735</u>	<u>30,365,909</u>	<u>19,533,646</u>	<u>117,408,169</u>	<u>130,494,288</u>
130,572	-	1,293,682	13,971,586	14,762,721
914,155	-	722,690	34,030,728	31,072,079
-	3,945,717	520,013	7,024,474	3,621,054
3,643,560	-	14,915,006	38,630,350	45,252,469
8,221,235	-	1,269,030	15,460,995	13,307,263
-	-	940,000	1,523,512	1,278,860
-	153,182	2,403,785	2,659,937	2,943,083
<u>12,909,522</u>	<u>4,098,899</u>	<u>22,064,206</u>	<u>113,301,582</u>	<u>112,237,529</u>
<u>(8,967,787)</u>	<u>26,267,010</u>	<u>(2,530,560)</u>	<u>4,106,587</u>	<u>18,256,759</u>
1,300,096	6,644,643	7,745,659	32,716,191	27,624,275
<u>(125,328)</u>	<u>(22,220,405)</u>	<u>(12,938,182)</u>	<u>(45,530,979)</u>	<u>(50,047,615)</u>
<u>1,174,768</u>	<u>(15,575,762)</u>	<u>(5,192,523)</u>	<u>(12,814,788)</u>	<u>(22,423,340)</u>
(7,793,019)	10,691,248	(7,723,083)	(8,708,201)	(4,166,581)
<u>10,963,650</u>	<u>24,186,627</u>	<u>18,210,298</u>	<u>111,725,972</u>	<u>115,892,553</u>
<u>3,170,631</u>	<u>34,877,875</u>	<u>10,487,215</u>	<u>103,017,771</u>	<u>111,725,972</u>

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, 2009

Net changes in fund balances - total governmental funds \$ (8,708,201)

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	32,852,263
Depreciation expense	(23,638,152)

Net book value of the removed capital assets is reported as a charge against the proceed of the sale to convert gross proceeds reported in the governmental funds as revenue to the net loss on the disposition of the capital asset.	(86,253)
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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.	1,523,512
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The statement of net assets includes accrued interest on long term debt.	1,466
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To record as an expense the net change in claims payable and deposits relating to claims in the statement of activities	962,124
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A portion of grant revenue are deferred in the governmental funds, but recognized in the Statement of Activities .	1,164,625
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Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	158,496
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To record as an expense the net change in other post employment benefits in the statement of activities.	(2,039,230)
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To record as an expense the net change in compensated absences in the statement of activities.	<u>709,063</u>
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Change in net assets of governmental activities	<u><u>\$ 2,899,713</u></u>
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See accompanying notes to the basic financial statements.

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

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.

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.

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 District Fund

This fund accounts for capital acquisition of the City's sanitary district. Revenue received for these funding sources comprised of sewer user fees and property taxes.

Southern California Logistics Rail Authority

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

CITY OF VICTORVILLE

Statement of Net Assets

Proprietary Funds

June 30, 2009

(with comparative totals for June 30, 2008)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility	City Golf
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 8,401,449	1,488,042	-	-
Cash with fiscal agent	6,663,198	23,238,846	8,831,800	-
Restricted cash	-	-	1,094,500	-
Accounts receivable	4,524,865	400,671	448,467	5,495
Interest receivable	144,032	6,056	-	-
Due from other funds (note 3)	-	-	-	-
Due from other governments	3,103,698	3,742,042	-	-
Inventory	212,619	-	-	54,122
Prepays	2,249,983	1,230,508	-	-
Total current assets	<u>25,299,844</u>	<u>30,106,165</u>	<u>10,374,767</u>	<u>59,617</u>
Noncurrent assets:				
Capital assets, net (note 4)	170,477,620	127,485,063	22,812,285	21,376,104
Deferred charges, net	490,982	15,659,123	-	-
Advances to other funds (note 3)	21,929,420	-	-	-
Deposits	-	50,020,070	-	-
Notes receivable	-	69,288,411	-	-
Other assets	-	-	-	-
Total noncurrent assets	<u>192,898,022</u>	<u>262,452,667</u>	<u>22,812,285</u>	<u>21,376,104</u>
Total assets	<u>218,197,866</u>	<u>292,558,832</u>	<u>33,187,052</u>	<u>21,435,721</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	2,219,493	1,860,544	1,182,603	358,297
Accrued liabilities	-	-	-	-
Deposits payable	939,195	1,620,221	-	19,650
Due to other funds (note 3)	-	-	818,427	5,745,646
Unearned revenue	1,927,813	960,049	-	-
Interest payable	282,224	1,509,964	146,058	-
Long-term debt - due within one year (note 8)	687,964	3,328,791	544,414	200,671
Total current liabilities	<u>6,056,689</u>	<u>9,279,569</u>	<u>2,691,502</u>	<u>6,324,264</u>
Noncurrent liabilities (note 8):				
Advances from other funds (note 3)	-	10,000,000	21,929,420	-
Long-term debt - due more than one year (note 8)	15,272,272	325,810,011	84,167,832	1,181,284
Total noncurrent liabilities	<u>15,272,272</u>	<u>335,810,011</u>	<u>106,097,252</u>	<u>1,181,284</u>
Total liabilities	<u>21,328,961</u>	<u>345,089,580</u>	<u>108,788,754</u>	<u>7,505,548</u>
Net assets (deficit):				
Invested in capital assets, net of related debt	162,345,335	67,946,626	(53,044,236)	19,994,149
Restricted for capital asset construction	1,004,108	-	-	-
Restricted for debt service	773,962	-	-	-
Unrestricted	32,745,500	(120,477,374)	(22,557,466)	(6,063,976)
Total net assets (deficit)	<u>\$ 196,868,905</u>	<u>(52,530,748)</u>	<u>(75,601,702)</u>	<u>13,930,173</u>
Total liabilities and net assets	<u>\$ 218,197,866</u>	<u>292,558,832</u>	<u>33,187,052</u>	<u>21,435,721</u>

See accompanying notes to the basic financial statements.

Solid Waste Management	Sanitary District	Southern California Logistic Rail Authority	Total Proprietary Funds	2008
2,184,009	-	5,366	12,078,866	11,431,321
290,131	51,643	-	39,075,618	100,287,305
-	-	-	1,094,500	-
2,244,670	1,296,054	-	8,920,222	4,550,445
-	-	-	150,088	458,814
4,549,587	3,390,132	-	7,939,719	72,426,770
102,832	40,149	-	6,988,721	3,097,206
-	-	-	266,741	422,740
2,000	-	-	3,482,491	3,578,936
<u>9,373,229</u>	<u>4,777,978</u>	<u>5,366</u>	<u>79,996,966</u>	<u>196,253,537</u>
3,596,170	42,465,906	30,312,268	418,525,416	387,265,600
-	-	-	16,150,105	11,360,444
-	-	-	21,929,420	-
-	-	-	50,020,070	50,020,070
-	-	-	69,288,411	66,270,342
-	-	-	-	3,152,843
<u>3,596,170</u>	<u>42,465,906</u>	<u>30,312,268</u>	<u>575,913,422</u>	<u>518,069,299</u>
<u>12,969,399</u>	<u>47,243,884</u>	<u>30,317,634</u>	<u>655,910,388</u>	<u>714,322,836</u>
1,043,961	875,552	7,000	7,547,450	13,883,918
-	-	-	-	219,460
355,003	316,810	-	3,250,879	3,527,331
-	-	6,009	6,570,082	51,911,874
-	-	-	2,887,862	2,160,958
-	-	-	1,938,246	2,566,955
327,079	-	-	5,088,919	30,528,622
<u>1,726,043</u>	<u>1,192,362</u>	<u>13,009</u>	<u>27,283,438</u>	<u>104,799,118</u>
-	-	-	31,929,420	-
3,097,372	-	-	429,528,771	434,801,266
3,097,372	-	-	461,458,191	434,801,266
<u>4,823,415</u>	<u>1,192,362</u>	<u>13,009</u>	<u>488,741,629</u>	<u>539,600,384</u>
461,850	42,517,549	30,312,268	270,533,541	235,771,185
-	-	-	1,004,108	21,293,590
-	-	-	773,962	1,036,623
7,684,134	3,533,973	(7,643)	(105,142,852)	(83,378,946)
<u>8,145,984</u>	<u>46,051,522</u>	<u>30,304,625</u>	<u>167,168,759</u>	<u>174,722,452</u>
<u>12,969,399</u>	<u>47,243,884</u>	<u>30,317,634</u>	<u>655,910,388</u>	<u>714,322,836</u>

CITY OF VICTORVILLE

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Year ended June 30, 2009

(with comparative totals for year ended June 30, 2008)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility	City Golf
Operating revenues:				
Charges for services	21,755,429	7,362,683	6,174,881	1,042,900
Fines and forfeitures	-	15,666	1,031	-
Other	-	87,133	-	150,551
Total operating revenues	<u>21,755,429</u>	<u>7,465,482</u>	<u>6,175,912</u>	<u>1,193,451</u>
Operating expenses:				
Personnel services	6,561,191	2,778,914	1,277,767	1,684,804
Maintenance and operations	6,853,705	15,584,608	11,272,700	1,013,034
Production Costs	8,275,857	-	194,450	-
Depreciation	<u>6,855,826</u>	<u>5,028,100</u>	<u>1,685,626</u>	<u>184,645</u>
Total operating expenses	<u>28,546,579</u>	<u>23,391,622</u>	<u>14,430,543</u>	<u>2,882,483</u>
Operating income (loss)	<u>(6,791,150)</u>	<u>(15,926,140)</u>	<u>(8,254,631)</u>	<u>(1,689,032)</u>
Nonoperating revenues (expenses):				
Intergovernmental	2,297,497	8,100,514	-	-
Investment income	891,239	1,988,259	193,036	-
Interest expense	(688,823)	(19,482,406)	(2,452,702)	(90,628)
Impairment on capital assets	-	-	-	-
Arsenic surcharge	542,174	-	-	-
Post employment benefits adjustment	(241,072)	-	-	-
Gain (loss) on sale of assets	380,530	-	35,000	-
Other revenues	<u>27,934</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>3,209,479</u>	<u>(9,393,633)</u>	<u>(2,224,666)</u>	<u>(90,628)</u>
Income (loss) before transfers	<u>(3,581,671)</u>	<u>(25,319,773)</u>	<u>(10,479,297)</u>	<u>(1,779,660)</u>
Capital contributions	7,514,028	-	-	3,073,364
Transfers in (note 3)	-	27,814,723	-	1,253,552
Transfers out (note 3)	<u>-</u>	<u>(2,656,436)</u>	<u>-</u>	<u>-</u>
Change in net assets	3,932,357	(161,486)	(10,479,297)	2,547,256
Net assets (deficit) at beginning of year, as restated (note 20)	<u>192,936,548</u>	<u>(52,369,262)</u>	<u>(65,122,405)</u>	<u>11,382,917</u>
Net assets (deficit) at end of year	<u>\$ 196,868,905</u>	<u>(52,530,748)</u>	<u>(75,601,702)</u>	<u>13,930,173</u>

See accompanying notes to the basic financial statements.

Solid Waste Management	Sanitary District	Southern California Logistics Rail Authority	Total Proprietary Funds	2008
13,376,039	9,575,667	-	59,287,599	51,259,888
201,603	-	-	218,300	5,865,299
6,186	1,159	-	245,029	440,030
<u>13,583,828</u>	<u>9,576,826</u>	<u>-</u>	<u>59,750,928</u>	<u>57,565,217</u>
1,294,054	1,503,940	34,600	15,135,270	15,987,672
10,528,005	5,362,454	62,502	50,677,008	55,249,790
-	-	-	8,470,307	9,266,651
203,503	1,159,762	269,315	15,386,777	13,347,702
<u>12,025,562</u>	<u>8,026,156</u>	<u>366,417</u>	<u>89,669,362</u>	<u>93,851,815</u>
<u>1,558,266</u>	<u>1,550,670</u>	<u>(366,417)</u>	<u>(29,918,434)</u>	<u>(36,286,598)</u>
-	1,627,479	-	12,025,490	5,055,601
10,487	-	-	3,083,021	7,649,712
(177,208)	-	-	(22,891,767)	(26,460,518)
-	-	-	-	754,138
-	-	-	542,174	801,399
-	-	-	(241,072)	9,908,000
-	-	-	415,530	(1,630,364)
-	-	-	27,934	(16,624)
<u>(166,721)</u>	<u>1,627,479</u>	<u>-</u>	<u>(7,038,690)</u>	<u>(3,938,656)</u>
1,391,545	3,178,149	(366,417)	(36,957,124)	(40,225,254)
-	1,922,094	-	12,509,486	23,356,991
-	-	1,834,775	30,903,050	53,894,174
-	(15,431,826)	-	(18,088,262)	(31,470,834)
<u>1,391,545</u>	<u>(10,331,583)</u>	<u>1,468,358</u>	<u>(11,632,850)</u>	<u>5,555,077</u>
<u>6,754,439</u>	<u>56,383,105</u>	<u>28,836,267</u>	<u>178,801,609</u>	<u>169,167,375</u>
<u>8,145,984</u>	<u>46,051,522</u>	<u>30,304,625</u>	<u>167,168,759</u>	<u>174,722,452</u>

CITY OF VICTORVILLE

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2009

(with comparative totals for year ended June 30, 2008)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utliity	City Golf
Cash flows from operating activities:				
Cash received from customers	\$ 18,861,553	8,490,840	6,483,248	1,206,789
Cash payments to employees for services	(6,817,024)	(2,778,914)	(1,273,842)	(1,684,804)
Cash payments to suppliers for goods and services	(13,967,869)	(20,412,202)	(11,793,478)	(1,011,725)
Cash payments to other governments	(2,692,519)	(644,836)	-	-
Nonoperating miscellaneous revenue received	27,934	-	35,000	-
Net cash provided by (used for) operating activities	<u>(4,587,925)</u>	<u>(15,345,112)</u>	<u>(6,549,072)</u>	<u>(1,489,740)</u>
Cash flows from noncapital financing activities:				
Cash received from County of San Bernardino	1,150,097	-	-	-
Cash received from other funds	39,068,056	34,123,855	21,929,420	1,919,422
Cash paid to other funds	<u>(21,929,420)</u>	<u>(668,188)</u>	<u>(21,835,783)</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>18,288,733</u>	<u>33,455,667</u>	<u>93,637</u>	<u>1,919,422</u>
Cash flows from capital and related financing activities:				
Proceeds of debt	-	-	-	-
Deposits on capital assets	-	-	-	-
Cash received for capital grants	1,147,400	8,100,514	-	-
Cash received from sale of capital assets	-	-	410,579	-
Cash payments to acquire capital and other assets	(10,600,085)	(22,822,175)	(1,031,464)	(148,830)
Cash received from capital restricted revenues	4,180,927	-	-	-
Principal paid on capital-related debt	(614,959)	(28,720,000)	(517,544)	(190,224)
Interest paid on capital-related debt	<u>(569,536)</u>	<u>(18,967,282)</u>	<u>(2,408,770)</u>	<u>(90,628)</u>
Net cash provided by (used for) capital and related financing activities	<u>(6,456,253)</u>	<u>(62,408,943)</u>	<u>(3,547,199)</u>	<u>(429,682)</u>
Cash flows from investing activities:				
Payments made to acquire notes from developers	-	(3,018,069)	-	-
Interest received on investments	1,097,790	2,070,517	212,584	-
Net cash provided by (used for) investing activities	<u>1,097,790</u>	<u>(947,552)</u>	<u>212,584</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	8,342,345	(45,245,940)	(9,790,050)	-
Cash and cash equivalents at beginning of year, as restated (note 20)	<u>6,722,302</u>	<u>69,972,828</u>	<u>19,716,350</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 15,064,647</u>	<u>24,726,888</u>	<u>9,926,300</u>	<u>-</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,791,150)	(15,926,140)	(8,254,631)	(1,689,032)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	6,855,826	5,028,100	1,685,626	184,645
Nonoperating miscellaneous revenue	27,934	-	35,000	-
Gain on sale of capital asset	380,530	-	-	-
(Increase) decrease in accounts receivable	(1,788,075)	152,293	307,336	1,963
(Increase) decrease in due from other governments	(2,692,519)	(644,836)	-	-
(Increase) decrease in inventory	149,112	-	-	6,887
(Increase) decrease in prepaids	749,999	(653,554)	-	-
Increase (decrease) in compensated absences	-	-	3,925	-
Increase (decrease) in accounts payable	(224,321)	(4,174,040)	(326,328)	(5,578)
Increase (decrease) in accrued liabilities	(149,460)	-	-	-
Increase (decrease) in deposits payable	(880,352)	(79,288)	-	11,375
Increase (decrease) in unearned revenue	<u>(225,449)</u>	<u>952,353</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>2,203,225</u>	<u>581,028</u>	<u>1,705,559</u>	<u>199,292</u>
Net cash provided by (used for) operating activities	<u>\$ (4,587,925)</u>	<u>(15,345,112)</u>	<u>(6,549,072)</u>	<u>(1,489,740)</u>
<u>Noncash capital, financing and investing activities:</u>				
Capital asset contributions (to) from other funds	-	(1,988,248)	-	-
Developer contributed capital assets	3,875,275	-	-	3,073,364
	<u>\$ 3,875,275</u>	<u>(1,988,248)</u>	<u>-</u>	<u>3,073,364</u>

See accompanying notes to the basic financial statements.

Solid Waste Management	Sanitary District	Southern California Logistics Rail Authority	Total Proprietary Funds	2008
13,166,964	9,556,066	-	57,765,460	55,336,298
(1,294,054)	(1,503,940)	(97,102)	(15,449,680)	(37,969,145)
(10,627,980)	(5,017,805)	(1,920,674)	(64,751,733)	(46,863,277)
-	-	-	(3,337,355)	-
-	-	-	62,934	-
<u>1,244,930</u>	<u>3,034,321</u>	<u>(2,017,776)</u>	<u>(25,710,374)</u>	<u>(29,496,124)</u>
-	1,627,479	-	2,777,576	1,838,848
-	9,453,686	1,174,797	107,669,236	58,570,372
(4,549,587)	(15,431,826)	(500,600)	(64,915,404)	(65,529,323)
<u>(4,549,587)</u>	<u>(4,350,661)</u>	<u>674,197</u>	<u>45,531,408</u>	<u>(5,120,103)</u>
-	-	-	-	90,334,925
-	-	-	-	(50,020,070)
-	-	-	9,247,914	2,600,939
-	-	-	410,579	-
-	(2,909,857)	(2,255,680)	(39,768,091)	(67,663,204)
-	-	-	4,180,927	6,460,987
(325,156)	-	-	(30,367,883)	(13,893,027)
(158,951)	-	-	(22,195,167)	(30,699,756)
<u>(484,107)</u>	<u>(2,909,857)</u>	<u>(2,255,680)</u>	<u>(78,491,721)</u>	<u>(62,879,206)</u>
-	-	-	(3,018,069)	(10,400,000)
10,856	-	-	3,391,747	7,445,759
<u>10,856</u>	<u>-</u>	<u>-</u>	<u>373,678</u>	<u>(2,954,241)</u>
(3,777,908)	(4,226,197)	(3,599,259)	(58,297,009)	(100,449,674)
<u>6,252,048</u>	<u>4,277,840</u>	<u>3,604,625</u>	<u>110,545,993</u>	<u>212,168,300</u>
<u>2,474,140</u>	<u>51,643</u>	<u>5,366</u>	<u>52,248,984</u>	<u>111,718,626</u>
<u>1,558,266</u>	<u>1,550,670</u>	<u>(366,417)</u>	<u>(29,918,434)</u>	<u>(36,286,598)</u>
203,503	1,159,762	269,315	15,386,777	13,347,702
-	-	-	62,934	-
-	-	-	380,530	-
(669,035)	(297,421)	-	(2,292,939)	(536,576)
(102,832)	(40,149)	-	(3,480,336)	-
-	-	-	155,999	241,007
-	-	-	96,445	(308,658)
-	-	-	3,925	-
(99,975)	414,649	(1,920,674)	(6,336,267)	(4,136,645)
-	(70,000)	-	(219,460)	(23,472)
355,003	316,810	-	(276,452)	1,698,832
-	-	-	726,904	(3,491,716)
<u>(313,336)</u>	<u>1,483,651</u>	<u>(1,651,359)</u>	<u>4,208,060</u>	<u>6,790,474</u>
<u>1,244,930</u>	<u>3,034,321</u>	<u>(2,017,776)</u>	<u>(25,710,374)</u>	<u>(29,496,124)</u>
-	-	1,166,587	(821,661)	(10,562,940)
-	1,922,094	-	8,870,733	15,491,413
-	1,922,094	1,166,587	8,049,072	4,928,473

CITY OF VICTORVILLE

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

(with comparative totals for June 30, 2008)

	<u>Total Fiduciary Funds</u>	<u>2008</u>
<u>Assets</u>		
Cash and investments (note 2)	\$ 5,042,950	48,724,226
Restricted assets:		
Cash with fiscal agent (note 2)	2,576,580	2,150,505
Accounts receivable	178,651	3,712,983
Assets used for operations	<u>16,303</u>	<u>76,113</u>
Total assets	<u>\$ 7,814,484</u>	<u>54,663,827</u>
<u>Liabilities</u>		
Accounts payable	\$ 18,760	-
Deposits payable	7,795,724	10,425,203
Due to other governments	<u>-</u>	<u>44,238,624</u>
Total liabilities	<u>\$ 7,814,484</u>	<u>54,663,827</u>

See accompanying notes to the basic financial statements.

City of Victorville
Notes to Basic Financial Statements
Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies,

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

(a) Reporting Entity

The City of Victorville is situated approximately 97 miles northeast of Los Angeles in Southern California's Mojave Desert. The City was incorporated in 1962 and had an estimated population at June 30, 2008 of 105,577.

The City is a general-law 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, 2008, the City's staff comprised of 537 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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(a) Reporting Entity, (Continued)

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 and the Southern California Logistics Rail Authority.

Since City Council serves as the governing board for the Redevelopment Agency of the City of Victorville and Southern California Logistics Airport Authority, the component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. The Redevelopment Agency of the City of Victorville and Southern California Logistics Airport Authority 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. The primary purpose of the Agency is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency's financial data and transactions are included with the special revenue fund type, debt service fund type, and the capital projects fund type. Revenues of the Agency consist primarily of property tax allocations on the incremental increase of property values in the redevelopment area and revenues from the use of money and property.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(a) Reporting Entity, (Continued)

Southern California Logistics Airport Authority, (Continued)

SCLAA revenues consist primarily of grants and loans received by SCLAA and from profits, income, sales proceeds, interest earnings from leases and land sales and tax increment revenues.

Southern California Logistics Rail Authority

The Southern California Logistics Rail Authority (SCLRA) was formed on October 17, 2001 by the City of Victorville, the 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 July1, 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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Victorville Water District, (Continued)

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, 2009.

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.

(b) Basis of Accounting and Measurement Focus

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

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.

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*.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

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.

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

Governmental Funds, (Continued)

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.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

Governmental Funds, (Continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect 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.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

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.

(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.

Measure I Street Arterials Special Revenue 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 interjurisdictional or regional traffic.

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.

Capital Impact Facilities Capital Projects Fund - Accounts for the acquisition or construction of major capital facilities related to public improvements needed as population increases. Revenue received from these funding sources comprised of licenses and permits earned from impact fees.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(c) Major Funds and Fiduciary Fund Types, (Continued)

The City reports the following major proprietary funds:

Victorville Water District - Accounts the 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.

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.

City Golf Course - Accounts for the operation and maintenance of the City's Golf Course, which is funded by user charges and other fees.

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 District Fund – Accounts for capital acquisition of the City's sanitary district. Revenue received for these funding sources comprised of sewer user fees and property taxes.

Southern California Logistics Rail Authority – 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
Notes to Basic Financial Statements
(Continued)

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

(c) Major Funds and Fiduciary Fund Types, (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.

(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 Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents 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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(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, 2009.

(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 is determinable.

(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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(i) Capital Assets, (Continued)

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

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

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

Buildings and Improvements	10-50 years
Furniture and Equipment	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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(j) Compensated Absences, (Continued)

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

(k) Claims and Judgments

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

(l) Bond Discounts/Issuance Costs

For the government fund financial statements, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources 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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(m) Property Taxes, (Continued)

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. Cities receive a share of this basic levy proportionate to what it received in the 1976 to 1978 period. As the City of Victorville did not receive property taxes during the period of 1976-1978, the City receives a no/low property tax subvention.

(n) Estimates

The presentation of basic financial statements in conformity with accounting principals 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) 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.”

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(p) Subsequent Events

Management has evaluated subsequent events through January 29, 2010 (the date the financial statements were available to be issued). Management believes no events have occurred subsequent to the statement of financial position date and through January 29, 2010 that would require adjustment to or disclosure in the Organization's financial statements. However in Note 21 to the financial statements, management has indicated its plan to improve operations and limit obligations.

