

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ending June 30, 2016





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

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**
For the Year Ended June 30, 2016

Prepared by the City of Lancaster, Finance Department
Pamela Statsmann, Acting Finance Director
Tammie Holladay, Treasury Manager
Christine Landis, Accounting Supervisor

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

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INTRODUCTORY SECTION



R. Rex Parris	Mayor
Marvin E. Crist	Vice Mayor
Ken Mann	Council Member
Angela E. Underwood-Jacobs	Council Member
Raj Malhi	Council Member
Mark V. Bozlgian	City Manager

December 31, 2016

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, 2016. This report was prepared by the City's Finance department; responsibility for the accuracy and completeness of the presentation, including all disclosures, rests with City staff. To provide a reasonable basis for making these representations, City of Lancaster management has established a comprehensive internal control framework which is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Lancaster's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

The cost of internal controls should not outweigh their benefits. As such, Lancaster's internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. This report includes the annual audit report of the City's independent auditors, White Nelson Diehl Evans LLC. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The CAFR is presented in five sections: Introductory section, Financial section, Basic Financial section, Notes to Financial Statements, and Supplemental Schedules. The Introductory section includes a table of contents, this transmittal letter, principal city officials, the City's organizational chart, GFOA award, and city boundary maps. The Financial section includes the report of the independent auditor and is immediately followed by management's discussion and analysis (MD&A). The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements; it also complements this letter of transmittal and should be read in conjunction with it. The Basic Financial section contains the government-wide basic financial statements, governmental funds financial statements, proprietary funds statements, and fiduciary funds statements. The Notes to Financial Statements section provides the reader additional information integral to the financial statements. The Supplemental Schedules provide statistical information regarding operational, economic, and historical data.

This CAFR includes all City funds, including the separate entities under the direction of the City Council. These separate entities include the Lancaster Successor Agency, Community Facilities District 89-1, Community Facilities District 90-1, Community Facilities District 91-1, Community Facilities District 91-2, Assessment District 92-101 and Assessment District 93-3. Additionally, contained in the governmental funds section are the component units of the Lancaster Housing Authority, Lancaster Community Services Foundation, Lancaster Public Financing Authority, and Lancaster Power Authority.

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

City of Lancaster Profile

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

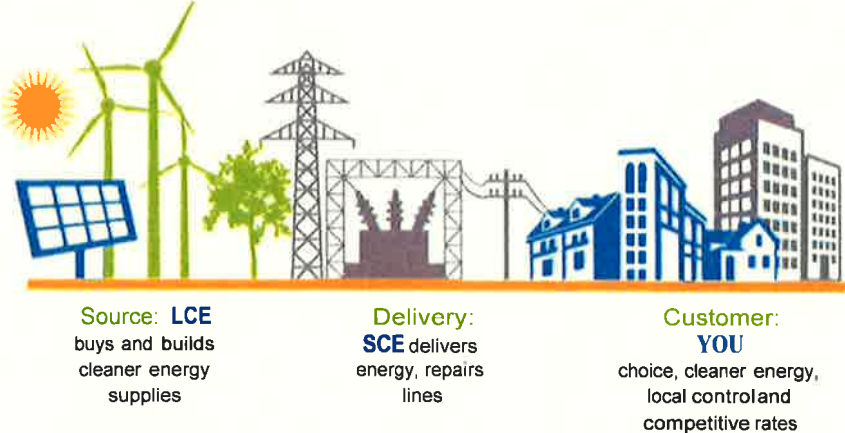
The City was incorporated on November 22, 1977. On April 13, 2010, voters approved Measure C, which granted the City its Charter City status. The Mayor and City Council are elected at large. Lancaster has grown significantly in size and diversity over the last 39 years. According to the 2010 Census, Lancaster's population was 156,633, an increase of nearly thirty- two percent over the 2000 Census total. The California Department of Finance estimates the City's 2015 population at 160,784.

As the twice-recognized "Most Business-Friendly City" by the Los Angeles County Economic Development Corporation, Lancaster understands that communities and families thrive when good jobs are created; and because many businesses can choose to locate those jobs anywhere, job creation depends on business-friendly practices. The City today attracts international, national and local companies from a diverse field of industries. Affordable housing prices attract families to our close-knit community. Even as Lancaster grows, we have retained a family-focused, hometown spirit. Thousands of visitors come to Lancaster in the spring to enjoy the beautiful poppy and wildflower fields among the world-famous Joshua trees. The film industry has captured the essence of the Antelope Valley in multitudes of movies, television shows, commercials, and music videos filmed here each year, bringing many additional visitors to patronize local hotels and retail establishments.

Economic Development Successes

Sustainable economic development is a top Council priority. With optimism and a bright vision of the City's future, Lancaster Choice Energy (LCE) launched as a new electric utility service in 2015. LCE has been providing electrical service to Lancaster residents for more than a year now. LCE currently serves more than 50,000 customers, and has a 93% participation rate.

Southern California Edison (SCE) continues to provide the City's customers with electricity delivery, power line maintenance, and billing services; however, LCE provides the electricity itself. LCE offers affordable rates and was the first utility to offer a 100% renewable energy product to Lancaster residents. These efforts have been significant in advancing Lancaster's goal to become the nation's first Zero Net Energy City.



Moving energy in-house provides the community with a twofold opportunity: the first – to orient electricity provision to meet the needs of residents and businesses; the second – to meet the City’s goal of increasing local energy efficiency. LCE offers customers the ability to choose between two products with varying levels of renewable energy content. The Clear Choice option (in which all customers are automatically enrolled) includes a 35% renewable energy content, while the Smart Choice option includes 100% renewable energy for a nominal flat rate cost of \$10 per month added to the residential customer billing.

LCE serves as a long-term, sustainable revenue source which benefits not only LCE customers, but the Lancaster community as a whole. LCE enables the City to create an energy generation portfolio, giving Lancaster the ability to determine the amount of renewable energy sources that will be used in its service area. This provides an opportunity to harness local sustainable resources, such as solar and wind power. As a result, the City will not only meet the State of California's requirement of using 33% renewable energy by 2020, but will surpass this goal and achieve Zero Net Energy status. These achievements have been quickly noticed; in April 2015, Lancaster was awarded the Green California Leadership Award in the category of "Renewable Energy" in recognition of Lancaster Choice Energy. In 2016, the US Environmental Protection Agency recognized Lancaster as the first Green Power Community in Southern California.

Job creation is another benefit of the LCE program. Lancaster can now build its own energy generation facilities, and contract directly for power. Such ventures provide local jobs in the construction and operation of these facilities.

Additional benefits with LCE are personalized customer service and enhanced City relationships with residents and businesses. Lancaster's City Council sets the energy rates, enabling LCE customers to have greater influence than previously. Customers with rate or other concerns can interact directly with the City Council, as opposed to the California Public Utilities Commission.

LCE service for municipal accounts and early enrollees began on May 1, 2015. LCE service for all other commercial, industrial, and residential accounts began on October 1, 2015. Over the first year of service, customers have saved more than \$680,000 on their electricity bills.

Streetlight Acquisition

Furthering the pursuit of energy efficiency and cost savings, the City has been working diligently with SCE to acquire Edison-owned streetlights. There are many benefits to Lancaster owning its own streetlights, including the ability to save money by maintaining the lights in-house. In fiscal year 2014-15, the City signed an agreement with SCE to purchase a total of approximately 18,000 streetlights. The California Public Utilities Commission (PUC) approved the purchase this year.

After approval by the PUC, City staff and SCE began to collaboratively inventory, tag, and transfer all 18,000 lights to be purchased--a process which is expected to be completed in the first quarter of 2017. Owning our streetlights has enabled the City to begin installing LED lighting, an upgrade SCE did not pursue. Additionally, as new technological advancements become available, Lancaster will be able to incorporate a number of cost decreasing, efficiency increasing, and safety enhancing elements into the streetlight system.

The completed transfer of streetlight ownership will result in the City saving approximately \$1.5 million annually. This savings will continue to grow as the streetlights are converted from inefficient high pressure sodium lights to "green" LED lights with a solar power system.

Zero Net Energy

With the numerous alternative and renewable energy efforts implemented by the City, along with collaborative ventures and independent projects pursued by shared-interest entities; the City of Lancaster will soon achieve Zero Net Energy status. Our City will, indeed, produce and procure more energy than it consumes as an entire community in the coming months.

We are able to see this vision come to fruition due to our diligent pursuit of opportunity and partnership. Through the bringing together of KB Home and Build Your Dreams, Inc. (BYD), Lancaster was the first city to offer affordable solar housing, which has now become the residential building standard in our community. Lancaster was the first city to mandate solar power generation in all new residential home construction. Lancaster is home to the nation's first BYD electric bus manufacturing plant, which also resulted in the world's premier electric bus manufacturer locating its energy storage battery development facility here.

On the horizon, we are looking forward to furthering our "green" energy endeavors with a number of local partners, including Antelope Valley Transit Authority, Antelope Valley Hospital, Antelope Valley College, Morton Manufacturing, and Antelope Valley Air Quality Management District, among others. We are only scratching the surface of what's to come and the incredible benefits our community will reap as Lancaster emerges as one of the nation's first Smart Cities.

Finances in the Future

Groundbreaking initiatives, such as those detailed above have positioned Lancaster favorably as the economy continues to recover from the 2008 Great Recession. Yet even as our major revenues gradually increase and new revenue sources are generated, we continue to manage our finances conservatively. We make every effort to seek alternative funding sources, such as grants, and manage department budgets at a level needed to provide quality services. The City has made a commitment to excellent customer service, public safety and long-term financial stability.

In order to ensure long-term financial stability, the City continues its long-standing practice of maintaining the City's general fund unallocated 10% operating reserve and unallocated financial stability reserve of approximately 10%, for a total reserve of approximately 20%.

Also in a safe and closely monitored condition is the City's status relative to Proposition 4, commonly known as the Gann initiative, which limits appropriations by a formula that is tied to the Consumer Price Index, population growth, and assessed value changes.

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 White Nelson Diehl Evans LLC. The auditor's opinion is included in this report.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lancaster for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. 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 thirty consecutive years. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we plan to submit the CAFR to the GFOA.

Acknowledgments

The preparation of this document is the result of the hard work of the entire Finance Department staff. Special recognition goes to Christine Landis, Accounting Supervisor, and Tammie Holladay, Treasury Manager, for their dedication. 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 engagement and support of the City's financial activities. The financial success of the City of Lancaster is directly attributable to the City Council's progressive and responsible manner of addressing the business of this municipality.

Respectfully,



Mark V. Bozigian
City Manager



Pam Statsmann
Acting Finance Director

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CITY OF LANCASTER

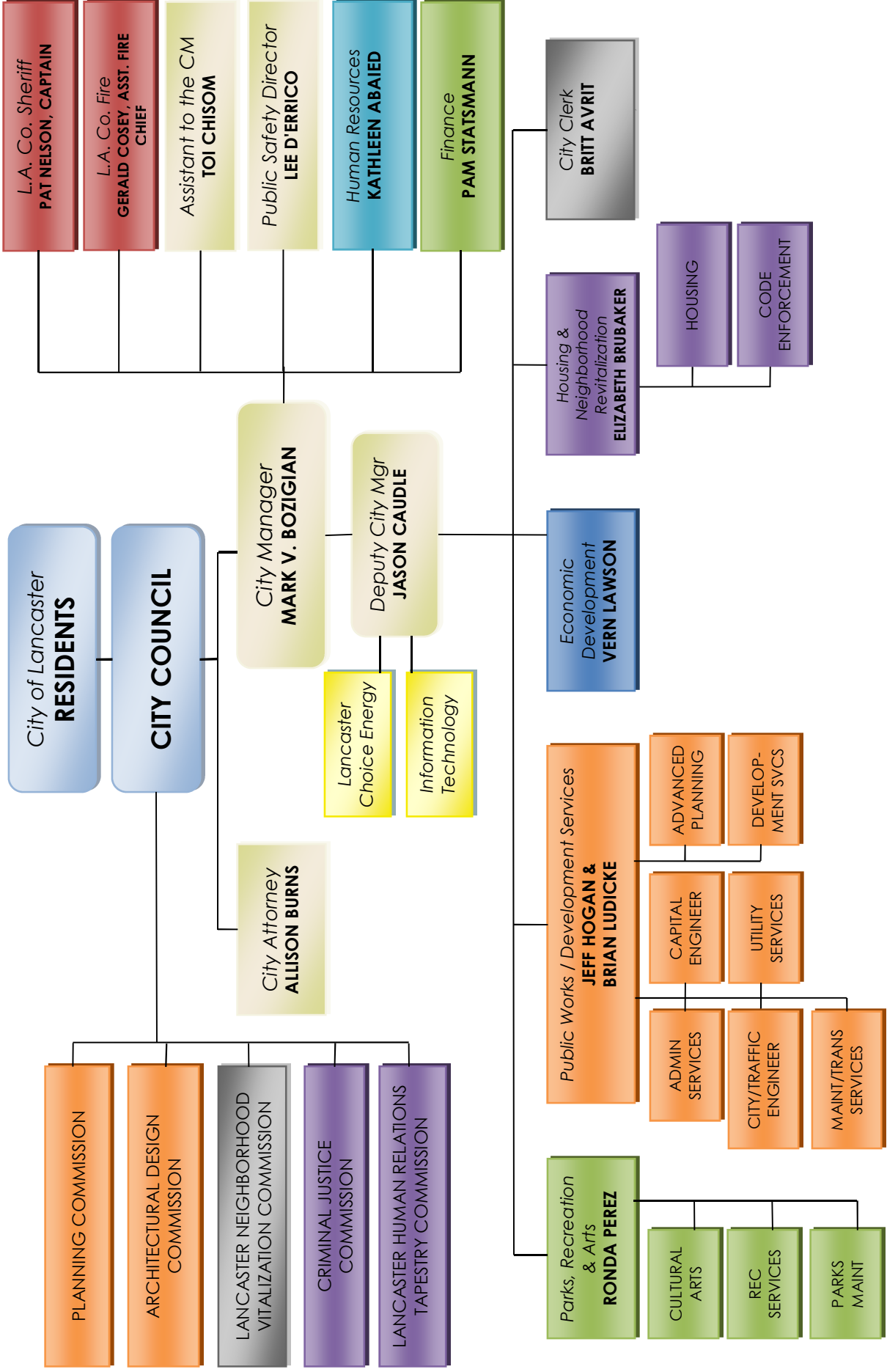
CITY COUNCIL MEMBERS

		<u>Term Expires</u>
R. Rex Parris	Mayor	2020
Marvin E. Crist	Vice Mayor	2018
Raj Malhi	Council Member	2018
Kenneth G. Mann	Council Member	2020
Angela Underwood-Jacobs	Council Member	2020

CITY OFFICIALS

Mark V. Bozigian	City Manager
Allison E. Burns	City Attorney
Jason D. Caudle	Deputy City Manager
Toi Chisom	Assistant to the City Manager
Pamela Statsmann	Acting Finance Director
Elizabeth A. Brubaker	Housing & Neighborhood Revitalization Director
Britt Avrit	City Clerk
Kathleen Abaied	Human Resources Manager
Vern Lawson	Economic Development Director
Brian S. Ludicke	Planning Director
Ronda Perez	Parks, Recreation and Arts Director
Jeff Hogan	Development Services Director
Lee D'Errico	Public Safety Director

*City of Lancaster
Fiscal Year 2016 Organization Chart*





Government Finance Officers Association

**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, 2015

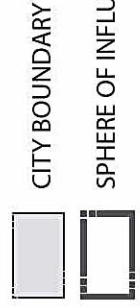
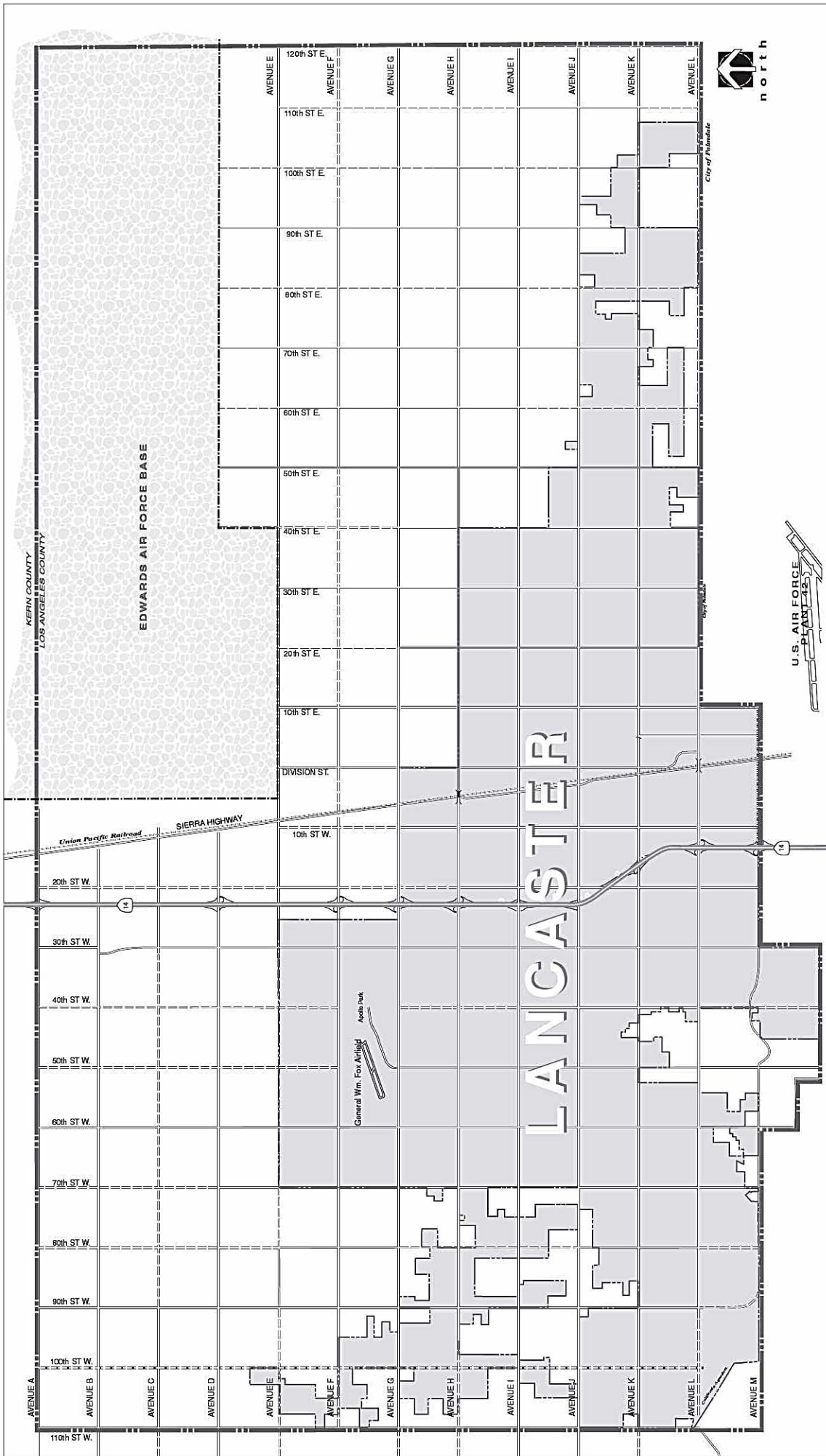
Executive Director/CEO

AV Economic Region



CITY OF LANCASTER

TOTAL INCORPORATED AREA: 94 SQUARE MILES



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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund, the HOME Program Special Revenue Fund and the Lancaster Housing Authority Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the net pension liability and related ratios and the schedules of contributions for the CalPERS and PARS pensions plans, and the schedule of funding progress - other post-employment benefits plan, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on it.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 29, 2016

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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, 2016. 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 \$127,953,449
- The cost of governmental activities was \$123,863,718
- The General Fund reported revenues and transfers-in in excess of expenditures and transfers-out of \$5,275,754
- For the General Fund, actual resources available for appropriation (revenue inflows and fund balance) was more than final budget by \$9,181,487; while actual appropriations (outflows) were less than the final budget by \$5,949,985.

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 position presents information on all of the City of Lancaster's assets, deferred outflows, liabilities, and deferred inflow of resources with the net difference reported as net position. 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

City of Lancaster Net Position (in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 246,263	\$ 236,060	\$ 9,429	\$ 2,113	\$ 255,692	\$ 238,173
Capital Assets	895,841	910,095	19,259	20,199	915,100	930,294
Total Assets	1,142,104	1,146,155	28,688	22,312	1,170,792	1,168,467
Total Deferred Outflows of Resources	4,399	3,799	-	-	4,399	3,799
Long Term Liabilities Outstanding	70,287	64,254	23,256	24,338	93,543	88,592
Other Liabilities	28,312	25,244	4,859	526	33,172	25,770
Total Liabilities	98,599	89,498	28,115	24,864	126,715	114,362
Total Deferred Inflows of Resources	3,001	6,757	-	-	3,001	6,757
Net Position						
Net Investment in Capital Assets	893,341	907,594	(1,175)	(1,318)	892,166	906,276
Restricted	148,498	156,832			148,498	156,832
Unrestricted	3,064	(10,727)	1,748	(1,234)	4,812	(11,961)
Total Net Position	\$ 1,044,903	\$ 1,053,699	\$ 573	\$ (2,552)	\$ 1,045,476	\$ 1,051,147

Governmental Activities. Governmental activities decreased the City of Lancaster's net position by \$8,795,699.

- Sales tax increased \$958,474 or 5.2% from the prior year.
- Property taxes increased \$2,397,437 or 14.2% from the prior year.
- Decrease in Net Position is primarily attributed to an increase in general government expenditures and a slower than normal collection rate on operating and capital grants.

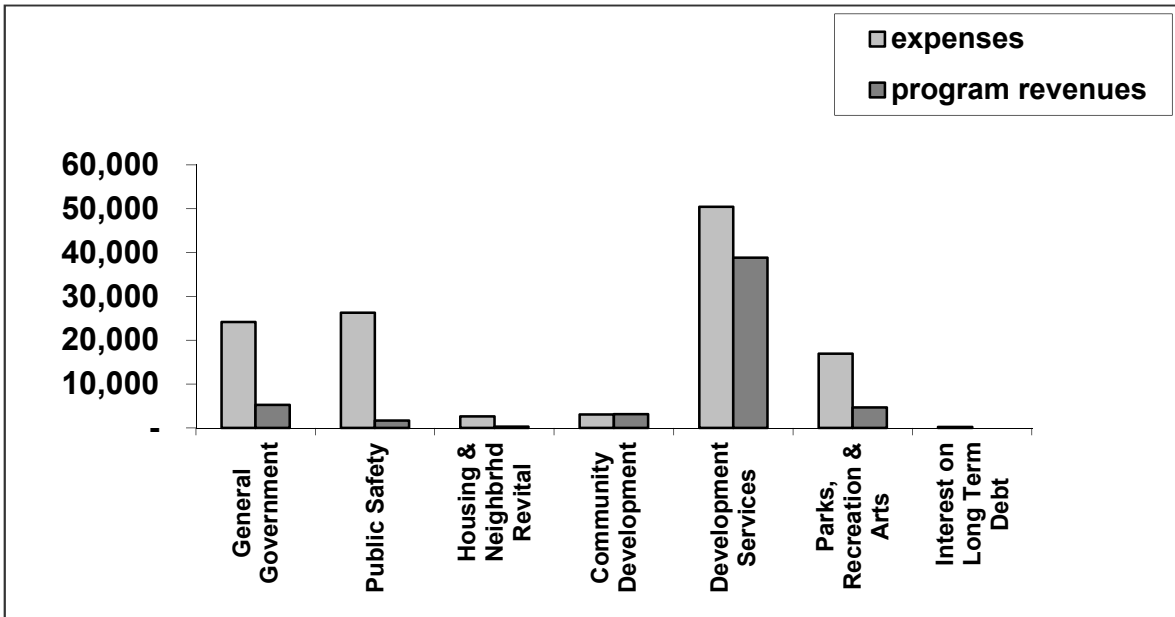
Business-Type Activities. Business-type activities increased the City of Lancaster's net position by \$3,124,397 due to the revenue generated by Lancaster Choice Energy.

