

**SOUTHERN CALIFORNIA
LOGISTICS AIRPORT AUTHORITY**

BASIC FINANCIAL STATEMENTS

Year ended June 30, 2016

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Basic Financial Statements

Year ended June 30, 2016

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Board of Directors
Southern California Logistics Airport Authority
Victorville, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Southern California Logistics Airport Authority ("SCLAA"), a component unit of the City of Victorville, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise SCLAA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southern California Logistics Airport Authority, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

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

Emphasis of Matters

The accompanying financial statements have been prepared assuming that the SCLAA will continue as a going concern. As discussed in note 8 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 7, 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 SCLAA. 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.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SCLAA's basic financial statements. The *Combining Schedule of Net Position* and the *Combining Schedule of Revenues, Expenses and Changes in Net Position* is presented for purposes of additional analysis and are not a required part of the basic financial statements. The *Combining Schedule of Revenues, Expenses and Changes in Net Position* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Combining Schedule of Net Position* and the *Combining Schedule of Revenues, Expenses and Changes in Net Position* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 on our consideration of SCLAA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 SCLAA's internal control over financial reporting and compliance.



Irvine, California
December 22, 2016

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Net Position

June 30, 2016

(with comparative data for June 30, 2015)

<u>Assets:</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and investments (note 2)	\$ 15,080,604	16,984,157
Cash and investments with fiscal agent (note 2)	19,640,266	16,125,511
Accounts receivable, net	231,346	125,146
Due from other governments	1,722,966	-
Inventory	5,982	3,518
Total current assets	<u>36,681,164</u>	<u>33,238,332</u>
Noncurrent assets:		
Prepaid items	565	4,538
Advances to City of Victorville (note 5)	1,929,341	1,939,863
Advances to other governments (note 5)	2,558,202	4,681,492
Nondepreciable capital assets (note 3)	18,433,623	19,116,101
Depreciable capital assets, net (note 3)	139,424,511	138,182,300
Total noncurrent assets	<u>162,346,242</u>	<u>163,924,294</u>
Total assets	<u>199,027,406</u>	<u>197,162,626</u>
 <u>Deferred Outflow of Resources:</u>		
Deferred outflow - pension contribution (note 6)	233,116	197,631
Deferred charge on refunding	2,339,505	2,474,021
Total deferred outflow of resources	<u>2,572,621</u>	<u>2,671,652</u>
 <u>Liabilities:</u>		
Current liabilities:		
Accounts payable	431,472	2,000,811
Interest payable	1,396,360	1,416,033
Bonds subject to call (note 4)	58,630,561	58,124,460
Long-term liabilities, due within one year (note 4)	4,393,231	4,087,443
Total current liabilities	<u>64,851,624</u>	<u>65,628,747</u>
Noncurrent liabilities:		
Accrued rent credit payable	814,554	1,028,605
Advances from City of Victorville (note 5)	1,742,931	-
Advances from other governments (note 5)	10,278,395	11,970,371
Net Pension liability	2,090,587	1,880,791
Long-term liabilities, due in more than one year (note 4 and note 6)	249,423,516	253,745,501
Total noncurrent liabilities	<u>264,349,983</u>	<u>268,625,268</u>
Total liabilities	<u>329,201,607</u>	<u>334,254,015</u>
 <u>Deferred Inflows of Resources:</u>		
Deferred inflows - actuarial (note 6)	270,322	552,576
Total deferred outflows of resources	<u>270,322</u>	<u>552,576</u>
 <u>Net position (deficiency):</u>		
Net position (deficiency):		
Net investment in capital assets	(132,454,260)	(141,780,028)
Unrestricted	4,582,358	6,807,715
Total net position (deficiency)	<u>\$ (127,871,902)</u>	<u>(134,972,313)</u>

See accompanying notes to the basic financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2016

