

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

CITY OF VICTORVILLE



CITY OF VICTORVILLE
Victorville, California

Comprehensive Annual Financial Report

Year ended June 30, 2013

Prepared by
Department of Finance



CITY OF VICTORVILLE
 Comprehensive Annual Financial Report
 Year ended June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Transmittal Letter	I
Organizational Chart	VII
List of Elected and Appointed Officials	VIII
<u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis – Required Supplementary Information	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Proprietary Funds:	
Statement of Net Position	26
Statement of Revenues, Expenses and Changes in Fund Net Position	28
Statement of Cash Flows	30
Fiduciary Funds:	
Statement of Fiduciary Net Position	32
Statement of Changes in Fiduciary Net Position	33
Notes to the Basic Financial Statements	34
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	95
Notes to the Required Supplementary Information	96
Nonmajor Governmental Funds - Special Revenue Funds:	
Combining Balance Sheet	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	102
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Measure I Fund	104
Other Federal Grants Fund	105

Housing Fund	106
Landscap Maintenance and Drainage Facilities Assessment District Fund	107
Street Lighting Fund	108
Traffic Safety Fund	109
Asset Seizure Fund	110
Storm Drain Utility Fund	111
Gas Tax Fund	112
Transportation Tax Fund	113
Other State / Local Grants Fund	114
HUD Grants Fund	115
Capital Projects Funds:	
Schedule of Revenues, Expenditures and Changes in Fund	
Balances - Budget and Actual:	
Capital Impact Facilities Fund – Major Fund	116
Nonmajor Proprietary Funds:	
Statement of Net Position	118
Statement of Revenues, Expenses and Changes in Fund Net Position	119
Statement of Cash Flows	120
Fiduciary Funds:	
Combining Statement of Assets and Liabilities – Agency Funds	122
Combining Statement of Changes in Assets and Liabilities – Agency Funds	123
<u>STATISTICAL SECTION:</u>	
Financial Trends:	
Net Position by Component	126
Changes in Net Position	127
Fund Balances of Governmental Funds	129
Changes in Fund Balances of Governmental Funds	130
Revenue Capacity:	
Assessed Value of Taxable Property	131
Property Tax Rates – Direct and Overlapping Governments	132
Principal Property Taxpayers	133
Property Tax Levies and Collections by District	134
Debt Capacity:	
Ratios of Outstanding Debt by Type	135
Ratios of General Bonded Debt Outstanding	137
Legal Debt Margin Information	138
Direct and Overlapping Debt	139
Pledged-Revenue Coverage	140
Demographic and Economic Information:	
Demographic and Economic Statistics	141
Principal Employers	142
Operating Information:	
Full-Time and Part-Time Equivalent Employees by Function	143
Operating Indicators by Function	144
Capital Asset Statistics by Function	145



February 13, 2014

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

It is with great pleasure that we present to you the City of Victorville's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The CAFR consists of the following: transmittal letter, the independent auditor's report, management's discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, the combining and individual fund statements and schedules and the statistical section.

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

It is the policy of the City of Victorville to have an annual audit performed by an independent certified public accountant. The City's financial statements for the fiscal year ended June 30, 2013 were audited by Mayer Hoffman McCann P.C, Certified Public Accountants. An independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditor's unqualified opinion on the basic financial statement is included in the Financial Section of this report.

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

Profile of the Government

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

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

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

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

Local Economy

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

Unemployment rates have declined over the past year; Victorville rates still remain high in comparison to the State. The California Employment Development Department reports that as of June 2013, Victorville's unemployment rate was 12.5%, a decline of 1.9% from 2012.

In fiscal year 2013, Sales Tax collections increased by about 3% from fiscal year 2012. Retail sales of general consumer goods continue to show strong numbers. Auto and transportation industries, such as car dealers and service stations, are slowly gaining back their sales tax revenue. Retail sales and autos make up more than 60% of sales tax revenue generated in the City of Victorville.

Southern California home prices continue to rise. Low mortgage interest rates, combined with low housing inventory, continue to drive up demand for housing. Victorville's median housing price at the end of June 2012 was \$119,000 and at the end of June 2013, that price was \$155,000, a 30% increase in home price value. Economists predict that the price and the demand for housing will continue to rise until interest rates increase.

Despite the challenge with unemployment nationally and locally, the economy is slowly turning around, as shown by an increase in retail sales of consumable goods. The economy will continue to recover in 2013-14, but sales tax growth may be more modest than the prior year. With consumers taking on more debt to purchase new cars and homes, discretionary spending on other items is expected to decline.

Long-Term Financial Planning

The 2014 fiscal year budget still continues to practice conservative revenue estimates. Overall, the 2014 budget anticipates an increase in most revenues. The total estimated revenue for the general fund will be \$49 million, an increase of \$1.7 million as compared to 2013 fiscal year budget. The total General fund expenditures are estimated slightly higher than that of fiscal year 2013 mainly due to increases in the police and fire contracts.

Annually, the City of Victorville updates its five year Capital Improvement Project (CIP) plan. Planned capital expenditures for FY 2013-14 total \$30,739,190. The CIP includes: street, traffic signal, drainage and sewer improvements in various locations; water pipeline replacement, truck and vehicle replacement for the Water District; construction of a percolation pond for the waste water treatment facility; ramp and runway rehabilitation at the airport; and Palmdale yard improvement. Funding comes from multiple sources including Measure I fund, Local Transportation fund, Gas Tax fund, Storm Drain Utility and Sewer funds, Water fund and various grants.

Due to a looming lawsuit from the Security Exchange Commission (SEC) and SCLAA's defaults on bonded debt, the ability to obtain future financing for the City of Victorville and SCLAA can be very challenging. The trial for the SEC lawsuit has not yet been set, but is expected to begin sometime before November, 2014. During FY 12-13, SCLAA 2006, 2007, 2008A Subordinate bond issues defaulted on principal payments of \$560,000 and interest payments of \$1,155,961. Reserves were also used amounting to \$2,920,434. SCLAA plans to cure these defaults as soon as there is an increase in future tax increment revenue above annual debt service payments. Reduction in tax increment revenues was caused by a decrease in assessed value for the Victor Valley Redevelopment Project Area, which was a result of the economic downturn.

Another economic challenge for the City of Victorville is the rising cost in contributions to the state's CalPERS pension system. The recent actuarial statement from CalPERS projects that the employer contribution will be at 15.987% by 2014-15 and then at 17.1% by 2015-16. This projection is in addition to the employee contribution of 8% that is also currently being paid by the City. In addition, there's the possibility of additional increases over the next several years as the pension system continues to work towards a more accurate reflection in changes of mortality and inflation rates.

Despite a potential hard economic time ahead of us, the City of Victorville continues to maintain the following goals and objectives: provide and uphold fiscal accountability and sustainability; dedicate necessary resources for public safety; assist the local economy's growth and

progression; excel in maintaining, enhancing and improving the city's public facilities and infrastructure; and the promoting of conservative thinking.

Highlights

During the fiscal year ended June 30, 2013, the City continued to see a slight improvement in economic growth. Some of the highlights of the year were:

- The construction of the Nisqualli/LaMesa Interstate I-15 interchange, a project partnered with the City of Victorville, SANBAG and Caltrans continues to be underway and is expected to be completed by late fall 2013. The interchange will help alleviate traffic congestion on Bear Valley interchange and will provide a new east/west route through the Victor Valley.
- In February, the City received the \$54 million settlement from its December 2010 lawsuit with Carter & Burgess, and the Council voted in March to use a portion of the settlement to pay internal interfund debts.
- The implementation of a Cisco true Contact Center solution which provides call flow and management of routing, reporting and virtual call queuing options. This allows smoother call routing options for Customer Service and Animal Control divisions, which now have the capacity to handle over 100 callers simultaneously and give the citizens the ability to opt for a return call rather than wait on hold.
- Seneca Road between Borego Road and McArt Road was repaved.
- Public Works poured over 6,000 square feet of new sidewalk in various locations throughout the city.
- Village Park was equipped with a new concrete pad and picnic shelter and Parks staff installed new picnic tables, trash receptacles, and barbeques.
- The City was awarded over \$1.2 million in CDBG money to continue to support public service programs, construction for public buildings, and housing, including the Senior Housing Repair Program.
- SCLA updated their Air Traffic Control Tower with new electronics to better handle any increase in traffic.
- SCLA has recently been rehabilitating their runways and taxiways with the help of Federal Grants. FY12 saw renovations to Taxiways B and C, and FY13 saw the refurbishment of the aircraft parking area and design work for the refurbishment of Runway 3-21, expected to be completed in FY14.
- SCLA completed a multi-year project providing new infrastructure including storm drains, dry utilities, reclaimed water pipelines, and streets for Innovation Way, Phantom Drive and George Blvd.
- St. Mary Medical Center started grading operations in Fall 2012 for their new campus located on Amargosa Road, south of Mesa Street. The 112 bed hospital is set to open in 2016, along with two 50,000 square foot medical office buildings.
- Rancho Seneca Apartments completed construction in September 2012. The 203 unit affordable housing development offers 2, 3, and 4 bedroom homes.

- JC Penney nearly doubled in size when it moved to its newly renovated and remodeled location within the Mall of Victor Valley in October 2012.
- Grand opening of Macy's in the Mall of Victor Valley happened in March 2013. Over 500 people attended the Ribbon Cutting Ceremony.
- Dollar General built and opened a new 9,100 square foot retail store, which was completed in late December 2012, at the southeast corner of Del Gado Road and Palmdale Road.
- Cemex Cement Company, located on North E Street, completed construction in December 2012 on two 1.6 megawatt General Electric wind turbines, each measuring 397 feet in overall height. The wind turbines will provide a 100% renewable source of electricity to the manufacturing facility, which will also help Cemex comply with the State mandated Global Warming Solutions Act of 2006, or Assembly Bill (AB) 32.
- Panera Bread Restaurant opened its new location in Dunia Plaza in January 2013. This is the first store of this chain in the Victor Valley and is 4,200 square feet, complete with drive-thru.
- In September 2012, Wal-Mart opened a 191,500 square foot store in Dunia Plaza. In March 2013, a groundbreaking ceremony occurred for the Victorville West Wal-Mart Supercenter to be located on Palmdale at Highway 395.
- In April 2013, Brandman University held a ribbon-cutting ceremony for its new Victorville campus on Park Avenue.
- Construction has started on the High Desert's first Dialysis center west of Interstate 15. The 23,901 square foot two-story Desert City Professional Center building is located on Amethyst Road south of Bear Valley Road.

Cash Management Policies and Practices

Cash which is temporarily idle during the year was invested in the Local Agency Investment Fund (LAIF). The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Nearly all investments held by the City at June 30, 2013 are classified in the category of lowest custodial credit risk as defined by the Government Accounting Standards Board.

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

Risk Management

The City participates in the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. The City participates in the Liability, Workers' Compensation and Employment Practices Liability coverage programs of PERMA.

The Liability program provides \$50 million of general liability coverage per occurrence. The City is responsible for a \$50,000 Self Insured Retention (SIR) per occurrence and participates in risk sharing pools for losses up to \$1 million followed by PERMA's membership in the CSAC Excess Insurance Authority (EIA) for \$49 million excess liability coverage.

The City also participates in the Worker's Compensation coverage program at statutory limits and the City has a \$250,000 Self Insured Retention 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 Workers' Compensation Excess Joint Powers Authority (LAWCX) for excess coverage.

The Employment Practices Liability program provides \$50 million coverage for employment related lawsuits and the City has a \$25,000 per occurrence Self Insured Retention and participates in the Employment Risk Management Authority (ERMA) for losses up to \$1 million. Coverage above \$1 million and up to \$50 million is available through PERMA's membership in the CSAC-EIA for excess liability coverage.

The City's Risk Management Program efforts have been effective and the City has received returns on annual deposit premiums for each of the past 10 years.

Acknowledgements

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

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

Respectfully submitted,

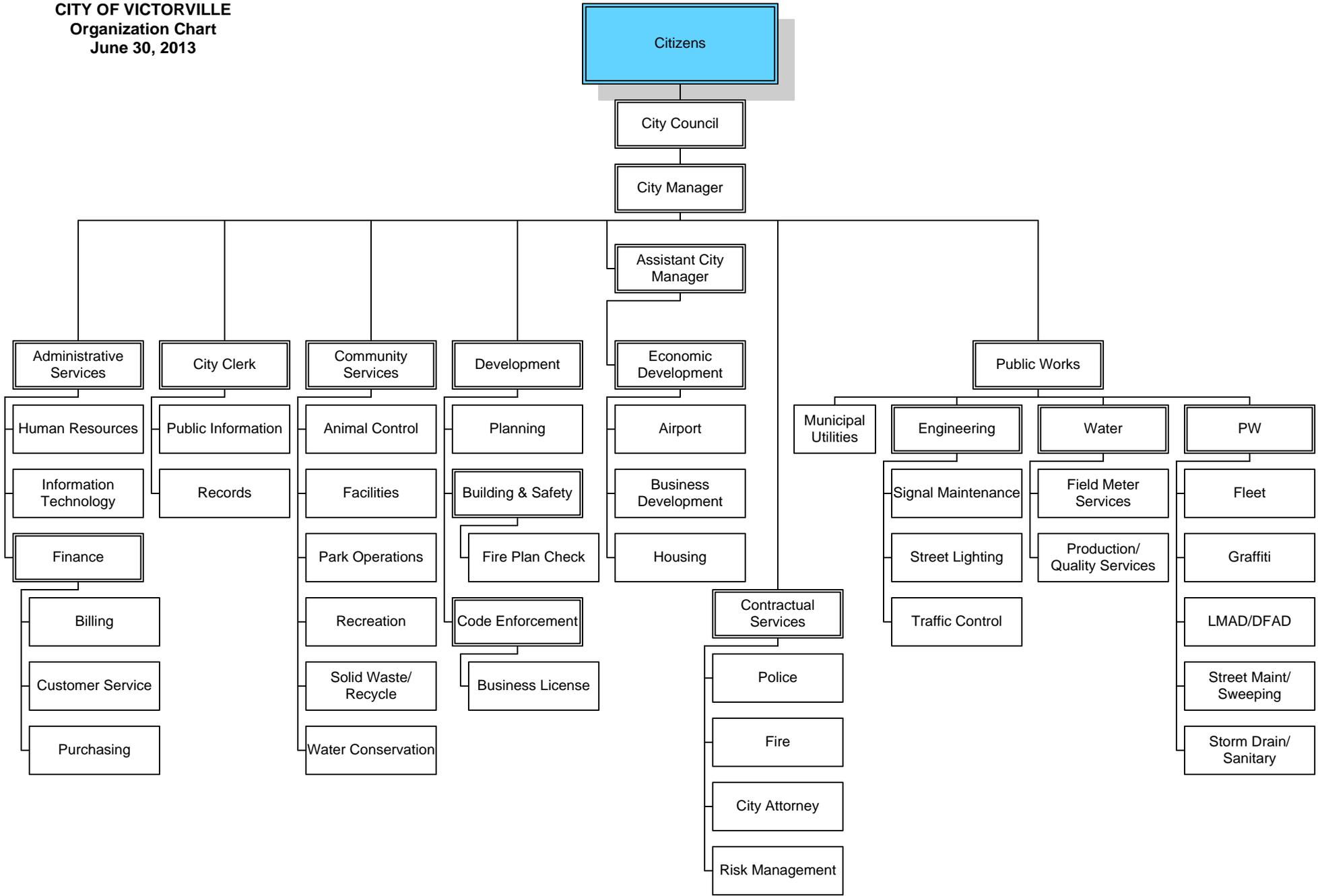


Adele Mosher,
Chief Financial Officer



Bill Webb,
Deputy City Manager

**CITY OF VICTORVILLE
Organization Chart
June 30, 2013**



CITY OF VICTORVILLE

Elected Officials and Administrative Personnel

June 30, 2013

Elected Officials



Mayor
Jim Cox



Mayor Pro-Tem
Ryan McEachron



Council Member
Gloria Garcia



Council Member
Jim Kennedy



Council Member
Angela Valles

Administrative Personnel

City Manager	Douglas B. Robertson
City Clerk	Carolee Bates
Assistant City Manager	Keith Metzler
Acting Director of Community Services	Christian Guntert
Chief Financial Officer	Adele Mosher
Development Director	Bill Webb
Director of Engineering, Public Works, Water	Sean A. McGlade
Fire Chief	Don Trapp
Police Chief	Sam Lucia



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Honorable Mayor and City Council
City of Victorville, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Victorville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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

As described further in note 19, on April 29, 2013, the United States Securities and Exchange Commission filed a complaint alleging that a number of defendants, including the City of Victorville, the Southern California Logistics Airport Authority, and certain City officials, committed certain fraudulent acts associated with the issuance in 2008 of \$13,334,925 of Subordinate Tax Allocation Revenue Bonds, Series 2008A. As of the date of issuance of the financial statements, there was a possibility that this matter might result in a loss to the City or the Southern California Logistics Airport Authority. However, the amount of the loss, if any, that might result from this matter could not be reasonably estimated. Our opinion is not modified with respect to this matter.

The financial statements for the year ended June 30, 2013 reflect certain prior period adjustments as described further in note 23 to the financial statements. Our opinion is not modified with respect to this matter.

As described further in note 23 to the financial statements, during the year ended June 30, 2013, the entity implemented GASB Statement Nos. 62, 63 and 65. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Victorville's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 21, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* and the *budgetary comparison information* for the General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Victorville's basic financial statements. The *combining and individual nonmajor fund schedules and financial statements*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual nonmajor fund schedules and financial statements* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund schedules and financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014 on our consideration of the City of Victorville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Victorville's internal control over financial reporting and compliance.

Mayer Hoffman Melorn P.C.

Irvine, California
February 13, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Victorville, we offer readers of Victorville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying table of contents.

Using the Accompanying Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.

- The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates, like businesses; such as the water and sewer system.
- *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

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

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

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

City of Victorville Management's Discussion and Analysis

Reporting the City as a Whole

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

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

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all, or most of the cost of the services accounted for in these funds.

Component units – The City includes four separate legal entities in its report:

Regional Center of Victorville Development, Southern California Logistics Airport Authority, Southern California Logistics Rail Authority, and Victorville Water District. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Major Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law, or by bond covenants. However, City Council establishes many other funds to help it control and manage money for particular purposes, or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money (like grants received). The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds as well as the balances that are left at year end which are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can be readily converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* in a reconciliation at the bottom of the fund financial statements.

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

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. The internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

City of Victorville's Net Position

	Governmental activities		Business-type activities	
	2013	2012	2013	2012
Cash and Investments	\$ 36,721,022	\$ 23,764,572	\$ 84,107,628	\$ 51,724,457
Other Assets	12,314,704	11,791,110	16,621,002	35,993,854
Interfund Balances	(5,582,825)	1,334,797	5,582,825	(1,334,797)
Capital Assets	496,544,227	479,820,548	477,418,883	487,755,598
Total assets	539,997,128	516,711,027	583,730,338	574,139,112
Other Liabilities	4,517,878	3,178,734	127,777,087	67,883,598
Long-Term Liabilities	21,933,108	13,820,001	287,775,512	379,628,003
Total Liabilities	26,450,986	16,998,735	415,552,599	447,511,601
Net Position: invested in Capital				
Assets,	478,455,011	479,820,547	363,670,577	418,557,415
Restricted	48,920,900	27,685,765	7,200,324	4,430,770
Unrestricted	(13,829,769)	(7,794,090)	(199,817,282)	(296,360,674)
Total Net Position	\$ 513,546,142	\$ 499,712,222	\$ 171,053,619	\$ 126,627,511

Net Position serves as a useful indicator of a government's financial position. In the case of the City of Victorville, Net Position of the City's business activities increased by 35% at the close of the most recent fiscal year. This increase took into account a \$52 million settlement received from Carter Burgess. The governmental activities also showed an increase of 3%, primarily due to an accounting adjustment of \$20 million for a reduction in infrastructures reported in the General Fixed Account Group.

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

Governmental Activities

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

- Operation Contribution and Grants increased by \$13 million due to a contribution of capital assets to a new housing fund that was previously recorded in the former Redevelopment Agency fund.
- Property Taxes decreased by \$5 million, primarily due to a loss of tax increment revenue receipts by the former Redevelopment Agency fund.
- In 2013, General Revenues also received \$1.75 million in legal fees reimbursed from the Carter Burgess settlement.

Total expenses increased by \$9.7 million from fiscal year 2012 in all categories except for public works. The largest increases occurred in General government and Community Development, which resulted from an increased in net pension obligation and accumulated depreciation.

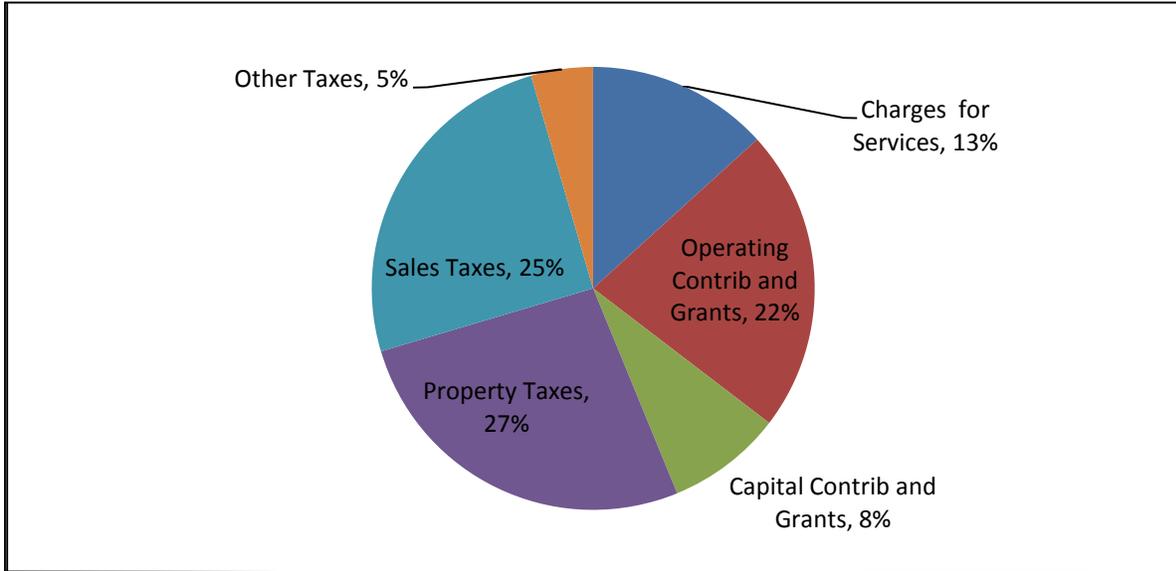
**City of Victorville
Management's Discussion and Analysis**

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

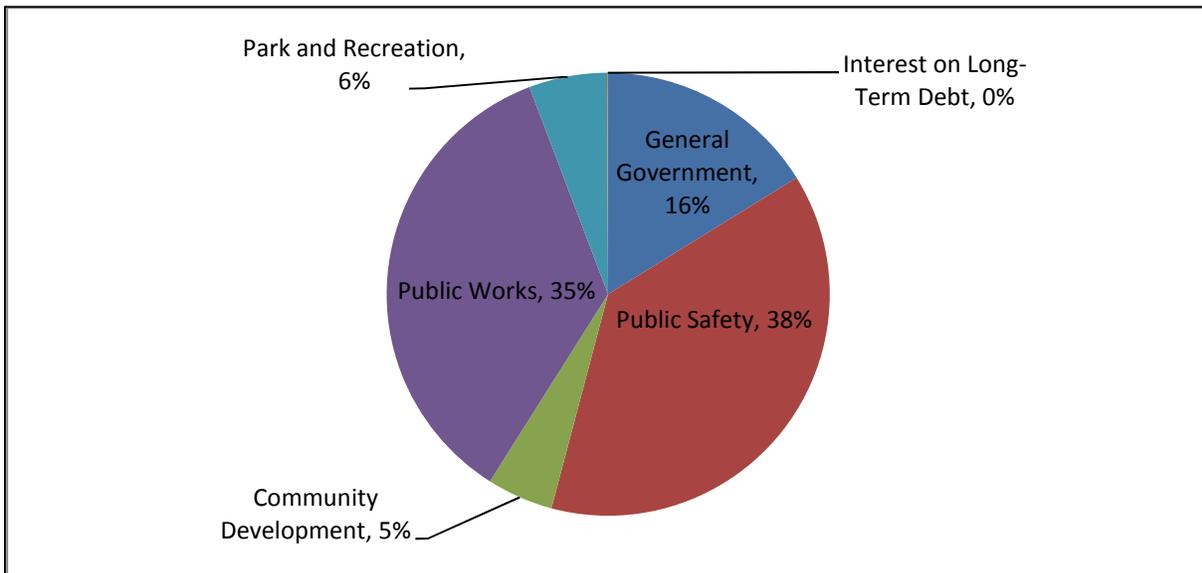
	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Program revenues:				
Charges for Services	10,933,557	12,016,933	\$ 73,854,864	\$ 71,214,587
Operating Contributions and Grants	18,265,583	5,308,565	10,911,814	10,634,516
Capital Contributions and Grants	6,939,875	6,817,541	11,557,382	11,846,855
General Revenues:				
Property Taxes	21,926,255	26,967,354	520,617	541,385
Sales Taxes	20,670,911	20,255,924	-	-
Transient Occupancy Tax	841,113	709,360	-	-
Franchise taxes	2,684,493	2,553,350	-	-
Investment Income	168,737	297,177	200,225	1,748,723
Motor vehicle in Lieu, unrestricted	51,098	61,032	-	-
Gain (loss) on sale of Assets	-	(3,439)	60,000	538,000
Legal Settlement	1,753,586	-	52,246,414	-
Miscellaneous Revenues	691,082	521,834	1,767,777	960,627
Total Revenues	<u>84,926,290</u>	<u>75,505,631</u>	<u>151,119,093</u>	<u>97,484,693</u>
Expenses:				
General Government	13,691,221	4,977,433	-	-
Public Safety	32,118,214	30,723,689	-	-
Community Development	4,093,538	1,588,948	-	-
Public Works	29,845,737	31,675,483	-	-
Park and Recreation	4,813,485	4,550,014	-	-
Sanitary	-	-	11,114,306	10,554,921
Airport	-	-	30,844,664	33,582,633
Golf Courses	-	-	2,418,562	2,371,642
Solid Waste Management	-	-	12,383,080	11,397,950
Water	-	-	29,842,378	29,782,391
Rail	-	-	274,680	269,315
Municipal utility	-	-	11,767,274	12,236,463
Interest on Long-Term Debt	74,363	1,397,079	-	-
Total Expenses	<u>84,636,558</u>	<u>74,912,646</u>	<u>98,644,944</u>	<u>100,195,315</u>
Change in Net Position before				
Transfers	289,732	592,985	52,474,149	(2,710,622)
Extraordinary gain (loss)	-	(29,740,054)	-	-
Transfers	(2,328,376)	(1,098,874)	2,328,376	1,098,873
Change in net position	<u>(2,038,644)</u>	<u>(30,245,943)</u>	<u>54,802,525</u>	<u>(1,611,749)</u>
Net Position-07/01/2012	<u>515,584,786</u>	<u>529,958,165</u>	<u>116,251,094</u>	<u>128,239,260</u>
Net Position-06/30/2013	<u>\$ 513,546,142</u>	<u>\$ 499,712,222</u>	<u>\$ 171,053,619</u>	<u>\$ 126,627,511</u>

