



**LANCASTER REDEVELOPMENT AGENCY
LANCASTER, CALIFORNIA**

FINANCIAL STATEMENTS

JUNE 30, 2011

Lance Soll & Lunghard, LLP

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LANCASTER REDEVELOPMENT AGENCY
LANCASTER, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2011

LANCASTER REDEVELOPMENT AGENCY

JUNE 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS

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- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

INDEPENDENT AUDITOR'S 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, each major fund, and the aggregate remaining fund information of the Lancaster Redevelopment Agency (Agency), a component unit of the City of Lancaster, California, as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2011, 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.

We would like to draw the reader's attention to Note 11 - "Economic Condition". This note provides information on the decline in the financial condition of the Agency due to the decline of the economy. We would also like to draw the reader's attention to Note 12 - "California Redevelopment Agency Uncertainty". The note provides information on two bills passed, AB1X26 and 27 which dissolve redevelopment agencies effective October 1, 2011, and provide an option to avoid dissolution by making certain defined payments.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The combining project area statements and computation of low and moderate income housing funds excess/surplus are presented for purposes of



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

additional analysis and are not a required part of the financial statements. These are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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.

Lance, Soll & Lingham, LLP

Brea, California
December 20, 2011



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE

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

Compliance

We have audited Lancaster Redevelopment Agency's (Agency) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on redevelopment program has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable to the redevelopment program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that



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

there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Lance, Soll & Lughard, LLP

Brea, California
December 20, 2011

LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
 JUNE 30, 2011

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 23,476,966
Receivables:	
Tax increment	\$ 2,737,881
Accounts	333,921
Interest receivable	48,427
Loans	<u>5,136,083</u>
Total Receivables	8,256,312
Due from other governments	542,876
Land held for resale (net)	70,476,955
Deferred charges	6,733,108
Restricted assets:	
Cash and investments	261,087
Cash and investments with trustees	<u>19,926,322</u>
Total Assets	<u>129,673,626</u>
Liabilities:	
Accounts payable and accrued expenses	5,679,931
Due to other governments	5,033,978
Deposits from others	58,272
Long-term liabilities:	
Due within one year	6,650,000
Due in more than one year	<u>334,107,753</u>
Total Long-Term Liabilities	340,757,753
Total Liabilities	<u>351,529,934</u>
Net Assets:	
Restricted for:	
Housing projects	116,673,519
Debt service	19,926,322
Unrestricted	<u>(358,456,149)</u>
Total Net Assets	<u>\$ (221,856,308)</u>

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LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets Governmental Activities	
		Charges for Services	Operating Contributions and Grants		Capital Contributions and Grants
Functions/Programs					
Governmental Activities:					
General government	\$ 5,525,874	\$ -	\$ -	\$ -	\$ (5,525,874)
Community development	13,002,923	232,409	3,261,596	-	(9,508,918)
Interest on long-term debt	14,002,118	-	-	-	(14,002,118)
Contributions to other governments	3,598,804	-	-	-	(3,598,804)
Total Governmental Activities	\$ 36,129,719	\$ 232,409	\$ 3,261,596	\$ -	(32,635,714)
General Revenues:					
Taxes (net of pass-through payments)					18,315,608
Use of money and property					2,920,536
Other					173,527
Total General Revenues					21,409,671
Change in Net Assets					(11,226,043)
Net Assets at Beginning of Year					(218,101,533)
Restatement of Net Assets					7,471,268
Net Assets at End of Year					\$ (221,856,308)

LANCASTER REDEVELOPMENT AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Capital Projects</u>	<u>Debt Service</u>
	<u>Combined Low and Moderate Housing</u>	<u>Central Business District Project Area</u>	<u>Amargosa Project Area</u>	<u>Amargosa Project Area</u>
	<u>Low and Moderate Housing</u>	<u>Project</u>	<u>Project</u>	<u>Tax Increment</u>
Assets:				
Cash and investments	\$ 19,531,177	\$ -	\$ -	\$ -
Cash and investments with trustee	-	-	-	-
Receivables:				
Tax increment	-	-	-	1,151,613
Accounts	10,540	-	21,096	-
Interest receivable	11,599	-	-	946
Loans	2,773,729	167,260	2,195,094	-
Due from Debt Service funds	-	-	-	385,624
Due from other governments	-	-	-	-
Due from City	389,196	-	-	-
Restricted cash	-	-	-	20,548
Advances to other funds	24,303,114	-	-	-
Land held for resale	70,476,955	-	-	-
	<u>\$ 117,496,310</u>	<u>\$ 167,260</u>	<u>\$ 2,216,190</u>	<u>\$ 1,558,731</u>
Total Assets				
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 33,005	\$ 3,705	\$ 31,649	\$ -
Interest payable	-	-	-	-
Deposits from others	33,109	-	-	-
Due to Capital Projects funds	-	-	385,624	-
Due to other governments	-	-	-	767,821
Deferred revenue	756,677	167,260	-	-
Advances from Low and Moderate Housing Funds	-	97,299	1,195,069	3,155,743
Cash overdraft payable	-	7,027,484	2,082,060	-
	<u>822,791</u>	<u>7,295,748</u>	<u>3,694,402</u>	<u>3,923,564</u>
Total Liabilities				
Fund Balances:				
Nonspendable:				
Land held for resale	70,476,955	-	-	-
Long-term receivables	2,017,052	-	2,195,094	-
Advances	24,303,114	-	-	-
Restricted:				
Housing projects	19,876,398	-	-	-
Debt service	-	-	-	-
Assigned:				
Continuing projects	-	-	-	-
Unassigned	-	(7,128,488)	(3,673,306)	(2,364,833)
	<u>116,673,519</u>	<u>(7,128,488)</u>	<u>(1,478,212)</u>	<u>(2,364,833)</u>
Total Fund Balances				
Total Liabilities and Fund Balances				
	<u>\$ 117,496,310</u>	<u>\$ 167,260</u>	<u>\$ 2,216,190</u>	<u>\$ 1,558,731</u>

LANCASTER REDEVELOPMENT AGENCY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>Debt Service</u>	<u>Debt Service</u>		
	<u>Project Area 5</u>	<u>Project Area 6</u>		
	<u>Tax Increment</u>	<u>Tax Increment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and investments	\$ -	\$ 4,470,530	\$ 12,090,741	\$ 36,092,448
Cash and investments with trustee	-	-	19,926,322	19,926,322
Receivables:				
Tax increment	537,717	681,655	366,896	2,737,881
Accounts	-	-	302,285	333,921
Interest receivable	23	10,975	24,884	48,427
Loans	-	-	-	5,136,083
Due from Debt Service funds	-	-	661,511	1,047,135
Due from other governments	104,416	-	49,264	153,680
Due from City	-	-	-	389,196
Restricted cash	-	234,234	6,305	261,087
Advances to other funds	-	-	-	24,303,114
Land held for resale	-	-	-	70,476,955
Total Assets	<u>\$ 642,156</u>	<u>\$ 5,397,394</u>	<u>\$ 33,428,208</u>	<u>\$ 160,906,249</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 673,121	\$ 741,480
Interest payable	-	-	-	-
Deposits from others	-	-	25,163	58,272
Due to Capital Projects funds	-	-	661,511	1,047,135
Due to other governments	1,660,907	2,361,155	244,095	5,033,978
Deferred revenue	-	-	-	923,937
Advances from Low and Moderate Housing Funds	3,944,679	6,311,486	9,598,838	24,303,114
Cash overdraft payable	899,058	-	2,606,880	12,615,482
Total Liabilities	<u>6,504,644</u>	<u>8,672,641</u>	<u>13,809,608</u>	<u>44,723,398</u>
Fund Balances:				
Nonspendable:				
Land held for resale	-	-	-	70,476,955
Long-term receivables	-	-	-	4,212,146
Advances	-	-	-	24,303,114
Restricted:				
Housing projects	-	-	-	19,876,398
Debt service	-	-	19,926,322	19,926,322
Assigned:				
Continuing projects	-	-	6,661,032	6,661,032
Unassigned	(5,862,488)	(3,275,247)	(6,968,754)	(29,273,116)
Total Fund Balances	<u>(5,862,488)</u>	<u>(3,275,247)</u>	<u>19,618,600</u>	<u>116,182,851</u>
Total Liabilities and Fund Balances	<u>\$ 642,156</u>	<u>\$ 5,397,394</u>	<u>\$ 33,428,208</u>	<u>\$ 160,906,249</u>