(with comparative data for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Charges for services:		
Landing fees	\$ 368,192	349,359
Fuel flowage fees	554,503	543,845
Concession sales	3,645	2,397
Rent and lease revenue	<u>7,101,041</u>	<u>7,214,490</u>
Total charges for services	<u>8,027,381</u>	<u>8,110,091</u>
Fines and forfeitures	692	124
Other	<u>298,417</u>	<u>381,681</u>
Total operating revenues	<u>8,326,490</u>	<u>8,491,896</u>
Operating expenses:		
Personnel services	1,806,644	1,910,583
Maintenance and operations	6,324,119	10,403,318
Depreciation	<u>6,840,988</u>	<u>6,947,027</u>
Total operating expenses	<u>14,971,751</u>	<u>19,260,928</u>
Operating income (loss)	<u>(6,645,261)</u>	<u>(10,769,032)</u>
Nonoperating revenues (expenses):		
Intergovernmental	394,819	-
Taxes	23,674,150	5,356,804
Investment income	38,219	31,610
Interest expense	(16,624,755)	(15,809,747)
Gain (loss) on sale of fixed assets	<u>-</u>	<u>(381,933)</u>
Total nonoperating revenues (expenses)	<u>7,482,433</u>	<u>(10,803,266)</u>
Income (loss) before transfers and capital contributions	<u>837,172</u>	<u>(21,572,298)</u>
Capital contribution	6,263,239	3,079,776
Transfers from the City of Victorville (note 5)	<u>-</u>	<u>14,638,263</u>
Total contributions and transfers	<u>6,263,239</u>	<u>17,718,039</u>
Change in net position	7,100,411	(3,854,259)
Net position (deficiency) at beginning of year	<u>(134,972,313)</u>	<u>(131,118,054)</u>
Net position (deficiency) at end of year	<u>\$ (127,871,902)</u>	<u>(134,972,313)</u>

See accompanying notes to the basic financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Statement of Cash Flows

Year ended June 30, 2016

(with comparative data for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from customers	\$ 8,006,237	8,879,763
Cash payments to employees for services	(1,914,587)	(1,935,534)
Cash payments to suppliers for goods and services	<u>(7,891,947)</u>	<u>(9,921,729)</u>
Net cash provided by (used for) operating activities	<u>(1,800,297)</u>	<u>(2,977,500)</u>
Cash flows from noncapital financing activities:		
Cash received from other governments	26,189,871	7,621,753
Cash paid to other governments	(1,691,976)	-
Cash received from City of Victorville	<u>32,875</u>	<u>14,640,648</u>
Net cash provided by (used for) noncapital financing activities	<u>24,530,770</u>	<u>22,262,401</u>
Cash flows from capital and related financing activities:		
Cash payments to acquire capital assets	(1,137,482)	(1,140,462)
Principal paid on capital-related debt	(3,375,580)	(2,716,693)
Interest paid on capital-related debt	<u>(16,644,428)</u>	<u>(15,828,351)</u>
Net cash provided by (used for) capital and related financing activities	<u>(21,157,490)</u>	<u>(19,685,506)</u>
Cash flows from investing activities:		
Interest received on investments	<u>38,219</u>	<u>31,610</u>
Net cash provided by investing activities	<u>38,219</u>	<u>31,610</u>
 Net increase in cash and cash equivalents	 1,611,202	 (368,995)
Cash and cash equivalents at beginning of year	<u>33,109,668</u>	<u>33,478,663</u>
Cash and cash equivalents at end of year	<u>\$ 34,720,870</u>	<u>33,109,668</u>
 Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ <u>(6,645,261)</u>	<u>(10,769,032)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	6,840,988	6,947,027
(Increase) decrease in accounts receivable	(106,200)	659,940
(Increase) decrease in inventory	(2,464)	3,630
(Increase) decrease in prepaid items	3,973	(2,463)
(Increase) decrease in deferred outflow - pension	(35,485)	(13,139)
Increase (decrease) in accounts payable	(1,569,339)	480,422
Increase (decrease) in accrued rent credits payable	(214,051)	(272,073)
Increase (decrease) in accrued compensated absences	-	3,447
Increase (decrease) in net pension liability	209,796	(567,835)
Increase (decrease) in deferred inflows	<u>(282,254)</u>	<u>552,576</u>
Total adjustments	<u>4,844,964</u>	<u>7,791,532</u>
Net cash provided by (used for) operating activities	\$ <u>(1,800,297)</u>	<u>(2,977,500)</u>
 <u>Noncash capital, financing and investing activities</u>		
Capital assets contributed to the City of Victorville	\$ 6,263,239	3,079,776
Loss on disposal of capital assets	-	<u>(381,933)</u>
Total noncash capital, financing and investing activities	\$ <u>6,263,239</u>	<u>2,697,843</u>

See accompanying notes to the basic financial statements.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

Year ended June 30, 2016

(1) Summary of Significant Accounting Policies

(a) Description of the Reporting Entity

The Southern California Logistics Airport Authority ("SCLAA"), a component unit of the City of Victorville, was formed in June of 1997 by the City of Victorville and the former Victorville Redevelopment Agency. Following the dissolution of the Victorville Redevelopment Agency in 2012, the Victorville Water District was added as a member of the JPA. The purpose of SCLAA is to provide for the coordination of long range planning of the territory of George Air Force Base (now Southern California Logistics Airport, or the Airport). The Victor Valley Economic Development Authority ("VVEDA"), a Joint Powers Authority of the City of Victorville and other entities, was authorized to exclusively exercise the powers of a redevelopment agency in the area including and surrounding the Airport. VVEDA subsequently delegated to the SCLAA all of its redevelopment authority over the portion of the VVEDA project area comprised of the Airport.

