

CITY OF VICTORVILLE
Victorville, California

Basic Financial Statements
and Supplementary Information

Year ended June 30, 2008

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CITY OF VICTORVILLE
 Basic Financial Statements and
 Supplementary Information
 Year ended June 30, 2008

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CITY OF VICTORVILLE
Basic Financial Statements and
Supplementary Information

Year ended June 30, 2008

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Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

949-263-5520 fx

www.mhm-pc.com

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City of Victorville, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Victorville. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Victorville Water District, a component unit of the City of Victorville, which statements reflect total assets of \$232,908,315 as of June 30, 2008, and total revenues of \$26,509,135 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Victorville Water District, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Victorville, California, as of June 30, 2008, and the respective changes in financial position and cash flows of the City of Victorville, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 21 to the financial statements, the City has suffered recurring losses from its General Fund, the Southern California Logistics Airport Authority Enterprise Fund and the Municipal Utilities Enterprise Fund, and those funds have a lack of liquidity and net asset deficiencies that should raise substantial doubt about the City's ability to



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continue as a going concern. Management's plans in regards to these matters are also described in Note 21. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Victorville's basic financial statements. The combining and individual nonmajor fund financial statements and budget schedules as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budget schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
August 25, 2009

BASIC FINANCIAL STATEMENTS



CITY OF VICTORVILLE
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments (note 2)	\$ 72,593,807	11,431,321	84,025,128
Cash with fiscal agent (note 2)	9,226,778	100,287,305	109,514,083
Receivables:			
Accounts	9,343,228	4,550,445	13,893,673
Interest	325,661	458,814	784,475
Notes	2,424,375	-	2,424,375
Due from other governments	35,943,096	3,097,206	39,040,302
Inventory	309,676	422,740	732,416
Prepaid items	479,687	3,578,936	4,058,623
Interfund balances	(20,514,896)	20,514,896	-
Land held for resale (note 5)	19,681,434	-	19,681,434
Deferred charges, net	-	11,360,444	11,360,444
Capital assets, net (note 4):	512,714,223	387,265,600	899,979,823
Deposits (note 21)	2,486,264	50,020,070	52,506,334
Long-term notes receivable (note 6)	-	66,270,342	66,270,342
Other assets	-	3,152,843	3,152,843
Total assets	645,013,333	662,410,962	1,307,424,295
Liabilities:			
Accounts payable	11,672,971	13,883,918	25,556,889
Accrued liabilities	1,243,110	219,460	1,462,570
Interest payable	200,856	2,566,955	2,767,811
Deposits payable	158,044	3,527,331	3,685,375
Unearned revenue	5,010,675	2,160,958	7,171,633
Due to other governments	2,074	-	2,074
Claims Payable	1,835,121	-	1,835,121
Noncurrent liabilities (notes 7 and 8):			
Due within one year	2,023,192	30,528,622	32,551,814
Due in more than one year	49,488,728	434,801,266	484,289,994
Total liabilities	71,634,771	487,688,510	559,323,281
Net assets:			
Invested in capital assets, net of related debt	463,898,388	235,771,185	699,669,573
Restricted for:			
Public safety	-	-	-
Community development	55,965,408	-	55,965,408
Public works	38,102,196	-	38,102,196
Parks and recreation	2,734,693	-	2,734,693
Capital asset construction	-	21,293,590	21,293,590
Debt service	-	1,036,623	1,036,623
Unrestricted	12,677,877	(83,378,946)	(70,701,069)
Total net assets	\$ 573,378,562	174,722,452	748,101,014

See accompanying notes to the basic financial statements.

CITY OF VICTORVILLE
Statement of Activities
Year ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
General government	\$ 12,656,490	4,887,880	360,252	-
Public safety	26,331,047	2,101,062	1,543,546	-
Community development	2,861,018	350	675,178	-
Public works	38,048,743	11,111,075	12,762,017	-
Parks and recreation	11,276,816	4,723,554	118,691	-
Interest on long-term debt	3,776,872	-	-	-
Total governmental activities	94,950,986	22,823,921	15,459,684	-
Business-type activities:				
Sanitary	10,765,772	5,944,045	-	4,795,331
Airport	43,115,059	8,502,039	3,761,116	-
City golf	2,721,272	1,310,864	-	5,360,902
Solid waste management	11,987,307	12,387,728	-	-
Water	30,676,942	21,538,560	-	11,011,392
Rail	1,436,628	-	-	5,000
Municipal utility	21,256,341	5,657,810	-	2,184,366
Total business-type activities	121,959,321	55,341,046	3,761,116	23,356,991
Total primary government	\$ 216,910,307	78,164,967	19,220,800	23,356,991

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy tax

Other taxes

Pass through tax increment

Investment income

Motor vehicle in lieu, unrestricted

Gain on sale of assets

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

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

Net assets (deficit) at end of year

See accompanying notes to the basic financial statements.

Governmental Activities	Business-type Activities	Total
(7,408,358)	-	(7,408,358)
(22,686,439)	-	(22,686,439)
(2,185,490)	-	(2,185,490)
(14,175,651)	-	(14,175,651)
(6,434,571)	-	(6,434,571)
(3,776,872)	-	(3,776,872)
<u>(56,667,381)</u>	<u>-</u>	<u>(56,667,381)</u>
-		
-	(26,396)	(26,396)
-	(30,851,904)	(30,851,904)
-	3,950,494	3,950,494
-	400,421	400,421
-	1,873,010	1,873,010
-	(1,431,628)	(1,431,628)
-	(13,414,165)	(13,414,165)
<u>-</u>	<u>(39,500,168)</u>	<u>(39,500,168)</u>
<u>(56,667,381)</u>	<u>(39,500,168)</u>	<u>(96,167,549)</u>
29,229,649	1,915,990	31,145,639
14,625,732	-	14,625,732
964,075	-	964,075
39,940,829	1,294,485	41,235,314
-	225,000	225,000
3,389,517	7,649,712	11,039,229
455,626	-	455,626
211,185	-	211,185
3,554,905	11,546,718	15,101,623
<u>(22,423,340)</u>	<u>22,423,340</u>	<u>-</u>
<u>69,948,178</u>	<u>45,055,245</u>	<u>115,003,423</u>
13,280,797	5,555,077	18,835,874
<u>560,097,765</u>	<u>169,167,375</u>	<u>729,265,140</u>
<u>\$ 573,378,562</u>	<u>174,722,452</u>	<u>748,101,014</u>



Major Governmental Funds

General Fund

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

Low and Moderate Housing Special Revenue Fund

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

Measure I Street Arterials

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

Capital Impact Facilities

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

Victorville Redevelopment Agency Capital Projects

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

CITY OF VICTORVILLE

Balance Sheet
Governmental Funds
June 30, 2008

	General	Special Revenue	
		Low and Moderate Income Housing	Measure I Street Arterials
<u>Assets</u>			
Cash and investments	\$ 659,373	8,693,660	16,004,595
Cash with fiscal agent	-	-	88,494
Receivables:			
Accounts	7,560,097	45,705	1,176,725
Interest	314,443	-	-
Notes	-	2,423,675	-
Due from other funds (note 3)	5,474,144	-	-
Advances from other funds (note 3)	-	4,556,103	-
Due from other governments	2,419,810	6,989,285	-
Inventories	309,676	-	-
Prepaid items	13,687	-	-
Land held for resale	-	12,364,725	-
Total assets	<u>\$ 16,751,230</u>	<u>35,073,153</u>	<u>17,269,814</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 2,978,734	581	1,286,720
Accrued liabilities	1,243,110	-	-
Deposits payable	73,716	-	-
Due to other funds (note 3)	-	4,639,836	-
Advances to other funds (note 3)	-	-	-
Due to other governments	-	-	-
Deferred revenue	-	506,103	-
Total liabilities	<u>4,295,560</u>	<u>5,146,520</u>	<u>1,286,720</u>
Fund balances (note 10):			
Reserved	323,363	19,344,503	-
Unreserved:			
Undesignated, reported in:			
General fund	12,132,307	-	-
Capital project funds	-	-	-
Designated for:			
Special revenue funds	-	10,582,130	15,983,094
Capital project funds	-	-	-
Total fund balances	<u>12,455,670</u>	<u>29,926,633</u>	<u>15,983,094</u>
Total liabilities and fund balances	<u>\$ 16,751,230</u>	<u>35,073,153</u>	<u>17,269,814</u>

See accompanying notes to basic financial statements.

Capital Projects			
Capital Impact Facilities	Victorville Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
15,437,693	16,530,061	15,268,425	72,593,807
749,632	-	8,388,652	9,226,778
560	182,274	377,867	9,343,228
-	-	11,218	325,661
-	-	700	2,424,375
-	-	-	5,474,144
-	-	-	4,556,103
-	21,132,702	5,401,299	35,943,096
-	-	-	309,676
466,000	-	-	479,687
-	7,316,709	-	19,681,434
<u>16,653,885</u>	<u>45,161,746</u>	<u>29,448,161</u>	<u>160,357,989</u>
5,690,235	421,109	1,295,592	11,672,971
-	-	-	1,243,110
-	80,028	4,300	158,044
-	15,875,060	5,474,144	25,989,040
-	4,556,103	-	4,556,103
-	-	2,074	2,074
-	42,819	4,461,753	5,010,675
<u>5,690,235</u>	<u>20,975,119</u>	<u>11,237,863</u>	<u>48,632,017</u>
466,000	7,316,709	8,358,466	35,809,041
-	-	-	12,132,307
-	16,869,918	-	16,869,918
-	-	9,851,832	36,417,056
<u>10,497,650</u>	<u>-</u>	<u>-</u>	<u>10,497,650</u>
<u>10,963,650</u>	<u>24,186,627</u>	<u>18,210,298</u>	<u>111,725,972</u>
<u>16,653,885</u>	<u>45,161,746</u>	<u>29,448,161</u>	<u>160,357,989</u>



CITY OF VICTORVILLE

Governmental Funds

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

June 30, 2008

Fund balances of governmental funds	\$ 111,725,972
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.	
Capital assets	734,762,918
Accumulated depreciation	(222,048,695)
Deposits payable relating to governmental activities were not financial resources and therefore were not reported in governmental funds.	2,486,264
Claims payable did not require current financial resources. Therefore, claims payable were not reported as a liability in the governmental funds.	(1,835,121)
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Certificates of participation	(255,000)
Installment purchase agreements	(2,112,450)
Tax allocation bonds	(44,945,000)
Compensated absences	(4,199,470)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	<u>(200,856)</u>
Net assets of governmental activities	<u>\$ 573,378,562</u>

See accompanying notes to the basic financial statements.

CITY OF VICTORVILLE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2008

	General	Special Revenue	
		Low and Moderate Income Housing	Measure I Street Arterials
Revenues:			
Taxes	\$ 32,141,692	1,927,024	7,095,558
Licenses and permits	4,238,245	-	-
Intergovernmental	7,041,616	6,989,285	-
Charges for services	4,166,833	-	360,307
Fines and forfeitures	269,648	-	-
Investment income	219,148	458,736	949,747
Sale of assets	11,350	-	-
Other	3,516,436	-	-
Total revenues	51,604,968	9,375,045	8,405,612
Expenditures:			
Current:			
General government	12,626,708	247,013	-
Public safety	17,921,768	-	-
Community development	-	457,560	-
Public works	11,561,938	-	13,068,131
Parks and recreation	296,645	-	-
Debt service:			
Principal	-	80,690	-
Interest	225,711	60	-
Total expenditures	42,632,770	785,323	13,068,131
Excess (deficiency) of revenues over (under) expenditures	8,972,198	8,589,722	(4,662,519)
Other financing sources (uses):			
Transfers in (note 3)	570,681	10,865,655	-
Transfers out (note 3)	(19,754,710)	(4,639,836)	-
Total other financing sources (uses)	(19,184,029)	6,225,819	-
Net change in fund balances	(10,211,831)	14,815,541	(4,662,519)
Fund balances at beginning of year	22,667,501	15,111,092	20,645,613
Fund balances at end of year	\$ 12,455,670	29,926,633	15,983,094

See accompanying notes to the basic financial statements.

<u>Capital Projects</u>			
<u>Capital Impact Facilities</u>	<u>Victorville Redevelopment Agency</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
-	6,609,753	9,355,455	57,129,482
10,277,423	-	62,440	14,578,108
574,747	21,208,820	8,082,192	43,896,660
-	350	2,224,216	6,751,706
-	-	607,850	877,498
459,246	484,132	818,507	3,389,516
-	25,000	14,000	50,350
267,521	-	37,011	3,820,968
<u>11,578,937</u>	<u>28,328,055</u>	<u>21,201,671</u>	<u>130,494,288</u>
96,862	730,324	1,308,827	15,009,734
2,875,576	-	10,274,735	31,072,079
-	2,438,457	478,024	3,374,041
9,242,154	590,403	10,789,843	45,252,469
6,434,229	-	6,576,389	13,307,263
-	-	1,198,170	1,278,860
55,221	217,866	2,444,225	2,943,083
<u>18,704,042</u>	<u>3,977,050</u>	<u>33,070,213</u>	<u>112,237,529</u>
<u>(7,125,105)</u>	<u>24,351,005</u>	<u>(11,868,542)</u>	<u>18,256,759</u>
-	5,657,835	10,530,104	27,624,275
(127,411)	(19,000,627)	(6,525,031)	(50,047,615)
<u>(127,411)</u>	<u>(13,342,792)</u>	<u>4,005,073</u>	<u>(22,423,340)</u>
(7,252,516)	11,008,213	(7,863,469)	(4,166,581)
<u>18,216,166</u>	<u>13,178,414</u>	<u>26,073,767</u>	<u>115,892,553</u>
<u>10,963,650</u>	<u>24,186,627</u>	<u>18,210,298</u>	<u>111,725,972</u>

CITY OF VICTORVILLE

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net changes in fund balances - total governmental funds \$ (4,166,581)

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

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

Capital outlay	38,855,979
Depreciation expense	(21,404,792)

Proceeds from the issuance of bonds is reported as other financing sources in governmental funds. The issuance of bonds increases liabilities in the statement of net assets, but does not result in an increase in net assets in the statement of activities. (1,025,088)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,456,252

The statement of net assets includes accrued interest on long term debt. 13,907

To record as an expense the net change in claims payable and deposits relating to claims in the statement of activities (35,619)

To record as an expense the net change in compensated absences in the statement of activities. (413,261)

Change in net assets of governmental activities \$ 13,280,797

See accompanying notes to the basic financial statements.

Enterprise Funds

Victorville Water District

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

Southern California Logistics Airport Authority Fund

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

Municipal Utility

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

City Golf Course

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

Solid Waste Management

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

Sanitary District Fund

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

Southern California Logistics Rail Authority

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

CITY OF VICTORVILLE

Statement of Net Assets

Proprietary Funds

June 30, 2008

<u>Assets</u>	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility
Current assets:			
Cash and investments	\$ -	30,673	-
Cash with fiscal agent	7,894,935	71,117,660	19,716,350
Accounts receivable	3,147,969	552,964	755,803
Interest receivable	350,583	88,314	19,548
Due from other funds (note 3)	39,068,056	20,514,896	-
Due from other governments	-	3,097,206	-
Inventory	361,731	-	-
Prepays	2,999,982	576,954	-
Total current assets	53,823,256	95,978,667	20,491,701
Noncurrent assets:			
Capital assets, net (note 4)	162,858,086	111,651,360	24,664,892
Deferred charges, net	710,321	10,650,123	-
Deposits	-	50,020,070	-
Notes receivable	-	66,270,342	-
Other assets	3,152,843	-	-
Total noncurrent assets	166,721,250	238,591,895	24,664,892
Total assets	220,544,506	334,570,562	45,156,593
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	2,444,014	6,034,584	1,508,931
Accrued liabilities	149,460	-	-
Deposits payable	1,819,547	1,699,509	-
Due to other funds (note 3)	-	24,177,888	22,654,210
Unearned revenue	2,153,262	7,696	-
Interest payable	329,395	2,135,434	102,126
Long-term debt - due within one year (Note 8)	1,099,143	28,439,486	483,742
Total current liabilities	7,994,821	62,494,597	24,749,009
Noncurrent liabilities (note 8):			
Long-term debt - due more than one year (Note 8)	18,576,514	326,685,351	84,742,123
Total noncurrent liabilities	18,576,514	326,685,351	84,742,123
Total liabilities	26,571,335	389,179,948	109,491,132
Net assets (deficit):			
Invested in capital assets, net of related debt	139,413,050	52,327,370	(40,315,328)
Restricted for capital asset construction	21,293,590	-	-
Restricted for debt service	1,036,623	-	-
Unrestricted	32,229,908	(106,936,756)	(24,019,211)
Total net assets (deficit)	\$ 193,973,171	(54,609,386)	(64,334,539)
Total liabilities and net assets	\$ 220,544,506	334,570,562	45,156,593

See accompanying notes to the basic financial statements.

