



Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2012

lancaster  ca
it's positively clear



About the Cover:

The City of Lancaster's Museum of Art and History (MOAH) opened its doors to the public on May 5, 2012. It marked a new era for the City of Lancaster, providing the public with another spectacular venue where they can enjoy the arts. It also offers area artists a much-needed space in which to display their works.

Founded in 1986 as the Lancaster Museum/Art Gallery, the current Lancaster Museum of Art and History (MOAH) is dedicated to advancing an appreciation of art and history in the Antelope Valley. Operating two sites, the Museum of Art and History and the Western Hotel Museum, Lancaster MOAH is not only a repository for historical artifacts important to preserving the unique character of the Antelope Valley, but also a place where audiences—residents and visitors alike—may experience exhibitions of fine art and participate in a variety of art and history-based programs.

Learning is at the core of Lancaster MOAH's mission. Collecting, exhibitions and programs are all undertaken in an effort to provide the residents of the Antelope Valley with a way of integrating art and history into their lives and taking away the lessons that these disciplines offer. By presenting quality exhibitions and programs, as well as providing proper care and preservation of works of art and artifacts relating to Antelope Valley history and culture, the Lancaster Museum of Art and History is the region's center for art and historical engagement.

CITY OF LANCASTER, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Prepared By:

Finance Department

CITY OF LANCASTER
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED
 JUNE 30, 2012

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CITY OF LANCASTER, CALIFORNIA
44933 Fern Avenue
Lancaster, California 93534

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**
For the Year Ended June 30, 2012

Prepared by the City of Lancaster, Finance Department
Barbara Boswell, Finance Director
Pam Statsmann, Assistant Finance Director
Tammie Holladay, Accountant

For additional information, please contact the Finance Department at
(661) 723-6033.

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January 30, 2013

Honorable Mayor and Members of the City Council:

We are pleased to submit for your consideration the Comprehensive Annual Financial Report (CAFR) of the City of Lancaster, California, for the fiscal year ended June 30, 2012. This report was prepared by the Finance Department of the City; responsibility for the accuracy and completeness of the presentation, including all disclosures, rests with City staff. To provide a reasonable basis for making these representations, management of the City of Lancaster has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of Lancaster's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, Lancaster's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management asserts that to the best of our knowledge and belief this financial report is complete and reliable in all material respects. This report includes the annual audit report of the City's independent auditors, Lance, Soll, and Lunghard. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The data is designed to factually report the City's financial condition and to present results of City operations as measured by activity among the various fund groups in an easily readable and understandable style. All disclosures necessary for the reader to gain an understanding of the City's financial affairs have been included. Financial statements are prepared in accordance with GAAP, as promulgated by the Government Accounting Standards Board.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officers. The financial section includes the basic financial statements, including the management's discussion and analysis, the combined and individual fund statements and schedules, and the auditor's report on the financial statements and schedules. The statistical section includes selected multi-year financial and demographic information.

This CAFR includes all of the funds of the City, including the separate entities under the direction of the City Council. The separate entities include the Lancaster Redevelopment Agency (now the Lancaster Successor Agency), the Lancaster Housing Authority, the Lancaster Power Authority, the Lancaster Community Services Foundation, Community Facilities District 89-1, Community Facilities District 90-1, Community Facilities District 91-1, Community Facilities District 91-2, Assessment District 92-101 and Assessment District 93-3.

The City provides a broad range of services associated with a municipality. These services include highway, street, drainage, sewer, and infrastructure construction and maintenance; planning and zoning; and parks, recreation, and cultural activities. Law enforcement, fire protection, and animal control services are provided under contract with Los Angeles County, whereas water, sanitation, school, and library are funded by special districts not under City control.

City of Lancaster Profile

Lancaster is situated on the north side of Los Angeles County in the Antelope Valley, about 70 miles from downtown Los Angeles and separated from the Los Angeles Basin by the Angeles National Forest. The City is bordered by several unincorporated Los Angeles County communities and the city of Palmdale. Lancaster is served by state route 14 and by two major grade-separated east-west thoroughfares: Avenue H and Avenue L. With 94 square miles with residential communities, recreation and art venues, hi-tech industry, and retail businesses Lancaster is an exciting atmosphere for living and a place of limitless opportunity for business.

The City was incorporated on November 22, 1977, and on April 13, 2010, voters approved Measure C which grants the City its Charter City status. The mayor and city council are elected at large. Lancaster has grown significantly in size and diversity over the last thirty-four years. According to the 2010 Census, Lancaster's population is 156,633, an increase of nearly 32% over the 2000 Census total. With business-friendly policies, the City today attracts national and local companies in many businesses and industries as well as families pursuing the American Dream of homeownership in a close-knit community. Throughout its recent growth, Lancaster has retained a family-focused hometown spirit. Thousands of visitors come to Lancaster in the spring to enjoy our beautiful orange poppy fields among the world famous Joshua trees. The movie industry has captured the essence of the high desert in multitudes of movies shot here each year, bringing many additional visitors to patronize our hotels and retail establishments.

Significant Events and Accomplishments

Securing grant funding is a major Council priority. County, state, and federal government agencies offer a host of various grants that expand many different services the City is currently providing and help offer brand new programs to improve the lives of our residents.

In 2010, the City received a \$240,000 grant from the Los Angeles County Department of Public Health's Renewing Environments for Nutrition, Exercise and Wellness program. Lancaster was one of nine cities in the County to receive this highly competitive grant. This is in large part due to the City's commitment to improving the health of the City through preventative measures, such as encouraging active transportation and providing programming to support and encourage exercise. With the help of this grant, the City developed a master plan of trails and bikeways which the City Council approved in January 2012.

Other grants address environmental problems. For example, the City was recently granted nearly \$90,000 in state funds for two cleanup projects where illegal dumping has fouled

rural agricultural land. The Department of Resources Recycling and Recovery (CalRecycle) awarded the grants through its Farm and Ranch Solid Waste Cleanup and Abatement Grant Program, which pays for the removal of small illegal dump sites on rural lands where the property owner is not responsible for the illegal dumping. Left unabated, illegal dumping poses health and fire risks. Trash that is allowed to accumulate also encourages more dumping, so rural communities depend on grant funding from CalRecycle when cleanup costs cannot otherwise be recovered.

Community partnerships are also bearing fruitful results. Our community partners program allows for the continued publication of the City's Outlook magazine. We've joined with faith-based organizations to staff Neighborhood Impact Homes and Community Gardens, and partnerships with the medical community and A.V. Partners for Health serve neighborhoods through Community Wellness Homes. On March 7, 2012, the City opened its fifth Wellness Home, in the Linda Verde neighborhood.

The City had several far-reaching accomplishments during the 2011-12 fiscal year. With the goal of generating new and sustainable revenue streams over the coming years, staff continues to aggressively pursue partnerships with the private sector in order to attract retail, manufacturing and other activities to employ our residents close to home. We continued down the road of economic development activity with several City Council approved solar energy building projects that will save the City millions of dollars over the coming years among other revenue generation activities.

The Lancaster Power Authority, established by the City in 2010, aims to use green energy to provide electricity cost savings to all of the City's businesses and residents while also providing the city with a new source of revenue. The Authority's first project, a ground-breaking partnership with two school districts to provide solar energy at their school sites is fully constructed and operational. The Authority sells power to the schools which saves money for them and generates funds for the City.

In June 2012, Lancaster announced that Morton Manufacturing, a well-established firm specializing in the manufacture of fasteners for the aerospace industry, selected Lancaster as the new home of their corporate headquarters. The move will bring a total of 300 jobs to the Antelope Valley, including 200 existing employees as well as 100 new positions for local workers. Morton Manufacturing will occupy a 10.06-acre parcel in the Lancaster Business Park near East Avenue K-15 and Business Center Parkway.

Launched in 1967, Morton Manufacturing specializes in the production of nickel-alloy bolts for gas-turbine aircraft engines. The firm, whose client list includes such companies as Rolls Royce, Pratt Whitney and General Electric, began seeking a new location in 2011 when orders started to outstrip the production capacity of their current facility. With approximately 40 percent of its existing workforce already living in the Antelope Valley, Morton Manufacturing's search for a new site quickly led them to Lancaster.

Consumer confidence is rising and Lancaster is capturing the new car market with the expanded Lancaster Auto Mall with existing dealers as well as new dealers such as Chevrolet, Subaru, and a luxury line of pre-owned vehicles.

Finances in the Future

The City continues its fiscally conservative General Fund balance reserve to cover unanticipated revenue shortfalls or expenditure requirements. Also in safe and closely monitored condition is the City's status relative to Proposition 4, the Gann initiative, which limits appropriations by a formula tied to the Consumer Price Index, population growth, and assessed value changes. This year the City continued its long-standing policy of maintaining a 10% General Fund unallocated reserve as well as a 14% Financial Stability Reserve.

In order to better understand financial trends and evaluate the long-range financial impact of the budget, the City prepares a 5-year financial forecast as part of its budget process. The forecast is updated throughout the year as new economic data becomes available.

The continued weakened economy results in a loss of revenue to the City of Lancaster. However, through its long-range financial forecasting, the City has positioned itself to weather the current economic downturn. The City made a commitment to excellent customer service, public safety and maintaining long-term financial stability. This was accomplished by finding opportunities to improve efficiencies, deferring projects and reducing administrative costs. The City is also pursuing new and innovative sources of revenue, as evidenced by the Lancaster Power Authority projects.

OTHER INFORMATION

Independent Audit

The City requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City. This report was prepared with the assistance of the auditor, the independent certified public accounting firm of Lance, Soll, and Lunghard. The auditor's opinion is included in this report.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lancaster for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City of Lancaster has received a Certificate of Achievement for the last 26 consecutive years. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA.


Acknowledgments

The preparation of this document is the result of the hard work of the entire Finance Department staff. Special recognition goes to Pam Statsmann, Assistant Finance Director and Tammie Holladay, Accountant for their dedication, and whose efforts, coupled with the assistance of our auditors, have culminated in the timely completion of this report. We are pleased with the product and wish to thank all involved. Special appreciation goes to the members of the City Council for their continuing engagement and support in the financial activities of the City. The financial success of the City of Lancaster is greatly attributable to the City Council's progressive and responsible manner in addressing the business of the municipality.

Respectfully submitted,



Mark V. Bozigian
City Manager



Barbara Boswell
Finance Director

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CITY OF LANCASTER

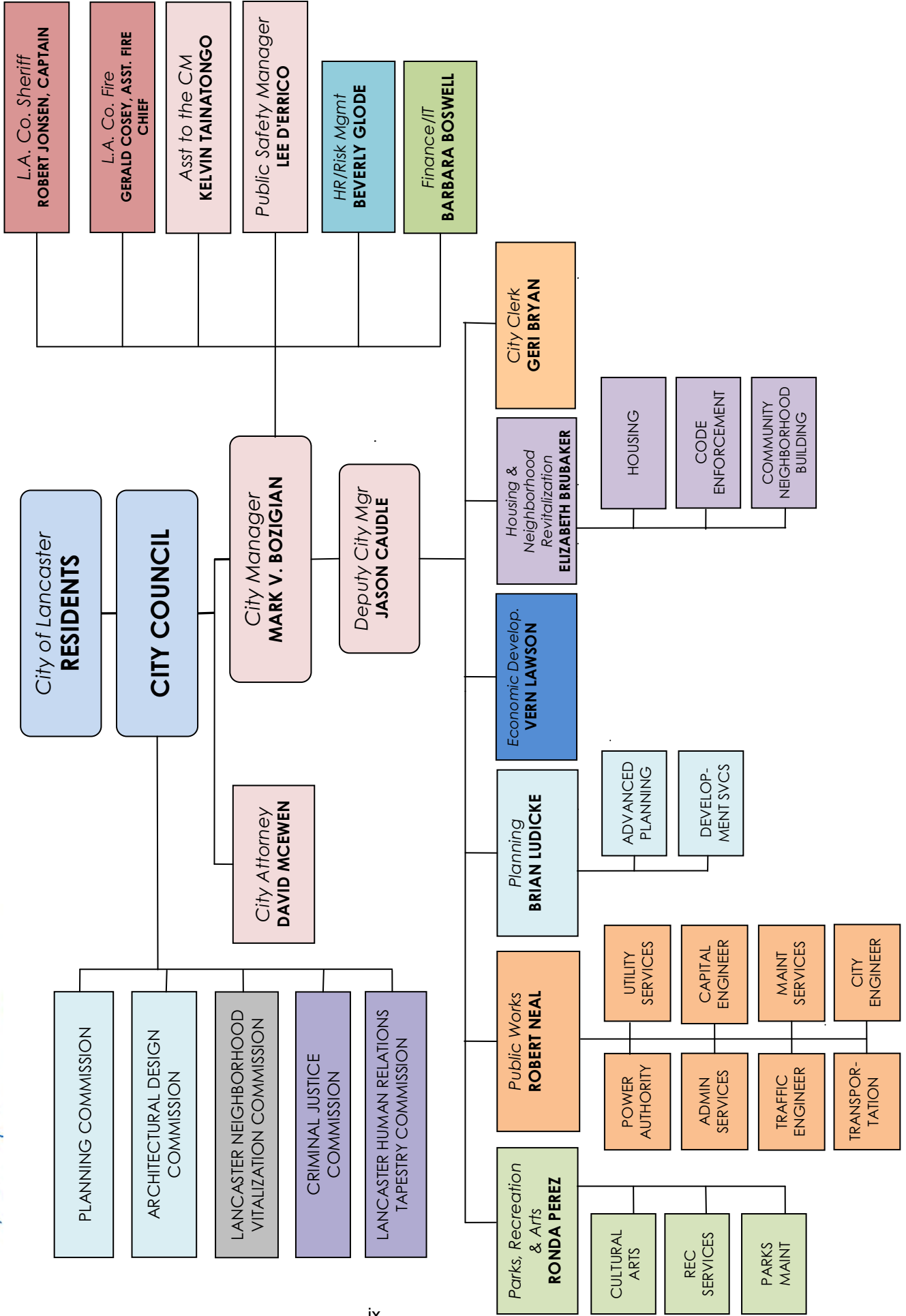
CITY COUNCIL MEMBERS

		<u>Term Expires</u>
R. Rex Parris	Mayor	2016
Ronald D. Smith	Vice Mayor	2014
Marvin E. Crist	Council Member	2014
Sandra Johnson	Council Member	2016
Kenneth G. Mann	Council Member	2016

CITY OFFICIALS

Mark V. Bozigian	City Manager
Jason D. Caudle	Deputy City Manager
Kelvin Tainatongo	Assistant to the City Manager
Barbara Boswell	Finance Director
Elizabeth A. Brubaker	Housing & Neighborhood Revitalization Director
Geri K. Bryan	City Clerk
Beverly Glode	Human Resources and Risk Management Director
Vern Lawson	Economic Development Director
Brian S. Ludicke	Planning Director
Ronda Perez	Parks, Recreation and Arts Director
Robert C. Neal	Public Works Director
David R. McEwen	City Attorney

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lancaster
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandson
President

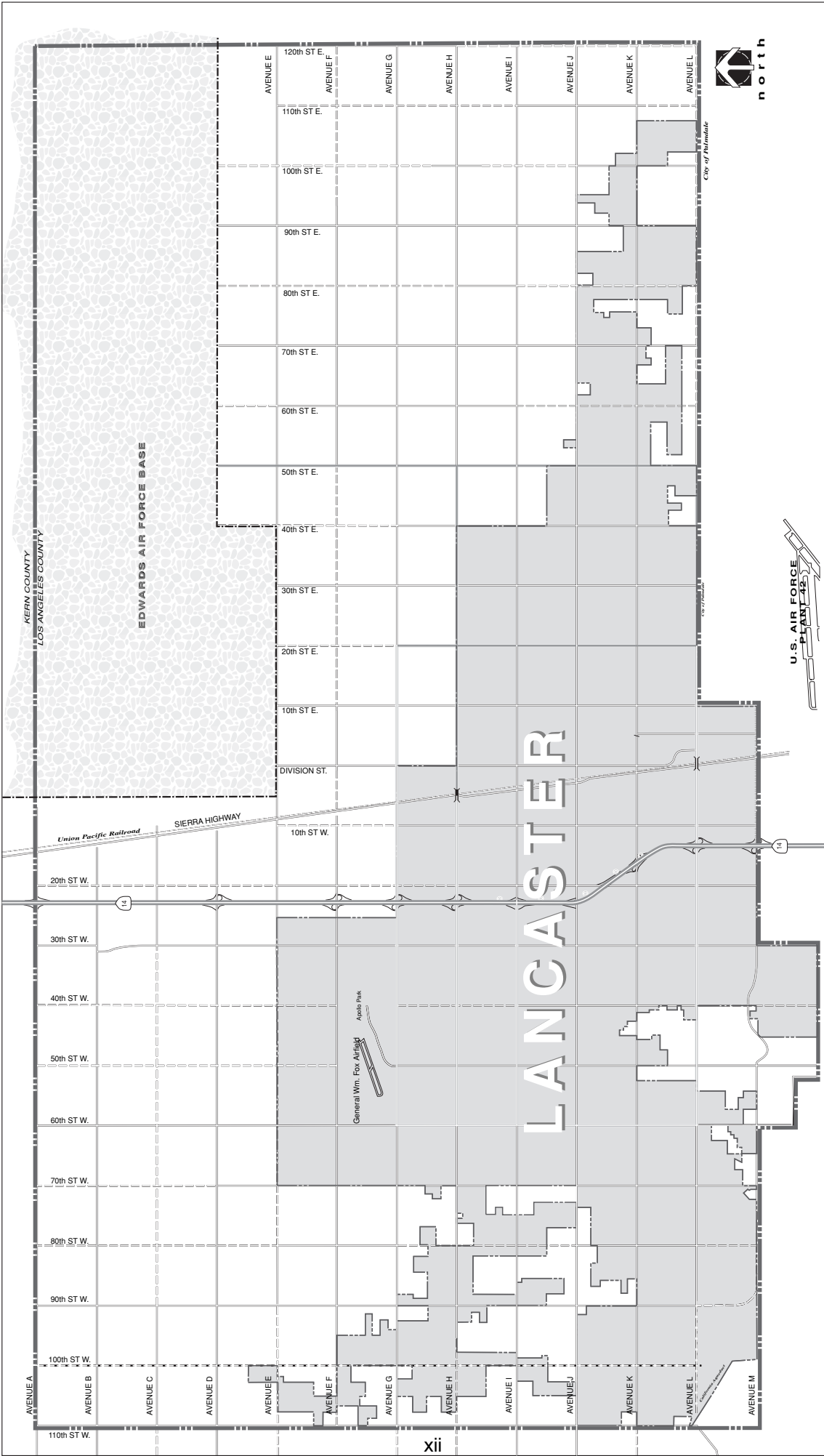
Jeffrey L. Esser
Executive Director

AV Economic Region



CITY OF LANCASTER

TOTAL INCORPORATED AREA: 94 SQUARE MILES





CERTIFIED PUBLIC ACCOUNTANTS

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

Brandon W. Burrows, CPA, Retired

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Lancaster, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lancaster, California'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, California, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the *General Fund, Home Program, and Lancaster Housing Authority Funds* 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 17 – "Successor Agency Trust for Assets of the Former Redevelopment Agency". The note provides information on the dissolution of the Redevelopment Agency and the new formed Successor Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013, on our consideration of the City of Lancaster, California'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.



To the Honorable Mayor and Members of City Council
City of Lancaster, California

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lancaster, California's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules 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 introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Lance, Soll & Lughard, LLP

Brea, California
January 29, 2013

Management's Discussion and Analysis

As management of the City of Lancaster, we offer readers of the City of Lancaster's financial statements this narrative overview and analysis of the financial activities of the City of Lancaster for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The governmental program and general revenues were \$353,593,893
- The cost of governmental activities was \$127,713,891
- The General Fund reported expenditures and transfers out in excess of revenues and transfers in of \$24,432,146
- For the General Fund, actual resources available for appropriation (revenue inflows and fund balance) was less than final budget by \$3,604,801; while changes to the redevelopment agency caused actual appropriations (outflows) to exceed the final budget by \$22,173,751

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lancaster's basic financial statements. The City of Lancaster's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Lancaster's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Lancaster's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lancaster is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lancaster that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Lancaster include General Government, Public Safety, Community Development, Parks and Recreation, Public Works, and Housing. The business-type activities include the Lancaster Power Authority.

The government-wide financial statements include the blending of separate legal entities--the Lancaster Redevelopment Agency and the Lancaster Housing Authority. Although legally separate, these "component units" are important because the City of Lancaster is financially accountable for them. Separate statements are provided for business activities of the Lancaster Power Authority and the fiduciary activities of the Agency Funds and Private Purpose Funds of the Lancaster Successor Agency.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lancaster, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lancaster can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds. Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resource, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Lancaster maintains forty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, one capital project fund, two special revenue funds and one debt service fund, all of which are considered to be major funds. Data from the other thirty-six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Lancaster adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds. A Proprietary or Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lancaster uses an enterprise fund to account for the activities of the Lancaster Power Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Lancaster Power Authority.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Lancaster's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statement.

Combining Statements. The combining statements referred to earlier in connection with non-major governmental are presented immediately following the notes.

Government-wide Financial Analysis

Our analysis focuses on the net assets and changes in net assets of the City's governmental activities.

City of Lancaster Net Assets (in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 299,709	\$ 322,007	\$ 3,265	\$ -	\$ 302,974	\$ 322,007
Capital Assets	860,111	879,972	23,017	-	883,128	879,972
Total Assets	1,159,820	1,201,979	26,282	-	1,186,102	1,201,979
Long Term Liabilities Outstanding	29,650	287,900	26,312	-	55,962	287,900
Other Liabilities	9,554	22,260	223	-	9,777	22,260
Total Liabilities	39,204	310,160	26,535	-	65,739	310,160
Net Assets						
Invested in capital assets, net of related debt	924,786	726,729	-	-	924,786	726,729
Restricted	172,782	93,278			172,782	93,278
Unrestricted	23,048	71,812	(253)	-	22,795	71,812
Total Net Assets	\$ 1,120,616	\$ 891,819	\$ (253)	\$ -	\$ 1,120,363	\$ 891,819

City of Lancaster Asset Type (in Thousands)

Land	\$ 17,168
Buildings and Improvements	39,935
Furniture and Equipment	4,096
Infrastructure	816,080
Construction in Progress	56,598
Net Capital Assets	\$ 933,877

- The City of Lancaster uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Governmental Activities. Governmental activities increased the City of Lancaster's net assets by \$228,476,714. Net Asset restatements accounted for a net increase of \$2,596,712.

- Property taxes decreased by \$10,524,482 primarily due to the dissolution of the Redevelopment Agency. Property taxes distributed to the Successor Agency were reported in the Trust Fund account effective February 1, 2012 and is no longer part of the City's tax revenue.
- Sales tax increased \$1,652,056 or 10.6% from the prior year.

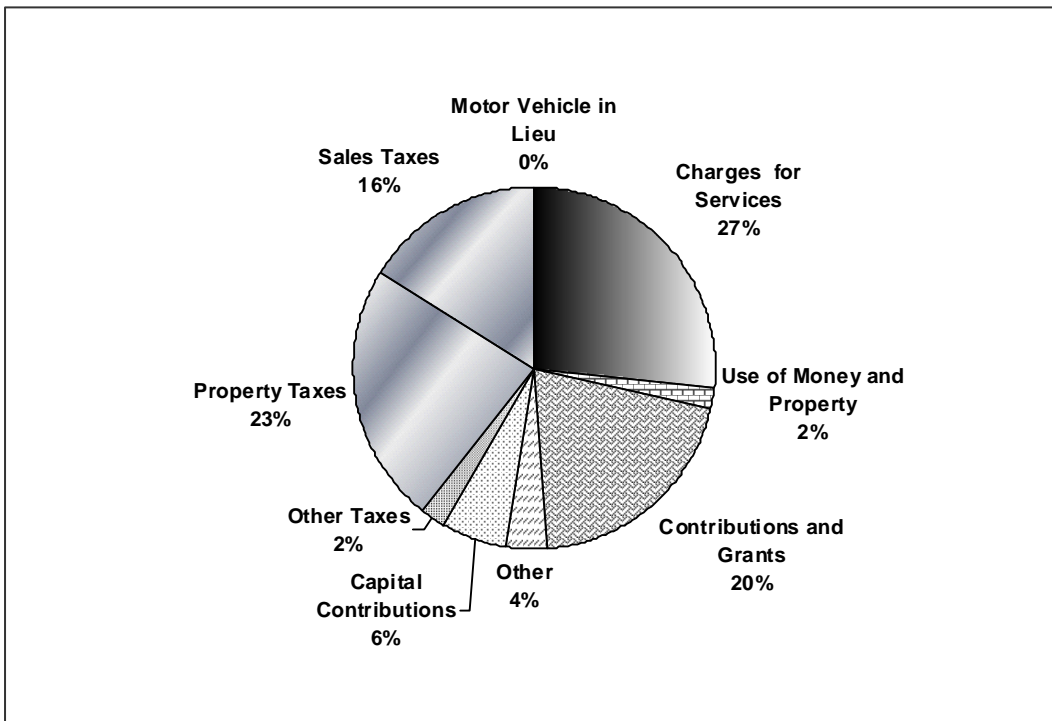
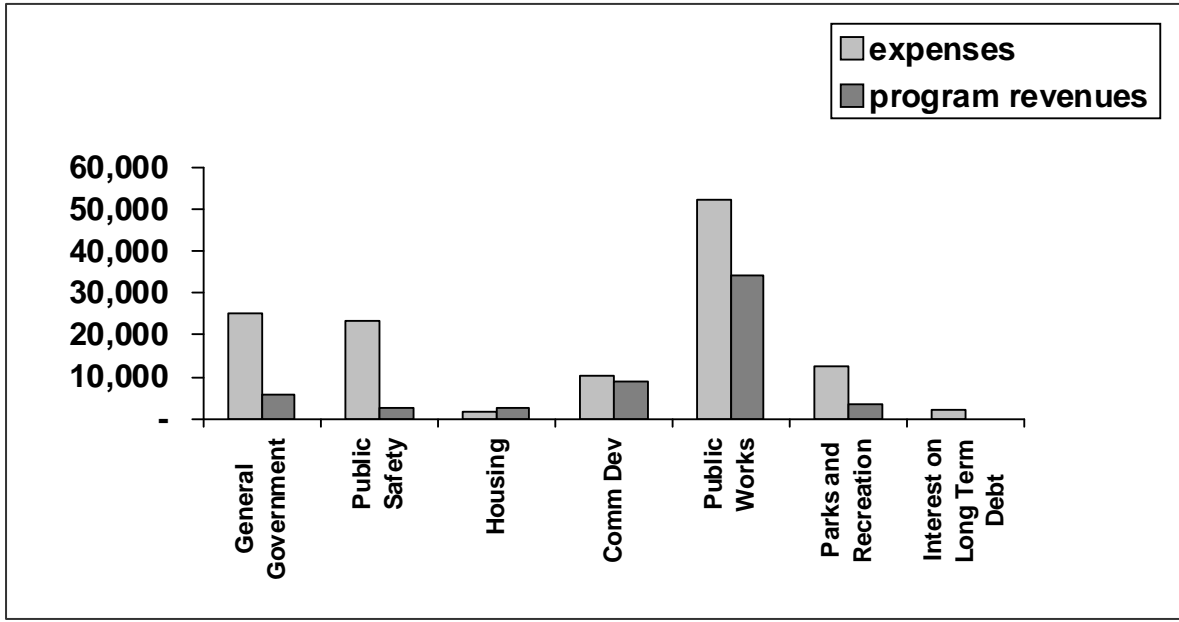
Business-Type Activities. Business-type activities slightly decreased the City of Lancaster's net assets by \$252,698 due to the issuance of bonds by the Lancaster Power Authority.

