



**LANCASTER REDEVELOPMENT AGENCY
LANCASTER, CALIFORNIA**

FINANCIAL STATEMENTS

JUNE 30, 2010

Lance Soll & Lunghard, LLP

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LANCASTER REDEVELOPMENT AGENCY

JUNE 30, 2010

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CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- Donald L. Parker, CPA
- Michael K. Chu, CPA
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- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA

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, 2010, 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, 2010, 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 28, 2010, 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.

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.



CERTIFIED PUBLIC ACCOUNTANTS

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

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 & Lingham, LLP

December 28, 2010



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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, 2010, which collectively comprise the Lancaster Redevelopment Agency's basic financial statements and have issued our report thereon dated December 28, 2010. 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 certain instances of noncompliance that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States and under the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller as follows:

Redevelopment Agency Five-Year Implementation Plan

The Redevelopment Agency (Agency) is required to adopt Implementation Plans, in accordance with the Health & Safety Code §33490, for each project area every five years. These plans were required to be submitted and adopted by the Agency Board on or before December 31, 2009. We noted that the Agency held a public hearing and adopted its Five-Year Implementation Plan on January 12, 2010 and January 26, 2010, respectively. Since these were done on or before December 31, 2009 this is a violation of the Health and Safety Code.

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 28, 2010

LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

JUNE 30, 2010

| | <u>Governmental Activities</u> |
|---------------------------------------|---------------------------------------|
| Assets: | |
| Cash and investments | \$ 41,265,875 |
| Receivables: | |
| Tax increment | \$ 4,909,290 |
| Accounts | 263,740 |
| Interest receivable | 161,062 |
| Loans | <u>6,258,034</u> |
| Total Receivables | 11,592,126 |
| Due from other governments | 389,196 |
| Land held for resale (net) | 71,181,677 |
| Deferred charges | 7,050,426 |
| Restricted assets: | |
| Cash and investments | 241,947 |
| Cash and investments with trustees | <u>31,580,747</u> |
| Total Assets | <u>163,301,994</u> |
| Liabilities: | |
| Accounts payable and accrued expenses | 5,347,250 |
| Due to other governments | 4,716,458 |
| Deposits from others | 53,265 |
| Long-term liabilities: | |
| Due within one year | \$ 5,735,000 |
| Due in more than one year | <u>365,551,554</u> |
| Total Long-Term Liabilities | <u>371,286,554</u> |
| Total Liabilities | <u>381,403,527</u> |
| Net Assets: | |
| Restricted for: | |
| Community development | 87,188,750 |
| Debt service | 13,740,597 |
| Unrestricted | <u>(319,030,880)</u> |
| Total Net Assets | <u><u>\$ (218,101,533)</u></u> |

LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenues and Changes in Net Assets Governmental Activities</u> |
|--------------------------------------|----------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Contributions and Grants</u> | |
| Functions/Programs | | | | |
| Governmental Activities: | | | | |
| General government | \$ 6,183,935 | \$ - | \$ - | \$ (6,183,935) |
| Community development | 14,002,241 | 427,687 | 3,559,599 | (10,014,955) |
| Interest on long-term debt | 14,458,733 | - | - | (14,458,733) |
| Contributions to other governments | 17,479,910 | - | - | (17,479,910) |
| Total Governmental Activities | \$ 52,124,819 | \$ 427,687 | \$ 3,559,599 | (48,137,533) |
| General Revenues: | | | | |
| Taxes (net of pass-through payments) | | | | 21,461,799 |
| Use of money and property | | | | 2,908,297 |
| Gain on sale of assets | | | | 52,412 |
| Other | | | | 367,443 |
| Total General Revenues | | | | 24,789,951 |
| Change in Net Assets | | | | (23,347,582) |
| Net Assets at Beginning of Year | | | | (196,759,711) |
| Restatement of Net Assets | | | | 2,005,760 |
| Net Assets at End of Year | | | | \$ (218,101,533) |

LANCASTER REDEVELOPMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

| | <u>Capital Projects</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Debt Service</u> |
|---|--|-----------------------------|----------------------------------|----------------------------------|
| | <u>Combined Low & Moderate Housing</u> | <u>Project Area 6</u> | <u>Amargosa Project Area</u> | <u>Amargosa Project Area</u> |
| | <u>Low and Moderate Housing</u> | <u>Project</u> | <u>Tax Increment</u> | <u>Bonds</u> |
| Assets: | | | | |
| Cash and investments | \$ 29,107,179 | \$ 4,738,818 | \$ - | \$ - |
| Cash and investments with trustee | - | 6,382,420 | - | 3,084,020 |
| Receivables: | | | | |
| Tax increment | - | - | 862,157 | - |
| Accounts | 1,082 | - | - | - |
| Interest receivable | 17,636 | 142,155 | 37 | - |
| Loans | 2,034,367 | - | - | - |
| Due from City | 389,196 | - | - | - |
| Restricted cash | - | - | 15,174 | - |
| Advances to other funds | 20,704,310 | - | - | - |
| Land held for resale | 57,971,089 | 989,220 | - | - |
| Allowance for decline in value | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 110,224,859</u> | <u>\$ 12,252,613</u> | <u>\$ 877,368</u> | <u>\$ 3,084,020</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 4,715 | \$ - | \$ - | \$ - |
| Deposits from others | 31,352 | - | - | - |
| Due to other governments | - | - | 526,914 | - |
| Deferred revenue | - | - | - | - |
| Advances from Low and Moderate Housing Funds | - | 3,366,122 | 2,435,982 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>36,067</u> | <u>3,366,122</u> | <u>2,962,896</u> | <u>-</u> |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Encumbrances | 13,074 | - | - | - |
| Land held for resale | 57,971,089 | 989,220 | - | - |
| Long-term receivables | 2,034,367 | - | - | - |
| Unreserved: | | | | |
| Designated: | | | | |
| Debt service | - | - | - | 3,084,020 |
| Continuing projects | 50,170,262 | 7,897,271 | - | - |
| Undesignated | - | - | (2,085,528) | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | <u>110,188,792</u> | <u>8,886,491</u> | <u>(2,085,528)</u> | <u>3,084,020</u> |
| | | | | |
| Total Liabilities and Fund Balances | <u>\$ 110,224,859</u> | <u>\$ 12,252,613</u> | <u>\$ 877,368</u> | <u>\$ 3,084,020</u> |

LANCASTER REDEVELOPMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

| | <u>Debt Service</u> | <u>Debt Service</u> | | |
|---|----------------------------|----------------------------|---|---|
| | <u>Project Area 5</u> | <u>Project Area 6</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| | <u>Tax Increment</u> | <u>Tax Increment</u> | | |
| Assets: | | | | |
| Cash and investments | \$ - | \$ 4,199,076 | \$ 3,220,802 | \$ 41,265,875 |
| Cash and investments with trustee | - | - | 22,114,307 | 31,580,747 |
| Receivables: | | | | |
| Tax increment | 1,199,795 | 2,204,087 | 643,251 | 4,909,290 |
| Accounts | - | - | 262,658 | 263,740 |
| Interest receivable | 185 | 275 | 774 | 161,062 |
| Loans | - | - | 4,223,667 | 6,258,034 |
| Due from City | - | - | - | 389,196 |
| Restricted cash | 83,409 | 130,882 | 12,482 | 241,947 |
| Advances to other funds | - | - | - | 20,704,310 |
| Land held for resale | - | - | 12,980,776 | 71,941,085 |
| Allowance for decline in value | - | - | (759,408) | (759,408) |
| Total Assets | <u>\$ 1,283,389</u> | <u>\$ 6,534,320</u> | <u>\$ 42,699,309</u> | <u>\$ 176,955,878</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 331,088 | \$ 335,803 |
| Deposits from others | - | - | 21,913 | 53,265 |
| Due to other governments | 1,565,004 | 2,247,462 | 377,078 | 4,716,458 |
| Deferred revenue | - | - | 171,212 | 171,212 |
| Advances from Low and Moderate Housing Funds | 3,044,978 | 4,871,964 | 6,985,264 | 20,704,310 |
| Total Liabilities | <u>4,609,982</u> | <u>7,119,426</u> | <u>7,886,555</u> | <u>25,981,048</u> |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Encumbrances | - | - | 124,587 | 137,661 |
| Land held for resale | - | - | 12,221,368 | 71,181,677 |
| Long-term receivables | - | - | 4,052,455 | 6,086,822 |
| Unreserved: | | | | |
| Designated: | | | | |
| Debt service | - | - | 18,202,105 | 21,286,125 |
| Continuing projects | - | - | 4,244,874 | 62,312,407 |
| Undesignated | (3,326,593) | (585,106) | (4,032,635) | (10,029,862) |
| Total Fund Balances | <u>(3,326,593)</u> | <u>(585,106)</u> | <u>34,812,754</u> | <u>150,974,830</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,283,389</u> | <u>\$ 6,534,320</u> | <u>\$ 42,699,309</u> | <u>\$ 176,955,878</u> |

LANCASTER REDEVELOPMENT AGENCY

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Fund balances of governmental funds **\$ 150,974,830**

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

Deferred revenue is present in governmental fund financial statements to indicate that receivables are not available currently; however, in the Statement of Net Assets these deferrals are eliminated. 171,212

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 7,050,426

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 (269,330,000)

Loans from City (100,051,474)

Unamortized net original issue discounts and (premiums) (5,646,729)

Unamortized net (gain) loss on bonds defeased 3,741,649

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

(5,011,447)