City Golf	Solid Waste Management	Sanitary District	Southern California Logistic Rail Authority	Total Proprietary Funds
-	5,961,662	4,277,840	1,161,146	11,431,321
-	290,386	-	1,267,974	100,287,305
7,458	72	86,179	-	4,550,445
-	369	-	-	458,814
-	-	12,843,818	-	72,426,770
-	-	-	-	3,097,206
61,009	-	-	-	422,740
-	2,000	-	-	3,578,936
<u>68,467</u>	<u>6,254,489</u>	<u>17,207,837</u>	<u>2,429,120</u>	<u>196,253,537</u>
18,338,555	3,799,674	38,793,717	27,159,316	387,265,600
-	-	-	-	11,360,444
-	-	-	-	50,020,070
-	-	-	-	66,270,342
-	-	-	-	3,152,843
<u>18,338,555</u>	<u>3,799,674</u>	<u>38,793,717</u>	<u>27,159,316</u>	<u>518,069,299</u>
<u>18,407,022</u>	<u>10,054,163</u>	<u>56,001,554</u>	<u>29,588,436</u>	<u>714,322,836</u>
363,875	1,143,937	460,903	1,927,674	13,883,918
-	-	70,000	-	219,460
8,275	-	-	-	3,527,331
5,079,776	-	-	-	51,911,874
-	-	-	-	2,160,958
-	-	-	-	2,566,955
190,224	316,027	-	-	30,528,622
<u>5,642,150</u>	<u>1,459,964</u>	<u>530,903</u>	<u>1,927,674</u>	<u>104,799,118</u>
<u>1,381,955</u>	<u>3,415,323</u>	-	-	<u>434,801,266</u>
<u>1,381,955</u>	<u>3,415,323</u>	-	-	<u>434,801,266</u>
<u>7,024,105</u>	<u>4,875,287</u>	<u>530,903</u>	<u>1,927,674</u>	<u>539,600,384</u>
16,766,376	358,710	38,793,717	28,427,290	235,771,185
-	-	-	-	21,293,590
-	-	-	-	1,036,623
(5,383,459)	4,820,166	16,676,934	(766,528)	(83,378,946)
<u>11,382,917</u>	<u>5,178,876</u>	<u>55,470,651</u>	<u>27,660,762</u>	<u>174,722,452</u>
<u>18,407,022</u>	<u>10,054,163</u>	<u>56,001,554</u>	<u>29,588,436</u>	<u>714,322,836</u>

CITY OF VICTORVILLE

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Year ended June 30, 2008

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utility	City Golf
Operating revenues:				
Charges for services	21,538,560	8,546,050	-	1,177,424
Fines and forfeitures	-	1,591	5,657,810	-
Other	-	295,227	2,507	133,440
Total operating revenues	<u>21,538,560</u>	<u>8,842,868</u>	<u>5,660,317</u>	<u>1,310,864</u>
Operating expenses:				
Personnel services	8,195,521	4,047,119	5,841,571	1,570,633
Maintenance and operations	4,476,445	16,293,890	10,555,006	935,914
Cost of purchased natural gas	-	-	853,012	-
Cost of purchased water	8,413,639	-	-	-
Depreciation	<u>7,019,824</u>	<u>3,646,492</u>	<u>1,280,883</u>	<u>114,194</u>
Total operating expenses	<u>28,105,429</u>	<u>23,987,501</u>	<u>18,530,472</u>	<u>2,620,741</u>
Operating income (loss)	<u>(6,566,869)</u>	<u>(15,144,633)</u>	<u>(12,870,155)</u>	<u>(1,309,877)</u>
Nonoperating revenues (expenses):				
Intergovernmental	1,294,485	3,761,116	-	-
Investment income	2,837,656	3,638,439	701,594	-
Interest expense	(924,525)	(19,127,558)	(2,725,869)	(100,531)
Impairment on capital assets	-	-	754,138	-
Arsenic surcharge	801,399	-	-	-
Post employment benefits adjustment	9,908,000	-	-	-
Gain (loss) on sale of assets	(1,630,364)	-	-	-
Other expenses	<u>(16,624)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>12,270,027</u>	<u>(11,728,003)</u>	<u>(1,270,137)</u>	<u>(100,531)</u>
Income (loss) before transfers	5,703,158	(26,872,636)	(14,140,292)	(1,410,408)
Capital contributions	11,011,392	-	2,184,366	5,360,902
Transfers in (note 3)	-	21,868,794	9,990,448	1,133,238
Transfers out (note 3)	<u>(1,200)</u>	<u>(31,469,634)</u>	<u>-</u>	<u>-</u>
Change in net assets	16,713,350	(36,473,476)	(1,965,478)	5,083,732
Net assets (deficit) at beginning of year, as restated (note 20)	<u>177,259,821</u>	<u>(18,135,910)</u>	<u>(62,369,061)</u>	<u>6,299,185</u>
Net assets (deficit) at end of year	<u>\$ 193,973,171</u>	<u>(54,609,386)</u>	<u>(64,334,539)</u>	<u>11,382,917</u>

See accompanying notes to the basic financial statements.

Solid Waste Management	Sanitary District	Southern California Logistics Rail Authority	Total Proprietary Funds
12,181,830	7,816,024	-	51,259,888
205,898	-	-	5,865,299
4,278	4,578	-	440,030
<u>12,392,006</u>	<u>7,820,602</u>	<u>-</u>	<u>57,565,217</u>
11,395,007	5,996,649	899,175	37,945,675
219,435	273,644	537,453	33,291,787
-	-	-	853,012
-	-	-	8,413,639
192,882	1,093,427	-	13,347,702
<u>11,807,324</u>	<u>7,363,720</u>	<u>1,436,628</u>	<u>93,851,815</u>
<u>584,682</u>	<u>456,882</u>	<u>(1,436,628)</u>	<u>(36,286,598)</u>
-	-	-	5,055,601
299,987	171,189	847	7,649,712
(179,983)	(3,402,052)	-	(26,460,518)
-	-	-	754,138
-	-	-	801,399
-	-	-	9,908,000
-	-	-	(1,630,364)
-	-	-	(16,624)
<u>120,004</u>	<u>(3,230,863)</u>	<u>847</u>	<u>(3,938,656)</u>
704,686	(2,773,981)	(1,435,781)	(40,225,254)
-	4,795,331	5,000	23,356,991
-	-	20,901,694	53,894,174
-	-	-	(31,470,834)
<u>704,686</u>	<u>2,021,350</u>	<u>19,470,913</u>	<u>5,555,077</u>
<u>4,474,190</u>	<u>53,449,301</u>	<u>8,189,849</u>	<u>169,167,375</u>
<u>5,178,876</u>	<u>55,470,651</u>	<u>27,660,762</u>	<u>174,722,452</u>

CITY OF VICTORVILLE

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2008

	Victorville Water District	Southern California Logistics Airport Authority	Municipal Utliity	City Golf
Cash flows from operating activities:				
Cash received from customers	\$ 19,220,772	9,320,605	5,277,194	1,305,330
Cash payments to employees for services	(8,218,993)	(4,047,119)	(5,841,571)	(1,570,632)
Cash payments to suppliers for goods and services	(16,943,023)	(16,620,390)	(11,604,477)	(997,340)
Net cash provided by (used for) operating activities	(5,941,244)	(11,346,904)	(12,168,854)	(1,262,642)
Cash flows from noncapital financing activities:				
Cash received from other government	1,838,848	2,600,939	-	-
Cash received from other funds	-	25,531,786	14,485,407	1,534,879
Cash paid to other funds	(39,069,256)	(17,018,301)	-	-
Net cash provided by (used for) noncapital financing activities	(37,230,408)	11,114,424	14,485,407	1,534,879
Cash flows from capital and related financing activities:				
Proceeds of debt	-	90,334,925	-	-
Deposits on capital assets	-	(50,020,070)	-	-
Cash payments to acquire capital and other assets	(16,760,100)	(32,841,011)	(4,334,590)	-
Cash received from capital restricted revenues	6,460,987	-	-	-
Principal paid on capital-related debt	(1,014,356)	(12,760,000)	-	-
Interest paid on capital-related debt	(909,665)	(22,147,070)	(3,840,660)	(272,237)
Net cash provided by (used for) capital and related financing activities	(12,223,134)	(27,433,226)	(8,175,250)	(272,237)
Cash flows from investing activities:				
Payments made to acquire notes from developers	-	(10,400,000)	-	-
Interest received on investments	3,105,920	3,186,141	682,045	-
Net cash provided by (used for) investing activities	3,105,920	(7,213,859)	682,045	-
Net increase (decrease) in cash and cash equivalents	(52,288,866)	(34,879,565)	(5,176,652)	-
Cash and cash equivalents at beginning of year	60,183,801	106,027,898	24,893,002	-
Cash and cash equivalents at end of year	\$ 7,894,935	71,148,333	19,716,350	-
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,566,869)	(15,144,633)	(12,870,155)	(1,309,877)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	7,019,824	3,646,492	1,280,883	114,194
(Increase) decrease in accounts receivable	(732,552)	582,605	(383,123)	(3,297)
(Increase) decrease in inventory	243,243	-	-	(2,236)
(Increase) decrease in prepaids	118,517	(425,175)	-	-
Increase (decrease) in accounts payable	(4,414,699)	98,675	(196,459)	(60,749)
Increase (decrease) in accrued liabilities	(23,472)	-	-	-
Increase (decrease) in deposits payable	-	1,699,509	-	(677)
Increase (decrease) in unearned revenue	(1,585,236)	(1,804,377)	-	-
Total adjustments	625,625	3,797,729	701,301	47,235
Net cash provided by (used for) operating activities	\$ (5,941,244)	(11,346,904)	(12,168,854)	(1,262,642)
Noncash capital, financing and investing activities:				
Capital asset contributions (to) from other funds	-	(14,451,333)	-	-
Developer contributed capital assets	5,335,180	-	-	5,360,902
	\$ 5,335,180	(14,451,333)	-	5,360,902

See accompanying notes to the basic financial statements.

Solid Waste Management	Sanitary District	Southern California Logistics Rail Authority	Total Proprietary Funds
12,404,158	7,808,239	-	55,336,298
(11,395,007)	(5,996,649)	(899,174)	(37,969,145)
<u>(130,106)</u>	<u>6,113</u>	<u>(574,054)</u>	<u>(46,863,277)</u>
<u>879,045</u>	<u>1,817,703</u>	<u>(1,473,228)</u>	<u>(29,496,124)</u>
-	-	-	4,439,787
-	-	17,018,300	58,570,372
-	<u>(9,441,766)</u>	-	<u>(65,529,323)</u>
-	<u>(9,441,766)</u>	<u>17,018,300</u>	<u>(2,519,164)</u>
-	-	-	90,334,925
-	-	-	(50,020,070)
(222,846)	(499,862)	(13,004,795)	(67,663,204)
-	-	-	6,460,987
(118,671)	-	-	(13,893,027)
<u>(128,072)</u>	<u>(3,402,052)</u>	-	<u>(30,699,756)</u>
<u>(469,589)</u>	<u>(3,901,914)</u>	<u>(13,004,795)</u>	<u>(65,480,145)</u>
-	-	-	(10,400,000)
<u>299,617</u>	<u>171,189</u>	<u>847</u>	<u>7,445,759</u>
<u>299,617</u>	<u>171,189</u>	<u>847</u>	<u>(2,954,241)</u>
709,073	(11,354,788)	2,541,124	(100,449,674)
<u>5,542,975</u>	<u>15,632,628</u>	<u>(112,004)</u>	<u>212,168,300</u>
<u>6,252,048</u>	<u>4,277,840</u>	<u>2,429,120</u>	<u>111,718,626</u>
<u>584,682</u>	<u>456,882</u>	<u>(1,436,628)</u>	<u>(36,286,598)</u>
192,882	1,093,427	-	13,347,702
12,153	(12,362)	-	(536,576)
-	-	-	241,007
(2,000)	-	-	(308,658)
91,328	381,859	(36,600)	(4,136,645)
-	-	-	(23,472)
-	-	-	1,698,832
-	<u>(102,103)</u>	-	<u>(3,491,716)</u>
<u>294,363</u>	<u>1,360,821</u>	<u>(36,600)</u>	<u>6,790,474</u>
<u>879,045</u>	<u>1,817,703</u>	<u>(1,473,228)</u>	<u>(29,496,124)</u>
-	-	3,888,393	(10,562,940)
-	<u>4,795,331</u>	-	<u>15,491,413</u>
-	<u>4,795,331</u>	<u>3,888,393</u>	<u>4,928,473</u>

CITY OF VICTORVILLE

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	<u>Total Fiduciary Funds</u>
<u>Assets</u>	
Cash and investments (note 2)	\$ 48,724,226
Restricted assets:	
Investments with fiscal agent (note 2)	2,150,505
Accounts receivable	3,712,983
Assets used for operations	<u>76,113</u>
Total assets	<u>\$ 54,663,827</u>
<u>Liabilities</u>	
Deposits payable	\$ 10,425,203
Due to other governments	<u>44,238,624</u>
Total liabilities	<u>\$ 54,663,827</u>

See accompanying notes to the basic financial statements.

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

(1) Summary of Significant Accounting Policies

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

(a) Reporting Entity

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

The City is a general-law City that operates under the Council-Manager form of government, with five elected Council members served by a full time City Manager and staff. At June 30, 2008, the City's staff comprised of 537 full and part time employees who were responsible for the City-provided services.

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(a) Reporting Entity, (Continued)

Based upon the above criteria, the component units of the City include the Redevelopment Agency of the City of Victorville, the Southern California Logistics Airport Authority and the Southern California Logistics Rail Authority.

Since City Council serves as the governing board for the Redevelopment Agency of the City of Victorville and Southern California Logistics Airport Authority, the component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. The Redevelopment Agency of the City of Victorville and Southern California Logistics Airport Authority issue separate component unit financial statements. Upon completion, the financial statements of these component units can be obtained at the City of Victorville, located at 14343 Civic Drive, Victorville, CA 92392. A brief description of the component units follows:

Redevelopment Agency of the City of Victorville

The Redevelopment Agency's financial activity commenced in September 1980. The primary purpose of the Agency is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency's financial data and transactions are included with the special revenue fund type, debt service fund type, and the capital projects fund type. Revenues of the Agency consist primarily of property tax allocations on the incremental increase of property values in the redevelopment area and revenues from the use of money and property.

Southern California Logistics Airport Authority

The Southern California Logistics Airport Authority (SCLAA), was formed in 1997 between the City of Victorville and the Redevelopment Agency of Victorville to provide for the coordination of long range planning of the territory of George Air Force Base. SCLAA's financial data and transactions are included as an enterprise fund of the City. SCLAA prepares a budget in sufficient detail to constitute an operating outline for the source and amount of funds available to SCLAA and expenditures to be made during the ensuing fiscal year.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(a) Reporting Entity, (Continued)

Southern California Logistics Airport Authority, (Continued)

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

Southern California Logistics Rail Authority

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

Victorville Water District

On August 15, 2007, the Victor Valley Water District and the Baldy Mesa Water District were approved to be consolidated into a subsidiary district of the City of Victorville (City), known as the Victorville Water District (District, per Resolution No. 2977 of the Executive Officer of the Local Agency formation Commission (LAFCO) of San Bernardino County, which adopted a change of organization without election. All of the liabilities including debt obligations of the Victor Valley Water District and the Baldy Mesa Water District were assumed by this subsidiary district and the City effective July1, 2007 upon consolidation. Upon consolidation July 1, 2007 of the two districts the City consolidated the operations and activities of its Water Department and Water Funds into the district to serve all of the water customers of the City of Victorville under this District. The basic operations of the District are financed by user charges plus capital contributions to finance growth of the water delivery system. The District

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Victorville Water District, (Continued)

is governed by a five-member Board of Directors (City Council), each holding staggered four-year terms. The District is being treated as a blended component unit subsidiary district in the City of Victorville's financial statements for the year ended June 30, 2008.

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 combined with that of the District's financial statements.

(b) Basis of Accounting and Measurement Focus

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

Government-wide Financial Statements

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

Fund Financial Statements

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

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

Governmental Funds, (Continued)

amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses a ninety day availability period. The City accrues the following revenue types: taxes, licenses, fines and forfeitures, and other miscellaneous revenues.

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

Governmental Funds, (Continued)

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

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

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

Proprietary and Fiduciary Funds

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenue and expenses. Agency funds are accounted for on the accrual basis of accounting.

(c) Major Funds and Fiduciary Fund Types

The City reports the following major governmental funds:

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

Measure I Street Arterials Special Revenue Fund - Accounts for the portion of sales tax revenue received from the county. The funds are legally restricted expenditures for the local street networks that have significant interjurisdictional or regional traffic.