**City of Lancaster Changes in Net Assets
(in Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 28,793	\$ 24,213	\$ 1,479	\$ -	\$ 30,272	\$ 24,213
Operating contributions and grants	22,222	36,720	-	-	22,222	36,720
Capital contributions and grants	6,133	16,289	-	-	6,133	16,289
General revenues:						
Taxes:						
Property taxes	25,371	35,895	-	-	25,371	35,895
Sales taxes	17,260	15,608	-	-	17,260	15,608
Franchise taxes	2,656	2,697	-	-	2,656	2,697
Other taxes	2,578	2,619	-	-	2,578	2,619
Motor vehicle in lieu	78	680	-	-	78	680
Investment income	2,102	3,952	7	-	2,109	3,952
Other	8,991	337	-	-	8,991	337
Transfers	600	-	(600)	-	-	-
Extraordinary Gain on dissolution of redevelopment agency	236,810	-	-	-	236,810	-
Total revenues	353,594	139,010	886	-	354,480	139,010
Expenses						
General government	24,809	25,976	-	-	24,809	25,976
Public safety	23,493	25,207	-	-	23,493	25,207
Public works	52,221	52,086	-	-	52,221	52,086
Parks and recreation	12,797	12,526	-	-	12,797	12,526
Housing	1,722	5,993	-	-	1,722	5,993
Community Development	10,355	14,848	-	-	10,355	14,848
Interest on long-term debt	2,317	14,873	-	-	2,317	14,873
Lancaster Power Authority	-	-	1,139	-	1,139	-
Total expenses	127,714	151,509	1,139	-	128,853	151,509
Increase in net assets	\$ 225,880	\$ (12,499)	\$ (253)	\$ -	\$ 225,627	\$ (12,499)

The City's total revenues are \$354,480,025 while the costs of all programs and services are \$128,852,721.

**City of Lancaster Government Activities
Revenue by Source
(in Thousands)**



**City of Lancaster Governmental Activities
(in Thousands)**

The following presents the cost of each of the City's five largest programs—general government, public safety, community development, parks and recreation, and public works—as well as each program's *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

- Public works includes expenses for the City's Redevelopment Agency.

	Total Cost of Services	Net Cost of Services
	2012	2012
General Government	\$ 24,809	\$ (19,266)
Public Safety	23,494	(20,830)
Community Development	10,355	(1,491)
Parks and Recreation	12,797	(9,381)
Public Works	52,220	(17,984)
Totals	\$ 123,675	\$ (68,952)

The net cost of services indicates that the overall cost of government is more than the revenues generated to support it. The City is not fully recovering the cost of these services with program revenues from user fees and other contributions. See the Statement of Activities for further detail on program revenues and general revenues.

Financial Analysis of the City's Funds

The City of Lancaster uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Lancaster's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Lancaster's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Lancaster's governmental funds reported combined ending fund balances of \$188.8 million.

The general fund is the chief operating fund of the City of Lancaster. At the end of the current fiscal year, including operating transfers, the General Fund reported expenditures and transfers out in excess of revenues and transfers in of \$24,432,146. The decrease in fund balance reflects the impact of the local economy as well as the dissolution of the Redevelopment Agency. The General Fund realized an extraordinary loss of \$25,306,233 due to the dissolution. In addition, property assessed valuation has decreased 29% over the past several years, resulting in lost revenues to the City.

Proprietary Funds. The City of Lancaster's proprietary fund provides the same type of information found in the government-wide financial statement, but in more detail. The City of Lancaster has only one fund of this type.

This is the first year for Proprietary reporting of the Lancaster Power Authority. Net assets of the Lancaster Power Authority at the end of the year were (\$252,698) due to the issuance of Solar Renewable Energy Revenue Bonds, capital expenditures and large debt issuance costs.

General Fund Budgetary Highlights

The actual amounts of expenditures for the General Fund at year-end were \$25,132,104 more than the final budget before transfers. The budget to actual variance in appropriations was due to the extraordinary loss on the dissolution of the redevelopment agency in the amount of \$25,306,233. Actual revenues were \$448,860 less than the final budget before transfers, due to a decrease in miscellaneous revenues and transfers in.

Capital Asset and Debt Administration

Capital Assets. At the end of FY 2012, the governmental activities had \$933.9 million invested in a broad range of capital assets, including land, buildings, infrastructure, and equipment.

The City's Capital Improvement Plan projects spending \$17.4 million through fiscal 2012-13. Funding will come from current fund balances and projected revenues. The most significant projects include the Bikeway Facility Improvements, Traffic Operations Center and Traffic Signal Controller Upgrades, Pavement Management Program, Signal Equipment and Battery Back-up Replacement and the gap closure on 10th Street West.

Note 4 provides a detailed analysis of the Capital Assets.

Long-term Debt. At the end of the current fiscal year, the City of Lancaster's total long term debt decreased by \$259,089,504 or 89.7% from the prior year. As a result of the dissolution of the City of Lancaster's Redevelopment Agency, the agency's debt in the amount of \$259,440,000 was transferred to the Successor Agency Trust Fund. As of June 30, 2012, the City of Lancaster had accrued employee benefits outstanding of \$2,293,281.

Revenue Bonds of the Lancaster Power Authority will be paid out of solar utility revenues.

	City of Lancaster Long-term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Notes Payable	\$ 3,811	\$ 4,123	\$ -	\$ -	\$ 3,811	\$ 4,123
Accrued Employee Benefits	2,293	2,001	-	-	2,293	2,001
Claims and Judgements	1,126	1,037	-	-	1,126	1,037
Net OPEB Obligation	13,329	8,450	-	-	13,329	8,450
Lease Revenue Bonds	6,100	6,465	-	-	6,100	6,465
Renewable Energy Bonds	-	-	26,895	-	26,895	-
Tax Allocation Bonds	-	263,595	-	-	-	263,595
Loans	1,469	-	-	-	1,469	-
Capital lease	1,522	-	-	-	1,522	-
Total	<u>\$ 29,650</u>	<u>\$ 285,671</u>	<u>\$ 26,895</u>	<u>\$ -</u>	<u>\$ 56,545</u>	<u>\$ 285,671</u>

Note 6 provides a detailed analysis of the Long Term Debt.

Economic Factors and Next Year's Budgets and Rates

On June 26, 2012, the City Council adopted the 2012-13 Program and Financial Plan and 2012-13 Budget, with total appropriations of \$108.9 million. Adequate resources are available to fund the proposed expenditures. Consistent with the City's policy, General Fund operating revenues fully cover on-going operating expenses with Fund Balance funding one-time expenses. Ending fund balance meet's the City's policy minimum of 10% of operating expenditures.

Budgetary revenue estimates have been prepared using a variety of methods. Certain revenue sources, such as Federal and State grants and transportation funds are relatively fixed and known. Others, such as sales tax and development related revenues are more difficult to estimate. In those cases, a cautiously optimistic economic outlook has been assumed.

Current economic conditions allow the City to maintain core services, and to maintain current levels of public safety. However, prudent long-term fiscal planning dictates that we remain conservative, focus on the highest priorities, and fund only those enhancements we can sustain financially.

The largest single source of revenue for the City's General Fund is sales tax, which represents 35% of all General Fund revenues for the upcoming fiscal year. The revenue and expenditure projections for development related activity are based upon local and regional economic forecasts and trends. Overall the budget is based on the information supplied by outside agencies, such as the State Department of Finance, State Board of Equalization, and the Los Angeles County Assessor's Office, to predict revenues. The revenue and expenditure projections are intended to serve as a guide in planning for the future. The assumption used for forecasting expenditures includes a decrease in staffing of 18 full time equivalent positions from the prior year.

A priority of the City is to maintain a high quality of services while adopting a balanced budget. Once again the proposed budget is balanced and conservative in a highly volatile fiscal environment.

Contacting The City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pamela Statsmann, Assistant Finance Director, at the City of Lancaster, 44933 Fern Avenue, Lancaster, CA 93534, or by phone at (661)723-6038.

CITY OF LANCASTER

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 61,609,639	\$ -	\$ 61,609,639
Receivables:			
Accounts	3,405,040	692,076	4,097,116
Taxes	5,959,792	-	5,959,792
Notes and loans	50,101,317	-	50,101,317
Accrued interest	173,680	-	173,680
Internal balances	284,052	(284,052)	-
Prepaid costs	422,415	75,350	497,765
Deposits	4,130	-	4,130
Due from other governments	6,532,187	-	6,532,187
Inventories	47,791	-	47,791
Deferred charges	-	536,708	536,708
Land held for resale	81,711,780	-	81,711,780
Restricted assets:			
Cash and investments	1,033,202	-	1,033,202
Cash with fiscal agent	10,747,868	2,245,176	12,993,044
Prepaid pension obligation	3,909,887	-	3,909,887
Capital assets not being depreciated	73,766,534	-	73,766,534
Capital assets, net of depreciation	860,111,039	23,017,039	883,128,078
Total Assets	1,159,820,353	26,282,297	1,186,102,650
Liabilities:			
Accounts payable	5,628,586	1,748	5,630,334
Accrued liabilities	1,245,561	-	1,245,561
Accrued interest	174,342	141,002	315,344
Unearned revenue	642,269	79,690	721,959
Deposits payable	1,863,323	-	1,863,323
Noncurrent liabilities:			
Due within one year	3,667,974	-	3,667,974
Due in more than one year	25,982,478	26,312,555	52,295,033
Total Liabilities	39,204,533	26,534,995	65,739,528
Net Assets:			
Invested in capital assets, net of related debt	924,786,002	-	924,786,002
Restricted for:			
Community development projects	134,366	-	134,366
Public safety	41,465	-	41,465
Parks and recreation	2,154,110	-	2,154,110
Public works	46,148,076	-	46,148,076
Debt service	6,987,324	-	6,987,324
Housing	117,316,234	-	117,316,234
Unrestricted	23,048,243	(252,698)	22,795,545
Total Net Assets	\$ 1,120,615,820	\$ (252,698)	\$ 1,120,363,122

CITY OF LANCASTER

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 24,809,328	\$ 935,460	\$ 4,608,107	\$ -
Public safety	23,493,486	1,935,658	727,541	-
Community development	10,355,215	283,252	8,580,853	-
Parks and recreation	12,796,592	3,156,519	258,315	-
Public works	52,220,277	21,175,600	7,925,673	5,135,345
Housing	1,722,135	1,306,309	121,400	997,786
Interest on long-term debt	2,316,858	-	-	-
Total Governmental Activities	127,713,891	28,792,798	22,221,889	6,133,131
Business-Type Activities:				
Lancaster Power Authority	1,138,830	1,479,116	-	-
Total Business-Type Activities	1,138,830	1,479,116	-	-
Total Primary Government	\$ 128,852,721	\$ 30,271,914	\$ 22,221,889	\$ 6,133,131

General Revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Other taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Other

Gain on sale of land held for resale

**Extraordinary gain/(loss) on dissolution
of redevelopment agency (Note 17)**

Transfers

**Total General Revenues, Contributions,
Extraordinary Items and Transfers**

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (19,265,761)	\$ -	\$ (19,265,761)
(20,830,287)	-	(20,830,287)
(1,491,110)	-	(1,491,110)
(9,381,758)	-	(9,381,758)
(17,983,659)	-	(17,983,659)
703,360	-	703,360
(2,316,858)	-	(2,316,858)
(70,566,073)	-	(70,566,073)
-	340,286	340,286
-	340,286	340,286
(70,566,073)	340,286	(70,225,787)
25,370,913	-	25,370,913
1,338,016	-	1,338,016
17,259,589	-	17,259,589
2,655,535	-	2,655,535
955,466	-	955,466
284,519	-	284,519
78,065	-	78,065
2,102,259	7,016	2,109,275
3,913,577	-	3,913,577
5,078,193	-	5,078,193
236,809,943	-	236,809,943
600,000	(600,000)	-
296,446,075	(592,984)	295,853,091
225,880,002	(252,698)	225,627,304
892,139,106	-	892,139,106
2,596,712	-	2,596,712
\$ 1,120,615,820	\$ (252,698)	\$ 1,120,363,122

CITY OF LANCASTER

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Special Revenue Funds			Capital Projects Funds
	General	HOME Program	Lancaster Housing Authority	Capital Projects
Assets:				
Pooled cash and investments	\$ 7,624,954	\$ 306,360	\$ 5,192,220	\$ 828,451
Receivables:				
Accounts	1,343,422	-	75,774	-
Taxes	5,286,603	9,490	-	-
Notes and loans	7,959,618	14,813,251	27,328,448	-
Accrued interest	94,761	479	6,663	-
Prepaid costs	420,918	-	-	-
Deposits	-	-	4,130	-
Due from other governments	2,462,608	-	-	-
Due from other funds	6,561,724	-	-	-
Inventories	47,791	-	-	-
Land held for resale	14,482,945	-	64,183,033	-
Restricted assets:				
Cash and investments	-	-	253,327	-
Cash and investments with fiscal agents	4,476,314	-	-	-
Total Assets	<u>\$ 50,761,658</u>	<u>\$ 15,129,580</u>	<u>\$ 97,043,595</u>	<u>\$ 828,451</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 3,395,325	\$ -	\$ 178,059	\$ 827,942
Accrued liabilities	1,244,900	-	-	-
Deferred revenues	5,226,753	14,223,190	779,378	-
Unearned revenues	193,997	-	-	-
Deposits payable	1,790,457	-	40,852	-
Due to other funds	-	-	-	-
Total Liabilities	<u>11,851,432</u>	<u>14,223,190</u>	<u>998,289</u>	<u>827,942</u>
Fund Balances:				
Nonspendable:				
Inventories	47,791	-	-	-
Prepaid costs	420,918	-	-	-
Land held for resale	14,482,945	-	64,183,033	-
Notes and loans	7,368,200	590,061	26,549,070	-
Deposits	-	-	4,130	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	-
Housing	-	316,329	5,309,073	-
Assigned to:				
Employee benefits	1,406,369	-	-	-
Building replacement	623,700	-	-	-
Capital facilities	91,182	-	-	-
2020 Vision Plan Implementation	400,000	-	-	-
Safer and Stroner Neighborhoods	486,350	-	-	-
Technology Infrastructure	1,881,785	-	-	-
Capital projects	-	-	-	509
Unassigned	11,700,986	-	-	-
Total Fund Balances	<u>38,910,226</u>	<u>906,390</u>	<u>96,045,306</u>	<u>509</u>
Total Liabilities and Fund Balances	<u>\$ 50,761,658</u>	<u>\$ 15,129,580</u>	<u>\$ 97,043,595</u>	<u>\$ 828,451</u>

See Notes to Financial Statements

CITY OF LANCASTER

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Debt Service Funds		
	Lancaster Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ -	\$ 47,657,654	\$ 61,609,639
Receivables:			
Accounts	-	1,985,844	3,405,040
Taxes	-	663,699	5,959,792
Notes and loans	-	-	50,101,317
Accrued interest	-	71,777	173,680
Prepaid costs	-	1,497	422,415
Deposits	-	-	4,130
Due from other governments	-	4,069,579	6,532,187
Due from other funds	-	-	6,561,724
Inventories	-	-	47,791
Land held for resale	-	3,045,802	81,711,780
Restricted assets:			
Cash and investments	-	779,875	1,033,202
Cash and investments with fiscal agents	-	6,271,554	10,747,868
Total Assets	\$ -	\$ 64,547,281	\$ 228,310,565
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ 1,227,260	\$ 5,628,586
Accrued liabilities	-	661	1,245,561
Deferred revenues	-	3,650,176	23,879,497
Unearned revenues	-	448,272	642,269
Deposits payable	-	32,014	1,863,323
Due to other funds	-	6,277,672	6,277,672
Total Liabilities	-	11,636,055	39,536,908
Fund Balances:			
Nonspendable:			
Inventories	-	-	47,791
Prepaid costs	-	1,497	422,415
Land held for resale	-	3,045,802	81,711,780
Notes and loans	-	-	34,507,331
Deposits	-	-	4,130
Restricted for:			
Community development projects	-	133,900	133,900
Public safety	-	41,465	41,465
Parks and recreation	-	2,154,110	2,154,110
Public works	-	45,449,862	45,449,862
Debt service	-	6,987,324	6,987,324
Housing	-	-	5,625,402
Assigned to:			
Employee benefits	-	-	1,406,369
Building replacement	-	-	623,700
Capital facilities	-	-	91,182
2020 Vision Plan Implementation	-	-	400,000
Safer and Stroner Neighborhoods	-	-	486,350
Technology Infrastructure	-	-	1,881,785
Capital projects	-	-	509
Unassigned	-	(4,902,734)	6,798,252
Total Fund Balances	-	52,911,226	188,773,657
Total Liabilities and Fund Balances	\$ -	\$ 64,547,281	\$ 228,310,565

See Notes to Financial Statements

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CITY OF LANCASTER

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Fund balances of governmental funds		\$ 188,773,657
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		933,877,573
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Bonds, notes, loans and capital leases payable	\$ (12,902,571)	
Claims and judgments	(1,126,000)	
Compensated Absences	<u>(2,293,281)</u>	(16,321,852)
Governmental funds report all OPEB and pension contributions as expenditures, however in the statement of net assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.		
Net pension asset		3,909,887
Net OPEB obligation		(13,328,600)
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		(174,342)
Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		<u>23,879,497</u>
Net assets of governmental activities		<u><u>\$1,120,615,820</u></u>

CITY OF LANCASTER

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Special Revenue Funds		Capital Projects Funds
		HOME Program	Lancaster Housing Authority	Capital Projects
Revenues:				
Taxes	\$ 36,883,379	\$ -	\$ -	\$ -
Licenses and permits	6,782,186	-	-	-
Intergovernmental	1,206,963	164,036	-	-
Charges for services	2,850,010	-	-	-
Use of money and property	250,875	2,083	1,669,056	-
Fines and forfeitures	1,160,536	-	-	-
Contributions	-	-	-	-
Miscellaneous	4,900,266	-	64,048	-
Total Revenues	54,034,215	166,119	1,733,104	-
Expenditures:				
Current:				
General government	11,717,688	45,139	1,926,114	-
Public safety	23,312,993	-	-	-
Community development	3,643,826	-	-	-
Parks and recreation	11,394,345	-	-	-
Public works	2,999,276	-	-	-
Housing	-	-	1,044,559	-
Capital outlay	1,302,665	-	-	20,657,084
Debt service:				
Principal retirement	77,575	-	-	-
Interest and fiscal charges	68,765	-	450	-
Total Expenditures	54,517,133	45,139	2,971,123	20,657,084
Excess (Deficiency) of Revenues Over (Under) Expenditures	(482,918)	120,980	(1,238,019)	(20,657,084)
Other Financing Sources (Uses):				
Transfers in	6,420,889	-	-	20,657,085
Transfers out	(6,246,897)	-	(6,630,565)	(278,138)
Gain/(Loss) on sale of land held for resale	1,183,013	-	11,322,691	-
Total Other Financing Sources (Uses)	1,357,005	-	4,692,126	20,378,947
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	(25,306,233)	-	92,156,088	-
Net Change in Fund Balances	(24,432,146)	120,980	95,610,195	(278,137)
Fund Balances, Beginning of Year, as previously reported	63,342,372	785,410	435,111	278,646
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as restated	63,342,372	785,410	435,111	278,646
Fund Balances, End of Year	\$ 38,910,226	\$ 906,390	\$ 96,045,306	\$ 509

CITY OF LANCASTER

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Debt Service Funds		
	Lancaster Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 7,572,627	\$ 4,039,338	\$ 48,495,344
Licenses and permits	-	3,862,295	10,644,481
Intergovernmental	2,434,635	19,757,377	23,563,011
Charges for services	-	7,316,781	10,166,791
Use of money and property	502,671	1,066,558	3,491,243
Fines and forfeitures	-	775,122	1,935,658
Contributions	-	2,253,476	2,253,476
Miscellaneous	-	1,479,928	6,444,242
Total Revenues	10,509,933	40,550,875	106,994,246
Expenditures:			
Current:			
General government	1,229,161	4,365,254	19,283,356
Public safety	-	143,560	23,456,553
Community development	-	6,563,275	10,207,101
Parks and recreation	-	29,358	11,423,703
Public works	-	13,531,578	16,530,854
Housing	-	677,576	1,722,135
Capital outlay	-	59,714	22,019,463
Debt service:			
Principal retirement	4,155,000	677,000	4,909,575
Interest and fiscal charges	6,717,005	478,054	7,264,274
Total Expenditures	12,101,166	26,525,369	116,817,014
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,591,233)	14,025,506	(9,822,768)
Other Financing Sources (Uses):			
Transfers in	8,684,001	13,278,935	49,040,910
Transfers out	(4,804,108)	(30,481,202)	(48,440,910)
Gain/(Loss) on sale of land held for resale	-	(7,427,511)	5,078,193
Total Other Financing Sources (Uses)	3,879,893	(24,629,778)	5,678,193
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	(11,840,937)	(22,683,052)	32,325,866
Net Change in Fund Balances	(9,552,277)	(33,287,324)	28,181,291
Fund Balances, Beginning of Year, as previously reported	6,375,934	83,709,035	154,926,508
Restatements	3,176,343	2,489,515	5,665,858
Fund Balances, Beginning of Year, as restated	9,552,277	86,198,550	160,592,366
Fund Balances, End of Year	\$ -	\$ 52,911,226	\$ 188,773,657

CITY OF LANCASTER

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ 28,181,291

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

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

Capital outlay	\$ 24,110,877	
Depreciation	(37,972,414)	
Contributed capital assets	3,550,839	
Gain/(loss) on sale of capital assets	<u>(1,495,995)</u>	(11,806,693)

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

Principal repayments	4,909,575	
Amortization of bond premiums/discounts	(2,440)	
Claims and judgments	<u>(89,000)</u>	4,818,135

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 4,949,856

Compensated absences 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. (292,384)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB and pension as expenditures, however in the statement of activities only the ARC is an expense.

