

**LANCASTER REDEVELOPMENT AGENCY
LANCASTER, CALIFORNIA**

FINANCIAL STATEMENTS

JUNE 30, 2008

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LANCASTER REDEVELOPMENT AGENCY

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Retired

Robert C. Lance
1914-1994

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Governing Board
Lancaster Redevelopment Agency
City of Lancaster, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lancaster Redevelopment Agency, a component unit of City of Lancaster, California, as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lancaster Redevelopment Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 misstatements. 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 and each major fund of the Lancaster Redevelopment Agency as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, we have also issued our reports dated December 16, 2008, on our consideration of the Lancaster Redevelopment Agency'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.



To the Honorable Chair and Members of the Governing Board
Lancaster Redevelopment Agency

The Agency has not presented a management's discussion and analysis, that accounting principles generally accepted in the United States of America 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 Agency's basic financial statements. The combining project area statements and computation of low and moderate income housing funds excess/surplus are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

Lance, Soll & Lunghard, LLP

December 16, 2008

Retired

Robert C. Lance
1914-1994
Richard C. Soll
Fred J. Lunghard, Jr.
1928-1999

REPORT ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Chair and Members of the Governing Board
Lancaster Redevelopment Agency
City of Lancaster, California

We have audited the financial statements of the governmental activities and each major fund of the Lancaster Redevelopment Agency as of and for the year ended June 30, 2008, which collectively comprise the Lancaster Redevelopment Agency's basic financial statements and have issued our report thereon dated December 16, 2008. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Lancaster Redevelopment Agency's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

This report is intended for the information of the Governing Board, management and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.



December 16, 2008

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LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 48,251,423
Receivables:	
Tax increment	\$ 5,230,302
Accounts	170,285
Interest receivable	274,504
Loans	<u>6,123,599</u>
Total Receivables	11,798,690
Due from other governments	389,196
Land held for resale (net)	46,787,035
Deferred charges	7,358,066
Restricted assets:	
Cash and investments	2,270,306
Cash and investments with trustees	<u>48,181,951</u>
Total Assets	<u>165,036,667</u>
Liabilities:	
Accounts payable and accrued expenses	4,741,009
Due to other governments	14,355,074
Deposits from others	269,070
Long-term liabilities:	
Due within one year	\$ 5,425,000
Due in more than one year	340,096,698
Total Long-Term Liabilities	<u>345,521,698</u>
Total Liabilities	<u>364,886,851</u>
Net Assets:	
Restricted for:	
Community development	78,137,314
Debt service	24,663,754
Unrestricted	<u>(302,651,252)</u>
Total Net Assets	<u><u>\$ (199,850,184)</u></u>

LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Contributions and Grants	
Functions/Programs				
Governmental Activities:				
General government	\$ 5,372,832	\$ -	\$ -	\$ (5,372,832)
Community development	13,463,034	4,836,314	-	(8,626,720)
Interest on long-term debt	15,816,307	-	-	(15,816,307)
Total Governmental Activities	\$ 34,652,173	\$ 4,836,314	\$ -	(29,815,859)
General Revenues:				
Taxes (net of pass-through payments)				25,271,212
Use of money and property				6,823,321
Other				782,671
Total General Revenues				32,877,204
Change in Net Assets				3,061,345
Net Assets at Beginning of Year				(200,404,201)
Restatement of Net Assets				(2,507,328)
Net Assets at End of Year				\$ (199,850,184)

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LANCASTER REDEVELOPMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Debt Service</u>
	Combined Low and Moderate Housing	Amargosa Project Area	Project Area 6	Project Area 7	Amargosa Project Area
	Low and Moderate Housing	Project	Project	Project	Tax Increment
Assets:					
Cash and investments	\$ 32,704,715	\$ -	\$ 1,106,186	\$ -	\$ 4,699,743
Cash and investments with trustee	-	5,210,601	19,350,139	-	-
Receivables:					
Tax increment	-	-	-	-	1,064,982
Accounts	-	21,434	-	-	-
Interest receivable	103,184	-	-	-	399
Loans	2,094,391	4,029,208	-	-	-
Due from Capital Projects funds	-	-	20,616,166	-	-
Due from Debt Service funds	-	-	-	-	142,820
Due from City	389,196	-	-	-	-
Restricted cash	-	-	-	-	128,552
Advances to other funds	8,524,399	-	-	-	-
Land held for resale	34,364,473	7,743,210	989,220	-	-
Allowance for decline in value	-	-	-	-	-
Total Assets	\$ 78,180,358	\$ 17,004,453	\$ 42,061,711	\$ -	\$ 6,036,496
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 12,355	\$ 25,510	\$ -	\$ -	\$ -
Deposits from others	26,121	-	-	-	-
Due to Capital Projects funds	-	10,507,407	-	4,995,703	-
Due to Debt Service funds	-	-	-	-	-
Due to other governments	4,568	-	-	-	2,222,641
Advances from Low and Moderate Housing Funds	-	1,195,069	3,366,122	1,874,476	-
Total Liabilities	43,044	11,727,986	3,366,122	6,870,179	2,222,641
Fund Balances:					
Reserved:					
Encumbrances	152,094	61,002	17,488	17,488	-
Land held for resale	34,364,473	7,743,210	989,220	-	-
Long-term receivables	10,618,790	4,029,208	-	-	-
Unreserved:					
Designated:					
Debt service	-	-	-	-	3,813,855
Continuing projects	33,001,957	-	37,688,881	-	-
Undesignated	-	(6,556,953)	-	(6,887,667)	-
Total Fund Balances	78,137,314	5,276,467	38,695,589	(6,870,179)	3,813,855
Total Liabilities and Fund Balances	\$ 78,180,358	\$ 17,004,453	\$ 42,061,711	\$ -	\$ 6,036,496

LANCASTER REDEVELOPMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Debt Service</u>	<u>Debt Service</u>		
	<u>Project Area 5</u>	<u>Project Area 6</u>		
	<u>Tax Increment</u>	<u>Tax Increment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ 750,142	\$ 6,316,259	\$ 2,674,378	\$ 48,251,423
Cash and investments with trustee	-	-	23,621,211	48,181,951
Receivables:				
Tax increment	1,477,528	1,935,529	752,263	5,230,302
Accounts	-	-	148,851	170,285
Interest receivable	2,911	3,411	164,599	274,504
Loans	-	-	-	6,123,599
Due from Capital Projects funds	-	-	465,849	21,082,015
Due from Debt Service funds	22,796	191,944	72,770	430,330
Due from City	-	-	-	389,196
Restricted cash	936,597	1,097,951	107,206	2,270,306
Advances to other funds	-	-	-	8,524,399
Land held for resale	-	-	8,747,748	51,844,651
Allowance for decline in value	-	-	(5,057,616)	(5,057,616)
Total Assets	<u>\$ 3,189,974</u>	<u>\$ 9,545,094</u>	<u>\$ 31,697,259</u>	<u>\$ 187,715,345</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 514,134	\$ 551,999
Deposits from others	-	-	242,949	269,070
Due to Capital Projects funds	-	-	5,578,905	21,082,015
Due to Debt Service funds	-	-	430,330	430,330
Due to other governments	4,561,825	5,953,240	1,612,800	14,355,074
Advances from Low and Moderate Housing Funds	-	-	2,088,732	8,524,399
Total Liabilities	<u>4,561,825</u>	<u>5,953,240</u>	<u>10,467,850</u>	<u>45,212,887</u>
Fund Balances:				
Reserved:				
Encumbrances	-	-	117,827	365,899
Land held for resale	-	-	3,690,132	46,787,035
Long-term receivables	-	-	-	14,647,998
Unreserved:				
Designated:				
Debt service	-	3,591,854	19,284,221	26,689,930
Continuing projects	-	-	4,344,156	75,034,994
Undesignated	(1,371,851)	-	(6,206,927)	(21,023,398)
Total Fund Balances	<u>(1,371,851)</u>	<u>3,591,854</u>	<u>21,229,409</u>	<u>142,502,458</u>
Total Liabilities and Fund Balances	<u>\$ 3,189,974</u>	<u>\$ 9,545,094</u>	<u>\$ 31,697,259</u>	<u>\$ 187,715,345</u>

LANCASTER REDEVELOPMENT AGENCY

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Fund balances of governmental funds **\$ 142,502,458**

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

Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:

Unamortized debt issuance costs - amortized over life of new bonds 7,358,066

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

Bonds payable (243,910,000)

Loans from City (98,785,974)

Unamortized net original issue discounts and (premiums) (7,154,941)

Unamortized net (gain) loss on bonds defeased 4,329,217

Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.

(4,189,010)

Net assets of governmental activities **\$ (199,850,184)**

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LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Capital Projects	Capital Projects	Capital Projects	Capital Projects	Debt Service
	Combined Low and Moderate Housing	Amargosa Project Area	Project Area 6	Project Area 7	Amargosa Project Area
	Low and Moderate Housing	Project	Project	Project	Tax Increment
Revenues:					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$15,321,682
Use of money and property	2,410,256	720,189	2,315,398	15,392	-
Intergovernmental	-	84,404	896,891	60,694	4,429
Other revenue	95,915	276,605	3,571	3,571	-
Total Revenues	2,506,171	1,081,198	3,215,860	79,657	15,326,111
Expenditures:					
Current:					
General government	2,320,638	393,405	311,852	4,654	176,637
Community development	1,259,134	108,045	-	-	-
Capital outlay	3,958,670	2,425,395	2,385,504	285,280	-
Debt service	-	4,485,907	277,496	28,825	-
Total Expenditures	7,538,442	7,412,752	2,974,852	318,759	176,637
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,032,271)	(6,331,554)	241,008	(239,102)	15,149,474
Other Financing Sources (Uses):					
Transfers in	15,675,562	-	-	-	-
Transfers out	(5,848,870)	-	-	-	(4,932,923)
Long-term debt issued	-	1,752,318	67,167	28,825	-
Pass-through agreement payments	-	-	-	-	(9,872,923)
Bond administrative fees	-	8,600	-	-	-
Total Other Financing Sources (Uses):	9,826,692	1,760,918	67,167	28,825	(14,805,846)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 4,794,421	\$ (4,570,636)	\$ 308,175	\$ (210,277)	\$ 343,628
Fund Balances:					
Beginning of Year, as previously reported	\$ 74,231,990	\$ 12,384,135	\$ 37,177,381	\$ (6,903,988)	\$ 3,470,227
Restatements	(889,097)	(2,537,032)	1,210,033	244,086	-
Beginning of Year, as restated	73,342,893	9,847,103	38,387,414	(6,659,902)	3,470,227
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	4,794,421	(4,570,636)	308,175	(210,277)	343,628
End of Year	\$ 78,137,314	\$ 5,276,467	\$ 38,695,589	\$ (6,870,179)	\$ 3,813,855

LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Debt Service</u>	<u>Debt Service</u>		
	<u>Project Area 5</u>	<u>Project Area 6</u>		
	<u>Tax Increment</u>	<u>Tax Increment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes and assessments	\$ 20,545,961	\$ 31,314,546	\$ 11,195,623	\$ 78,377,812
Use of money and property	-	-	1,362,086	6,823,321
Intergovernmental	6,752	64,286	2,669,037	3,786,493
Other revenue	-	-	995,384	1,375,046
Total Revenues	<u>20,552,713</u>	<u>31,378,832</u>	<u>16,222,130</u>	<u>90,362,672</u>
Expenditures:				
Current:				
General government	238,831	373,913	1,552,902	5,372,832
Community development	-	-	268,220	1,635,399
Capital outlay	-	-	2,772,786	11,827,635
Debt service	-	-	24,717,994	29,510,222
Total Expenditures	<u>238,831</u>	<u>373,913</u>	<u>29,311,902</u>	<u>48,346,088</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,313,882</u>	<u>31,004,919</u>	<u>(13,089,772)</u>	<u>42,016,584</u>
Other Financing Sources (Uses):				
Transfers in	-	-	13,368,604	29,044,166
Transfers out	(6,224,349)	(9,022,961)	(3,015,063)	(29,044,166)
Long-term debt issued	-	-	2,632,720	4,481,030
Pass-through agreement payments	(14,253,327)	(21,754,004)	(7,226,346)	(53,106,600)
Bond administrative fees	-	-	448,846	457,446
Total Other Financing Sources (Uses):	<u>(20,477,676)</u>	<u>(30,776,965)</u>	<u>6,208,761</u>	<u>(48,168,124)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (163,794)</u>	<u>\$ 227,954</u>	<u>\$ (6,881,011)</u>	<u>\$ (6,151,540)</u>
Fund Balances:				
Beginning of Year, as previously reported	\$ (1,208,057)	\$ 3,363,900	\$ 28,600,773	\$ 151,116,361
Restatements	-	-	(490,353)	(2,462,363)
Beginning of Year, as restated	(1,208,057)	3,363,900	28,110,420	148,653,998
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(163,794)</u>	<u>227,954</u>	<u>(6,881,011)</u>	<u>(6,151,540)</u>
End of Year	<u>\$ (1,371,851)</u>	<u>\$ 3,591,854</u>	<u>\$ 21,229,409</u>	<u>\$ 142,502,458</u>

LANCASTER REDEVELOPMENT AGENCY

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds **\$ (6,151,540)**

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of activities because:

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 13,818,577

Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:
Amortization for current fiscal year (306,230)

Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:
Amortization for current fiscal year 320,164

Proceeds of debt is revenue in the governmental funds, but these are additions to the statement of net assets. (4,481,030)

Defeasance of debt is expenditures in the governmental funds, but these are spread to future periods:
Amortization period over defeased bond lives computed through end of fiscal year (293,784)

Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:
Current accrual of interest due on bonds (4,189,010)
Prior year accrual of interest due on bonds 4,344,198

Change in net assets of governmental activities **\$ 3,061,345**

LANCASTER REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Lancaster Redevelopment Agency is a component unit of a reporting entity that consists of the following primary and component units:

Reporting Entity:

Primary Government:

City of Lancaster

Component Units:

Lancaster Redevelopment Agency
Lancaster Community Services Foundation
Lancaster Industrial Development Authority
Lancaster Financing Authority
Community Facilities Districts of the City of Lancaster

The attached basic financial statements contain information relative only to the Lancaster Redevelopment Agency as one component unit that is an integral part of the total reporting entity. They do not contain financial data relating to the other component units.

The Agency was established April 1979. As of June 30, 2003, seven project areas had been formed: the Residential Project Area, the Central Business District Project Area, the Fox Field Project Area, the Amargosa Project Area, Project Area Number 5, Project Area Number 6 and Project Area Number 7.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Agency reports the following major governmental funds:

Capital Projects Funds:

Combined Low and Moderate Housing Fund

The Low and Moderate Housing Fund accounts for the financial resources segregated for the purpose of providing low and moderate income housing to the residents of the City.

Amargosa Project Area - Project Fund
Project Area Number 6 - Project Fund
Project Area Number 7 - Project Fund

The Project Fund accounts for the financial resources segregated for the acquisition of major capital facilities.

Debt Service Funds:

Amargosa Project Area - Tax Increment Fund
Project Area Number 5 - Tax Increment Fund
Project Area Number 6 - Tax Increment Fund

The Tax Increment Fund and Tax Revenue Bond Fund account for the accumulation of resources for, and the payment of interest and principal of long-term debt.

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets or Equity

1. Investments

Investments for the Agency are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the Agency. Tax liens attach annually as of 12:01 A.M. on the first day in January proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the Agency is required to report general infrastructure assets. The Agency does not own any capital assets as of the date on this report.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

e. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of assets as well as certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities are detailed in the financial statements.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

The Governing Board approves each year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. The Board conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations, when required during the period, are also approved by the Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the departmental level. At fiscal year-end all operating budget appropriations lapse. During the year, several supplementary appropriations were necessary. In accordance with the requirements of GASB Statement 34, budgetary comparison statements are required for the General Fund and any Special Revenue Funds. Since these fund types are not present within the Agency, no budgetary comparison statements are presented in this report. Within the City of Lancaster's Comprehensive Annual Financial Report budgetary comparison statements have been presented.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in-process at year-end are completed. They do not constitute expenditures or estimated liabilities. At June 30, 2008, \$365,899 of encumbrances were present within the Agency.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

III. DETAIL NOTES ON FUNDS

Note 3: Cash and Investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 48,251,423
Restricted Cash and investments	2,270,306
Cash and investments with fiscal agent/trustee	<u>48,181,951</u>
Total Cash and Investments	<u>\$ 98,703,680</u>

The Agency's funds are pooled with the City of Lancaster's cash and investments in order to generate optimum interest income. During the current fiscal year, the City elected an early implementation of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This new pronouncement is an amendment to GASB Statement No. 3. GASB No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. The information required by GASB Statement No. 40 related to authorized investments, credit risk, etc. is available in the annual report of the City.

Note 4: Long-Term Debt

- a. A description of long-term debt outstanding (excluding defeased debt) of the Agency as of June 30, 2008 follows:

Loans From The City of Lancaster

During the current and previous fiscal years, the City of Lancaster has made loans to the Agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2008, loans received from the City amounted to \$51,501,615 and accrued unpaid interest owed on those loans was \$47,284,359.

The Agency has advanced \$946,009 from its Project Area 6 – Project Fund to the Traffic Impact Fee Fund to fund the Avenue L Overpass Project.

Bonds and Notes

The Agency has pledged, as security for bonds it has issued, either directly or through the Financing Authority, a portion of the tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. These bonds were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. The Agency has committed to appropriate each year, from these resources amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$432,029,437 with annual debt service requirements as indicated below. For the current year, the total tax increment revenue, net of pass through payments, recognized by the Agency was \$78,377,812 and the debt service obligation on the bonds was \$17,271,106.

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 4: Long-Term Debt (Continued)

A description of individual issues of bonds and notes (excluding defeased issues) outstanding as of June 30, 2008 follows:

Combined Tax Allocation Notes and Bonds

1. On December 7, 2006, the Agency issued \$25,660,000 of Tax Allocation Revenue Bonds, Issue of 2006. This financing was undertaken to refund \$5,845,000 in outstanding Agency bonds and to provide the Agency with additional funds for projects. The principal portion of these bonds is payable from February 1, 2008 to 2039. Interest is payable semi-annually on February 1 and August 1 of each year commencing on August 1, 2007. Interest rates vary from 3.80% to 5.00%. The principal portion of these bonds has been allocated to the following project areas:

Residential Area	\$ 305,000
Fox Field Area	2,505,000
Amargosa Area	5,080,000
Area Number 5	4,320,000
Area Number 6	<u>13,450,000</u>
Total	<u>\$ 25,660,000</u>

2. On November 8, 2006, the Agency issued \$13,655,000 of Tax Allocation Bonds (School District Projects), Series 2006. This financing was undertaken to finance school district projects pursuant to certain school district pass through agreements with respect to Redevelopment Project No. 5 and No. 6, pay costs of issuing the Bonds, and fund a debt service reserve account. The principal portion of these bonds is payable from February 1, 2008 to 2037. Interest is payable semi-annually on February 1 and August 1 of each year commencing on February 1, 2007. Interest rates vary from 4.00% to 5.00%. Project Area Number 5 received \$4,895,000 of the principal portion of these bonds with the remaining amount of \$8,760,000 being allocated to Project Area Number 6.
3. On December 15, 2004, the Agency issued \$10,200,000 of Combined Redevelopment Project Areas (Fire Protection Facilities Project), Tax Allocation Refunding Bonds, Issue of 2004. Interest on these bonds is payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2005. Interest rates vary from 2.00% to 5.25%. Principal redemptions are payable starting December 1, 2005 through December 1, 2023. The proceeds of this bond issue were utilized to refund all of the Agency's outstanding Combined Redevelopment Project Areas (Fire Protection Facilities Project) Tax Allocation Bonds, Issue of 1993, pay costs of issuing the Bonds, and fund a debt service reserve account.
4. On December 15, 2004, the Agency issued \$21,540,000 of Combined Redevelopment Project Areas (Sheriff's Facility Project), Tax Allocation Refunding Bonds, Issue of 2004. Interest on these bonds is payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2005. Interest rates vary from 2.00% to 5.25%. Principal redemptions are payable starting December 1, 2005 through December 1, 2019. The proceeds of this bond issue were utilized to refund all of the Agency's outstanding Combined Redevelopment Project Areas (Sheriff's Facility Project) Tax Allocation Bonds, Issue of 1993, pay costs of issuing the Bonds, and fund a debt service reserve account.

Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)

Note 4: Long-Term Debt (Continued)

5. On December 15, 2004, the Agency issued \$5,135,000 of Combined Redevelopment Project Areas (Library Project), Tax Allocation Refunding Bonds, Issue of 2004. Interest on these bonds is payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2005. Interest rates vary from 3.00% to 4.75%. Principal redemptions are payable starting December 1, 2005 through December 1, 2029. The proceeds of this bond issue were utilized to refund all of the Agency's outstanding Combined Redevelopment Project Areas (Library Project) Tax Allocation Bonds, Issue of 1993, and Combined Redevelopment Project Areas (Library Project) Subordinated Tax Allocation Refunding Bonds, Issue of 1999, pay costs of issuing the Bonds, and fund a debt service reserve account.
6. On September 9, 2004, the Agency issued \$7,830,000 of Lancaster Financing Authority, Tax Allocation Refunding Bonds (Lancaster Redevelopment Project No. 5 and Project No. 6 (School Districts), Issue of 2004. Interest on these bonds is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2005. Interest rates vary from 2.00% to 5.60%. Principal redemptions are payable starting February 1, 2005 through February 1, 2034. The proceeds of this bond issue were utilized to advance refund and defease all of the Agency's outstanding Lancaster Redevelopment Project No. 6, Tax Allocation Refunding Bonds (School District), Issue of 1996, finance school district projects pursuant to certain school district pass through agreements with respect to Redevelopment Project No. 5 and No. 6, pay costs of issuing the Bonds, and fund a debt service reserve account.
7. On November 9, 2004, the Agency issued \$13,575,000 of Combined Redevelopment Project Areas (Housing Programs), Subordinate Tax Allocation Bonds, Issue of 2004 (Taxable). This financing was undertaken to provide funding for certain low and moderate income housing projects of the Agency, fund a reserve account for the Bonds and to pay the costs of issuance. The principal portion of these bonds is payable from August 1, 2005 to 2035. Interest is payable semi-annually on February 1 and August 1 of each year commencing on February 1, 2005.
8. On November 9, 2004, the Agency issued \$11,005,000 of Lancaster Financing Authority, Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects), Issue of 2004B. Interest on these bonds is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2005. Interest rates vary from 2.35% to 5.00%. Principal redemptions are payable starting February 1, 2008 through February 1, 2035. The proceeds of this bond issue were utilized to finance redevelopment activities of the Agency with respect to four of its Project Areas, fund capitalized interest through August 1, 2007, pay costs of issuing the Bonds, and fund a debt service reserve account.
9. On June 11, 2003, the Agency issued \$101,575,000 of Series 2003 Bonds (\$60,980,000 Combined Housing Financing and \$40,595,000 of Combined Economic Development Financing). This financing was undertaken to refund \$75,065,000 in outstanding Agency debt and to provide the Agency with additional funds for projects. The principal portion of these bonds is payable from August 1, 2004 to 2034 on the Economic Development Financing (Combined Tax Allocation Bonds, Series 2003) and August 1, 2005 to 2033 on the Housing Financing

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 4: Long-Term Debt (Continued)

(Combined Housing Bonds). Interest is payable semi-annually on February 1 and August 1 of each year commencing on August 1, 2004.

10. On December 12, 2003, the Agency issued \$34,640,000 of Series 2003 B Bonds (\$18,080,000 Combined Housing Financing and \$16,560,000 of Subordinate Tax Allocation Revenue Bonds). This financing was undertaken to refund \$13,375,000 in outstanding Agency debt and to provide the Agency with additional funds for projects. The principal portion of these bonds is payable from August 1, 2004 to 2034 on the Subordinate Tax Allocation Revenue Bonds and February 1, 2004 to 2034 on the Housing Financing (Combined Housing Bonds). Interest is payable semi-annually on February 1 and August 1 of each year commencing on February 1, 2004. The principal portion of these bonds has been allocated to the following project areas:

	<u>Economic Development</u>	<u>Housing</u>
Residential Area	\$ 1,805,000	\$ 3,372,853
Central Business District Area	-	175,098
Fox Field Area	-	173,720
Amargosa Area	10,305,000	4,687,320
Area Number 5	1,625,000	4,396,360
Area Number 6	2,825,000	4,704,068
Area Number 7	-	570,581
	<u> </u>	<u> </u>
Total	<u>\$ 16,560,000</u>	<u>\$ 18,080,000</u>

11. On February 23, 1993, the Agency, City of Lancaster, Los Angeles County Public Library and the County of Los Angeles entered into a Memorandum of Understanding whereby the Agency will provide a contribution in the amount of \$1,500,000, and a loan to the Library in the approximate principal amount of \$5,870,000, for construction and development of the Library Project. The Agency contribution and loan amounts will be provided in addition to net proceeds from the Library Bonds and Subordinated Bonds for development and construction of the Library Project. The exact amount of the Agency loan will be determined by subtracting the amount of net bond proceeds, subordinated note proceeds and contributions proceeds from the total development and construction costs of the Library Project.

Central Business District Project Area

1. On January 1, 1994, the Agency issued \$3,065,000 of Lancaster Central Business District Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 1994. The principal portion of these bonds is payable from August 1, 1994 to August 1, 2023. Interest is payable semi-annually on February 1 and August 1 each year commencing August 1, 1994 at rates of 3.00% to 6.125% per annum. The proceeds of these bonds was utilized to defease \$1,055,000 of the Tax Allocation Refunding Bonds, Issue of 1986 and \$1,900,000 of Subordinated Tax Allocation Refunding Notes, Issue of 1988.

Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)

Note 4: Long-Term Debt (Continued)

Fox Field Redevelopment Project

1. On January 1, 1994, the Agency issued \$3,050,000 of Lancaster Fox Field Redevelopment Project, Tax Allocation Refunding Bonds, Issue of 1994. The principal portion of these bonds is payable from August 1, 1994 to August 1, 2022. Interest is payable semi-annually on February 1 and August 1 of each year at rates of 3.000% to 6.125% per annum, commencing August 1, 1994. These bonds defeased the \$1,600,000 Fox Field Subordinated Tax Allocation Refunding Notes, Issue of 1988. These bonds were defeased during the current year by the Tax Allocation Revenue Bonds, Issue of 2006.

Amargosa Redevelopment Project

1. On March 18, 1999, the Agency issued \$4,380,000 of Lancaster Redevelopment Agency, Amargosa Redevelopment Project, Tax Allocation Refunding Bonds, Issue of 1999. The purpose of these bonds was to defease a portion of the \$7,005,000 Tax Allocation Refunding Bonds, Issue of 1991. The principal portion of these bonds is payable from February 1, 2000 to February 1, 2024. Interest is payable semi-annually at rates of 3.0% to 5.0% per annum, commencing August 1, 1999.
2. On March 18, 1999, the Agency issue \$6,710,000 of Lancaster Redevelopment Agency, Lease Revenue Refunding Bonds (Lancaster Public Capital Improvement Projects), Issue of 1999. The purpose of these bonds was to defease \$7,475,000 of Lancaster Redevelopment Agency, Lease Revenue Notes (Lancaster Public Capital Improvement Projects), Issue of 1995. The principal portion of these bonds is payable from December 1, 1999 to December 1, 2028. Interest is payable semi-annually at rates of 2.9% to 5.0% per annum, commencing December 1, 1999. The Bonds are payable from Lease Payments to be made by the City of Lancaster to the Agency or its assignee. The property covered by the Lease consists of the Lancaster Performing Arts Center completed in November 1991 and developed by the Agency at a cost of \$8,024,000. Neither the Bonds nor the obligation of the City to make Lease Payments under the Lease Agreement constitutes an indebtedness of the City, the Agency, the State of California or any political subdivision thereof, within the meaning of the Constitution of the State of California or otherwise.

Project Area Number 5

1. On December 1, 1997, the Agency issued \$6,480,000 of Lancaster Redevelopment Project No. 5, Tax Allocation Refunding Bonds, Issue of 1997. The principal portion of these bonds is payable from February 1, 1998 to February 1, 2014. Interest is payable semi-annually at rates of 3.75% to 5.00% per annum, commencing February 1, 1998. These bonds are issued on a parity basis with the previously issued \$10,750,000 of Lancaster Redevelopment Agency, Lancaster Redevelopment Project No. 5, Tax Allocation Refunding Bonds, Issue of 1996 and the \$13,755,000 of Lancaster Redevelopment Agency, Lancaster Redevelopment Project No. 5, Tax Allocation Refunding Bonds, Issue of 1991. A portion of the proceeds of these bonds was utilized to defease the Lancaster Redevelopment Project No. 5, Tax Allocation Refunding Bonds, Issue of 1988. These bonds were defeased during the current year by the Tax Allocation Revenue Bonds, Issue of 2006.

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 4: Long-Term Debt (Continued)

Project Area Number 6

1. On February 1, 2000, the Agency took over the operation of the Desert Sands Mobile Home Park Project. In connection with this, the agency is accomplishing the servicing of its previously issued Mobile Home Park Revenue Bonds (Desert Sands Mobile Home Park Project), Series 1997 A and B Bonds issued November 1, 1997. The bonds outstanding as of February 1, 2000 were \$3,280,000. The principal portion of these bonds is payable from May 1, 2000 to 2028. Interest is payable semi-annually on May 1 and November 1 of each year at rates of 4.0% to 7.5% per annum.

b. The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30:

	Balance July 1, 2007	Adjustments	Additions	Repayments	Balance June 30, 2008	Due Within One Year
<u>Residential Project Area</u>						
City Loans - Principal	\$ 1,734,897	\$ -	\$ -	\$ 1,160,166	\$ 574,731	\$ -
City Loans - Unpaid Interest	2,808,925	-	155,380	-	2,964,305	-
2003 Development and Housing	11,028,335	-	-	145,712	10,882,623	163,243
2003B Development and Housing	4,664,138	-	-	144,747	4,519,391	133,187
2004B Development	1,075,000	-	-	18,074	1,056,926	18,560
2004 Housing	1,080,511	-	-	16,800	1,063,711	17,645
2004 Sheriff's Facilities	2,292,803	-	-	92,493	2,200,310	94,791
2004 Fire Facilities	1,200,716	-	-	51,040	1,149,676	52,316
2004 Library	240,479	-	-	6,928	233,551	6,928
2006 Development	305,000	-	-	6,961	298,039	7,251
Total	26,430,804	-	155,380	1,642,921	24,943,263	493,921
<u>Central Business District Project Area</u>						
City Loans - Principal	\$ 13,497,845	\$ -	\$ 780,489	\$ 2,332,339	\$ 11,945,995	\$ -
City Loans - Unpaid Interest	9,257,978	-	804,695	-	10,062,673	-
1994 Refunding	1,580,000	-	-	55,000	1,525,000	55,000
2003 Development and Housing	1,035,021	-	-	13,825	1,021,196	15,318
2003B Development and Housing	157,904	-	-	4,600	153,304	4,518
2004 Housing	230,000	-	-	3,580	226,420	3,756
2004 Sheriff's Facilities	584,741	-	-	23,587	561,154	24,175
2004 Fire Facilities	251,247	-	-	10,680	240,567	10,947
2004 Library	46,579	-	-	1,342	45,237	1,342
Total	26,641,315	-	1,585,184	2,444,953	25,781,546	115,056
<u>Fox Field Project Area</u>						
City Loans - Principal	\$ 6,288,069	\$ -	\$ -	\$ 1,027,970	\$ 5,260,099	\$ -
City Loans - Unpaid Interest	6,405,712	-	650,645	-	7,056,357	-
2003 Development and Housing	1,728,443	-	-	22,989	1,705,454	25,582
2003B Development and Housing	156,668	-	-	4,564	152,104	4,483
2004 Housing	273,517	-	-	4,260	269,257	4,466
2004 Sheriff's Facilities	391,121	-	-	15,778	375,343	16,170
2004 Fire Facilities	242,778	-	-	10,320	232,458	10,578
2004 Library	41,561	-	-	1,197	40,364	1,197
2006 Development	2,505,000	-	-	57,096	2,447,904	59,550
Total	18,032,869	-	650,645	1,144,174	17,539,340	122,026