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LANCASTER REDEVELOPMENT AGENCY

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund balances of governmental funds \$ 116,182,851

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. 923,937

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 6,733,108

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 (263,595,000)

Loans from City (75,253,491)

Unamortized net original issue discounts and (premiums) (5,357,127)

Unamortized net (gain) loss on bonds defeased 3,447,865

Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds. (4,938,451)

Net assets of governmental activities \$ (221,856,308)

LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Capital Projects	Capital Projects	Capital Projects	Debt Service
	Combined Low and Moderate Housing	Central Business District Project Area	Amargosa Project Area	Amargosa Project Area
	Low and Moderate Housing	Project	Project	Tax Increment
Revenues:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 13,925,124
Use of money and property	1,068,064	437,102	116,287	5,914
Intergovernmental	-	-	-	69,659
Other revenue	39,808	27,129	86,531	-
Total Revenues	1,107,872	464,231	202,818	14,000,697
Expenditures:				
Current:				
General government	2,306,419	550,993	588,877	155,728
Community development	1,054,913	97	83,670	-
Capital outlay	4,089,468	5,289,187	1,245,696	-
Debt service	-	2,220,185	16,536,376	-
Total Expenditures	7,450,800	8,060,462	18,454,619	155,728
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,342,928)	(7,596,231)	(18,251,801)	13,844,969
Other Financing Sources (Uses):				
Transfers in	11,079,058	-	-	-
Transfers out	(6,768,461)	-	-	(4,446,351)
Long-term debt issued	-	51,100	68,012	-
Pass-through agreement payments	-	-	-	(8,958,162)
Gain (loss) on sale of land held for resale	226,828	-	-	-
Payment to Supplemental Educational Revenue Augmentation Fund	-	-	-	(719,761)
Total Other Financing Sources (Uses):	4,537,425	51,100	68,012	(14,124,274)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,805,503)	(7,545,131)	(18,183,789)	(279,305)
Fund Balances:				
Beginning of Year, as previously reported	110,188,792	1,447,737	15,848,435	(2,085,528)
Restatements	8,290,230	(1,031,094)	857,142	-
End of Year	\$ 116,673,519	\$ (7,128,488)	\$ (1,478,212)	\$ (2,364,833)

LANCASTER REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Debt Service	Debt Service		
	Project Area 5	Project Area 6		
	Tax Increment	Tax Increment	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes and assessments	\$ 12,412,237	\$ 21,228,163	\$ 7,829,767	\$ 55,395,291
Use of money and property	-	68,685	467,807	2,163,859
Intergovernmental	67,364	562,967	2,561,606	3,261,596
Other revenue	-	-	256,420	409,888
Total Revenues	12,479,601	21,859,815	11,115,600	61,230,634
Expenditures:				
Current:				
General government	139,488	236,454	1,547,915	5,525,874
Community development	-	-	4,129	1,142,809
Capital outlay	-	-	1,456,996	12,081,347
Debt service	-	-	25,663,436	44,419,997
Total Expenditures	139,488	236,454	28,672,476	63,170,027
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,340,113	21,623,361	(17,556,876)	(1,939,393)
Other Financing Sources (Uses):				
Transfers in	-	-	23,219,102	34,298,160
Transfers out	(5,547,170)	(8,015,622)	(9,520,556)	(34,298,160)
Long-term debt issued	-	-	14,288	133,400
Pass-through agreement payments	(8,429,137)	(14,858,358)	(4,834,026)	(37,079,683)
Gain (loss) on sale of land held for resale	-	-	(5,595)	221,233
Payment to Supplemental Educational Revenue Augmentation Fund	(899,701)	(1,439,522)	(539,820)	(3,598,804)
Total Other Financing Sources (Uses):	(14,876,008)	(24,313,502)	8,333,393	(40,323,854)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,535,895)	(2,690,141)	(9,223,483)	(42,263,247)
Fund Balances:				
Beginning of Year, as previously reported	(3,326,593)	(585,106)	29,487,093	150,974,830
Restatements	-	-	(645,010)	7,471,268
End of Year	\$ (5,862,488)	\$ (3,275,247)	\$ 19,618,600	\$ 116,182,851

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, 2011

Net change in fund balances - total governmental funds **\$ (42,263,247)**

Amounts reported for governmental activities in the statement of activities are different 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. 30,666,383

Bond issuance costs is an expenditure in the governmental funds, but it is deferred charges in the statement of net assets:
Amortization for current fiscal year (317,318)

Unamortized premium or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds:
Amortization for current fiscal year 289,602

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. 756,677

Proceeds of debt is revenue in the governmental funds, but these are additions to the statement of net assets. (133,400)

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)

Revenues reported in the governmental funds which were previously deferred and meet the revenue recognition criteria currently and, therefore, are not reported as revenues in the Statement of Activity (3,952)

Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:
Current accrual of interest due on bonds (4,938,451)
Prior year accrual of interest due on bonds 5,011,447

Change in net assets of governmental activities **\$ (11,226,043)**

LANCASTER REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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
Lancaster Power Authority

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, 2011

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.

Central Business District Area - Project Fund

Amargosa Project Area – Project Fund

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

Debt Service Funds:

Amargosa Project Area - Tax Increment Fund

Project Area Number 5 - Tax Increment Fund

Project Area Number 6 - Tax Increment Fund

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

The Tax Increment Funds account for the receipt of property tax increment and the accumulation of resources for 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, 2011

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 nonspendable fund balance for amounts that are not available for appropriation and restricted fund balance for amounts that are legally restricted by outside parties for use for a specific purpose. Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is resolution. Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager and/or Finance Director is authorized to assign amounts to a specific purpose, which was established by the governing body in Resolution 10-11. Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they

LANCASTER REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

are considered to be spent in the order as follows: committed, assigned and then unassigned.

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.

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 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, 2011

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	\$ 23,476,966
Restricted assets:	
Cash and investments	261,087
Cash and investments with fiscal agent	<u>19,926,322</u>
Total Cash and Investments	<u>\$ 43,664,375</u>

The Agency follows the practice of pooling cash and investments with the City of Lancaster for all funds. Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the average monthly invested cash balance in each participating fund.

At June 30, 2011, all cash and investments of the Agency were pooled with the City of Lancaster and they are not represented by specific, identifiable investment securities. Investment policies and associated risk disclosures applicable to the Agency's funds are those of the City and are included in the City's financial statements.

Note 4: Long-Term Debt

- a. A description of long-term debt outstanding (excluding defeased debt) of the Agency as of June 30, 2011 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, 2011, loans received from the City amounted to \$25,306,235 and accrued unpaid interest owed on those loans was \$49,947,256.

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 \$467,629,156 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 \$18,315,608 and the debt service obligation on the bonds was \$19,353,435.

A description of individual issues of bonds and notes (excluding defeased issues) outstanding as of June 30, 2011, follows:

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 4: Long-Term Debt (Continued)

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. On February 14, 2011, Standard and Poor's rating service downgraded its underlying rating on these bonds to "BBB+" from "A" due to an insufficient amount of revenue coverage pledged for this debt.
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

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 4: Long-Term Debt (Continued)

refund all of the Agency's outstanding Combined Redevelopment Project Areas (Fire Protection Facilities Project) Tax Allocation Bonds, Issue of 1993, pay costs of issuing the Bonds, and fund a debt service reserve account.

