

**City of Lancaster
Comprehensive Annual Financial Report
June 30, 2004**

CITY OF LANCASTER, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2004

CITY OF LANCASTER
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2004

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

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**
For the Year Ended June 30, 2004

Prepared by the City of Lancaster, Finance Department
Cindy M. Prothro, Acting Finance Director

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

CITY OF LANCASTER

JUNE 30, 2004

CITY COUNCIL MEMBERS

		<u>Term Expires</u>
Frank C. Roberts	Mayor	2006
Bishop Henry W. Hearn	Vice Mayor	2006
James T. Jeffra	Council Member	2008
Edward P. Sileo	Council Member	2006
Andrew D. Visokey	Council Member	2008

CITY OFFICIALS

James C. Gilley	City Manager
Dennis E. Davenport	Assistant City Manager
Gary G. Hill	Finance Director
Brian S. Ludicke	Community Development Director
Lyle W. Norton	Parks, Recreation and Arts Director
James R. Williams	Public Works Director
Geri K. Bryan	City Clerk
David R. McEwen	City Attorney
Mark V. Bozigian	Redevelopment Director
Sandra L. Jensen	Human Resources Director



September 3, 2004

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, 2004. 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. 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 City's Comprehensive Annual Financial Report is prepared in conformance with the standards of financial reporting developed by the Government Finance Officers Association of the United States and Canada (GFOA), and the Governmental Accounting Standards Board (GASB). A Certificate of Achievement for Excellence in Financial Reporting is presented to those governmental units whose annual financial reports are judged to conform to these standards. This report will be submitted to GFOA for their review. The City has received the Award for the past eighteen consecutive years.

The data presented is accurate in all material aspects. It is designed to factually set forth 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 Generally Accepted Accounting Principles (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 combining 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, the Lancaster Housing Authority, the Lancaster Community Services Foundation, Community Facilities District 89-1, Community Facilities District 90-1, Community Facilities District 91-1, and Community Facilities District 91-2.

The City provides a broad range of services normally associated with a municipality. These services include highway, street, drainage, and infrastructure construction and maintenance; planning and zoning; and parks, recreation, and cultural activities. Sheriff's and animal control services are

provided under contract with Los Angeles County, whereas fire protection, water, sanitation, school, and library are funded by special districts not under City control.

Lancaster: A brief history, major accomplishments, and prospects for the future

I. History

Some historians state that the name "Lancaster" was bestowed upon the town by Mr. M. L. Wicks, a real estate developer who purchased six sections of land from the Southern Pacific Railroad in 1884 at a price of about \$2.50 an acre. Prior to that date, in 1882, Mr. Wicks had started a Scottish settlement of about 150 persons in the Valley, presumably the town was a more permanent home for those people. The story goes on to say that he named the new city for his former home, Lancaster, Pennsylvania.

Another version of the way Lancaster received its name attributes the deed to Mr. Purnell, a member of the Southern Pacific Railroad staff whose duties included the naming of all stations. His reasons, unfortunately, must remain obscure because all records were destroyed by fire in 1906.

Regardless of the origin of the name, the area would not have been developed as it has without the influence of the Southern Pacific Railroad, which was completed between San Francisco and Los Angeles in 1867. Following the completion of the railroad and the establishment of a water stop, the Western Hotel, then known as the Gilwyn, was built in 1874 and by 1890, Lancaster was quite prosperous.

In 1898, gold was discovered in the hills north of Lancaster and attracted scores of prospectors who staked claims that are still visible and being prospected. The old-time miners would rig "V" shaped wagons with sails and "tack" across Muroc Dry Lake going to and from work. Also in 1898, borax was found in the mountains surrounding the Antelope Valley, sparking the world's largest open-pit borax mine.

Since the 1930's, when the first airplane was brought to the area and the Air Force started conducting flight tests at Muroc Air Base, Lancaster has grown relatively steadily. Edwards Air Force Base, famous for its space shuttle landings and home to the famous aviatrix Pancho Barnes and the Happy Bottom Riding Club, has had a major impact on the local economy. The Air Force Flight Test Center's programs which include testing of the B-1b, the B-2 stealth bomber, and the F117A stealth fighter, continue to impact Lancaster's economy.

Until it was incorporated in 1977, Lancaster was under the political influence of Los Angeles County. Citizens in the area felt a need for better interaction with their policymaking body and local control and, with the work of the Citizens for Incorporation, cityhood became a reality. The vote for incorporation signified a new community pride as well as a commitment to exercise the traditional rights of self-governance.

Lancaster's economy prior to incorporation was mainly driven by the defense and aerospace industries; each downturn in military spending had a significant impact on the health of the economy. The last ten years, however, have shown an increased economic diversity as more business investors recognize the area's business strengths. The smog-free desert environment, with its very reasonable land prices, has drawn an influx of young home buyers attracted by housing prices 20 to 50 percent below the market rate in metropolitan Los Angeles, just 60 miles away. Completion of the Antelope Valley Freeway has made the area viable as a bedroom community, and an estimated 40 percent of the Antelope Valley's residents are now commuting to work one hour each way.

Lancaster offers excellent school systems and a community college; quality medical care at Antelope Valley Hospital Medical Center, High Desert Hospital, and Lancaster Community Hospital; and recreational opportunities at eight municipal parks, two regional parks, a National Soccer Center with 34 fields, a performing arts center, museum/art gallery, historic museum, and two swimming pools.

II. Major Accomplishments

The City's major accomplishments during the 2003-2004 fiscal year included new business attraction that brought over 1,000 jobs, innovative public safety programs that increased residents' perception of their safety and security, infrastructure expansions to meet projected growth and a variety of new recreational amenities.

The City's main objective of high quality of life continues; this includes being more responsive to citizen concerns while maintaining an attractive environment for business investment. The City was able to increase service levels to residents, particularly in the area of public safety, without any increase in taxes.

The City developed an award-winning after-school child care program in partnership with the Lancaster School District to meet the needs of working parents. This new, innovative after-school program is called "Lancaster CARES" (Children's Academic and Recreation Enrichment Success) and is funded through two competitive state grants totaling over \$400,000 annually for three years. These three-year grants fully funded the direct costs of the "Lancaster CARES" program and enabled the City and School District to offer free after-school programs.

New recreational facilities have recently added a \$17 million state-of-the-art soccer complex with two activity buildings completed and three more restroom buildings finishing construction. This complex, added to the City's eight-field softball complex, attracts national tournaments to both facilities as well as providing additional recreational venues for local residents. Prime Desert Woodland, a 65-acre park centered around a "straw bale" Interpretive Center, has been completed. It includes scenic trails and interpretive signs and displays that showcase the unique ecosystem of the Antelope Valley's desert. Land acquisition and concept design work has been completed for another new park, the 55-acre Whit Carter Park. A big "hit" is the continuing home runs scored with the ball games at The Hangar, Lancaster's municipal stadium, home of the JetHawks, farm team for the Arizona Diamondbacks.

New public safety programs have targeted local concerns with the growth of drug and gang related influences and with youth issues. Lancaster's innovative Target Oriented Policing program provides resources to address law enforcement issues as they arise.

The newest program, LAN-CAP, targets crime associated with rental housing. Eight deputies were added during the year to focus on crime prevention by creating a partnership with the landlords and property managers, in addition to targeted enforcement. Landlords and property managers participate in training programs to learn how to screen applicants and how to create and maintain a safe physical environment for tenants.

The City of Lancaster takes an aggressive crime suppression stance, courting millions of dollars in federal and state grants to get criminals off the streets. Operations the past few years succeeded in cutting City crime by arresting hundreds of career criminals. These aggressive programs have placed Lancaster in the top 25% of safest cities in the country among cities with populations over 100,000 people.

Over the last few years the City of Lancaster has been building infrastructure in preparation for the growth we will experience between now and the year 2010. Overpasses were built over the Avenue L and Avenue H railroad crossings and construction is complete on widening and improving the Avenue L and Avenue H freeway overpasses. That will complete the City's peripheral loop and pave the way for the next 20 years of growth. Avenue G is under reconstruction and will open up the Fox Field industrial corridor and the Enterprise Zone.

Lancaster's proximity to Hollywood makes the Antelope Valley a favorite "back lot" for Hollywood productions. The City's Antelope Valley Film Commission (www.avfilm.com) continues to bring millions of entertainment production dollars to the Antelope Valley with some of the recent movies including "The Terminal", "Herbie: Fully Loaded", "Flight of the Phoenix", and numerous television shows and commercials.

The Lancaster Redevelopment Agency continued its success by attracting several new businesses and by assisting existing businesses with expansion. Some notable accomplishments include the relocation of the 50th Agricultural District to the new fairgrounds, the in-progress conversion of a portion of the old fairgrounds into a state-of-the-art University Center through a partnership with both California State University, Bakersfield and California State University, Fresno scheduled to open in September 2004; the completion of the 300,000 square foot addition to the Michael's Distribution Center; and the construction of a Lowe's Home Improvement Warehouse (scheduled to open in January 2005).

The Agency actively continued progress with the North Downtown Transit Village project. This coalition of existing residents, seniors, businesses, social service providers and private schools have come together with the assistance of the Agency to create a vision to eliminate blight and revitalize the area. Construction of new multi-family senior housing is under way and the City received a \$1.45 million Section 108 Loan in August 2003 for the relocation and expansion of the Mental Health Association and a \$1.5 million Section 108 Loan in June 2004 for the construction of a new Child Abuse Center within the North Downtown Transit Village Project Area.

Lancaster and Edwards Air Force Flight Test Center (EAFFTC) have had their histories marked by firsts in manned flight. To celebrate this fact and to honor the "daring young men and their flying machines", in 1990 the City established its Aerospace Walk of Honor, replete with monuments to the heroes of flight. Since that time, 90 "pioneers of aviation" have been honored, including men who have walked on the moon.

III. Prospects for 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. Five years ago marked the formal adoption of our long-standing informal 10% General Fund unallocated reserve.

Prior heavy reliance on the Aerospace Industry has been changing over the last decade to include some light manufacturing, retail and service industries in the community. Cuts in the Defense Budget have some effect upon the community, but consolidation of other Defense facilities into the Antelope Valley and increases in other employment will offset most, if not all, of this effect. The Greater Antelope Valley Economic Alliance, a non-profit organization whose membership is composed of the cities of Lancaster and Palmdale, Los Angeles County, and other business people continues to work with manufacturers, distributors and retailers to expand the opportunities for employment in the community. We expect to see continuing growth of the community. Some of the more significant short-term goals of the City are as follows:

1. Complete construction of a Veterans Home, a facility for 400 veterans.
2. Continue the North Downtown Transit Village Project providing new multifamily housing, a downtown park and community services to the downtown area.
3. Continue our efforts to expand the Enterprise Zone.
4. Continue Northeast Gateway Corridor revitalization efforts in the area of the old Antelope Valley Fairgrounds.

FINANCIAL INFORMATION

Internal Controls

Internal controls are designed to provide reasonable, but not absolute, assurance regarding:

- the safeguarding of assets against loss from unauthorized use or disposition; and
- the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- the cost of a control should not exceed the benefits likely to be derived; and
- the evaluation of costs and benefits requires estimates and judgments by qualified management staff.

All internal control evaluations occur within the aforementioned framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The City Council adopts an annual budget that is the legal authority for expenditures for the City. The level of adoption is at the Department level for the General Fund and at the fund level for the Special Revenue Funds. Special Revenue funds are expended through the Capital Projects Fund; therefore, the budgeted expenses are reflected as Operating Transfers in the report.

The City's accounting records for general government operations are maintained on a modified accrual basis, with revenues recorded when available and measurable, and expenditures recorded when the services or goods are received and the liabilities incurred. The City also maintains an encumbrance accounting system where the encumbrance of purchase order amounts is made prior to the release of purchase orders to vendors. Open encumbrances are reported as reservations of fund balance on June 30, 2004, and reappropriated in the next fiscal year.

Cash Management

Idle cash is invested in the Local Agency Investment Fund. On June 30, 2004, the City's portfolio consisted of 91% Local Agency Investment Fund, 5.7% Sweep Investments, .5% Timed Certificates of Deposit and the balance in Cash in Bank.. Total interest earned for all funds approximated \$4.1 million including \$2.6 million in interest paid to the City by the Redevelopment Agency. The average yield for the City during fiscal year ended June 30, 2004 was 1.5%.

Risk Management

The City of Lancaster maintains commercial coverage for property damage, earthquake, special event, and \$10 million liability insurance coverage with a \$50,000 self-insured retention. City Safety and Risk Management committees, along with a risk management consultant, actively review

the City's claim activity and exposure to hazards and lawsuits, and recommends changes and improvements to reduce our future exposure to loss. Due to the recent skyrocketing of workers compensation insurance rates in California, the City has joined the SCRMA risk pool, whereby we are able to reduce our costs over 30%, while maintaining roughly the same risk of loss.

All contractors are required to include the City as an additional insured on their coverage, and all work in the City right-of-way must be done by permit and have "hold harmless" clauses in all permits and contracts. Groups or individuals renting City facilities may purchase liability coverage along with their application fees for facility use as they are required to show proof of insurance and the naming of the City as additional insured for a minimum of \$1,000,000.

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.

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, 2004. 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 seventeen (18) 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.

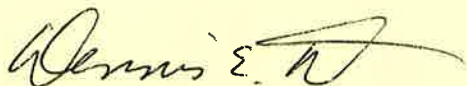
The City received the GFOA Award of Excellence, its most prestigious award (only 5 were awarded in 1996 throughout the US and Canada), which recognizes the most valuable contribution to the field of government finance, with particular focus upon transferability, creativity, technical significance and overall value to the profession. The award was for the Urban Structure Program, a computerized fiscal model that promotes efficient urban development patterns and equitable infrastructure and facility financing. It is the first program to address the costs of providing and maintaining municipal facilities and services in a comprehensive manner, identifying costs and assessing them to those developments that will be creating the needs.

The Government Finance Officers Association of the United States and Canada (GFOA) again awarded a Distinguished Budget Presentation Award to the City of Lancaster for Fiscal Year 2003-2004. This is the highest form of recognition in governmental budgeting, and represents a significant achievement by any organization. The document is judged by an independent, anonymous panel of experts in the field of finance and budgeting. In order to receive the budget award, Lancaster had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well a government's budget serves as a policy document, a financial plan, an operations guide and a communications device. The California Society of Municipal Finance Officers likewise awarded the City of Lancaster the Certificate of Award - Excellence in Operational Budgeting.

Acknowledgments

The preparation of this document is the result of the hard work of the entire Finance Department staff. Their 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 interest 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,



Dennis E. Davenport
Acting City Manager

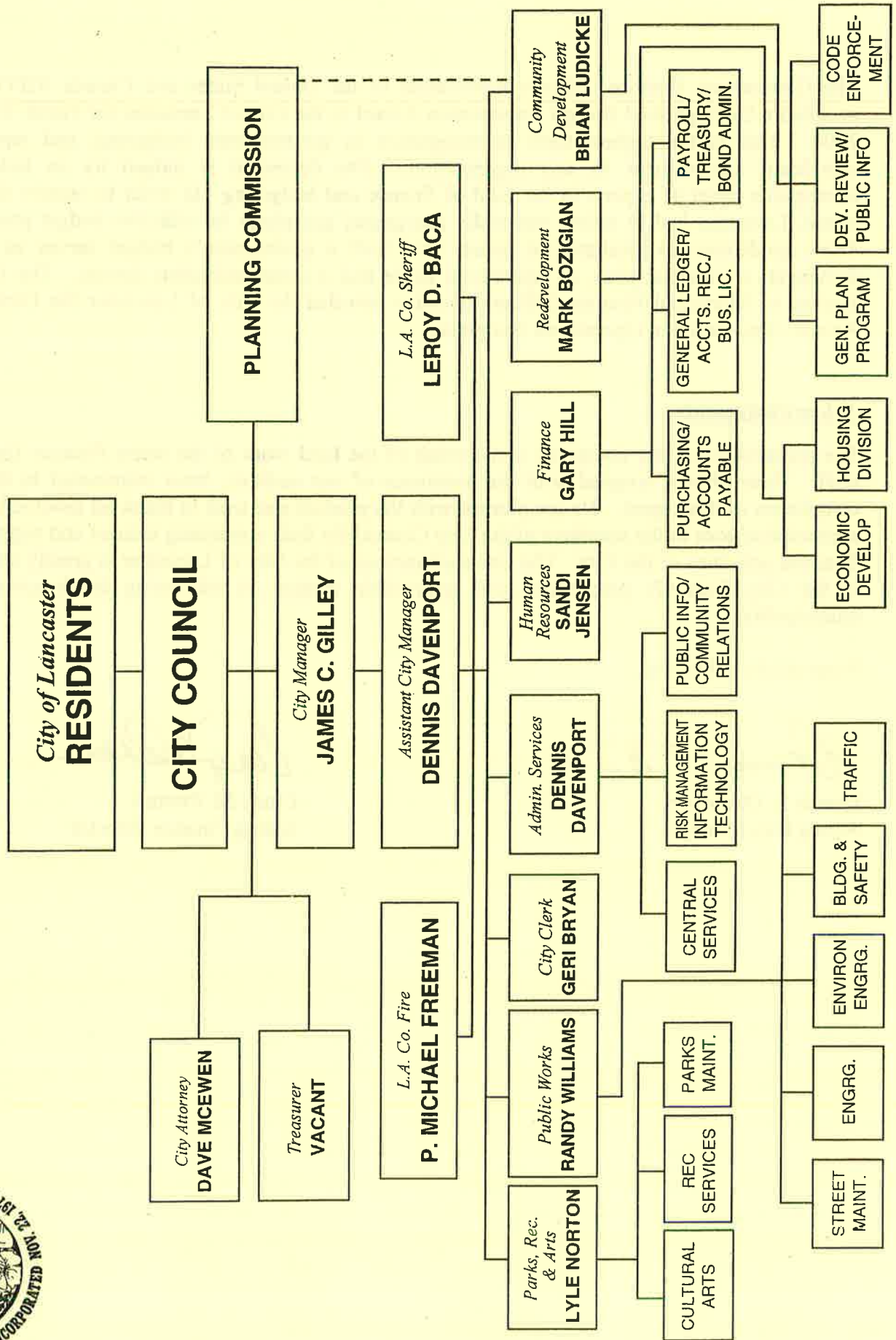


Cindy M. Prothro
Acting Finance Director



City of Lancaster

2004 Organization Chart



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, 2003

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.