(2) Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 70,046,361
Cash with fiscal agent	42,681,789
Restricted cash	1,094,500
Fiduciary funds:	
Cash and investments	5,042,950
Cash with fiscal agent	<u>2,576,580</u>
Total cash and investments	<u>\$121,442,180</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 10,434
Deposits with financial institutions	31,611,328
Investments	<u>89,820,418</u>
Total cash and investments	<u>\$ 121,442,180</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturing (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
State investment pool	\$ 69,632,828	69,632,828	-	-	-
Held by bond trustee:					
Money market funds	<u>20,187,590</u>	<u>20,187,590</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$89,820,418</u>	<u>89,820,418</u>	<u>-</u>	<u>-</u>	<u>-</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
State investment pool	\$ 69,632,828	N/A	-	-	69,632,828
Held by bond trustee:					
Money market funds	<u>20,187,590</u>	A	<u>-</u>	<u>20,187,590</u>	<u>-</u>
Total	<u>\$89,820,418</u>		<u>-</u>	<u>20,187,590</u>	<u>69,632,828</u>

Concentration of Credit Risk

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2009, \$7,051,758 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, 2009 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Municipal Utility	818,427
	City Golf	<u>5,745,646</u>
		<u>6,564,073 (a)</u>
Solid Waste Management	Southern California Logistics	
	Rail Authority	6,009
	Nonmajor Governmental Funds	<u>4,543,578</u>
		<u>4,549,587 (b)</u>
Sanitary District	Nonmajor Governmental Funds	<u>3,390,132 (c)</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>3,216,333 (d)</u>
Total		<u>\$17,720,125</u>

Advances to/from others fund:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Redevelopment Agency Low and Moderate Income Housing - SR	Redevelopment Agency – Capital Project	\$ 4,674,541 (e)
Redevelopment Agency - Capital Project	Southern California Logistic Airport Authority	10,000,000 (f)
Victorville Water District	Municipal Utility	<u>21,929,420 (g)</u>
Total		<u>\$36,603,961</u>

Generally, the above balances result from:

- (a) The \$818,427 due from Municipal Utility and \$5,745,646 due from City Golf to General Fund are short term 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)

- (b) The \$4,549,587 due to Solid Waste Management is short term borrowing due to negative cash balances at the end of this fiscal year. This balance includes \$6,009 due from Southern California Logistic Rail Authority, \$65,436 due from Other State Grants, \$3,648,012 due from Other Federal Grants and \$830,130 due from CDBG & HOME Grants.
- (c) The \$3,390,132 due from Nonmajor Governmental Funds to Sanitary District is short term borrowings by the Other Federal Grants Fund due to negative cash balances at the end of this fiscal year.
- (d) The \$3,216,333 due from Nonmajor Governmental Funds to Nonmajor Governmental funds is short term borrowings due to negative cash balances at the end of this fiscal year from the Street Lighting District Fund and Storm Drain Utility Fund to the Other Federal Grants Fund.
- (e) The Redevelopment Agency – Capital Projects Fund entered into two agreements to borrow money from the Redevelopment Agency - Low and Moderate Housing Fund to fund the cost of redevelopment activities. Two separate agreements were entered into; on March 8, 1999 and October 3, 2006. The advance for the first agreement was \$300,000, which took place on July 1, 1999, with a term of repayment of five years, including 5.69% fixed interest during the term. The outstanding balance of the first advance at June 30, 2009 is \$521,747. The advance for the second agreement was \$3,750,000, and has a term of repayment of three 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, 2009 is \$4,152,794. The sum of the two outstanding advances as of June 30, 2009 is \$4,674,541.
- (f) The Southern California Logistic Airport entered into an agreement to borrow money from the Redevelopment Agency Capital Project to fund the cost of capital improvements and redevelopment activities that were incurred in the prior years. The agreement was entered into on June 30, 2009 for \$10,000,000, 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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

- (g) The 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 Victorville Municipal Utility in prior years. The first 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, 2009 is \$1,929,420. The second 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, 2009 is \$20,000,000. The sum of the two outstanding advances as of June 30, 2009 is \$21,929,420.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Transfers in/out:		
<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Sanitary District	\$15,000,000 (1)
	Nonmajor Governmental Fund	<u>1,204,132 (2)</u>
Subtotal		<u>16,204,132</u>
Low and Moderate Income Housing	Southern California Logistic	
Capital Impact Facilities	Airport Authority	<u>821,661 (3)</u>
Victorville Redevelopment Agency	Nonmajor Governmental Fund	<u>1,300,096 (4)</u>
Capital Project Fund	Low and Moderate Income	
	Housing	69,000
	Nonmajor Governmental Fund	<u>6,575,643 (5)</u>
Subtotal		<u>6,644,643</u>
Nonmajor Governmental Funds	General Fund	967,336 (6)
	Measure I Street Arterials	473,722
	Victorville Redevelopment	
	Agency Capital Project Fund	3,319,662 (7)
	Capital Impact Facilities	125,328
	Nonmajor Governmental Fund	<u>2,859,611 (8)</u>
Subtotal		<u>7,745,659</u>
Southern California Logistic Airport	Sanitary District	431,826
Authority	Measure I Street Arterials	2,197,332 (9)
	General Fund	1,755,396 (10)
	Nonmajor Governmental Fund	998,700 (11)
	Low and Moderate Income	
	Housing	3,530,726 (12)
	Victorville Redevelopment	
	Agency Capital Project Fund	<u>18,900,743 (13)</u>
Subtotal		<u>27,814,723</u>
City Golf	General Fund	<u>1,253,552 (14)</u>
Southern California Logistic Rail	Southern California Logistic	
Authority	Airport Authority	<u>1,834,775 (15)</u>
Total		<u>\$63,619,241</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

1. The Sanitary District Fund transfer of \$15,000,000 to General Fund was for property taxes (due to the formal dissolution of the Sanitary District as a legal entity). This amount represents a portion of property taxes received by the District since its inception in 1964 through 2008.
2. Transfers from Nonmajor Governmental Funds to the General Fund mainly consisted of transfer from Traffic Safety fund in the amount of \$1,202,360 to support engineering function of the traffic safety.
3. The Southern California Logistic Airport Authority transfer of \$821,661 was for the contribution of land held for resale to the Victorville Redevelopment Agency.
4. The Other Federal Grants Fund transferred \$1,300,096 to Capital Impact Facilities fund to reimburse for the STIP RIP grant expenditure that was paid by the Capital Impact Facilities fund.
5. Transfer from Nonmajor Governmental Funds to the Victorville Redevelopment Agency Capital Project fund mainly consists of a \$6,574,578 transfer from the Redevelopment Agency Debt Service to fund for various capital projects.
6. Transfer from the General Fund to Nonmajor Governmental Funds consists of the following:
 - a) \$7,276 was transferred to the Other State Grants Fund for expenditures that were not reimbursed by State grants.
 - b) \$719,744 was transferred to the Gas Tax Fund to support for maintenance of streets.
 - c) \$206,529 was transferred to the Transportation Tax Fund for Bus Shelter Maintenance and Transit expenditures.
 - d) \$24,903 was transferred to the Fire Protection Fund to close out the fund and merged its operation with one General Fund.
 - e) \$8,884 was transferred to the Parks and Recreation Fund to close out the fund and merged its operation with one General Fund.
7. Transfer from the Victorville Redevelopment Agency Capital Project Fund to the Redevelopment Agency Debt Service Fund includes transfers for payment of the 2002 Series A, 2003 Series A and B, as well as the 2005 Series A Tax Allocation Bonds.
8. Transfer from the Nonmajor Governmental Fund to the Nonmajor Governmental Fund mainly consists of \$2,743,577 transfer from the Parks and Recreation Fund to the Landscape Maintenance & Drainage Facilities Assessment District Fund as a result of the closure of the Parks and Recreation Fund during fiscal year ended June 30, 2009.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

9. Transfer from the Measure I Fund to the Southern California Logistic Airport Authority fund mainly consists of a \$2,169,456 transfer to pay for project expenditures.
10. The General Fund completed transfers in the amount of \$1,755,396 to Southern California Logistic Airport Authority to support for airport operations.
11. Transfers from the Nonmajor Governmental Funds to the Southern California Logistic Airport Authority consist of \$998,700 was transferred from Other Federal Grants Fund to fund expenditures that was paid by one of the Southern California Logistic Airport Authority bond funds.
12. \$3,530,726 was transferred from Low and Moderate Income Housing Fund for the payment of SCLAA's portion of property tax increment that was pledged for debt service.
13. The Victorville Redevelopment Agency Fund transferred \$18,900,743 to Southern California Logistic Airport Authority for payment of the SCLAA's portion of property tax increment that was pledged for debt service.
14. Transfer from the General Fund to the City Golf Fund in the amount of \$1,253,552 was done to support golf course operations.
15. Transfer from the Southern California Logistic Airport Authority to the Southern California Logistic Rail Authority consists of a transfer in the amount of \$668,187 for Rail Capital Improvement Projects and another transfer in the amount of \$1,166,588 for the contribution of rights of way.

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, 2009:

	<u>Balance at</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2009</u>
Non-depreciable assets:				
Land	\$ 34,184,125	2,099,130	(74,980)	36,208,275
Right of way	179,485,470	-	-	179,485,470
Construction in progress	<u>19,999,316</u>	<u>15,433,634</u>	<u>(3,499,562)</u>	<u>31,933,388</u>
Total non-depreciable assets	<u>233,668,911</u>	<u>17,532,764</u>	<u>(3,574,542)</u>	<u>247,627,133</u>
Depreciable assets:				
Buildings and improvements	61,612,725	1,138,834	-	62,751,559
Furniture and equipment	11,851,605	699,436	(11,368)	12,539,673
Computer and communications	4,064,529	186,207	-	4,250,736
Vehicles	4,246,647	370,886	(18,846)	4,598,687
Infrastructure	<u>419,318,501</u>	<u>16,423,699</u>	<u>-</u>	<u>435,742,200</u>
Total depreciable assets	<u>501,094,007</u>	<u>18,819,062</u>	<u>(30,214)</u>	<u>519,882,855</u>
Less accumulated depreciable:				
Buildings and improvements	(10,833,742)	(1,919,596)	-	(12,753,338)
Furniture and equipment	(7,350,825)	(380,074)	95	(7,730,804)
Computer and communications	(2,841,703)	(804,238)	-	(3,645,941)
Vehicles	(2,531,306)	(431,283)	18,845	(2,943,744)
Infrastructure	<u>(198,491,119)</u>	<u>(20,102,961)</u>	<u>-</u>	<u>(218,594,080)</u>
Total accumulated depreciation:	<u>(222,048,695)</u>	<u>(23,638,152)</u>	<u>18,940</u>	<u>(245,667,907)</u>
Total depreciable assets, net:	<u>279,045,312</u>	<u>(4,819,090)</u>	<u>(11,274)</u>	<u>274,214,948</u>
Capital assets, net:	<u>\$ 512,714,223</u>	<u>12,713,674</u>	<u>(3,585,816)</u>	<u>521,842,081</u>

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	\$ 3,026,650
Public safety	7,372,043
Community development	1,521,705
Public works	8,368,454
Parks and recreation	<u>3,349,300</u>
	<u>\$23,638,152</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, 2009:

	Balance at 7/1/08 (as restated) (1)	Additions	Deletions	Balance at 6/30/2009
Non-depreciable assets				
Land	34,501,126	9,015,889	(200,000)	43,317,015
Intangibles – service credit	3,780,000	-	-	3,780,000
Water rights	1,433,400	-	-	1,433,400
Construction in progress	52,176,853	36,741,814	(28,433,860)	60,484,807
Total non-depreciable assets	<u>91,891,379</u>	<u>45,757,703</u>	<u>(28,633,860)</u>	<u>109,015,222</u>
Depreciable assets:				
Buildings and improvements	131,181,513	5,197,222	-	136,378,735
Furniture and equipment	34,401,011	912,948	-	35,313,959
Computer and communication	1,422,681	9,555	-	1,432,236
Vehicles	3,194,367	565,727	-	3,760,094
Infrastructure	262,487,997	23,625,164	-	286,113,161
Water rights	11,245,075	-	-	11,245,075
Intangibles - water related	1,353,309	-	-	1,353,309
Total depreciable assets	<u>445,285,953</u>	<u>30,310,616</u>	<u>-</u>	<u>475,596,569</u>
Less accumulated depreciation				
Buildings and improvements	(66,282,474)	(3,565,656)	-	(69,848,130)
Furniture and equipment	(9,778,037)	(2,218,906)	-	(11,996,943)
Computer and communication	(1,102,359)	(33,395)	-	(1,135,754)
Vehicles	(1,703,536)	(302,519)	-	(2,006,055)
Infrastructure	(67,680,019)	(8,538,848)	-	(76,218,867)
Water rights	(2,799,864)	(727,453)	-	(3,527,317)
Intangibles - water related	(1,353,309)	-	-	(1,353,309)
Total accumulated depreciation	<u>(150,699,598)</u>	<u>(15,386,777)</u>	<u>-</u>	<u>(166,086,375)</u>
Total depreciable assets, net	<u>294,586,355</u>	<u>14,923,839</u>	<u>-</u>	<u>309,510,194</u>
Capital assets, net:	<u><u>386,477,734</u></u>	<u><u>60,681,542</u></u>	<u><u>(28,633,860)</u></u>	<u><u>418,525,416</u></u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets, (Continued)

(1) The beginning balance has been restated to reflect a decrease of \$787,866 for the removal of construction in progress of the Municipal Utility fund that was written off due to impairment loss during fiscal year ended June 30, 2007.

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

Water	\$ 6,855,826
Airport	5,028,100
Municipal Utility	1,685,626
Golf Courses	184,645
Solid Waste Management	203,503
Sanitary	1,159,762
Rail	<u>269,315</u>
Total	<u>\$15,386,777</u>

(5) Land Held for Resale

As of June 30, 2009, the Victorville Redevelopment Agency has 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 value of \$20,438,941.

(6) Long-Term Notes Receivable

KND Hangar Related Assets Notes Receivables

Between December 2, 2005 and February 17, 2006, loans were made to CBS in the aggregate amount of \$25,383,425 in direct cash transfers for the purpose of construction of hangars at the Southern California Logistics Airport Authority. No further funds were provided directly to CBS. However, some construction work on the hangars continued after February 2006, for which CBS was unable to pay for, as subcontractors began to file liens on the project in the second quarter of 2006. By July 2006, the total of liens filed reached approximately \$13 million and construction efforts by CBS had been essentially suspended. In addition, a dispute arose as to the use of the loan proceeds in the construction costs.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(6) Long-Term Notes Receivable, (Continued)

In July 2006, the City began negotiations toward a resolution of matters related to the debt owed to SCLAA and the restarting of construction of the hangars. A Mutual Release and Settlement Agreement was signed in August 2006 between SCLAA, CBS and KND Affiliates, LLC (KND) whereby CBS was released from its obligations to SCLAA in exchange for the complete transfer of the project to KND. Thereafter, SCLAA advanced loans to KND and expended funds for other related costs in the approximate amount of \$62.9 million. In addition, SCLAA was granted the option to purchase the hangars following their completion from KND in exchange for the debt that would ultimately be loaned to KND for construction costs. Ultimately, SCLAA is expected to exchange the debt owed to it for the property.

As required by generally accepted accounting principles, SCLAA has reduced the recorded value of the loans to be equal to the fair value of the property to be surrendered by the obligated party in satisfaction of his obligation to SCLAA. The fair value of this property was estimated by using the discounted future cash flow method based upon rental income that the property generates. At June 30, 2009 the notes receivable have been recorded in the Statement of Net assets at \$67,814,908, including accrued interest amount of \$5,448,364.

Affordable Housing Loans Receivable

The Victorville Redevelopment Agency and Southern California Logistic Airport Authority (SCLAA) have entered into agreements with a developer to establish various affordable housing project loans. At June 30, 2009, the Victorville Redevelopment Agency and SCLAA outstanding loans receivable are \$2,638,770 and \$1,473,503 respectively.

The following is a summary of notes receivable for the City at June 30, 2009:

	Redevelopment <u>Agency</u>	<u>SCLAA</u>
KND Notes Receivable	\$ -	67,814,908
Affordable Housing Loans Receivable	<u>2,638,770</u>	<u>1,473,503</u>
Total Notes Receivable	<u>\$2,638,770</u>	<u>69,288,411</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(7) Governmental Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is noted below:

	<u>Balance at</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
City Debt:					
Compensated Absences	\$ 4,199,470	1,502,859	2,211,922	3,490,407	700,000
OPEB Obligation	-	2,146,000	106,770	2,039,230	-
Certificates of Participation:					
1997 Series EE Refunding	255,000	-	125,000	130,000	130,000
Capital Leases:					
Bank of America	937,305	-	254,358	682,947	264,893
Municipal Finance Corp.	339,624	-	132,159	207,465	137,050
Comerica Leasing	835,521	-	196,995	638,526	204,715
Redevelopment Agency Debt:					
Tax Allocation Bonds:					
2002 Tax Allocation Bonds, A	8,930,000	-	215,000	8,715,000	225,000
2003 Tax Allocation Bonds, A	9,455,000	-	225,000	9,230,000	235,000
2003 Tax Allocation Bonds, B	4,645,000	-	110,000	4,535,000	115,000
2006 Tax Allocation Bonds, A	<u>21,915,000</u>	<u>-</u>	<u>265,000</u>	<u>21,650,000</u>	<u>275,000</u>
Totals	<u>\$51,511,920</u>	<u>3,648,859</u>	<u>3,842,204</u>	<u>51,318,575</u>	<u>2,286,658</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$3,490,407 at June 30, 2009, will be paid in future years from future resources, generally liquidated by the General Fund.

Certificates of Participation

1997 Refunding Certificates of Participation, Series EE

In December 1997, \$6,795,000 1997 Series EE Refunding Certificates of Participation were issued by the California Special Districts Association Finance Corporation. The City of Victorville portion of this debt issuance is \$1,315,000. The proceeds were used to refinance the costs of constructing a new Community Center evidenced by the CSDA 1989 Series C Certificates of Participation.

Certificates maturing in the years 1997 to 2013 are payable December 1 in annual installments of \$125,000 to \$610,000. The bonds bear interest at 4.1% to 6.0%, which is due June 1 and December 1 of each year.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

1997 Refunding Certificates of Participation, Series EE, (Continued)

The certificates maturing on or after December 1, 2007 are subject to optional prepayment in whole or in part by lot with premium of 2%, 1% and 0% for periods December 1, 2007 to November 30, 2008, December 1, 2008 to November 30, 2009 and December 1, 2009 and thereafter, respectively.

The required reserve for the Bonds is \$133,770. As of June 30, 2009, the reserve amount was \$131,864. The bonds are a special obligation of the City of Victorville payable from tax increment revenues. The amount of bonds outstanding at June 30, 2009 total \$130,000.

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 continue through November of 2011. The amount of the lease purchase agreement outstanding at June 30, 2009 is \$682,947.

Municipal Finance Corporation

In October 2000, the City entered into an agreement with Municipal Finance Corporation to set up a \$921,439 lease with option to purchase. The proceeds were used for an energy retrofit project, recorded at its acquisition cost of \$921,439 (\$928,827, less estimated investment earnings of \$7,388).

The lease has an annual interest rate of 6.10%. Repayments by the City will be made in quarterly payments ranging from \$14,052 to \$37,556. Quarterly payments from the City began in February of 2001 and continue through November of 2010. The amount of the lease purchase agreement outstanding at June 30, 2009 is \$207,465.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Comerica Leasing Corporation

In April 2008, the City entered into a Master Municipal Lease and Option Agreement with Comerica Leasing Corporation to set up a \$1,025,088 lease. The proceeds were used to lease forty-three (43) vehicles, recorded at acquisition cost of \$1,025,088.

The lease has an annual interest rate of 3.85%. Repayments by the City will be made in monthly payments of \$18,809. Monthly payments from the City began in April of 2008 and continue through May of 2011. The amount of the lease purchase agreement outstanding at June 30, 2009 is \$638,526.

Tax Allocation Bonds

2002 Tax Allocation Bonds, Series A

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

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

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

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

The required reserve for the Bonds is \$650,054. As of June 30, 2009, the reserve amount consisting of fiscal agent cash and an insurance policy was \$655,921. 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, 2009 total \$8,715,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

2003 Tax Allocation Bonds, Series A

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

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

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

The required reserve for the Bonds is \$682,425. As of June 30, 2009, the reserve amount consisting of fiscal agent cash and an insurance policy was \$685,361. 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, 2009 is \$9,230,000.

2003 Tax Allocation Bonds, Series B

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

2003 Tax Allocation Bonds, Series B, (Continued)

The required reserve for the Bonds is \$340,963. As of June 30, 2009, the reserve amount consisting of fiscal agent cash and an insurance policy was \$340,979. 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, 2009 is \$4,535,000.

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, 2009, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,087,794. 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, 2009 is \$21,650,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2009, are as follows for each fiscal year ending June 30:

Year Ending June 30	Certificates of Participation <u>Principal</u>	Certificates of Participation <u>Interest</u>	Tax Allocation Bonds <u>Principal</u>	Tax Allocation Bonds <u>Interest</u>	Capital Lease Agreements <u>Principal</u>	Capital Lease Agreements <u>Interest</u>
2010	130,000	3,770	850,000	2,356,132	606,658	61,997
2011	-	-	885,000	2,318,104	538,458	35,043
2012	-	-	925,000	2,278,358	308,787	13,834
2013	-	-	965,000	2,235,673	75,035	2,684
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	-	-	1,575,000	1,608,159	-	-
2024	-	-	1,660,000	1,521,006	-	-
2025	-	-	1,745,000	1,429,231	-	-
2026	-	-	1,840,000	1,332,556	-	-
2027	-	-	1,940,000	1,230,575	-	-
2028	-	-	2,045,000	1,123,034	-	-
2029	-	-	2,155,000	1,008,625	-	-
2030	-	-	2,275,000	886,886	-	-
2031	-	-	2,400,000	758,334	-	-
2032	-	-	2,530,000	622,772	-	-
2033	-	-	2,670,000	473,100	-	-
2034	-	-	2,830,000	308,100	-	-
2035	-	-	3,000,000	133,200	-	-
2036	-	-	350,000	32,700	-	-
2037	-	-	370,000	11,100	-	-
Total	<u>\$130,000</u>	<u>3,770</u>	<u>44,130,000</u>	<u>39,285,168</u>	<u>1,528,938</u>	<u>113,558</u>

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, 2009 is noted below:

	Balance at July 1, 2008 (as restated)	Additions	Retirements	Balance at June 30, 2009	Due Within One Year
Business-Type Debt:					
Compensated Absences	\$ 176,736	325,575	(80,000)	422,311	86,000
OPEB Obligation	-	339,000	(83,559)	255,441	-
Lease Purchase Agreements:					
Zion First National Bank	1,015,047	-	(320,961)	694,086	338,046
Comerica Leasing Corp.	440,818	-	(196,583)	244,235	205,368
Key Government Finance	1,572,179	-	(190,224)	1,381,955	200,671
Burrtec Industries	<u>1,470,021</u>	<u>-</u>	<u>(170,156)</u>	<u>1,299,865</u>	<u>176,208</u>
Lease Subtotal	<u>4,498,065</u>	<u>-</u>	<u>(877,924)</u>	<u>3,620,141</u>	<u>920,293</u>
Installment Sale Agreement:					
LaSalle Bank National Association	<u>1,063,921</u>	<u>-</u>	<u>(289,959)</u>	<u>773,962</u>	<u>300,964</u>
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	25,570,000	-	(680,000)	24,890,000	705,000
Less: unamortized discount	<u>(186,217)</u>	<u>-</u>	<u>(15,371)</u>	<u>(201,588)</u>	<u>(9,180)</u>
2005 TABs Subtotal	<u>25,383,783</u>	<u>-</u>	<u>(695,371)</u>	<u>24,688,412</u>	<u>695,820</u>
2006 Tax Allocation Bonds (Non-housing bond)	59,840,000	-	(740,000)	59,100,000	760,000
Less: unamortized discount	<u>(732,541)</u>	<u>-</u>	<u>(47)</u>	<u>(732,588)</u>	<u>(20,969)</u>
2006 TABs Subtotal	<u>59,107,459</u>	<u>-</u>	<u>(740,047)</u>	<u>58,367,412</u>	<u>739,031</u>
2006 Tax Allocation Bonds (Housing Set-Aside)	16,070,000	-	(195,000)	15,875,000	205,000
Less: unamortized discount	<u>(199,410)</u>	<u>-</u>	<u>(33)</u>	<u>(199,443)</u>	<u>(5,709)</u>
2006 TABs Subtotal	<u>15,870,590</u>	<u>-</u>	<u>(195,033)</u>	<u>15,675,557</u>	<u>199,291</u>
2006 Tax Allocation Bonds (Parity Bonds)	42,905,000	-	(70,000)	42,835,000	75,000
Less: unamortized discount	<u>(525,440)</u>	<u>-</u>	<u>7,529</u>	<u>(517,911)</u>	<u>(14,809)</u>
2006 TABs Subtotal	<u>42,379,560</u>	<u>-</u>	<u>(62,471)</u>	<u>42,317,089</u>	<u>60,191</u>
2006 Tax Allocation Bonds (Revenue Parity Bonds)	34,930,000	-	(240,000)	34,690,000	295,000
Less: unamortized discount	<u>(408,886)</u>	<u>-</u>	<u>3,117</u>	<u>(405,769)</u>	<u>(11,818)</u>
2006 TABs Subtotal	<u>34,521,114</u>	<u>-</u>	<u>(236,883)</u>	<u>34,284,231</u>	<u>283,182</u>
2006 Tax Allocation Bonds (Revenue Bonds)	63,770,000	-	(530,000)	63,240,000	560,000
Less: unamortized discount	<u>(3,034,358)</u>	<u>-</u>	<u>22,454</u>	<u>(3,011,904)</u>	<u>(87,577)</u>
2006 TABs Subtotal	<u>60,735,642</u>	<u>-</u>	<u>(507,546)</u>	<u>60,228,096</u>	<u>472,423</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

	Balance at July 1, 2008 <u>(as restated) (1)</u>	<u>Additions</u>	<u>Retirements</u>	Balance at June 30, 2009	Due Within One Year
Tax Allocation Bonds (Continued):					
2007 Tax Allocation Bonds	40,390,000		(400,000)	39,990,000	415,000
Less: unamortized discount	<u>(555,772)</u>	<u>-</u>	<u>5,614</u>	<u>(550,158)</u>	<u>(15,836)</u>
2007 TABs Subtotal	<u>39,834,228</u>	<u>-</u>	<u>(394,386)</u>	<u>39,439,842</u>	<u>399,164</u>
2007 Tax Allocation Bonds (Non-housing bond)					
	42,000,000	-	(480,000)	41,520,000	425,000
Less: unamortized discount	<u>(1,468,292)</u>	<u>-</u>	<u>31,240</u>	<u>(1,437,052)</u>	<u>(41,714)</u>
2007 TABs Subtotal	<u>40,531,708</u>	<u>-</u>	<u>(448,760)</u>	<u>40,082,948</u>	<u>383,286</u>
2008 Tax Allocation Bonds					
	13,334,925	-	-	13,334,925	65,000
Less: unamortized discount	<u>(1,959,172)</u>	<u>-</u>	<u>2,516,909</u>	<u>557,737</u>	<u>(1,597)</u>
2008 TABs Subtotal	<u>11,375,753</u>	<u>-</u>	<u>2,516,909</u>	<u>13,892,662</u>	<u>63,403</u>
Tax Allocation Funds Subtotal	<u>329,739,837</u>	<u>-</u>	<u>(763,588)</u>	<u>328,976,249</u>	<u>3,295,791</u>
Notes Payable:					
2008 Tax Allocation Revenue Notes					
	<u>25,385,000</u>	<u>-</u>	<u>(25,385,000)</u>	<u>-</u>	<u>-</u>
Lease Revenue Bonds:					
2007 Variable Rate Lease Revenue Bond					
	<u>83,770,000</u>	<u>-</u>	<u>-</u>	<u>83,770,000</u>	<u>-</u>
Revenue Refunding Bonds:					
2004 Refunding Bonds					
	2,380,000	-	(155,000)	2,225,000	160,000
Less: unamortized discount	<u>(118,671)</u>	<u>-</u>	<u>18,257</u>	<u>(100,414)</u>	<u>(9,129)</u>
2004 Refunding Subtotal	<u>2,261,329</u>	<u>-</u>	<u>(136,743)</u>	<u>2,124,586</u>	<u>150,871</u>
Certificates of Participation:					
1998 COPs					
	<u>2,160,000</u>	<u>-</u>	<u>(85,000)</u>	<u>2,075,000</u>	<u>90,000</u>
2006 COPs					
	<u>12,840,000</u>	<u>-</u>	<u>(240,000)</u>	<u>12,600,000</u>	<u>245,000</u>
Certificates of Participation Subtotal	<u>15,000,000</u>	<u>-</u>	<u>(325,000)</u>	<u>14,675,000</u>	<u>335,000</u>
Total	<u>\$461,894,888</u>	<u>664,575</u>	<u>(27,941,773)</u>	<u>434,617,690</u>	<u>5,088,919</u>

(1) The above beginning balance has been restated to remove long term debt of the Assessment District 2R. During fiscal year ended June 30, 2009, the Assessment District 2R was reclassified to a fiduciary fund of the District. Accordingly, the long-term debt of the Assessment District 2R in the amount of \$3,435,000 was removed from the table above.