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. On February 14, 2011, Standard and Poor's rating service downgraded its underlying rating on these bonds to "BBB+" from "A" due to an insufficient amount of revenue coverage pledged for this debt.

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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.

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. On February 14, 2011, Standard and Poor's rating service downgraded its underlying rating on the housing portion of these bonds to "BBB+" from "A" due to an insufficient amount of revenue coverage pledged for this debt.

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

	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><u>\$ 16,560,000</u></u>	<u><u>\$ 18,080,000</u></u>

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 4: Long-Term Debt (Continued)

On February 14, 2011, Standard and Poor's rating service downgraded its underlying rating on the housing portion of these bonds to "BBB+" from "A" due to an insufficient amount of revenue coverage pledged for this debt.

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

Central Business District Project Area

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

LANCASTER REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 4: Long-Term Debt (Continued)

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.

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, 2010	Additions	Repayments	Balance June 30, 2011	Due Within One Year
<u>Residential Project Area</u>					
City Loans - Principal	\$ 574,731	\$ -	\$ 574,731	\$ -	\$ -
City Loans - Unpaid Interest	2,998,673	-	-	2,998,673	-
Bonds - 2003 Development	5,625,769	-	85,776	5,539,993	88,734
Bonds - 2003B Development	1,448,032	-	61,584	1,386,448	63,219
Bonds - 2004B Development	1,018,823	-	18,075	1,000,748	20,517
Bonds - 2004 Sheriff's Facilities	2,005,556	-	104,559	1,900,997	109,730
Bonds - 2004 Fire Services	1,043,131	-	56,144	986,987	58,058
Bonds - 2004 Library	219,448	-	7,422	212,026	7,670
Bonds - 2006 Development	283,343	-	7,854	275,489	8,152
Total	15,217,506	-	916,145	14,301,361	356,080
<u>Central Business District Project Area</u>					
City Loans - Principal	12,492,789	-	2,169,085	10,323,704	-
City Loans - Unpaid Interest	10,533,455	51,100	-	10,584,555	-
Bonds - 1994 Refunding	1,120,000	-	40,000	1,080,000	55,000
Bonds - 2004 Sheriff's Facilities	511,490	-	26,663	484,827	27,981
Bonds - 2004 Fire Services	218,272	-	11,748	206,524	12,149
Bonds - 2004 Library	42,505	-	1,438	41,067	1,486
Bonds - 2010 Lease Revenue	5,555,000	-	115,000	5,440,000	120,000
Total	30,473,511	51,100	2,363,934	28,160,677	216,616
<u>Fox Field Project Area</u>					
City Loans - Principal	3,711,680	-	825,175	2,886,505	-
City Loans - Unpaid Interest	7,422,297	14,288	-	7,436,585	-
Bonds - 2004 Sheriff's Facilities	342,121	-	17,836	324,285	18,718
Bonds - 2004 Fire Services	210,915	-	11,352	199,563	11,739
Bonds - 2004 Library	37,927	-	1,282	36,645	1,325
Bonds - 2006 Development	2,327,368	-	64,416	2,262,952	66,856
Total	14,052,308	14,288	920,061	13,146,535	98,638

LANCASTER REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 4: Long-Term Debt (Continued)

	Balance July 1, 2010	Additions	Repayments	Balance June 30, 2011	Due Within One Year
<u>Amorgosa Project Area</u>					
City Loans - Principal	28,564,390	8,176	16,476,540	12,096,026	-
City Loans - Unpaid Interest	24,456,164	59,836	-	24,516,000	-
Bonds - 1999 Refunding	2,565,000	-	75,000	2,490,000	75,000
Bonds - 2003 Development	4,666,333	-	71,149	4,595,184	73,602
Bonds - 2003B Development	8,267,013	-	351,590	7,915,423	360,924
Bonds - 2004B Development	2,312,172	-	41,125	2,271,047	46,683
Bonds - 2004 Sheriff's Facilities	3,351,326	-	174,720	3,176,606	183,360
Bonds - 2004 Fire Services	1,722,467	-	92,709	1,629,758	95,868
Bonds - 2004 Library	367,671	-	12,436	355,235	12,850
Bonds - 2006 Development	4,719,640	-	130,680	4,588,960	135,630
Total	80,992,176	68,012	17,425,949	63,634,239	983,917
<u>Project Area 5</u>					
City Loans - Principal	2,904,599	-	2,904,599	-	-
City Loans - Unpaid Interest	3,406,776	-	-	3,406,776	-
Bonds - 2003 Development	14,968,115	-	228,218	14,739,897	236,088
Bonds - 2003B Development	1,303,650	-	55,442	1,248,208	56,914
Bonds - 2004B Development	3,691,565	-	65,453	3,626,112	74,298
Bonds - 2004 School Refunding	1,971,659	-	32,568	1,939,091	32,568
Bonds - 2004 Sheriff's Facilities	5,128,304	-	267,358	4,860,946	280,579
Bonds - 2004 Fire Services	2,514,635	-	135,343	2,379,292	139,958
Bonds - 2004 Library	574,492	-	19,430	555,062	20,078
Bonds - 2006 Development	4,013,512	-	111,144	3,902,368	115,354
Bonds - 2006 School	4,679,901	-	75,285	4,604,616	80,663
Total	45,157,208	-	3,894,840	41,262,368	1,036,500
<u>Project Area 6</u>					
City Loans - Principal	1,323,159	-	1,323,159	-	-
City Loans - Unpaid Interest	856,287	-	-	856,287	-
Bonds - 1997 Mobile Home	2,630,000	-	80,000	2,550,000	85,000
Bonds - 2003 Development	12,779,783	-	194,857	12,584,926	201,576
Bonds - 2003B Development	2,266,305	-	96,384	2,169,921	98,943
Bonds - 2004B Development	3,407,440	-	60,347	3,347,093	68,502
Bonds - 2004 School Refunding	5,293,341	-	87,432	5,205,909	87,432
Bonds - 2004 Sheriff's Facilities	5,807,245	-	302,757	5,504,488	317,729
Bonds - 2004 Fire Services	2,465,580	-	132,704	2,332,876	137,228
Bonds - 2004 Library	3,064,266	-	103,640	2,960,626	107,094
Bonds - 2006 Development	12,496,137	-	345,906	12,150,231	359,008
Bonds - 2006 School	8,375,099	-	134,715	8,240,384	144,337
Total	60,764,642	-	2,861,901	57,902,741	1,606,849

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 4: Long-Term Debt (Continued)

	Balance July 1, 2010	Additions	Repayments	Balance June 30, 2011	Due Within One Year
<u>Project Area 7</u>					
City Loans - Principal	658,094	-	658,094	-	-
City Loans - Unpaid Interest	148,380	-	-	148,380	-
Bonds - 2004 Sheriff's Facilities	308,958	-	16,107	292,851	16,903
Bonds - 2004 Library	128,691	-	4,352	124,339	4,497
Total	1,244,123	-	678,553	565,570	21,400
<u>Combined Low and Moderate Housing</u>					
Bonds - 2003 Housing	56,635,000	-	1,000,000	55,635,000	1,040,000
Bonds - 2003B Housing	15,110,000	-	380,000	14,730,000	385,000
Bonds - 2004 Housing	12,235,000	-	225,000	12,010,000	240,000
Bonds - 2009 Housing	37,500,000	-	-	37,500,000	665,000
Total	121,480,000	-	1,605,000	119,875,000	2,330,000
<u>Total - All Project Areas</u>					
City Loans - Principal	50,229,442	8,176	24,931,383	25,306,235	-
City Loans - Unpaid Interest	49,822,032	125,224	-	49,947,256	-
Bonds Payable	269,330,000	-	5,735,000	263,595,000	6,650,000
Total	\$ 369,381,474	\$ 133,400	\$ 30,666,383	338,848,491	\$ 6,650,000
Adjustments:					
Unamortized net original issue (discount) or premium				5,357,127	
Unamortized net bond defeasance gain or (loss)				(3,447,865)	
Net Long-term Debt				\$ 340,757,753	