Nancy L. Zjelke

President

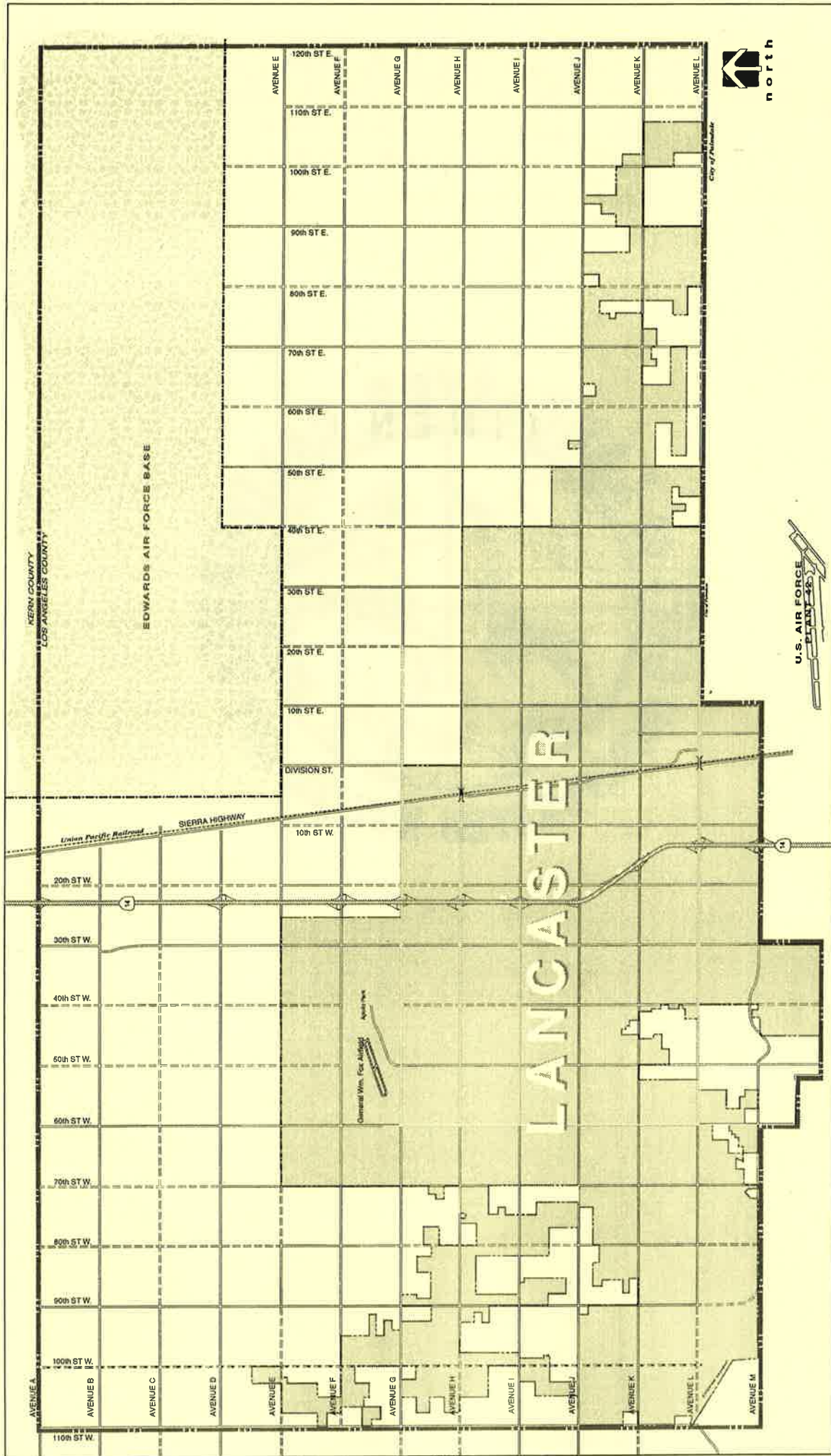
Jeffrey L. Esler

Executive Director

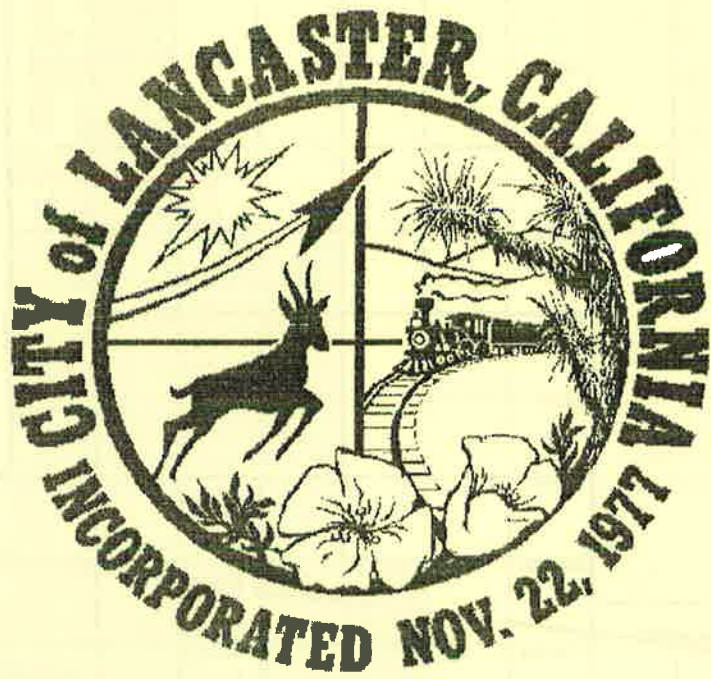


CITY OF LANCASTER

TOTAL INCORPORATED AREA: ± 94 SQUARE MILES



-  CITY BOUNDARY
-  SPHERE OF INFLUENCE



CITY OF LANCASTER

1000 W. Lancaster Blvd. Lancaster, CA 93533



Certified Public Accountants

Brandon W. Burrows
Donald L. Parker
Michael K. Chu
David E. Hale
A Professional Corporation
Donald G. Slater
Richard K. Kikuchi

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Lancaster, California, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lancaster'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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Lancaster as of June 30, 2004, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 3, 2004 on our consideration of the City of Lancaster's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants.

The accompanying management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining fund statements, individual fund budgetary comparison schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining nonmajor fund financial statements and individual fund budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lance, Soll & Lunghard, LLP

September 3, 2004

CITY OF LANCASTER

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, 2004. Since this is the first year of GASB 34 reporting there will be limited analysis of the financial results based on prior year comparison. 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 program and general revenues were \$109,177,728.
- The cost of governmental activities was \$87,819,563.
- The General Fund reported excess revenues over expenditures of \$4,985,656.
- For the General Fund, actual resources available for appropriation (revenue inflows and fund balance) exceeded final budget by \$1,617,304 while actual appropriations (outflows) were \$4,192,973 less than budget.

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, Public Works, and Parks and Recreation.

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.

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 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.

**City of Lancaster
Management's Discussion and Analysis (Continued)**

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 35 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, two capital project funds and one debt service fund, all of which are considered to be major funds. Data from the other 31 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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.

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 nonmajor 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)**

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 170,239,111	\$ 130,460,838
Capital assets	<u>67,134,578</u>	<u>58,869,862</u>
Total Assets	237,373,689	189,330,700
Long-term liabilities outstanding	216,990,154	195,930,011
Other liabilities	<u>28,142,738</u>	<u>21,321,660</u>
Total Liabilities	245,132,892	217,251,671
Net Assets:		
Invested in capital assets, net of related debt	58,411,108	58,869,862
Restricted	35,639,475	17,828,128
Unrestricted	<u>(101,809,786)</u>	<u>(104,618,961)</u>
Total Net Assets	<u>\$ (7,759,203)</u>	<u>\$ (27,920,971)</u>

**City of Lancaster
Management's Discussion and Analysis (Continued)**

**City of Lancaster Asset Type
(in Thousands)**

Land	\$ 9,521
Buildings and improvements	27,945
Furniture and equipment	405
Infrastructure	13,794
Construction-in-progress	<u>15,470</u>
Net Capital Assets	<u>\$ 67,135</u>

- The City of Lancaster uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.
- Long-term debt outstanding increased due to the refunding of long-term bonded debt (\$21,781,206).
- Investments increased \$44,674,250 as a result of the additional bond proceeds from the refunded long-term debt, increased building permit activity, sale of property and grant funded reimbursements for major capital projects.

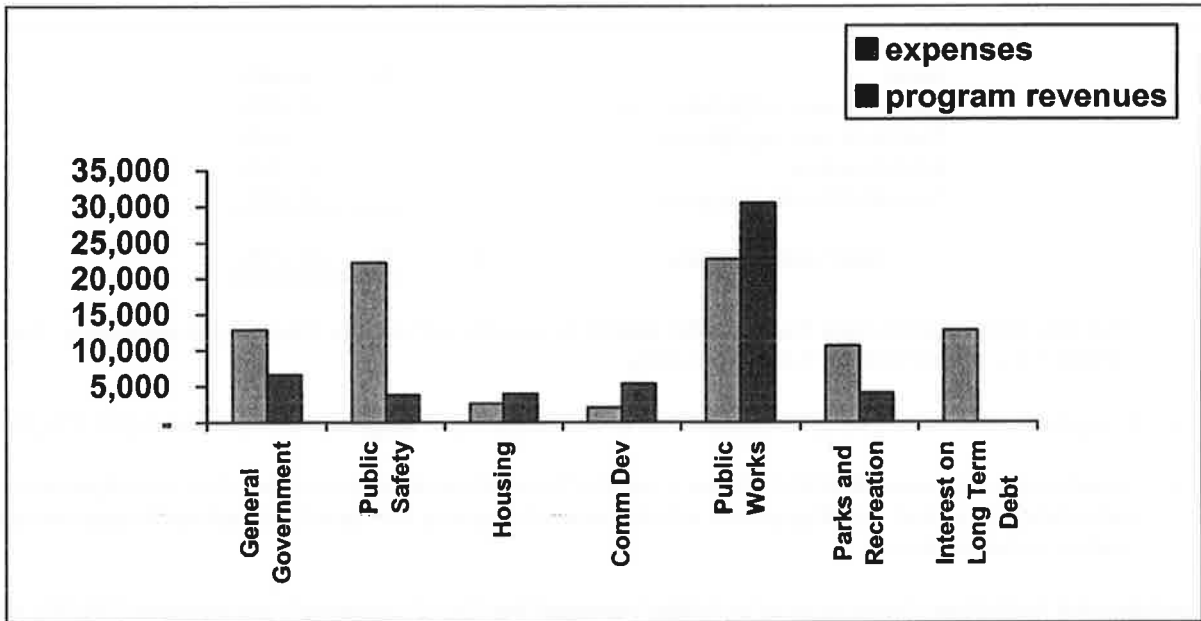
Governmental Activities. Governmental activities increased the City of Lancaster's net assets by \$38,381,426. Key elements of the increase are as follows:

City of Lancaster Changes in Net Assets

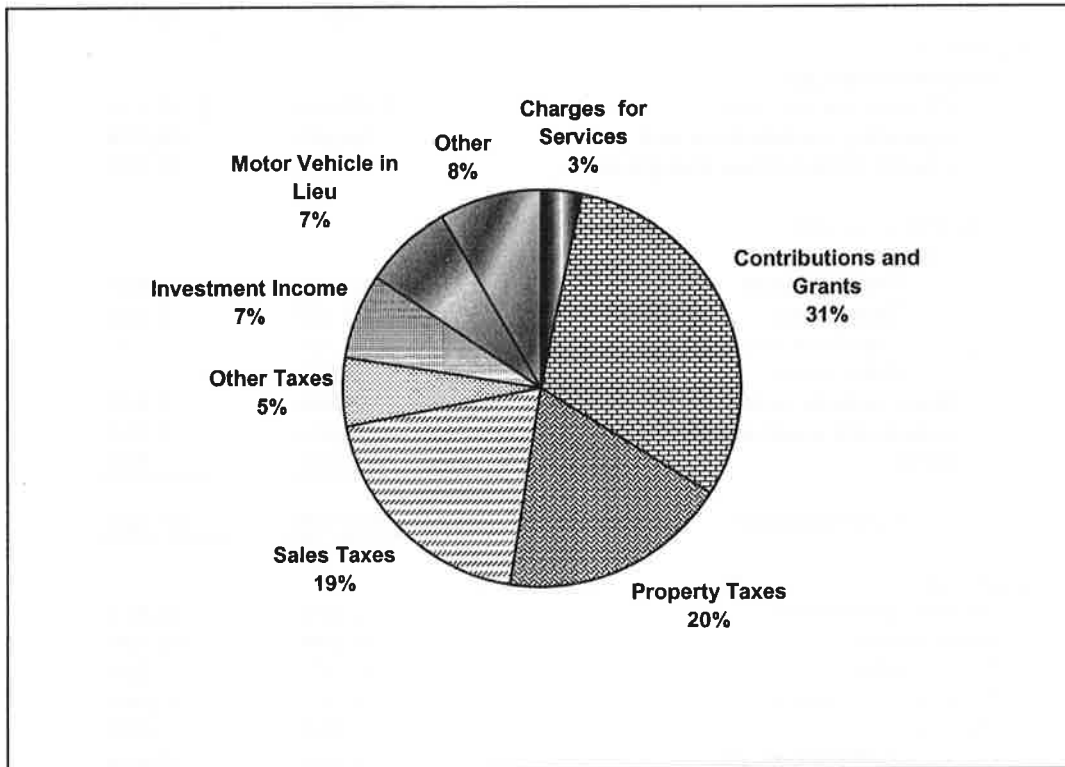
	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenues:		
Charges for services	\$ 28,844	\$ 17,775
Operating contributions and grants	24,541	22,074
Capital contributions and grants	840	11,530
General revenues:		
Taxes:		
Property taxes	15,488	13,581
Sales taxes	16,158	13,820
Franchise taxes	2,366	2,115
Other taxes	2,119	1,458
Motor vehicle in-lieu	5,946	7,475
Investment income	5,920	7,047
Other	<u>6,956</u>	<u>246</u>
Total revenues	<u>109,178</u>	<u>97,121</u>
Expenses:		
General government	12,874	10,823
Public safety	24,248	13,224
Public works	22,671	11,868
Parks and recreation	10,605	8,944
Housing	2,630	929
Community development	2,041	2,074
Interest on long-term debt	<u>12,751</u>	<u>10,878</u>
Total expenses	<u>87,820</u>	<u>58,740</u>
Increase in net assets	<u>\$ 21,358</u>	<u>\$ 38,381</u>

**City of Lancaster
Management's Discussion and Analysis (Continued)**

The City's total revenues are \$109,177,728 while the costs of all programs and services are \$87,819,563.



**City of Lancaster Government Activities
Revenue by Source**



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

**City of Lancaster
Management's Discussion and Analysis (Continued)**

The following presents the cost of each of the City's five largest programs: general government, public safety, public works parks and recreation and interest on long-term debt, 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 expenditures for the City's Redevelopment Agency.

	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>
General government	\$ 12,874	\$ (6,287)
Public safety	24,248	(20,468)
Public works	22,671	7,816
Parks and recreation	10,604	(6,553)
Interest on long-term debt	<u>12,751</u>	<u>(12,751)</u>
Totals	<u>\$ 83,148</u>	<u>\$ (38,243)</u>

- 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 \$103.8 million.

The general fund is the chief operating fund of the City of Lancaster. At the end of the current fiscal year, excluding operating transfers, the General Fund had revenues over expenditures of \$4,985,656.

General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$4,192,973 less than the final budget before transfers. The budget to actual variance in appropriations was principally due to close control by management. Actual revenues compared very favorably to the final budget with a \$1,617,304 excess before transfers. Budget amendments made during the year to decrease appropriations for reductions in state controlled local government revenue. The state budget was adopted after June 30, 2003; the City revised its budget in September to adjust for the reductions. Reductions from the original budget totaled \$2,167,652.

**City of Lancaster
Management's Discussion and Analysis (Continued)**

Capital Asset and Debt Administration

Capital Assets. At the end of fiscal year 2004, the City had \$67.1 million invested in a broad range of capital assets, including land, buildings, infrastructure and equipment.

The City's Capital Improvement Plan projects spending another \$57.1 million through fiscal 2004-2005. Funding will come from current fund balances and projected revenues. The most significant projects include construction of storm drain improvements, reconstruction of streets and recreation facilities. In addition, the Agency will participate in affordable housing projects funded from the Redevelopment Agency Low and Moderate Housing Fund.

Note 6 provides a detailed analysis of the Capital Assets.

Long-Term Debt. The City of Lancaster has not used the capital markets for financing the construction of its infrastructure. However, the Lancaster Redevelopment Agency, as with all redevelopment agencies in the State of California, must incur debt in order for it to receive the tax increment flow necessary for it to be viable. The Agency has made extensive use of its ability to issue tax allocation bonds and notes in the marketplace. These notes have been used to finance projects that will enhance the community's prospects for attracting new or expanding existing businesses. On June 30, 2004, the Lancaster Redevelopment Agency had \$199,500,000 in Tax Allocation Bonds and Notes outstanding, of which County entities and local School Districts account for \$43,120,000, Mobile Home Parks account for \$3,035,000 and the Agency is responsible for \$153,345,000. As of June 30, 2004, the City of Lancaster had accrued employee benefits outstanding of \$1,595,206.

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Tax allocation bonds	\$ 199,500	\$ 180,410
Accrued employee benefits	1,596	1,411
Totals	<u>\$ 201,096</u>	<u>\$ 181,821</u>

Standard & Poor's Corporation and Moody's Investors Service have assigned the tax allocation bonds ratings of "AAA" and "Aaa" upon their issuance.

Note 10 provides a detailed analysis of the Long-Term Debt.

Economic Factors and Next Year's Budgets and Rates

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. The state's economic problems were once again passed on to the cities. The fiscal year 2004-2005 budget reflects the state's latest attempt to resolve its budget problems by passing on the burden to the cities. Set to go into effect July 1, 2004, the 'Triple Flip' suspends one-quarter of the Bradley-Burns sales and use tax, replaces the lost revenues on a dollar-for-dollar basis with funds set aside from the county-wide property tax revenues (primarily ERAF), and increases the state's sales and use tax by one-quarter percent with the state increase dedicated to repayment of the bond measure.

Even with the Triple Flip, the largest single source of revenue for the City's General Fund is sales tax. Sales tax represents 29% of all General Fund revenues; for the upcoming fiscal year, a 1% growth in sales tax has been projected. 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.

**City of Lancaster
Management's Discussion and Analysis (Continued)**

The assumption used for forecasting expenditures includes increases of 2.5% to 3.5% in labor costs due to a rate adjustment that was effective June 29, 2004. Overall personnel costs have grown from 42.0% to 42.8% of the General Fund budget, with employer paid insurance premium increases continuing to be a factor. Expenditures for the City's Community Safety program, which includes payment for the Los Angeles County Sheriff's services, have been projected to increase at a rate of 7.0%. Also taken into consideration are any costs for contracted services in which the City has an agreement with the provider where the fees are to remain constant for a specified number of years.

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 Cindy Prothro, Acting Finance Director, at the City of Lancaster, 44933 Fern Avenue, Lancaster, CA 93534, or by phone at (661)723-6035.