Net assets of governmental activities **\$ (218,101,533)**

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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, 2010

| | <u>Capital Projects</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Debt Service</u> |
|---|--|-----------------------------|----------------------------------|----------------------------------|
| | <u>Combined Low & Moderate Housing</u> | <u>Project Area 6</u> | <u>Amargosa Project Area</u> | <u>Amargosa Project Area</u> |
| | <u>Low and Moderate Housing</u> | <u>Project</u> | <u>Tax Increment</u> | <u>Bonds</u> |
| Revenues: | | | | |
| Taxes and assessments | \$ - | \$ - | \$ 15,082,632 | \$ - |
| Use of money and property | 1,153,159 | 558,751 | - | 136,337 |
| Intergovernmental | - | - | 84,927 | - |
| Other revenue | 21,738 | 15,882 | - | 485,893 |
| Total Revenues | 1,174,897 | 574,633 | 15,167,559 | 622,230 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 3,245,191 | 305,761 | 152,211 | - |
| Community development | 4,354,427 | 1,733 | - | - |
| Capital outlay | 358,253 | 2,967,465 | - | - |
| Debt service | 204,862 | 31,156 | - | 10,181,713 |
| Other expenditures | - | - | - | 74,750 |
| Total Expenditures | 8,162,733 | 3,306,115 | 152,211 | 10,256,463 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (6,987,836) | (2,731,482) | 15,015,348 | (9,634,233) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 13,240,989 | 598,644 | - | 7,989,578 |
| Transfers out | (10,742,436) | (27,453,469) | (8,106,763) | - |
| Long-term debt issued | 37,500,000 | 31,156 | - | - |
| Pass-through agreement payments | - | - | (9,511,441) | - |
| Gain (loss) on sale of land held for resale | 52,412 | - | - | - |
| Payment to Educational Revenue Augmentation Fund | - | - | (3,495,982) | - |
| Miscellaneous | (764,979) | - | - | - |
| Total Other Financing Sources (Uses): | 39,285,986 | (26,823,669) | (21,114,186) | 7,989,578 |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | \$ 32,298,150 | \$ (29,555,151) | \$ (6,098,838) | \$ (1,644,655) |
| Fund Balances: | | | | |
| Beginning of Year, as previously reported | \$ 77,890,642 | \$ 38,441,642 | \$ 4,013,310 | \$ 4,728,675 |
| Restatements | - | - | - | - |
| Beginning of Year, as restated | 77,890,642 | 38,441,642 | 4,013,310 | 4,728,675 |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 32,298,150 | (29,555,151) | (6,098,838) | (1,644,655) |
| End of Year | \$ 110,188,792 | \$ 8,886,491 | \$ (2,085,528) | \$ 3,084,020 |

See Notes to Financial Statements

LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Debt Service</u> | <u>Debt Service</u> | | |
|---|------------------------------|------------------------------|---|---|
| | <u>Project Area 5</u> | <u>Project Area 6</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| | <u>Tax Increment</u> | <u>Tax Increment</u> | | |
| Revenues: | | | | |
| Taxes and assessments | \$ 15,627,868 | \$ 25,859,711 | \$ 9,634,728 | \$ 66,204,939 |
| Use of money and property | - | 1 | 888,837 | 2,737,085 |
| Intergovernmental | 98,366 | 764,867 | 2,125,546 | 3,073,706 |
| Other revenue | - | - | 832,260 | 1,355,773 |
| Total Revenues | <u>15,726,234</u> | <u>26,624,579</u> | <u>13,481,371</u> | <u>73,371,503</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 166,591 | 265,728 | 2,048,453 | 6,183,935 |
| Community development | - | - | 88,408 | 4,444,568 |
| Capital outlay | - | - | 6,231,955 | 9,557,673 |
| Debt service | - | - | 15,514,166 | 25,931,897 |
| Other expenditures | - | - | - | 74,750 |
| Total Expenditures | <u>166,591</u> | <u>265,728</u> | <u>23,882,982</u> | <u>46,192,823</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>15,559,643</u> | <u>26,358,851</u> | <u>(10,401,611)</u> | <u>27,178,680</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 1,298,885 | - | 50,221,874 | 73,349,970 |
| Transfers out | (5,343,669) | (8,830,939) | (12,872,694) | (73,349,970) |
| Long-term debt issued | - | - | 6,368,197 | 43,899,353 |
| Pass-through agreement payments | (10,914,022) | (18,020,110) | (6,297,567) | (44,743,140) |
| Gain (loss) on sale of land held for resale | - | - | - | 52,412 |
| Payment to Educational Revenue Augmentation Fund | (4,369,978) | (6,991,964) | (2,621,986) | (17,479,910) |
| Miscellaneous | - | - | (129,083) | (894,062) |
| Total Other Financing Sources (Uses): | <u>(19,328,784)</u> | <u>(33,843,013)</u> | <u>34,668,741</u> | <u>(19,165,347)</u> |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>\$ (3,769,141)</u> | <u>\$ (7,484,162)</u> | <u>\$ 24,267,130</u> | <u>\$ 8,013,333</u> |
| Fund Balances: | | | | |
| Beginning of Year, as previously reported | \$ 442,548 | \$ 6,899,056 | \$ 8,539,864 | \$ 140,955,737 |
| Restatements | - | - | 2,005,760 | 2,005,760 |
| Beginning of Year, as restated | 442,548 | 6,899,056 | 10,545,624 | 142,961,497 |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>(3,769,141)</u> | <u>(7,484,162)</u> | <u>24,267,130</u> | <u>8,013,333</u> |
| End of Year | <u>\$ (3,326,593)</u> | <u>\$ (585,106)</u> | <u>\$ 34,812,754</u> | <u>\$ 150,974,830</u> |

See Notes to Financial Statements

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, 2010**

Net change in fund balances - total governmental funds **\$ 8,013,333**

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. 12,368,267

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

 Debt issuance costs on bonds issued 313,512
 Amortization for current fiscal year (314,922)

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:

 Current year issuance discount on bonds issued 894,062
 Amortization for current fiscal year 293,986

Collections on receivables and loan transactions offset by deferred revenue are reported as revenue and expenditures in governmental funds; however, they do not provide revenue or expenses in the statement of activities. 171,212

Proceeds of debt is revenue in the governmental funds, but these are additions to the statement of net assets. (43,899,353)

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 (5,011,447)
 Prior year accrual of interest due on bonds 4,117,552

Change in net assets of governmental activities **\$ (23,347,582)**

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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)
JUNE 30, 2010

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.

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

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

The Tax Increment and Bonds Funds account for the receipt of property tax increment and the accumulation of resources for, and the payment of interest and principal of long-term debt.

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.

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

I. 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.

Budget Basis of Accounting

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

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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 | \$ 41,265,875 |
| Restricted Cash and investments | 241,947 |
| Cash and investments with fiscal agent/trustee | <u>31,580,747</u> |
| Total Cash and Investments | <u>\$ 73,088,569</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, 2010 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, 2010, loans received from the City amounted to \$50,229,442 and accrued unpaid interest owed on those loans was \$49,822,032.

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 \$486,982,590 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 \$21,461,799 and the debt service obligation on the bonds was \$19,071,137.

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4: Long-Term Debt (Continued)

A description of individual issues of bonds and notes (excluding defeased issues) outstanding as of June 30, 2010 follows:

Combined Tax Allocation Notes and Bonds

1. On August 19, 2009, the Agency issued \$37,500,000 of Combined Redevelopment Project Areas (Housing Programs), Tax Allocation Bonds, Issue of 2009. This financing was undertaken to (i) fund certain low and moderate income housing projects of the Agency, (ii) fund capitalized interest on the Bonds through September 1 2010, (iii) fund a reserve account for the 2009 Bonds; and (iv) pay the costs of issuing the 2009 Bonds. The principal portion of these bonds is payable from August 1, 2011 to 2039. Interest is payable semi-annually at rates of 4.0% to 6.875% per annum, on February 1 and August 1 of each year commencing on February 1, 2010.
2. 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 | 13,450,000 |
| Total | <u>\$ 25,660,000</u> |

3. 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.
4. 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

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4: Long-Term Debt (Continued)

1993, pay costs of issuing the Bonds, and fund a debt service reserve account.

5. 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.
6. 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.
7. 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.
8. 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.

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4: Long-Term Debt (Continued)

9. 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.

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

7. 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:

| | Economic Development | Housing |
|--------------------------------|-----------------------------|-----------------------------|
| 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

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4: Long-Term Debt (Continued)

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.
2. On April 22, 2010, the Agency issue \$5,555,000 of Lancaster Redevelopment Agency, Lease Revenue Refunding Bonds (Lancaster Public Capital Improvement Projects), Issue of 2010. The purpose of these bonds was to to (i) refund on a current basis the Lancaster Redevelopment Agency Lease Revenue Refunding Bonds (Lancaster Public Capital Improvement Projects) Issue of 1999, (ii) fund the Reserve Account, and (iii) pay costs of issuance of the Bonds. The principal portion of these bonds is payable from December 1, 2010 to December 1, 2035. Interest is payable semi-annually at rates of 2.0% to 5.9% per annum, commencing December 1, 2010. 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. 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.

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.

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

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, 2009 | Additions | Repayments | Balance June 30, 2010 | Due Within One Year |
|---|-------------------------|------------------|----------------|--------------------------|------------------------|
| <u>Residential Project Area</u> | | | | | |
| City Loans - Principal | \$ 574,731 | \$ - | \$ - | \$ 574,731 | \$ - |
| City Loans - Unpaid Interest | 2,984,368 | 14,305 | - | 2,998,673 | - |
| 2003 Development | 5,706,369 | - | 80,600 | 5,625,769 | 85,777 |
| 2003B Development | 1,507,977 | - | 59,945 | 1,448,032 | 61,584 |
| 2004B Development | 1,038,363 | - | 19,540 | 1,018,823 | 18,072 |
| 2004 Sheriff's Facilities | 2,105,519 | - | 99,963 | 2,005,556 | 104,559 |
| 2004 Fire Facilities | 1,097,360 | - | 54,229 | 1,043,131 | 56,144 |
| 2004 Library | 226,623 | - | 7,175 | 219,448 | 7,422 |
| 2006 Development | 290,780 | - | 7,437 | 283,343 | 7,845 |
| Total | 15,532,090 | 14,305 | 328,889 | 15,217,506 | 341,403 |
| <u>Central Business District Project Area</u> | | | | | |
| City Loans - Principal | \$ 12,492,789 | \$ - | \$ - | \$ 12,492,789 | \$ - |
| City Loans - Unpaid Interest | 10,380,677 | 152,778 | - | 10,533,455 | - |
| 1994 Refunding | 1,470,000 | - | 350,000 | 1,120,000 | 40,000 |
| 2004 Sheriff's Facilities | 536,981 | - | 25,491 | 511,490 | 26,666 |
| 2004 Fire Facilities | 229,620 | - | 11,348 | 218,272 | 11,748 |
| 2004 Library | 43,895 | - | 1,390 | 42,505 | 1,438 |
| 2010 Lease Revenue | - | 5,555,000 | - | 5,555,000 | 115,000 |
| Total | 25,153,962 | 5,707,778 | 388,229 | 30,473,511 | 194,852 |
| <u>Fox Field Project Area</u> | | | | | |
| City Loans - Principal | \$ 3,869,947 | \$ - | \$ 158,267 | \$ 3,711,680 | \$ - |
| City Loans - Unpaid Interest | 7,353,243 | 69,054 | - | 7,422,297 | - |
| 2004 Sheriff's Facilities | 359,173 | - | 17,052 | 342,121 | 17,836 |
| 2004 Fire Facilities | 221,880 | - | 10,965 | 210,915 | 11,352 |
| 2004 Library | 39,167 | - | 1,240 | 37,927 | 1,283 |
| 2006 Development | 2,388,368 | - | 61,000 | 2,327,368 | 64,432 |
| Total | 14,231,778 | 69,054 | 248,524 | 14,052,308 | 94,903 |