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

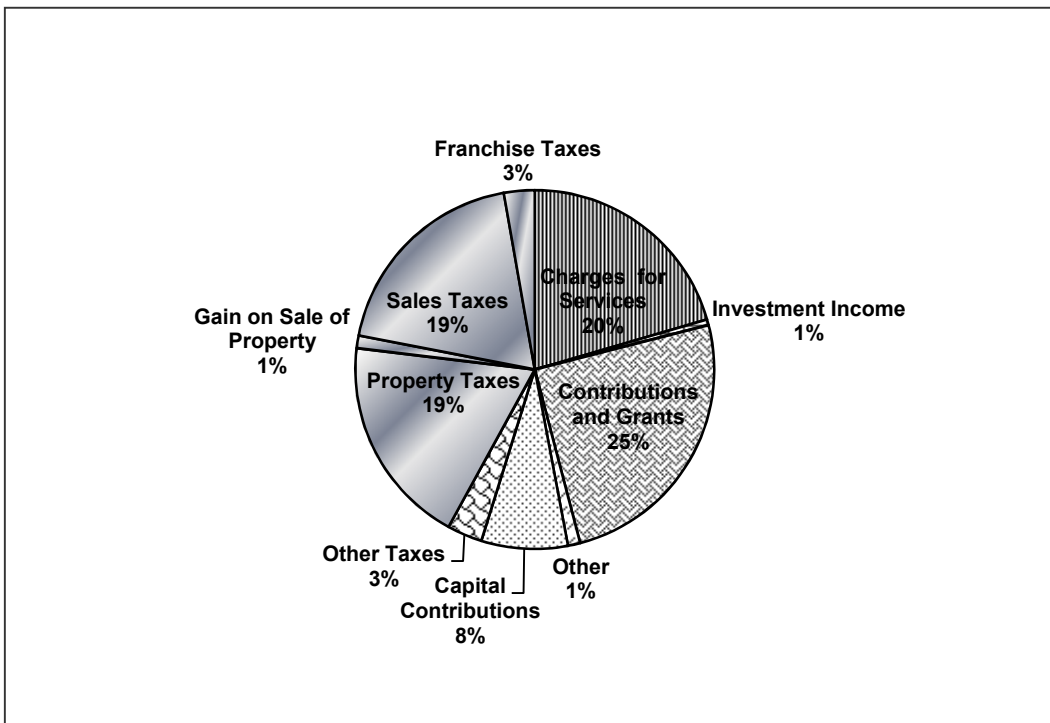
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 20,831	\$ 19,779	\$ 26,950	\$ 3,548	\$ 47,781	\$ 23,327
Operating contributions and grants	24,493	23,054	-	-	24,493	23,054
Capital contributions and grants	7,919	20,173	-	-	7,919	20,173
General revenues:						
Taxes:						
Property taxes	19,252	16,855	-	-	19,252	16,855
Sales taxes	19,499	18,540	-	-	19,499	18,540
Franchise taxes	2,822	2,776	-	-	2,822	2,776
Transient occupancy taxes	1,866	3,017	-	-	1,866	3,017
Other taxes	1,344	66	-	-	1,344	66
Investment income	533	332	6	2	539	334
Other	2,266	3,272	174	51	2,440	3,323
Total revenues	100,825	107,864	27,130	3,601	127,955	111,465
Expenses						
General Government	24,202	18,151	-	-	24,202	18,151
Public Safety	26,305	26,777	-	-	26,305	26,777
Community Development	3,076	3,206	-	-	3,076	3,206
Parks, Recreation and Arts	16,934	14,096	-	-	16,934	14,096
Development Services	50,458	54,735	-	-	50,458	54,735
Housing and Neighborhood Revitalization	2,672	4,342	-	-	2,672	4,342
Interest on long-term debt	217	181	-	-	217	181
Lancaster Power Authority	-	-	2,167	2,170	2,167	2,170
Lancaster Choice Energy	-	-	20,238	1,431	20,238	1,431
Total expenses	123,864	121,488	22,405	3,601	146,269	125,089
Transfers	1,600	800	(1,600)	(800)	-	-
Extraordinary Items	11,789	-	-	-	11,789	-
Total transfers and extraordinary items	13,389	800	(1,600)	(800)	11,789	-
Increase (decrease) in net position	\$ (9,651)	\$ (12,824)	\$ 3,125	\$ (800)	\$ (6,525)	\$ (13,624)
Beginning Net Position	1,054,554	1,067,378	(2,552)	(1,752)	1,052,002	1,065,626
Ending Net Position	\$1,044,903	\$1,054,554	\$ 573	\$ (2,552)	\$1,045,477	\$1,052,002

The City's total revenues are \$127,953,449 while the costs of all programs and services are \$146,268,845.

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



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



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

The following presents the cost of each of the City's five largest programs – general government, public safety, parks, recreation and arts, development services, and community development - 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.

	Total Cost of Services	Net Cost of Services
	2016	2016
General Government	\$ 24,202	\$(18,893)
Public Safety	26,305	(24,580)
Parks, Recreation and Arts	16,934	(12,230)
Development Services	50,458	(12,466)
Community Development	3,076	102
Totals	\$ 120,975	\$ (68,067)

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 \$196.1 million.

The General Fund is the chief operating fund of the City of Lancaster. At the end of the current fiscal year, including operating transfers, the General Fund reported revenues and transfers-in in excess of expenditures and transfers-out of \$5,275,754. This increase is due to rebounding revenues and diligent cost containment.

The HOME Program Fund is a special revenue fund used to capture activities performed under the U.S. Department of Housing and Urban Development (HUD)'s HOME Investment Partnerships Program. At the end of the fiscal year, the HOME Program Fund reported revenues in excess of expenditures in the amount of \$78,822.

The Lancaster Housing Authority Fund is a special revenue fund used to capture activities performed by the Lancaster Housing Authority. At the end of the current fiscal year, the Lancaster Housing Authority Fund reported expenditures and transfers-out in excess of revenues and transfer-in of \$1,556,835.

The Capital Projects Fund is a governmental fund used to record capital improvement project activities. Expenditures of this fund are funded by transfers in from other funds. In fiscal year 15/16, the Capital Projects Fund reported expenditures of \$16,853,158 and transfers in totaling \$16,896,750.

Proprietary Funds. The City of Lancaster’s proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail. The City of Lancaster has two funds of this type, Lancaster Power Authority and Lancaster Choice Energy.

The net position of the Lancaster Power Authority and Lancaster Choice Energy at the end of the year was \$572,736, an increase over last year of \$3,124,397. This is mainly due to the successful implementation of Lancaster Choice Energy, a community choice aggregation providing electricity to Lancaster residents.

General Fund Budgetary Highlights

The actual amounts of expenditures for the General Fund at year-end were \$5,206,339 less than the final budget before transfers. The budget to actual variance in appropriations was due to management's effort to control expenditures. Managers citywide diligently tracked division and department budgets to ensure overruns did not occur. Actual revenues were \$1,988,598 more than the final budget before transfers & the extraordinary item. This is mainly attributed to an increase in property and sales taxes.

Capital Asset and Debt Administration

Capital Assets. At the end of FY 2016, the City had \$915.1 million invested in a broad range of capital assets, including land, buildings, infrastructure, equipment, and intangible assets net of accumulated depreciation.

The City’s Capital Improvement Plan projects spending \$77.8 million through fiscal 2016-17 on new projects. Funding will come from current fund balances and projected revenues. The most significant projects include: 2017 Pavement Management Program, Revive 25; Avenue K and SR 14 Interchange; Avenue J and SR 14 Interchange; Avenue K-8, 5th St East to 7th St East Drainage Improvements; 2017 Traffic Signal Upgrades.

	Governmental Activities	Business-type Activities	Total Capital Assets
Land	\$ 21,851	\$ -	\$ 21,851
Structures and Improvements	46,665	-	46,665
Furniture and Equipment	4,037	-	4,037
Infrastructure	801,754	-	801,754
Construction in Progress	21,535	-	21,535
Intangible Assets	-	19,259	19,259
Net Capital Assets	<u>\$ 895,842</u>	<u>\$ 19,259</u>	<u>\$ 915,101</u>

Note 4 provides a detailed analysis of the Capital Assets.

Long-term Debt. At the end of the current fiscal year, the City of Lancaster’s total long term debt increased by \$1,098,445 or (2.0%) from the prior year. As of June 30, 2016, the City of Lancaster had accrued employee benefits outstanding of \$3,483,746.

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

**City of Lancaster
Long-term Debt
(in Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes Payable	\$ 2,377	\$ 2,767	\$ -	\$ -	\$ 2,377	\$ 2,767
Accrued Employee Benefits	3,484	3,400	-	-	3,484	3,400
Claims and Judgements	1,143	1,346	-	-	1,143	1,346
Renew able Energy Bonds	-	-	23,745	24,850	23,745	24,850
Unamortized Bond Discount	-	-	(489)	(512)	(489)	(512)
Settlement Agreement	2,200	-	-	-	2,200	-
Loans	1,130	1,232	-	-	1,130	1,232
Capital Leases	1,409	1,268	-	-	1,409	1,268
Total	<u>\$ 11,743</u>	<u>\$ 10,013</u>	<u>\$ 23,256</u>	<u>\$ 24,338</u>	<u>\$ 34,999</u>	<u>\$ 34,351</u>

Note 6 provides a detailed analysis of these Long Term Debt items.

Economic Factors and Next Year’s Budgets and Rates

On June 28, 2016, the City Council adopted & approved Lancaster’s first Biennial Financial Plan and Budget for fiscal years 16/17 and 17/18. Appropriations of \$175.8 million were adopted for fiscal year 16/17 and approved at \$155.3 million for the 17/18 year. Adequate resources are available to fund the proposed expenditures. Consistent with the City’s policy, General Fund operating revenues fully cover on-going operating expenses with Fund Balance funding one-time expenses. The ending General Fund balance meets the City’s policy minimum of 10% of operating expenditures.

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

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

The two largest sources of revenue for the City’s General Fund are sales tax, which represents 31.9% of all General Fund revenues, and property tax representing 29.8% of General Fund revenues for the upcoming fiscal year. The revenue and expenditure projections for development related activity are based upon local and regional economic forecasts and trends. Overall the budget is based on the information supplied by outside agencies, such as the State Department of Finance, State Board of Equalization, and the Los Angeles County Assessor’s Office, to predict revenues. The revenue and expenditure projections are intended to serve as a guide in planning for the future.

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

Contacting The City’s Financial Management

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

BASIC FINANCIAL STATEMENTS

CITY OF LANCASTER

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$ 71,401,457	\$ 2,494,655	\$ 73,896,112
Receivables:			
Accounts	4,365,289	6,339,264	10,704,553
Taxes	7,615,486	-	7,615,486
Accrued interest	161,266	-	161,266
Due from other governments	6,112,632	-	6,112,632
Notes and loans	26,080,113	-	26,080,113
Deposits	-	100,000	100,000
Prepaid items	438,224	155,400	593,624
Internal balances	1,874,600	(1,874,600)	-
Inventories	172,646	-	172,646
Land held for resale	54,412,979	-	54,412,979
Advances to Successor Agency	73,627,818	-	73,627,818
Restricted assets:			
Cash and investments	-	2,214,373	2,214,373
Capital assets:			
Non-depreciable	43,385,254	-	43,385,254
Depreciable	852,456,303	19,259,155	871,715,458
TOTAL ASSETS	1,142,104,067	28,688,247	1,170,792,314
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts on pension plan	4,398,457	-	4,398,457
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,398,457	-	4,398,457
LIABILITIES:			
Accounts payable	\$ 8,740,747	4,609,669	13,350,416
Accrued liabilities	1,806,834	20,563	1,827,397
Accrued interest	66,824	157,682	224,506
Unearned revenues	16,359,109	71,225	16,430,334
Deposits payable	1,338,086	-	1,338,086
Noncurrent liabilities:			
Net OPEB obligation	19,763,313	-	19,763,313
Net pension liability	38,780,626	-	38,780,626
Due within one year	3,034,933	1,140,000	4,174,933
Due in more than one year	8,708,167	22,116,372	30,824,539
TOTAL LIABILITIES	98,598,639	28,115,511	126,714,150
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts on pension plan	3,000,987	-	3,000,987
TOTAL DEFERRED INFLOWS OF RESOURCES	3,000,987	-	3,000,987
NET POSITION:			
Net investment in capital assets	893,340,891	(1,175,345)	892,165,546
Restricted for:			
Community development projects	2,895,833	-	2,895,833
Parks, recreation, and arts	2,035,655	-	2,035,655
Development services	43,734,643	-	43,734,643
Debt service	8,084	-	8,084
Housing and neighborhood revitalization	99,824,266	-	99,824,266
Unrestricted	3,063,526	1,748,081	4,811,607
TOTAL NET POSITION	\$ 1,044,902,898	\$ 572,736	\$ 1,045,475,634

See accompanying notes to financial statements.

CITY OF LANCASER

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 24,202,118	\$ 513,200	\$ 4,795,819	\$ -
Public safety	26,305,165	751,611	974,035	-
Community development	3,075,464	496,533	2,680,867	-
Parks, recreation, and arts	16,934,244	4,277,377	427,028	-
Development services	50,457,653	14,565,036	15,507,375	7,918,787
Housing and neighborhood revitalization	2,672,073	226,958	108,184	-
Interest and other charges	217,001	-	-	-
Total governmental activities	123,863,718	20,830,715	24,493,308	7,918,787
Business-Type Activities:				
Lancaster Power Authority	2,166,532	3,512,716	-	-
Lancaster Choice Energy	20,238,595	23,437,682	-	-
Total business-type activities	22,405,127	26,950,398	-	-
Total primary government	\$ 146,268,845	\$ 47,781,113	\$ 24,493,308	\$ 7,918,787

General revenues:

Taxes:

Property taxes, levied for general purposes

Sales taxes

Franchise taxes

Transient occupancy taxes

Business licenses taxes

Other taxes

Intergovernmental

Investment earnings

Miscellaneous

Gain on sale of property

Transfers

Total general revenues and transfers

Change in net position before extraordinary items

Extraordinary Items:

Contribution of land from Successor Agency

Reinstatement of pre-dissolution loans to former RDA

Total extraordinary items

Change in net position

Net Position - Beginning of Year, as restated

Net Position - End of Year

See accompanying notes to financial statements.

Net (Expenses) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (18,893,099)	\$ -	\$ (18,893,099)
(24,579,519)	-	(24,579,519)
101,936	-	101,936
(12,229,839)	-	(12,229,839)
(12,466,455)	-	(12,466,455)
(2,336,931)	-	(2,336,931)
(217,001)	-	(217,001)
<u>(70,620,908)</u>	<u>-</u>	<u>(70,620,908)</u>
-	1,346,184	1,346,184
-	<u>3,199,087</u>	<u>3,199,087</u>
-	4,545,271	4,545,271
<u>(70,620,908)</u>	<u>4,545,271</u>	<u>(66,075,637)</u>
19,252,156	-	19,252,156
19,498,624	-	19,498,624
2,821,855	-	2,821,855
1,866,299	-	1,866,299
915,740	-	915,740
428,651	-	428,651
64,874	-	64,874
532,869	6,041	538,910
1,041,187	173,085	1,214,272
1,158,860	-	1,158,860
1,600,000	(1,600,000)	-
<u>49,181,115</u>	<u>(1,420,874)</u>	<u>47,760,241</u>
<u>(21,439,793)</u>	<u>3,124,397</u>	<u>(18,315,396)</u>
624,366	-	624,366
<u>11,164,946</u>	<u>-</u>	<u>11,164,946</u>
<u>11,789,312</u>	<u>-</u>	<u>11,789,312</u>
(9,650,481)	3,124,397	(6,526,084)
<u>1,054,553,379</u>	<u>(2,551,661)</u>	<u>1,052,001,718</u>
<u>\$ 1,044,902,898</u>	<u>\$ 572,736</u>	<u>\$ 1,045,475,634</u>

CITY OF LANCASTER

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General	Special Revenue Funds	
		HOME Program	Lancaster Housing Authority
ASSETS:			
Pooled cash and investments	\$ 13,638,881	\$ 602,257	\$ 9,472,946
Receivables:			
Accounts	1,905,180	-	1,455
Taxes	7,142,801	-	-
Accrued interest	128,560	-	3
Due from other governments	286,143	-	-
Notes and loans	8,828,802	14,354,017	2,897,294
Prepaid items	299,337	-	-
Due from other funds	5,710,471	-	-
Inventories	172,646	-	-
Land held for resale	-	-	53,133,286
Advances to Successor Agency	39,600,700	-	34,027,118
Advances to other funds	1,874,600	-	-
TOTAL ASSETS	\$ 79,588,121	\$ 14,956,274	\$ 99,532,102
LIABILITIES:			
Accounts payable	\$ 5,405,858	\$ -	\$ 9,558
Accrued liabilities	1,649,762	-	16,585
Unearned revenues	1,078,221	13,760,770	877,197
Deposits payable	1,338,086	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	9,471,927	13,760,770	903,340
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	15,062,989	-	3,497,883
FUND BALANCES:			
Nonspendable:			
Notes and loans	7,368,200	-	-
Prepaid items	299,337	-	-
Inventories	172,646	-	-
Advances to Successor Agency	25,609,169	-	-
Advances to other funds	1,820,000	-	-
Restricted:			
Community development projects	-	-	-
Parks, recreation, and arts	-	-	-
Development services	-	-	-
Debt service	-	-	-
Housing and neighborhood revitalization	-	1,195,504	95,130,879
Assigned:			
Employee benefits	987,647	-	-
Capital replacement	2,518,705	-	-
Capital facilities	87,750	-	-
Technology infrastructure	1,311,490	-	-
Legal claims	365,972	-	-
Unassigned	14,512,289	-	-
TOTAL FUND BALANCES	55,053,205	1,195,504	95,130,879
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 79,588,121	\$ 14,956,274	\$ 99,532,102

See accompanying notes to financial statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,117,440	\$ 45,569,933	\$ 71,401,457
-	2,458,654	4,365,289
-	472,685	7,615,486
-	32,703	161,266
-	5,826,489	6,112,632
-	-	26,080,113
134,724	4,163	438,224
-	-	5,710,471
-	-	172,646
-	1,279,693	54,412,979
-	-	73,627,818
-	-	1,874,600
<u>\$ 2,252,164</u>	<u>\$ 55,644,320</u>	<u>\$ 251,972,981</u>
\$ 2,191,517	\$ 1,133,814	\$ 8,740,747
-	140,487	1,806,834
-	642,921	16,359,109
-	-	1,338,086
-	5,710,471	5,710,471
<u>2,191,517</u>	<u>7,627,693</u>	<u>33,955,247</u>
-	3,328,940	21,889,812
-	-	7,368,200
134,724	4,163	438,224
-	-	172,646
-	-	25,609,169
-	-	1,820,000
-	2,895,833	2,895,833
-	2,011,380	2,011,380
-	41,933,744	41,933,744
-	8,084	8,084
-	-	96,326,383
-	-	987,647
-	-	2,518,705
-	-	87,750
-	-	1,311,490
-	-	365,972
<u>(74,077)</u>	<u>(2,165,517)</u>	<u>12,272,695</u>
<u>60,647</u>	<u>44,687,687</u>	<u>196,127,922</u>
<u>\$ 2,252,164</u>	<u>\$ 55,644,320</u>	<u>\$ 251,972,981</u>

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CITY OF LANCASTER

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2016

Fund balances - total governmental funds \$ 196,127,922

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet:

Capital assets	\$ 1,756,531,931	
Accumulated depreciation	<u>(860,690,374)</u>	895,841,557

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported. Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditures when due.

All liabilities, both current and long-term, are reported in the Statement of Net Position. Balances as of June 30, 2015 are:

Bonds, notes, loans and capital leases payable	(7,116,354)	
Claims and judgments	(1,143,000)	
Compensated absences	<u>(3,483,746)</u>	(11,743,100)

Pension-related debt applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts affects only the government-wide statements for governmental activities:

Deferred outflows of resources	4,398,457	
Deferred inflows of resources	(3,000,987)	
Pension liability	<u>(38,780,626)</u>	(37,383,156)

OPEB obligation and supplemental pension benefit are not accrued in governmental funds, but rather are recognized as expenditures when paid. (19,763,313)

Accrued interest payable for the current portion of interest due on bonds are not reported in the governmental funds (66,824)

Long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the fund financial statements:

Unavailable revenues		<u>21,889,812</u>
----------------------	--	-------------------

Net position of governmental activities \$ 1,044,902,898

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended June 30, 2016

	Special Revenue Funds		
	General	HOME Program	Lancaster Housing Authority
REVENUES:			
Taxes	\$ 46,603,935	\$ -	\$ -
Licenses and permits	1,754,355	-	-
Intergovernmental	1,834,845	85,180	-
Charges for services	4,084,750	-	-
Investment earnings	707,619	-	178,208
Fines and forfeitures	645,557	-	-
Rental income	194,687	-	-
Miscellaneous	1,206,324	-	172,661
TOTAL REVENUES	<u>57,032,072</u>	<u>85,180</u>	<u>350,869</u>
EXPENDITURES:			
Current:			
General government	14,330,447	6,358	-
Public safety	26,174,096	-	-
Community development	1,497,299	-	-
Parks, recreation, and arts	13,043,636	-	-
Development Services	3,418,144	-	-
Housing and neighborhood revitalization	-	-	1,150,514
Capital outlay	255,981	-	-
Debt service:			
Principal retirement	217,293	-	-
Interest and fiscal charges	90,500	-	-
TOTAL EXPENDITURES	<u>59,027,396</u>	<u>6,358</u>	<u>1,150,514</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,995,324)</u>	<u>78,822</u>	<u>(799,645)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from capital lease	255,981	-	-
Transfers in	8,247,852	-	41,942
Transfers out	(1,232,755)	-	(799,132)
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,271,078</u>	<u>-</u>	<u>(757,190)</u>
NET CHANGE IN FUND BALANCES, BEFORE EXTORDINARY ITEM	5,275,754	78,822	(1,556,835)
EXTRAORDINARY ITEM:			
Reinstatement of pre-dissolution loans to former RDA	<u>7,339,730</u>	<u>-</u>	<u>1,834,933</u>
NET CHANGE IN FUND BALANCES	12,615,484	78,822	278,098
FUND BALANCES - BEGINNING OF YEAR	<u>42,437,721</u>	<u>1,116,682</u>	<u>94,852,781</u>
FUND BALANCES - END OF YEAR	<u>\$ 55,053,205</u>	<u>\$ 1,195,504</u>	<u>\$ 95,130,879</u>

See accompanying notes to financial statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,184,076	\$ 50,788,011
-	5,863,822	7,618,177
-	18,479,966	20,399,991
-	7,858,511	11,943,261
-	429,298	1,315,125
-	313,022	958,579
-	-	194,687
-	986,439	2,365,424
-	<u>38,115,134</u>	<u>95,583,255</u>
-	5,924,577	20,261,382
-	125,212	26,299,308
-	1,298,773	2,796,072
-	2,174,702	15,218,338
-	15,216,170	18,634,314
-	1,521,559	2,672,073
16,853,158	-	17,109,139
-	390,000	607,293
-	94,867	185,367
<u>16,853,158</u>	<u>26,745,860</u>	<u>103,783,286</u>
<u>(16,853,158)</u>	<u>11,369,274</u>	<u>(8,200,031)</u>
-	-	255,981
16,896,750	6,022,826	31,209,370
-	(27,577,483)	(29,609,370)
<u>16,896,750</u>	<u>(21,554,657)</u>	<u>1,855,981</u>
43,592	(10,185,383)	(6,344,050)
-	-	9,174,663
43,592	(10,185,383)	2,830,613
<u>17,055</u>	<u>54,873,070</u>	<u>193,297,309</u>
<u>\$ 60,647</u>	<u>\$ 44,687,687</u>	<u>\$ 196,127,922</u>

CITY OF LANCASTER

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

Net change in fund balances - total governmental funds		\$ 2,830,613
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital expense in the current period.		
Capital outlays	\$ 16,735,110	
Contributed capital assets	3,749,434	
Depreciation expense	<u>(34,737,862)</u>	
		(14,253,318)
The issuance of long term debt 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 position.		
Principal payments	607,293	
Capital lease proceeds	<u>(255,981)</u>	
		351,312
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued employee benefits	(84,038)	
Change in claims payable	203,000	
Change in settlement agreement	<u>(2,200,000)</u>	
		(2,081,038)
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.		(31,634)
To record as an expense the City's other post-employment benefit obligation in the Statement of Activities.		(450,265)
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense included the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.		502,330
Revenues are deferred in the governmental funds when they are not received soon after year-end to be considered to be available. The availability criteria does not apply to the Statement of Net Position and therefore, the revenue is recognized.		<u>3,481,519</u>
Change in net position of governmental activities		<u><u>\$ (9,650,481)</u></u>

See accompanying notes to financial statements.

CITY OF LANCASTER

BUDGETARY COMPARISON STATEMENT
GENERAL FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Budgetary Fund Balance, July 1	\$ 42,437,721	\$ 42,437,721	\$ 42,437,721	\$ -
Resources (Inflows):				
Taxes	41,991,210	45,005,300	46,603,935	1,598,635
Licenses and permits	1,258,440	1,773,440	1,754,355	(19,085)
Intergovernmental	1,218,760	1,712,645	1,834,845	122,200
Charges for services	5,559,250	4,144,010	4,084,750	(59,260)
Investment earnings	622,760	654,880	707,619	52,739
Fines and forfeitures	679,500	679,500	645,557	(33,943)
Rental income	155,750	155,750	194,687	38,937
Miscellaneous	676,080	1,173,930	1,206,324	32,394
Proceeds from capital lease	-	-	255,981	255,981
Transfers in	9,387,998	8,394,693	8,247,852	(146,841)
Extraordinary item	-	-	7,339,730	7,339,730
Amounts Available for Appropriations	<u>103,987,469</u>	<u>106,131,869</u>	<u>115,313,356</u>	<u>9,181,487</u>
Charges to Appropriations (Outflows):				
General government	15,671,279	17,732,742	14,330,447	3,402,295
Public safety	26,954,210	27,021,040	26,174,096	846,944
Community development	1,522,179	1,534,784	1,497,299	37,485
Parks, recreation, and arts	12,768,808	13,661,923	13,043,636	618,287
Development services	4,311,194	4,283,246	3,418,144	865,102
Capital outlay	-	-	255,981	(255,981)
Debt service:				
Principal retirement	-	-	217,293	(217,293)
Interest and fiscal charges	-	-	90,500	(90,500)
Transfers out	<u>1,679,151</u>	<u>1,976,401</u>	<u>1,232,755</u>	<u>743,646</u>
Total Charges to Appropriations	<u>62,906,821</u>	<u>66,210,136</u>	<u>60,260,151</u>	<u>5,949,985</u>
Budgetary Fund Balance, June 30	<u>\$ 41,080,648</u>	<u>\$ 39,921,733</u>	<u>\$ 55,053,205</u>	<u>\$ 15,131,472</u>

See accompanying notes to financial statements.

CITY OF LANCASTER

BUDGETARY COMPARISON STATEMENT
HOME PROGRAM SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,116,682	\$ 1,116,682	\$ 1,116,682	\$ -
Resources (Inflows):				
Intergovernmental	<u>110,000</u>	<u>95,001</u>	<u>85,180</u>	<u>(9,821)</u>
Amounts Available for Appropriations	<u>1,226,682</u>	<u>1,211,683</u>	<u>1,201,862</u>	<u>(9,821)</u>
Charges to Appropriations (Outflows):				
General government	<u>42,061</u>	<u>8,001</u>	<u>6,358</u>	<u>1,643</u>
Total Charges to Appropriations	<u>42,061</u>	<u>8,001</u>	<u>6,358</u>	<u>1,643</u>
Budgetary Fund Balance, June 30	<u>\$ 1,184,621</u>	<u>\$ 1,203,682</u>	<u>\$ 1,195,504</u>	<u>\$ (8,178)</u>

See accompanying notes to financial statements.