CITY OF LANCASTER

Exhibit A

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 95,691,827
Receivables:	
Accounts	941,081
Taxes	1,713,396
Contract and notes	5,298,360
Deferred loans	3,834,096
Prepaid costs	180,296
Inventories	27,611
Unamortized debt issuance costs	4,533,378
Deposits	400
Due from other governments	7,251,989
Land held for resale	26,494,533
Restricted assets:	
Cash and investments	3,895,282
Cash with fiscal agent	20,376,862
Capital assets, net of depreciation	<u>67,134,578</u>
Total Assets	<u>237,373,689</u>
Liabilities:	
Accounts payable	9,268,811
Accrued liabilities	871,783
Accrued interest	3,999,461
Deferred revenue	1,835,800
Deposits payable	1,288,420
Due to other governments	10,369,891
Accrued claims and judgments	508,572
Noncurrent liabilities:	
Due within one year	3,213,915
Due in more than one year	<u>213,776,239</u>
Total Liabilities	<u>245,132,892</u>
Net Assets:	
Invested in capital assets, net of related debt	58,411,108
Restricted for:	
Community development projects	6,469,469
Public safety	92,649
Capital projects	18,905,876
Debt service	10,171,481
Unrestricted	<u>(101,809,786)</u>
Total Net Assets	<u>\$ (7,759,203)</u>

CITY OF LANCASTER

Exhibit B

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Contributions and Grants	
Primary Government:				
Governmental Activities:				
General government	\$ 12,874,422	\$ 309,217	\$ 6,278,614	\$ -
Public safety	24,248,401	3,211,550	568,860	-
Housing	2,629,627	1,619,870	2,352,545	-
Community development	2,041,174	2,119,278	3,225,140	-
Parks and recreation	10,604,442	3,468,815	228,092	354,979
Public works	22,670,877	18,114,960	11,887,347	484,664
Interest on long-term debt	12,750,620	-	-	-
Total Governmental Activities	\$ 87,819,563	\$ 28,843,690	\$ 24,540,598	\$ 839,643
General Revenues:				
Taxes:				
Property taxes, levied for general purpose				15,488,247
Transient occupancy taxes				1,214,219
Sales taxes				16,157,657
Franchise taxes				2,366,104
Business licenses taxes				385,141
Other taxes				519,899
Motor vehicle in-lieu				5,945,527
Use of money and property				5,920,408
Gain on sale of assets				6,797,792
Other				158,803
Total General Revenues				54,953,797
Change in Net Assets				21,358,165
Net Assets at Beginning of Year				(27,920,971)
Restatement of Net Assets				(1,196,397)
Net Assets at End of Year				\$ (7,759,203)

See Notes to Financial Statements

**CITY OF LANCASTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General	Capital Projects	
		Capital Outlay	Lancaster Redevelopment Agency
Assets:			
Pooled cash and investments	\$ 20,592,447	\$ 998,040	\$ 47,533,516
Receivables:			
Accounts	218,198	-	108,871
Taxes	467,900	-	249,127
Contract and notes	-	-	-
Deferred loans	-	-	3,723,017
Prepaid costs	180,296	-	-
Deposits	-	-	-
Due from other governments	3,877,220	-	389,196
Due from other funds	4,448,486	-	185,490
Advances to other funds	91,558,336	-	4,246,009
Inventories	27,611	-	-
Land held for resale	-	-	25,342,869
Restricted assets:			
Cash and investments	-	-	3,264
Cash and investments with fiscal agents	-	-	3,726,515
Total Assets	\$ 121,370,494	\$ 998,040	\$ 85,507,874
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 4,838,337	\$ 1,040,491	\$ 1,220,274
Accrued liabilities	871,783	-	-
Due to other funds	23,195	-	-
Deferred revenues	35,997,505	-	47,108
Advances from other funds	-	-	91,558,336
Developer reimbursements	508,572	-	-
Deposits payable	1,135,439	-	206,799
Due to other governments	-	-	4,892
Total Liabilities	43,374,831	1,040,491	93,037,409
Fund Balances:			
Reserved:			
Reserved for inventories	27,611	-	-
Reserved for prepaid costs	180,296	-	-
Reserved for land held for resale	-	-	25,342,869
Reserved for loans	-	-	3,723,017
Reserved for advances to other funds	57,396,631	-	4,246,009
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Designated for legal claims	526,115	-	-
Designated for employee benefits	1,495,237	-	-
Designated for emergency repairs	9,107	-	-
Designated for building replacement	1,001,581	-	-
Designated for City liabilities	553,187	-	-
Designated for approved projects	700,000	-	-
Designated for debt service	-	-	-
Undesignated	16,105,898	(42,451)	(40,841,430)
Total Fund Balances	77,995,663	(42,451)	(7,529,535)
Total Liabilities and Fund Balances	\$ 121,370,494	\$ 998,040	\$ 85,507,874

See Notes to Financial Statements

Exhibit C

<u>Debt Service Lancaster Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 26,567,824	\$ 95,691,827
-	614,012	941,081
996,369	-	1,713,396
-	5,298,360	5,298,360
-	111,079	3,834,096
-	-	180,296
-	400	400
-	2,985,573	7,251,989
-	-	4,633,976
-	-	95,804,345
-	-	27,611
-	1,151,664	26,494,533
3,892,018	-	3,895,282
14,818,480	1,831,867	20,376,862
\$ 19,706,867	\$ 38,560,779	\$ 266,144,054
\$ 1,099,780	\$ 1,069,929	\$ 9,268,811
-	-	871,783
162,295	4,448,486	4,633,976
-	3,571,201	39,615,814
-	4,246,009	95,804,345
-	-	508,572
-	(53,818)	1,288,420
5,066,639	5,298,360	10,369,891
6,328,714	18,580,167	162,361,612
-	-	27,611
-	-	180,296
-	1,151,664	26,494,533
-	-	3,723,017
-	-	61,642,640
-	17,008,082	17,008,082
-	1,028,077	1,028,077
-	792,789	792,789
-	-	526,115
-	-	1,495,237
-	-	9,107
-	-	1,001,581
-	-	553,187
-	-	700,000
13,378,153	-	13,378,153
-	-	(24,777,983)
13,378,153	19,980,612	103,782,442
\$ 19,706,867	\$ 38,560,779	\$ 266,144,054

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004**

Fund balances of governmental funds	\$ 103,782,442
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.	67,134,578
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Bonds and notes payable	(210,861,570)
Compensated absences	(1,595,206)
Accrued interest payable for the current portion of interest due on notes and bonds has not been reported in the governmental funds.	(3,999,461)
Certain revenues are reported as deferred revenue in the governmental funds because the revenue recognition criteria have not been met, however, they are included as revenue in the governmental fund activity under accrual basis of accounting.	<u>37,780,014</u>
Net assets of governmental activities	<u><u>\$ (7,759,203)</u></u>



CITY OF LANCASTER

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

		Capital Projects Funds	
	General	Capital Outlay	Lancaster Redevelopment Agency
Revenues:			
Taxes	\$ 24,644,447	\$ -	\$ 7,474,821
Licenses and permits	8,681,590	-	-
Intergovernmental	7,846,821	-	-
Charges for services	1,160,067	-	-
Use of money and property	134,467	-	684,937
Fines and forfeitures	1,060,855	-	-
Miscellaneous	1,757,788	-	8,723,254
Total Revenues	45,286,035	-	16,883,012
Expenditures:			
Current:			
General government	6,478,336	-	3,273,961
Public safety	12,070,650	-	-
Housing	-	-	-
Community development	1,587,855	-	289,382
Parks and recreation	9,813,484	-	-
Public works	10,019,576	-	-
Capital outlay	258,135	19,761,677	11,875,562
Debt service:			
Principal retirement	62,958	-	-
Interest and fiscal charges	9,385	-	2,851,383
Debt issuance costs	-	-	960,257
Payment to refunded bond escrow agent	-	-	-
Total Expenditures	40,300,379	19,761,677	19,250,545
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,985,656	(19,761,677)	(2,367,533)
Other Financing Sources (Uses):			
Transfers in	3,953,281	19,619,458	-
Transfers out	(2,411,587)	-	(18,921,967)
Refunding bonds issued	-	-	34,640,000
Notes and loans issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total Other Financing Sources (Uses)	1,541,694	19,619,458	15,718,033
Net Change in Fund Balances	6,527,350	(142,219)	13,350,500
Fund Balances, Beginning of Year, as Originally Reported	72,610,002	99,768	(20,863,478)
Restatements	(1,141,689)	-	(16,557)
Fund Balances, Beginning of Year, as Restated	71,468,313	99,768	(20,880,035)
Fund Balances, End of Year	\$ 77,995,663	\$ (42,451)	\$ (7,529,535)

See Notes to Financial Statements

Exhibit E

<u>Debt Service Fund Lancaster Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,674,039	\$ 2,582,617	\$ 39,375,924
-	11,137,581	19,819,171
3,778,273	19,487,415	31,112,509
-	3,509,684	4,669,751
258,895	1,850,810	2,929,109
-	-	1,060,855
-	581,214	11,062,256
8,711,207	39,149,321	110,029,575
571,988	2,022,857	12,347,142
-	14,997	12,085,647
-	2,629,627	2,629,627
-	104,599	1,981,836
-	-	9,813,484
-	2,376,809	12,396,385
-	-	31,895,374
2,175,000	380,000	2,617,958
7,418,100	650,682	10,929,550
-	-	960,257
239,901	-	239,901
10,404,989	8,179,571	97,897,161
(1,693,782)	30,969,750	12,132,414
18,921,967	1,484,484	43,979,190
-	(22,645,636)	(43,979,190)
-	-	34,640,000
-	2,950,000	2,950,000
(13,854,137)	-	(13,854,137)
5,067,830	(18,211,152)	23,735,863
3,374,048	12,758,598	35,868,277
10,004,105	7,260,165	69,110,562
-	(38,151)	(1,196,397)
10,004,105	7,222,014	67,914,165
\$ 13,378,153	\$ 19,980,612	\$ 103,782,442

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Net change in fund balances - total governmental funds	\$ 35,868,277
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of activities 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.	8,264,716
Long-term debt transactions reported as expenditures and other financing sources and uses in the governmental funds are reported as changes to long-term debt.	(20,065,034)
Accrued interest for notes and bonds payable. This is the net change in accrued interest for the current period.	(1,673,783)
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.	(184,164)
Certain revenues are reported as deferred revenue in the governmental funds because the revenue recognition criteria have not been met, however, they are included as revenue in the governmental fund activity under accrual basis of accounting.	<u>(851,847)</u>
Change in net assets of governmental activities	<u><u>\$ 21,358,165</u></u>

CITY OF LANCASTER

Exhibit G

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$71,468,313	\$71,468,313	\$71,468,313	\$ -
Resources (Inflows):				
Taxes	20,935,000	22,268,246	24,644,447	2,376,201
Licenses and permits	4,117,150	4,762,550	8,681,590	3,919,040
Intergovernmental	9,344,508	7,685,274	7,846,821	161,547
Charges for services	2,224,408	2,274,653	1,160,067	(1,114,586)
Use of money and property	250,000	200,000	134,467	(65,533)
Fines and forfeitures	1,060,000	1,060,000	1,060,855	855
Other	1,709,068	2,480,000	1,757,788	(722,212)
Transfers from other funds	5,037,289	6,891,289	3,953,281	(2,938,008)
Amounts Available for Appropriation	116,145,736	119,090,325	120,707,629	1,617,304
Charges to Appropriation (Outflow):				
General government	6,087,752	5,234,463	6,478,336	(1,243,873)
Public safety	12,325,739	12,958,957	12,070,650	888,307
Community development	3,606,934	2,784,164	1,587,855	1,196,309
Parks and recreation	8,872,939	8,702,367	9,813,484	(1,111,117)
Public works	9,657,233	10,396,703	10,019,576	377,127
Capital outlay	5,456,994	336,310	258,135	78,175
Debt service:				
Principal	-	-	62,958	(62,958)
Interest and fiscal charges	-	-	9,385	(9,385)
Transfers to other funds	3,065,000	6,491,975	2,411,587	4,080,388
Total Charges to Appropriations	49,072,591	46,904,939	42,711,966	4,192,973
Budgetary Fund Balance, June 30	\$67,073,145	\$72,185,386	\$77,995,663	\$ 5,810,277

See Notes to Financial Statement

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004**

Assets:	
Cash and investments	\$ 2,234,026
Receivables (net of allowance for uncollectibles):	
Accounts	119,620
Restricted assets:	
Cash with fiscal agent	<u>4,715,807</u>
Total Assets	<u><u>\$ 7,069,453</u></u>
Liabilities:	
Accounts payable	\$ 111,383
Deposits	791,108
Due to bond holders	<u>6,166,962</u>
Total Liabilities	<u><u>\$ 7,069,453</u></u>

CITY OF LANCASTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 and enjoys all the rights and privileges applicable to a general law City. 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

Blended Component Units

The Redevelopment Agency (the Agency) was established pursuant to the State of California Health and Safety Code, Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City of Lancaster. Separate financial statements may be obtained for the Agency by contacting the City's finance department.

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 parks within the City. 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.

Although these component units are legally separate from the City of Lancaster, 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.

City of Lancaster
Notes to Financial Statements (Continued)

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

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

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

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

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

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

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

The 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.

City of Lancaster
Notes to Financial Statements (Continued)

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

Capital Outlay Fund - to account for the capital improvement projects of the City.

Lancaster Redevelopment Agency - Capital Project Fund - to account for the general redevelopment operations of the City's Redevelopment Agency.

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.

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. 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.

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.

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".

**City of Lancaster
Notes to Financial Statements (Continued)**

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

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

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

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the 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 \$250 (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 acquired in the current year. As the City is still in the process of compiling the necessary data and, as permitted under GASB Statement No. 34, the City has not reported any prior year 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.

**City of Lancaster
Notes to Financial Statements (Continued)**

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

Property, plant and equipment of the primary government, as well as the component units, is 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
Construction-in-progress	N/A

6. Land Held for Resale

The Lancaster Redevelopment Agency has acquired several parcels of land as part of its primary purpose to develop or redevelop blighted properties. The City records these parcels as land held for resale in its financial records. The property is being carried in the Lancaster Redevelopment Agency Capital Projects Fund at a net realizable value, which is equal to cost. At June 30, 2004, net realizable value for land held for resale totaled \$1,151,664 in the Housing and Community Development Fund and \$25,342,869 in the Capital Projects Fund, with this amount offset by a reservation of fund balance.

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.

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.

**City of Lancaster
Notes to Financial Statements (Continued)**

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

9. Fund Equity

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

Note 2: Reconciliation of Government-Wide and Fund Financial Statements

- a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance - governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term debts and compensated absences that have not been included in the governmental fund activity". The detail of the \$210,861,570 long-term debt difference is as follows:

Long-term debt:	
Tax allocation bonds payable	\$ 199,500,000
Revenue bonds payable	8,620,000
Loans payable	5,920,000
Capitalized leases payable	103,470
Unamortized bond premium	5,056,161
Unamortized bond defeasance loss	(3,804,683)
Unamortized bond issuance costs	<u>(4,533,378)</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ 210,861,570</u>

- b. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$8,264,716 difference are as follows:

Capital outlay	\$ 10,278,150
Depreciation expense	<u>(2,013,434)</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 8,264,716</u>

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 2: Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds". Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$20,065,034 difference are as follows:

Debt Issued or Incurred:	
Tax allocation bonds	\$ (34,640,000)
Section 108 notes	(2,950,000)
Bond issuance costs	960,257
Bond premiums	75,287
Principal Repayments:	
Tax allocation bonds	2,175,000
Revenue bonds	260,000
Loans payable	120,000
Capital leases payable	62,958
Payment to escrow agent for refunding	14,094,038
Amortization of bond premium	175,783
Amortization of bond issuance costs	(149,312)
Amortization of bond defeasance loss	<u>(249,045)</u>
Net adjustment to decrease net changes in fund balance of total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ (20,065,034)</u>

II. STEWARDSHIP

Note 3: 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.

Encumbrances

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

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 3: Stewardship, Compliance and Accountability (Continued)

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 department in individual funds are as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund:			
General government	\$ 6,478,336	\$ 5,234,463	\$ 1,243,873
Parks and recreation	9,813,484	8,702,367	1,111,117
Special Revenue Funds:			
Proposition A:			
General government	1,810,495	1,265,226	545,269

c. The following fund contained deficit fund balances as of June 30, 2004:

	<u>Deficit Amount</u>
Special Revenue Fund:	
Roberti Zberg	\$ 657,979
Park Development	209,933
Bikeway Improvement	149,731
Traffic Impact	2,190,591
Vegetative Management	38,956
Local Law Enforcement Block Grant	8,420
EDA Grant	282,384
TEA 21	484,664
CCA Fairground Construction	1,700,573
Federal, State, County Park Grant	740,000
Capital Projects Fund:	
Capital Outlay	42,451
Lancaster Redevelopment Agency	7,529,535

In the Traffic Impact Fees Fund, the deficit fund balance will be eliminated in future years by future Traffic Impact Fees, see Note 11 for further information.

Reimbursement for CCA Fairgrounds Construction and State Park Bond and TEA 21 construction expenses incurred in fiscal year 2003-2004 has been requested and is pending receipt. The deficit fund balances for these grants are a result of required changes in reporting for Cost Reimbursable Grants.

In the Lancaster Redevelopment Agency Capital Project Fund, the deficit fund balance occurred because of reporting City loans in the fund.

III. DETAIL NOTES ON ALL FUNDS

Note 4: Deposits and Investments

As of June 30, 2004, cash and investments were reported in the accompanying financial statements as follows:

	Governmental Activities	Fiduciary Funds	Total
Cash and investments	\$ 95,691,827	\$ 2,234,026	\$ 97,925,853
Cash and investments with fiscal agent	20,376,862	4,715,807	25,092,669
Restricted cash and investments	3,895,282	-	3,895,282
Total Cash and Investments	\$ 119,963,971	\$ 6,949,833	\$ 126,913,804

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.

The City early implemented the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2004. This statement establishes and modifies disclosure requirements related to investment and deposit risks; accordingly, the note disclosure on cash and investments has been revised to conform to the provisions of GASB Statement No. 40.

Deposits

At June 30, 2004, the carrying amount of the City's deposits was \$8,516,547 and the bank balance was \$7,757,194. The \$759,353 difference represents outstanding checks and other reconciling items.

Credit Risk

At June 30, 2004, the City does not have any investments in securities that may be subject to credit risk. Amounts invested with fiscal agents are not considered to have credit risk because the City does not own the specific securities. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed. As of June 30, 2004, the City's investments in external investment pools are unrated. The City has amounts invested in investment agreements that are held with fiscal agents and invested under the direction of the City. The City's investment policy restricts such investments to no more than 15% of the City's total invested funds and no more than 2% with any one issuer up to \$5,000,000 (and \$10,000,000 in the aggregate) with the financial institution authorized to handle the City's daily primary banking needs. As of June 30, 2004, 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.

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 4: Deposits and Investments (Continued)

As of June 30, 2004, none of the City's deposits or investments were exposed to custodial credit risk.

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 \$5,000,000 (and \$10,000,000 in the aggregate) for financial institutions authorized to handle the City's daily primary banking needs, the maximum insured by the Federal Deposit Insurance Corporation or agency of the Federal Government for passbook saving accounts, Demand Deposit, NOW Accounts and Money Market Demand Deposit, 15% of the City's invested funds for banker acceptances with no more than 2% in any one issuer, and 85% of the City's invested funds for United States Treasury Securities and securities for which the full faith and credit of the United States is pledged.

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 two years. Reserve funds relating to the bonds issues may be invested in securities for more than three 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.

As of June 30, 2004, the City had the following investments and original maturities:

	<u>Investment Maturities (in Years)</u>		<u>Fair Value</u>
	<u>Less Than 1</u>	<u>1-5</u>	
Certificates of Deposit	\$ 500,000	\$ -	\$ 500,000
Money market mutual funds	1,491,307	-	1,491,307
California Local Agency Investment Fund	91,313,984	-	91,313,984
Money market mutual funds - held by fiscal agent	20,212,926	-	20,212,926
Investment agreements - held by fiscal agent	-	4,879,040	4,879,040
	<u>\$ 113,518,217</u>	<u>\$ 4,879,040</u>	<u>\$ 118,397,257</u>

Note 5: Rehabilitation Loans

During fiscal year 1991-1992, the City of Lancaster and the Redevelopment Agency initiated several rehabilitation loan programs. These loans are secured by a deed of trust on the property involved and are payable when the property is sold or otherwise changes ownership. No interest rate is present on these loans. As of June 30, 2004, \$9,232,456 of these loans had been made.

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 9,521,062	\$ -	\$ -	\$ 9,521,062
Construction-in-progress	14,806,436	663,422	-	15,469,858
Total Capital Assets, Not Being Depreciated	24,327,498	663,422	-	24,990,920
Capital assets, being depreciated:				
Structures and improvements	45,686,234	2,263,609	-	47,949,843
Furniture and equipment	5,469,900	509,668	25,472	5,954,096
Infrastructure	6,952,074	6,841,451	-	13,793,525
Total Capital Assets, Being Depreciated	58,108,208	9,614,728	25,472	67,697,464
Less accumulated depreciation:				
Structures and improvements	18,406,764	1,598,328	-	20,005,092
Furniture and equipment	5,159,080	415,106	25,472	5,548,714
Total Accumulated Depreciation	23,565,844	2,013,434	25,472	25,553,806
Total Capital Assets, Being Depreciated, Net	34,542,364	7,601,294	-	42,143,658
Governmental Activities Capital Assets, Net	\$ 58,869,862	\$ 8,264,716	\$ -	\$ 67,134,578

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

Governmental activities:	
General government	\$ 442,956
Public safety	29,057
Public works	756,182
Community development	40,269
Parks and recreation	744,970
Total Depreciation Expense	\$ 2,013,434

Note 7: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2004 is as follows:

Due To/From Other Funds

Funds	Due To Other Funds:			Total
	General Fund	LRA Debt Service	Nonmajor Governmental Funds	
Due From Other Funds:				
General	\$ -	\$ -	\$ 4,448,486	\$ 4,448,486
LRA Capital Projects	23,195	162,295	-	185,490
Total	\$ 23,195	\$ 162,295	\$ 4,448,486	\$ 4,633,976

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 7: Interfund Receivable, Payable and Transfers (Continued)

The due to General Fund of \$3,605,582 from various nonmajor funds was a result of temporary deficit cash balances in those funds.

The other interfund balances were the results of routine interfund transactions not cleared prior to year-end.

Advances To/From Other Funds

Funds	Advances To Other Funds:		Total
	General Fund	LRA Capital Projects	
Advances From Other Funds:			
LRA Capital Projects	\$ 91,558,336	\$ -	\$ 91,558,336
Nonmajor governmental fund	-	4,246,009	4,246,009
Total	\$ 91,558,336	\$ 4,246,009	\$ 95,804,345

During the current and previous fiscal years, the City of Lancaster has made loans to the Agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated with the next fiscal year. As of June 30, 2004, loans to and accrued unpaid interest owed on those loans were \$91,558,336.