The following schedules illustrate 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
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 - 2016	70,000	48,694	260,000	99,750	110,000	134,513
2016 - 2021	430,000	170,275	875,000	304,250	675,000	552,553
2021 - 2026	330,000	30,931	860,000	129,000	925,000	300,103
2026 - 2031	-	-	-	-	455,000	29,484
Totals	\$ 1,080,000	\$ 485,407	\$ 2,490,000	\$ 1,007,250	\$ 2,550,000	\$ 1,619,888

LANCASTER REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 4: Long-Term Debt (Continued)

	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
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 - 2016	1,665,000	2,436,031	1,215,000	1,662,375	280,000	638,110
2016 - 2021	9,505,000	10,771,550	6,250,000	7,333,025	1,935,000	2,979,215
2021 - 2026	11,950,000	8,189,950	8,375,000	5,757,475	3,025,000	2,288,375
2026 - 2031	17,075,000	4,680,769	11,865,000	3,283,200	2,485,000	1,695,375
2031 - 2036	10,975,000	787,431	6,725,000	602,063	5,370,000	832,000
Totals	\$ 55,635,000	\$ 37,208,670	\$ 37,460,000	\$ 25,719,638	\$ 14,730,000	\$ 11,143,660
	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
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 - 2016	290,000	498,391	1,130,000	605,950	525,000	286,169
2016 - 2021	3,110,000	2,254,941	6,560,000	2,078,613	3,055,000	977,244
2021 - 2026	3,435,000	1,261,269	4,795,000	367,625	2,240,000	171,500
2026 - 2031	1,795,000	725,088	-	-	-	-
2031 - 2036	1,990,000	239,163	-	-	-	-
Totals	\$ 12,720,000	\$ 7,154,387	\$ 16,545,000	\$ 5,953,288	\$ 7,735,000	\$ 2,783,520
	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
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 - 2016	180,000	161,119	240,000	620,180	230,000	452,970
2016 - 2021	990,000	689,363	1,375,000	2,889,004	1,115,000	2,124,295
2021 - 2026	1,250,000	440,100	1,730,000	2,464,829	1,470,000	1,859,138
2026 - 2031	1,215,000	118,631	2,155,000	1,908,990	2,515,000	1,415,475
2031 - 2036	-	-	5,480,000	1,165,826	4,060,000	673,750
Totals	\$ 4,285,000	\$ 2,118,470	\$ 12,010,000	\$ 11,659,549	\$ 10,245,000	\$ 8,415,915
	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
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 - 2016	140,000	360,205	665,000	963,158	270,000	561,338
2016 - 2021	845,000	1,686,955	3,350,000	4,341,868	1,480,000	2,635,633
2021 - 2026	1,275,000	1,442,780	3,355,000	3,677,681	1,960,000	2,277,065
2026 - 2031	2,505,000	952,920	3,445,000	2,937,750	2,985,000	1,712,625
2031 - 2036	1,870,000	213,080	4,180,000	2,045,500	4,385,000	906,000
2036 - 2041	-	-	5,435,000	556,250	805,000	40,250
Totals	\$ 7,145,000	\$ 6,154,820	\$ 23,180,000	\$ 18,716,339	\$ 12,845,000	\$ 10,476,463

LANCASTER REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 4: Long-Term Debt (Continued)

	Combined Housing, Tax Allocation Bonds, Issue of 2009		CBD Project, Lease Revenue Refunding Bonds, Issue of 2010		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011 - 2012	\$ 665,000	\$ 2,375,113	\$ 120,000	\$ 290,718	\$ 6,650,000	\$ 13,346,198
2012 - 2013	690,000	2,348,013	120,000	286,518	6,910,000	13,058,329
2013 - 2014	715,000	2,319,913	125,000	281,618	7,205,000	12,754,953
2014 - 2015	750,000	2,288,738	130,000	276,518	7,640,000	12,427,739
2015 - 2016	585,000	2,257,969	135,000	271,218	7,990,000	12,058,137
2016 - 2021	3,290,000	10,803,944	775,000	1,256,656	45,615,000	53,849,383
2021 - 2026	3,990,000	9,799,244	1,000,000	1,023,525	51,965,000	41,480,589
2026 - 2031	4,880,000	8,392,103	1,305,000	706,558	54,680,000	28,558,967
2031 - 2036	7,945,000	6,168,422	1,730,000	266,385	54,710,000	13,899,619
2036 - 2041	13,990,000	2,003,719	-	-	20,230,000	2,600,219
Totals	<u>\$ 37,500,000</u>	<u>\$ 48,757,178</u>	<u>\$ 5,440,000</u>	<u>\$ 4,659,714</u>	<u>\$ 263,595,000</u>	<u>\$ 204,034,133</u>

c. 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, 2011, 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

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 4: Long-Term Debt (Continued)

<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 \$93,310,000 of Residential Mortgage Revenue Bonds that have not been reflected in Long-Term Debt. Because these bonds are special obligations payable solely from and secured by specific revenue sources described in the bond resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof, is pledged for the payment of these bonds.

IV. OTHER DISCLOSURES

Note 5: Interfund Receivable, Payable and Transfers

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	Advances to Other Funds Combined Low & Moderate Housing Fund
<u>Advances From Other Funds:</u>	
Residential Project Area - Tax Increment Fund	\$ 1,104,510
Residential Project Area - Project Fund	522,814
CBD Project Area - Tax Increment Fund	315,574
CBD Project Area - Project Fund	97,299
Fox Project Area - Tax Increment Fund	315,574
Fox Project Area - Project Fund	143,090
Amargosa Project Area - Tax Increment Fund	3,155,743
Amargosa Project Area - Project Fund	1,195,069
Project Area No. 5 - Tax Increment Fund	3,944,679
Project Area No. 5 - Project Fund	1,325,529
Project Area No. 6 - Tax Increment Fund	6,311,486
Project Area No. 6 - Project Fund	3,366,122
Project Area No. 7 - Tax Increment Fund	631,149
Project Area No. 7 - Project Fund	1,874,476
Total	<u>\$ 24,303,114</u>

LANCASTER REDEVELOPMENT AGENCY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

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	Transfers Out					Total
	Combined Low & Moderate Housing Fund	Amargosa Project Area - Tax Increment Fund	Project Area No. 5 - Tax Increment Fund	Project Area No. 6 - Tax Increment Fund	Nonmajor Governmental Funds	
<u>Transfers In:</u>						
Combined Low and Moderate Housing Fund	\$ -	\$ 2,785,025	\$ 2,482,447	\$ 4,245,633	\$ 1,565,953	\$ 11,079,058
Nonmajor Governmental Funds	6,768,461	1,661,326	3,064,723	3,769,989	7,954,603	23,219,102
Total	<u>\$ 6,768,461</u>	<u>\$ 4,446,351</u>	<u>\$ 5,547,170</u>	<u>\$ 8,015,622</u>	<u>\$ 9,520,556</u>	<u>\$ 34,298,160</u>

Due To/From Other Funds

Due to/from other funds are done to eliminate deficit cash within the project areas. At June 30, 2011 the following due to/from other funds were outstanding:

Funds	Due To Other Funds		Total
	Amargosa Project Area - Project Fund	Nonmajor Governmental Funds	
<u>Due From Other Funds:</u>			
Amargosa Project Area Tax Increment Fund	\$ 385,624	\$ -	\$ 385,624
Nonmajor Governmental Funds	-	661,511	661,511
Total	<u>\$ 385,624</u>	<u>\$ 661,511</u>	<u>\$ 1,047,135</u>

Note 6: Due to Other Governments

County of Los Angeles, Schools and Community College Districts

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

As of June 30, 2011, the following funds owed amounts to these entities:

<u>Debt Service - Tax Increment Funds</u>	
Residential Project Area	\$ 102,641
Central Business District Project Area	70,713
Fox Field Project Area	31,015
Amargosa Project Area	767,821
Project Area 5	1,660,907
Project Area 6	2,361,155
Project Area 7	39,726
Total	<u>\$ 5,033,978</u>

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7: Fund Balance and Net Asset Restatement

During the current fiscal year, restatements were made to the beginning fund balance and net assets as follows:

Combined Housing Fund:	
Capital Project Fund	
To correct land held for resale purchased in prior years	\$ 8,290,230
Central Business District Project Area:	
Project Fund	
To correct land held for resale purchased in prior years	(1,031,094)
Fox Field Project Area:	
Project Fund	
To correct land held for resale purchased in prior years	(884,630)
Amargosa Project Area:	
Project Fund	
To correct land held for resale purchased in prior years	857,142
Project Area 5:	
Project Fund	
To correct land held for resale purchased in prior years	(363,739)
Project Area 6:	
Project Fund	
To correct land held for resale purchased in prior years	<u>603,359</u>
Total Fund Balance/Net Asset Restatements	<u><u>\$ 7,471,268</u></u>

Note 8: 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.

The payment of the SERAF was due on May 10, 2011, for fiscal year 2010-2011 and it was made in the amount of \$3,598,804. 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, 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 \$3,598,804 from its Combined Low and Moderate Income Housing Fund.

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 9: Deficit Fund Balance

The following nonmajor funds had a deficit fund balance at June 30, 2011.

Residential Project Area:	
Tax Increment Debt Service Fund	\$ (857,352)
Capital Projects Fund	(1,122,218)
Central Business District Project Area:	
Tax Increment Debt Service Fund	(820,068)
Capital Projects Fund	(7,128,488)
Fox Field Project Area:	
Tax Increment Debt Service Fund	(10,075)
Capital Projects Fund	(508,411)
Amargosa Project Area:	
Tax Increment Debt Service Fund	(2,364,833)
Capital Projects Fund	(1,478,212)
Project Area 5:	
Tax Increment Debt Service Fund	(5,862,488)
Capital Projects Fund	(2,143,247)
Project Area 6:	
Tax Increment Debt Service Fund	(3,275,247)
Project Area 7:	
Tax Increment Debt Service Fund	(360,325)
Capital Projects Fund	(2,810,578)

Note 10: Insurance

The Agency is covered under the City of Lancaster's insurance policies. Therefore, the limitations and self-insured retentions applicable to the City of Lancaster also apply to its Agency. Additional information as to coverage and self-insured retentions can be obtained by contacting the City.

Note 11: Economic Condition

As shown in the accompanying financial statements, the Agency has experienced recurring reductions in tax increment revenue in nearly all project areas resulting in deficit fund balances and deficit cash in many of the capital project and tax increment funds. This has impacted the Agency's ability to repay debt service using available resources resulting in the Agency drawing upon the pooled cash of other funds to make these payments. As of June 30, 2011, the Agency had \$12,615,482 of overdrawn cash recorded as a liability in the fund financial statements. The Agency is also reporting \$19,926,322 in cash and investments with trustee which represents debt service reserve accounts which are required by bond covenants to remain intact. In addition, on February 14, 2011, Standard and Poor's rating service downgraded its underlying rating on various housing bonds to "BBB+" from "A" due to an insufficient amount of tax increment revenue coverage pledged for this debt. In fiscal year 2010-2011, management set aside \$1,730,088 to improve its coverage ratio, however there is a possibility that other Agency bonds may be downgraded in the future, as well as a possibility that the Agency will not have the cash to cover future debt service payments.

LANCASTER REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 12: California Redevelopment Agency Uncertainty

On July 18, 2011, the California Redevelopment Association (“CRA”) and the League of California Cities (“League”) filed a petition for writ of mandate with the California Supreme Court, requesting the Court to declare unconstitutional two bills that were passed as part of the 2011-12 State Budget, AB1X 26 and 27. AB1X 26 dissolves redevelopment agencies effective October 1, 2011. AB1X 27, give redevelopment agencies an option to avoid dissolution if it commits to making defined payments for the benefit of the State, school districts and certain special districts. In 2011-12, these payments amount to a state-wide total of \$1.7 billion. In 2012-13 and subsequent years, the payments total \$400 million, annually. Each city or county’s share of these payments is determined based on its proportionate share of state-wide tax increment.

CRA and the League contend that AB1X 26 and 27 are unconstitutional because they violate Proposition 22 which was passed by the voters in November, 2010. The effect of the legislation is to achieve a possible unconstitutional result, the use of redevelopment agencies’ tax increment funds to benefit the State and other units of local government, by way of threatening of the dissolution of redevelopment agencies.

Therefore, the CRA and the League have requested that the Court issue a stay, suspending the effectiveness of AB1X 26 and 27 until the Court can rule on its constitutionality. CRA and the League also asked the Court to expedite the briefing and hearing of the case so that a decision can be rendered by the Court before January 15, 2012, when the first payments are due. On August 11th, the California Supreme Court agreed to hear the case and granted a partial stay which was subsequently clarified.

As of the time of the issuance of this report, the outcome of AB1X 26 and 27 upon the Agency is unknown and consequently the status and even future existence of the Agency is uncertain as such. In accordance with AB1X 27, the Agency has passed a resolution of intent to continue and will be required to make a payment to the State by January 15, 2012 to avoid dissolution. The Department of Finance issued their estimated payments amounts and the Agency filed an appeal regarding the calculation. The Department of Finance reviewed the Agency’s appeal regarding the calculation and on October 15, 2011 determined the estimated payment stands without revision, resulting in a payment amount of \$14,254,892.

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LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET
 ALL GOVERNMENTAL FUNDS
 JUNE 30, 2011

	<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	\$ 2,086,913	\$ 19,531,177	\$ -
Cash and investments with trustee	-	-	9,177,821
Receivables:			
Tax increment	-	-	-
Accounts	249,727	10,540	-
Interest	1	11,599	-
Loans	-	2,773,729	-
Due from Debt Service Funds	-	-	-
Due from other governments	-	-	-
Due from City	-	389,196	-
Restricted cash	-	-	-
Advances to other funds	-	24,303,114	-
Land held for resale	-	70,476,955	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,336,641</u>	<u>\$ 117,496,310</u>	<u>\$ 9,177,821</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 673,121	\$ 33,005	\$ -
Deposits from others	-	33,109	-
Due to Capital Projects Funds	-	-	-
Due to other governments	-	-	-
Deferred revenue	-	756,677	-
Advances from Low and Moderate Housing Funds	-	-	-
Cash overdraft payable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>673,121</u>	<u>822,791</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Land held for resale	-	70,476,955	-
Long-term receivables	-	2,017,052	-
Advances	-	24,303,114	-
Restricted:			
Housing projects	-	19,876,398	-
Debt service	-	-	9,177,821
Assigned:			
Continuing projects	-	-	-
Unassigned	1,663,520	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,663,520</u>	<u>116,673,519</u>	<u>9,177,821</u>
Total Liabilities and Fund Balances	<u>\$ 2,336,641</u>	<u>\$ 117,496,310</u>	<u>\$ 9,177,821</u>

LANCASTER REDEVELOPMENT AGENCY

**COMBINING PROJECT AREA BALANCE SHEET
 ALL GOVERNMENTAL FUNDS
 JUNE 30, 2011**

(Continued)