CITY OF LANCASTER

BUDGETARY COMPARISON STATEMENT
LANCASTER HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 94,852,781	\$ 94,852,781	\$ 94,852,781	\$ -
Resources (Inflows):				
Investment earnings	22,800	22,800	178,208	155,408
Miscellaneous	68,030	178,705	172,661	(6,044)
Transfers in	-	-	41,942	41,942
Extraordinary item	-	-	1,834,933	1,834,933
Amounts Available for Appropriations	<u>94,943,611</u>	<u>95,054,286</u>	<u>97,080,525</u>	<u>2,026,239</u>
Charges to Appropriations (Outflows):				
Housing and neighborhood revitalization	1,612,567	1,419,934	1,150,514	269,420
Transfers out	<u>796,610</u>	<u>799,135</u>	<u>799,132</u>	<u>3</u>
Total Charges to Appropriations	<u>2,409,177</u>	<u>2,219,069</u>	<u>1,949,646</u>	<u>269,423</u>
Budgetary Fund Balance, June 30	<u>\$ 92,534,434</u>	<u>\$ 92,835,217</u>	<u>\$ 95,130,879</u>	<u>\$ 2,295,662</u>

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2016

	Business-Type Activities		
	Enterprise Funds		
	Lancaster Power Authority	Lancaster Choice Energy	Total
ASSETS:			
CURRENT ASSETS:			
Cash and investments	\$ 1,790,156	\$ 704,499	\$ 2,494,655
Receivables:			
Accounts	436,398	5,902,866	6,339,264
Deposits	-	100,000	100,000
Prepaid items	-	155,400	155,400
Restricted assets:			
Cash and investments	2,214,373	-	2,214,373
TOTAL CURRENT ASSETS	4,440,927	6,862,765	11,303,692
NONCURRENT ASSETS:			
Capital assets:			
Depreciable	19,259,155	-	19,259,155
TOTAL ASSETS	23,700,082	6,862,765	30,562,847
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	-	4,609,669	4,609,669
Accrued liabilities	2,509	18,054	20,563
Interest payable	157,682	-	157,682
Unearned revenues	71,225	-	71,225
Current portion of long-term liabilities	1,140,000	-	1,140,000
TOTAL CURRENT LIABILITIES	1,371,416	4,627,723	5,999,139
LONG-TERM LIABILITIES:			
Advances from other funds	-	1,874,600	1,874,600
Noncurrent portion of long-term liabilities	22,116,372	-	22,116,372
TOTAL LONG-TERM LIABILITIES	22,116,372	1,874,600	23,990,972
TOTAL LIABILITIES	23,487,788	6,502,323	29,990,111
NET POSITION:			
Net investment in capital assets	(1,175,345)	-	(1,175,345)
Unrestricted	1,387,639	360,442	1,748,081
TOTAL NET POSITION	\$ 212,294	\$ 360,442	\$ 572,736

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the year ended June 30, 2016

	Business-Type Activities		Total
	Lancaster Power Authority	Lancaster Choice Energy	
OPERATING REVENUES:			
Sales and service charges	\$ 3,512,716	\$ 23,437,682	\$ 26,950,398
TOTAL OPERATING REVENUES	3,512,716	23,437,682	26,950,398
OPERATING EXPENSES:			
Purchased power	-	16,595,067	16,595,067
Administration and general	253,830	3,588,928	3,842,758
Depreciation expense	939,471	-	939,471
TOTAL OPERATING EXPENSES	1,193,301	20,183,995	21,377,296
OPERATING INCOME	2,319,415	3,253,687	5,573,102
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	6,041	-	6,041
Other nonoperating income	80,003	93,082	173,085
Interest expense	(973,231)	(54,600)	(1,027,831)
TOTAL NONOPERATING REVENUES (EXPENSES)	(887,187)	38,482	(848,705)
INCOME BEFORE TRANSFERS	1,432,228	3,292,169	4,724,397
TRANSFERS:			
Transfers out	(600,000)	(1,000,000)	(1,600,000)
TOTAL TRANSFERS	(600,000)	(1,000,000)	(1,600,000)
CHANGE IN NET POSITION	832,228	2,292,169	3,124,397
NET POSITION - BEGINNING OF YEAR	(619,934)	(1,931,727)	(2,551,661)
NET POSITION - END OF YEAR	\$ 212,294	\$ 360,442	\$ 572,736

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2016

	Business-Type Activities Enterprise Funds		
	Lancaster Power Authority	Lancaster Choice Energy	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 3,478,129	\$ 17,826,685	\$ 21,304,814
Cash paid to suppliers for goods and services	(254,114)	(16,003,086)	(16,257,200)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,224,015</u>	<u>1,823,599</u>	<u>5,047,614</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash paid to other funds	(600,000)	(1,119,100)	(1,719,100)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(600,000)</u>	<u>(1,119,100)</u>	<u>(1,719,100)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on capital debt	(1,081,546)	-	(1,081,546)
Interest paid on capital debt	(975,073)	-	(975,073)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,056,619)</u>	<u>-</u>	<u>(2,056,619)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	6,041	-	6,041
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>6,041</u>	<u>-</u>	<u>6,041</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	573,437	704,499	1,277,936
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,431,092</u>	<u>-</u>	<u>3,431,092</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,004,529</u>	<u>\$ 704,499</u>	<u>\$ 4,709,028</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 2,319,415	\$ 3,253,687	\$ 5,573,102
Other income	80,003	93,082	173,085
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	939,471	-	939,471
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(114,590)	(5,704,079)	(5,818,669)
(Increase) decrease in prepaid items	-	(154,450)	(154,450)
Increase (decrease) in accounts payable	-	4,324,103	4,324,103
Increase (decrease) in accrued liabilities	(284)	11,256	10,972
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,224,015</u>	<u>\$ 1,823,599</u>	<u>\$ 5,047,614</u>
SCHEDULE OF NON-CASH FINANCING ACTIVITIES:			
Accrued interest on advance from other funds	<u>\$ -</u>	<u>\$ 54,600</u>	<u>\$ 54,600</u>

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2016

	Private-Purpose Trust Fund		
	Successor Agency of the Former RDA	PARS Pension Trust Fund	Agency Funds
ASSETS:			
Pooled cash and investments	\$ 13,340,138	\$ -	\$ 3,678,994
Receivable:			
Accounts	215,631	-	-
Taxes	-	-	39,913
Notes and loans	4,711,393	-	-
Less allowance for loan forgiveness	(2,539,809)	-	-
Land held for resale	11,504,140	-	-
Restricted assets:			
Cash and investments with fiscal agents	10,153,224	9,026,656	2,074,486
TOTAL ASSETS	37,384,717	9,026,656	\$ 5,793,393
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred losses on debt refundings	3,217,985	-	
LIABILITIES:			
Accounts payable	-	-	\$ 87,470
Accrued liabilities	3,269	-	-
Interest payable	2,136,079	-	-
Deposits payable	15,099	-	704,292
Due to other governments	388	-	-
Due to bondholders	-	-	5,001,631
Advances from City of Lancaster	39,600,700	-	-
Advances from Lancaster Housing Authority	34,027,118	-	-
Long-term liabilities:			
Due in one year	6,350,000	-	-
Due in more than one year	200,912,193	-	-
TOTAL LIABILITIES	283,044,846	-	\$ 5,793,393
DEFERRED INFLOWS OF RESOURCES:			
Deferred gains on debt refundings	1,416,270	-	
NET POSITION:			
Held in trust for other purposes	(243,858,414)	-	
Net pension restricted for pensions	-	9,026,656	
TOTAL NET POSITION	\$ (243,858,414)	\$ 9,026,656	

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the year ended June 30, 2016

	Private-Purpose Trust Fund	
	Successor Agency of the Former RDA	PARS Pension Trust Fund
ADDITIONS:		
Taxes	\$ 21,279,901	\$ -
Contributions - Lancaster Financing Authority	3,908,571	-
Intergovernmental - other	4,310,467	-
Investment income (loss)	476,807	(12,419)
Rental income	422,036	-
Miscellaneous	935,636	-
	<u>31,333,418</u>	<u>(12,419)</u>
DEDUCTIONS:		
Administrative expenses	1,069,168	24,077
Developer disposition agreements	1,298,027	-
Distributions	-	652,591
Cost of debt issuance	1,656,916	-
Interest expense	14,171,601	-
	<u>18,195,712</u>	<u>676,668</u>
	<u>13,137,706</u>	<u>(689,087)</u>
EXTRAORDINARY ITEMS:		
Contribution of land to City of Lancaster	(624,366)	-
Reinstatement of pre-dissolution loans from City of Lancaster	(11,164,946)	-
	<u>(11,789,312)</u>	<u>-</u>
	1,348,394	(689,087)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>(245,206,808)</u>	<u>9,715,743</u>
NET POSITION - END OF YEAR	<u>\$ (243,858,414)</u>	<u>\$ 9,026,656</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the City of Lancaster, California (City) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

a. Description of the Reporting Entity:

The City of Lancaster (the City) was incorporated on November 22, 1977, under the laws of the State of California. The City is a charter city administered under a council/manager form of government. The accompanying financial statements present the City of Lancaster and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Because each component unit has the same governing board as the City, the management of the primary government has operational responsibility for each of the component units, and/or receives financial benefits from each component unit, blended within the financial reporting entity of the City of Lancaster are the Lancaster Housing Authority, the Lancaster Community Services Foundation, the Lancaster Public Financing Authority and the Lancaster Power Authority.

A brief description of each blended component unit follows:

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. Description of the Reporting Entity (Continued):

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

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

b. Basis of Accounting and Measurement Focus:

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). Eliminations have been made in the statement of activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City. Interfund services provided and used are not eliminated in the process of consolidation.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting and Measurement Focus (Continued):

Government-wide Financial Statements (Continued)

Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

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 that are restricted to meeting the operational or capital requirements of a particular function. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about the major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary statements, even though excluded from the government-wide financial statements, represents a private-purpose trust fund, a pension trust fund, and agency funds.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting and Measurement Focus (Continued):

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period.

Revenue recognition is subject to the *measurable* and *available* criteria for the governmental funds in the fund financial statements. Significant revenues subject to the criteria include taxes, licenses and permits, and intergovernmental revenues. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed nonexchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets, current liabilities, and deferred inflows of resources are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting and Measurement Focus (Continued):

Governmental Funds (Continued)

Revenues, expenses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Property taxes, sales 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 to the extent normally collected within the availability 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 where cash is received by the government. The availability period for these revenues is 60 days.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Proprietary and Fiduciary Funds

The City's enterprise funds are proprietary funds. In the fund financial statements, the proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds and fiduciary funds are presented using the *economic resources measurement focus*. This means that all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Basis of Accounting and Measurement Focus (Continued):

Proprietary and Fiduciary Funds (Continued)

Proprietary funds operating revenue, such as charges for services, result from exchange transactions associated with the principal activities of the funds. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the enterprise funds financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as an expenditure.

The City's Fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. The City's Fiduciary agency funds have no measurement focus but utilize the accrual basis for reporting its assets and liabilities. Because these funds are not available for use by the City, fiduciary funds are not included in the governmental-wide statements.

c. Fund Classifications:

The City reports the following major governmental funds:

General Fund - This is the primary operating fund of the City. It accounts for all unrestricted resources, except those required to be accounted for in another fund.

HOME Program Special Revenue Fund - This fund accounts for the grant program administered by the State of California Department of Housing and Community Development and implemented by the City to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people.

Lancaster Housing Authority Special Revenue Fund - This fund is used to account for the purpose of providing affordable, decent housing for lower income residents of the City. Also, to account for the housing assets and functions previously performed by the former redevelopment agency.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

Major Governmental Funds (Continued):

Capital Projects Fund - This fund is used to account for the capital improvement projects of the City.

The City reports the following major proprietary fund:

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

Lancaster Choice Energy (LCE) - is used to account for the operations of the new not-for-profit power provider.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds - are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Debt Service Fund - is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs other than those being financed by the proprietary fund.

Fiduciary Fund Types

Private-Purpose Trust Fund - This fund is used to account for the assets and liabilities of the former redevelopment agency. The City, in its capacity as the Successor Agency, receives revenue to pay estimated installment payments of enforceable obligations until obligations of the former redevelopment agency are paid in full and assets have been liquidated.

PARS Pension Trust Fund - This fund is used to account for the assets placed in trust for future benefit payments to former employees covered by the employee pension administered by Public Agency Retirement Services (PARS).

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

Fiduciary Fund Types (Continued)

Agency Funds - These funds are 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 Districts - 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.

d. New Accounting Pronouncements:

Current Year Standards

In fiscal year 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "*Fair Value Measurement and Application*". GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of GASB Statement No. 72.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Current Year Standards (Continued)

GASB Statement No. 73, “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*”, was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016, and did not impact the City.

GASB Statement No. 76, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”, was required to be implemented in the current fiscal year, and did not impact the City.

GASB Statement No. 79, “*Certain External Investment Pools and Pool Participants*”, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

GASB Statement No. 82, “*Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73*”, changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City’s financial reporting requirements in the future:

- GASB 73 - “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*”, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.
- GASB 74 - “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, effective for periods beginning after June 15, 2016.
- GASB 75 - “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”, effective for periods beginning after June 15, 2017.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Pending Accounting Standards

- GASB 77 - "*Tax Abatement Disclosure*", effective for periods beginning after December 15, 2015.
- GASB 78 - "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", effective for periods beginning after December 15, 2015.
- GASB 79 - "*Certain External Investment Pools and Pool Participants*", contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - "*Blending Requirements for Certain Component Units*", effective for periods beginning after June 15, 2016.
- GASB 81 - "*Irrevocable Split-Interest Agreements*", effective for periods beginning after December 15, 2016.
- GASB 82 - "*Pension Issues*", effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

e. 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 which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The fair value of the City's investment in this pool is reported at an amount based upon the City's prorated share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. 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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds”.

The principal portion of advances to other funds reported in the General Fund financial statements is offset by a nonspendable amount to indicate that it is not available for appropriation and is not an expendable available financial resource. 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.

g. 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.

h. Restricted Assets:

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

i. Capital Assets:

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 or plant and infrastructure capital projects that are in excess of \$125,000 (amounts 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 acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Building and structures	40 years
Machinery and equipment	7-10 years
Public domain infrastructure	50 years

j. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following item that qualifies for reporting in this category:

- Deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, which are taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.1 years.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.1 years.
- Deferred inflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans' fiduciary net position. These amounts are amortized over five years.

k. Net Position Flow Assumptions:

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

l. Land Held for Resale:

The former Lancaster Redevelopment Agency acquired parcels of land as part of its primary purpose to develop or redevelop blighted properties and creating affordable housing. The Successor Agency to the Lancaster Redevelopment Agency and the Housing Successor Agency records these parcels as land held for resale in their financial records.

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

All land held for resale is recorded at lower of cost or fair value.

m. 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. Additionally, employees may elect to cash in accrued vacation in excess of 80 hours once per fiscal year up to a maximum of 40 hours. Vacation accruals are based on years of service, with the maximum balance of unused accruals set at 362 hours after 10 years of service.

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 payment up to a maximum of 50% of unused sick leave, depending on years of service. The maximum hours payable is set at 1,000, after 15 years of service.

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

n. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period as other financing sources and uses, respectively. The face amount of debt issued is reported as other financing sources.

o. Fund Balance Classification:

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

Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts. It also includes the long-term portion of notes and loan’s receivable with no constraints on how the eventual proceeds can be spent.

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

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest authority, City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

Assigned include amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The City Manager and/or Finance Director is authorized to assign amounts to a specific purpose, which was established by the governing body in Resolution 10-11.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned fund balance amount.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

o. Fund Balance Classification (Continued):

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

p. Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans and the Public Agency Retirement Services (PARS) plan, (collectively, the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and PARS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

q. Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows of resources, liabilities, and deferred outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

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 or designee. Expenditures may not exceed appropriations at the function level. At fiscal year end, all unencumbered operating budget appropriations lapse with the exception of those for unfinished capital projects, special projects, and grant programs. For these specific projects and programs, unused appropriations, at the end of the fiscal year, are carried forward and become part of the next year's budget. During the year, several supplementary appropriations were necessary.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED):

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. Total encumbrances of \$633,148 are included in the General Fund's assigned fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

Budget Basis of Accounting

Budgets for all governmental funds, except for the Mariposa Lily Special Revenue Fund, the Lancaster Financing Authority Debt Service Fund and the Capital Projects Fund which are budgeted on a project basis, are adopted on a basis consistent with generally accepted accounting principles.

Excess of Expenditures over Appropriations

The following are funds in which certain expenditures exceeded appropriations for the fiscal year ended June 30, 2016.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Funds:			
General Fund:			
Debt service -principal retirement	\$ -	\$ 217,293	\$ (217,293)
Debt service - interest and fiscal charges	-	90,500	(90,500)
Other Governmental Special Revenue Funds:			
Gas Tax:			
General government	220	21,662	(21,442)
Community Services:			
General government	-	9,065	(9,065)
Landscaping Maintenance District:			
Development services	1,230,166	1,288,935	(58,769)
Federal Grants:			
Public safety	118,337	125,212	(6,875)
Engineering Fees:			
Development services	1,888,955	1,906,083	(17,128)
Sewer Maintenance District:			
General government	117,925	118,345	(420)

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED):

Deficit Fund Balances

The following funds contained deficit fund balances as of June 30, 2016:

	<u>Deficit Amount</u>
Other Governmental Special Revenue Funds:	
Federal Grants	\$ 254,786 (1)
State Grants	955,912 (1) (2)
County and Other	29,709 (2)
Recycled Water	211,714 (2)
Lancaster Lighting District	13,323 (3)
Miscellaneous Grants	352,450 (2)
Traffic Safety	31,074 (2)
Engineering Fees	158,776 (2)
LA County Reimbursement	153,610 (2)

These fund balance deficits will be eliminated as (1) grant reimbursements become available, (2) when transfers are made, or (3) future revenues are received.

3. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments held by the City at June 30, 2016 are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 73,896,112
Restricted:	
Cash and investments	2,214,373
Statement of Net Position - Fiduciary Funds:	
Pooled cash and investments	17,019,132
Restricted:	
Cash and investments with fiscal agents	<u>21,254,366</u>
Total cash and investments	<u>\$ 114,383,983</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS (CONTINUED):

Cash and Investments (Continued)

Cash and investments consisted of the following:

Cash on hand	\$ 7,690
Deposits with financial institutions	11,236,649
Investments	<u>103,139,644</u>
Total cash and investments	<u>\$ 114,383,983</u>

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 in the financial statements as pooled cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

Deposits

At June 30, 2016, the carrying amount of the City's deposits was \$11,236,649 and the bank balance was \$11,423,214. The \$186,565 difference represents outstanding checks and other reconciling items.

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS (CONTINUED):

Deposits (Continued)

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

- United States Treasury Securities
- United States Government Sponsored Agency Securities
- Certificates of Deposit
- Medium-Term Notes
- Prime Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Local Agency Investment Fund (State Pool)
- Money Market Mutual Funds
- Municipal Bonds

Investments Authorized by Debt Agreements

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

Investments in State Investment Pool

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

Investments - Public Agency Retirement Services (PARS) Trust

The City established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the City's supplemental employee pension plan. The PARS Trust's specific cash and investments are managed by a third-party portfolio manager and invested under a pool arrangement using certain investment guidelines offered by PARS and approved by the City.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS (CONTINUED):

Credit Risk

The City's investment policy limits investments in medium term notes (MTNs) to those rated AA- or better by a nationally recognized statistical rating organization. At June 30, 2016, the City invested in various MTNs which were rated AA- or better by Standard & Poor's (S&P). At June 30, 2016 the City's investments with federal agency securities were rated AA+ and money market mutual funds were rated AAA by S&P. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed.

As of June 30, 2016, the City's investment in LAIF is unrated. The City has amounts invested in investment agreements held with fiscal agents and invested under the direction of the City which are unrated.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2016, 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 25% of the City's invested funds for non-negotiable certificates of deposit, 15% of the City's invested funds for banker acceptances with no more than 2% in anyone issuer, 25% of the City's invested funds for commercial paper with no more than 5% in anyone issuer, 20% of the City's invested funds for medium term notes with no more than 5% in anyone issuer, and 20% of the City's invested funds for money market funds with no more than 10% in anyone issuer. In accordance with GASB Statement No. 40, if the City has invested more than 5% of its total investments in anyone issuer then it is exposed to credit risk.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk (Continued)

As of June 30, 2016, the City's investment in the following issuers exceeded 5% of the City investment pool:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	U.S. Government Sponsored Agency Securities	\$ 4,625,068
Federal Farm Credit Bank	U.S. Government Sponsored Agency Securities	\$ 6,506,016

Interest Rate Risk

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

As of June 30, 2016, the City had the following investments and original maturities:

Investment Type	Remaining Maturity (in Years)				Total
	1 year or Less	1 Year to 3 Years	3 Years to 5 Years	5 Years and More	
City Investment Pool:					
United States Treasury Securities	\$ 3,206,748	\$ 4,553,868	\$ -	\$ -	\$ 7,760,616
United States Government Sponsored Agency Securities	3,608,308	8,731,619	4,020,540	-	16,360,467
Medium-Term Corporate Notes	4,562,270	1,631,814	-	-	6,194,084
California Local Agency Investment Fund (LAIF)	48,788,889	-	-	-	48,788,889
Money Market Mutual Funds	566,847	-	-	-	566,847
Held by Fiscal Agent:					
Money Market Mutual Funds	9,170,872	-	-	-	9,170,872
Investment Agreements	-	679,800	-	4,591,413	5,271,213
PARS Trust Pooled Investments	<u>9,026,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,026,656</u>
	<u>\$ 78,930,590</u>	<u>\$ 15,597,101</u>	<u>\$ 4,020,540</u>	<u>\$ 4,591,413</u>	<u>\$ 103,139,644</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

3. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued)

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by City's asset manager from third party service provider.

The following is a description of the recurring valuation methods and assumptions used by the City to estimate the fair value of its investments.

For a large portion of the City's portfolio, the City's asset manager applies their leveling methodology across all securities in a specific sector (i.e. U.S. Government Sponsored Agency Securities). Inputs to their pricing models are based on observable market inputs in active markets.

The City's investment agreement is categorized as Level 3, as the investment is not readily transferable. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

	Quoted Prices <u>Level 1</u>	Observable Inputs <u>Level 2</u>	Unobservable Inputs <u>Level 3</u>	<u>Total</u>
United States Treasury Securities	\$ -	\$ 7,760,616	\$ -	\$ 7,760,616
United States Government Sponsored Agency Securities	-	16,360,467	-	16,360,467
Medium-Term Corporate Notes	-	6,194,084	-	6,194,084
Held by Fiscal Agent:				
Investment Agreements	<u>-</u>	<u>-</u>	<u>5,271,213</u>	<u>5,271,213</u>
Total Leveled Investments	<u>\$ -</u>	<u>\$ 30,315,167</u>	<u>\$ 5,271,213</u>	35,586,380
LAIF (1)				48,788,889
Money Market Mutual Fund (1)				566,847
Held by Fiscal Agent:				
Money Market Mutual Funds (1)				9,170,872
PARS Pooled Trust Investments (1)				<u>9,026,656</u>
Total Investment Portfolio				<u>\$ 103,139,644</u>

(1) Investment is not subject to fair value hierarchy measurements.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities

	Balance at July 1, 2015	Construction In Progress Transfers	Additions	Deletions	Balance at June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 21,225,728	\$ -	\$ 624,366	\$ -	\$ 21,850,094
Construction in progress	<u>22,345,802</u>	<u>(16,365,742)</u>	<u>16,210,528</u>	<u>(655,428)</u>	<u>21,535,160</u>
Total capital assets, not being depreciated	<u>43,571,530</u>	<u>(16,365,742)</u>	<u>16,834,894</u>	<u>(655,428)</u>	<u>43,385,254</u>
Capital assets, being depreciated:					
Structures and improvements	75,130,602	873,622	-	-	76,004,224
Furniture and equipment	14,014,440	-	555,644	(22,406)	14,547,678
Infrastructure	<u>1,603,353,221</u>	<u>15,492,120</u>	<u>3,749,434</u>	<u>-</u>	<u>1,622,594,775</u>
Total capital assets, being depreciated	<u>1,692,498,263</u>	<u>16,365,742</u>	<u>4,305,078</u>	<u>(22,406)</u>	<u>1,713,146,677</u>
Less accumulated depreciation for:					
Structures and improvements	(27,611,699)	-	(1,726,754)	-	(29,338,453)
Furniture and equipment	(9,715,292)	-	(817,963)	22,406	(10,510,849)
Infrastructure	<u>(788,647,927)</u>	<u>-</u>	<u>(32,193,145)</u>	<u>-</u>	<u>(820,841,072)</u>
Total accumulated depreciation	<u>(825,974,918)</u>	<u>-</u>	<u>(34,737,862)</u>	<u>22,406</u>	<u>(860,690,374)</u>
Total capital assets, being depreciated, net	<u>866,523,345</u>	<u>16,365,742</u>	<u>(30,432,784)</u>	<u>-</u>	<u>852,456,303</u>
Total governmental activities capital assets, net	<u>\$ 910,094,875</u>	<u>\$ -</u>	<u>\$ (13,597,890)</u>	<u>\$ (655,428)</u>	<u>\$ 895,841,557</u>

Depreciation expense was charged in the following functions in the Statement of Activities for the year ended June 30, 2016 as follows:

General government	\$ 477,786
Public safety	5,857
Development services	32,239,276
Community development	380,053
Parks, recreation, and arts	<u>1,634,890</u>
	<u>\$ 34,737,862</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

4. CAPITAL ASSETS (CONTINUED):

Capital asset activity for the year ended June 30, 2016 was as follows:

Business-type Activities

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2016</u>
Capital assets, being depreciated:				
Intangible assets	\$ 23,486,774	\$ -	\$ -	\$ 23,486,774
Less accumulated depreciation for:				
Intangible assets	<u>(3,288,148)</u>	<u>(939,471)</u>	<u>-</u>	<u>(4,227,619)</u>
 Total business-type activities capital assets, net	 <u>\$ 20,198,626</u>	 <u>\$ (939,471)</u>	 <u>\$ -</u>	 <u>\$ 19,259,155</u>

The depreciation expense of \$939,471 was charged to the Lancaster Power Authority program for the year ended June 30, 2016.

5. INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

Due To/From Other Funds

Interfund receivable and payable balances at June 30, 2016 are as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Other Governmental Funds	<u>\$ 5,710,471</u>

The due to General Fund from the various other governmental funds was a result of temporary deficit cash balances in those funds.