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

The City reports the following major proprietary funds:

Victorville Water District - Accounts the operation and maintenance of the City's Water Department, Baldy Mesa Water District, and Victor Valley Water District. This fund is supported by user charges and other fees.

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

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

Additionally, the City reports the following fiduciary fund type:

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

(d) Cash and Investments

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

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

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

(e) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City of Victorville, and the cash recorded in the proprietary funds held by a fiscal agent.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(f) Due from Other Governments

The amounts recorded as a receivable due from other governments include sales taxes, state gas taxes, and motor vehicle in-lieu taxes, collected or provided by Federal, State, County and City Governments and unremitted to the City as of June 30, 2008.

(g) Inventory and Prepaid Items

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

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

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

(h) Land Held for Resale

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

(i) Capital Assets

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(i) Capital Assets, (Continued)

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

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

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

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

(j) Compensated Absences

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(j) Compensated Absences, (Continued)

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

(k) Claims and Judgments

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

(l) Bond Discounts/Issuance Costs

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

(m) Property Taxes

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

(m) Property Taxes, (Continued)

The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market rate (at time of purchase) and can increase the property tax rate no more than 2% per year. Cities receive a share of this basic levy proportionate to what it received in the 1976 to 1978 period. As the City of Victorville did not receive property taxes during the period of 1976-1978, the City receives a no/low property tax subvention.

(n) Estimates

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

(o) Net Assets

Net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 84,025,128
Cash with fiscal agent	109,514,083
Fiduciary funds:	
Cash and investments	48,724,226
Cash with fiscal agent	<u>2,150,505</u>
Total cash and investments	<u>\$244,413,942</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 9,916
Deposits with financial institutions	16,975,589
Investments	<u>227,428,437</u>
Total cash and investments	<u>\$244,413,942</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

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

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

<u>Investment Types</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	No	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturing (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Federal agency securities	\$ 991,135	991,135	-	-	-
State investment pool	117,186,216	117,186,216	-	-	-
Held by bond trustee:					
Money market funds	<u>109,251,086</u>	<u>109,251,086</u>	-	-	-
Total	<u>\$227,428,437</u>	<u>227,428,437</u>	-	-	-

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Not Rated</u>
Federal agency securities	\$ 991,135	N/A	-	991,135	-
State investment pool	117,186,216	N/A	-	-	117,186,216
Held by bond trustee:					
Money market funds	<u>109,251,086</u>	A	-	<u>109,251,086</u>	-
Total	<u>\$227,428,437</u>		-	<u>110,242,221</u>	<u>117,186,216</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(2) Cash and Investments, (Continued)

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.

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. On a few isolated occasions during the fiscal year ending June 30, 2008, the collateral held by Bank of America in the California Local Agency Collateral Pool was less than the required 110%. These temporary shortfalls were addressed immediately by the Bank of America. As of June 30, 2008, \$15,137,488 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, 2008 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Southern California Logistics Airport Authority	Redevelopment Agency Low and Moderate Income Housing - SR Redevelopment Agency – Capital Projects	\$ 4,639,836 <u>15,875,060</u>
Subtotal		<u>20,514,896 (a)</u>
General Fund	Nonmajor Governmental Funds	<u>5,474,144 (b)</u>
Water	Southern California Logistics Airport Authority Municipal Utility	24,177,888 <u>14,890,168</u> <u>39,068,056 (c)</u>
Sanitary District	Municipal Utility City Golf	7,764,042 <u>5,079,776</u> <u>12,843,818 (c)</u>
Subtotal		<u>51,911,874 (c)</u>
Total		<u>\$77,900,914</u>

Advances to/from others fund:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Redevelopment Agency Low and Moderate Income Housing - SR	Redevelopment Agency – Capital Project	 <u>\$4,556,103 (d)</u>

Generally, the above balances result from:

- (a) The \$15,875,060 due from Redevelopment Agency – Capital Projects Fund and the \$4,639,836 due from Redevelopment Agency – Low and Moderate Housing Fund to Southern California Logistics Airport Authority for payment of the SCLAA’s portion of property tax increment that was pledged for debt service.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

- (b) The \$5,474,144 due from Nonmajor Governmental Funds to General Fund are short term borrowings due to negative cash balances at the end of this fiscal year, including \$131,198 from Fire Protection, \$718,895 from CDBG Grants, and \$4,624,051 from Other Federal Grants.
- (c) The \$51,911,874 due from Southern California Logistics Airport Authority, Municipal Utility and City Golf to Victorville Water District and Sanitary District are short term borrowings due to negative cash balances at the end of this fiscal year, including \$24,177,888 from Southern California Logistics Air Authority, \$22,654,210 from Municipal Utility and \$5,079,776 from City Golf.
- (d) The Redevelopment Agency – Capital Projects Fund entered into two agreements to borrow money from the Redevelopment Agency - Low and Moderate Housing Fund to fund the cost of redevelopment activities. Two separate agreements were entered into; on March 8, 1999 and October 3, 2006. The advance for the first agreement was \$300,000, which took place on July 1, 1999, with a term of repayment of five years, including 5.69% fixed interest during the term. The outstanding balance of the first advance at June 30, 2008 is \$493,658. The advance for the second agreement was \$3,750,000, and has a term of repayment of three years from the date of the agreement, with the annualized Local Agency Investment Fund (“LAIF”) rate as the interest rate. The outstanding balance of the second advance as of June 30, 2008 is \$4,062,445. The sum of the two outstanding advances as of June 30, 2008 is \$4,556,103.

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	Water	\$ 1,200
	Nonmajor Governmental Fund	<u>569,481</u>
Subtotal		<u>570,681</u>
Low and Moderate Income Housing -SR	Southern California Logistic Airport Authority	10,567,940 (1)
	Nonmajor Governmental Fund	<u>297,715</u>
Subtotal		<u>10,865,655</u>
Redevelopment Agency - CP	Nonmajor Governmental Fund	<u>5,657,835</u>
Southern California Logistics Airport Authority	General Fund	1,353,898 (2)
	Redevelopment Agency - CP	15,875,060 (3)
	Low and Moderate Income Housing -SR	<u>4,639,836 (3)</u>
Subtotal		<u>21,868,794</u>
Municipal Utility	General Fund	<u>9,990,448 (4)</u>
Nonmajor Governmental Funds	General Fund	7,277,126 (5)
	Redevelopment Agency - CP	3,125,567 (6)
	Capital Impact Facilities	<u>127,411</u>
Subtotal		<u>10,530,104</u>
City Golf	General Fund	<u>1,133,238 (7)</u>
Southern California Logistics Rail Authority	Southern California Logistics Airport Authority	<u>20,901,694 (8)</u>
Subtotal		<u>18,151,539</u>
Total		<u>\$81,518,449</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

- (1) The Southern California Logistics Airport Authority transfer of \$10,567,940 to Redevelopment Agency – Low and Moderate Housing Fund was for the SCLAA contribution of land held for resale to RDA.
- (2) The General Fund completed transfers of \$1,353,898 to Southern California Logistics Airport Authority to support airport operations.
- (3) The Redevelopment Agency – Capital Projects Fund transferred \$15,875,060 and the Redevelopment Agency Low and Moderate Income Housing – Special Revenue Service Fund transferred \$4,639,836 to Southern California Logistics Airport Authority for payment of the SCLAA’s portion of property tax increment that was pledged for debt service.
- (4) The General Fund transferred \$9,990,448 to Municipal Utility to support operations.
- (5) Transfers from the General Fund to Nonmajor Governmental Funds consist of the following:
 - a) \$5,465,894 transferred to the Fire Protection Fund to support fire department operations.
 - b) \$1,115,412 transferred to the Park and Recreation Fund to support the park department operations.
 - c) \$692,234 transferred to the Gas Tax Fund to support the repair and maintenance of streets.
 - d) \$3,586 transferred to the California Integrated Waste Management to clear out excess amount spent for grants that were not reimbursed.
- (6) Transfers from the Redevelopment Agency - Capital Projects Fund to Redevelopment Agency – Debt Service Fund include transfers for payment of the 2002 Series A, 2003 Series A and B, as well as the 2006 Series A Tax Allocation Bonds.
- (7) Transfers from the General Fund to Nonmajor Enterprise Funds consist of the following:
 - a) \$1,133,238 transferred to the City Golf Fund to support golf course operations.
- (8) Transfer from Southern California Logistics Airport Authority to Southern California Logistics Rail Authority was for the Rail Capital Improvement project.

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, 2008:

	Balance at July 1, 2007 (as restated)(1)	Additions	Deletions	Balance at June 30, 2008
Non-depreciable assets:				
Land	\$ 29,016,058	5,180,433	(12,366)	34,184,125
Right of way	179,427,590	57,880	-	179,485,470
Construction in progress	<u>46,183,606</u>	<u>15,247,624</u>	<u>(41,431,914)</u>	<u>19,999,316</u>
Total non-depreciable assets	<u>254,627,254</u>	<u>20,485,937</u>	<u>(41,444,280)</u>	<u>233,668,911</u>
Depreciable assets:				
Buildings and improvements	27,090,812	34,521,913	-	61,612,725
Furniture and equipment	11,840,795	187,643	(176,833)	11,851,605
Computer and communications	3,861,465	203,064	-	4,064,529
Vehicles	3,578,142	735,832	(67,327)	4,246,647
Infrastructure	<u>394,908,472</u>	<u>24,410,029</u>	<u>-</u>	<u>419,318,501</u>
Total depreciable assets	<u>441,279,686</u>	<u>60,058,481</u>	<u>(244,160)</u>	<u>501,094,007</u>
Less accumulated depreciable:				
Buildings and improvements	(9,680,519)	(1,153,223)	-	(10,833,742)
Furniture and equipment	(6,645,377)	(705,448)	-	(7,350,825)
Computer and communications	(2,451,674)	(390,029)	-	(2,841,703)
Vehicles	(2,224,049)	(307,257)	-	(2,531,306)
Infrastructure	<u>(179,642,284)</u>	<u>(18,848,835)</u>	<u>-</u>	<u>(198,491,119)</u>
Total accumulated depreciation:	<u>(200,643,903)</u>	<u>(21,404,792)</u>	<u>-</u>	<u>(222,048,695)</u>
Total depreciable assets, net:	<u>240,635,783</u>	<u>38,653,689</u>	<u>(244,160)</u>	<u>279,045,312</u>
Capital assets, net:	<u>\$ 495,263,037</u>	<u>59,139,626</u>	<u>(41,688,440)</u>	<u>512,714,223</u>

(1) The beginning balance has been increased by \$132,556,764 to reflect the following changes in capital assets:

- (a) An increase of \$179,427,590 to reinstate the Rights of Way capital asset that had been improperly removed from the June 30, 2007 financial statements.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets, (Continued)

- (b) A decrease of \$45,642,846 to more accurately reinstate the detailed infrastructure valuation performed and updated by a valuation specialist.
- (c) An increase of \$1,995,617 to record infrastructure constructed in prior fiscal years, previously not recorded as capital asset.

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

General government	\$ 3,027,153
Public safety	6,013,778
Community development	650,746
Public works	9,137,590
Parks and recreation	<u>2,575,525</u>
	<u>\$21,404,792</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, 2008:

	Balance at 7/1/2007 (as Restated)(1)	Additions	Deletions	Balance at 6/30/2008
Non-depreciable assets				
Land	30,087,737	19,034,345	(14,620,956)	34,501,126
Intangibles – service credit	3,780,000	-	-	3,780,000
Water rights	1,433,400	-	-	1,433,400
Construction in progress	44,337,229	47,731,938	(39,104,448)	52,964,719
Total non-depreciable assets	<u>82,022,466</u>	<u>66,766,283</u>	<u>(53,725,404)</u>	<u>92,679,245</u>
Depreciable assets:				
Buildings and improvements	118,359,415	12,822,098	-	131,181,513
Furniture and equipment	32,857,289	1,771,630	(227,908)	34,401,011
Computer and communication	3,207,704	6,290	(1,791,313)	1,422,681
Vehicles	2,806,435	400,645	(12,713)	3,194,367
Infrastructure	217,014,787	45,740,407	(267,197)	262,487,997
Water rights	11,245,075	-	-	11,245,075
Intangibles - water related	1,353,309	-	-	1,353,309
Total depreciable assets	<u>386,844,014</u>	<u>60,741,070</u>	<u>(2,299,131)</u>	<u>445,285,953</u>
Less accumulated depreciation				
Buildings and improvements	(64,612,939)	(1,718,317)	48,782	(66,282,474)
Furniture and equipment	(8,027,826)	(2,099,438)	349,227	(9,778,037)
Computer and communication	(2,372,460)	(261,491)	1,531,592	(1,102,359)
Vehicles	(1,429,399)	(285,969)	11,832	(1,703,536)
Infrastructure	(60,033,729)	(7,788,907)	142,617	(67,680,019)
Water rights	(2,072,411)	(727,453)	-	(2,799,864)
Intangibles - water related	(887,182)	(466,127)	-	(1,353,309)
Total accumulated depreciation	<u>(139,435,946)</u>	<u>(13,347,702)</u>	<u>2,084,050</u>	<u>(150,699,598)</u>
Total depreciable assets, net	<u>247,408,068</u>	<u>47,393,368</u>	<u>(215,081)</u>	<u>294,586,355</u>
Capital assets, net:	<u>327,046,434</u>	<u>114,159,651</u>	<u>(53,940,485)</u>	<u>387,265,600</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(4) Capital Assets, (Continued)

(1) The beginning balance has been restated to reflect the following; an increase of \$61,547,394 for the inclusion of buildings, infrastructure and accumulated depreciation that were erroneously written off from capital asset in the prior year; an increase of \$6,155,813 for the inclusion of construction in progress that was previously unrecorded; a reduction of \$44,344,646 for the reclassification of hangar and related assets to notes receivable because the developer of the hangar still holds title to the assets while SCLAA owns the notes receivable; and an increase of \$146,871,799 for the inclusion of capital assets of the Victor Valley Water District and the Baldy Mesa Water District that were merged to the City, effective July 1, 2007.

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

Water	\$ 7,019,824
Airport	3,646,492
Municipal Utility	1,280,883
Golf Courses	114,194
Solid Waste Management	192,882
Sanitary	<u>1,093,427</u>
Total	<u>\$13,347,702</u>

(5) Land Held for Resale

As of June 30, 2008, the Victorville Redevelopment Agency has acquired and developed parcels of land in the Bear Valley and Old Town/Midtown project areas. These parcels were purchased for the purpose of providing incentives to developers in order to construct future commercial projects on the property, and are recorded as land held for resale at the value of \$19,681,434.

(6) Notes Receivable

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(6) Notes Receivable, (Continued)

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

As required by generally accepted accounting principles, SCLAA has reduced the recorded value of the loans to be equal to the fair value of the property to be surrendered by the obligated party in satisfaction of his obligation to SCLAA. The fair value of this property was estimated by using the discounted future cash flow method based upon rental income that the property generates. At June 30, 2008 the notes receivable have been recorded in the Statement of Net assets at \$66,270,342, including accrued interest amount of \$1,088,503.

(7) Governmental Long-Term Liabilities

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is noted below:

	Balance at July 1, 2007	Additions	Retirements	Balance at June 30, 2008	Due Within One Year
City Debt:					
Compensated Absences	\$ 3,786,209	1,874,176	1,460,915	4,199,470	500,000
Certificates of Participation:					
1997 Series EE Refunding	370,000	-	115,000	255,000	125,000
Capital Leases:					
Bank of America	1,181,547	-	244,241	937,305	254,358
Municipal Finance Corp.	467,067	-	127,444	339,624	131,839
Comerica Leasing	-	1,025,088	189,567	835,521	196,995
Redevelopment Agency Debt:					
Tax Allocation Bonds:					
2002 Tax Allocation Bonds, A	9,140,000	-	210,000	8,930,000	215,000
2003 Tax Allocation Bonds, A	9,675,000	-	220,000	9,455,000	225,000
2003 Tax Allocation Bonds, B	4,755,000	-	110,000	4,645,000	110,000
2006 Tax Allocation Bonds, A	<u>22,155,000</u>	<u>-</u>	<u>240,000</u>	<u>21,915,000</u>	<u>265,000</u>
Totals	<u>\$51,529,823</u>	<u>2,899,264</u>	<u>2,917,167</u>	<u>51,511,920</u>	<u>2,023,192</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Compensated Absences

The City's policies relating to compensated absences are described in note 1. This liability, amounting to \$4,199,470 at June 30, 2008, will be paid in future years from future resources, generally liquidated by the general fund.

Certificates of Participation

1997 Refunding Certificates of Participation, Series EE

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

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

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

The required reserve for the Bonds is \$131,500. As of June 30, 2008, the reserve amount was \$134,469. The bonds are a special obligation of the City of Victorville payable from tax increment revenues. The amount of bonds outstanding at June 30, 2008 total \$255,000.