Change in net pension asset	(136,265)
Change in net OPEB obligation	(4,878,687)

Revenues reported as deferred revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 560,672

Extraordinary gains and losses relating to capital assets and long term liabilities transferred to the Successor Agency are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Long-term liabilities	261,351,702	
Deferred Revenue	(50,134,517)	
Unamortized bond issuance costs	<u>(6,733,108)</u>	<u>204,484,077</u>

Change in net assets of governmental activities \$ 225,880,002

CITY OF LANCASTER

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$63,342,372	\$63,342,372	\$63,342,372	\$ -
Taxes	35,665,395	35,665,395	36,883,379	1,217,984
Licenses and permits	338,400	6,726,600	6,782,186	55,586
Intergovernmental	1,133,680	714,065	1,206,963	492,898
Charges for services	3,056,500	3,148,500	2,850,010	(298,490)
Use of money and property	105,000	161,550	250,875	89,325
Fines and forfeitures	1,591,185	1,291,185	1,160,536	(130,649)
Miscellaneous	3,024,710	6,775,780	4,900,266	(1,875,514)
Transfers in	8,951,830	9,576,830	6,420,889	(3,155,941)
Gain on sale of land held for resale	-	1,183,013	1,183,013	-
Amounts Available for Appropriation	117,209,072	128,585,290	124,980,489	(3,604,801)
Charges to Appropriation (Outflow):				
General government	8,022,366	8,582,751	11,717,688	(3,134,937)
Public safety	25,556,726	25,678,681	23,312,993	2,365,688
Community development	2,968,601	3,843,041	3,643,826	199,215
Parks and recreation	11,150,179	11,697,830	11,394,345	303,485
Public works	3,439,949	3,439,949	2,999,276	440,673
Capital outlay	-	1,302,670	1,302,665	5
Debt service:				
Principal retirement	77,575	77,575	77,575	-
Interest and fiscal charges	68,765	68,765	68,765	-
Transfers out	9,205,250	9,205,250	6,246,897	2,958,353
Extraordinary loss on dissolution of redevelopment agency	-	-	25,306,233	(25,306,233)
Total Charges to Appropriations	60,489,411	63,896,512	86,070,263	(22,173,751)
Budgetary Fund Balance, June 30	\$56,719,661	\$64,688,778	\$38,910,226	\$ (25,778,552)

CITY OF LANCASTER

**BUDGETARY COMPARISON STATEMENT
HOME PROGRAM
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 785,410	\$ 785,410	\$ 785,410	\$ -
Resources (Inflows):				
Intergovernmental	213,500	358,500	164,036	(194,464)
Use of money and property	-	-	2,083	2,083
Amounts Available for Appropriation	998,910	1,143,910	951,529	(192,381)
Charges to Appropriation (Outflow):				
General government	-	-	45,139	(45,139)
Community development	-	65,000	-	65,000
Total Charges to Appropriations	-	65,000	45,139	19,861
Budgetary Fund Balance, June 30	\$ 998,910	\$ 1,078,910	\$ 906,390	\$ (172,520)

CITY OF LANCASTER

**BUDGETARY COMPARISON STATEMENT
LANCASTER HOUSING AUTHORITY - SPECIAL REVENUE
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 435,111	\$ 435,111	\$ 435,111	\$ -
Resources (Inflows):				
Use of money and property	691,600	1,681,830	1,669,056	(12,774)
Miscellaneous	-	26,775	64,048	37,273
Transfers in	-	632,545	-	(632,545)
Gain on sale of land held for resale	-	11,700,000	11,322,691	377,309
Extraordinary gain on dissolution of RDA	-	11,956,276	92,156,088	80,199,812
Amounts Available for Appropriation	<u>1,126,711</u>	<u>26,432,537</u>	<u>105,646,994</u>	<u>79,969,075</u>
Charges to Appropriation (Outflow):				
General government	-	11,565,345	1,926,114	9,639,231
Housing	1,000	1,204,470	1,044,559	159,911
Debt service:				
Interest and fiscal charges	-	-	450	(450)
Transfers out	687,750	7,785,295	6,630,565	1,154,730
Total Charges to Appropriations	<u>688,750</u>	<u>20,555,110</u>	<u>9,601,688</u>	<u>10,953,422</u>
Budgetary Fund Balance, June 30	<u>\$ 437,961</u>	<u>\$ 5,877,427</u>	<u>\$ 96,045,306</u>	<u>\$ 90,922,497</u>

CITY OF LANCASTER

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Lancaster Power Authority</u>
Assets:	
Current:	
Receivables:	
Accounts	\$ 692,076
Prepaid costs	75,350
Deferred Charges	536,708
Restricted:	
Cash with fiscal agent	<u>2,245,176</u>
Total Current Assets	<u>3,549,310</u>
Noncurrent:	
Capital assets - net of accumulated depreciation	<u>23,017,039</u>
Total Noncurrent Assets	<u>23,017,039</u>
Total Assets	<u>\$ 26,566,349</u>
Liabilities and Net Assets:	
Liabilities:	
Current:	
Accounts payable	\$ 1,748
Accrued interest	141,002
Unearned revenues	79,690
Due to other funds	<u>284,052</u>
Total Current Liabilities	<u>506,492</u>
Beginning of Year	
Bonds, notes, and capital leases	<u>26,312,555</u>
Total Noncurrent Liabilities	<u>26,312,555</u>
Total Liabilities	<u>26,819,047</u>
Net Assets:	
Unrestricted	<u>(252,698)</u>
Total Net Assets	<u>(252,698)</u>
Total Liabilities and Net Assets	<u>\$ 26,566,349</u>

CITY OF LANCASTER

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Lancaster Power Authority</u>
Operating Revenues:	
Sales and service charges	\$ 1,479,116
Total Operating Revenues	<u>1,479,116</u>
Operating Expenses:	
Administration and general	524,184
Depreciation expense	469,735
Total Operating Expenses	<u>993,919</u>
Operating Income (Loss)	<u>485,197</u>
Nonoperating Revenues (Expenses):	
Interest revenue	7,016
Interest expense	<u>(144,911)</u>
Total Nonoperating Revenues (Expenses)	<u>(137,895)</u>
Income (Loss) Before Transfers	347,302
Transfers out	<u>(600,000)</u>
Changes in Net Assets	<u>(252,698)</u>
Net Assets:	
Beginning of Year	<u>-</u>
End of Fiscal Year	<u>\$ (252,698)</u>

CITY OF LANCASTER

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Lancaster Power Authority</u>
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 866,730
Cash paid to suppliers for goods and services	<u>(597,786)</u>
Net Cash Provided (Used) by Operating Activities	<u>268,944</u>
Cash Flows from Non-Capital Financing Activities:	
Cash transfers in	(600,000)
Due from other funds	<u>284,052</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(315,948)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital debt	26,312,555
Acquisition and construction of capital assets	(23,486,774)
Interest paid on capital debt	<u>(540,617)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>2,285,164</u>
Cash Flows from Investing Activities:	
Interest received	<u>7,016</u>
Net Cash Provided (Used) by Investing Activities	<u>7,016</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,245,176
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,245,176</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 485,197
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:	
Depreciation	469,735
(Increase) decrease in accounts receivable	(692,076)
(Increase) decrease in prepaid expense	(75,350)
Increase (decrease) in accounts payable	1,748
Increase (decrease) in unearned revenues	<u>79,690</u>
Total Adjustments	<u>(216,253)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 268,944</u>

CITY OF LANCASTER

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	<u>Agency Funds</u>	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
Assets:		
Pooled cash and investments	\$ 4,830,102	\$ 19,796,526
Receivables:		
Accounts	-	298,871
Taxes	321,037	413,618
Notes and loans	-	6,683,500
Less allowance for loan forgiveness	-	(4,488,408)
Accrued interest	6,218	-
Land held for resale	-	249,001
Deferred Charges	-	6,415,790
Restricted assets:		
Cash and investments with fiscal agents	3,430,561	19,056,194
Total Assets	<u>\$ 8,587,918</u>	<u>\$ 48,425,092</u>
Liabilities:		
Accounts payable	\$ 10,699	\$ 152,879
Deferred revenues	-	-
Deposits payable	715,435	15,099
Due to other governments	-	388
Due to bondholders	7,861,784	-
Long-term liabilities:		
Due in one year	-	6,910,000
Due in more than one year	-	276,251,556
Total Liabilities	<u>\$ 8,587,918</u>	<u>283,329,922</u>
Net Assets:		
Held in trust for other purposes		(234,904,830)
Total Net Assets		<u>\$(234,904,830)</u>

CITY OF LANCASTER

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Private- Purpose Trust Fund Successor Agency of the Former RDA</u>
Additions:	
Contributions:	
Taxes	\$ 9,288,096
Intergovernmental	534,794
Interest and change in fair value of investments	95,826
Contributions from City	110,000
Miscellaneous	<u>434,940</u>
Total Additions	<u>10,463,656</u>
Deductions:	
Administrative expenses	894,521
Interest expense	6,948,252
Contributions to other governments	<u>715,770</u>
Total Deductions	<u>8,558,543</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	(236,809,943)
Changes in Net Assets	(234,904,830)
Net Assets - Beginning of the Year	<u>-</u>
Net Assets - End of the Year	<u>\$(234,904,830)</u>

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of Lancaster (the City) was incorporated on November 22, 1977, under the laws of the State of California. The City is a charter city administered under a council/manager form of government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Lancaster (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City:

Component Units:

- Lancaster Redevelopment Agency
- Lancaster Housing Authority
- Lancaster Community Services Foundation
- Lancaster Public Financing Authority
- Lancaster Power Authority

Blended Component Units

The Redevelopment Agency (the Agency) was established pursuant to the State of California Health and Safety Code, Section 33000. Its purpose was to prepare and carry out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City of Lancaster. The Agency was dissolved as of January 31, 2012 through the Supreme Court decision on Assembly Bill 1X 26. See Note 17 for more information on the dissolution.

The Housing Authority (the Authority) was formed for the purpose of providing affordable, decent housing for lower income residents of the City of Lancaster. The Authority operates certain mobile home park within the City and assumed responsibilities for prior low/moderate Housing Fund. Separate financial statements are not available for the Authority.

The Lancaster Community Services Foundation (the Foundation) was formed to provide certain community services to the residents of the City. Separate financial statements are not available for the Foundation.

The Lancaster Public Financing Authority (the Financing Authority) was formed for the purpose to provide, through the issuance of debt, financing necessary for various capital improvements. Separate financial statements are not available for the Authority.

The Lancaster Power Authority (the Power Authority) was formed to own and operate a municipal gas and electric utility, for the benefit of the residents of the City, and customers, businesses and property owners in the City. Separate financial statements are not available for the Power Authority.

Although these component units are legally separate from the City, they are reported as if they were part of the primary government because the governing boards of these component units are the same as the primary government. Furthermore, the purpose of these component units is to provide a safe and more efficient service for the residents of Lancaster.

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

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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.

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.

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

The City reports the following major governmental funds:

- General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.
- HOME Program – to account for the grant program administered by the State of California Department of Housing and Community Development and implemented by the City to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people.
- Lancaster Housing Authority – to account for the purpose of providing affordable, decent housing for lower income residents of the City. Also, to account for the housing assets and functions previously performed by the former redevelopment agency.
- Capital Projects Fund - to account for the capital improvement projects of the City.
- Lancaster Redevelopment Agency - Debt Service Fund - to account for the accumulation of resources for, and the payment of, principal and interest on the Tax Allocation notes and bonds issued by the Redevelopment Agency.

Proprietary funds financial statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows. All proprietary fund types are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. With this measurement focus, all assets and liabilities (current and long-term) resulting from the operations of these funds are included in the Statement of Net Assets. Accordingly, the proprietary fund Statement of Net Assets presents assets and liabilities classified into their respective current and long-term categories.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All proprietary funds are accounted for using the flow of economic resources and accrual basis of accounting. Their revenues are recognized when they are earned and become measurable; expenses are recognized when they are incurred. Unbilled service receivables are recorded as accounts receivable and as revenue when earned.

The City reports the following major proprietary funds:

- Lancaster Power Authority – to account for the ownership and operation of a municipal gas and electric utility, for the benefit of the residents of the City, and customers, businesses and property owners in the City.

The Agency Funds used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. It is accounted for on the accrual basis. The City reports the following Agency Funds:

- Assessment District Funds - to account for the City, acting in the capacity as an agent, for various 1915 Act Assessment District Bonds.

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

- Community Facilities Districts - to account for collection of special assessments within the Mello-Roos District to provide public waterworks improvements and basic infrastructure within the Districts.
- Agency - to account for various performance and construction deposits.

The Private Purpose Trust Fund accounts for the assets and liabilities of the former redevelopment agency and is allocated revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

d. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City pools idle cash from all funds for the purpose of increasing income through investment activities.

Investments for the City, as well as for its component units, 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."

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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

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 City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date. 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

Inventories of materials and supplies are carried at cost on a moving average basis. The City uses the consumption method of accounting for inventories.

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. Restricted Assets

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, funds have been restricted for future capital improvements by City resolution.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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 City has reported general infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	40
Machinery and equipment	7
Public domain infrastructure	50

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

6. Land Held for Resale

The former Lancaster Redevelopment Agency acquired parcels of land as part of its primary purpose to develop or redevelop blighted properties and creating affordable housing. The City records these parcels as land held for resale in its financial records. Properties acquired by the former non-housing division were transferred to the City via a loan repayment in January 2011, and are shown in the General Fund.

The Lancaster Housing Authority acquired property via the Neighborhood Stabilization Program to reduce blight and provide affordable housing to our citizens. These parcels are shown in the Housing and Community Development Special Revenue Funds.

All property is recorded at net realizable value, which is equal to cost.

7. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than twice his regular annual entitlement.

Sick leave is payable when an employee is unable to work because of illness. Accrued sick leave may be accumulated without limit. Employees resigning in good standing from City service shall receive up to a maximum of 50% of unused sick leave.

All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The liability is generally liquidated by the General Fund.

8. 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.

9. Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

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.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

10. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. Expenditures may not exceed appropriations at the function level. At fiscal year end, all unencumbered operating budget appropriations lapse. During the year, several supplementary appropriations were necessary.

Budgets were not adopted for the County and Other Fund and therefore budgetary comparisons are not presented.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 2: Stewardship, Compliance and Accountability (Continued)

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. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

Budget Basis of Accounting

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

- b. Excess of expenditures over appropriations by function in individual funds are as follows:

Fund	Expenditures	Appropriations	Excess
General Fund:			
General government	\$ 11,717,688	\$ 8,582,751	\$ (3,134,937)

- c. The following fund contained deficit fund balances as of June 30, 2012:

	Deficit Amount
Nonmajor funds	
Bikeway Improvement	\$ 17
State Grants	2,733,181
County and Other	237,866
Recycle Water	511,485
Lancaster Lighting District	1,486
Miscellaneous Grants Fund	352,453
Engineering Fees Fund	95,804
LA County Reimbursement Fund	162,686
MTA Grant	168,120
HPRP	2,811

These fund balance deficits will be eliminated as grant reimbursements become available or transfers are made.

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2012, cash and investments were reported in the accompanying financial statements as follows:

Governmental Activities	\$ 73,390,709
Business-Type Activities	2,245,176
Fiduciary funds	47,113,383
Total Cash and Investments	<u>\$ 122,749,268</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 3: Cash and Investments (Continued)

The City of Lancaster maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

Deposits

At June 30, 2012, the carrying amount of the City's deposits was \$3,049,462 and the bank balance was \$8,092,065. The \$5,042,603 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also follows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporarily covered by this provision.

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- Demand Deposits
- Banker's Acceptances
- Local Agency Investment Fund (State Pool)
- Passbook Savings Accounts
- United States Treasury Securities

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Note 3: Cash and Investments (Continued)

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Credit Risk

The City's investment policy limits investments in medium term notes (MTNs) to those rated AA- or better by a nationally recognized statistical rating organization. At June 30, 2012, the City invested in various MTNs which were rated AA- or better by Standard & Poors (S&P). At June 30, 2012 the City's investments with federal agency securities were rated AA+ and money market mutual funds were rated AAA by S&P. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality in not disclosed.

As of June 30, 2012, the City's investments in external investment pools are unrated. The City has amounts invested in investment agreements held with fiscal agents and invested under the direction of the City.

As of June 30, 2012, the City's fiscal agent investments agreements consisted of investments with various corporations that were within acceptable investment grade ranges allowed by the City's investment policy under the direction of the City. As of June 30, 2012, the City's fiscal agent investments agreements consisted of investments with various corporations that were within acceptable investment grade ranges allowed by the City's investment policy.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2012, none of the City's deposits or investments were exposed to custodial credit risk.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 3: Cash and Investments (Continued)

Concentration of Credit Risk

The City's investment policy imposes restrictions on the maximum percentage it can invest in a single type of investment. These limitations are 25% of the City's invested funds for non-negotiable certificates of deposit, 15% of the City's invested funds for banker acceptances with no more than 2% in any one issuer, 25% of the City's invested funds for commercial paper with no more than 10% in any one issuer, 10% of the City's invested funds for medium term notes, and 20% of the City's invested funds for money market funds with no more than 10% in any one issuer. In accordance with GASB Statement No. 40, if the City has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. As of June 30, 2012, the City's investment in the following issuers exceeded 5%:

Federal National Mortgage Association	\$ 11,328,844
Federal Home Loan Bank	5,700,203
Federal Home Loan Mortgage Corporation	9,374,412
Federal Farm Credit Bank	2,025,236

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that investments in United States Treasury Securities and securities for which the full faith and credit of the United States is pledged should have a maturity no longer than five years. Reserve funds relating to the bonds issues may be invested in securities for more than five years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2012, the City had the following investments and original maturities:

	Investments Maturities				Fair Value
	1 year or less	1 year to 3 years	3 years to 5 years	5 years and more	
Investments					
Money market mutual funds	\$ 12,928,619	\$ -	\$ -	\$ -	\$ 12,928,619
U.S. treasury notes	-	-	2,075,625	-	2,075,625
Certificates of deposits	650,527	-	-	-	650,527
California Local Agency Investment Fund	36,864,518	-	-	-	36,864,518
Federal agency securities	4,044,768	8,104,110	16,279,817	-	28,428,695
Corporate obligations	-	2,226,426	1,046,509	-	3,272,935
Investments with fiscal agents					
Money market mutual funds	21,777,935	-	-	-	21,777,935
Investment agreements	-	-	4,091,123	9,609,829	13,700,952
	<u>\$ 76,266,367</u>	<u>\$ 10,330,536</u>	<u>\$ 23,493,074</u>	<u>\$ 9,609,829</u>	<u>\$ 119,699,806</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 13,567,086	\$ -	\$ 3,601,338	\$ -	\$ 17,168,424
Construction-in-progress	52,145,328	(10,985,030)	15,691,038	253,226	56,598,110
Total Capital Assets, Not Being Depreciated	65,712,414	(10,985,030)	19,292,376	253,226	73,766,534
Capital assets, being depreciated:					
Structures and improvements	60,668,494	4,762,357	686,148	3,089,877	63,027,122
Furniture and equipment	10,348,316	-	1,673,786	-	12,022,102
Infrastructure	1,489,288,848	6,222,673	6,009,406	-	1,501,520,927
Total Capital Assets, Being Depreciated	1,560,305,658	10,985,030	8,369,340	3,089,877	1,576,570,151
Less accumulated depreciation:					
Structures and improvements	23,543,340	-	1,396,106	1,847,108	23,092,338
Furniture and equipment	6,443,463	-	1,482,619	-	7,926,082
Infrastructure	650,347,003	-	35,093,689	-	685,440,692
Total Accumulated Depreciation	680,333,806	-	37,972,414	1,847,108	716,459,112
Total Capital Assets, Being Depreciated, Net	879,971,852	10,985,030	(29,603,074)	1,242,769	860,111,039
Governmental Activities Capital Assets, Net	<u>\$ 945,684,266</u>	<u>\$ -</u>	<u>\$ (10,310,698)</u>	<u>\$ 1,495,995</u>	<u>\$ 933,877,573</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Intangible assets	\$ -	\$ 23,486,774	\$ -	\$ 23,486,774
Total Capital Assets, Being Depreciated	-	23,486,774	-	23,486,774
Less accumulated depreciation:				
Intangible assets	-	469,735	-	469,735
Total Accumulated Depreciation	-	469,735	-	469,735
Total Capital Assets, Being Depreciated, Net	-	23,017,039	-	23,017,039
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 23,017,039</u>	<u>\$ -</u>	<u>\$ 23,017,039</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 4: Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 345,638
Public safety	134,762
Public works	1,302,009
Community development	36,156,712
Parks and recreation	<u>33,293</u>
Total Depreciation Expense	<u>\$37,972,414</u>
Business-Type activities:	
Lancaster Power Authority	<u>\$ 469,735</u>
Total Depreciation Expense	<u>\$ 469,735</u>

Note 5: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Due To/From Other Funds

Funds	Due To Other Funds		Total
	Nonmajor Governmental Funds	Lancaster Power Authority	
Due From Other Funds:			
General Fund	\$ 6,277,672	\$ 284,052	\$ 6,561,724
Total	<u>\$ 6,277,672</u>	<u>\$ 284,052</u>	<u>\$ 6,561,724</u>

The due to General Fund of \$6,277,672 from various nonmajor governmental funds and the Lancaster Power Authority Fund of \$284,052 was a result of temporary deficit cash balances in those funds.

Interfund Transfers

Funds	Transfers Out:						Total
	General Fund	Housing Authority Special Revenue	Capital Projects	Lancaster Redevelopment Agency Debt Service	Nonmajor Governmental Funds	Lancaster Power Authority	
Transfer in:							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 5,820,889	\$ 600,000	\$ 6,420,889
Capital Projects	5,132,122	-	-	-	15,524,963	-	20,657,085
Lancaster Redevelopment Agency Debt Service	-	-	-	-	8,684,001	-	8,684,001
Nonmajor Governmental Funds	1,114,775	6,630,565	278,138	4,804,108	451,349	-	13,278,935
	<u>\$ 6,246,897</u>	<u>\$ 6,630,565</u>	<u>\$ 278,138</u>	<u>\$ 4,804,108</u>	<u>\$ 30,481,202</u>	<u>\$ 600,000</u>	<u>\$ 49,040,910</u>

CITY OF LANCASTER

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

The City uses the Capital Projects Fund to account for all of its capital projects. The funding sources for those projects were reported as transfers from various funds to the Capital Projects fund. The total of the Capital Projects transfers for the year were \$20,657,085.

During the year, certain funds made payments to the General Fund for administrative costs incurred. These transfers to the General Fund for the year were \$6,420,889.

Transfers between the Lancaster Redevelopment Agency Debt Service Fund and Capital Project Fund were done to provide monies for debt servicing purposes, low and moderate income housing set-aside, and to fund capital projects.

Note 6: Long-Term Debt

a. Bonds and Notes

A description of individual issues of bonds and notes (excluding defeased issues) outstanding as of June 30, 2012, follows:

Lancaster Housing Authority

On February 4, 1999, the Authority issued \$10,040,000 of Lancaster Housing Authority Lease Revenue Refunding Bonds. These bonds were issued to defease a previous issue of 1994 Lease Revenue Bonds (Brierwood Mobile Home Park Project). Interest on these bonds is due semi-annually on April 1 and October 1 of each year commencing April 1, 1999. Interest rates vary from 3.05% to 5.00%. The principal portion of these bonds is payable from April 1, 1999 to April 1, 2024.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Lease Revenue Refunding Bond		
Fiscal Year	Principal	Interest
2013	\$ 385,000	\$ 303,430
2014	400,000	284,950
2015	420,000	265,750
2016	445,000	244,750
2017	465,000	222,500
2018-2022	2,705,000	738,750
2023-2027	1,280,000	96,750
Total	<u>\$ 6,100,000</u>	<u>\$ 2,156,880</u>

b. Section 108 Notes

- On April 28, 1999, the City issued \$3,100,000 of U.S. Government Guaranteed Notes, Series 1999-A, guaranteed by the Secretary of Housing and Urban Development. The City has pledged as security for repayment of the notes from (a) future entitlements that the City may become eligible for under Section 108 of Title I of the Housing and Community Development Act of 1974; and (b) program income. The notes were consolidated into the series 2010-A note.

The consolidated notes mature from 2011 to 2018 and bear varying rates of interest. The principal balance outstanding as of June 30, 2012, was \$1,520,000.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6: Long-Term Debt (Continued)

2. On June 14, 2000, the City issued \$320,000 of U.S. Government Guaranteed Notes, Series 2000-A, guaranteed by the Secretary of Housing and Urban Development. The City has pledged as security for repayment of the notes from (a) future entitlements that the City may become eligible for under Section 108 of Title I of the Housing and Community Development Act of 1974; and (b) program income. The notes were consolidated into the series 2010-A note.

The consolidated notes mature from 2011-2019 and bear varying rates of interest. The principal balance outstanding as of June 30, 2012, was \$185,000.

3. On August 7, 2003, the City issued \$1,450,000 of U.S. Government Guaranteed Notes, Series 2003-A, guaranteed by the Secretary of Housing and Urban Development. The City has pledged as security for repayment of the notes from (a) future entitlements that the City may become eligible for under Section 108 of Title I of the Housing and Community Development Act of 1974; and (b) program income.

The notes mature from 2004-2023 and bear varying rates of interest. The principal balance outstanding as of June 30, 2012, was \$1,002,000.

4. On June 30, 2004, the City issued \$1,500,000 of U.S. Government Guaranteed Notes, Series 2004-A, guaranteed by the Secretary of Housing and Urban Development. The City has pledged as security for repayment of the notes from (a) future entitlements that the City may become eligible for under Section 108 of Title I of the Housing and Community Development Act of 1974; and (b) program income.

The notes mature from 2006-2024 and bear varying rates of interest. The principal balance outstanding as of June 30, 2012, was \$1,104,000.

At June 30, 2012, the annual requirements to repay the outstanding indebtedness were as follows:

U.S. Government Guaranteed Notes		
Fiscal Year	Principal	Interest
2012-2013	\$ 333,000	\$ 149,599
2013-2014	348,000	140,716
2014-2015	363,000	130,291
2015-2016	390,000	118,143
2016-2017	410,000	104,066
2017-2022	1,458,000	296,580
2022-2025	509,000	39,579
Total	\$ 3,811,000	\$ 978,974

c. Capital Lease

1. On March 1, 2011, the City entered into an equipment lease/purchase agreement for various capital improvements including lighting upgrades, athletic field lighting upgrades, HVAC system replacement, plumbing fixture upgrades, irrigation weather stations, and solar hot water heating. This lease agreement qualifies as a capital lease for accounting

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6: Long-Term Debt (Continued)

purpose (title transfers at end of lease) and, therefore has been recorded at the present value of future minimum lease payments as of the date of inception. The total cost of the equipment acquired under the lease agreement was \$1,600,000. The financing was obtained from Municipal Finance Corporation on March 1, 2011, for \$1,600,000 with an interest rate of 4.35% per annum and annual payments of \$146,341 through the end of the lease (March 2026). The outstanding balance at June 30, 2012, is \$1,522,425.