(b) Basic Financial Statements

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the notes to the basic financial statements.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The SCLAA is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

The SCLAA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with airport and rental operations. The principal operating revenues of the SCLAA are federal grants and charges to customers for services. Operating expenses include general and administrative costs, maintenance and operational costs and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

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

(d) Relationship to the City of Victorville

The SCLAA is an integral part of the reporting entity of the City of Victorville ("City") and is reflected as a blended component unit within the City of Victorville. The SCLAA fund has been included within the scope of the basic financial statements of the City because the City Council is the governing board and has financial accountability over the operations of the SCLAA. Only the SCLAA fund is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City of Victorville, California.

(e) Cash and Investments

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

(f) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include the cash and investments held by a fiscal agent.

(g) Fair Value Measurements

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

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

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

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

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

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

(g) Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. SCLAA capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life are not capitalized.

Depreciation is computed utilizing the straight-line method over the following useful lives:

Buildings and improvements	10-50 years
Furniture and equipment	3-7 years
Computer and communications	5 years
Vehicles	8-15 years
Sewer	50-60 years
Storm drains	20-100 years
Water lines	70-80 years
Runways and roads	20-40 years

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

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

(h) 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.

(i) Deferred Charges on Refunding

Unamortized losses on refunding are amortized over the shorter of the term of the new debt or the refunded debt. Unamortized losses on refunding are recorded as deferred charge on refunding, under Deferred Outflow of Resources.

(j) Bond Premiums/Discounts and Issuance Costs

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.

(k) 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.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

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

(l) 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, laws or regulations of other governments.

Unrestricted Net Position

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

(m) Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and balance sheet will report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, are not recognized as an expense or expenditure until that time. The government has two items that qualify for reporting in this category. Deferred outflows – pension contribution relates to the net pension liability. Deferred charge on refunding is the difference between the reacquisition price and net carrying amount of refunded debt and is deferred and amortized over a period time.

When applicable, the statement of net position and the balance sheet will report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. The SCLAA has one item that qualifies for reporting in this category. Deferred inflows – actuarial relates to the net pension liability.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

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

(n) Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

(o) Prior Year Data

Selected information regarding the prior year had been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the SCLAA'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, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 15,080,604
Cash and investments with fiscal agent	<u>19,640,266</u>
Total cash and investments	<u>\$ 34,720,870</u>

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

Equity in City of Victorville Pool	\$ (1,041,826)
Investments	<u>35,762,696</u>
Total cash and investments	<u>\$ 34,720,870</u>

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Equity in the Cash and Investments Pool of the City of Victorville

The SCLAA has no separate bank accounts or investments other than investments held by bond trustee, and their investment in LAIF. The SCLAA's equity in the cash and investment pool is managed by the City of Victorville. The SCLAA is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Victorville. The SCLAA has not adopted an investment policy separate from that of the City of Victorville. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the SCLAA's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the SCLAA's investment policy.

The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	180 days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	None	None	None
Investment Contracts	None	None	None
Certificate of Deposit	None	None	None
Local Agency Investment Fund	None	None	None
California Common Law Trust Shares	None	None	None

Disclosures Relating to Interest Rate Risk

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturing (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
State investment pool	\$ 16,122,430	16,122,430	-	-	-
Held by bond trustee:					
Money market funds	<u>19,640,266</u>	<u>19,640,266</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 35,762,696</u>	<u>35,762,696</u>	<u>-</u>	<u>-</u>	<u>-</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
State investment pool	\$ 16,122,430	N/A	-	16,122,430
Held by bond trustee:				
Money market funds	<u>19,640,266</u>	AAA	<u>19,640,266</u>	<u>-</u>
Total	<u>\$ 35,762,696</u>		<u>19,640,266</u>	<u>16,122,430</u>

Concentration of Credit Risk

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the 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 District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

Investment in State Investment Pool

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

Fair Value Measurement

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

<u>Investment type:</u>	<u>Total</u>	<u>Fair Value Hierarchy</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Local Agency Investment Fund	\$16,122,430	-	16,122,430	-
Total	\$16,122,430	-	16,122,430	-

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(3) Capital Assets

The following is a summary of changes in capital assets for SCLAA at June 30, 2016:

	Balance at 7/1/2015	Additions	Deletions	Balance at 6/30/2016
Non-depreciable assets:				
Land	\$ 14,149,163	223,613	-	14,372,776
Construction in progress	<u>4,966,938</u>	<u>7,158,336</u>	<u>(8,064,427)</u>	<u>4,060,847</u>
Total non-depreciable assets	<u>19,116,101</u>	<u>7,381,949</u>	<u>(8,064,427)</u>	<u>18,433,623</u>
Depreciable assets:				
Buildings and improvements	177,418,525	-	(50,125)	177,368,400
Computer and communication	236,462	-	(21,695)	214,767
Furniture and equipment	8,459,259	105,403	(153,229)	8,411,433
Infrastructure	75,366,940	8,064,427	(63,276)	83,368,091
Land improvements	128,489	-	-	128,489
Vehicles	<u>463,602</u>	<u>150,172</u>	<u>-</u>	<u>613,774</u>
Total depreciable assets	<u>262,073,277</u>	<u>8,320,002</u>	<u>(288,325)</u>	<u>270,104,954</u>
Less accumulated depreciation:				
Buildings and improvements	(84,846,781)	(3,846,929)	50,125	(88,643,585)
Computer and communication	(155,239)	(32,581)	21,695	(166,125)
Furniture and equipment	(4,195,580)	(553,127)	153,229	(4,595,478)
Infrastructure	(34,252,796)	(2,474,953)	63,276	(36,664,473)
Land improvements	(48,183)	(12,849)	-	(61,032)
Vehicles	<u>(392,398)</u>	<u>(157,352)</u>	<u>-</u>	<u>(549,750)</u>
Total accumulated depreciation	<u>(123,890,977)</u>	<u>(7,077,791)</u>	<u>288,325</u>	<u>(130,680,443)</u>
Total depreciable assets, net	<u>138,182,300</u>	<u>1,242,211</u>	<u>-</u>	<u>139,424,511</u>
Capital assets, net	<u>\$157,298,401</u>	<u>8,624,160</u>	<u>(8,064,427)</u>	<u>157,858,134</u>

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities

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

	Balance at July 1, 2015	Additions	Retirements	Balance at June 30, 2016	Due Within One Year
Compensated Absences	\$ 128,215	115,101	(88,163)	155,153	116,363
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	20,250,000	-	(905,000)	19,345,000	945,000
2006 Tax Allocation Bonds (Non-Housing)	54,100,000	-	(940,000)	53,160,000	980,000
2006 Tax Allocation Bonds (Housing)	14,535,000	-	(255,000)	14,280,000	265,000
2006 Tax Allocation Parity Bonds	42,305,000	-	(110,000)	42,195,000	120,000
2006 Tax Allocation Revenue Parity Bonds	32,625,000	-	(420,000)	32,205,000	445,000
2006 Tax Allocation Revenue Bonds	59,320,000	-	(800,000)	58,520,000	845,000
2007 Tax Allocation Bonds	37,160,000	-	(560,000)	36,600,000	585,000
2007 Tax Allocation Bonds (Non-Housing)*	40,185,000	-	(485,000)	39,700,000	39,700,000
2008 Tax Allocation Bonds*	<u>18,084,463</u>	<u>921,098</u>	<u>(75,000)</u>	<u>18,930,561</u>	<u>18,930,561</u>
Tax Allocation Funds Subtotal	<u>318,564,463</u>	<u>921,098</u>	<u>(4,550,000)</u>	<u>314,935,561</u>	<u>62,815,561</u>
Unamortized Discounts/Premiums	<u>(2,735,274)</u>	<u>-</u>	<u>91,868</u>	<u>(2,643,406)</u>	<u>91,868</u>
Total	<u>\$315,957,404</u>	<u>1,036,199</u>	<u>(4,546,295)</u>	<u>312,447,308</u>	<u>63,023,792</u>

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

Tax Allocation Parity Bonds, Series 2005A

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

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities, (Continued)

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

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, and December 1, 2030 are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2007, December 1, 2012, December 1, 2016, December 1, 2021, and December 1, 2026, respectively, from sinking fund payments made by SCLAA.

In the fiscal year ended June 30, 2006 these bonds were partially defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing). The required reserve for the Bonds is \$1,797,890. As of June 30, 2016, the reserve amount was \$1,798,163. The Bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2016 is \$19,345,000.

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

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

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

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

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

The required reserve for the bonds is \$3,519,300. As of June 30, 2016, the reserve amount was \$3,519,484. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2016 is \$53,160,000.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities, (Continued)

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

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

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

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

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

The required reserve for the bonds is \$945,975. As of June 30, 2016, the reserve amount was \$946,057. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2016 is \$14,280,000.

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

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

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

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

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities, (Continued)

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

The required reserve for the bonds is \$4,403,373. As of June 30, 2016, the reserve amount was \$4,403,556. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2016 is \$42,195,000.

Taxable Tax Allocation Revenue Parity Bonds, Forward Series 2006

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

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

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

The bonds are secured by pledged tax revenues. The required reserve for the Bonds is \$2,476,455. As of June 30, 2016, the reserve amount was \$2,476,586. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2016 is \$32,205,000.