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

Revenues by Source - Governmental Activities

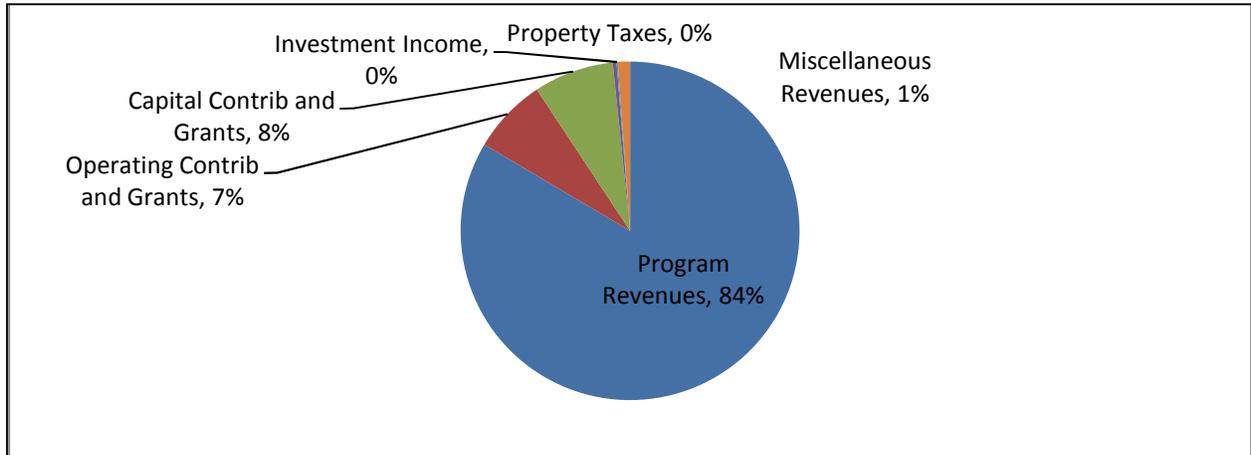


Expenses by Function - Governmental Activities

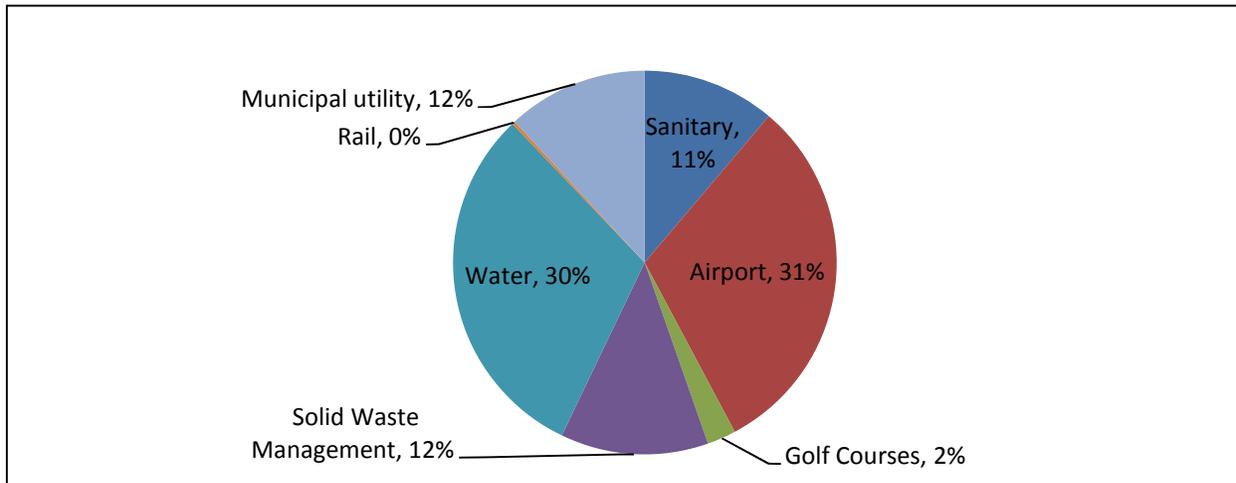


**City of Victorville
Management's Discussion and Analysis**

Revenue by Source- Business-type Activities



Expenses by Function – Business-type Activities



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

Business-type activities

During the year ended June 30, 2013, the financial condition of the City's business-type activities improved as indicated by the increase in business-type Net Position in the amount of 44 million. Revenue in the City's business-type activities (see Table 2) increase by 55% and expenses decreased by 2%. The factors driving these results included:

- Charges for services increased in all business-type activities. The revenue increased by 4% percent, or \$2.7 million from the 2012 fiscal year.
- Other general revenue increases included a receipt of \$52 million from Carter Burgess due to lawsuit settlement.
- Total expenses were also decreased. A total decrease of \$830 thousand was primarily due to the following: correction of depreciation expenses, implemetation of GASB62 to recognize capital interest, and implementation of GASB65 to recognize and reclass all unamortized debt issuance costs as expenses.

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

Major Governmental Funds

General Fund

The General Fund is the chief operating fund of the City of Victorville. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$5.0 million, while the total fund balance was \$5.3 million. As a measure of the General Fund's liquidity, the unassigned fund balance and the total fund balance represents 12% of the total general fund expenditures.

General Fund revenues increased by \$5 million this fiscal year. Almost all of the increased revenues were from taxes and lawsuit settlement. General Fund expenditures increased by \$247 thousand. The resulting increase came primarily from public safety and parks and recreation.

General Fund Budget

There was a minor difference between the original budget and the final amended budget for revenue in the General Fund. The increase was mainly due to property taxes and charges for services. Total expenditures also showed a decrease. Public safety expenditures reduced the budget by \$1 million as a result of a credit receipt from the police department. Other expenditures also declined as a result of various cost cutting measures.

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

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

Capital Impact Facilities Fund

This fund accounts for the acquisition or construction of major capital facilities related to public improvements. Fees are collected from developers to pay for additional roads, parks, public building, fire service, and public safety to support development. Total revenue collected decreased by \$1 million this fiscal year. In 2012, commercial building development, such as Super Wal-Mart, was the major contributor to the fees. Total expenditures also showed a decrease of \$10 million due to completion of the Nisqualli-I 15 project.

Major Enterprise Funds

The unrestricted Net Position of the Victorville Water District, Southern California Logistic Airport Authority, Municipal Utility Fund, Solid Waste Management, and Sanitary Fund had a total negative balance of \$200 million, decreasing the negative balance of last year's total of \$296 million by \$96 million. All funds showed a decrease in the unrestricted Net Position account except for Municipal Utility and Sanitary Funds. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-type Activities	
	2013	2012	2013	2012
Land	\$ 37,992,432	\$ 36,217,070	\$ 43,203,588	\$ 43,203,588
Land Right of way	179,995,939	179,995,939	-	-
Buildings and Improvements	50,306,247	52,173,502	140,369,312	144,686,666
Furniture and Equipment	1,677,100	2,281,000	31,212,247	35,392,401
Computer and Communication	128,612	287,860	403,248	428,806
Vehicles	70,934	148,404	706,988	925,660
Infrastructure	186,393,033	202,241,746	222,688,805	229,201,263
Land Improvement	123,125	136,933	496,089	552,686
Water Rights	-	-	14,254,993	13,349,465
Intangible Assets	19,598	38,410	4,908,993	4,976,286
Construction in progress	21,747,992	22,172,248	19,174,620	19,815,627
Total	\$478,455,012	\$495,693,112	\$477,418,883	\$492,532,448

Capital assets: The City of Victorville's investment in capital assets for its governmental and business-type assets as of June 30, 2013, amounts to 956 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements,

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

furniture, equipment, computers, communications, vehicles, roads, streets, storm drain, sewer, water lines, and gas lines. The total decrease in the City of Victorville's investment in capital assets for the current fiscal year was \$32 million, or 3 percent (a \$17 million decrease for governmental activities and a \$15 million decrease for business-type activities). The decrease is primarily due to depreciation expenses. The major additions to capital assets during the year ended June 30, 2013 were: additional land purchased in the amount of \$1.8 million for the La Mesa/ Nisqualli project as well as the reconstruction and design of the airport runway for the amount of \$600 thousand.

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

Long-term debt: At the end of the current fiscal year, the City of Victorville had a total outstanding debt of \$415 million. Of this amount, \$324 million is tax allocation debts, and 13 million is OPEB obligation. The remainder of the City of Victorville's debt represents bonds secured solely by specified revenue sources. The City of Victorville's total debt decreased by \$25 million in fiscal year 2013. The decrease is primarily due to the settlement received from Carter Burgess; the Lease Revenue Bond issued at \$83 million was reduced to \$53 million. An additional \$6 million in loan payable between the county and the former Victorville Redevelopment Agency increased the remaining balance of outstanding debt.

Additional information on the City of Victorville's long-term debt can be found in Note 6 on the Notes to Basic Financial statement.

City of Victorville's Outstanding Debt

	Governmental activities		Business activities	
	2013	2012	2013	2012
Compensated Absences	\$ 2,660,489	\$ 2,608,462	427,758	414,428
OPEB Obligation	12,268,691	9,944,713	891,923	762,441
Claim Payable	953,928	1,267,826	1,471,661	1,471,661
Lease Agreement	-	-	1,132,780	1,500,439
Loans Payable	6,050,000	-	-	-
Tax Allocation Bond	-	-	324,330,317	327,033,643
Revenue Bond	-	-	54,612,500	84,795,000
Certificate of Participation	-	-	13,260,000	13,630,000
Refunding Charges & Unamortized				
Discount/Premiums	-	-	(2,861,797)	(2,958,377)
Total	\$ 21,933,108	\$ 13,821,001	\$ 393,265,142	\$ 426,649,235

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF VICTORVILLE
Statement of Net Position
June 30, 2013
(with comparative totals for June 30, 2012)

	Governmental	Business-Type	Totals	
	Activities	Activities	2013	2012
Assets:				
Cash and investments (note 2)	\$ 36,691,002	58,427,012	95,118,014	49,687,688
Cash with fiscal agent (note 2)	-	24,847,876	24,847,876	24,857,807
Restricted cash (note 2)	30,020	830,310	860,330	957,734
Receivables:				
Accounts	1,569,778	8,140,775	9,710,553	11,148,480
Interest	48,728	8,315	57,043	51,529
Due from other governments	9,124,431	61,215	9,185,646	9,285,595
Deposits and prepaid items	787,288	919,128	1,706,416	2,788,753
Inventory and other assets	200,840	495,255	696,095	782,670
Interfund balances	(5,582,825)	5,582,825	-	-
Advances to other governments (note 3)	-	6,998,744	6,998,744	7,005,044
Land held for resale (note 5)	18,089,215	-	18,089,215	-
Capital assets, net (note 4)	478,455,012	477,418,883	955,873,895	967,576,145
Long-term notes receivable	583,639	-	583,639	1,555,323
Total assets	<u>539,997,128</u>	<u>583,730,338</u>	<u>1,123,727,466</u>	<u>1,075,696,768</u>
Deferred Outflows of Resources:				
Deferred charge on refunding	-	2,875,880	2,875,880	3,022,900
Total deferred outflows of resources	<u>-</u>	<u>2,875,880</u>	<u>2,875,880</u>	<u>3,022,900</u>
Liabilities:				
Accounts payable	3,729,459	3,884,007	7,613,466	7,345,021
Accrued liabilities	507,141	-	507,141	304,499
Interest payable	-	1,773,429	1,773,429	1,924,973
Deposits payable	29,486	1,884,423	1,913,909	2,145,558
Prepaid water connection fees	-	1,395,788	1,395,788	1,395,788
PERS sidefund payment due	-	-	-	592,540
Unearned revenue	251,792	-	251,792	-
Accrued rent credit payable	-	1,439,123	1,439,123	1,480,309
Bonds subject to call (note 8)	-	117,400,317	117,400,317	55,873,643
Noncurrent liabilities:				
Advances from other governments (note 3)	-	11,910,687	11,910,687	11,875,325
Long-term liabilities (note 7 & 8)				
Due within one year	7,164,655	5,538,289	12,702,944	5,893,347
Due in more than one year	14,768,453	270,326,536	285,094,989	363,548,932
Total liabilities	<u>26,450,986</u>	<u>415,552,599</u>	<u>442,003,585</u>	<u>452,379,935</u>
Net Position:				
Net investment in capital assets	478,455,011	363,670,577	842,125,588	898,377,962
Restricted for:				
Public safety	123,666	-	123,666	111,526
Community development	19,254,385	-	19,254,385	936,532
Public works	29,542,849	-	29,542,849	26,637,707
Capital asset construction	-	3,834,737	3,834,737	3,308,656
Debt service	-	3,365,587	3,365,587	1,122,114
Unrestricted	(13,829,769)	(199,817,282)	(213,647,051)	(304,154,764)
Total net position	<u>\$ 513,546,142</u>	<u>171,053,619</u>	<u>684,599,761</u>	<u>626,339,733</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Activities
Year ended June 30, 2013
(with comparative totals for year ended June 30, 2012)

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 13,691,220	3,558,630	-	-
Public safety	32,422,466	1,424,841	113,337	-
Community development	4,093,538	1,528,089	17,994,603	200,000
Public works	29,845,737	3,531,816	77,175	6,739,875
Parks and recreation	4,509,234	890,181	80,468	-
Interest on long-term debt	74,363	-	-	-
Total governmental activities	<u>84,636,558</u>	<u>10,933,557</u>	<u>18,265,583</u>	<u>6,939,875</u>
Business-type activities:				
Water	29,842,378	26,207,387	-	882,839
Airport	30,844,664	8,203,927	10,911,814	10,033,629
Municipal utility	11,767,274	11,269,702	-	-
Solid waste management	12,383,080	12,068,701	-	122,794
Sanitary	11,114,306	14,934,481	-	518,120
City golf	2,418,562	1,170,666	-	-
Rail	274,680	-	-	-
Total business-type activities	<u>98,644,944</u>	<u>73,854,864</u>	<u>10,911,814</u>	<u>11,557,382</u>
Total primary government	<u>\$ 183,281,502</u>	<u>84,788,421</u>	<u>29,177,397</u>	<u>18,497,257</u>

General revenues:

Taxes:
Property taxes
Sales taxes
Transient occupancy tax
Franchise taxes
Investment income
Motor vehicle in lieu, unrestricted
Gain (loss) on sale of assets
Legal Settlement
Miscellaneous revenues
Extraordinary gain (loss) (note 22)
Transfers
Total general revenues and transfers
Change in net position
Net position at beginning of year, as restated (note 23)
Net position at end of year

See accompanying notes to the basic financial statements

Governmental Activities	Business-type Activities	Totals	
		2013	2012
(10,132,590)	-	(10,132,590)	(2,029,419)
(30,884,288)	-	(30,884,288)	(28,866,202)
15,629,154	-	15,629,154	5,905,631
(19,496,871)	-	(19,496,871)	(20,862,529)
(3,538,585)	-	(3,538,585)	(3,520,009)
(74,363)	-	(74,363)	(1,397,079)
<u>(48,497,543)</u>	<u>-</u>	<u>(48,497,543)</u>	<u>(50,769,607)</u>
-	(2,752,152)	(2,752,152)	(1,443,479)
-	(1,695,294)	(1,695,294)	(6,903,332)
-	(497,572)	(497,572)	(1,214,034)
-	(191,585)	(191,585)	260,041
-	4,338,295	4,338,295	4,281,918
-	(1,247,896)	(1,247,896)	(1,211,156)
-	(274,680)	(274,680)	(269,315)
<u>-</u>	<u>(2,320,884)</u>	<u>(2,320,884)</u>	<u>(6,499,357)</u>
<u>(48,497,543)</u>	<u>(2,320,884)</u>	<u>(50,818,427)</u>	<u>(57,268,964)</u>
21,926,255	520,617	22,446,872	27,508,739
20,670,911	-	20,670,911	20,255,924
841,113	-	841,113	709,360
2,684,493	-	2,684,493	2,553,350
168,737	200,225	368,962	2,045,900
51,098	-	51,098	61,032
-	60,000	60,000	534,561
1,753,586	52,246,414	54,000,000	-
691,082	1,767,777	2,458,859	1,482,460
-	-	-	(29,740,054)
<u>(2,328,376)</u>	<u>2,328,376</u>	<u>-</u>	<u>-</u>
<u>46,458,899</u>	<u>57,123,409</u>	<u>103,582,308</u>	<u>25,411,272</u>
(2,038,644)	54,802,525	52,763,881	(31,857,692)
<u>515,584,786</u>	<u>116,251,094</u>	<u>631,835,880</u>	<u>658,197,425</u>
<u>\$ 513,546,142</u>	<u>171,053,619</u>	<u>684,599,761</u>	<u>626,339,733</u>

See accompanying notes to the basic financial statements

Major Governmental Funds

General Fund

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

Capital Impact Facilities

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

CITY OF VICTORVILLE
Balance Sheet
Governmental Funds
June 30, 2013
(with comparative totals for June 30, 2012)

	General	Capital Projects	Nonmajor	Totals	
		Capital Impact Facilities	Governmental Funds	2013	2012
Assets:					
Cash and investments	\$ 4,098,109	3,781,162	28,811,731	36,691,002	23,764,572
Restricted cash	30,020	-	-	30,020	14,200
Accounts receivable	1,357,009	-	212,769	1,569,778	1,233,207
Interest receivable	48,728	-	-	48,728	48,263
Notes receivable	-	-	583,639	583,639	160,482
Due from other funds (note 3)	-	-	-	-	1,317,890
Advances to other funds (note 3)	-	-	1,185,428	1,185,428	7,818,527
Due from other governments	2,395,374	-	6,729,057	9,124,431	8,305,176
Inventories	200,840	-	-	200,840	158,032
Prepaid items	10,551	-	824	11,375	794,839
Land held for resale (note 5)	-	-	18,089,215	18,089,215	-
Total assets	<u>\$ 8,140,631</u>	<u>3,781,162</u>	<u>55,612,663</u>	<u>67,534,456</u>	<u>43,615,188</u>
Liabilities:					
Accounts payable	\$ 2,317,900	2,431	1,409,129	3,729,460	2,257,994
Accrued liabilities	507,141	-	-	507,141	304,499
Deposits payable	27,126	-	2,360	29,486	23,698
Due to other funds (note 3)	-	-	3,627,568	3,627,568	4,654,902
Unearned revenue	-	-	251,792	251,792	244,459
PERS sidefund payment due	-	-	-	-	592,540
Advances from other funds (note 3)	-	3,140,684	-	3,140,684	3,146,719
Total liabilities	<u>2,852,167</u>	<u>3,143,115</u>	<u>5,290,849</u>	<u>11,286,131</u>	<u>11,224,811</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	64,993	4,670,474	4,735,467	3,818,425
Total deferred inflows of resources	<u>-</u>	<u>64,993</u>	<u>4,670,474</u>	<u>4,735,467</u>	<u>3,818,425</u>
Fund Balances (Deficits) (note 11):					
Non-spendable:					
Prepaid items	10,551	-	824	11,375	794,839
Inventory	200,840	-	-	200,840	158,032
Spendable:					
Restricted	30,020	-	48,493,807	48,523,827	28,506,175
Assigned	-	573,054	-	573,054	-
Unassigned	5,047,053	-	(2,843,291)	2,203,762	(887,094)
Total fund balances	<u>5,288,464</u>	<u>573,054</u>	<u>45,651,340</u>	<u>51,512,858</u>	<u>28,571,952</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 8,140,631</u>	<u>3,781,162</u>	<u>55,612,663</u>	<u>67,534,456</u>	<u>43,615,188</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

Fund balances of governmental funds \$ 51,512,858

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.

Capital assets	798,156,488
Accumulated depreciation	(319,701,476)

Deposits receivable relating to governmental activities were not financial resources and therefore were not reported in governmental funds.

775,913

Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.

(953,928)

Long-term debt and compensated absences that have not been included in the governmental fund activity:

Other post employment benefits	(12,268,691)
Compensated absences	(2,660,489)
Loans payable	(6,050,000)

Certain revenues in the governmental funds are deferred using the modified accrual basis and are recognized as revenue under the full accrual basis for reporting in the Government-wide Financial Statements.