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 4: Long-Term Debt (Continued)

	Balance July 1, 2007	Adjustments	Additions	Repayments	Balance June 30, 2008	Due Within One Year
<u>Amargosa Project Area</u>						
City Loans - Principal	\$ 31,568,527	\$ -	\$ -	\$ 2,733,589	\$ 28,834,938	\$ -
City Loans - Unpaid Interest	21,195,465	44,965	1,752,318	-	22,992,748	-
1999 Refunding	3,980,000	-	-	90,000	3,890,000	95,000
1999 Lease Revenue	5,620,000	-	-	150,000	5,470,000	155,000
2003 Development and Housing	16,416,396	-	-	217,601	16,198,795	242,986
2003B Development and Housing	13,489,822	-	-	443,621	13,046,201	384,474
2004B Development	2,440,000	-	-	41,126	2,398,874	42,124
2004 Housing	2,093,231	-	-	32,560	2,060,671	34,182
2004 Sheriff's Facilities	3,831,326	-	-	154,560	3,676,766	158,399
2004 Fire Facilities	1,982,685	-	-	84,281	1,898,404	86,387
2004 Library	402,904	-	-	11,606	391,298	11,606
2006 Development	5,080,000	-	-	115,830	4,964,170	120,763
Total	108,100,356	44,965	1,752,318	4,074,774	105,822,865	1,330,921
<u>Project Area 5</u>						
City Loans - Principal	\$ 3,978,783	\$ -	\$ -	\$ 1,074,184	\$ 2,904,599	\$ -
City Loans - Unpaid Interest	3,040,826	-	241,511	-	3,282,337	-
2003 Development and Housing	32,482,655	-	-	429,444	32,053,211	480,806
2003B Development and Housing	5,425,394	-	-	166,037	5,259,357	154,994
2004B Development	3,895,000	-	-	65,453	3,829,547	67,247
2004 School Refunding	2,059,864	-	-	28,497	2,031,367	29,853
2004 Housing	3,215,020	-	-	50,000	3,165,020	52,500
2004 Sheriff's Facilities	5,862,804	-	-	236,509	5,626,295	242,386
2004 Fire Facilities	2,894,518	-	-	123,039	2,771,479	126,116
2004 Library	629,544	-	-	18,135	611,409	18,135
2006 Development	4,320,000	-	-	98,514	4,221,486	102,696
2006 School	4,895,000	-	-	69,907	4,825,093	69,903
Total	72,699,408	-	241,511	2,359,719	70,581,200	1,344,636
<u>Project Area 6</u>						
City Loans - Principal	\$ 1,533,488	\$ -	\$ -	\$ 210,329	\$ 1,323,159	\$ -
City Loans - Unpaid Interest	729,086	-	67,167	-	796,253	-
1997 Mobile Home	2,850,000	-	-	70,000	2,780,000	75,000
2003 Development and Housing	35,291,724	-	-	467,236	34,824,488	522,376
2003B Development and Housing	6,781,520	-	-	211,441	6,570,079	193,622
2004B Development	3,595,000	-	-	60,347	3,534,653	62,069
2004 School Refunding	5,530,136	-	-	76,503	5,453,633	80,147
2004 Housing	5,516,044	-	-	85,780	5,430,264	90,075
2004 Sheriff's Facilities	6,638,996	-	-	267,824	6,371,172	274,476
2004 Fire Facilities	2,838,056	-	-	120,640	2,717,416	123,656
2004 Library	3,357,911	-	-	96,730	3,261,181	96,730
2006 Development	13,450,000	-	-	306,599	13,143,401	319,740
2006 School	8,760,000	-	-	125,093	8,634,907	125,097
Total	96,871,961	-	67,167	2,098,522	94,840,606	1,962,988
<u>Project Area 7</u>						
City Loans - Principal	\$ 658,094	\$ -	\$ -	\$ -	\$ 658,094	\$ -
City Loans - Unpaid Interest	100,861	-	28,825	-	129,686	-
2003 Development and Housing	992,426	-	-	13,193	979,233	14,689
2003B Development and Housing	514,554	-	-	14,990	499,564	14,722
2004 Housing	451,677	-	-	7,020	444,657	7,376
2004 Sheriff's Facilities	353,209	-	-	14,249	338,960	14,603
2004 Library	141,022	-	-	4,062	136,960	4,062
Total	3,211,843	-	28,825	53,514	3,187,154	55,452
<u>Total - All Project Areas</u>						
City Loans - Principal	\$ 59,259,703	\$ -	\$ 780,489	\$ 8,538,577	\$ 51,501,615	\$ -
City Loans - Unpaid Interest	43,538,853	44,965	3,700,541	-	47,284,359	-
Bonds Payable	249,190,000	-	-	5,280,000	243,910,000	5,425,000
Total	\$ 351,988,556	\$ 44,965	\$ 4,481,030	\$ 13,818,577	\$ 342,695,974	\$ 5,425,000
Adjustments:						
Unamortized net original issue (discount) or premium					7,154,941	
Unamortized net bond defeasance gain or (loss)					(4,329,217)	
Net Long-term Debt					\$ 345,521,698	

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 4: Long-Term Debt (Continued)

The following schedule illustrates the debt service requirements to maturity for bonds outstanding as of June 30:

	CBD Area, Tax Allocation Refunding Bonds, Issue of 1994		Amargosa Project, Lease Revenue Refunding Bonds, Issue of 1999		Amargosa Project, Tax Allocation Refunding Bonds, Issue of 1999	
	Principal	Interest	Principal	Interest	Principal	Interest
2008 - 2009	\$ 55,000	\$ 91,722	\$ 155,000	\$ 269,005	\$ 95,000	\$ 194,500
2009 - 2010	60,000	88,200	160,000	261,750	100,000	189,750
2010 - 2011	65,000	84,372	170,000	253,500	105,000	184,750
2011 - 2012	70,000	80,238	175,000	244,875	110,000	179,500
2012 - 2013	75,000	75,797	185,000	235,875	115,000	174,000
2013 - 2018	450,000	301,656	1,080,000	1,026,750	1,675,000	704,000
2018 - 2023	605,000	141,641	1,380,000	720,750	450,000	332,500
2023 - 2028	145,000	4,441	1,760,000	329,500	1,240,000	62,000
2028 - 2033	-	-	405,000	10,125	-	-
2033 - 2038	-	-	-	-	-	-
Totals	\$ 1,525,000	\$ 868,067	\$ 5,470,000	\$ 3,352,130	\$ 3,890,000	\$ 2,021,000

	Mobile Home Park Bonds (Desert Sands), Series 1997 A & B		Combined Housing, Tax Allocation Bonds, Series 2003		Combined Tax Allocation, Series 2003	
	Principal	Interest	Principal	Interest	Principal	Interest
2008 - 2009	\$ 75,000	\$ 174,694	\$ 930,000	\$ 2,778,963	\$ 535,000	\$ 1,883,250
2009 - 2010	75,000	170,053	980,000	2,741,013	545,000	1,867,200
2010 - 2011	80,000	165,113	1,000,000	2,708,813	580,000	1,839,950
2011 - 2012	85,000	159,853	1,040,000	2,665,313	600,000	1,816,750
2012 - 2013	95,000	154,116	1,090,000	2,612,063	630,000	1,786,750
2013 - 2018	560,000	670,331	7,595,000	12,107,469	5,620,000	8,278,538
2018 - 2023	765,000	461,072	10,090,000	9,769,500	6,110,000	6,699,300
2023 - 2028	1,045,000	174,516	14,225,000	6,947,706	10,645,000	4,909,363
2028 - 2033	-	-	17,885,000	3,018,506	12,170,000	2,148,900
2033 - 2038	-	-	3,710,000	88,113	1,685,000	80,038
Totals	\$ 2,780,000	\$ 2,129,748	\$ 58,545,000	\$ 45,437,459	\$ 39,120,000	\$ 31,310,039

	Combined Housing, Subordinated Refunding Bonds Issue of 2003 B		Combined Subordinate Tax Allocation Bonds Issue of 2003 B		Combined Sheriff's Facility, Refunding Bonds, Issue of 2004	
	Principal	Interest	Principal	Interest	Principal	Interest
2008 - 2009	\$ 355,000	\$ 735,175	\$ 535,000	\$ 626,359	\$ 825,000	\$ 914,300
2009 - 2010	365,000	724,375	550,000	610,309	870,000	871,925
2010 - 2011	380,000	713,200	565,000	594,359	910,000	827,425
2011 - 2012	385,000	700,955	580,000	575,996	955,000	785,575
2012 - 2013	400,000	686,410	605,000	555,986	1,000,000	748,975
2013 - 2018	1,725,000	3,198,970	1,825,000	2,502,716	5,660,000	3,007,944
2018 - 2023	2,820,000	2,756,325	4,860,000	1,919,456	7,250,000	1,368,794
2023 - 2028	2,370,000	2,018,500	1,780,000	978,931	1,680,000	42,000
2028 - 2033	2,375,000	1,452,125	1,710,000	556,700	-	-
2033 - 2038	4,655,000	330,375	1,360,000	64,600	-	-
Totals	\$ 15,830,000	\$ 13,316,410	\$ 14,370,000	\$ 8,985,412	\$ 19,150,000	\$ 8,566,938

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 4: Long-Term Debt (Continued)