Capital Leases

Bank of America

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

The lease has an interest rate of 4.10%. Repayments by the City will be made in semi-annual payments of \$145,103. Semi-annual payments from the City began in May of 2007 and continue through November of 2011. The amount of the lease purchase agreement outstanding at June 30, 2008 is \$937,306.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Municipal Finance Corporation

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

The lease has an annual interest rate of 6.10%. Repayments by the City will be made in quarterly payments ranging from \$14,052 to \$37,556. Quarterly payments from the City began in February of 2001 and continue through November of 2010. The amount of the lease purchase agreement outstanding at June 30, 2008 is \$339,623.

Comerica Leasing Corporation

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

The lease has an annual interest rate of 3.85%. Repayments by the City will be made in monthly payments of \$18,809. Monthly payments from the City began in April of 2008 and continue through May of 2011. The amount of the lease purchase agreement outstanding at June 30, 2008 is \$835,521.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

2002 Tax Allocation Bonds, Series A, (Continued)

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 \$643,571. As of June 30, 2008, the reserve amount consisting of fiscal agent cash and an insurance policy was \$527,566. This reserve was fully funded at \$659,529 as of January 1, 2009 when the error was discovered. 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, 2008 total \$8,930,000.

2003 Tax Allocation Bonds, Series A

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

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

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

The required reserve for the Bonds is \$682,425. As of June 30, 2008, the reserve amount consisting of fiscal agent cash and an insurance policy was \$683,945. 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, 2008 is \$9,455,000.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

2003 Tax Allocation Bonds, Series B, (Continued)

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 \$337,163. As of June 30, 2008, the reserve amount consisting of fiscal agent cash and an insurance policy was \$341,333. 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, 2008 is \$4,645,000.

2006 Taxable Tax Allocation Parity Bonds, Series A

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

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

The bonds are subject to redemption prior to maturity as described in the bond covenants.

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

The required reserve for the Bonds is \$2,087,412. As of June 30, 2008, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,090,172. 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, 2008 is \$21,915,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding general long-term liabilities of the City as of June 30, 2008, are as follows for each fiscal year ending June 30:

Year Ending June 30	Certificates of Participation Principal	Certificates of Participation Interest	Tax Allocation Bonds Principal	Tax Allocation Bonds Interest	Capital Lease Agreements Principal	Capital Lease Agreements Interest
2009	125,000	11,103	815,000	2,392,682	453,750	64,569
2010	130,000	3,770	850,000	2,356,132	604,052	61,997
2011	-	-	885,000	2,318,104	538,458	35,043
2012	-	-	925,000	2,278,358	308,787	13,834
2013	-	-	965,000	2,235,673	214,791	2,684
2014	-	-	1,010,000	2,189,548	-	-
2015	-	-	1,060,000	2,139,494	-	-
2016	-	-	1,110,000	2,085,756	-	-
2017	-	-	1,165,000	2,029,330	-	-
2018	-	-	1,225,000	1,969,850	-	-
2019	-	-	1,285,000	1,907,094	-	-
2020	-	-	1,350,000	1,839,540	-	-
2021	-	-	1,420,000	1,766,854	-	-
2022	-	-	1,495,000	1,690,057	-	-
2023	-	-	1,575,000	1,608,159	-	-
2024	-	-	1,660,000	1,521,006	-	-
2025	-	-	1,745,000	1,429,231	-	-
2026	-	-	1,840,000	1,332,556	-	-
2027	-	-	1,940,000	1,230,575	-	-
2028	-	-	2,045,000	1,123,034	-	-
2029	-	-	2,155,000	1,008,625	-	-
2030	-	-	2,275,000	886,886	-	-
2031	-	-	2,400,000	758,334	-	-
2032	-	-	2,530,000	622,772	-	-
2033	-	-	2,670,000	473,100	-	-
2034	-	-	2,830,000	308,100	-	-
2035	-	-	3,000,000	133,200	-	-
2036	-	-	350,000	32,700	-	-
2037	-	-	370,000	11,100	-	-
Subtotal	255,000	14,873	44,945,000	41,677,850	2,119,838	178,127
Less:						
Unamortized discount	-	-	-	-	7,388	-
Total	<u>\$255,000</u>	<u>14,873</u>	<u>44,945,000</u>	<u>41,677,850</u>	<u>2,112,450</u>	<u>178,127</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(8) Business-Type Long-Term Liabilities,

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is noted below:

	Balance at July 1, 2007 <u>(as restated)</u>	<u>Additions</u>	<u>Retirements</u>	Balance at June 30, 2008	Due Within One Year
Business-Type Debt:					
Compensated Absences	\$ -	176,736	-	176,736	44,184
Lease Purchase Agreements:					
Zion First National Bank	1,319,786	-	(304,739)	1,015,047	320,961
Comerica Leasing Corp.	1,352,997	-	(912,179)	440,818	162,781
Key Government Finance	1,752,499	-	(180,320)	1,572,179	190,224
Burrtec Industries	<u>1,384,281</u>	<u>222,846</u>	<u>(137,106)</u>	<u>1,470,021</u>	<u>170,156</u>
Lease Subtotal	<u>5,809,563</u>	<u>222,846</u>	<u>(1,534,344)</u>	<u>4,498,065</u>	<u>844,122</u>
Installment Sale Agreement:					
LaSalle Bank National Association	<u>1,343,277</u>	<u>-</u>	<u>(279,356)</u>	<u>1,063,921</u>	<u>289,959</u>
Tax Allocation Bonds:					
2005 Tax Allocation Bonds	26,225,000	-	(655,000)	25,570,000	680,000
Less: unamortized discount	<u>(200,154)</u>	<u>-</u>	<u>13,937</u>	<u>(186,217)</u>	<u>(13,646)</u>
2005 TABs Subtotal	<u>26,024,846</u>	<u>-</u>	<u>(641,063)</u>	<u>25,383,783</u>	<u>666,354</u>
2006 Tax Allocation Bonds (Non-housing bond)	60,555,000	-	(715,000)	59,840,000	740,000
Less: unamortized discount	<u>(763,927)</u>	<u>-</u>	<u>31,386</u>	<u>(732,541)</u>	<u>(31,112)</u>
2006 TABs Subtotal	<u>59,791,073</u>	<u>-</u>	<u>(683,614)</u>	<u>59,107,459</u>	<u>708,888</u>
2006 Tax Allocation Bonds (Housing Set-Aside)	16,260,000	-	(190,000)	16,070,000	195,000
Less: unamortized discount	<u>(207,965)</u>	<u>-</u>	<u>8,555</u>	<u>(199,410)</u>	<u>(8,481)</u>
2006 TABs Subtotal	<u>16,052,035</u>	<u>-</u>	<u>(181,445)</u>	<u>15,870,590</u>	<u>186,519</u>
2006 Tax Allocation Bonds (Parity Bonds)	42,975,000	-	(70,000)	42,905,000	70,000
Less: unamortized discount	<u>(543,615)</u>	<u>-</u>	<u>18,175</u>	<u>(525,440)</u>	<u>(18,145)</u>
2006 TABs Subtotal	<u>42,431,385</u>	<u>-</u>	<u>(51,825)</u>	<u>42,379,560</u>	<u>51,855</u>
2006 Tax Allocation Bonds (Revenue Parity Bonds)	34,980,000	-	(50,000)	34,930,000	240,000
Less: unamortized discount	<u>(425,922)</u>	<u>-</u>	<u>17,036</u>	<u>(408,886)</u>	<u>(16,935)</u>
2006 TABs Subtotal	<u>34,554,078</u>	<u>-</u>	<u>(32,964)</u>	<u>34,521,114</u>	<u>223,065</u>
2006 Tax Allocation Bonds (Revenue Bonds)	64,165,000	-	(395,000)	63,770,000	530,000
Less: unamortized discount	<u>(3,162,205)</u>	<u>-</u>	<u>127,847</u>	<u>(3,034,358)</u>	<u>(126,726)</u>
2006 TABs Subtotal	<u>61,002,795</u>	<u>-</u>	<u>(267,153)</u>	<u>60,735,642</u>	<u>403,274</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

	Balance at July 1, 2007 (as restated)	Additions	Retirements	Balance at June 30, 2008	Due Within One Year
Tax Allocation Bonds (Continued):					
2007 Tax Allocation Bonds	41,460,000		(1,070,000)	40,390,000	400,000
Less: unamortized discount	<u>(579,131)</u>	-	<u>23,359</u>	<u>(555,772)</u>	<u>(23,473)</u>
2007 TABs Subtotal	<u>40,880,869</u>	-	<u>(1,046,641)</u>	<u>39,834,228</u>	<u>376,527</u>
2007 Tax Allocation Bonds (Non-housing bond)	-	42,000,000	-	42,000,000	480,000
Less: unamortized discount	-	<u>(1,501,708)</u>	<u>33,416</u>	<u>(1,468,292)</u>	<u>(60,869)</u>
2007 TABs Subtotal	<u>-</u>	<u>40,498,292</u>	<u>33,416</u>	<u>40,531,708</u>	<u>419,131</u>
2008 Tax Allocation Bonds	-	13,334,925	-	13,334,925	65,000
Less: unamortized discount	-	<u>(2,004,826)</u>	<u>45,654</u>	<u>(1,959,172)</u>	<u>(46,127)</u>
2008 TABs Subtotal	<u>-</u>	<u>11,330,099</u>	<u>45,654</u>	<u>11,375,753</u>	<u>18,873</u>
Notes Payable:					
2008 Tax Allocation Revenue Notes	<u>-</u>	<u>35,000,000</u>	<u>(9,615,000)</u>	<u>25,385,000</u>	<u>25,385,000</u>
Lease Revenue Bonds:					
2007 Variable Rate Lease Revenue Bond	<u>83,770,000</u>	-	-	<u>83,770,000</u>	-
Revenue Refunding Bonds:					
2004 Refunding Bonds	2,532,500	-	(152,500)	2,380,000	155,000
Less: unamortized discount	<u>(118,671)</u>	-	-	<u>(118,671)</u>	<u>(9,129)</u>
2004 Refunding Subtotal	<u>2,413,829</u>	-	<u>(152,500)</u>	<u>2,261,329</u>	<u>145,871</u>
Refunding Improvement Bonds:					
2006 Refunding Bonds	<u>3,860,000</u>	-	<u>(425,000)</u>	<u>3,435,000</u>	<u>440,000</u>
Certificates of Participation:					
1998 COPs	<u>2,160,000</u>	-	-	<u>2,160,000</u>	<u>85,000</u>
2006 COPs	<u>13,070,000</u>	-	<u>(230,000)</u>	<u>12,840,000</u>	<u>240,000</u>
Total	(1) <u>\$393,163,750</u>	<u>87,227,973</u>	<u>(15,061,835)</u>	<u>465,329,888</u>	<u>30,528,622</u>

(1) The above opening balance at July 1, 2007 was restated to include long-term indebtedness related to the merger of Victor Valley Water District and Baldy Mesa Water District into the Victorville Water District.

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 \$176,736 at June 30, 2008, will be paid in future years from future resources, generally liquidated by the Victorville Water District.

Lease Purchase Agreements:

Zion First National Bank

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

The lease has an interest rate of 5.22%. Repayments by the Municipal Utility will be made in quarterly payments of \$91,933. Quarterly payments from the Municipal Utility began in November of 2003 and continue through May of 2011. The amount of the lease purchase agreement outstanding at June 30, 2008 is \$1,015,047.

Comerica Leasing Corporation

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

The lease has an interest rate of 4.396%. An initial payment of \$340,000 was made on November of 2004. Remaining repayments are being made quarterly, which began in February of 2005 and continue through November of 2015. The amount of the lease purchase agreement outstanding at June 30, 2008 is \$440,818.

Key Government Finance, Inc.

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Key Government Finance, Inc., (Continued)

The lease has an interest rate of 5.49%. Repayments by the City Golf will be made in annual payments of \$276,569. Annual payments from the City Golf began in July of 2006 and continue through July of 2015. The amount of the equipment lease purchase agreement outstanding at June 30, 2008 is \$1,572,179.

Burrtec Waste Industries

In March 2004, the City of Victorville 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, 2008 is \$1,470,021.

Installment Sale Agreement:

2004 La Salle Water Rights Note Payable

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

The note payable has an interest rate of 3.76%. The annual debt service is a special limited obligation of the Baldy Mesa Water District payable from and secured by a pledge of and lien on the net revenues of the Water District. Principal and interest payments are due each November 26th and May 26th. The amount of the note payable outstanding at June 30, 2008 is \$1,063,921.

Tax Allocation Bonds:

Tax Allocation Parity Bonds, Series 2005A

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

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

In the fiscal year ended June 30, 2006 these bonds have been partially defeased by the issuance of the Tax Allocation Revenue Parity Bonds, Refunding Series 2006 (Non-Housing). The required reserve for the Bonds is \$1,797,890. As of June 30, 2008 the reserve amount was \$1,803,714. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$186,217) at June 30, 2008 is \$25,383,783.

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

The required reserve for the Bonds is \$4,504,646. As of June 30, 2008, the reserve amount was \$4,516,557. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$732,541) at June 30, 2008 is \$59,107,459.

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

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

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

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

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

The required reserve for the Bonds is \$1,209,395. As of June 30, 2008, the reserve amount was \$1,212,593. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$199,410) at June 30, 2008 is \$15,870,590.

Tax Allocation Revenue Parity Bonds, Taxable Series 2006

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

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

The required reserve for the Bonds is \$3,230,315. As of June 30, 2008, the reserve amount was \$3,238,848. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$525,440) at June 30, 2008 is \$42,379,560.

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, 2008, the reserve amount was \$2,483,003. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$408,886) at June 30, 2008 is \$34,521,114.

Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

The bonds are secured by pledged tax revenues. The required reserve for the bonds is \$4,389,930. As of June 30, 2008, the reserve amount was \$4,401,538. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$3,034,358) at June 30, 2008 is \$60,735,642.

Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

In March 2007, the Southern California Logistics Airport Authority issued \$41,460,000 principal amount of Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007. The proceeds were used to finance certain low and moderate income housing programs of the Authority.

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

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

The required reserve for the Bonds is \$2,602,410. As of June 30, 2008, the reserve amount consisting of fiscal agent cash and an insurance policy was \$2,605,032. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$555,772) at June 30, 2008 is \$39,834,228.

Subordinate Tax Allocation Revenue Bonds, Series 2007

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

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

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

The required reserve for the Bonds is \$2,819,660. As of June 30, 2008, the reserve amount was \$2,822,475. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$1,468,292) at June 30, 2008 is \$40,531,708.

Subordinate Tax Allocation Revenue Bonds, Series 2008

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

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

Bonds maturing on December 1 of each year beginning 2044 through 2050 in the initial principal amounts of \$1,316,266, \$1,216,397, \$1,123,621, \$1,037,536, \$957,600, \$883,633, and \$814,910 are Capital Appreciation Bonds. The outstanding bonds bear yields to maturity of 7.3002915%, 7.3200962%, 7.3401156%, 7.3600963%, 7.3802848%, 7.4000414% and 7.4202729%. All of the bonds have a maturity value of \$18,085,000.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

The required reserve for the Bonds is \$1,332,269. As of June 30, 2008, the reserve amount was \$1,327,388. The bonds are a special obligation of the Southern California Logistics Airport Authority payable from tax increment revenues. The amount of bonds outstanding (net of unamortized discounts of \$1,959,172) at June 30, 2008 is \$11,375,753.

Notes Payable:

Subordinate Tax Allocation Revenue Notes, Series 2008

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

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

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

The notes are a special obligation of the Southern California Logistics Airport Authority payable from tax increments revenues. The amount of notes outstanding at June 30, 2008 is \$25,385,000.

Lease Revenue Bonds:

Variable Rate Lease Revenue Bonds, Series 2007A

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

The required reserve for the Bonds is \$3,453,333. As of June 30, 2008, the reserve amount was \$6,048,091. The bonds are a special obligation of the Victorville Joint Powers Financing Authority payable from revenues consisting primarily of base rental lease payments paid by the city and amount held in the funds and established under the indenture. The amount of bonds outstanding at June 30, 2008 is \$83,770,000.

Revenue Refunding Bonds:

2004 Project Revenue Bonds

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

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

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

Covenants within the installment purchase agreement require the City of Victorville to establish annual rates sufficient to pay operating expenses and debt service payments in such fiscal year. In addition, such rates shall be charged to produce net revenues equal to at least 125% of the debt service payments due and payable in such fiscal year. Since the beginning of the fiscal year on July 1, 2007 through June 30, 2008, the City was in compliance with the rate covenants.