Advances To/From Other Funds

Advances receivable and payable balances at June 30, 2016 are as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Lancaster Choice Energy Enterprise Fund	<u>\$ 1,874,600</u>

The advance was made to provide start-up capital for the Lancaster Choice Energy Program.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

5. INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS (CONTINUED):

Transfers

The following schedule summarizes the City's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Lancaster Housing Authority Special Revenue Fund	\$ 796,610
	Other Governmental Funds	5,851,242
	Lancaster Power Authority Enterprise Fund	600,000
	Lancaster Choice Energy Enterprise Fund	1,000,000
Lancaster Housing Authority Special Revenue Fund	Other Governmental Funds	41,942
Capital Projects	General Fund	121,412
	Other Governmental Funds	16,775,338
Other Governmental Funds	General Fund	1,111,343
	Lancaster Housing Authority Special Revenue Fund	2,522
	Other Governmental Funds	<u>4,908,961</u>
		<u>\$ 31,209,370</u>

The City uses the Capital Projects Fund to account for all of its capital projects. The funding sources for those projects were reported as transfers from various funds to the Capital Projects fund.

Transfers made to the General Fund were for administrative costs incurred.

Transfers from the General Fund to Other Governmental Funds were to cover Development Services-Engineering Fund and Recycled Water Fund operating costs and to cover ineligible grant expenditures.

Transfers from Other Governmental Funds to Other Governmental Funds were to cover a portion of Gas Tax Fund, Lighting Maintenance District Fund and Recycled Water Fund operating costs and to cover various ineligible grant expenditures or prior overspending in Other Governmental Funds.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

6. LONG-TERM LIABILITIES:

Governmental Activities

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2016 are as follows:

	Balance			Balance			Due	Due in
	June 30, 2015	Additions	Deletions	June 30, 2016	Within	One Year	More Than	One Year
City of Lancaster:								
Section 108 Notes:								
Series 2015-A1	\$ 794,000	\$ -	\$ (75,000)	\$ 719,000	\$ 78,000	\$ -	\$ 641,000	
Series 2015-A2	898,000	-	(75,000)	823,000	77,000	-	746,000	
Series 2010-A	1,075,000	-	(240,000)	835,000	255,000	-	580,000	
Capital leases	1,268,624	255,981	(115,920)	1,408,685	149,989	-	1,258,696	
Loans	1,232,042	-	(101,373)	1,130,669	104,534	-	1,026,135	
Settlement agreement	-	2,400,000	(200,000)	2,200,000	200,000	-	2,000,000	
Accrued employee benefits	3,399,708	1,727,966	(1,643,928)	3,483,746	1,643,928	-	1,839,818	
Claims and judgments								
(Note 11)	<u>1,346,000</u>	<u>345,449</u>	<u>(548,449)</u>	<u>1,143,000</u>	<u>526,482</u>	<u>-</u>	<u>616,518</u>	
Total long-term liabilities								
Governmental activities	<u>\$ 10,013,374</u>	<u>\$ 4,729,396</u>	<u>\$ (2,999,670)</u>	<u>\$ 11,743,100</u>	<u>\$ 3,034,933</u>	<u>\$ -</u>	<u>\$ 8,708,167</u>	

The liability for accrued employee benefits is fully liquidated by the general fund. The liability for pension-related debt is recorded in the fund incurring the current pension expense. For pension-related debt, the general fund normally liquidates 56 percent, and 44 percent is liquidated by the other governmental funds.

Business-type Activities

Changes in long-term liabilities for the business-type activities for the year ended June 30, 2016 are as follows:

	Balance			Balance			Due	Due in
	June 30, 2015	Additions	Deletions	June 30, 2016	Within	One Year	More Than	One Year
2012A Solar Renewable								
Energy Revenue Bonds	\$ 24,850,000	\$ -	\$ (1,105,000)	\$ 23,745,000	\$ 1,140,000	\$ -	\$ 22,605,000	
Unamortized bond discount	<u>(512,082)</u>	<u>-</u>	<u>23,454</u>	<u>(488,628)</u>	<u>-</u>	<u>-</u>	<u>(488,628)</u>	
Total long-term liabilities								
Business-type activities	<u>\$ 24,337,918</u>	<u>\$ -</u>	<u>\$ (1,081,546)</u>	<u>\$ 23,256,372</u>	<u>\$ 1,140,000</u>	<u>\$ -</u>	<u>\$ 22,116,372</u>	

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

6. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued)

Notes

A description of individual issues of notes (excluding defeased issues) outstanding as of June 30, 2016, follows:

Section 108 Notes

Series 2015-A1

On August 7, 2003, the City issued \$1,450,000 of U.S. Government Guaranteed Notes, Series 2003-A, guaranteed by the Secretary of Housing and Urban Development. The City has pledged as security for repayment of the notes from (a) future entitlements that the City may become eligible for under Section 108 of Title I of the Housing and Community Development Act of 1974; and (b) program income. During fiscal year 2015-2016 the City refinance the 2003 Series notes at a lower interest rate by issuing Series 2015-A1 notes. The notes mature from 2004-2023 and bear varying rates of interest. The principal balance outstanding as of June 30, 2016, was \$719,000.

Series 2015-A2

On June 30, 2004, the City issued \$1,500,000 of U.S. Government Guaranteed Notes, Series 2004-A, guaranteed by the Secretary of Housing and Urban Development. The City has pledged as security for repayment of the notes from (a) future entitlements that the City may become eligible for under Section 108 of Title I of the Housing and Community Development Act of 1974; and (b) program income. During fiscal year 2015-2016 the City refinance the 2004 Series notes at a lower interest rate by issuing Series 2015-A2 notes. The notes mature from 2006-2024 and bear varying rates of interest. The principal balance outstanding as of June 30, 2016, was \$823,000.

Series 2010-A

On April 28, 1999, the City issued \$3,100,000 of U.S. Government Guaranteed Notes, Series 1999-A, guaranteed by the Secretary of Housing and Urban Development. The City has pledged as security for repayment of the notes from (a) future entitlements that the City may become eligible for under Section 108 of Title I of the Housing and Community Development Act of 1974; and (b) program income. The notes were consolidated into the series 2010-A note. The consolidated notes mature from 2011 to 2018 and bear varying rates of interest. The principal balance outstanding as of June 30, 2016, was \$730,000.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

6. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued)

Section 108 Notes (Continued)

Series 2010-A (Continued)

On June 14, 2000, the City issued \$320,000 of U.S. Government Guaranteed Notes, Series 2000-A, guaranteed by the Secretary of Housing and Urban Development. The City has pledged as security for repayment of the notes from (a) future entitlements that the City may become eligible for under Section 108 of Title I of the Housing and Community Development Act of 1974; and (b) program income. The notes were consolidated into the series 2010-A note. The consolidated notes mature from 2011-2019 and bear varying rates of interest. The principal balance outstanding as of June 30, 2016, was \$105,000.

The annual requirements to amortize the outstanding indebtedness as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 410,000	\$ 50,353	\$ 460,353
2018	427,000	41,709	468,709
2019	454,000	31,530	485,530
2020	205,000	23,521	228,521
2021	182,000	19,879	201,879
2022 - 2025	699,000	34,433	733,433
Totals	<u>\$ 2,377,000</u>	<u>\$ 201,425</u>	<u>\$ 2,578,425</u>

Capital Leases

On March 1, 2011, the City entered into an equipment lease/purchase agreement for various capital improvements including lighting upgrades, athletic field lighting upgrades, HVAC system replacement, plumbing fixture upgrades, irrigation weather stations, and solar hot water heating. This lease agreement qualifies as a capital lease for accounting purpose (title transfers at end of lease) and, therefore has been recorded at the present value of future minimum lease payments as of the date of inception. The total cost of the equipment acquired under the lease agreement was \$1,600,000. The financing was obtained from Municipal Finance Corporation on March 1, 2011, for \$1,600,000 with an interest rate of 4.35% per annum and annual payments of \$146,341 through the end of the lease (March 2026). The outstanding balance at June 30, 2016, is \$1,176,478.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

6. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued)

Capital Leases (Continued)

On March 2, 2016, the City entered into an equipment lease/purchase agreement for vehicles. This lease agreement qualifies as a capital lease for accounting purpose (bargaining purchase option at end of lease) and, therefore has been recorded at the present value of future minimum lease payments as of the date of inception. The total cost of the equipment acquired under the lease agreement was \$255,981. The financing was obtained from National Cooperative Leasing on March 2, 2016, for \$255,981 with an interest rate of 4.2% per annum and annual payments of \$57,058 through the end of the lease (July 2020). The outstanding balance at June 30, 2016, is \$232,207.

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

Year Ending June 30,		
2017	\$	203,399
2018		203,399
2019		203,399
2020		203,399
2021		171,080
2022 - 2026		<u>731,705</u>
Subtotal		1,716,381
Less: amount representing interest		<u>(307,696)</u>
Total	\$	<u><u>1,408,685</u></u>

Loans

In January 2011, the City entered into a loan agreement with the State of California Energy Resources Conservation and Development Commission for loan of \$1,469,146 to be used for energy savings projects consisting of athletic field lighting upgrades, HVAC retrofit, weather station installation, and solar hot water. The loan is at an interest rate of 3%. Principal, together with interest thereon, is due and payable in semiannual installments beginning on December 22, 2012 through December 22, 2025. The outstanding balance at June 30, 2016, is \$1,130,669.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

6. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued)

Loans (Continued)

The annual requirements to amortize the outstanding indebtedness as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 104,534	\$ 33,144	\$ 137,678
2018	107,693	29,985	137,678
2019	110,948	26,730	137,678
2020	114,240	23,438	137,678
2021	117,754	19,924	137,678
2022 - 2026	575,500	44,054	619,554
Totals	<u>\$ 1,130,669</u>	<u>\$ 177,275</u>	<u>\$ 1,307,944</u>

Settlement Agreement

In September 2015, the City entered into a settlement agreement for \$2,400,000. The terms of the agreement allow for payments of the settlement in annual installments of \$200,000 beginning on September 1, 2015 through August 1, 2026. The outstanding balance at June 30, 2016, is \$2,200,000.

Business-type Activities

2012A Solar Renewable Energy Revenue Bonds

On May 17, 2012, the Lancaster Power Authority issued \$26,895,000 of 2012A Solar Renewable Energy Revenue Bonds. These bonds were used to finance the prepayment for specified supply of electricity from a 7,319.98 DC kW capacity system. Interest on these bonds is due semi-annually on May 1 and November 1 of each year commencing November 1, 2012. Interest rates vary from 2.000% to 4.375%. The principal portion of these bonds is payable from November 1, 2013 to November 1, 2036. The outstanding balance at June 30, 2016, is \$23,745,000.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

6. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued)

2012A Solar Renewable Energy Revenue Bonds (Continued)

The annual requirements to amortize the outstanding indebtedness as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,140,000	\$ 928,994	\$ 2,068,994
2018	410,000	905,744	1,315,744
2019	460,000	892,694	1,352,694
2020	510,000	878,144	1,388,144
2021	570,000	861,944	1,431,944
2022 - 2026	3,810,000	3,957,794	7,767,794
2027 - 2031	5,920,000	2,999,031	8,919,031
2032 - 2036	8,750,000	1,482,419	10,232,419
2037	<u>2,175,000</u>	<u>47,578</u>	<u>2,222,578</u>
Totals	<u>\$ 23,745,000</u>	<u>\$ 12,954,342</u>	<u>\$ 36,699,342</u>

7. DEFINED BENEFIT PENSION PLANS:

a. **Public Employees Retirement System (CalPERS)**

1) General Information about the Pension Plan:

Plan Description

The City of Lancaster contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS 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 CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814 or on the CalPERS website.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. **Public Employees Retirement System (CalPERS) (Continued)**

1) General Information about the Pension Plan (Continued):

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age fifty (50) with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Classic Members Hired Prior to <u>January 1, 2013</u>	Classic Members Hired on or after <u>January 1, 2013</u>	New Members Hired on or after <u>January 1, 2013</u>
Hire date			
Benefit formula	2.7% @ 55	2.0% @ 60	2.0% @ 62
Benefit Vesting Schedule	5 yrs. of service	5 yrs. of service	5 yrs. of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-55+	50-63+	52-67+
Monthly benefits, as a % of compensation	2% to 2.7%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	8%	7-8%	6.25%
Required employer contribution rates	20.968%	20.968%	20.968%
	(including 4% paid by employees)		

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	199
Inactive employees entitled to but not yet receiving benefits	488
Active employees	314
Total	<u>1,001</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. **Public Employees Retirement System (CalPERS) (Continued)**

1) General Information about the Pension Plan (Continued):

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

2) Net Pension Liability:

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. **Public Employees Retirement System (CalPERS) (Continued)**

2) Net Pension Liability (Continued):

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment.

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. **Public Employees Retirement System (CalPERS) (Continued)**

2) Net Pension Liability (Continued):

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short term and long term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. **Public Employees Retirement System (CalPERS) (Continued)**

2) Net Pension Liability (Continued):

Discount Rate (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.0 %	5.25 %	5.71 %
Global Fixed Income	19.0 %	0.99 %	2.43 %
Inflation Sensitive	6.0 %	0.45 %	3.36 %
Private Equity	10.0 %	6.83 %	6.95 %
Real Estate	10.0 %	4.50 %	5.13 %
Infrastructure and Forestland	2.0 %	4.50 %	5.09 %
Liquidity	2.0 %	(0.55)%	(1.05)%
Total	100.0 %		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. **Public Employees Retirement System (CalPERS) (Continued)**

3) Changes in the Net Pension Liability:

The changes in the net pension liability for the Plan, using the measurement period ended June 30, 2015, are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at June 30, 2014	<u>\$ 129,283,335</u>	<u>\$ 93,844,998</u>	<u>\$ 35,438,337</u>
Changes in the Year:			
Service cost	3,659,838	-	3,659,838
Interest on the total pension liability	9,650,056	-	9,650,056
Changes in benefit terms	-	-	-
Changes in assumptions	(2,517,116)	-	(2,517,116)
Differences between actual and expected experience	(445,730)	-	(445,730)
Contribution - employer	-	3,803,574	(3,803,574)
Contribution - employee	-	1,611,229	(1,611,229)
Net investment income	-	2,090,380	(2,090,380)
Administrative expenses	-	(109,427)	109,427
Benefit payments, including refunds of employee contributions	<u>(4,011,772)</u>	<u>(4,011,772)</u>	<u>-</u>
Net Changes	<u>6,807,276</u>	<u>2,954,109</u>	<u>3,853,167</u>
Balance at June 30, 2015 (Measurement Period)	<u>\$ 135,618,611</u>	<u>\$ 97,228,982</u>	<u>\$ 38,389,629</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. **Public Employees Retirement System (CalPERS) (Continued)**

3) Changes in the Net Pension Liability (Continued):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>CalPERS</u>
1% Decrease	6.65%
Net Pension Liability (Asset)	\$ 58,024,053
Current Discount Rate	7.65%
Net Pension Liability (Asset)	\$ 38,389,629
1% Increase	8.65%
Net Pension Liability (Asset)	\$ 22,239,721

Pension Plans Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

4) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended June 30, 2016, the City recognized pension expense of \$3,118,583 for this Plan. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 4,072,457	\$ -
Differences between actual and expected Experience	-	(301,946)
Change in assumptions	-	(1,705,143)
Net differences between projected and actual earnings on plan investments	-	(632,898)
Total	<u>\$ 4,072,457</u>	<u>\$ (2,639,987)</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

a. **Public Employees Retirement System (CalPERS) (Continued)**

4) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions
(Continued):

\$4,072,457 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (1,506,271)
2018	(1,506,271)
2019	(646,089)
2010	1,018,570
2021	-
Thereafter	-

5) Payable to the Pension Plans:

At June 30, 2016, the City had no outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2016.

b. **Public Agency Retirement Services (PARS)**

1) General Information about the Pension Plan:

Plan Description and Benefits

Until December 29, 2012, the City, pursuant to sections 401(a) and 501(a) of the Internal Revenue Code, the City adopted a tax-qualified single-employer governmental defined benefit plan that is to be administered for the City by Public Agency Retirement Service (PARS), a third-party administrator. The plan was established to provide eligible employees, supplemental retirement benefits in addition to the benefits employees will receive from the California Public Employees Retirement System (CalPERS). The plan is closed.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

b. **Public Agency Retirement Services (PARS) (Continued)**

1) General Information about the Pension Plan (Continued):

Employees Covered

At June 30, 2016, there were 71 inactive employees or beneficiaries receiving benefits.

Contributions

The actuarial contribution is determined on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

2) Net Pension Liability:

The City's net pension liability for this Plan is measured as the pension plan's fiduciary net position less the total pension liability. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2015. A summary of principal assumptions and methods used to determine the net pension asset is shown on the following page.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

b. **Public Agency Retirement Services (PARS) (Continued)**

2) Net Pension Liability (Continued):

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%, net of investment expenses
Inflation	3.0%
Salary Scale	Aggregate - 3.25% Merit - CalPERS 1997-2001 Experience Study
Investment Rate of Return	6.50%, net of investment expenses only
Mortality assumption for service retirements & beneficiaries	CalPERS 1997-2011 Post-Retirement Mortality Table projected fully generational with Scale MP-2014 modified to converge to ultimate improvement rates in 2022.
Mortality assumptions for disability retirements	CalPERS 1997-2011 Mortality Table for non-work Disabled Retirees projected fully generational with Scale MP-2014 modified to converge to ultimate improvement rates in 2022.

Change of Assumptions and Changes in Experience Affecting the Measurement of the Total Pension Liability Since the Prior Measurement Date

Since the prior measurement date of June 30, 2014, demographic assumptions were updated to reflect CalPERS 1997-2011 Experience Study. In addition, the mortality projection scale was changed from Scale AA to modified Scale MP-2014.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

b. **Public Agency Retirement Services (PARS) (Continued)**

2) Net Pension Liability (Continued):

Discount Rate

The discount rate of 6.5% was used to measure the total pension liability and was set equal to the long-term expected rate of return. In a crossover test, assuming the City funds the full actuarially determined contribution each year and assuming that the amortization period used in the determination of the contribution will change from a 10-year rolling period to be no more than the average future life expectancy of plan participants when that drops below 10 years, the net pension liability is \$390,997 or 96.1% funded.

The 6.5% long-term expected rate of return was derived based on the inflation assumption of 3% and a long-term asset allocation of 50% equities, 45% fixed income and 5% cash equivalent. The geometric real rates of return were assumed to be 5.35% for equities, 1.55% for fixed income and 0.45% for cash equivalent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Asset Allocation	Real Return Target Allocation	Expected Real Rate of Return
US Equity	33 %	(1)	5.35 %
International Equity	12 %	(1)	5.35%
Fixed Income	46 %	45 %	1.55 %
Cash	9 %	5 %	0.45 %
Total	100 %	100 %	

(1) Allocation of 50 % between US Equity and International Equity

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

b. **Public Agency Retirement Services (PARS) (Continued)**

3) Changes in the Net Pension Liability:

The changes in the net pension liability for the Plans, using the measurement period ended June 30, 2015, are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance at June 30, 2014	<u>\$ 9,635,000</u>	<u>\$ 10,146,000</u>	<u>\$ (511,000)</u>
Changes in the Year:			
Service cost	1,000	-	1,000
Interest on the total pension liability	605,000	-	605,000
Changes in benefit terms	-	-	-
Changes in assumptions	350,000	-	350,000
Differences between actual and expected experience	156,000	-	156,000
Contribution - employer	-	-	-
Contribution - employee	-	-	-
Net investment income	-	230,000	(230,000)
Administrative expenses	-	(20,000)	20,000
Benefit payments, including refunds of employee contributions	<u>(640,000)</u>	<u>(640,000)</u>	<u>-</u>
Net Changes	<u>472,000</u>	<u>(430,000)</u>	<u>902,000</u>
Balance at June 30, 2015 (Measurement Period)	<u>\$ 10,107,000</u>	<u>\$ 9,716,000</u>	<u>\$ 391,000</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

b. **Public Agency Retirement Services (PARS) (Continued)**

3) Changes in the Net Pension Liability (Continued):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>PARS</u>
1% Decrease	5.50%
Net Pension Liability (Asset)	\$ 1,582,000
Current Discount Rate	6.50%
Net Pension Liability (Asset)	\$ 391,000
1% Increase	7.50%
Net Pension Liability (Asset)	\$ (602,000)

Pension Plans Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and PARS financial reports.

4) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended June 30, 2016, the City recognized pension expense of \$456,000. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ -	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	326,000	(361,000)
Net differences between projected and actual earnings on plan investments	-	-
Total	<u>\$ 326,000</u>	<u>\$ (361,000)</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. DEFINED BENEFIT PENSION PLANS (CONTINUED):

b. **Public Agency Retirement Services (PARS) (Continued)**

4) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions
(Continued):

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2017	\$ (39,000)
2018	(39,000)
2019	(40,000)
2010	83,000
2021	-
Thereafter	-

5) Payable to the Pension Plans:

At June 30, 2016, the City had \$391,000 in outstanding contributions to the PARS pension plan required for the year ended June 30, 2016. The City plans to contribute these funds in fiscal year 2016-2017.

8. OTHER POST-EMPLOYMENT BENEFITS PLAN:

Plan Description

The City provides other postemployment benefits (OPEB) through a single-employer defined benefit healthcare plan by contributing a portion of premiums charged under the health benefit plan for all eligible employees. These medical, dental, vision and long-term care benefits are provided per contract between the City and union employee associations and unrepresented employees. A separate financial report is not available for the plan. This plan has been closed to new employees and the future benefit levels are frozen as of January 1, 2016.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED):

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members. The City's contribution has no set contribution rate; however, it makes contributions annually based on available funds. During the 2014-2015 fiscal year, the City opened a California Employers' Retiree Benefit Trust (CERBT) with CalPERS. This trust is independent of the public employees requirement system detailed in Note 7. Contributions to this irrevocable trust are appropriated by the City Council.

A contribution of \$2,141,735 was made during the 2015-2016 fiscal year. The purpose of the contribution was to pay current year premiums for retirees and \$1.2 million toward the future OPEB obligation. As a result, the City calculated and recorded a Net OPEB Liability, representing the difference between the Annual Required Contribution (ARC) and actual contributions, as presented below:

Annual required contribution (ARC)	\$ 2,658,000
Interest on net OPEB obligation	985,000
Adjustment to ARC	<u>(1,051,000)</u>
Annual OPEB cost	2,592,000
Contributions made	<u>(2,141,735)</u>
Increase in net OPEB obligation	450,265
Net OPEB Obligation - beginning of year	<u>19,313,048</u>
 Net OPEB Obligation - end of year	 <u>\$ 19,763,313</u>

The contribution rate is based on the ARC of \$2,658,000, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED):

Annual OPEB Costs and Net OPEB Obligation

For the fiscal year 2015-2016, the City's annual OPEB cost (expense) was \$2,592,000. The City's annual OPEB cost, the actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three years ended June 30, 2016, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/14 (1)	\$ 3,210,056	\$ 515,056	16.05 %	\$ 18,535,000
06/30/15	2,499,000	1,720,952	68.87 %	19,313,048
06/30/16	2,592,000	2,141,735	82.63 %	19,763,313

(1) Restated

Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the plan was 6.1% funded. The actuarial accrued liability for benefits was \$20,263,000 and the actuarial value of assets was \$1,245,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,018,000. The covered payroll (annual payroll of active employees covered by the plan) was \$18,946,000, and the ratio of the UAAL to the covered payroll was 100.4%.

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED):

Actuarial Methods and Assumptions

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

In the June 30, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 6.75% investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The annual healthcare cost trend rate is 7.5% for non-medicare participants and 7.8% for medicare participants beginning in 2016, and reduced by decrements to an ultimate rate of 5.0% after five years. The trend rates for dental, vision and long-term care benefits is 3.0%. A general inflation rate was assumed to increase at a rate of 3% per annum. The actuarial value of assets is set equal to the reported market value of assets. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period of the fresh start unfunded actuarial accrued liability at June 30, 2015, was 28 years. The number of participants is 237 (152 active and 85 retired and receiving benefits) at June 30, 2016 and \$618,356 of premium's for retirees were paid for the year then ended.

OPEB Trust

In fiscal year 2014-2015, the City established a California Employers' Retiree Benefit Trust Fund (CERBT) with CalPERS to prefund its OPEB obligation. Payments made to the CERBT are held in trust and are used by the City to pay its annual contribution. Activity within the CERBT for the year ended June 30, 2016 is as follows:

Balance - June 30, 2015	\$ 1,284,766
Contributions	2,484,635
Distributions	(238,810)
Investment earnings	161,180
Admin expense	(1,402)
Investment expense	<u>(1,025)</u>
Balance - June 30, 2016	<u>\$ 3,689,344</u>

Throughout the year the City makes monthly retiree premium payments and records a receivable from the CERBT from which the City makes withdrawals on a quarterly basis. At June 30, 2016 the City has a \$478,187 receivable from the CERBT for unreimbursed premium payments.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

9. STADIUM OPERATING LEASE:

The City leases the Lancaster Municipal Stadium to Jethawks Baseball, LP, which operates the Jethawks, a California "A" League professional baseball team franchise. The cost and carrying amount of the leased assets are \$7,060,660 and \$4,236,396, respectively. The term of this lease is January 9, 2015 through January 9, 2025 during which time the City shall receive annual rent of \$55,750 subject to CPI increases after the fourth year of the term.

10. ANTELOPE VALLEY TRANSIT AUTHORITY JOINT VENTURE:

The City is a member of the Antelope Valley Transit Authority (the Transit Authority), a joint powers authority of the County of Los Angeles and the cities of Palmdale and Lancaster. The Transit 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 Transit Authority to provide financing of \$7,690,000 for the purchase of transportation equipment.

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

As of June 30, 2016, (latest information available), Antelope Valley Transit Authority's financial position was as follows:

Assets	<u>\$ 77,085,201</u>
Deferred Outflows of Resources	<u>\$ 626,044</u>
Liabilities	<u>\$ 3,781,399</u>
Deferred Inflows of Resources	<u>\$ 296,364</u>
Net Position	<u>\$ 73,633,482</u>
Revenues	\$ 28,279,987
Expenses	<u>27,372,210</u>
Changes in Net Position	<u>\$ 907,777</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

10. ANTELOPE VALLEY TRANSIT AUTHORITY JOINT VENTURE (CONTINUED):

The Transit Authority is funded, in part, by revenues allocated to the City and redirected to the Transit 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 Transit Authority. The City does not have a financial responsibility because the Transit Authority does not depend on revenue from the City to continue existence.