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 4: Long-Term Debt (Continued)

| | Balance July 1, 2009 | Additions | Repayments | Balance June 30, 2010 | Due Within One Year |
|------------------------------|-------------------------|-----------|------------|--------------------------|------------------------|
| <u>Amargosa Project Area</u> | | | | | |
| City Loans - Principal | \$ 28,564,390 | \$ - | \$ - | \$ 28,564,390 | \$ - |
| City Loans - Unpaid Interest | 23,927,004 | 529,160 | - | 24,456,164 | - |
| 1999 Refunding | 3,795,000 | - | 1,230,000 | 2,565,000 | 75,000 |
| 1999 Lease Revenue | 5,315,000 | - | 5,315,000 | - | - |
| 2003 Development | 4,733,188 | - | 66,855 | 4,666,333 | 71,148 |
| 2003B Development | 8,609,268 | - | 342,255 | 8,267,013 | 351,589 |
| 2004B Development | 2,356,637 | - | 44,465 | 2,312,172 | 41,012 |
| 2004 Sheriff's Facilities | 3,518,366 | - | 167,040 | 3,351,326 | 174,718 |
| 2004 Fire Facilities | 1,812,016 | - | 89,549 | 1,722,467 | 92,708 |
| 2004 Library | 379,692 | - | 12,021 | 367,671 | 12,435 |
| 2006 Development | 4,843,390 | - | 123,750 | 4,719,640 | 130,661 |
| Total | 87,853,951 | 529,160 | 7,390,935 | 80,992,176 | 949,271 |
| <u>Project Area 5</u> | | | | | |
| City Loans - Principal | \$ 2,904,599 | \$ - | \$ - | \$ 2,904,599 | \$ - |
| City Loans - Unpaid Interest | 3,363,207 | 43,569 | - | 3,406,776 | - |
| 2003 Development | 15,182,562 | - | 214,447 | 14,968,115 | 228,220 |
| 2003B Development | 1,357,620 | - | 53,970 | 1,303,650 | 55,443 |
| 2004B Development | 3,762,325 | - | 70,760 | 3,691,565 | 65,478 |
| 2004 School Refunding | 2,001,513 | - | 29,854 | 1,971,659 | 32,567 |
| 2004 Sheriff's Facilities | 5,383,910 | - | 255,606 | 5,128,304 | 267,359 |
| 2004 Fire Facilities | 2,645,364 | - | 130,729 | 2,514,635 | 135,344 |
| 2004 Library | 593,274 | - | 18,782 | 574,492 | 19,430 |
| 2006 Development | 4,118,762 | - | 105,250 | 4,013,512 | 111,112 |
| 2006 School | 4,755,186 | - | 75,285 | 4,679,901 | 75,280 |
| Total | 46,068,322 | 43,569 | 954,683 | 45,157,208 | 990,233 |
| <u>Project Area 6</u> | | | | | |
| City Loans - Principal | \$ 1,323,159 | \$ - | \$ - | \$ 1,323,159 | \$ - |
| City Loans - Unpaid Interest | 825,131 | 31,156 | - | 856,287 | - |
| 1997 Mobile Home | 2,705,000 | - | 75,000 | 2,630,000 | 80,000 |
| 2003 Development | 12,962,881 | - | 183,098 | 12,779,783 | 194,855 |
| 2003B Development | 2,360,130 | - | 93,825 | 2,266,305 | 96,384 |
| 2004B Development | 3,472,680 | - | 65,240 | 3,407,440 | 60,439 |
| 2004 School Refunding | 5,373,487 | - | 80,146 | 5,293,341 | 87,433 |
| 2004 Sheriff's Facilities | 6,096,694 | - | 289,449 | 5,807,245 | 302,755 |
| 2004 Fire Facilities | 2,593,760 | - | 128,180 | 2,465,580 | 132,704 |
| 2004 Library | 3,164,451 | - | 100,185 | 3,064,266 | 103,639 |
| 2006 Development | 12,823,700 | - | 327,563 | 12,496,137 | 345,950 |
| 2006 School | 8,509,814 | - | 134,715 | 8,375,099 | 134,720 |
| Total | 62,210,887 | 31,156 | 1,477,401 | 60,764,642 | 1,538,879 |

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Note 4: Long-Term Debt (Continued)

| | Balance July 1, 2009 | Additions | Repayments | Balance June 30, 2010 | Due Within One Year |
|--|-------------------------|---------------|---------------|--------------------------|------------------------|
| <u>Project Area 7</u> | | | | | |
| City Loans - Principal | \$ 658,094 | \$ - | \$ - | \$ 658,094 | \$ - |
| City Loans - Unpaid Interest | 144,049 | 4,331 | - | 148,380 | - |
| 2004 Sheriff's Facilities | 324,357 | - | 15,399 | 308,958 | 16,107 |
| 2004 Library | 132,898 | - | 4,207 | 128,691 | 4,353 |
| Total | 1,259,398 | 4,331 | 19,606 | 1,244,123 | 20,460 |
| <u>Combined Low and Moderate Housing</u> | | | | | |
| 2003 Housing | \$ 57,615,000 | \$ - | \$ 980,000 | \$ 56,635,000 | 1,000,000 |
| 2003B Housing | 15,475,000 | - | 365,000 | 15,110,000 | 380,000 |
| 2004 Housing | 12,450,000 | - | 215,000 | 12,235,000 | 225,000 |
| 2009 Housing | - | 37,500,000 | - | 37,500,000 | - |
| Total | 85,540,000 | 37,500,000 | 1,560,000 | 121,480,000 | 1,605,000 |
| <u>Total - All Project Areas</u> | | | | | |
| City Loans - Principal | \$ 50,387,709 | \$ - | \$ 158,267 | \$ 50,229,442 | \$ - |
| City Loans - Unpaid Interest | 48,977,679 | 844,353 | - | 49,822,032 | - |
| Bonds Payable | 238,485,000 | 43,055,000 | 12,210,000 | 269,330,000 | 5,735,000 |
| Total | \$ 337,850,388 | \$ 43,899,353 | \$ 12,368,267 | \$ 369,381,474 | \$ 5,735,000 |
| Adjustments: | - | | | | |
| Unamortized net original issue (discount) or premium | | | | 5,646,729 | |
| Unamortized net bond defeasance gain or (loss) | | | | (3,741,649) | |
| Net Long-term Debt | | | | \$ 371,286,554 | |

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4: Long-Term Debt (Continued)

The following schedules 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, Tax Allocation Refunding Bonds, Issue of 1999 | | Mobile Home Park Bonds (Desert Sands), Series 1997 A & B | |
|-------------|---|-------------------|---|---------------------|--|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 - 2011 | \$ 40,000 | \$ 67,375 | \$ 75,000 | \$ 128,250 | \$ 80,000 | \$ 165,113 |
| 2011 - 2012 | 55,000 | 64,466 | 75,000 | 124,500 | 85,000 | 159,853 |
| 2012 - 2013 | 60,000 | 60,944 | 80,000 | 120,750 | 95,000 | 154,116 |
| 2013 - 2014 | 65,000 | 57,116 | 90,000 | 116,750 | 100,000 | 147,900 |
| 2014 - 2015 | 70,000 | 52,981 | 250,000 | 112,250 | 105,000 | 141,366 |
| 2015 - 2020 | 405,000 | 195,847 | 1,135,000 | 361,000 | 635,000 | 594,309 |
| 2020 - 2025 | 425,000 | 54,053 | 860,000 | 172,000 | 865,000 | 357,159 |
| 2025 - 2030 | - | - | - | - | 665,000 | 65,184 |
| Totals | <u>\$ 1,120,000</u> | <u>\$ 552,782</u> | <u>\$ 2,565,000</u> | <u>\$ 1,135,500</u> | <u>\$ 2,630,000</u> | <u>\$ 1,785,000</u> |

| | Combined Housing, Tax Allocation Bonds, Series 2003 | | Combined Tax Allocation, Series 2003 | | Combined Housing, Subordinated Refunding Bonds Issue of 2003 B | |
|-------------|---|----------------------|--------------------------------------|----------------------|--|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 - 2011 | \$ 1,000,000 | \$ 2,708,813 | \$ 580,000 | \$ 1,839,950 | \$ 380,000 | \$ 713,200 |
| 2011 - 2012 | 1,040,000 | 2,665,313 | 600,000 | 1,816,750 | 385,000 | 700,955 |
| 2012 - 2013 | 1,090,000 | 2,612,063 | 630,000 | 1,786,750 | 400,000 | 686,410 |
| 2013 - 2014 | 1,145,000 | 2,559,050 | 650,000 | 1,755,250 | 415,000 | 670,110 |
| 2014 - 2015 | 1,190,000 | 2,506,513 | 1,150,000 | 1,722,750 | 435,000 | 653,110 |
| 2015 - 2020 | 9,230,000 | 11,256,656 | 6,315,000 | 7,659,938 | 1,525,000 | 3,057,800 |
| 2020 - 2025 | 10,880,000 | 8,737,013 | 7,320,000 | 6,105,175 | 3,330,000 | 2,445,525 |
| 2025 - 2030 | 16,655,000 | 5,481,856 | 11,720,000 | 3,839,900 | 2,015,000 | 1,807,875 |
| 2030 - 2035 | 14,405,000 | 1,390,206 | 9,075,000 | 1,033,125 | 6,225,000 | 1,121,875 |
| Totals | <u>\$ 56,635,000</u> | <u>\$ 39,917,483</u> | <u>\$ 38,040,000</u> | <u>\$ 27,559,588</u> | <u>\$ 15,110,000</u> | <u>\$ 11,856,860</u> |