The required reserve for the bonds is \$536,070. As of June 30, 2008, the reserve amount was \$536,070. The City of Victorville's 50% amount of bonds outstanding (net of unamortized discounts of \$118,671) at June 30, 2008 is \$2,261,329.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Refunding Improvement Bonds:

Refunding Improvement Act Bonds, Series 2006, Assessment District 2R

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

A total of \$4,998,487 was deposited with an escrow agent to pay down the outstanding principal, interest on the 1989 Series Refunding Improvement Bonds. The escrow agent purchased a \$4,998,487 U.S. Government security (SLGS) and deposited it into an irrevocable trust to provide for all future debt service payments on the Refunding Improvement Bonds Series 1989.

As a result, the Refunding improvement Bonds, Series 1989, Assessment District 2R, are considered defeased and the liability for those obligations has been removed from the financial statements. The Baldy Mesa Water District completed the advance refunding to reduce the total debt service payments over the next eight fiscal years by \$283,563 and to obtain an economic gain of approximately \$197,553.

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, 2008 is \$3,435,000.

Certificates of Participation:

1998 Certificates of Participation

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

The Certificates of Participation had a stated interest rates ranging from 4.10% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1st and interest only payments are due each February 1st. The amount of Certificates of Participation outstanding at June 30, 2008 is \$2,160,000.

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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

2006 Certificates of Participation, (Continued)

The Certificates of Participation had a stated interest rates ranging from 3.20% to 5.00%. The annual debt service is a special limited obligation of the District payable from and secured by a pledge of and lien on the net revenues of the District. Principal and interest payments are due each August 1st and interest only payments are due each February 1st. The amount of Certificates of Participation outstanding at June 30, 2008 is \$12,840,000.

Debt Service Requirements to Maturity

The annual requirements to amortize outstanding proprietary fund debt of the City as of June 30, 2008, are as follows for each fiscal year ending June 30:

Year Ending June 30	Lease Purchase Agreements Principal	Lease Purchase Agreements Interest	Installment Sale Agreement Principal	Installment Sale Agreement Interest	Tax Allocation Bonds Principal	Tax Allocation Bonds Interest
2009	\$ 729,685	186,699	289,959	37,303	3,335,000	18,717,181
2010	763,799	152,583	300,964	26,298	3,505,000	18,041,180
2011	799,618	116,763	312,386	14,876	3,660,000	17,880,302
2012	462,237	86,412	160,612	3,019	3,830,000	17,710,021
2013	481,773	66,878	-	-	4,005,000	17,524,678
2014	505,225	46,424	-	-	4,195,000	17,321,385
2015	520,643	25,008	-	-	4,410,000	17,104,023
2016	196,219	2,898	-	-	4,635,000	16,874,359
2017	38,866	427	-	-	4,865,000	16,635,808
2018	-	-	-	-	5,110,000	16,387,661
2019	-	-	-	-	5,365,000	16,124,391
2020	-	-	-	-	5,635,000	15,845,331
2021	-	-	-	-	5,920,000	15,550,720
2022	-	-	-	-	6,225,000	15,238,104
2023	-	-	-	-	6,550,000	14,906,577
2024	-	-	-	-	6,885,000	14,555,859
2025	-	-	-	-	7,245,000	14,184,559
2026	-	-	-	-	7,630,000	13,792,810
2027	-	-	-	-	8,035,000	13,379,169
2028	-	-	-	-	8,455,000	12,942,639
2029	-	-	-	-	8,905,000	12,479,819
2030	-	-	-	-	9,385,000	11,989,006
2031	-	-	-	-	9,885,000	11,471,438
2032	-	-	-	-	10,425,000	10,911,069
2033	-	-	-	-	11,010,000	10,298,555
2034	-	-	-	-	11,640,000	9,644,576
2035	-	-	-	-	12,320,000	8,952,393
2036	-	-	-	-	13,030,000	8,219,803
2037	-	-	-	-	13,780,000	7,444,720

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Debt Service Requirements to Maturity, (Continued)

Year Ending June 30	Lease Purchase Agreements Principal	Lease Purchase Agreements Interest	Installment Sale Agreement Principal	Installment Sale Agreement Interest	Tax Allocation Bonds Principal	Tax Allocation Bonds Interest
2038	-	-	-	-	14,575,000	6,624,438
2039	-	-	-	-	15,425,000	5,755,975
2040	-	-	-	-	16,310,000	4,836,911
2041	-	-	-	-	17,260,000	3,864,369
2042	-	-	-	-	18,260,000	2,835,006
2043	-	-	-	-	19,315,000	1,745,708
2044	-	-	-	-	20,440,000	592,825
2045	-	-	-	-	1,316,226	16,768,774
2046	-	-	-	-	1,216,397	16,868,603
2047	-	-	-	-	1,123,621	16,961,379
2048	-	-	-	-	1,037,536	17,047,464
2049	-	-	-	-	957,602	17,127,399
2050	-	-	-	-	883,633	17,201,367
2051	-	-	-	-	814,910	17,270,090
Subtotal	4,498,065	684,092	1,063,921	81,496	338,809,925	557,628,444
Less: Unam. Disc.	-	-	-	-	(9,070,088)	-
Total	<u>\$ 4,498,065</u>	<u>684,092</u>	<u>1,063,921</u>	<u>81,496</u>	<u>329,739,837</u>	<u>557,628,444</u>

Year Ending June 30	Notes Payable Principal	Notes Payable Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Revenue Refunding Bonds Principal	Revenue Refunding Bonds Interest
2009	\$25,385,000	888,475	-	-	155,000	110,213
2010	-	-	-	-	160,000	104,943
2011	-	-	300,000	-	167,500	98,943
2012	-	-	400,000	-	172,500	92,075
2013	-	-	500,000	-	182,500	84,658
2014	-	-	750,000	-	190,000	76,445
2015	-	-	1,000,000	-	197,500	67,515
2016	-	-	1,620,000	-	210,000	58,035
2017	-	-	1,705,000	-	220,000	47,745
2018	-	-	1,795,000	-	230,000	36,745
2019	-	-	1,895,000	-	242,500	25,245
2020	-	-	1,995,000	-	252,500	12,877
2021	-	-	2,100,000	-	-	-
2022	-	-	2,210,000	-	-	-
2023	-	-	2,330,000	-	-	-
2024	-	-	2,455,000	-	-	-

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Debt Service Requirements to Maturity, (Continued)

Year Ending June 30	Lease Purchase Agreements Principal	Lease Purchase Agreements Interest	Installment Sale Agreement Principal	Installment Sale Agreement Interest	Tax Allocation Bonds Principal	Tax Allocation Bonds Interest
2025	-	-	2,585,000	-	-	-
2026	-	-	2,720,000	-	-	-
2027	-	-	2,865,000	-	-	-
2028	-	-	3,020,000	-	-	-
2029	-	-	3,180,000	-	-	-
2030	-	-	3,345,000	-	-	-
2031	-	-	3,525,000	-	-	-
2032	-	-	3,715,000	-	-	-
2033	-	-	3,910,000	-	-	-
2034	-	-	4,120,000	-	-	-
2035	-	-	4,335,000	-	-	-
2036	-	-	4,565,000	-	-	-
2037	-	-	4,810,000	-	-	-
2038	-	-	5,065,000	-	-	-
2039	-	-	5,335,000	-	-	-
2040	-	-	5,620,000	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
2048	-	-	-	-	-	-
2049	-	-	-	-	-	-
2050	-	-	-	-	-	-
2051	-	-	-	-	-	-
Subtotal	25,385,000	888,475	83,770,000	-	2,380,000	815,439
Less: Unam. Dis.	-	-	-	-	(118,671)	-
Total	<u>\$25,385,000</u>	<u>888,475</u>	<u>83,770,000</u>	<u>-</u>	<u>2,261,329</u>	<u>815,439</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Debt Service Requirements to Maturity, (Continued)

<u>Year</u> <u>June 30</u>	Refunding Improvement <u>Principal</u>	Refunding Improvement <u>Interest</u>	Certificate of Participation <u>Principal</u>	Certificate of Participation <u>Interest</u>
2009	440,000	126,214	325,000	681,563
2010	455,000	111,219	335,000	669,268
2011	470,000	95,259	350,000	656,313
2012	490,000	78,214	360,000	642,765
2013	505,000	58,347	370,000	628,615
2014	525,000	35,750	385,000	613,905
2015	550,000	12,100	410,000	595,805
2016	-	-	430,000	576,655
2017	-	-	440,000	556,705
2018	-	-	465,000	536,055
2019	-	-	490,000	516,240
2020	-	-	505,000	495,240
2021	-	-	530,000	473,390
2022	-	-	550,000	450,375
2023	-	-	575,000	426,180
2024	-	-	600,000	399,845
2025	-	-	625,000	372,483
2026	-	-	465,000	348,625
2027	-	-	485,000	328,398
2028	-	-	505,000	307,300
2029	-	-	530,000	284,575
2030	-	-	555,000	260,725
2031	-	-	580,000	235,750
2032	-	-	605,000	206,750
2033	-	-	640,000	176,500
2034	-	-	670,000	144,500
2035	-	-	705,000	111,000
2036	-	-	740,000	75,750
2037	-	-	775,000	38,750

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Debt Service Requirements to Maturity, (Continued)

2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
2046	-	-	-	-
2047	-	-	-	-
2048	-	-	-	-
2049	-	-	-	-
2050	-	-	-	-
2051	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	3,435,000	517,103	15,000,000	11,810,025
Less: Unam. Disc.	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$3,435,000</u>	<u>517,103</u>	<u>15,000,000</u>	<u>11,810,025</u>

(9) Pledged Revenue

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(9) Pledged Revenue, (Continued)

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Property Tax Increment pledged by the Victorville Redevelopment Agency.	\$ 6,298,905	3,206,342	51%
Property Tax Increment (non-housing) pledged by the Southern California Logistics Airport Authority	21,012,665	15,875,032	76%
Property Tax Increment (housing) pledged by the Southern California Logistics Airport Authority	6,989,285	4,639,836	66%

(10) Fund Balances

Fund balances of governmental funds at June 30, 2008 consisted of the following reserves:

	<u>General</u>	<u>Low and Moderate Housing -SR</u>	<u>Capital Impact Facilities</u>	<u>Victorville Redevelopment Agency - CP</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Reserved for:						
Notes receivable	\$ -	2,423,675	-	-	700	2,424,375
Inventories	309,676	-	-	-	-	309,676
Prepaid items	13,687	-	466,000	-	-	479,687
Advances to other funds	-	4,556,103	-	-	-	4,556,103
Land held for resale	-	12,364,725	-	7,316,709	-	19,681,434
Debt service	-	-	-	-	8,357,766	8,357,766
Total reserved	<u>\$323,363</u>	<u>19,344,503</u>	<u>466,000</u>	<u>7,316,709</u>	<u>8,358,466</u>	<u>35,809,041</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(11) Deficit Fund Balances

The following funds had deficit fund balances/net assets as of June 30, 2008.

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Fire Protection	\$ 24,903
CDBG Grants	673,422
Other Federal Grants	5,257,102
Enterprise Funds:	
Southern California Logistics Airport Authority (SCLAA)	54,609,386
Municipal Utility	63,805,244

(12) Expenditures in Excess of Appropriations

The following funds reported total expenditures in excess of total appropriations for the year ended June 30, 2008:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Funds:			
Fire Protection Fund	7,908,132	9,275,716	(1,367,584)
Street Lighting	873,046	1,013,885	(140,839)
Traffic Safety	10,000	19,156	(9,156)

(13) Defined Benefit Pension Plan

Plan Description

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(13) Defined Benefit Pension Plan, (Continued)

Funding Policy

Participants are required to contribute 7% (9% for safety employee) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups and the employer contribution rate is established and may be amended by PERS.

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate indicated for the period is 20.626% of payroll for the safety plan and 12.209% of payroll for the miscellaneous plan.

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

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
Valuation Date	June 30, 2005	June 30, 2005
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	29 Years as of the Valuation Date	15 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, 3.25% to 14.45% depending on Age Service, and type of employment	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%	A merit scale varying by duration employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%

City of Victorville
Notes to Basic Financial Statements
(Continued)

(13) Defined Benefit Pension Plan, (Continued)

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.

Required Supplementary Information – Miscellaneous

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (UAAL)/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/05	\$54,377,328	\$47,812,544	\$6,564,784	87.9%	\$17,604,962	37.3%
6/30/06	63,276,105	54,822,174	8,453,931	86.6%	21,156,545	40%
6/30/07	73,904,059	63,243,609	10,660,450	85.6%	25,924,824	41.1%

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

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

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Safety</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$869,858	\$2,596,591	100%	-
6/30/07	980,955	2,988,368	100%	-
6/30/08	1,080,013	3,809,572	100%	-

City of Victorville
Notes to Basic Financial Statements
(Continued)

(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

Employees who retire from the City are eligible to receive health care benefits covering themselves only. The City pays based on years of service, a percentage of all premiums charged under a health benefit plan administered by the Public Employee's Retirement System (PERS) in which the individuals are able to select, on an annual basis, an insurance carrier from a number of insurance carriers. Expenditures for post-retirement health care benefits for the fiscal year ended June 30, 2008 amounted to \$173,074, which included 41 participants.

(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.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(16) Joint Ventures, (Continued)

Regional Fire Protection Authority

Regional Fire Protection Authority (RFPA) was formed in 1979 between the City of Victorville, Apple Valley Fire Protection Agency and Hesperia Fire Protection District on an equal basis to provide fire protection, emergency dispatch, and related functions in order to reduce individual agency financial and personnel requirements. An Advisory Committee was established with a representative appointed by each member agency. The Advisory Committee shall consider and adopt an annual budget for RFPA. Each member contributes its pro rata share of operating costs to RFPA. As of June 30, 2004, Hesperia Fire Protection District terminated membership in RFPA. The City contributed \$296,150 to RFPA for the year ended June 30, 2008 for fire protection services. Financial statements may be obtained by mailing a request to City of Victorville, 14343 Civic Drive, Victorville, CA 92392.

Mojave Desert and Mountain Integrated Waste Management Authority

Mojave Desert and Mountain Integrated Waste Management Authority (MDMA) was formed in September of 1991 between the cities of Victorville, Barstow, Big Bear Lake, Needles, Twentynine Palms, the Towns of Apple Valley and Yucca Valley and the County of San Bernardino to operate the recycling processing center known as Victor Valley Materials Recovery Facility (MRF). The City of Victorville maintains a 50% interest in the MRF. The remaining 50% interest is maintained by the Town of Apple Valley. Contribution rates from member agencies are based on each member's current population as a percentage of the total population of the MDMA. The City's contribution toward the cost of operating and maintaining the facility during the year June 30, 2008 was \$86,881. The City's portion of MDMA debt and its operation are reflected in the solid waste management enterprise fund. Financial statements may be obtained by mailing a request to the City of Victorville, 14343 Civic Drive, Victorville, CA 92392.

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 City of Victorville, 14343 Civic Drive, Victorville, CA 92392.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(16) Joint Ventures, (Continued)

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 \$8,061,793 to VWVRA for the year ended June 30, 2008. Financial statements may be obtained by sending a written request to Victor Valley Wastewater Reclamation Authority, 20111 Shay Road, Victorville, CA 92394.

(17) Participation in Risk Pool

The City is a member of the Public Entity Risk Management Authority (PERMA), formerly Coachella Valley Joint Powers Insurance Authority (CVJPIA), a joint powers authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of twenty-six participating member agencies, eighteen cities with populations ranging from 1,500 to 100,000, three transit agencies, and five special districts. The City participates in the liability and worker's compensation insurance programs of PERMA.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(17) Participation in Risk Pool, Continued)

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

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

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

	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
2006-07	1,205,328	336,510	(460,040)	1,081,798	300,000
2007-08	1,081,798	520,770	(317,447)	1,285,121	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, in December 2008 a lawsuit was settled in the amount of \$550,000 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, 2008 was \$965,000.

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, 2008 was \$5,810,000.

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(18) Debt Without Government Commitment, (Continued)

Special Tax Bonds, (Continued)

from bond proceeds, the City has no duty to pay the delinquency out of any available funds of the City. Neither the faith, credit or taxing power of the City is pledged to the payment of the bonds. The City acts solely as an agent for those paying assessments and for the bondholders. The outstanding balance at June 30, 2008 was \$3,155,000.

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, 2008 was \$6,100,000. These bonds do not constitute a debt or an obligation of the City because the bonds are solely payable and secured by assets and revenues of other parties.

(19) Commitments and Contingencies

A. Litigation

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

B. Construction

Various construction projects were in progress at June 30, 2008 with an estimated cost to complete of approximately \$22,077,113 in all fund types.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(19) Commitments and Contingencies, (Continued)

C. Southern California Logistics Airport Authority

Stirling Enterprise, LLC

Background

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

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

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

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).

Pre-development costs and infrastructure improvement costs shall be borne by SCLAA. 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 or deferred.