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

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

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

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

The bonds are secured by pledged tax revenues. The required reserve for the bonds is \$4,389,930. As of June 30, 2016, the reserve amount was \$4,389,944. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2016 is \$58,520,000.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities, (Continued)

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 \$1,301,205. As of June 30, 2016, the reserve amount consisting of fiscal agent cash and an insurance policy was \$1,301,273. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2016 is \$36,600,000.

Subordinate Tax Allocation Revenue Bonds, Series 2007

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

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

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

The bonds maturing on the dates described above are subject to mandatory redemption in part by lot, without premium, commencing December 1, 2010, December 1, 2013, December 1, 2018, December 1, 2023, December 1, 2028, December 1, 2028,

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities, (Continued)

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

December 1, 2033, December 1, 2033, December 1, 2033, December 1, 2038, and December 1, 2038, respectively, from sinking fund payments made by SCLAA.

The required reserve for the Bonds is \$2,824,473. As of June 30, 2016, the reserve amount was \$381,021. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2016 is \$39,700,000.

Subordinate Tax Allocation Revenue Bonds, Series 2008

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

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

Bonds maturing on December 1 of each year beginning 2044 through 2050 in the initial principal amounts of \$1,316,266, \$1,216,397, \$1,123,621, \$1,037,536, \$957,600, \$883,633, and \$814,910 are Capital Appreciation Bonds. The outstanding bonds bear yields to maturity of 7.300%, 7.320%, 7.340%, 7.360%, 7.380%, 7.400% and 7.420%. All of the bonds have a 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, 2016, the reserve amount was \$160,234. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding at June 30, 2016 is \$18,930,561, which includes an accretion balance of \$5,870,636.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities, (Continued)

SCLAA Defaults on Bonded Debt

As of June 30, 2016, the SCLAA had accumulated outstanding defaults on interest and principal payments for the following debt issues:

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

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

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

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

Taxable Subordinate Tax Allocation Rev Bonds, 2006	\$ 788,690
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Draws on Reserves with the Trustee for the June 1, 2016 debt service payments were as follows:

Subordinate Tax Allocation Rev Bonds, 2007	\$ 110,335
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In June 2016, payments were made on the past due debt service for both the Subordinate Tax Allocation Revenue Bonds, 2007 and the Subordinate Tax Allocation Revenue Bonds, 2008A. Both principal and interest was paid, starting with the oldest defaults, as advised by Bond Counsel for the SCLAA.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities. (Continued)

SCLAA Defaults on Bonded Debt. (Continued)

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

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

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

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

In Fiscal Year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Since that time, there has been a significant decrease in assessed value for this area. In Fiscal Year 12/13, the assessed value for the Project Area was approximately \$6.62 billion. This represents a 30% decrease in assessed value over that time period. For Fiscal Year 14/15, the assessed value for the Project Area was approximately \$7.05 billion and for Fiscal Year 15/16 the assessed value was approximately \$7.5 billion. The decrease since Fiscal Year 08/09 was largely the result of the economic downturn and the housing market crisis.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities. (Continued)

SCLAA Defaults on Bonded Debt. (Continued)

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

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding SCLAA debt as of June 30, 2016, are as follows for each fiscal year ending June 30:

Year Ending June 30	Tax Allocation Bonds Principal*	Tax Allocation Bonds Interest
2017	\$ 4,865,000	16,635,808
2018	5,110,000	16,387,661
2019	5,365,000	16,093,581
2020	5,635,000	15,812,820
2021	5,920,000	15,516,539
2022-26	34,535,000	72,470,929
2027-31	44,665,000	62,475,395
2032-36	58,425,000	48,996,792
2037-41	77,350,000	29,814,125
2042-46	94,185,000	5,796,037
2047-51	92,255,000	-
Subtotal	428,310,000	299,999,687
Discounts / Premiums	(2,643,406)	
Total	<u>\$ 425,666,594</u>	

* - This total includes capital appreciation of \$113,374,439 for tax allocation bonds that will be accrued in the future years.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities, (Continued)

Pledged Revenue

SCLAA has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses were so required by the debt agreement) are indicated in the table below:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payment (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Property Tax Increment pledged by the Southern California Logistics Airport Authority	25,175,952	21,584,521	86%

(5) Advances To/From and Transfers In/Out

Advances to/from other funds:

<u>Fund Reporting Receivable</u>	<u>Fund Reporting Payable</u>	<u>Amount</u>
City Housing Asset Successor	SCLAA	\$ 1,742,931 a)
Successor Agency *	SCLAA	10,278,395 b)
SCLAA	Capital Impact Facilities	1,929,341 c)
SCLAA	Successor Agency *	2,558,202 d)
	Total	<u>\$ 16,508,869</u>