	Residential Project Area			Central Business District Project Area		
	Debt Service	Debt Service Tax Revenue Bonds	Capital Projects	Debt Service	Debt Service Tax Revenue Bonds	Capital Projects
	Tax Increment		Project	Tax Increment		Project
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and investments with trustee	-	952,363	-	-	666,967	-
Receivables:						
Tax increment	167,590	-	-	88,670	-	-
Accounts	-	-	-	-	-	-
Interest	347	-	-	-	-	-
Loans	-	-	-	-	-	167,260
Due from Debt Service Funds	146,246	-	-	-	-	-
Due from other governments	32,645	-	-	-	-	-
Due from City	-	-	-	-	-	-
Restricted cash	2,971	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total Assets	\$ 349,799	\$ 952,363	\$ -	\$ 88,670	\$ 666,967	\$ 167,260
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,705
Deposits from others	-	-	-	-	-	-
Due to Capital Projects Funds	-	-	146,246	-	-	-
Due to other governments	102,641	-	-	70,713	-	-
Deferred revenue	-	-	-	-	-	167,260
Advances from Low and Moderate Housing Funds	1,104,510	-	522,814	315,574	-	97,299
Cash overdraft payable	-	-	453,158	522,451	-	7,027,484
Total Liabilities	1,207,151	-	1,122,218	908,738	-	7,295,748
Fund Balances:						
Nonspendable:						
Land held for resale	-	-	-	-	-	-
Long-term receivables	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Restricted:						
Housing projects	-	-	-	-	-	-
Debt service	-	952,363	-	-	666,967	-
Assigned:						
Continuing projects	-	-	-	-	-	-
Unassigned	(857,352)	-	(1,122,218)	(820,068)	-	(7,128,488)
Total Fund Balances	(857,352)	952,363	(1,122,218)	(820,068)	666,967	(7,128,488)
Total Liabilities and Fund Balances	\$ 349,799	\$ 952,363	\$ -	\$ 88,670	\$ 666,967	\$ 167,260

LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET
 ALL GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Fox Field Project Area			Amargosa 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
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and investments with trustee	-	152,361	-	-	1,865,143	-
Receivables:						
Tax increment	49,386	-	-	1,151,613	-	-
Accounts	-	-	27,931	-	-	21,096
Interest	630	-	-	946	-	-
Loans	-	-	-	-	-	2,195,094
Due from Debt Service Funds	269,879	-	-	385,624	-	-
Due from other governments	16,619	-	-	-	-	-
Due from City	-	-	-	-	-	-
Restricted cash	-	-	-	20,548	-	-
Advances to other funds	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total Assets	\$ 336,514	\$ 152,361	\$ 27,931	\$ 1,558,731	\$ 1,865,143	\$ 2,216,190
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,649
Deposits from others	-	-	25,163	-	-	-
Due to Capital Projects Funds	-	-	269,879	-	-	385,624
Due to other governments	31,015	-	-	767,821	-	-
Deferred revenue	-	-	-	-	-	-
Advances from Low and Moderate Housing Funds	315,574	-	143,090	3,155,743	-	1,195,069
Cash overdraft payable	-	-	98,210	-	-	2,082,060
Total Liabilities	346,589	-	536,342	3,923,564	-	3,694,402
Fund Balances:						
Nonspendable:						
Land held for resale	-	-	-	-	-	-
Long-term receivables	-	-	-	-	-	2,195,094
Advances	-	-	-	-	-	-
Restricted:						
Housing projects	-	-	-	-	-	-
Debt service	-	152,361	-	-	1,865,143	-
Assigned:						
Continuing projects	-	-	-	-	-	-
Unassigned	(10,075)	-	(508,411)	(2,364,833)	-	(3,673,306)
Total Fund Balances	(10,075)	152,361	(508,411)	(2,364,833)	1,865,143	(1,478,212)
Total Liabilities and Fund Balances	\$ 336,514	\$ 152,361	\$ 27,931	\$ 1,558,731	\$ 1,865,143	\$ 2,216,190

LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET
 ALL GOVERNMENTAL FUNDS
 JUNE 30, 2011

(Continued)

	Project Area 5			Project Area 6		
	Debt Service	Debt Service	Capital Projects	Debt Service	Debt Service	Capital Projects
		Tax Revenue Bonds	Project	Tax Increment	Tax Revenue Bonds	Project
	Tax Increment					
ASSETS						
Cash and investments	\$ -	\$ -	\$ -	\$ 4,470,530	\$ -	\$ 10,003,828
Cash and investments with trustee	-	3,001,855	-	-	4,068,465	-
Receivables:						
Tax increment	537,717	-	-	681,655	-	-
Accounts	-	-	24,627	-	-	-
Interest	23	-	-	10,975	-	23,326
Loans	-	-	-	-	-	-
Due from Debt Service Funds	-	-	-	-	-	-
Due from other governments	104,416	-	-	-	-	-
Due from City	-	-	-	-	-	-
Restricted cash	-	-	-	234,234	-	-
Advances to other funds	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total Assets	\$ 642,156	\$ 3,001,855	\$ 24,627	\$ 5,397,394	\$ 4,068,465	\$ 10,027,154
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits from others	-	-	-	-	-	-
Due to Capital Projects Funds	-	-	-	-	-	-
Due to other governments	1,660,907	-	-	2,361,155	-	-
Deferred revenue	-	-	-	-	-	-
Advances from Low and Moderate Housing Funds	3,944,679	-	1,325,529	6,311,486	-	3,366,122
Cash overdraft payable	899,058	-	842,345	-	-	-
Total Liabilities	6,504,644	-	2,167,874	8,672,641	-	3,366,122
Fund Balances:						
Nonspendable:						
Land held for resale	-	-	-	-	-	-
Long-term receivables	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Restricted:						
Housing projects	-	-	-	-	-	-
Debt service	-	3,001,855	-	-	4,068,465	-
Assigned:						
Continuing projects	-	-	-	-	-	6,661,032
Unassigned	(5,862,488)	-	(2,143,247)	(3,275,247)	-	-
Total Fund Balances	(5,862,488)	3,001,855	(2,143,247)	(3,275,247)	4,068,465	6,661,032
Total Liabilities and Fund Balances	\$ 642,156	\$ 3,001,855	\$ 24,627	\$ 5,397,394	\$ 4,068,465	\$ 10,027,154

LANCASTER REDEVELOPMENT AGENCY

COMBINING PROJECT AREA BALANCE SHEET
 ALL GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Project Area 7			TOTALS	
	Debt Service	Debt Service	Capital Projects	Debt Service Funds	Capital Projects Funds
	Tax Increment	Tax Revenue Bonds	Project		
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ 4,470,530	\$ 31,621,918
Cash and investments with trustee	-	41,347	-	19,926,322	-
Receivables:					
Tax increment	61,250	-	-	2,737,881	-
Accounts	-	-	-	-	333,921
Interest	580	-	-	13,501	34,926
Loans	-	-	-	-	5,136,083
Due from Debt Service Funds	245,386	-	-	1,047,135	-
Due from other governments	-	-	-	153,680	-
Due from City	-	-	-	-	389,196
Restricted cash	3,334	-	-	261,087	-
Advances to other funds	-	-	-	-	24,303,114
Land held for resale	-	-	-	-	70,476,955
Total Assets	\$ 310,550	\$ 41,347	\$ -	\$ 28,610,136	\$ 132,296,113
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 741,480
Deposits from others	-	-	-	-	58,272
Due to Capital Projects Funds	-	-	245,386	-	1,047,135
Due to other governments	39,726	-	-	5,033,978	-
Deferred revenue	-	-	-	-	923,937
Advances from Low and Moderate Housing Funds	631,149	-	1,874,476	15,778,715	8,524,399
Cash overdraft payable	-	-	690,716	1,421,509	11,193,973
Total Liabilities	670,875	-	2,810,578	22,234,202	22,489,196
Fund Balances:					
Nonspendable:					
Land held for resale	-	-	-	-	70,476,955
Long-term receivables	-	-	-	-	4,212,146
Advances	-	-	-	-	24,303,114
Restricted:					
Housing projects	-	-	-	-	19,876,398
Debt service	-	41,347	-	19,926,322	-
Assigned:					
Continuing projects	-	-	-	-	6,661,032
Unassigned	(360,325)	-	(2,810,578)	(13,550,388)	(15,722,728)
Total Fund Balances	(360,325)	41,347	(2,810,578)	6,375,934	109,806,917
Total Liabilities and Fund Balances	\$ 310,550	\$ 41,347	\$ -	\$ 28,610,136	\$ 132,296,113