The calculation of present value of the future lease payments is as follows:

<u>Fiscal Year</u>	
2012-2013	\$ 146,340
2013-2014	146,340
2014-2015	146,340
2015-2016	146,340
2016-2017	146,340
2017-2022	731,705
2022-2026	<u>585,365</u>
Subtotal	2,048,770
Less: Amount representing interest	<u>(526,345)</u>
Total	<u><u>\$ 1,522,425</u></u>

d. Loans

- In January 2011, the City entered into a loan agreement with the State of California Energy Resources Conservation and Development Commission for loan of \$1,469,146 to be used for energy savings projects consisting of athletic field lighting upgrades, HVAC retrofit, weather station installation, and solar hot water. The loan is at an interest rate of 3%. Principal, together with interest thereon, is due and payable in semiannual installments beginning on December 22, 2012 through December 22, 2025. At June 30, 2012, the annual requirements to repay the loan were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2012-2013	\$ 43,009	\$ 94,669
2013-2014	95,604	42,076
2014-2015	98,493	39,186
2015-2016	101,373	36,306
2016-2017	104,534	33,144
2017-2022	571,950	116,443
2022-2026	<u>454,183</u>	<u>27,690</u>
Total	<u><u>\$ 1,469,146</u></u>	<u><u>\$ 389,514</u></u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6: Long-Term Debt (Continued)

e. The following is a schedule of changes in long-term debt of the City by bond types for fiscal year ended June 30, 2012:

	Balance July 1, 2011	Transferred to Successor Agency*	Additions	Repayments	Balance June 30, 2012	Due Within One Year
Governmental Activities:						
<u>Lancaster Housing Authority</u>						
Lease Revenue Refunding Bonds	\$ 6,465,000	\$ -	\$ -	\$ 365,000	\$ 6,100,000	\$ 385,000
<u>Redevelopment Agency</u>						
<u>Residential Project Area</u>						
2003 Development	5,539,993	(5,539,993)	-	-	-	-
2003B Development	1,386,448	(1,386,448)	-	-	-	-
2004B Development	1,000,748	(1,000,748)	-	-	-	-
2004 Sheriff's Facilities	1,900,997	(1,791,267)	-	109,730	-	-
2004 Fire Facilities	986,987	(928,929)	-	58,058	-	-
2004 Library	212,026	(204,356)	-	7,670	-	-
2006 Development	275,489	(275,489)	-	-	-	-
Total	11,302,688	(11,127,230)	-	175,458	-	-
<u>Central Business District Project Area</u>						
1994 Refunding	1,080,000	(1,025,000)	-	55,000	-	-
2004 Sheriff's Facilities	484,827	(456,845)	-	27,982	-	-
2004 Fire Facilities	206,524	(194,375)	-	12,149	-	-
2004 Library	41,067	(39,581)	-	1,486	-	-
2010 Lease Revenue	5,440,000	(5,320,000)	-	120,000	-	-
Total	7,252,418	(7,035,801)	-	216,617	-	-
<u>Fox Field Project Area</u>						
2004 Sheriff's Facilities	324,285	(305,567)	-	18,718	-	-
2004 Fire Facilities	199,563	(187,824)	-	11,739	-	-
2004 Library	36,645	(35,320)	-	1,325	-	-
2006 Development	2,262,952	(2,262,952)	-	-	-	-
Total	2,823,445	(2,791,663)	-	31,782	-	-
<u>Amargosa Project Area</u>						
1999 Refunding	2,490,000	(2,490,000)	-	-	-	-
2003 Development	4,595,184	(4,595,184)	-	-	-	-
2003B Development	7,915,423	(7,915,423)	-	-	-	-
2004B Development	2,271,047	(2,271,047)	-	-	-	-
2004 Sheriff's Facilities	3,176,606	(2,993,246)	-	183,360	-	-
2004 Fire Facilities	1,629,758	(1,533,888)	-	95,870	-	-
2004 Library	355,235	(342,385)	-	12,850	-	-
2006 Development	4,588,960	(4,588,960)	-	-	-	-
Total	27,022,213	(26,730,133)	-	292,080	-	-

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6: Long-Term Debt (Continued)

	Balance July 1, 2011	Transferred to Successor Agency*	Additions	Repayments	Balance June 30, 2012	Due Within One Year
<u>Project Area 5</u>						
2003 Development	14,739,897	(14,739,897)	-	-	-	-
2003B Development	1,248,208	(1,248,208)	-	-	-	-
2004B Development	3,626,112	(3,626,112)	-	-	-	-
2004 School Refunding	1,939,091	(1,939,091)	-	-	-	-
2004 Sheriff's Facilities	4,860,946	(4,580,367)	-	280,579	-	-
2004 Fire Facilities	2,379,292	(2,239,335)	-	139,957	-	-
2004 Library	555,062	(534,984)	-	20,078	-	-
2006 Development	3,902,368	(3,902,368)	-	-	-	-
2006 School	4,604,616	(4,604,616)	-	-	-	-
Total	37,855,592	(37,414,978)	-	440,614	-	-
<u>Project Area 6</u>						
2003 Development	12,584,926	(12,584,926)	-	-	-	-
2003B Development	2,169,921	(2,169,921)	-	-	-	-
2004B Development	3,347,093	(3,347,093)	-	-	-	-
2004 School Refunding	5,205,909	(5,205,909)	-	-	-	-
2004 Sheriff's Facilities	5,504,488	(5,186,759)	-	317,729	-	-
2004 Fire Facilities	2,332,876	(2,195,648)	-	137,228	-	-
2004 Library	2,960,626	(2,853,532)	-	107,094	-	-
2006 Development	12,150,231	(12,150,231)	-	-	-	-
2006 School	8,240,384	(8,240,384)	-	-	-	-
Total	54,496,454	(53,934,403)	-	562,051	-	-
<u>Project Area 7</u>						
2004 Sheriff's Facilities	292,851	(275,950)	-	16,901	-	-
2004 Library	124,339	(119,842)	-	4,497	-	-
Total	417,190	(395,792)	-	21,398	-	-
<u>Combined Low and Moderate Housing</u>						
1997 Mobile Home	2,550,000	(2,465,000)	-	85,000	-	-
2003 Housing	55,635,000	(54,595,000)	-	1,040,000	-	-
2003B Housing	14,730,000	(14,345,000)	-	385,000	-	-
2004 Housing	12,010,000	(11,770,000)	-	240,000	-	-
2009 Housing	37,500,000	(36,835,000)	-	665,000	-	-
Total	122,425,000	(120,010,000)	-	2,415,000	-	-

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6: Long-Term Debt (Continued)

City	Balance July 1, 2011	Transferred to Successor Agency*	Additions	Repayments	Balance June 30, 2012	Due Within One Year
Section 108 Notes						
Series 2003-A	1,066,000	-	-	64,000	1,002,000	67,000
Series 2004-A	1,167,000	-	-	63,000	1,104,000	66,000
Series 2010-A	1,890,000	-	-	185,000	1,705,000	200,000
Capital lease	1,600,000 **	-	-	77,575	1,522,425	80,986
Loans	1,469,146 **	-	-	-	1,469,146	43,009
Accrued employee benefits	2,000,897	-	2,339,094	2,046,710	2,293,281	2,293,281
Claims and judgments	1,037,000	-	579,593	490,593	1,126,000	532,698
Net OPEB obligation	8,449,913	-	4,878,687	-	13,328,600	-
Total	\$ 288,739,956	\$ (259,440,000)	\$ 7,797,374	\$ 7,446,878	\$ 29,650,452	\$ 3,667,974

* As a result of the dissolution of the redevelopment agency, indebtedness of the former redevelopment agency was transferred to the Successor Agency. See Note 17 for disclosure indebtedness.

** Beginning balance was adjusted to account for items not previously reflected as long-term debt.

2012A Solar Renewable Energy Revenue Bonds

On May 17, 2012, the Lancaster Power Authority issued \$26,895,000 of 2012A Solar Renewable Energy Revenue Bonds. These bonds were used to finance the prepayment for specified supply of electricity from a 7,319.98 DC kW capacity system. Interest on these bonds is due semi-annually on May 1 and November 1 of each year commencing November 1, 2012. Interest rates vary from 2.000% to 4.375%. The principal portion of these bonds is payable from November 1, 2013 to November 1, 2036.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

2012A Solar Renewable Energy Revenue Bonds		
Fiscal Year	Principal	Interest
2012-2013	\$ -	\$ 927,254
2013-2014	1,000,000	998,494
2014-2015	1,045,000	972,819
2015-2016	1,105,000	951,619
2016-2017	1,140,000	928,994
2017-2022	2,575,000	4,382,231
2022-2027	4,180,000	3,805,981
2027-2032	6,420,000	2,746,497
2032-2037	9,430,000	1,090,638
Total	\$ 26,895,000	\$ 16,804,527

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6: Long-Term Debt (Continued)

	Balance July 1, 2011	Additions	Repayments	Balance June 30, 2012	Due Within One Year
<u>Business-Type Activities:</u>					
2012A Solar Renewable Energy					
Revenue Bonds	\$ -	\$ 26,895,000	\$ -	\$ 26,895,000	\$ -
Total	<u>\$ -</u>	<u>\$ 26,895,000</u>	<u>\$ -</u>	26,895,000	<u>\$ -</u>
				(582,445)	
				<u>\$ 26,312,555</u>	

Note 7: Fund Equity

Restatement of Net Assets and Fund Balances:

Fund balances and net assets have been restated for:

Governmental fund balance:

Housing and Community Development	
Correction of prior period land held for resale.	\$ (237,822)
LRA Capital Projects Fund	
Correction of prior year liabilities	2,727,337
LRA Debt Service Fund	
Correction of prior year liabilities	<u>3,176,343</u>
Total other governmental funds	<u>5,665,858</u>

Net Assets:

To record capital leases and loans payable	<u>(3,069,146)</u>
Total fund balance and net asset restatements	<u>\$ 2,596,712</u>

IV. OTHER INFORMATION

Note 8: Public Employees Retirement System (Defined Benefit Pension Plan)

Plan Description

The City of Lancaster contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 8: Public Employees Retirement System (Defined Benefit Pension Plan) (Continued)

Funding Policy

Participants are required to contribute 7.0% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 10.070% for miscellaneous employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost and Net Pension Asset

The City of Lancaster annual pension cost and change in net pension asset for fiscal year ending June 30, 2012, were as follows:

Annual required contribution	\$ 3,251,920
Interest on net pension asset	(313,577)
Adjustment to annual required contribution	<u>449,841</u>
Annual pension cost	3,388,184
Contribution made	<u>3,251,919</u>
Increase (decrease) in net pension asset	136,265
Net pension asset - beginning of year	(4,046,152)
Net pension asset - end of year	<u><u>\$ (3,909,887)</u></u>

The required contributions were determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation (asset)
6/30/2010	\$ 3,118,435	96%	\$ (4,172,616)
6/30/2011	3,359,085	96%	(4,046,152)
6/30/2012	3,388,184	96%	(3,909,887)

Funded Status and Funding Progress

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress for PERS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Liability (Excess Assets) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2009	\$ 65,412,183	\$ 71,471,094	\$ 6,058,911	91.5 %	\$ 19,214,409	31.5 %
6/30/2010	70,761,462	79,738,666	8,977,204	88.7 %	19,625,008	45.7 %
6/30/2011	76,449,622	98,568,012	22,118,390	77.6 %	19,662,333	112.5 %

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 8: Public Employees Retirement System (Defined Benefit Pension Plan) (Continued)

A summary of principle assumptions and methods used to determine the APC is shown below:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	26 years as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Note 9: Public Agency Retirement System (Defined Contribution Retirement Plan)

The City contributes to the Public Agency Retirement System (PARS), which is a defined contribution retirement plan. A defined contribution retirement plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by the plan, all eligible employees of the City will become a participant in the plan from the date they are hired. An eligible employee is any employee who, at any time during which the employer maintains this plan, is not accruing a benefit under the Public Employees Retirement System (see Note 11).

Contributions made by an employee and the employer vest immediately. As determined by the plan, each employee contributes 0% of gross earnings to the plan. The City contributes an additional 6% of gross earnings.

During the year, the City contributed \$1,584,835 (8.9% of covered payroll) and employees contributed \$0 (0% of current year covered payroll). The total covered payroll of employees participating in the plan for the year ended June 30, 2012, was \$17,807,134. The total payroll for the year was \$21,532,973. No changes in plan provisions occurred during the year. The plan held no securities of the City or other related parties during or at the close of the fiscal year.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 10: Other Post-Employment Benefits

Plan Description

The City provides other postemployment benefits (OPEB) through a single-employer defined benefit healthcare plan by contributing a portion of premiums charged under the health benefit plan for all eligible employees. These benefits are provided per contract between the City and the employee associations. A separate financial report is not available for the plan.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members. A contribution of \$579,814 was made during the 2011-2012 fiscal year. The purpose of the contribution was to pay current year premiums for retirees. As a result, the City calculated and recorded a Net OPEB Liability, representing the difference between the Annual Required Contribution (ARC) and actual contributions, as presented below:

Annual required contribution (ARC)	\$ 5,615,000
Interest on net OPEB obligation	380,246
Adjustment to ARC	<u>(536,745)</u>
Annual OPEB Cost	5,458,501
Contributions made	<u>(579,814)</u>
(Decrease) increase in Net OPEB obligation	4,878,687
Net OPEB obligation (asset) June 30, 2011	<u>8,449,913</u>
Net OPEB obligation (asset) June 30, 2012	<u><u>\$ 13,328,600</u></u>

The contribution rate of 28.6% is based on the ARC of \$5,615,000, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period.

Annual OPEB Costs and Net OPEB Obligation (Asset)

For the fiscal year 2011-2012, the City's annual OPEB cost (expense) was \$5,458,501. Since this is the fourth year after the transition year, information on the annual OPEB cost, percentage of Annual OPEB cost contributed, and Net OPEB Obligation is only available for the four most current fiscal years, as presented below:

Fiscal Year End	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$ 2,106,268	\$ 303,479	14%	\$ 3,799,693
6/30/2011	4,969,981	319,761	6%	8,449,913
6/30/2012	5,458,501	579,814	11%	13,328,600

CITY OF LANCASTER

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 10: Other Post-Employment Benefits (Continued)

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Only two years are presented as this is the second valuation of the plan.

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	UAAL as percent of Covered Payroll	Interest Rate	Salary Scale
Actual	6/30/2010	\$ -	\$ 16,178,000	0.0%	\$ 17,302,000	93.50%	4.50%	3.00%
Actual	6/30/2011	-	35,872,000	0.0%	18,983,000	188.97%	4.50%	3.00%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.50% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and annual healthcare cost trend rate of 10.9% beginning January 1, 2010, and reduced by decrements to an ultimate rate of 4.5% after seven years. A general inflation rate was assumed to increase at a rate of 3% per annum. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2012, was twenty six years. The number of active participants is 263.

Note 11: Stadium Operating Lease

The City of Lancaster leases the Lancaster Municipal Stadium to Hawks Nest for the Jethawks, a California "A" League professional baseball team. This facility is leased from March 1 through September 1 at which time the operation returns to the City for City recreational functions.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 12: Antelope Valley Transit Authority Joint Ventures

The City is a member of the Antelope Valley Transit Authority, a joint powers authority of the County of Los Angeles and the cities of Palmdale and Lancaster. The Authority was formed to provide public transit service to Palmdale and Lancaster. The governing board consists of one person from each member agency. Each member has one vote.

Description of Debt

On October 1, 1991, the California Special Districts Association Finance Corporation, on behalf of the Los Angeles County Transportation Commission, issued Certificate of Participation Notes in the amount of \$19,340,000. This issue was for the benefit of several different transit authorities. The Certificates of Participation were issued prior to the formation of the Antelope Valley Transit Authority. Los Angeles County participated in this issuance on behalf of the Authority to provide financing of \$7,690,000 for the purchase of transportation equipment.

Subsequent to the Certificate of Participation issue, the Authority entered into a "Reimbursement Agreement" with the County of Los Angeles to repay the obligation incurred by the County on their behalf.

As of June 30, 2012, (latest information available), Antelope Valley Transit Authority's financial position was as follows:

Assets	<u>\$ 54,449,003</u>
Liabilities	\$ 5,813,492
Fund Equity	<u>48,635,511</u>
Total Liabilities and Fund Equity	<u>\$ 54,449,003</u>
Revenues	\$ 33,417,859
Expenses	<u>25,152,460</u>
Changes in Fund Equity	<u>\$ 8,265,399</u>

The Authority is funded, in part, by revenues allocated to the City and redirected to the Authority and, in part, by a shared formula based on the level of service provided to the jurisdiction. The City of Lancaster is the primary recipient of local services from the Authority.

Separate financial statements of the Authority are available from the Authority office located at 1031 W. Avenue L-12, Lancaster, California 93534.

Note 13: Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City handled those risks with the purchase of commercial insurance. The City maintained liability insurance coverage up to a limit of \$10,000,000 with \$100,000 self-insurance retention for its general liabilities. Workers' compensation insurance is provided by Southern California Risk Management Associates, with statutory limit coverage. The City also maintained property coverage including earthquake and flood.

CITY OF LANCASTER

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 13: Risk Management (Continued)

At June 30, 2012, \$1,126,000 has been accrued for general liability claims. This amount represents an estimate of amounts to be paid for reported claims and incurred but not yet reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2012, is dependent on future developments, based upon information from the City Attorney, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses.

Changes in the claims liability amount in fiscal years 2011 and 2012 were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2010-2011	\$ 748,599	\$ 452,006	\$ (163,605)	\$ 1,037,000
2011-2012	1,037,000	579,593	(490,593)	1,126,000

For worker's compensation insurance, the City has transferred all risk of loss with the purchase of commercial insurance policies and has not reported any estimated loss in the financial statements.

There were no significant reductions in insurance coverage from the previous year. In addition, insurance coverage exceeded the amount of settlements for each of the past three fiscal years.

Note 14: Contingent Liabilities

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the City's management, on advice of legal counsel, it is unlikely that they will have a material adverse effect on the accompanying financial statements.

Note 15: Construction Commitments:

The following material construction commitments existed at June 30, 2012:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2012</u>	<u>Remaining Commitments</u>
Downtown Infrastructure	\$ 20,395,070	\$ 11,342,250	\$ 9,052,820
American Heroes Park	5,371,478	4,842,946	528,532
2008 Street Overlay Program	8,179,790	7,713,671	466,119
Ave I/20th St E Drainage Impact	1,582,354	1,341,028	241,326
2009 Pavement Mgmt Program	7,283,515	4,246,376	3,037,139
2010 Pavement Mgmt Program	7,662,138	4,294,668	3,367,470
Traffic Signal Upgrades	1,504,570	1,171,536	333,034
Ave I/Hwy 14 Intersection	16,803,608	5,936,236	10,867,372

Note 16: Transactions with the State of California

Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Lancaster was \$1,820,900.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-13). In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2010-11).

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Lancaster that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012 the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

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

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain reported in the governmental funds - decrease to net assets of the Successory Agency Trust Fund	\$ (32,325,866)
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(261,351,702)
Deferred revenue pertaining to interest accrued on long-term advances which previously recognized in the government-wide - increase to net assets of the Successor Agency	50,134,517
Unamortized debt issuance costs in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	<u>6,733,108</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u><u>\$ (236,809,943)</u></u>

a. Cash and investments

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

Cash and investments pooled with the City	\$ 19,796,526
Cash and investments with fiscal agent	<u>19,056,194</u>
	<u><u>\$ 38,852,720</u></u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

b. Long-term Debt

The following debt was transferred from the Redevelopment Agency to the Successor Agency as of February 1, 2012 as a result of the dissolution.

	Balance July 1, 2011	Transferred from Former RDA	Additions	Repayments	Balance June 30, 2012	Due Within One Year
Fiduciary Activities						
Successor Agency of the former RDA						
<u>Residential Project Area</u>						
2003 Development	\$ -	\$ 5,539,993	\$ -	\$ 88,734	\$ 5,451,259	\$ 93,171
2003B Development	-	1,386,448	-	63,219	1,323,229	65,944
2004B Development	-	1,000,748	-	20,517	980,231	20,517
2004 Sheriff's Facilities	-	1,791,267	-	-	1,791,267	114,900
2004 Fire Facilities	-	928,929	-	-	928,929	59,972
2004 Library	-	204,356	-	-	204,356	7,917
2006 Development	-	275,489	-	8,152	267,337	8,271
SERAF Advance	-	1,627,324	-	-	1,627,324	-
Total	-	12,754,554	-	180,622	12,573,932	370,692
<u>Central Business District Project Area</u>						
1994 Refunding	-	1,025,000	-	-	1,025,000	60,000
2004 Sheriff's Facilities	-	456,845	-	-	456,845	29,300
2004 Fire Facilities	-	194,375	-	-	194,375	12,549
2004 Library	-	39,581	-	-	39,581	1,534
2010 Lease Revenue	-	5,320,000	-	-	5,320,000	120,000
SERAF Advance	-	412,873	-	-	412,873	-
Total	-	7,448,674	-	-	7,448,674	223,383
<u>Fox Field Project Area</u>						
2004 Sheriff's Facilities	-	305,567	-	-	305,567	19,600
2004 Fire Facilities	-	187,824	-	-	187,824	12,126
2004 Library	-	35,320	-	-	35,320	1,368
2006 Development	-	2,262,952	-	66,856	2,196,096	67,832
SERAF Advance	-	458,664	-	-	458,664	-
Total	-	3,250,327	-	66,856	3,183,471	100,926
<u>Amargosa Project Area</u>						
1999 Refunding	-	2,490,000	-	75,000	2,415,000	80,000
2003 Development	-	4,595,184	-	73,602	4,521,582	77,282
2003B Development	-	7,915,423	-	360,924	7,554,499	376,481
2004B Development	-	2,271,047	-	46,683	2,224,364	46,683
2004 Sheriff's Facilities	-	2,993,246	-	-	2,993,246	192,000
2004 Fire Facilities	-	1,533,888	-	-	1,533,888	99,030
2004 Library	-	342,385	-	-	342,385	13,264
2006 Development	-	4,588,960	-	135,630	4,453,330	137,610
SERAF Advance	-	4,350,812	-	-	4,350,812	-
Total	-	31,080,945	-	691,839	30,389,106	1,022,350

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

	Balance July 1, 2011	Transfers to Successor Agency*	Additions	Repayments	Balance June 30, 2012	Due Within One Year
<u>Project Area 5</u>						
2003 Development	-	14,739,897	-	236,088	14,503,809	247,892
2003B Development	-	1,248,208	-	56,914	1,191,294	59,367
2004B Development	-	3,626,112	-	74,298	3,551,814	74,298
2004 School Refunding	-	1,939,091	-	32,568	1,906,523	33,925
2004 Sheriff's Facilities	-	4,580,367	-	-	4,580,367	293,800
2004 Fire Facilities	-	2,239,335	-	-	2,239,335	144,571
2004 Library	-	534,984	-	-	534,984	20,725
2006 Development	-	3,902,368	-	115,354	3,787,014	117,038
2006 School	-	4,604,616	-	80,663	4,523,953	82,455
SERAF Advance	-	5,270,208	-	-	5,270,208	-
Total	-	42,685,186	-	595,885	42,089,301	1,074,071
<u>Project Area 6</u>						
2003 Development	-	12,584,926	-	201,576	12,383,350	211,655
2003B Development	-	2,169,921	-	98,943	2,070,978	103,208
2004B Development	-	3,347,093	-	68,502	3,278,591	68,502
2004 School Refunding	-	5,205,909	-	87,432	5,118,477	91,075
2004 Sheriff's Facilities	-	5,186,759	-	-	5,186,759	332,700
2004 Fire Facilities	-	2,195,648	-	-	2,195,648	141,752
2004 Library	-	2,853,532	-	-	2,853,532	110,549
2006 Development	-	12,150,231	-	359,009	11,791,222	364,250
2006 School	-	8,240,384	-	144,338	8,096,046	147,545
SERAF Advance	-	9,677,608	-	-	9,677,608	-
Total	-	63,612,011	-	959,800	62,652,211	1,571,236
<u>Project Area 7</u>						
2004 Sheriff's Facilities	-	275,950	-	-	275,950	17,700
2004 Library	-	119,842	-	-	119,842	4,642
SERAF Advance	-	2,505,625	-	-	2,505,625	-
Total	-	2,901,417	-	-	2,901,417	22,342
<u>Combined Low and Moderate Housing</u>						
1997 Mobile Home	-	2,465,000	-	-	2,465,000	95,000
2003 Housing	-	54,595,000	-	-	54,595,000	1,090,000
2003B Housing	-	14,345,000	-	-	14,345,000	400,000
2004 Housing	-	11,770,000	-	-	11,770,000	250,000
2009 Housing	-	36,835,000	-	-	36,835,000	690,000
Total	-	120,010,000	-	-	120,010,000	2,525,000
Total	\$ -	\$ 283,743,114	\$ -	\$ 2,495,002	281,248,112	\$ 6,910,000
Unamortized original issue (discount) or premium					5,067,525	
Unamortized bond defeasance loss					(3,154,081)	
Net Long-Term Debt					<u>\$ 283,161,556</u>	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency (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.

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	<u>13,450,000</u>
Total	<u><u>\$ 25,660,000</u></u>

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, 2006. Interest rates vary from 2.00% to 5.25%. Principal redemptions are payable starting December 1, 2006 through December 1, 2023. The proceeds of this bond issue were utilized to refund all of the Agency's outstanding Combined Redevelopment Project Areas (Fire Protection Facilities Project) Tax Allocation Bonds, Issue of 1993, pay costs of issuing the Bonds, and fund a debt service reserve account.

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

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, 2006. Interest rates vary from 2.00% to 5.25%. Principal redemptions are payable starting December 1, 2006 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, 2006. Interest rates vary from 3.00% to 4.75%. Principal redemptions are payable starting December 1, 2006 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, 2006. Interest rates vary from 2.00% to 5.60%. Principal redemptions are payable starting February 1, 2006 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, 2006 to 2035. Interest is payable semi-annually on February 1 and August 1 of each year commencing on February 1, 2006.
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, 2006. 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

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.

10. 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, 2006 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.
11. 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
Total	<u>\$ 16,560,000</u>	<u>\$ 18,080,000</u>

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.

12. 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.

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

13. 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.

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 (i) refund on a current basis the Lancaster Redevelopment Agency Lease Revenue Refunding Bonds (Lancaster Public Capital Improvement Projects) Issue of 1999, (ii) fund the Reserve Account, and (iii) pay costs of issuance of the Bonds. The principal portion of these bonds is payable from December 1, 2010 to December 1, 2035. Interest is payable semi-annually at rates of 2.0% to 5.9% per annum, commencing December 1, 2010. The Bonds are payable from Lease Payments to be made by the City of Lancaster to the Agency or its assignee. The property covered by the Lease consists of the Lancaster Performing Arts Center. Neither the Bonds nor the obligation of the City to make Lease Payments under the Lease Agreement constitutes an indebtedness of the City, the Agency, the State of California or any political subdivision thereof, within the meaning of the Constitution of the State of California or otherwise.