Management

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

(20) Restatement of Net Assets

	Government-Wide Financial Statements		Proprietary Funds		Governmental Funds	
	<u>Governmental</u>	<u>Business Type</u>	<u>Southern California Logistics Airport Authority</u>	<u>Victorville Water District</u>	<u>Capital Impact Facilities</u>	<u>Nonmajor Funds</u>
Net assets (deficit) at beginning of year, as previously reported	424,544,461	(81,340,874)	(97,015,651)	5,631,313	19,816,166	26,469,384
To record capital assets of SCLAA, that were previously unrecorded in capital assets:						
Buildings and buildings improvement, net (1)	-	30,741,809	30,741,809	-	-	-
Business type infrastructure improvements, net (1)	-	<u>30,805,585</u>	<u>30,805,585</u>	-	-	-
	<u>-</u>	<u>61,547,394</u>	<u>61,547,394</u>	<u>-</u>	<u>-</u>	<u>-</u>
To record capital outlay expenditures that were incurred in the previous year (2)	-	-	-	-	(1,600,000)	(395,617)
To correct Rights of Way written off in the previous year (3)	179,427,590	-	-	-	-	-
To correct infrastructure amounts based upon a more accurate and detailed valuation (4)	(45,642,846)	-	-	-	-	-
To reduce the amount of impairment loss that reflected in the prior year and increase SCLAA notes receivable from KND Affiliates (5)	-	10,437,191	10,437,191	-	-	-
To record capital assets constructed under the Disposition and Development Agreement with Stirling that were previously recorded as expenses in the prior year (6)	-	6,155,813	6,155,813	-	-	-
To reverse an accrual of a liability related to a payment made in the current fiscal year for a current year land acquisitions, previously recorded as a prior period transaction (7)	-	739,343	739,343	-	-	-
To record contribution of capital and merge into the Victorville Water District from:						
Baldy Mesa Water District (8)	-	35,931,978	-	35,931,978	-	-
Victor Valley Water District (8)	-	<u>135,696,530</u>	-	<u>135,696,530</u>	-	-
	<u>-</u>	<u>171,628,508</u>	<u>-</u>	<u>171,628,508</u>	<u>-</u>	<u>-</u>
To record City's deposit with PERMA, previously not recorded in the prior year (9)	<u>1,768,560</u>	-	-	-	-	-
Net assets (deficit) beginning of year, as restated	<u>560,097,765</u>	<u>169,167,375</u>	<u>(18,135,910)</u>	<u>177,259,821</u>	<u>18,216,166</u>	<u>26,073,767</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

(20) Restatement of Net Assets, (Continued)

1. During the fiscal year ended June 30, 2007, certain SCLAA capital assets were written off due to impairment. In May 2009, the City of Victorville's independent auditor along with City of Victorville staff conducted a physical observation of certain significant SCLAA capital assets and discovered that assets that were previously written off are still in service and not impaired. As a result of this physical observation, \$61,547,394 in Building, Improvements and Infrastructure improvements have been restored to capital assets as of June 30, 2007.
2. During the prior fiscal years, the City had incurred certain capital outlay expenditure for the construction of infrastructure asset. These costs were not paid until after June 30, 2008 and previously not recorded as expenditures. Beginning fund balances have been increased by \$1.6 million in the Capital Impact Facilities fund and by \$395,617 in the nonmajor fund to accrue the expenditures.
3. During the fiscal year ended June 30, 2007, rights of way in the governmental funds were incorrectly written off from capital assets. In accordance with generally accepted accounting principles as described by the Governmental Accounting Standards Board Rights of Way are considered to be capital assets and therefore governmental type activities net assets have been restated by \$179,427,590 to reflect the inclusion of rights of way in capital assets as of June 30, 2007.
4. Net assets as of June 30, 2007 has been restated to decrease the amount of infrastructure assets. This restatement was done to record infrastructure based upon a more accurate and detailed valuation; as a result beginning net assets have been decreased by \$(45,642,846) as of June 30, 2007.
5. During fiscal year ended June 30, 2007, SCLAA reduced the carrying value of a note receivable from KND Affiliates by \$36.3 million and reclassified the notes to Capital Assets. The fair value of the assets was calculated using discounted future cash flows method based upon rental income generated by the assets. However, there was a significant amount of additional rental income that was not included in this calculation and as a result the fair value of the asset was understated by \$10.4 million. Additionally, subsequent to the issuance of prior year financial statements, it was discovered that the developer (KND) still has title to the assets in question. As a result of these subsequent discoveries, \$10.4 million has been restated to SCLAA's net assets and the related capital assets have been reclassified as notes receivable at June 30, 2007.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(20) Restatement of Net Assets, (Continued)

6. On October 18, 2006, SCLAA and Stirling Capital Investments, LLC (Stirling) signed a Disposition and Development Agreement to develop certain parcels within the Southern California Logistic Airport. During the fiscal year ended June 30, 2007 construction costs in the amount of \$6,155,813 were incurred and were recorded as expenses. These costs were incurred to develop certain improvements within the Airport and determined by SCLAA to be capital assets in accordance with its accounting policies. Net asset has been restated as of June 30, 2007 to reflect the inclusion of these capital assets.
7. During the current fiscal year, SCLAA made a payment to acquire land parcels adjacent to the airport designated as Economic Development Conveyance parcels. This acquisition was reflected as a reduction to net asset in the prior year financial statement. Because the acquisition occurred and paid for in the current year, a prior adjustment of \$739,343 is made to restate beginning net asset as of June 30, 2007 to properly record the acquisition as a current year transaction.
8. 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, known as the Victorville Water District (District). 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. 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, 2008. Beginning net asset of the Victorville Water District fund as of June 30, 2007 has been restated to reflect this consolidation.
9. City is a member of Public Entity Risk Management Authority (PERMA) that provides insurance coverage for the City. In the previous fiscal year, the City had a deposit with PERMA in the amount of \$1,768,560 that was not included as an asset in the prior year financial statements. Beginning net assets as of June 30, 2007 has been restated to reflect this inclusion.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

General Fund of the City of Victorville

The general fund is typically the focal point in analyzing the financial health of the City because the General Fund is expected to be able to cover both its costs and to act as a financial backstop for other funds in the event of an insufficiency with respect to the other funds. For the year ended June 30, 2008, the General Fund had a net decrease in fund balance of \$10,211,831. For the fiscal year ended June 30, 2009, the City is consolidating the activities of the parks and recreation and fire protection special revenue funds into the General Fund. Additionally, for the year ended June 30, 2009 the City's Sanitary Fund has transferred (due to the formal dissolution of the Sanitary District as a legal entity) an amount of \$15,878,318. This amount represents a portion of property taxes received by the District since its inception in 1964 through 2008.

The following is an estimate (unaudited) of General Fund Balance at June 30, 2009.

	<u>General Fund Balance</u>
Fund balance as of June 30, 2007	\$22,667,501
Net decrease in General Fund balance for the year ended June 30, 2008	<u>(10,211,831)</u>
Fund balance as of June 30, 2008	12,455,670
Effect of closure of parks and recreation fund and fire protection funds into general fund at July 1, 2008	<u>2,709,790</u>
Estimated fund balance as of July 1, 2008 as restated (estimate)(deficit) at June 30, 2009 (unaudited)	15,165,460
Estimated (decrease) in general fund balance before Sanitary Fund transfer	(21,748,420)
Sanitary fund transfer	<u>15,878,318</u>
Estimated general fund at June 30, 2009 (Unaudited)	<u>\$ 9,295,358</u>

While the General Fund is expected to have fund balances at June 30, 2009, it is expected to have liquidity problems and the need to borrow cash from other funds.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Deficit Operations for Proprietary Funds

The Southern California Logistics Airport Authority (SCLAA) has a history of operating at a significant deficit. A summary of SCLAA financial condition is as follows:

	<u>SCLAA Deficit Balance</u>
Net asset deficiency at June 30, 2007, as restated	\$(18,135,910)
Net loss for the year ended June 30, 2008	<u>(36,473,475)</u>
Net asset deficiency at June 30, 2008	(54,609,385)
Estimated loss for the year ended June 30, 2009 (unaudited)	<u>(19,920,100)</u>
Estimated net asset deficiency at June 30, 2009 (unaudited)	<u>(74,529,485)</u>

The Municipal Utilities (VMUS) enterprise fund also has a history of operating with significant deficiencies. A summary of the financial condition of the VMUS enterprise fund is as follows:

	<u>VMUS Deficit Balance</u>
Net asset deficiency as of June 30, 2007	\$ (62,369,061)
Net loss for the year ended June 30, 2008	<u>(1,965,478)</u>
Net asset deficiency at June 30, 2008	(64,334,539)
Estimated net loss for the year ended June 30, 2009 (unaudited)	<u>(10,500,000)</u>
Estimated net asset deficiency at June 30, 2009 (unaudited)	<u>\$(74,834,539)</u>

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Significant Financial Obligations

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

General Electric Purchase Contract

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

General Electric Purchase Contract, (Continued)

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

The collapse in the credit markets that began in 2007 worsened during 2008 resulting in the failure of a number of large and nationally known financial institutions including CountryWide Financial, Washington Mutual and Lehman Brothers. The conditions that caused these firms to fail also affected the ability of the City to implement its plan of bringing the project to a "build ready" state and selling the project to an energy company. As a result the City has been unable to conclude the planned sale of its interests in the VV2 project and the City remains unable to pay the amounts owed to GE.

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

General Electric Purchase Contract, (Continued)

At the present time, the City is in active negotiations to transfer its interest in the Victorville 2 Hybrid Power Plant to a third party. Central to these discussions are assistance with resolving the GE contract dispute. While no assurances can be given as to the ultimate outcome, the City believes all parties will work together toward an amicable resolution.

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

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

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

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

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

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

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

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

On January 26, 2009, Fortis notified the City that it considered the City to be in default of the financing agreements in that the City failed to deliver its annual financial statements to Fortis within 210 days of the close of the fiscal year ended June 30, 2007. In accordance with the affirmative requirements to report on material events, the City advised Fortis of its failure to pay amounts owed to GE, which amounts exceed \$1 million, and that prospectively, the City's external CPA's on the 2007 audit would not give the City an unqualified opinion on the City's financial statements for the year ended June 30, 2007.

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

Management's Plans to Improve Operations and Limit City Obligations

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

- In September 2008, the subsidiary Sanitary District was legally dissolved with the City named as the successor agency to all assets and liabilities including approximately \$16 million in fund balance from excess, unspent property taxes. These funds increased the City's general fund balance by an equivalent amount.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Management's Plans to Improve Operations and Limit City Obligations, (Continued)

- On July 1, 2008, the subsidiary Fire Protection and Recreation and Park Districts were legally dissolved with the City named as the successor agency to all assets and liabilities including approximately \$2.7 million in fund balance. These funds increased the City's general fund balance by an equivalent amount.
- Effective August 10, 2009, the City reorganized from 16 departments to 10 departments resulting in approximately 75 less positions and approximately 25 reclassifications to positions with lower pay and benefits. The majority of the 75 eliminated positions resulted in a layoff with some voluntary retirements. For the 2009-2010 budget, all non-safety departments were required to cut a minimum of 32% from FY 2008-2009 expenditure levels. Effective July 1, 2009, the City eliminated, suspended, or drastically reduced the following benefits: 401a, cell phone allowances, auto allowances, HMO subsidies, benefit cash out option, stability pay, and cash out of sick leave. In addition, the City implemented a pay reduction to match a furlough begun in July 2008, resulting in an across the board 7.7% salary reduction. These changes resulted in approximately \$10 million in savings over projected expenditures. Further cuts and layoffs will be considered throughout the fiscal year to ensure budget compliance and a balanced budget for FY 2010-2011.
- The Southern California Logistics Airport Authority (SCLAA) has historically been operated as a deficit primarily due to decisions to fund projects for job creation. Management will be splitting the SCLAA budget into two sections, Airport Operations and Capital Improvement. Although both have historically operated at a deficit, due to additional lease revenues, Airport Operations will be revenue positive for FY 2009-2010 for the first time. Deficits in Capital Improvement will be resolved temporarily through internal borrowing from other redevelopment funds and permanently upon successfully completion of the Victorville 2 Power Plant. This project has been delayed due to the downturn in the world economy. The authority is currently pursuing a sale of the assets and development rights to a private party.

City of Victorville
Notes to Basic Financial Statements
(Continued)

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

Management's Plans to Improve Operations and Limit City Obligations, (Continued)

- The Victorville Municipal Utility (VMUS) has operated at a deficit due to the City's focus on job creation. Due to interconnection in the Foxborough area and impending interconnection in the SCLA area, as well as changes in management structure, VMUS will be revenue neutral for FY 2009-2010. With two additional large customers coming online, VMUS will be revenue positive in future fiscal years and will begin to have the ability to repay debts. The past operating deficit will be addressed through a formal long-term loan from the Victorville Water District. Past asset deficiencies were caused by a stalled energy project in the Foxborough area. Options for these assets are being considered ranging from liquidation to a restart of construction. VMUS staff will be presenting options and recommendations to management later this fiscal year.
- Management is working toward selling its assets and development rights in the Victorville 2 Hybrid Power Plant. Part of this process will include negotiations with GE to resolve the contract dispute regarding non-payment. Management met with Fortis Bank on August 19, 2009 to discuss the current fiscal position of the City. The information was well received by Fortis who is looking forward to receiving this audit. Management believes this audit, combined with resolution of the GE contract dispute will remove the technical default issued by Fortis Bank.

(22) Subsequent Events

Commitments for the Purchase of Electricity.

In November, 2008 the Victorville Municipal Utility Services (an enterprise fund of the City of Victorville) entered into "Take or Pay" agreements for the purchase of electricity and other scheduling coordinator and settlement services with Sempra Energy Solutions. The commitments to purchase electricity extend through December 31, 2011 and are at varying contract prices based upon demand.

City of Victorville
Notes to Basic Financial Statements
(Continued)

(22) Subsequent Events, (Continued)

Defaults of Debt or Contractual Obligations

1. On January 26, 2009, Fortis Bank, NA delivered to the City a formal notice of default of the Letter of Credit Agreement used as an enhancement of the \$84,770,000 bonds issued in connection with the Victorville Municipal Utilities Services capital expansion plan, citing the late financial statements as the sole reason.
2. On February 19, 2009, GE Energy delivered to the City a formal notice of default citing the non-payment of the Contract Obligation which is now approaching 90 days past due.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTORVILLE

General Fund

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

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 33,868,871	33,868,871	32,141,692	(1,727,179)
Licenses and permits	5,211,262	5,211,262	4,238,245	(973,017)
Intergovernmental	695,747	695,747	7,041,616	6,345,869
Charges for services	4,036,190	4,036,190	4,166,833	130,643
Fines and forfeitures	264,800	264,800	269,648	4,848
Investment income	150,000	150,000	219,148	69,148
Sale of assets	-	-	11,350	11,350
Other	1,166,690	1,166,690	3,516,436	2,349,746
Total revenues	45,393,560	45,393,560	51,604,968	6,211,408
Expenditures:				
Current:				
General government	11,804,741	11,944,491	12,626,708	(682,217)
Public safety	18,866,894	19,337,894	17,921,768	1,416,126
Public works	12,586,358	12,736,775	11,561,938	1,174,837
Parks and recreation	274,700	274,700	296,645	(21,945)
Debt service:				
Interest	-	-	225,711	(225,711)
Total expenditures	43,532,693	44,293,860	42,632,770	1,661,090
Excess (deficiency) of revenues over (under) expenditures	1,860,867	1,099,700	8,972,198	7,872,498
Other financing sources (uses):				
Transfers in	-	-	570,681	570,681
Transfers out	-	-	(19,754,710)	(19,754,710)
Total other financing sources (uses)	-	-	(19,184,029)	(19,184,029)
Net changes in fund balances	1,860,867	1,099,700	(10,211,831)	(11,311,531)
Fund balances at beginning of year	22,667,501	22,667,501	22,667,501	-
Fund balances at end of year	\$ 24,528,368	23,767,201	12,455,670	(11,311,531)