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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, 2011

	<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	137	68,714	219,398
Rental income	-	957,650	-
Lease income	-	41,700	-
Intergovernmental:			
Contributions from other governments	-	-	-
Other revenue:			
Miscellaneous	-	39,808	-
Total Revenues	<u>137</u>	<u>1,107,872</u>	<u>219,398</u>
Expenditures:			
Current:			
General Government:			
Administrative costs	-	2,215,579	-
Professional services	-	74,039	-
Planning, survey and design	-	16,801	-
Community Development:			
Operation of acquired property	-	1,008,780	-
Rehabilitation grants	-	28,488	-
Subsidy to low and moderate housing	-	17,645	-
Capital Outlay:			
Project improvement costs	-	4,089,468	-
Debt Service:			
Debt issuance costs	-	-	-
Interest expense	-	-	6,658,842
Long-term debt repayments	-	-	1,685,000
Total Expenditures	<u>-</u>	<u>7,450,800</u>	<u>8,343,842</u>
Excess of Revenues over (under) Expenditures	<u>137</u>	<u>(6,342,928)</u>	<u>(8,124,444)</u>
Other Financing Sources (Uses)			
Transfers in	1,730,088	-	13,284,651
Transfers out	-	(6,768,461)	-
Housing set-aside transfers in	-	11,079,058	-
Housing set-aside transfers out	-	-	-
Long-term debt issued	-	-	-
Pass through agreement payments	-	-	-
Developer participation	-	-	-
Gain (Loss) on sale of land held	-	226,828	-
Payment to Supplemental Educational Revenue Augmentation Fund	-	-	-
Total Other Financing Sources (Uses)	<u>1,730,088</u>	<u>4,537,425</u>	<u>13,284,651</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>1,730,225</u>	<u>(1,805,503)</u>	<u>5,160,207</u>
Fund Balances			
Beginning of Year, as previously reported	(66,705)	110,188,792	4,017,614
Restatements	-	8,290,230	-
End of Year	<u>\$ 1,663,520</u>	<u>\$ 116,673,519</u>	<u>\$ 9,177,821</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, 2011

(Continued)

	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	\$ 3,667,345	\$ -	\$ -	\$ 875,786	\$ -	\$ -
Use of Money and Property:						
Interest income	2,241	38,595	198	-	4,458	-
Rental income	-	-	-	-	-	437,102
Lease income	-	-	-	-	-	-
Intergovernmental:						
Contributions from other governments	18,474	292,359	-	25,753	69,957	-
Other revenue:						
Miscellaneous	-	-	46,947	-	-	17,871
Total Revenues	3,688,060	330,954	47,145	901,539	74,415	454,973
Expenditures:						
Current:						
General Government:						
Administrative costs	38,407	-	246,159	11,862	-	246,159
Professional services	-	-	46,037	-	-	304,834
Planning, survey and design	-	-	-	-	-	-
Community Development:						
Operation of acquired property	-	-	-	-	-	97
Rehabilitation grants	-	-	-	-	-	-
Subsidy to low and moderate housing	-	-	-	-	-	-
Capital Outlay:						
Project improvement costs	-	-	-	-	-	5,289,187
Debt Service:						
Debt issuance costs	-	-	-	8,074	1,884	-
Interest expense	-	551,011	-	-	423,412	51,100
Long-term debt repayments	-	341,415	574,731	-	194,849	2,169,085
Total Expenditures	38,407	892,426	866,927	19,936	620,145	8,060,462
Excess of Revenues over (under) Expenditures	3,649,653	(561,472)	(819,782)	881,603	(545,730)	(7,605,489)
Other Financing Sources (Uses)						
Transfers in	-	561,798	-	-	538,616	-
Transfers out	(688,218)	(633,610)	-	(538,616)	(103,127)	-
Housing set-aside transfers in	-	-	-	-	-	-
Housing set-aside transfers out	(733,469)	-	-	(175,157)	-	-
Long-term debt issued	-	-	-	-	-	51,100
Pass through agreement payments	(2,132,387)	-	-	(687,000)	-	-
Developer participation	-	-	-	-	-	9,258
Gain (Loss) on sale of land held	-	-	-	-	-	-
Payment to Supplemental Educational Revenue Augmentation Fund	(251,916)	-	-	(71,976)	-	-
Total Other Financing Sources (Uses)	(3,805,990)	(71,812)	-	(1,472,749)	435,489	60,358
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(156,337)	(633,284)	(819,782)	(591,146)	(110,241)	(7,545,131)
Fund Balances						
Beginning of Year, as previously reported	(701,015)	1,585,647	(302,436)	(228,922)	777,208	1,447,737
Restatements	-	-	-	-	-	(1,031,094)
End of Year	\$ (857,352)	\$ 952,363	\$ (1,122,218)	\$ (820,068)	\$ 666,967	\$ (7,128,488)

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, 2011

	Fox Field Project Area			Amargosa 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
Revenues:						
Taxes and Assessments:						
Tax increment	\$ 1,980,816	\$ -	\$ -	\$ 13,925,124	\$ -	\$ -
Use of Money and Property:						
Interest income	4,149	6,691	517	5,914	76,690	3,327
Rental income	-	-	-	-	-	20,297
Lease income	-	-	-	-	-	92,663
Intergovernmental:						
Contributions from other governments	35,087	53,047	-	69,659	486,552	-
Other revenue:						
Miscellaneous	-	-	14,571	-	-	14,571
Total Revenues	2,020,052	59,738	15,088	14,000,697	563,242	130,858
Expenditures:						
Current:						
General Government:						
Administrative costs	20,645	-	246,159	155,728	-	246,159
Professional services	-	-	46,037	-	-	342,718
Planning, survey and design	-	-	-	-	-	-
Community Development:						
Operation of acquired property	-	-	4,129	-	-	83,670
Rehabilitation grants	-	-	-	-	-	-
Subsidy to low and moderate housing	-	-	-	-	-	-
Capital Outlay:						
Project improvement costs	-	-	-	-	-	1,245,696
Debt Service:						
Debt issuance costs	-	-	-	-	-	-
Interest expense	-	137,600	14,288	-	1,310,437	59,836
Long-term debt repayments	-	94,886	825,175	-	949,417	16,476,540
Total Expenditures	20,645	232,486	1,135,788	155,728	2,259,854	18,454,619
Excess of Revenues over (under) Expenditures	1,999,407	(172,748)	(1,120,700)	13,844,969	(1,696,612)	(18,323,761)
Other Financing Sources (Uses)						
Transfers in	-	172,802	-	-	1,697,198	-
Transfers out	(172,802)	(159,389)	-	(1,661,326)	(1,219,463)	-
Housing set-aside transfers in	-	-	-	-	-	-
Housing set-aside transfers out	(396,163)	-	-	(2,785,025)	-	-
Long-term debt issued	-	-	14,288	-	-	68,012
Pass through agreement payments	(1,170,132)	-	-	(8,958,162)	-	-
Developer participation	-	-	137,758	-	-	71,960
Gain (Loss) on sale of land held	-	-	(5,595)	-	-	-
Payment to Supplemental Educational Revenue Augmentation Fund	(71,976)	-	-	(719,761)	-	-
Total Other Financing Sources (Uses)	(1,811,073)	13,413	146,451	(14,124,274)	477,735	139,972
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	188,334	(159,335)	(974,249)	(279,305)	(1,218,877)	(18,183,789)
Fund Balances						
Beginning of Year, as previously reported	(198,409)	311,696	1,350,468	(2,085,528)	3,084,020	15,848,435
Restatements	-	-	(884,630)	-	-	857,142
End of Year	\$ (10,075)	\$ 152,361	\$ (508,411)	\$ (2,364,833)	\$ 1,865,143	\$ (1,478,212)