| | Combined Subordinate Tax Allocation Bonds Issue of 2003 B | | Combined Sheriff's Facility, Refunding Bonds, Issue of 2004 | | Combined Fire, Refunding Bonds, Issue of 2004 | |
|-------------|---|---------------------|---|---------------------|---|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 - 2011 | \$ 565,000 | \$ 594,359 | \$ 910,000 | \$ 827,425 | \$ 440,000 | \$ 377,863 |
| 2011 - 2012 | 580,000 | 575,996 | 955,000 | 785,575 | 455,000 | 362,750 |
| 2012 - 2013 | 605,000 | 555,986 | 1,000,000 | 748,975 | 470,000 | 346,563 |
| 2013 - 2014 | 630,000 | 533,904 | 1,030,000 | 708,300 | 485,000 | 329,244 |
| 2014 - 2015 | 285,000 | 509,649 | 1,075,000 | 658,250 | 505,000 | 310,050 |
| 2015 - 2020 | 2,290,000 | 2,362,526 | 6,240,000 | 2,408,563 | 2,905,000 | 1,133,694 |
| 2020 - 2025 | 4,215,000 | 1,456,613 | 6,245,000 | 643,625 | 2,915,000 | 301,219 |
| 2025 - 2030 | 1,825,000 | 811,775 | - | - | - | - |
| 2030 - 2035 | 2,290,000 | 347,938 | - | - | - | - |
| 2035 - 2040 | - | - | - | - | - | - |
| Totals | <u>\$ 13,285,000</u> | <u>\$ 7,748,746</u> | <u>\$ 17,455,000</u> | <u>\$ 6,780,713</u> | <u>\$ 8,175,000</u> | <u>\$ 3,161,383</u> |

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4: Long-Term Debt (Continued)

| | Combined Library, Refunding Bonds, Issue of 2004 | | Combined Housing, Subordinate Revenue Bonds Issue of 2004 | | Combined Subordinate Tax Revenue Bonds, Issue of 2004 B | |
|---------------|---|---------------------|--|----------------------|--|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 - 2011 | \$ 150,000 | \$ 190,981 | \$ 225,000 | \$ 683,305 | \$ 185,000 | \$ 490,958 |
| 2011 - 2012 | 155,000 | 186,019 | 240,000 | 671,680 | 210,000 | 483,558 |
| 2012 - 2013 | 160,000 | 180,506 | 250,000 | 659,430 | 210,000 | 476,523 |
| 2013 - 2014 | 165,000 | 174,613 | 265,000 | 646,555 | 220,000 | 469,173 |
| 2014 - 2015 | 170,000 | 168,119 | 275,000 | 633,055 | 215,000 | 461,033 |
| 2015 - 2020 | 955,000 | 729,771 | 1,330,000 | 2,962,175 | 1,145,000 | 2,171,190 |
| 2020 - 2025 | 1,195,000 | 496,686 | 1,655,000 | 2,560,130 | 1,295,000 | 1,920,650 |
| 2025 - 2030 | 1,485,000 | 182,756 | 2,035,000 | 2,030,081 | 2,465,000 | 1,535,788 |
| 2030 - 2035 | - | - | 2,305,000 | 1,390,813 | 4,485,000 | 898,000 |
| 2035 - 2040 | - | - | 3,655,000 | 105,630 | - | - |
| Totals | \$ 4,435,000 | \$ 2,309,451 | \$ 12,235,000 | \$ 12,342,854 | \$ 10,430,000 | \$ 8,906,873 |

| | Project Areas No. 5 and No. 6 (School Districts), Issue of 2004 | | Combined Tax Allocation Revenue Bonds, Issue of 2006 | | Tax Allocation Bonds (School District Projects), Series 2006 | |
|---------------|--|---------------------|---|----------------------|---|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 - 2011 | \$ 120,000 | \$ 387,360 | \$ 660,000 | \$ 1,127,058 | \$ 210,000 | \$ 608,138 |
| 2011 - 2012 | 120,000 | 382,560 | 685,000 | 1,100,658 | 225,000 | 599,738 |
| 2012 - 2013 | 125,000 | 377,640 | 695,000 | 1,066,408 | 230,000 | 590,738 |
| 2013 - 2014 | 130,000 | 372,265 | 725,000 | 1,031,658 | 250,000 | 581,538 |
| 2014 - 2015 | 135,000 | 366,415 | 645,000 | 995,408 | 255,000 | 571,538 |
| 2015 - 2020 | 800,000 | 1,726,970 | 3,430,000 | 4,490,583 | 1,430,000 | 2,694,850 |
| 2020 - 2025 | 1,030,000 | 1,497,600 | 3,350,000 | 3,814,344 | 1,765,000 | 2,359,610 |
| 2025 - 2030 | 2,385,000 | 1,082,770 | 3,290,000 | 3,097,530 | 2,845,000 | 1,843,225 |
| 2030 - 2035 | 2,420,000 | 348,600 | 3,310,000 | 2,211,000 | 4,275,000 | 1,116,475 |
| 2035 - 2040 | - | - | 7,050,000 | 908,750 | 1,570,000 | 118,750 |
| Totals | \$ 7,265,000 | \$ 6,542,180 | \$ 23,840,000 | \$ 19,843,397 | \$ 13,055,000 | \$ 11,084,600 |

| | Combined Housing, Tax Allocation Bonds, Issue of 2009 | | CBD Project, Lease Revenue Refunding Bonds, Issue of 2010 | | Total | |
|---------------|--|----------------------|--|---------------------|-----------------------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 - 2011 | \$ - | \$ 2,388,413 | \$ 115,000 | \$ 319,874 | \$ 5,735,000 | \$ 13,618,435 |
| 2011 - 2012 | 665,000 | 2,375,113 | 120,000 | 290,718 | 6,650,000 | 13,346,202 |
| 2012 - 2013 | 690,000 | 2,348,013 | 120,000 | 286,518 | 6,910,000 | 13,058,333 |
| 2013 - 2014 | 715,000 | 2,319,913 | 125,000 | 281,618 | 7,205,000 | 12,754,957 |
| 2014 - 2015 | 750,000 | 2,288,738 | 130,000 | 276,518 | 7,640,000 | 12,427,743 |
| 2015 - 2020 | 3,235,000 | 10,973,200 | 740,000 | 1,292,094 | 43,745,000 | 56,071,166 |
| 2020 - 2025 | 3,825,000 | 10,032,419 | 950,000 | 1,077,150 | 52,120,000 | 44,030,971 |
| 2025 - 2030 | 4,580,000 | 8,701,625 | 1,235,000 | 778,088 | 53,200,000 | 31,258,453 |
| 2030 - 2035 | 7,670,000 | 6,705,188 | 1,635,000 | 365,653 | 58,095,000 | 16,928,873 |
| 2035 - 2040 | 15,370,000 | 3,012,969 | 385,000 | 11,358 | 28,030,000 | 4,157,457 |
| Totals | \$ 37,500,000 | \$ 51,145,591 | \$ 5,555,000 | \$ 4,979,589 | \$ 269,330,000 | \$ 217,652,590 |

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4: Long-Term Debt (Continued)

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, 2010, the following bond issues are considered defeased.

| <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 1994 | 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 \$94,710,000 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

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4: Long-Term Debt (Continued)

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.

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

IV. OTHER DISCLOSURES

Note 5: Interfund Receivable, Payable and Transfers

Advances To/From Other Funds

Advances to and from other funds related to loans made from Low and Moderate Housing Funds to other accounting funds to assist in accomplishing payments to the Educational Revenue Augmentation Fund during the current and prior fiscal years.

| Funds | <u>Advances to Other Funds</u> Combined Low & Moderate Housing Fund |
|--|--|
| <u>Advances From Other Funds:</u> | |
| CBD Project Area - Project Fund | \$ 97,299 |
| Amargosa Project Area - Tax Increment Fund | 2,435,982 |
| Amargosa Project Area - Project Fund | 1,195,069 |
| Project Area No. 5 - Tax Increment Fund | 3,044,978 |
| Project Area No. 6 - Tax Increment Fund | 4,871,964 |
| Project Area No. 6 - Project Fund | 3,366,122 |
| Project Area No. 7 - Project Fund | 1,874,476 |
| Nonmajor Governmental Funds | <u>3,818,420</u> |
| Total | <u>\$ 20,704,310</u> |

Interfund Transfers

Interfund transfers are done to accomplish the required set-aside to Low and Moderate Income Housing, 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 | <u>Transfers Out</u> | | | | | | Total |
|---|--|---|---|--|--|-----------------------------------|----------------------|
| | Combined Low & Moderate Housing Fund | Project Area No. 6 - Project Fund | Amargosa Project Area - Tax Increment Fund | Project Area No. 5 - Tax Increment Fund | Project Area No. 6 - Tax Increment Fund | Nonmajor Governmental Funds | |
| <u>Transfers In</u> | | | | | | | |
| Combined Low and Moderate Housing Fund | \$ - | \$ - | \$ 3,016,526 | \$ 3,125,574 | \$ 5,171,942 | \$ 1,926,947 | \$ 13,240,989 |
| Project Area No. 6 - Project Fund | - | - | - | - | - | 598,644 | 598,644 |
| Amargosa Project Area - Bond Fund | - | - | 1,944,614 | - | - | 6,044,964 | 7,989,578 |
| Project Area No. 5 - Tax Increment Fund | - | - | - | - | - | 1,298,885 | 1,298,885 |
| Nonmajor Governmental Funds | <u>10,742,436</u> | <u>27,453,469</u> | <u>3,145,623</u> | <u>2,218,095</u> | <u>3,658,997</u> | <u>3,003,254</u> | <u>50,221,874</u> |
| Total | <u>\$ 10,742,436</u> | <u>\$ 27,453,469</u> | <u>\$ 8,106,763</u> | <u>\$ 5,343,669</u> | <u>\$ 8,830,939</u> | <u>\$ 12,872,694</u> | <u>\$ 73,349,970</u> |

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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, 2010, the following funds owed amounts to these entities:

| <u>Debt Service - Tax Increment Funds</u> | |
|--|---------------------|
| Residential Project Area | \$ 221,875 |
| Central Business District Project Area | 14,382 |
| Fox Field Project Area | 56,816 |
| Amargosa Project Area | 526,914 |
| Project Area 5 | 1,565,004 |
| Project Area 6 | 2,247,462 |
| Project Area 7 | 84,005 |
| Total | <u>\$ 4,716,458</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 and fund balances in the amount of \$2,005,908 for the following situations.