CITY OF VICTORVILLE

Redevelopment Agency - Low and Moderate Housing Fund

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

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,599,100	1,599,100	1,927,024	327,924
Intergovernmental	7,195,957	7,195,957	6,989,285	(206,672)
Investment income	280,000	280,000	458,736	178,736
Total revenues	<u>9,075,057</u>	<u>9,075,057</u>	<u>9,375,045</u>	<u>299,988</u>
Expenditures:				
Current:				
General government	-	-	247,013	(247,013)
Community development	7,911,996	7,911,996	457,560	7,454,436
Debt service:				
Principal	-	-	80,690	(80,690)
Interest	-	-	60	(60)
Total expenditures	<u>7,911,996</u>	<u>7,911,996</u>	<u>785,323</u>	<u>7,126,673</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,163,061</u>	<u>1,163,061</u>	<u>8,589,722</u>	<u>7,426,661</u>
Other financing sources (uses):				
Transfers in	-	-	10,865,655	10,865,655
Transfers out	-	-	(4,639,836)	(4,639,836)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,225,819</u>	<u>6,225,819</u>
Net changes in fund balances	<u>1,163,061</u>	<u>1,163,061</u>	<u>14,815,541</u>	<u>13,652,480</u>
Fund balances at beginning of year	<u>15,111,092</u>	<u>15,111,092</u>	<u>15,111,092</u>	<u>-</u>
Fund balances at end of year	<u>\$ 16,274,153</u>	<u>16,274,153</u>	<u>29,926,633</u>	<u>13,652,480</u>

CITY OF VICTORVILLE

Measure I Street Arterials - Special Revenue Fund

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

Year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes *	\$ 8,583,295	8,583,295	7,095,558	(1,487,737)
Charges for services	-	-	360,307	360,307
Investment income	<u>400,000</u>	<u>400,000</u>	<u>949,747</u>	<u>549,747</u>
Total revenues	<u>8,983,295</u>	<u>8,983,295</u>	<u>8,405,612</u>	<u>(577,683)</u>
Expenditures:				
Current:				
Public works	<u>17,005,195</u>	<u>17,125,695</u>	<u>13,068,131</u>	<u>4,057,564</u>
Total expenditures	<u>17,005,195</u>	<u>17,125,695</u>	<u>13,068,131</u>	<u>4,057,564</u>
Net change in fund balances	(8,021,900)	(8,142,400)	(4,662,519)	3,479,881
Fund balances at beginning of year	<u>20,645,613</u>	<u>20,645,613</u>	<u>20,645,613</u>	-
Fund balances at end of year	<u>\$ 12,623,713</u>	<u>12,503,213</u>	<u>15,983,094</u>	<u>3,479,881</u>

City of Victorville
Notes to Required Supplementary Information
June 30, 2008

(1) Budgetary Data

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

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



SUPPLEMENTARY SCHEDULES

CITY OF VICTORVILLE
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>			
Assets:			
Cash and investments	\$ 15,268,425	-	15,268,425
Cash with fiscal agent	42,104	8,346,548	8,388,652
Receivables:			
Accounts	377,867	-	377,867
Notes	700	-	700
Interest	-	11,218	11,218
Due from other governments	<u>5,401,299</u>	-	<u>5,401,299</u>
Total assets	<u>\$ 21,090,395</u>	<u>8,357,766</u>	<u>29,448,161</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 1,295,592	-	1,295,592
Deposits payable	4,300	-	4,300
Due to other funds	5,474,144	-	5,474,144
Due to other governments	2,074	-	2,074
Unearned revenue	<u>4,461,753</u>	-	<u>4,461,753</u>
Total liabilities	<u>11,237,863</u>	-	<u>11,237,863</u>
Fund balances:			
Reserved	700	8,357,766	8,358,466
Unreserved:			
Designated	13,930,208	-	13,930,208
Undesignated	<u>(4,078,376)</u>	-	<u>(4,078,376)</u>
Total fund balances	<u>9,852,532</u>	<u>8,357,766</u>	<u>18,210,298</u>
Total liabilities and fund balances	<u>\$ 21,090,395</u>	<u>8,357,766</u>	<u>29,448,161</u>

CITY OF VICTORVILLE

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

Year ended June 30, 2008

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 9,355,455	-	9,355,455
Licenses and permits	62,440	-	62,440
Intergovernmental	8,082,192	-	8,082,192
Charges for services	2,224,216	-	2,224,216
Fines and forfeitures	607,850	-	607,850
Investment income	357,481	461,026	818,507
Sale of property	14,000	-	14,000
Other	30,411	6,600	37,011
Total revenues	<u>20,734,045</u>	<u>467,626</u>	<u>21,201,671</u>
Expenditures:			
Current:			
General government	1,308,827	-	1,308,827
Public safety	10,274,735	-	10,274,735
Community development	478,024	-	478,024
Public works	10,789,843	-	10,789,843
Parks and recreation	6,576,389	-	6,576,389
Debt service:			
Principal	303,170	895,000	1,198,170
Interest	-	2,444,225	2,444,225
Total expenditures	<u>29,730,988</u>	<u>3,339,225</u>	<u>33,070,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,996,943)</u>	<u>(2,871,599)</u>	<u>(11,868,542)</u>
Other financing sources (uses):			
Transfers in	7,277,126	3,252,978	10,530,104
Transfers out	<u>(867,196)</u>	<u>(5,657,835)</u>	<u>(6,525,031)</u>
Total other financing sources (uses)	<u>6,409,930</u>	<u>(2,404,857)</u>	<u>4,005,073</u>
Net change in fund balances	<u>(2,587,013)</u>	<u>(5,276,456)</u>	<u>(7,863,469)</u>
Fund balances at beginning of year	<u>12,439,545</u>	<u>13,634,222</u>	<u>26,073,767</u>
Fund balances at end of year	<u>\$ 9,852,532</u>	<u>8,357,766</u>	<u>18,210,298</u>

Nonmajor Governmental Funds

Special Revenue Funds

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

Fire Protection

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

Parks and Recreation

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

Street Lighting

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

Traffic Safety

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

General Asset Seizure

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

Storm Drain Utility

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

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.

Nonmajor Governmental Funds

Special Revenue Funds

(Continued)

Transportation Tax

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

Other State Grants

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

CDBG and HOME Grants

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

Other Federal Grants

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

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

June 30, 2008

	<u>Fire Protection</u>	<u>Parks and Recreation</u>	<u>Street Lighting</u>	<u>Traffic Safety</u>	<u>General Asset Seizure</u>
<u>Assets</u>					
Cash and investments	\$ -	2,680,321	1,575,107	32,683	34,290
Cash with fiscal agent	-	-	-	-	-
Accounts receivable	155,579	169,809	43,698	177	-
Notes receivable	-	700	-	-	-
Due from other governments	-	-	-	-	-
 Total assets	 <u>155,579</u>	 <u>2,850,830</u>	 <u>1,618,805</u>	 <u>32,860</u>	 <u>34,290</u>
 Liabilities:					
Accounts payable	49,284	114,037	80,583	1,484	-
Deposits payable	-	2,100	-	-	-
Due to other funds	131,198	-	-	-	-
Due to other governments	-	-	-	-	-
Unearned revenue	-	-	-	-	-
 Total liabilities	 <u>180,482</u>	 <u>116,137</u>	 <u>80,583</u>	 <u>1,484</u>	 <u>-</u>
 Fund balances (deficit):					
Reserved for:					
Notes receivable	-	700	-	-	-
Unreserved:					
Designated for special purpose	(24,903)	2,733,993	1,538,222	31,376	34,290
Undesignated	-	-	-	-	-
 Total fund balances (deficit)	 <u>(24,903)</u>	 <u>2,734,693</u>	 <u>1,538,222</u>	 <u>31,376</u>	 <u>34,290</u>
 Total liabilities and fund balances	 <u>\$ 155,579</u>	 <u>2,850,830</u>	 <u>1,618,805</u>	 <u>32,860</u>	 <u>34,290</u>

Storm Drain Utility	Gas Tax	Transportation Tax	Other State Grants	CDBG & HOME Grants	Other Federal Grants	Total Special Revenue Funds
2,222,979	877,795	6,054,162	1,791,088	-	-	15,268,425
42,104	-	-	-	-	-	42,104
-	18	8,586	-	-	-	377,867
-	-	-	-	-	-	700
-	604,436	-	188,335	146,775	4,461,753	5,401,299
<u>2,265,083</u>	<u>1,482,249</u>	<u>6,062,748</u>	<u>1,979,423</u>	<u>146,775</u>	<u>4,461,753</u>	<u>21,090,395</u>
130,691	19,761	38,124	127,275	101,302	633,051	1,295,592
-	-	2,200	-	-	-	4,300
-	-	-	-	718,895	4,624,051	5,474,144
-	-	2,074	-	-	-	2,074
-	-	-	-	-	4,461,753	4,461,753
<u>130,691</u>	<u>19,761</u>	<u>42,398</u>	<u>127,275</u>	<u>820,197</u>	<u>9,718,855</u>	<u>11,237,863</u>
-	-	-	-	-	-	700
2,134,392	1,462,488	6,020,350	-	-	-	13,930,208
-	-	-	1,852,148	(673,422)	(5,257,102)	(4,078,376)
<u>2,134,392</u>	<u>1,462,488</u>	<u>6,020,350</u>	<u>1,852,148</u>	<u>(673,422)</u>	<u>(5,257,102)</u>	<u>9,852,532</u>
<u>2,265,083</u>	<u>1,482,249</u>	<u>6,062,748</u>	<u>1,979,423</u>	<u>146,775</u>	<u>4,461,753</u>	<u>21,090,395</u>

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

Year ended June 30, 2008

	Fire Protection	Parks and Recreation	Street Lighting	Traffic Safety	General Asset Seizure	Storm Drain Utility
Revenues:						
Taxes	\$ 3,372,978	5,139,301	843,176	-	-	-
Licenses and permits	62,440	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	215,485	798,102	-	-	-	1,133,281
Fines and forfeitures	4,105	-	-	588,637	15,108	-
Investment income	-	22,974	16,263	-	277	24,782
Sale of property	14,000	-	-	-	-	-
Other	75	30,336	-	-	-	-
Total revenues	<u>3,669,083</u>	<u>5,990,713</u>	<u>859,439</u>	<u>588,637</u>	<u>15,385</u>	<u>1,158,063</u>
Expenditures:						
Current:						
General government	-	-	1,013,885	-	-	-
Public safety	9,203,045	-	-	19,156	7,586	-
Community development	-	-	-	-	-	-
Public works	72,671	35,756	-	-	-	1,196,703
Parks and recreation	-	6,457,696	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Total expenditures	<u>9,275,716</u>	<u>6,493,452</u>	<u>1,013,885</u>	<u>19,156</u>	<u>7,586</u>	<u>1,196,703</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,606,633)</u>	<u>(502,739)</u>	<u>(154,446)</u>	<u>569,481</u>	<u>7,799</u>	<u>(38,640)</u>
Other financing sources (uses):						
Transfers in	5,465,894	1,115,412	-	-	-	-
Transfers out	-	-	-	(569,481)	-	-
Total other financing sources (uses)	<u>5,465,894</u>	<u>1,115,412</u>	<u>-</u>	<u>(569,481)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(140,739)</u>	<u>612,673</u>	<u>(154,446)</u>	<u>-</u>	<u>7,799</u>	<u>(38,640)</u>
Fund balances (deficit) at beginning of year	<u>115,836</u>	<u>2,122,020</u>	<u>1,692,668</u>	<u>31,376</u>	<u>26,491</u>	<u>2,173,032</u>
Fund balances (deficit) at end of year	<u>\$ (24,903)</u>	<u>2,734,693</u>	<u>1,538,222</u>	<u>31,376</u>	<u>34,290</u>	<u>2,134,392</u>

Gas Tax	Transportation Tax	Other State Grants	CDBG & HOME Grants	Other Federal Grants	Total Soecial Revenue Funds
-	-	-	-	-	9,355,455
-	-	-	-	-	62,440
1,811,072	2,303,512	3,161,357	806,251	-	8,082,192
2,428	74,920	-	-	-	2,224,216
-	-	-	-	-	607,850
60,829	224,123	7,612	-	621	357,481
-	-	-	-	-	14,000
-	-	-	-	-	30,411
<u>1,874,329</u>	<u>2,602,555</u>	<u>3,168,969</u>	<u>806,251</u>	<u>621</u>	<u>20,734,045</u>
-	-	19,470	275,472	-	1,308,827
-	-	969,204	65,434	10,310	10,274,735
-	-	478,024	-	-	478,024
2,614,400	1,484,271	195,660	720,593	4,469,789	10,789,843
-	-	21,666	97,027	-	6,576,389
-	-	-	303,170	-	303,170
<u>2,614,400</u>	<u>1,484,271</u>	<u>1,684,024</u>	<u>1,461,696</u>	<u>4,480,099</u>	<u>29,730,988</u>
<u>(740,071)</u>	<u>1,118,284</u>	<u>1,484,945</u>	<u>(655,445)</u>	<u>(4,479,478)</u>	<u>(8,996,943)</u>
692,234	-	3,586	-	-	7,277,126
-	-	(297,715)	-	-	(867,196)
<u>692,234</u>	<u>-</u>	<u>(294,129)</u>	<u>-</u>	<u>-</u>	<u>6,409,930</u>
(47,837)	1,118,284	1,190,816	(655,445)	(4,479,478)	(2,587,013)
<u>1,510,325</u>	<u>4,902,066</u>	<u>661,332</u>	<u>(17,977)</u>	<u>(777,624)</u>	<u>12,439,545</u>
<u>1,462,488</u>	<u>6,020,350</u>	<u>1,852,148</u>	<u>(673,422)</u>	<u>(5,257,102)</u>	<u>9,852,532</u>

CITY OF VICTORVILLE

Fire Protection Fund

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

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,232,495	3,232,495	3,372,978	140,483
Licenses and permits	26,378	26,378	62,440	36,062
Charges for services	276,346	276,346	215,485	(60,861)
Fines and forfeitures	1,650	1,650	4,105	2,455
Sale of property	-	-	14,000	14,000
Other	1,075	1,075	75	(1,000)
Total revenues	<u>3,537,944</u>	<u>3,537,944</u>	<u>3,669,083</u>	<u>131,139</u>
Expenditures:				
Current:				
Public safety	7,896,132	7,908,132	9,203,045	(1,294,913)
Public works	-	-	72,671	(72,671)
Total expenditures	<u>7,896,132</u>	<u>7,908,132</u>	<u>9,275,716</u>	<u>(1,367,584)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,358,188)</u>	<u>(4,370,188)</u>	<u>(5,606,633)</u>	<u>(1,236,445)</u>
Other financing sources (uses):				
Transfers in	<u>4,368,242</u>	<u>4,368,242</u>	<u>5,465,894</u>	<u>1,097,652</u>
Total other financing sources (uses)	<u>4,368,242</u>	<u>4,368,242</u>	<u>5,465,894</u>	<u>1,097,652</u>
Net changes in fund balances	10,054	(1,946)	(140,739)	(138,793)
Fund balances at beginning of year	<u>115,836</u>	<u>115,836</u>	<u>115,836</u>	<u>-</u>
Fund balances at end of year	<u>\$ 125,890</u>	<u>113,890</u>	<u>(24,903)</u>	<u>(138,793)</u>

CITY OF VICTORVILLE

Parks and Recreation Fund

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

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,983,360	4,983,360	5,139,301	155,941
Charges for services	677,288	677,288	798,102	120,814
Investment income	-	-	22,974	22,974
Other	137,150	137,150	30,336	(106,814)
Total revenues	<u>5,797,798</u>	<u>5,797,798</u>	<u>5,990,713</u>	<u>192,915</u>
Expenditures:				
Current:				
Public works	-	-	35,756	(35,756)
Parks and recreation	7,855,115	7,905,115	6,457,696	1,447,419
Total expenditures	<u>7,855,115</u>	<u>7,905,115</u>	<u>6,493,452</u>	<u>1,411,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,057,317)</u>	<u>(2,107,317)</u>	<u>(502,739)</u>	<u>1,604,578</u>
Other financing sources (uses):				
Transfers in	1,339,494	1,339,494	1,115,412	(224,082)
Total other financing sources (uses)	<u>1,339,494</u>	<u>1,339,494</u>	<u>1,115,412</u>	<u>(224,082)</u>
Net changes in fund balances	(717,823)	(767,823)	612,673	1,380,496
Fund balances at beginning of year	<u>2,122,020</u>	<u>2,122,020</u>	<u>2,122,020</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,404,197</u>	<u>1,354,197</u>	<u>2,734,693</u>	<u>1,380,496</u>

CITY OF VICTORVILLE

Street Lighting Fund

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

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 903,927	903,927	843,176	(60,751)
Investment income	-	-	16,263	16,263
Total revenues	<u>903,927</u>	<u>903,927</u>	<u>859,439</u>	<u>(44,488)</u>
Expenditures:				
Current:				
General government	<u>876,043</u>	<u>873,046</u>	<u>1,013,885</u>	<u>(140,839)</u>
Total expenditures	<u>876,043</u>	<u>873,046</u>	<u>1,013,885</u>	<u>(140,839)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,884</u>	<u>30,881</u>	<u>(154,446)</u>	<u>(185,327)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	27,884	30,881	(154,446)	(185,327)
Fund balances at beginning of year	<u>1,692,668</u>	<u>1,692,668</u>	<u>1,692,668</u>	-
Fund balances at end of year	<u>\$ 1,720,552</u>	<u>1,723,549</u>	<u>1,538,222</u>	<u>(185,327)</u>