4,735,467

Net position of governmental activities \$ 513,546,142

CITY OF VICTORVILLE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013
(with comparative totals for year ended June 30, 2012)

	General	Capital Projects	Nonmajor Governmental Funds	Totals	
		Capital Impact Facilities		2013	2012
Revenues:					
Taxes and assessments	\$ 38,936,941	-	7,185,831	46,122,772	50,455,916
Licenses and permits	1,107,246	-	-	1,107,246	1,197,702
Intergovernmental	51,645	-	9,388,398	9,440,043	8,649,138
Charges for services	6,186,802	1,596,823	1,472,048	9,255,673	10,606,336
Fines and forfeitures	591,772	-	762,841	1,354,613	1,036,626
Investment income	88,812	5,922	74,003	168,737	297,177
Legal settlement	1,753,586	-	-	1,753,586	-
Other	681,957	-	9,125	691,082	521,834
Total revenues	49,398,761	1,602,745	18,892,246	69,893,752	72,764,729
Expenditures:					
Current:					
General government	8,217,575	-	-	8,217,575	8,610,251
Public safety	31,200,737	461	860,145	32,061,343	30,360,239
Community development	-	-	3,929,883	3,929,883	2,721,581
Public works	3,488,898	92,414	14,899,470	18,480,782	29,116,108
Parks and recreation	2,909,983	-	112,351	3,022,334	2,796,967
Debt service:					
Principal	32,088	-	-	32,088	1,067,188
Interest	-	74,363	-	74,363	1,397,079
Total expenditures	45,849,281	167,238	19,801,849	65,818,368	76,069,413
Excess (deficiency) of revenues over (under) expenditures	3,549,480	1,435,507	(909,603)	4,075,384	(3,304,684)
Other financing sources (uses):					
Transfers in (note 3)	325,000	-	21,193,898	21,518,898	5,831,980
Transfers out (note 3)	(2,328,376)	-	(325,000)	(2,653,376)	(6,930,854)
Total other financing sources (uses)	(2,003,376)	-	20,868,898	18,865,522	(1,098,874)
Extraordinary gain (loss)	-	-	-	-	(65,438,966)
Net change in fund balances	1,546,104	1,435,507	19,959,295	22,940,906	(4,403,558)
Fund balances at beginning of year, as restated (note 23)	3,742,360	(862,453)	25,692,045	28,571,952	98,414,476
Fund balances at end of year	\$ 5,288,464	573,054	45,651,340	51,512,858	28,571,952

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year ended June 30, 2013

Net changes in fund balances - total governmental funds	\$ 22,940,906
<p>Amounts reported for governmental activities in the statement of activities is different because:</p>	
<p>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.</p>	
Capital outlay	2,644,331
Depreciation expense	(19,882,431)
<p>Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
	32,088
<p>To record as an expense the net change in claims payable and deposits relating to claims in the statement of activities.</p>	
	13,003
<p>Expenses in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(5,377,417)
<p>To record as an expense the net change in other post employment benefits in the statement of activities.</p>	
	(2,357,066)
<p>To record as an expense the net change in compensated absences in the statement of activities.</p>	
	<u>(52,058)</u>
Change in net position of governmental activities	<u>\$ (2,038,644)</u>

See accompanying notes to the basic financial statements

Major Enterprise Funds

Victorville Water District

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

Southern California Logistics Airport Authority Fund

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

Municipal Utility Fund

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

Solid Waste Management

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

Sanitary Fund

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

CITY OF VICTORVILLE
Statement of Net Position
Proprietary Funds
June 30, 2013
(with comparative totals for June 30, 2012)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund
Assets:			
Current assets:			
Cash and investments	\$ 27,626,352	18,596,746	4,156,405
Cash with fiscal agent	1,909,999	16,747,678	5,877,757
Restricted cash	-	-	830,310
Accounts receivable, net	3,189,634	376,528	1,365,819
Interest receivable	8,315	-	-
Due from other funds (note 3)	-	-	-
Due from other governments	37,206	-	-
Inventory and other assets	456,328	7,304	-
Total current assets	<u>33,227,834</u>	<u>35,728,256</u>	<u>12,230,291</u>
Noncurrent assets:			
Capital assets, net (note 4)	192,989,174	168,136,025	20,344,285
Advances to other funds (note 3)	-	1,955,255	-
Advances to fiduciary funds (note 3)	-	6,998,744	-
Prepaid deposits	907,273	2,055	3,800
Notes receivable (note 6)	-	-	-
Total noncurrent assets	<u>193,896,447</u>	<u>177,092,079</u>	<u>20,348,085</u>
Total assets	<u>227,124,281</u>	<u>212,820,335</u>	<u>32,578,376</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	132,828	2,743,052	-
Total deferred outflows of resources	<u>132,828</u>	<u>2,743,052</u>	<u>-</u>
Liabilities:			
Current liabilities:			
Accounts payable	716,690	565,059	595,575
Deposits payable	1,798,685	-	-
Prepaid water connection fees	1,395,788	-	-
Interest payable	256,888	1,452,261	64,280
Bonds subject to call (note 8)	-	117,400,317	-
Long-term debt - due within one year (note 8)	708,624	2,783,699	1,471,661
Total current liabilities	<u>4,876,675</u>	<u>122,201,336</u>	<u>2,131,516</u>
Noncurrent liabilities:			
Accrued rent credit payable	-	1,439,123	-
Advances from other funds (note 3)	-	-	-
Advances from other governments (note 3)	-	11,910,687	-
Long-term debt - due beyond one year (note 8)	13,884,827	201,334,634	53,070,000
Total noncurrent liabilities	<u>13,884,827</u>	<u>214,684,444</u>	<u>53,070,000</u>
Total liabilities	<u>18,761,502</u>	<u>336,885,780</u>	<u>55,201,516</u>
Net Position:			
Net investment in capital assets	181,646,409	121,418,932	(26,847,958)
Restricted for capital asset construction	3,834,737	-	-
Restricted for debt service	3,365,587	-	-
Unrestricted	19,648,874	(242,741,325)	4,224,818
Total net position	<u>208,495,607</u>	<u>(121,322,393)</u>	<u>(22,623,140)</u>
Total liabilities and net position	<u>\$ 227,257,109</u>	<u>215,563,387</u>	<u>32,578,376</u>

See accompanying notes to the basic financial statements

Solid Waste Management	Sanitary Fund	Nonmajor Enterprise Funds	Totals	
			2013	2012
2,489,514	5,349,729	208,266	58,427,012	25,923,116
312,442	-	-	24,847,876	24,857,807
-	-	-	830,310	943,534
1,180,130	2,028,664	-	8,140,775	9,915,273
-	-	-	8,315	3,266
-	3,627,568	-	3,627,568	3,337,012
24,009	-	-	61,215	980,419
-	-	31,623	495,255	624,638
<u>4,006,095</u>	<u>11,005,961</u>	<u>239,889</u>	<u>96,438,326</u>	<u>66,585,065</u>
2,903,697	45,986,830	47,058,872	477,418,883	487,755,597
6,378,926	-	-	8,334,181	55,517,447
-	-	-	6,998,744	7,005,044
6,000	-	-	919,128	917,073
-	-	-	-	1,394,841
<u>9,288,623</u>	<u>45,986,830</u>	<u>47,058,872</u>	<u>493,670,936</u>	<u>552,590,002</u>
<u>13,294,718</u>	<u>56,992,791</u>	<u>47,298,761</u>	<u>590,109,262</u>	<u>619,175,067</u>
-	-	-	2,875,880	3,022,900
-	-	-	2,875,880	3,022,900
1,107,005	598,099	301,577	3,884,005	5,087,025
303	70,000	15,435	1,884,423	2,121,860
-	-	-	1,395,788	1,395,788
-	-	-	1,773,429	1,924,973
-	-	-	117,400,317	55,873,643
392,646	-	181,659	5,538,289	4,966,625
<u>1,499,954</u>	<u>668,099</u>	<u>498,671</u>	<u>131,876,251</u>	<u>71,369,914</u>
-	-	-	1,439,123	1,480,309
-	-	6,378,926	6,378,926	60,189,255
-	-	-	11,910,687	11,875,325
1,642,486	-	394,589	270,326,536	350,655,653
<u>1,642,486</u>	<u>-</u>	<u>6,773,515</u>	<u>290,055,272</u>	<u>424,200,542</u>
<u>3,142,440</u>	<u>668,099</u>	<u>7,272,186</u>	<u>421,931,523</u>	<u>495,570,456</u>
1,181,007	45,986,830	40,285,357	363,670,577	418,557,415
-	-	-	3,834,737	3,308,656
-	-	-	3,365,587	1,122,114
8,971,271	10,337,862	(258,782)	(199,817,282)	(296,360,674)
<u>10,152,278</u>	<u>56,324,692</u>	<u>40,026,575</u>	<u>171,053,619</u>	<u>126,627,511</u>
<u>13,294,718</u>	<u>56,992,791</u>	<u>47,298,761</u>	<u>592,985,142</u>	<u>622,197,967</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2013
(with comparative totals for year ended June 30, 2012)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund
Operating revenues:			
Charges for services	\$ 26,207,387	8,203,927	11,269,702
Fines and forfeitures	405,083	71,667	-
Other	129,869	290,544	273,726
Total operating revenues	<u>26,742,339</u>	<u>8,566,138</u>	<u>11,543,428</u>
Operating expenses:			
Personnel services	6,560,540	1,689,215	532,630
Maintenance and operations	7,789,791	5,786,397	2,531,823
Production costs	4,013,247	-	5,508,513
Depreciation	10,212,139	4,616,648	1,319,600
Total operating expenses	<u>28,575,717</u>	<u>12,092,260</u>	<u>9,892,566</u>
Operating income (loss)	<u>(1,833,378)</u>	<u>(3,526,122)</u>	<u>1,650,862</u>
Nonoperating revenues (expenses):			
Intergovernmental	165,638	9,589,792	-
Taxes	502,175	12,902	-
Investment income	101,635	55,726	5,880
Interest expense	(633,874)	(17,357,563)	(1,874,708)
Gain (loss) on sale of assets	-	-	60,000
Legal settlement	-	-	52,246,414
Other nonoperating revenues (expenses)	(632,787)	(1,394,841)	-
Total nonoperating revenues (expenses)	<u>(497,213)</u>	<u>(9,093,984)</u>	<u>50,437,586</u>
Income (loss) before transfers	(2,330,591)	(12,620,106)	52,088,448
Capital contributions:			
Developer contributed facilities	717,201	-	-
Facilities contributed (to) from other funds	-	443,837	-
Capital-related revenue	-	-	-
Transfers in (note 3)	1,433,400	10,911,814	1,471,647
Transfers out (note 3)	-	(91,200)	-
Change in net position	(179,990)	(1,355,655)	53,560,095
Net position at beginning of year, as restated (note 23)	<u>208,675,597</u>	<u>(119,966,738)</u>	<u>(76,183,235)</u>
Net position at end of year	<u>\$ 208,495,607</u>	<u>(121,322,393)</u>	<u>(22,623,140)</u>

See accompanying notes to the basic financial statements

Solid Waste Management	Sanitary Fund	Nonmajor Enterprise Funds	Totals	
			2013	2012
12,068,701	14,934,481	1,170,666	73,854,864	71,214,587
231,097	241,928	-	949,775	98,031
32,296	-	91,567	818,002	288,676
<u>12,332,094</u>	<u>15,176,409</u>	<u>1,262,233</u>	<u>75,622,641</u>	<u>71,601,294</u>
1,098,054	1,130,608	845,528	11,856,575	10,960,046
10,691,568	9,035,303	963,343	36,798,225	36,719,609
-	-	-	9,521,760	9,668,336
200,240	705,890	823,286	17,877,803	18,750,063
<u>11,989,862</u>	<u>10,871,801</u>	<u>2,632,157</u>	<u>76,054,363</u>	<u>76,098,054</u>
<u>342,232</u>	<u>4,304,608</u>	<u>(1,369,924)</u>	<u>(431,722)</u>	<u>(4,496,760)</u>
122,794	-	-	9,878,224	6,401,272
-	5,540	-	520,617	541,385
22,716	14,268	-	200,225	1,748,723
(116,995)	-	(18,942)	(20,002,082)	(23,729,417)
-	-	-	60,000	538,000
-	-	-	52,246,414	-
<u>(276,223)</u>	<u>(242,505)</u>	<u>(42,143)</u>	<u>(2,588,499)</u>	<u>206,075</u>
<u>(247,708)</u>	<u>(222,697)</u>	<u>(61,085)</u>	<u>40,314,899</u>	<u>(14,293,962)</u>
94,524	4,081,911	(1,431,009)	39,883,177	(18,790,722)
-	518,120	-	1,235,321	2,827,496
-	-	-	443,837	1,012,532
-	-	-	-	1,605,555
-	-	856,729	14,673,590	12,242,353
-	-	(1,342,200)	(1,433,400)	(508,963)
94,524	4,600,031	(1,916,480)	54,802,525	(1,611,749)
<u>10,057,754</u>	<u>51,724,661</u>	<u>41,943,055</u>	<u>116,251,094</u>	<u>128,239,260</u>
<u>10,152,278</u>	<u>56,324,692</u>	<u>40,026,575</u>	<u>171,053,619</u>	<u>126,627,511</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2013
(with comparative totals for year ended June 30, 2012)

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility Fund
Cash flows from operating activities:			
Cash received from customers	27,140,071	8,814,596	11,491,180
Cash payments to employees for services	(6,560,540)	(1,689,215)	(532,630)
Cash payments to suppliers for goods and services	(11,321,072)	(5,841,685)	(8,006,188)
Legal settlement	-	-	52,246,414
Net cash provided by (used for) operating activities	<u>9,258,459</u>	<u>1,283,696</u>	<u>55,198,776</u>
Cash flows from noncapital financing activities:			
Cash received from other governments	667,813	10,234,376	328
Cash paid to other governments	-	(7,524,465)	-
Cash received from other funds	23,626,425	35,053,152	1,471,647
Cash paid to other funds	<u>(24,111,781)</u>	<u>(91,200)</u>	<u>(22,193,025)</u>
Net cash provided by (used for) noncapital financing activities	<u>182,457</u>	<u>37,671,863</u>	<u>(20,721,050)</u>
Cash flows from capital and related financing activities:			
Cash received from sale of capital assets	-	-	-
Cash payments to acquire capital and other assets	(2,030,587)	(483,881)	(15,530)
Cash received from capital restricted revenues	-	-	-
Principal paid on capital-related debt	(216,734)	(2,479,308)	(30,000,000)
Interest paid on capital-related debt	<u>(639,951)</u>	<u>(17,373,820)</u>	<u>(2,003,918)</u>
Net cash provided by (used for) capital and related financing activities	<u>(2,887,272)</u>	<u>(20,337,009)</u>	<u>(32,019,448)</u>
Cash flows from investing activities:			
Interest received on investments	<u>96,586</u>	<u>55,726</u>	<u>5,880</u>
Net cash provided by (used for) investing activities	<u>96,586</u>	<u>55,726</u>	<u>5,880</u>
Net increase (decrease) in cash and cash equivalents	6,650,230	18,674,276	2,464,158
Cash and cash equivalents at beginning of year	<u>22,886,121</u>	<u>16,670,148</u>	<u>8,400,314</u>
Cash and cash equivalents at end of year	<u>\$ 29,536,351</u>	<u>35,344,424</u>	<u>10,864,472</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
Operating income (loss)	<u>\$ (1,833,378)</u>	<u>(3,526,122)</u>	<u>1,650,862</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	10,212,139	4,616,648	1,319,600
Legal settlement	-	-	52,246,414
Gain (loss) on sale of capital asset	-	-	60,000
(Increase) decrease in accounts receivable, net	560,953	302,192	(52,248)
(Increase) decrease in due from other governments	480,764	-	-
(Increase) decrease in inventory and other assets	138,766	(3,620)	-
(Increase) decrease in prepaid deposits	-	(2,055)	-
Increase (decrease) in accounts payable	(137,564)	(49,613)	(25,852)
Increase (decrease) in deposits payable	1,232,567	(41,186)	-
Increase (decrease) in unearned revenue	<u>(1,395,788)</u>	<u>(12,548)</u>	<u>-</u>
Total adjustments	<u>11,091,837</u>	<u>4,809,818</u>	<u>53,547,914</u>
Net cash provided by (used for) operating activities	<u>\$ 9,258,459</u>	<u>1,283,696</u>	<u>55,198,776</u>
<u>Noncash capital, financing and investing activities:</u>			
Allowance for doubtful notes receivable	\$ (632,787)	(1,394,841)	-
Developer contributed capital assets	717,201	-	-
Total	<u>\$ 84,414</u>	<u>(1,394,841)</u>	<u>-</u>

See accompanying notes to the basic financial statements

Solid Waste Management	Sanitary Fund	Nonmajor Enterprise Funds	Totals	
			2013	2012
12,555,598	14,772,578	1,264,152	76,038,175	71,629,039
(1,098,054)	(1,130,579)	(845,528)	(11,856,546)	(10,960,046)
(11,363,071)	(9,483,857)	(900,715)	(46,916,588)	(49,925,795)
-	-	-	52,246,414	-
<u>94,473</u>	<u>4,158,142</u>	<u>(482,091)</u>	<u>69,511,455</u>	<u>10,743,198</u>
122,794	5,540	-	11,030,851	20,081,220
-	-	-	(7,524,465)	(8,441,138)
884,264	-	875,671	61,911,159	22,249,555
-	(290,556)	-	(46,686,562)	(11,090,264)
<u>1,007,058</u>	<u>(285,016)</u>	<u>875,671</u>	<u>18,730,983</u>	<u>22,799,373</u>
-	24,446	-	24,446	620,520
(1,596)	(116,886)	-	(2,648,480)	(4,175,194)
-	-	-	-	1,605,555
(369,056)	-	(214,115)	(33,279,213)	(9,663,262)
(116,995)	-	(18,942)	(20,153,626)	(23,635,611)
<u>(487,647)</u>	<u>(92,440)</u>	<u>(233,057)</u>	<u>(56,056,873)</u>	<u>(35,247,992)</u>
<u>22,716</u>	<u>14,268</u>	<u>-</u>	<u>195,176</u>	<u>1,752,557</u>
<u>22,716</u>	<u>14,268</u>	<u>-</u>	<u>195,176</u>	<u>1,752,557</u>
636,600	3,794,954	160,523	32,380,741	47,136
<u>2,165,356</u>	<u>1,554,775</u>	<u>47,743</u>	<u>51,724,457</u>	<u>51,677,321</u>
<u>2,801,956</u>	<u>5,349,729</u>	<u>208,266</u>	<u>84,105,198</u>	<u>51,724,457</u>
<u>342,232</u>	<u>4,304,608</u>	<u>(1,369,924)</u>	<u>(431,722)</u>	<u>(4,496,760)</u>
200,240	705,890	823,286	17,877,803	18,750,063
-	-	-	52,246,414	-
-	-	-	60,000	500,000
213,998	(403,802)	1,918	623,011	(243,234)
9,506	-	-	490,270	(14,645)
-	-	(5,763)	129,383	(231,347)
-	-	-	(2,055)	624,424
(671,770)	(448,554)	58,354	(1,274,999)	(3,842,054)
267	-	10,038	1,201,686	(64,802)
-	-	-	(1,408,336)	(238,447)
<u>(247,759)</u>	<u>(146,466)</u>	<u>887,833</u>	<u>69,943,177</u>	<u>15,239,958</u>
<u>94,473</u>	<u>4,158,142</u>	<u>(482,091)</u>	<u>69,511,455</u>	<u>10,743,198</u>
(276,223)	(242,505)	-	(2,546,356)	457,254
-	518,120	-	1,235,321	2,827,496
<u>(276,223)</u>	<u>275,615</u>	<u>-</u>	<u>(1,311,035)</u>	<u>3,284,750</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013
(with comparative totals for June 30, 2012)

	Agency Funds	Private Purpose Trust Fund	<u>Totals</u>	
			<u>2013</u>	<u>2012</u>
Assets:				
Cash and investments (note 2)	\$ 4,759,227	2,313,639	7,072,866	19,694,724
Restricted assets:				
Cash with fiscal agent (note 2)	2,869,928	1,794,393	4,664,321	4,686,981
Accounts receivable, net	16,647	139,501	156,148	309,807
Due from other funds	-	11,910,687	11,910,687	11,996,362
Notes receivable, net (note 6)	-	8,028,899	8,028,899	7,271,562
Land held for resale (note 5)	-	17,183,494	17,183,494	29,106,392
Noncurrent assets:				
Capital assets (note 4)	-	<u>2,197,824</u>	<u>2,197,824</u>	<u>2,306,331</u>
Total noncurrent assets	-	<u>2,197,824</u>	<u>2,197,824</u>	<u>2,306,331</u>
Total assets	<u>7,645,802</u>	<u>43,568,437</u>	<u>51,214,239</u>	<u>75,372,159</u>
Liabilities:				
Accounts payable	26,240	382,957	409,197	330,216
Due to other funds (note 3)	-	6,998,744	6,998,744	7,005,044
Interest payable	-	186,306	186,306	186,306
Deposits payable	7,619,562	-	7,619,562	7,200,357
Current portion of long-term liabilities:				
Bonds payable (note 9)	-	1,010,000	1,010,000	965,000
Long-term liabilities:				
Bonds payable (note 9)	-	<u>39,495,000</u>	<u>39,495,000</u>	<u>40,505,000</u>
Total long-term liabilities	-	<u>39,495,000</u>	<u>39,495,000</u>	<u>40,505,000</u>
Total liabilities	<u>7,645,802</u>	<u>48,073,007</u>	<u>55,718,809</u>	<u>56,191,923</u>
Net Position:				
Held in trust for other taxing entities	-	<u>(4,504,570)</u>	<u>(4,504,570)</u>	<u>19,180,236</u>
Total net position	<u>\$ -</u>	<u>(4,504,570)</u>	<u>(4,504,570)</u>	<u>19,180,236</u>

See accompanying notes to the basic financial statements

CITY OF VICTORVILLE
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
Year ended June 30, 2013
(with comparative totals for year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Additions:		
RPTTF distributions	\$ 11,213,056	2,723,705
Investment income	294,325	1,953,873
Housing trust assumption of county loan	6,050,000	-
Other	54,495	-
Extraordinary gain	-	29,740,054
Total additions	<u>17,611,876</u>	<u>34,417,632</u>
Deductions:		
Current:		
Community development	9,210,523	888,091
Debt service:		
Interest	2,375,879	1,184,832
Contributed facilities	-	2,529,957
Transfers out (note 3)	<u>32,105,711</u>	<u>10,634,516</u>
Total deductions	<u>43,692,113</u>	<u>15,237,396</u>
Change in net position	(26,080,237)	19,180,236
Net position at beginning of year, as restated (note 23)	<u>21,575,667</u>	-
Net position at end of year	<u>\$ (4,504,570)</u>	<u>19,180,236</u>

See accompanying notes to the basic financial statements

City of Victorville
Notes to Basic Financial Statements
Year Ended June 30, 2013

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

(a) Reporting Entity

The City of Victorville is situated approximately 97 miles northeast of Los Angeles in Southern California's Mojave Desert. The City was incorporated in 1962 and had an estimated population at June 30, 2013 of 119,059.

On July 26, 2008 the City became a charter City that operates under the Council-Manager form of government, with five elected Council members served by a full time City Manager and staff. At June 30, 2013, the City's staff comprised of 387 full and part time employees who were responsible for the City-provided services.

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

Southern California Logistics Airport Authority

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

Southern California Logistics Rail Authority

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Victorville Water District

On August 15, 2007, the Victor Valley Water District and the Baldy Mesa Water District were approved to be consolidated into a subsidiary district of the City of Victorville (City), known as the Victorville Water District (District, per Resolution No. 2977 of the Executive Officer of the Local Agency formation Commission (LAFCO) of San Bernardino County, which adopted a change of organization without election. All of the liabilities including debt obligations of the Victor Valley Water District and the Baldy Mesa Water District were assumed by this subsidiary district and the City effective July 1, 2007 upon consolidation. Upon consolidation July 1, 2007 of the two districts the City consolidated the operations and activities of its Water Department and Water Funds into the district to serve all of the water customers of the City of Victorville under this District. The basic operations of the District are financed by user charges plus capital contributions to finance growth of the water delivery system. The District is governed by a five-member Board of Directors (City Council), each holding staggered four-year terms. The District is being treated as a blended component unit subsidiary district in the City of Victorville's financial statements for the year ended June 30, 2013.

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Regional Center of Victorville Development, Inc.

The Regional Center of Victorville Development (RCVD), Inc. is a non-profit corporation created for the purpose of promoting social welfare by providing advisory and administrative services associated with fundraising investments in the Victorville Regional Center. Since September 2011, the RCVD has not had any activities. Fundraising opportunities and loans have ceased since the elimination of the Victorville Regional Center. Currently, RCVD staff is preparing for the dissolution of the non-profit. The dissolution is expected to occur in fiscal year 2013/2014.

Redevelopment Agency of the City of Victorville

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

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(b) Basis of Accounting and Measurement Focus

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

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

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

Fund Financial Statements

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Governmental Funds

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Governmental Fund Balances

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

Nonspendable Fund Balance

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

Spendable Fund Balance

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Proprietary and Fiduciary Funds

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating expenses. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

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

(c) Major Funds and Fiduciary Fund Types

The City reports the following major governmental funds:

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

The City reports the following major proprietary funds:

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

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

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

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

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

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

(d) Cash and Investments

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

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

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

(e) Cash and Cash Equivalents

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

(f) Due from Other Governments

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, and motor vehicle in-lieu taxes, collected or provided by Federal, State, County and City Governments and unremitted to the City as of June 30, 2013.

(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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

(h) Land Held for Resale

Land held for resale consists of property intended to be sold or contributed to other parties. Land held for resale is valued at the lower of cost or realizable value once that value becomes determinable by entering into a contract for sale.

(i) Capital Assets

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(j) Compensated Absences

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

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

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

(k) Claims and Judgments

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

(l) Bond Discounts/Issuance Costs

For the government fund financial statements, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources 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, are deferred and amortized over the life of the bonds using the straight-line method. Debt issuance costs other than prepaid insurance are expensed when incurred.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(m) Property Taxes

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

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

(n) Estimates

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

(o) Loans Receivable

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

(p) Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets

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

Restricted Net Position

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Unrestricted Net Position

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

(q) Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and balance sheet will report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, are not recognized as an expense or expenditure until that time.

When applicable, the statement of net position and the balance sheet will report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time.

(r) Prior Year Data

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

(2) Cash and Investments

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 95,118,014
Cash with fiscal agents	24,847,876
Restricted cash	860,330
Fiduciary funds:	
Cash and investments	7,072,866
Cash with fiscal agents	4,664,321
Total cash and investments	<u>\$ 132,563,407</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$	7,244
Deposits with financial institutions		11,777,298
Investments		120,778,865
Total cash and investments	\$	132,563,407

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

Investment type	Total	Remaining Maturity (in Months)			
		Within 12	13 to 24	25 to 60	60 +
State investment pool	\$ 90,406,337	90,406,337	-	-	-
Certificates of deposit	860,330	860,330	-	-	-
Held by bond trustee:					
State investment pool	2,217,240	2,217,240	-	-	-
Money market funds	27,294,958	27,294,958	-	-	-
Total	<u>\$ 120,778,865</u>	<u>120,778,865</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 yearend for each investment type.