	Combined Fire, Refunding Bonds, Issue of 2004		Combined Library, Refunding Bonds, Issue of 2004		Combined Housing, Subordinate Revenue Bonds Issue of 2004	
	Principal	Interest	Principal	Interest	Principal	Interest
2008 - 2009	\$ 410,000	\$ 403,913	\$ 140,000	\$ 199,681	\$ 210,000	\$ 701,890
2009 - 2010	425,000	391,388	145,000	195,406	215,000	693,283
2010 - 2011	440,000	377,863	150,000	190,981	225,000	683,305
2011 - 2012	455,000	362,750	155,000	186,019	240,000	671,680
2012 - 2013	470,000	346,563	160,000	180,506	250,000	659,430
2013 - 2018	2,645,000	1,411,700	885,000	804,193	1,295,000	3,100,489
2018 - 2023	3,385,000	643,006	1,090,000	599,646	1,480,000	2,732,445
2023 - 2028	780,000	19,500	1,360,000	317,588	1,900,000	2,258,210
2028 - 2033	-	-	635,000	30,519	2,250,000	1,653,947
2033 - 2038	-	-	-	-	4,595,000	583,347
Totals	\$ 9,010,000	\$ 3,956,683	\$ 4,720,000	\$ 2,704,539	\$ 12,660,000	\$ 13,738,026

	Combined Subordinate Tax Revenue Bonds, Issue of 2004 B		Project Areas No. 5 and No. 6 (School Districts), Issue of 2004		Combined Tax Allocation Revenue Bonds, Issue of 2006	
	Principal	Interest	Principal	Interest	Principal	Interest
2008 - 2009	\$ 190,000	\$ 502,658	\$ 110,000	\$ 395,390	\$ 610,000	\$ 1,176,458
2009 - 2010	200,000	496,958	110,000	391,540	625,000	1,152,058
2010 - 2011	185,000	490,958	120,000	387,360	660,000	1,127,058
2011 - 2012	210,000	483,558	120,000	382,560	685,000	1,100,658
2012 - 2013	210,000	476,523	125,000	377,640	695,000	1,066,408
2013 - 2018	1,135,000	2,261,975	720,000	1,798,400	3,475,000	4,814,538
2018 - 2023	1,090,000	2,028,670	930,000	1,597,875	3,195,000	4,074,238
2023 - 2028	1,825,000	1,710,938	1,800,000	1,292,345	3,335,000	3,396,246
2028 - 2033	2,630,000	1,164,000	2,795,000	669,320	3,760,000	2,585,500
2033 - 2038	3,145,000	290,250	655,000	36,680	6,105,000	1,582,250
2038 - 2043	-	-	-	-	1,930,000	96,500
Totals	\$ 10,820,000	\$ 9,906,488	\$ 7,485,000	\$ 7,329,110	\$ 25,075,000	\$ 22,171,912

	Tax Allocation Bonds (School District Projects), Series 2006		Total	
	Principal	Interest	Principal	Interest
2008 - 2009	\$ 195,000	\$ 624,338	\$ 5,425,000	\$ 11,672,296
2009 - 2010	210,000	616,538	5,635,000	11,461,746
2010 - 2011	210,000	608,138	5,845,000	11,237,145
2011 - 2012	225,000	599,738	6,090,000	10,996,018
2012 - 2013	230,000	590,738	6,335,000	10,727,780
2013 - 2018	1,330,000	2,804,488	37,675,000	48,794,157
2018 - 2023	1,615,000	2,506,898	47,115,000	38,352,116
2023 - 2028	2,385,000	2,078,850	48,275,000	26,540,634
2028 - 2033	3,260,000	1,434,500	49,875,000	14,724,142
2033 - 2038	3,800,000	461,250	29,710,000	3,516,903
2038 - 2043	-	-	1,930,000	96,500
Totals	\$ 13,460,000	\$ 12,325,476	\$ 243,910,000	\$ 188,119,437

d. Defeasance of Debt

In prior years, the Agency defeased certain tax allocation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Agency's financial statements. At June 30, 2008, the following bond issues are considered defeased.

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 4: Long-Term Debt (Continued)

<u>Combined Redevelopment Project Areas:</u>	<u>Amount</u>
Subordinated Tax Allocation Notes	\$ 7,000,000
Tax Allocation Refunding Notes, Issue of 1988	25,990,000
Housing Programs, Tax Allocation Bonds, Issue of 1993	32,000,000
Library Project, Issue of 1993	3,860,000
Sheriff's Facility Project, Issue of 1993	27,380,000
Fire Protection Facility Project, Issue of 1993	14,020,000
Library Project, Issue of 1999	1,780,000
<u>Residential Project Area:</u>	
Tax Allocation Refunding Notes, Issue of 1992	13,800,000
Subordinated Tax Allocation Refunding Bonds, Issue of 1997	3,065,000
<u>Central Business District Project Area:</u>	
Tax Allocation Refunding Bonds, Issue of 1986	1,800,000
<u>Fox Project Area:</u>	
Tax Allocation Refunding Bonds, Issue of 1984	3,050,000
<u>Amargosa Redevelopment Project Area:</u>	
Tax Allocation Notes	5,400,000
Tax Allocation Refunding Notes, Issue of 1989	9,000,000
Subordinated Tax Allocation Refunding Notes, Issue of 1991	4,000,000
Tax Allocation Refunding Bonds, Issue of 1991	9,000,000
Tax Allocation Refunding Bonds	6,190,000
Tax Allocation Refunding Bonds (amount defeased)	2,590,000
Lease Revenue Notes, Issue of 1995	7,475,000
Tax Allocation Refunding Bonds, Issue of 1996	12,700,000
<u>Project Area Number 5:</u>	
Tax Allocation Notes	6,250,000
Subordinated Tax Allocation Refunding Notes, Issue of 1989	16,000,000
Subordinated Tax Allocation Refunding Notes, Issue of 1991	4,500,000
School District Tax Allocation Notes, Issue of 1991	4,250,000
Tax Allocation Refunding Bonds, Issue of 1991	13,755,000
Tax Allocation Refunding Bonds, Issue of 1996	10,750,000
Tax Allocation Refunding Bonds, Issue of 1997	6,480,000
<u>Project Area Number 6:</u>	
School District Tax Allocation Notes, Issue of 1991	3,250,000
Tax Allocation Refunding Bonds, Issue of 1993	14,100,000
School District Tax Allocation Refunding Bonds, Issue of 1996	3,650,000
Total	<u>\$ 273,085,000</u>

- e. The Agency has issued \$292,422,000 of Residential Mortgage Revenue Bonds that have not been reflected in Long-Term Debt. Because these bonds are special obligations payable solely from and secured by specific revenue sources described in the bond resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof, is pledged for the payment of these bonds.

IV. OTHER DISCLOSURES

Note 5: Interfund Receivable, Payable and Transfers

Due To/Due From

Interfund receivables and payables for the year ended June 30, 2008, represented short-term cash borrowings by various funds. These amounts were as follows:

Funds	Due to Other Funds			Total
	Amargosa Project Area - Project Fund	Project Area No. 7 - Project Fund	Nonmajor Governmental Funds	
Due From Other Funds:				
Project Area No. 6 - Project Fund	\$ 10,275,225	\$ 4,885,313	\$ 5,455,628	\$ 20,616,166
Amargosa Project Area - Tax Increment Fund	-	-	142,820	142,820
Project Area No. 5 - Tax Increment Fund	-	-	22,796	22,796
Project Area No. 6 - Tax Increment Fund	-	-	191,944	191,944
Nonmajor Governmental Funds	232,182	110,390	196,047	538,619
Total	<u>\$ 10,507,407</u>	<u>\$ 4,995,703</u>	<u>\$ 6,009,235</u>	<u>\$ 21,512,345</u>

Advances To/From Other Funds

Advances to and from other funds related to loans made from Low and Moderate Housing Funds to Project Funds to assist in funding payments made to the Educational Revenue Augmentation Fund.

Funds	Advances to Other Funds Combined Low & Moderate Housing Fund
Advances From Other Funds:	
Amargosa Project Area - Project Fund	\$ 1,195,069
Project Area No. 6 - Project Fund	3,366,122
Project Area No. 7 - Project Fund	1,874,476
Nonmajor Governmental Funds	2,088,732
Total	<u>\$ 8,524,399</u>

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 5: Interfund Receivable, Payable and Transfers (Continued)

Interfund Transfers

Interfund transfers are done to provide monies for debt servicing purposes and to fund capital projects. During the current fiscal year, the following transfers were made by the Agency:

Funds	Transfers Out					Total
	Combined Low & Moderate Housing Fund	Amargosa Project Area - Tax Increment Fund	Project Area No. 5 - Tax Increment Fund	Project Area No. 6 - Tax Increment Fund	Nonmajor Governmental Funds	
Transfers In						
Combined Low and Moderate Housing Fund	\$ -	\$ 3,064,336	\$ 4,109,192	\$ 6,262,909	\$ 2,239,125	\$ 15,675,562
Nonmajor Governmental Funds	5,848,870	1,868,587	2,115,157	2,760,052	775,938	13,368,604
Total	<u>\$ 5,848,870</u>	<u>\$ 4,932,923</u>	<u>\$ 6,224,349</u>	<u>\$ 9,022,961</u>	<u>\$ 3,015,063</u>	<u>\$ 29,044,166</u>

Note 6: Due To Other Governments

County of Los Angeles, Schools and Community College Districts

The Agency has various tax sharing agreements. As a result of these agreements, the Agency has agreed to remit to schools and community college districts a portion of its tax increment collections. Additionally, during the year, amounts were received from the County of Los Angeles in excess of transfers made on the Library issues.

As of June 30, 2008, the following funds owed amounts to these entities:

General Agency Fund	\$ 27,414
Combined Low and Moderate Housing Fund	4,568
Residential Project Tax Increment Fund	652,866
Central Business District Tax Increment Fund	135,992
Fox Field Tax Increment Fund	205,249
Fox Field Project Fund	67,443
Amargosa Tax Increment Fund	2,222,641
Area No. 5 Tax Increment Fund	4,561,825
Area No. 6 Tax Increment Fund	5,953,240
Area No. 7 Tax Increment Fund	523,836
Total	<u>\$ 14,355,074</u>

Note 7: Beginning Fund Balance and Net Assets Restatement

During the current fiscal year, restatements were made to the opening balances of net assets in the amount of \$(2,462,363) for the following situations.