Capital Projects Funds

| | |
|---|----------------------------|
| Rehabilitation loan transactions coded to revenue and expenditures in prior years | \$ 2,009,887 |
| Other correction of prior year revenue and expenditures | <u>(4,127)</u> |
| Total adjustments to opening fund balance | <u>\$ 2,005,760</u> |

Note 8: Transactions with the State of California

SERAF Shift for fiscal year 2009-2010 and 2010-2011

On July 23, 2009, the State adopted legislation, requiring a shift of monies during fiscal years 2009-2010 and 2010-2011 to be deposited into the County "Supplemental" Educational Revenue Augmentation Fund (SERAF). These monies were to be distributed to meet the State's Prop 98 obligations to schools. The California Redevelopment Association (CRA) and its member agencies filed a legal action in an attempt to stop these amounts from having to be paid; however, in May 2010, the Sacramento Superior Court upheld the legislation. This decision is in the process of being appealed by CRA and its member agencies. Additionally, the question as to the ability of the State to take resources for these purposes will be considered by the voters in November 2010.

The payment of the SERAF was due on May 10, 2010, for fiscal year 2009-2010 and it was made in the amount of \$17,479,910. The legislation allowed this payment to be made from any available monies present in any project areas. Subsequent legislation was passed which even allowed the funding for this payment to be borrowed from the Low and Moderate Income Housing Fund with appropriate findings from its legislative body. Any amounts borrowed from Low and Moderate Income Housing (including any suspended set-aside amounts) are to be repaid by June 30, 2015. If those amounts are not repaid, by that date,

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 8: Transactions with the State of California (Continued)

then the set-aside percentage to Low and Moderate Income Housing will increase from 20% to 25% for the remainder of the life of the Agency.

To accomplish the payment, the Agency borrowed \$12,179,911 from its Combined Low and Moderate Income Housing Fund.

It is estimated that the Agency's share of the SERAF shift for fiscal year 2010-2011 will amount to approximately \$3,595,595 and this amount will be payable in May 2011, if the appeal is not successful.

LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET

ALL GOVERNMENTAL FUNDS

JUNE 30, 2010

| | <u>Capital Projects General Agency Fund</u> | <u>Capital Projects Combined Housing Fund</u> | <u>Debt Service Combined Housing Fund</u> |
|---|---|---|---|
| ASSETS | | | |
| Cash and investments | \$ 13,118 | \$ 29,107,179 | \$ - |
| Cash and investments with trustee | - | - | 4,017,614 |
| Receivables: | | | |
| Tax increment | - | - | - |
| Accounts | 202,437 | 1,082 | - |
| Interest | - | 17,636 | - |
| Loans | - | 2,034,367 | - |
| Due from City | - | 389,196 | - |
| Restricted cash | - | - | - |
| Advances to other funds | - | 20,704,310 | - |
| Land held for resale | 4,293 | 57,971,089 | - |
| Allowance for decline in value | - | - | - |
| Total Assets | <u>\$ 219,848</u> | <u>\$ 110,224,859</u> | <u>\$ 4,017,614</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 286,553 | \$ 4,715 | \$ - |
| Deposits from others | - | 31,352 | - |
| Due to other governments | - | - | - |
| Deferred revenue | - | - | - |
| Advances from Low and Moderate Housing Funds | - | - | - |
| Total Liabilities | <u>286,553</u> | <u>36,067</u> | <u>-</u> |
| Fund Balances: | | | |
| Reserved: | | | |
| Encumbrances | 124,587 | 13,074 | - |
| Land held for resale | 4,293 | 57,971,089 | - |
| Long-term receivables | - | 2,034,367 | - |
| Unreserved: | | | |
| Designated: | | | |
| Debt service | - | - | 4,017,614 |
| Continuing projects | - | 50,170,262 | - |
| Undesignated | (195,585) | - | - |
| Total Fund Balances | <u>(66,705)</u> | <u>110,188,792</u> | <u>4,017,614</u> |
| Total Liabilities and Fund Balances | <u>\$ 219,848</u> | <u>\$ 110,224,859</u> | <u>\$ 4,017,614</u> |

LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET

ALL GOVERNMENTAL FUNDS

JUNE 30, 2010

| | Residential Project Area | | | Central Business District Project Area | | |
|--|--------------------------|---------------------|-------------------|--|-------------------|---------------------|
| | Debt Service | Debt Service | Capital Projects | Debt Service | Debt Service | Capital Projects |
| | | Tax | | | Tax | |
| | Tax Increment | Revenue Bonds | Project | Tax Increment | Revenue Bonds | Project |
| ASSETS | | | | | | |
| Cash and investments | \$ - | \$ - | \$ 101,190 | \$ - | \$ - | \$ - |
| Cash and investments with trustee | - | 1,585,647 | 119,188 | - | 777,208 | - |
| Receivables: | | | | | | |
| Tax increment | 366,966 | - | - | 29,058 | - | - |
| Accounts | - | - | - | - | - | - |
| Interest | 16 | - | - | - | - | - |
| Loans | - | - | - | - | - | 171,212 |
| Due from City | - | - | - | - | - | - |
| Restricted cash | 6,473 | - | - | - | - | - |
| Advances to other funds | - | - | - | - | - | - |
| Land held for resale | - | - | - | - | - | 1,559,574 |
| Allowance for decline in value | - | - | - | - | - | - |
| Total Assets | \$ 373,455 | \$ 1,585,647 | \$ 220,378 | \$ 29,058 | \$ 777,208 | \$ 1,730,786 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 14,538 |
| Deposits from others | - | - | - | - | - | - |
| Due to other governments | 221,875 | - | - | 14,382 | - | - |
| Deferred revenue | - | - | - | - | - | 171,212 |
| Advances from Low and Moderate Housing Funds | 852,595 | - | 522,814 | 243,598 | - | 97,299 |
| Total Liabilities | 1,074,470 | - | 522,814 | 257,980 | - | 283,049 |
| Fund Balances: | | | | | | |
| Reserved: | | | | | | |
| Encumbrances | - | - | - | - | - | - |
| Land held for resale | - | - | - | - | - | 1,559,574 |
| Long-term receivables | - | - | - | - | - | - |
| Unreserved: | | | | | | |
| Designated: | | | | | | |
| Debt service | - | 1,585,647 | - | - | 777,208 | - |
| Continuing projects | - | - | - | - | - | - |
| Undesignated | (701,015) | - | (302,436) | (228,922) | - | (111,837) |
| Total Fund Balances | (701,015) | 1,585,647 | (302,436) | (228,922) | 777,208 | 1,447,737 |
| Total Liabilities and Fund Balances | \$ 373,455 | \$ 1,585,647 | \$ 220,378 | \$ 29,058 | \$ 777,208 | \$ 1,730,786 |

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2010**

| | Fox Field Project Area | | | Amargosa Project Area | | |
|--|------------------------|-------------------|---------------------|-----------------------|---------------------|----------------------|
| | Debt Service | Debt Service | Capital Projects | Debt Service | Debt Service | Capital Projects |
| | Tax | Tax | | Tax | Tax | |
| | Increment | Revenue Bonds | Project | Increment | Revenue Bonds | Project |
| ASSETS | | | | | | |
| Cash and investments | \$ - | \$ - | \$ 265,527 | \$ - | \$ - | \$ 1,707,283 |
| Cash and investments with trustee | - | 311,696 | 310,461 | - | 3,084,020 | 1,998,632 |
| Receivables: | | | | | | |
| Tax increment | 102,005 | - | - | 862,157 | - | - |
| Accounts | - | - | 27,931 | - | - | 21,096 |
| Interest | - | - | - | 37 | - | - |
| Loans | - | - | - | - | - | 4,052,455 |
| Due from City | - | - | - | - | - | - |
| Restricted cash | - | - | - | 15,174 | - | - |
| Advances to other funds | - | - | - | - | - | - |
| Land held for resale | - | - | 911,552 | - | - | 9,294,035 |
| Allowance for decline in value | - | - | - | - | - | - |
| Total Assets | \$ 102,005 | \$ 311,696 | \$ 1,515,471 | \$ 877,368 | \$ 3,084,020 | \$ 17,073,501 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 29,997 |
| Deposits from others | - | - | 21,913 | - | - | - |
| Due to other governments | 56,816 | - | - | 526,914 | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Advances from Low and Moderate Housing Funds | 243,598 | - | 143,090 | 2,435,982 | - | 1,195,069 |
| Total Liabilities | 300,414 | - | 165,003 | 2,962,896 | - | 1,225,066 |
| Fund Balances: | | | | | | |
| Reserved: | | | | | | |
| Encumbrances | - | - | - | - | - | - |
| Land held for resale | - | - | 911,552 | - | - | 9,294,035 |
| Long-term receivables | - | - | - | - | - | 4,052,455 |
| Unreserved: | | | | | | |
| Designated: | | | | | | |
| Debt service | - | 311,696 | - | - | 3,084,020 | - |
| Continuing projects | - | - | 438,916 | - | - | 2,501,945 |
| Undesignated | (198,409) | - | - | (2,085,528) | - | - |
| Total Fund Balances | (198,409) | 311,696 | 1,350,468 | (2,085,528) | 3,084,020 | 15,848,435 |
| Total Liabilities and Fund Balances | \$ 102,005 | \$ 311,696 | \$ 1,515,471 | \$ 877,368 | \$ 3,084,020 | \$ 17,073,501 |