Investment type	Total	Minimum Legal Rating	Exempt from Disclosure	Ratings as of Year end	
				AAA	Not Rated
State investment pool	\$ 90,406,337	N/A	-	-	90,406,337
Certificates of deposit	860,330	N/A	-	-	860,330
Held by bond trustee:					
State investment pool	2,217,240	N/A	-	-	2,217,240
Money market funds	27,294,958	AA	-	27,294,958	-
Total	<u>\$ 120,778,865</u>		<u>-</u>	<u>27,294,958</u>	<u>93,483,907</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, 2013, \$11,527,298 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, 2013 is as follows:

Due to/from Other Funds:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Sanitary District	Nonmajor Governmental Funds	\$ 3,627,568 a)
	Total	<u>\$ 3,627,568</u>

Advances to/from other funds:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
Successor Agency *	Southern California Logistics Airport	11,910,687 b)
Solid Waste Management	City Golf Course	6,378,926 c)
Southern California Logistics Airport	Capital Impact Facilities	1,955,255 d)
Southern California Logistics Airport	Successor Agency *	6,998,744 e)
Nonmajor Governmental Funds	Capital Impact Facilities	<u>1,185,428 f)</u>
	Total	<u>\$ 28,429,040</u>

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

Generally, the above balances result from:

- a) The \$3,627,568 due from the Other Federal Grants Fund to the Sanitary Fund is a short term borrowing to cover negative cash balances due to federal grant funds that must be paid out before reimbursement is received. It is anticipated these funds will come in from reimbursements received in FY 13-14.
- b) Southern California Logistics Airport Authority (SCLAA) entered into two agreements to borrow money from the Victorville Redevelopment Agency to fund the cost of redevelopment activity and prior years' capital improvements and redevelopment projects that were incurred by the SCLAA in prior years:
 - i. Per a loan agreement approved on October 20, 2009 by the Board of the Victorville RDA, a \$1,700,000 advance was made from the Low and Moderate Housing Fund to the SCLAA. The advance is to be used for SCLAA redevelopment activities. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2013 is \$1,726,889.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

- ii. Per a loan agreement approved on September 15, 2009 by the Board of Victorville RDA, a \$10,000,000 advance was made from the Bear Valley Road Redevelopment Project Area (RDA Capital Project Fund) to the Southern California Logistics Airport Authority. The advance is to be used to continue redevelopment at SCLA and to fund prior years' capital improvements and redevelopment project expenses. The advance has a term of repayment of five years from the date of the agreement, with an annualized Local Agency Investment Fund ("LAIF") rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2013 is \$10,183,798.

- c) A loan agreement was signed on November 15, 2011 by the City Council for a \$6,335,780 advance from the Solid Waste Management Fund to the Golf Course Fund. The advance is due to negative cash balances in the Golf Course Fund which had accumulated over several years of expenses exceeding revenues. The advance has a term ending June 30, 2016, with annualized Local Agency Investment Fund ("LAIF") rate of return as the interest rate. The outstanding balance of the advance as of June 30, 2013 is \$6,378,926.

- d) Per a loan agreement signed on September 21, 2010, by the board of the SCLAA, a \$1,895,000 advance was made from the SCLAA to the Capital Impact Facilities Fund. The advance is to be used for the purchase of land. The advance has a term of repayment to automatically renew the loan until there are sufficient funds to repay. There is an annualized rate of return at 0.495%, as the interest rate. The outstanding balance of the advance as of June 30, 2013 is \$1,955,255.

- e) Per a loan agreement approved on July 21, 2009, by the Board of the Victorville RDA a \$6,906,148 advance was made from the Agency's portion of VVEDA's 20% Low and Moderate Housing Fund to the Southern California Logistics Airport Authority. The advance is to be used to fund land acquisitions associated within the Old Town project area. The advance has a term of repayment of five years, with an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2013 is \$6,998,744.

- f) Per a loan agreement approved on November 15, 2011, the Storm Drain Utility Fund advanced to the Capital Impact Facilities Fund – Public Buildings \$1,200,000 for the City Hall Expansion Project. The advance has a termination date of June 30, 2016. The advance has an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. The outstanding balance of the advance as of June 30, 2013 is \$1,185,428.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Transfers in/out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	
General Fund	Nonmajor Governmental Fund	\$ 325,000	1
Golf Course Fund	General Fund	856,729	2
Victorville Water District	Golf Course Fund	1,342,200	3
Victorville Water District	Southern California Logistic Airport	91,200	3
Southern California Logistic Airport	RDA Successor Agency *	10,911,814	4
Victorville Municipal Utility Fund	General Fund	1,471,648	5
Nonmajor Governmental Fund	RDA Successor Agency *	21,193,898	6
	Total	\$ 36,192,489	

* - Transfers out of the RDA Successor Agency have been reclassified in the Government Wide Activities as Operating Contributions.

1. The Nonmajor Governmental fund transfer of \$325,000 to General Fund was from the Traffic Safety fund to support engineering functions of traffic safety.
2. The General fund transfer of \$856,729 to the Golf Course Fund consisted of a transfer of \$214,115 to support the payment of the irrigation system lease payment and a transfer of \$642,614 to balance budgeted expenditures.
3. To transfer water rights of the Green Tree Golf Course and the SCLAA to the Water District.
4. To transfer pledged property tax increment revenue to make Debt Service payments of the Southern California Logistics Airport Authority (SCLAA).
5. To transfer resources from the General Fund to VMUS to pay for the settlement regarding the Nutro Boilers.
6. To transfer housing assets held by the RDA Successor Agency to the Housing Fund in accordance with the Successor Agency Board Resolution R-SA-12-006.

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, 2013:

	Balance at 7/1/2012 *	Additions	Deletions	Balance at 6/30/2013
Non-depreciable assets:				
Land	\$ 36,217,070	1,775,362	-	37,992,432
Right of way	179,995,939	-	-	179,995,939
Construction in progress	22,172,248	644,167	(1,068,423)	21,747,992
Total non-depreciable assets	<u>238,385,257</u>	<u>2,419,529</u>	<u>(1,068,423)</u>	<u>239,736,363</u>
Depreciable assets:				
Buildings and improvements	69,725,176	106,062	-	69,831,238
Furniture and equipment	12,038,023	12,638	-	12,050,661
Computer and communications	2,962,931	-	-	2,962,931
Land improvements	138,084	-	-	138,084
Vehicles	3,170,305	-	-	3,170,305
Infrastructure	467,807,130	1,174,524	-	468,981,654
Intangible assets:				
Computer software	1,275,251	-	-	1,275,251
Right-of-way easements	10,000	-	-	10,000
Total depreciable assets	<u>557,126,900</u>	<u>1,293,224</u>	<u>-</u>	<u>558,420,124</u>
Less accumulated depreciable:				
Buildings and improvements	(17,551,674)	(1,973,317)	-	(19,524,991)
Furniture and equipment	(9,757,023)	(616,538)	-	(10,373,561)
Computer and communications	(2,675,071)	(159,248)	-	(2,834,319)
Land improvements	(1,151)	(13,808)	-	(14,959)
Vehicles	(3,021,901)	(77,470)	-	(3,099,371)
Infrastructure	(265,565,384)	(17,023,237)	-	(282,588,621)
Intangible assets:				
Computer software	(1,236,841)	(18,812)	-	(1,255,653)
Right-of-way easements	(10,000)	-	-	(10,000)
Total accumulated depreciation	<u>(299,819,045)</u>	<u>(19,882,430)</u>	<u>-</u>	<u>(319,701,475)</u>
Total depreciable assets, net	<u>257,307,855</u>	<u>(18,589,206)</u>	<u>-</u>	<u>238,718,649</u>
Capital assets, net	<u>\$ 495,693,112</u>	<u>(16,169,677)</u>	<u>(1,068,423)</u>	<u>478,455,012</u>

* - See footnote 23 for additional information regarding a prior period adjustment to correct beginning accumulated depreciation

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets, (Continued)

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

General government	\$ 4,641,808
Public safety	424,350
Community development	28,323
Public works	13,072,271
Parks and recreation	<u>1,715,678</u>
	<u>\$19,882,430</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, 2013:

	Balance at 7/1/2012 *	Additions	Deletions	Balance at 6/30/2013
Non-depreciable assets:				
Land	\$ 43,203,588	-	-	43,203,588
Intangibles - service credit	3,785,497	-	-	3,785,497
Intangibles - water rights	12,678,475	-	-	12,678,475
Assets not in service	2,973,899	-	-	2,973,899
Construction in progress	16,841,728	860,009	(1,501,016)	16,200,721
Total non-depreciable assets	<u>79,483,187</u>	<u>860,009</u>	<u>(1,501,016)</u>	<u>78,842,180</u>
Depreciable assets:				
Buildings and improvements	229,347,365	102,107	-	229,449,472
Furniture and equipment	48,471,149	188,040	-	48,659,189
Computer and communications	1,091,453	93,882	-	1,185,335
Vehicles	3,779,270	-	-	3,779,270
Infrastructure	334,743,997	1,690,038	-	336,434,035
Intangibles - water related	1,032,222	1,156,277	-	2,188,499
Intangibles - software	1,214,006	174,901	-	1,388,907
Land improvements	565,969	-	-	565,969
Total depreciable assets	<u>620,245,431</u>	<u>3,405,245</u>	<u>-</u>	<u>623,650,676</u>
Less accumulated depreciable:				
Buildings and improvements	(84,660,699)	(4,419,461)	-	(89,080,160)
Furniture and equipment	(13,078,748)	(4,368,194)	-	(17,446,942)
Computer and communications	(662,647)	(119,440)	-	(782,087)
Vehicles	(2,853,610)	(218,672)	-	(3,072,282)
Infrastructure	(105,542,734)	(8,202,496)	-	(113,745,230)
Intangibles - water related	(361,232)	(250,749)	-	(611,981)
Intangibles - software	(23,217)	(242,194)	-	(265,411)
Land improvements	(13,283)	(56,597)	-	(69,880)
Total accumulated depreciation	<u>(207,196,170)</u>	<u>(17,877,803)</u>	<u>-</u>	<u>(225,073,973)</u>
Total depreciable assets, net	<u>413,049,261</u>	<u>(14,472,558)</u>	<u>-</u>	<u>398,576,703</u>
Capital assets, net	<u>\$ 492,532,448</u>	<u>(13,612,549)</u>	<u>(1,501,016)</u>	<u>477,418,883</u>

* - See footnote 23 for additional information regarding a prior period adjustment to correct beginning accumulated depreciation

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets, (Continued)

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

Water	\$ 10,212,139
Airport	4,616,648
Municipal utility	1,319,600
Solid waste management	200,240
Sanitary	705,890
Golf courses	553,971
Rail	<u>269,315</u>
Total	<u>\$ 17,877,803</u>

Successor Agency activities

The following is a summary of capital assets for fiduciary funds at June 30, 2013:

	Balance at 7/1/2012	Additions	Deletions	Balance at 6/30/2013
Non-depreciable assets:				
Land	\$ 2,017,962	-	-	2,017,962
Total non-depreciable assets	<u>2,017,962</u>	<u>-</u>	<u>-</u>	<u>2,017,962</u>
Depreciable assets:				
Buildings and improvements	1,352,128	-	-	1,352,128
Furniture and equipment	72,385	-	-	72,385
Vehicles	<u>23,523</u>	<u>-</u>	<u>-</u>	<u>23,523</u>
Total depreciable assets	<u>1,448,036</u>	<u>-</u>	<u>-</u>	<u>1,448,036</u>
Less accumulated depreciable:				
Buildings and improvements	(1,070,620)	(105,566)	-	(1,176,186)
Furniture and equipment	(72,385)	-	-	(72,385)
Vehicles	<u>(16,662)</u>	<u>(2,941)</u>	<u>-</u>	<u>(19,603)</u>
Total accumulated depreciation	<u>(1,159,667)</u>	<u>(108,507)</u>	<u>-</u>	<u>(1,268,174)</u>
Total depreciable assets, net	<u>288,369</u>	<u>(108,507)</u>	<u>-</u>	<u>179,862</u>
Capital assets, net	<u>\$ 2,306,331</u>	<u>(108,507)</u>	<u>-</u>	<u>2,197,824</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(5) Land Held for Resale

As of June 30, 2013, the Successor Agency of the Victorville Redevelopment Agency and the Housing Fund of the City of Victorville had acquired and developed parcels of land in the Bear Valley and Old Town/Midtown project areas. These parcels were purchased for the purpose of providing incentives to developers in order to construct future commercial projects on the property, and are recorded as land held for resale at the recorded amount of \$35,272,709.

(6) Long-Term Notes Receivable

Affordable Housing Loans Receivable

The Successor Agency of the Victorville Redevelopment Agency has entered into agreements with developers to establish various affordable housing project loans. At June 30, 2013, the Successor Agency's outstanding loans receivable are \$7,362,918.

(7) Governmental Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	<u>Balance at</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One year</u>
Compensated Absences	\$ 2,608,462	1,676,206	(1,624,179)	2,660,489	532,098
Claims Payable	1,267,826	434,036	(747,934)	953,928	300,000
OPEB Obligation	9,944,713	2,556,000	(232,022)	12,268,691	282,557
Loans Payable	-	6,050,000	-	6,050,000	6,050,000
Totals	<u>\$ 13,821,001</u>	<u>10,716,242</u>	<u>(2,604,135)</u>	<u>21,933,108</u>	<u>7,164,655</u>

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$2,660,489 at June 30, 2013 will be paid in future years from future resources, generally liquidated by the General Fund.

Loans Payable

In July 2010 the former Victorville Redevelopment Agency entered into a \$6,050,000 loan agreement with the County of San Bernardino to rehabilitate the Hillcrest Apartments. In June 2013 the Successor Agency and the City signed an Assignment and Assumption Agreement, recognizing that the Victorville Housing Fund has assumed this obligation to the County. In July 2013, the property associated with the use of this loan was sold. At the time of sale, the buyer assumed responsibility for this loan.

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, 2013 is as follows:

	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Due Within One Year
Compensated Absences	\$ 414,428	378,513	(365,183)	427,758	85,551
Claims Payable	1,471,661	-	-	1,471,661	1,471,661
OPEB Obligation	762,441	257,000	(127,518)	891,923	238,073
Lease Purchase Agreements:					
Key Government Finance	748,221	-	(171,973)	576,248	181,659
Burrtec Industries	752,218	-	(195,686)	556,532	202,646
Lease Subtotal	1,500,439	-	(367,659)	1,132,780	384,305
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	22,710,000	-	(780,000)	21,930,000	820,000
2006 Tax Allocation Bonds (Non-Housing)	56,730,000	-	(845,000)	55,885,000	880,000
2006 Tax Allocation Bonds (Housing)	15,240,000	-	(225,000)	15,015,000	235,000
2006 Tax Allocation Parity Bonds	42,595,000	-	(90,000)	42,505,000	95,000
2006 Tax Allocation Revenue Parity Bonds	33,750,000	-	(350,000)	33,400,000	375,000
2006 Tax Allocation Revenue Bonds	61,455,000	-	(670,000)	60,785,000	60,785,000
2007 Tax Allocation Bonds (Housing) *	38,680,000	-	(485,000)	38,195,000	505,000
2007 Tax Allocation Bonds (Non-Housing) *	40,185,000	-	-	40,185,000	40,185,000
2008 Tax Allocation Bonds *	15,688,643	741,674	-	16,430,317	16,430,317
Tax Allocation Bonds Subtotal	327,033,643	741,674	(3,445,000)	324,330,317	120,310,317
Lease Revenue Bonds:					
2007A Variable Rate Lease Revenue Bond	83,070,000	-	(30,000,000)	53,070,000	-
Revenue Refunding Bonds:					
2004 Refunding Bonds	1,725,000	-	(182,500)	1,542,500	190,000
Certificates of Participation (COP):					
1998 COPs	1,795,000	-	(100,000)	1,695,000	105,000
2006 COPs	11,835,000	-	(270,000)	11,565,000	280,000
COP Subtotal	13,630,000	-	(370,000)	13,260,000	385,000
Unamortized Discounts/Premiums	(2,958,377)	-	96,580	(2,861,797)	(126,301)
Total	\$ 426,649,235	1,377,187	(34,761,280)	393,265,142	122,938,606

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. This liability, amounting to \$427,758 at June 30, 2013, will be paid in future years from future resources, generally liquidated by the Victorville Water District, Victorville Municipal Utility and the Southern California Logistic Airport Authority.

Lease Purchase Agreements:

Key Government Finance, Inc.

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

The lease has an interest rate of 5.49%. Repayments by the City Golf will be made in annual payments of \$214,115. Annual payments from the City Golf began in July of 2006 and continue through July of 2015. The amount of the equipment lease purchase agreement outstanding at June 30, 2013 is \$576,248.

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, 2013 for the City of Victorville is \$556,532.

Tax Allocation Bonds:

Tax Allocation Parity Bonds, Series 2005A

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

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

In the fiscal year ended June 30, 2006 these bonds 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, 2013 the reserve amount was \$1,797,890. The Bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2013 is \$21,930,000.

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

The required reserve for the bonds is \$3,519,300. As of June 30, 2013, the reserve amount was \$3,519,301. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2013 is \$55,885,000.

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

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

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

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

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

The required reserve for the bonds is \$945,975. As of June 30, 2013, the reserve amount was \$946,001. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2013 is \$15,015,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

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

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

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

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

The required reserve for the bonds is \$4,302,660. As of June 30, 2013, the reserve amount was \$4,273,215. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2013 is \$42,505,000.

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006

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

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

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

The bonds are secured by pledged tax revenues. The required reserve for the Bonds is \$2,476,455. As of June 30, 2013, the reserve amount was \$2,476,455. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2013 is \$33,400,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

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

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

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

The bonds are secured by pledged tax revenues. The required reserve for the bonds is \$4,389,930. As of June 30, 2013, the reserve amount was \$1,112,017. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2013 is \$60,785,000.

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

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

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

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

The required reserve for the Bonds is \$2,602,410. As of June 30, 2013, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,602,410. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2013 is \$38,195,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Subordinate Tax Allocation Revenue Bonds, Series 2007

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

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

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

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

The required reserve for the Bonds is \$2,824,473. As of June 30, 2013, the reserve amount was \$491,331. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2013 is \$40,185,000.

Subordinate Tax Allocation Revenue Bonds, Series 2008

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

The required reserve for the Bonds is \$1,333,492. As of June 30, 2013, the reserve amount was \$830,263. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2013 is \$16,430,317, which includes an accretion balance of \$3,295,393.

Lease Revenue Bonds:

Variable Rate Lease Revenue Bonds, Series 2007A

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

The required reserve for the Bonds is \$5,872,900. As of June 30, 2013, the reserve amount was \$5,877,757. The bonds are a special obligation of the Victorville Joint Powers Financing Authority payable from revenues consisting primarily of base rental lease payments paid by the city and amount held in the funds and established under the indenture. The amount of bonds outstanding at June 30, 2013 is \$53,070,000.

Revenue Refunding Bonds:

2004 Project Revenue Bonds

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

The required reserve for the bonds is \$536,070. As of June 30, 2013, the reserve amount was \$536,070. The City of Victorville's 50% amount of bonds outstanding at June 30, 2013 is \$1,542,500.

Certificates of Participation:

1998 Certificates of Participation

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

The Certificates of Participation had a stated interest rates ranging from 4.10% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2013 is \$1,695,000.

2006 Certificates of Participation

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

The Certificates of Participation had a stated interest rates ranging from 3.20% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1 and interest only payments are due each February 1. The amount of Certificates of Participation outstanding at June 30, 2013 is \$11,565,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Rate Covenant

The 1998 and 2006 Certificates of Participation require that the Baldy Mesa Water District to generate sufficient net revenues which are at least equal to 110% of the amount of the installment payments and Parity Obligation coming due and payable in each fiscal year. The 1998 and 2006 Certificate of Participations were issued before Baldy Mesa and Victor Valley Water District were consolidated into Victorville Water District. The City performed the calculation that demonstrated compliance with rate covenant for the fiscal year ended June 30, 2013. The calculation was prepared using revenues and the proportionate expenses applicable to the Baldy Mesa Water District.

SCLAA Defaults on Bonded Debt

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

On December 1, 2012, the SCLAA replenished its reserves which enabled the senior debt reserves to be funded at 88% of the reserve requirement. Bond covenants require replenishment of senior reserves before tax increment is available for subordinate debt service payments or replenishment of reserves for subordinate debt. The reserve replenishments were as follows:

SCLAA Tax Allocation Revenue Parity Bonds	2005A	\$ 285,235
SCLAA Tax Allocation Revenue Parity Bonds	2006	200,347
SCLAA Tax Allocation Revenue Parity Bonds, Ref	2006	646,096
SCLAA Tax Allocation Revenue Parity Bonds, For	2006	392,666

On June 1, 2013, the SCLAA defaulted on the interest payment of \$1,155,961 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007.

Draws on Reserves with the Trustee for the June 1, 2013 interest payments were as follows:

SCLAA Taxable Subordinate Revenue Bonds	2008A	\$ 166,638
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On June 1, 2013, the SCLAA replenished its reserves which enabled the senior debt reserves to be funded at 100% of the reserve requirement, and the subordinate debt reserves to be funded at 25% of the reserve requirement. The reserve replenishments were as follows:

SCLAA Tax Allocation Revenue Parity Bonds	2005A	\$ 221,347
SCLAA Tax Allocation Revenue Parity Bonds	2006	515,788
SCLAA Tax Allocation Revenue Parity Bonds, Ref	2006	433,281
SCLAA Tax Allocation Revenue Parity Bonds, For	2006	304,889
SCLAA Taxable Subordinate Tax Allocation Revenue Bonds	2006	1,110,114

On December 1, 2013, the SCLAA defaulted on the principal and interest payment of \$2,548,746 for SCLAA Taxable Subordinate Revenue bonds, 2006, the principal and interest payment of \$1,660,961 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal payment of \$70,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

The following draws on reserves for the December 1, 2013 interest payments resulted in senior debt reserves to be funded at 99% of the reserve requirement:

SCLAA Tax Allocation Revenue Parity Bonds	2005A	\$ 17,506
SCLAA Tax Allocation Revenue Parity Bonds	2006	29,353
SCLAA Tax Allocation Revenue Parity Bonds, Ref.	2006	40,933
SCLAA Tax Allocation Revenue Parity Bonds, For.	2006	22,807
SCLAA Subordinate Tax Allocation Rev Bonds	2008A	166,638

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

- As part of adopting its 2009 budget bill, the State of California approved AB 26 4X, which included a provision that required redevelopment agencies to make remittance in the aggregate amount of \$1.7 billion for FY 09/10 and \$350 million for FY 10/11 to a county Supplemental Educational Revenue Augmentation Funds (SERAF), in order to assist the State in balancing its budget. Tax increment on hand from SCLAA was used to pay the SERAF obligation of \$9,352,308 in FY 09/10 and \$1,923,641 in FY 10/11. These state-mandated payments severely impacted the SCLAA's cash reserves.
- In Fiscal year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Since that time, there has been a significant decrease in assessed value. For Fiscal Year 12/13, the assessed value for the Project Area was approximately \$6.62 billion. This represents a 30% decrease in assessed value over that time period. The decrease was largely the result of the recent economic downturn and the housing market crisis.
- The California Redevelopment Agency (RDA) dissolution process has created cash flow issues due to the new processes imposed by the legislation. Essentially, revenue receipts are delayed significantly for each six month period as the Recognized Obligation Payment Schedule (ROPS) makes its way through the various levels of approval. This delayed receipt of funds by Victor Valley Economic Development Agency (VVEDA) leads to a delayed distribution to its JPA members, which ultimately contributes to the shortfall already realized due to sharp decreases in property values of the last several years. For December 2013, any and all existing cash balances on hand must be sent to the Trustee in order for the RDA and SCLAA to meet as much of its contractual obligations as possible.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding proprietary fund debt of the City as of June 30, 2013, are as follows for each fiscal year ending June 30:

Year Ending June 30	Lease Purchase Agreements Principal	Lease Purchase Agreements Interest	Tax Allocation Bonds Principal*	Tax Allocation Bonds Interest	Certificate of Participation Principal	Certificate of Participation Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Refunding Bonds Principal	Refunding Bonds Interest
2014	\$ 383,015	48,704	4,195,000	17,427,121	385,000	613,905	-	-	105,000	76,445
2015	403,034	31,266	4,410,000	17,215,649	410,000	595,805	-	-	197,500	67,515
2016	346,731	13,314	4,635,000	16,992,396	430,000	576,655	-	-	210,000	58,035
2017	-	-	4,865,000	16,756,321	440,000	556,705	1,145,000	3,564,000	220,000	47,745
2018	-	-	5,110,000	16,515,295	465,000	536,055	1,205,000	3,487,275	230,000	36,745
2019	-	-	5,365,000	16,260,028	490,000	516,240	1,270,000	3,406,500	242,500	25,245
2020	-	-	5,635,000	15,988,755	505,000	495,240	1,335,000	3,321,225	337,500	12,877
2021	-	-	5,920,000	15,701,908	530,000	473,390	1,405,000	3,231,450	-	-
2022	-	-	6,225,000	15,399,533	550,000	450,375	1,480,000	3,136,950	-	-
2023-27	-	-	36,345,000	71,774,015	2,725,000	1,875,531	8,680,000	14,081,625	-	-
2028-32	-	-	47,055,000	61,069,109	2,775,000	1,295,100	11,245,000	10,840,050	-	-
2033-37	-	-	61,780,000	46,345,079	3,555,000	546,500	14,570,000	6,640,425	-	-
2038-42	-	-	81,830,000	26,286,947	-	-	10,735,000	1,466,775	-	-
2043-47	-	-	94,010,000	3,491,415	-	-	-	-	-	-
2048-51	-	-	72,900,000	-	-	-	-	-	-	-
Subtotal	<u>1,132,780</u>	<u>93,284</u>	<u>440,280,000</u>	<u>357,223,571</u>	<u>13,260,000</u>	<u>8,531,501</u>	<u>53,070,000</u>	<u>53,176,275</u>	<u>1,542,500</u>	<u>324,607</u>
Discounts / Premiums	-	-	(2,919,008)	-	121,111	-	-	-	(63,900)	-
Total	<u>\$ 1,132,780</u>	<u>93,284</u>	<u>437,360,992</u>	<u>357,223,571</u>	<u>13,381,111</u>	<u>8,531,501</u>	<u>53,070,000</u>	<u>53,176,275</u>	<u>1,478,600</u>	<u>324,607</u>

* This total includes capital appreciation of \$115,949,683 for tax allocation bonds that will be accrued in the future years.