**Lancaster Redevelopment Agency
Notes to Financial Statements (Continued)**

Note 7: Beginning Fund Balance and Net Assets Restatement (Continued)

Capital Projects Funds

Record loan repayment from the County relating to prior years	\$ 1,648,258
Correct land held for resale for sales in prior years	(1,641,297)
Rehabilitation loan transactions coded to revenue and expenditures in prior years	(842,763)
Correct note repayments classified as revenue in prior years	(2,542,855)
Other correction of prior year revenue and expenditures	7,924
Total Capital Project Funds	<u>\$ (3,370,733)</u>

Debt Service Funds

Correct previous years' allocation of trustee cash	\$ (28,167)
Correct previous years' capitalized interest amounts	253,503
Correct previous years' pass through computations	683,035
Total Debt Service Funds	<u>\$ 908,370</u>

Total adjustments to opening fund balance \$ (2,462,362)

Note 8: Subsequent Events

ERAF Tax Increment Revenue Shift

On September 30, 2008 the California Legislature passed AB 1389, requiring a shift in tax increment revenues during fiscal year 2008-2009 to the State Educational Revenue Augmentation Fund (ERAF). It is estimated that the Agency's share of the ERAF shift for fiscal year 2008-2009 will amount to approximately \$3,613,960.

Financial Concerns Relating to the California Economy

As indicated in the State of California's 2008-2009 Proposed Budget Summary – Economic Outlook:

“The California and national economies faced considerable headwinds -a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, and rising energy prices. Upward resets of subprime mortgage rates made payments unaffordable for many borrowers and helped push mortgage defaults and foreclosures to record levels. Several large financial institutions reported huge losses on subprime mortgages and securities backed by these mortgages. Uncertainty about how far the problems with these mortgages would spread increased financial market volatility and prompted lenders to tighten credit standards. The Federal Reserve injected liquidity into the financial markets and eased monetary policy on a number of occasions in the second half of the year, but as year-end neared, financial markets were still not functioning normally.”

While the values shown in the attached financial statements reflect those present at June 30, 2008, substantial changes have occurred in the economy in which the Agency operates. Therefore, the projection of the financial data for the Agency into periods must recognize these factors and consider the effect of these on its operations and costs.

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LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET

ALL GOVERNMENTAL FUNDS

JUNE 30, 2008

	Residential Project Area				
	Capital Projects	Capital Projects	Debt Service	Debt Service	Capital Projects
	General	Combined	Tax	Tax	Project
	Agency Fund	Housing Fund	Increment	Revenue Bonds	Project
ASSETS					
Cash and investments	\$ 254,712	\$ 32,704,715	\$ 937,738	\$ -	\$ -
Cash and investments with trustee	-	-	-	1,587,047	309,526
Receivables:					
Tax increment	56,619	-	264,138	-	-
Accounts	102,904	-	-	-	-
Interest	162,096	103,184	142	-	-
Loans	-	2,094,391	-	-	-
Due from Capital Projects Funds	-	-	-	-	-
Due from Debt Service Funds	-	-	28,496	-	-
Due from City	-	389,196	-	-	-
Restricted cash	-	-	45,742	-	-
Advances to other funds	-	8,524,399	-	-	-
Land held for resale	-	34,364,473	-	-	-
Allowance for decline in value	-	-	-	-	-
Total Assets	\$ 576,331	\$ 78,180,358	\$ 1,276,256	\$ 1,587,047	\$ 309,526
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 514,134	\$ 12,355	\$ -	\$ -	\$ -
Deposits from others	168,324	26,121	-	-	-
Due to Capital Projects Funds	-	-	-	-	228,981
Due to Debt Service Funds	-	-	-	-	-
Due to other governments	27,414	4,568	652,866	-	-
Advances from Low and Moderate Housing Funds	-	-	-	-	522,814
Total Liabilities	709,872	43,044	652,866	-	751,795
Fund Balances:					
Reserved:					
Encumbrances	-	152,094	-	-	17,488
Land held for resale	-	34,364,473	-	-	-
Long-term receivables	-	10,618,790	-	-	-
Unreserved:					
Designated:					
Debt service	-	-	623,390	1,587,047	-
Continuing projects	-	33,001,957	-	-	-
Undesignated	(133,541)	-	-	-	(459,757)
Total Fund Balances	(133,541)	78,137,314	623,390	1,587,047	(442,269)
Total Liabilities and Fund Balances	\$ 576,331	\$ 78,180,358	\$ 1,276,256	\$ 1,587,047	\$ 309,526

LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET

ALL GOVERNMENTAL FUNDS

JUNE 30, 2008

	Central Business District Project Area		
	Debt Service	Debt Service	Capital Projects
	Tax Increment	Tax Revenue Bonds	Project
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Cash and investments with trustee	-	402,527	-
Receivables:			
Tax increment	36,448	-	-
Accounts	-	-	2,609
Interest	-	-	-
Loans	-	-	-
Due from Capital Projects Funds	-	-	-
Due from Debt Service Funds	-	-	-
Due from City	-	-	-
Restricted cash	-	-	-
Advances to other funds	-	-	-
Land held for resale	-	-	1,555,281
Allowance for decline in value	-	-	-
Total Assets	<u>\$ 36,448</u>	<u>\$ 402,527</u>	<u>\$ 1,557,890</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Deposits from others	-	-	1,627
Due to Capital Projects Funds	-	-	3,486,663
Due to Debt Service Funds	430,330	-	-
Due to other governments	135,992	-	-
Advances from Low and Moderate Housing Funds	-	-	97,299
Total Liabilities	<u>566,322</u>	<u>-</u>	<u>3,585,589</u>
Fund Balances:			
Reserved:			
Encumbrances	-	-	17,488
Land held for resale	-	-	1,555,281
Long-term receivables	-	-	-
Unreserved:			
Designated:			
Debt service	-	402,527	-
Continuing projects	-	-	-
Undesignated	(529,874)	-	(3,600,468)
Total Fund Balances	<u>(529,874)</u>	<u>402,527</u>	<u>(2,027,699)</u>
Total Liabilities and Fund Balances	<u>\$ 36,448</u>	<u>\$ 402,527</u>	<u>\$ 1,557,890</u>

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Fox Field Project Area			Amargosa Project Area		
	Debt	Debt	Capital	Debt	Debt	Capital
	Service	Service	Projects	Service	Service	Projects
	Tax	Tax	Project	Tax	Tax	Project
	Increment	Revenue Bonds		Increment	Revenue Bonds	
ASSETS						
Cash and investments	\$ 13,727	\$ -	\$ -	\$ 4,699,743	\$ -	\$ -
Cash and investments with trustee	-	311,964	809,981	-	3,519,636	5,210,601
Receivables:						
Tax increment	66,654	-	-	1,064,982	-	-
Accounts	-	-	43,338	-	-	21,434
Interest	-	-	-	399	-	-
Loans	-	-	-	-	-	4,029,208
Due from Capital Projects Funds	-	-	-	-	-	-
Due from Debt Service Funds	417	-	-	142,820	-	-
Due from City	-	-	-	-	-	-
Restricted cash	-	-	-	128,552	-	-
Advances to Tax Increment Fund	-	-	-	-	-	-
Land held for resale	-	-	1,091,487	-	-	7,743,210
Allowance for decline in value	-	-	-	-	-	-
Total Assets	\$ 80,798	\$ 311,964	\$ 1,944,806	\$ 6,036,496	\$ 3,519,636	\$ 17,004,453
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,510
Deposits from others	-	-	72,998	-	-	-
Due to Capital Projects Funds	-	-	1,863,261	-	-	10,507,407
Due to Debt Service Funds	-	-	-	-	-	-
Due to other governments	205,249	-	67,443	2,222,641	-	-
Advances from Low and Moderate Housing Funds	-	-	143,090	-	-	1,195,069
Total Liabilities	205,249	-	2,146,792	2,222,641	-	11,727,986
Fund Balances:						
Reserved:						
Encumbrances	-	-	65,363	-	-	61,002
Land held for resale	-	-	1,091,487	-	-	7,743,210
Long-term receivables	-	-	-	-	-	4,029,208
Unreserved:						
Designated:						
Debt service	-	311,964	-	3,813,855	3,519,636	-
Continuing projects	-	-	-	-	-	-
Undesignated	(124,451)	-	(1,358,836)	-	-	(6,556,953)
Total Fund Balances	(124,451)	311,964	(201,986)	3,813,855	3,519,636	5,276,467
Total Liabilities and Fund Balances	\$ 80,798	\$ 311,964	\$ 1,944,806	\$ 6,036,496	\$ 3,519,636	\$ 17,004,453

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Project Area 5			Project Area 6		
	Debt	Debt	Capital	Debt	Debt	Capital
	Service	Service	Projects	Service	Service	Projects
	Tax Increment	Tax Revenue Bonds	Project	Tax Increment	Tax Revenue Bonds	Project
ASSETS						
Cash and investments	\$ 750,142	\$ -	\$ 25,005	\$ 6,316,259	\$ -	\$ 1,106,186
Cash and investments with trustee	-	4,709,181	5,196,319	-	6,632,858	19,350,139
Receivables:						
Tax increment	1,477,528	-	-	1,935,529	-	-
Accounts	-	-	-	-	-	-
Interest	2,911	-	-	3,411	-	-
Loans	-	-	-	-	-	-
Due from Capital Projects Funds	-	-	465,849	-	-	20,616,166
Due from Debt Service Funds	22,796	-	-	191,944	-	-
Due from City	-	-	-	-	-	-
Restricted cash	936,597	-	-	1,097,951	-	-
Advances to Tax Increment Fund	-	-	-	-	-	-
Land held for resale	-	-	6,100,980	-	-	989,220
Allowance for decline in value	-	-	(5,057,616)	-	-	-
Total Assets	\$ 3,189,974	\$ 4,709,181	\$ 6,730,537	\$ 9,545,094	\$ 6,632,858	\$ 42,061,711
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits from others	-	-	-	-	-	-
Due to Capital Projects Funds	-	-	-	-	-	-
Due to Debt Service Funds	-	-	-	-	-	-
Due to other governments	4,561,825	-	-	5,953,240	-	-
Advances from Low and Moderate Housing Funds	-	-	1,325,529	-	-	3,366,122
Total Liabilities	4,561,825	-	1,325,529	5,953,240	-	3,366,122
Fund Balances:						
Reserved:						
Encumbrances	-	-	17,488	-	-	17,488
Land held for resale	-	-	1,043,364	-	-	989,220
Long-term receivables	-	-	-	-	-	-
Unreserved:						
Designated:						
Debt service	-	4,709,181	-	3,591,854	6,632,858	-
Continuing projects	-	-	4,344,156	-	-	37,688,881
Undesignated	(1,371,851)	-	-	-	-	-
Total Fund Balances	(1,371,851)	4,709,181	5,405,008	3,591,854	6,632,858	38,695,589
Total Liabilities and Fund Balances	\$ 3,189,974	\$ 4,709,181	\$ 6,730,537	\$ 9,545,094	\$ 6,632,858	\$ 42,061,711