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 \$422,311 at June 30, 2009, will be paid in future years from future resources, generally liquidated by the Victorville Water District, Victorville Municipal Utility and the Southern California Logistic Airport Authority.

Lease Purchase Agreements:

Zion First National Bank

In May of 2003, the Municipal Utility entered into an agreement with Zion's National Bank to set up a \$2,300,000 lease purchase agreement. The proceeds were used to lease co-generation equipment necessary for ongoing activities, recorded at its acquisition cost of \$2,730,173.

The lease has an interest rate of 5.22%. Repayments by the Municipal Utility will be made in quarterly payments of \$91,933. Quarterly payments from the Municipal Utility began in November of 2003 and continue through May of 2011. The amount of the lease purchase agreement outstanding at June 30, 2009 is \$694,086.

Comerica Leasing Corporation

In November of 2004, the City of Victorville entered into an agreement with Comerica Leasing Corporation to set up a \$2,054,000 lease purchase agreement. The proceeds were used to lease natural gas generator necessary for ongoing activities, recorded at its acquisition cost of \$2,054,000.

The lease has an interest rate of 4.396%. An initial payment of \$340,000 was made on November of 2004. Remaining repayments are being made quarterly, which began in February of 2005 and continue through November of 2015. The amount of the lease purchase agreement outstanding at June 30, 2009 is \$244,235.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Key Government Finance, Inc., (Continued)

The lease has an interest rate of 5.49%. Repayments by the City Golf will be made in annual payments of \$276,569. 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, 2009 is \$1,381,955.

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, 2009 for the City of Victorville is \$1,299,865.

Installment Sale Agreement:

2004 La Salle 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

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 amount of the note payable outstanding at June 30, 2009 is \$773,962.

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. The proceeds were used to finance certain public capital improvements benefiting the Southern California Logistics Airport.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Tax Allocation Parity Bonds, Series 2005A, (Continued)

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, 2008 the reserve amount was \$1,803,714. The Bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$201,588) at June 30, 2009 is \$24,688,412.

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, a portion of 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.

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), (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 \$3,518,750. As of June 30, 2009, the reserve amount was \$4,545,436. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$732,588) at June 30, 2009 is \$58,367,412.

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 portion of the 2003 Tax Allocation 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.

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 \$946,001. As of June 30, 2009, the reserve amount was \$1,214,182. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$199,443) at June 30, 2009 is \$15,675,557.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

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

The required reserve for the bonds is \$4,194,966. As of June 30, 2009, the reserve amount was \$3,257,562. As of October 2009, the reserve was fully funded at \$4,195,886. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$517,911) at June 30, 2009 is \$42,317,089.

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006

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

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

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

The bonds are secured by pledged tax revenues. The required reserve for the Bonds is \$2,476,455. As of June 30, 2009, the reserve amount was \$2,499,990. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$405,769) at June 30, 2009 is \$34,284,231.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

The bonds mature from December 1, 2007 to December 1, 2043 in varying amounts. Principal is payable in annual installments ranging from \$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, 2009, the reserve amount was \$4,419,173. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$3,011,904) at June 30, 2009 is \$60,228,096.

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.

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

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

The required reserve for the Bonds is \$1,299,705. As of June 30, 2009, the reserve amount consisting of fiscal agent cash and an insurance policy was \$1,313,126. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$550,158) at June 30, 2009 is \$39,439,842.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Subordinate Tax Allocation Revenue Bonds, Series 2007, (Continued)

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, 2009, the reserve amount was \$2,847,463. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$1,437,052) at June 30, 2009 is \$40,082,948.

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 (see below).

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 7.3002915%, 7.3200962%, 7.3401156%, 7.3600963%, 7.3802848%, 7.4000414% and 7.4202729%. All of the bonds have a maturity value of \$18,085,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Subordinate Tax Allocation Revenue Bonds, Series 2008, (Continued)

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 \$1,332,492. As of June 30, 2009, the reserve amount was \$1,336,903. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$557,737) at June 30, 2009 is \$13,892,662.

Notes Payable:

Subordinate Tax Allocation Revenue Notes, Series 2008

In February 2008, the Southern California Logistics Airport Authority issued \$35,000,000 principal amount of Subordinate Tax Allocation Revenue Notes, Series 2008. The proceeds were used to finance certain redevelopment activities benefiting the Southern California Logistics Airport.

The notes have a maturity date of October 7, 2008 in the amount of \$35,000,000. The notes accrue interest at a rate of 7%. Interest on the notes is payable semiannually on April 7, 2008 and October 7, 2008.

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

The notes are a special obligation of the Southern California Logistics Airport Authority payable from tax increments revenues. On October 7, 2008, principal and accrued interest in the amount of \$25,385,000 has been repaid by the SCLAA.

Lease Revenue Bonds:

Variable Rate Lease Revenue Bonds, Series 2007A

In May 2007, the Victorville Joint Powers Financing Authority issued \$83,770,000 principal amount of Variable Rate Lease Revenue Bonds, Series 2007A. The bonds were issued to refund the 2005 Variable Rate Lease Revenue Bonds, Series A (\$41,000,000) and 2006 Variable Rate Lease Revenue Bonds, Series A (\$23,645,000). The proceeds were used to assist the City of Victorville in financing a cogeneration power plant and other related facilities.

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

The required reserve for the Bonds is \$5,872,700. As of June 30, 2009, the reserve amount was \$6,048,091. 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, 2009 is \$83,770,000.

Revenue Refunding Bonds:

2004 Project Revenue Bonds

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

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

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

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

The required reserve for the bonds is \$536,070. As of June 30, 2008, the reserve amount was \$536,070. The City of Victorville's 50% amount of bonds outstanding (net of unamortized discounts of \$100,414) at June 30, 2009 is \$2,124,586.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Certificates of Participation:

1998 Certificates of Participation

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

The Certificates of Participation had a stated interest rates ranging from 4.10% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1st and interest only payments are due each February 1st. The amount of Certificates of Participation outstanding at June 30, 2009 is \$2,075,000.

2006 Certificates of Participation

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

The Certificates of Participation had a stated interest rates ranging from 3.20% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1st and interest only payments are due each February 1st. The amount of Certificates of Participation outstanding at June 30, 2009 is \$12,600,000.

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, 2009, are as follows for each fiscal year ending June 30:

Year Ending June 30	Lease Purchase Agreements Principal	Lease Purchase Agreements Interest	Installment Sale Agreement Principal	Installment Sale Agreement Interest	Tax Allocation Bonds Principal	Tax Allocation Bonds Interest
2010	\$ 920,293	155,652	300,964	26,298	3,505,000	18,041,180
2011	789,074	113,414	312,386	14,876	3,660,000	17,880,302
2012	412,283	83,179	160,612	3,019	3,830,000	17,710,021
2013	431,269	64,194	-	-	4,005,000	17,524,678
2014	454,167	44,295	-	-	4,195,000	17,321,385
2015	469,023	23,440	-	-	4,410,000	17,104,023
2016	144,032	1,897	-	-	4,635,000	16,874,359
2017	-	-	-	-	4,865,000	16,635,808
2018	-	-	-	-	5,110,000	16,387,661
2019	-	-	-	-	5,365,000	16,124,391
2020	-	-	-	-	5,635,000	15,845,331
2021	-	-	-	-	5,920,000	15,550,720
2022	-	-	-	-	6,225,000	15,238,104
2023	-	-	-	-	6,550,000	14,906,577
2024	-	-	-	-	6,885,000	14,555,859
2025	-	-	-	-	7,245,000	14,184,559
2026	-	-	-	-	7,630,000	13,792,810
2027	-	-	-	-	8,035,000	13,379,169
2028	-	-	-	-	8,455,000	12,942,639
2029	-	-	-	-	8,905,000	12,479,819
2030	-	-	-	-	9,385,000	11,989,006
2031	-	-	-	-	9,885,000	11,471,438
2032	-	-	-	-	10,425,000	10,911,069
2033	-	-	-	-	11,010,000	10,298,555
2034	-	-	-	-	11,640,000	9,644,576
2035	-	-	-	-	12,320,000	8,952,393
2036	-	-	-	-	13,030,000	8,219,803
2037	-	-	-	-	13,780,000	7,444,720
2038	-	-	-	-	14,575,000	6,624,438
2039	-	-	-	-	15,425,000	5,755,975
2040	-	-	-	-	16,310,000	4,836,911
2041	-	-	-	-	17,260,000	3,864,369
2042	-	-	-	-	18,260,000	2,835,006
2043	-	-	-	-	19,315,000	1,745,708
2044	-	-	-	-	20,440,000	592,825
2045	-	-	-	-	1,316,226	16,768,774
2046	-	-	-	-	1,216,397	16,868,603
2047	-	-	-	-	1,123,621	16,961,379

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Debt Service Requirements to Maturity, (Continued)

Year Ending June 30	Lease Purchase Agreements <u>Principal</u>	Lease Purchase Agreements <u>Interest</u>	Installment Sale Agreement <u>Principal</u>	Installment Sale Agreement <u>Interest</u>	Tax Allocation Bonds <u>Principal</u>	Tax Allocation Bonds <u>Interest</u>
2048	-	-	-	-	1,037,536	17,047,464
2049	-	-	-	-	957,602	17,127,399
2050	-	-	-	-	883,633	17,201,367
2051	-	-	-	-	<u>814,910</u>	<u>17,270,090</u>
Subtotal	3,620,141	486,071	773,962	44,193	335,474,925	538,911,263
Less: Unam. Disc.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,498,676)</u>	<u>-</u>
Total	<u>\$3,620,141</u>	<u>486,071</u>	<u>773,962</u>	<u>44,193</u>	<u>328,976,249</u>	<u>538,911,263</u>

Year Ending June 30	Certificate of Participation <u>Principal</u>	Certificate of Participation <u>Interest</u>	Lease Revenue Bonds <u>Principal</u>	Lease Revenue Bonds <u>Interest</u>	Revenue Refunding Bonds <u>Principal</u>	Revenue Refunding Bonds <u>Interest</u>
2010	335,000	669,268	-	-	160,000	104,943
2011	350,000	656,313	300,000	-	167,500	98,943
2012	360,000	642,765	400,000	-	172,500	92,075
2013	370,000	628,615	500,000	-	182,500	84,658
2014	385,000	613,905	750,000	-	190,000	76,445
2015	410,000	595,805	1,000,000	-	197,500	67,515
2016	430,000	576,655	1,620,000	-	210,000	58,035
2017	440,000	556,705	1,705,000	-	220,000	47,745
2018	465,000	536,055	1,795,000	-	230,000	36,745
2019	490,000	516,240	1,895,000	-	242,500	25,245
2020	505,000	495,240	1,995,000	-	252,500	12,877
2021	530,000	473,390	2,100,000	-	-	-
2022	550,000	450,375	2,210,000	-	-	-
2023	575,000	426,180	2,330,000	-	-	-
2024	600,000	399,845	2,455,000	-	-	-
2025	625,000	372,483	2,585,000	-	-	-
2026	465,000	348,625	2,720,000	-	-	-
2027	485,000	328,398	2,865,000	-	-	-
2028	505,000	307,300	3,020,000	-	-	-
2029	530,000	284,575	3,180,000	-	-	-
2030	555,000	260,725	3,345,000	-	-	-
2031	580,000	235,750	3,525,000	-	-	-
2032	605,000	206,750	3,715,000	-	-	-
2033	640,000	176,500	3,910,000	-	-	-
2034	670,000	144,500	4,120,000	-	-	-
2035	705,000	111,000	4,335,000	-	-	-
2036	740,000	75,750	4,565,000	-	-	-

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Debt Service Requirements to Maturity, (Continued)

Year Ending <u>June 30</u>	Certificate of Participation <u>Principal</u>	Certificate of Participation <u>Interest</u>	Lease Revenue Bonds <u>Principal</u>	Lease Revenue Bonds <u>Interest</u>	Revenue Refunding Bonds <u>Principal</u>	Revenue Refunding Bonds <u>Interest</u>
2037	775,000	38,750	4,810,000	-	-	-
2038	-	-	5,065,000	-	-	-
2039	-	-	5,335,000	-	-	-
2040	-	-	<u>5,620,000</u>	-	-	-
Subtotal	-	-	83,770,000	-	2,225,000	705,226
Less: Unam. Dis.	-	-	-	-	<u>(100,414)</u>	-
Total	<u>\$14,675,000</u>	<u>11,128,462</u>	<u>83,770,000</u>	<u>-</u>	<u>2,124,586</u>	<u>705,226</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(9) Pledged Revenue

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

<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 Victorville Redevelopment Agency.	\$ 6,055,931	3,207,682	53%
Property Tax Increment (non-housing) pledged by the Southern California Logistics Airport Authority	23,156,629	17,651,596	76%
Property Tax Increment (housing) pledged by the Southern California Logistics Airport Authority	8,060,034	3,530,727	44%
Water Charges for Services	1,461,285	1,004,728	69%

City of Victorville
Notes to Basic Financial Statements
(Continued)

(10) Fund Balances

Fund balances of governmental funds at June 30, 2009 consisted of the following reserves:

	<u>General</u>	Low and Moderate Housing - <u>SR</u>	Measure I Street <u>Arterials</u>	Capital Impact <u>Facilities</u>	Victorville Redevelopment <u>Agency – CP</u>	Nonmajor <u>Funds</u>	<u>Totals</u>
Reserved for:							
Notes receivable	\$ -	2,433,213	-	-	205,257	300	2,638,770
Inventories	213,854	-	-	-	-	-	213,854
Prepaid items	33,944	-	-	-	-	1,937,861	1,971,806
Advances to other funds	-	4,674,541	-	-	10,000,000	-	14,674,541
Land held for resale	-	13,067,232	-	-	7,371,709	-	20,438,941
Debt service	-	-	-	-	-	1,922,588	1,922,588
Total reserved	<u>247,798</u>	<u>20,174,986</u>	<u>-</u>	<u>-</u>	<u>17,576,966</u>	<u>3,860,749</u>	<u>41,860,499</u>
Unreserved:							
Undesignated	10,398,067	-	-	-	17,300,909	-	27,698,976
Designated	<u>-</u>	<u>14,741,113</u>	<u>8,920,086</u>	<u>3,170,631</u>	<u>-</u>	<u>6,626,466</u>	<u>33,458,296</u>
Total unreserved	<u>10,398,067</u>	<u>14,741,113</u>	<u>8,920,086</u>	<u>3,170,631</u>	<u>17,300,909</u>	<u>6,626,466</u>	<u>61,157,272</u>
Total fund balances	<u>\$10,645,865</u>	<u>34,916,099</u>	<u>8,920,086</u>	<u>3,170,631</u>	<u>34,877,875</u>	<u>10,487,215</u>	<u>103,017,771</u>

(11) Deficit Fund Balances

The following funds had deficit fund balances/net assets as of June 30, 2009.

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
CDBG & HOME Grants	\$ 363,934
Other Federal Grants	5,434,404
Enterprise Funds:	
Southern California Logistics Airport Authority (SCLAA)	53,297,711
Municipal Utility	75,601,702

City of Victorville
Notes to Basic Financial Statements
(Continued)

(12) Expenditures in Excess of Appropriations

The following funds reported total expenditures in excess of total appropriations for the year ended June 30, 2009:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Funds:			
Street Lighting	939,941	1,107,290	(167,349)
Other State Grants	1,318,234	2,055,999	(737,765)

(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.

Funding Policy

Participants are required to contribute 7% (9% for safety employee) 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, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. The contribution rate indicated for the period is 20.842% of payroll for the safety plan and 12.239% of payroll for the miscellaneous plan.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(13) Defined Benefit Pension Plan, (Continued)

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

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2006	June 30, 2006
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	30 Years as of the Valuation Date	14 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	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 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%

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

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(13) Defined Benefit Pension Plan, (Continued)

Required Supplementary Information – Miscellaneous

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (UAAL)/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/06	\$63,276,105	54,822,174	8,453,931	86.6%	21,156,545	40.0%
6/30/07	73,904,059	63,243,609	10,660,450	85.6%	25,924,824	41.1%
6/30/08	84,379,802	72,565,970	11,813,832	86.0%	32,871,039	35.9%

PERS requires plans with less than 100 active members as of June 30, 2004 to participate in a risk pool. Mandated pooling was effective for the Safety Plan with the June 30, 2005 actuarial valuation. As such, individual employer’s retirement data is no longer available.

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

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$980,955	2,988,368	100%	-
6/30/08	1,080,013	3,809,572	100%	-
6/30/09	121,237	3,945,848	100%	-

(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, 2009, the City contributed \$190,329 to the plan. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(15) Post Employment Benefit Plan, (Continued)

	City and Water District Plan
Annual required contribution	\$2,485,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	2,485,000
Contributions made (including premium paid)	<u>(190,329)</u>
Increase in net OPEB cost (expense)	2,294,671
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u><u>\$2,294,671</u></u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years for each of the plans were as follows (dollar amounts in thousands):

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/07	N/A	N/A	N/A
6/30/08	N/A	N/A	N/A
6/30/09	\$2,294,671	190,329	8.29%

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(15) Post Employment Benefit Plan, (Continued)

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

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2008/09 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 year, 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 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%

(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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(16) Joint Ventures, (Continued)

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 City contributed \$297,964 to RFPA for the year ended June 30, 2009 for fire protection services. Financial statements may be obtained by mailing a request to City of Victorville, 14343 Civic Drive, Victorville, CA 92392.

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, Twentynine 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 the facility during the year June 30, 2009 was \$94,621. 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 City of Victorville, 14343 Civic Drive, Victorville, CA 92392.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(16) Joint Ventures, (Continued)

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.

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 \$6,355,581 to VWVRA for the year ended June 30, 2009. Financial statements may be obtained by sending a written request to Victor Valley Wastewater Reclamation Authority, 20111 Shay Road, Victorville, CA 92394.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(17) Participation in Risk Pool

The City is a member of the Public Entity Risk Management Authority (PERMA), 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:

	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
2007-08	1,081,798	520,770	(317,447)	1,285,121	300,000
2008-09	1,285,121	465,133	(715,086)	1,035,168	300,000

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(18) Debt Without Government Commitment

Special Tax Bonds

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2002 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2009 was \$945,000.

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, 2009 was \$5,270,000.

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2005 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created

City of Victorville
Notes to Basic Financial Statements
(Continued)

(18) Debt Without Government Commitment, (Continued)

Special Tax Bonds, (Continued)

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, 2009 was \$3,100,000.

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 principle 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, 2009 is \$2,995,000. These bonds do not constitute a debt or an obligation of the City because the bonds are solely payable and secured by assets and revenues of other parties.

Multifamily Housing Revenue Bonds

In November of 1988, the City of Victorville issued \$8,400,000 Variable Rate Demand Multifamily Housing Revenue Bonds to finance the construction and development of 200 multifamily housing units in the City of Victorville. The outstanding debt at June 30, 2009 was \$6,100,000. These bonds do not constitute a debt or an obligation of the City because the bonds are solely payable and secured by assets and revenues of other parties.

(19) Commitments and Contingencies

A. Litigation

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Commitments and Contingencies, (Continued)

B. Construction

Various construction projects were in progress at June 30, 2009 with an estimated cost to complete of approximately \$77,440,547 in all fund types.

C. 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, 2011 and are at varying contract prices based upon demand.

D. Southern California Logistics Airport Authority

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Commitments and Contingencies, (Continued)

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

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

Revenues from Sales of Land

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Commitments and Contingencies, (Continued)

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 Stirling'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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(20) Restatement of Net Assets

	Government-Wide Financial Statements		Proprietary Funds					
	<u>Governmental</u>	<u>Business Type</u>	<u>Victorville Water District</u>	<u>Southern California Logistic Airport Authority</u>	<u>Municipal Utility</u>	<u>Southern California Logistic Rail Authority</u>	<u>Solid Waste Manage- ment</u>	<u>Sanitary District</u>
Net assets (deficit) at beginning of year, as previously reported	\$573,378,562	174,722,452	193,973,171	(54,609,386)	(64,334,539)	27,660,762	5,178,876	55,470,651
To record revenue not properly recognized in the previous year (1)	5,010,675	-	-	-	-	-	-	-
To remove capital assets due to impairment loss in fiscal year ended June 30, 2007 (2)	-	(787,866)	-	-	(787,866)	-	-	-
To remove net assets of the Assessment District 2R (3)	-	(1,036,623)	(1,036,623)	-	-	-	-	-
To record deferred charges of the Southern California Logistic Airport Authority bond (4)	-	3,415,629	-	3,415,629	-	-	-	-
To record expenditure that was incurred in previous year for the SCLAA but recorded as an expenditure of the SCLRA (5)	-	-	-	(1,175,505)	-	1,175,505	-	-
To record beginning accounts receivables (6)	-	2,488,017	-	-	-	-	1,575,563	912,454
Net assets (deficit) beginning of year, as restated	<u>\$578,389,237</u>	<u>178,801,609</u>	<u>192,936,548</u>	<u>(52,369,262)</u>	<u>(65,122,405)</u>	<u>28,836,267</u>	<u>6,754,439</u>	<u>56,383,105</u>

1. During the fiscal year ended June 30, 2008, the City had earned \$5,010,675 of various grant revenues that were not collected within the City's 90 day availability period. The revenues were properly deferred in the governmental funds but should have been recognized as revenue in the June 30, 2008 government wide financial statements under the full accrual method of accounting.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(20) Restatement of Net Assets, (Continued)

2. During the fiscal year ended June 30, 2007, the Victorville Municipal Utility wrote off certain assets due to impairment loss. In the current fiscal year, it was discovered that there were additional amounts which represent a component of the impaired asset recorded in Construction In Progress that should have been removed in the amount of \$787,866.
3. During the fiscal year June 30, 2009, the Assessment District 2R was reclassified to a fiduciary fund of the Victorville Water District. Accordingly, the net assets in the amount of \$1,036,623 of the Assessment District 2R were removed from the Victorville Water District and reclassified to a fiduciary fund of the District.
4. In accordance with GASB 23, deferred charges must be capitalized and amortized. In June 30, 2006, the Southern California Logistic Airport Authority (SCLAA) expensed deferred charges in the amount of \$3,684,660, which overstated expenses and understated assets for June 30, 2006. The corrective effect of the entry is to add back the unamortized amount of the deferred charges as of July 1, 2008 in the amount of \$3,415,629.
5. During fiscal year ended June 30, 2009, management discovered that there were expenses incurred in the Southern California Logistic Rail Authority (SCLRA) Fund in the previous fiscal year that were misclassified in the Southern California Logistic Airport Authority (SCLAA). A prior period adjustment was made to move cash from SCLAA to SCLRA and restate net asset to reflect the expenditure that should have been recorded in SCLAA. This adjustment also affects beginning cash balances in the SCLAA and SCLRA funds.
6. During fiscal year ended June 30, 2008, the Solid Waste Management and Sanitary District revenues were recorded using the cash method of accounting. A prior period adjustment of \$1.6 million and \$912,454 were made to record beginning accounts receivable and in the Solid Waste Management Fund and Sanitary District Fund, respectively.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

General Fund of the City of Victorville

The General Fund is typically the focal point in analyzing the financial health of the City because the General Fund is expected to be able to cover both its costs and to act as a financial backstop for other funds in the event of an insufficiency with respect to the other funds. During the fiscal year ended June 30, 2009, the City consolidated the activities of the Parks and Recreation and Fire Protection Special Revenue Funds into the General Fund. For the year ended June 30, 2009 the City's Sanitary Fund transferred to the General Fund (due to the formal dissolution of the Sanitary District as a legal entity) an amount of \$15,000,000. This amount represents a portion of property taxes received by the District since its inception in 1964 through 2008. For the year ended June 30, 2009, the General Fund had a net decrease in fund balance of \$1,809,805.