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

11. 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 \$250,000 self-insurance retention for its general liabilities. Workers' compensation insurance is provided by Southern California Risk Management Associates, with statutory limit coverage. The City also maintained property coverage including earthquake and flood.

At June 30, 2016, \$1,143,000 has been accrued for general liability claims. This amount represents an estimate of amounts to be paid for reported claims and incurred but not yet reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2016, 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 2015 and 2016 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2014 - 2015	\$ 1,228,000	\$ 955,403	\$ (837,403)	\$ 1,346,000
2015 - 2016	1,346,000	345,449	(548,449)	1,143,000

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

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

12. 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.

13. CONSTRUCTION COMMITMENTS:

The following material construction commitments existed at June 30, 2016:

Project Name:	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2016</u>	<u>Remaining Commitments</u>
2014 Pavement Management Program	\$ 4,292,176	\$ 4,045,093	\$ 247,083
2015 Pavement Management Program	558,665	466,066	92,599
Avenue H Rehab 20 th St West to Sierra Hwy	1,375,091	1,294,850	80,241
Avenue K / State Road 14 Interchange	1,911,697	717,326	1,194,371
Avenue M / State Road 14 Interchange	2,293,346	1,705,253	588,093
Avenue G / State Road 14 Interchange	1,561,894	60,000	1,501,894
Avenue J / State Road 14 Interchange	608,696	251,985	356,711
Avenue K-8 Bike Facility Improvements	935,535	442,056	493,479
Avenue I Streetscape Enhancements	219,921	108,798	111,123
4 th Street E Improvements	125,541	49,093	76,448
Trevor Avenue Widening	74,650	21,133	53,517
15 th Street West and Lancaster Blvd Roundabout	193,662	170,883	22,779
15 th Street East and Lancaster Blvd Roundabout	228,246	193,664	34,582

14. LANCASTER CHOICE ENERGY:

The City has registered as a Community Choice Aggregator (CCA) and established Lancaster Choice Energy (LCE) for the purpose of delivering electric services to certain customers located within the City of Lancaster. The City entered into 24 "Take or Pay" contracts to provide for future electric capacity for LCE customers. These contracts constitute an obligation of the City to purchase a set volume of electricity at a set price throughout the terms of the contracts. The City's obligation is not recorded on the accompanying basic financial statements; however, it is included as a component of its power supply expenses.

During the fiscal year ended June 30, 2016, the City made payments totaling \$15,258,396 for take or pay contracts. At June 30, 2016 the City has \$119,045,966 remaining on its take or pay contracts which have terms of one month to 20 years expiring at various dates through August 2035.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

15. CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the Dissolution Act) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

In September 2015, the Legislature passed and the Governor Signed SB 107, which made additional changes to the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each “Dissolved RDA”) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the Sponsoring Community of the Dissolved RDA, unless the Sponsoring Community elected not to serve as the Successor Agency. On January 10, 2012, the City elected to serve as the Successor Agency to the Lancaster Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards are to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA’s housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. On January 24, 2012, the City’s Housing Authority elected to serve as the Housing Successor Agency.

After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Lancaster Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the DOF) and the California State Controller’s office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

15. CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES
(CONTINUED):

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the RPTTF) for each Successor Agency and depositing into the RPTTF the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposits in the RPTTF fund are to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations.

The Successor Agency is required to prepare a Recognized Obligation Payment Schedule (the ROPS) which is then approved by the Oversight Board, setting forth the amounts due for each enforceable obligation. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

As part of the dissolution process AB1484 required the Successor Agency to have Due Diligence Reviews of both the Low and Moderate Income Housing Fund and all other funds. These reviews were required to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. The Successor Agency remitted a total of \$118,244 to the CAC on March 12, 2013.

The DOF issued a Finding of Completion on August 7, 2013, in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the Due Diligence Reviews.

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

On January 17, 2011, the Board of Directors of the Lancaster Redevelopment Agency approved a transfer of land amounting to \$14,482,945 to the City as a repayment of advances made by the City to the Lancaster Redevelopment Agency. The Department of Finance disallowed the transfer. The City transferred the land back to the Successor Agency during the year ended June 30, 2013.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

15. CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES
(CONTINUED):

On June 23, 2015 the State Controller issued its Lancaster Redevelopment Agency Asset Transfer Review Report. In the report the State Controller made a finding that \$10,309,060 in unallowable transfers were made and ordered the assets be turn over to the successor agency. These transfers were:

- March 22, 2011 transfer of bond proceeds of \$9,206,660.
- September 14, 2011 transfer of an auto mall parking lot with a book value of \$1,102,400.

Included in the State Controller report was the City's response disputing the finding on the basis that the transfers were made consistent with applicable dissolution law at the time the transfers took place.

On September 22, 2015 the City issued a letter to the State Controller's Office further disputing the findings. To date no response has been received from the State Controller's Office. The City is unable to unwind the transfers, as the assets involved are no longer available. The bond proceeds were spent on eligible capital projects and the land has been sold.

The Finding of Completion on August 7, 2013 allowed two subsequent actions by the Successor Agency:

- The Successor Agency was permitted to complete its Long Range Property Management Plan (LRPMP). The LRPMP specifies the disposition and use of the real properties of the former Lancaster Redevelopment Agency. Pursuant to Health and Safety Code (HSC) Section 34191.5, the Successor Agency submitted the LRPMP to DOF on August 14, 2013. On February 21, 2014, DOF completed its review of the LRPMP and approved the use or disposition of all properties listed on the LRPMP, subject to the provisions of OB Resolution 02-14 and OB Resolution 04-14.
 - As required by HSC Section 34191.4, the Successor Agency transferred all real property and interests in real property to the Community Redevelopment Property Trust Fund of the Successor Agency.
 - Pursuant to HSC Section 34181(a), the Successor Agency then transferred properties constructed and used for a governmental purpose to the City of Lancaster.
 - On December 31, 2015, DOF approved the Successor Agency's request to amend its LRPMP properties numbered 204 through 355, previously classified as Retention for Development, were reclassified to Liqueate to Private-Purpose Trust Fund. This reclassification will enable the sale of these properties.
 - On December 31, 2105 DOF additionally approved the transfer of 21 properties with a book value of \$624,366 to the City of Lancaster for Government Purposes. This transaction has been reported in the accompanying financial statements as an extraordinary item.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

15. CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES
(CONTINUED):

- The Successor Agency was allowed to recognize loan agreements between the former Lancaster Redevelopment Agency and the City on the ROPS, as enforceable obligations, provided the Oversight Board made a finding that the loans were for legitimate redevelopment purposes.
 - The Oversight Board adopted Resolution Nos. OB 23-13 through OB 46-13, which amended and restated the agreements between the City and the former RDA and made the finding that the loans were for legitimate redevelopment purposes and therefore, should be recognized as enforceable obligations.
 - DOF disallowed all or a portion of 5 of the 24 OB Resolutions. The Successor Agency is pursuing legal action regarding these loans.
 - Approval of the remaining Resolutions enabled reinstatement of the majority of the loan obligations totaling \$9,174,663. The loans are included in the advances due to the City (80%) and Lancaster Housing Authority (20%) along with the \$1,990,283 retroactive restatement of accrued unpaid interest on the loans at a rate of 3% as allowed by SB 107. As repayments are made 20% of the repayments amounts are required to be allocated to the Low and Moderate Income Housing Asset Fund maintained by the Lancaster Housing Authority. These transactions have been reported in the accompanying financial statements as an extraordinary item.

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

16. SUCCESSOR AGENCY DISCLOSURES:

The assets and liabilities of the former Redevelopment Agency were transferred to the Successor Agency of the City of Lancaster Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to Private-Purpose Trust Fund are as follows:

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance			Due		
	July 1, 2015	Additions	Deletions	Balance June 30, 2016	Within One Year	Due in More Than One Year
2004 County-Fire	\$ 5,820,000	\$ -	\$ (525,000)	\$ 5,295,000	\$ 550,000	\$ 4,745,000
2004 County-Library	3,635,000	-	(3,635,000)	-	-	-
2004 County-Sheriff	12,485,000	-	(1,130,000)	11,355,000	1,180,000	10,175,000
2003A Housing	51,170,000	-	(1,665,000)	49,505,000	1,755,000	47,750,000
2009 Housing	25,880,000	-	(585,000)	25,295,000	615,000	24,680,000
2015 Housing A&B	23,510,000	-	(575,000)	22,935,000	610,000	22,325,000
1994 Non-Housing	830,000	-	(830,000)	-	-	-
1999 Non-Housing Amargosa	1,995,000	-	(1,995,000)	-	-	-
2003 Non-Housing	34,430,000	-	(34,430,000)	-	-	-
2003B Non-Housing	10,620,000	-	(10,620,000)	-	-	-
2004 Non-Housing	9,390,000	-	(9,390,000)	-	-	-
2006 Non-Housing	20,430,000	-	(20,430,000)	-	-	-
2010 Non-Housing						
Lease Revenue	4,945,000	-	(135,000)	4,810,000	140,000	4,670,000
2016 A-1 & A-2						
Non-Housing	-	61,425,000	-	61,425,000	830,000	60,595,000
2004 Schools	6,635,000	-	(6,635,000)	-	-	-
2006 Schools	11,885,000	-	(11,885,000)	-	-	-
2016 B-1 & B-2						
Non-Housing	<u>-</u>	<u>17,590,000</u>	<u>-</u>	<u>17,590,000</u>	<u>670,000</u>	<u>16,920,000</u>
Total Successor Agency	223,660,000	79,015,000	(104,465,000)	198,210,000	6,350,000	191,860,000
Unamortized original issue (discount) or premium	<u>3,921,603</u>	<u>7,492,012</u>	<u>(2,361,422)</u>	<u>9,052,193</u>	<u>-</u>	<u>9,052,193</u>
Net Long-Term Debt	<u>\$ 227,581,603</u>	<u>\$ 86,507,012</u>	<u>\$ (106,826,422)</u>	<u>\$ 207,262,193</u>	<u>\$ 6,350,000</u>	<u>\$ 200,912,193</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED)

Combined Tax Allocation Notes and Bonds

- a. On June 14, 2016, the Successor Agency issued \$61,425,000 of Combined Redevelopment Project Areas (Non-Housing Programs) Tax Allocation Refunding Bonds, issue of 2016A-1 & A-2. This financing was undertaken to advance refund \$71,312,000 in outstanding Agency debt. The principal portion of these bonds is payable from August 1, 2016 to 2038. Interest is payable semi-annually on February 1 and August 1 of each year commencing on August 1, 2016.

As a result of the advance refunding, the City reduced its total debt service requirements by \$27,680,577, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$12,443,862.

- b. On June 14, 2016, the Successor Agency issued \$17,590,000 of Lancaster Redevelopment Project Area No. 5 and Project Area No. 6 (School District Pass-Throughs) Tax Allocation Refunding Bonds, issue of 2016 B-1 and B-2. This financing was undertaken to advance refund \$21,763,000 in outstanding Agency debt. The principal portion of these bonds is payable from February 1, 2017 to 2037. Interest is payable semi-annually on February 1 and August 1 of each year commencing on August 1, 2016.

As a result of the advance refunding, the City reduced its total debt service requirements by \$7,841,236, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$4,105,740.

- c. On March 10, 2015, the Successor Agency issued \$23,510,000 of Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Refunding Bonds, issue of 2015A and B. This financing was undertaken to refund \$23,510,000 in outstanding Agency debt. The principal portion of these bonds is payable from August 1, 2015 to 2026. Interest is payable semi-annually on February 1 and August 1 of each year commencing on August 1, 2015.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED)

Combined Tax Allocation Notes and Bonds (Continued)

- d. On April 22, 2010, the Successor Agency issue \$5,555,000 of Lancaster Redevelopment Agency, Lease Revenue Refunding Bonds (Lancaster Public Capital Improvement Projects), Issue of 2010. The purpose of these bonds was to (i) refund on a current basis the Lancaster Redevelopment Agency Lease Revenue Refunding Bonds (Lancaster Public Capital Improvement Projects) Issue of 1999, (ii) fund the Reserve Account, and (iii) pay costs of issuance of the Bonds. The principal portion of these bonds is payable from December 1, 2010 to December 1, 2035. Interest is payable semi-annually at rates of 2.0% to 5.9% per annum, commencing December 1, 2010. The Bonds are payable from Lease Payments to be made by the City of Lancaster to the Agency or its assignee. The property covered by the Lease consists of the Lancaster Performing Arts Center. Neither the Bonds nor the obligation of the City to make Lease Payments under the Lease Agreement constitutes an indebtedness of the City, the Agency, the State of California or any political subdivision thereof, within the meaning of the Constitution of the State of California or otherwise.
- e. On August 19, 2009, the Successor Agency issued \$37,500,000 of Combined Redevelopment Project Areas (Housing Programs), Tax Allocation Bonds, issue of 2009. This financing was undertaken to (i) fund certain low and moderate income housing projects of the agency, (ii) fund capitalized interest on the bonds through September 1, 2010, (iii) fund a reserve account for the 2009 Bonds; and (iv) pay the costs of issuing the 2009 bonds. The principal portion of these bonds is payable from August 1, 2011 to 2039. Interest is payable semi-annually at rates of 4.0% to 6.875% per annum, on February 1 and August 1 of each year commencing on February 1, 2010.
- f. On December 7, 2006, the Successor Agency issued \$25,660,000 of Tax Allocation Revenue Bonds, Issue of 2006. This financing was undertaken to refund \$5,845,000 in outstanding Agency bonds and to provide the Agency with additional funds for projects. The principal portion of these bonds is payable from February 1, 2008 to 2039. Interest is payable semi-annually on February 1 and August 1 of each year commencing on August 1, 2007. Interest rates vary from 3.80% to 5.00%. The Tax Allocation Revenue Bonds were refinanced in fiscal year 2015-2016 with the Combined Redevelopment Project Areas (Non-Housing Programs) Tax Allocation Refunding Bonds, issue of 2016A-1 and A-2.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED)

Combined Tax Allocation Notes and Bonds (Continued)

- g. On November 8, 2006, the Successor Agency issued \$13,655,000 of Tax Allocation Bonds (School District Projects), Series 2006. This financing was undertaken to finance school district projects pursuant to certain school district pass through agreements with respect to Redevelopment Project No. 5 and No. 6, pay costs of issuing the Bonds, and fund a debt service reserve account. The principal portion of these bonds is payable from February 1, 2008 to 2037. Interest is payable semi-annually on February 1 and August 1 of each year commencing on February 1, 2007. Interest rates vary from 4.00% to 5.00%. Project Area Number 5 received \$4,895,000 of the principal portion of these bonds with the remaining amount of \$8,760,000 being allocated to Project Area Number 6. The School District Projects bonds were refinanced in fiscal year 2015-2016 with the Lancaster Redevelopment Project Area No. 5 and Project area No. 6 (School District Pass-Throughs) Tax Allocation Refunding Bonds, issue of 2016 B-1 and B-2.
- h. On December 15, 2004, the Successor Agency issued \$10,200,000 of Combined Redevelopment Project Areas (Fire Protection Facilities Project), Tax Allocation Refunding Bonds, Issue of 2004. Interest on these bonds is payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2006. Interest rates vary from 2.00% to 5.25%. Principal redemptions are payable starting December 1, 2006 through December 1, 2023. The proceeds of this bond issue were utilized to refund all of the Agency's outstanding Combined Redevelopment Project Areas (Fire Protection Facilities Project) Tax Allocation Bonds, Issue of 1993, pay costs of issuing the Bonds, and fund a debt service reserve account.
- i. On December 15, 2004, the Successor Agency issued \$21,540,000 of Combined Redevelopment Project Areas (Sheriff's Facility Project), Tax Allocation Refunding Bonds, Issue of 2004. Interest on these bonds is payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2006. Interest rates vary from 2.00% to 5.25%. Principal redemptions are payable starting December 1, 2006 through December 1, 2019. The proceeds of this bond issue were utilized to refund all of the Agency's outstanding Combined Redevelopment Project Areas (Sheriff's Facility Project) Tax Allocation Bonds, Issue of 1993, pay costs of issuing the Bonds, and fund a debt service reserve account.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED)

Combined Tax Allocation Notes and Bonds (Continued)

- j. On December 15, 2004, the Successor Agency issued \$5,135,000 of Combined Redevelopment Project Areas (Library Project), Tax Allocation Refunding Bonds, Issue of 2004. Interest on these bonds is payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2006. Interest rates vary from 3.00% to 4.75%. Principal redemptions are payable starting December 1, 2006 through December 1, 2029. The proceeds of this bond issue were utilized to refund all of the Agency's outstanding Combined Redevelopment Project Areas (Library Project) Tax Allocation Bonds, Issue of 1993, and Combined Redevelopment Project Areas (Library Project) Subordinated Tax Allocation Refunding Bonds, Issue of 1999, pay costs of issuing the Bonds, and fund a debt service reserve account. The Library Project bonds were paid off in advance in fiscal year 2015-2016.
- k. On September 9, 2004, the Successor Agency issued \$7,830,000 of Lancaster Financing Authority, Tax Allocation Refunding Bonds (Lancaster Redevelopment Project No. 5 and Project No. 6 School Districts), Issue of 2004. Interest on these bonds is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2006. Interest rates vary from 2.00% to 5.60%. Principal redemptions are payable starting February 1, 2006 through February 1, 2034. The proceeds of this bond issue were utilized to advance refund and defease all of the Agency's outstanding Lancaster Redevelopment Project No. 6, Tax Allocation Refunding Bonds (School District), Issue of 1996, finance school district projects pursuant to certain school district pass through agreements with respect to Redevelopment Project No. 5 and No. 6, pay costs of issuing the Bonds, and fund a debt service reserve account. The Lancaster Redevelopment Project No. 5 and Project No. 6 School Districts bonds were refinanced in fiscal year 2015-2016 with the Lancaster Redevelopment Project Area No. 5 and Project area No. 6 (School District Pass-Throughs) Tax Allocation Refunding Bonds, issue of 2016 B-1 and B-2.
- l. On November 9, 2004, the Successor Agency issued \$11,005,000 of Lancaster Financing Authority, Subordinate Tax Allocation Revenue Bonds (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects), Issue of 2004B. Interest on these bonds is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2006. Interest rates vary from 2.35% to 5.00%. Principal redemptions are payable starting February 1, 2008 through February 1, 2035. The proceeds of this bond issue were utilized to finance redevelopment activities of the Agency with respect to four of its Project Areas, fund capitalized interest through August 1, 2007, pay costs of issuing the Bonds, and fund a debt service reserve account. The (Lancaster Residential, Amargosa, Project No. 5 and Project No. 6 Redevelopment Projects) bonds were refinanced in fiscal year 2015-2016 with the Combined Redevelopment Project Areas (Non-Housing Programs) Tax Allocation Refunding Bonds, issue of 2016 A-1 and A-2.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED)

Combined Tax Allocation Notes and Bonds (Continued)

- m. On June 11, 2003, the Successor Agency issued \$101,575,000 of Series 2003 Bonds (\$60,980,000 Combined Housing Financing and \$40,595,000 of Combined Economic Development Financing). This financing was undertaken to refund \$75,065,000 in outstanding Agency debt and to provide the Agency with additional funds for projects. The principal portion of these bonds is payable from August 1, 2004 to 2034 on the Economic Development Financing (Combined Tax Allocation Bonds, Series 2003) and August 1, 2006 to 2033, on the Housing Financing (Combined Housing Bonds). Interest is payable semi-annually on February 1 and August 1 of each year commencing on August 1, 2004. The Combined Economic Development Financing bonds were refinanced in fiscal year 2015-2016 with the Combined Redevelopment Project Areas (Non-Housing Programs) Tax Allocation Refunding Bonds, issue of 2016 A-1 and A-2 and the Lancaster Redevelopment Project Area No. 5 and Project area No. 6 (School District Pass-Throughs) Tax Allocation Refunding Bonds, issue of 2016 B-1 and B-2.

- n. On December 12, 2003, the Successor Agency issued \$34,640,000 of Series 2003 B Bonds (\$18,080,000 Combined Housing Financing and \$16,560,000 of Subordinate Tax Allocation Revenue Bonds). This financing was undertaken to refund \$13,375,000 in outstanding Agency debt and to provide the Agency with additional funds for projects. The principal portion of these bonds is payable from August 1, 2004 to 2034, on the Subordinate Tax Allocation Revenue Bonds and February 1, 2004 to 2034, on the Housing Financing (Combined Housing Bonds). Interest is payable semi-annually on February 1 and August 1 of each year commencing on February 1, 2004. The Housing Financing bonds were refinanced in fiscal year 2014-2015 with the Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Refunding Bonds, issue of 2015B. The Combined Housing and Financing Subordinate Tax Allocation Revenue Bonds were refinanced in fiscal year 2015-2016 with the Combined Redevelopment Project Areas (Non-Housing Programs) Tax Allocation Refunding Bonds, issue of 2016 A-1 and A-2.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED)

Combined Tax Allocation Notes and Bonds (Continued)

- o. On February 23, 1993, the Successor 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 is determined by subtracting the amount of net bond proceeds, subordinated note proceeds and contributions proceeds from the total development and construction costs of the Library Project.

Central Business District Project Area

- p. On January 1, 1994, the Successor Agency issued \$3,065,000 of Lancaster Central Business District Redevelopment Project Area, Tax Allocation Refunding Bonds, Issue of 1994. The principal portion of these bonds is payable from August 1, 1994 to August 1, 2023. Interest is payable semi-annually on February 1 and August 1 each year commencing August 1, 1994, at rates of 3.00% to 6.125% per annum. The proceeds of these bonds was utilized to defease \$1,055,000 of the Tax Allocation Refunding Bonds, Issue of 1986, and \$1,900,000 of Subordinated Tax Allocation Refunding Notes, Issue of 1988. The Tax Allocation Refunding Bonds were refinanced in fiscal year 2015-2016 with the Combined Redevelopment Project Areas (Non-Housing Programs) Tax Allocation Refunding Bonds, issue of 2016 A-1 and A-2.

Amargosa Redevelopment Project

- q. On March 18, 1999, the Successor Agency issued \$4,380,000 of Lancaster Redevelopment Agency, Amargosa Redevelopment Project, Tax Allocation Refunding Bonds, Issue of 1999. The purpose of these bonds was to defease a portion of the \$7,005,000 Tax Allocation Refunding Bonds, Issue of 1991. The principal portion of these bonds is payable from February 1, 2000 to February 1, 2024. Interest is payable semi-annually at rates of 3.0% to 5.0% per annum, commencing August 1, 1999. The Tax Allocation Refunding Bonds were refinanced in fiscal year 2015-2016 with the Combined Redevelopment Project Areas (Non-Housing Programs) Tax Allocation Refunding Bonds, issue of 2016 A-1 and A-2.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize the outstanding bond indebtedness for the Lancaster Redevelopment Agency Bonds and Notes, as of June 30, 2016, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 6,350,000	\$ 7,600,408	\$ 13,950,408
2018	8,245,000	8,475,650	16,720,650
2019	8,545,000	8,162,385	16,707,385
2020	8,860,000	7,819,784	16,679,784
2021	9,230,000	7,436,483	16,666,483
2022 - 2026	47,085,000	30,692,944	77,777,944
2027 - 2031	48,555,000	20,003,363	68,558,363
2032 - 2036	51,265,000	7,866,363	59,131,363
2037 - 2040	<u>10,075,000</u>	<u>1,032,563</u>	<u>11,107,563</u>
Totals	<u>\$ 198,210,000</u>	<u>\$ 99,089,943</u>	<u>\$ 297,299,943</u>

PLEDGED REVENUE

The City pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1 X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

PLEGGED REVENUE (CONTINUED)

Total principal and interest remaining on the debt is \$297,299,943 with annual debt service requirements as indicated below. For the current year, the total property tax revenue recognized by the City and Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$25,995,904 and the debt service obligation on the bonds was \$22,192,292, broken down as follows:

	<u>Received in FY 15/16</u>
Scope of Fund Recognized by Successor Agency for Enforceable Obligations:	
Redevelopment Property Tax Trust Funds (RPTTF)	\$ 20,145,162
Pass Through Funds remitted by Los Angeles County Library	1,134,739
Pass Through Funds remitted by Los Angeles County Fire and Sheriff	4,310,467
Lease Revenue Funds remitted by the City of Lancaster	<u>405,536</u>
 Total funds recognized by the Successor Agency available for the payment of debt services	 <u>\$ 25,995,904</u>

<u>Debt Service Obligations due in FY 15/16</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
Non-Housing, Housing and School Bonds (RPTTF)	\$ 5,965,000	\$ 9,520,047	\$ 15,485,047
County Fire & Sheriff Bonds (paid from Fire & Sherriff pass through funds)	5,290,000	1,011,027	6,301,027
Lease Revenue Bonds (paid from lease payments from City of Lancaster)	<u>135,000</u>	<u>271,218</u>	<u>406,218</u>
 Total Successor Agency Debt Service Obligations, FY 15/16	 <u>\$ 11,390,000</u>	 <u>\$ 10,802,292</u>	 <u>\$ 22,192,292</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

DUE TO THE CITY OF LANCASTER AND LANCASTER HOUSING AUTHORITY

1. SERAF Advance:

Advances were made in previous years in the amount of \$24,303,115 to assist in accomplishing payment to the Educational Revenue Augmentation Fund from the former redevelopment agency low and moderate income housing fund. The advances are now payable to the Lancaster Housing Authority as a result of the dissolution of redevelopment. Outstanding balance at June 30, 2016 is \$24,126,942.

2. Administrative Loans:

The City has made several administrative loans to the Successor Agency. The loans bear interest at a rate equal to LAIF rates. All administrative loans were paid back in fiscal year 2015-2016.

3. Prior Advances:

In previous fiscal years the City made multiple loans to the former Lancaster Redevelopment Agency. During the 2013-2014 fiscal year, many of those loans were reinstated as enforceable obligations of the Successor Agency and an additional \$9,174,633 were reinstated in fiscal year 2015-2016: The outstanding principal totals \$32,011,462; the interest at June 30, 2016 totals \$17,489,414. The total amount due to the City and Housing Authority from the Successor Agency on these prior advances is \$49,500,876.