(9) Successor Agency Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Due Within One Year
Redevelopment Agency Debt:					
Tax Allocation Bonds:					
2002A Tax Allocation Bonds	\$ 8,015,000	-	(250,000)	7,765,000	260,000
2003A Tax Allocation Bonds	8,490,000	-	(265,000)	8,225,000	280,000
2003B Tax Allocation Bonds	4,175,000	-	(130,000)	4,045,000	140,000
2006A Tax Allocation Bonds	20,790,000	-	(320,000)	20,470,000	330,000
Totals	<u>\$ 41,470,000</u>	<u>-</u>	<u>(965,000)</u>	<u>40,505,000</u>	<u>1,010,000</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Tax Allocation Bonds

2002 Tax Allocation Bonds, Series A

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

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

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

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

The required reserve for the Bonds is \$650,054. As of June 30, 2013, the reserve amount consisting of fiscal agent cash and an insurance policy was \$650,372. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2013 is \$7,765,000.

2003 Tax Allocation Bonds, Series A

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

The required reserve for the Bonds is \$687,275. As of June 30, 2013, the reserve amount consisting of fiscal agent cash and an insurance policy was \$688,550. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2013 is \$8,225,000.

2003 Tax Allocation Bonds, Series B

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

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

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

The required reserve for the Bonds is \$340,963. As of June 30, 2013, the reserve amount consisting of fiscal agent cash and an insurance policy was \$341,103. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2013 is \$4,045,000.

2006 Taxable Tax Allocation Parity Bonds, Series A

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

The required reserve for the Bonds is \$2,087,412. As of June 30, 2013, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,088,452. The bonds are payable solely from the tax revenues allocated and paid to the Victorville Redevelopment Agency with respect to the Redevelopment Project Area. The amount of bonds outstanding at June 30, 2013 is \$20,470,000.

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2013, are as follows for each fiscal year ending June 30:

June 30	Principal	Interest
2014	\$ 1,010,000	2,189,548
2015	1,060,000	2,139,494
2016	1,110,000	2,085,756
2017	1,165,000	2,029,330
2018	1,225,000	1,969,850
2019	1,285,000	1,907,094
2020	1,350,000	1,839,540
2021	1,420,000	1,766,854
2022	1,495,000	1,690,057
2023-27	8,760,000	7,121,527
2028-32	11,405,000	4,399,651
2033-37	9,220,000	958,200
Total	<u>\$ 40,505,000</u>	<u>30,096,901</u>

(10) Pledged Revenue

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(10) Pledged Revenue (Continued)

As a result of the states action to dissolve all redevelopment agencies in the State of California, the Successor Agency to the dissolved Redevelopment Agency of the City no longer receives the full amount of tax increment previously pledged by the dissolved redevelopment agency to its bondholders. In its place is a new revenue stream (RPTTF distributions) provided to the Successor Agency that represents only that portion of tax increment that is necessary to pay the approved enforceable obligations that come due for that fiscal year. The aforementioned statutory limitation on tax increment distributions also applies to the VVEDA funding that represents the primary revenue of the SCLAA.

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

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Property Tax Increment pledged by the Successor Agency of the Victorville Redevelopment Agency	\$ 3,200,673	3,200,673	100%
Property Tax Increment pledged by the Southern California Logistics Airport Authority	19,892,931	21,529,678	108%
Water Charges for Services	1,737,747	1,001,305	58%

(11) Fund Balances

Fund balances of governmental funds at June 30, 2013 consisted of the following reserves:

	General Fund	Capital Impact Facilities Fund	Non-Major Governmental	Total
Fund balances:				
Nonspendable:				
Prepaid items	\$ 10,551	-	824	11,375
Inventories	200,840	-	-	200,840
Restricted for:				
Public Safety	-	-	145,015	145,015
Highways and street projects	-	-	21,679,143	21,679,143
Community development	-	-	18,872,517	18,872,517
Other purposes	30,020	-	7,797,132	7,827,152
Assigned	-	573,054	-	573,054
Unassigned	<u>5,047,053</u>	<u>-</u>	<u>(2,843,291)</u>	<u>2,203,762</u>
Total fund balances	<u>\$ 5,288,464</u>	<u>573,054</u>	<u>45,651,340</u>	<u>51,512,858</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(12) Deficit Fund Balances

The following funds had deficit fund balances/net position as of June 30, 2013.

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Other Federal Grants	\$ 2,843,291
Enterprise Funds:	
Southern California Logistics Airport Authority (SCLAA)	121,322,393
Victorville Municipal Utility	22,623,140
Fiduciary Funds:	
Private Purpose Trust Fund	5,170,551

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

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. The contribution rate indicated for the period is 13.203% 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.

Miscellaneous Plan

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	24 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of .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.

<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>
6/30/09	98,411,225	81,019,849	17,391,376	82.3%	31,226,736	55.7%
6/30/10	99,653,341	88,833,631	10,819,710	89.1%	23,148,596	46.7%
6/30/11	117,307,432	102,420,087	14,887,345	87.3%	20,176,295	73.8%

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(13) Defined Benefit Pension Plan, (Continued)

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	2,612,138	100%	-
6/30/12	2,585,752	100%	-
6/30/13	2,388,994	100%	-

The above amounts do not include the employee contribution which was paid by the employer on behalf of the employees in the amount of \$1,390,864.

(14) Deferred Compensation

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

(15) Post Employment Benefit Plan

Other Post Employment Benefits Plan

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(15) Post Employment Benefit Plan, (Continued)

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, 2013, the City contributed \$360,540 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:

Other Post Employment Benefits Plan, (Continued)

	<u>City and Water District Plan</u>
Annual required contribution	\$ 3,226,000
Interest on net OPEB obligation	420,000
Adjustment to annual required contribution	<u>(833,000)</u>
Annual OPEB cost (expense)	2,813,000
Contributions made (including premiums paid)	<u>(360,540)</u>
Increase in net OPEB cost (expense)	2,452,460
Net OPEB obligation – beginning of year	<u>10,706,154</u>
Net OPEB obligation – end of year	<u><u>\$13,158,614</u></u>

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/11	\$3,444,559	260,782	7.57%
6/30/12	3,596,000	395,517	10.98%
6/30/13	2,813,000	360,540	15.36%

City of Victorville
Notes to Basic Financial Statements
(Continued)

(15) Post Employment Benefit Plan, (Continued)

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

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

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant’s working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning with the 2009/10 fiscal year. The City has selected the discount rate (4.00%) and healthcare is assumed to increase, on the average 7.1% for HMO’s and 7.5% for PPO’s a year for the next 9 years, with a 3% inflation rate.

Schedule of Funding Progress

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

Actuarial Date	Actuarial Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL Unfunded (UAAL)	Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/08	\$ -	21,266,000	21,266,000	0%	25,251,000	84.22%
6/30/10	\$ -	30,408,000	30,408,000	0%	26,072,000	116.63%
6/30/12	\$ -	28,312,000	28,312,000	0%	23,288,000	121.57%

City of Victorville
Notes to Basic Financial Statements
(Continued)

(16) Joint Ventures

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

Regional Fire Protection Authority

Regional Fire Protection Authority (RFPA) was formed in 1979 between the City of Victorville, Apple Valley Fire Protection Agency and Hesperia Fire Protection District on an equal basis to provide fire protection, emergency dispatch, and related functions in order to reduce individual agency financial and personnel requirements. An Advisory Committee was established with a representative appointed by each member agency. The Advisory Committee shall consider and adopt an annual budget for RFPA. Each member contributes its pro rata share of operating costs to RFPA. As of June 30, 2004, Hesperia Fire Protection District terminated membership in RFPA. The Authority has been inactive since the beginning of fiscal year 2010-11 and no member contributions were received. There were no separate financial statements prepared for the authority.

Mojave Desert and Mountain Integrated Waste Management Authority

Mojave Desert and Mountain Integrated Waste Management Authority (MDMA) was formed in September of 1991 between the cities of Victorville, Barstow, Big Bear Lake, Needles, Twenty-nine Palms, the Towns of Apple Valley and Yucca Valley and the County of San Bernardino to operate the recycling processing center known as Victor Valley Materials Recovery Facility (MRF). The City of Victorville maintains a 50% interest in the MRF. The remaining 50% interest is maintained by the Town of Apple Valley. Contribution rates from member agencies are based on each member's current population as a percentage of the total population of the MDMA. The City's contribution toward the cost of operating and maintaining facility during the year ended June 30, 2013 was \$84,815. The City's portion of MDMA debt and its operation are reflected in the solid waste management enterprise fund. Financial statements may be obtained by mailing a request to the Town of Apple Valley, 14955 Dale Evans Parkway, Apple Valley, California 92307.

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 \$7,707,030 to VWVRA for the year ended June 30, 2013. 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), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-one participating member agencies, twenty-one cities with populations ranging from 2,300 to 198,000, three transit agencies, and six special districts. The City participates in the liability, worker's compensation, and employment practices liability programs of PERMA.

The liability program provides coverage up to \$50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. The City has selected a self-insured retention of \$50,000 and participates in risk sharing pools for losses up to \$1 million followed by PERMA's membership in the CSAC Excess Insurance Authority for excess coverage to the limits.

The workers' compensation program provides statutory limits per accident for workers' compensation and \$5 million each accident for employers' liability. The City self-insures up to a level of \$250,000 per accident or employee and participates in a risk sharing pool for losses up to \$500,000 followed by PERMA's membership in the Local Agency Worker's Compensation Excess Joint Powers Authority (LAWCX) and the CSAC Excess Insurance Authority for excess coverage to the limits.

The employment practices liability program provides up to \$50 million coverage for employment related lawsuits such as wrongful termination and discrimination. The City self-insures up to \$25,000 per occurrence and participates in the Employment Risk Management Authority (ERMA) for losses up to \$1 million. Coverage above \$1 million and up to \$50 million is available through PERMA's membership in the CSAC Excess Insurance Authority for excess liability coverage.

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

	Beginning <u>Balance</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Ending <u>Balance</u>	Due within <u>one year</u>
2010-11	\$ 1,086,972	805,072	(621,722)	1,270,322	300,000
2011-12	1,270,322	282,460	(284,956)	1,267,826	300,000
2012-13	1,267,826	434,036	(747,934)	953,928	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. However, in addition to claims mentioned above, an additional amount of \$1,471,661 has been recorded in the Victorville Municipal Utility fund at June 30, 2013 for a pending claim that was outside the City's pool coverage.

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, 2013 was \$860,000.

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, 2013 was \$2,870,000.

The City is the collection and paying agent for the Community Facilities District No. 01-01 of the City of Victorville Special Tax Bonds, 2005 Series A. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2013 was \$2,865,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(18) Debt Without Government Commitment, (Continued)

The City is the collection and paying agent for the Community Facilities District No. 07-01 of the City of Victorville Special Tax Bonds, 2012. The special tax bonds are secured by valid assessment liens upon certain lands within the special assessment district and are not direct liabilities of the City and, accordingly, are not included in the accompanying general purpose financial statements. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2013 was \$2,815,000.

Refunding Improvement Bonds

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

A special assessment has been levied on the property tax bill of those residents who reside within the boundaries of Assessment District 2R to repay the debt service of this obligation. Principal and interest payments are due each September 2nd and interest only payments are due each March 2nd. The amount of refunding bonds outstanding on June 30, 2013 was \$1,075,000. 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, 2013 was \$5,740,000. 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)

In the normal course of municipal operations, the City has recorded a liability for claims and judgments based upon management's best estimate of the probable amount of loss associated with those claims. Additional amounts of potential loss have not been accrued because management has not determined those additional amounts to be probable of payment.

B. Complaint Filed by the United States Securities and Exchange Commission

On April 29, 2013, the United States Securities and Exchange Commission filed a complaint alleging that a number of defendants, including the City of Victorville, the Southern California Logistics Airport Authority, and certain City officials, committed certain fraudulent acts associated with the issuance in 2008 of \$13,334,925 of Subordinate Tax Allocation Revenue Bonds, Series 2008A. As of the date of issuance of the financial statements, there was a possibility that this matter might result in a loss to the City or the Southern California Logistics Airport Authority. However, the amount of the loss, if any, that might result from this matter could not be reasonably estimated.

C. Commitments for the Purchase of Electricity

Victorville Municipal Utility Services ("VMUS," an enterprise fund of the City of Victorville) executed "Take or Pay" agreements for the purchase of electricity with Exelon Generation Company in April 2013, and EDF Trading North America in September 2010. These commitments extend through June 30, 2014, and December 31, 2014 respectively. In November 2013, VMUS amended the agreement with Noble America Energy Solutions (formerly Sempra Energy Solutions) to extend scheduling coordination and other settlement services through December 31, 2015.

D. Pollution Remediation

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Commitments and Contingencies, (Continued)

The City has participated in a number of meetings with the State Regulatory Agency having jurisdiction over groundwater contamination concerning their efforts to determine whether any contamination has reached the groundwater. The City expects within the next several months to be in a better position to have an understanding of what ground water contamination may exist, and what associated mitigation efforts or costs, if any may be needed as well as identifying and securing a source of groundwater investigation funding and any subsequent remediation funding if needed. In accordance with GASB Statement No. 49, a liability for potential pollution remediation costs has not been reported because such costs are not reasonably estimable at this time.

E. Southern California Logistics Airport Authority and Stirling Enterprise LLC

Background

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Commitments and Contingencies, (Continued)

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.

Management

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

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

General Fund

During the fiscal year ended June 30, 2013, the fund balance of the General Fund of the City increased \$1,546,104 from the balance that was reported at the beginning of that fiscal year. The General Fund's receipt during the year of a portion of the Carter Burgess settlement (\$1,753,586) contributed toward this result. The General Fund's continued financial stability is dependent upon the City's continued control of expenditures and the increases in City revenues that are expected to occur as the local economy improves.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(20) Financial Condition, Significant Financial Obligations and Management Plans, (Continued)
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Southern California Logistics Airport Authority

During the current fiscal year, SCLAA had a net income before depreciation of \$3.2 million. After depreciation expense of \$4.6 million, SCLAA had a net loss of \$1.4 million. A summary of the financial condition of the SCLAA enterprise fund is as follows:

	<u>SCLAA Deficit Balance</u>
Beginning Net Position, as restated	\$(119,966,738)
Net loss	<u>(1,355,655)</u>
Ending Net Position	<u><u>\$(121,322,393)</u></u>

SCLAA Annual Debt Service Payments:

The required debt service payments of SCLAA for the fiscal year ended June 30, 2013 are \$21,529,678. Estimated pledged revenues are anticipated to be \$19,892,931 resulting in a shortfall of \$1,636,747. A draw on reserves will be necessary to bridge the gap until the economy rebounds and tax increment exceeds debt service payments.

Management's Plans With Respect to its Financial Condition

Management's plans to ensure that annual expenditures do not exceed annual revenues and to build the reserves that are necessary to provide for economic uncertainties are as follows:

The City of Victorville has successfully reduced its budget since Fiscal Year 2007-2008 to bring expenditures in line with revenues. The City's General Fund has been using the fund balance accumulated as of June 30, 2007 of \$22,667,501 to weather the storm of the Great Recession. For the second time in the past five years, the City of Victorville's General Fund has increased its fund balance by \$1,546,104 for the year ended June 30, 2013.

The budget for the General Fund in Fiscal Year 2013-2014 also estimates revenues to equal expenditures. The balancing of revenues to expenditures has been accomplished through layoffs, furloughs, retirements, reorganizations and deep reductions in employee benefits. The Reserve Policy requiring a minimum reserve of 5% was suspended on June 1, 2010. However, the 5% minimum reserve requirement was met as of June 30, 2013 with an unassigned General Fund reserve of \$5,247,893 or a 10.7% reserve for the General Fund. The three major taxes revenue: sales tax, property tax and franchise tax, continue to modestly increase. The City is committed to monitoring the budget closely and provide for the accumulation of reserves until the target level of 15% has been realized in accordance with the City's General Fund. Regarding the SCLAA's financial condition, a draw on reserves and defaults will be necessary to bring the gap until the economy rebounds and tax increment exceeds debt service payments.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(21) Subsequent Events

SCLAA Default on Bonded Debt

On December 1, 2013, the SCLAA defaulted on the principal and interest payment of \$2,548,746 for SCLAA Taxable Subordinate Revenue bonds, 2006, the principal and interest payment of \$1,660,961 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal payment of \$70,000 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. See footnote 8 for further information.

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

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

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

(23) Prior Period Adjustments

The accompanying financial statements reflect the implementation of GASB statements Nos. 63 and 65. Significant impacts of GASB Statement No. 63 include changing the title of the statement of net assets to the statement of net position and reformatting the statement of position to add separate sections for deferred inflows of resources and deferred outflows of resources. Significant impacts of GASB Statement No. 65 include reclassifying as deferred inflows of resources and deferred outflows of resources certain balances that were previously reported as assets and liabilities. GASB Statement No. 65 also required that debt issuance costs be reported as expenses when incurred. The retroactive effects of implementing this change in reporting debt issuance costs resulted in a restatement of the beginning net position of certain funds, as set forth below.

In addition, the accompanying financial statements reflect certain other prior period adjustments, as set for below.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(23) Prior Period Adjustments, (Continued)

Below is a summary of prior period adjustments affecting net position of the RDA Successor Agency and Governmental Activities:

	Gov't <u>Activities</u>	RDA Successor <u>Agency</u>
As previously Reported	\$ 499,712,222	19,180,236
1. Depreciation	15,872,564	-
2. Land Held for Resale	-	<u>2,395,431</u>
As restated	<u>\$ 515,584,786</u>	<u>21,575,667</u>

1. During the year ended June 30, 2013 the City identified a number of assets that had been incorrectly depreciated in prior years and booked an entry to correct beginning accumulated depreciation.
2. During the year ended June 30, 2013 the City identified an unrecorded piece of property held for resale by the RDA Successor Agency as of June 30, 2012. Beginning net position has been restated to record this property net of the financing associated with the rehabilitation of that property.

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

	Business-type <u>Activities</u>	Water <u>District</u>	<u>SCLAA</u>	Municipal <u>Utility</u>	Solid <u>Waste</u>	Sanitary <u>District</u>
As previously reported	\$ 126,627,511	201,999,135	(104,855,554)	(76,677,010)	9,950,153	54,267,732
1. Depreciation	(3,517,039)	-	(973,968)	-	-	(2,543,071)
2. GASB 62	2,584,145	1,353,659	629,110	493,775	107,601	-
3. GASB 65	(15,153,299)	(386,973)	(14,766,326)	-	-	-
4. Water Rights	<u>5,709,776</u>	<u>5,709,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As restated	<u>\$ 116,251,094</u>	<u>208,675,597</u>	<u>(119,966,738)</u>	<u>(76,183,235)</u>	<u>10,057,754</u>	<u>51,724,661</u>

1. During the year ended June 30, 2013 the City identified a number of assets that had been incorrectly depreciated in prior years and booked an entry to correct beginning accumulated depreciation.
2. During the year ended June 30, 2013 the City implemented GASB 62 and appropriately booked an entry to record capitalized interest applicable for construction projects in proprietary funds.
3. During the year ended June 30, 2013 the City implemented GASB Statement No. 65 and in conformance with this new guidance, all unamortized debt issuance costs were written off.
4. During the year ended June 30, 2013 the City identified Water Rights that had been incorrectly depreciated in prior years and booked an entry to correct beginning accumulated depreciation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORVILLE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 35,265,500	35,265,500	38,936,941	3,671,441
Licenses and permits	1,131,165	1,131,165	1,107,246	(23,919)
Intergovernmental	1,320	1,320	51,645	50,325
Charges for services	2,996,572	2,996,572	6,186,802	3,190,230
Fines and forfeitures	199,450	199,450	591,772	392,322
Investment income	235,401	235,401	88,812	(146,589)
Legal settlement	-	-	1,753,586	1,753,586
Other	7,581,782	9,178,040	681,957	(8,496,083)
Total revenues	<u>47,411,190</u>	<u>49,007,448</u>	<u>49,398,761</u>	<u>391,313</u>
Expenditures:				
Current:				
General government	8,844,907	8,844,907	8,217,575	627,332
Public safety	31,376,705	32,327,818	31,200,737	1,127,081
Public works	3,541,772	3,541,772	3,488,898	52,874
Parks and recreation	3,057,162	3,058,796	2,909,983	148,813
Debt service:				
Principal	32,088	32,088	32,088	-
Interest	-	-	-	-
Total expenditures	<u>46,852,634</u>	<u>47,805,381</u>	<u>45,849,281</u>	<u>1,956,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>558,556</u>	<u>1,202,067</u>	<u>3,549,480</u>	<u>2,347,413</u>
Other financing sources (uses):				
Transfers in	625,000	625,000	325,000	(300,000)
Transfers out	513,517	2,270,389	(2,328,376)	(4,598,765)
Total other financing sources (uses)	<u>1,138,517</u>	<u>2,895,389</u>	<u>(2,003,376)</u>	<u>(4,898,765)</u>
Net changes in fund balances	1,697,073	4,097,456	1,546,104	(2,551,352)
Fund balances at beginning of year	<u>3,742,360</u>	<u>3,742,360</u>	<u>3,742,360</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,439,433</u>	<u>7,839,816</u>	<u>5,288,464</u>	<u>(2,551,352)</u>

City of Victorville
Notes to Required Supplementary Information
Year Ended June 30, 2013

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

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

Measure I

This fund accounts for the portion of sales tax revenue received from the County. The funds are legally restricted expenditures for the local street networks that have significant inter-jurisdictional or regional traffic.

Other Federal Grants

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

Housing Fund of the City of Victorville

This fund accounts for the housing activities of the City that were previously accounted for in the low and moderate housing redevelopment agency fund.