The Lancaster Redevelopment agency has advanced \$4,246,009 to the Traffic Impact Fee Fund to fund the Avenue L Overpass Project.

Interfund Transfers

	Transfers Out:			Total
	General Fund	Redevelopment Agency Capital Projects	Nonmajor Funds	
Transfers In:				
General	\$ -	\$ -	\$ 3,953,281	\$ 3,953,281
Capital outlay	2,211,587	-	17,407,871	19,619,458
Redevelopment Agency debt service	-	18,921,967	-	18,921,967
Nonmajor funds	200,000	-	1,284,484	1,484,484
Total	\$ 2,411,587	\$ 18,921,967	\$ 22,645,636	\$ 43,979,190

The City uses the Capital Outlay 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 Outlay fund. The total of the Capital Projects transfers for the year were \$19,619,458.

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 \$3,953,281.

The Lancaster Redevelopment Agency Capital Projects Fund transferred \$18,921,967 to the Lancaster Redevelopment Agency Debt Service Fund for bond proceeds received in connection with the issuance of its Tax Allocation Refunding Bonds per the bond indenture.

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 8: Due To Other Governments

County of Los Angeles, Schools and Community College Districts

Residential Project Tax Increment Fund	\$ 237,334
Central Business District Tax Increment Fund	35,483
Fox Field Tax Increment Fund	21,650
Fox Field Low and Moderate Housing Fund	4,892
Amargosa Tax Increment Fund	582,973
Area No. 5 Tax Increment Fund	1,644,839
Area No. 6 Tax Increment Fund	2,305,885
Area No. 7 Tax Increment Fund	<u>238,475</u>
Total	<u>\$ 5,071,531</u>

The Lancaster Redevelopment Agency has various tax sharing agreements present in the Residential, Amargosa, Area No. 5 and Area No. 6 Project Areas. As a result of these agreements, the Agency has agreed to remit to schools, community college districts and other districts a portion of its tax increment collections. As of June 30, 2004, the previous amounts were owed to these entities.

Note 9: Loan to City of Lancaster - Avenue L Overpass Project

During fiscal year 1991-1992, the Lancaster Redevelopment Agency adopted Resolution 11-92 making a benefit finding relating to the expenditure of Agency funds and authorizing the lending of funds to the City of Lancaster for the implementation of the Avenue L Overpass Project. The City of Lancaster adopted Resolution 92-105 to accept this loan. This loan is to be repaid from future Traffic Impact Fees. No fixed date of repayment or interest rate has been specified. A reservation of fund balance has been established for this loan (see Note 14). The outstanding balance of this loan at June 30, 2004 totaled \$4,246,009.

Note 10: Long-Term Debt

a. Bonds and Notes

A description of individual issues of bonds and notes (excluding defeased issues) outstanding as of June 30, 2004 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.

Lancaster Redevelopment Agency

Developer Debt

During fiscal year 2000-2001, the Agency acquired 7.26 acres of commercial property in the Amargosa Project Area from D & D Development Co. The purchase price was \$2,000,000 and \$600,000 was paid to the developer prior to June 30, 2002. The remaining \$1,400,000 is payable in three installments due July 15, 2001 through 2003 in the amounts of \$500,000, \$500,000 and \$400,000, respectively. There is no interest due on these installment payments unless delinquencies in payment occurs.

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 10: Long-Term Debt (Continued)

Bonds and Notes

A description of individual issues of bonds and notes (excluding defeased issues) outstanding as of June 30, 2004 follows:

Combined Tax Allocation Notes and Bonds

1. On May 15, 1993, the Agency issued \$14,020,000 of Combined Redevelopment Project Areas (Fire Protection Facilities Project), Tax Allocation Bonds, Issue of 1993. Interest on these bonds is payable semi-annually on February 1 and August 1 of each year, commencing August 1, 1993. Interest rates vary from 2.80% to 5.75%. Principal redemptions are payable starting August 1, 1994 through August 1, 2023. The principal portion of these bonds relates to the following project areas:

Residential Area	\$ 1,789,000
Central Business District Area	375,000
Fox Field Area	362,000
Amargosa Area	2,954,000
Area Number 5	4,311,000
Area Number 6	<u>4,229,000</u>
Total	<u>\$ 14,020,000</u>

These allocations were determined by comparing each project area's projected available repayment funds with the total projected available repayment funds. Pledged revenue for this issue consists of a portion of revenue allocated to the County of Los Angeles under existing pass-through agreements with the Agency.

2. On May 1, 1993, the Agency issued \$27,380,000 of Combined Redevelopment Project Areas (Sheriff's Facility Project), Tax Allocation Bonds, Issue of 1993. Interest on these bonds is payable semi-annually on February 1 and August 1 of each year commencing on August 1, 1993. Interest rates vary from 2.90% to 5.70%. Principal redemptions are payable starting August 1, 1994 through August 1, 2023. The principal portion of these bonds relates to the following project areas:

Residential Area	\$ 3,145,000
Central Business District Area	802,000
Fox Field Area	536,000
Amargosa Area	5,258,000
Area Number 5	8,044,000
Area Number 6	9,109,000
Area Number 7	<u>486,000</u>
Total	<u>\$ 27,380,000</u>

These allocations were determined by comparing each project area's projected available repayment funds with the total projected available repayment funds. Pledged revenue for this issue consists of a portion of revenue allocated to the County of Los Angeles under existing pass-through agreements with the Agency.

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 10: Long-Term Debt (Continued)

3. On July 15, 1994, the Agency issued \$3,860,000 of Combined Redevelopment Project Areas (Library Project), Tax Allocation Bonds, Issue of 1993. Interest on these bonds is payable semi-annually on February 1 and August 1 of each year commencing on February 1, 1994. Interest rates vary from 2.80% to 5.75%. Principal redemptions are payable starting August 1, 1994 through August 1, 2023. The principal portion of these bonds relates to the following project areas:

Residential Area	\$ 191,000
Central Business District Area	37,000
Fox Field Area	33,000
Amargosa Area	320,000
Area Number 5	500,000
Area Number 6	2,667,000
Area Number 7	<u>112,000</u>
Total	<u>\$ 3,860,000</u>

These allocations were determined by comparing each project area's projected available repayment funds with the total projected available repayment funds. Pledged revenue for this issue consists of a portion of revenue allocated to the County of Los Angeles under existing pass-through agreements with the Agency.

4. On November 19, 1999, the Agency issued \$1,780,000 of Combined Redevelopment Project Areas (Library Project), Subordinated Tax Allocation Refunding Bonds, Series 1999. The principal portion of these bonds is payable from December 1, 2024 to 2029. Interest is payable semi-annually on June 1 and December 1 of each year commencing on June 1, 2000. The principal portion of these bonds has been allocated to the following project areas:

Residential Area	\$ 87,813
Central Business District Area	16,613
Fox Field Area	15,427
Amargosa Area	147,147
Area Number 5	231,400
Area Number 6	1,229,387
Area Number 7	<u>52,213</u>
Total	<u>\$ 1,780,000</u>

5. 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). Of the \$40,595,000, the School District is responsible for \$4,465,000. This financing was undertaken to refund \$75,065,000 in outstanding Agency debt and to provide the Agency with additional funds for projects. The principal portion of these bonds is payable from August 1, 2004 to 2034 on the Economic Development Financing (Combined Tax Allocation Bonds, Series 2003) and August 1, 2005 to 2033 on the Housing Financing (Combined Housing Bonds). Interest is payable semi-annually on February 1 and August 1 of each year commencing on August 1, 2004. The principal portion of these bonds has been allocated to the following project areas:

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 10: Long-Term Debt (Continued)

	<u>Economic Development</u>	<u>Housing</u>
Residential Area	\$ 6,003,631	\$ 5,309,221
Central Business District Area	-	1,063,809
Fox Field Area	-	1,776,313
Amargosa Area	4,979,760	11,874,074
Area Number 5	15,974,440	17,353,138
Area Number 6	13,638,169	22,583,547
Area Number 7	-	1,019,898
	<u> </u>	<u> </u>
Total	<u>\$ 40,596,000</u>	<u>\$ 60,980,000</u>

6. 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 February 1, 2004. The principal portion of these bonds has been allocated to the following project areas:

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

7. 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.

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 10: Long-Term Debt (Continued)

Central Business District Project Area

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 3.000% 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.

Fox Field Redevelopment Project

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

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 3.00% to 5.00% per annum, commencing August 1, 1999.
2. On March 18, 1999, the Agency issued \$6,710,000 of Lancaster Redevelopment Agency, Lease Revenue Refunding Bonds (Lancaster Public Capital Improvement Projects), Issue of 1999. The purpose of these bonds was to defease \$7,475,000 of Lancaster Redevelopment Agency, Lease Revenue Notes (Lancaster Public Capital Improvement Projects), Issue of 1995. The principal portion of these bonds is payable from December 1, 1999 to December 1, 2028. Interest is payable semi-annually at rates of 2.90% to 5.00% per annum, commencing December 1, 1999. The bonds are payable from lease payments to be made by the City of Lancaster to the Agency or its assignee. The property covered by the Lease consists of the Lancaster Performing Arts Center completed in November 1991 and developed by the Agency at a cost of \$8,024,000. Neither the bonds nor the obligation of the City to make Lease Payments under the Lease Agreement constitutes an indebtedness of the City, the Agency, the State of California or any political subdivision thereof, within the meaning of the Constitution of the State of California or otherwise.

Project Area Number 5

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

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 10: Long-Term Debt (Continued)

Project Area Number 6

1. On February 28, 1996, the Agency issued \$3,650,000 of Lancaster Redevelopment Agency, Lancaster Redevelopment Project No. 6, Tax Allocation Refunding Bonds (School District), Issue of 1996. These bonds were issued to refund the Agency's outstanding Lancaster Redevelopment Project No.6, School District Tax Allocation Notes, Issue of 1991 and to implement the School District Pass-Through Agreement. The principal portion of these bonds is payable from August 1, 1996 to August 1, 2025. Interest is payable semi-annually on February 1 and August 1 of each year at rates of 3.30% to 5.65% per annum, commencing August 1, 1996.
2. 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 4.00% to 7.50% per annum. These bonds have been reflected as an adjustment to the Long-Term Debt of the Agency in the current year.

b. U.S. Government Guaranteed Notes (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 the following:

1. 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
2. Program income.

The notes mature from 2000 to 2018 and bear varying rates of interest. The principal balance outstanding as of June 30, 2004 was \$2,680,000.

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 the following:

1. 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
2. Program income.

The notes mature from 2000-2019 and bear varying rates of interest. The principal balance outstanding as of June 30, 2004 was \$290,000.

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. This City has pledged as security for repayment of the notes the following:

1. 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
2. Program income.

The notes mature from 2004-2023 and bear varying rates of interest. The principal balance outstanding as of June 30, 2004 was \$1,450,000.

City of Lancaster
Notes to Financial Statements (Continued)

Note 10: Long-Term Debt (Continued)

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 the following:

1. 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
2. Program income.

The notes mature from 2005-2024 and bear varying rates of interest. The principal balance outstanding as of June 30, 2004 was \$1,500,000.

c. Capital Leases

During fiscal year 1995-1996, the City entered into a capital lease arrangement with USL Capital for the retrofit of lighting systems at various City properties. The lease consists of 40 consecutive quarterly payments. Each payment includes interest at the rate of 6.2% per year.

The following schedule illustrates the debt service requirements:

<u>Fiscal Year</u>	<u>Amount</u>
2004-2005	\$ 72,343
2005-2006	<u>36,170</u>
Total Debt Service	<u>\$ 108,513</u>
Total Interest	<u>\$ 14,428</u>

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 10: Long-Term Debt (Continued)

The following is a schedule of changes in long-term debt of the City by bond types for the fiscal year ended June 30, 2004:

	Balance July 1, 2003	Deceased	Additions	Repayments	Balance June 30, 2004	Due Within One Year
Residential Project Area						
Bonds - Sheriff's Facilities (1993)	\$ 2,640,710	\$ -	\$ -	\$ 69,492	\$ 2,571,218	\$ 73,513
Bonds - Fire Facilities (1993)	1,495,500	-	-	40,195	1,455,305	42,747
Bonds - Library (1993)	160,514	-	-	4,205	156,309	4,453
Bonds - \$3,065,000 (1997)	2,850,000	2,800,000	-	50,000	-	-
Bonds - Library (1999)	87,813	-	-	-	87,813	-
Bonds - Development (2003)	6,003,631	-	-	1,479	6,002,152	30,318
Bonds - Housing (2003)	5,309,221	-	-	-	5,309,221	31,342
Bonds - Development (2003 B)	-	-	1,805,000	40,875	1,764,125	-
Bonds - Housing (2003 B)	-	-	3,372,853	-	3,372,853	47,572
Total	18,547,389	2,800,000	5,177,853	206,246	20,718,996	229,945
Central Business District Project Area						
Bonds - Sheriff's Facilities (1993)	673,368	-	-	17,721	655,647	18,745
Bonds - Fire Facilities (1993)	313,480	-	-	8,426	305,054	8,960
Bonds - Library (1993)	31,060	-	-	814	30,246	861
Bonds - Issue of 1994	1,770,000	-	-	45,000	1,725,000	45,000
Bonds - Library (1999)	16,613	-	-	-	16,613	-
Bonds - Housing (2003)	1,063,809	-	-	-	1,063,809	6,280
Bonds - Housing (2003 B)	-	-	175,098	-	175,098	2,470
Total	3,868,330	-	175,098	71,961	3,971,467	82,316
Fox Field Project Area						
Bonds - Sheriff's Facilities (1993)	450,097	-	-	11,842	438,255	12,530
Bonds - Fire Facilities (1993)	302,606	-	-	8,133	294,473	8,650
Bonds - Library (1993)	27,769	-	-	728	27,041	770
Bonds - Issue of 1994	2,480,000	-	-	65,000	2,415,000	70,000
Bonds - Library (1999)	15,427	-	-	-	15,427	-
Bonds - Housing (2003)	1,776,313	-	-	-	1,776,313	10,487
Bonds - Housing (2003 B)	-	-	173,720	-	173,720	2,450
Total	5,052,212	-	173,720	85,703	5,140,229	104,887
Amargosa Project Area						
Bonds - Sheriff's Facilities (1993)	4,414,930	-	-	116,174	4,298,756	122,904
Bonds - Fire Facilities (1993)	2,469,359	-	-	66,369	2,402,990	70,583
Bonds - Library (1993)	269,125	-	-	7,049	262,076	7,464
Bonds - \$12,700,000 (1996)	10,575,000	10,575,000	-	-	-	-
Bonds - \$4,380,000 (1999)	4,260,000	-	-	30,000	4,230,000	80,000
Bonds - Lease Revenue (1999)	6,160,000	-	-	130,000	6,030,000	130,000
Bonds - Library (1999)	147,147	-	-	-	147,147	-
Bonds - Development (2003)	4,979,760	-	-	1,227	4,978,533	25,147
Bonds - Housing (2003)	11,874,074	-	-	-	11,874,074	70,099
Bonds - Development (2003 B)	-	-	10,305,000	233,363	10,071,637	-
Bonds - Housing (2003 B)	-	-	4,687,320	-	4,687,320	66,110
Total	45,149,395	10,575,000	14,992,320	584,182	48,982,533	572,307

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 10: Long-Term Debt (Continued)

	Balance July 1, 2003	Deceased	Additions	Repayments	Balance June 30, 2004	Due Within One Year
Project Area No. 5						
Bonds - Sheriff's Facilities (1993)	6,754,304	-	-	177,754	6,576,550	188,027
Bonds - Fire Facilities (1993)	3,603,802	-	-	96,860	3,506,942	103,010
Bonds - Library (1993)	420,296	-	-	11,009	409,287	11,657
Bonds - \$6,480,000 (1997)	4,705,000	-	-	335,000	4,370,000	350,000
Bonds - Library (1999)	231,400	-	-	-	231,400	-
Bonds - Development (2003)	15,973,440	-	-	3,935	15,969,505	80,664
Bonds - Housing (2003)	17,353,138	-	-	-	17,353,138	102,446
Bonds - Development (2003 B)	-	-	1,625,000	36,788	1,588,212	-
Bonds - Housing (2003 B)	-	-	4,396,360	-	4,396,360	62,006
Total	49,041,380	-	6,021,360	661,346	54,401,394	897,810
Project Area No. 6						
Bonds - Sheriff's Facilities (1993)	7,648,431	-	-	201,273	7,447,158	212,918
Bonds - Fire Facilities (1993)	3,535,252	-	-	95,018	3,440,234	101,050
Bonds - Library (1993)	2,242,084	-	-	58,729	2,183,355	62,184
Bonds - \$3,650,000 (School 1996)	3,210,000	-	-	75,000	3,135,000	80,000
Bonds - Library (1999)	1,229,387	-	-	-	1,229,387	-
Bonds - Mobile Home Bonds (1997)	3,090,000	-	-	55,000	3,035,000	60,000
Bonds - Development (2003)	13,638,169	-	-	3,360	13,634,809	68,871
Bonds - Housing (2003)	22,583,547	-	-	-	22,583,547	133,324
Bonds - Development (2003 B)	-	-	2,825,000	63,975	2,761,025	-
Bonds - Housing (2003 B)	-	-	4,704,068	-	4,704,068	66,346
Total	57,176,870	-	7,529,068	552,355	64,153,583	784,693
Project Area No. 7						
Bonds - Sheriff's Facilities (1993)	408,163	-	-	10,741	397,422	11,363
Bonds - Library (1993)	94,150	-	-	2,466	91,684	2,611
Bonds - Library (1999)	52,213	-	-	-	52,213	-
Bonds - Housing (2003)	1,019,898	-	-	-	1,019,898	6,021
Bonds - Housing (2003 B)	-	-	570,581	-	570,581	8,047
Total	1,574,424	-	570,581	13,207	2,131,798	28,042
Total - All Project Areas						
Bonds	180,410,000	13,375,000	34,640,000	2,175,000	199,500,000	2,700,000
Total	\$ 180,410,000	\$ 13,375,000	\$ 34,640,000	\$ 2,175,000	\$ 199,500,000	\$ 2,700,000
Lancaster Housing Authority:						
Lease Revenue Bonds	\$ 8,620,000	\$ -	\$ -	\$ 260,000	\$ 8,360,000	\$ 270,000

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 10: Long-Term Debt (Continued)

	Balance July 1, 2002	Defeased	Additions	Repayments	Balance June 30, 2003	Due Within One Year
City Notes:						
City of Lancaster:						
Series 1999-A	\$ 2,790,000	\$ -	\$ -	\$ 110,000	\$ 2,680,000	\$ 120,000
Series 2000-A	300,000	-	-	10,000	290,000	10,000
Series 2003-A	-	-	1,450,000	-	1,450,000	49,000
Series 2004-A	-	-	1,500,000	-	1,500,000	-
Total City Notes	\$ 3,090,000	\$ -	\$ 2,950,000	\$ 120,000	\$ 5,920,000	\$ 179,000
Total for City and Agency:						
Redevelopment Agency Bonds	\$ 180,410,000	\$ 13,375,000	\$ 34,640,000	\$ 2,175,000	\$ 199,500,000	\$ 2,700,000
Lancaster Housing Authority	8,880,000	-	-	260,000	8,620,000	270,000
City Notes	3,090,000	-	2,950,000	120,000	5,920,000	179,000
Accrued Employee Benefit	1,411,042	-	184,164	-	1,595,206	-
Capital Lease	166,428	-	-	62,958	103,470	64,915
Total	\$ 193,957,470	\$ 13,375,000	\$ 37,774,164	\$ 2,617,958	215,738,676	\$ 3,213,915
					Unamortized bond premium	5,056,161
					Unamortized bond defeasance loss	(3,804,683)
					Total long-term liabilities	\$ 216,990,154

The following schedule illustrates the debt service requirements to maturity for bonds, notes and loans outstanding as of June 30, 2004:

City of Lancaster U.S. Government Guaranteed Notes		
Fiscal Year	Principal	Interest
2004-2005	\$ 179,000	\$ 297,950
2005-2006	240,000	321,015
2006-2007	245,000	311,137
2007-2008	259,000	299,404
2008-2009	279,000	299,404
2009-2014	1,583,000	1,181,599
2014-2019	2,044,000	648,958
2019-2023	1,091,000	174,495
Total	\$ 5,920,000	\$ 3,533,961
Capital Leases		
Fiscal Year	Principal	Interest
2004-2005	\$ 67,218	\$ 4,168
2005-2006	36,252	876
Total	\$ 103,470	\$ 5,044

City of Lancaster
Notes to Financial Statements (Continued)

Note 10: Long-Term Debt (Continued)

Lancaster Housing Authority - Bonds		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2004-2005	\$ 270,000	\$ 415,831
2005-2006	280,000	405,369
2006-2007	295,000	394,169
2007-2008	305,000	382,000
2008-2009	320,000	369,190
2009-2014	1,835,000	1,600,910
2014-2019	2,335,000	1,107,000
2019-2023	2,980,000	461,500
Total	\$ 8,620,000	\$ 5,135,969

Lancaster Redevelopment Agency Bonds and Notes		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2003-2004	\$ 2,155,000	\$ 7,387,238
2004-2005	2,510,000	9,006,756
2005-2006	3,445,000	8,877,716
2006-2007	3,880,000	8,730,430
2007-2008	3,975,000	8,565,824
2008-2013	23,570,000	39,612,844
2013-2018	29,890,000	32,687,255
2018-2023	39,675,000	23,412,899
2023-2028	34,780,000	13,217,088
2028-2033	31,135,000	5,225,656
2033-2038	5,395,000	168,151
Total	\$ 180,410,000	\$ 156,891,857

Lancaster Redevelopment Agency Bonds and Notes		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2004-2005	\$ 2,700,000	\$ 9,714,540
2005-2006	4,180,000	9,588,882
2006-2007	4,695,000	9,440,076
2007-2008	4,480,000	9,276,640
2008-2009	4,640,000	9,087,795
2009-2014	26,615,000	41,983,755
2014-2019	33,645,000	34,487,934
2019-2024	43,810,000	24,397,857
2024-2029	35,660,000	14,216,928
2029-2034	34,795,000	5,556,706
2034-2038	4,280,000	107,000
Total	\$ 199,500,000	\$ 167,858,113

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 10: Long-Term Debt (Continued)

d. Defeasance of Bonds

During the current fiscal year, the Agency issued two bond issues (Housing Financing - \$60,980,000 and Economic Development Financing - \$40,595,000) to refund approximately \$13,425,000 in outstanding Agency debt and to provide the Agency with additional funds for projects. Amounts received from the refundings were used to purchase U.S. Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the various bond issues. As a result, the debt listed are considered defeased in substance and the liability for these has been removed from the Agency's long-term debt.