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Project Area 7			TOTALS	
	Debt Service	Debt Service	Capital Projects	Debt Service Funds	Capital Projects Funds
	Tax Increment	Tax Revenue Bonds	Project		
ASSETS					
Cash and investments	\$ 1,443,196	\$ -	\$ -	\$ 14,160,805	\$ 34,090,618
Cash and investments with trustee	-	142,172	-	17,305,385	30,876,566
Receivables:					
Tax increment	328,404	-	-	5,173,683	56,619
Accounts	-	-	-	-	170,285
Interest	2,361	-	-	9,224	265,280
Loans	-	-	-	-	6,123,599
Due from Capital Projects Funds	-	-	-	-	21,082,015
Due from Debt Service Funds	43,857	-	-	430,330	-
Due from City	-	-	-	-	389,196
Restricted cash	61,464	-	-	2,270,306	-
Advances to Tax Increment Fund	-	-	-	-	8,524,399
Land held for resale	-	-	-	-	51,844,651
Allowance for decline in value	-	-	-	-	(5,057,616)
Total Assets	\$ 1,879,282	\$ 142,172	\$ -	\$ 39,349,733	\$ 148,365,612
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 551,999
Deposits from others	-	-	-	-	269,070
Due to Capital Projects Funds	-	-	4,995,703	-	21,082,015
Due to Debt Service Funds	-	-	-	430,330	-
Due to other governments	523,836	-	-	14,255,649	99,425
Advances from Low and Moderate Housing Funds	-	-	1,874,476	-	8,524,399
Total Liabilities	523,836	-	6,870,179	14,685,979	30,526,908
Fund Balances:					
Reserved:					
Encumbrances	-	-	17,488	-	365,899
Land held for resale	-	-	-	-	46,787,035
Long-term receivables	-	-	-	-	14,647,998
Unreserved:					
Designated:					
Debt service	1,355,446	142,172	-	26,689,930	-
Continuing projects	-	-	-	-	75,034,994
Undesignated	-	-	(6,887,667)	(2,026,176)	(18,997,222)
Total Fund Balances	1,355,446	142,172	(6,870,179)	24,663,754	117,838,704
Total Liabilities and Fund Balances	\$ 1,879,282	\$ 142,172	\$ -	\$ 39,349,733	\$ 148,365,612

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LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Capital Projects General Agency Fund	Capital Projects Combined Housing Fund	Residential Project Area		
			Debt Service	Debt Service	Capital Projects
			Tax Increment	Tax Revenue Bonds	Project
Revenues:					
Taxes and Assessments:					
Tax increment	\$ -	\$ -	\$ 5,123,624	\$ -	\$ -
Use of Money and Property:					
Interest income	-	1,739,735	-	70,523	46,731
Rental income	-	633,970	-	-	-
Lease income	-	36,551	-	-	-
Intergovernmental:					
Contributions from other governments	-	-	1,610	317,370	29,798
Other revenue:					
Miscellaneous	-	95,915	-	-	3,641
Total Revenues	-	2,506,171	5,125,234	387,893	80,170
Expenditures:					
Current:					
General Government:					
Administrative costs	-	1,924,320	56,735	-	311,852
Professional services	-	250,801	-	-	-
Planning, survey and design	-	145,517	-	-	-
Community Development:					
Real estate acquisitions	-	73,049	-	-	-
Acquisition cost	-	-	-	-	-
Operation of acquired property	-	492,974	-	-	-
Relocation costs	-	-	-	-	-
Relocation payments	-	263,827	-	-	-
Site clearance costs	-	-	-	-	-
Rehabilitation costs	-	90,790	-	-	-
Rehabilitation grants	-	180,020	-	-	-
Subsidy to low and moderate housing	-	158,474	-	-	-
Capital Outlay:					
Project improvement costs	-	3,958,670	-	-	-
Debt Service:					
Interest expense	-	-	-	1,031,400	155,380
Long-term debt repayments	-	-	-	482,755	1,160,166
Total Expenditures	-	7,538,442	56,735	1,514,155	1,627,398
Excess of Revenues over (under) Expenditures	\$ -	\$ (5,032,271)	\$ 5,068,499	\$ (1,126,262)	\$ (1,547,228)

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Capital Projects General Agency Fund	Capital Projects Combined Housing Fund	Residential Project Area		
			Debt Service Tax Increment	Debt Service Tax Revenue Bonds	Capital Projects Project
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ 1,088,929	\$ -
Transfers out	-	(5,848,870)	(464,490)	-	-
Housing set-aside transfers in	-	15,675,562	-	-	-
Housing set-aside transfers out	-	-	(1,024,725)	-	-
Long-term debt issued	-	-	-	-	155,380
Pass through agreement payments	-	-	(3,218,815)	-	-
Developer participation	-	-	-	-	-
Bond administrative fees	-	-	-	-	448,846
Total Other Financing Sources (Uses)	-	9,826,692	(4,708,030)	1,088,929	604,226
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ -	\$ 4,794,421	\$ 360,469	\$ (37,333)	\$ (943,002)
Fund Balances					
Beginning of Year, as previously reported	\$ (133,541)	\$ 74,231,990	\$ 262,921	\$ 1,558,088	\$ 470,922
Restatements	-	(889,097)	-	66,292	29,811
Beginning of Year, as restated	(133,541)	73,342,893	262,921	1,624,380	500,733
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	4,794,421	360,469	(37,333)	(943,002)
End of Year	\$ (133,541)	\$ 78,137,314	\$ 623,390	\$ 1,587,047	\$ (442,269)

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Central Business District Project Area

	<u>Debt Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>
	<u>Tax Increment</u>	<u>Tax Revenue Bonds</u>	<u>Project</u>
Revenues:			
Taxes and Assessments:			
Tax increment	\$ 1,174,492	\$ -	\$ -
Use of Money and Property:			
Interest income	-	14,829	-
Rental income	-	-	119,201
Lease income	-	-	-
Intergovernmental:			
Contributions from other governments	952	68,976	37,280
Other revenue:			
Miscellaneous	-	-	12,271
Total Revenues	<u>1,175,444</u>	<u>83,805</u>	<u>168,752</u>
Expenditures:			
Current:			
General Government:			
Administrative costs	15,182	-	311,852
Professional services	-	-	-
Planning, survey and design	-	-	172,893
Community Development:			
Real estate acquisitions	-	-	-
Acquisition cost	-	-	-
Operation of acquired property	-	-	334
Relocation costs	-	-	-
Relocation payments	-	-	-
Site clearance costs	-	-	88,097
Rehabilitation costs	-	-	-
Rehabilitation grants	-	-	-
Subsidy to low and moderate housing	-	-	-
Capital Outlay:			
Project improvement costs	-	-	780,488
Debt Service:			
Interest expense	-	205,041	804,695
Long-term debt repayments	-	112,614	2,332,339
Total Expenditures	<u>15,182</u>	<u>317,655</u>	<u>4,490,698</u>
Excess of Revenues over (under) Expenditures	<u>\$ 1,160,262</u>	<u>\$ (233,850)</u>	<u>\$ (4,321,946)</u>

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Central Business District Project Area

	<u>Debt Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>
	<u>Tax Increment</u>	<u>Tax Revenue Bonds</u>	<u>Project</u>
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 230,963	\$ -
Transfers out	(116,780)	-	-
Housing set-aside transfers in	-	-	-
Housing set-aside transfers out	(234,898)	-	-
Long-term debt issued	-	-	1,585,184
Pass through agreement payments	(905,196)	-	-
Developer participation	-	-	8,487
Bond administrative fees	-	-	-
Total Other Financing Sources (Uses)	<u>(1,256,874)</u>	<u>230,963</u>	<u>1,593,671</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ (96,612)</u>	<u>\$ (2,887)</u>	<u>\$ (2,728,275)</u>
Fund Balances			
Beginning of Year, as previously reported	\$ (433,262)	\$ 405,755	\$ 612,376
Restatements	-	(341)	88,200
Beginning of Year, as restated	(433,262)	405,414	700,576
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(96,612)	(2,887)	(2,728,275)
End of Year	<u>\$ (529,874)</u>	<u>\$ 402,527</u>	<u>\$ (2,027,699)</u>

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Fox Field Project Area			Amargosa Project Area		
	Debt	Debt	Capital	Debt	Debt	Capital
	Service	Service	Projects	Service	Service	Projects
	Tax	Tax		Tax	Tax	
Increment	Revenue	Project	Increment	Revenue	Project	
Bonds			Bonds			
Revenues:						
Taxes and Assessments:						
Tax increment	\$ 1,856,259	\$ -	\$ -	\$ 15,321,682	\$ -	\$ -
Use of Money and Property:						
Interest income	-	14,053	41,210	-	164,431	244,434
Rental income	-	-	-	-	-	406,258
Lease income	-	-	-	-	-	69,497
Intergovernmental:						
Contributions from other governments	176	52,256	48,448	4,429	479,520	84,404
Other revenue:						
Miscellaneous	-	-	3,571	-	-	3,571
Total Revenues	1,856,435	66,309	93,229	15,326,111	643,951	808,164
Expenditures:						
Current:						
General Government:						
Administrative costs	23,750	-	311,852	176,637	-	311,852
Professional services	-	-	190	-	-	6,165
Planning, survey and design	-	-	697	-	-	75,388
Community Development:						
Real estate acquisitions	-	-	-	-	-	-
Acquisition cost	-	-	-	-	-	7,414
Operation of acquired property	-	-	22,187	-	-	100,631
Relocation costs	-	-	-	-	-	-
Relocation payments	-	-	-	-	-	-
Site clearance costs	-	-	-	-	-	-
Rehabilitation costs	-	-	-	-	-	-
Rehabilitation grants	-	-	-	-	-	-
Subsidy to low and moderate housing	-	-	-	-	-	-
Capital Outlay:						
Project improvement costs	-	-	61,608	-	-	2,425,395
Debt Service:						
Interest expense	-	265,276	650,645	-	2,625,042	1,752,318
Long-term debt repayments	-	116,204	1,027,970	-	1,341,185	2,733,589
Total Expenditures	23,750	381,480	2,075,149	176,637	3,966,227	7,412,752
Excess of Revenues over (under) Expenditures	\$ 1,832,685	\$ (315,171)	\$ (1,981,920)	\$ 15,149,474	\$ (3,322,276)	\$ (6,604,588)