DEFEASANCE OF DEBT

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

DEFEASANCE OF DEBT (CONTINUED)

At June 30, 2016, the following defeased bond issues are still outstanding:

	<u>Outstanding Amount</u>
Central Business District 1994 Refunding Issue	\$ 760,000 (1)
Amargosa Redevelopment Project Areas 1999 Refunding Issue	1,735,000 (1)
Subordinate Tax Allocation Bonds 2003B Issue	10,330,000 (1)
Subordinate Tax Allocation Bonds 2004B Issue	9,160,000 (1)
Tax Allocation Refunding Bonds (Schools) 2004 Issue	6,495,000 (1)
Tax Allocation Bonds (Schools) 2006 Issue	11,615,000 (1)
Tax Allocation Bonds (Non-housing) 2006 Issue	19,765,000
Combined Tax Allocation Bonds (Non-housing) 2003 Issue	33,215,000

(1) Redeemed in full on August 1, 2016

NON-COMMITMENT DEBT

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

INSURANCE

The Successor Agency is covered under the City's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 11.

17. SPECIAL ASSESSMENT DEBT WITH NO CITY COMMITMENT:

The City issued special tax and assessment bonds on behalf of property owners, pursuant to the Improvement Bond Act of 1915 and the Mello-Roos Community Facilities Act of 1982, to finance the acquisition and construction of certain infrastructure improvements within the assessment districts and community facilities districts.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

17. SPECIAL ASSESSMENT DEBT WITH NO CITY COMMITMENT (CONTINUED):

The City acts solely as an agent for those paying special tax and assessments and remits the amounts collected to the bondholders of these fixed-rate Improvement Bond Act of 1915 and Mello-Roos Community Facilities Act of 1982 issues. The City is acting as an agent and is in no way liable for the special assessment debt.

The bonds are not general obligations of the City but are limited obligations, payable solely from special tax and assessments. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of the available funds of the City. Neither the faith and credit nor the taxing power of the City, or the State of California, or any political subdivision thereof is pledged to the payment of these bonds.

Non-committal debt amounts issued and outstanding at June 30, 2016, are as follows:

	Bonds <u>Issued</u>	Bonds <u>Outstanding</u>
AD 93-3, Series 1994	\$ 3,680,000	\$ 1,370,000
CFD 89-1, Series 1997	360,000	360,000
CFD 89-1, Series 1997A	3,740,000	1,125,000
CFD 89-1, Series 1997B	1,185,535	449,047
CFD 89-1, Series 1990	4,885,000	1,565,000
CFD 91-2, Series 1999	8,150,000	660,000
	<u>\$ 22,000,535</u>	<u>\$ 5,529,047</u>

18. DEFERRED COMPENSATION PLAN:

The City has made available to its Regular Employees and mandatory for its Temporary Employees an Internal Revenue Code (IRC) Section 457(b) deferred compensation plan, whereby employees authorize the City to withhold funds from salary to be invested in the ICMA Retirement Corporation's Deferred Compensation Plan. For Temporary Employees, the mandatory 457(b) contribution is in lieu of contributing to Social Security or CalPERS.

Funds may be withdrawn by participants upon termination of employment or retirement. The City makes no contributions under the plan. The City withholds employee contributions from employee's payroll checks and transmits these monies to the plan providers on a bi-weekly basis. The City makes distributions from the plans based solely upon authorizations by the plan administrator.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

18. DEFERRED COMPENSATION PLAN (CONTINUED):

Pursuant to changes in IRC Section 457, on January 2, 1997, the City formally established a plan level trust in which all assets and income of the 457 plan were placed. The plan assets, all property and rights purchased with such amount, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are not the property of the City and, as such, are not subject to the claims of the City's general creditors. The City has minimal involvement in the administration of the 457 plan and, therefore, lacks fiduciary accountability. As a result, the assets of the 457 plan are not reflected in the financial statements.

19. DEFINED CONTRIBUTION PLAN:

The City provides a tax qualified retirement savings plan under Section 401(a) of the Internal Revenue Code to all Regular Employees. The Plan is a defined contribution plan and benefits depend solely on amounts contributed to the plan and investment earnings. The Plan is administered by the ICMA Retirement Corporation, and the City Council has the authority for establishing and amending the plan provisions. There were 245 employees covered by the Plan for the year ended June 30, 2016. Employer contributions are based on an employee's tier of eligibility. For the year ended June 30, 2016, employer contributions totaled \$872,901. There are no required employee contributions.

As is the case with the 457 plan, the 401(a) plan assets are held in trust for distribution to employees and their beneficiaries. Funds may be withdrawn by participants upon termination of employment or retirement. The City lacks fiduciary accountability and as such, the assets of the 401(a) plan are not reflected in the financial statements.

20. RETIREE HEALTH SAVINGS PLAN:

The City provides a Retiree Health Savings Plan (RHSP) under IRC Section 105(h) to all Regular Employees hired after July 1, 2012. This defined contribution benefit is in lieu of any other post-employment benefits (OPEB) for these employees. There is a mandatory 5-year vesting period to be eligible for distribution from this plan.

Additionally, the City provides a RHSP for Mid-Management and Executive-Management employees, employees opting out of other post-employment benefits, and employees opting out of all medical coverage or opting for no dependent medical coverage. The City Council has the authority for establishing and amending plan provisions. There were 215 employees in the RHSP at June 30, 2016, and the annual contribution totaled \$445,983.

As with the other ICMA plans, assets of the RHSP are held in trust, eligible for withdrawal upon termination of employment, are not assets of the City, and are not reflected in the financial statements

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

21. RESTATEMENT OF NET POSITION:

Beginning net position for the government-wide financial statements were restated as follows:

	<u>Governmental Activities</u>
Net position as previously reported as of June 30, 2015	\$1,053,698,597
Increase in net position to recognize revenue for unbilled grant revenue earned as of June 30, 2015	<u>854,782</u>
Net position as restated July 1, 2015	<u>\$1,054,553,379</u>

Beginning net position for the fiduciary fund financial statements were restated as follows:

	<u>Private-Purpose Trust Fund</u>
Net position as previously reported as of June 30, 2015	\$ (244,237,890)
Decrease in net position to correct deferred charges that should have been expensed	<u>(968,918)</u>
Net position as restated July 1, 2015	<u>\$ (245,206,808)</u>

22. SUBSEQUENT EVENTS:

In October 2016, the Lancaster Financing Authority issued \$14,250,000 of 2016 Assessment Revenue Bonds to finance the acquisition and installation of certain streetlight improvements. These Bonds are payable solely from and secured by installment payments received or receivable by the Authority from the City of Lancaster pursuant to an installment purchase agreement. The City's installment payments are payable solely from and secured by a pledge of and first lien on assessments levied within the Lancaster Lighting Maintenance District. Principal amounts on the Bonds are due annually on September 2 through 2036. Interest is payable semiannually on March 2 and September 2 commencing March 2, 2017 at rates ranging from 2.000% to 3.125%.

Other events occurring after June 30, 2016 have been evaluated for possible adjustments to the financial statements or disclosure as of December 29, 2016, which is the date these financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANCASTER

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CalPERS PENSION PLANS

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement Period Ended	June 30, 2015	June 30, 2014
Total Pension Liability:		
Service cost	\$ 3,659,838	\$ 3,783,673
Interest on total pension liability	9,650,056	9,015,665
Differences between expected and actual experience	(445,730)	-
Changes in assumptions	(2,517,116)	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	<u>(4,011,772)</u>	<u>(3,666,038)</u>
Net Change in Total Pension Liability	6,335,276	9,133,300
Total Pension Liability - Beginning of Year	<u>129,283,335</u>	<u>120,150,035</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 135,618,611</u></u>	<u><u>\$ 129,283,335</u></u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ 3,803,574	\$ 3,549,119
Contributions - employee	1,611,229	1,556,684
Net investment income	2,090,380	13,752,204
Benefit payments	(4,011,772)	(3,666,038)
Administrative expense	<u>(109,427)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	3,383,984	15,191,969
Plan Fiduciary Net Position - Beginning of Year	<u>93,844,998</u>	<u>78,653,029</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 97,228,982</u></u>	<u><u>\$ 93,844,998</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ 38,389,629</u></u>	<u><u>\$ 35,438,337</u></u>
Plan fiduciary net position as a percentage of the total pension liability	71.69%	72.59%
Covered - employee payroll	\$ 19,407,546	\$ 19,312,337
Net pension liability as percentage of covered- employee payroll	197.81%	183.50%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF LANCASTER
 SCHEDULE OF CONTRIBUTIONS
 CalPERS PENSION PLANS

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 4,072,457	\$ 3,803,574
Contributions in relation to the actuarially determined contributions	<u>(4,072,457)</u>	<u>(3,803,574)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 19,428,612	\$ 19,407,546
Contributions as a percentage of covered - employee payroll	20.96%	19.60%

Notes to Schedule:

Valuation Date	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age **
Amortization method	Level percentage of payroll **
Remaining amortization period	23 years
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service and type of employment
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	50 years for 2.7% @55, 2% @60 and 52 years for
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two year are shown.

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

CITY OF LANCASTER

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PARS PENSION PLAN

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement Period Ended	June 30, 2015	June 30, 2014
Total Pension Liability:		
Service cost	\$ 1,000	\$ 1,000
Interest on total pension liability	605,000	607,000
Differences between expected and actual experience	156,000	-
Changes in assumptions	350,000	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	<u>(640,000)</u>	<u>(627,000)</u>
Net Change in Total Pension Liability	472,000	(19,000)
Total Pension Liability - Beginning of Year	<u>9,635,000</u>	<u>9,654,000</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 10,107,000</u></u>	<u><u>\$ 9,635,000</u></u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ -	\$ -
Contributions - employee	-	-
Net investment income	230,000	1,204,000
Administrative expense	(20,000)	(20,000)
Benefit payments	<u>(640,000)</u>	<u>(627,000)</u>
Net Change in Plan Fiduciary Net Position	(430,000)	557,000
Plan Fiduciary Net Position - Beginning of Year	<u>10,146,000</u>	<u>9,589,000</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 9,716,000</u></u>	<u><u>\$ 10,146,000</u></u>
Net Pension Asset - Ending (a)-(b)	<u><u>\$ 391,000</u></u>	<u><u>\$ (511,000)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	96.13%	105.30%
Covered - employee payroll	None	None
Net pension liability as percentage of covered- employee payroll	N/A	N/A

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 6.25% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 6.50% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF LANCASTER

SCHEDULE OF CONTRIBUTIONS
PARS PENSION PLAN

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	\$ -	\$ -
Covered - employee payroll	None	None
Contributions as a percentage of covered - employee payroll	N/A	N/A

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2013
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar
Remaining amortization period	10 years closed	10 years open
Asset valuation method	Market value	Market value
Inflation	3.00%	3.00%
Salary scale:		
Aggregate	3.25%	3.25%
Merit (CalPERS Experience Study)	1997-2011	1997-2007
Investment rate of return		
06/30/15 valuation	6.5%, net of investment expenses only	
06/30/13 valuation	6.25%, net of investment and administrative expenses	

Mortality assumptions for service retirements & beneficiaries:

06/30/15 valuation	Mortality Table projected fully generational with Scale MP-2014 modified to converge to ultimate improvement rates in 2022.
06/30/13 valuation	CalPERS 1997-2007 Experience Study, Mortality projected fully generational with Scale AA.

Mortality assumptions for disability retirements:

06/30/15 valuation	CalPERS 1997-2011 Experience Study, Mortality Table for non-work Disabled Retirees projected fully generational with Scale MP-2014 modified to converge to ultimate improvement rates in 2022.
06/30/13 valuation	CalPERS 1997-2007 Experience Study, Mortality projected fully generational with Scale AA.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF LANCASTER

SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS PLAN

For the year ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/c]
06/30/11	\$ -	\$ 28,794,000	\$ 28,794,000	0.00%	\$ 18,429,000	156.24%
06/30/13	-	25,081,000	25,081,000	0.00%	17,391,000	144.22%
06/30/15	1,245,000	20,263,000	19,018,000	6.14%	18,946,000	100.38%

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SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF LANCASTER
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds			
	Gas Tax	Community Services	Landscape Maintenance District	Housing and Community Development
ASSETS:				
Pooled cash and investments	\$ 3,988,752	\$ 107,976	\$ 2,828,215	\$ 1,624,415
Receivables:				
Accounts	493	-	5,662	-
Taxes	236,530	-	27,959	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	360,531
Prepaid items	-	-	-	-
Land held for resale	-	-	-	1,279,693
TOTAL ASSETS	\$ 4,225,775	\$ 107,976	\$ 2,861,836	\$ 3,264,639
LIABILITIES:				
Accounts payable	\$ 216,282	\$ 6,200	\$ 263,265	\$ 72,221
Accrued liabilities	37,024	-	4,825	3,369
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	394,992
TOTAL LIABILITIES	253,306	6,200	268,090	470,582
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES (DEFICITS):				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Community development projects	-	101,776	-	2,794,057
Parks, recreation, and arts	-	-	-	-
Development services	3,972,469	-	2,593,746	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	3,972,469	101,776	2,593,746	2,794,057
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,225,775	\$ 107,976	\$ 2,861,836	\$ 3,264,639

Special Revenue Funds (Continued)

Transportation Development Authority	Proposition A	Bikeway Improvement	Proposition C	Federal Grants	State Grants	Parks Development
\$ -	\$ 3,545,199	\$ 2,988	\$ 6,620,671	\$ 435,972	\$ 184,248	\$ 782,886
-	-	-	-	127,761	816,005	-
-	-	-	-	-	-	-
3,541	6,337	5	11,414	-	99	-
1,825,000	-	-	-	831,619	863,295	-
-	-	-	-	-	2,248	-
-	-	-	-	-	-	-
<u>\$ 1,828,541</u>	<u>\$ 3,551,536</u>	<u>\$ 2,993</u>	<u>\$ 6,632,085</u>	<u>\$ 1,395,352</u>	<u>\$ 1,865,895</u>	<u>\$ 782,886</u>
\$ -	\$ 9,743	\$ -	\$ -	\$ 15,063	\$ 65,617	\$ -
-	743	-	-	1,589	3,245	-
-	-	-	-	-	99,032	-
1,492,948	-	-	-	913,465	1,870,168	-
1,492,948	10,486	-	-	930,117	2,038,062	-
-	-	-	-	720,021	783,745	-
-	-	-	-	720,021	783,745	-
-	-	-	-	-	2,248	-
-	-	-	-	-	-	-
-	-	-	-	-	-	782,886
335,593	3,541,050	-	6,632,085	-	-	-
-	-	2,993	-	-	-	-
-	-	-	-	(254,786)	(958,160)	-
<u>335,593</u>	<u>3,541,050</u>	<u>2,993</u>	<u>6,632,085</u>	<u>(254,786)</u>	<u>(955,912)</u>	<u>782,886</u>
<u>\$ 1,828,541</u>	<u>\$ 3,551,536</u>	<u>\$ 2,993</u>	<u>\$ 6,632,085</u>	<u>\$ 1,395,352</u>	<u>\$ 1,865,895</u>	<u>\$ 782,886</u>

(Continued)

CITY OF LANCASTER

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2016

	Special Revenue Funds (Continued)			
	County and Other	Developer Fees - Signals	Developer Fees - Drainage	Recycled Water
ASSETS:				
Pooled cash and investments	\$ 6,206	\$ 3,751,134	\$ 3,541,255	\$ -
Receivables:				
Accounts	-	98,058	234,028	12,305
Taxes	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	-	1,915
Land held for resale	-	-	-	-
TOTAL ASSETS	<u>\$ 6,206</u>	<u>\$ 3,849,192</u>	<u>\$ 3,775,283</u>	<u>\$ 14,220</u>
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 320	\$ 7,727
Accrued liabilities	-	-	-	754
Unearned revenues	-	98,058	234,028	-
Due to other funds	35,915	-	-	217,453
TOTAL LIABILITIES	<u>35,915</u>	<u>98,058</u>	<u>234,348</u>	<u>225,934</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):				
Nonspendable:				
Prepaid items	-	-	-	1,915
Restricted:				
Community development projects	-	-	-	-
Parks, recreation, and arts	-	-	-	-
Development services	-	3,751,134	3,540,935	-
Debt service	-	-	-	-
Unassigned	(29,709)	-	-	(213,629)
TOTAL FUND BALANCES (DEFICITS)	<u>(29,709)</u>	<u>3,751,134</u>	<u>3,540,935</u>	<u>(211,714)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 6,206</u>	<u>\$ 3,849,192</u>	<u>\$ 3,775,283</u>	<u>\$ 14,220</u>

Special Revenue Funds (Continued)

Biological Impact Fees	Traffic Impact Fees	AQMD	Lancaster Lighting District	Lancaster Drainage Maintenance District	Miscellaneous Grants	Traffic Safety	Engineering Fees
\$ 2,294,786	\$ 2,438,350	\$ 220,993	\$ 71,408	\$ 1,127,993	\$ 25,509	\$ -	\$ -
-	211,803	-	150,229	-	-	-	31,613
-	-	-	96,533	35,717	-	-	-
-	-	-	-	-	-	24,486	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,294,786</u>	<u>\$ 2,650,153</u>	<u>\$ 220,993</u>	<u>\$ 318,170</u>	<u>\$ 1,163,710</u>	<u>\$ 25,509</u>	<u>\$ 24,486</u>	<u>\$ 31,613</u>
\$ -	\$ -	\$ 3,375	\$ 319,083	\$ 50,786	\$ -	\$ -	\$ 1,097
-	-	-	12,410	7,802	-	-	27,703
-	211,803	-	-	-	-	-	-
-	-	-	-	-	377,959	55,560	161,589
-	211,803	3,375	331,493	58,588	377,959	55,560	190,389
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,294,786	2,438,350	217,618	-	1,105,122	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(13,323)	-	(352,450)	(31,074)	(158,776)
<u>2,294,786</u>	<u>2,438,350</u>	<u>217,618</u>	<u>(13,323)</u>	<u>1,105,122</u>	<u>(352,450)</u>	<u>(31,074)</u>	<u>(158,776)</u>
<u>\$ 2,294,786</u>	<u>\$ 2,650,153</u>	<u>\$ 220,993</u>	<u>\$ 318,170</u>	<u>\$ 1,163,710</u>	<u>\$ 25,509</u>	<u>\$ 24,486</u>	<u>\$ 31,613</u>

(Continued)

CITY OF LANCASTER

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2016

	Special Revenue Funds (Continued)			
	LA County Reimbursement	MTA Grant	Urban Structure Program	Mariposa Lily
ASSETS:				
Pooled cash and investments	\$ -	\$ 135,126	\$ 1,396,950	\$ 62,733
Receivables:				
Accounts	19,200	-	24,275	-
Taxes	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	14,827	15,501	-	-
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
TOTAL ASSETS	\$ 34,027	\$ 150,627	\$ 1,421,225	\$ 62,733
LIABILITIES:				
Accounts payable	\$ 3,863	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Due to other funds	183,774	6,648	-	-
TOTAL LIABILITIES	187,637	6,648	-	-
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	-	15,501	24,275	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	15,501	24,275	-
FUND BALANCES (DEFICITS):				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Community development projects	-	-	-	-
Parks, recreation, and arts	-	-	1,228,494	-
Development services	-	128,478	168,456	62,733
Debt service	-	-	-	-
Unassigned	(153,610)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	(153,610)	128,478	1,396,950	62,733
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 34,027	\$ 150,627	\$ 1,421,225	\$ 62,733

Special Revenue Funds (Continued)					Debt Service Fund	Total Other Governmental Funds
Sewer Maintenance District	Proposition 1B	Proposition 42	HPRP	Measure R	Lancaster Financing Authority	
\$ 6,026,985	\$ 172,295	\$ 774,671	\$ -	\$ 3,402,209	\$ 8	\$ 45,569,933
1,800	-	-	-	725,422	-	2,458,654
75,946	-	-	-	-	-	472,685
-	301	-	-	5,923	5,083	32,703
-	105,832	-	-	1,785,398	-	5,826,489
-	-	-	-	-	-	4,163
-	-	-	-	-	-	1,279,693
<u>\$ 6,104,731</u>	<u>\$ 278,428</u>	<u>\$ 774,671</u>	<u>\$ -</u>	<u>\$ 5,918,952</u>	<u>\$ 5,091</u>	<u>\$ 55,644,320</u>
\$ 99,172	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,133,814
41,023	-	-	-	-	-	140,487
-	-	-	-	-	-	642,921
-	-	-	-	-	-	5,710,471
140,195	-	-	-	-	-	7,627,693
-	-	-	-	1,785,398	-	3,328,940
-	-	-	-	1,785,398	-	3,328,940
-	-	-	-	-	-	4,163
-	-	-	-	-	-	2,895,833
-	-	-	-	-	-	2,011,380
5,964,536	278,428	774,671	-	4,133,554	-	41,933,744
-	-	-	-	-	5,091	8,084
-	-	-	-	-	-	(2,165,517)
<u>5,964,536</u>	<u>278,428</u>	<u>774,671</u>	<u>-</u>	<u>4,133,554</u>	<u>5,091</u>	<u>44,687,687</u>
<u>\$ 6,104,731</u>	<u>\$ 278,428</u>	<u>\$ 774,671</u>	<u>\$ -</u>	<u>\$ 5,918,952</u>	<u>\$ 5,091</u>	<u>\$ 55,644,320</u>

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2016

	Special Revenue Funds			
	Gas Tax	Community Services	Landscape Maintenance District	Housing and Community Development
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	3,275,124	-	-	1,779,000
Charges for services	9,159	-	1,750,746	-
Investment earnings	-	-	-	321,886
Fines and forfeitures	-	-	-	-
Miscellaneous	-	76,452	-	765,730
TOTAL REVENUES	<u>3,284,283</u>	<u>76,452</u>	<u>1,750,746</u>	<u>2,866,616</u>
EXPENDITURES:				
Current:				
General government	21,662	6,768	-	22,995
Public safety	-	-	-	-
Community development	-	76,116	-	777,516
Parks, recreation, and arts	877,335	-	1,288,935	-
Development services	3,904,948	-	217,527	-
Housing and neighborhood revitalization	-	-	-	1,521,559
Debt service:				
Principal retirement	-	-	-	390,000
Interest and fiscal charges	-	-	-	94,867
TOTAL EXPENDITURES	<u>4,803,945</u>	<u>82,884</u>	<u>1,506,462</u>	<u>2,806,937</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,519,662)</u>	<u>(6,432)</u>	<u>244,284</u>	<u>59,679</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,882,000	-	-	-
Transfers out	<u>(2,580,368)</u>	<u>(2,050)</u>	<u>(294,150)</u>	<u>(760,480)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>301,632</u>	<u>(2,050)</u>	<u>(294,150)</u>	<u>(760,480)</u>
NET CHANGE IN FUND BALANCES	<u>(1,218,030)</u>	<u>(8,482)</u>	<u>(49,866)</u>	<u>(700,801)</u>
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>5,190,499</u>	<u>110,258</u>	<u>2,643,612</u>	<u>3,494,858</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 3,972,469</u>	<u>\$ 101,776</u>	<u>\$ 2,593,746</u>	<u>\$ 2,794,057</u>

Special Revenue Funds (Continued)

Transportation Development Authority	Proposition A	Bikeway Improvement	Proposition C	Federal Grants	State Grants	Parks Development
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	177,563
1,825,000	2,885,839	209,424	2,358,983	1,118,109	1,333,345	-
-	-	-	-	-	-	-
17,545	17,709	2	33,089	-	305	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,842,545</u>	<u>2,903,548</u>	<u>209,426</u>	<u>2,392,072</u>	<u>1,118,109</u>	<u>1,333,650</u>	<u>177,563</u>
-	1,737,162	-	-	-	-	-
-	-	-	-	125,212	-	-
-	-	-	-	-	153,524	-
-	-	-	58,505	190,194	369,319	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>1,737,162</u>	<u>-</u>	<u>58,505</u>	<u>315,406</u>	<u>522,843</u>	<u>-</u>
<u>1,842,545</u>	<u>1,166,386</u>	<u>209,426</u>	<u>2,333,567</u>	<u>802,703</u>	<u>810,807</u>	<u>177,563</u>
101,818	-	-	-	158,130	860,789	286,994
<u>(5,694,940)</u>	<u>(773,657)</u>	<u>(162,071)</u>	<u>(1,414,538)</u>	<u>(1,195,489)</u>	<u>(1,255,404)</u>	<u>(585,906)</u>
<u>(5,593,122)</u>	<u>(773,657)</u>	<u>(162,071)</u>	<u>(1,414,538)</u>	<u>(1,037,359)</u>	<u>(394,615)</u>	<u>(298,912)</u>
(3,750,577)	392,729	47,355	919,029	(234,656)	416,192	(121,349)
<u>4,086,170</u>	<u>3,148,321</u>	<u>(44,362)</u>	<u>5,713,056</u>	<u>(20,130)</u>	<u>(1,372,104)</u>	<u>904,235</u>
<u>\$ 335,593</u>	<u>\$ 3,541,050</u>	<u>\$ 2,993</u>	<u>\$ 6,632,085</u>	<u>\$ (254,786)</u>	<u>\$ (955,912)</u>	<u>\$ 782,886</u>

(Continued)

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

For the year ended June 30, 2016

	Special Revenue Funds (Continued)			
	County and Other	Developer Fees - Signals	Developer Fees - Drainage	Recycled Water
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	325,285	608,230	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	110,758
Investment earnings	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>325,285</u>	<u>608,230</u>	<u>110,758</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Parks, recreation, and arts	-	-	-	-
Development services	-	-	4,730	135,874
Housing and neighborhood revitalization	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>4,730</u>	<u>135,874</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>325,285</u>	<u>603,500</u>	<u>(25,116)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	203,360	-	-	110,000
Transfers out	-	(1,170,384)	(1,446,924)	(57,230)
TOTAL OTHER FINANCING SOURCES (USES)	<u>203,360</u>	<u>(1,170,384)</u>	<u>(1,446,924)</u>	<u>52,770</u>
NET CHANGE IN FUND BALANCES	203,360	(845,099)	(843,424)	27,654
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>(233,069)</u>	<u>4,596,233</u>	<u>4,384,359</u>	<u>(239,368)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (29,709)</u>	<u>\$ 3,751,134</u>	<u>\$ 3,540,935</u>	<u>\$ (211,714)</u>