Issues defeased in current year:

	<u>Par Value Defeased</u>
Residential Project Area - Subordinated Tax Allocation Refunding Bonds, Issue of 1997	\$ 2,850,000
Amargosa Project Area - Tax Allocation Refunding Bonds, Issue of 1996	<u>10,575,000</u>
Total	<u><u>\$ 13,425,000</u></u>

The advance refunding resulted in an increase in total debt service payments of \$2,237,802 and created an economic gain (the difference between the present values of the debt service payments in the old and new debt) of \$801,759.

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 City's financial statements.

City of Lancaster
Notes to Financial Statements (Continued)

Note 10: Long-Term Debt (Continued)

At June 30, 2004, the following bond issues are considered defeased:

	<u>Original Amount</u>
Combined Redevelopment Project Areas:	
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
Residential Project Area:	
Tax Allocation Refunding Notes, Issue of 1992	13,800,000
Subordinated Tax Allocation Refunding Bonds, Issue of 1997	3,065,000
Central Business District Project Area:	
Tax Allocation Refunding Bonds, Issue of 1986	1,800,000
Amargosa Redevelopment Project Area:	
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
Project Area Number 5:	
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
Project Area Number 6:	
School District Tax Allocation Notes, Issue of 1991	3,250,000
Tax Allocation Refunding Bonds, Issue of 1993	14,100,000
	<u> </u>
Total	<u>\$ 212,865,000</u>

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

City of Lancaster
Notes to Financial Statements (Continued)

Note 11: Fund Equity

a. Reservation of Fund Balance

Special Purpose Reserves

Certain fund balance reserve accounts have been established in the following funds which represent available spendable resources restricted for a specified purpose:

General Fund:	
Reserved for advances to other funds	\$ 57,396,631
Reserved for inventory	27,611
Reserved for prepaid costs	<u>180,296</u>
Total	<u>\$ 57,604,538</u>
Capital Projects Fund:	
Reserved for advances to other funds	\$ 4,246,009
Reserved for loans receivable	3,723,017
Reserved for land held for resale	<u>25,342,869</u>
Total	<u>\$ 33,311,895</u>
Other Governmental Funds:	
Reserved for land held for resale	<u>\$ 1,151,664</u>

Reserved for advances to other funds in the General Fund above consisted of \$91,558,336 of interfund receivable less \$34,161,705 of deferred interest revenue.

b. Unreserved - Designation of Fund Balances

The City has established certain designations of fund balances to indicate tentative plans for financial resources utilization in the future fiscal years.

General Fund:	
Designated for legal claims	\$ 526,115
Designated for employee benefits	1,495,237
Designated for emergency repairs	9,107
Designated for building replacement	1,001,581
Designated for approved projects	700,000
Designated for City liabilities	<u>553,187</u>
Total	<u>\$ 4,285,227</u>
Special Revenue Fund:	
Designated for Antelope Valley Transit Authority - Proposition A Fund	<u>\$ 930,452</u>
Debt Service Funds:	
Designated for debt service - Lancaster Housing Authority	\$ 792,789
Designated for debt service - Lancaster Redevelopment Agency	<u>13,378,153</u>
Total	<u>\$ 14,170,942</u>

**City of Lancaster
Notes to Financial Statements (Continued)**

Note 11: Fund Equity (Continued)

c. Restatement of Net Assets and Fund Balances

Fund balances in the following funds had been restated for the following reasons:

General Fund:	
Prior year sale of land held for resale to Redevelopment Agency	\$ (300,925)
Reversal of prior year interest receivable	(163,602)
Correct prior year LLEBG grants receivable	(244,984)
To record Incurred but not reported losses at the beginning of the year	(420,994)
Correction of prior year expenditures	<u>(11,184)</u>
Total	<u>\$ (1,141,689)</u>
Capital Projects Fund:	
Lancaster Redevelopment Agency	
Correction of prior year expenditures	<u>\$ (16,557)</u>
Nonmajor Funds:	
Correction of prior year expenditures	<u>\$ (38,151)</u>
Total Restatement of Net Assets	<u>\$ 1,196,397</u>

IV. OTHER INFORMATION

Note 12: 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.

Funding Policy

Participants are required to contribute 7.000% 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 1.198% for miscellaneous employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

City of Lancaster
Notes to Financial Statements (Continued)

Note 12: Public Employees Retirement System (Defined Benefit Pension Plan) (Continued)

Annual Pension Cost

For 2004, the City's annual pension cost of \$853,557 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: a) 8.25% investment rate of return (net of administrative expenses), b) projected annual salary increases that vary by duration of service, c) inflation of 3.50%, d) payroll growth of 3.75%, and e) individual salary growth varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%. The actuarial value of PERS assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized a level percent of pay over a closed 20-year period.

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2002	\$ -	100 %	\$ -
6/30/2003	-	100 %	-
6/30/2004	853,557	100 %	-

Schedule of Funding Progress for PERS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded Liability (Excess Assets) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/2001	\$ 32,414,783	\$ 24,949,734	\$ (7,465,049)	129.9 %	\$ 10,108,131	(73.9) %
6/30/2002	31,248,036	28,222,824	(3,025,212)	110.7 %	10,480,320	(28.9) %
6/30/2003	32,662,930	34,612,748	1,949,818	94.4 %	11,051,178	17.6 %

Note 13: 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.

City of Lancaster
Notes to Financial Statements (Continued)

Note 13: Public Agency Retirement System (Defined Contribution Retirement Plan) (Continued)

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 9).

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 3% of gross earnings.

During the year, the City contributed \$309,070 (3% of current year 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, 2004 was \$11,051,150. The total payroll for the year was \$12,581,513.

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.

Note 14: Other Post-Employment Employee Benefits

The City provides certain post-employment health care benefits. Specifically, the City provides health insurance for its retired employees according to the Personnel Rules and Regulations. The expenditure is accounted for within the general government funds and is funded on a pay-as-you-go (cash) basis. The total post-employment health insurance expenditures for the fiscal year 2003-2004 were \$21,486. There are currently 11 participants receiving benefits.

Note 15: Stadium Operating Lease

The City of Lancaster leases the Lancaster Municipal Stadium to Clutch Play Baseball 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.

Note 16: Joint Ventures

Antelope Valley Transit Authority

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.

City of Lancaster
Notes to Financial Statements (Continued)

Note 16: Joint Ventures (Continued)

As of June 30, 2003 (latest information available), Antelope Valley Transit Authority's financial position was as follows:

Assets	<u>\$ 26,865,669</u>
Liabilities	\$ 4,026,675
Fund Equity	<u>22,838,994</u>
Total Liabilities and Fund Equity	<u>\$ 26,865,669</u>
Revenues	\$ 19,513,445
Expenses	(10,716,452)
Return of Member Contingency Reserve	<u>(199,047)</u>
Changes in Fund Equity	<u>\$ 8,597,946</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 17: 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 the State Compensation Insurance Fund, with statutory limit coverage. The City also maintained property coverage including earthquake and flood.

At June 30, 2004, \$508,572 has been accrued for general liability claims in the general fund. 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, 2004 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 2003 and 2004 were as follows:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2002-2003	\$ 671,307	\$ 42,840	\$ (293,153)	\$ 420,994
2003-2004	420,994	652,242	(564,664)	508,572

City of Lancaster
Notes to Financial Statements (Continued)

Note 17: Risk Management (Continued)

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 18: 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.





CITY OF LANCASTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue Funds		
	Gas Tax	Roberti Zberg	Parks Development
Assets:			
Pooled cash and investments	\$ 775,192	\$ -	\$ -
Receivables:			
Accounts	-	-	-
Notes	-	-	-
Deferred loans	-	-	-
Deposits	-	-	-
Due from other governments	209,126	-	-
Land held for resale	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 984,318	\$ -	\$ -
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	657,979	248,889
Deferred revenues	-	-	-
Advances from other funds	-	-	-
Deposits payable	-	-	-
Due to other governments	-	-	-
Total Liabilities	-	657,979	248,889
Fund Balances:			
Reserved:			
Reserved for land held for resale	-	-	-
Unreserved:			
Designated for Antelope Valley Transit Authority	-	-	-
Undesignated	984,318	(657,979)	(248,889)
Total Fund Balances	984,318	(657,979)	(248,889)
Total Liabilities and Fund Balances	\$ 984,318	\$ -	\$ -

Special Revenue Funds					
Housing and Community Development	Transportation Development Authority	Bikeway Improvement	Proposition A	Sewer Frontage	Developer Fees
\$ 1,437,620	\$ 3,003,674	\$ -	\$ 2,169,789	\$ 102,924	\$ 8,163,381
-	-	-	-	-	332,086
-	-	-	-	-	-
111,079	-	-	-	-	-
-	-	-	-	-	-
8,101	431,578	-	-	-	-
1,151,664	-	-	-	-	-
-	-	-	-	-	-
\$ 2,708,464	\$ 3,435,252	\$ -	\$ 2,169,789	\$ 102,924	\$ 8,495,467
\$ 1,891	\$ -	\$ -	\$ 128,036	\$ -	\$ -
-	-	149,481	-	-	-
1,601,328	-	-	-	-	332,086
-	-	-	-	-	-
-	-	250	(54,167)	-	-
-	-	-	-	-	-
1,603,219	-	149,731	73,869	-	332,086
1,151,664	-	-	-	-	-
-	-	-	930,452	-	-
(46,419)	3,435,252	(149,731)	1,165,468	102,924	8,163,381
1,105,245	3,435,252	(149,731)	2,095,920	102,924	8,163,381
\$ 2,708,464	\$ 3,435,252	\$ -	\$ 2,169,789	\$ 102,924	\$ 8,495,467

CITY OF LANCASTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue Funds		
	Community Services	Traffic Impact Fees	Operations Impact Fees
Assets:			
Pooled cash and investments	\$ 254,445	\$ 2,055,418	\$ 3,096,037
Receivables:			
Accounts	-	210,494	24,275
Notes	-	-	-
Deferred loans	-	-	-
Deposits	-	-	-
Due from other governments	-	-	-
Land held for resale	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 254,445	\$ 2,265,912	\$ 3,120,312
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 72,086	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenues	-	210,494	24,275
Advances from other funds	-	4,246,009	-
Deposits payable	99	-	-
Due to other governments	-	-	-
Total Liabilities	72,185	4,456,503	24,275
Fund Balances:			
Reserved:			
Reserved for land held for resale	-	-	-
Unreserved:			
Designated for Antelope Valley Transit Authority	-	-	-
Undesignated	182,260	(2,190,591)	3,096,037
Total Fund Balances	182,260	(2,190,591)	3,096,037
Total Liabilities and Fund Balances	\$ 254,445	\$ 2,265,912	\$ 3,120,312

Special Revenue Funds					
Landscape Maintenance District	Lighting District	Drainage Maintenance District	Integrated Financing District	Proposition C	Vegetative Management
\$ 1,252,266	\$ 854,437	\$ 1,841,047	\$ 800	\$ 608,142	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,702	117,255	18,348	-	-	-
-	-	-	-	-	-
\$ 1,273,968	\$ 971,692	\$ 1,859,395	\$ 800	\$ 608,142	\$ -
\$ 53,150	\$ 162,606	\$ 40,367	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
53,150	162,606	40,367	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,220,818	809,086	1,819,028	800	608,142	-
1,220,818	809,086	1,819,028	800	608,142	-
\$ 1,273,968	\$ 971,692	\$ 1,859,395	\$ 800	\$ 608,142	\$ -

CITY OF LANCASTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue Funds		
	Air Quality Management	Lancaster Housing Authority	Lancaster Home Program
Assets:			
Pooled cash and investments	\$ 91,592	\$ 69,318	\$ 31,636
Receivables:			
Accounts	-	47,157	-
Notes	-	-	5,298,360
Deferred loans	-	-	-
Deposits	-	400	-
Due from other governments	-	-	611,350
Land held for resale	-	-	-
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 91,592	\$ 116,875	\$ 5,941,346
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 443	\$ -	\$ 611,350
Due to other funds	-	-	-
Deferred revenues	-	-	-
Advances from other funds	-	-	-
Deposits payable	-	-	-
Due to other governments	-	-	5,298,360
Total Liabilities	443	-	5,909,710
Fund Balances:			
Reserved:			
Reserved for land held for resale	-	-	-
Unreserved:			
Designated for Antelope Valley Transit Authority	-	-	-
Undesignated	91,149	116,875	31,636
Total Fund Balances	91,149	116,875	31,636
Total Liabilities and Fund Balances	\$ 91,592	\$ 116,875	\$ 5,941,346

Special Revenue Funds					
C.O.P.S Grant	Local Law Enforcement Block Grant	EDA Grant	TEA 21	CCA Fairgrounds Construction	State Park Bond
\$ 1,500	\$ -	\$ -	\$ -	\$ -	\$ 18,606
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	575,419	649,759	342,935	-
-	-	-	-	-	-
<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 575,419</u>	<u>\$ 649,759</u>	<u>\$ 342,935</u>	<u>\$ 18,606</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	8,420	282,384	649,759	1,700,573	-
-	-	575,419	484,664	342,935	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>8,420</u>	<u>857,803</u>	<u>1,134,423</u>	<u>2,043,508</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,500</u>	<u>(8,420)</u>	<u>(282,384)</u>	<u>(484,664)</u>	<u>(1,700,573)</u>	<u>18,606</u>
<u>1,500</u>	<u>(8,420)</u>	<u>(282,384)</u>	<u>(484,664)</u>	<u>(1,700,573)</u>	<u>18,606</u>
<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 575,419</u>	<u>\$ 649,759</u>	<u>\$ 342,935</u>	<u>\$ 18,606</u>

CITY OF LANCASTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue Funds	
	Federal, State County Park Grant	EDI Grant
Assets:		
Pooled cash and investments	\$ -	\$ 740,000
Receivables:		
Accounts	-	-
Notes	-	-
Deferred loans	-	-
Deposits	-	-
Due from other governments	-	-
Land held for resale	-	-
Restricted assets:		
Cash and investments with fiscal agents	-	-
Total Assets	\$ -	\$ 740,000
 Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ -	\$ -
Due to other funds	740,000	-
Deferred revenues	-	-
Advances from other funds	-	-
Deposits payable	-	-
Due to other governments	-	-
Total Liabilities	740,000	-
 Fund Balances:		
Reserved:		
Reserved for land held for resale	-	-
Unreserved:		
Designated for Antelope Valley Transit Authority	-	-
Undesignated	(740,000)	740,000
Total Fund Balances	(740,000)	740,000
 Total Liabilities and Fund Balances	\$ -	\$ 740,000

<u>Capital Projects Funds</u> <u>Community Facilities District 91-1</u>	<u>Debt Service Funds</u> <u>Lancaster Housing Authority</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 26,567,824
-	-	614,012
-	-	5,298,360
-	-	111,079
-	-	400
-	-	2,985,573
-	-	1,151,664
<u>1,028,077</u>	<u>803,790</u>	<u>1,831,867</u>
<u>\$ 1,028,077</u>	<u>\$ 803,790</u>	<u>\$ 38,560,779</u>
\$ -	\$ -	\$ 1,069,929
-	11,001	4,448,486
-	-	3,571,201
-	-	4,246,009
-	-	(53,818)
-	-	5,298,360
<u>-</u>	<u>11,001</u>	<u>18,580,167</u>
-	-	1,151,664
-	-	930,452
<u>1,028,077</u>	<u>792,789</u>	<u>17,898,496</u>
<u>1,028,077</u>	<u>792,789</u>	<u>19,980,612</u>
<u>\$ 1,028,077</u>	<u>\$ 803,790</u>	<u>\$ 38,560,779</u>

CITY OF LANCASTER

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

	Special Revenue Funds		
	Gas Tax	Roberti Zberg	Parks Development
Revenues:			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental	2,387,307	-	160,221
Charges for services	29,098	-	1,424,198
Use of money and property	-	-	1,871
Miscellaneous	-	-	-
	2,416,405	-	1,586,290
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Housing	-	-	-
Community development	-	-	-
Public works	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,416,405	-	1,586,290
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(2,608,333)	(333,127)	(2,202,100)
Notes and loans issued	-	-	-
	-	-	-
Total Other Financing Sources (Uses)	(2,608,333)	(333,127)	(2,202,100)
Net Change in Fund Balances	(191,928)	(333,127)	(615,810)
Fund Balances, Beginning of Year, as Originally Reported	1,176,246	(324,852)	366,921
Restatements	-	-	-
Fund Balances, Beginning of Year, as Restated	1,176,246	(324,852)	366,921
Fund Balances, End of Year	\$ 984,318	\$ (657,979)	\$ (248,889)

Special Revenue Funds

<u>Housing and Community Development</u>	<u>Transportation Development Authority</u>	<u>Bikeway Improvement</u>	<u>Proposition A</u>	<u>Sewer Frontage</u>	<u>Developer Fees</u>
\$ -	\$ -	\$ -	\$ -	\$ 37,515	\$ 5,883,011
170,841	4,078,298	59,927	1,707,504	-	-
-	-	-	-	-	-
-	35,897	-	29,523	-	59,498
-	-	244	161,409	-	40,442
170,841	4,114,195	60,171	1,898,436	37,515	5,982,951
28,693	-	-	1,810,495	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
120,000	-	-	-	-	-
225,101	-	-	-	-	-
373,794	-	-	1,810,495	-	-
(202,953)	4,114,195	60,171	87,941	37,515	5,982,951
-	-	-	-	-	-
(2,747,047)	(4,499,820)	(183,528)	(911,323)	(53,985)	(2,051,109)
2,950,000	-	-	-	-	-
202,953	(4,499,820)	(183,528)	(911,323)	(53,985)	(2,051,109)
-	(385,625)	(123,357)	(823,382)	(16,470)	3,931,842
1,105,245	3,820,877	(26,374)	2,919,302	119,394	4,231,539
-	-	-	-	-	-
1,105,245	3,820,877	(26,374)	2,919,302	119,394	4,231,539
\$ 1,105,245	\$ 3,435,252	\$ (149,731)	\$ 2,095,920	\$ 102,924	\$ 8,163,381