Landscape Maintenance and Drainage Facilities Assessment District

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

Street Lighting

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

Traffic Safety

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

Asset Seizure

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

Nonmajor Governmental Funds

Special Revenue Funds

(Continued)

Storm Drain Utility

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

Gas Tax

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

Transportation Tax

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

Other State / Local Grants

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

HUD Grants

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

City of Victorville
Nonmajor Governmental Funds
Special Revenue Funds
Combining Balance Sheet
June 30, 2013
(with comparative totals for June 30, 2012)

	Measure I	Other Federal Grants	Housing Fund	Landscape Maintenance	Street Lighting	Traffic Safety
Assets						
Cash and investments	\$ 8,675,580	140,466	58,859	7,114,113	170,809	190
Accounts receivable	5,841	-	-	-	-	61,266
Notes receivable	-	-	583,634	-	-	-
Due from other funds	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Due from other governments	-	4,758,724	-	146,865	44,744	-
Prepaid items	-	-	-	-	-	-
Land held for resale	-	-	18,089,215	-	-	-
Total assets	<u>\$ 8,681,421</u>	<u>4,899,190</u>	<u>18,731,708</u>	<u>7,260,978</u>	<u>215,553</u>	<u>61,456</u>
Liabilities						
Accounts payable	\$ 78,835	701,689	5,976	98,040	110,012	40,107
Deposits payable	-	-	-	-	-	-
Due to other funds	-	3,352,625	-	-	-	-
Due to other governments	-	-	-	-	-	-
Unearned revenue	-	59,800	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>78,835</u>	<u>4,114,114</u>	<u>5,976</u>	<u>98,040</u>	<u>110,012</u>	<u>40,107</u>
Deferred Inflow of Resources						
Unavailable revenue	-	3,628,367	-	-	-	-
Total deferred inflow of resources	<u>-</u>	<u>3,628,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit)						
Non-spendable:						
Prepaid items	-	-	-	-	-	-
Spendable:						
Restricted	8,602,586	-	18,725,732	7,162,938	105,541	21,349
Unassigned	-	(2,843,291)	-	-	-	-
Total fund balances (deficit)	<u>8,602,586</u>	<u>(2,843,291)</u>	<u>18,725,732</u>	<u>7,162,938</u>	<u>105,541</u>	<u>21,349</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 8,681,421</u>	<u>4,899,190</u>	<u>18,731,708</u>	<u>7,260,978</u>	<u>215,553</u>	<u>61,456</u>

Asset Seizure	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	Totals	
						2013	2012
123,666	1,646,690	3,586,757	6,508,734	785,866	1	28,811,731	22,062,515
-	143,914	1,748	-	-	-	212,769	668,766
-	-	-	-	-	5	583,639	160,482
-	-	-	-	-	-	-	831,781
-	1,185,428	-	-	-	-	1,185,428	7,818,527
-	66,905	229,162	-	354,035	1,128,622	6,729,057	5,671,819
-	-	824	-	-	-	824	728,068
-	-	-	-	-	-	18,089,215	-
<u>123,666</u>	<u>3,042,937</u>	<u>3,818,491</u>	<u>6,508,734</u>	<u>1,139,901</u>	<u>1,128,628</u>	<u>55,612,663</u>	<u>37,941,958</u>
-	32,964	217,817	32,109	36,141	51,473	1,405,163	1,246,621
-	-	-	2,360	-	-	2,360	1,240
-	-	-	-	-	274,943	3,627,568	4,654,902
-	-	-	3,966	-	-	3,966	-
-	-	-	-	191,992	-	251,792	244,459
-	-	-	-	-	-	-	3,146,719
-	<u>32,964</u>	<u>217,817</u>	<u>38,435</u>	<u>228,133</u>	<u>326,416</u>	<u>5,290,849</u>	<u>9,293,941</u>
-	<u>3,565</u>	-	-	<u>383,115</u>	<u>655,427</u>	<u>4,670,474</u>	<u>3,818,425</u>
-	<u>3,565</u>	-	-	<u>383,115</u>	<u>655,427</u>	<u>4,670,474</u>	<u>3,818,425</u>
-	-	824	-	-	-	824	728,068
123,666	3,006,408	3,599,850	6,470,299	528,653	146,785	48,493,807	28,491,975
-	-	-	-	-	-	(2,843,291)	(4,390,451)
<u>123,666</u>	<u>3,006,408</u>	<u>3,600,674</u>	<u>6,470,299</u>	<u>528,653</u>	<u>146,785</u>	<u>45,651,340</u>	<u>24,829,592</u>
<u>123,666</u>	<u>3,042,937</u>	<u>3,818,491</u>	<u>6,508,734</u>	<u>1,139,901</u>	<u>1,128,628</u>	<u>55,612,663</u>	<u>37,941,958</u>

City of Victorville
Nonmajor Governmental Funds
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2013
(with comparative totals for year ended June 30, 2012)

	Measure I	Other Federal Grants	Housing Fund	Landscape Maintenance	Street Lighting	Traffic Safety
Revenues:						
Taxes and assessments	\$ 3,783,130	-	-	2,509,766	892,935	-
Intergovernmental	-	3,047,594	5,250	-	84,811	-
Charges for services	22,949	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	734,832
Investment income	26,464	1,073	6,595	11,019	265	-
Other	-	-	2,500	6,625	-	-
Total revenues	<u>3,832,543</u>	<u>3,048,667</u>	<u>14,345</u>	<u>2,527,410</u>	<u>978,011</u>	<u>734,832</u>
Expenditures:						
Current:						
Public safety	-	104,325	-	-	-	442,700
Community development	-	1,500	2,482,511	-	-	-
Public works	3,362,979	3,703,059	-	1,852,940	1,114,721	-
Parks and recreation	-	-	-	-	-	-
Debt service:						
Interest	-	-	-	-	-	-
Total expenditures	<u>3,362,979</u>	<u>3,808,884</u>	<u>2,482,511</u>	<u>1,852,940</u>	<u>1,114,721</u>	<u>442,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>469,564</u>	<u>(760,217)</u>	<u>(2,468,166)</u>	<u>674,470</u>	<u>(136,710)</u>	<u>292,132</u>
Other financing sources (uses):						
Transfers in	-	-	21,193,898	-	-	-
Transfers out	-	-	-	-	-	(325,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>21,193,898</u>	<u>-</u>	<u>-</u>	<u>(325,000)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>469,564</u>	<u>(760,217)</u>	<u>18,725,732</u>	<u>674,470</u>	<u>(136,710)</u>	<u>(32,868)</u>
Fund balances (deficit) at beginning of year, as restated	<u>8,133,022</u>	<u>(2,083,074)</u>	<u>-</u>	<u>6,488,468</u>	<u>242,251</u>	<u>54,217</u>
Fund balances (deficit) at end of year	<u>\$ 8,602,586</u>	<u>(2,843,291)</u>	<u>18,725,732</u>	<u>7,162,938</u>	<u>105,541</u>	<u>21,349</u>

Asset Seizure	Storm Drain Utility	Gas Tax	Transportation Tax	Other State / Local Grants	HUD Grants	Totals	
						2013	2012
-	-	-	-	-	-	7,185,831	6,922,808
11,949	66,905	2,679,494	143,753	446,126	2,902,516	9,388,398	8,560,509
-	1,425,638	9,024	14,437	-	-	1,472,048	4,075,891
-	28,009	-	-	-	-	762,841	653,044
191	2,565	5,555	18,962	1,314	-	74,003	194,961
-	-	-	-	-	-	9,125	413,115
<u>12,140</u>	<u>1,523,117</u>	<u>2,694,073</u>	<u>177,152</u>	<u>447,440</u>	<u>2,902,516</u>	<u>18,892,246</u>	<u>20,820,328</u>
-	-	-	-	308,120	5,000	860,145	178,811
-	-	-	-	15,083	1,430,789	3,929,883	1,700,273
-	749,666	2,569,543	579,954	529,655	436,953	14,899,470	25,189,751
-	-	-	-	2,461	109,890	112,351	57,179
-	-	-	-	-	-	-	171,739
-	<u>749,666</u>	<u>2,569,543</u>	<u>579,954</u>	<u>855,319</u>	<u>1,982,632</u>	<u>19,801,849</u>	<u>27,297,753</u>
<u>12,140</u>	<u>773,451</u>	<u>124,530</u>	<u>(402,802)</u>	<u>(407,879)</u>	<u>919,884</u>	<u>(909,603)</u>	<u>(6,477,425)</u>
-	-	-	-	-	-	21,193,898	1,219,922
-	-	-	-	-	-	(325,000)	(4,152,990)
-	-	-	-	-	-	<u>20,868,898</u>	<u>(2,933,068)</u>
12,140	773,451	124,530	(402,802)	(407,879)	919,884	19,959,295	(9,410,493)
<u>111,526</u>	<u>2,232,957</u>	<u>3,476,144</u>	<u>6,873,101</u>	<u>936,532</u>	<u>(773,099)</u>	<u>25,692,045</u>	<u>34,240,085</u>
<u>123,666</u>	<u>3,006,408</u>	<u>3,600,674</u>	<u>6,470,299</u>	<u>528,653</u>	<u>146,785</u>	<u>45,651,340</u>	<u>24,829,592</u>

CITY OF VICTORVILLE
Measure I Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes and assessments	\$ 550,000	550,000	3,783,130	3,233,130
Charges for services	15,000	15,000	22,949	7,949
Investment income	-	-	26,464	26,464
Other	-	-	-	-
Total revenues	<u>565,000</u>	<u>565,000</u>	<u>3,832,543</u>	<u>3,267,543</u>
Expenditures:				
Current:				
Public works	<u>4,006,787</u>	<u>4,071,556</u>	<u>3,362,979</u>	<u>708,577</u>
Total expenditures	<u>4,006,787</u>	<u>4,071,556</u>	<u>3,362,979</u>	<u>708,577</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,441,787)</u>	<u>(3,506,556)</u>	<u>469,564</u>	<u>3,976,120</u>
Net change in fund balances	(3,441,787)	(3,506,556)	469,564	3,976,120
Fund balances at beginning of year	<u>8,133,022</u>	<u>8,133,022</u>	<u>8,133,022</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,691,235</u>	<u>4,626,466</u>	<u>8,602,586</u>	<u>3,976,120</u>

CITY OF VICTORVILLE
Other Federal Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 6,338,843	6,390,993	3,047,594	(3,343,399)
Investment income	-	-	1,073	1,073
Total revenues	<u>6,338,843</u>	<u>6,390,993</u>	<u>3,048,667</u>	<u>(3,342,326)</u>
Expenditures:				
Current:				
Public safety	52,150	52,150	104,325	(52,175)
Community development	-	-	1,500	(1,500)
Public works	6,338,843	6,338,843	3,703,059	2,635,784
Parks and recreation	-	-	-	-
Total expenditures	<u>6,390,993</u>	<u>6,390,993</u>	<u>3,808,884</u>	<u>2,582,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,150)</u>	<u>-</u>	<u>(760,217)</u>	<u>(760,217)</u>
Net change in fund balances	(52,150)	-	(760,217)	(760,217)
Fund balances at beginning of year	<u>(2,083,074)</u>	<u>(2,083,074)</u>	<u>(2,083,074)</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ (2,135,224)</u>	<u>(2,083,074)</u>	<u>(2,843,291)</u>	<u>(760,217)</u>

CITY OF VICTORVILLE
Housing Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	-	5,250	5,250
Investment income	-	-	6,595	6,595
Other	-	-	2,500	2,500
Total revenues	<u>-</u>	<u>-</u>	<u>14,345</u>	<u>14,345</u>
Expenditures:				
Current:				
Community development	-	7,229,018	2,482,511	4,746,507
Total expenditures	<u>-</u>	<u>7,229,018</u>	<u>2,482,511</u>	<u>4,746,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(7,229,018)</u>	<u>(2,468,166)</u>	<u>4,760,852</u>
Other financing sources (uses):				
Transfers in	-	-	21,193,898	21,193,898
Transfers out	<u>-</u>	<u>2,591,125</u>	<u>-</u>	<u>(2,591,125)</u>
Total other financing sources (uses)	<u>-</u>	<u>2,591,125</u>	<u>21,193,898</u>	<u>18,602,773</u>
Net change in fund balances	-	(4,637,893)	18,725,732	23,363,625
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>(4,637,893)</u>	<u>18,725,732</u>	<u>23,363,625</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes and assessments	\$ 2,351,980	2,351,980	2,509,766	157,786
Investment income	-	-	11,019	11,019
Other	-	-	6,625	6,625
Total revenues	<u>2,351,980</u>	<u>2,351,980</u>	<u>2,527,410</u>	<u>175,430</u>
Expenditures:				
Current:				
Public works	3,321,413	3,210,494	1,852,940	1,357,554
Total expenditures	<u>3,321,413</u>	<u>3,210,494</u>	<u>1,852,940</u>	<u>1,357,554</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(969,433)</u>	<u>(858,514)</u>	<u>674,470</u>	<u>1,532,984</u>
Net change in fund balances	(969,433)	(858,514)	674,470	1,532,984
Fund balances at beginning of year	<u>6,488,468</u>	<u>6,488,468</u>	<u>6,488,468</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,519,035</u>	<u>5,629,954</u>	<u>7,162,938</u>	<u>1,532,984</u>

CITY OF VICTORVILLE
Street Lighting Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes and assessments	\$ 634,286	634,286	892,935	258,649
Intergovernmental	-	-	84,811	84,811
Investment income	-	-	265	265
Total revenues	<u>634,286</u>	<u>634,286</u>	<u>978,011</u>	<u>343,725</u>
Expenditures:				
Current:				
Public works	<u>1,252,826</u>	<u>1,302,939</u>	<u>1,114,721</u>	<u>188,218</u>
Total expenditures	<u>1,252,826</u>	<u>1,302,939</u>	<u>1,114,721</u>	<u>188,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(618,540)</u>	<u>(668,653)</u>	<u>(136,710)</u>	<u>531,943</u>
Other financing sources (uses):				
Transfers in	<u>220,000</u>	<u>220,000</u>	<u>-</u>	<u>(220,000)</u>
Total other financing sources (uses)	<u>220,000</u>	<u>220,000</u>	<u>-</u>	<u>(220,000)</u>
Net change in fund balances	(398,540)	(448,653)	(136,710)	311,943
Fund balances at beginning of year	<u>242,251</u>	<u>242,251</u>	<u>242,251</u>	<u>-</u>
Fund balances at end of year	<u>\$ (156,289)</u>	<u>(206,402)</u>	<u>105,541</u>	<u>311,943</u>

CITY OF VICTORVILLE
Traffic Safety Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Fines and forfeitures	<u>\$ 1,393,040</u>	<u>1,393,040</u>	<u>734,832</u>	<u>(658,208)</u>
Total revenues	<u>1,393,040</u>	<u>1,393,040</u>	<u>734,832</u>	<u>(658,208)</u>
Expenditures:				
Current:				
Public safety	<u>768,040</u>	<u>768,040</u>	<u>442,700</u>	<u>325,340</u>
Total expenditures	<u>768,040</u>	<u>768,040</u>	<u>442,700</u>	<u>325,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>625,000</u>	<u>625,000</u>	<u>292,132</u>	<u>(332,868)</u>
Other financing sources (uses):				
Transfers out	<u>625,000</u>	<u>625,000</u>	<u>(325,000)</u>	<u>(950,000)</u>
Total other financing sources (uses)	<u>625,000</u>	<u>625,000</u>	<u>(325,000)</u>	<u>(950,000)</u>
Net change in fund balances	1,250,000	1,250,000	(32,868)	(1,282,868)
Fund balances at beginning of year	<u>54,217</u>	<u>54,217</u>	<u>54,217</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,304,217</u>	<u>1,304,217</u>	<u>21,349</u>	<u>(1,282,868)</u>

CITY OF VICTORVILLE
 Asset Seizure Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	-	11,949	11,949
Investment income	-	-	191	191
Total revenues	<u>-</u>	<u>-</u>	<u>12,140</u>	<u>12,140</u>
Expenditures:				
Current:				
Public safety	<u>35,000</u>	<u>35,000</u>	-	<u>35,000</u>
Total expenditures	<u>35,000</u>	<u>35,000</u>	-	<u>35,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,000)</u>	<u>(35,000)</u>	<u>12,140</u>	<u>47,140</u>
Net change in fund balances	(35,000)	(35,000)	12,140	47,140
Fund balances at beginning of year	<u>111,526</u>	<u>111,526</u>	<u>111,526</u>	<u>-</u>
Fund balances at end of year	<u>\$ 76,526</u>	<u>76,526</u>	<u>123,666</u>	<u>47,140</u>

CITY OF VICTORVILLE
Storm Drain Utility Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -		66,905	66,905
Charges for services	1,352,208	1,352,208	1,425,638	73,430
Fines and forfeitures	-	-	28,009	28,009
Investment income	-	-	2,565	2,565
Other	<u>25,862</u>	<u>25,862</u>	<u>-</u>	<u>(25,862)</u>
Total revenues	<u>1,378,070</u>	<u>1,378,070</u>	<u>1,523,117</u>	<u>145,047</u>
Expenditures:				
Current:				
Public works	<u>911,519</u>	<u>912,174</u>	<u>749,666</u>	<u>162,508</u>
Total expenditures	<u>911,519</u>	<u>912,174</u>	<u>749,666</u>	<u>162,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>466,551</u>	<u>465,896</u>	<u>773,451</u>	<u>307,555</u>
Net change in fund balances	466,551	465,896	773,451	307,555
Fund balances at beginning of year	<u>2,232,957</u>	<u>2,232,957</u>	<u>2,232,957</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,699,508</u>	<u>2,698,853</u>	<u>3,006,408</u>	<u>307,555</u>

CITY OF VICTORVILLE
Gas Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 2,913,361	2,913,361	2,679,494	(233,867)
Charges for services	11,000	11,000	9,024	(1,976)
Investment income	-	-	5,555	5,555
Total revenues	<u>2,924,361</u>	<u>2,924,361</u>	<u>2,694,073</u>	<u>(230,288)</u>
Expenditures:				
Current:				
Public works	3,111,174	3,146,931	2,569,543	577,388
Total expenditures	<u>3,111,174</u>	<u>3,146,931</u>	<u>2,569,543</u>	<u>577,388</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(186,813)</u>	<u>(222,570)</u>	<u>124,530</u>	<u>347,100</u>
Net change in fund balances	(186,813)	(222,570)	124,530	347,100
Fund balances at beginning of year	<u>3,476,144</u>	<u>3,476,144</u>	<u>3,476,144</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,289,331</u>	<u>3,253,574</u>	<u>3,600,674</u>	<u>347,100</u>

CITY OF VICTORVILLE
Transportation Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 2,913,361	2,913,361	143,753	(2,769,608)
Charges for services	11,000	11,000	14,437	3,437
Investment income	<u>-</u>	<u>-</u>	<u>18,962</u>	<u>18,962</u>
Total revenues	<u>2,924,361</u>	<u>2,924,361</u>	<u>177,152</u>	<u>(2,747,209)</u>
Expenditures:				
Current:				
Public works	1,955,608	1,957,094	579,954	1,377,140
Total expenditures	<u>1,955,608</u>	<u>1,957,094</u>	<u>579,954</u>	<u>1,377,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>968,753</u>	<u>967,267</u>	<u>(402,802)</u>	<u>(1,370,069)</u>
Net change in fund balances	968,753	967,267	(402,802)	(1,370,069)
Fund balances at beginning of year	<u>6,873,101</u>	<u>6,873,101</u>	<u>6,873,101</u>	<u>-</u>
Fund balances at end of year	<u>\$ 7,841,854</u>	<u>7,840,368</u>	<u>6,470,299</u>	<u>(1,370,069)</u>

CITY OF VICTORVILLE
Other State / Local Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,017,441	2,987,575	446,126	(2,541,449)
Investment income	-	-	1,314	1,314
Other	-	-	-	-
Total revenues	<u>1,017,441</u>	<u>2,987,575</u>	<u>447,440</u>	<u>(2,540,135)</u>
Expenditures:				
Current:				
Public safety	-	39,900	308,120	(268,220)
Community development	-	-	15,083	(15,083)
Public works	1,092,441	1,515,973	529,655	986,318
Parks and recreation	-	-	2,461	(2,461)
Total expenditures	<u>1,092,441</u>	<u>1,555,873</u>	<u>855,319</u>	<u>700,554</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,000)</u>	<u>1,431,702</u>	<u>(407,879)</u>	<u>(1,839,581)</u>
Net change in fund balances	(75,000)	1,431,702	(407,879)	(1,839,581)
Fund balances at beginning of year	<u>936,532</u>	<u>936,532</u>	<u>936,532</u>	<u>-</u>
Fund balances at end of year	<u>\$ 861,532</u>	<u>2,368,234</u>	<u>528,653</u>	<u>(1,839,581)</u>

CITY OF VICTORVILLE
HUD Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,240,717	1,240,717	2,902,516	1,661,799
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,240,717</u>	<u>1,240,717</u>	<u>2,902,516</u>	<u>1,661,799</u>
Expenditures:				
Current:				
Public safety	5,000	5,000	5,000	-
Community development	635,093	855,337	1,430,789	(575,452)
Public works	422,994	422,994	436,953	(13,959)
Parks and recreation	<u>162,430</u>	<u>162,430</u>	<u>109,890</u>	<u>52,540</u>
Total expenditures	<u>1,225,517</u>	<u>1,445,761</u>	<u>1,982,632</u>	<u>(536,871)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,200</u>	<u>(205,044)</u>	<u>919,884</u>	<u>1,124,928</u>
Net change in fund balances	15,200	(205,044)	919,884	1,124,928
Fund balances (deficit) at beginning of year	<u>(773,099)</u>	<u>(773,099)</u>	<u>(773,099)</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ (757,899)</u>	<u>(978,143)</u>	<u>146,785</u>	<u>1,124,928</u>

CITY OF VICTORVILLE
Capital Impact Facilities Fund - Major Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 2,746,900	2,746,900	1,596,823	(1,150,077)
Investment income	17,280	17,280	5,922	(11,358)
Other	<u>491,417</u>	<u>491,417</u>	-	<u>(491,417)</u>
Total revenues	<u>3,255,597</u>	<u>3,255,597</u>	<u>1,602,745</u>	<u>(1,652,852)</u>
Expenditures:				
Current:				
General government	437,280	437,280	-	437,280
Public safety	80,000	80,000	461	79,539
Public works	333,385	335,348	92,414	242,934
Parks and recreation	-	-	-	-
Debt service:				
Principal	59,044	59,044	-	-
Interest	<u>458,236</u>	<u>458,236</u>	<u>74,363</u>	<u>383,873</u>
Total expenditures	<u>1,367,945</u>	<u>1,369,908</u>	<u>167,238</u>	<u>1,143,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,887,652</u>	<u>1,885,689</u>	<u>1,435,507</u>	<u>(509,226)</u>
Net change in fund balances	1,887,652	1,885,689	1,435,507	(450,182)
Fund balances at beginning of year	<u>(862,453)</u>	<u>(862,453)</u>	<u>(862,453)</u>	-
Fund balances (deficit) at end of year	<u>\$ 1,025,199</u>	<u>1,023,236</u>	<u>573,054</u>	<u>(450,182)</u>

Nonmajor Enterprise Funds

City Golf Course

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

Southern California Logistics Rail Authority

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

CITY OF VICTORVILLE
Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2013
(with comparative totals for June 30, 2012)

	City Golf	Southern California Logistics Rail Authority	Total	
			2013	2012
Assets:				
Current assets:				
Cash and investments	\$ 208,266	-	208,266	47,743
Accounts receivable, net	-	-	-	1,919
Inventory and other assets	31,623	-	31,623	25,860
Total current assets	<u>239,889</u>	<u>-</u>	<u>239,889</u>	<u>75,522</u>
Noncurrent assets:				
Capital assets, net (note 4)	18,046,048	29,012,824	47,058,872	49,224,358
Total noncurrent assets	<u>18,046,048</u>	<u>29,012,824</u>	<u>47,058,872</u>	<u>49,224,358</u>
Total assets	<u>18,285,937</u>	<u>29,012,824</u>	<u>47,298,761</u>	<u>49,299,880</u>
Liabilities:				
Current liabilities:				
Accounts payable	301,577	-	301,577	243,223
Deposits payable	15,435	-	15,435	5,397
Long-term debt - due within one year (note 8)	181,659	-	181,659	182,500
Total current liabilities	<u>498,671</u>	<u>-</u>	<u>498,671</u>	<u>431,120</u>
Noncurrent liabilities:				
Advances from other funds (note 3)	6,378,926	-	6,378,926	6,359,984
Long-term debt - due more than one year (note 8)	394,589	-	394,589	565,721
Total noncurrent liabilities	<u>6,773,515</u>	<u>-</u>	<u>6,773,515</u>	<u>6,925,705</u>
Total liabilities	<u>7,272,186</u>	<u>-</u>	<u>7,272,186</u>	<u>7,356,825</u>
Net position:				
Net investment in capital assets	11,272,533	29,012,824	40,285,357	42,298,653
Unrestricted	(258,782)	-	(258,782)	(355,598)
Total net position	<u>11,013,751</u>	<u>29,012,824</u>	<u>40,026,575</u>	<u>41,943,055</u>
Total liabilities and net position	<u>\$ 18,285,937</u>	<u>29,012,824</u>	<u>47,298,761</u>	<u>49,299,880</u>

CITY OF VICTORVILLE
Nonmajor Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
Year ended June 30, 2013
(with comparative totals for year ended June 30, 2012)

	City	Southern California	Total	
	Golf	Logistics Rail Authority	2013	2012
Operating revenues:				
Charges for services	\$ 1,170,666	-	1,170,666	1,160,486
Other	91,567	-	91,567	52,616
Total operating revenues	<u>1,262,233</u>	<u>-</u>	<u>1,262,233</u>	<u>1,213,102</u>
Operating expenses:				
Personnel services	845,528	-	845,528	781,936
Maintenance and operations	957,978	5,365	963,343	939,769
Depreciation	553,971	269,315	823,286	843,736
Total operating expenses	<u>2,357,477</u>	<u>274,680</u>	<u>2,632,157</u>	<u>2,565,441</u>
Operating income (loss)	<u>(1,095,244)</u>	<u>(274,680)</u>	<u>(1,369,924)</u>	<u>(1,352,339)</u>
Nonoperating revenues (expenses):				
Interest expense	(18,942)	-	(18,942)	(24,204)
Other nonoperating revenues (expenses)	(42,143)	-	(42,143)	(51,312)
Total nonoperating revenues (expenses)	<u>(61,085)</u>	<u>-</u>	<u>(61,085)</u>	<u>(75,516)</u>
Income (loss) before transfers	(1,156,329)	(274,680)	(1,431,009)	(1,427,855)
Transfers in (note 3)	856,729	-	856,729	703,396
Transfers out (note 3)	<u>(1,342,200)</u>	<u>-</u>	<u>(1,342,200)</u>	<u>-</u>
Change in net position	(1,641,800)	(274,680)	(1,916,480)	(724,459)
Net position at beginning of year	<u>12,655,551</u>	<u>29,287,504</u>	<u>41,943,055</u>	<u>42,667,514</u>
Net position at end of year	<u>\$ 11,013,751</u>	<u>29,012,824</u>	<u>40,026,575</u>	<u>41,943,055</u>

CITY OF VICTORVILLE
Nonmajor Enterprise Funds
Statement of Cash Flows
Year ended June 30, 2013
(with comparative totals for year ended June 30, 2012)

	City Golf	Southern California Logistics Rail Authority	Total	
			2013	2012
Cash flows from operating activities:				
Cash received from customers	\$ 1,264,152	-	1,264,152	1,400,920
Cash payments to employees for services	(845,528)	-	(845,528)	(781,936)
Cash payments to suppliers for goods and services	(895,349)	(5,366)	(900,715)	(1,082,162)
Net cash provided by (used for) operating activities	(476,725)	(5,366)	(482,091)	(463,178)
Cash flows from noncapital financing activities:				
Cash received from other funds	875,671	-	875,671	727,600
Cash flows from capital and related financing activities:				
Principal paid on capital-related debt	(214,115)	-	(214,115)	(214,115)
Interest paid on capital-related debt	(18,942)	-	(18,942)	-
Net cash provided by (used for) capital and related financing activities	(233,057)	-	(233,057)	(214,115)
Cash flows from investing activities:				
Interest received on investments	-	-	-	(24,204)
Net cash provided by (used for) investing activities	-	-	-	(24,204)
Net increase (decrease) in cash and cash equivalents	165,889	(5,366)	160,523	26,103
Cash and cash equivalents at beginning of year	42,377	5,366	47,743	21,640
Cash and cash equivalents at end of year	\$ 208,266	-	208,266	47,743
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,095,244)	(274,680)	(1,369,924)	(1,352,339)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	553,972	269,314	823,286	843,736
(Increase) decrease in accounts receivable	1,918	-	1,918	187,818
(Increase) decrease in inventory	(5,763)	-	(5,763)	(4,236)
(Increase) decrease in prepaids	-	-	-	22,500
Increase (decrease) in accounts payable	58,354	-	58,354	(161,338)
Increase (decrease) in deposits payable	10,038	-	10,038	681
Total adjustments	618,519	269,314	887,833	889,161
Net cash provided by (used for) operating activities	\$ (476,725)	(5,366)	(482,091)	(463,178)

There were no noncash capital, financing, or investing activities

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.