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

- a) Per a loan agreement approved on October 20, 2009 by the Board of the Victorville Redevelopment Agency (RDA), a \$1,700,000 advance was made from the Low and Moderate Housing Fund to the SCLAA. The advance is to be used for SCLAA redevelopment activities. The advance has 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, 2016 is \$1,742,931. After the dissolution of the Victorville Redevelopment Agency this advance was transferred to the City Housing Asset Successor Fund of the City of Victorville, and has been classified as an advance to the City of Victorville on the Statement of Net Position.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(5) Advances To/From and Transfers In/Out (Continued)

- b) Per a loan agreement approved on September 15, 2009 by the Board of Victorville RDA, a \$10,000,000 advance was made from the Bear Valley Road Redevelopment Project Area (RDA Capital Project Fund) to the 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, 2016 is \$10,278,395.
- c) Per a loan agreement signed on September 21, 2010, by the board of the SCLAA, a \$1,895,000 advance was made from the SCLAA to the Capital Impact Facilities Fund. The advance is to be used for the purchase of land. The advance has a term of repayment to automatically renew the loan until there are sufficient funds to repay. The advance has an annualized Local Agency Investment Fund ("LAIF") rate of return, as the interest rate. Throughout the life of the loan \$78,174 in interest has been paid. The outstanding balance of the advance as of June 30, 2016 is \$1,929,341.
- d) 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 SCLAA. 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, 2016 is \$2,558,202.

Transfers in/out:

<u>Transfer In</u>	<u>Transfers Out</u>	<u>Amount</u>
SCLAA	Successor Agency *	\$ 91,725 a)
	Total	<u>\$ 91,725</u>

* - Transfers from the Successor Agency have been classified as Intergovernmental Revenues in the basic financial statements.

- a) The Successor Agency fund transfer of \$91,725 to the SCLAA was for the payment of unfunded sick and vacation liabilities of former Victorville RDA employees, as approved by the California Department of Finance on the ROPS.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(6) Pension Plan

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

Certain required pension disclosures are not available separately for the Authority, including the required supplemental information, because the Authority is included in the City of Victorville Miscellaneous Plan. Complete plan information can be found in the City of Victorville Comprehensive Annual Financial Report.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.5% @ 62
Benefit vesting schedule	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Required employee contribution rates	8%	6.75%
Required employer contribution rates	17.04%	17.04%

Actuarial Methods and Assumptions used to determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(6) Pension Plan, (Continued)

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses: includes Inflation
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality Rate Table	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Changes in Net Pension Liability

The following table shows the changes in the Authority's net pension liability recognized over the measurement period:

	Net Pension Liability
Balance at: 6/30/2015	<u>\$1,880,791</u>
Net Changes during 2015-16	209,796
Balance at: 6/30/2016	<u><u>\$2,090,587</u></u>

For the measurement period ending June 30, 2015 (the measurement date), the Authority recognized a pension expense of \$125,173 for the Plan.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(6) Pension Plan, (Continued)

As of June 30, 2016, the SCLAA reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pension as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 233,116	-
Changes of Assumptions	-	(135,002)
Differences between Expected and Actual Experiences	-	(67,594)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	<u>(67,726)</u>
Total	<u>\$ 233,116</u>	<u>(270,322)</u>

\$233,116 report as deferred outflows or resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measure Period Ended June 30:</u>	<u>Deferred (Inflows) of Resources</u>
2016	\$ (148,507)
2017	(148,507)
2018	(61,680)
2019	88,372
2020	-
Thereafter	-

(7) Commitments and Contingencies

Litigation

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(7) Commitments and Contingencies. (Continued)

Complaint Filed by the United State Securities and Exchange Commission

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

(8) Accumulated Deficit, Other Significant Financial Obligations and Management's Plan

Southern California Logistics Airport Authority

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

	<u>SCLAA Deficit Balance</u>
Beginning Net Position	\$ (134,972,313)
Net Gain	<u>7,100,411</u>
Ending Net Position	<u>\$ (127,871,902)</u>

SCLAA Annual Debt Service Payments:

The required debt service payments of SCLAA for the fiscal year ended June 30, 2017 are \$21,500,808. Estimated pledged revenues are anticipated to be \$24,198,555, resulting in an excess. The excess pledged revenue will be used to pay past due amounts for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and 2008A. On December 1, 2016, \$1,155,961 excess pledged revenue was used to fund the interest payment originally due December 1, 2013 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007. However, SCLAA defaulted on current debt service payments due December 1, 2016 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and 2008A. Defaults will continue on current debt service payments for these two subordinate bond issues until all past due payments are cured and reserves are replenished to the required amount. See footnote 4 for further information.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(8) Accumulated Deficit, Other Significant Financial Obligations and Management's Plan, (Continued)

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 continued to maintain a balance budget since 2007-2008. However, the ongoing lawsuit from the U.S. Securities and Exchange Commission (SEC) and the legal fees incurred continue to draw down the General Fund and SCLAA reserves. The trial for the lawsuit has been delayed and currently awaiting for the Federal Court's ruling on their Motions for Summary Judgment. The additional sales tax revenue receipts in fiscal year 2016 helped to subsidize the additional legal costs.