The following is an estimate (unaudited) of General Fund Balance at December 31, 2009.

	<u>General Fund Balance</u>
Fund balance as of June 30, 2008,	\$12,455,670
Net decrease in General Fund balance for the year ended June 30, 2009	<u>(1,809,805)</u>
Fund balance as of June 30, 2009	10,645,865
Estimated (decrease) in general fund balance - six months ended December 31, 2009 (unaudited)	<u>(14,400,000)</u>
Estimated general fund balance at December 31, 2009 (unaudited)	<u>\$(3,754,135)</u>

The General Fund is expected to have liquidity problems and need to borrow cash from other funds.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(21) 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 significant deficit. A summary of SCLAA financial condition is as follows:

	<u>SCLAA Deficit Balance</u>
Net asset deficiency at June 30, 2008, as restated	\$(53,270,740)
Net loss for the year ended June 30, 2009	<u>(26,971)</u>
Net asset deficiency at June 30, 2009	(53,297,711)
Estimated loss for the six months ended December 31, 2009 (unaudited)	<u>(346,000)</u>
Estimated net asset deficiency at December 31, 2009 (unaudited)	<u><u>\$(53,643,711)</u></u>

The Municipal Utilities (VMUS) enterprise fund also has a history of operating with significant deficiencies. 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, 2008	\$(65,122,405)
Net loss for the year ended June 30, 2009	<u>(10,479,297)</u>
Net asset deficiency at June 30, 2009	(75,601,702)
Estimated net loss for the six months ended December 31, 2009 (unaudited)	<u>(1,800,000)</u>
Estimated net asset deficiency at December 31, 2009 (unaudited)	<u><u>\$(77,401,702)</u></u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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, entrance 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 two most significant obligations are the contract with General Electric and issuance of the 2007 Variable Rate Lease Revenue Bonds Series A in the amount of \$83,770,000. A summary of these two obligations follows:

General Electric Purchase Contract

In 2005, the City began a process of evaluating the feasibility of constructing or causing to be constructed a power plant that was designated as Victorville #2 ("VV2"). To that end, the City signed a Services Agreement with Inland Energy, Inc. ("Inland"), which was charged with the responsibility of developing the project. Consistent with the agreement, Inland performed extensive pre-construction management services, including site layout, permitting, discussions and negotiations with contractors and subcontractors, including General Electric, which was to construct the power block in accordance with plans and specifications developed by Inland.

The development plan adopted by the City was to take all steps required to bring the project to a "build ready" state and then to seek investors to assume an ownership position of all or substantially all of the project. The benefits to the City were many, including the creation of new and well-paying jobs at the plant, enhancement of the City's ability to attract other new businesses and jobs, and significant tax increment revenues for use in further economic development and investment in housing.

On November 20, 2007, SCLAA approved a purchase contract in the adjusted amount of approximately \$183 million with GE that set forth the equipment design, delivery schedules, expected costs and termination charges. On December 4, 2007 the contract with GE was submitted to the City Council for ratification, which was approved. On December 5, 2007, the contract was signed by representatives of the City and SCLAA and returned to GE. Pursuant to the GE contract SCLAA deposited the sum of \$50,020,070 with GE to be applied against amounts owed under the contract.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

General Electric Purchase Contract, (Continued)

The GE contract required periodic payments, which were negotiated to commence in November 2008, of approximately one year later, which time period would allow the City to complete other steps required to bring the project to build ready state. The GE contract also contained a schedule of termination charges, which were established in amounts similar to amounts that GE would have invested in the construction costs as the construction progressed. The GE contract provides that the City and SCLAA may terminate the contract subject to the payment of the termination charge and provides that the failure to make a payment when due, and following a cure period, may constitute a default that may trigger the application of the termination charge. The termination payment amount is approximately \$56 million after deduction for the \$50 million previously paid. To provide GE with additional security for payments due under the contract, SCLAA pledged and assigned certain proceeds of any new bond issue that it would issue during the period of construction.

The collapse in the credit markets that began in 2007 worsened during 2008 resulting in the failure of a number of large and nationally known financial institutions including CountryWide Financial, Washington Mutual and Lehman Brothers. The conditions that caused these firms to fail also affected the ability of the City to implement its plan of bringing the project to a "build ready" state and selling the project to an energy company.

As a result the City has been unable to conclude the planned sale of its interests in the VV2 project and the City remains unable to pay the amounts owed to GE.

The first payment due under the contract was payable on November 7, 2008. That payment due date was extended to November 21, 2008. Since November 7, 2008, the City has received additional periodic invoices from GE totaling \$3.6 million, bringing the total amount owed to \$126.2 million as of February 19, 2009.

On March 13, 2009, the City was notified by GE that GE considers the contract to be in default as a result of the failure by the City to make the periodic payments required in the contract and affords the City until April 16, 2009 to pay all amounts owed under the contract.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

General Electric Purchase Contract, (Continued)

At the present time, the City is working with a private developer and GE to determine the appropriate project that will best fit the market condition. The renewable portion of the project is more marketable than the natural gas fired portion, so the City is weighing options to maximize the current market conditions while preserving rights to build in the future when overall demand for power increases. The City is continuing negotiations with GE to resolve the contract dispute amicably.

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

The bond was issued in May 2007, with the proceeds being used to liquidate an earlier bond in the amount of \$41 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 for a nominal amount, then released back to the City for a lease amount equal to the debt service on the bonds.

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

The financing agreements with Fortis 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 Fortis, constitute a default of the financing agreements.

On January 26, 2009, Fortis notified the City that it considered the City to be in default of the financing agreements in that the City failed to deliver its annual financial statements to Fortis within 210 days of the close of the fiscal year ended June 30, 2007. The 2008 Financial Statements have been issued with an unqualified opinion which include a going concern paragraph. Since January 26, 2009, the City has not received any additional default correspondence from Fortis.

Pursuant to the financing agreements with Fortis, and more specifically, a Reimbursement Agreement Fortis has a right to request reimbursement for its investment in the bonds. Fortis has not made this request. It is important to note that the City has made all payments as required under the terms of the bonds and expects to continue to do so.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Management's Plans to Improve Operations and Limit City Obligations

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

- In anticipation of further revenue declines, the City has implemented a voluntary layoff for February 2010. As part of the mid-year budget review, scheduled for February 9, staff will identify the projected deficit for FY 2009-2010. At the present time, staff believes prior year balances will be sufficient to cover any projected FY 2009-2010 deficit. It is anticipated that additional layoffs or reorganizations will be necessary to ensure a balanced budget for FY 2010-2011.
- As part of the Citywide Reorganization in August 2009, Management of SCLAA was realigned to fall under the direction of the City's Economic Development, the same department that is responsible for directing the activities of the Victorville Redevelopment Agency. It is expected that the reorganization will bring greater management continuity among SCLAA and the Victorville RDA.
- The Victorville Municipal Utility (VMUS) has operated at a deficit due to the City's focus on job creation. Due to interconnection in the Foxborough area and impending interconnection in the SCLA area, as well as changes in management structure, VMUS will be revenue neutral for FY 2009-2010. With two additional large customers coming online, VMUS will be revenue positive in future fiscal years and will begin to have the ability to repay debts. Past asset deficiencies were caused by a stalled energy project in the Foxborough area. Options for these assets are being considered ranging from liquidation to a restart of construction. VMUS staff will be presenting options and recommendations to management later this fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORVILLE

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 39,143,104	39,143,104	33,717,245	(5,425,859)
Licenses and permits	3,274,008	3,274,008	3,482,429	208,421
Intergovernmental	592,781	592,781	3,056,181	2,463,400
Charges for services	1,674,800	1,674,800	6,549,496	4,874,696
Fines and forfeitures	182,633	182,633	407,698	225,065
Investment income	25,000	25,000	75,610	50,610
Sale of assets	-	-	135,348	135,348
Other	8,110,263	8,110,263	134,177	(7,976,086)
Total revenues	53,002,589	53,002,589	47,558,184	(5,444,405)
Expenditures:				
Current:				
General government	27,089,744	27,299,744	12,546,277	14,753,467
Public safety	34,152,370	34,152,370	32,393,883	1,758,487
Public works	9,557,705	9,557,705	9,998,465	(440,760)
Parks and recreation	6,571,787	6,591,787	5,970,730	621,057
Debt service:				
Principal	-	-	583,512	(583,512)
Interest	-	-	102,970	(102,970)
Total expenditures	77,371,606	77,601,606	61,595,837	16,005,769
Excess (deficiency) of revenues over (under) expenditures	(24,369,017)	(24,599,017)	(14,037,653)	10,561,364
Other financing sources (uses):				
Transfers in	25,777,937	25,777,937	16,204,132	(9,573,805)
Transfers out	(15,947,791)	(15,947,791)	(3,976,284)	11,971,507
Total other financing sources (uses)	9,830,146	9,830,146	12,227,848	2,397,702
Net changes in fund balances	(14,538,871)	(14,768,871)	(1,809,805)	12,959,066
Fund balances at beginning of year, as restated	12,455,670	12,455,670	12,455,670	-
Fund balances at end of year	\$ (2,083,201)	(2,313,201)	10,645,865	12,959,066

CITY OF VICTORVILLE

Redevelopment Agency - Low and Moderate Housing Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,871,426	1,871,426	1,815,628	(55,798)
Intergovernmental	7,394,749	7,394,749	8,060,034	665,285
Investment income	2,000	2,000	447,405	445,405
Other	-	-	3,208	3,208
Total revenues	<u>9,268,175</u>	<u>9,268,175</u>	<u>10,326,275</u>	<u>1,058,100</u>
Expenditures:				
Current:				
Community development	<u>3,287,711</u>	<u>3,287,711</u>	<u>2,558,744</u>	<u>728,967</u>
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>3,287,711</u>	<u>3,287,711</u>	<u>2,558,744</u>	<u>728,967</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,980,464</u>	<u>5,980,464</u>	<u>7,767,531</u>	<u>1,787,067</u>
Other financing sources (uses):				
Loan proceed	10,000	10,000	-	(10,000)
Transfers in	-	-	821,661	821,661
Transfers out	<u>(3,530,726)</u>	<u>(3,530,726)</u>	<u>(3,599,726)</u>	<u>(69,000)</u>
Total other financing sources (uses)	<u>(3,520,726)</u>	<u>(3,520,726)</u>	<u>(2,778,065)</u>	<u>742,661</u>
Net changes in fund balances	<u>2,459,738</u>	<u>2,459,738</u>	<u>4,989,466</u>	<u>2,529,728</u>
Fund balances at beginning of year	<u>29,926,633</u>	<u>29,926,633</u>	<u>29,926,633</u>	-
Fund balances at end of year	<u>\$ 32,386,371</u>	<u>32,386,371</u>	<u>34,916,099</u>	<u>2,529,728</u>

CITY OF VICTORVILLE

Measure I Street Arterials - Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 6,635,052	6,635,052	5,326,403	(1,308,649)
Charges for services	-	-	29,211	29,211
Investment income	-	-	326,806	326,806
Total revenues	<u>6,635,052</u>	<u>6,635,052</u>	<u>5,682,420</u>	<u>(952,632)</u>
Expenditures:				
Current:				
General government	-	-	1,055	(1,055)
Public works	<u>26,723,142</u>	<u>26,723,142</u>	<u>10,073,319</u>	<u>16,649,823</u>
Total expenditures	<u>26,723,142</u>	<u>26,723,142</u>	<u>10,074,374</u>	<u>16,648,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,088,090)</u>	<u>(20,088,090)</u>	<u>(4,391,954)</u>	<u>15,696,136</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(2,671,054)</u>	<u>(2,671,054)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,671,054)</u>	<u>(2,671,054)</u>
Net change in fund balances	(20,088,090)	(20,088,090)	(7,063,008)	13,025,082
Fund balances at beginning of year	<u>15,983,094</u>	<u>15,983,094</u>	<u>15,983,094</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ (4,104,996)</u></u>	<u><u>(4,104,996)</u></u>	<u><u>8,920,086</u></u>	<u><u>13,025,082</u></u>

City of Victorville
Notes to Required Supplementary Information
June 30, 2009

(1) Budgetary Data

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

1. The city Manager submits to the City Council a proposed operating budget. The operating budget includes the proposed expenditures and source of financing;
2. Public hearings are conducted to obtain taxpayer comments;
3. A budget is legally enacted through passage of a resolution;
4. The city Manager is authorized to transfer budgeted amounts within individual funds; however any revisions that alter total appropriations of a fund must be approved by City Council.
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. Budgets for all funds, except for debt service funds, are adopted on a basis consistent with generally accepted accounting principles (GAAP) except capital outlay expenditures 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, 2009
(with comparative totals for June 30, 2008)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>	<u>2008</u>
<u>Assets</u>				
Assets:				
Cash and investments	\$ 10,820,456	-	10,820,456	15,268,425
Cash with fiscal agent	82,500	1,922,588	2,005,088	8,388,652
Receivables:				
Accounts	422,812	-	422,812	377,867
Notes	300	-	300	700
Interest	-	-	-	11,218
Due from other funds	3,216,333	-	3,216,333	-
Due from other governments	10,221,765	-	10,221,765	5,401,299
Prepaid items	<u>1,937,861</u>	-	<u>1,937,861</u>	-
Total assets	<u>\$ 26,702,027</u>	<u>1,922,588</u>	<u>28,624,615</u>	<u>29,448,161</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,320,574	-	1,320,574	1,295,592
Deposits payable	40,347	-	40,347	4,300
Due to other funds	11,150,043	-	11,150,043	5,474,144
Due to other governments	58	-	58	2,074
Unearned revenue	<u>5,626,378</u>	-	<u>5,626,378</u>	<u>4,461,753</u>
Total liabilities	<u>18,137,400</u>	-	<u>18,137,400</u>	<u>11,237,863</u>
Fund balances:				
Reserved	1,938,161	1,922,588	3,860,749	8,358,466
Unreserved:				
Designated	14,041,964	-	14,041,964	13,930,208
Undesignated	<u>(7,415,498)</u>	-	<u>(7,415,498)</u>	<u>(4,078,376)</u>
Total fund balances	<u>8,564,627</u>	<u>1,922,588</u>	<u>10,487,215</u>	<u>18,210,298</u>
Total liabilities and fund balan	<u>\$ 26,702,027</u>	<u>1,922,588</u>	<u>28,624,615</u>	<u>29,448,161</u>

CITY OF VICTORVILLE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2009

(with comparatives totals for year ended June 30, 2008)

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds	2008
Revenues:				
Taxes	\$ 3,205,314	-	3,205,314	9,355,455
Licenses and permits	-	-	-	62,440
Intergovernmental	13,077,685	-	13,077,685	8,082,192
Charges for services	1,595,273	-	1,595,273	2,224,216
Fines and forfeitures	1,339,165	-	1,339,165	607,850
Investment income	155,215	39,261	194,476	818,507
Sale of property	-	-	-	14,000
Other	121,733	-	121,733	37,011
	<u>19,494,385</u>	<u>39,261</u>	<u>19,533,646</u>	<u>21,201,671</u>
Expenditures:				
Current:				
General government	1,293,682	-	1,293,682	1,308,827
Public safety	722,690	-	722,690	10,274,735
Community development	520,013	-	520,013	478,024
Public works	14,915,006	-	14,915,006	10,789,843
Parks and recreation	1,269,030	-	1,269,030	6,576,389
Debt service:				
Principal	-	940,000	940,000	1,198,170
Interest	-	2,403,785	2,403,785	2,444,225
	<u>18,720,421</u>	<u>3,343,785</u>	<u>22,064,206</u>	<u>33,070,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>773,964</u>	<u>(3,304,524)</u>	<u>(2,530,560)</u>	<u>(11,868,542)</u>
Other financing sources (uses):				
Transfers in	4,300,670	3,444,989	7,745,659	10,530,104
Transfers out	(6,362,539)	(6,575,643)	(12,938,182)	(6,525,031)
	<u>(2,061,869)</u>	<u>(3,130,654)</u>	<u>(5,192,523)</u>	<u>4,005,073</u>
Net change in fund balances	(1,287,905)	(6,435,178)	(7,723,083)	(7,863,469)
Fund balances at beginning of year, as restated	<u>9,852,532</u>	<u>8,357,766</u>	<u>18,210,298</u>	<u>26,073,767</u>
Fund balances at end of year	<u>\$ 8,564,627</u>	<u>1,922,588</u>	<u>10,487,215</u>	<u>18,210,298</u>

Nonmajor Governmental Funds

Special Revenue Funds

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

Fire Protection

This fund accounts for assessments made upon parcels of land within the Fire Protection District and disbursed funds related to fire prevention and protection.

Parks and Recreation

This fund accounts for revenue received from assessments levied on parcels within the District and revenue earned from recreation programs. The funds disbursed are for Park and Recreation activities.

Landscape Maintenance and Drainage Facilities Assessment District

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

Street Lighting

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

Traffic Safety

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

General Asset Seizure

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

Storm Drain Utility

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

Nonmajor Governmental Funds

Special Revenue Funds

(Continued)

Gas Tax

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

Transportation Tax

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

Other State 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.

CDBG and HOME 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.

Other Federal Grants

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

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Special Revenue Funds
Combining Balance Sheet

June 30, 2009
(with comparative totals for June 30, 2008)

	Fire Protection	Parks and Recreation	Landscape Maintenance & Drainage Facilities Assesment District	Street Lighting	Traffic Safety	General Asset Seizure	Storm Drain Utility
<u>Assets</u>							
Cash and investments	\$ -	-	3,903,738	-	-	68,173	-
Cash with fiscal agent	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	100,668	-	239,121
Prepaid items	-	-	-	-	-	-	-
Notes receivable	-	-	300	-	-	-	-
Due from other funds	-	-	-	1,370,630	-	-	1,845,703
Due from other governments	-	-	69,804	4,586	-	-	-
Total assets	-	-	3,973,842	1,375,216	100,668	68,173	2,084,824
Liabilities:							
Accounts payable	-	-	122,965	85,223	6,466	-	3,321
Deposits payable	-	-	-	-	-	-	40,227
Due to other funds	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	-	-	122,965	85,223	6,466	-	43,548
Fund balances (deficit):							
Reserved for:							
Notes receivable	-	-	300	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-
Unreserved:							
Designated for special purpos	-	-	3,850,577	1,289,993	94,202	68,173	2,041,276
Undesignated	-	-	-	-	-	-	-
Total fund balances (deficit)	-	-	3,850,877	1,289,993	94,202	68,173	2,041,276
Total liabilities and fund balances	\$ -	\$ -	\$ 3,973,842	1,375,216	100,668	68,173	2,084,824

Gas Tax	Transportation Tax	Other State Grants	CDBG & HOME Grants	Other Federal Grants	Total Special Revenue Funds	2008
1,371,769	5,083,968	392,808	-	-	10,820,456	15,268,425
-	-	82,500	-	-	82,500	42,104
-	-	178	82,845	-	422,812	377,867
-	-	3,461	-	1,934,400	1,937,861	-
-	-	-	-	-	300	700
-	-	-	-	-	3,216,333	-
<u>141,047</u>	<u>220,545</u>	<u>179,054</u>	<u>416,367</u>	<u>9,190,362</u>	<u>10,221,765</u>	<u>5,401,299</u>
<u>1,512,816</u>	<u>5,304,513</u>	<u>658,001</u>	<u>499,212</u>	<u>11,124,762</u>	<u>26,702,027</u>	<u>21,090,395</u>
8,424	110,984	100,629	33,016	849,546	1,320,574	1,295,592
-	120	-	-	-	40,347	4,300
-	-	65,436	830,130	10,254,477	11,150,043	5,474,144
-	58	-	-	-	58	2,074
-	-	171,235	-	5,455,143	5,626,378	4,461,753
<u>8,424</u>	<u>111,162</u>	<u>337,300</u>	<u>863,146</u>	<u>16,559,166</u>	<u>18,137,400</u>	<u>11,237,863</u>
-	-	-	-	-	300	700
-	-	3,461	-	1,934,400	1,937,861	-
1,504,392	5,193,351	-	-	-	14,041,964	13,930,208
-	-	317,240	(363,934)	(7,368,804)	(7,415,498)	(4,078,376)
<u>1,504,392</u>	<u>5,193,351</u>	<u>320,701</u>	<u>(363,934)</u>	<u>(5,434,404)</u>	<u>8,564,627</u>	<u>9,852,532</u>
<u>1,512,816</u>	<u>5,304,513</u>	<u>658,001</u>	<u>499,212</u>	<u>11,124,762</u>	<u>26,702,027</u>	<u>21,090,395</u>

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2009
(with comparative totals for year ended June 30, 2008)

	Fire Protection	Parks and Recreation	Landscape Maintenance & Drainage Facilities Assesmer District	Street Lighting	Traffic Safety	General Asset Seizure	Storm Drain Utility
Revenues:							
Taxes	\$ -	-	2,358,571	846,743	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	1,465,286
Fines and forfeitures	-	-	-	-	1,299,143	40,022	-
Investment income	-	-	6,137	2,087	-	104	2,706
Sale of property	-	-	-	-	-	-	-
Other	-	-	-	10,231	-	-	386
Total revenues	<u>-</u>	<u>-</u>	<u>2,364,708</u>	<u>859,061</u>	<u>1,299,143</u>	<u>40,126</u>	<u>1,468,378</u>
Expenditures:							
Current:							
General government	-	-	-	1,107,290	-	-	-
Public safety	-	-	-	-	33,957	6,243	-
Community development	-	-	-	-	-	-	-
Public works	-	-	32,771	-	-	-	1,561,494
Parks and recreation	-	-	1,224,637	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,257,408</u>	<u>1,107,290</u>	<u>33,957</u>	<u>6,243</u>	<u>1,561,494</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,107,300</u>	<u>(248,229)</u>	<u>1,265,186</u>	<u>33,883</u>	<u>(93,116)</u>
Other financing sources (uses):							
Transfers in	24,903	8,884	2,743,577	-	-	-	-
Transfers out	-	(2,743,577)	-	-	(1,202,360)	-	-
Total other financing sources (uses)	<u>24,903</u>	<u>(2,734,693)</u>	<u>2,743,577</u>	<u>-</u>	<u>(1,202,360)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	24,903	(2,734,693)	3,850,877	(248,229)	62,826	33,883	(93,116)
Fund balances (deficit) at beginning of year, as restated	<u>(24,903)</u>	<u>2,734,693</u>	<u>-</u>	<u>1,538,222</u>	<u>31,376</u>	<u>34,290</u>	<u>2,134,392</u>
Fund balances (deficit) at end of year	<u>\$ -</u>	<u>-</u>	<u>3,850,877</u>	<u>1,289,993</u>	<u>94,202</u>	<u>68,173</u>	<u>2,041,276</u>

Gas Tax	Transportation Tax	Other State Grants	CDBG & HOME Grants	Other Federal Grants	Total Soocial Revenue Funds	2008
-	-	-	-	-	3,205,314	9,355,455
-	-	-	-	-	-	62,440
1,712,839	1,035,110	518,313	1,846,135	7,965,288	13,077,685	8,082,192
101,741	28,246	-	-	-	1,595,273	2,224,216
-	-	-	-	-	1,339,165	607,850
2,820	110,836	736	-	29,789	155,215	357,481
-	-	-	-	-	-	14,000
-	12,719	-	98,397	-	121,733	30,411
<u>1,817,400</u>	<u>1,186,911</u>	<u>519,049</u>	<u>1,944,532</u>	<u>7,995,077</u>	<u>19,494,385</u>	<u>20,734,045</u>
-	-	6,248	180,144	-	1,293,682	1,308,827
-	-	642,245	-	40,245	722,690	10,274,735
-	-	4,774	515,239	-	520,013	781,194
2,397,946	2,298,992	1,402,732	895,268	6,325,803	14,915,006	10,789,843
-	-	-	44,393	-	1,269,030	6,576,389
<u>2,397,946</u>	<u>2,298,992</u>	<u>2,055,999</u>	<u>1,635,044</u>	<u>6,366,048</u>	<u>18,720,421</u>	<u>29,730,988</u>
<u>(580,546)</u>	<u>(1,112,081)</u>	<u>(1,536,950)</u>	<u>309,488</u>	<u>1,629,029</u>	<u>773,964</u>	<u>(8,996,943)</u>
719,744	303,823	7,276	-	492,463	4,300,670	7,277,126
<u>(97,294)</u>	<u>(18,741)</u>	<u>(1,773)</u>	<u>-</u>	<u>(2,298,794)</u>	<u>(6,362,539)</u>	<u>(867,196)</u>
<u>622,450</u>	<u>285,082</u>	<u>5,503</u>	<u>-</u>	<u>(1,806,331)</u>	<u>(2,061,869)</u>	<u>6,409,930</u>
41,904	(826,999)	(1,531,447)	309,488	(177,302)	(1,287,905)	(2,587,013)
<u>1,462,488</u>	<u>6,020,350</u>	<u>1,852,148</u>	<u>(673,422)</u>	<u>(5,257,102)</u>	<u>9,852,532</u>	<u>12,439,545</u>
<u>1,504,392</u>	<u>5,193,351</u>	<u>320,701</u>	<u>(363,934)</u>	<u>(5,434,404)</u>	<u>8,564,627</u>	<u>9,852,532</u>