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2010**

| | Project Area 5 | | | Project Area 6 | | |
|--|---------------------|--------------------------------|---------------------|----------------------------|--------------------------------|----------------------|
| | Debt Service | Debt Service Tax Revenue Bonds | Capital Projects | Debt Service Tax Increment | Debt Service Tax Revenue Bonds | Capital Projects |
| | | | | | | |
| ASSETS | | | | | | |
| Cash and investments | \$ - | \$ - | \$ 1,133,684 | \$ 4,199,076 | \$ - | \$ 4,738,818 |
| Cash and investments with trustee | - | 4,700,255 | 1,483,921 | - | 6,667,584 | 6,382,420 |
| Receivables: | | | | | | |
| Tax increment | 1,199,795 | - | - | 2,204,087 | - | - |
| Accounts | - | - | 11,194 | - | - | - |
| Interest | 185 | - | 743 | 275 | - | 142,155 |
| Loans | - | - | - | - | - | - |
| Due from City | - | - | - | - | - | - |
| Restricted cash | 83,409 | - | - | 130,882 | - | - |
| Advances to other funds | - | - | - | - | - | - |
| Land held for resale | - | - | 1,211,322 | - | - | 989,220 |
| Allowance for decline in value | - | - | (759,408) | - | - | - |
| Total Assets | \$ 1,283,389 | \$ 4,700,255 | \$ 3,081,456 | \$ 6,534,320 | \$ 6,667,584 | \$ 12,252,613 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deposits from others | - | - | - | - | - | - |
| Due to other governments | 1,565,004 | - | - | 2,247,462 | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Advances from Low and Moderate Housing Funds | 3,044,978 | - | 1,325,529 | 4,871,964 | - | 3,366,122 |
| Total Liabilities | 4,609,982 | - | 1,325,529 | 7,119,426 | - | 3,366,122 |
| Fund Balances: | | | | | | |
| Reserved: | | | | | | |
| Encumbrances | - | - | - | - | - | - |
| Land held for resale | - | - | 451,914 | - | - | 989,220 |
| Long-term receivables | - | - | - | - | - | - |
| Unreserved: | | | | | | |
| Designated: | | | | | | |
| Debt service | - | 4,700,255 | - | - | 6,667,584 | - |
| Continuing projects | - | - | 1,304,013 | - | - | 7,897,271 |
| Undesignated | (3,326,593) | - | - | (585,106) | - | - |
| Total Fund Balances | (3,326,593) | 4,700,255 | 1,755,927 | (585,106) | 6,667,584 | 8,886,491 |
| Total Liabilities and Fund Balances | \$ 1,283,389 | \$ 4,700,255 | \$ 3,081,456 | \$ 6,534,320 | \$ 6,667,584 | \$ 12,252,613 |

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA BALANCE SHEET
ALL GOVERNMENTAL FUNDS
JUNE 30, 2010**

| | <u>Project Area 7</u> | | | TOTALS | |
|---|--------------------------|----------------------------------|-----------------------------|-----------------------------------|---------------------------------------|
| | <u>Debt Service</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Debt Service Funds</u> | <u>Capital Projects Funds</u> |
| | <u>Tax Increment</u> | <u>Tax Revenue Bonds</u> | <u>Project</u> | | |
| ASSETS | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ 4,199,076 | \$ 37,066,799 |
| Cash and investments with trustee | - | 142,101 | - | 21,286,125 | 10,294,622 |
| Receivables: | | | | | |
| Tax increment | 145,222 | - | - | 4,909,290 | - |
| Accounts | - | - | - | - | 263,740 |
| Interest | 15 | - | - | 528 | 160,534 |
| Loans | - | - | - | - | 6,258,034 |
| Due from City | - | - | - | - | 389,196 |
| Restricted cash | 6,009 | - | - | 241,947 | - |
| Advances to other funds | - | - | - | - | 20,704,310 |
| Land held for resale | - | - | - | - | 71,941,085 |
| Allowance for decline in value | - | - | - | - | (759,408) |
| Total Assets | <u>\$ 151,246</u> | <u>\$ 142,101</u> | <u>\$ -</u> | <u>\$ 30,636,966</u> | <u>\$ 146,318,912</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 335,803 |
| Deposits from others | - | - | - | - | 53,265 |
| Due to other governments | 84,005 | - | - | 4,716,458 | - |
| Deferred revenue | - | - | - | - | 171,212 |
| Advances from Low and Moderate Housing Funds | 487,196 | - | 1,874,476 | 12,179,911 | 8,524,399 |
| Total Liabilities | <u>571,201</u> | <u>-</u> | <u>1,874,476</u> | <u>16,896,369</u> | <u>9,084,679</u> |
| Fund Balances: | | | | | |
| Reserved: | | | | | |
| Encumbrances | - | - | - | - | 137,661 |
| Land held for resale | - | - | - | - | 71,181,677 |
| Long-term receivables | - | - | - | - | 6,086,822 |
| Unreserved: | | | | | |
| Designated: | | | | | |
| Debt service | - | 142,101 | - | 21,286,125 | - |
| Continuing projects | - | - | - | - | 62,312,407 |
| Undesignated | (419,955) | - | (1,874,476) | (7,545,528) | (2,484,334) |
| Total Fund Balances | <u>(419,955)</u> | <u>142,101</u> | <u>(1,874,476)</u> | <u>13,740,597</u> | <u>137,234,233</u> |
| Total Liabilities and Fund Balances | <u>\$ 151,246</u> | <u>\$ 142,101</u> | <u>\$ -</u> | <u>\$ 30,636,966</u> | <u>\$ 146,318,912</u> |

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LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Capital Projects General Agency Fund</u> | <u>Capital Projects Combined Housing Fund</u> | <u>Debt Service Combined Housing Fund</u> |
|---|---|---|---|
| Revenues: | | | |
| Taxes and Assessments: | | | |
| Tax increment | \$ - | \$ - | \$ - |
| Use of Money and Property: | | | |
| Interest income | - | 100,213 | 8,979 |
| Rental income | - | 1,011,766 | - |
| Lease income | - | 41,180 | - |
| Intergovernmental: | | | |
| Contributions from other governments | - | - | - |
| Other revenue: | | | |
| Miscellaneous | - | 21,738 | - |
| Total Revenues | <u>-</u> | <u>1,174,897</u> | <u>8,979</u> |
| Expenditures: | | | |
| Current: | | | |
| General Government: | | | |
| Administrative costs | - | 2,599,593 | - |
| Professional services | - | 249,780 | - |
| Planning, survey and design | - | 395,818 | - |
| Community Development: | | | |
| Real estate acquisitions | - | 3,177,642 | - |
| Operation of acquired property | - | 648,169 | - |
| Site clearance costs | - | 366,576 | - |
| Rehabilitation costs | - | 28,355 | - |
| Rehabilitation grants | - | 60,196 | - |
| Subsidy to low and moderate housing | - | 73,489 | - |
| Capital Outlay: | | | |
| Project improvement costs | - | 358,253 | - |
| Debt Service: | | | |
| Debt issuance costs | - | 204,862 | - |
| Interest expense | - | - | 981,903 |
| Long-term debt repayments | - | - | - |
| Other Expenditures: | | | |
| Bond call premium | - | - | - |
| Total Expenditures | <u>-</u> | <u>8,162,733</u> | <u>981,903</u> |
| Excess of Revenues over (under) Expenditures | <u>\$ -</u> | <u>\$ (6,987,836)</u> | <u>\$ (972,924)</u> |

LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Capital Projects General Agency Fund</u> | <u>Capital Projects Combined Housing Fund</u> | <u>Debt Service Combined Housing Fund</u> |
|--|---|---|---|
| Other Financing Sources (Uses) | | | |
| Transfers in | \$ - | \$ - | \$ 4,990,538 |
| Transfers out | - | (10,742,436) | - |
| Housing set-aside transfers in | - | 13,240,989 | - |
| Housing set-aside transfers out | - | - | - |
| Long-term debt issued | - | 37,500,000 | - |
| Pass through agreement payments | - | - | - |
| Developer participation | - | - | - |
| Gain (Loss) on sale of land held | - | 52,412 | - |
| Payment to Educational Revenue Augmentation Fund | - | - | - |
| Bond issuance discounts | - | (764,979) | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>39,285,986</u> | <u>4,990,538</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | <u>\$ -</u> | <u>\$ 32,298,150</u> | <u>\$ 4,017,614</u> |
| Fund Balances | | | |
| Beginning of Year, as previously reported | \$ (62,578) | \$ 77,890,642 | \$ - |
| Restatements | (4,127) | - | - |
| Beginning of Year, as restated | (66,705) | 77,890,642 | - |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | - | 32,298,150 | 4,017,614 |
| End of Year | <u>\$ (66,705)</u> | <u>\$ 110,188,792</u> | <u>\$ 4,017,614</u> |

LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2010

| | Residential Project Area | | | Central Business District Project Area | | |
|---|--------------------------|--------------------------------|---------------------|--|--------------------------------|-----------------------|
| | Debt Service | Debt Service Tax Revenue Bonds | Capital Projects | Debt Service Tax Increment | Debt Service Tax Revenue Bonds | Capital Projects |
| Revenues: | | | | | | |
| Taxes and Assessments: | | | | | | |
| Tax increment | \$ 4,310,692 | \$ - | \$ - | \$ 1,073,000 | \$ - | \$ - |
| Use of Money and Property: | | | | | | |
| Interest income | - | 56,125 | 230 | - | 6,823 | - |
| Rental income | - | - | - | - | - | 8,644 |
| Lease income | - | - | - | - | - | - |
| Intergovernmental: | | | | | | |
| Contributions from other governments | 25,779 | 291,960 | - | 35,714 | 69,874 | - |
| Other revenue: | | | | | | |
| Miscellaneous | - | - | 83,758 | - | - | 19,183 |
| Total Revenues | 4,336,471 | 348,085 | 83,988 | 1,108,714 | 76,697 | 27,827 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Administrative costs | 43,255 | - | 305,761 | 12,315 | - | 305,761 |
| Professional services | - | - | - | - | - | 100,366 |
| Planning, survey and design | - | - | - | - | - | - |
| Community Development: | | | | | | |
| Real estate acquisitions | - | - | - | - | - | - |
| Operation of acquired property | - | - | - | - | - | - |
| Site clearance costs | - | - | - | - | - | - |
| Rehabilitation costs | - | - | - | - | - | - |
| Rehabilitation grants | - | - | - | - | - | - |
| Subsidy to low and moderate housing | - | - | - | - | - | - |
| Capital Outlay: | | | | | | |
| Project improvement costs | - | - | - | - | - | 3,482,321 |
| Debt Service: | | | | | | |
| Debt issuance costs | - | - | - | 108,650 | - | - |
| Interest expense | - | 996,831 | 14,305 | - | 184,582 | 152,778 |
| Long-term debt repayments | - | 500,406 | - | - | 412,762 | - |
| Other Expenditures: | | | | | | |
| Bond call premium | - | - | - | - | - | - |
| Total Expenditures | 43,255 | 1,497,237 | 320,066 | 120,965 | 597,344 | 4,041,226 |
| Excess of Revenues over (under) Expenditures | \$ 4,293,216 | \$ (1,149,152) | \$ (236,078) | \$ 987,749 | \$ (520,647) | \$ (4,013,399) |

LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2010

| | Residential Project Area | | | Central Business District Project Area | | |
|--|------------------------------|----------------------------|----------------------------|--|--------------------------|----------------------------|
| | Debt Service | Debt Service | Capital Projects | Debt Service | Debt Service | Capital Projects |
| | Tax Increment | Tax Revenue Bonds | Project | Tax Increment | Tax Revenue Bonds | Project |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | \$ - | \$ 1,147,336 | \$ 600,858 | \$ 832,322 | \$ 642,359 | \$ 9,253,106 |
| Transfers out | (1,052,414) | - | - | (5,450,806) | - | (832,322) |
| Housing set-aside transfers in | - | - | - | - | - | - |
| Housing set-aside transfers out | (862,139) | - | - | (214,600) | - | - |
| Long-term debt issued | - | - | 14,305 | 5,555,000 | - | 152,778 |
| Pass through agreement payments | (2,779,308) | - | - | (833,132) | - | - |
| Developer participation | - | - | - | - | - | 9,259 |
| Gain (Loss) on sale of land held | - | - | - | - | - | - |
| Payment to Educational Revenue Augmentation Fund | (1,223,594) | - | - | (349,598) | - | - |
| Bond issuance discounts | - | - | - | (129,083) | - | - |
| Total Other Financing Sources (Uses) | (5,917,455) | 1,147,336 | 615,163 | (589,897) | 642,359 | 8,582,821 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | <u>\$ (1,624,239)</u> | <u>\$ (1,816)</u> | <u>\$ 379,085</u> | <u>\$ 397,852</u> | <u>\$ 121,712</u> | <u>\$ 4,569,422</u> |
| Fund Balances | | | | | | |
| Beginning of Year, as previously reported | \$ 923,224 | \$ 1,587,463 | \$ (681,521) | \$ (626,774) | \$ 655,496 | \$ (3,121,685) |
| Restatements | - | - | - | - | - | - |
| Beginning of Year, as restated | 923,224 | 1,587,463 | (681,521) | (626,774) | 655,496 | (3,121,685) |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | (1,624,239) | (1,816) | 379,085 | 397,852 | 121,712 | 4,569,422 |
| End of Year | <u>\$ (701,015)</u> | <u>\$ 1,585,647</u> | <u>\$ (302,436)</u> | <u>\$ (228,922)</u> | <u>\$ 777,208</u> | <u>\$ 1,447,737</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, 2010**

| | Fox Field Project Area | | | Amargosa Project Area | | |
|---|------------------------|--------------------------------|---------------------|----------------------------|--------------------------------|-----------------------|
| | Debt Service | Debt Service Tax Revenue Bonds | Capital Projects | Debt Service Tax Increment | Debt Service Tax Revenue Bonds | Capital Projects |
| | | | | | | |
| Revenues: | | | | | | |
| Taxes and Assessments: | | | | | | |
| Tax increment | \$ 2,113,263 | \$ - | \$ - | \$ 15,082,632 | \$ - | \$ - |
| Use of Money and Property: | | | | | | |
| Interest income | - | 12,603 | 599 | - | 136,337 | 3,856 |
| Rental income | - | - | - | - | - | 309,936 |
| Lease income | - | - | - | - | - | 92,662 |
| Intergovernmental: | | | | | | |
| Contributions from other governments | 49,305 | 52,966 | - | 84,927 | 485,893 | - |
| Other revenue: | | | | | | |
| Miscellaneous | - | - | 15,883 | - | - | 253,985 |
| Total Revenues | 2,162,568 | 65,569 | 16,482 | 15,167,559 | 622,230 | 660,439 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Administrative costs | 19,547 | - | 305,761 | 152,211 | - | 305,761 |
| Professional services | - | - | 4,536 | - | - | 10,845 |
| Planning, survey and design | - | - | - | - | - | - |
| Community Development: | | | | | | |
| Real estate acquisitions | - | - | - | - | - | - |
| Operation of acquired property | - | - | 22,707 | - | - | 65,701 |
| Site clearance costs | - | - | - | - | - | - |
| Rehabilitation costs | - | - | - | - | - | - |
| Rehabilitation grants | - | - | - | - | - | - |
| Subsidy to low and moderate housing | - | - | - | - | - | - |
| Capital Outlay: | | | | | | |
| Project improvement costs | - | - | 268,024 | - | - | 1,640,682 |
| Debt Service: | | | | | | |
| Debt issuance costs | - | - | - | - | - | - |
| Interest expense | - | 242,789 | 69,054 | - | 2,470,339 | 529,160 |
| Long-term debt repayments | - | 126,861 | 158,267 | - | 7,711,374 | - |
| Other Expenditures: | | | | | | |
| Bond call premium | - | - | - | - | 74,750 | - |
| Total Expenditures | 19,547 | 369,650 | 828,349 | 152,211 | 10,256,463 | 2,552,149 |
| Excess of Revenues over (under) Expenditures | \$ 2,143,021 | \$ (304,081) | \$ (811,867) | \$ 15,015,348 | \$ (9,634,233) | \$ (1,891,710) |

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, 2010**

| | Fox Field Project Area | | | Amargosa Project Area | | |
|--|----------------------------|--------------------------------|----------------------------|------------------------------|--------------------------------|----------------------------|
| | Debt Service | Debt Service Tax Revenue Bonds | Capital Projects | Debt Service Tax Increment | Debt Service Tax Revenue Bonds | Capital Projects |
| | | | Project | | | Project |
| | | | | | | |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | \$ - | \$ 303,809 | \$ 3,610,679 | \$ - | \$ 7,989,578 | \$14,152,650 |
| Transfers out | (263,975) | - | - | (5,090,237) | - | - |
| Housing set-aside transfers in | - | - | - | - | - | - |
| Housing set-aside transfers out | (422,653) | - | - | (3,016,526) | - | - |
| Long-term debt issued | - | - | 69,054 | - | - | 529,160 |
| Pass through agreement payments | (1,321,876) | - | - | (9,511,441) | - | - |
| Developer participation | - | - | 146,102 | - | - | 258,893 |
| Gain (Loss) on sale of land held | - | - | - | - | - | - |
| Payment to Educational Revenue Augmentation Fund | (349,598) | - | - | (3,495,982) | - | - |
| Bond issuance discounts | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>(2,358,102)</u> | <u>303,809</u> | <u>3,825,835</u> | <u>(21,114,186)</u> | <u>7,989,578</u> | <u>14,940,703</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | <u>\$ (215,081)</u> | <u>\$ (272)</u> | <u>\$ 3,013,968</u> | <u>\$ (6,098,838)</u> | <u>\$ (1,644,655)</u> | <u>\$13,048,993</u> |
| Fund Balances | | | | | | |
| Beginning of Year, as previously reported | \$ 16,672 | \$ 311,968 | \$ (1,663,500) | \$ 4,013,310 | \$ 4,728,675 | \$ 789,555 |
| Restatements | - | - | - | - | - | 2,009,887 |
| Beginning of Year, as restated | 16,672 | 311,968 | (1,663,500) | 4,013,310 | 4,728,675 | 2,799,442 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | <u>(215,081)</u> | <u>(272)</u> | <u>3,013,968</u> | <u>(6,098,838)</u> | <u>(1,644,655)</u> | <u>13,048,993</u> |
| End of Year | <u>\$ (198,409)</u> | <u>\$ 311,696</u> | <u>\$ 1,350,468</u> | <u>\$ (2,085,528)</u> | <u>\$ 3,084,020</u> | <u>\$15,848,435</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, 2010**