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Fox Field Project Area			Amargosa Project Area		
	Debt	Debt	Capital	Debt	Debt	Capital
	Service	Service	Projects	Service	Service	Projects
	Tax	Tax		Tax	Tax	
Increment	Revenue	Project	Increment	Revenue	Project	
	Bonds		Bonds			
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ 313,756	\$ -	\$ -	\$ 3,176,337	\$ -
Transfers out	(185,077)	-	-	(1,868,587)	-	-
Housing set-aside transfers in	-	-	-	-	-	-
Housing set-aside transfers out	(371,252)	-	-	(3,064,336)	-	-
Long-term debt issued	-	-	650,645	-	-	1,752,318
Pass through agreement payments	(1,185,689)	-	-	(9,872,923)	-	-
Developer participation	-	-	214,360	-	-	273,034
Bond administrative fees	-	-	-	-	-	8,600
Total Other Financing Sources (Uses)	(1,742,018)	313,756	865,005	(14,805,846)	3,176,337	2,033,952
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ 90,667	\$ (1,415)	\$ (1,116,915)	\$ 343,628	\$ (145,939)	\$ (4,570,636)
Fund Balances						
Beginning of Year, as previously reported	\$ (215,118)	\$ 326,321	\$ 2,412,765	\$ 3,470,227	\$ 3,711,878	\$ 12,384,135
Restatements	-	(12,942)	(1,497,836)	-	(46,303)	(2,537,032)
Beginning of Year, as restated	(215,118)	313,379	914,929	3,470,227	3,665,575	9,847,103
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	90,667	(1,415)	(1,116,915)	343,628	(145,939)	(4,570,636)
End of Year	\$ (124,451)	\$ 311,964	\$ (201,986)	\$ 3,813,855	\$ 3,519,636	\$ 5,276,467

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Project Area 5			Project Area 6		
	Debt	Debt	Capital	Debt	Debt	Capital
	Service	Service	Projects	Service	Service	Projects
	Tax	Tax		Tax	Tax	
Increment	Revenue	Project	Increment	Revenue	Project	
Bonds	Bonds		Bonds	Bonds		
Revenues:						
Taxes and Assessments:						
Tax increment	\$ 20,545,961	\$ -	\$ -	\$ 31,314,546	\$ -	\$ -
Use of Money and Property:						
Interest income	-	205,213	391,346	-	287,045	2,315,398
Rental income	-	-	-	-	-	-
Lease income	-	-	-	-	-	-
Intergovernmental:						
Contributions from other governments	6,752	722,354	123,275	64,286	782,007	896,891
Other revenue:						
Miscellaneous	-	-	199,114	-	-	3,571
Total Revenues	20,552,713	927,567	713,735	31,378,832	1,069,052	3,215,860
Expenditures:						
Current:						
General Government:						
Administrative costs	238,831	-	311,852	373,913	-	311,852
Professional services	-	-	-	-	-	-
Planning, survey and design	-	-	-	-	-	-
Community Development:						
Real estate acquisitions	-	-	-	-	-	-
Acquisition cost	-	-	-	-	-	-
Operation of acquired property	-	-	-	-	-	-
Relocation costs	-	-	54,634	-	-	-
Relocation payments	-	-	-	-	-	-
Site clearance costs	-	-	102,968	-	-	-
Rehabilitation costs	-	-	-	-	-	-
Rehabilitation grants	-	-	-	-	-	-
Subsidy to low and moderate housing	-	-	-	-	-	-
Capital Outlay:						
Project improvement costs	-	-	1,930,690	-	-	2,385,504
Debt Service:						
Interest expense	-	3,139,458	241,511	-	4,606,799	67,167
Long-term debt repayments	-	1,285,535	1,074,184	-	1,888,193	210,329
Total Expenditures	238,831	4,424,993	3,715,839	373,913	6,494,992	2,974,852
Excess of Revenues over (under) Expenditures	\$ 20,313,882	\$ (3,497,426)	\$ (3,002,104)	\$ 31,004,919	\$ (5,425,940)	\$ 241,008

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Project Area 5			Project Area 6		
	Debt	Debt	Capital	Debt	Debt	Capital
	Service	Service	Projects	Service	Service	Projects
	Tax	Tax		Tax	Tax	
Increment	Revenue	Project	Increment	Revenue	Project	
	Bonds		Bonds			
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ 3,253,986	\$ -	\$ -	\$ 5,170,375	\$ -
Transfers out	(2,115,157)	-	-	(2,760,052)	-	-
Housing set-aside transfers in	-	-	-	-	-	-
Housing set-aside transfers out	(4,109,192)	-	-	(6,262,909)	-	-
Long-term debt issued	-	-	241,511	-	-	67,167
Pass through agreement payments	(14,253,327)	-	-	(21,754,004)	-	-
Developer participation	-	-	553,940	-	-	-
Bond administrative fees	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(20,477,676)	3,253,986	795,451	(30,776,965)	5,170,375	67,167
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	\$ (163,794)	\$ (243,440)	\$ (2,206,653)	\$ 227,954	\$ (255,565)	\$ 308,175
Fund Balances						
Beginning of Year, as previously reported	\$ (1,208,057)	\$ 4,979,295	\$ 7,630,559	\$ 3,363,900	\$ 6,643,182	\$ 37,177,381
Restatements	-	(26,674)	(18,898)	-	245,241	1,210,033
Beginning of Year, as restated	(1,208,057)	4,952,621	7,611,661	3,363,900	6,888,423	38,387,414
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(163,794)	(243,440)	(2,206,653)	227,954	(255,565)	308,175
End of Year	\$ (1,371,851)	\$ 4,709,181	\$ 5,405,008	\$ 3,591,854	\$ 6,632,858	\$ 38,695,589

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Project Area 7			TOTALS	
	Debt Service	Debt Service	Capital Projects	Debt Service Funds	Capital Projects Funds
	Tax Increment	Tax Revenue Bonds	Project		
Revenues:					
Taxes and Assessments:					
Tax increment	\$ 3,041,248	\$ -	\$ -	\$ 78,377,812	\$ -
Use of Money and Property:					
Interest income	-	7,504	15,392	763,598	4,794,246
Rental income	-	-	-	-	1,159,429
Lease income	-	-	-	-	106,048
Intergovernmental:					
Contributions from other governments	5,015	-	60,694	2,505,703	1,280,790
Other revenue:					
Miscellaneous	-	-	3,571	-	325,225
Total Revenues	3,046,263	7,504	79,657	81,647,113	7,665,738
Expenditures:					
Current:					
General Government:					
Administrative costs	36,047	-	3,970	921,095	3,799,402
Professional services	-	-	684	-	257,840
Planning, survey and design	-	-	-	-	394,495
Community Development:					
Real estate acquisitions	-	-	-	-	73,049
Acquisition cost	-	-	-	-	7,414
Operation of acquired property	-	-	-	-	616,126
Relocation costs	-	-	-	-	54,634
Relocation payments	-	-	-	-	263,827
Site clearance costs	-	-	-	-	191,065
Rehabilitation costs	-	-	-	-	90,790
Rehabilitation grants	-	-	-	-	180,020
Subsidy to low and moderate housing	-	-	-	-	158,474
Capital Outlay:					
Project improvement costs	-	-	285,280	-	11,827,635
Debt Service:					
Interest expense	-	118,088	28,825	11,991,104	3,700,541
Long-term debt repayments	-	53,514	-	5,280,000	8,538,577
Total Expenditures	36,047	171,602	318,759	18,192,199	30,153,889
Excess of Revenues over (under) Expenditures	\$ 3,010,216	\$ (164,098)	\$ (239,102)	\$ 63,454,914	\$ (22,488,151)

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Project Area 7			TOTALS	
	Debt Service	Debt Service	Capital Projects	Debt Service Funds	Capital Projects Funds
	Tax Increment	Tax Revenue Bonds	Project		
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 134,258	\$ -	\$ 13,368,604	\$ -
Transfers out	(9,591)	-	-	(7,519,734)	(5,848,870)
Housing set-aside transfers in	-	-	-	-	15,675,562
Housing set-aside transfers out	(608,250)	-	-	(15,675,562)	-
Long-term debt issued	-	-	28,825	-	4,481,030
Pass through agreement payments	(1,916,646)	-	-	(53,106,600)	-
Developer participation	-	-	-	-	1,049,821
Bond administrative fees	-	-	-	-	457,446
Total Other Financing Sources (Uses)	<u>(2,534,487)</u>	<u>134,258</u>	<u>28,825</u>	<u>(62,933,292)</u>	<u>15,814,989</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 475,729</u>	<u>\$ (29,840)</u>	<u>\$ (210,277)</u>	<u>\$ 521,622</u>	<u>\$ (6,673,162)</u>
Fund Balances					
Beginning of Year, as previously reported	\$ 196,683	\$ 171,949	\$ (6,903,988)	\$ 23,233,762	\$ 127,882,599
Restatements	683,034	63	244,086	908,370	(3,370,733)
Beginning of Year, as restated	879,717	172,012	(6,659,902)	24,142,132	124,511,866
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	475,729	(29,840)	(210,277)	521,622	(6,673,162)
End of Year	<u>\$ 1,355,446</u>	<u>\$ 142,172</u>	<u>\$ (6,870,179)</u>	<u>\$ 24,663,754</u>	<u>\$ 117,838,704</u>

LANCASTER REDEVELOPMENT AGENCY

**COMPUTATION OF LOW AND MODERATE
INCOME HOUSING FUNDS
EXCESS/SURPLUS**

	<u>Low and Moderate Housing Funds - All Project Areas July 1, 2007</u>	<u>Low and Moderate Housing Funds - All Project Areas July 1, 2008</u>
Opening Fund Balance	\$ 74,231,990	\$ 78,137,314
Less Unavailable Amounts:		
Land held for resale	\$ (31,212,488)	\$ (34,364,473)
ERAF loans	(8,524,399)	(8,524,399)
Unspent debt proceeds (Section 33334.12 (g)(3)(B))	(1,817,983)	-
Rehabilitation loans	<u>(3,063,052)</u>	<u>(2,094,391)</u>
	<u>(44,617,922)</u>	<u>(45,135,357)</u>
Available Low and Moderate Income Housing Funds	29,614,068	33,001,957
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2007 - 2008	\$ -	\$ 15,675,562
2006 - 2007	13,936,255	13,936,255
2005 - 2006	11,757,421	11,757,421
2004 - 2005	9,185,146	9,185,146
2003 - 2004	<u>7,474,821</u>	<u>-</u>
Total	<u>\$ 42,353,643</u>	<u>\$ 50,554,384</u>
Base Limitation	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Greater amount	<u>42,353,643</u>	<u>50,554,384</u>
Computed Excess/Surplus	<u>None</u>	<u>None</u>