CITY OF VICTORVILLE

Fire Protection Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>24,903</u>	<u>24,903</u>
Net changes in fund balances	-	-	24,903	24,903
Fund balances at beginning of year	<u>(24,903)</u>	<u>(24,903)</u>	<u>(24,903)</u>	<u>-</u>
Fund balances at end of year	<u>\$ (24,903)</u>	<u>(24,903)</u>	<u>-</u>	<u>24,903</u>

CITY OF VICTORVILLE

Parks and Recreation Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Other financing sources (uses):				
Transfers in	-	-	8,884	8,884
Transfers out	-	-	(2,743,577)	(2,743,577)
Net changes in fund balances	-	-	(2,734,693)	(2,734,693)
Fund balances at beginning of year	2,734,693	2,734,693	2,734,693	-
Fund balances at end of year	<u>\$ 2,734,693</u>	<u>2,734,693</u>	<u>-</u>	<u>(2,734,693)</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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,224,063	2,224,063	2,358,571	134,508
Investment income	-	-	6,137	6,137
Total revenues	<u>2,224,063</u>	<u>2,224,063</u>	<u>2,364,708</u>	<u>140,645</u>
Expenditures:				
Current:				
Public works	64,968	64,968	32,771	32,197
Parks and recreation	<u>3,532,400</u>	<u>3,532,400</u>	<u>1,224,637</u>	<u>2,307,763</u>
Total expenditures	<u>3,597,368</u>	<u>3,597,368</u>	<u>1,257,408</u>	<u>2,339,960</u>
Net changes in fund balances	(1,373,305)	(1,373,305)	3,850,877	5,224,182
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ (1,373,305)</u>	<u>(1,373,305)</u>	<u>3,850,877</u>	<u>5,224,182</u>

CITY OF VICTORVILLE

Street Lighting Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 888,797	888,797	846,743	(42,054)
Investment income	-	-	2,087	2,087
Other	-	-	10,231	10,231
Total revenues	<u>888,797</u>	<u>888,797</u>	<u>859,061</u>	<u>(29,736)</u>
Expenditures:				
Current:				
General government	<u>939,941</u>	<u>939,941</u>	<u>1,107,290</u>	<u>(167,349)</u>
Total expenditures	<u>939,941</u>	<u>939,941</u>	<u>1,107,290</u>	<u>(167,349)</u>
Net changes in fund balances	(51,144)	(51,144)	(248,229)	(197,085)
Fund balances at beginning of year	<u>1,538,222</u>	<u>1,538,222</u>	<u>1,538,222</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,487,078</u>	<u>1,487,078</u>	<u>1,289,993</u>	<u>(197,085)</u>

CITY OF VICTORVILLE

Traffic Safety Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Fines and forfeitures	\$ 350,000	350,000	1,299,143	949,143
Total revenues	350,000	350,000	1,299,143	949,143
Expenditures:				
Current:				
Public safety	347,000	347,000	33,957	313,043
Total expenditures	347,000	347,000	33,957	313,043
Excess (deficiency) of revenues over (under) expenditures	3,000	3,000	1,265,186	1,262,186
Other financing sources (uses):				
Transfers out	(347,000)	(347,000)	(1,202,360)	(855,360)
Total other financing sources (uses)	(347,000)	(347,000)	(1,202,360)	(855,360)
Net changes in fund balances	(344,000)	(344,000)	62,826	406,826
Fund balances at beginning of year	31,376	31,376	31,376	-
Fund balances at end of year	\$ (312,624)	(312,624)	94,202	406,826

CITY OF VICTORVILLE

General Asset Seizure Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 11,500	11,500	40,022	28,522
Investment income	-	-	104	104
Total revenues	<u>11,500</u>	<u>11,500</u>	<u>40,126</u>	<u>28,626</u>
Expenditures:				
Current:				
Public safety	<u>27,083</u>	<u>27,083</u>	<u>6,243</u>	<u>20,840</u>
Total expenditures	<u>27,083</u>	<u>27,083</u>	<u>6,243</u>	<u>20,840</u>
Net changes in fund balances	(15,583)	(15,583)	33,883	49,466
Fund balances at beginning of year	<u>34,290</u>	<u>34,290</u>	<u>34,290</u>	-
Fund balances at end of year	<u>\$ 18,707</u>	<u>18,707</u>	<u>68,173</u>	<u>49,466</u>

CITY OF VICTORVILLE

Storm Drain Utility Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 2,397,520	2,397,520	1,465,286	(932,234)
Investment income	-	-	2,706	2,706
Other	-	-	386	386
Total revenues	<u>2,397,520</u>	<u>2,397,520</u>	<u>1,468,378</u>	<u>(929,142)</u>
Expenditures:				
Current:				
Public works	<u>4,028,618</u>	<u>4,028,618</u>	<u>1,561,494</u>	<u>2,467,124</u>
Total expenditures	<u>4,028,618</u>	<u>4,028,618</u>	<u>1,561,494</u>	<u>2,467,124</u>
Net changes in fund balances	(1,631,098)	(1,631,098)	(93,116)	1,537,982
Fund balances at beginning of year	<u>2,134,392</u>	<u>2,134,392</u>	<u>2,134,392</u>	<u>-</u>
Fund balances at end of year	<u>\$ 503,294</u>	<u>503,294</u>	<u>2,041,276</u>	<u>1,537,982</u>

CITY OF VICTORVILLE

Gas Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 1,300,000	1,300,000	1,712,839	412,839
Charges for services	500	500	101,741	101,241
Investment income	-	-	2,820	2,820
Total revenues	<u>1,300,500</u>	<u>1,300,500</u>	<u>1,817,400</u>	<u>516,900</u>
Expenditures:				
Current:				
Public works	<u>3,202,559</u>	<u>3,202,559</u>	<u>2,397,946</u>	<u>804,613</u>
Total expenditures	<u>3,202,559</u>	<u>3,202,559</u>	<u>2,397,946</u>	<u>804,613</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,902,059)</u>	<u>(1,902,059)</u>	<u>(580,546)</u>	<u>1,321,513</u>
Other financing sources (uses):				
Transfers in	1,200,000	1,200,000	719,744	(480,256)
Transfers out	<u>-</u>	<u>-</u>	<u>(97,294)</u>	<u>(97,294)</u>
Total other financing sources (uses)	<u>1,200,000</u>	<u>1,200,000</u>	<u>622,450</u>	<u>(577,550)</u>
Net changes in fund balances	(702,059)	(702,059)	41,904	743,963
Fund balances at beginning of year	<u>1,462,488</u>	<u>1,462,488</u>	<u>1,462,488</u>	<u>-</u>
Fund balances at end of year	<u>\$ 760,429</u>	<u>760,429</u>	<u>1,504,392</u>	<u>743,963</u>

CITY OF VICTORVILLE

Transportation Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 5,716,833	5,716,833	1,035,110	(4,681,723)
Charges for services	10,000	10,000	28,246	18,246
Investment income	-	-	110,836	110,836
Other	-	-	12,719	12,719
Total revenues	<u>5,726,833</u>	<u>5,726,833</u>	<u>1,186,911</u>	<u>(4,539,922)</u>
Expenditures:				
Current:				
Public works	<u>7,772,321</u>	<u>7,772,321</u>	<u>2,298,992</u>	<u>5,473,329</u>
Total expenditures	<u>7,772,321</u>	<u>7,772,321</u>	<u>2,298,992</u>	<u>5,473,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,045,488)</u>	<u>(2,045,488)</u>	<u>(1,112,081)</u>	<u>933,407</u>
Other financing sources (uses):				
Transfers in	-	-	303,823	303,823
Transfers out	-	-	(18,741)	(18,741)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>285,082</u>	<u>285,082</u>
Net changes in fund balances	(2,045,488)	(2,045,488)	(826,999)	1,218,489
Fund balances at beginning of year	<u>6,020,350</u>	<u>6,020,350</u>	<u>6,020,350</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,974,862</u>	<u>3,974,862</u>	<u>5,193,351</u>	<u>1,218,489</u>

CITY OF VICTORVILLE

Other State Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,102,351	1,102,351	518,313	(584,038)
Investment income	-	-	736	736
Total revenues	<u>1,102,351</u>	<u>1,102,351</u>	<u>519,049</u>	<u>(583,302)</u>
Expenditures:				
Current:				
General government	-	-	6,248	(6,248)
Public safety	1,025,488	1,122,595	642,245	480,350
Community development	-	-	4,774	(4,774)
Public works	90,991	188,559	1,402,732	(1,214,173)
Parks and recreation	7,080	7,080	-	7,080
Total expenditures	<u>1,123,559</u>	<u>1,318,234</u>	<u>2,055,999</u>	<u>(737,765)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,208)</u>	<u>(215,883)</u>	<u>(1,536,950)</u>	<u>(1,321,067)</u>
Other financing sources (uses):				
Transfers in	-	-	7,276	7,276
Transfers out	-	-	(1,773)	(1,773)
Total other financing sources (us	<u>-</u>	<u>-</u>	<u>5,503</u>	<u>5,503</u>
Net changes in fund balances	(21,208)	(215,883)	(1,531,447)	(1,315,564)
Fund balances at beginning of year	<u>1,852,148</u>	<u>1,852,148</u>	<u>1,852,148</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,830,940</u>	<u>1,636,265</u>	<u>320,701</u>	<u>(1,315,564)</u>

CITY OF VICTORVILLE

CDBG and HOME Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 2,388,379	2,388,379	1,846,135	(542,244)
Other	-	-	98,397	98,397
	<u>2,388,379</u>	<u>2,388,379</u>	<u>1,944,532</u>	<u>(443,847)</u>
Total revenues				
Expenditures:				
Current:				
General government	160,907	160,907	180,144	(19,237)
Public safety	390	390	-	390
Community development	-	-	515,239	(515,239)
Public works	991,201	991,201	895,268	95,933
Parks and recreation	515,897	515,897	44,393	471,504
	<u>1,668,395</u>	<u>1,668,395</u>	<u>1,635,044</u>	<u>33,351</u>
Total expenditures				
Net changes in fund balances	719,984	719,984	309,488	(410,496)
Fund balances at beginning of year	<u>(673,422)</u>	<u>(673,422)</u>	<u>(673,422)</u>	<u>-</u>
Fund balances at end of year	<u>\$ 46,562</u>	<u>46,562</u>	<u>(363,934)</u>	<u>(410,496)</u>

CITY OF VICTORVILLE

Other Federal Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 23,402,546	23,402,546	7,965,288	(15,437,258)
Investment income	-	-	29,789	29,789
Total revenues	<u>23,402,546</u>	<u>23,402,546</u>	<u>7,995,077</u>	<u>(15,407,469)</u>
Expenditures:				
Current:				
Public safety	283,795	283,795	40,245	243,550
Community development	25,000	25,000	-	25,000
Public works	<u>21,744,157</u>	<u>22,855,457</u>	<u>6,325,803</u>	<u>16,529,654</u>
Total expenditures	<u>22,052,952</u>	<u>23,164,252</u>	<u>6,366,048</u>	<u>16,798,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,349,594</u>	<u>238,294</u>	<u>1,629,029</u>	<u>1,390,735</u>
Other financing sources (uses):				
Transfers in	-	-	492,463	492,463
Transfers out	-	-	<u>(2,298,794)</u>	<u>(2,298,794)</u>
Total other financing sources (uses)	-	-	<u>(1,806,331)</u>	<u>(1,806,331)</u>
Net changes in fund balances	1,349,594	238,294	(177,302)	(415,596)
Fund balances (deficit) at beginning of year	<u>(5,257,102)</u>	<u>(5,257,102)</u>	<u>(5,257,102)</u>	-
Fund balances (deficit) at end of year	<u>\$ (3,907,508)</u>	<u>(5,018,808)</u>	<u>(5,434,404)</u>	<u>(415,596)</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.

Parks and Recreation COP

This fund accounts for the accumulation of resources for, and payment of, the 1997 Series EE Certificates of Participation principal and interest.

CITY OF VICTORVILLE
 Nonmajor Governmental Funds
 Debt Service Funds
 Combining Balance Sheet

June 30, 2009
 (with comparative totals for June 30, 2008)

	Redevelopment Agency	Parks and Recreation COP	Total Debt Service Funds	2008
<u>Assets</u>				
Cash with fiscal agent	\$ 1,790,724	131,864	1,922,588	8,346,548
Interest Receivable	-	-	-	11,218
Total assets	\$ 1,790,724	131,864	1,922,588	8,357,766
<u>Liabilities and Fund Balances</u>				
Fund balances:				
Reserved for:				
Debt service	1,790,724	131,864	1,922,588	8,357,766
Total fund balances	1,790,724	131,864	1,922,588	8,357,766
Total liabilities and fund balances	\$ 1,790,724	131,864	1,922,588	8,357,766

CITY OF VICTORVILLE
Nonmajor Governmental Funds
Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2009
(with comparative totals for year ended June 30, 2008)

	Redevelopment Agency	Parks and Recreation COP	Total Debt Service Funds	2008
Revenues:				
Investment income	\$ 31,099	8,162	39,261	461,026
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,600</u>
 Total revenues	 <u>31,099</u>	 <u>8,162</u>	 <u>39,261</u>	 <u>467,626</u>
Expenditures:				
Debt service:				
Principal	815,000	125,000	940,000	895,000
Interest	<u>2,392,682</u>	<u>11,103</u>	<u>2,403,785</u>	<u>2,444,225</u>
 Total expenditures	 <u>3,207,682</u>	 <u>136,103</u>	 <u>3,343,785</u>	 <u>3,339,225</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(3,176,583)</u>	 <u>(127,941)</u>	 <u>(3,304,524)</u>	 <u>(2,871,599)</u>
Other financing sources (uses):				
Transfers in	3,319,661	125,328	3,444,989	3,252,978
Transfers out	<u>(6,575,643)</u>	<u>-</u>	<u>(6,575,643)</u>	<u>(5,657,835)</u>
 Total other financing sources (uses)	 <u>(3,255,982)</u>	 <u>125,328</u>	 <u>(3,130,654)</u>	 <u>(2,404,857)</u>
 Net change in fund balances (deficit)	 <u>(6,432,565)</u>	 <u>(2,613)</u>	 <u>(6,435,178)</u>	 <u>(5,276,456)</u>
 Fund balances at beginning of year	 <u>8,223,289</u>	 <u>134,477</u>	 <u>8,357,766</u>	 <u>13,634,222</u>
 Fund balances at end of year	 <u>\$ 1,790,724</u>	 <u>131,864</u>	 <u>1,922,588</u>	 <u>8,357,766</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.

Victor Valley Economic Development Authority (VVEDA)

This agency fund accounts for the agency activities of the City of Victorville on behalf of VVEDA.

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 Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2009

(with comparative totals for June 30, 2008)

	Deposit Funds	Community Facilities District 90-01	Community Facilities District 01-01	Mojave Desert and Mountain IAWMA	Victor Valley Economic Development Authority	Regional Fire Protection Authority	Water Assesment District 2R	Total Fiduciary Funds	2008
<u>Assets</u>									
Cash and investments	\$1,749,750	1,374,588	595,286	175,950	-	304,208	843,168	5,042,950	48,724,226
Restricted assets:									
Investments with fiscal agent	-	793,501	1,366,590	-	-	-	416,489	2,576,580	2,150,505
Accounts receivable	-	31,899	13,265	117,184	-	-	16,303	178,651	3,712,983
Assets used for operations	-	-	-	-	-	16,303	-	16,303	76,113
Total assets	<u>\$1,749,750</u>	<u>\$ 2,199,988</u>	<u>\$1,975,141</u>	<u>\$ 293,134</u>	<u>\$ -</u>	<u>\$320,511</u>	<u>\$1,275,960</u>	<u>\$7,814,484</u>	<u>54,663,827</u>
<u>Liabilities</u>									
Accounts payable	\$ -	-	8,320	-	-	-	10,440	18,760	-
Deposits payable	1,749,750	2,199,988	1,966,821	293,134	-	320,511	1,265,520	7,795,724	10,425,203
Due to other governments	-	-	-	-	-	-	-	-	44,238,624
Total liabilities	<u>\$1,749,750</u>	<u>2,199,988</u>	<u>1,975,141</u>	<u>293,134</u>	<u>-</u>	<u>320,511</u>	<u>1,275,960</u>	<u>7,814,484</u>	<u>54,663,827</u>

CITY OF VICTORVILLE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Fiduciary Funds

Year ended June 30, 2009

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Deposit Funds</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,961,037	-	(211,287)	1,749,750
Total assets	<u>\$ 1,961,037</u>	<u>-</u>	<u>(211,287)</u>	<u>1,749,750</u>
<u>Liabilities:</u>				
Deposits payable	\$ 1,961,037	-	(211,287)	1,749,750
Total liabilities	<u>\$ 1,961,037</u>	<u>-</u>	<u>(211,287)</u>	<u>1,749,750</u>
<u>Community Facilities District 90-01</u>				
<u>Assets:</u>				
Cash and investments	\$ 1,317,211	57,377	-	1,374,588
Restricted assets:				
Investments with fiscal agent	797,841	-	(4,340)	793,501
Accounts receivable	56,177	-	(24,278)	31,899
Total assets	<u>\$ 2,171,229</u>	<u>57,377</u>	<u>(28,618)</u>	<u>2,199,988</u>
<u>Liabilities:</u>				
Deposits payable	\$ 2,171,229	28,759	-	2,199,988
Total liabilities	<u>\$ 2,171,229</u>	<u>28,759</u>	<u>-</u>	<u>2,199,988</u>
<u>Community Facilities District 01-01</u>				
<u>Assets:</u>				
Cash and investments	\$ 723,180	-	(127,894)	595,286
Restricted assets:				
Investments with fiscal agent	1,352,664	13,926	-	1,366,590
Accounts receivable	14,939	-	(1,674)	13,265
Total assets	<u>\$ 2,090,783</u>	<u>13,926</u>	<u>(129,568)</u>	<u>1,975,141</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	8,320	-	8,320
Deposits payable	2,090,783	-	(123,962)	1,966,821
Total liabilities	<u>\$ 2,090,783</u>	<u>8,320</u>	<u>(123,962)</u>	<u>1,975,141</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>Mojave Desert and Mountain IWMA</u>				
<u>Assets:</u>				
Cash and investments	\$ 204,500	-	(28,550)	175,950
Accounts receivable	<u>211,378</u>	<u>-</u>	<u>(94,194)</u>	<u>117,184</u>
Total assets	<u>\$ 415,878</u>	<u>-</u>	<u>(122,744)</u>	<u>293,134</u>
<u>Liabilities:</u>				
Deposits payable	\$ 415,878	-	(122,744)	293,134
Total liabilities	<u>\$ 415,878</u>	<u>-</u>	<u>(122,744)</u>	<u>293,134</u>
<u>Victor Valley Economic Development Authority</u>				
<u>Assets:</u>				
Cash and investments	\$44,471,370	-	(44,471,370)	-
Accounts receivable	<u>3,430,489</u>	<u>-</u>	<u>(3,430,489)</u>	<u>-</u>
Total assets	<u>\$47,901,859</u>	<u>-</u>	<u>(47,901,859)</u>	<u>-</u>
<u>Liabilities:</u>				
Deposits payable	\$ 3,663,235	-	(3,663,235)	-
Due to other governments	<u>44,238,624</u>	<u>-</u>	<u>(44,238,624)</u>	<u>-</u>
Total liabilities	<u>\$47,901,859</u>	<u>-</u>	<u>(47,901,859)</u>	<u>-</u>
<u>Regional Fire Protection Authority</u>				
<u>Assets:</u>				
Cash and investments	\$ 46,928	257,280	-	304,208
Assets used for operations	<u>76,113</u>	<u>-</u>	<u>(59,810)</u>	<u>16,303</u>
Total assets	<u>\$ 123,041</u>	<u>257,280</u>	<u>(59,810)</u>	<u>320,511</u>
<u>Liabilities:</u>				
Deposits payable	\$ 123,041	197,470	-	320,511
Total liabilities	<u>\$ 123,041</u>	<u>197,470</u>	<u>-</u>	<u>320,511</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>Water Assesment District 2R</u>				
<u>Assets:</u>				
Cash and investments	\$ 753,718	89,450	-	843,168
Restricted assets:				
Investments with fiscal agent	418,915	-	(2,426)	416,489
Accounts receivable	-	16,303	-	16,303
Total assets	<u>\$ 1,172,633</u>	<u>105,753</u>	<u>(2,426)</u>	<u>1,275,960</u>
<u>Liabilities:</u>				
Accounts payable	200	10,240	-	10,440
Deposits payable	\$ 1,172,433	93,087	-	1,265,520
Total liabilities	<u>\$ 1,172,633</u>	<u>103,327</u>	<u>-</u>	<u>1,275,960</u>
<u>Total-All Fiduciary Funds</u>				
<u>Assets:</u>				
Cash and investments	\$49,477,944	-	(44,434,994)	5,042,950
Restricted assets:				
Investments with fiscal agent	2,569,420	7,160	-	2,576,580
Accounts receivable	3,712,983	-	(3,534,332)	178,651
Assets used for operations	76,113	-	(59,810)	16,303
Total assets	<u>\$55,836,460</u>	<u>7,160</u>	<u>(48,029,136)</u>	<u>7,814,484</u>
<u>Liabilities:</u>				
Accounts payable	\$ 200	18,560	-	\$ 18,760
Deposits payable	11,597,636	-	(3,801,912)	7,795,724
Due to other governments	44,238,624	-	(44,238,624)	-
Total liabilities	<u>\$55,836,460</u>	<u>18,560</u>	<u>(48,040,536)</u>	<u>7,814,484</u>



STATISTICAL SECTION



CITY OF VICTORVILLE
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 55,753,080	\$ 350,771,913	\$ 369,717,947	\$ 442,886,951	\$ 311,739,061	\$ 463,898,388	\$ 477,975,776
Restricted	26,567,795	35,088,196	62,874,376	66,389,288	95,220,669	96,802,297	96,247,656
Unrestricted	<u>29,053,356</u>	<u>32,525,748</u>	<u>20,987,876</u>	<u>22,750,438</u>	<u>17,584,731</u>	<u>12,677,877</u>	<u>6,320,077</u>
Total governmental activities net assets	<u>111,374,231</u>	<u>418,385,857</u>	<u>453,580,199</u>	<u>532,026,677</u>	<u>424,544,461</u>	<u>573,378,562</u>	<u>580,543,509</u>
Business-type activities							
Invested in capital assets, net of related debt	88,357,386	69,846,524	44,922,955	42,706,392	(213,530,299)	235,771,185	270,533,541
Restricted	-	-	-	-	86,047,880	22,330,213	1,778,070
Unrestricted	<u>(475,417)</u>	<u>25,025,639</u>	<u>42,839,709</u>	<u>42,387,617</u>	<u>46,141,545</u>	<u>(83,378,946)</u>	<u>(105,654,374)</u>
Total business-type activities net assets	<u>87,881,969</u>	<u>94,872,163</u>	<u>87,762,664</u>	<u>85,094,009</u>	<u>(81,340,874)</u>	<u>174,722,452</u>	<u>166,657,237</u>
Primary government							
Invested in capital assets, net of related debt	144,110,466	420,618,437	414,640,900	485,593,343	98,208,762	699,669,573	748,509,317
Restricted	26,567,795	35,088,196	62,874,376	66,389,288	181,268,549	119,132,510	98,025,726
Unrestricted	<u>28,577,939</u>	<u>57,551,387</u>	<u>63,827,587</u>	<u>65,138,055</u>	<u>63,726,276</u>	<u>(70,701,069)</u>	<u>(99,334,297)</u>
Total primary government net assets	<u>199,256,200</u>	<u>513,258,020</u>	<u>541,342,863</u>	<u>617,120,686</u>	<u>343,203,587</u>	<u>748,101,014</u>	<u>747,200,746</u>