Amargosa Redevelopment Project

1. On March 18, 1999, the Agency issued \$4,380,000 of Lancaster Redevelopment Agency, Amargosa Redevelopment Project, Tax Allocation Refunding Bonds, Issue of 1999. The purpose of these bonds was to defease a portion of the \$7,005,000 Tax Allocation Refunding Bonds, Issue of 1991. The principal portion of these bonds is payable from February 1, 2000 to February 1, 2024. Interest is payable semi-annually at rates of 3.0% to 5.0% per annum, commencing August 1, 1999.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

Lancaster Redevelopment Agency Bonds and Notes		
Fiscal Year	Principal	Interest
2013	\$ 6,910,000	\$ 13,058,333
2014	7,205,000	12,754,957
2015	7,640,000	12,427,743
2016	7,990,000	12,058,140
2017	8,375,000	11,661,540
2018-2022	47,625,000	51,529,868
2023-2027	51,775,000	38,931,645
2028-2032	55,875,000	25,778,991
2033-2037	48,955,000	11,051,881
2038-2042	14,595,000	1,434,859
Total	\$ 256,945,000	\$ 190,687,957

On June 14, 2012, Moody's Investors Service ("Moody's") downgraded all California tax allocation bonds rated 'Baa3' and above. As such, the Bonds' insured rating was downgraded from 'A3' to 'Ba1' and underlying rating was downgraded from 'A3' to 'Ba1'. According to Moody's, all California tax allocation bond ratings remain on review for possible withdrawal.

SERAF Advance

Advances were made in previous years in the amount of \$24,303,114 to assist in accomplishing payment to the Educational Revenue Augmentation Fund from the former redevelopment agency low and moderate income housing fund. The advances are now payable to the Lancaster Housing Authority as a result of the dissolution of redevelopment.

c. Pledged Revenue

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$447,632,957 with annual debt service requirements as indicated below. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$16,860,723 and the debt service obligation on the bonds was \$19,996,202.

d. Defeasance of Debt

In prior years, the Agency defeased certain tax allocation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Agency's financial statements. At June 30, 2012, the following bond issues are considered defeased:

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

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

e. Non-Commitment Debt

The Agency has issued \$94,710,000 of Residential Mortgage Revenue Bonds that have not been reflected in Long-Term Debt because these bonds are special obligations payable solely from and secured by specific revenue sources described in the bond resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the Agency, the State of California or any political subdivision thereof, is pledged for the payment of these bonds.

Note 17: Successor Agency Trust for Assets of the Former Redevelopment Agency (Continued)

f. Insurance

The Successor Agency is covered under the City's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 13.

g. Subsequent Events

Assembly Bill 1484 Due Diligence Review

Assembly Bill 1484 established a requirement for the successor agency to remit to the County auditor-controller three payments as determined by the auditor-controller which consist of a payment to be made in July 2012 for taxing entities' share of December 2011 property tax distribution to redevelopment agency/successor agency, a payment to be made in November 2012 related to Low-Moderate Income Housing Fund Due Diligence Review for unencumbered cash, and a payment to be made in April 2013 related to the other Redevelopment Funds Due Diligence Review for unencumbered cash. The Low-Moderate Income Housing Due Diligence Review resulted in an amount due of \$0 and the other Redevelopment Funds Due Diligence Review resulted in an amount due of \$0, the other Redevelopment Funds Review has not been confirmed by the Department of Finance.

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CITY OF LANCASTER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds			
	Gas Tax	Community Services	Landscape Maintenance District	Housing and Community Development
Assets:				
Pooled cash and investments	\$ 86,559	\$ 135,900	\$ 2,333,852	\$ 300,840
Receivables:				
Accounts	23,092	-	2,551	-
Taxes	-	-	44,857	-
Accrued interest	135	-	3,649	-
Prepaid costs	-	466	-	-
Due from other governments	-	-	-	2,952,500
Land held for resale	-	-	-	3,045,802
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 109,786	\$ 136,366	\$ 2,384,909	\$ 6,299,142
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 109,135	\$ 2,000	\$ 102,648	\$ 217,362
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	2,952,500
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	100
Due to other funds	-	-	-	719,710
Total Liabilities	109,135	2,000	102,648	3,889,672
Fund Balances:				
Nonspendable:				
Prepaid costs	-	466	-	-
Land held for resale	-	-	-	3,045,802
Restricted for:				
Community development projects	-	133,900	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	651	-	2,282,261	-
Debt service	-	-	-	-
Unassigned	-	-	-	(636,332)
Total Fund Balances	651	134,366	2,282,261	2,409,470
Total Liabilities and Fund Balances	\$ 109,786	\$ 136,366	\$ 2,384,909	\$ 6,299,142

CITY OF LANCASTER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	<u>Special Revenue Funds</u>			
	<u>Transportation Development Authority</u>	<u>Proposition A</u>	<u>Bikeway Improvement</u>	<u>Proposition C</u>
Assets:				
Pooled cash and investments	\$ 5,378,393	\$ 2,058,670	\$ -	\$ 6,192,892
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Accrued interest	8,411	3,219	-	9,685
Prepaid costs	-	-	-	-
Due from other governments	346,045	-	-	172,460
Land held for resale	-	-	-	-
Restricted assets:				
Cash and investments	-	779,875	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 5,732,849</u>	<u>\$ 2,841,764</u>	<u>\$ -</u>	<u>\$ 6,375,037</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 407,345	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	1,260	-	-	-
Deposits payable	-	19,927	-	-
Due to other funds	-	-	17	-
Total Liabilities	<u>1,260</u>	<u>427,272</u>	<u>17</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Land held for resale	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	5,731,589	2,414,492	-	6,375,037
Debt service	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
Total Fund Balances	<u>5,731,589</u>	<u>2,414,492</u>	<u>(17)</u>	<u>6,375,037</u>
Total Liabilities and Fund Balances	<u>\$ 5,732,849</u>	<u>\$ 2,841,764</u>	<u>\$ -</u>	<u>\$ 6,375,037</u>

CITY OF LANCASTER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds			
	Federal Grants	State Grants	Parks Development	County and Other
Assets:				
Pooled cash and investments	\$ 464,676	\$ 77,310	\$ 888,342	\$ 1,790
Receivables:				
Accounts	-	51,238	-	-
Taxes	-	-	-	-
Accrued interest	-	-	1,389	-
Prepaid costs	-	-	-	-
Due from other governments	316,222	94,338	-	-
Land held for resale	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 780,898	\$ 222,886	\$ 889,731	\$ 1,790
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 62,268	\$ -	\$ 381
Accrued liabilities	-	-	-	-
Deferred revenues	-	130,821	-	-
Unearned revenues	-	46,218	-	-
Deposits payable	-	-	-	-
Due to other funds	308,777	2,716,760	-	239,275
Total Liabilities	308,777	2,956,067	-	239,656
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Land held for resale	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	7,445	-	-	-
Parks and recreation	-	-	-	-
Public works	464,676	-	889,731	-
Debt service	-	-	-	-
Unassigned	-	(2,733,181)	-	(237,866)
Total Fund Balances	472,121	(2,733,181)	889,731	(237,866)
Total Liabilities and Fund Balances	\$ 780,898	\$ 222,886	\$ 889,731	\$ 1,790

CITY OF LANCASTER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Developer Fees - Signals	Developer Fees - Drainage	Recycle Water	Biological Impact Fee
Assets:				
Pooled cash and investments	\$ 4,589,075	\$ 3,820,350	\$ -	\$ 312,865
Receivables:				
Accounts	98,058	234,028	-	1,979
Taxes	-	-	-	-
Accrued interest	7,177	5,974	-	489
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Land held for resale	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 4,694,310</u>	<u>\$ 4,060,352</u>	<u>\$ -</u>	<u>\$ 315,333</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 421	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	98,058	234,028	-	-
Unearned revenues	-	-	186,013	-
Deposits payable	-	-	11,987	-
Due to other funds	-	-	313,064	-
Total Liabilities	<u>98,058</u>	<u>234,028</u>	<u>511,485</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Land held for resale	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	4,596,252	3,826,324	-	315,333
Debt service	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(511,485)</u>	<u>-</u>
Total Fund Balances	<u>4,596,252</u>	<u>3,826,324</u>	<u>(511,485)</u>	<u>315,333</u>
Total Liabilities and Fund Balances	<u>\$ 4,694,310</u>	<u>\$ 4,060,352</u>	<u>\$ -</u>	<u>\$ 315,333</u>

CITY OF LANCASTER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds			
	Traffic Impact Fees	AQMD	Lancaster Lighting District	Lancaster Drainage Maintenance District
Assets:				
Pooled cash and investments	\$ 5,327,661	\$ 194,562	\$ 69,230	\$ 1,088,477
Receivables:				
Accounts	210,494	-	759	1,999
Taxes	-	-	215,095	141,654
Accrued interest	8,332	304	108	1,702
Prepaid costs	-	-	293	-
Due from other governments	-	-	-	-
Land held for resale	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 5,546,487	\$ 194,866	\$ 285,485	\$ 1,233,832
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 286,971	\$ 17,046
Accrued liabilities	-	-	-	-
Deferred revenues	210,494	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	210,494	-	286,971	17,046
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	293	-
Land held for resale	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	5,335,993	194,866	-	1,216,786
Debt service	-	-	-	-
Unassigned	-	-	(1,779)	-
Total Fund Balances	5,335,993	194,866	(1,486)	1,216,786
Total Liabilities and Fund Balances	\$ 5,546,487	\$ 194,866	\$ 285,485	\$ 1,233,832

CITY OF LANCASTER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	<u>Special Revenue Funds</u>			
	<u>Miscellaneous Grants</u>	<u>Traffic Safety</u>	<u>Engineering Fees</u>	<u>LA County Reimbursement</u>
Assets:				
Pooled cash and investments	\$ 25,506	\$ -	\$ -	\$ 35,857
Receivables:				
Accounts	-	-	23,037	-
Taxes	-	-	-	-
Accrued interest	-	-	-	-
Prepaid costs	-	-	200	-
Due from other governments	-	34,020	-	24,636
Land held for resale	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 25,506</u>	<u>\$ 34,020</u>	<u>\$ 23,237</u>	<u>\$ 60,493</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 635	\$ 8,398
Accrued liabilities	-	-	661	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	214,781
Deposits payable	-	-	-	-
Due to other funds	377,959	-	117,745	-
Total Liabilities	<u>377,959</u>	<u>-</u>	<u>119,041</u>	<u>223,179</u>
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	200	-
Land held for resale	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	34,020	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Debt service	-	-	-	-
Unassigned	<u>(352,453)</u>	<u>-</u>	<u>(96,004)</u>	<u>(162,686)</u>
Total Fund Balances	<u>(352,453)</u>	<u>34,020</u>	<u>(95,804)</u>	<u>(162,686)</u>
Total Liabilities and Fund Balances	<u>\$ 25,506</u>	<u>\$ 34,020</u>	<u>\$ 23,237</u>	<u>\$ 60,493</u>

CITY OF LANCASTER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds			
	MTA Grant	Urban Structure Program	Mariposa Lily	Sewer Maintenance District
Assets:				
Pooled cash and investments	\$ -	\$ 2,367,963	\$ 53,953	\$ 5,732,519
Receivables:				
Accounts	1,313,434	24,275	-	900
Taxes	-	-	-	262,093
Accrued interest	-	3,702	84	8,965
Prepaid costs	-	-	-	538
Due from other governments	-	-	-	-
Land held for resale	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 1,313,434</u>	<u>\$ 2,395,940</u>	<u>\$ 54,037</u>	<u>\$ 6,005,015</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 12,650
Accrued liabilities	-	-	-	-
Deferred revenues	-	24,275	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	1,481,554	-	-	-
Total Liabilities	<u>1,481,554</u>	<u>24,275</u>	<u>-</u>	<u>12,650</u>
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	538
Land held for resale	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	2,154,110	-	-
Public works	-	217,555	54,037	5,991,827
Debt service	-	-	-	-
Unassigned	<u>(168,120)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(168,120)</u>	<u>2,371,665</u>	<u>54,037</u>	<u>5,992,365</u>
Total Liabilities and Fund Balances	<u>\$ 1,313,434</u>	<u>\$ 2,395,940</u>	<u>\$ 54,037</u>	<u>\$ 6,005,015</u>

CITY OF LANCASTER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Proposition 1B	Proposition 42	HPRP	ARRA
Assets:				
Pooled cash and investments	\$ 469,667	\$ 1,860,125	\$ -	\$ -
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Accrued interest	734	2,909	-	-
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	-
Land held for resale	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 470,401	\$ 1,863,034	\$ -	\$ -
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	2,811	-
Total Liabilities	-	-	2,811	-
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Land held for resale	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	470,401	1,863,034	-	-
Debt service	-	-	-	-
Unassigned	-	-	(2,811)	-
Total Fund Balances	470,401	1,863,034	(2,811)	-
Total Liabilities and Fund Balances	\$ 470,401	\$ 1,863,034	\$ -	\$ -

CITY OF LANCASTER

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	
	Measure R	Lancaster Redevelopment Agency	Lancaster Housing Authority	Lancaster Financing Authority
Assets:				
Pooled cash and investments	\$ 3,074,850	\$ -	\$ -	\$ 715,770
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Accrued interest	4,809	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	129,358	-	-	-
Land held for resale	-	-	-	-
Restricted assets:				
Cash and investments	-	-	-	-
Cash and investments with fiscal agents	-	-	6,271,554	-
Total Assets	\$ 3,209,017	\$ -	\$ 6,271,554	\$ 715,770
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	-
Land held for resale	-	-	-	-
Restricted for:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	3,209,017	-	-	-
Debt service	-	-	6,271,554	715,770
Unassigned	-	-	-	-
Total Fund Balances	3,209,017	-	6,271,554	715,770
Total Liabilities and Fund Balances	\$ 3,209,017	\$ -	\$ 6,271,554	\$ 715,770

CITY OF LANCASTER

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Total Governmental Funds
Assets:	
Pooled cash and investments	\$ 47,657,654
Receivables:	
Accounts	1,985,844
Taxes	663,699
Accrued interest	71,777
Prepaid costs	1,497
Due from other governments	4,069,579
Land held for resale	3,045,802
Restricted assets:	
Cash and investments	779,875
Cash and investments with fiscal agents	6,271,554
	<hr/>
Total Assets	\$ 64,547,281
	<hr/> <hr/>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 1,227,260
Accrued liabilities	661
Deferred revenues	3,650,176
Unearned revenues	448,272
Deposits payable	32,014
Due to other funds	6,277,672
	<hr/>
Total Liabilities	11,636,055
	<hr/>
Fund Balances:	
Nonspendable:	
Prepaid costs	1,497
Land held for resale	3,045,802
Restricted for:	
Community development projects	133,900
Public safety	41,465
Parks and recreation	2,154,110
Public works	45,449,862
Debt service	6,987,324
Unassigned	(4,902,734)
	<hr/>
Total Fund Balances	52,911,226
	<hr/>
Total Liabilities and Fund Balances	\$ 64,547,281
	<hr/> <hr/>

CITY OF LANCASTER

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			
	Gas Tax	Community Services	Landscape Maintenance District	Housing and Community Development
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	697,425
Intergovernmental	4,375,519	-	-	1,518,290
Charges for services	10,018	-	1,650,925	-
Use of money and property	222	-	10,452	82,996
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	997,786
Miscellaneous	25,342	14,170	-	1,282,615
Total Revenues	4,411,101	14,170	1,661,377	4,579,112
Expenditures:				
Current:				
General government	207	160	-	1,309,447
Public safety	-	-	-	-
Community development	-	26,978	-	734,711
Parks and recreation	-	-	14	-
Public works	3,360,550	-	1,241,435	-
Housing	-	-	-	588,555
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	312,000
Interest and fiscal charges	-	-	-	157,104
Total Expenditures	3,360,757	27,138	1,241,449	3,101,817
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,050,344	(12,968)	419,928	1,477,295
Other Financing Sources (Uses):				
Transfers in	138,000	-	-	282,482
Transfers out	(1,173,335)	(107,527)	(191,900)	(88,749)
Gain/(Loss) on sale of land held for resale	-	-	-	(2,253,259)
Total Other Financing Sources (Uses)	(1,035,335)	(107,527)	(191,900)	(2,059,526)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	-	-
Net Change in Fund Balances	15,009	(120,495)	228,028	(582,231)
Fund Balances, Beginning of Year	(14,358)	254,861	2,054,233	3,229,523
Restatements	-	-	-	(237,822)
Fund Balances, Beginning of Year, as Restated	(14,358)	254,861	2,054,233	2,991,701
Fund Balances, End of Year	\$ 651	\$ 134,366	\$ 2,282,261	\$ 2,409,470

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Transportation Development Authority	Proposition A	Bikeway Improvement	Proposition C
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	4,152,543	2,131,665	15,000	1,757,220
Charges for services	-	-	-	-
Use of money and property	23,150	7,619	-	28,391
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	9,273	-	-
Total Revenues	4,175,693	2,148,557	15,000	1,785,611
Expenditures:				
Current:				
General government	-	1,533,166	-	-
Public safety	-	-	-	1,943
Community development	-	-	-	-
Parks and recreation	-	18,995	-	-
Public works	-	-	-	-
Housing	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	1,552,161	-	1,943
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,175,693	596,396	15,000	1,783,668
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(4,763,584)	(1,679,953)	(15,017)	(1,781,935)
Gain/(Loss) on sale of land held for resale	-	-	-	-
Total Other Financing Sources (Uses)	(4,763,584)	(1,679,953)	(15,017)	(1,781,935)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	-	-
Net Change in Fund Balances	(587,891)	(1,083,557)	(17)	1,733
Fund Balances, Beginning of Year	6,319,480	3,498,049	-	6,373,304
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	6,319,480	3,498,049	-	6,373,304
Fund Balances, End of Year	\$ 5,731,589	\$ 2,414,492	\$ (17)	\$ 6,375,037

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Special Revenue Funds</u>			
	<u>Federal Grants</u>	<u>State Grants</u>	<u>Parks Development</u>	<u>County and Other</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	128,000	-
Intergovernmental	2,133,555	455,676	-	1,275
Charges for services	-	-	-	-
Use of money and property	-	-	4,462	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>2,133,555</u>	<u>455,676</u>	<u>132,462</u>	<u>1,275</u>
Expenditures:				
Current:				
General government	-	48,871	-	-
Public safety	3,066	138,551	-	-
Community development	72,235	101,254	-	-
Parks and recreation	-	-	-	952
Public works	-	35,066	-	-
Housing	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>75,301</u>	<u>323,742</u>	<u>-</u>	<u>952</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,058,254</u>	<u>131,934</u>	<u>132,462</u>	<u>323</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(439,917)	(152,580)	-	-
Gain/(Loss) on sale of land held for resale	-	-	-	-
Total Other Financing Sources (Uses)	<u>(439,917)</u>	<u>(152,580)</u>	<u>-</u>	<u>-</u>
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	-	-
Net Change in Fund Balances	<u>1,618,337</u>	<u>(20,646)</u>	<u>132,462</u>	<u>323</u>
Fund Balances, Beginning of Year	(1,146,216)	(2,712,535)	757,269	(238,189)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	<u>(1,146,216)</u>	<u>(2,712,535)</u>	<u>757,269</u>	<u>(238,189)</u>
Fund Balances, End of Year	<u>\$ 472,121</u>	<u>\$ (2,733,181)</u>	<u>\$ 889,731</u>	<u>\$ (237,866)</u>

CITY OF LANCASTER

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

(Continued)

	Special Revenue Funds			
	Developer Fees - Signals	Developer Fees - Drainage	Recycle Water	Biological Impact Fee
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	240,837	692,493	-	18,916
Intergovernmental	-	-	-	-
Charges for services	-	-	1,277	-
Use of money and property	21,488	18,601	-	1,437
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	262,325	711,094	1,277	20,353
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	56,735	-
Housing	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	56,735	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	262,325	711,094	(55,458)	20,353
Other Financing Sources (Uses):				
Transfers in	-	-	55,000	-
Transfers out	(289,339)	(385,164)	(140,253)	(11,979)
Gain/(Loss) on sale of land held for resale	-	-	-	-
Total Other Financing Sources (Uses)	(289,339)	(385,164)	(85,253)	(11,979)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	-	-
Net Change in Fund Balances	(27,014)	325,930	(140,711)	8,374
Fund Balances, Beginning of Year	4,623,266	3,500,394	(370,774)	306,959
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	4,623,266	3,500,394	(370,774)	306,959
Fund Balances, End of Year	\$ 4,596,252	\$ 3,826,324	\$ (511,485)	\$ 315,333

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			
	Traffic Impact Fees	AQMD	Lancaster Lighting District	Lancaster Drainage Maintenance District
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	464,637	-	-	-
Intergovernmental	-	75,000	-	-
Charges for services	-	-	4,008,738	1,589,367
Use of money and property	25,354	842	(1,285)	3,163
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	24,299	-
Total Revenues	489,991	75,842	4,031,752	1,592,530
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	13,199	3,975,641	1,247,345
Housing	-	-	-	-
Capital outlay	-	59,714	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	72,913	3,975,641	1,247,345
Excess (Deficiency) of Revenues Over (Under) Expenditures	489,991	2,929	56,111	345,185
Other Financing Sources (Uses):				
Transfers in	-	-	300,000	-
Transfers out	(303,740)	-	(393,230)	(1,316,475)
Gain/(Loss) on sale of land held for resale	-	-	-	-
Total Other Financing Sources (Uses)	(303,740)	-	(93,230)	(1,316,475)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	-	-
Net Change in Fund Balances	186,251	2,929	(37,119)	(971,290)
Fund Balances, Beginning of Year	5,149,742	191,937	35,633	2,188,076
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	5,149,742	191,937	35,633	2,188,076
Fund Balances, End of Year	\$ 5,335,993	\$ 194,866	\$ (1,486)	\$ 1,216,786

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Miscellaneous Grants	Traffic Safety	Engineering Fees	LA County Reimbursement
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	1,267,117	-
Intergovernmental	-	-	-	139,407
Charges for services	-	-	-	-
Use of money and property	-	2,801	-	-
Fines and forfeitures	-	775,122	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	777,923	1,267,117	139,407
Expenditures:				
Current:				
General government	-	-	44,013	-
Public safety	-	-	-	-
Community development	-	-	-	148,483
Parks and recreation	-	-	-	-
Public works	-	-	1,271,841	-
Housing	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	1,315,854	148,483
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	777,923	(48,737)	(9,076)
Other Financing Sources (Uses):				
Transfers in	-	-	777,293	-
Transfers out	-	(824,245)	(726,270)	-
Gain/(Loss) on sale of land held for resale	-	-	-	-
Total Other Financing Sources (Uses)	-	(824,245)	51,023	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	-	-
Net Change in Fund Balances	-	(46,322)	2,286	(9,076)
Fund Balances, Beginning of Year	(352,453)	80,342	(98,090)	(153,610)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	(352,453)	80,342	(98,090)	(153,610)
Fund Balances, End of Year	\$ (352,453)	\$ 34,020	\$ (95,804)	\$ (162,686)

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			
	MTA Grant	Urban Structure Program	Mariposa Lily	Sewer Maintenance District
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 4,039,338
Licenses and permits	-	352,870	-	-
Intergovernmental	1,475,729	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	10,166	258	28,788
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	87,265
Total Revenues	1,475,729	363,036	258	4,155,391
Expenditures:				
Current:				
General government	-	-	-	750
Public safety	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	9,397	-	-
Public works	-	-	-	2,329,766
Housing	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	9,397	-	2,330,516
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,475,729	353,639	258	1,824,875
Other Financing Sources (Uses):				
Transfers in	-	-	-	13,349
Transfers out	(1,643,849)	(1,957,613)	-	(599,055)
Gain/(Loss) on sale of land held for resale	-	-	-	-
Total Other Financing Sources (Uses)	(1,643,849)	(1,957,613)	-	(585,706)
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	-	-
Net Change in Fund Balances	(168,120)	(1,603,974)	258	1,239,169
Fund Balances, Beginning of Year	-	3,975,639	53,779	4,753,196
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	-	3,975,639	53,779	4,753,196
Fund Balances, End of Year	\$ (168,120)	\$ 2,371,665	\$ 54,037	\$ 5,992,365

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

(Continued)

	Special Revenue Funds			
	Proposition 1B	Proposition 42	HPRP	ARRA
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	100,180	108,777
Charges for services	-	-	-	-
Use of money and property	(2,801)	17,805	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	(2,801)	17,805	100,180	108,777
Expenditures:				
Current:				
General government	-	-	2,928	-
Public safety	-	-	-	-
Community development	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Housing	-	-	89,021	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	91,949	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,801)	17,805	8,231	108,777
Other Financing Sources (Uses):				
Transfers in	-	278,138	-	-
Transfers out	(2,143,843)	(521,100)	-	-
Gain/(Loss) on sale of land held for resale	-	-	-	-
Total Other Financing Sources (Uses)	(2,143,843)	(242,962)	-	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	-	-	-
Net Change in Fund Balances	(2,146,644)	(225,157)	8,231	108,777
Fund Balances, Beginning of Year	2,617,045	2,088,191	(11,042)	(108,777)
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as Restated	2,617,045	2,088,191	(11,042)	(108,777)
Fund Balances, End of Year	\$ 470,401	\$ 1,863,034	\$ (2,811)	\$ -

CITY OF LANCASTER

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	
	Measure R	Lancaster Redevelopment Agency	Lancaster Housing Authority	Lancaster Financing Authority
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	1,317,541	-	-	-
Charges for services	-	56,456	-	-
Use of money and property	16,865	728,420	37,364	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	1,255,690
Miscellaneous	-	36,964	-	-
Total Revenues	1,334,406	821,840	37,364	1,255,690
Expenditures:				
Current:				
General government	-	1,425,712	-	-
Public safety	-	-	-	-
Community development	-	3,209,606	-	2,270,008
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Housing	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	365,000	-
Interest and fiscal charges	-	-	320,950	-
Total Expenditures	-	4,635,318	685,950	2,270,008
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,334,406	(3,813,478)	(648,586)	(1,014,318)
Other Financing Sources (Uses):				
Transfers in	-	4,804,108	6,630,565	-
Transfers out	(146,549)	(8,684,001)	-	-
Gain/(Loss) on sale of land held for resale	-	(5,174,252)	-	-
Total Other Financing Sources (Uses)	(146,549)	(9,054,145)	6,630,565	-
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	-	(22,683,052)	-	-
Net Change in Fund Balances	1,187,857	(35,550,675)	5,981,979	(1,014,318)
Fund Balances, Beginning of Year	2,021,160	32,823,338	289,575	1,730,088
Restatements	-	2,727,337	-	-
Fund Balances, Beginning of Year, as Restated	2,021,160	35,550,675	289,575	1,730,088
Fund Balances, End of Year	\$ 3,209,017	\$ -	\$ 6,271,554	\$ 715,770