Special Revenue Funds (Continued)

Biological Impact Fees	Traffic Impact Fees	AQMD	Lancaster Lighting District	Lancaster Drainage Maintenance District	Miscellaneous Grants	Traffic Safety	Engineering Fees
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,350	\$ -	\$ -
1,846,840	390,766	-	-	-	-	-	1,757,011
-	-	100,000	-	-	-	-	-
-	-	-	4,358,791	1,629,057	-	-	-
-	-	-	-	-	-	313,022	-
-	-	-	143,967	-	-	-	-
<u>1,846,840</u>	<u>390,766</u>	<u>100,000</u>	<u>4,502,758</u>	<u>1,629,057</u>	<u>10,350</u>	<u>313,022</u>	<u>1,757,011</u>
-	-	-	-	-	-	-	109,074
-	-	-	-	-	-	-	-
-	-	46,250	-	-	-	-	-
-	-	-	8,432	-	-	-	-
-	-	-	4,556,452	868,409	-	-	1,906,083
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>46,250</u>	<u>4,564,884</u>	<u>868,409</u>	<u>-</u>	<u>-</u>	<u>2,015,157</u>
<u>1,846,840</u>	<u>390,766</u>	<u>53,750</u>	<u>(62,126)</u>	<u>760,648</u>	<u>10,350</u>	<u>313,022</u>	<u>(258,146)</u>
-	1,247	-	385,940	-	-	-	1,019,890
<u>(20,005)</u>	<u>(1,707,382)</u>	<u>(10,588)</u>	<u>(425,025)</u>	<u>(847,214)</u>	<u>(12,115)</u>	<u>(368,260)</u>	<u>(834,510)</u>
<u>(20,005)</u>	<u>(1,706,135)</u>	<u>(10,588)</u>	<u>(39,085)</u>	<u>(847,214)</u>	<u>(12,115)</u>	<u>(368,260)</u>	<u>185,380</u>
1,826,835	(1,315,369)	43,162	(101,211)	(86,566)	(1,765)	(55,238)	(72,766)
<u>467,951</u>	<u>3,753,719</u>	<u>174,456</u>	<u>87,888</u>	<u>1,191,688</u>	<u>(350,685)</u>	<u>24,164</u>	<u>(86,010)</u>
<u>\$ 2,294,786</u>	<u>\$ 2,438,350</u>	<u>\$ 217,618</u>	<u>\$ (13,323)</u>	<u>\$ 1,105,122</u>	<u>\$ (352,450)</u>	<u>\$ (31,074)</u>	<u>\$ (158,776)</u>

(Continued)

CITY OF LANCASTER

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

For the year ended June 30, 2016

	Special Revenue Funds (Continued)			
	LA County Reimbursement	MTA Grant	Urban Structure Program	Mariposa Lily
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	639,133	-
Intergovernmental	266,168	6,945	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>266,168</u>	<u>6,945</u>	<u>639,133</u>	<u>-</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	245,367	-	-	-
Parks, recreation, and arts	-	-	-	-
Development services	-	-	-	-
Housing and neighborhood revitalization	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	<u>245,367</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>20,801</u>	<u>6,945</u>	<u>639,133</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	4,150	-	-
Transfers out	<u>(19,200)</u>	<u>(22,446)</u>	<u>(606,178)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(19,200)</u>	<u>(18,296)</u>	<u>(606,178)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,601	(11,351)	32,955	-
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	<u>(155,211)</u>	<u>139,829</u>	<u>1,363,995</u>	<u>62,733</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (153,610)</u>	<u>\$ 128,478</u>	<u>\$ 1,396,950</u>	<u>\$ 62,733</u>

Special Revenue Funds (Continued)					Debt Service Fund	Total Other Governmental Funds
Sewer Maintenance District	Proposition 1B	Proposition 42	HPRP	Measure R	Lancaster Financing Authority	
\$ 4,173,726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,184,076
118,994	-	-	-	-	-	5,863,822
-	105,831	-	-	3,216,198	-	18,479,966
-	-	-	-	-	-	7,858,511
-	884	-	-	22,999	14,879	429,298
-	-	-	-	-	-	313,022
-	-	290	-	-	-	986,439
<u>4,292,720</u>	<u>106,715</u>	<u>290</u>	<u>-</u>	<u>3,239,197</u>	<u>14,879</u>	<u>38,115,134</u>
118,345	-	-	-	-	3,908,571	5,924,577
-	-	-	-	-	-	125,212
-	-	-	-	-	-	1,298,773
-	-	-	-	-	-	2,174,702
3,004,129	-	-	-	-	-	15,216,170
-	-	-	-	-	-	1,521,559
-	-	-	-	-	-	390,000
-	-	-	-	-	-	94,867
<u>3,122,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,908,571</u>	<u>26,745,860</u>
<u>1,170,246</u>	<u>106,715</u>	<u>290</u>	<u>-</u>	<u>3,239,197</u>	<u>(3,893,692)</u>	<u>11,369,274</u>
-	-	-	2,522	5,986	-	6,022,826
<u>(1,434,352)</u>	<u>(74,426)</u>	<u>(188,165)</u>	<u>-</u>	<u>(3,614,026)</u>	<u>-</u>	<u>(27,577,483)</u>
<u>(1,434,352)</u>	<u>(74,426)</u>	<u>(188,165)</u>	<u>2,522</u>	<u>(3,608,040)</u>	<u>-</u>	<u>(21,554,657)</u>
(264,106)	32,289	(187,875)	2,522	(368,843)	(3,893,692)	(10,185,383)
<u>6,228,642</u>	<u>246,139</u>	<u>962,546</u>	<u>(2,522)</u>	<u>4,502,397</u>	<u>3,898,783</u>	<u>54,873,070</u>
<u>\$ 5,964,536</u>	<u>\$ 278,428</u>	<u>\$ 774,671</u>	<u>\$ -</u>	<u>\$ 4,133,554</u>	<u>\$ 5,091</u>	<u>\$ 44,687,687</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,190,499	\$ 5,190,499	\$ 5,190,499	\$ -
Resources (Inflows):				
Intergovernmental	3,372,140	3,372,140	3,275,124	(97,016)
Charges for services	10,000	10,000	9,159	(841)
Miscellaneous	25,000	25,000	-	(25,000)
Transfers in	2,882,003	2,882,003	2,882,000	(3)
Amounts Available for Appropriations	11,479,642	11,479,642	11,356,782	(122,860)
Charges to Appropriations (Outflows):				
General government	220	220	21,662	(21,442)
Parks, recreation, and arts	703,210	908,270	877,335	30,935
Development services	3,988,665	4,173,755	3,904,948	268,807
Transfers out	5,689,487	5,689,487	2,580,368	3,109,119
Total Charges to Appropriations	10,381,582	10,771,732	7,384,313	3,387,419
Budgetary Fund Balance, June 30	\$ 1,098,060	\$ 707,910	\$ 3,972,469	\$ 3,264,559

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COMMUNITY SERVICES SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 110,258	\$ 110,258	\$ 110,258	\$ -
Resources (Inflows):				
Miscellaneous	15,500	58,000	76,452	18,452
Amounts Available for Appropriations	125,758	168,258	186,710	18,452
Charges to Appropriations (Outflows):				
General government	-	-	6,768	(6,768)
Community development	78,250	150,672	76,116	74,556
Transfers out	-	-	2,050	(2,050)
Total Charges to Appropriations	78,250	150,672	84,934	65,738
Budgetary Fund Balance, June 30	\$ 47,508	\$ 17,586	\$ 101,776	\$ 84,190

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LANDSCAPE MAINTENANCE DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,643,612	\$ 2,643,612	\$ 2,643,612	\$ -
Resources (Inflows):				
Charges for services	1,745,140	1,745,140	1,750,746	5,606
Miscellaneous	500	13,460	-	(13,460)
Amounts Available for Appropriations	<u>4,389,252</u>	<u>4,402,212</u>	<u>4,394,358</u>	<u>(7,854)</u>
Charges to Appropriations (Outflows):				
Parks, recreation, and arts	1,115,975	1,230,166	1,288,935	(58,769)
Development services	225,805	225,805	217,527	8,278
Transfers out	485,026	485,026	294,150	190,876
Total Charges to Appropriations	<u>1,826,806</u>	<u>1,940,997</u>	<u>1,800,612</u>	<u>140,385</u>
Budgetary Fund Balance, June 30	<u>\$ 2,562,446</u>	<u>\$ 2,461,215</u>	<u>\$ 2,593,746</u>	<u>\$ 132,531</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HOUSING AND COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,494,858	\$ 3,494,858	\$ 3,494,858	\$ -
Resources (Inflows):				
Intergovernmental	1,895,450	1,895,450	1,779,000	(116,450)
Investment earnings	900,000	1,831,068	321,886	(1,509,182)
Miscellaneous	-	-	765,730	765,730
Amounts Available for Appropriations	<u>6,290,308</u>	<u>7,221,376</u>	<u>6,361,474</u>	<u>(859,902)</u>
Charges to Appropriations (Outflows):				
General government	369,341	354,341	22,995	331,346
Community development	1,086,750	978,805	777,516	201,289
Housing and neighborhood revitalization	1,097,727	2,493,964	1,521,559	972,405
Debt service:				
Principal retirement	390,000	390,000	390,000	-
Interest and fiscal charges	118,145	101,645	94,867	6,778
Transfers out	<u>425,000</u>	<u>768,245</u>	<u>760,480</u>	<u>7,765</u>
Total Charges to Appropriations	<u>3,486,963</u>	<u>5,087,000</u>	<u>3,567,417</u>	<u>1,519,583</u>
Budgetary Fund Balance, June 30	<u>\$ 2,803,345</u>	<u>\$ 2,134,376</u>	<u>\$ 2,794,057</u>	<u>\$ 659,681</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRANSPORTATION DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,086,170	\$ 4,086,170	\$ 4,086,170	\$ -
Resources (Inflows):				
Intergovernmental	6,014,642	1,825,000	1,825,000	-
Investment earnings	14,000	14,000	17,545	3,545
Transfers in	-	18,670	101,818	83,148
Amounts Available for Appropriations	<u>10,114,812</u>	<u>5,943,840</u>	<u>6,030,533</u>	<u>86,693</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>9,462,099</u>	<u>10,622,044</u>	<u>5,694,940</u>	<u>4,927,104</u>
Total Charges to Appropriations	<u>9,462,099</u>	<u>10,622,044</u>	<u>5,694,940</u>	<u>4,927,104</u>
Budgetary Fund Balance, June 30	<u>\$ 652,713</u>	<u>\$ (4,678,204)</u>	<u>\$ 335,593</u>	<u>\$ 5,013,797</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROPOSITION A SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,148,321	\$ 3,148,321	\$ 3,148,321	\$ -
Resources (Inflows):				
Intergovernmental	2,888,580	2,888,580	2,885,839	(2,741)
Investment earnings	10,000	10,000	17,709	7,709
Amounts Available for Appropriations	<u>6,046,901</u>	<u>6,046,901</u>	<u>6,051,869</u>	<u>4,968</u>
Charges to Appropriations (Outflows):				
General government	1,892,429	2,022,034	1,737,162	284,872
Transfers out	<u>1,266,407</u>	<u>1,273,102</u>	<u>773,657</u>	<u>499,445</u>
Total Charges to Appropriations	<u>3,158,836</u>	<u>3,295,136</u>	<u>2,510,819</u>	<u>784,317</u>
Budgetary Fund Balance, June 30	<u>\$ 2,888,065</u>	<u>\$ 2,751,765</u>	<u>\$ 3,541,050</u>	<u>\$ 789,285</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

BIKEWAY IMPROVEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (44,362)	\$ (44,362)	\$ (44,362)	\$ -
Resources (Inflows):				
Intergovernmental	365,500	209,424	209,424	-
Investment earnings	200	200	2	(198)
Amounts Available for Appropriations	<u>321,338</u>	<u>165,262</u>	<u>165,064</u>	<u>(198)</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>217,828</u>	<u>217,828</u>	<u>162,071</u>	<u>55,757</u>
Total Charges to Appropriations	<u>217,828</u>	<u>217,828</u>	<u>162,071</u>	<u>55,757</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ 103,510</u>	<u>\$ (52,566)</u>	<u>\$ 2,993</u>	<u>\$ 55,559</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROPOSITION C SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,713,056	\$ 5,713,056	\$ 5,713,056	\$ -
Resources (Inflows):				
Intergovernmental	2,396,000	2,396,000	2,358,983	(37,017)
Investment earnings	17,500	17,500	33,089	15,589
Amounts Available for Appropriations	<u>8,126,556</u>	<u>8,126,556</u>	<u>8,105,128</u>	<u>(21,428)</u>
Charges to Appropriations (Outflows):				
Development services	117,517	117,517	58,505	59,012
Transfers out	<u>8,070,733</u>	<u>8,520,733</u>	<u>1,414,538</u>	<u>7,106,195</u>
Total Charges to Appropriations	<u>8,188,250</u>	<u>8,638,250</u>	<u>1,473,043</u>	<u>7,165,207</u>
Budgetary Fund Balance, June 30	<u>\$ (61,694)</u>	<u>\$ (511,694)</u>	<u>\$ 6,632,085</u>	<u>\$ 7,143,779</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FEDERAL GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (20,130)	\$ (20,130)	\$ (20,130)	\$ -
Resources (Inflows):				
Intergovernmental	1,668,513	8,406,111	1,118,109	(7,288,002)
Transfers in	-	137,361	158,130	20,769
Amounts Available for Appropriations	<u>1,648,383</u>	<u>8,523,342</u>	<u>1,256,109</u>	<u>(7,267,233)</u>
Charges to Appropriations (Outflows):				
Public safety	55,708	118,337	125,212	(6,875)
Parks, recreation, and arts	-	5,965	-	5,965
Development services	171,850	286,252	190,194	96,058
Transfers out	<u>7,818,747</u>	<u>7,845,207</u>	<u>1,195,489</u>	<u>6,649,718</u>
Total Charges to Appropriations	<u>8,046,305</u>	<u>8,255,761</u>	<u>1,510,895</u>	<u>6,744,866</u>
Budgetary Fund Balance (Deficit), June 30	<u><u>\$ (6,397,922)</u></u>	<u><u>\$ 267,581</u></u>	<u><u>\$ (254,786)</u></u>	<u><u>\$ (522,367)</u></u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STATE GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (1,372,104)	\$ (1,372,104)	\$ (1,372,104)	\$ -
Resources (Inflows):				
Intergovernmental	1,023,567	3,807,943	1,333,345	(2,474,598)
Investment earnings	200	200	305	105
Transfers in	-	823,275	860,789	37,514
Amounts Available for Appropriations	<u>(348,337)</u>	<u>3,259,314</u>	<u>822,335</u>	<u>(2,436,979)</u>
Charges to Appropriations (Outflows):				
Community development	792,583	485,828	153,524	332,304
Development services	342,442	1,106,814	369,319	737,495
Transfers out	1,892,964	1,892,964	1,255,404	637,560
Total Charges to Appropriations	<u>3,027,989</u>	<u>3,485,606</u>	<u>1,778,247</u>	<u>1,707,359</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ (3,376,326)</u>	<u>\$ (226,292)</u>	<u>\$ (955,912)</u>	<u>\$ (729,620)</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARKS DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 904,235	\$ 904,235	\$ 904,235	\$ -
Resources (Inflows):				
Licenses and permits	75,000	180,000	177,563	(2,437)
Transfers in	-	286,994	286,994	-
Amounts Available for Appropriations	<u>979,235</u>	<u>1,371,229</u>	<u>1,368,792</u>	<u>(2,437)</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>94,401</u>	<u>586,241</u>	<u>585,906</u>	<u>335</u>
Total Charges to Appropriations	<u>94,401</u>	<u>586,241</u>	<u>585,906</u>	<u>335</u>
Budgetary Fund Balance, June 30	<u><u>\$ 884,834</u></u>	<u><u>\$ 784,988</u></u>	<u><u>\$ 782,886</u></u>	<u><u>\$ (2,102)</u></u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

COUNTY AND OTHER SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (233,069)	\$ (233,069)	\$ (233,069)	\$ -
Resources (Inflows):				
Miscellaneous	-	165	-	(165)
Transfers in	-	203,360	203,360	-
Amounts Available for Appropriations	<u>(233,069)</u>	<u>(29,544)</u>	<u>(29,709)</u>	<u>(165)</u>
Charges to Appropriations (Outflows):				
Parks, recreation, and arts	<u>165</u>	<u>165</u>	<u>-</u>	<u>165</u>
Total Charges to Appropriations	<u>165</u>	<u>165</u>	<u>-</u>	<u>165</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ (233,234)</u>	<u>\$ (29,709)</u>	<u>\$ (29,709)</u>	<u>\$ -</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEVELOPER FEES - SIGNALS SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,596,233	\$ 4,596,233	\$ 4,596,233	\$ -
Resources (Inflows):				
Licenses and permits	150,000	330,000	325,285	(4,715)
Amounts Available for Appropriations	4,746,233	4,926,233	4,921,518	(4,715)
Charges to Appropriations (Outflows):				
Transfers out	2,599,497	3,918,882	1,170,384	2,748,498
Total Charges to Appropriations	2,599,497	3,918,882	1,170,384	2,748,498
Budgetary Fund Balance, June 30	\$ 2,146,736	\$ 1,007,351	\$ 3,751,134	\$ 2,743,783

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEVELOPER FEES - DRAINAGE SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,384,359	\$ 4,384,359	\$ 4,384,359	\$ -
Resources (Inflows):				
Licenses and permits	300,000	300,000	608,230	308,230
Amounts Available for Appropriations	4,684,359	4,684,359	4,992,589	308,230
Charges to Appropriations (Outflows):				
Development services	250,000	250,000	4,730	245,270
Transfers out	4,321,550	4,321,550	1,446,924	2,874,626
Total Charges to Appropriations	4,571,550	4,571,550	1,451,654	3,119,896
Budgetary Fund Balance, June 30	\$ 112,809	\$ 112,809	\$ 3,540,935	\$ 3,428,126

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

RECYCLE WATER SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (239,368)	\$ (239,368)	\$ (239,368)	\$ -
Resources (Inflows):				
Charges for services	40,000	80,000	110,758	30,758
Transfers in	110,000	110,000	110,000	-
Amounts Available for Appropriations	<u>(89,368)</u>	<u>(49,368)</u>	<u>(18,610)</u>	<u>30,758</u>
Charges to Appropriations (Outflows):				
Development services	113,710	143,730	135,874	7,856
Transfers out	57,230	57,230	57,230	-
Total Charges to Appropriations	<u>170,940</u>	<u>200,960</u>	<u>193,104</u>	<u>7,856</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ (260,308)</u>	<u>\$ (250,328)</u>	<u>\$ (211,714)</u>	<u>\$ 38,614</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

BIOLOGICAL IMPACT FEES SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 467,951	\$ 467,951	\$ 467,951	\$ -
Resources (Inflows):				
Licenses and permits	450,000	1,808,850	1,846,840	37,990
Amounts Available for Appropriations	917,951	2,276,801	2,314,791	37,990
Charges to Appropriations (Outflows):				
Capital outlay	-	1,160,859	-	1,160,859
Transfers out	140,012	140,012	20,005	120,007
Total Charges to Appropriations	140,012	1,300,871	20,005	1,280,866
Budgetary Fund Balance, June 30	\$ 777,939	\$ 975,930	\$ 2,294,786	\$ 1,318,856

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRAFFIC IMPACT FEES SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 3,753,719	\$ 3,753,719	\$ 3,753,719	\$ -
Resources (Inflows):				
Licenses and permits	200,000	395,000	390,766	(4,234)
Transfers in	-	1,300	1,247	(53)
Amounts Available for Appropriations	<u>3,953,719</u>	<u>4,150,019</u>	<u>4,145,732</u>	<u>(4,287)</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>3,485,069</u>	<u>3,485,069</u>	<u>1,707,382</u>	<u>1,777,687</u>
Total Charges to Appropriations	<u>3,485,069</u>	<u>3,485,069</u>	<u>1,707,382</u>	<u>1,777,687</u>
Budgetary Fund Balance, June 30	<u>\$ 468,650</u>	<u>\$ 664,950</u>	<u>\$ 2,438,350</u>	<u>\$ 1,773,400</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AQMD SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 174,456	\$ 174,456	\$ 174,456	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	100,000	-
Amounts Available for Appropriations	274,456	274,456	274,456	-
Charges to Appropriations (Outflows):				
Community development	-	100,000	46,250	53,750
Transfers out	145,373	145,373	10,588	134,785
Total Charges to Appropriations	145,373	245,373	56,838	188,535
Budgetary Fund Balance, June 30	\$ 129,083	\$ 29,083	\$ 217,618	\$ 188,535

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LANCASTER LIGHTING DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 87,888	\$ 87,888	\$ 87,888	\$ -
Resources (Inflows):				
Charges for services	4,196,170	4,360,562	4,358,791	(1,771)
Miscellaneous	17,000	143,000	143,967	967
Transfers in	600,525	752,690	385,940	(366,750)
Amounts Available for Appropriations	4,901,583	5,344,140	4,976,586	(367,554)
Charges to Appropriations (Outflows):				
Parks, recreation, and arts	10,000	10,000	8,432	1,568
Development services	4,676,415	4,842,637	4,556,452	286,185
Transfers out	425,025	425,025	425,025	-
Total Charges to Appropriations	5,111,440	5,277,662	4,989,909	287,753
Budgetary Fund Balance (Deficit), June 30	\$ (209,857)	\$ 66,478	\$ (13,323)	\$ (79,801)

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LANCASTER DRAINAGE MAINTENANCE SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,191,688	\$ 1,191,688	\$ 1,191,688	\$ -
Resources (Inflows):				
Charges for services	1,630,960	1,630,960	1,629,057	(1,903)
Amounts Available for Appropriations	2,822,648	2,822,648	2,820,745	(1,903)
Charges to Appropriations (Outflows):				
General government	1,020	1,020	-	1,020
Development services	1,186,690	1,225,960	868,409	357,551
Transfers out	511,740	854,060	847,214	6,846
Total Charges to Appropriations	1,699,450	2,081,040	1,715,623	365,417
Budgetary Fund Balance, June 30	\$ 1,123,198	\$ 741,608	\$ 1,105,122	\$ 363,514

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MISCELLANEOUS GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (350,685)	\$ (350,685)	\$ (350,685)	\$ -
Resources (Inflows):				
Taxes	<u>11,555</u>	<u>11,555</u>	<u>10,350</u>	<u>(1,205)</u>
Amounts Available for Appropriations	<u>(339,130)</u>	<u>(339,130)</u>	<u>(340,335)</u>	<u>(1,205)</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>13,000</u>	<u>13,000</u>	<u>12,115</u>	<u>885</u>
Total Charges to Appropriations	<u>13,000</u>	<u>13,000</u>	<u>12,115</u>	<u>885</u>
Budgetary Fund Balance (Deficit), June 30	<u><u>\$ (352,130)</u></u>	<u><u>\$ (352,130)</u></u>	<u><u>\$ (352,450)</u></u>	<u><u>\$ (320)</u></u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TRAFFIC SAFETY SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 24,164	\$ 24,164	\$ 24,164	\$ -
Resources (Inflows):				
Fines and forfeitures	<u>330,000</u>	<u>283,250</u>	<u>313,022</u>	<u>29,772</u>
Amounts Available for Appropriations	<u>354,164</u>	<u>307,414</u>	<u>337,186</u>	<u>29,772</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>368,260</u>	<u>368,260</u>	<u>368,260</u>	<u>-</u>
Total Charges to Appropriations	<u>368,260</u>	<u>368,260</u>	<u>368,260</u>	<u>-</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ (14,096)</u>	<u>\$ (60,846)</u>	<u>\$ (31,074)</u>	<u>\$ 29,772</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ENGINEERING FEES SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (86,010)	\$ (86,010)	\$ (86,010)	\$ -
Resources (Inflows):				
Licenses and permits	1,175,000	1,648,100	1,757,011	108,911
Transfers in	<u>1,508,340</u>	<u>1,508,340</u>	<u>1,019,890</u>	<u>(488,450)</u>
Amounts Available for Appropriations	<u>2,597,330</u>	<u>3,070,430</u>	<u>2,690,891</u>	<u>(379,539)</u>
Charges to Appropriations (Outflows):				
General government	109,875	109,875	109,074	801
Development services	1,888,955	1,888,955	1,906,083	(17,128)
Transfers out	<u>834,510</u>	<u>834,510</u>	<u>834,510</u>	<u>-</u>
Total Charges to Appropriations	<u>2,833,340</u>	<u>2,833,340</u>	<u>2,849,667</u>	<u>(16,327)</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ (236,010)</u>	<u>\$ 237,090</u>	<u>\$ (158,776)</u>	<u>\$ (395,866)</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LA COUNTY REIMBURSEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (155,211)	\$ (155,211)	\$ (155,211)	\$ -
Resources (Inflows):				
Intergovernmental	250,000	530,074	266,168	(263,906)
Amounts Available for Appropriations	94,789	374,863	110,957	(263,906)
Charges to Appropriations (Outflows):				
Community development	1,700	245,774	245,367	407
Transfers out	286,000	286,000	19,200	266,800
Total Charges to Appropriations	287,700	531,774	264,567	267,207
Budgetary Fund Balance (Deficit), June 30	<u>\$ (192,911)</u>	<u>\$ (156,911)</u>	<u>\$ (153,610)</u>	<u>\$ 3,301</u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MTA GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 139,829	\$ 139,829	\$ 139,829	\$ -
Resources (Inflows):				
Intergovernmental	372,460	4,216,568	6,945	(4,209,623)
Transfers in	-	-	4,150	4,150
Amounts Available for Appropriations	<u>512,289</u>	<u>4,356,397</u>	<u>150,924</u>	<u>(4,205,473)</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>3,541,108</u>	<u>4,216,108</u>	<u>22,446</u>	<u>4,193,662</u>
Total Charges to Appropriations	<u>3,541,108</u>	<u>4,216,108</u>	<u>22,446</u>	<u>4,193,662</u>
Budgetary Fund Balance, June 30	<u><u>\$ (3,028,819)</u></u>	<u><u>\$ 140,289</u></u>	<u><u>\$ 128,478</u></u>	<u><u>\$ (11,811)</u></u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