The City of Victorville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF VICTORVILLE
CHANGE IN NET ASSETS
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses							
<i>Governmental activities:</i>							
General government	\$ 6,250,961	\$ 6,723,040	\$ 10,043,166	\$ 10,228,775	\$ 34,539,027	\$ 12,656,490	\$ 13,133,276
Public safety	14,784,835	16,432,416	24,403,611	22,619,254	26,020,612	26,331,047	30,285,026
Community Development	10,739,526	4,952,677	5,439,534	1,272,203	3,147,118	2,861,018	6,655,391
Public works	20,632,874	23,925,692	24,272,039	35,874,622	32,853,213	38,048,743	35,443,180
Park and recreation	4,903,386	5,645,104	14,309,531	10,896,592	7,471,435	11,276,816	14,163,518
Interest on long-term debt	2,262,744	2,836,584	1,351,296	2,555,657	2,825,367	3,776,872	2,658,471
<i>Total governmental activities expenses</i>	<u>59,574,326</u>	<u>60,515,513</u>	<u>79,819,177</u>	<u>83,447,103</u>	<u>106,856,772</u>	<u>94,950,986</u>	<u>102,338,862</u>
<i>Business-type activities</i>							
Sanitary	4,222,795	3,802,222	4,436,124	4,954,456	5,654,714	10,765,772	8,026,156
Golf course	1,667,362	2,011,967	2,103,423	2,112,755	2,825,855	2,721,272	2,973,111
Airport	16,829,306	16,883,264	30,897,183	34,871,818	43,388,564	43,115,059	42,874,028
Transit	1,469,949	1,716,893	1,161,251	-	-	-	-
Water	1,874,000	2,687,002	1,830,281	2,397,870	2,584,140	30,676,942	29,476,474
Rail	-	1,136,482	2,272,667	953,948	2,499,765	1,436,628	366,417
Solid Waste**	-	-	-	-	11,572,199	11,987,307	12,202,770
Municipal utility	-	2,560,564	7,367,622	12,684,907	21,601,925	21,256,341	16,883,245
<i>Total business-type activities expenses</i>	<u>26,063,412</u>	<u>30,798,394</u>	<u>50,068,551</u>	<u>57,975,754</u>	<u>90,127,162</u>	<u>121,959,321</u>	<u>112,802,201</u>
<i>Total primary government expenses</i>	<u>85,637,738</u>	<u>91,313,907</u>	<u>129,887,728</u>	<u>141,422,857</u>	<u>196,983,934</u>	<u>216,910,307</u>	<u>215,141,063</u>
Program Revenues							
<i>Governmental activities:</i>							
Charges for services:							
General government	\$ 2,703,638	\$ 5,456,678	\$ 3,381,528	\$ 4,538,720	\$ 4,448,414	\$ 4,887,880	\$ 3,736,617
Public safety	1,311,851	3,690,040	1,993,722	5,140,097	5,306,577	2,101,062	2,094,977
Community development	-	-	3,201	-	25,890	350	-
Public works	17,710,983	24,067,918	27,982,767	36,692,637	18,485,243	11,111,075	6,399,187
Parks and recreation	2,010,820	7,270,070	5,977,128	11,610,917	9,355,850	4,723,554	2,108,921
Operating grants and contributions	8,404,871	10,718,067	12,397,670	18,731,116	17,852,989	15,459,684	19,796,006
Capital contributions and grants	57,919	38,650,170	12,678,059	50,583,162	35,552,647	-	-
<i>Total governmental activities program revenues</i>	<u>32,200,082</u>	<u>89,852,943</u>	<u>64,414,075</u>	<u>127,296,649</u>	<u>91,027,610</u>	<u>38,283,605</u>	<u>34,135,708</u>
<i>Business-type activities:</i>							
Charges for services:							
Sanitary	4,756,416	6,527,578	6,236,398	7,950,599	8,102,147	5,944,045	9,575,667
Golf course	1,276,997	1,254,243	1,261,970	1,389,947	1,206,204	1,310,864	1,042,900
Airport	4,436,990	4,074,029	5,423,168	4,531,221	5,577,189	8,502,039	7,362,683
Transit	218,231	270,268	131,315	119	-	-	-
Water	703,510	2,069,409	1,496,708	2,058,421	2,213,236	21,538,560	21,755,429
Solid Waste**	-	-	-	-	12,325,451	12,387,728	13,376,039
Municipal utilities	-	992,527	1,306,371	3,392,855	4,165,938	5,657,810	6,174,881
Operating grants and contributions	10,673,919	8,177,962	4,140,574	-	-	3,761,116	8,074,251
Capital contributions and grants	-	-	12,255,212	6,555,070	13,634,023	23,356,991	12,509,486
<i>Total business-type activities program revenues</i>	<u>22,066,063</u>	<u>23,366,016</u>	<u>32,251,716</u>	<u>25,878,232</u>	<u>47,224,188</u>	<u>82,459,153</u>	<u>79,871,336</u>
<i>Total primary government program revenues</i>	<u>54,266,145</u>	<u>113,218,959</u>	<u>96,665,791</u>	<u>153,174,881</u>	<u>138,251,798</u>	<u>120,742,758</u>	<u>114,007,044</u>

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (expense) revenue							
Governmental activities	\$ (27,374,244)	\$ 29,337,430	\$ (15,405,102)	\$ 43,849,546	\$ (15,829,162)	\$ (56,667,381)	\$ (68,203,154)
Business-type activities	<u>(3,997,349)</u>	<u>(7,432,378)</u>	<u>(17,816,835)</u>	<u>(32,097,522)</u>	<u>(42,902,974)</u>	<u>(39,500,168)</u>	<u>(32,930,865)</u>
Total primary government net expense	<u>\$ (31,371,593)</u>	<u>\$ 21,905,052</u>	<u>\$ (33,221,937)</u>	<u>\$ 11,752,024</u>	<u>\$ (58,732,136)</u>	<u>\$ (96,167,549)</u>	<u>\$ (101,134,019)</u>
General Revenues and Other Changes in Net Assets							
<i>Governmental activities:</i>							
Taxes:							
Property taxes	\$ 4,110,804	\$ 13,255,740	\$ 16,496,839	\$ 19,297,789	\$ 23,076,789	\$ 29,229,649	\$ 27,519,671
Sales taxes	15,826,367	16,456,113	15,640,652	18,008,211	16,835,374	14,625,732	11,555,538
Transient occupancy tax	957,329	747,957	760,543	895,302	950,412	964,075	784,273
Other taxes	1,824,683	1,284,656	9,361,143	7,920,611	16,270,707	40,396,455	40,536,835
Other intergovernmental	296,037	-	-	-	-	-	-
Investment income	789,249	972,262	1,343,341	2,447,300	3,192,587	3,389,517	2,942,440
Motor vehicle in lieu	4,008,688	3,316,766	509,472	604,154	514,439	-	366,537
Gain on sale of assets	2,240,122	3,363,148	6,325,754	5,870	-	211,185	49,095
Miscellaneous revenues	2,115,494	738,613	195,685	220,990	588,557	3,554,905	163,266
Transfers	<u>265,587</u>	<u>(6,044,370)</u>	<u>(8,625,219)</u>	<u>(14,803,295)</u>	<u>(12,135,874)</u>	<u>(22,423,340)</u>	<u>(12,814,788)</u>
<i>Total governmental activities</i>	<u>32,434,360</u>	<u>34,090,885</u>	<u>42,008,210</u>	<u>34,596,932</u>	<u>49,292,991</u>	<u>69,948,178</u>	<u>71,102,867</u>
<i>Business-type activities:</i>							
Taxes	959,931	418	2,387	-	-	1,915,990	1,653,742
Other Taxes	-	-	921,576	8,949,634	13,748,846	1,519,485	2,297,497
Investment income	262,845	473,278	970,249	3,800,938	6,011,581	7,649,712	3,083,021
Gain on sale of assets	-	-	-	-	147,732	-	415,530
Miscellaneous revenues	163,447	5,520,406	146,264	-	372,568	11,546,718	1,033,437
Impairment loss on Capital assets	-	-	-	-	(96,423,467)	-	-
Transfers	<u>(265,587)</u>	<u>6,044,370</u>	<u>8,625,219</u>	<u>14,803,295</u>	<u>12,135,874</u>	<u>22,423,340</u>	<u>12,814,788</u>
<i>Total business-type activities</i>	<u>1,120,636</u>	<u>12,038,472</u>	<u>10,665,695</u>	<u>27,553,867</u>	<u>(64,006,866)</u>	<u>45,055,245</u>	<u>21,298,015</u>
Total primary government	<u>33,554,996</u>	<u>46,129,357</u>	<u>52,673,905</u>	<u>62,150,799</u>	<u>(14,713,875)</u>	<u>115,003,423</u>	<u>92,400,882</u>
Change in Net Assets							
Governmental activities	\$ 5,060,116	\$ 63,428,315	\$ 26,603,108	\$ 78,446,478	\$ 33,463,829	\$ 13,280,797	\$ 2,899,713
Business-type activities	<u>(2,876,713)</u>	<u>4,606,094</u>	<u>(7,151,140)</u>	<u>(4,543,655)</u>	<u>(106,909,840)</u>	<u>5,555,077</u>	<u>(11,632,850)</u>
Total primary government	<u>\$ 2,183,403</u>	<u>\$ 68,034,409</u>	<u>\$ 19,451,968</u>	<u>\$ 73,902,823</u>	<u>\$ (73,446,011)</u>	<u>\$ 18,835,874</u>	<u>\$ (8,733,137)</u>

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

The City of Victorville implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

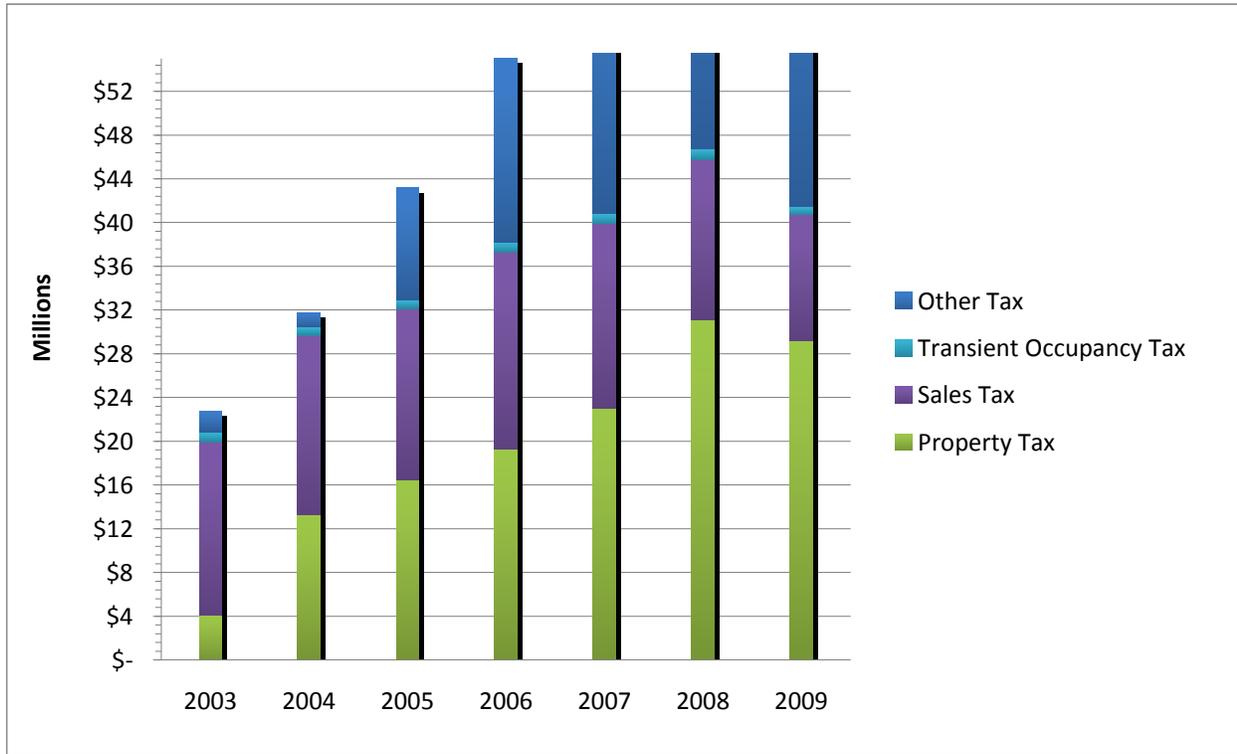
CITY OF VICTORVILLE
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund										
Reserved	\$ 309,276	\$ 1,582,375	\$ 14,304,898	\$ 17,083,641	\$ 11,566,436	\$ 12,133,389	\$ 9,566,911	\$ 1,556,646	\$ 323,363	\$ 247,798
Unreserved	<u>2,180,391</u>	<u>13,039,724</u>	<u>802,405</u>	<u>4,887,187</u>	<u>13,968,143</u>	<u>16,738,873</u>	<u>17,987,079</u>	<u>21,110,855</u>	<u>12,132,307</u>	<u>10,398,067</u>
Total general fund	<u>2,489,667</u>	<u>14,622,099</u>	<u>15,107,303</u>	<u>21,970,828</u>	<u>25,534,579</u>	<u>28,872,262</u>	<u>27,553,990</u>	<u>22,667,501</u>	<u>12,455,670</u>	<u>10,645,865</u>
All other governmental funds										
Reserved, reported in:										
Special revenue funds	(1,196,086)	23,733,307	4,822,038	5,902,455	6,947,588	7,041,550	5,774,543	49,123,433	19,345,203	22,113,147
Capital project funds	-	-	2,843,364	-	82,455	5,971,040	14,640,077	32,994,580	7,782,709	17,576,966
Debt service funds	10,782,242	-	1,507,131	4,025,886	3,105,981	3,000,211	24,514,693	13,502,640	8,357,766	1,922,588
Unreserved, reported in:										
Special revenue funds	-	-	21,753,113	20,329,432	22,953,864	23,577,603	40,316,037	(399,984)	36,417,056	30,287,665
Capital project funds	4,896,675	(1,133,380)	(1,830,095)	3,561,313	17,557,556	25,993,677	19,313,832		27,367,568	20,471,540
Debt service funds	-	<u>10,045,385</u>	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>14,482,831</u>	<u>32,645,312</u>	<u>29,095,551</u>	<u>33,819,086</u>	<u>50,647,444</u>	<u>65,584,081</u>	<u>104,559,182</u>	<u>95,220,669</u>	<u>99,270,302</u>	<u>92,371,906</u>

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

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenue										
Taxes	\$23,312,280	\$26,267,838	\$25,619,433	\$29,903,411	\$40,713,012	\$42,221,323	\$53,139,033	\$61,275,481	\$57,129,482	\$49,597,910
Licenses and permits	966,324	1,386,850	4,835,336	9,068,601	15,216,805	16,052,072	27,869,465	20,358,032	14,578,108	7,253,257
Intergovernmental	8,311,443	8,225,210	8,445,477	8,831,851	12,541,676	15,040,848	17,948,782	18,415,965	43,896,660	47,418,876
Charges for services	7,097,787	7,765,358	10,693,327	12,598,244	17,102,581	20,162,482	23,246,379	12,121,733	6,751,706	8,173,980
Fines and forfeitures	2,298,374	2,356,534	267,894	305,975	384,920	388,718	603,742	667,181	877,498	1,746,863
Investment income	(226,184)	303,940	1,180,216	789,249	972,262	1,343,342	2,377,195	3,192,587	3,389,516	2,783,944
Sale of assets	-	-	1,156,135	1,123,214	3,363,148	6,352,263	5,870	(443,416)	50,350	135,348
Other	5,319,553	2,824,293	473,880	1,748,310	1,043,624	986,373	967,741	1,801,919	3,820,968	297,991
Total revenues	<u>41,760,024</u>	<u>46,305,730</u>	<u>52,671,698</u>	<u>64,368,855</u>	<u>91,338,028</u>	<u>102,547,421</u>	<u>126,158,207</u>	<u>117,389,482</u>	<u>130,494,288</u>	<u>117,408,169</u>
Expenditures										
General government	9,747,717	4,610,797	7,488,905	5,782,994	6,356,440	8,158,233	9,087,197	12,388,318	15,009,734	13,971,586
Public safety	10,657,381	12,171,318	14,206,965	14,343,261	16,157,333	20,918,791	22,123,124	25,515,698	31,072,079	34,030,728
Community development	-	-	1,252,081	10,739,526	4,952,677	1,041,639	1,266,550	4,039,305	3,374,041	7,024,471
Public works	8,514,249	15,810,013	20,752,682	24,621,608	30,634,536	35,668,636	50,088,260	27,264,528	45,252,469	38,630,350
Park and recreation	2,984,585	3,614,319	4,149,776	4,633,573	5,437,301	8,019,939	10,833,390	6,621,015	13,307,263	15,460,995
Capital outlay	5,964,676	8,106,055	-	-	-	-	-	33,740,937	-	-
Debt services:										
Principal	635,000	675,000	385,000	305,000	220,000	515,872	753,371	1,455,000	1,278,860	1,523,512
Interest & Fiscal agent charges	4,629,978	2,918,854	1,651,585	2,402,532	3,067,245	1,324,772	2,521,191	2,767,236	2,943,083	2,659,937
Total expenditures	<u>43,133,586</u>	<u>47,906,356</u>	<u>49,886,994</u>	<u>62,828,494</u>	<u>66,825,532</u>	<u>75,647,882</u>	<u>96,673,083</u>	<u>113,792,037</u>	<u>112,237,529</u>	<u>113,301,579</u>
Excess of revenues over(under) expenditures	(1,373,562)	(1,600,626)	2,784,704	1,540,361	24,512,496	26,899,539	29,485,124	3,597,445	18,256,759	4,106,590
Other financing sources(uses):										
Transfer in	3,591,931	4,399,146	6,698,937	14,235,740	6,261,465	7,506,639	9,123,057	24,113,974	27,624,275	32,716,191
Transfer out	(3,591,931)	(4,399,146)	(6,698,937)	(13,970,153)	(12,305,835)	(16,131,858)	(23,926,352)	(36,249,848)	(50,047,615)	(45,530,979)
Issuance of debt	-	-	-	9,710,000	15,220,000	-	22,975,000	1,300,000	-	-
Payment of refunded escrow agent	-	-	-	-	(13,380,000)	-	-	-	-	-
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,975,587</u>	<u>(4,204,370)</u>	<u>(8,625,219)</u>	<u>8,171,705</u>	<u>(10,835,874)</u>	<u>(22,423,340)</u>	<u>(12,814,788)</u>
Net change in fund balances	<u>(1,373,562)</u>	<u>(1,600,626)</u>	<u>2,784,704</u>	<u>11,515,948</u>	<u>20,308,126</u>	<u>18,274,320</u>	<u>37,656,829</u>	<u>(7,238,429)</u>	<u>(4,166,581)</u>	<u>(8,708,198)</u>
Debt service as a percentage of noncapital expenditures	12.2%	7.5%	4.1%	4.3%	4.9%	2.4%	3.4%	3.7%	3.8%	3.7%

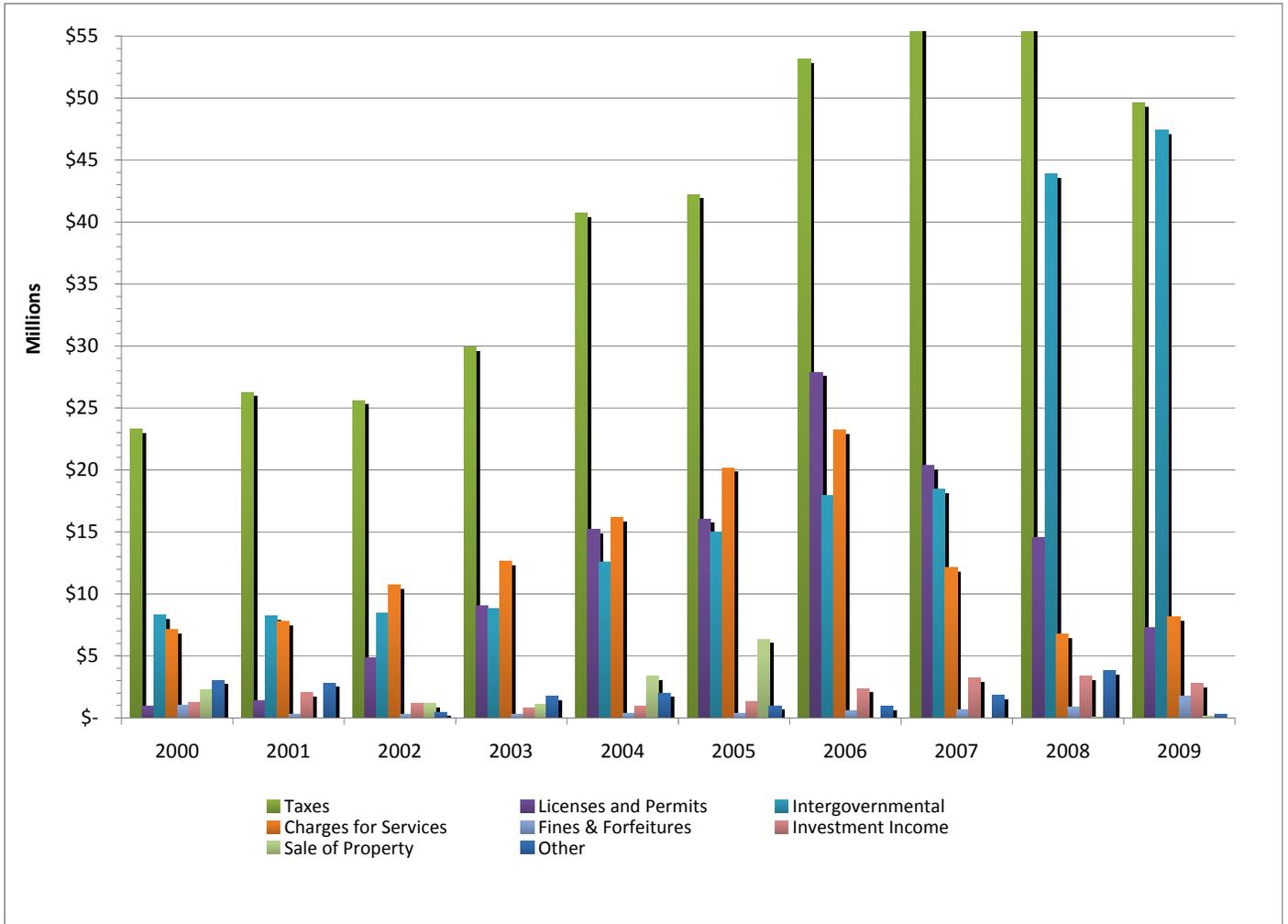
CITY OF VICTORVILLE
 GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
 LAST SEVEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (AMOUNTS EXPRESSED IN THOUSANDS)



<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Transient Occupancy Tax</u>	<u>Other Tax</u>	<u>Total</u>
2003	4,110,804	15,826,367	957,329	1,824,683	22,719,183
2004	13,255,740	16,456,113	747,957	1,284,656	31,744,466
2005	16,499,226	15,640,652	760,543	10,282,719	43,183,140
2006	19,297,789	18,008,211	895,302	16,870,245	55,071,547
2007	23,076,789	16,835,374	950,412	30,019,553	70,882,128
2008	31,145,639	14,625,732	964,075	41,915,940	88,651,386
2009	29,173,413	11,555,538	784,273	42,834,332	84,347,556

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

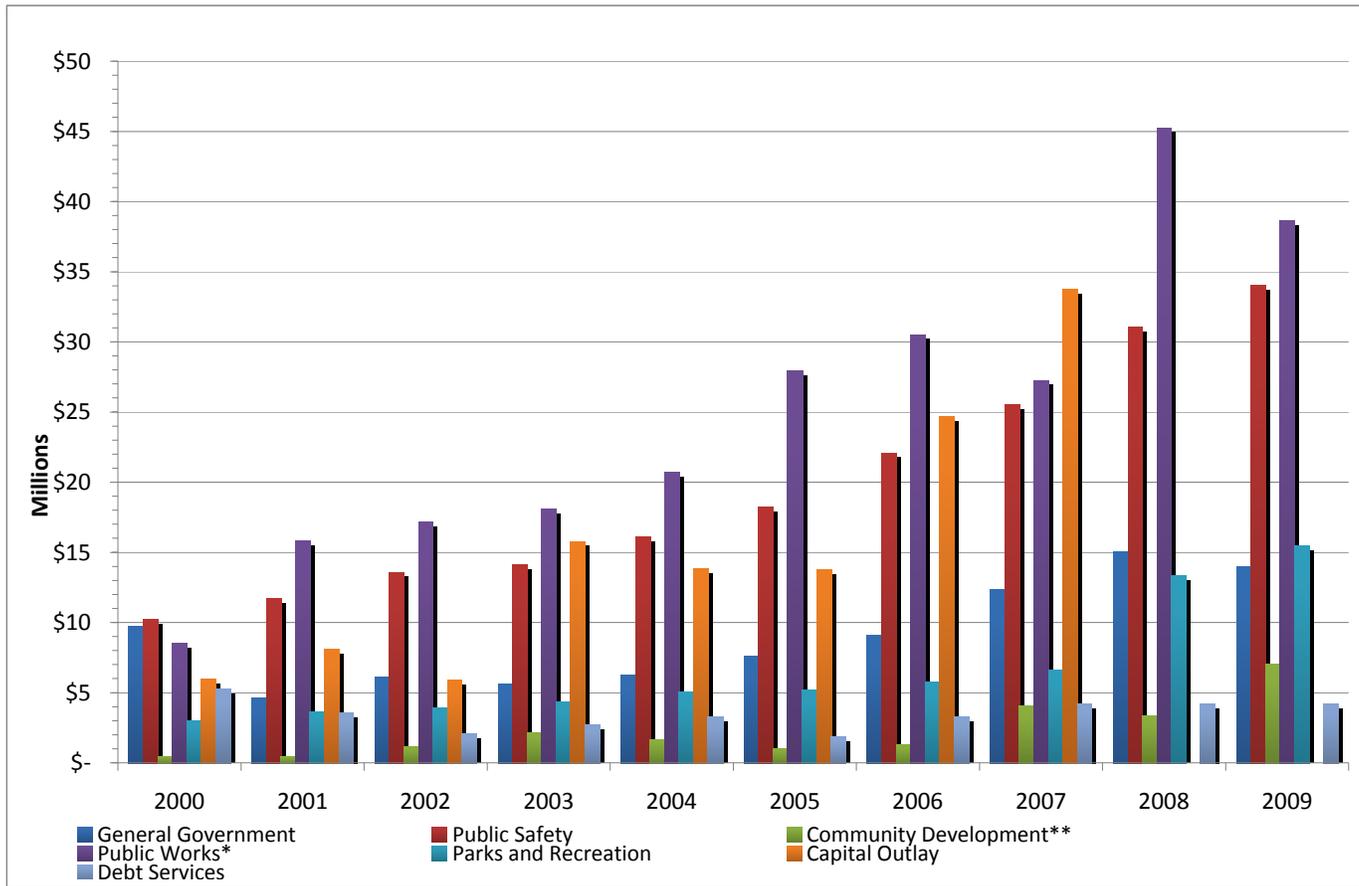
CITY OF VICTORVILLE
 GENERAL GOVERNMENT REVENUES BY SOURCE
 ALL GOVERNMENTAL FUND TYPES
 LAST TEN FISCAL YEARS



Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines & Forfeitures	Investment Income	Sale of Property	Other	Total
2000	23,312,280	966,324	8,311,443	7,097,787	1,035,611	1,262,763	2,282,842	3,036,711	47,305,761
2001	26,267,838	1,386,850	8,225,210	7,765,358	298,611	2,053,495	4,428	2,824,293	48,826,083
2002	25,619,433	4,835,336	8,445,477	10,693,327	267,894	1,180,216	1,156,135	473,880	52,671,698
2003	29,903,411	9,068,601	8,831,851	12,598,244	305,975	789,249	1,123,214	1,748,310	64,368,855
2004	40,713,012	15,216,805	12,541,676	16,147,031	384,920	972,262	3,363,148	1,999,174	91,338,028
2005	42,221,323	16,052,072	15,040,848	20,162,482	388,718	1,343,342	6,352,263	986,373	102,547,421
2006	53,139,033	27,869,465	17,948,782	23,246,379	603,742	2,377,195	-	967,741	126,152,337
2007	61,275,481	20,358,032	18,415,965	12,121,733	667,181	3,192,587	-	1,801,919	117,832,898
2008	57,128,482	14,578,108	43,896,660	6,751,706	877,498	3,389,516	50,350	3,820,968	130,493,288
2009	49,597,910	7,253,257	47,418,876	8,173,980	1,746,863	2,783,944	135,348	297,991	117,408,169

Source: City of Victorville Comprehensive Annual Financial Reports.