CITY OF LANCASTER

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

	<u>Special Revenue Funds</u>		
	<u>Community Services</u>	<u>Traffic Impact Fees</u>	<u>Operations Impact Fees</u>
Revenues:			
Licenses and permits	\$ -	\$ 2,466,791	\$ 2,750,264
Intergovernmental	-	-	-
Charges for services	-	-	-
Use of money and property	-	17,322	18,109
Miscellaneous	181,598	19,081	-
	<u>181,598</u>	<u>2,503,194</u>	<u>2,768,373</u>
Total Revenues	181,598	2,503,194	2,768,373
Expenditures:			
Current:			
General government	161,857	-	-
Public safety	-	-	-
Housing	-	-	-
Community development	104,599	-	-
Public works	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
	<u>266,456</u>	<u>-</u>	<u>-</u>
Total Expenditures	266,456	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(84,858)</u>	<u>2,503,194</u>	<u>2,768,373</u>
Other Financing Sources (Uses):			
Transfers in	200,000	-	-
Transfers out	-	(496,359)	(532,789)
Notes and loans issued	-	-	-
	<u>200,000</u>	<u>(496,359)</u>	<u>(532,789)</u>
Total Other Financing Sources (Uses)	200,000	(496,359)	(532,789)
Net Change in Fund Balances	<u>115,142</u>	<u>2,006,835</u>	<u>2,235,584</u>
Fund Balances, Beginning of Year, as Originally Reported	67,118	(4,197,426)	860,453
Restatements	-	-	-
Fund Balances, Beginning of Year, as Restated	<u>67,118</u>	<u>(4,197,426)</u>	<u>860,453</u>
Fund Balances, End of Year	\$ 182,260	\$ (2,190,591)	\$ 3,096,037

Special Revenue Funds					
Landscape Maintenance District	Lighting District	Drainage Maintenance District	Integrated Financing District	Proposition C	Vegetative Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,453,520	-
1,012,581	2,743,702	882,722	-	-	-
6,222	(399)	17,111	-	151	582
178,440	-	-	-	-	-
1,197,243	2,743,303	899,833	-	1,453,671	582
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
230,371	1,826,272	320,166	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
230,371	1,826,272	320,166	-	-	-
966,872	917,031	579,667	-	1,453,671	582
-	-	-	-	-	-
(228,578)	(34,617)	(883,652)	-	(476,871)	(72,444)
-	-	-	-	-	-
(228,578)	(34,617)	(883,652)	-	(476,871)	(72,444)
738,294	882,414	(303,985)	-	976,800	(71,862)
482,524	(73,328)	2,123,013	800	(368,658)	71,862
-	-	-	-	-	-
482,524	(73,328)	2,123,013	800	(368,658)	71,862
\$ 1,220,818	\$ 809,086	\$ 1,819,028	\$ 800	\$ 608,142	\$ -

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	Special Revenue Funds		
	Air Quality Management	Lancaster Housing Authority	Lancaster Home Program
Revenues:			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental	50,000	-	1,679,061
Charges for services	-	-	-
Use of money and property	783	1,451,961	170,099
Miscellaneous	-	-	-
Total Revenues	50,783	1,451,961	1,849,160
Expenditures:			
Current:			
General government	21,812	-	-
Public safety	-	-	-
Housing	-	799,220	1,830,407
Community development	-	-	-
Public works	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	21,812	799,220	1,830,407
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,971	652,741	18,753
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	-	(764,469)	-
Notes and loans issued	-	-	-
Total Other Financing Sources (Uses)	-	(764,469)	-
Net Change in Fund Balances	28,971	(111,728)	18,753
Fund Balances, Beginning of Year, as Originally Reported	62,178	228,603	12,883
Restatements	-	-	-
Fund Balances, Beginning of Year, as Restated	62,178	228,603	12,883
Fund Balances, End of Year	\$ 91,149	\$ 116,875	\$ 31,636

Special Revenue Funds					
C.O.P.S Grant	Local Law Enforcement Block Grant	EDA Grant	TEA 21	CCA Fairgrounds Construction	State Park Bond
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
187,843	208,921	118,765	4,629,469	1,855,738	-
-	-	-	-	-	-
994	347	-	-	-	-
-	-	-	-	-	-
188,837	209,268	118,765	4,629,469	1,855,738	-
-	-	-	-	-	-
14,997	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
14,997	-	-	-	-	-
173,840	209,268	118,765	4,629,469	1,855,738	-
-	-	-	-	-	-
(173,363)	(304,257)	(497,618)	(871,360)	(1,712,617)	(6,270)
-	-	-	-	-	-
(173,363)	(304,257)	(497,618)	(871,360)	(1,712,617)	(6,270)
477	(94,989)	(378,853)	3,758,109	143,121	(6,270)
1,023	139,720	81,469	(4,242,773)	(1,843,694)	24,876
-	(53,151)	15,000	-	-	-
1,023	86,569	96,469	(4,242,773)	(1,843,694)	24,876
\$ 1,500	\$ (8,420)	\$ (282,384)	\$ (484,664)	\$ (1,700,573)	\$ 18,606

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	<u>Special Revenue Funds</u>	
	<u>Federal, State County Park Grant</u>	<u>EDI Grant</u>
Revenues:		
Licenses and permits	\$ -	\$ -
Intergovernmental	-	740,000
Charges for services	-	-
Use of money and property	-	-
Miscellaneous	-	-
	<hr/>	<hr/>
Total Revenues	-	740,000
	<hr/>	<hr/>
Expenditures:		
Current:		
General government	-	-
Public safety	-	-
Housing	-	-
Community development	-	-
Public works	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
	<hr/>	<hr/>
Total Expenditures	-	-
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	740,000
	<hr/>	<hr/>
Other Financing Sources (Uses):		
Transfers in	76,733	443,282
Transfers out	-	-
Notes and loans issued	-	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	76,733	443,282
	<hr/>	<hr/>
Net Change in Fund Balances	76,733	1,183,282
	<hr/>	<hr/>
Fund Balances, Beginning of Year, as Originally Reported	(816,733)	(443,282)
	<hr/>	<hr/>
Restatements	-	-
	<hr/>	<hr/>
Fund Balances, Beginning of Year, as Restated	(816,733)	(443,282)
	<hr/>	<hr/>
Fund Balances, End of Year	\$ (740,000)	\$ 740,000
	<hr/>	<hr/>

<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	
<u>Community Facilities District 91-1</u>	<u>Lancaster Housing Authority</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 11,137,581
-	-	19,487,415
-	-	6,092,301
5,642	35,097	1,850,810
-	-	581,214
<u>5,642</u>	<u>35,097</u>	<u>39,149,321</u>
-	-	2,022,857
-	-	14,997
-	-	2,629,627
-	-	104,599
-	-	2,376,809
-	260,000	380,000
-	425,581	650,682
-	<u>685,581</u>	<u>8,179,571</u>
<u>5,642</u>	<u>(650,484)</u>	<u>30,969,750</u>
-	764,469	1,484,484
-	-	(22,645,636)
-	-	2,950,000
-	<u>764,469</u>	<u>(18,211,152)</u>
<u>5,642</u>	<u>113,985</u>	<u>12,758,598</u>
1,022,435	678,804	7,260,165
-	-	(38,151)
<u>1,022,435</u>	<u>678,804</u>	<u>7,222,014</u>
<u>\$ 1,028,077</u>	<u>\$ 792,789</u>	<u>\$ 19,980,612</u>

CITY OF LANCASTER

Schedule 3a

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,176,246	\$ 1,176,246	\$ 1,176,246	\$ -
Resources (Inflows):				
Intergovernmental	2,180,000	2,462,000	2,387,307	(74,693)
Charges for services	-	-	29,098	29,098
Use of money and property	10,000	10,000	-	(10,000)
Amounts Available for Appropriation	3,366,246	3,648,246	3,592,651	(55,595)
Charges to Appropriation (Outflow):				
Transfers to other funds	3,694,899	3,521,300	2,608,333	912,967
Total Charges to Appropriations	3,694,899	3,521,300	2,608,333	912,967
Budgetary Fund Balance, June 30	\$ (328,653)	\$ 126,946	\$ 984,318	\$ 857,372

CITY OF LANCASTER

Schedule 3b

BUDGETARY COMPARISON SCHEDULE
 ROBERTI ZBERG
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (324,852)	\$ (324,852)	\$ (324,852)	\$ -
Resources (Inflows):				
Intergovernmental	385,517	718,127	-	(718,127)
Amounts Available for Appropriation	60,665	393,275	(324,852)	(718,127)
Charges to Appropriation (Outflow):				
Transfers to other funds	-	316,159	333,127	(16,968)
Total Charges to Appropriations	-	316,159	333,127	(16,968)
Budgetary Fund Balance, June 30	\$ 60,665	\$ 77,116	\$ (657,979)	\$ (735,095)

CITY OF LANCASTER

Schedule 3c

BUDGETARY COMPARISON SCHEDULES
PARKS DEVELOPMENT
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 366,921	\$ 366,921	\$ 366,921	\$ -
Resources (Inflows):				
Intergovernmental	313,581	1,053,581	160,221	(893,360)
Charges for services	500,000	1,100,000	1,424,198	324,198
Use of money and property	-	-	1,871	1,871
Amounts Available for Appropriation	1,180,502	2,520,502	1,953,211	(567,291)
Charges to Appropriation (Outflow):				
Transfers to other funds	2,819,581	2,258,136	2,202,100	56,036
Total Charges to Appropriations	2,819,581	2,258,136	2,202,100	56,036
Budgetary Fund Balance, June 30	\$ (1,639,079)	\$ 262,366	\$ (248,889)	\$ (511,255)

CITY OF LANCASTER

Schedule 3d

BUDGETARY COMPARISON SCHEDULE
HOUSING AND COMMUNITY DEVELOPMENT
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,105,245	\$ 1,105,245	1,105,245	\$ -
Resources (Inflows):				
Intergovernmental	1,667,280	2,164,062	170,841	(1,993,221)
Notes and loans issued	-	-	2,950,000	2,950,000
Amounts Available for Appropriation	2,772,525	3,269,307	4,226,086	956,779
Charges to Appropriation (Outflow):				
General government	-	-	28,693	(28,693)
Community development	440,597	-	-	-
Debt service:				
Principal	-	-	120,000	(120,000)
Interest and fiscal charges	-	-	225,101	(225,101)
Transfers to other funds	1,484,973	1,384,973	2,747,047	(1,362,074)
Total Charges to Appropriations	1,925,570	1,384,973	3,120,841	(1,735,868)
Budgetary Fund Balance, June 30	\$ 846,955	\$ 1,884,334	\$ 1,105,245	\$ (779,089)

CITY OF LANCASTER

Schedule 3e

**BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION DEVELOPMENT AUTHORITY
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,820,877	\$ 3,820,877	\$ 3,820,877	\$ -
Resources (Inflows):				
Intergovernmental	3,582,970	10,216,166	4,078,298	(6,137,868)
Use of money and property	65,000	65,000	35,897	(29,103)
Amounts Available for Appropriation	7,468,847	14,102,043	7,935,072	(6,166,971)
Charges to Appropriation (Outflow):				
Transfers to other funds	14,450,800	14,152,316	4,499,820	9,652,496
Total Charges to Appropriations	14,450,800	14,152,316	4,499,820	9,652,496
Budgetary Fund Balance, June 30	\$ (6,981,953)	\$ (50,273)	\$ 3,435,252	\$ 3,485,525

CITY OF LANCASTER

Schedule 3f

**BUDGETARY COMPARISON SCHEDULE
BIKEWAY IMPROVEMENT
YEAR ENDED JUNE 30, 2004**

	<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	\$ (26,374)	\$ (26,374)	\$ (26,374)	\$ -
Resources (Inflows):				
Intergovernmental	63,550	286,128	59,927	(226,201)
Use of money and property	500	500	-	(500)
Other	-	-	244	244
Amounts Available for Appropriation	<u>37,676</u>	<u>260,254</u>	<u>33,797</u>	<u>(226,457)</u>
Charges to Appropriation (Outflow):				
Transfers to other funds	293,318	213,400	183,528	29,872
Total Charges to Appropriations	<u>293,318</u>	<u>213,400</u>	<u>183,528</u>	<u>29,872</u>
Budgetary Fund Balance, June 30	<u><u>\$ (255,642)</u></u>	<u><u>\$ 46,854</u></u>	<u><u>\$ (149,731)</u></u>	<u><u>\$ (196,585)</u></u>

CITY OF LANCASTER

Schedule 3g

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION A
YEAR ENDED JUNE 30, 2004**

	<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	\$ 2,919,302	\$ 2,919,302	\$ 2,919,302	\$ -
Resources (Inflows):				
Intergovernmental	1,701,641	1,733,512	1,707,504	(26,008)
Use of money and property	59,927	59,927	29,523	(30,404)
Other	-	-	161,409	161,409
Amounts Available for Appropriation	4,680,870	4,712,741	4,817,738	104,997
Charges to Appropriation (Outflow):				
General government	1,260,226	1,265,226	1,810,495	(545,269)
Transfers to other funds	2,255,538	2,432,029	911,323	1,520,706
Total Charges to Appropriations	3,515,764	3,697,255	2,721,818	975,437
Budgetary Fund Balance, June 30	\$ 1,165,106	\$ 1,015,486	\$ 2,095,920	\$ 1,080,434

CITY OF LANCASTER

Schedule 3h

BUDGETARY COMPARISON SCHEDULE
SEWER FRONTAGE
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 119,394	\$ 119,394	\$ 119,394	\$ -
Resources (Inflows):				
Licenses and permits	-	-	37,515	37,515
Amounts Available for Appropriation	119,394	119,394	156,909	37,515
Charges to Appropriation (Outflow):				
Transfers to other funds	60,000	60,000	53,985	6,015
Total Charges to Appropriations	60,000	60,000	53,985	6,015
Budgetary Fund Balance, June 30	\$ 59,394	\$ 59,394	\$ 102,924	\$ 43,530

CITY OF LANCASTER

Schedule 3i

BUDGETARY COMPARISON SCHEDULE
DEVELOPER FEES
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,231,539	\$ 4,231,539	\$ 4,231,539	\$ -
Resources (Inflows):				
Licenses and permits	1,790,500	3,939,100	5,883,011	1,943,911
Use of money and property	-	-	59,498	59,498
Other	500	71,500	40,442	(31,058)
Amounts Available for Appropriation	6,022,539	8,242,139	10,214,490	1,972,351
Charges to Appropriation (Outflow):				
Transfers to other funds	4,687,521	7,766,291	2,051,109	5,715,182
Total Charges to Appropriations	4,687,521	7,766,291	2,051,109	5,715,182
Budgetary Fund Balance, June 30	\$ 1,335,018	\$ 475,848	\$ 8,163,381	\$ 7,687,533

CITY OF LANCASTER
BUDGET COMPARISON SCHEDULE
COMMUNITY SERVICES
YEAR ENDED JUNE 30, 2004

Schedule 3j

	<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	\$ 67,118	\$ 67,118	\$ 67,118	\$ -
Resources (Inflows):				
Other	5,000	5,000	181,598	176,598
Transfers from other funds	180,000	200,000	200,000	-
Amounts Available for Appropriation	<u>252,118</u>	<u>272,118</u>	<u>448,716</u>	<u>176,598</u>
Charges to Appropriation (Outflow):				
General government	180,000	-	161,857	(161,857)
Community development	-	-	104,599	(104,599)
Total Charges to Appropriations	<u>180,000</u>	<u>-</u>	<u>266,456</u>	<u>(266,456)</u>
Budgetary Fund Balance, June 30	<u>\$ 72,118</u>	<u>\$ 272,118</u>	<u>\$ 182,260</u>	<u>\$ (89,858)</u>

CITY OF LANCASTER

Schedule 3k

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC IMPACT FEES
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (4,197,426)	\$ (4,197,426)	\$ (4,197,426)	\$ -
Resources (Inflows):				
Licenses and permits	650,000	1,430,000	2,466,791	1,036,791
Use of money and property	-	-	17,322	17,322
Other	-	-	19,081	19,081
Amounts Available for Appropriation	(3,547,426)	(2,767,426)	(1,694,232)	1,073,194
Charges to Appropriation (Outflow):				
Transfers to other funds	1,248,352	3,047,139	496,359	2,550,780
Total Charges to Appropriations	1,248,352	3,047,139	496,359	2,550,780
Budgetary Fund Balance, June 30	\$ (4,795,778)	\$ (5,814,565)	\$ (2,190,591)	\$ 3,623,974

CITY OF LANCASTER

Schedule 3I

BUDGETARY COMPARISON SCHEDULE
 OPERATIONS IMPACT FEES
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 860,453	\$ 860,453	\$ 860,453	\$ -
Resources (Inflows):				
Licenses and permits	1,128,000	1,804,800	2,750,264	945,464
Use of money and property	-	-	18,109	18,109
Amounts Available for Appropriation	1,988,453	2,665,253	3,628,826	963,573
Charges to Appropriation (Outflow):				
Transfers to other funds	853,304	1,452,573	532,789	919,784
Total Charges to Appropriations	853,304	1,452,573	532,789	919,784
Budgetary Fund Balance, June 30	\$ 1,135,149	\$ 1,212,680	\$ 3,096,037	\$ 1,883,357

CITY OF LANCASTER

Schedule 3m

**BUDGETARY COMPARISON SCHEDULE
LANDSCAPE MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 482,524	\$ 482,524	\$ 482,524	\$ -
Resources (Inflows):				
Charges for services	865,000	1,000,000	1,012,581	12,581
Use of money and property	-	-	6,222	6,222
Other	-	-	178,440	178,440
Amounts Available for Appropriation	1,347,524	1,482,524	1,679,767	197,243
Charges to Appropriation (Outflow):				
Public works	450,000	928,600	230,371	698,229
Transfers to other funds	300,000	300,000	228,578	71,422
Total Charges to Appropriations	750,000	1,228,600	458,949	769,651
Budgetary Fund Balance, June 30	\$ 597,524	\$ 253,924	\$ 1,220,818	\$ 966,894

CITY OF LANCASTER

Schedule 3n

BUDGETARY COMPARISON SCHEDULE
 LIGHTING DISTRICT
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (73,328)	\$ (73,328)	\$ (73,328)	\$ -
Resources (Inflows):				
Taxes	-	2,240,000	2,582,617	342,617
Charges for services	2,240,000	-	161,085	161,085
Use of money and property	-	-	(399)	(399)
Amounts Available for Appropriation	2,166,672	2,166,672	2,669,975	503,303
Charges to Appropriation (Outflow):				
Public works	2,053,600	2,048,600	1,826,272	222,328
Transfers to other funds	15,000	20,000	34,617	(14,617)
Total Charges to Appropriations	2,068,600	2,068,600	1,860,889	207,711
Budgetary Fund Balance, June 30	\$ 98,072	\$ 98,072	\$ 809,086	\$ 711,014

CITY OF LANCASTER

Schedule 3o

BUDGETARY COMPARISON SCHEDULE
DRAINAGE MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,123,013	\$ 2,123,013	\$ 2,123,013	\$ -
Resources (Inflows):				
Charges for services	605,000	605,000	882,722	277,722
Investment income	-	-	17,111	17,111
Amounts Available for Appropriation	2,728,013	2,728,013	3,022,846	294,833
Charges to Appropriation (Outflow):				
Parks and recreation	475,000	632,000	320,166	311,834
Transfers to other funds	1,318,551	3,521,300	883,652	2,637,648
Total Charges to Appropriations	1,793,551	4,153,300	1,203,818	2,949,482
Budgetary Fund Balance, June 30	\$ 934,462	\$ (1,425,287)	\$ 1,819,028	\$ 3,244,315