CITY OF VICTORVILLE

Traffic Safety Fund

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

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Fines and forfeitures	\$ 300,000	300,000	588,637	288,637
Total revenues	300,000	300,000	588,637	288,637
Expenditures:				
Current:				
Public safety	10,000	10,000	19,156	(9,156)
Total expenditures	10,000	10,000	19,156	(9,156)
Excess (deficiency) of revenues over (under) expenditures	290,000	290,000	569,481	279,481
Other financing sources (uses):				
Transfers out	-	-	(569,481)	(569,481)
Total other financing sources (uses)	-	-	(569,481)	(569,481)
Net changes in fund balances	290,000	290,000	-	(290,000)
Fund balances at beginning of year	31,376	31,376	31,376	-
Fund balances at end of year	\$ 321,376	321,376	31,376	(290,000)

CITY OF VICTORVILLE

General Asset Seizure Fund

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

Year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 20,000	20,000	15,108	(4,892)
Investment income	-	900	277	(623)
Total revenues	<u>20,000</u>	<u>20,900</u>	<u>15,385</u>	<u>(5,515)</u>
Expenditures:				
Current:				
Public safety	<u>23,000</u>	<u>23,000</u>	<u>7,586</u>	<u>15,414</u>
Total expenditures	<u>23,000</u>	<u>23,000</u>	<u>7,586</u>	<u>15,414</u>
Net changes in fund balances	(3,000)	(2,100)	7,799	9,899
Fund balances at beginning of year	<u>26,491</u>	<u>26,491</u>	<u>26,491</u>	-
Fund balances at end of year	<u>\$ 23,491</u>	<u>24,391</u>	<u>34,290</u>	<u>9,899</u>

CITY OF VICTORVILLE

Storm Drain Utility Fund

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

Year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,156,217	1,156,217	1,133,281	(22,936)
Investment income	<u>2,500</u>	<u>2,500</u>	<u>24,782</u>	<u>22,282</u>
Total revenues	<u>1,158,717</u>	<u>1,158,717</u>	<u>1,158,063</u>	<u>(654)</u>
Expenditures:				
Current:				
Public works	<u>1,938,708</u>	<u>1,938,708</u>	<u>1,196,703</u>	<u>742,005</u>
Total expenditures	<u>1,938,708</u>	<u>1,938,708</u>	<u>1,196,703</u>	<u>742,005</u>
Net changes in fund balances	(779,991)	(779,991)	(38,640)	741,351
Fund balances at beginning of year	<u>2,173,032</u>	<u>2,173,032</u>	<u>2,173,032</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,393,041</u>	<u>1,393,041</u>	<u>2,134,392</u>	<u>741,351</u>

CITY OF VICTORVILLE

Gas Tax Fund

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

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,700,000	1,700,000	1,811,072	111,072
Charges for services	500	500	2,428	1,928
Investment income	25,000	25,000	60,829	35,829
Total revenues	<u>1,725,500</u>	<u>1,725,500</u>	<u>1,874,329</u>	<u>148,829</u>
Expenditures:				
Current:				
Public works	<u>3,130,961</u>	<u>3,130,961</u>	<u>2,614,400</u>	<u>516,561</u>
Total expenditures	<u>3,130,961</u>	<u>3,130,961</u>	<u>2,614,400</u>	<u>516,561</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,405,461)</u>	<u>(1,405,461)</u>	<u>(740,071)</u>	<u>665,390</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>692,234</u>	<u>692,234</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>692,234</u>	<u>692,234</u>
Net changes in fund balances	(1,405,461)	(1,405,461)	(47,837)	1,357,624
Fund balances at beginning of year	<u>1,510,325</u>	<u>1,510,325</u>	<u>1,510,325</u>	<u>-</u>
Fund balances at end of year	<u>\$ 104,864</u>	<u>104,864</u>	<u>1,462,488</u>	<u>1,357,624</u>

CITY OF VICTORVILLE

Transportation Tax Fund

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

Year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 4,970,922	4,970,922	2,303,512	(2,667,410)
Charges for services	23,446	23,446	74,920	51,474
Investment income	-	-	224,123	224,123
Total revenues	<u>4,994,368</u>	<u>4,994,368</u>	<u>2,602,555</u>	<u>(2,391,813)</u>
Expenditures:				
Current:				
Public works	<u>2,598,628</u>	<u>2,598,628</u>	<u>1,484,271</u>	<u>1,114,357</u>
Total expenditures	<u>2,598,628</u>	<u>2,598,628</u>	<u>1,484,271</u>	<u>1,114,357</u>
Net changes in fund balances	2,395,740	2,395,740	1,118,284	(1,277,456)
Fund balances at beginning of year	<u>4,902,066</u>	<u>4,902,066</u>	<u>4,902,066</u>	-
Fund balances at end of year	<u>\$ 7,297,806</u>	<u>7,297,806</u>	<u>6,020,350</u>	<u>(1,277,456)</u>

CITY OF VICTORVILLE

Other State Grants Fund

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

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 3,566,547	3,566,547	3,161,357	(405,190)
Investment income	-	-	7,612	7,612
Total revenues	<u>3,566,547</u>	<u>3,566,547</u>	<u>3,168,969</u>	<u>(397,578)</u>
Expenditures:				
Current:				
General government	-	-	19,470	(19,470)
Public safety	1,638,509	2,093,387	969,204	1,124,183
Community development	620,129	1,042,756	478,024	564,732
Public works	31,926	550,572	195,660	354,912
Parks and recreation	28,745	148,587	21,666	126,921
Total expenditures	<u>2,319,309</u>	<u>3,835,302</u>	<u>1,684,024</u>	<u>2,151,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,247,238</u>	<u>(268,755)</u>	<u>1,484,945</u>	<u>1,753,700</u>
Other financing sources (uses):				
Transfers in	-	-	3,586	3,586
Transfers out	-	-	(297,715)	(297,715)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(294,129)</u>	<u>(294,129)</u>
Net changes in fund balances	1,247,238	(268,755)	1,190,816	1,459,571
Fund balances at beginning of year	<u>661,332</u>	<u>661,332</u>	<u>661,332</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,908,570</u>	<u>392,577</u>	<u>1,852,148</u>	<u>1,459,571</u>

CITY OF VICTORVILLE
CDBG and HOME Grants Fund

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

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,569,665	1,569,665	806,251	(763,414)
Total revenues	1,569,665	1,569,665	806,251	(763,414)
Expenditures:				
Current:				
General government	295,233	295,233	275,472	19,761
Public safety	65,824	65,824	65,434	390
Community development	-	-	-	-
Public works	451,402	719,059	720,593	(1,534)
Parks and recreation	794,589	794,589	97,027	697,562
Debt service:				
Principal	-	-	303,170	(303,170)
Total expenditures	1,607,048	1,874,705	1,461,696	413,009
Excess (deficiency) of revenues over (under) expenditures	(37,383)	(305,040)	(655,445)	(350,405)
Other financing sources (uses):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	(37,383)	(305,040)	(655,445)	(350,405)
Fund balances at beginning of year	(17,977)	(17,977)	(17,977)	-
Fund balances at end of year	\$ (55,360)	(323,017)	(673,422)	(350,405)

CITY OF VICTORVILLE

Other Federal Grants Fund

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

Year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 14,754,374	14,754,374	-	(14,754,374)
Investment income	-	-	621	621
Total revenues	<u>14,754,374</u>	<u>14,754,374</u>	<u>621</u>	<u>(14,753,753)</u>
Expenditures:				
Current:				
General government	141,146	141,146	-	141,146
Public safety	58,463	58,463	10,310	48,153
Community development	364,726	364,726	-	364,726
Public works	<u>18,304,084</u>	<u>18,304,084</u>	<u>4,469,789</u>	<u>13,834,295</u>
Total expenditures	<u>18,868,419</u>	<u>18,868,419</u>	<u>4,480,099</u>	<u>14,388,320</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,114,045)</u>	<u>(4,114,045)</u>	<u>(4,479,478)</u>	<u>(365,433)</u>
Fund balances (deficit) at beginning of year	<u>(777,624)</u>	<u>(777,624)</u>	<u>(777,624)</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ (4,891,669)</u>	<u>(4,891,669)</u>	<u>(5,257,102)</u>	<u>(365,433)</u>

Nonmajor Governmental Funds

Debt Service Funds

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

Redevelopment Agency Debt Service

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

Parks and Recreation COP

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

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

June 30, 2008

	Redevelopment Agency	Parks and Recreation COP	Total Debt Service Funds
<u>Assets</u>			
Cash with fiscal agent	\$ 8,212,075	134,473	8,346,548
Interest Receivable	11,214	4	11,218
Total assets	\$ 8,223,289	134,477	8,357,766
<u>Liabilities and Fund Balances</u>			
Fund balances:			
Reserved for:			
Debt service	8,223,289	134,477	8,357,766
Total fund balances	8,223,289	134,477	8,357,766
Total liabilities and fund balances	\$ 8,223,289	134,477	8,357,766

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

Year ended June 30, 2008

	Redevelopment Agency	Parks and Recreation COP	Total Debt Service Funds
Revenues:			
Investment income	\$ 452,657	8,369	461,026
Other	6,600	-	6,600
Total revenues	459,257	8,369	467,626
Expenditures:			
Debt service:			
Principal	780,000	115,000	895,000
Interest	2,426,340	17,885	2,444,225
Total expenditures	3,206,340	132,885	3,339,225
Excess (deficiency) of revenues over (under) expenditures	(2,747,083)	(124,516)	(2,871,599)
Other financing sources (uses):			
Transfers in	3,125,567	127,411	3,252,978
Transfers out	(5,657,835)	-	(5,657,835)
Total other financing sources (uses)	(2,532,268)	127,411	(2,404,857)
Net change in fund balances (deficit)	(5,279,351)	2,895	(5,276,456)
Fund balances at beginning of year	13,502,640	131,582	13,634,222
Fund balances at end of year	\$ 8,223,289	134,477	8,357,766

Fiduciary Funds

Agency Funds

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

Deposits Fund

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

Community Facilities District 90-01

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

Community Facilities District 01-01

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

Mojave Desert and Mountain Integrated Waste Management Authority (MDIWMA)

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

Victor Valley Economic Development Authority (VVEDA)

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

Regional Fire Protection Authority

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

CITY OF VICTORVILLE

Combining Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2008

	<u>Deposit Funds</u>	<u>Community Facilities District 90-01</u>	<u>Community Facilities District 01-01</u>	<u>Mojave Desert and Mountain IWMA</u>	<u>Victor Valley Economic Development Authority</u>	<u>Regional Fire Protection Authority</u>	<u>Total Fiduciary Funds</u>
<u>Assets</u>							
Cash and investments	\$ 1,961,037	1,317,211	723,180	204,500	44,471,370	46,928	48,724,226
Restricted assets:							
Investments with fiscal agent	-	797,841	1,352,664	-	-	-	2,150,505
Accounts receivable	-	56,177	14,939	211,378	3,430,489	-	3,712,983
Assets used for operations	-	-	-	-	-	76,113	76,113
Total assets	<u>\$ 1,961,037</u>	<u>\$ 2,171,229</u>	<u>\$ 2,090,783</u>	<u>\$ 415,878</u>	<u>\$47,901,859</u>	<u>\$ 123,041</u>	<u>\$ 54,663,827</u>
<u>Liabilities</u>							
Deposits payable	\$ 1,961,037	2,171,229	2,090,783	415,878	3,663,235	123,041	10,425,203
Due to other governments	-	-	-	-	44,238,624	-	44,238,624
Total liabilities	<u>\$ 1,961,037</u>	<u>2,171,229</u>	<u>2,090,783</u>	<u>415,878</u>	<u>47,901,859</u>	<u>123,041</u>	<u>54,663,827</u>

CITY OF VICTORVILLE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Fiduciary Funds

Year ended June 30,2008

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Deposit Funds</u>				
<u>Assets:</u>				
Cash and investments	\$ 2,277,882	-	(316,845)	1,961,037
Accounts receivable	-	-	-	-
Total assets	<u>\$ 2,277,882</u>	<u>-</u>	<u>(316,845)</u>	<u>1,961,037</u>
<u>Liabilities:</u>				
Deposits payable	\$ 2,277,882	-	(316,845)	1,961,037
Total liabilities	<u>\$ 2,277,882</u>	<u>-</u>	<u>(316,845)</u>	<u>1,961,037</u>
<u>Community Facilities District 90-01</u>				
<u>Assets:</u>				
Cash and investments	\$ 872,034	445,177	-	1,317,211
<u>Restricted assets:</u>				
Investments with fiscal agent	1,120,190	-	(322,349)	797,841
Accounts receivable	35,084	21,093	-	56,177
Total assets	<u>\$ 2,027,308</u>	<u>466,270</u>	<u>(322,349)</u>	<u>2,171,229</u>
<u>Liabilities:</u>				
Deposits payable	\$ 2,027,308	143,921	-	2,171,229
Total liabilities	<u>\$ 2,027,308</u>	<u>143,921</u>	<u>-</u>	<u>2,171,229</u>
<u>Community Facilities District 01-01</u>				
<u>Assets:</u>				
Cash and investments	\$ 634,773	88,407	-	723,180
<u>Restricted assets:</u>				
Investments with fiscal agent	1,633,277	-	(280,613)	1,352,664
Accounts receivable	9,679	5,260	-	14,939
Total assets	<u>\$ 2,277,729</u>	<u>93,667</u>	<u>(280,613)</u>	<u>2,090,783</u>
<u>Liabilities:</u>				
Deposits payable	\$ 2,277,729	-	(186,946)	2,090,783
Total liabilities	<u>\$ 2,277,729</u>	<u>-</u>	<u>(186,946)</u>	<u>2,090,783</u>

(Continued)

CITY OF VICTORVILLE

Combining Statement of Changes in Fiduciary Assets and Liabilities

	Fiduciary Funds			
	(Continued)			
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Mojave Desert and Mountain IWMA</u>				
<u>Assets:</u>				
Cash and investments	\$ 307,345	-	(102,845)	204,500
Accounts receivable	237,320	-	(25,942)	211,378
Total assets	<u>\$ 544,665</u>	<u>-</u>	<u>(128,787)</u>	<u>415,878</u>
<u>Liabilities:</u>				
Deposits payable	\$ 544,665	-	(128,787)	415,878
Total liabilities	<u>\$ 544,665</u>	<u>-</u>	<u>(128,787)</u>	<u>415,878</u>
<u>Victor Valley Economic Development Authority</u>				
<u>Assets:</u>				
Cash and investments	\$ 11,843,889	32,627,481	-	44,471,370
Accounts receivable	2,618,113	812,376	-	3,430,489
Total assets	<u>\$ 14,462,002</u>	<u>33,439,857</u>	<u>-</u>	<u>47,901,859</u>
<u>Liabilities:</u>				
Deposits payable	\$ 1,520,075	2,143,160	-	3,663,235
Due to other governments	12,941,927	31,296,697	-	44,238,624
Total liabilities	<u>\$ 14,462,002</u>	<u>33,439,857</u>	<u>-</u>	<u>47,901,859</u>
<u>Regional Fire Protection Authority</u>				
<u>Assets:</u>				
Cash and investments	\$ 42,527	4,401	-	46,928
Accounts receivable	17,062	-	(17,062)	-
Assets used for operations	139,788	-	(63,675)	76,113
Total assets	<u>\$ 199,377</u>	<u>4,401</u>	<u>(80,737)</u>	<u>123,041</u>
<u>Liabilities:</u>				
Deposits payable	\$ 199,377	-	(76,336)	123,041
Total liabilities	<u>\$ 199,377</u>	<u>-</u>	<u>(76,336)</u>	<u>123,041</u>

(Continued)

CITY OF VICTORVILLE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Fiduciary Funds

(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Total-All Fiduciary Funds</u>				
<u>Assets:</u>				
Cash and investments	\$ 15,978,450	33,165,466	(419,690)	48,724,226
Restricted assets:				
Investments with fiscal agent	2,753,467	-	(602,962)	2,150,505
Accounts receivable	2,917,258	838,729	(43,004)	3,712,983
Assets used for operations	<u>139,788</u>	<u>-</u>	<u>(63,675)</u>	<u>76,113</u>
Total assets	<u>\$ 21,788,963</u>	<u>34,004,195</u>	<u>(1,129,331)</u>	<u>54,663,827</u>
<u>Liabilities:</u>				
Deposits payable	\$ 8,847,036	2,287,081	(708,914)	10,425,203
Due to other governments	<u>12,941,927</u>	<u>31,296,697</u>	<u>-</u>	<u>44,238,624</u>
Total liabilities	<u>\$ 21,788,963</u>	<u>33,583,778</u>	<u>(708,914)</u>	<u>54,663,827</u>