CITY OF VICTORVILLE
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS



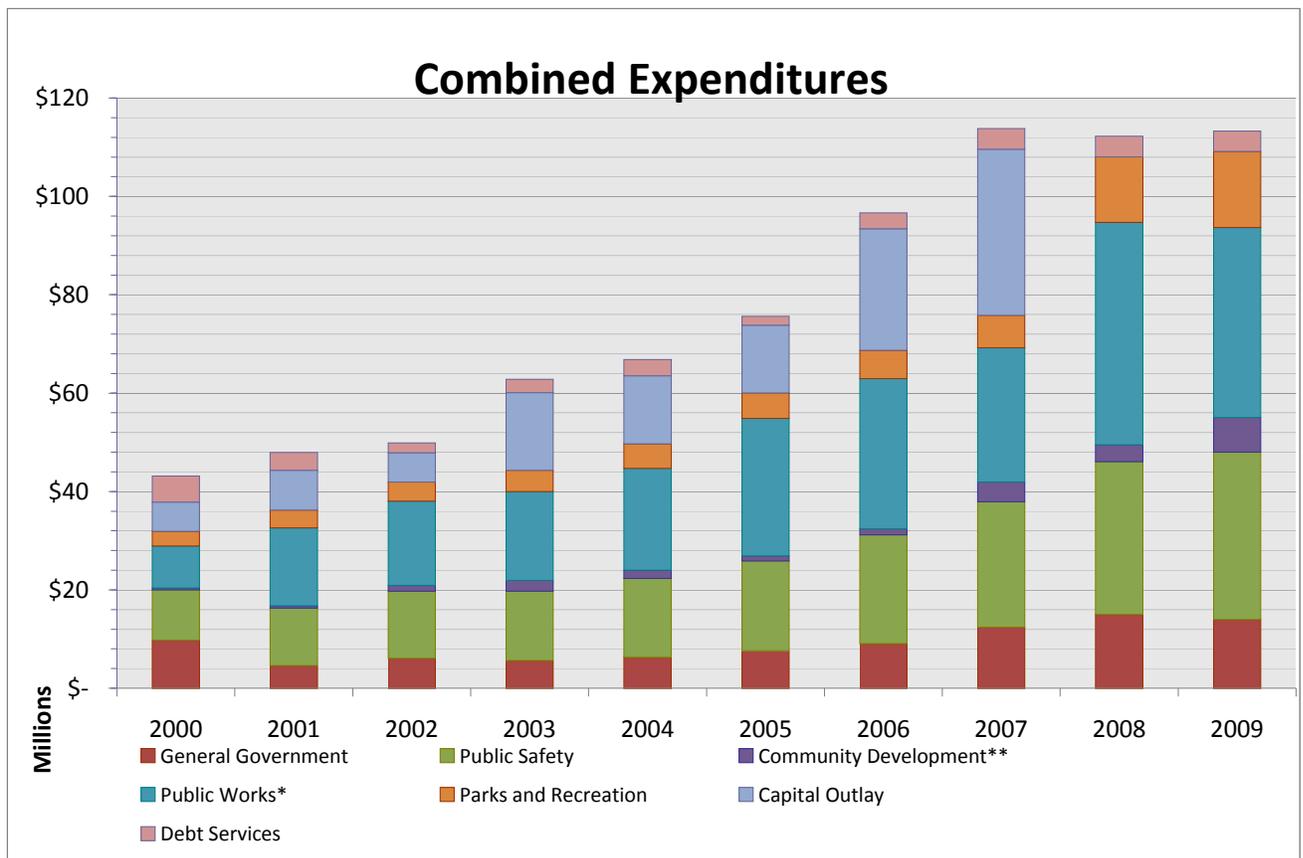
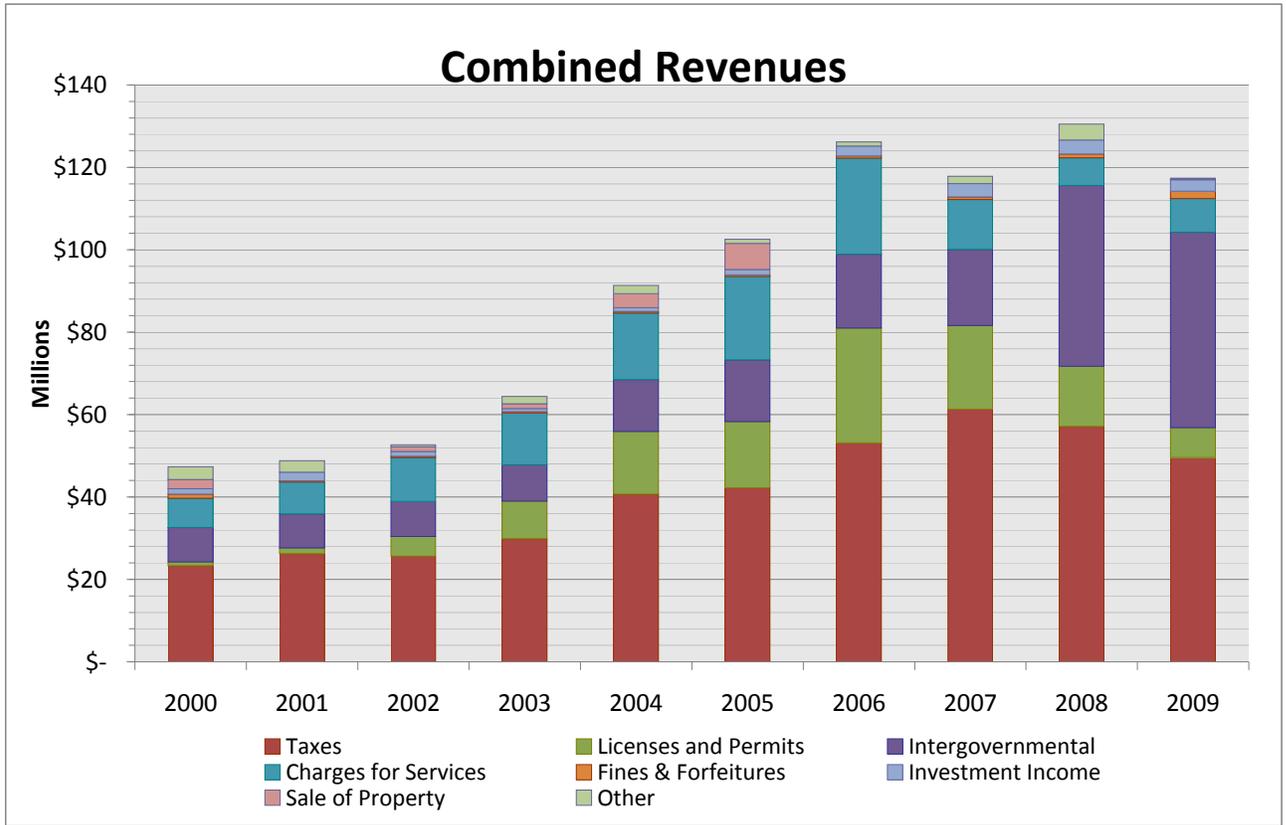
Fiscal Year	General Government	Public Safety	Community Development**	Public Works*	Parks and Recreation	Capital Outlay	Debt Services	Total
2000	9,747,717	10,214,033	443,348	8,514,249	2,984,585	5,964,676	5,264,978	43,133,586
2001	4,610,797	11,718,848	452,470	15,810,013	3,614,319	8,106,055	3,593,854	47,906,356
2002	6,112,016	13,592,014	1,184,198	17,145,833	3,912,438	5,903,911	2,036,585	49,886,994
2003	5,615,157	14,112,613	2,171,922	18,064,219	4,370,306	15,786,746	2,707,532	62,828,494
2004	6,246,640	16,081,892	1,652,499	20,693,373	5,038,100	13,825,784	3,287,245	66,825,533
2005	7,629,983	18,230,387	1,041,639	27,949,027	5,213,240	13,742,960	1,840,644	75,647,880
2006	9,087,174	22,087,370	1,266,550	30,517,986	5,773,339	24,666,102	3,274,562	96,673,083
2007	12,388,318	25,515,698	4,039,305	27,264,528	6,621,015	33,740,937	4,222,236	113,792,037
2008	15,009,734	31,072,079	3,374,041	45,252,469	13,307,263	-	4,221,943	112,237,529
2009	13,971,586	34,030,728	7,024,474	38,630,350	15,460,995	-	4,183,449	113,301,582

*Public Works expenditures are comprised of Engineering, Building & Safety, Planning, and Public Works.

**Community Development expenditures are comprised of Redevelopment and Economic Development.

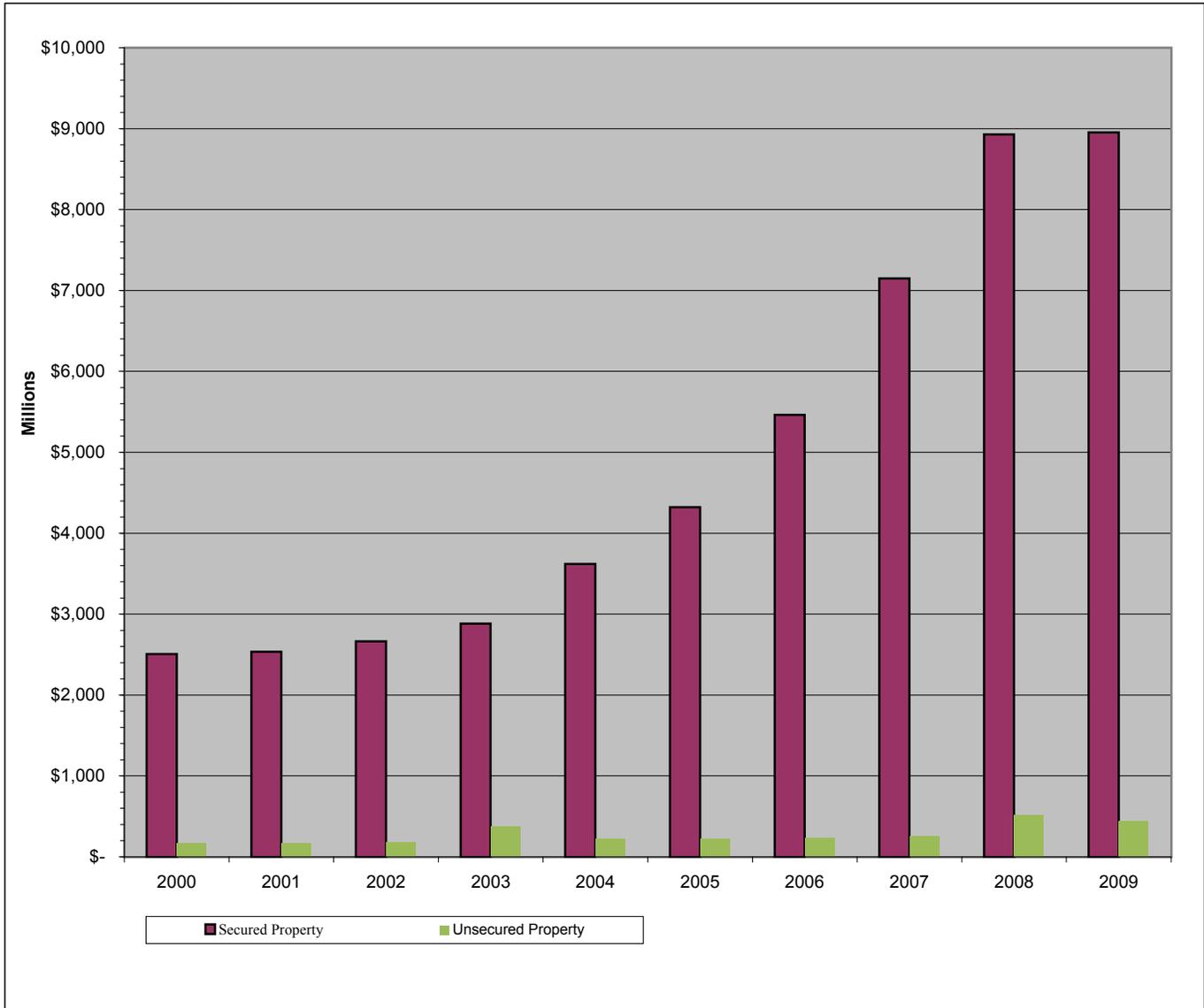
Source: City of Victorville Comprehensive Annual Financial Reports.

CITY OF VICTORVILLE
 COMBINED REVENUES AND EXPENDITURES
 LAST TEN FISCAL YEARS



Source: City of Victorville Comprehensive Annual Financial Reports.

CITY OF VICTORVILLE
 ASSESSED VALUE OF PROPERTY
 LAST TEN FISCAL YEARS



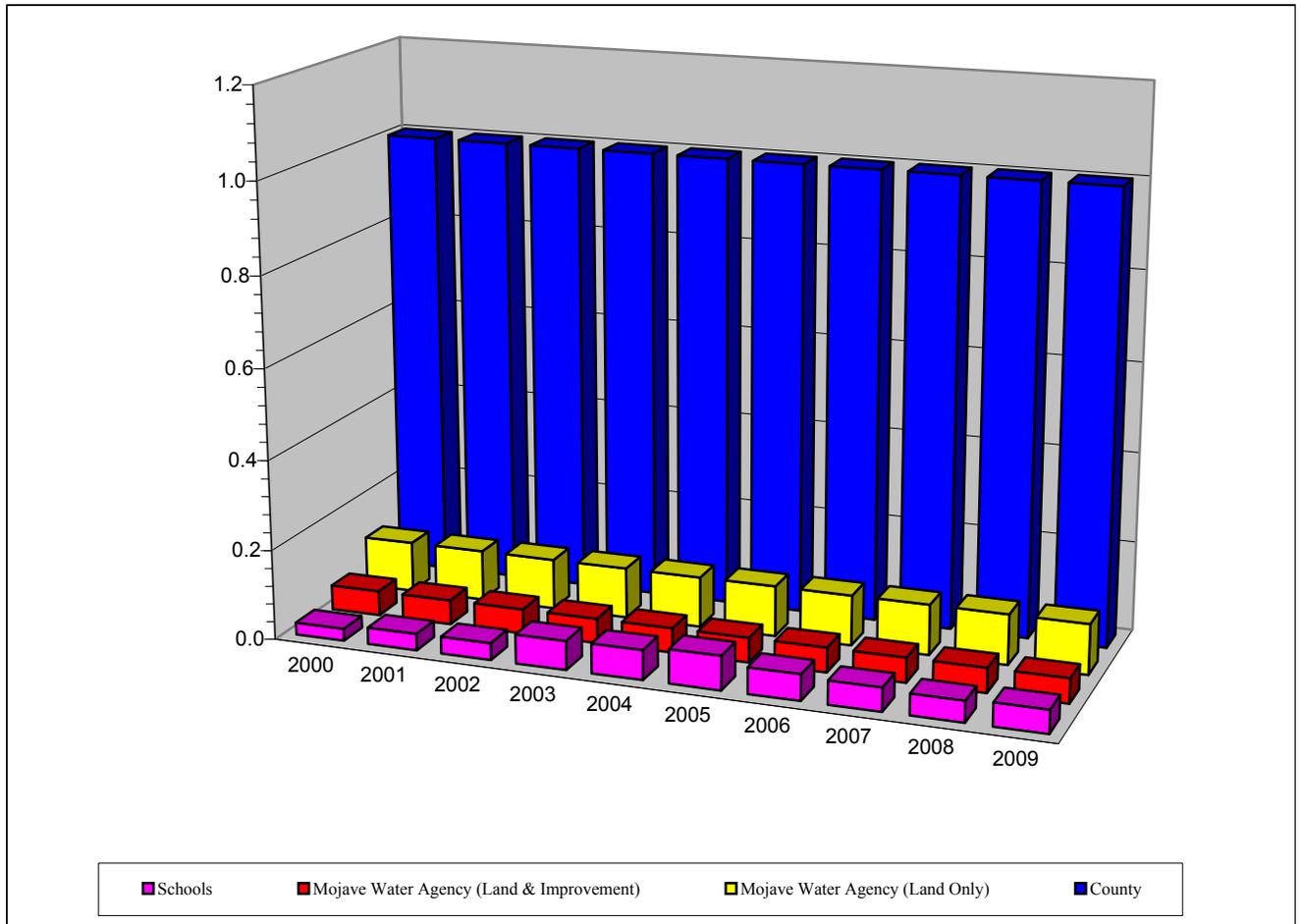
<u>Fiscal Year</u>	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>Exemptions</u>	<u>Total Assessed</u>
2000	2,508,611,362	168,460,263	68,428,045	2,608,643,580
2001	2,533,888,969	162,122,941	66,925,039	2,629,086,871
2002	2,664,492,621	185,506,058	69,635,609	2,780,363,070
2003	2,882,111,100	377,596,247	70,828,458	3,188,878,889
2004	3,619,342,427	222,374,575	75,921,932	3,765,795,070
2005	4,321,679,328	219,013,498	78,759,094	4,461,933,732
2006	5,461,474,235	232,280,144	83,226,084	5,610,528,295
2007	7,147,243,820	253,572,707	87,798,142	7,313,018,385
2008	8,928,879,191	515,880,511	91,831,445	9,352,928,257
2009	8,952,012,736	438,988,575	95,349,190	9,295,652,121

*The total assessed value includes both residential and commercial properties.

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

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

RATE PER \$100 OF ASSESSED VALUE



<u>Fiscal Year</u>	<u>County</u>	<u>Schools</u>	<u>Mojave Water Agency (Land Only)</u>	<u>Mojave Water Agency (Land & Improvement)</u>	<u>Total All Rates</u>
2000	1.0000	0.0270	0.1125	0.0550	1.1945
2001	1.0000	0.0369	0.1126	0.0550	1.2045
2002	1.0000	0.0378	0.1125	0.0550	1.2053
2003	1.0000	0.0644	0.1125	0.0550	1.2319
2004	1.0000	0.0663	0.1125	0.0550	1.2338
2005	1.0000	0.0758	0.1125	0.0550	1.2433
2006	1.0000	0.0584	0.1125	0.0550	1.2259
2007	1.0000	0.0520	0.1125	0.0550	1.2195
2008	1.0000	0.0469	0.1125	0.0550	1.2144
2009	1.0000	0.0511	0.1125	0.0550	1.2186

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

CITY OF VICTORVILLE
 PRINCIPAL PROPERTY TAXPAYERS
 JUNE 30,2009

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
High Desert Power Trust 2000-A	\$ 468,000,000	1	5.2%
Marcerich Victor Valley LLC	115,336,888	2	1.3%
Sagebrush Properties Inc	23,139,120	3	0.3%
Cemex Inc	76,583,475	4	0.9%
AGC Flat Glass North America	28,952,962	5	0.3%
Federal National Mortgage Association	39,121,671	6	0.4%
Prime A Investment LLC	36,751,991	7	0.4%
Empire Homes II LLC	33,060,343	8	0.4%
St Mary Medical Center	27,947,400	9	0.3%
Goodyear Tire and Rubber Company	26,918,188	10	0.3%
	<u>\$ 875,812,038</u>		<u>9.8%</u>

Source: HdL Coren & Cone, San Bernardino County Assessor 2008/2009 Combined Tax Rolls.

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
2000	1,552,795	1,483,424	95.53%
2001	1,570,816	1,508,039	96.00%
2002	1,570,160	1,524,063	97.06%
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%

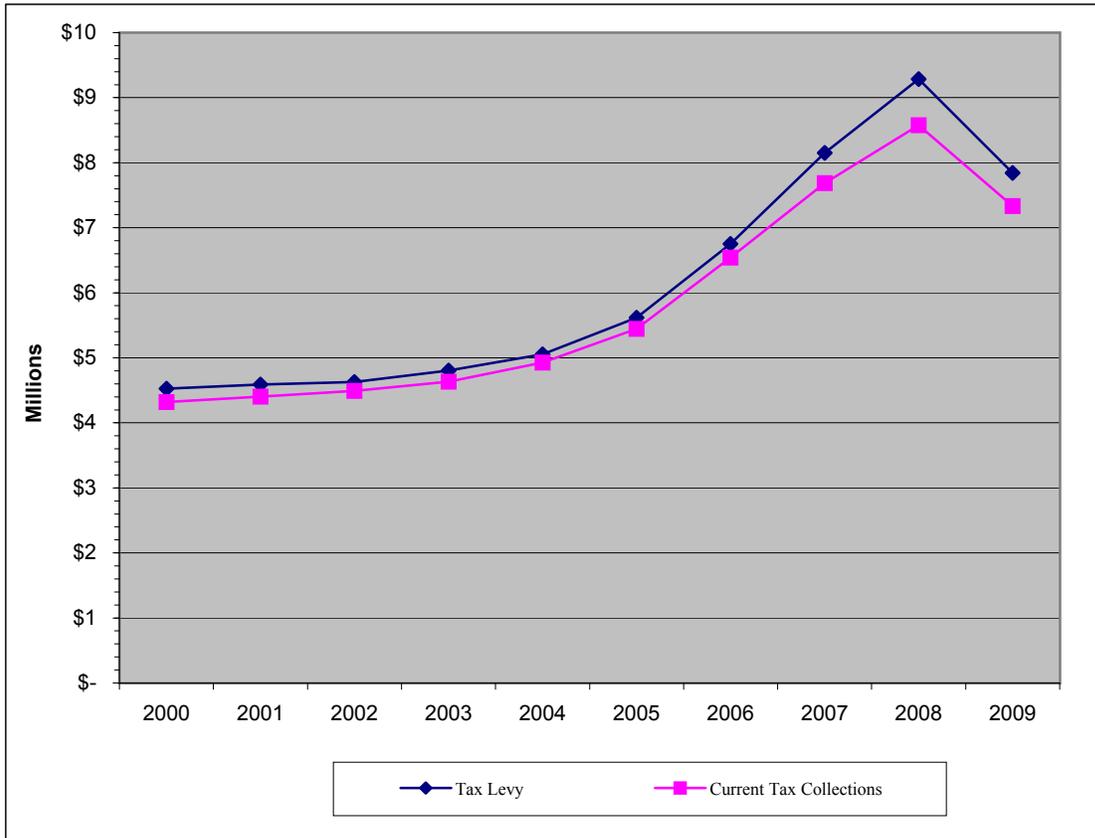
<i>Street Lighting district</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2000	433,246	413,770	95.50%
2001	440,029	422,362	95.99%
2002	441,735	428,574	97.02%
2003	450,944	434,619	96.38%
2004	460,362	448,560	97.44%
2005	495,603	482,888	97.43%
2006	595,086	574,487	96.54%
2007	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%

<i>Park District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2000	1,683,370	1,606,300	95.42%
2001	1,710,249	1,641,800	96.00%
2002	1,740,470	1,686,784	96.92%
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	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%

<i>Sanitary District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2000	856,516	817,119	95.40%
2001	866,195	831,555	96.00%
2002	877,651	850,364	96.89%
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	709,380	669,623	94.40%
2008	825,315	738,129	89.44%
2009	670,915	628,604	93.69%

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

CITY OF VICTORVILLE
PROPERTY TAX LEVIES AND COLLECTION ALL DISTRICTS
LAST TEN FISCAL YEARS



<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2000	4,525,926	4,320,614	95.46%
2001	4,587,289	4,403,756	96.00%
2002	4,630,016	4,489,785	96.97%
2003	4,802,463	4,632,774	96.47%
2004	5,055,395	4,924,664	97.41%
2005	5,615,449	5,445,678	96.98%
2006	6,752,220	6,541,484	96.88%
2007	8,149,784	7,684,922	94.30%
2008	9,283,623	8,576,386	92.38%
2009	7,841,974	7,334,020	93.52%