CITY OF LANCASTER

Schedule 3p

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (368,658)	\$ (368,658)	\$ (368,658)	\$ -
Resources (Inflows):				
Intergovernmental	1,396,292	2,450,293	1,453,520	(996,773)
Investment income	50,000	50,000	151	(49,849)
Amounts Available for Appropriation	1,077,634	2,131,635	1,085,013	(1,046,622)
Charges to Appropriation (Outflow):				
Transfers to other funds	2,311,325	1,957,426	476,871	1,480,555
Total Charges to Appropriations	2,311,325	1,957,426	476,871	1,480,555
Budgetary Fund Balance, June 30	\$ (1,233,691)	\$ 174,209	\$ 608,142	\$ 433,933

CITY OF LANCASTER

Schedule 3q

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY MANAGEMENT
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 62,178	\$ 62,178	\$ 62,178	\$ -
Resources (Inflows):				
Intergovernmental	50,000	50,000	50,000	-
Investment income	-	-	783	783
Amounts Available for Appropriation	112,178	112,178	112,961	783
Charges to Appropriation (Outflow):				
General government	-	-	21,812	(21,812)
Transfers to other funds	-	150,000	-	150,000
Total Charges to Appropriations	-	150,000	21,812	128,188
Budgetary Fund Balance, June 30	\$ 112,178	\$ (37,822)	\$ 91,149	\$ 128,971

CITY OF LANCASTER

Schedule 3r

**BUDGETARY COMPARISON SCHEDULE
C.O.P.S. GRANT
YEAR ENDED JUNE 30, 2004**

	<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	\$ 1,023	\$ 1,023	\$ 1,023	\$ -
Resources (inflows):				
Intergovernmental	244,000	204,960	187,843	(17,117)
Investment income	-	-	994	994
Amounts Available for Appropriation	245,023	205,983	189,860	(16,123)
Charges to Appropriation (Outflow):				
Public safety	-	-	14,997	(14,997)
Transfers to other funds	-	-	173,363	(173,363)
Total Charges to Appropriations	-	-	188,360	(188,360)
Budgetary Fund Balance, June 30	\$ 245,023	\$ 205,983	\$ 1,500	\$ (204,483)

CITY OF LANCASTER

Schedule 3s

BUDGETARY COMPARISON SCHEDULE
 LOCAL LAW ENFORCEMENT BLOCK GRANT
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 86,569	\$ 86,569	\$ 86,569	\$ -
Resources (Inflows):				
Intergovernmental	285,748	208,921	208,921	-
Investment income	-	-	347	347
Amounts Available for Appropriation	372,317	295,490	295,837	347
Charges to Appropriation (Outflow):				
Transfers to other funds	585,808	-	304,257	(304,257)
Total Charges to Appropriations	585,808	-	304,257	(304,257)
Budgetary Fund Balance, June 30	\$ (213,491)	\$ 295,490	\$ (8,420)	\$ (303,910)

CITY OF LANCASTER

Schedule 3t

BUDGETARY COMPARISON SCHEDULE
 EDA GRANT
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 96,469	\$ 96,469	\$ 96,469	\$ -
Resources (Inflows):				
Intergovernmental	-	846,306	118,765	(727,541)
Amounts Available for Appropriation	96,469	942,775	215,234	(727,541)
Charges to Appropriation (Outflow):				
Transfers to other funds	954,475	-	497,618	(497,618)
Total Charges to Appropriations	954,475	-	497,618	(497,618)
Budgetary Fund Balance, June 30	\$ (858,006)	\$ 942,775	\$ (282,384)	\$ (1,225,159)

CITY OF LANCASTER

Schedule 3u

BUDGETARY COMPARISON SCHEDULE
TEA 21
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (4,242,773)	\$ (4,242,773)	\$ (4,242,773)	\$ -
Resources (Inflows):				
Intergovernmental	-	4,873,773	4,629,469	(244,304)
Amounts Available for Appropriation	(4,242,773)	631,000	386,696	(244,304)
Charges to Appropriation (Outflow):				
Transfers to other funds	-	-	871,360	(871,360)
Total Charges to Appropriations	-	-	871,360	(871,360)
Budgetary Fund Balance, June 30	\$ (4,242,773)	\$ 631,000	\$ (484,664)	\$ (1,115,664)

CITY OF LANCASTER

Schedule 3v

BUDGETARY COMPARISON SCHEDULE
 CCA FAIRGROUNDS CONSTRUCTION
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (1,843,694)	\$ (1,843,694)	\$ (1,843,694)	\$ -
Resources (Inflows):				
Intergovernmental	-	3,554,093	1,855,738	(1,698,355)
Amounts Available for Appropriation	(1,843,694)	1,710,399	12,044	(1,698,355)
Charges to Appropriation (Outflow):				
Transfers to other funds	1,321,414	409,337	1,712,617	(1,303,280)
Total Charges to Appropriations	1,321,414	409,337	1,712,617	(1,303,280)
Budgetary Fund Balance, June 30	\$ (3,165,108)	\$ 1,301,062	\$ (1,700,573)	\$ (3,001,635)

CITY OF LANCASTER

Schedule 3w

**BUDGETARY COMPARISON SCHEDULE
STATE PARK BOND
YEAR ENDED JUNE 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 24,876	\$ 24,876	\$ 24,876	\$ -
Resources (Inflows):				
Intergovernmental	541,000	1,161,428	-	(1,161,428)
Transfers from other funds	-	76,733	-	(76,733)
Amounts Available for Appropriation	565,876	1,263,037	24,876	(1,238,161)
Charges to Appropriation (Outflow):				
Transfers to other funds	316,184	-	6,270	(6,270)
Total Charges to Appropriations	316,184	-	6,270	(6,270)
Budgetary Fund Balance, June 30	\$ 249,692	\$ 1,263,037	\$ 18,606	\$ (1,244,431)

CITY OF LANCASTER

Schedule 4a

BUDGETARY COMPARISON SCHEDULE
 CAPITAL OUTLAY
 YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 99,768	\$ 99,768	\$ 99,768	\$ -
Resources (Inflows):				
Transfers from other funds	-	37,903,704	19,619,458	(18,284,246)
Amounts Available for Appropriation	99,768	38,003,472	19,719,226	(18,284,246)
Charges to Appropriation (Outflow):				
Capital outlay	-	-	19,761,677	(19,761,677)
Total Charges to Appropriations	-	-	19,761,677	(19,761,677)
Budgetary Fund Balance, June 30	\$ 99,768	\$ 38,003,472	\$ (42,451)	\$(38,045,923)

CITY OF LANCASTER

Schedule 4b

BUDGETARY COMPARISON SCHEDULE
LANCASTER REDEVELOPMENT AGENCY
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (20,880,035)	\$ (20,880,035)	\$ (20,880,035)	\$ -
Resources (Inflows):				
Taxes	-	-	7,474,821	7,474,821
Use of money and property	-	-	684,937	684,937
Other	-	-	8,723,254	8,723,254
Refunding bonds issued	-	-	34,640,000	34,640,000
Amounts Available for Appropriation	(20,880,035)	(20,880,035)	30,642,977	51,523,012
Charges to Appropriation (Outflow):				
General government	-	-	3,273,961	(3,273,961)
Community development	-	-	289,382	(289,382)
Capital outlay	-	-	11,875,562	(11,875,562)
Debt service:				
Interest and fiscal charges	-	-	2,851,383	(2,851,383)
Pass-through agreement payments	-	-	960,257	(960,257)
Transfers to other funds	-	-	18,921,967	(18,921,967)
Total Charges to Appropriations	-	-	38,172,512	(38,172,512)
Budgetary Fund Balance, June 30	\$ (20,880,035)	\$ (20,880,035)	\$ (7,529,535)	\$ 13,350,500

CITY OF LANCASTER

Schedule 5

BUDGETARY COMPARISON SCHEDULE
LANCASTER REDEVELOPMENT AGENCY
YEAR ENDED JUNE 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,004,105	\$ 10,004,105	\$ 10,004,105	\$ -
Resources (Inflows):				
Taxes	-	-	4,674,039	4,674,039
Intergovernmental	-	-	3,778,273	3,778,273
Use of money and property	-	-	258,895	258,895
Transfers from other funds	-	-	18,921,967	18,921,967
Amounts Available for Appropriation	10,004,105	10,004,105	37,637,279	27,633,174
Charges to Appropriation (Outflow):				
General government	-	-	571,988	(571,988)
Debt service:				
Principal	-	-	2,175,000	(2,175,000)
Interest and fiscal charges	-	-	7,418,100	(7,418,100)
Refunding costs	-	-	239,901	(239,901)
Payment to refunded bond escrow	-	-	13,854,137	(13,854,137)
Total Charges to Appropriations	-	-	24,259,126	(24,259,126)
Budgetary Fund Balance, June 30	\$ 10,004,105	\$ 10,004,105	\$ 13,378,153	\$ 3,374,048

CITY OF LANCASTER
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2004

	<u>Assessment Districts</u>	<u>Agency</u>	<u>Community Facilities District 89-1</u>	<u>Community Facilities District 90-1</u>	<u>Community Facilities District 91-1</u>
Assets:					
Cash and investments	\$ 151,376	\$ 800,937	\$ 302,388	\$ 82,719	\$ -
Receivables (net of allowance for uncollectibles):					
Accounts	-	2,100	20,738	22,154	3,530
Restricted assets:					
Cash with fiscal agent	-	-	533,357	1,523,575	1,073,974
Total Assets	<u>\$ 151,376</u>	<u>\$ 803,037</u>	<u>\$ 856,483</u>	<u>\$ 1,628,448</u>	<u>\$ 1,077,504</u>
Liabilities:					
Accounts payable	\$ -	\$ 11,929	\$ 22,979	\$ -	\$ 61,498
Deposits	-	791,108	-	-	-
Amounts collected on behalf of bondholders	151,376	-	833,504	1,628,448	1,016,006
Total Liabilities	<u>\$ 151,376</u>	<u>\$ 803,037</u>	<u>\$ 856,483</u>	<u>\$ 1,628,448</u>	<u>\$ 1,077,504</u>

Schedule 6

<u>Community Facilities District 91-2</u>	<u>Assessment District 92-101</u>	<u>Assessment District 93-3</u>	<u>Totals</u>
\$ 789,853	\$ 32,021	\$ 74,732	\$ 2,234,026
61,498	4,016	5,584	119,620
<u>1,284,858</u>	<u>297,942</u>	<u>2,101</u>	<u>4,715,807</u>
<u>\$ 2,136,209</u>	<u>\$ 333,979</u>	<u>\$ 82,417</u>	<u>\$ 7,069,453</u>
\$ -	\$ -	\$ 14,977	\$ 111,383
-	-	-	791,108
<u>2,136,209</u>	<u>333,979</u>	<u>67,440</u>	<u>6,166,962</u>
<u>\$ 2,136,209</u>	<u>\$ 333,979</u>	<u>\$ 82,417</u>	<u>\$ 7,069,453</u>

CITY OF LANCASTER

Schedule 7

Page 1 of 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2004</u>
<u>Assessment Districts</u>				
Assets:				
Cash and investments	\$ 149,765	\$ 1,611	\$ -	\$ 151,376
Total Assets	\$ 149,765	\$ 1,611	\$ -	\$ 151,376
Liabilities:				
Amounts collected on behalf of bondholders	\$ 149,765	\$ 1,611	\$ -	\$ 151,376
Total Liabilities	\$ 149,765	\$ 1,611	\$ -	\$ 151,376
<u>Agency</u>				
Assets:				
Cash and investments	\$ 1,092,758	\$ -	\$ 291,821	\$ 800,937
Accounts receivables	2,520	-	420	2,100
Total Assets	\$ 1,095,278	\$ -	\$ 292,241	\$ 803,037
Liabilities:				
Accounts payable	\$ 739	\$ 11,190	\$ -	\$ 11,929
Deposits	1,094,539	-	303,431	791,108
Total Liabilities	\$ 1,095,278	\$ 11,190	\$ 303,431	\$ 803,037
<u>Community Facilities District 89-1</u>				
Assets:				
Cash and investments	\$ 158,569	\$ 143,819	\$ -	\$ 302,388
Cash and investments with fiscal agent	189,925	343,432	-	533,357
Accounts receivable	-	20,738	-	20,738
Total Assets	\$ 348,494	\$ 507,989	\$ -	\$ 856,483
Liabilities:				
Accounts payable	\$ 2,750	\$ 20,229	\$ -	\$ 22,979
Amounts collected on behalf of bondholders	345,744	487,760	-	833,504
Total Liabilities	\$ 348,494	\$ 507,989	\$ -	\$ 856,483
<u>Community Facilities District 90-1</u>				
Assets:				
Cash and investments	\$ 830,891	\$ -	\$ 748,172	\$ 82,719
Cash and investments with fiscal agent	794,157	729,418	-	1,523,575
Accounts receivable	-	22,154	-	22,154
Total Assets	\$ 1,625,048	\$ 751,572	\$ 748,172	\$ 1,628,448
Liabilities:				
Accounts payable	\$ 2,000	\$ -	\$ 2,000	\$ -
Amounts collected on behalf of bondholders	1,623,048	5,400	-	1,628,448
Total Liabilities	\$ 1,625,048	\$ 5,400	\$ 2,000	\$ 1,628,448

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2004</u>
<u>Community Facilities District 91-1</u>				
Assets:				
Cash and investments	\$ 486,797	\$ -	\$ 486,797	\$ -
Cash and investments with fiscal agent	565,205	508,769	-	1,073,974
Accounts receivable	-	3,530	-	3,530
Total Assets	\$ 1,052,002	\$ 512,299	\$ 486,797	\$ 1,077,504
Liabilities:				
Accounts payable	\$ 2,000	\$ 59,498	\$ -	\$ 61,498
Amounts collected on behalf of bondholders	1,050,002	-	33,996	1,016,006
Total Liabilities	\$ 1,052,002	\$ 59,498	\$ 33,996	\$ 1,077,504
<u>Community Facilities District 91-2</u>				
Assets:				
Cash and investments	\$ 1,239,526	\$ -	\$ 449,673	\$ 789,853
Cash and investments with fiscal agent	840,899	443,959	-	1,284,858
Accounts receivables	-	61,498	-	61,498
Total Assets	\$ 2,080,425	\$ 505,457	\$ 449,673	\$ 2,136,209
Liabilities:				
Accounts payable	\$ 2,000	\$ -	\$ 2,000	\$ -
Amounts collected on behalf of bondholders	2,078,425	57,784	-	2,136,209
Total Liabilities	\$ 2,080,425	\$ 57,784	\$ 2,000	\$ 2,136,209
<u>Assessment District 92-101</u>				
Assets:				
Cash and investments	\$ 356,002	\$ -	\$ 323,981	\$ 32,021
Cash and investments with fiscal agent	225,470	72,472	-	297,942
Accounts receivable	-	4,016	-	4,016
Total Assets	\$ 581,472	\$ 76,488	\$ 323,981	\$ 333,979
Liabilities:				
Accounts payable	\$ 2,322	\$ -	\$ 2,322	\$ -
Amounts collected on behalf of bondholders	579,150	-	245,171	333,979
Total Liabilities	\$ 581,472	\$ -	\$ 247,493	\$ 333,979
<u>Assessment District 93-3</u>				
Assets:				
Cash and investments	\$ 318,215	\$ -	\$ 243,483	\$ 74,732
Cash and investments with fiscal agent	2,818	-	717	2,101
Accounts receivable	-	5,584	-	5,584
Total Assets	\$ 321,033	\$ 5,584	\$ 244,200	\$ 82,417
Liabilities:				
Accounts payable	\$ -	\$ 14,977	\$ -	\$ 14,977
Amounts collected on behalf of bondholders	321,033	-	253,593	67,440
Total Liabilities	\$ 321,033	\$ 14,977	\$ 253,593	\$ 82,417

CITY OF LANCASTER

Schedule 7

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**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2004</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 4,632,523	\$ 145,430	\$ 2,543,927	\$ 2,234,026
Cash and investments with fiscal agent	2,618,474	2,098,050	717	4,715,807
Accounts receivable	2,520	117,520	420	119,620
Accrued interest receivables	-	-	-	-
Total Assets	<u>\$ 7,253,517</u>	<u>\$ 2,361,000</u>	<u>\$ 2,545,064</u>	<u>\$ 7,069,453</u>
Liabilities:				
Accounts payable	\$ 11,811	\$ 105,894	\$ 6,322	\$ 111,383
Deposits	1,094,539	-	303,431	791,108
Amounts collected on behalf of bondholders	6,147,167	552,555	532,760	6,166,962
Total Liabilities	<u>\$ 7,253,517</u>	<u>\$ 658,449</u>	<u>\$ 842,513</u>	<u>\$ 7,069,453</u>



CITY OF LANCASTER

General Governmental Expenditures by Function⁽¹⁾

Ten Years Ended June 30, 2004

<u>Fiscal Year</u>	<u>General Government</u>	<u>Community Development</u>	<u>Public Works</u>	<u>Cultural and Recreational</u>	<u>Housing</u>
1994-1995	\$ 9,426,792	\$ 907,787	\$ 7,405,819	\$ 6,128,722	\$ 773,408
1995-1996	8,992,920	1,201,371	7,059,026	6,551,340	1,113,252
1996-1997	7,647,509	1,046,991	7,547,685	6,940,100	778,443
1997-1998	6,363,373	925,205	7,199,449	6,728,169	559,543
1998-1999	9,177,492	1,074,923	7,343,297	7,135,363	1,016,406
1999-2000	8,324,988	1,076,912	9,576,747	7,580,133	578,823
2000-2001	7,637,154	1,069,895	7,919,830	8,365,917	696,422
2001-2002	9,660,716	1,160,119	8,742,156	10,723,539	643,692
2002-2003	10,607,635	2,025,672	11,193,468	8,178,638	929,192
2003-2004	12,347,142	1,981,836	12,396,385	9,813,484	2,629,627

⁽¹⁾ Includes all Governmental Fund Type Expenditures

Source: City of Lancaster Finance Department

<u>Public Safety</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ 9,944,610	\$ 34,872,845	\$ 17,639,564	\$ 87,099,547
10,204,708	56,881,791	26,823,213	118,827,621
15,051,735	20,628,892	18,602,363	78,243,718
13,667,461	20,749,593	21,870,211	78,063,004
12,616,832	21,650,937	21,479,142	81,494,392
19,913,979	18,865,104	19,730,578	85,647,264
18,256,414	16,165,559	18,360,535	78,471,726
12,789,263	25,253,071	18,948,914	87,921,470
13,203,948	23,544,723	21,974,561	91,657,837
12,085,647	31,895,374	14,747,666	97,897,161

CITY OF LANCASTER

General Governmental Revenues by Source⁽¹⁾

Ten Years Ended June 30, 2004

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Inter-governmental</u>
1994-1995	24,640,294	4,170,323	384,558	7,830,327	19,374,301
1995-1996	24,666,339	1,949,269	323,151	13,524,143	18,999,066
1996-1997	24,165,570	3,218,254	391,390	8,267,365	22,124,999
1997-1998	23,192,401	5,269,610	338,418	5,582,732	21,958,132
1998-1999	24,023,330	5,404,540	848,929	10,075,111	25,094,138
1999-2000	26,322,794	4,868,360	995,976	6,727,484	31,931,475
2000-2001	27,796,903	5,739,195	1,161,592	6,125,222	27,832,471
2001-2002	29,362,273	6,264,777	1,148,340	5,714,990	26,104,631
2002-2003	31,948,826	8,938,538	1,476,522	5,928,661	36,674,061
2003-2004	36,793,307	19,819,171	1,060,855	2,929,109	31,112,509

⁽¹⁾ Includes all Governmental Fund Type Revenues

Source: City of Lancaster Finance Department

<u>Charges for Services</u>	<u>Other Revenue</u>	<u>Total</u>
4,505,126	3,106,501	64,011,430
4,605,370	4,878,418	68,945,756
5,399,871	1,512,398	65,079,847
2,230,390	4,960,000	63,531,683
1,946,440	5,635,120	73,027,608
2,324,956	3,366,468	76,537,513
3,504,440	3,456,913	75,616,736
4,238,458	1,667,435	74,500,904
4,634,100	2,444,533	92,045,241
7,252,368	11,062,256	110,029,575

CITY OF LANCASTER

General Governmental Tax Revenues by Source⁽¹⁾

Ten Years Ended June 30, 2004

<u>Fiscal Year</u>	<u>Sales Taxes</u>	<u>Property Taxes</u>	<u>Property Tax Increments</u>	<u>Franchises</u>	<u>Business Taxes</u>	<u>Lan-Cap⁽²⁾</u>
1994-1995	\$ 9,360,106	\$ 1,968,706	\$ 9,926,664	\$ 2,162,883	\$ 274,409	\$ -
1995-1996	9,661,755	2,325,230	9,306,036	2,173,206	256,892	-
1996-1997	9,805,464	2,354,173	8,416,764	2,190,513	231,076	-
1997-1998	9,959,619	2,423,954	7,228,622	2,184,590	197,339	-
1998-1999	10,643,357	2,372,569	7,198,879	2,263,082	268,549	-
1999-2000	12,557,173	2,354,859	7,381,846	2,483,480	234,855	-
2000-2001	12,709,015	2,349,633	8,270,520	2,701,614	330,123	-
2001-2002	12,905,456	2,376,368	9,214,969	3,112,759	318,956	-
2002-2003	13,819,915	2,395,158	10,701,872	3,129,084	325,723	-
2003-2004	16,157,657	2,473,957	12,148,860	3,324,743	385,141	223,300

(1) Includes all Governmental Fund Type Tax Revenues

(2) Program implemented 03/04

Source: City of Lancaster Finance Department

<u>Transient Occupancy Taxes</u>	<u>Property Transfer Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
\$ 724,309	\$ 137,890	\$ 85,327	\$ 24,640,294
705,772	156,166	81,282	24,666,339
898,510	197,426	71,645	24,165,570
947,205	178,572	72,500	23,192,401
973,557	207,659	95,678	24,023,330
1,022,630	211,593	76,358	26,322,794
1,107,312	240,055	88,631	27,796,903
1,025,256	325,603	82,906	29,362,273
1,092,648	398,455	85,971	31,948,826
1,214,219	751,838	113,592	36,793,306

CITY OF LANCASTER

Schedule of Property Tax Levies and Collections

Ten Years Ended June 30, 2004

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
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Note: The City of Lancaster neither levies nor collects ad valorem property taxes. The City was incorporated in 1977 as a no-property tax City. Due to special legislation approved in 1988, the City now receives a small percent of the 1% general tax levy. However, the major revenue source of the Lancaster Redevelopment Agency, a Component Unit of the City, is property tax increment revenues. Tax increments do not constitute a levy by the City or any other governmental agency.