CITY OF LANCASTER

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Total Governmental Funds
Revenues:	
Taxes	\$ 4,039,338
Licenses and permits	3,862,295
Intergovernmental	19,757,377
Charges for services	7,316,781
Use of money and property	1,066,558
Fines and forfeitures	775,122
Contributions	2,253,476
Miscellaneous	1,479,928
	<hr/>
Total Revenues	40,550,875
	<hr/>
Expenditures:	
Current:	
General government	4,365,254
Public safety	143,560
Community development	6,563,275
Parks and recreation	29,358
Public works	13,531,578
Housing	677,576
Capital outlay	59,714
Debt service:	
Principal retirement	677,000
Interest and fiscal charges	478,054
	<hr/>
Total Expenditures	26,525,369
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,025,506
	<hr/>
Other Financing Sources (Uses):	
Transfers in	13,278,935
Transfers out	(30,481,202)
Gain/(Loss) on sale of land held for resale	(7,427,511)
	<hr/>
Total Other Financing Sources (Uses)	(24,629,778)
	<hr/>
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note 17)	(22,683,052)
	<hr/>
Net Change in Fund Balances	(33,287,324)
	<hr/>
Fund Balances, Beginning of Year	83,709,035
Restatements	2,489,515
	<hr/>
Fund Balances, Beginning of Year, as Restated	86,198,550
	<hr/>
Fund Balances, End of Year	\$ 52,911,226
	<hr/> <hr/>

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (14,358)	\$ (14,358)	\$ (14,358)	\$ -
Resources (Inflows):				
Intergovernmental	4,027,835	4,162,835	4,375,519	212,684
Charges for services	9,000	9,000	10,018	1,018
Use of money and property	-	-	222	222
Miscellaneous	10,000	10,000	25,342	15,342
Transfers in	1,025,000	1,025,000	138,000	(887,000)
Amounts Available for Appropriation	5,057,477	5,192,477	4,534,743	(657,734)
Charges to Appropriation (Outflow):				
General government	900	900	207	693
Public works	3,907,051	3,907,051	3,360,550	546,501
Transfers out	1,173,335	1,173,335	1,173,335	-
Total Charges to Appropriations	5,081,286	5,081,286	4,534,092	547,194
Budgetary Fund Balance, June 30	\$ (23,809)	\$ 111,191	\$ 651	\$ (110,540)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY SERVICES
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 254,861	\$ 254,861	\$ 254,861	\$ -
Resources (Inflows):				
Miscellaneous	34,500	34,500	14,170	(20,330)
Amounts Available for Appropriation	289,361	289,361	269,031	(20,330)
Charges to Appropriation (Outflow):				
General government	-	-	160	(160)
Community development	10,000	10,000	26,978	(16,978)
Transfers out	-	-	107,527	(107,527)
Total Charges to Appropriations	10,000	10,000	134,665	(124,665)
Budgetary Fund Balance, June 30	\$ 279,361	\$ 279,361	\$ 134,366	\$ (144,995)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 LANDSCAPE MAINTENANCE DISTRICT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,054,233	\$ 2,054,233	\$ 2,054,233	\$ -
Resources (Inflows):				
Charges for services	1,640,000	1,640,000	1,650,925	10,925
Use of money and property	17,660	17,660	10,452	(7,208)
Amounts Available for Appropriation	3,711,893	3,711,893	3,715,610	3,717
Charges to Appropriation (Outflow):				
Parks and recreation	-	-	14	(14)
Public works	1,279,209	1,283,089	1,241,435	41,654
Transfers out	435,415	435,415	191,900	243,515
Total Charges to Appropriations	1,714,624	1,718,504	1,433,349	285,155
Budgetary Fund Balance, June 30	\$ 1,997,269	\$ 1,993,389	\$ 2,282,261	\$ 288,872

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
HOUSING AND COMMUNITY DEVELOPMENT
YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 2,991,701	\$ 2,991,701	\$ 2,991,701	\$ -
Resources (Inflows):				
Licenses and permits	-	2,364,566	697,425	(1,667,141)
Intergovernmental	1,682,481	2,300,481	1,518,290	(782,191)
Use of money and property	-	-	82,996	82,996
Contributions	-	-	997,786	997,786
Miscellaneous	-	1,500,000	1,282,615	(217,385)
Transfers in	-	-	282,482	282,482
Amounts Available for Appropriation	4,674,182	9,156,748	7,853,295	(1,303,453)
Charges to Appropriation (Outflow):				
General government	-	1,879,455	1,309,447	570,008
Community development	399,002	1,172,534	734,711	437,823
Housing	198,578	1,592,158	588,555	1,003,603
Debt service:				
Principal retirement	570,470	570,470	312,000	258,470
Interest and fiscal charges	-	-	157,104	(157,104)
Transfers out	266,021	266,021	88,749	177,272
Loss on sale of land held for resale	-	-	2,253,259	(2,253,259)
Total Charges to Appropriations	1,434,071	5,480,638	5,443,825	36,813
Budgetary Fund Balance, June 30	\$ 3,240,111	\$ 3,676,110	\$ 2,409,470	\$ (1,266,640)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION DEVELOPMENT AUTHORITY
 YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 6,319,480	\$ 6,319,480	\$ 6,319,480	\$ -
Resources (Inflows):				
Intergovernmental	3,500,000	3,807,000	4,152,543	345,543
Use of money and property	-	15,000	23,150	8,150
Amounts Available for Appropriation	9,819,480	10,141,480	10,495,173	353,693
Charges to Appropriation (Outflow):				
Transfers out	7,008,607	8,533,367	4,763,584	3,769,783
Total Charges to Appropriations	7,008,607	8,533,367	4,763,584	3,769,783
Budgetary Fund Balance, June 30	\$ 2,810,873	\$ 1,608,113	\$ 5,731,589	\$ 4,123,476

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,498,049	\$ 3,498,049	\$ 3,498,049	\$ -
Resources (Inflows):				
Intergovernmental	1,957,070	1,957,070	2,131,665	174,595
Use of money and property	15,000	15,000	7,619	(7,381)
Miscellaneous	-	-	9,273	9,273
Amounts Available for Appropriation	5,470,119	5,470,119	5,646,606	176,487
Charges to Appropriation (Outflow):				
General government	1,993,730	2,033,730	1,533,166	500,564
Parks and recreation	-	20,014	18,995	1,019
Transfers out	2,532,408	2,532,408	1,679,953	852,455
Total Charges to Appropriations	4,526,138	4,586,152	3,232,114	1,354,038
Budgetary Fund Balance, June 30	\$ 943,981	\$ 883,967	\$ 2,414,492	\$ 1,530,525

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 BIKEWAY IMPROVEMENT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	15,000	15,000	-
Amounts Available for Appropriation	-	15,000	15,000	-
Charges to Appropriation (Outflow):				
Transfers out	153,000	153,000	15,017	137,983
Total Charges to Appropriations	153,000	153,000	15,017	137,983
Budgetary Fund Balance, June 30	\$ (153,000)	\$ (138,000)	\$ (17)	\$ 137,983

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,373,304	\$ 6,373,304	\$ 6,373,304	\$ -
Resources (Inflows):				
Intergovernmental	1,623,340	1,623,340	1,757,220	133,880
Use of money and property	10,000	10,000	28,391	18,391
Amounts Available for Appropriation	8,006,644	8,006,644	8,158,915	152,271
Charges to Appropriation (Outflow):				
Public safety	2,200	2,200	1,943	257
Public works	58,000	58,000	-	58,000
Transfers out	6,072,705	6,072,705	1,781,935	4,290,770
Total Charges to Appropriations	6,132,905	6,132,905	1,783,878	4,349,027
Budgetary Fund Balance, June 30	\$ 1,873,739	\$ 1,873,739	\$ 6,375,037	\$ 4,501,298

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 FEDERAL GRANTS
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (1,146,216)	\$ (1,146,216)	\$(1,146,216)	\$ -
Resources (Inflows):				
Intergovernmental	4,388,401	6,051,731	2,133,555	(3,918,176)
Amounts Available for Appropriation	3,242,185	4,905,515	987,339	(3,918,176)
Charges to Appropriation (Outflow):				
Public safety	-	4,000	3,066	934
Community development	59,405	195,820	72,235	123,585
Transfers out	4,110,601	4,134,821	439,917	3,694,904
Total Charges to Appropriations	4,170,006	4,334,641	515,218	3,819,423
Budgetary Fund Balance, June 30	\$ (927,821)	\$ 570,874	\$ 472,121	\$ (98,753)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 STATE GRANTS
 YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (2,712,535)	\$ (2,712,535)	\$(2,712,535)	\$ -
Resources (Inflows):				
Intergovernmental	1,026,631	1,940,545	455,676	(1,484,869)
Amounts Available for Appropriation	(1,685,904)	(771,990)	(2,256,859)	(1,484,869)
Charges to Appropriation (Outflow):				
General government	88,520	142,434	48,871	93,563
Public safety	42,141	217,141	138,551	78,590
Community development	189,131	239,131	101,254	137,877
Public works	-	438,990	35,066	403,924
Transfers out	769,174	823,274	152,580	670,694
Total Charges to Appropriations	1,088,966	1,860,970	476,322	1,384,648
Budgetary Fund Balance, June 30	\$ (2,774,870)	\$ (2,632,960)	\$(2,733,181)	\$ (100,221)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 PARKS DEVELOPMENT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 757,269	\$ 757,269	\$ 757,269	\$ -
Resources (Inflows):				
Licenses and permits	100,000	100,000	128,000	28,000
Use of money and property	5,000	5,000	4,462	(538)
Amounts Available for Appropriation	862,269	862,269	889,731	27,462
Charges to Appropriation (Outflow):				
Transfers out	10,000	10,000	-	10,000
Total Charges to Appropriations	10,000	10,000	-	10,000
Budgetary Fund Balance, June 30	\$ 852,269	\$ 852,269	\$ 889,731	\$ 37,462

CITY OF LANCASTER

**BUDGETARY COMPARISON SCHEDULE
DEVELOPER FEES - SIGNALS
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 4,623,266	\$ 4,623,266	\$ 4,623,266	\$ -
Resources (Inflows):				
Licenses and permits	200,000	200,000	240,837	40,837
Use of money and property	30,000	42,000	21,488	(20,512)
Amounts Available for Appropriation	4,853,266	4,865,266	4,885,591	20,325
Charges to Appropriation (Outflow):				
Transfers out	2,722,493	2,722,493	289,339	2,433,154
Total Charges to Appropriations	2,722,493	2,722,493	289,339	2,433,154
Budgetary Fund Balance, June 30	\$ 2,130,773	\$ 2,142,773	\$ 4,596,252	\$ 2,453,479

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 DEVELOPER FEES - DRAINAGE
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,500,394	\$ 3,500,394	\$ 3,500,394	\$ -
Resources (Inflows):				
Licenses and permits	450,000	590,000	692,493	102,493
Use of money and property	20,000	20,000	18,601	(1,399)
Amounts Available for Appropriation	3,970,394	4,110,394	4,211,488	101,094
Charges to Appropriation (Outflow):				
Transfers out	2,772,203	2,772,203	385,164	2,387,039
Total Charges to Appropriations	2,772,203	2,772,203	385,164	2,387,039
Budgetary Fund Balance, June 30	\$ 1,198,191	\$ 1,338,191	\$ 3,826,324	\$ 2,488,133

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 RECYCLE WATER
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (370,774)	\$ (370,774)	\$ (370,774)	\$ -
Resources (Inflows):				
Charges for services	180,000	180,000	1,277	(178,723)
Transfers in	110,000	110,000	55,000	(55,000)
Amounts Available for Appropriation	(80,774)	(80,774)	(314,497)	(233,723)
Charges to Appropriation (Outflow):				
Public works	84,035	84,035	56,735	27,300
Transfers out	260,684	260,684	140,253	120,431
Total Charges to Appropriations	344,719	344,719	196,988	147,731
Budgetary Fund Balance, June 30	\$ (425,493)	\$ (425,493)	\$ (511,485)	\$ (85,992)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 BIOLOGICAL IMPACT FEE
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 306,959	\$ 306,959	\$ 306,959	\$ -
Resources (Inflows):				
Licenses and permits	25,000	25,000	18,916	(6,084)
Use of money and property	2,500	2,500	1,437	(1,063)
Amounts Available for Appropriation	334,459	334,459	327,312	(7,147)
Charges to Appropriation (Outflow):				
Transfers out	184,981	184,981	11,979	173,002
Total Charges to Appropriations	184,981	184,981	11,979	173,002
Budgetary Fund Balance, June 30	\$ 149,478	\$ 149,478	\$ 315,333	\$ 165,855

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC IMPACT FEES
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,149,742	\$ 5,149,742	\$ 5,149,742	\$ -
Resources (Inflows):				
Licenses and permits	350,000	350,000	464,637	114,637
Use of money and property	25,000	25,000	25,354	354
Amounts Available for Appropriation	5,524,742	5,524,742	5,639,733	114,991
Charges to Appropriation (Outflow):				
Transfers out	2,381,958	2,381,958	303,740	2,078,218
Total Charges to Appropriations	2,381,958	2,381,958	303,740	2,078,218
Budgetary Fund Balance, June 30	\$ 3,142,784	\$ 3,142,784	\$ 5,335,993	\$ 2,193,209

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 AQMD
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 191,937	\$ 191,937	\$ 191,937	\$ -
Resources (Inflows):				
Intergovernmental	75,000	75,000	75,000	-
Use of money and property	1,000	1,000	842	(158)
Amounts Available for Appropriation	267,937	267,937	267,779	(158)
Charges to Appropriation (Outflow):				
Public works	55,000	15,400	13,199	2,201
Capital outlay	-	61,600	59,714	1,886
Total Charges to Appropriations	55,000	77,000	72,913	4,087
Budgetary Fund Balance, June 30	\$ 212,937	\$ 190,937	\$ 194,866	\$ 3,929

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 LANCASTER LIGHTING DISTRICT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 35,633	\$ 35,633	\$ 35,633	\$ -
Resources (Inflows):				
Charges for services	3,910,675	3,910,675	4,008,738	98,063
Use of money and property	-	-	(1,285)	(1,285)
Miscellaneous	40,000	40,000	24,299	(15,701)
Transfers in	-	-	300,000	300,000
Amounts Available for Appropriation	3,986,308	3,986,308	4,367,385	381,077
Charges to Appropriation (Outflow):				
Public works	4,437,795	4,438,941	3,975,641	463,300
Transfers out	393,230	393,230	393,230	-
Total Charges to Appropriations	4,831,025	4,832,171	4,368,871	463,300
Budgetary Fund Balance, June 30	\$ (844,717)	\$ (845,863)	\$ (1,486)	\$ 844,377

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 LANCASTER DRAINAGE MAINTENANCE DISTRICT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,188,076	\$ 2,188,076	\$ 2,188,076	\$ -
Resources (Inflows):				
Charges for services	2,003,000	2,003,000	1,589,367	(413,633)
Use of money and property	2,000	2,000	3,163	1,163
Amounts Available for Appropriation	4,193,076	4,193,076	3,780,606	(412,470)
Charges to Appropriation (Outflow):				
General government	1,020	1,020	-	1,020
Public works	1,532,930	1,536,530	1,247,345	289,185
Transfers out	2,566,134	2,566,134	1,316,475	1,249,659
Total Charges to Appropriations	4,100,084	4,103,684	2,563,820	1,539,864
Budgetary Fund Balance, June 30	\$ 92,992	\$ 89,392	\$ 1,216,786	\$ 1,127,394

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC SAFETY
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 80,342	\$ 80,342	\$ 80,342	\$ -
Resources (Inflows):				
Use of money and property	3,000	3,000	2,801	(199)
Fines and forfeitures	1,300,000	1,300,000	775,122	(524,878)
Amounts Available for Appropriation	1,383,342	1,383,342	858,265	(525,077)
Charges to Appropriation (Outflow):				
Transfers out	1,300,000	1,300,000	824,245	475,755
Total Charges to Appropriations	1,300,000	1,300,000	824,245	475,755
Budgetary Fund Balance, June 30	\$ 83,342	\$ 83,342	\$ 34,020	\$ (49,322)

CITY OF LANCASTER

**BUDGETARY COMPARISON SCHEDULE
ENGINEERING FEES
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (98,090)	\$ (98,090)	\$ (98,090)	\$ -
Resources (Inflows):				
Licenses and permits	1,183,000	1,298,000	1,267,117	(30,883)
Transfers in	931,230	931,230	777,293	(153,937)
Amounts Available for Appropriation	2,016,140	2,131,140	1,946,320	(184,820)
Charges to Appropriation (Outflow):				
General government	43,535	43,535	44,013	(478)
Public works	1,379,892	1,379,892	1,271,841	108,051
Transfers out	726,270	726,270	726,270	-
Total Charges to Appropriations	2,149,697	2,149,697	2,042,124	107,573
Budgetary Fund Balance, June 30	\$ (133,557)	\$ (18,557)	\$ (95,804)	\$ (77,247)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 LA COUNTY REIMBURSEMENT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (153,610)	\$ (153,610)	\$ (153,610)	\$ -
Resources (Inflows):				
Intergovernmental	17,000	188,979	139,407	(49,572)
Amounts Available for Appropriation	(136,610)	35,369	(14,203)	(49,572)
Charges to Appropriation (Outflow):				
Community development	-	149,979	148,483	1,496
Transfers out	17,000	17,000	-	17,000
Total Charges to Appropriations	17,000	166,979	148,483	18,496
Budgetary Fund Balance, June 30	\$ (153,610)	\$ (131,610)	\$ (162,686)	\$ (31,076)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 MTA GRANT
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	8,305,231	8,305,231	1,475,729	(6,829,502)
Amounts Available for Appropriation	8,305,231	8,305,231	1,475,729	(6,829,502)
Charges to Appropriation (Outflow):				
Transfers out	3,704,231	3,704,231	1,643,849	2,060,382
Total Charges to Appropriations	3,704,231	3,704,231	1,643,849	2,060,382
Budgetary Fund Balance, June 30	\$ 4,601,000	\$ 4,601,000	\$ (168,120)	\$ (4,769,120)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 URBAN STRUCTURE PROGRAM
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,975,639	\$ 3,975,639	\$ 3,975,639	\$ -
Resources (Inflows):				
Licenses and permits	318,000	333,000	352,870	19,870
Use of money and property	23,000	23,000	10,166	(12,834)
Amounts Available for Appropriation	4,316,639	4,331,639	4,338,675	7,036
Charges to Appropriation (Outflow):				
Parks and recreation	-	9,400	9,397	3
Transfers out	3,391,549	3,391,549	1,957,613	1,433,936
Total Charges to Appropriations	3,391,549	3,400,949	1,967,010	1,433,939
Budgetary Fund Balance, June 30	\$ 925,090	\$ 930,690	\$ 2,371,665	\$ 1,440,975

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 MARIPOSA LILY
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 53,779	\$ 53,779	\$ 53,779	\$ -
Resources (Inflows):				
Use of money and property	500	500	258	(242)
Amounts Available for Appropriation	54,279	54,279	54,037	(242)
Budgetary Fund Balance, June 30	\$ 54,279	\$ 54,279	\$ 54,037	\$ (242)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
SEWER MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,753,196	\$ 4,753,196	\$ 4,753,196	\$ -
Resources (Inflows):				
Taxes	4,000,000	4,000,000	4,039,338	39,338
Use of money and property	43,175	43,175	28,788	(14,387)
Miscellaneous	23,000	73,000	87,265	14,265
Transfers in	880,385	880,385	13,349	(867,036)
Amounts Available for Appropriation	9,699,756	9,749,756	8,921,936	(827,820)
Charges to Appropriation (Outflow):				
General government	750	750	750	-
Public works	3,009,746	3,009,746	2,329,766	679,980
Transfers out	1,599,055	1,599,055	599,055	1,000,000
Total Charges to Appropriations	4,609,551	4,609,551	2,929,571	1,679,980
Budgetary Fund Balance, June 30	\$ 5,090,205	\$ 5,140,205	\$ 5,992,365	\$ 852,160

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION 1B
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,617,045	\$ 2,617,045	\$ 2,617,045	\$ -
Resources (Inflows):				
Use of money and property	-	-	(2,801)	(2,801)
Amounts Available for Appropriation	2,617,045	2,617,045	2,614,244	(2,801)
Charges to Appropriation (Outflow):				
Transfers out	2,608,226	2,608,226	2,143,843	464,383
Total Charges to Appropriations	2,608,226	2,608,226	2,143,843	464,383
Budgetary Fund Balance, June 30	\$ 8,819	\$ 8,819	\$ 470,401	\$ 461,582

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION 42
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,088,191	\$ 2,088,191	\$ 2,088,191	\$ -
Resources (Inflows):				
Use of money and property	-	8,000	17,805	9,805
Transfers in	-	-	278,138	278,138
Amounts Available for Appropriation	2,088,191	2,096,191	2,384,134	287,943
Charges to Appropriation (Outflow):				
Transfers out	2,000,534	2,000,534	521,100	1,479,434
Total Charges to Appropriations	2,000,534	2,000,534	521,100	1,479,434
Budgetary Fund Balance, June 30	\$ 87,657	\$ 95,657	\$ 1,863,034	\$ 1,767,377

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
HPRP
YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (11,042)	\$ (11,042)	\$ (11,042)	\$ -
Resources (Inflows):				
Intergovernmental	399,428	399,428	100,180	(299,248)
Amounts Available for Appropriation	388,386	388,386	89,138	(299,248)
Charges to Appropriation (Outflow):				
General government	1,159	1,159	2,928	(1,769)
Housing	398,269	398,269	89,021	309,248
Total Charges to Appropriations	399,428	399,428	91,949	307,479
Budgetary Fund Balance, June 30	\$ (11,042)	\$ (11,042)	\$ (2,811)	\$ 8,231

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE

ARRA

YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ (108,777)	\$ (108,777)	\$ (108,777)	\$ -
Resources (Inflows):				
Intergovernmental	-	108,776	108,777	1
Amounts Available for Appropriation	<u>(108,777)</u>	<u>(1)</u>	<u>-</u>	<u>1</u>
Budgetary Fund Balance, June 30	<u>\$ (108,777)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>

CITY OF LANCASTER

**BUDGETARY COMPARISON SCHEDULE
MEASURE R
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 2,021,160	\$ 2,021,160	\$ 2,021,160	\$ -
Resources (Inflows):				
Intergovernmental	1,217,515	1,217,515	1,317,541	100,026
Use of money and property	3,000	3,000	16,865	13,865
Amounts Available for Appropriation	3,241,675	3,241,675	3,355,566	113,891
Charges to Appropriation (Outflow):				
Transfers out	3,223,546	3,223,546	146,549	3,076,997
Total Charges to Appropriations	3,223,546	3,223,546	146,549	3,076,997
Budgetary Fund Balance, June 30	\$ 18,129	\$ 18,129	\$ 3,209,017	\$ 3,190,888

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS
 YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 278,646	\$ 278,646	\$ 278,646	\$ -
Resources (Inflows):				
Transfers in	51,279,600	51,279,600	20,657,085	(30,622,515)
Amounts Available for Appropriation	51,558,246	51,558,246	20,935,731	(30,622,515)
Charges to Appropriation (Outflow):				
Capital outlay	51,349,601	56,151,394	20,657,084	35,494,310
Transfers out	-	-	278,138	(278,138)
Total Charges to Appropriations	51,349,601	56,151,394	20,935,222	35,216,172
Budgetary Fund Balance, June 30	\$ 208,645	\$ (4,593,148)	\$ 509	\$ 4,593,657

CITY OF LANCASTER

**BUDGETARY COMPARISON SCHEDULE
LANCASTER REDEVELOPMENT AGENCY - CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$35,550,675	\$35,550,675	\$35,550,675	\$ -
Resources (Inflows):				
Taxes	10,589,000	10,589,000	-	(10,589,000)
Charges for services	-	-	56,456	56,456
Use of money and property	170,500	170,500	728,420	557,920
Miscellaneous	-	(20,000)	36,964	56,964
Transfers in	-	-	4,804,108	4,804,108
Proceeds from sale of capital asset	-	-	-	-
Amounts Available for Appropriation	46,310,175	46,290,175	41,176,623	(5,113,552)
Charges to Appropriation (Outflow):				
General government	2,565,621	2,669,121	1,425,712	1,243,409
Community development	54,475	54,475	3,209,606	(3,155,131)
Transfers out	21,680,413	21,680,413	8,684,001	12,996,412
Loss on sale of land held for resale	-	-	5,174,252	(5,174,252)
Extraordinary loss on dissolution of redevelopment agency	-	-	22,683,052	(22,683,052)
Total Charges to Appropriations	24,300,509	24,404,009	41,176,623	(16,772,614)
Budgetary Fund Balance, June 30	\$22,009,666	\$21,886,166	\$ -	\$ (21,886,166)

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 LANCASTER HOUSING AUTHORITY - DEBT SERVICE
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 289,575	\$ 289,575	\$ 289,575	\$ -
Resources (Inflows):				
Use of money and property	-	-	37,364	37,364
Transfers in	687,750	6,187,750	6,630,565	442,815
Amounts Available for Appropriation	977,325	6,477,325	6,957,504	480,179
Charges to Appropriation (Outflow):				
Debt service:				
Principal retirement	365,000	365,000	365,000	-
Interest and fiscal charges	320,950	320,950	320,950	-
Total Charges to Appropriations	685,950	685,950	685,950	-
Budgetary Fund Balance, June 30	\$ 291,375	\$ 5,791,375	\$ 6,271,554	\$ 480,179