| | Project Area 5 | | | Project Area 6 | | |
|---|----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| | Debt Service | Debt Service | Capital Projects | Debt Service | Debt Service | Capital Projects |
| | Tax Increment | Tax Revenue Bonds | Project | Tax Increment | Tax Revenue Bonds | Project |
| Revenues: | | | | | | |
| Taxes and Assessments: | | | | | | |
| Tax increment | \$ 15,627,868 | \$ - | \$ - | \$ 25,859,711 | \$ - | \$ - |
| Use of Money and Property: | | | | | | |
| Interest income | - | 162,941 | 5,901 | 1 | 214,503 | 558,751 |
| Rental income | - | - | - | - | - | - |
| Lease income | - | - | - | - | - | - |
| Intergovernmental: | | | | | | |
| Contributions from other governments | 98,366 | 731,903 | - | 764,867 | 792,176 | - |
| Other revenue: | | | | | | |
| Miscellaneous | - | - | 15,882 | - | - | 15,882 |
| Total Revenues | 15,726,234 | 894,844 | 21,783 | 26,624,579 | 1,006,679 | 574,633 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Administrative costs | 166,591 | - | 305,761 | 265,728 | - | 305,761 |
| Professional services | - | - | - | - | - | - |
| Planning, survey and design | - | - | - | - | - | - |
| Community Development: | | | | | | |
| Real estate acquisitions | - | - | - | - | - | 1,733 |
| Operation of acquired property | - | - | - | - | - | - |
| Site clearance costs | - | - | - | - | - | - |
| Rehabilitation costs | - | - | - | - | - | - |
| Rehabilitation grants | - | - | - | - | - | - |
| Subsidy to low and moderate housing | - | - | - | - | - | - |
| Capital Outlay: | | | | | | |
| Project improvement costs | - | - | 816,728 | - | - | 2,967,465 |
| Debt Service: | | | | | | |
| Debt issuance costs | - | - | - | - | - | - |
| Interest expense | - | 3,023,127 | 43,569 | - | 4,392,121 | 31,156 |
| Long-term debt repayments | - | 1,376,080 | - | - | 2,027,479 | - |
| Other Expenditures: | | | | | | |
| Bond call premium | - | - | - | - | - | - |
| Total Expenditures | 166,591 | 4,399,207 | 1,166,058 | 265,728 | 6,419,600 | 3,306,115 |
| Excess of Revenues over (under) Expenditures | \$ 15,559,643 | \$ (3,504,363) | \$ (1,144,275) | \$ 26,358,851 | \$ (5,412,921) | \$ (2,731,482) |

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, 2010**

| | Project Area 5 | | | Project Area 6 | | |
|--|------------------------------|----------------------------|------------------------------|------------------------------|----------------------------|-------------------------------|
| | Debt Service | Debt Service | Capital Projects | Debt Service | Debt Service | Capital Projects |
| | Tax Increment | Tax Revenue Bonds | Project | Tax Increment | Tax Revenue Bonds | Project |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | \$ 1,298,885 | \$ 3,499,868 | \$ - | \$ - | \$ 5,410,118 | \$ 598,644 |
| Transfers out | (2,218,095) | - | (1,298,885) | (3,658,997) | - | (27,453,469) |
| Housing set-aside transfers in | - | - | - | - | - | - |
| Housing set-aside transfers out | (3,125,574) | - | - | (5,171,942) | - | - |
| Long-term debt issued | - | - | 43,569 | - | - | 31,156 |
| Pass through agreement payments | (10,914,022) | - | - | (18,020,110) | - | - |
| Developer participation | - | - | 13,433 | - | - | - |
| Gain (Loss) on sale of land held | - | - | - | - | - | - |
| Payment to Educational Revenue Augmentation Fund | (4,369,978) | - | - | (6,991,964) | - | - |
| Bond issuance discounts | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>(19,328,784)</u> | <u>3,499,868</u> | <u>(1,241,883)</u> | <u>(33,843,013)</u> | <u>5,410,118</u> | <u>(26,823,669)</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | <u>\$ (3,769,141)</u> | <u>\$ (4,495)</u> | <u>\$ (2,386,158)</u> | <u>\$ (7,484,162)</u> | <u>\$ (2,803)</u> | <u>\$ (29,555,151)</u> |
| Fund Balances | | | | | | |
| Beginning of Year, as previously reported | \$ 442,548 | \$ 4,704,750 | \$ 4,142,085 | \$ 6,899,056 | \$ 6,670,387 | \$ 38,441,642 |
| Restatements | - | - | - | - | - | - |
| Beginning of Year, as restated | 442,548 | 4,704,750 | 4,142,085 | 6,899,056 | 6,670,387 | 38,441,642 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | <u>(3,769,141)</u> | <u>(4,495)</u> | <u>(2,386,158)</u> | <u>(7,484,162)</u> | <u>(2,803)</u> | <u>(29,555,151)</u> |
| End of Year | <u>\$ (3,326,593)</u> | <u>\$ 4,700,255</u> | <u>\$ 1,755,927</u> | <u>\$ (585,106)</u> | <u>\$ 6,667,584</u> | <u>\$ 8,886,491</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, 2010**

| | 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 | \$ 2,137,773 | \$ - | \$ - | \$ 66,204,939 | \$ - |
| Use of Money and Property: | | | | | |
| Interest income | - | 5,034 | 1 | 603,346 | 669,551 |
| Rental income | - | - | - | - | 1,330,346 |
| Lease income | - | - | - | - | 133,842 |
| Intergovernmental: | | | | | |
| Contributions from other governments | 46,304 | 29,565 | - | 3,559,599 | - |
| Other revenue: | | | | | |
| Miscellaneous | - | - | 15,882 | - | 442,193 |
| Total Revenues | 2,184,077 | 34,599 | 15,883 | 70,367,884 | 2,575,932 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government: | | | | | |
| Administrative costs | 23,024 | - | 305,760 | 682,671 | 4,739,919 |
| Professional services | - | - | - | - | 365,527 |
| Planning, survey and design | - | - | - | - | 395,818 |
| Community Development: | | | | | |
| Real estate acquisitions | - | - | - | - | 3,179,375 |
| Operation of acquired property | - | - | - | - | 736,577 |
| Site clearance costs | - | - | - | - | 366,576 |
| Rehabilitation costs | - | - | - | - | 28,355 |
| Rehabilitation grants | - | - | - | - | 60,196 |
| Subsidy to low and moderate housing | - | - | - | - | 73,489 |
| Capital Outlay: | | | | | |
| Project improvement costs | - | - | 24,200 | - | 9,557,673 |
| Debt Service: | | | | | |
| Debt issuance costs | - | - | - | 108,650 | 204,862 |
| Interest expense | - | 114,073 | 4,331 | 12,405,765 | 844,353 |
| Long-term debt repayments | - | 55,038 | - | 12,210,000 | 158,267 |
| Other Expenditures: | | | | | |
| Bond call premium | - | - | - | 74,750 | - |
| Total Expenditures | 23,024 | 169,111 | 334,291 | 25,481,836 | 20,710,987 |
| Excess of Revenues over (under) Expenditures | \$ 2,161,053 | \$ (134,512) | \$ (318,408) | \$ 44,886,048 | \$ (18,135,055) |

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, 2010**

| | 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 | \$ - | \$ 134,212 | \$ 5,644,019 | \$ 26,249,025 | \$ 33,859,956 |
| Transfers out | (2,047,345) | - | - | (19,781,869) | (40,327,112) |
| Housing set-aside transfers in | - | - | - | - | 13,240,989 |
| Housing set-aside transfers out | (427,555) | - | - | (13,240,989) | - |
| Long-term debt issued | - | - | 4,331 | 5,555,000 | 38,344,353 |
| Pass through agreement payments | (1,363,251) | - | - | (44,743,140) | - |
| Developer participation | - | - | - | - | 427,687 |
| Gain (Loss) on sale of land held | - | - | - | - | 52,412 |
| Payment to Educational Revenue Augmentation Fund | (699,196) | - | - | (17,479,910) | - |
| Bond issuance discounts | - | - | - | (129,083) | (764,979) |
| Total Other Financing Sources (Uses) | <u>(4,537,347)</u> | <u>134,212</u> | <u>5,648,350</u> | <u>(63,570,966)</u> | <u>44,833,306</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | <u>\$ (2,376,294)</u> | <u>\$ (300)</u> | <u>\$ 5,329,942</u> | <u>\$ (18,684,918)</u> | <u>\$ 26,698,251</u> |
| Fund Balances | | | | | |
| Beginning of Year, as previously reported | \$ 1,956,339 | \$ 142,401 | \$ (7,204,418) | \$ 32,425,515 | \$ 108,530,222 |
| Restatements | - | - | - | - | 2,005,760 |
| Beginning of Year, as restated | 1,956,339 | 142,401 | (7,204,418) | 32,425,515 | 110,535,982 |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | (2,376,294) | (300) | 5,329,942 | (18,684,918) | 26,698,251 |
| End of Year | <u>\$ (419,955)</u> | <u>\$ 142,101</u> | <u>\$ (1,874,476)</u> | <u>\$ 13,740,597</u> | <u>\$ 137,234,233</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, 2009</u> | <u>Low and Moderate Housing Funds - All Project Areas July 1, 2010</u> |
|---|--|--|
| Opening Fund Balance | \$ 77,890,642 | \$ 114,206,406 |
| Less Unavailable Amounts: | | |
| Land held for resale | \$ (48,622,888) | \$ (57,971,089) |
| ERAF loans | (8,524,399) | (20,704,310) |
| Encumbrances (Section 33334.12 (g)(2)) | (3,146) | (13,074) |
| Unspent debt proceeds (Section 33334.12 (g)(3)(B)) | - | (23,000,042) |
| Rehabilitation loans | <u>(1,794,920)</u> | <u>(2,034,367)</u> |
| | <u>(58,945,353)</u> | <u>(103,722,882)</u> |
| Available Low and Moderate Income Housing Funds | 18,945,289 | 10,483,524 |
| Limitation (greater of \$1,000,000 or four years set-aside) | | |
| Set-Aside for last four years: | | |
| 2009 - 2010 | \$ - | \$ 13,240,989 |
| 2008 - 2009 | 16,853,721 | 16,853,721 |
| 2007 - 2008 | 15,675,562 | 15,675,562 |
| 2006 - 2007 | 13,936,255 | 13,936,255 |
| 2005 - 2006 | <u>11,757,421</u> | <u>-</u> |
| Total | <u>\$ 58,222,959</u> | <u>\$ 59,706,527</u> |
| Base Limitation | <u>\$ 1,000,000</u> | <u>\$ 1,000,000</u> |
| Greater amount | <u>58,222,959</u> | <u>59,706,527</u> |
| Computed Excess/Surplus | <u>None</u> | <u>None</u> |