The budget for the General Fund in fiscal year 2016-2017 also estimates revenue to equal expenditures. The Reserve Policy requiring a minimum reserve of 5% was suspended on June 1, 2010. However, the 5% minimum reserve requirement was met as of June 30, 2015 with an unassigned General Fund reserve \$4,706,430 or a 8.94% reserve for the General Fund. The City is committed to monitoring the budget closely and providing for the accumulation of reserves until the target level of 15% has been realized in accordance with the General Fund policy. Regarding the SCLAA's financial condition, a draw on reserves and defaults will be necessary to bridge the gap until the economy rebounds and tax increment revenues exceed debt services payments.

(9) Subsequent Events

Default on Bonded Debt

On December 1, 2016, the SCLAA defaulted on the principal and interest payment, of \$1,715,961 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal and interest payment of \$255,063 for SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A.

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

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the SCLAA because the SCLAA has historically funded its operations and debt service using significant tax increment revenue that the Victor Valley Economic Development Agency (VVEDA) has typically provided to the SCLAA in prior fiscal years. VVEDA has acted as a pass-through agency for the various recipients of tax increment revenue in the Victor Valley, and is subject to the dissolution requirements of the Bill.

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Notes to the Basic Financial Statements

(Continued)

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

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

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

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only

be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

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

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

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

SUPPLEMENTARY SCHEDULES

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY

Combining Schedule of Net Position
June 30, 2016
(with comparative data for June 30, 2015)

				Totals	
	Aeronautical	Non Aeronautical	Other Services	2016	2015
<u>Assets:</u>					
Current assets:					
Cash and investments (note 2)	\$ -	175,314	14,905,290	15,080,604	16,984,157
Cash and investments with fiscal agent (note 2)	-	-	19,640,266	19,640,266	16,125,511
Accounts receivable, net	231,346	-	-	231,346	125,146
Due from other funds	-	-	2,516,668	2,516,668	-
Due from other governments	2,388	-	1,720,578	1,722,966	-
Inventory	5,982	-	-	5,982	3,518
Total current assets	<u>239,716</u>	<u>175,314</u>	<u>38,782,802</u>	<u>39,197,832</u>	<u>33,238,332</u>
Noncurrent assets:					
Prepaid items	565	-	-	565	4,538
Advances to City of Victorville (note 5)	-	-	1,929,341	1,929,341	1,939,863
Advances to other governments (note 5)	-	-	2,558,202	2,558,202	4,681,492
Nondepreciable capital assets (note 3)	4,060,847	-	14,372,776	18,433,623	19,116,101
Depreciable capital assets, net (note 3)	11,522,255	-	127,902,256	139,424,511	138,182,300
Total noncurrent assets	<u>15,583,667</u>	<u>-</u>	<u>146,762,575</u>	<u>162,346,242</u>	<u>163,924,294</u>
Total assets	<u>15,823,383</u>	<u>175,314</u>	<u>185,545,377</u>	<u>201,544,074</u>	<u>197,162,626</u>
<u>Deferred Outflow of Resources:</u>					
Deferred outflow - pension contribution (note 6)	233,116	-	-	233,116	197,631
Deferred charge on refunding	-	-	2,339,505	2,339,505	2,474,021
Total deferred outflow of resources	<u>233,116</u>	<u>-</u>	<u>2,339,505</u>	<u>2,572,621</u>	<u>2,671,652</u>
<u>Liabilities:</u>					
Current liabilities:					
Accounts payable	402,575	13,837	15,060	431,472	2,000,811
Interest payable	-	-	1,396,360	1,396,360	1,416,033
Due to other funds	2,516,668	-	-	2,516,668	-
Bonds subject to call (note 4)	-	-	58,630,561	58,630,561	58,124,460
Long-term liabilities, due within one year (note 4)	116,363	-	4,276,868	4,393,231	4,087,443
Total current liabilities	<u>3,035,606</u>	<u>13,837</u>	<u>64,318,849</u>	<u>67,368,292</u>	<u>65,628,747</u>
Noncurrent liabilities:					
Accrued rent credit payable	814,554	-	-	814,554	1,028,605
Advances from City of Victorville (note 5)	-	-	1,742,931	1,742,931	-
Advances from other governments (note 5)	-	-	10,278,395	10,278,395	11,970,371
Net Pension liability	2,090,587	-	-	2,090,587	1,880,791
Long-term liabilities, due in more than one year (note 4 & note 6)	38,788	-	249,384,728	249,423,516	253,745,501
Total noncurrent liabilities	<u>2,943,929</u>	<u>-</u>	<u>261,406,054</u>	<u>264,349,983</u>	<u>268,625,268</u>
Total liabilities	<u>5,979,535</u>	<u>13,837</u>	<u>325,724,903</u>	<u>331,718,275</u>	<u>334,254,015</u>
<u>Deferred Inflows of Resources:</u>					
Deferred inflows - actuarial (note 6)	270,322	-	-	270,322	552,576
Total deferred outflows of resources	<u>270,322</u>	<u>-</u>	<u>-</u>	<u>270,322</u>	<u>552,576</u>
<u>Net position (deficiency):</u>					
Net position (deficiency):					
Net investment in capital assets	15,583,094	-	(148,037,354)	(132,454,260)	(55,893,369)
Unrestricted	(5,776,452)	161,477	10,197,333	4,582,358	(79,078,944)
Total net position (deficiency)	<u>\$ 9,806,642</u>	<u>161,477</u>	<u>(137,840,021)</u>	<u>(127,871,902)</u>	<u>(134,972,313)</u>