Regional Fire Protection Authority

This agency fund accounts for the agency activities of the City of Victorville on behalf of the Regional Fire Protection Agency.

Water Assessment District No. 2R

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

CITY OF VICTORVILLE
Combining Statement of Assets and Liabilities - Agency Funds
June 30, 2013
(with comparative totals for June 30, 2012)

	Deposit Funds	Community Facilities District 90-01	Community Facilities District 01-01	Regional Fire Protection Authority	Water Assessment District 2R	Totals	
						2013	2012
<u>Assets</u>							
Cash and investments	\$ 1,596,457	1,283,503	638,225	289,531	951,511	4,759,227	4,313,418
Restricted assets:							
Investments with fiscal agent	-	796,464	1,665,724	-	407,740	2,869,928	2,892,588
Accounts receivable	481	12,050	4,116	-	-	16,647	22,938
Assets used for operations	-	-	-	-	-	-	1,729
Total assets	<u>1,596,938</u>	<u>2,092,017</u>	<u>2,308,065</u>	<u>289,531</u>	<u>1,359,251</u>	<u>7,645,802</u>	<u>7,230,673</u>
<u>Liabilities</u>							
Accounts payable	-	21,463	4,777	-	-	26,240	30,316
Deposits payable	<u>1,596,938</u>	<u>2,070,554</u>	<u>2,303,288</u>	<u>289,531</u>	<u>1,359,251</u>	<u>7,619,562</u>	<u>7,200,357</u>
Total liabilities	<u>\$ 1,596,938</u>	<u>2,092,017</u>	<u>2,308,065</u>	<u>289,531</u>	<u>1,359,251</u>	<u>7,645,802</u>	<u>7,230,673</u>

CITY OF VICTORVILLE
Combining Statement of Changes in Assets and Liabilities - Agency Funds
Agency Funds
Year ended June 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Deposit Funds</u>				
Assets:				
Cash and investments	\$ 958,983	637,474	-	1,596,457
Due from other governments	105	376	-	481
Total assets	<u>\$ 959,088</u>	<u>637,850</u>	<u>-</u>	<u>1,596,938</u>
Liabilities:				
Deposits payable	\$ 959,088	637,850	-	1,596,938
Total liabilities	<u>\$ 959,088</u>	<u>637,850</u>	<u>-</u>	<u>1,596,938</u>
<u>Community Facilities District 90-01</u>				
Assets:				
Cash and investments	\$ 1,454,872	-	(171,369)	1,283,503
Restricted assets:				
Investments with fiscal agent	794,883	1,581	-	796,464
Due from other governments	10,159	1,891	-	12,050
Total assets	<u>\$ 2,259,914</u>	<u>3,472</u>	<u>(171,369)</u>	<u>2,092,017</u>
Liabilities:				
Accounts payable	\$ 23,581	-	(2,118)	21,463
Deposits payable	2,236,333	246,312	(412,091)	2,070,554
Total liabilities	<u>2,259,914</u>	<u>246,312</u>	<u>(414,209)</u>	<u>2,092,017</u>
<u>Community Facilities District 01-01</u>				
Assets:				
Cash and investments	\$ 663,250	-	(25,025)	638,225
Restricted assets:				
Investments with fiscal agent	1,690,325	-	(24,601)	1,665,724
Due from other governments	5,081	-	(965)	4,116
Total assets	<u>\$ 2,358,656</u>	<u>-</u>	<u>(50,591)</u>	<u>2,308,065</u>
Liabilities:				
Accounts payable	\$ 3,294	1,483	-	4,777
Deposits payable	2,355,362	-	(52,074)	2,303,288
Total liabilities	<u>\$ 2,358,656</u>	<u>1,483</u>	<u>(52,074)</u>	<u>2,308,065</u>

(Continued)

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

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Regional Fire Protection Authority</u>				
Assets:				
Cash and investments	\$ 289,482	49	-	289,531
Assets used for operations	1,729	-	(1,729)	-
Total assets	<u>\$ 291,211</u>	<u>49</u>	<u>(1,729)</u>	<u>289,531</u>
Liabilities:				
Deposits payable	\$ 291,211	-	(1,680)	289,531
Total liabilities	<u>\$ 291,211</u>	<u>-</u>	<u>(1,680)</u>	<u>289,531</u>
<u>Water Assessment District 2R</u>				
Assets:				
Cash and investments	\$ 946,831	4,680	-	951,511
Restricted assets:				
Investments with fiscal agent	407,380	360	-	407,740
Due from other governments	7,593	-	(7,593)	-
Total assets	<u>\$ 1,361,804</u>	<u>5,040</u>	<u>(7,593)</u>	<u>1,359,251</u>
Liabilities:				
Accounts payable	\$ 3,441	-	(3,441)	-
Deposits payable	1,358,363	888	-	1,359,251
Total liabilities	<u>\$ 1,361,804</u>	<u>888</u>	<u>(3,441)</u>	<u>1,359,251</u>
<u>Total-All Fiduciary Funds</u>				
Assets:				
Cash and investments	\$ 4,313,418	642,203	(196,394)	4,759,227
Restricted assets:				
Investments with fiscal agent	2,892,588	1,941	(24,601)	2,869,928
Due from other governments	22,938	2,267	(8,558)	16,647
Assets used for operations	1,729	-	(1,729)	-
Total assets	<u>\$ 7,230,673</u>	<u>646,411</u>	<u>(231,282)</u>	<u>7,645,802</u>
Liabilities:				
Accounts payable	\$ 30,316	1,483	(5,559)	26,240
Deposits payable	7,200,357	885,050	(465,845)	7,619,562
Total liabilities	<u>\$ 7,230,673</u>	<u>886,533</u>	<u>(471,404)</u>	<u>7,645,802</u>

Statistical Section

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

Contents	Page
Financial Trends	126-130
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Financial Capacity	131-134
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity	135-140
<i>These schedules present information to help the reader assess the adorability of the City’s current level of outstanding debt, and the City’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	141-142
<i>These schedules present information to help the reader understand the environment within which the City’s financial activities take place.</i>	
Operating Information	143-145
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	

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

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 350,772	\$ 369,718	\$ 442,887	\$ 311,739	\$ 463,898	\$ 477,976	\$ 465,339	\$ 450,606	\$ 479,821	\$ 478,455
Restricted	35,088	62,874	66,389	95,221	96,802	96,248	93,453	85,008	27,686	48,921
Unrestricted	<u>32,526</u>	<u>20,988</u>	<u>22,750</u>	<u>17,585</u>	<u>12,678</u>	<u>6,320</u>	<u>2,290</u>	<u>(5,656)</u>	<u>(7,794)</u>	<u>(13,830)</u>
Total governmental activities net position	<u>418,386</u>	<u>453,580</u>	<u>532,027</u>	<u>424,544</u>	<u>573,379</u>	<u>580,544</u>	<u>561,082</u>	<u>529,958</u>	<u>499,712</u>	<u>513,546</u>
Business-type activities										
Invested in capital assets, net of related debt	69,847	44,923	42,706	(213,530)	235,771	270,534	363,436	416,397	418,557	363,671
Restricted	-	-	-	86,048	22,330	1,778	1,504	2,076	4,431	7,200
Unrestricted	<u>25,026</u>	<u>42,840</u>	<u>42,388</u>	<u>46,142</u>	<u>(83,379)</u>	<u>(105,654)</u>	<u>(246,973)</u>	<u>(290,967)</u>	<u>(296,361)</u>	<u>(199,817)</u>
Total business-type activities net position	<u>94,872</u>	<u>87,763</u>	<u>85,094</u>	<u>(81,341)</u>	<u>174,722</u>	<u>166,657</u>	<u>117,967</u>	<u>127,506</u>	<u>126,628</u>	<u>171,054</u>
Primary government										
Invested in capital assets, net of related debt	420,618	414,641	485,593	98,209	699,670	748,509	828,775	867,003	898,378	842,126
Restricted	35,088	62,874	66,389	181,269	119,133	98,026	94,956	87,085	32,117	56,121
Unrestricted	<u>57,551</u>	<u>63,828</u>	<u>65,138</u>	<u>63,726</u>	<u>(70,701)</u>	<u>(99,334)</u>	<u>(244,683)</u>	<u>(296,623)</u>	<u>(304,155)</u>	<u>(213,647)</u>
Total primary government net position	<u>\$ 513,258</u>	<u>\$ 541,343</u>	<u>\$ 617,121</u>	<u>\$ 343,204</u>	<u>\$ 748,101</u>	<u>\$ 747,201</u>	<u>\$ 679,049</u>	<u>\$ 657,464</u>	<u>\$ 626,340</u>	<u>\$ 684,600</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
<i>Governmental activities:</i>										
General government	\$ 6,723	\$ 10,043	\$ 10,229	\$ 34,539	\$ 12,656	\$ 13,133	\$ 15,165	\$ 17,037	\$ 4,977	\$ 13,691
Public safety	16,432	24,404	22,619	26,021	26,331	30,285	35,942	35,416	30,724	32,422
Community Development	4,953	5,440	1,272	3,147	2,861	6,655	12,109	6,037	1,589	4,094
Public works	23,926	24,272	35,875	32,853	38,049	35,443	26,377	24,164	31,675	29,846
Park and recreation	5,645	14,310	10,897	7,471	11,277	14,164	6,763	6,313	4,550	4,509
Interest on long-term debt	2,837	1,351	2,556	2,825	3,777	2,658	2,495	2,457	1,397	74
Total governmental activities expenses	60,516	79,819	83,447	106,857	94,951	102,339	98,852	91,425	74,913	84,637
<i>Business-type activities</i>										
Sanitary/Wastewater	3,802	4,436	4,954	5,655	10,766	8,026	9,750	11,150	10,555	11,114
Golf course	2,012	2,103	2,113	2,826	2,721	2,973	2,040	2,526	2,372	2,419
Airport	16,883	30,897	34,872	43,389	43,115	42,874	83,297	45,010	33,583	30,845
Transit	1,717	1,161	-	-	-	-	-	-	-	-
Water	2,687	1,830	2,398	2,584	30,677	29,476	28,665	27,143	29,782	29,842
Rail	1,136	2,273	954	2,500	1,437	366	279	1,748	269	275
Solid Waste**	-	-	-	11,572	11,987	12,203	11,427	11,642	11,398	12,383
Municipal utility	2,561	7,368	12,685	21,602	21,256	16,883	11,705	12,806	12,236	11,767
Total business-type activities expenses	30,798	50,069	57,976	90,127	121,959	112,802	147,163	112,025	100,195	98,645
Total primary government expenses	91,314	129,888	141,423	196,984	216,910	215,141	246,014	203,450	175,108	183,282
Program Revenues										
<i>Governmental activities:</i>										
<i>Charges for services:</i>										
General government	5,457	3,382	4,539	4,448	4,888	3,737	7,303	4,330	2,860	3,559
Public safety	3,690	1,994	5,140	5,307	2,101	2,095	1,677	1,552	1,409	1,425
Community development	-	03	-	26	-	-	-	18	2,593	1,528
Public works	24,068	27,983	36,693	18,485	11,111	6,399	5,166	4,738	4,216	3,532
Parks and recreation	7,270	5,977	11,611	9,356	4,724	2,109	1,790	1,517	939	890
Operating grants and contributions	10,718	12,398	18,731	17,853	15,460	19,796	24,126	15,062	5,309	18,266
Capital contributions and grants	38,650	12,678	50,583	35,553	-	-	461	13	6,818	6,940
Total governmental activities program revenues	89,853	64,414	127,297	91,028	38,283	34,136	40,523	27,231	24,143	36,139
<i>Business-type activities:</i>										
<i>Charges for services:</i>										
Sanitary/Wastewater	6,528	6,236	7,951	8,102	5,944	9,576	10,802	12,821	12,608	14,934
Golf course	1,254	1,262	1,390	1,206	1,311	1,043	760	889	1,160	1,171
Airport	4,074	5,423	4,531	5,577	8,502	7,363	8,163	9,206	9,070	8,204
Transit	270	131	-	-	-	-	-	-	-	-
Water	2,069	1,497	2,058	2,213	21,539	21,755	23,642	23,901	26,558	26,207
Solid Waste**	-	-	-	12,325	12,388	13,376	12,370	12,539	11,528	12,069
Municipal utilities	993	1,306	3,393	4,166	5,658	6,175	5,925	9,597	10,290	11,270
Operating grants and contributions	8,178	4,141	-	-	3,761	8,074	2,601	4,283	10,635	10,912
Capital contributions and grants	-	12,255	6,555	13,634	23,357	12,509	9,083	14,652	11,847	11,557
Total business-type activities program revenues	23,366	32,252	25,878	47,224	82,459	79,871	73,344	87,888	93,696	96,324
Total primary government program revenues	\$113,219	\$96,666	\$153,175	\$138,252	\$120,742	\$114,007	\$113,868	\$115,118	\$117,839	\$132,463

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense) revenue										
Governmental activities	\$ 29,337	\$ (15,405)	\$ 43,850	\$ (15,829)	\$ (56,668)	\$ (68,203)	\$ (58,328)	\$ (64,194)	\$ (50,770)	\$ (48,498)
Business-type activities	(7,432)	(17,817)	(32,098)	(42,903)	(39,500)	(32,931)	(73,818)	(24,137)	(6,499)	(2,321)
Total primary government net expense	<u>\$ 21,905</u>	<u>(33,222)</u>	<u>11,752</u>	<u>(58,732)</u>	<u>(96,168)</u>	<u>(101,134)</u>	<u>(132,147)</u>	<u>(88,331)</u>	<u>(57,269)</u>	<u>(50,818)</u>
General Revenues and Other Changes in Net Position										
<i>Governmental activities:</i>										
<i>Taxes:</i>										
Property taxes	13,256	16,497	19,298	23,077	29,230	27,520	26,416	23,999	26,967	21,926
Sales taxes	16,456	15,641	18,008	16,835	14,626	11,556	10,814	11,427	16,431	20,671
Transient occupancy tax	748	761	895	950	964	784	760	794	709	841
Other taxes	1,285	9,361	7,921	16,271	40,396	40,537	33,349	27,858	6,378	2,684
Investment income	972	1,343	2,447	3,193	3,390	2,942	732	881	297	169
Motor vehicle in lieu	3,317	509	604	514	-	367	323	567	61	51
Gain on sale of assets	3,363	6,326	06	-	211	49	(126)	-	(3)	-
Miscellaneous revenues	739	196	221	589	3,555	163	80	54	522	691
SERAF Obligation	-	-	-	-	-	-	(12,368)	(2,545)	-	-
Transfers	(6,044)	(8,625)	(14,803)	(12,136)	(22,423)	(12,815)	(21,859)	(22,987)	(1,099)	(2,328)
Extraordinary Gain	-	-	-	-	-	-	-	-	(29,740)	-
Legal Settlement	-	-	-	-	-	-	-	-	-	1,754
<i>Total governmental activities</i>	<u>34,091</u>	<u>42,008</u>	<u>34,597</u>	<u>49,293</u>	<u>69,948</u>	<u>71,103</u>	<u>38,122</u>	<u>40,049</u>	<u>20,524</u>	<u>46,459</u>
<i>Business-type activities:</i>										
Taxes	-	-	-	-	1,916	1,654	27	27	541	521
Other Taxes	-	922	8,950	13,749	1,519	2,297	758	710	-	-
Investment income	473	970	3,801	6,012	7,650	3,083	2,409	1,773	1,749	200
Gain on sale of assets	-	-	-	148	-	416	(1,601)	402	538	60
Miscellaneous revenues	5,520	146	-	373	11,547	1,033	1,163	799	961	1,768
Impairment loss on Capital assets	-	-	-	(96,423)	-	-	-	-	-	-
Legal Settlement	-	-	-	-	-	-	-	-	-	52,246
Transfers	6,044	8,625	14,803	12,136	22,423	12,815	21,859	22,987	1,099	2,328
<i>Total business-type activities</i>	<u>12,038</u>	<u>10,663</u>	<u>27,554</u>	<u>(64,007)</u>	<u>45,055</u>	<u>21,298</u>	<u>24,616</u>	<u>26,698</u>	<u>4,888</u>	<u>57,123</u>
Total primary government	<u>46,129</u>	<u>52,672</u>	<u>62,151</u>	<u>(14,714)</u>	<u>115,003</u>	<u>92,401</u>	<u>62,737</u>	<u>66,747</u>	<u>25,411</u>	<u>103,582</u>
Change in Net Position										
Governmental activities	63,428	26,603	78,446	33,464	13,280	2,900	(20,207)	(24,145)	(30,246)	(2,039)
Business-type activities	4,606	(7,154)	(4,544)	(106,910)	5,555	(11,633)	(49,202)	2,561	(1,612)	54,803
Total primary government	<u>\$ 68,034</u>	<u>\$ 19,450</u>	<u>\$ 73,903</u>	<u>\$ (73,446)</u>	<u>\$ 18,836</u>	<u>\$ (8,733)</u>	<u>\$ (69,409)</u>	<u>\$ (21,584)</u>	<u>\$ (31,858)</u>	<u>\$ 52,764</u>

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

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

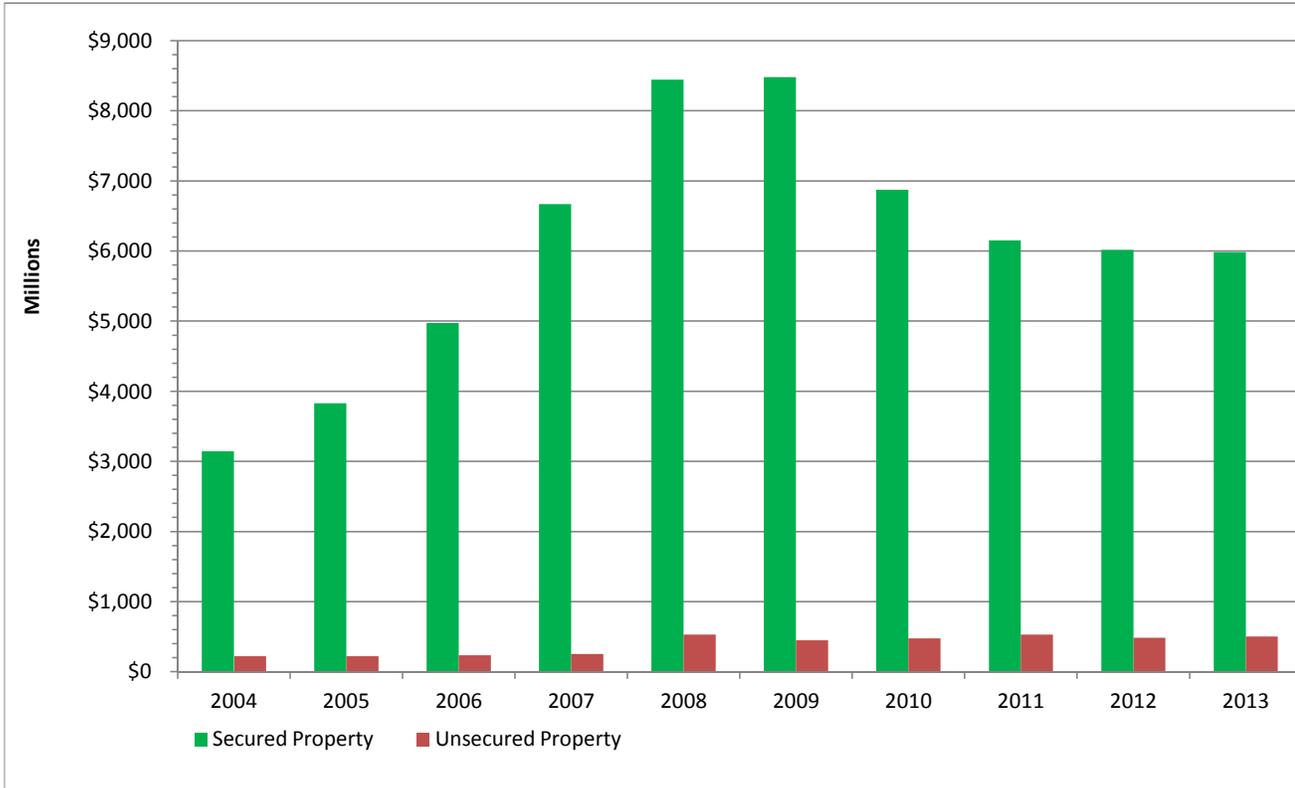
	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011**</u>	<u>2012</u>	<u>2013</u>
General fund										
Reserved	\$ 11,566	\$ 12,133	\$ 9,567	\$ 1,557	\$ 323	\$ 248	\$ 5,320	\$ -	\$ -	\$ -
Unreserved	13,968	16,739	17,987	21,111	12,132	10,398	2,230	-	-	-
Nonspendable	-	-	-	-	-	-	-	2,322	67	211
Restricted	-	-	-	-	-	-	-	-	14	30
Unassigned	-	-	-	-	-	-	-	782	3,661	5,047
Total general fund	<u>25,535</u>	<u>28,872</u>	<u>27,554</u>	<u>22,668</u>	<u>12,456</u>	<u>10,646</u>	<u>7,550</u>	<u>3,104</u>	<u>3,742</u>	<u>5,288</u>
All other governmental funds										
Reserved, reported in:										
Special revenue funds	\$ 6,948	\$ 7,042	\$ 5,775	\$ 49,123	\$ 19,345	\$ 22,113	\$ 34,010	\$ -	\$ -	\$ -
Capital project funds	82	5,971	14,640	32,995	7,783	17,577	17,836	-	-	-
Debt service funds	3,106	3,000	24,515	13,503	8,358	1,923	1,800	-	-	-
Unreserved, reported in:										
Special revenue funds	22,954	23,578	40,316	(400)	36,417	30,288	30,425	-	-	-
Capital project funds	17,558	25,994	19,314	-	27,368	20,472	11,096	-	-	-
Debt service funds										
Nonspendable	-	-	-	-	-	-	-	1,347	8,547	01
Restricted	-	-	-	-	-	-	-	86,617	20,673	48,494
Assigned										
Unassigned	-	-	-	-	-	-	-	(1,327)	(4,390)	(2,843)
Total all other governmental funds	<u>50,647</u>	<u>65,584</u>	<u>104,559</u>	<u>95,221</u>	<u>99,270</u>	<u>92,372</u>	<u>95,167</u>	<u>86,637</u>	<u>24,830</u>	<u>46,224</u>

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

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

	Fiscal year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenue										
Taxes	\$ 40,713	\$ 42,221	\$ 53,139	\$ 61,275	\$ 57,129	\$ 49,598	\$ 45,780	\$ 43,379	\$ 50,456	\$ 38,937
Licenses and permits	15,217	16,052	27,869	20,358	14,578	7,253	6,605	5,302	1,198	1,107
Intergovernmental	12,542	15,041	17,949	18,416	43,897	47,419	52,034	33,265	8,649	52
Charges for services	17,103	20,162	23,246	12,122	6,752	8,174	11,102	9,197	10,606	6,187
Fines and forfeitures	385	389	604	667	877	1,747	1,577	1,292	1,037	592
Investment income	972	1,343	2,377	3,193	3,390	2,784	681	399	297	89
Sale of assets	3,363	6,352	06	(443)	50	135	69	-	-	-
Legal Settlement	-	-	-	-	-	-	-	-	-	1,754
Other	1,044	986	968	1,802	3,821	298	972	1,050	522	682
Total revenues	91,338	102,547	126,158	117,389	130,494	117,408	118,819	93,885	\$ 72,765	\$ 49,399
Expenditures										
General government	6,356	8,158	9,087	12,388	15,010	13,972	11,163	11,567	8,610	8,218
Public safety	16,157	20,919	22,123	25,516	31,072	34,031	31,154	29,050	30,360	31,201
Community development	4,953	1,042	1,267	4,039	3,374	7,024	10,471	5,063	2,722	-
Public works	30,635	35,669	50,088	27,265	45,252	38,630	22,731	19,798	29,116	3,489
Park and recreation	5,437	8,020	10,833	6,621	13,307	15,461	5,807	5,178	2,797	2,910
Capital outlay	-	-	-	33,741	-	-	-	-	-	-
Debt services:										
Principal	220	516	753	1,455	1,279	1,524	1,382	1,231	1,067	32
Interest & Fiscal agent charges	3,067	1,325	2,521	2,767	2,943	2,660	2,498	2,463	1,397	-
SERAF Obligation	-	-	-	-	-	-	12,368	2,545	-	-
Total expenditures	66,826	75,648	96,673	113,792	112,238	113,302	97,575	76,896	\$ 76,069	\$ 45,849
Excess of revenues over(under) expenditures	24,512	26,900	29,485	3,597	18,257	4,107	21,244	16,989	(3,305)	3,549
Other financing sources(uses):										
Transfer in	6,261	7,507	9,123	24,114	27,624	32,716	5,960	2,776	5,832	325
Transfer out	(12,306)	(16,132)	(23,926)	(36,250)	(50,048)	(45,531)	(27,506)	(25,763)	(6,931)	(2,328)
Issuance of debt	15,220	-	22,975	1,300	-	-	-	-	-	-
Payment of refunded escrow agent	(13,380)	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	(4,204)	(8,625)	8,172	(10,836)	(22,423)	(12,815)	(21,546)	(22,987)	(1,099)	(2,003)
Extraordinary gain(loss)	-	-	-	-	-	-	-	-	(65,439)	-
Net change in fund balances	20,308	18,274	37,657	(7,238)	(4,167)	(8,708)	(302)	(5,997)	(69,843)	1,546
Debt service as a percentage of noncapital expenditures	4.9%	2.4%	3.4%	3.7%	3.8%	3.7%	4.0%	4.8%	3.2%	0.1%