CITY OF LANCASTER

BUDGETARY COMPARISON SCHEDULE
 LANCASTER FINANCING AUTHORITY
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,730,088	\$ 1,730,088	\$ 1,730,088	\$ -
Resources (Inflows):				
Contributions	-	1,255,690	1,255,690	-
Amounts Available for Appropriation	1,730,088	2,985,778	2,985,778	-
Charges to Appropriation (Outflow):				
Community development	-	2,270,008	2,270,008	-
Total Charges to Appropriations	-	2,270,008	2,270,008	-
Budgetary Fund Balance, June 30	\$ 1,730,088	\$ 715,770	\$ 715,770	\$ -

CITY OF LANCASTER

**BUDGETARY COMPARISON SCHEDULE
LANCASTER REDEVELOPMENT AGENCY - DEBT SERVICE
YEAR ENDED JUNE 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, as restated	\$ 9,552,277	\$ 9,552,277	\$ 9,552,277	\$ -
Resources (Inflows):				
Taxes	-	-	7,572,627	7,572,627
Intergovernmental	2,558,320	2,558,320	2,434,635	(123,685)
Use of money and property	350,000	350,000	502,671	152,671
Transfers in	16,851,935	16,851,935	8,684,001	(8,167,934)
Amounts Available for Appropriation	29,312,532	29,312,532	28,746,211	(566,321)
Charges to Appropriation (Outflow):				
General government	-	-	1,229,161	(1,229,161)
Debt service:				
Principal retirement	1,410,000	1,410,000	4,155,000	(2,745,000)
Interest and fiscal charges	1,148,320	1,148,320	6,717,005	(5,568,685)
Transfers out	1,629,930	1,629,930	4,804,108	(3,174,178)
Extraordinary loss on dissolution of redevelopment agency	-	-	11,840,937	(11,840,937)
Total Charges to Appropriations	4,188,250	4,188,250	28,746,211	(24,557,961)
Budgetary Fund Balance, June 30	\$25,124,282	\$25,124,282	\$ -	\$(25,124,282)

CITY OF LANCASTER

COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 JUNE 30, 2012

	<u>Assessment Districts</u>	<u>Agency</u>	<u>AD 93-3</u>	<u>AD 92-101</u>
Assets:				
Pooled cash and investments	\$ 154,596	\$ 700,361	\$ 694,488	\$ 313,265
Receivables:				
Taxes	-	-	13,188	6,062
Accrued interest	-	-	1,087	490
Restricted assets:				
Cash and investments with fiscal agents	-	-	453,323	157,688
Total Assets	<u>\$ 154,596</u>	<u>\$ 700,361</u>	<u>\$ 1,162,086</u>	<u>\$ 477,505</u>
Liabilities:				
Accounts payable	\$ -	\$ 738	\$ 3,415	\$ 1,155
Deposits payable	-	699,623	-	-
Due to bondholders	154,596	-	1,158,671	476,350
Total Liabilities	<u>\$ 154,596</u>	<u>\$ 700,361</u>	<u>\$ 1,162,086</u>	<u>\$ 477,505</u>

CITY OF LANCASTER

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2012

(Continued)

	<u>IFD 92-1</u>	<u>CFD 89-1</u>	<u>CFD 90-1</u>	<u>CFD 91-1</u>
Assets:				
Pooled cash and investments	\$ 2	\$ 647,073	\$ 1,229,117	\$ 697,349
Receivables:				
Taxes	-	21,812	14,808	211,249
Accrued interest	-	1,012	1,922	1,091
Restricted assets:				
Cash and investments with fiscal agents	-	789,637	779,503	536,337
Total Assets	<u>\$ 2</u>	<u>\$ 1,459,534</u>	<u>\$ 2,025,350</u>	<u>\$ 1,446,026</u>
Liabilities:				
Accounts payable	\$ -	\$ 3,791	\$ -	\$ -
Deposits payable	2	-	-	-
Due to bondholders	-	1,455,743	2,025,350	1,446,026
Total Liabilities	<u>\$ 2</u>	<u>\$ 1,459,534</u>	<u>\$ 2,025,350</u>	<u>\$ 1,446,026</u>

CITY OF LANCASTER

COMBINING BALANCE SHEET
 ALL AGENCY FUNDS
 JUNE 30, 2012

	<u>CFD 91-2</u>	<u>Totals</u>
Assets:		
Pooled cash and investments	\$ 393,851	\$ 4,830,102
Receivables:		
Taxes	53,918	321,037
Accrued interest	616	6,218
Restricted assets:		
Cash and investments with fiscal agents	<u>714,073</u>	<u>3,430,561</u>
Total Assets	<u>\$ 1,162,458</u>	<u>\$ 8,587,918</u>
Liabilities:		
Accounts payable	\$ 1,600	\$ 10,699
Deposits payable	15,810	715,435
Due to bondholders	<u>1,145,048</u>	<u>7,861,784</u>
Total Liabilities	<u>\$ 1,162,458</u>	<u>\$ 8,587,918</u>

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CITY OF LANCASTER

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012**

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>
<u>Assessment Districts</u>				
Assets:				
Pooled cash and investments	\$ 154,596	\$ -	\$ -	\$ 154,596
Total Assets	<u>\$ 154,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,596</u>
Liabilities:				
Due to bondholders	\$ 154,596	\$ -	\$ -	\$ 154,596
Total Liabilities	<u>\$ 154,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,596</u>
<u>Agency</u>				
Assets:				
Pooled cash and investments	\$ 698,757	\$ 31,209	\$ 29,605	\$ 700,361
Total Assets	<u>\$ 698,757</u>	<u>\$ 31,209</u>	<u>\$ 29,605</u>	<u>\$ 700,361</u>
Liabilities:				
Accounts payable	\$ 738	\$ 27,015	\$ 27,015	\$ 738
Deposits payable	698,019	29,665	28,061	699,623
Total Liabilities	<u>\$ 698,757</u>	<u>\$ 56,680</u>	<u>\$ 55,076</u>	<u>\$ 700,361</u>
<u>AD 93-3</u>				
Assets:				
Pooled cash and investments	\$ 791,171	\$ 513,103	\$ 609,786	\$ 694,488
Receivables:				
Taxes	-	13,188	-	13,188
Accrued interest	1,859	1,563	2,335	1,087
Restricted assets:				
Cash and investments with fiscal agents	454,594	2,640	3,911	453,323
Total Assets	<u>\$ 1,247,624</u>	<u>\$ 530,494</u>	<u>\$ 616,032</u>	<u>\$ 1,162,086</u>
Liabilities:				
Accounts payable	\$ 31	\$ 609,353	\$ 605,969	\$ 3,415
Due to bondholders	1,247,593	618,940	707,862	1,158,671
Total Liabilities	<u>\$ 1,247,624</u>	<u>\$ 1,228,293</u>	<u>\$ 1,313,831</u>	<u>\$ 1,162,086</u>

CITY OF LANCASTER

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012**

(Continued)

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>
<u>AD 92-101</u>				
Assets:				
Pooled cash and investments	\$ 286,525	\$ 239,339	\$ 212,599	\$ 313,265
Receivables:				
Taxes	-	6,062	-	6,062
Accrued interest	672	490	672	490
Restricted assets:				
Cash and investments with fiscal agents	157,696	76	84	157,688
Total Assets	<u>\$ 444,893</u>	<u>\$ 245,967</u>	<u>\$ 213,355</u>	<u>\$ 477,505</u>
Liabilities:				
Accounts payable	\$ 5,213	\$ 209,882	\$ 213,940	\$ 1,155
Due to bondholders	439,680	209,296	172,626	476,350
Total Liabilities	<u>\$ 444,893</u>	<u>\$ 419,178</u>	<u>\$ 386,566</u>	<u>\$ 477,505</u>
<u>IFD 92-1</u>				
Assets:				
Pooled cash and investments	\$ 2	\$ 1,091	\$ 1,091	\$ 2
Total Assets	<u>\$ 2</u>	<u>\$ 1,091</u>	<u>\$ 1,091</u>	<u>\$ 2</u>
Liabilities:				
Deposits payable	\$ 2	\$ 1,091	\$ 1,091	\$ 2
Total Liabilities	<u>\$ 2</u>	<u>\$ 1,091</u>	<u>\$ 1,091</u>	<u>\$ 2</u>
<u>CFD 89-1</u>				
Assets:				
Pooled cash and investments	\$ 656,691	\$ 500,565	\$ 510,183	\$ 647,073
Receivables:				
Taxes	-	21,812	-	21,812
Accrued interest	1,540	3,126	3,654	1,012
Restricted assets:				
Cash and investments with fiscal agents	748,840	40,797	-	789,637
Total Assets	<u>\$ 1,407,071</u>	<u>\$ 566,300</u>	<u>\$ 513,837</u>	<u>\$ 1,459,534</u>
Liabilities:				
Accounts payable	\$ 2,530	\$ 504,997	\$ 503,736	\$ 3,791
Due to bondholders	1,404,541	512,986	461,784	1,455,743
Total Liabilities	<u>\$ 1,407,071</u>	<u>\$ 1,017,983</u>	<u>\$ 965,520</u>	<u>\$ 1,459,534</u>

CITY OF LANCASTER

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2012**

	Balance 7/1/2011	Additions	Deductions	Balance 6/30/2012
<u>CFD 90-1</u>				
Assets:				
Pooled cash and investments	\$ 1,272,243	\$ 749,545	\$ 792,671	\$ 1,229,117
Receivables:				
Taxes	-	14,808	-	14,808
Accrued interest	2,984	3,002	4,064	1,922
Restricted assets:				
Cash and investments with fiscal agents	777,227	2,685	409	779,503
Total Assets	<u>\$ 2,052,454</u>	<u>\$ 770,040</u>	<u>\$ 797,144</u>	<u>\$ 2,025,350</u>
Liabilities:				
Accounts payable	\$ 2,332	\$ 786,135	\$ 788,467	\$ -
Due to external parties/other agencies	2,050,122	793,732	818,504	2,025,350
Total Liabilities	<u>\$ 2,052,454</u>	<u>\$ 1,579,867</u>	<u>\$ 1,606,971</u>	<u>\$ 2,025,350</u>
<u>CFD 91-1</u>				
Assets:				
Pooled cash and investments	\$ 649,031	\$ 797,951	\$ 749,633	\$ 697,349
Receivables:				
Taxes	-	211,249	-	211,249
Accrued interest	1,524	1,960	2,393	1,091
Restricted assets:				
Cash and investments with fiscal agents	546,312	-	9,975	536,337
Total Assets	<u>\$ 1,196,867</u>	<u>\$ 1,011,160</u>	<u>\$ 762,001</u>	<u>\$ 1,446,026</u>
Liabilities:				
Accounts payable	\$ 4,036	\$ 562,022	\$ 566,058	\$ -
Due to external parties/other agencies	1,192,831	757,095	503,900	1,446,026
Total Liabilities	<u>\$ 1,196,867</u>	<u>\$ 1,319,117</u>	<u>\$ 1,069,958</u>	<u>\$ 1,446,026</u>
<u>CFD 91-2</u>				
Assets:				
Pooled cash and investments	\$ 523,709	\$ 677,853	\$ 807,711	\$ 393,851
Receivables:				
Taxes	-	53,918	-	53,918
Accrued interest	1,228	843	1,455	616
Restricted assets:				
Cash and investments with fiscal agents	713,652	88,610	88,189	714,073
Total Assets	<u>\$ 1,238,589</u>	<u>\$ 821,224</u>	<u>\$ 897,355</u>	<u>\$ 1,162,458</u>
Liabilities:				
Accounts payable	\$ 3,178	\$ 684,003	\$ 685,581	\$ 1,600
Deposits payable	15,810	-	-	15,810
Due to bondholders	1,219,601	895,550	970,103	1,145,048
Total Liabilities	<u>\$ 1,238,589</u>	<u>\$ 1,579,553</u>	<u>\$ 1,655,684</u>	<u>\$ 1,162,458</u>

CITY OF LANCASTER

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

	Balance 7/1/2011	Additions	Deductions	Balance 6/30/2012
<u>Still Meadow Lane Sewer Assessment District</u>				
Assets:				
Pooled cash and investments	\$ 31	\$ 11,540	\$ 11,571	\$ -
Total Assets	\$ 31	\$ 11,540	\$ 11,571	\$ -
Liabilities:				
Due to bondholders	31	\$ 11,571	\$ 11,602	-
Total Liabilities	\$ 31	\$ 11,571	\$ 11,602	\$ -
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 5,032,756	\$ 3,522,196	\$ 3,724,850	\$ 4,830,102
Receivables:				
Taxes	-	321,037	-	321,037
Accrued interest	9,807	10,984	14,573	6,218
Restricted assets:				
Cash and investments with fiscal agents	3,398,321	134,808	102,568	3,430,561
Total Assets	\$ 8,440,884	\$ 3,989,025	\$ 3,841,991	\$ 8,587,918
Liabilities:				
Accounts payable	\$ 18,058	\$ 3,383,407	\$ 3,390,766	\$ 10,699
Deposits payable	713,831	30,756	29,152	715,435
Due to bondholders	7,708,995	3,799,170	3,646,381	7,861,784
Total Liabilities	\$ 8,440,884	\$ 7,213,333	\$ 7,066,299	\$ 8,587,918

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City of Lancaster

Statistical Section

This part of the City of Lancaster's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	135-139
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	140-144
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the city's ability to issue additional debt in the future.</i>	145-149
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	150-151
Operating Information <i>These schedules contain information about the City's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</i>	153-156

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 for the fiscal year ended June 30, 2003; schedules presenting government-wide information include information beginning in that year.*

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CITY OF LANCASTER

Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 58,869,862	\$ 58,411,108	\$ 78,497,929	\$ 94,068,075	\$ 822,650,031	\$ 880,722,283	\$ 898,682,290	\$ 702,012,782	\$ 726,729,266	\$ 924,786,002
Restricted	17,828,128	35,639,475	49,398,517	87,569,015	120,838,558	115,527,885	107,858,231	102,128,746	93,277,881	172,781,575
Unrestricted	(104,618,961)	(101,809,786)	(84,993,525)	(80,808,829)	(111,545,878)	(108,634,823)	(107,716,546)	93,233,996	71,812,198	23,048,243
Total governmental activities net assets	\$ (27,920,971)	\$ (7,759,203)	\$ 42,902,921	\$ 100,828,261	\$ 831,942,711	\$ 887,615,345	\$ 898,823,975	\$ 897,375,524	\$ 891,819,345	\$ 1,120,815,820
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	-	-	-	-	-	-	(252,698)
Total business-type activities net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (252,698)
Primary government										
Invested in capital assets, net of related debt	\$ 58,869,862	\$ 58,411,108	\$ 78,497,929	\$ 94,068,075	\$ 822,650,031	\$ 880,722,283	\$ 898,682,290	\$ 702,012,782	\$ 726,729,266	\$ 924,786,002
Restricted	17,828,128	35,639,475	49,398,517	87,569,015	120,838,558	115,527,885	107,858,231	102,128,746	93,277,881	172,781,575
Unrestricted	(104,618,961)	(101,809,786)	(84,993,525)	(80,808,829)	(111,545,878)	(108,634,823)	(107,716,546)	93,233,996	71,812,198	22,795,545
Total primary government net assets	\$ (27,920,971)	\$ (7,759,203)	\$ 42,902,921	\$ 100,828,261	\$ 831,942,711	\$ 887,615,345	\$ 898,823,975	\$ 897,375,524	\$ 891,819,345	\$ 1,120,363,122

Source: The information is derived from the Comprehensive Financial Reports for the relevant year. The City of Lancaster implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

Note: The City of Lancaster does not have any business-type activities to report.

CITY OF LANCASTER

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 10,822,535	\$ 12,874,422	\$ 13,422,227	\$ 15,996,662	\$ 16,300,790	\$ 19,703,043	\$ 22,895,700	\$ 37,870,880	\$ 25,975,571	\$ 24,809,928
Public safety	13,223,818	24,248,401	13,624,832	15,057,609	17,142,744	22,155,873	24,365,048	24,802,866	25,206,610	23,493,486
Housing	929,192	2,629,627	3,116,089	1,232,174	5,361,600	6,650,286	959,974	4,805,507	5,993,185	10,355,215
Community development	2,074,306	2,041,174	29,372,001	19,043,934	13,669,830	14,734,792	20,533,196	16,187,846	14,847,798	12,796,592
Parks and recreation	8,943,756	10,604,442	11,285,183	14,715,042	13,423,273	60,663,940	13,053,273	12,239,846	12,526,273	52,220,277
Public works	11,868,217	22,670,877	16,503,565	22,087,634	59,019,071	1,786,468	59,454,167	52,992,594	52,085,914	1,722,135
Interest on long-term debt	10,878,276	12,750,620	13,069,272	14,921,363	16,351,722	16,512,637	14,194,203	15,149,746	14,873,413	2,316,858
Total primary governmental activities expenses	\$ 58,740,100	\$ 87,819,563	\$ 100,393,169	\$ 103,054,418	\$ 141,269,030	\$ 142,207,039	\$ 155,455,561	\$ 164,049,285	\$ 151,508,764	\$ 127,713,891
Business-type activities:										
Lancaster Power Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,138,830
Total business-type activities expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,138,830
Total primary government expenses	\$ 58,740,100	\$ 87,819,563	\$ 100,393,169	\$ 103,054,418	\$ 141,269,030	\$ 142,207,039	\$ 155,455,561	\$ 164,049,285	\$ 151,508,764	\$ 128,852,721
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General government	\$ 729,714	\$ 309,217	\$ 3,901,133	\$ 3,403,979	\$ 406,451	\$ 1,647,842	\$ 3,690,259	\$ 3,976,962	\$ 1,436,838	\$ 935,460
Public safety	1,716,185	3,211,550	6,162,797	7,371,936	2,211,141	3,505,516	2,921,179	3,091,957	2,729,238	1,935,658
Housing	1,596,605	1,619,870	1,708,513	1,789,277	2,633,713	1,610,734	1,655,770	1,652,359	1,676,262	283,252
Community development	1,174,477	2,119,278	3,968,166	4,838,078	805,132	1,478,571	579,523	1,045,149	738,985	3,156,519
Parks and recreation	2,502,180	3,468,815	3,377,830	3,534,430	3,175,710	2,991,204	2,888,631	2,814,076	3,527,840	21,175,500
Public works	10,056,549	18,114,960	24,022,612	29,098,965	24,686,902	17,556,965	14,308,525	14,165,751	14,103,957	1,306,309
Operating grants and contributions	22,073,656	24,540,598	29,134,303	36,717,092	21,790,093	22,304,176	20,916,807	26,034,713	36,719,976	22,221,889
Capital grants and contributions	11,530,290	839,643	1,170,980	-	-	65,570,808	55,674,240	43,298,860	16,288,773	6,133,131
Total governmental activities program revenues	\$ 51,379,656	\$ 54,223,931	\$ 73,446,334	\$ 86,753,757	\$ 55,709,142	\$ 116,665,816	\$ 102,634,934	\$ 96,079,827	\$ 77,221,869	\$ 57,147,818
Business-type activities:										
Charges for services:										
Lancaster Power Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,479,116
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,479,116
Total primary government program revenues	\$ 51,379,656	\$ 54,223,931	\$ 73,446,334	\$ 86,753,757	\$ 55,709,142	\$ 116,665,816	\$ 102,634,934	\$ 96,079,827	\$ 77,221,869	\$ 58,626,934
Governmental activities	\$ (7,360,444)	\$ (33,595,632)	\$ (26,946,836)	\$ (16,300,661)	\$ (85,559,888)	\$ (25,541,223)	\$ (52,820,627)	\$ (67,969,458)	\$ (74,286,895)	\$ (70,566,073)
Business type activities	-	-	-	-	-	-	-	-	-	340,286
Net Primary Government Revenue (Expense)	\$ (7,360,444)	\$ (33,595,632)	\$ (26,946,836)	\$ (16,300,661)	\$ (85,559,888)	\$ (25,541,223)	\$ (52,820,627)	\$ (67,969,458)	\$ (74,286,895)	\$ (70,225,787)

CITY OF LANCASTER

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 56,882,151	\$ 57,604,538	\$ 59,892,933	\$ 59,733,381	\$ 64,019,546	\$ 54,513,982	\$ 52,461,253	\$ 50,723,608	\$ -	\$ -
Unreserved	15,727,851	20,391,125	29,082,237	31,733,381	31,986,738	37,322,306	34,818,644	25,945,055	-	-
Nonspendable	-	-	-	-	-	-	-	-	40,175,246	22,319,854
Assigned	-	-	-	-	-	-	-	-	6,665,011	4,889,386
Unassigned	-	-	-	-	-	-	-	-	16,502,115	11,700,986
Total general fund	\$ 72,610,002	\$ 77,995,663	\$ 88,975,170	\$ 91,466,762	\$ 96,006,284	\$ 91,836,288	\$ 87,279,897	\$ 76,668,663	\$ 63,342,372	\$ 38,910,226
All Other Governmental Funds										
Reserved	\$ 57,632,550	\$ 34,463,559	\$ 30,210,474	\$ 47,888,239	\$ 71,637,570	\$ 59,478,125	\$ 74,432,801	\$ 105,561,942	\$ 96,050,746	\$ -
Unreserved, reported in:										
Special revenue funds	4,407,262	17,008,082	37,928,560	68,008,628	52,767,008	59,541,994	56,919,624	40,794,756	44,504,625	-
Capital projects funds	(76,222,161)	(39,855,804)	(19,195,383)	(49,662,040)	(30,507,293)	(34,197,147)	(62,191,991)	(64,562,712)	(55,635,744)	-
Debt service funds	10,682,909	14,170,942	18,337,445	20,211,147	23,919,282	24,959,978	32,721,659	14,030,167	6,665,509	-
Nonspendable	-	-	-	-	-	-	-	-	-	94,373,593
Restricted	-	-	-	-	-	-	-	-	-	60,392,063
Assigned	-	-	-	-	-	-	-	-	-	509
Unassigned	-	-	-	-	-	-	-	-	-	(4,902,734)
Total all other governmental funds	\$ (3,499,440)	\$ 25,786,779	\$ 67,281,096	\$ 86,445,974	\$ 117,816,567	\$ 109,782,950	\$ 101,882,093	\$ 95,824,153	\$ 91,585,136	\$ 149,863,431

13 Source: The information is derived from the Comprehensive Financial Reports for the relevant year. The City of Lancaster implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF LANCASTER

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes (see Schedule 6)	\$ 31,948,826	\$ 39,375,924	\$ 40,966,235	\$ 58,059,847	\$ 65,926,362	\$ 70,162,583	\$ 69,730,798	\$ 59,689,451	\$ 57,914,640	\$ 48,495,344
Licenses, fees, and permits	8,938,538	19,819,171	30,541,425	39,580,124	18,406,355	8,360,689	4,376,841	3,593,907	3,742,427	10,644,481
Intergovernmental	36,674,061	31,112,509	33,466,522	22,928,483	27,189,039	25,236,245	22,924,589	28,496,569	30,291,807	23,563,011
Charges for services	4,634,100	4,669,751	9,421,165	14,083,950	8,901,806	9,319,279	9,647,677	13,069,923	10,645,688	10,166,791
Use of money and property	5,928,661	2,929,109	24,358,065	14,994,933	13,121,339	11,222,381	10,057,206	5,087,601	4,750,765	3,491,243
Fines and forfeitures	1,476,522	1,060,855	1,334,858	1,673,103	2,158,669	3,505,516	2,921,179	3,091,957	2,729,238	1,935,658
Other revenues	2,444,533	11,062,256	8,723,822	1,647,768	1,893,388	2,841,166	4,338,209	2,534,139	2,148,883	8,697,718
Total revenues	\$ 92,045,241	\$ 110,029,575	\$ 148,812,092	\$ 152,968,208	\$ 137,596,958	\$ 130,647,869	\$ 123,996,499	\$ 115,563,547	\$ 112,223,448	\$ 106,994,246
Expenditures										
General government	\$ 10,607,635	\$ 12,347,142	\$ 13,081,822	\$ 19,475,290	\$ 16,056,247	\$ 18,935,026	\$ 20,400,983	\$ 35,400,480	\$ 20,564,844	\$ 19,429,696
Public safety	13,203,948	12,085,647	13,595,775	15,019,081	17,107,689	21,945,315	24,303,445	24,764,758	25,188,927	23,456,553
Housing	929,192	2,629,627	3,116,089	1,232,174	5,361,600	1,781,432	959,974	4,805,507	5,993,185	10,207,101
Community development	2,025,672	1,981,836	29,315,974	18,412,648	13,609,531	6,258,047	20,383,837	16,000,405	14,737,406	11,423,703
Parks and recreation	8,178,638	9,813,484	10,324,903	11,837,309	11,696,144	11,878,211	11,853,863	10,961,119	11,335,806	16,530,854
Public Works	11,193,468	12,396,385	15,412,990	19,278,112	21,456,745	20,335,433	22,454,629	17,517,257	17,367,107	1,722,135
Capital outlay	23,544,723	31,895,374	19,486,835	22,048,652	37,806,315	36,955,971	19,004,734	38,183,765	20,847,133	22,019,463
Debt service										
Interest	12,297,744	10,929,550	12,785,258	14,753,943	16,541,783	16,518,213	13,873,812	12,838,000	14,315,824	7,195,509
Principal	5,903,012	2,617,958	3,184,000	5,466,252	5,240,000	6,128,000	5,745,000	14,262,517	6,382,000	4,832,000
Debt Issuance Costs	3,773,805	960,257	2,784,440	-	-	-	-	-	-	-
Payment to escrow agent	-	239,901	-	-	853,689	-	-	-	-	-
Total expenditures	\$ 91,657,837	\$ 97,897,161	\$ 123,088,086	\$ 127,523,461	\$ 145,723,743	\$ 140,735,648	\$ 138,980,277	\$ 174,733,808	\$ 136,732,232	\$ 116,817,014
Excess of revenues over (under) expenditures	\$ 387,404	\$ 12,132,414	\$ 25,724,006	\$ 25,444,747	\$ (8,132,785)	\$ (10,087,779)	\$ (14,983,778)	\$ (59,170,261)	\$ (24,508,784)	\$ (9,822,768)
Other Financing Sources (Uses)										
Bonds, Notes and Loans Issued	-	2,950,000	-	-	-	-	-	42,160,938	-	-
Refunding bonds issued	101,575,000	34,640,000	69,285,000	-	39,315,000	-	-	-	-	-
Payments to escrow agent	(78,410,575)	(13,854,137)	(42,219,454)	-	(5,180,403)	-	-	-	-	-
Bonds issuance premium	5,380,526	-	-	-	1,320,578	-	-	-	-	-
Gain/(Loss) on sale of land	-	-	-	-	8,409,173	-	-	-	-	5,078,193
Transfers in	112,055,019	43,979,190	83,787,767	52,066,330	68,139,732	63,668,972	55,359,163	82,081,243	48,993,462	49,040,910
Transfers out	(112,055,019)	(43,979,190)	(83,787,767)	(52,066,330)	(68,139,732)	(63,668,972)	(55,359,163)	(82,081,243)	(48,993,462)	(48,440,910)
Total other financing sources (uses)	28,544,951	23,735,863	27,065,546	-	43,864,348	-	-	42,160,938	-	5,678,193
Extraordinary gain/(loss) on dissolution of redevelopment agency (Note	-	-	-	-	-	-	-	-	-	32,325,866
Net change in fund balances	\$ 28,932,355	\$ 35,868,277	\$ 52,789,552	\$ 25,444,747	\$ 35,731,563	\$ (10,087,779)	\$ (14,983,778)	\$ (17,009,323)	\$ (24,508,784)	\$ 28,181,291
Debt service as a percentage of noncapital expenditures	39.45%	26.43%	18.82%	23.72%	25.54%	27.91%	19.55%	24.76%	21.74%	14.53%