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

CITY OF VICTORVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-Type Activities						
	Certificate of Participation	Tax Allocation Bonds	Capital Lease Agreement	Total Governmental Activities	Lease Revenue Bonds	Revenue Bonds	Tax Allocation Bonds	Lease Purchase Agreement	Notes Payable	Business-Type Activities	Total Primary Government
2000	1,060,000	14,355,000	-	15,415,000	-	3,110,000	-	-	-	3,110,000	18,525,000
2001	975,000	14,065,000	-	15,040,000	-	3,042,500	-	-	-	3,042,500	18,082,500
2002	885,000	13,770,000	-	14,655,000	-	2,965,000	12,819,950	-	-	15,784,950	30,439,950
2003	790,000	23,175,000	-	23,965,000	-	2,882,500	12,845,108	2,300,000	-	18,027,608	41,992,608
2004	690,000	24,895,000	-	25,585,000	-	2,808,943	56,349,426	2,144,669	-	61,303,038	86,888,038
2005	590,000	24,605,000	-	25,195,000	41,000,000	2,683,071	97,688,154	3,528,760	-	144,899,985	170,094,985
2006	480,000	47,070,000	-	47,550,000	41,000,000	2,549,700	149,782,030	3,111,273	20,000,000	216,443,003	263,993,003
2007	370,000	45,725,000	1,648,615	47,743,615	83,770,000	2,413,829	280,737,081	5,809,563	-	372,730,473	420,474,088
2008	255,000	44,945,000	2,112,450	47,312,450	83,770,000	2,261,329	329,739,837	4,498,065	25,385,000	445,654,231	492,966,681
2009	130,000	44,130,000	1,528,938	45,788,938	83,770,000	2,124,586	328,976,249	3,620,141	-	418,490,976	464,279,914

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

CITY OF VICTORVILLE
 RATIO OF NET GENERAL BONDED DEBT
 TO ASSESSED VALUE AND NET GENERAL BONDED DEBT PER CAPITA
 LAST TEN FISCAL YEARS

	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
2000	63,024	2,608,643,580	1,060,000	0.04%	16.82
2001	64,455	2,629,086,871	975,000	0.04%	15.13
2002	67,561	2,780,363,070	885,000	0.03%	13.10
2003	69,339	3,188,878,889	790,000	0.02%	11.39
2004	77,679	3,765,795,070	690,000	0.02%	8.88
2005	86,473	4,461,933,732	41,590,000	0.93%	480.96
2006	95,145	5,610,528,295	41,480,000	0.74%	435.97
2007	102,538	7,313,018,385	83,770,000	1.15%	816.97
2008	107,408	9,352,928,257	83,770,000	0.90%	779.92
2009	109,441	9,295,652,121	83,770,000	0.90%	765.44

Source: City of Victorville Comprehensive Annual Financial Reports

CITY OF VICTORVILLE
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 JUNE 30, 2009

2008-09 Assessed Valuation: \$9,391,001,311
 Redevelopment Incremental Valuation: 5,049,097,511
 Adjusted Assessed Valuation: \$4,341,903,800

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/09	% Applicable (1)	City's Share of Debt 6/30/09
Victor Valley Joint Community College District	\$136,022,028	21.278%	\$ 28,942,767
Victor Valley Joint Union High School District	20,020,878	52.352	10,481,330
Adelanto School District	14,343,556	29.983	4,300,628
Oro Grande School District	740,000	1.180	8,732
Victor School District	37,680,201	75.254	28,355,858
Mojave Water Agency	20,205,000	17.840	3,604,572
Adelanto School District Community Facilities District No. 1, I.A. A	17,080,000	100.	17,080,000
Adelanto School District Community Facilities District No.2	3,510,000	100.	3,510,000
Hesperia Unified School District Community Facilities Districts	9,850,000	100.	9,850,000
Snowline Joint Unified School District Community Facilities Districts	12,140,000	100.	12,140,000
Victor School District Community Facilities Districts	17,580,000	100.	17,580,000
Victor Valley Joint Union High School Dist Comm Facilities Dist No. 2003-1	2,825,000	100.	2,825,000
City of Victorville Community Facilities Districts (Estimate)	9,315,000	100.	9,315,000
Victorville Water District 1915 Act Bonds	3,160,000	100.	<u>3,160,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$151,153,887
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Bernardino County General Fund Obligations	\$741,470,000	3.444%	\$ 25,536,227
San Bernardino Pension Obligations	688,325,591	3.444	23,705,933
San Bernardino County Flood Control District	117,495,000	3.444	4,046,528
Victor Valley Joint Community College District Certificates of Participation	52,050,000	21.278	11,075,199
Victor Valley Union High School District Certificates of Participation	8,805,000	52.352	4,609,594
Hesperia Unified School District Certificates of Participation	105,000,000	2.814	2,954,700
Snowline Joint Unified School District Certificates of Participation	63,715,000	11.717	7,465,487
Adelanto School District Certificates of Participation	9,495,000	29.983	2,846,886
Victor School District Certificates of Participation	8,515,000	75.254	6,407,878
City of Victorville General Fund Obligations	83,770,000	100.	83,770,000
Victorville Recreation and Park District Certificates of Participation	122,064	80.495	<u>98,255</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$172,516,687
 COMBINED TOTAL DEBT			 \$323,670,574

(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 2008-09 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.61%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$83,770,000)..... 1.93%
 Combined Total Debt..... 7.45%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

AB:(\$425)

Source: California Municipal Statistics, Inc

CITY OF VICTORVILLE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

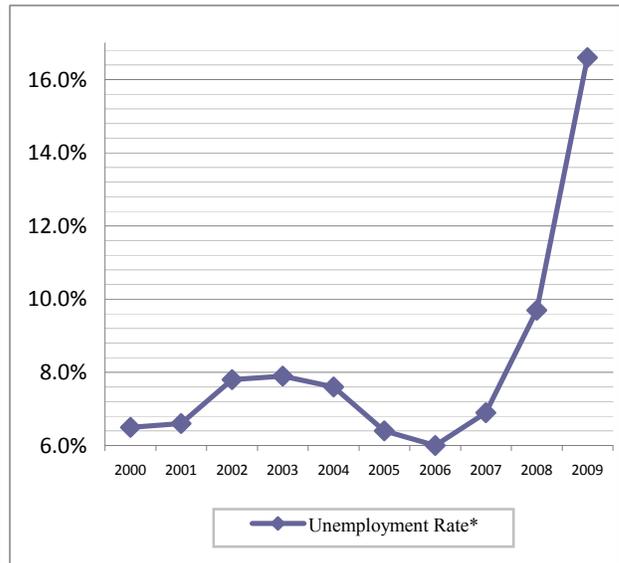
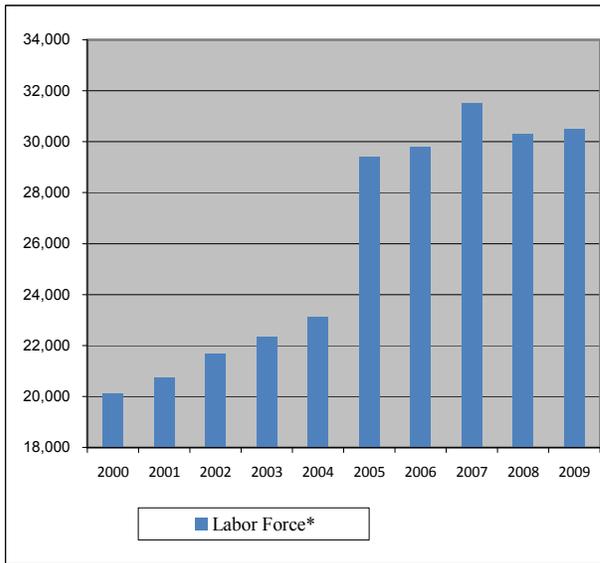
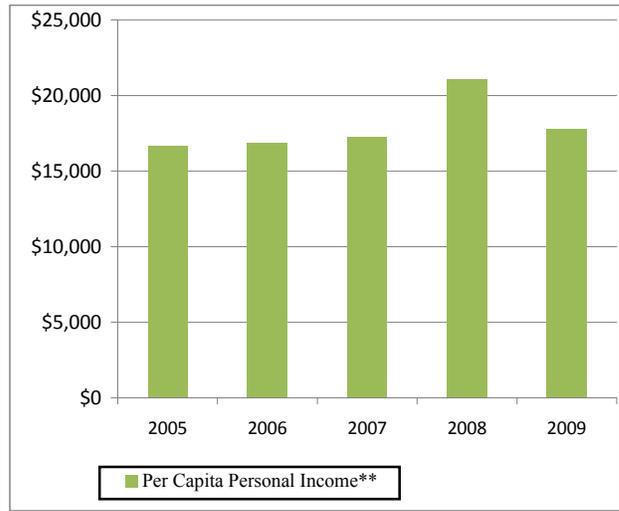
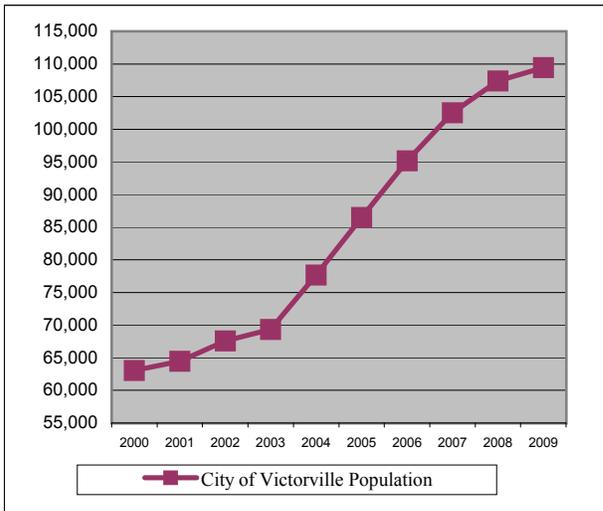
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	394,363,031	417,054,461	478,331,833	564,869,261	669,290,060	841,579,244	454,069,283	740,081,653	944,475,970	939,100,131
Total net debt applicable to limit	<u>1,060,000</u>	<u>975,000</u>	<u>885,000</u>	<u>790,000</u>	<u>690,000</u>	<u>41,590,000</u>	<u>41,480,000</u>	<u>83,770,000</u>	<u>83,770,000</u>	<u>83,770,000</u>
Legal debt margin	<u>393,303,031</u>	<u>416,079,461</u>	<u>477,446,833</u>	<u>564,079,261</u>	<u>668,600,060</u>	<u>799,989,244</u>	<u>412,589,283</u>	<u>656,311,653</u>	<u>860,705,970</u>	<u>855,330,131</u>
Total net debt applicable to the limit as a percentage of debt limit	0.27%	0.23%	0.19%	0.14%	0.10%	4.94%	9.14%	11.32%	8.87%	8.92%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 9,352,928,257
Add back: exempt real property	<u>91,831,445</u>
Total assessed value	9,444,759,702
Debt Limit (10% of total assessed value)	944,475,970
Debt applicable to limit:	
General obligation bond	83,770,000
Less: Amount set aside for repayment	-
Total net debt applicable to limit	<u>83,770,000</u>
Legal debt margin	<u>\$ 860,705,970</u>

Note: Under State finance law, the City of Victorville's outstanding general obligation debt should not exceed 10 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
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>City of Victorville Population</u>	<u>Labor Force*</u>	<u>Unemployment Rate*</u>	<u>Per Capita Personal Income**</u>
2000	63,024	20,120	6.5%	
2001	64,455	20,750	6.6%	
2002	67,561	21,670	7.8%	
2003	69,339	22,340	7.9%	
2004	77,679	23,150	7.6%	
2005	86,473	29,400	6.4%	\$16,662
2006	95,145	29,800	6.0%	\$16,850
2007	102,538	31,500	6.9%	\$17,236
2008	107,408	30,300	9.7%	\$21,080
2009	109,441	30,500	16.6%	\$17,809

*Source: State of California, Employment Development Department.

**As part of the new requirement by GASB 44, the City has elected to show only five years of Per Capita Personal Income data.

CITY OF VICTORVILLE
PRINCIPAL EMPLOYERS
JUNE 30, 2009

<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Southern California Logistics Airport	2073	6.80%
Victor Valley College	1150	3.77%
Desert Valley Hospital/Medical Group	1000	3.28%
Verizon	940	3.08%
Victor Valley Union High School District	877	2.88%
Victor Elementary School District	848	2.78%
Federal Correction Complex Victorville	844	2.77%
Walmart	830	2.72%
Victor Valley Community Hospital	548	1.80%

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

Source: City of Victorville Economic Development Department.

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

Function	Full-Time and Part-time Employees as of June 30									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government	33	42	45	51	57	70	77	103	102	93
Public Safety *	47	53	63	66	71	93	114	119	79	17
Public Works	72	83	98	107	127	152	195	202	183	181
Community Development	2	3	3	3	6	6	8	9	15	14
Community Services	37	44	53	64	78	95	136	176	67	67
Airport	0	2	6	8	11	12	20	26	27	25
Municipal Utilities**	0	0	1	1	4	7	11	16	14	1
Water									58	54
Total	191	227	269	300	354	435	561	651	545	452

* Only includes Fire Services.

* Some of the Fire Services staff moved to the County during fiscal year 2009 as part of the contract for service.

** Municipal Utilities staff became part of Public Works Department during fiscal year 2009.

Source: City of Victorville Finance Department.

CITY OF VICTORVILLE
OPERATION INDICATORS BY FUNCTION
LAST FOUR FISCAL YEARS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public Safety				
Police				
Physical arrests	4,684	5,555	7,244	5,066
Traffic Violations	9,063	10,400	6,101	5,472
Public Works				
Street Maintenance				
Streets resurfacing (miles)	1,413	1,419	-	-
Potholes repaired	4,321	5,035	3,148	2,648
Graffiti removal	5,224	7,773	8,092	7,126
Street sweeping (tons)	1,810	1,560	2,768	2,532
Sanitation				
Refuse collected (tons/day)	224	208	190	172
Recyclables collected (tons/day)	44	45	40	36
Community Services				
Park and Recreation				
Athletic field permits issued	4,215	4,382	4,596	4,597
Community center enrollments	54,244	50,757	49,611	43,216
Facilities rental used	3,177	2,469	3,200	2,695
Airport				
Number of tenant aircraft	125	20	200	300
Number of aircraft movement	41,000	60,465	50,000	62,000
Pounds of air cargo and express cargo	400,000	650,000	500,000	500,000
Number of passengers deplaned	30,000	41,000	30,000	31,000
Municipal Utilities				
Gas				
Average daily usage (therms)	1,709	3,166	1,346	850
Number of customers	60	123	18	18
Electric				
Kilowatts produced	9,921,478	30,341,071	31,772,800	22,044,524
Number of customers	5	7	16	17

Sources: Various government departments.

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

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

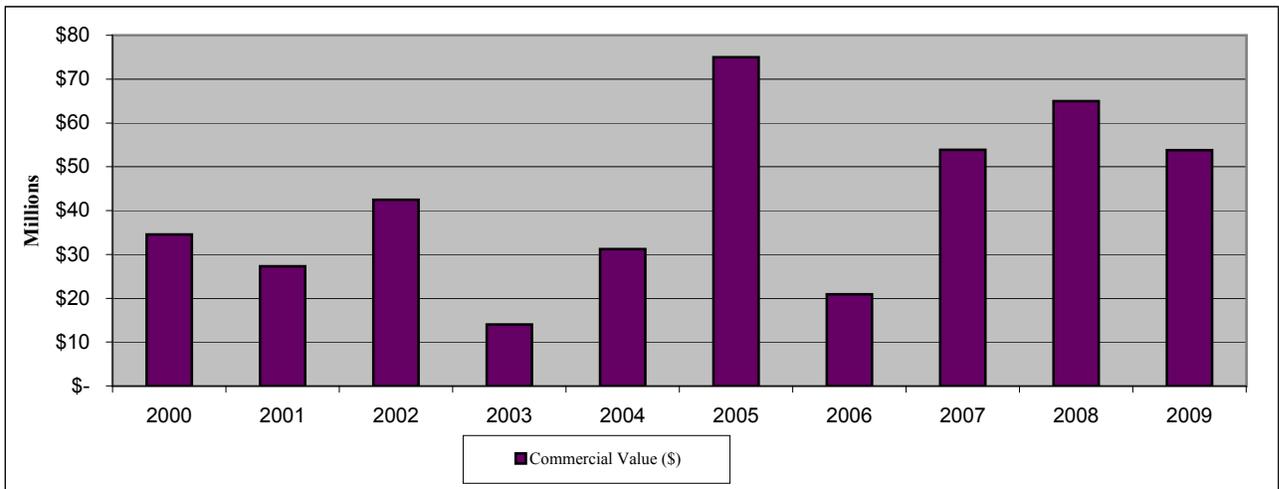
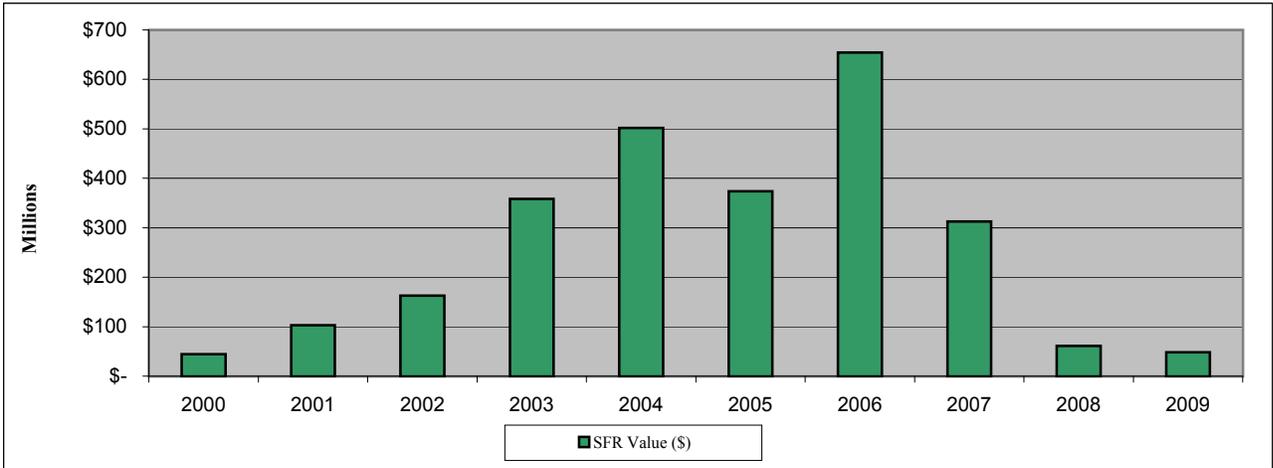
CITY OF VICTORVILLE
CAPITAL ASSET STATISTICS BY FUNCTION
LAST FOUR FISCAL YEARS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public Safety				
Police:				
Stations	1	1	1	1
Patrol Units	39	44	49	52
Fire Stations	6	6	6	6
Public Works				
Highways and streets				
Streets (miles)	401	486	448	448
Streetlights	369	335	335	335
Traffic Signals	62	72	72	72
Sewer				
Sanitary sewers (miles)	198	411	411	411
Storm sewers (miles)	469	469	471	471
Number of treatment plants	1	1	1	1
Number of service connections	17,253	36,344	35,353	36,009
Community Services				
Parks acreage	263	263	263	263
Parks	18	18	18	18
Golf courses	2	2	2	2
Swimming pools	2	2	2	2
Tennis courts	6	6	6	6
Community Centers	6	6	6	6
Airport				
Runway length (miles)	12	12	12	12
Sewer pipeline	20	20	20	25
Number of hangars	19	22	25	25
Number of buildings	67	60	50	45
Municipal Utilities				
Linear foot of gasline (ft.)	42,731	47,538	30,549	36,237
Number of meters	124	124	61	61
Number of distribution stations	2	2	2	2

Sources: Various government departments.

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

CITY OF VICTORVILLE
PROPERTY VALUES AND CONSTRUCTION
LAST TEN FISCAL YEARS



	<u>Property</u>	<u>Number</u>	<u>SFR</u>	<u>Number</u>	<u>Commercial</u>	<u>Number</u>	<u>Total</u>
	<u>Value</u>		<u>Value (\$)</u>		<u>Value (\$)</u>		<u>Value</u>
2000	2,608,643,580	345	44,417,533	27	34,547,089	372	78,964,622
2001	2,629,086,871	641	102,732,467	20	27,303,759	661	130,036,226
2002	2,780,363,070	986	162,736,629	31	42,474,677	1017	205,211,306
2003	3,188,878,889	2102	358,131,375	22	13,975,978	2124	372,107,353
2004	3,765,795,070	2894	501,929,721	30	31,228,325	2924	533,158,046
2005	4,461,933,732	2089	374,068,043	9	75,002,944	2098	449,070,987
2006	5,610,528,295	3431	654,055,508	13	20,880,886	3444	674,936,394
2007	7,313,018,385	1543	312,785,147	299	53,878,329	1842	366,663,476
2008	9,352,928,257	314	61,383,638	229	65,007,496	543	126,391,134
2009	9,295,652,121	341	48,344,964	196	53,780,751	537	102,125,715

Source: City of Victorville Building Department.

CITY OF VICTORVILLE
BREAKDOWN OF BASIC 1% PROPERTY TAX RATE

<u>Taxing Agency</u>	<u>FY 2008/09 Rate</u>	<u>FY 2007/08 Rate</u>	<u>FY 2006/07 Rate</u>	<u>FY 2005/06 Rate</u>	<u>FY 2004/05 Rate</u>	<u>FY 2003/04 Rate</u>	<u>FY 2002/03 Rate</u>	<u>FY 2001/02 Rate</u>
ERAF*	\$ 0.205	\$ 0.205	\$ 0.205	\$ 0.212	\$ 0.212	\$ 0.211	\$ 0.211	\$ 0.211
Victor Elementary School	\$ 0.198	\$ 0.198	\$ 0.198	\$ 0.205	\$ 0.205	\$ 0.207	\$ 0.207	\$ 0.207
Victor Valley High School	\$ 0.166	\$ 0.166	\$ 0.166	\$ 0.172	\$ 0.172	\$ 0.172	\$ 0.172	\$ 0.172
County General Fund	\$ 0.136	\$ 0.136	\$ 0.135	\$ 0.140	\$ 0.140	\$ 0.139	\$ 0.139	\$ 0.139
Victor Valley Community College	\$ 0.061	\$ 0.061	\$ 0.061	\$ 0.063	\$ 0.063	\$ 0.063	\$ 0.063	\$ 0.063
Victorville Fire District	\$ 0.058	\$ 0.058	\$ 0.058	\$ 0.060	\$ 0.060	\$ 0.061	\$ 0.061	\$ 0.061
Victorville Park District	\$ 0.051	\$ 0.051	\$ 0.051	\$ 0.053	\$ 0.053	\$ 0.053	\$ 0.053	\$ 0.053
Victorville Street Lighting District	\$ 0.034	\$ 0.034	\$ 0.034					
Victorville Sanitary District	\$ 0.033	\$ 0.033	\$ 0.032	\$ 0.034	\$ 0.034	\$ 0.034	\$ 0.034	\$ 0.034
Flood Control Zone 6	\$ 0.021	\$ 0.021	\$ 0.021	\$ 0.022	\$ 0.022	\$ 0.022	\$ 0.022	\$ 0.022
County Free Library	\$ -	\$ -		\$ 0.0136	\$ 0.0136	\$ 0.0135	\$ 0.0135	\$ 0.0135
City of Victorville	\$ 0.0131	\$ 0.0131	\$ 0.0131					
CSA 60 Victorville	\$ 0.0094	\$ 0.0094	\$ 0.0094	\$ 0.0097	\$ 0.0097	\$ 0.0097	\$ 0.0097	\$ 0.0097
Mojave Water Agency	\$ 0.0048	\$ 0.0048	\$ 0.0048	\$ 0.0049	\$ 0.0049	\$ 0.0048	\$ 0.0048	\$ 0.0048
County Superintendent	\$ 0.0092	\$ 0.0092	\$ 0.0092	\$ 0.0076	\$ 0.0076	\$ 0.0095	\$ 0.0095	\$ 0.0095
Flood Control Zone 8	\$ 0.0008	\$ 0.0008	\$ 0.0008	\$ 0.0008	\$ 0.0008	\$ 0.0008	\$ 0.0008	\$ 0.0008
Mojave Desert Resource Conservation Dist	\$ 0.0001	\$ 0.0001	\$ 0.0001	\$ 0.0006	\$ 0.0006	\$ 0.0001	\$ 0.0001	\$ 0.0001
General Purpose basic \$1**	\$ 1.000	\$ 1.000	\$ 0.998	\$ 0.998	\$ 0.998	\$ 1.000	\$ 1.000	\$ 1.000

*ERAF- Educational Revenue Augmentation Fund.

** ax rate limit: A State constitutional amendment (Proposition 13) commencing with fiscal 1979 provided that the tax rate was limited to 1% of full cash value, levied only by the county and shared with all other jurisdictions. Rates are based on \$100 assessed valuation.

CITY OF VICTORVILLE
TOP 25 SALES TAX PRODUCERS
FISCAL YEAR ENDED 2009

<u>Organization</u>	<u>Type of Business</u>
Beck Oil Inc.	Fuel Dealers
Best Buy Store LP	Retail
BP West Coast Products LLC	Fuel Dealers
Cemex California Cement LLC	Bldg. Materials
Circuit City Stores	Retail
Costco Wholesale Corporation	Retail
Donco Enterprises, Inc	Motor Vehicle Dealers
Greiner Buick Pontiac GMC	Motor Vehicle Dealers
Kohls Department Stores Inc.	Retail
Lowe's HIW, Inc.	Retail
Mervyn's	Retail
Rancho Motor Company Inc.	Motor Vehicle Dealers
Ross Dress for Less	Retail
Sears-Roebuck and Co.	Retail
Sunland Ford-Lincoln Mercury	Motor Vehicle Dealers
Target Stores	Retail
Tesoro Refining and Marketing Co	Fuel Dealers
The Home Depot	Retail
Ultramar Depot	Retail
Valley Hi Honda	Motor Vehicle Dealers
Valley Hi Toyota- Honda	Motor Vehicle Dealers
Valley Hi Nissan	Motor Vehicle Dealers
Victorville Hyundai & Suzuki	Motor Vehicle Dealers
Victorville Motors Inc.	Motor Vehicle Dealers
Wal-Mart Stores	Retail

*Firms Listed Alphabetically

Source: State Board of Equalization.