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



<u>Fiscal Year</u>	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>SBE Nonunitary</u>	<u>Total Assessed</u>	<u>Total Direct Tax Rate</u>
2004	3,141,841,715	222,573,199	477,500,712	3,841,915,626	11.83%
2005	3,828,701,477	219,700,978	492,977,851	4,541,380,306	10.93%
2006	4,973,962,731	234,285,388	487,511,504	5,695,759,623	10.42%
2007	6,671,588,958	254,201,465	475,654,862	7,401,445,285	10.44%
2008	8,445,139,241	528,505,928	483,739,950	9,457,385,119	9.40%
2009	8,482,819,863	446,754,325	469,192,873	9,398,767,061	10.61%
2010	6,876,396,453	475,171,025	446,393,003	7,797,960,481	13.73%
2011	6,152,107,952	531,098,592	349,464,067	7,032,670,611	20.40%
2012	6,015,259,937	486,592,953	324,863,210	6,826,716,100	20.63%
2013	5,983,453,352	502,968,659	279,763,216	6,766,185,227	21.62%

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

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

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

RATE PER \$100 OF ASSESSED VALUE

	Fiscal Year										
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Basic Levy*	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Adelanto Elementary Bond	0.0709	0.0610	0.0625	0.0381	0.0328	0.0263	0.0340	0.0434	0.0578	0.0665	0.0707
Apple Valley Unified School Bonds	0.0000	0.0000	0.0382	0.0000	0.0303	0.0247	0.0255	0.0276	0.0387	0.0374	0.0391
Csa 64- Kalin ranch Debt Service Bond	0.0143	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
Mojave Water Agency	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675	0.1675
Oro Grande Elementary Bond	0.0901	0.0751	0.0796	0.0698	0.0693	0.0264	0.0155	0.0211	0.0344	0.0348	0.0381
Victor Elementary Bond	0.0442	0.0466	0.0375	0.0369	0.0335	0.0307	0.0344	0.0480	0.0900	0.0932	0.1026
Victor High School Bond	0.0202	0.0197	0.0314	0.0215	0.0185	0.0162	0.0167	0.0525	0.0574	0.0619	0.0768
Victor Valley Community College Bond	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0199	0.0306	0.0253	0.0274
Total Direct and Overlapping Tax Rates	1.4072	1.3699	1.4167	1.3338	1.3519	1.2918	1.2936	1.3800	1.4764	1.4866	1.5222
City's basic rate**	0.1605	0.1605	0.1577	0.1891	0.1891	0.1891	0.1891	0.1605	0.1605	0.1605	0.1605
Total Direct Rate^	0.1349	0.1183	0.1093	0.1042	0.1044	0.0940	0.1061	0.1373	0.2040	0.0206	0.2162

Notes:

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

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

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

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

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

<u>Taxpayer</u>	<u>2013</u>		<u>2004</u>	
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
High Desert Power Trust 2000-A	\$ 278,600,000	4.4%	473,400,000	12.32%
The American Bottling Company	110,575,502	1.8%		
Macerich Victor Valley LLC	98,015,834	1.6%		
Nutro Products Inc.	97,058,334	1.5%		
Stirling Capital Investments	76,534,939	1.2%		
Prime A Investments	72,443,974	1.2%		
Cemex Construction Materials Pacific	63,664,488	1.0%		
Pastipak Packaging Inc	33,484,632	0.5%		
AGC Flat Glass North America Inc.	27,455,884	0.4%		
Goodyear Tire and Rubber Company	26,489,383	0.4%		
Mall of Victor Valley LP			58,587,533	1.52%
AFG Industries Inc.			42,998,240	1.12%
Cemex Inc			34,805,084	0.91%
AHE of California Inc			25,113,453	0.65%
Synleaseco Delaware Business Trust			24,412,466	0.64%
Paxbello LLC			24,316,394	0.63%
Charter Communications			19,870,329	0.52%
AFG Industries - Lessee			19,139,819	0.50%
Lowes Corporation			18,628,570	0.48%
	<u>\$ 884,322,970</u>	<u>14.1%</u>	<u>\$ 741,271,888</u>	<u>7.0%</u>

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

Source: HdL Coren & Cone

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

<i>Fire District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2004	1,736,665	1,691,645	97.41%
2005	1,935,699	1,876,704	96.95%
2006	2,354,914	2,270,771	96.43%
2007	2,844,898	2,681,864	94.27%
2008	3,292,600	3,054,828	92.78%
2009	2,769,811	2,590,297	93.52%
2010	2,437,781	2,330,366	95.59%
2011	-	-	0.00%
2012	-	-	0.00%
2013	-	-	0.00%

<i>Park District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2004	1,903,966	1,854,760	97.42%
2005	2,121,210	2,055,371	96.90%
2006	2,538,684	2,448,738	96.46%
2007	3,031,961	2,859,262	94.30%
2008	3,474,181	3,225,293	92.84%
2009	2,993,926	2,801,158	93.56%
2010	2,639,013	2,521,420	95.54%
2011	-	-	0.00%
2012	-	-	0.00%
2013	-	-	0.00%

<i>Sanitary District**</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2004	954,403	929,698	97.41%
2005	1,062,938	1,030,715	96.97%
2006	1,263,535	1,247,489	98.73%
2007	1,563,544	1,474,173	94.28%
2008	1,691,527	1,558,136	92.11%
2009	1,407,321	1,313,961	93.37%
2010	-	-	0.00%
2011	-	-	0.00%
2012	-	-	0.00%
2013	-	-	0.00%

<i>St.Lighting District</i>	Tax Levy	Current Tax Collections	Percent of Total Tax Collections to Tax Levy
2004	460,362	448,560	97.44%
2005	495,603	482,888	97.43%
2006	595,086	574,487	96.54%
2007	709,380	669,623	94.40%
2008	793,711	738,129	93.00%
2009	670,915	628,604	93.69%
2010	585,905	558,464	95.32%
2011	575,210	553,697	96.26%
2012	-	-	0.00%
2013	-	-	0.00%

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

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

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

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

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

Governmental Activities

<u>Fiscal Year</u>	<u>Certificate of Participation</u>	<u>Revenue Bonds ^</u>	<u>Tax Allocation Bonds</u>	<u>Capital Lease Agreement</u>	<u>Other</u>	<u>Total Governmental Activities</u>
2004	\$ 690	\$ 2,809	\$ 24,895	\$ -	\$ 2,546	\$ 30,940
2005	\$ 590	\$ 2,683	\$ 24,605	\$ -	\$ 3,067	\$ 30,945
2006	\$ 480	\$ 2,550	\$ 47,070	\$ -	\$ 3,603	\$ 53,703
2007	\$ 370	\$ -	\$ 45,725	\$ 1,649	\$ -	\$ 47,744
2008	\$ 255	\$ -	\$ 44,945	\$ 2,112	\$ -	\$ 47,312
2009	\$ 130	\$ -	\$ 44,130	\$ 1,529	\$ 5,530	\$ 51,319
2010	\$ -	\$ -	\$ 43,280	\$ 488	\$ 6,952	\$ 50,721
2011	\$ -	\$ -	\$ 42,395	\$ 142	\$ 9,669	\$ 52,207
2012	\$ -	\$ -	\$ -	\$ -	\$ 13,821	\$ 13,821
2013	\$ -	\$ -	\$ -	\$ -	\$ 21,933	\$ 21,933

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

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

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

Business-Type Activities

Fiscal Year	Lease Purchase Agreement	Tax Allocation Bonds	Lease Revenue Bonds	Revenue Bonds [^]	Certificate of Participation	Other	Total Business-Type Activities	Total Primary Government	Debt Per Capita*	% of Personal Income*
2004	\$ 2,145	\$ 56,349	\$ -	\$ -	\$ -	\$ -	\$ 58,494	\$ 89,434	1,231	82.20
2005	\$ 3,529	\$ 97,688	\$ 41,000	\$ -	\$ -	\$ -	\$ 142,217	\$ 173,162	2,225	142.80
2006	\$ 3,111	\$ 149,782	\$ 41,000	\$ -	\$ -	\$ 20,000	\$ 213,893	\$ 267,596	3,100	191.78
2007	\$ 5,810	\$ 280,737	\$ 83,770	\$ 6,274	\$ 15,230	\$ 1,343	\$ 393,164	\$ 440,907	4,649	272.92
2008	\$ 4,498	\$ 329,740	\$ 83,770	\$ 2,261	\$ 15,000	\$ 26,626	\$ 461,895	\$ 509,207	4,990	283.29
2009	\$ 3,620	\$ 328,976	\$ 83,770	\$ 2,125	\$ 14,675	\$ 1,452	\$ 434,618	\$ 485,936	4,554	256.56
2010	\$ 2,391	\$ 326,278	\$ 83,770	\$ 1,974	\$ 14,340	\$ 4,406	\$ 433,159	\$ 483,879	4,428	255.54
2011	\$ 1,852	\$ 323,469	\$ 83,470	\$ 1,815	\$ 13,990	\$ 7,110	\$ 431,706	\$ 483,912	4,317	268.50
2012	\$ 1,500	\$ 327,034	\$ 83,070	\$ 1,725	\$ 13,630	\$ -	\$ 426,959	\$ 440,780	3,702	227.74
2013	\$ 1,133	\$ 321,469	\$ 53,070	\$ 1,543	\$ 13,260	\$ 2,791	\$ 393,265	\$ 415,198	3,449	215.49

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

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

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

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

<u>Fiscal year</u>	<u>General Obligation Bonds</u>	<u>Certificate of Participation</u>	<u>Revenue Bonds ^</u>	<u>Tax Allocation Bonds</u>	<u>Total</u>	<u>Percentage Assessed Value *</u>	<u>Per Capita</u>
2004	-	690,000	2,808,943	24,895,000	28,393,943	0.74%	390.67
2005	41,000,000	590,000	2,683,071	24,605,000	68,878,071	1.52%	884.83
2006	41,000,000	480,000	2,549,700	47,070,000	91,099,700	1.60%	1,055.34
2007	83,770,000	370,000	-	45,725,000	129,865,000	1.75%	1,369.44
2008	83,770,000	255,000	-	44,945,000	128,970,000	1.36%	1,263.87
2009	83,770,000	130,000	-	44,130,000	128,030,000	1.36%	1,199.73
2010	83,770,000	-	-	43,280,000	127,050,000	1.63%	1,162.74
2011	83,470,000	-	-	42,395,000	125,865,000	1.79%	1,122.82
2012	83,070,000	-	-	-	83,070,000	1.22%	697.72
2013	53,070,000	-	-	-	53,070,000	0.78%	440.90

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

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

Source: City of Victorville Comprehensive Annual Financial Reports

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

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 576,287	\$ 681,207	\$ 854,364	\$ 1,110,217	\$ 1,418,608	\$ 1,409,815	\$ 1,169,694	\$ 1,054,901	\$ 1,024,007	\$ 1,014,928
Total net debt applicable to limit	-	41,000	41,000	83,770	83,770	83,770	83,770	83,470	83,070	53,070
Legal debt margin	<u>576,287</u>	<u>640,207</u>	<u>813,364</u>	<u>1,026,447</u>	<u>1,334,838</u>	<u>1,326,045</u>	<u>1,085,924</u>	<u>971,431</u>	<u>940,450</u>	<u>961,858</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	6%	5%	8%	6%	6%	7%	8%	8%	5%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 6,766,185
Debt Limit(15% of total assessed value)	1,014,928
Debt applicable to limit:	
General obligation bond	53,070
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>53,070</u>
Legal debt margin	<u>\$ 961,858</u>

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

CITY OF VICTORVILLE
DIRECT AND OVERLAPPING DEBT

2012-13 Assessed Valuation: \$6,763,540,399

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2013	% Applicable (1)	City's Share of Debt 6/30/13
Victor Valley Joint Community College District	\$134,469,774	29.01%	\$39,008,337
Victor Valley Joint Union High School District	120,061,772	62.695	75,272,728
Adelanto School District	10,583,652	44.607	4,721,050
Oro Grande School District	481,300	1.377	6,628
Victor School District	50,906,120	84.259	42,892,988
Mojave Water Agency Certificates of Participation	15,530,000	24.623	3,823,952
Adelanto School District Community Facilities District No. 1, I.A. A	15,830,000	100	15,830,000
Adelanto School District Community Facilities District No.2	3,435,000	100	3,435,000
Hesperia Unified School District Community Facilities Districts	9,125,000	100	9,125,000
Snowline Joint Unified School District Community Facilities Districts	11,615,000	100	11,615,000
Victor School District Community Facilities Districts	17,000,000	100	17,000,000
Victor Valley Joint Union High School District CFD	5,915,000	100	5,915,000
City of Victorville Community Facilities Districts	9,410,000	100	9,410,000
Victorville Water District 1915 Act Bonds	1,135,000	100	<u>1,135,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$239,190,683
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Bernardino County General Fund Obligations	\$573,875,000	4.14%	\$23,741,209
San Bernardino Pension Obligations	519,745,214	4.137	21,501,860
San Bernardino County Flood Control District	104,705,000	4.137	4,331,646
Victor Valley Union High School District Certificates of Participation	5,740,000	62.695	3,598,693
Hesperia Unified School District Certificates of Participation	105,150,000	7.337	7,714,856
Snowline Joint Unified School District Certificates of Participation	60,605,000	13.958	8,459,246
Adelanto School District Certificates of Participation	9,325,000	44.607	4,159,603
Oro Grande School District Certificates of Participation	41,675,000	1.377	573,865
Victor School District Certificates of Participation	5,885,000	84.259	4,958,642
City of Victorville General Fund Obligations	53,070,000	100	<u>53,070,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$132,109,620
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>			
	\$360,979,925	67.559-100. %	\$257,015,719
 TOTAL DIRECT DEBT			\$53,070,000
TOTAL OVERLAPPING DEBT			\$575,246,022
 COMBINED TOTAL DEBT			\$628,316,022

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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

Ratios to 2012-13 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.54%
Total Direct Debt (\$53,070,000)	0.78%
Combined Total Debt	9.29%

Ratios to Redevelopment Incremental Valuation (\$3,195,313,686):

Total Overlapping Tax Increment Debt	8.04%
--------------------------------------	-------

AB:(\$475)

Source: California Municipal Statistic, Inc.

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

Governmental Activities Debt- Tax Allocation Bond

<u>Fiscal Year</u>	<u>Tax Increment</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2008	6,299	780	2,426	51%
2009	6,055	815	2,393	53%
2010	5,802	850	2,356	55%
2011	4,839	725	2,298	62%
2012	3,333	925	2,276	96%
2013	3,201	965	2,236	100%

Business Type Activities Debt - SCLAA Tax Allocation Bond

<u>Fiscal Year</u>	<u>Property Tax Increment</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2008	28,001	3,145	17,370	62%
2009	31,217	10,037	11,145	68%
2010	24,971	3,505	18,041	86%
2011	19,001	3,660	17,967	114%
2012	17,059	3,830	17,699	126%
2013	19,893	4,005	17,525	108%

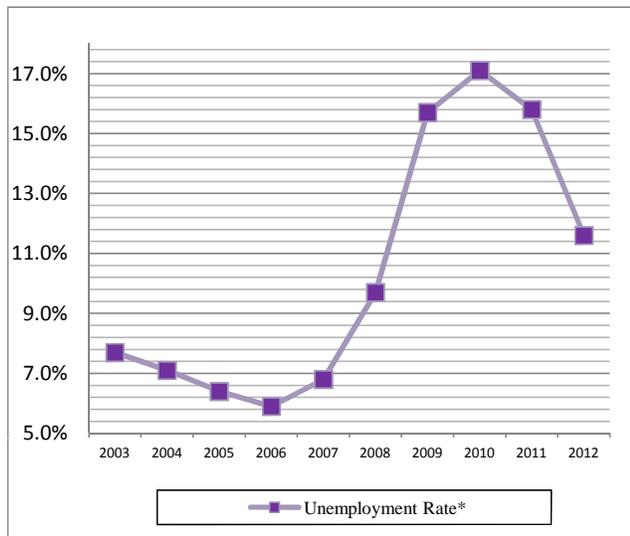
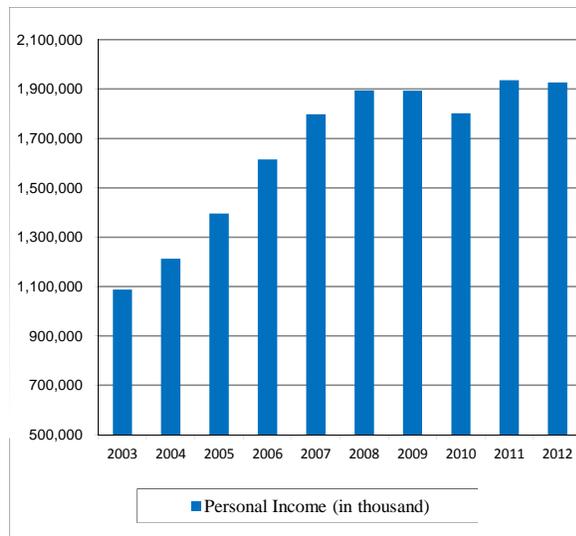
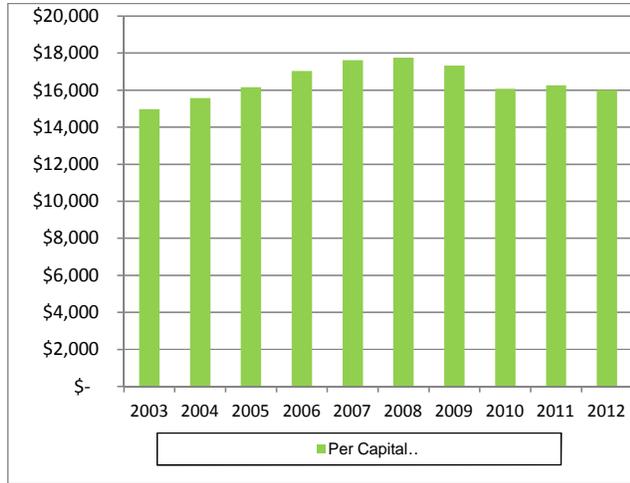
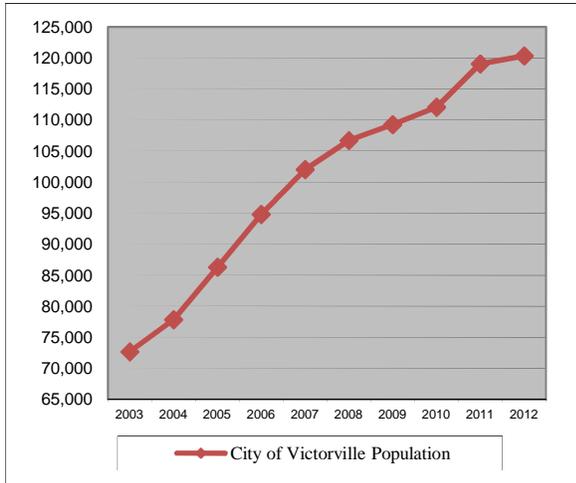
Business Type Activities Debt - Water

<u>Fiscal Year</u>	<u>Property Tax Increment</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2008	**			
2009	1,461	325	679	69%
2010	1,458	335	665	69%
2011	50	50	50	199%
2012	2,125	521	473	47%
2013	1,738	370	631	58%

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

** Information was not available.

**CITY OF VICTORVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



Fiscal Year	City of Victorville Population	Personal Income (in thousand)	Unemployment Rate*	Per Capital Personal Income
2003	72,680	1,088,014	7.7%	\$ 14,970
2004	77,843	1,212,633	7.1%	\$ 15,578
2005	86,323	1,395,349	6.4%	\$ 16,164
2006	94,831	1,615,494	5.9%	\$ 17,036
2007	102,044	1,797,457	6.8%	\$ 17,615
2008	106,716	1,894,034	9.7%	\$ 17,748
2009	109,268	1,893,544	15.7%	\$ 17,329
2010	112,097	1,802,296	17.1%	\$ 16,078
2011	119,059	1,935,423	15.8%	\$ 16,256
2012	120,368	1,926,731	11.6%	\$ 16,007

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

CITY OF VICTORVILLE
 PRINCIPAL EMPLOYERS
 JUNE 30, 2013

<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Southern California Logistics Airport	2,000	7.75%
The Mall of Victor Valley	1,100	4.26%
Victor Valley Union High School District	1,000	3.88%
Desert Valley Hospital/ Medical Group	950	3.68%
Victo Elementary School District	948	3.67%
Verizon	900	3.49%
Federal Correction Complex Victorville	844	3.27%
Victor Valley College	830	3.22%
Victor Valley Community Hospital	570	2.21%
City of Victorville	366	1.42%

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

Source: City of Victorville Chamber of Commerce

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

Function	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010***	2011***	2012	2013
General government****	51	57	70	77	103	112	104	66	122	71	71
Public Safety*	66	71	93	114	119	112	28	1	0	0	1
Public Works	107	127	152	195	202	211	205	156	85	108	118
Community Development	3	6	6	8	9	15	14	14	11	11	4
Community Services	64	78	95	136	176	195	200	137	83	110	110
Airport	8	11	12	20	26	28	27	22	19	23	21
Municipal Utilities	1	4	7	11	16	14	-	-	0	5	6
Water***	-	-	-	-	-	61	61	81	55	60	56
Total	300	354	435	561	651	748	639	477	375	388	387

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

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

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

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

Source: City of Victorville Finance Department.

CITY OF VICTORVILLE
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

<u>Function</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety							
Police							
Physical arrests	5,555	7,244	5,066	5,176	5,217	4,202	4,096
Traffic Violations	10,400	6,101	5,472	5,164	7,770	7,828	9,404
Public works							
Street Maintenance							
Potholes repaired	5,035	3,148	2,648	5,448	2,949	3,004	3,124
Graffiti removal	7,773	8,092	7,126	8,442	5,460	12,460	14,708
Streets sweeping (tons)	1,560	2,768	2,532	2,296	2,672	1,862	1,907
Sanitation							
Refuse collected (tons/day)	208	190	172	180	187	177	166
Recyclables collected (tons/day)	45	40	36	33	32	31	28
Community Services							
Park and Recreation							
Athletic field permits issued	4,382	4,596	4,597	3,891	4,023	4,970	6,788
Community center enrollments	50,757	49,611	43,216	39,636	36,385	30,193	30,915
Facilities rental used	2,469	3,200	2,695	2,299	1,794	1,819	2,062

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 seven years of data for this schedule.

** Information was not available

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

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety								
Police:								
Stations	1	1	1	1	1	1	1	1
Patrol Units	39	44	49	52	52	52	52	52
Fire Stations	6	6	6	6	6	6	6	6
Public Works								
Highways and streets:								
Streets (miles)	401	486	448	448	448	448	448	448
Streetlights	369	335	335	335	356	364	376	376
Traffic Signals	62	72	72	72	78	80	83	83
Sewer:								
Sanitary sewers (miles)	198	411	411	411	415	416	419	419
Storm sewers (miles)	469	469	471	471	471	472	473	473
Number of treatment plants	1	1	1	1	1	2	2	2
Number of service connections	17,253	36,344	35,353	36,009	36,733	36,952	37,081	40,226
Community Services								
Parks acreage	263	263	263	263	263	263	263	263
Park	18	18	18	18	18	18	18	18
Golf Courses	2	2	2	2	2	2	1	1
Swimming pools	2	2	2	2	2	2	1	1
Tennis courts	6	6	6	6	6	6	6	6
Community Centers	6	6	6	6	6	6	6	6
Airport								
Runway length (miles)	5	5	5	5	5	5	5	5
Sewer pipeline	20	20	20	25	25	25	25	30
Number of hangars	19	22	25	25	25	25	25	26
Number of buildings	67	60	50	45	47	47	47	52

Source: Various government departments.

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

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