CITY OF LANCASTER
Schedule of Assessed Valuation
Ten Years Ended June 30, 2004

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Percentage Increase (Decrease)</u>
1994-1995	\$ 4,731,101,468	0.20%
1995-1996	4,546,512,412	(3.90%)
1996-1997	4,450,708,670	(2.11%)
1997-1998	4,290,781,723	(3.59%)
1998-1999	4,258,346,787	(0.76%)
1999-2000	4,224,994,724	(0.78%)
2000-2001	4,394,525,333	4.01%
2001-2002	4,688,973,704	6.70%
2002-2003	5,048,812,570	7.67%
2003-2004	5,710,623,329	13.11%

Note: Since the Los Angeles County Assessor's Office assesses property at 100% of the actual value, the assessed value and the estimated actual value are the same.

Source: Los Angeles County Assessor's Office

CITY OF LANCASTER

Property Tax Rates - All Overlapping Governments

Ten Years Ended June 30, 2004

Fiscal Year	General	Los Angeles County	Elementary Schools	High Schools	Community College	Sanitation District	Water	Total
1994-1995	1.000000	0.001993	0.000000	0.000149	0.000000	0.003162	0.094155	1.099459
1995-1996	1.000000	0.001604	0.000000	0.000000	0.000000	0.000000	0.080013	1.081617
1996-1997	1.000000	0.001584	0.000000	0.000000	0.000000	0.000000	0.078989	1.080573
1997-1998	1.000000	0.001584	0.000000	0.000000	0.000000	0.000000	0.078989	1.080573
1998-1999	1.000000	0.001422	0.000000	0.000000	0.000000	0.000000	0.076384	1.077806
1999-2000	1.000000	0.001422	0.000000	0.000000	0.000000	0.000000	0.075834	1.077256
2000-2001	1.000000	0.001422	0.000000	0.000000	0.000000	0.000000	0.073844	1.075266
2001-2002	1.000000	0.001033	0.024109	0.026502	0.000000	0.000000	0.071384	1.123028
2002-2003	1.000000	0.001033	0.024109	0.026502	0.000000	0.000000	0.071384	1.123028
2003-2004	1.000000	0.000923	0.019889	0.025714	0.000000	0.000000	0.070540	1.117066

Note: Rates are expressed as dollars per \$100 of assessed valuation.

Source: Los Angeles County Tax Collector

CITY OF LANCASTER

**Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt per Capita**

Ten Years Ended June 30, 2004

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>
------------------------	-------------------	---------------------------	----------------------------------

Note: The City of Lancaster has no outstanding general obligation debt as of June 30, 2004, nor has it had general obligation debt during the last ten fiscal years. Therefore, no information is presented. This statistical table normally indicates the general obligation debt to be repaid through general property taxes, the ratios of net general bonded debt to the assessed value, and the net bonded debt per capita.

Source: City of Lancaster Finance Department

CITY OF LANCASTER

Computation of Legal Debt Margin

June 30, 2004

Total assessed value of all real and personal property	\$	5,710,623,329
Legal debt limit - 3.75% of total assessed valuation		214,148,375
Amount of debt applicable to limit		0
Legal debt margin		214,148,375
Percentage of legal debt authorized		0%

Sources: City of Lancaster Finance Department and Los Angeles County Assessor's Office

CITY OF LANCASTER

Schedule of Overlapping Debt

At June 30, 2004

2003-2004 Assessed Valuation: \$2,262,182,768 (after deducting \$3,448,440,561 redevelopment incremental valuation)

<u>Overlapping Bonded Debt</u>	<u>Gross Debt</u>	<u>Percentage of Gross Debt Applicable to City of Lancaster</u>	<u>Amount of Gross Debt Applicable to City of Lancaster</u>
Antelope Valley East Kern Water Agency	\$ 3,479,000	27.16%	\$ 944,957
Antelope Valley Union High School 2002 Ser A	49,165,000	21.64%	10,638,911
Eastside Union School District 1998 Ser A	5,837,548	21.31%	1,244,189
Eastside Union School District Ser 2002	5,320,000	21.31%	1,133,881
Eastside Union Elementary SD Ser 2003	3,637,823	21.31%	775,350
Lancaster Elementary School District 1999 Ser 99A	16,409,669	88.99%	14,602,998
Lancaster Elementary School District 1999 Ser 2001	11,360,262	88.99%	10,109,520
Los Angeles County Facilities 1987 Debt Service	23,470,000	0.34%	79,413
Westside Union School District 89 Ser C	5,945,000	22.00%	1,308,104
Westside Union School District 1998 Ser A	6,967,875	22.00%	1,533,172
Westside Union School District 2001 Ser A	6,800,718	22.00%	1,496,391
Westside Union School District 2002 Ser A	3,641,250	22.00%	801,200
Total Gross Overlapping Bonded Debt			<u>\$ 44,668,086</u>

Note: Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, non-bonded capital lease obligations, and certificates of participation.

Source: HdL Coren & Cone

CITY OF LANCASTER

Schedule of Property Value, Construction, and Deposits

Ten Years Ended June 30, 2004

<u>Fiscal Year</u>	<u>Property Value</u>	<u>Construction Value</u>	<u>Banks</u>	<u>Savings & Loans</u>	<u>Credit Unions</u>	<u>Total Deposits</u>
1994-1995	\$ 4,731,101	\$ 83,953	\$ 540,263	\$ 325,451	\$ 17,841	\$ 883,555
1995-1996	4,546,512	62,693	570,758	238,576	19,925	829,259
1996-1997	4,454,242	73,905	563,672	252,727	22,242	838,641
1997-1998	4,290,781	106,852	541,792	264,129	25,109	831,030
1998-1999	4,258,347	106,174	405,563	435,333	26,305	867,201
1999-2000	4,224,994	67,760	316,515	443,329	27,218	787,062
2000-2001	4,394,525	97,361	380,750	490,167	28,662	899,579
2001-2002	4,688,973	135,393	529,647	509,456	29,721	1,068,824
2002-2003	5,048,812	120,710	588,791	528,948	30,112	1,147,851
2003-2004	5,710,623	307,176	1,014,781	237,657	32,568	1,285,006

Note: All amounts expressed in thousands.

Sources: Property Value: Los Angeles County Assessor's Office
Construction Value: City of Lancaster, Building and Safety Department
Deposits: FDIC Offices and Deposits

CITY OF LANCASTER

Top Twenty-Five Secured Property Owners

Year Ended June 30, 2004

<u>Owner (Number of Parcels)</u>	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>
BPP Valley Central (12)	\$ 45,468,119	0.91%
Provident Affordable Housing California (5)	40,326,770	0.81%
Passco Lancaster LLC (23)	36,015,180	0.72%
Thrifty Payless Inc .(1)	30,464,300	0.61%
Lancaster Redevelopment Agency (619)	23,100,196	0.46%
Woodcreek Garden Apartments (6)	22,685,600	0.46%
Lexington Lancaster LLC (1)	19,865,362	0.40%
Lancaster Hospital Corporation (5)	17,360,786	0.35%
Antelope Pines Estates (4)	16,036,690	0.32%
Caritas Affiliated (6)	15,289,963	0.31%
Toys R Us Inc. (3)	14,470,710	0.29%
Frank A. & Sharon S. Visco (14)	14,182,150	0.29%
Cinema Properties Inc. (2)	13,936,309	0.28%
Kaiser Foundation Health Plan (3)	12,854,628	0.26%
Westwood Park Limited (1)	12,619,700	0.25%
Lees Lancaster Investments (6)	12,486,341	0.25%
Lancaster Baptist Church (5)	12,362,491	0.25%
Essex Ventures LLC (4)	11,170,801	0.22%
Southmark Equity Partners III Limited (1)	11,023,150	0.22%
Wood Lancaster No. 1 (8)	10,932,610	0.22%
Adelphia Communication of California II (1)	10,889,979	0.22%
Riva Park Development (3)	10,881,000	0.22%
Wal Mart Real Estate Business Trust (2)	10,828,319	0.22%
K. Hovnanian Forecast Homes Inc. (49)	10,497,363	0.21%
City of Lancaster (238)	10,408,014	0.21%

Source: Hdl Coren & Cone, Los Angeles County Assessor 2003-2004 Secured Tax Rolls

CITY OF LANCASTER

Principal Generators of Sales Tax Revenue

Year Ended June 30, 2004

Taxpayer	Type of Business
Advanced Truss Systems	Lumber/Building Materials
Albertsons	Grocery Store
Arco	Service Stations
Arco AM PM Mini Mart	Gasoline/Convenience Station
Cardlock Fuels	Petroleum Production
Chevron	Gasoline/Convenience Station
Consolidated Electrical Dist.	Plumbing/Electrical Supplies
Costco	Discount Membership Department Store
HW Hunter Dodge Chrysler Jeep	Auto Dealership
Harley Davidson	Boats/Motorcycles
Home Depot	Home Improvement Store
Johnson Ford	Auto Dealership
Kmart	Department Store
Lancaster Honda	Auto Dealership
Lancaster Madza Isuzu Subaru	Auto Dealership
Orco Construction Supply	Lumber/Building Materials
Petro Lock	Petroleum Production
Sierra Toyota Mitsubishi	Auto Dealership
Stater Bros.	Grocery Store
Stock Building Supply	Lumber/Building Materials
Target	Department Store
Texaco Starmart	Gasoline/Convenience Station
Wal-Mart	Department Store
Weston Builders Supply	Lumber/Building Materials
Young's RV Center	Recreational Vehicles

Taxpayers are listed in alphabetical order.

Due to confidentiality requirements, individual sales tax dollars are not disclosed.

Source: Hinderliter, de Llamas & Associates, California State Board of Equilization

CITY OF LANCASTER
Schedule of Building Permits by Type
Ten Years Ended June 30, 2004

Fiscal Year	Residential		Commercial		Industrial		Other		Totals	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
1994-1995	362	\$42,561,000	35	\$27,624,000	1	\$2,709,000	1,899	\$11,059,041	2,297	\$83,953,041
1995-1996	281	36,103,000	18	8,133,000	1	3,828,000	1,396	14,629,000	1,696	62,693,000
1996-1997	383	52,845,000	27	8,156,000	1	524,000	1,199	12,380,500	1,610	73,905,500
1997-1998	394	55,283,000	22	19,797,000	1	54,000	1,246	31,718,300	1,663	106,852,300
1998-1999	352	58,487,600	18	4,320,000	4	27,830,000	1,196	15,536,490	1,570	106,174,090
1999-2000	200	36,550,000	24	7,261,000	4	3,602,000	1,025	20,347,530	1,253	67,760,530
2000-2001	456	65,993,000	17	15,906,000	4	1,820,000	988	13,642,000	1,465	97,361,000
2001-2002	503	76,053,866	33	39,071,818	2	626,509	1,043	19,641,332	1,581	135,393,525
2002-2003	570	82,408,980	34	21,998,222	2	1,528,009	1,044	12,900,910	1,650	118,836,120
2003-2004	1,432	257,262,650	311	29,839,468	1	271,635	1,162	19,802,155	2,906	307,175,908

Source: City of Lancaster Department of Public Works, Building Division

CITY OF LANCASTER

Population by Year

Ten Years Ended June 30, 2004

<u>Fiscal Year</u>	<u>Population</u>	<u>% Increase Over Prior Year</u>
1994-1995	118,457	2.54%
1995-1996	121,023	2.17%
1996-1997	123,197	1.80%
1997-1998	127,136	3.20%
1998-1999	130,079	2.31%
1999-2000	132,402	1.79%
2000-2001	122,145	-7.75%
2001-2002	123,147	0.82%
2002-2003	126,052	2.36%
2003-2004	129,190	2.49%

Source: State of California, Department of Finance, excluding fiscal year 2000-2001.
United States Census Bureau for fiscal year 2000-2001

CITY OF LANCASTER

Miscellaneous Statistical Information

Date of Incorporation	November 22, 1977
Form of Government	Council-Manager
Area	94 square miles
Police Protection	Los Angeles County Sheriff's Department
Fire Protection	Los Angeles County Fire Protection District
Municipal Water	Los Angeles County Waterworks District #4
Library	Los Angeles County Library System
Education: Public Schools	18 Elementary 4 Intermediate 5 High School 1 Community College
Recreation and Parks	256 Acres of Parks 2 Swimming Pools 1 National Soccer Center 1 Municipal Baseball Stadium
Hospitals	2 General 3 Convalescent
Topography	High desert, approximate elevation - 2400'
Temperature	Mean 61 degrees

City Population by Age

Age	Population		Percent of Total Population		Percent Change
	1990	2000	1990	2000	
0-4	9,535	9,544	9.8%	8.0%	-1.8%
5-14	15,697	22,265	16.1%	18.8%	2.7%
15-19	6,559	10,209	6.7%	8.6%	1.9%
20-24	7,399	7,650	7.6%	6.4%	-1.2%
25-34	21,178	16,379	21.8%	13.8%	-8.0%
35-44	14,245	20,830	14.6%	17.5%	2.9%
45-54	8,556	13,763	8.8%	11.6%	2.8%
55-64	6,458	7,877	6.6%	6.6%	0.0%
65+	7,664	10,201	7.9%	8.6%	0.7%
Total	97,291	118,718	100%	100%	

City Population by Gender

Gender	1990		2000		Percent Change
	Population	Percent of Total	Population	Percent of Total	
Males	48,695	50.1%	60,257	50.8%	0.7%
Females	48,596	49.9%	58,461	49.2%	-0.7%
Total	97,291	100%	118,718	100%	

Source: 1990 and 2000 Census

City of Lancaster Approved Annexations

Year	Number of Annexations	Area of Annexation (Sq. Miles)	County Approv. Lots	County Approv. Dwelling Units
1986	1	0.01	0	0
1987	2	17.47	484	238
1988	9	9.55	322	0
1989	20	5.35	0	0
1990	16	3.25	0	0
1991-2002	0	0.00	0	0
Total	48	35.63	806	238

City Approved Subdivision in Areas Annexed After 1986

YEAR	Number of Approved TM'S	Number of Single Family Lots
1988	2	248
1989	7	832
1990	10	4,695
1991	7	1,885
1992-2002	0	0
Total	26	7,660

Housing Stock - 1990 and 2000

Unit Type	1990			2000			Growth	
	Number of Units	Percent of Total Units	Number of Units	Percent of Total Units	Number of Units	Percent Increase		
Single Family	23,427	64.1%	28,418	66%	4,991	21.3%		
Multi-Family (2-4 units)	2,368	6.5%	2,728	6%	360	15.2%		
Multi-Family (5+ units)	7,388	20.2%	7,534	18%	146	2.0%		
Mobile Homes	3,342	9.2%	4,247	10%	905	27.1%		
Total	36,525	100%	42,927	100%	6,402	17.5%		

Source: State Department of Finance Housing Units Projections, January 1, 2000.

CITY OF LANCASTER

Major Area Employers

June 30, 2004

<u>Employer</u>	<u>Employees</u>
Edwards Air Force Base/NASA Dryden	11,789
Lockheed Martin Co	4,600
Elementary School Districts	4,200
Los Angeles County	3,200
Antelope Valley Mall	2,000
Antelope Valley Hospital Medical Center (386 Beds)	2,000
Antelope Valley Union High School District	1,970
Walmart	1,900
Countrywide Home Loans Service Center	1,600
Northrop-Grumman	1,300
CA State Prison	1,255
Boeing North America	1,100
Rite Aid, Inc.	985
Antelope Valley College	866
Kaiser Permanente Medical Clinic	577
Lancaster Community Hospital (132 Beds)	560
Starwood Enterprises	400
Lance Campers Manufacturing	394
High Desert Medical Group	335
Deluxe Corporation	285
Antelope Valley Press	223
Michael's Distribution Center	220
Rexhall Industries	212

Source: Greater Antelope Valley Economic Alliance



Changing of the Guard

Lancaster City Hall Leadership Retires

This year, the City of Lancaster says goodbye to three men who have been instrumental in guiding its past and shaping its future. After more than two decades of service, City Manager Jim Gilley and Assistant City Manager Dennis Davenport are retiring. Also retiring is Gary Hill, Director of Finance, who has served the City for over eighteen years. Under their leadership, the whistle-stop on the way to Los Angeles has become a thriving community of almost 130,000.



Affordable housing, clean air, and clear blue skies attracted first-time homeowners to Lancaster. Under the leadership of Gilley, Davenport and Hill, the City also attracted jobs that allow more than 40,000 of them to work close to home, and has provided countless recreational and cultural options for families seeking to enjoy the time they save when they do not have a long commute.

The Lancaster Performing Arts Center, opened in 1991, offers music, drama and celebrity performers of a caliber that any City would be proud of. A favorite past-time since 1996 is JetHawks minor league baseball at Lancaster Municipal Stadium. With over 500 acres of parkland, there is now room to play, whether you're enjoying organized sports at the Lancaster National Soccer Center or Big 8 Softball Complex, or a nature hike through the Prime Desert Woodland Preserve. A new sheriff's station, six new fire stations and four overpasses, built under their leadership, make Lancaster a safe place to work or play.

This team of leaders has imbued the City with their commitment to redevelopment. Downtown Lancaster thrives today because these men encouraged the City's partnership with the Lancaster Old Town Site by building a new City Hall (1984) and Museum/Art Gallery as part of the new Antelope Valley Union High School District administration offices, reviving Lancaster Boulevard and transforming the downtown. A library, sheriff's station and fire station, as well as senior housing projects, were built downtown, and the North Downtown Transit Village Plan continues the progress. A major accomplishment of redevelopment is the Antelope Valley Fairgrounds. This year, the Fair opens in its new facility, while the old fairgrounds will be transformed into more park lands, affordable housing, retail and the beginnings of a four-year university.

The vision these three leaders shared will continue the progress long after they have retired. The City owes a debt of gratitude for all that they have done for us; and while we recognize the sweet sorrow of moving on, we are excited to travel the path they have paved for a new generation of leaders.



Gilley



Davenport



Hill