CITY OF LANCASTER

Tax Revenues by Source, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Property Taxes	Transient Occupancy	Sales Taxes	Franchise Taxes	Business Licenses Taxes	Other Taxes	Total
2003	\$ 13,581,456	\$ 1,092,648	\$ 13,819,915	\$ 2,115,310	\$ 268,549	\$ 96,216	\$ 30,974,094
2004	15,488,247	1,214,219	16,157,657	2,366,104	385,141	519,899	36,131,267
2005	17,982,717	1,300,448	17,471,173	2,430,956	686,682	19,079	39,891,055
2006	32,672,098	1,257,943	21,377,455	2,844,195	493,197	522,999	59,167,887
2007	30,773,463	1,452,827	25,879,313	2,754,230	886,625	1,002,095	62,748,553
2008	44,679,962	1,211,514	19,449,760	2,484,807	846,911	453,943	69,126,897
2009	47,841,204	1,327,022	14,934,911	2,902,408	855,453	518,992	68,379,990
2010	41,226,311	1,380,790	14,523,154	2,593,418	883,017	430,826	61,037,516
2011	35,895,395	1,300,067	15,607,533	2,697,165	1,008,810	310,397	56,819,367
2012	25,370,913	1,338,016	17,259,589	2,655,535	955,466	284,519	47,864,038
Change 2003-2012	86.8%	22.5%	24.9%	25.5%	255.8%	195.7%	54.5%

Source: City of Lancaster Finance Department

CITY OF LANCASTER

Assessed Value and Estimated Actual Value of Taxable Property (in thousands) Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Taxable Assessed Value ^a as a Percentage of Actual Taxable Value
2003	\$ 3,478,433	\$ 582,389	\$ 188,857	\$ -	\$ (40,205)	\$ 5,048,813	0.0639	\$ 5,089,018	99.210%
2004	3,863,600	629,063	206,041	-	(37,510)	5,564,640	0.0669	5,602,150	99.330%
2005	4,341,543	652,927	236,132	-	(47,337)	6,202,361	0.0686	6,249,698	99.243%
2006	5,303,606	724,251	272,579	-	(48,414)	7,494,593	0.0693	7,543,007	99.358%
2007	7,050,667	811,066	325,832	-	(48,518)	9,685,762	0.0697	9,734,280	99.502%
2008	8,747,825	939,776	348,343	-	(49,979)	11,727,911	0.6999	11,777,889	99.576%
2009	8,738,102	1,033,552	362,733	-	(53,844)	11,777,155	0.7015	11,830,999	99.545%
2010	6,922,218	1,120,681	421,199	1,756,806	(392,871)	9,828,033	0.0676	9,935,751	101.096%
2011	5,752,260	1,119,257	405,506	1,217,476	(428,418)	8,397,567	0.0676	8,249,711	98.239%
2012	5,881,635	1,099,774	410,978	1,424,770	(457,271)	8,359,886	0.0676	8,100,717	96.900%

14 Source: Los Angeles County Assessor data, MuniServices, LLC

^a Includes tax-exempt property.

Notes: 1) Total direct tax rate is the City share of the 1% ad valorem tax for TRA 005-438 for 2011-12.

2) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

CITY OF LANCASTER

Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per \$100 of assessed value)

Fiscal Year	Los Angeles County		Antelope Valley Union High School District		Westside School District		Community College		Water		Total Direct & Overlapping		Total Direct (1)	
	General	Antelope Valley Union High School District	Antelope Valley Union High School District	Westside School District	Community College	Water	Water	Water	Water	Water	Water	Water	Water	Water
2003	1.00000%	0.00103%	0.02650%	0.13320%	0.00000%	0.11360%	0.11360%	0.00000%	0.11360%	0.11360%	0.11360%	1.27434%	0.06391%	0.06391%
2004	1.00000%	0.00099%	0.02428%	0.16267%	0.00000%	0.10099%	0.10099%	0.00000%	0.10099%	0.10099%	0.10099%	1.28893%	0.06689%	0.06689%
2005	1.00000%	0.00092%	0.02572%	0.12668%	0.00000%	0.09560%	0.09560%	0.00000%	0.09560%	0.09560%	0.09560%	1.24892%	0.06865%	0.06865%
2006	1.00000%	0.00080%	0.02266%	0.10365%	0.01630%	0.07050%	0.07050%	0.01630%	0.07050%	0.07050%	0.07050%	1.21391%	0.06933%	0.06933%
2007	1.00000%	0.00066%	0.01996%	0.08454%	0.02905%	0.07049%	0.07049%	0.02905%	0.07049%	0.07049%	0.07049%	1.20470%	0.06970%	0.06970%
2008	1.00000%	0.00000%	0.01908%	0.08488%	0.00983%	0.07049%	0.07049%	0.00983%	0.07049%	0.07049%	0.07049%	1.18428%	0.06999%	0.06999%
2009	1.00000%	0.00000%	0.02095%	0.09374%	0.01682%	0.07049%	0.07049%	0.01682%	0.07049%	0.07049%	0.07049%	1.20200%	0.07015%	0.07015%
2010	1.00000%	0.00000%	0.02421%	0.02282%	0.02460%	0.07049%	0.07049%	0.02460%	0.07049%	0.07049%	0.07049%	1.14212%	0.06760%	0.06760%
2011	1.00000%	0.00000%	0.02902%	0.03061%	0.02539%	0.07049%	0.07049%	0.02539%	0.07049%	0.07049%	0.07049%	1.15551%	0.06760%	0.06760%
2012	1.00000%	0.00000%	0.02913%	0.03074%	0.02599%	0.07049%	0.07049%	0.02599%	0.07049%	0.07049%	0.07049%	1.15635%	0.06760%	0.06760%

Source: Los Angeles County Assessor data, MuniServices, LLC

Note 1: Total direct tax rate is the City share of the 1% ad valorem tax for TRA 005-438 2011-12

In 1978, California voters passed Proposition 13 which set the property tax rate at 1.00% fixed amount. This 1.00% is shared by all taxing agencies in which the subject property resides. In addition, property owners are charged, as a percentage of assessed valuation, for the payment of any voter approved bonds.

CITY OF LANCASTER

**Principal Property Tax Payers
Current Year and Ten Years Ago**

	2011-2012			2002-2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Taxpayer						
Basrock	\$ 92,006,137	1	1.10%	\$ 44,576,595	1	0.88%
Wal-Mart	50,894,858	2	0.61%	33,560,597	2	0.66%
Avenue K Lancaster UCM Cadenc	46,879,846	3	0.56%	29,866,962	3	0.59%
US Industrial Reit II	45,284,000	4	0.54%	20,308,000	4	0.40%
Thrifty Payless Inc	34,439,192	5	0.41%	15,062,690	5	0.30%
Bank of America	31,158,315	6	0.37%	14,051,336	6	0.28%
Federal National Mortgage Assoc	27,313,138	7	0.33%	13,751,925	7	0.27%
MGP IX Reit LLC	27,150,000	8	0.32%	13,739,092	8	0.27%
Sygma Network Inc	25,586,895	9	0.31%	13,663,050	9	0.27%
Wood Lancaster	23,685,303	10	0.28%	12,637,273	10	0.25%
Top Ten Total	\$ 404,397,684		4.84%	\$ 211,217,520		4.18%
City Total	8,397,567,034		100.00%	5,048,813,000		

Source: 2011-12 Los Angeles County Assessor data, MuniServices, LLC

CITY OF LANCASTER

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 2,395,158	\$ 2,395,158	100%	-	\$ 2,395,158	100%
2004	2,473,957	2,473,957	100%	-	2,473,957	100%
2005	1,747,125	1,747,125	100%	-	1,747,125	100%
2006	2,198,749	2,198,749	100%	-	2,198,749	100%
2007	3,745,240	3,745,240	100%	-	3,745,240	100%
2008	4,507,321	4,507,321	100%	-	4,507,321	100%
2009	4,127,058	4,127,058	100%	-	4,127,058	100%
2010	1,590,352	1,590,352	100%	-	1,590,352	100%
2011	2,947,289	2,947,289	100%	-	2,947,289	100%
2012	3,188,619	3,188,619	100%	-	3,188,619	100%

Source: City of Lancaster Finance Department

CITY OF LANCASTER

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	Tax Allocation Redevelopment Bonds	Revenue Bonds	Assessment District Bonds	Community Facilities Dist. Bonds	Total Primary Government	Percentage of Personal Income ^a	Per Capita
2003	\$ 171,160	\$ 17,870	\$ 9,410	\$ 25,488	\$ 223,928	N/A	2.01
2004	190,435	17,425	7,840	24,368	240,068	N/A	2.05
2005	216,425	17,225	7,375	23,178	264,203	N/A	2.15
2006	211,740	16,750	7,245	21,928	257,663	10.65%	1.96
2007	240,720	16,245	5,775	17,965	280,705	10.27%	2.03
2008	235,660	15,720	5,455	17,758	274,593	9.23%	1.91
2009	230,465	15,170	5,070	17,598	268,303	8.59%	1.85
2010	261,145	15,000	4,680	17,439	298,264	9.13%	2.06
2011	255,605	14,455	4,265	15,579	289,904	8.97%	1.85
2012	249,160	40,780	3,760	13,694	307,394	10.15%	1.95

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

a) Personal income data not available for years prior to FY 2005-06

CITY OF LANCASTER

Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 (dollars in thousands, except per capita)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation	Tax Allocation Redevelopment	Total		
	Bonds	Bonds			
2003	\$ -	\$ 171,160	\$ 171,160	3.3633%	1.53
2004	-	190,435	190,435	3.3993%	1.62
2005	-	216,425	216,425	3.4630%	1.76
2006	-	211,740	211,740	2.8071%	1.61
2007	-	240,720	240,720	2.4853%	1.74
2008	-	235,660	235,660	2.0094%	1.64
2009	-	230,465	230,465	1.9569%	1.59
2010	-	261,145	261,145	2.6571%	1.80
2011	-	255,605	255,605	3.0438%	1.63
2012	-	249,160	249,160	2.9804%	1.58

Notes: Details regarding the outstanding redevelopment debt can be found in the notes to the financial statements.

^a See Schedule 6 (Exhibit C-1) for property value data.

^b Population data can be found in Schedule 14 (Exhibit E-1).

CITY OF LANCASTER

Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Antelope Valley Joint Community College District	\$ 129,801,580	20.856%	\$ 27,071,418
Antelope Valley Union High School District	84,637,873	24.894%	21,069,005
Eastside Union School District	10,412,547	23.106%	2,405,923
Lancaster School District	21,250,000	91.149%	19,369,163
Westside Union School District	56,736,355	29.647%	16,820,627
Westside Union School District Community Facilities Districts	20,710,000	100.000%	20,710,000
Quartz Hill Water District Community Facilities District No. 1	450,000	79.986%	346,437
City of Lancaster Community Facilities Districts	12,588,890	100.000%	12,588,890
City of Lancaster 1915 Act Bonds	3,760,000	100.000%	3,760,000
Los Angeles County Regional Park and Open Space Assessment District	170,725,000	0.374%	638,512
Total Overlapping Tax And Assessment Debt	<u>\$ 511,072,245</u>		<u>\$ 124,779,975</u>
Direct And Overlapping General Fund Debt:			
Los Angeles County General Fund Obligations	\$ 1,474,122,758	0.374%	\$5,513,219
Los Angeles County Superintendent of Schools Certificates of Participation	11,269,678	0.374%	42,149
Antelope Valley Joint Community College District Certificates of Participation	9,240,000	20.856%	1,927,094
Eastside Union School District Certificates of Participation	7,000,000	23.106%	1,617,420
Lancaster School District Certificates of Participation	14,612,425	91.149%	13,319,079
Los Angeles County Sanitation District No. 14 Certificates of Participation	4,175,837	65.297%	2,726,696
City of Lancaster General Fund Obligations	<u>11,420,000</u>	100.000%	<u>11,420,000</u>
Total Gross Direct And Overlapping General Fund Debt	<u>\$ 1,531,840,698</u>		<u>\$ 36,565,657</u>
Less: Los Angeles County General Fund Obligations supported by landfill revenues			<u>62,451</u>
Total Net Direct And Overlapping General Fund Debt			<u>\$ 36,503,206</u>
Total Direct Debt			11,420,000
Total Gross Overlapping Debt			149,925,632
Total Net Overlapping Debt			149,863,181
Gross Combined Total Debt			161,345,632
Net Combined Total Debt			<u>\$ 161,283,181</u>

Notes: Percentage of overlapping agency's assessed valuation located within the boundaries of the city.

CITY OF LANCASTER

**Legal Debt Margin
Last Ten Fiscal Years
(dollars in thousands)**

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed Valuation	\$ 5,048,813	\$ 5,564,640	\$ 6,202,361	\$ 7,494,593	\$ 9,685,762	\$ 11,727,911	\$ 11,777,155	\$ 9,828,032	\$ 8,397,567	\$ 8,359,886
Debt limit (3.75% of Gross AV)	\$ 189,330	\$ 208,674	\$ 232,589	\$ 281,047	\$ 363,216	\$ 439,797	\$ 441,643	\$ 368,551	\$ 314,909	\$ 313,496
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 189,330</u>	<u>\$ 208,674</u>	<u>\$ 232,589</u>	<u>\$ 281,047</u>	<u>\$ 363,216</u>	<u>\$ 439,797</u>	<u>\$ 441,643</u>	<u>\$ 368,551</u>	<u>\$ 314,909</u>	<u>\$ 313,496</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Los Angeles County Assessor data, MuniServices, LLC

CITY OF LANCASTER

Pledged-Revenue Coverage
 Last Ten Fiscal Years
 (dollars in thousands)

Fiscal Year	Redevelopment Tax Allocation Bonds				Coverage
	Property Tax Increment	Debt Service			
		Principal	Interest		
2003	\$ 32,084	\$ 5,792	\$ 8,990	2.17	
2004	37,374	2,125	7,177	4.02	
2005	45,926	2,886	9,572	3.69	
2006	58,787	4,910	10,604	3.79	
2007	69,681	4,870	11,284	4.31	
2008	78,378	5,060	11,537	4.72	
2009	84,269	5,270	11,403	5.05	
2010	66,205	6,895	12,144	3.48	
2011	55,395	5,620	13,299	2.93	
2012: 7/1/11-1/31/12*	24,020	4,155	6,717	2.21	
2012: 1/31/12-6/30/12*	9,288	2,495	6,629	1.02	
2012	33,308	6,650	13,346	1.67	

Notes: Details regarding the city's outstanding redevelopment debt can be found in the notes to the financial statements.
 *Fiscal year 2012 is split because the Redevelopment Agency officially dissolved on 2/1/2012 and started receiving property taxes from the County of Los Angeles instead of "Property Tax Increment."

CITY OF LANCASTER

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2003	\$ 111,507	\$ -	\$ -	
2004	117,292	-	-	
2005	122,989	-	-	
2006	131,246	2,418,995	18,431	4.20%
2007	138,392	2,731,957	19,741	5.90%
2008	143,818	2,975,908	20,692	8.60%
2009	145,243	3,123,674	21,507	13.87%
2010	145,074	3,267,564	22,523	17.10%
2011	156,633	3,231,182	20,629	17.20%
2012	157,826	3,028,627	19,190	15.52%

- Sources:**
- Population statistics gathered from State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State, , except during decennial census years, FY 2000-2001 and 2010-2011, U.S. Census Bureau.
 - Unemployment Rate gathered from State of California Employment Development Department <http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tablename=labforce>
 - Personal Income gathered from Greater Antelope Valley Economic Alliance, except during decennial census years, 2010-2011, U.S. Census Bureau, American Community Survey 2010

Notes: Personal Income, Per Capita Personal Income and Unemployment Rate not available prior to FY 2005-06
Unemployment rate for 2011 was adjusted to reflect non-preliminary data

CITY OF LANCASTER

**Principal Employers
Current Year and Ten Years Ago**

<u>Employer</u>	2012			2003		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Valley Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Valley Employment</u>
Edwards Air Force Base	10,808	1	7.35%	5,750	1	7.39%
China Lake Naval Weapons	9,172	2	6.24%	4,600	2	5.91%
County of Los Angeles	3,953	3	2.69%	3,356	3	4.31%
Lockheed Martin	3,000	4	2.04%	3,200	4	4.11%
Palmdale School District	2,682	5	1.82%	2,000	5	2.57%
Antelope Valley Hospital	2,619	6	1.78%	1,843	6	2.37%
Northrop Grumman	2,573	7	1.75%	1,800	7	2.31%
AV Union High School District	2,037	8	1.39%	1,784	8	2.29%
Wal-Mart (5)	1,922	9	1.31%	1,558	9	2.00%
California Correctional Institute	1,915	10	1.30%	1,300	10	1.67%
TOTAL AV Workforce	147,042		27.67%	77,829		34.94%

Source: Greater Antelope Valley Economic Alliance Research: 2012 Economic Roundtable Report and 2003 Economic Roundtable Report

Notes: Total employment as used above represents total employment located within the Greater Antelope Valley region. The Antelope Valley region is considered to be the City's economic region and covers 3,514.2 square miles of area and includes the City of Lancaster, Palmdale, Tehachapi and Ridgecrest. The principal employers represent all employers within the greater Antelope Valley region.

In 2003 Employment in the AV was at 77,289 this included a job growth of 5,759 jobs or 8.05% compared to 2002.

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CITY OF LANCASTER

Full-time-Equivalent City Government
Employees by Function
Last Ten Fiscal Years

	Full-time-Equivalent Employees as of June 30th 2012									
<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
City Manager	3	2.5	3.625	3	4	5	5	7.63	7.63	8.25
City Clerk	3.6	3.8	4	5	5	5	5	3.62	3.62	4
Administrative Services	11	11	10	8.5	6.9	4	4	4	4	2
Finance	10	11	11	14.75	16.75	21	21	21	21	22
Human Resources	3	3	3	3	4	10	10	10	11	5
Planning	15	15	17	14	16	16	16	12	12	12
Redevelopment	7	8	9	20.3	22.3	37	37	38	38	
Housing & Neighborhood Revitalization										30
Economic Development										4
Community Safety				17	17.75	21	21	16	20	16
Parks and Recreation	60	61	61	65	67	66	66	59	59	56
Public Works	98	98	105	117	137	144	144	125	124	128
Total	210.6	213.3	223.625	267.55	296.7	329	329	296.25	300.25	287.25

Source: City Finance Department

Note: The Lancaster Redevelopment Agency was dissolved according to ABx1 26 which was signed into law June 29, 2011.

CITY OF LANCASTER

Operating Indicators by Function/Program

Function/Program	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
General government							
Business licenses							
New business licenses issued	1,426	825	606	1,272	1,326	1,238	1,201
Business licenses renewed	4,070	3,313	2,499	4,103	3,904	4,101	3,972
Business improvement district							
BID licenses issued	21	10	4	23	23	38	73
BID licenses renewed	201	159	100	152	144	151	149
Taxi Business licenses							
New business licenses issued			24	31	21	39	38
Business licenses renewed			-	21	27	40	45
Tow Business licenses							
New business licenses issued			8	14	12	23	20
Business licenses renewed			2	24	41	44	44
Group Home Business licenses							
New business licenses issued			3	14	16	6	1
Business licenses renewed			-	3	17	25	33
LANCAP Business licenses							
New business licenses issued			79	848	844	1,168	781
Business licenses renewed			818	1,137	1,864	2,693	3,228
Massage Business licenses							
New business licenses issued			56	79	103	63	43
Business licenses renewed			5	72	66	69	63
News rack Permits							
New permits issued					4	1	-
Permits renewed					-	4	3
Human Resource Recruitments	33	44	30	23	22	4	2
Public Safety							
Physical arrests	12,064	11,042	17,606	17,867	27,854	12,778	11,371
Citations	18,555	24,216	23,031	26,407	25,386	22,025	15,401
Community Safety							
Parking violations	40,115	17,458	28,389	17,616	41,505	31,089	26,601
Public Works							
Building permits issued	4,416	2,363	1,400	907	1,444	2,228	2,600
Centerline miles maintained	1,208	590	627	621	630	630	633
No of Traffic Signals	129	130	139	145	141	138	138
No. of trees in right of way	43,615	53,176	44,773	47,022	58,987	61,225	61,324
Fleet Vehicles Maintained	296	272	307	320	295	292	301
Sponsored recycling event	1	4	12	30	-	-	5
Street sweeping - residential miles	14,880	18,000	14,770	15,678	15,678	16,274	16,375
Street sweeping - arterial miles	8,900	8,876	8,960	9,224	2,220	2,234	2,245
Street sweeping - alley miles	900	900	900	900	-	-	-
Street sweeping - raised median curb miles	1,800	1,794	2,015	2,106	-	-	10

CITY OF LANCASTER

Operating Indicators by Function/Program

Parks and Recreation							
Maintenance Services							
No. of developed park sites	12	13	13	13	13	14	14
No. of acres maintained	430	362	365	438	449	463	463
Recreation							
Community Events Sponsored	7	12	10	10	16	21	21
Youth Sport Participants	300	289	315	295	315	315	323
Adult league basketball teams	69	61	67	74	67	65	58
Adult league softball teams	472	434	474	493	545	542	474
Softball tournaments- no. of teams	891	680	572	681	582	624	500
Soccer tournaments-no. of teams	2,240	2,222	2,057	2,130	2,530	1,959	2,100
Instructional class enrollments*	2,900	19,103	7,499	7,425	6,839	6,814	6,115
Performing Arts Center							
Season Performances	108	95	94	94	97	68	55
Tickets Sold	45,789	51,694	34,850	45,360	39,376	33,590	27,913
Outreaches	22	28	32	35	32	33	23
Master Classes	2	2	2	2	1	3	-
Acting Workshops	-	-	4	4	-	-	-
Theater Rentals	140	118	85	126	92	51	55
Rental tickets sold	43,791	38,400	25,500	29,940	29,940	21,009	16,705

Sources: Various city departments.

Notes: Operating indicators are available as of FY 2005-06, ten year history will be developed and presented beginning with FY 2005-06

CITY OF LANCASTER

Capital Asset Statistics by Function/Program

Function/Program	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
General government							
City Hall	1	1	1	1	1	1	1
Annex/Record Center	1	1	1	1	1	1	-
Community Development							
Brierwood Mobile Home Park	1	1	1	1	1	1	-
Desert Sands Mobile Home Park	1	1	1	1	1	1	1
Public Works							
Maintenance Yard - Modular Office Bldg.	1	1	1	1	1	1	1
Maintenance Yard - Office/Warehouse	1	1	1	1	1	1	1
Maintenance Yard - Maintenance Garage	1	1	1	1	1	1	1
Maintenance Yard - Canopy	1	1	1	1	1	1	1
Maintenance Yard - Storage Bldg	3	3	3	3	4	4	4
Maintenance Yard - Wash Bay	1	1	1	1	1	1	1
Maintenance Yard - HazMat Storage Bldg	1	1	1	1	1	1	1
Streets (miles)	591	591	627	621	630	630	633
Streetlights (owned by City)	1,000	1,405	1,600	1,141	1,112	1,149	1,157
Traffic signals	129	130	139	145	141	138	138
Street Signs	24,000	26,000	27,000	28,000	28,533	29,058	26,334
Fleet Vehicles	296	272	307	320	295	292	301
Storm Drain Pipe (LF)				117,142	381,110	381,821	434,005
Storm Drain Box (LF)				20,803	31,570	31,570	26,169
Storm Drain Channel (LF)				48,715	48,715	48,715	44,883
Sewer Pipe (LF)				2055473*	2244000*	2,077,192	2,265,580
Sewer Manholes				8000*	9083*	8,089	9,005
Sewer Lift Station				1	1	1	1
Parks and Recreation							
Acreage	362	362	365	525	525	538	538
Developed park sites	12	13	12	13	13	14	14
Pools	2	2	2	2	2	2	2
Big 8 Tournament Baseball complex	1	1	1	1	1	1	1
Batting Cage Facility	1	1	1	1	1	1	1
Soccer complex	1	1	1	1	1	1	1
Community/Activity Centers	7	7	7	7	7	7	7
Cedar Center					1	1	1
Prime Desert Woodlands Preserve & Nature Center	1	1	1	1	1	1	1
Municipal Baseball Stadium	1	1	1	1	1	1	1
Performing Arts Center	1	1	1	1	1	1	1
Museum and Art Gallery	1	1	1	1	1	1	1
Western Hotel (historic site)	1	1	1	1	1	1	1
Metrolink Station	1	1	1	1	1	1	1
Park and Ride Lots	4	4	4	8	8	8	8

Notes: Capital asset statistics are available as of FY 2005-06, ten year history will be developed and presented beginning with FY 2005-06.

*Estimated figures

Sources: Various city departments.



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