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, 2011

(Continued)

	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	\$ 12,412,237	\$ -	\$ -	\$ 21,228,163	\$ -	\$ -
Use of Money and Property:						
Interest income	-	106,307	1,150	68,685	140,755	(138,829)
Rental income	-	-	-	-	-	-
Lease income	-	-	-	-	-	-
Intergovernmental:						
Contributions from other governments	67,364	732,864	-	562,967	793,115	-
Other revenue:						
Miscellaneous	-	-	14,571	-	-	14,571
Total Revenues	12,479,601	839,171	15,721	21,859,815	933,870	(124,258)
Expenditures:						
Current:						
General Government:						
Administrative costs	139,488	-	246,159	236,454	-	246,161
Professional services	-	-	46,037	-	-	46,038
Planning, survey and design	-	-	-	-	-	-
Community Development:						
Operation of acquired property	-	-	-	-	-	-
Rehabilitation grants	-	-	-	-	-	-
Subsidy to low and moderate housing	-	-	-	-	-	-
Capital Outlay:						
Project improvement costs	-	-	367,794	-	-	1,089,202
Debt Service:						
Debt issuance costs	-	-	-	-	-	-
Interest expense	-	1,853,001	-	-	2,663,942	-
Long-term debt repayments	-	990,227	2,904,599	-	1,458,747	1,323,159
Total Expenditures	139,488	2,843,228	3,564,589	236,454	4,122,689	2,704,560
Excess of Revenues over (under) Expenditures	12,340,113	(2,004,057)	(3,548,868)	21,623,361	(3,188,819)	(2,828,818)
Other Financing Sources (Uses)						
Transfers in	-	2,005,101	-	-	3,190,071	-
Transfers out	(3,064,723)	(1,699,444)	-	(3,769,989)	(2,600,371)	-
Housing set-aside transfers in	-	-	-	-	-	-
Housing set-aside transfers out	(2,482,447)	-	-	(4,245,633)	-	-
Long-term debt issued	-	-	-	-	-	-
Pass through agreement payments	(8,429,137)	-	-	(14,858,358)	-	-
Developer participation	-	-	13,433	-	-	-
Gain (Loss) on sale of land held	-	-	-	-	-	-
Payment to Supplemental Educational Revenue Augmentation Fund	(899,701)	-	-	(1,439,522)	-	-
Total Other Financing Sources (Uses)	(14,876,008)	305,657	13,433	(24,313,502)	589,700	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2,535,895)	(1,698,400)	(3,535,435)	(2,690,141)	(2,599,119)	(2,828,818)
Fund Balances						
Beginning of Year, as previously reported	(3,326,593)	4,700,255	1,755,927	(585,106)	6,667,584	8,886,491
Restatements	-	-	(363,739)	-	-	603,359
End of Year	\$ (5,862,488)	\$ 3,001,855	\$ (2,143,247)	\$ (3,275,247)	\$ 4,068,465	\$ 6,661,032

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, 2011

	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	\$ 1,305,820	\$ -	\$ -	\$ 55,395,291	\$ -
Use of Money and Property:					
Interest income	3,768	1,582	-	679,233	(64,786)
Rental income	-	-	-	-	1,415,049
Lease income	-	-	-	-	134,363
Intergovernmental:					
Contributions from other governments	24,834	29,564	-	3,261,596	-
Other revenue:					
Miscellaneous	-	-	14,569	-	177,479
Total Revenues	1,334,422	31,146	14,569	59,336,120	1,662,105
Expenditures:					
Current:					
General Government:					
Administrative costs	15,637	-	246,160	618,221	3,938,695
Professional services	-	-	46,417	-	952,157
Planning, survey and design	-	-	-	-	16,801
Community Development:					
Operation of acquired property	-	-	-	-	1,096,676
Rehabilitation grants	-	-	-	-	28,488
Subsidy to low and moderate housing	-	-	-	-	17,645
Capital Outlay:					
Project improvement costs	-	-	-	-	12,081,347
Debt Service:					
Debt issuance costs	-	-	-	9,958	-
Interest expense	-	20,187	-	13,618,432	125,224
Long-term debt repayments	-	20,459	658,094	5,735,000	24,931,383
Total Expenditures	15,637	40,646	950,671	19,981,611	43,188,416
Excess of Revenues over (under) Expenditures	1,318,785	(9,500)	(936,102)	39,354,509	(41,526,311)
Other Financing Sources (Uses)					
Transfers in	-	38,777	-	21,489,014	1,730,088
Transfers out	(9,532)	(130,031)	-	(16,450,641)	(6,768,461)
Housing set-aside transfers in	-	-	-	-	11,079,058
Housing set-aside transfers out	(261,164)	-	-	(11,079,058)	-
Long-term debt issued	-	-	-	-	133,400
Pass through agreement payments	(844,507)	-	-	(37,079,683)	-
Developer participation	-	-	-	-	232,409
Gain (Loss) on sale of land held	-	-	-	-	221,233
Payment to Supplemental Educational Revenue Augmentation Fund	(143,952)	-	-	(3,598,804)	-
Total Other Financing Sources (Uses)	(1,259,155)	(91,254)	-	(46,719,172)	6,627,727
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	59,630	(100,754)	(936,102)	(7,364,663)	(34,898,584)
Fund Balances					
Beginning of Year, as previously reported	(419,955)	142,101	(1,874,476)	13,740,597	137,234,233
Restatements	-	-	-	-	7,471,268
End of Year	\$ (360,325)	\$ 41,347	\$ (2,810,578)	\$ 6,375,934	\$ 109,806,917

LANCASTER REDEVELOPMENT AGENCY

COMPUTATION OF LOW AND MODERATE
INCOME HOUSING FUNDS
EXCESS/SURPLUS

	Low and Moderate Housing Funds - All Project Areas July 1, 2010	Low and Moderate Housing Funds - All Project Areas July 1, 2011
Opening Fund Balance	\$ 114,206,406	\$ 125,851,340
Less Unavailable Amounts:		
Land held for resale	\$ (57,971,089)	\$ (70,476,955)
SERAF loans	(20,704,310)	(24,303,114)
Encumbrances (Section 33334.12 (g)(2))	(13,074)	-
Unspent debt proceeds (Section 33334.12 (g)(3)(B))	(23,000,042)	(13,608,430)
Rehabilitation loans	(2,034,367)	(2,017,052)
	<u>(103,722,882)</u>	<u>(110,405,551)</u>
Available Low and Moderate Income Housing Funds	10,483,524	15,445,789
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
2010 - 2011	-	11,079,058
2009 - 2010	13,240,989	13,240,989
2008 - 2009	16,853,721	16,853,721
2007 - 2008	15,675,562	15,675,562
2006 - 2007	13,936,255	-
Total	<u>\$ 59,706,527</u>	<u>\$ 56,849,330</u>
Base Limitation	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Greater amount	<u>59,706,527</u>	<u>56,849,330</u>
Computed Excess/Surplus	<u>None</u>	<u>None</u>

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