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
Combining Schedule of Revenues, Expenses and Changes in Net Position

(with comparative data for June 30, 2015)

	Year ended June 30, 2016			Total	
	Aeronautical	Non Aeronautical	Other Services	2016	2015
Operating revenues:					
Charges for services:					
Landing fees	\$ 368,192	-	-	368,192	349,359
Fuel flowage fees	554,503	-	-	554,503	543,845
Concession sales	3,645	-	-	3,645	2,397
Rent and lease revenue	6,176,439	224,346	700,256	7,101,041	7,214,490
Total charges for services	<u>7,102,779</u>	<u>224,346</u>	<u>700,256</u>	<u>8,027,381</u>	<u>8,110,091</u>
Fines and forfeitures	692	-	-	692	124
Other	298,417	-	-	298,417	381,681
Total Operating Revenues	<u>7,401,888</u>	<u>224,346</u>	<u>700,256</u>	<u>8,326,490</u>	<u>8,491,896</u>
Operating expenses:					
Personnel services	1,667,185	139,459	-	1,806,644	1,910,583
Maintenance and operations	6,201,916	105,025	17,178	6,324,119	10,403,318
Depreciation	401,803	-	6,439,185	6,840,988	6,947,027
Total operating expenses	<u>8,270,904</u>	<u>244,484</u>	<u>6,456,363</u>	<u>14,971,751</u>	<u>19,260,928</u>
Operating income (loss)	<u>(869,016)</u>	<u>(20,138)</u>	<u>(5,756,107)</u>	<u>(6,645,261)</u>	<u>(10,769,032)</u>
Nonoperating revenues (expenses):					
Intergovernmental	394,819	-	-	394,819	-
Taxes	2,607	-	23,671,543	23,674,150	5,356,804
Investment income	178	100	37,941	38,219	31,610
Interest expense	159,742	-	(16,784,497)	(16,624,755)	(15,809,747)
Gain (loss) on sale of fixed assets	-	-	-	-	(381,933)
Total nonoperating revenues (expenses)	<u>557,346</u>	<u>100</u>	<u>6,924,987</u>	<u>7,482,433</u>	<u>(10,803,266)</u>
Income (loss) before transfers and capital contributions	<u>(311,670)</u>	<u>(20,038)</u>	<u>1,168,880</u>	<u>837,172</u>	<u>(21,572,298)</u>
Capital contribution	6,039,626	-	223,613	6,263,239	3,079,776
Transfers to the City of Victorville	-	-	-	-	14,638,263
Transfers in (note 5)	115,500	-	1,064,718	1,180,218	-
Transfers out (note 5)	(1,064,718)	-	(115,500)	(1,180,218)	-
Total contributions and transfers	<u>5,090,408</u>	<u>-</u>	<u>1,172,831</u>	<u>6,263,239</u>	<u>17,718,039</u>
Change in net position	4,778,738	(20,038)	2,341,711	7,100,411	(3,854,259)
Net position (deficiency) at beginning of year	<u>5,027,904</u>	<u>181,515</u>	<u>(140,181,732)</u>	<u>(134,972,313)</u>	<u>(131,118,054)</u>
Net position (deficiency) at end of year	<u>\$ 9,806,642</u>	<u>161,477</u>	<u>(137,840,021)</u>	<u>(127,871,902)</u>	<u>(134,972,313)</u>