URBAN STRUCTURE PROGRAM SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,363,995	\$ 1,363,995	\$ 1,363,995	\$ -
Resources (Inflows):				
Licenses and permits	170,000	618,200	639,133	20,933
Amounts Available for Appropriations	1,533,995	1,982,195	2,003,128	20,933
Charges to Appropriations (Outflows):				
Transfers out	809,799	1,132,994	606,178	526,816
Total Charges to Appropriations	809,799	1,132,994	606,178	526,816
Budgetary Fund Balance, June 30	\$ 724,196	\$ 849,201	\$ 1,396,950	\$ 547,749

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SEWER MAINTENANCE DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,228,642	\$ 6,228,642	\$ 6,228,642	\$ -
Resources (Inflows):				
Taxes	4,178,400	4,178,400	4,173,726	(4,674)
Licenses and permits	281,500	131,500	118,994	(12,506)
Amounts Available for Appropriations	10,688,542	10,538,542	10,521,362	(17,180)
Charges to Appropriations (Outflows):				
General government	117,925	117,925	118,345	(420)
Development services	3,377,425	3,425,115	3,004,129	420,986
Transfers out	2,227,118	2,084,318	1,434,352	649,966
Total Charges to Appropriations	5,722,468	5,627,358	4,556,826	1,070,532
Budgetary Fund Balance, June 30	\$ 4,966,074	\$ 4,911,184	\$ 5,964,536	\$ 1,053,352

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROPOSITION 1B SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 246,139	\$ 246,139	\$ 246,139	\$ -
Resources (Inflows):				
Intergovernmental	-	-	105,831	105,831
Investment earnings	800	800	884	84
Amounts Available for Appropriations	<u>246,939</u>	<u>246,939</u>	<u>352,854</u>	<u>105,915</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>391,209</u>	<u>392,509</u>	<u>74,426</u>	<u>318,083</u>
Total Charges to Appropriations	<u>391,209</u>	<u>392,509</u>	<u>74,426</u>	<u>318,083</u>
Budgetary Fund Balance, June 30	<u><u>\$ (144,270)</u></u>	<u><u>\$ (145,570)</u></u>	<u><u>\$ 278,428</u></u>	<u><u>\$ 423,998</u></u>

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PROPOSITION 42 SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 962,546	\$ 962,546	\$ 962,546	\$ -
Resources (Inflows):				
Miscellaneous	-	-	290	290
Amounts Available for Appropriations	962,546	962,546	962,836	290
Charges to Appropriations (Outflows):				
Transfers out	687,653	687,653	188,165	499,488
Total Charges to Appropriations	687,653	687,653	188,165	499,488
Budgetary Fund Balance, June 30	\$ 274,893	\$ 274,893	\$ 774,671	\$ 499,778

CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HPRP SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (2,522)	\$ (2,522)	\$ (2,522)	\$ -
Resources (Inflows):				
Transfers in	-	2,525	2,522	(3)
Amounts Available for Appropriations	(2,522)	3	-	(3)
Budgetary Fund Balance, June 30	<u>\$ (2,522)</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ (3)</u>

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CITY OF LANCASTER

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MEASURE R SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,502,397	\$ 4,502,397	\$ 4,502,397	\$ -
Resources (Inflows):				
Intergovernmental	9,097,020	15,198,837	3,216,198	(11,982,639)
Investment earnings	8,225	8,225	22,999	14,774
Transfers in	-	7,790	5,986	(1,804)
Amounts Available for Appropriations	<u>13,607,642</u>	<u>19,717,249</u>	<u>7,747,580</u>	<u>(11,969,669)</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>16,507,681</u>	<u>17,368,262</u>	<u>3,614,026</u>	<u>13,754,236</u>
Total Charges to Appropriations	<u>16,507,681</u>	<u>17,368,262</u>	<u>3,614,026</u>	<u>13,754,236</u>
Budgetary Fund Balance, June 30	<u>\$ (2,900,039)</u>	<u>\$ 2,348,987</u>	<u>\$ 4,133,554</u>	<u>\$ 1,784,567</u>

CITY OF LANCASTER

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2016

	Assessment District	Agency	AD 93-3	AD 92-101
ASSETS				
Pooled cash and investments	\$ 154,596	\$ 757,694	\$ 611,661	\$ 87,335
Receivable:				
Taxes	-	-	1,995	-
Restricted:				
Cash and investments with fiscal agents	-	-	453,925	-
TOTAL ASSETS	\$ 154,596	\$ 757,694	\$ 1,067,581	\$ 87,335
LIABILITIES				
Accounts payable	\$ -	\$ 69,212	\$ 21	\$ -
Deposits payable	-	688,482	-	-
Due to bondholders	154,596	-	1,067,560	87,335
TOTAL LIABILITIES	\$ 154,596	\$ 757,694	\$ 1,067,581	\$ 87,335

<u>IFD 92-1</u>	<u>CFD 89-1</u>	<u>CFD 90-1</u>	<u>CFD 91-1</u>	<u>CFD 91-2</u>	<u>Total</u>
\$ 2	\$ 483,388	\$ 447,621	\$ 770,534	\$ 366,163	\$ 3,678,994
-	4,292	1,544	-	32,082	39,913
-	940,731	-	-	679,830	2,074,486
<u>\$ 2</u>	<u>\$ 1,428,411</u>	<u>\$ 449,165</u>	<u>\$ 770,534</u>	<u>\$ 1,078,075</u>	<u>\$ 5,793,393</u>
\$ -	\$ 2,510	\$ 2,018	\$ -	\$ 13,709	\$ 87,470
-	-	-	-	15,810	704,292
<u>2</u>	<u>1,425,901</u>	<u>447,147</u>	<u>770,534</u>	<u>1,048,556</u>	<u>5,001,631</u>
<u>\$ 2</u>	<u>\$ 1,428,411</u>	<u>\$ 449,165</u>	<u>\$ 770,534</u>	<u>\$ 1,078,075</u>	<u>\$ 5,793,393</u>

CITY OF LANCASTER

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
ASSESSMENT DISTRICTS				
ASSETS:				
Pooled cash and investments	\$ 154,596	\$ -	\$ -	\$ 154,596
TOTAL ASSETS	<u>\$ 154,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,596</u>
LIABILITIES:				
Due to bondholders	\$ 154,596	\$ -	\$ -	\$ 154,596
TOTAL LIABILITIES	<u>\$ 154,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,596</u>
AGENCY				
ASSETS:				
Pooled cash and investments	\$ 698,507	\$ 294,384	\$ (235,197)	\$ 757,694
Receivable:				
Accounts	13,593	36,468	(50,061)	-
TOTAL ASSETS	<u>\$ 712,100</u>	<u>\$ 330,852</u>	<u>\$ (285,258)</u>	<u>\$ 757,694</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 305,381	\$ (236,169)	\$ 69,212
Deposits payable	712,100	280,790	(304,408)	688,482
TOTAL LIABILITIES	<u>\$ 712,100</u>	<u>\$ 586,171</u>	<u>\$ (540,577)</u>	<u>\$ 757,694</u>
AD 93-3				
ASSETS:				
Pooled cash and investments	\$ 551,879	\$ 595,224	\$ (535,442)	\$ 611,661
Receivable:				
Taxes	-	1,995	-	1,995
Restricted:				
Cash and investments with fiscal agents	452,862	1,063	-	453,925
TOTAL ASSETS	<u>\$ 1,004,741</u>	<u>\$ 598,282</u>	<u>\$ (535,442)</u>	<u>\$ 1,067,581</u>
LIABILITIES:				
Accounts payable	\$ 6,672	\$ 528,791	\$ (535,442)	\$ 21
Due to bondholders	998,069	596,758	(527,267)	1,067,560
TOTAL LIABILITIES	<u>\$ 1,004,741</u>	<u>\$ 1,125,549</u>	<u>\$ (1,062,709)</u>	<u>\$ 1,067,581</u>

(Continued)

CITY OF LANCASTER

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
(CONTINUED)

For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
AD 92-101				
ASSETS:				
Pooled cash and investments	\$ 453,537	\$ 8,432	\$ (374,634)	\$ 87,335
Restricted:				
Cash and investments with fiscal agents	157,603	-	(157,603)	-
TOTAL ASSETS	<u>\$ 611,140</u>	<u>\$ 8,432</u>	<u>\$ (532,237)</u>	<u>\$ 87,335</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 374,637	\$ (374,637)	\$ -
Due to bondholders	611,140	3,609	(527,414)	87,335
TOTAL LIABILITIES	<u>\$ 611,140</u>	<u>\$ 378,246</u>	<u>\$ (902,051)</u>	<u>\$ 87,335</u>
IFD 92-1				
ASSETS:				
Pooled cash and investments	\$ 2	\$ -	\$ -	\$ 2
TOTAL ASSETS	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
LIABILITIES:				
Due to bondholders	\$ 2	\$ -	\$ -	\$ 2
TOTAL LIABILITIES	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
CFD 89-1				
ASSETS:				
Pooled cash and investments	\$ 527,680	\$ 625,951	\$ (670,243)	\$ 483,388
Receivable:				
Taxes	-	4,292	-	4,292
Restricted:				
Cash and investments with fiscal agents	901,500	39,231	-	940,731
TOTAL ASSETS	<u>\$ 1,429,180</u>	<u>\$ 669,474</u>	<u>\$ (670,243)</u>	<u>\$ 1,428,411</u>
LIABILITIES:				
Accounts payable	\$ 352	\$ 603,937	\$ (601,779)	\$ 2,510
Due to bondholders	1,428,828	662,195	(665,122)	1,425,901
TOTAL LIABILITIES	<u>\$ 1,429,180</u>	<u>\$ 1,266,132</u>	<u>\$ (1,266,901)</u>	<u>\$ 1,428,411</u>

(Continued)

CITY OF LANCASTER

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
(CONTINUED)

For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
CFD 90-1				
ASSETS:				
Pooled cash and investments	\$ 435,345	\$ 33,412	\$ (21,136)	\$ 447,621
Receivable:				
Taxes	-	1,544	-	1,544
Restricted:				
Cash and investments with fiscal agents	779,102	-	(779,102)	-
TOTAL ASSETS	<u>\$ 1,214,447</u>	<u>\$ 34,956</u>	<u>\$ (800,238)</u>	<u>\$ 449,165</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 23,153	\$ (21,135)	\$ 2,018
Due to bondholders	1,214,447	27,214	(794,514)	447,147
TOTAL LIABILITIES	<u>\$ 1,214,447</u>	<u>\$ 50,367</u>	<u>\$ (815,649)</u>	<u>\$ 449,165</u>
CFD 91-1				
ASSETS:				
Pooled cash and investments	\$ 1,246,039	\$ 11,928	\$ (487,433)	\$ 770,534
Restricted:				
Cash and investments with fiscal agents	534,810	-	(534,810)	-
TOTAL ASSETS	<u>\$ 1,780,849</u>	<u>\$ 11,928</u>	<u>\$ (1,022,243)</u>	<u>\$ 770,534</u>
LIABILITIES:				
Accounts payable	\$ 236	\$ 487,520	\$ (487,756)	\$ -
Due to bondholders	1,780,613	6,924	(1,017,003)	770,534
TOTAL LIABILITIES	<u>\$ 1,780,849</u>	<u>\$ 494,444</u>	<u>\$ (1,504,759)</u>	<u>\$ 770,534</u>

(Continued)

CITY OF LANCASTER

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
(CONTINUED)

For the year ended June 30, 2016

	<u>Balance</u> July 1, 2015	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> June 30, 2016
CFD 91-2				
ASSETS:				
Pooled cash and investments	\$ 679,498	\$ 423,359	\$ (736,694)	\$ 366,163
Receivable:				
Taxes	-	32,082	-	32,082
Restricted:				
Cash and investments with fiscal agents	623,380	76,244	(19,794)	679,830
TOTAL ASSETS	<u>\$ 1,302,878</u>	<u>\$ 531,685</u>	<u>\$ (756,488)</u>	<u>\$ 1,078,075</u>
LIABILITIES:				
Accounts payable	\$ 2,968	\$ 747,434	\$ (736,693)	\$ 13,709
Deposits payable	15,810	-	-	15,810
Due to bondholders	1,284,100	503,222	(738,766)	1,048,556
TOTAL LIABILITIES	<u>\$ 1,302,878</u>	<u>\$ 1,250,656</u>	<u>\$ (1,475,459)</u>	<u>\$ 1,078,075</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Pooled cash and investments	\$ 4,747,083	\$ 1,992,690	\$ (3,060,779)	\$ 3,678,994
Receivable:				
Accounts	13,593	36,468	(50,061)	-
Taxes	-	39,913	-	39,913
Restricted:				
Cash and investments with fiscal agents	3,449,257	116,538	(1,491,309)	2,074,486
TOTAL ASSETS	<u>\$ 8,209,933</u>	<u>\$ 2,185,609</u>	<u>\$ (4,602,149)</u>	<u>\$ 5,793,393</u>
LIABILITIES:				
Accounts payable	\$ 10,228	\$ 3,070,853	\$ (2,993,611)	\$ 87,470
Deposits payable	727,910	280,790	(304,408)	704,292
Due to bondholders	7,471,795	1,799,922	(4,270,086)	5,001,631
TOTAL LIABILITIES	<u>\$ 8,209,933</u>	<u>\$ 5,151,565</u>	<u>\$ (7,568,105)</u>	<u>\$ 5,793,393</u>

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STATISTICAL SECTION

City of Lancaster

Statistical Section

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

Contents

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Financial Trends

163-167

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

168-172

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity

173-177

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information

178-179

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

181-184

These schedules contain information about the City's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

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

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CITY OF LANCASTER

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 822,650,031	\$ 880,722,283	\$ 898,682,290	\$ 702,012,782	\$ 726,729,266	\$ 924,786,002	\$ 937,437,269	\$ 923,425,649	\$ 907,594,209	\$ 893,340,891
Restricted	120,838,558	115,527,885	107,858,231	102,128,746	93,277,881	172,781,575	161,081,541	154,576,976	156,831,806	148,498,481
Unrestricted	(111,545,878)	(108,634,823)	(107,716,546)	93,233,996	71,812,198	23,046,243	5,094,946	30,520,092	(10,727,418)	3,063,526
Total governmental activities net assets	\$ 831,942,711	\$ 887,615,345	\$ 898,823,975	\$ 897,375,524	\$ 891,819,345	\$ 1,120,615,820	\$ 1,103,613,756	\$ 1,108,522,717	\$ 1,053,698,597	\$ 1,044,902,898
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,221,367.00)	\$ (1,317,420.00)	\$ (1,175,345)
Unrestricted	-	-	-	-	-	(252,698)	(1,397,269)	2,469,059	(1,234,241)	1,748,081
Total business-type activities net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (252,698)	\$ (1,397,269)	\$ (1,762,308)	\$ (2,551,661)	\$ 572,736
Primary government										
Net investment in capital assets	\$ 822,650,031	\$ 880,722,283	\$ 898,682,290	\$ 702,012,782	\$ 726,729,266	\$ 924,786,002	\$ 937,437,269	\$ 919,204,282	\$ 906,276,789	\$ 892,165,546
Restricted	120,838,558	115,527,885	107,858,231	102,128,746	93,277,881	172,781,575	161,081,541	154,576,976	156,831,806	148,498,481
Unrestricted	(111,545,878)	(108,634,823)	(107,716,546)	93,233,996	71,812,198	22,795,545	3,697,677	32,989,151	(11,961,659)	4,811,607
Total primary government net assets	\$ 831,942,711	\$ 887,615,345	\$ 898,823,975	\$ 897,375,524	\$ 891,819,345	\$ 1,120,363,122	\$ 1,102,216,487	\$ 1,106,770,409	\$ 1,051,146,936	\$ 1,045,475,634

CITY OF LANCASTER

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General Government	\$ 16,300,790	\$ 19,703,043	\$ 22,895,700	\$ 37,870,880	\$ 25,975,571	\$ 24,809,328	\$ 20,108,707	\$ 20,826,798	\$ 18,151,158	\$ 24,202,118
Public Safety	17,142,744	22,155,873	24,365,048	24,802,866	25,206,610	23,493,486	25,618,865	24,042,237	26,777,341	26,305,165
Community Development	13,669,830	14,734,792	20,533,196	16,187,846	14,847,798	12,796,592	6,554,237	4,382,821	3,205,562	3,075,464
Parks, Recreation and Arts	13,423,273	60,663,940	13,053,273	12,239,846	12,526,273	52,220,277	13,049,889	13,555,843	14,096,265	16,934,244
Development Services	59,019,071	1,786,468	59,454,167	52,992,894	52,085,914	1,722,135	53,654,875	54,078,702	54,734,695	50,457,653
Housing and Neighborhood Revitalization	5,361,600	6,650,286	959,974	4,805,507	5,993,185	10,355,215	421,279	3,072,338	4,341,667	2,672,073
Interest on long-term debt	16,351,722	16,512,637	14,194,203	15,149,746	14,873,413	2,316,858	375,667	233,915	180,567	217,001
Total primary governmental activities expenses	\$ 141,269,030	\$ 142,207,039	\$ 155,455,561	\$ 164,049,285	\$ 151,508,764	\$ 127,713,891	\$ 119,783,519	\$ 120,192,654	\$ 121,487,255	\$ 123,863,718
Business-type activities:										
Lancaster Power Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,138,830	\$ 2,990,770	\$ 3,215,141	\$ 2,170,134	\$ 2,166,532
Lancaster Choice Energy	-	-	-	-	-	1,138,830	2,990,770	3,215,141	1,430,990	20,238,595
Total business-type activities expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,852,721	\$ 122,774,289	\$ 123,407,795	\$ 125,088,379	\$ 146,268,845
Total primary government expenses	\$ 141,269,030	\$ 142,207,039	\$ 155,455,561	\$ 164,049,285	\$ 151,508,764	\$ 128,852,721	\$ 122,774,289	\$ 123,407,795	\$ 125,088,379	\$ 146,268,845
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General Government	\$ 406,451	\$ 1,647,842	\$ 3,690,259	\$ 3,976,962	\$ 1,436,838	\$ 935,460	\$ 284,461	\$ 198,193	\$ 432,988	\$ 513,200
Public Safety	2,211,141	3,505,516	2,921,179	3,091,957	2,729,238	1,935,658	1,070,125	978,634	818,277	751,611
Community Development	805,132	1,478,571	579,523	1,045,149	738,985	3,156,519	428,817	568,214	550,551	496,533
Parks, Recreation and Arts	3,175,710	2,991,204	2,888,631	2,814,076	3,527,840	21,175,600	3,560,430	3,683,705	3,652,517	4,277,377
Development Services	24,686,902	17,556,965	14,308,525	14,165,751	14,103,957	1,306,309	13,352,265	13,285,244	14,021,480	14,565,036
Housing and Neighborhood Revitalization	2,633,713	1,610,734	1,655,770	1,652,359	1,676,262	283,252	908,953	1,009,550	303,541	226,958
Operating grants and contributions	21,790,093	22,304,176	20,916,807	26,034,713	36,719,976	22,221,889	27,016,113	22,338,733	22,198,805	24,493,308
Capital grants and contributions	-	65,570,808	55,674,240	43,298,860	16,288,773	6,133,131	10,893,821	13,157,118	20,173,224	7,918,787
Total governmental activities program revenues	\$ 55,709,142	\$ 116,665,816	\$ 102,634,934	\$ 96,079,827	\$ 77,221,869	\$ 57,147,818	\$ 57,514,985	\$ 55,219,591	\$ 62,151,383	\$ 53,242,810
Business-type activities:										
Charges for services:										
Lancaster Power Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,479,116	\$ 2,937,736	\$ 3,402,736	\$ 3,273,181	\$ 3,512,716
Lancaster Choice Energy	-	-	-	-	-	-	-	-	275,128	23,437,682
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,479,116	\$ 2,937,736	\$ 3,402,736	\$ 3,548,309	\$ 26,950,398
Total primary government program revenues	\$ 55,709,142	\$ 116,665,816	\$ 102,634,934	\$ 96,079,827	\$ 77,221,869	\$ 58,626,934	\$ 60,452,721	\$ 58,622,327	\$ 65,699,692	\$ 80,193,208
Governmental activities	\$ (85,559,888)	\$ (25,541,223)	\$ (52,820,627)	\$ (67,969,458)	\$ (74,286,895)	\$ (70,566,073)	\$ (62,374,602)	\$ (64,838,504)	\$ (59,335,872)	\$ (70,620,908)
Business-type activities:	-	-	-	-	-	340,286	53,034	53,036	(52,815)	4,545,271
Net Primary Government Revenue (Expense)	\$ (85,559,888)	\$ (25,541,223)	\$ (52,820,627)	\$ (67,969,458)	\$ (74,286,895)	\$ (70,225,787)	\$ (62,321,568)	\$ (64,785,468)	\$ (59,388,687)	\$ (66,075,637)

CITY OF LANCASTER

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 30,773,463	\$ 44,679,962	\$ 47,841,204	\$ 41,226,311	\$ 35,895,395	\$ 25,370,913	\$ 14,142,727	\$ 14,370,865	\$ 16,854,719	\$ 19,252,156
Transient occupancy taxes	1,452,827	1,211,514	1,327,022	1,380,790	1,300,067	1,338,016	1,314,747	1,313,033	1,614,404	1,866,299
Sales taxes	25,879,313	19,449,760	14,934,911	14,523,154	15,607,533	17,259,589	16,254,549	18,043,706	18,540,150	19,498,624
Franchise taxes	2,764,230	2,484,807	2,902,408	2,593,418	2,697,165	2,655,535	2,617,877	2,669,286	2,776,634	2,821,855
Business licenses taxes	886,625	848,911	855,453	883,017	1,008,810	955,466	906,896	929,618	983,968	915,740
Other taxes	1,002,095	453,943	518,992	310,397	284,519	406,441	413,913	419,034	419,034	428,651
Intergovernmental unrestricted	3,129,626	918,534	493,557	426,464	679,772	78,065	80,905	67,299	65,519	64,874
Use of money and property	16,088,474	22,647,525	10,270,036	4,275,530	3,952,452	2,102,259	38,131	252,605	331,645	532,869
Miscellaneous	83,925	557,331	619,185	293,490	336,649	3,913,577	1,008,418	331,511	1,141,731	1,041,187
Gain on sale of land held for resale	-	-	-	-	-	5,078,193	109,072	4,160,149	2,129,772	1,158,860
Transfers	-	-	-	-	-	600,000	600,000	600,000	800,000	1,600,000
Total governmental activities	\$ 82,050,578	\$ 93,250,287	\$ 79,762,768	\$ 66,033,000	\$ 61,788,240	\$ 59,636,132	\$ 37,479,763	\$ 43,151,985	\$ 45,657,576	\$ 49,181,115
Business-type activities:										
Use of Money and Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,016	\$ 2,421	\$ 9,533	\$ 1,762	\$ 6,041
Miscellaneous	-	-	-	-	-	-	42,750	47,833	51,700	173,085
Transfers	-	-	-	-	-	(600,000)	(600,000)	(600,000)	(800,000)	(1,600,000)
Total business-type activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (592,984)	\$ (554,829)	\$ (542,634)	\$ (746,538)	\$ (1,420,874)
Extraordinary gain/(loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,809,943	\$ (14,482,945)	\$ 41,469,430	\$ -	\$ 11,789,312
Total Primary Government Revenues, Contributions, Extraordinary Items and Transfers	\$ 82,050,578	\$ 93,250,287	\$ 79,762,768	\$ 66,033,000	\$ 61,788,240	\$ 295,853,091	\$ 22,441,989	\$ 84,078,781	\$ 44,911,038	\$ 59,549,553
Change in Net Assets										
Governmental activities	\$ (7,089,976)	\$ 67,709,064	\$ 26,942,141	\$ (1,936,458)	\$ (12,498,655)	\$ 225,880,002	\$ (39,271,716)	\$ 19,648,352	\$ (13,678,296)	\$ (9,650,481)
Business-type activities	(7,089,976)	67,709,064	26,942,141	(1,936,458)	(12,498,655)	(252,698)	(607,863)	(355,039)	(799,353)	3,124,397
Total Primary Government	\$ (7,089,976)	\$ 67,709,064	\$ 26,942,141	\$ (1,936,458)	\$ (12,498,655)	\$ 225,627,304	\$ (39,879,579)	\$ 19,293,313	\$ (14,477,649)	\$ (6,526,084)

CITY OF LANCASTER

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 64,019,546	\$ 54,513,982	\$ 52,461,253	\$ 50,723,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	31,986,738	37,322,306	34,818,644	25,945,055	-	-	-	-	-	-
Nonspendable	-	-	-	-	40,175,246	22,319,854	8,852,742	28,221,235	30,146,378	35,269,352
Assigned	-	-	-	-	6,665,011	4,889,386	4,800,218	4,680,626	4,928,059	5,271,564
Unassigned	-	-	-	-	16,502,115	11,700,986	12,927,615	8,742,053	7,363,284	14,512,289
Total general fund	\$ 96,006,284	\$ 91,836,288	\$ 87,279,897	\$ 76,668,663	\$ 63,342,372	\$ 38,910,226	\$ 26,580,575	\$ 41,643,914	\$ 42,437,721	\$ 55,053,205
All Other Governmental Funds										
Reserved	\$ 71,637,570	\$ 59,478,125	\$ 74,432,801	\$ 105,561,942	\$ 96,050,746	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	52,767,008	59,541,994	56,919,624	40,794,756	44,504,625	-	-	-	-	-
Capital projects funds	(30,507,293)	(34,197,147)	(62,191,991)	(64,562,712)	(55,635,744)	-	-	-	-	-
Debt service funds	23,919,282	24,959,978	32,721,659	14,030,167	6,665,509	-	-	-	-	-
Nonspendable	-	-	-	-	-	94,373,593	87,303,062	-	47,639	138,887
Restricted	-	-	-	-	-	60,392,063	56,185,252	151,441,914	153,298,355	143,175,424
Assigned	-	-	-	-	-	509	509	509	17,055	-
Unassigned	-	-	-	-	-	(4,902,734)	(5,397,190)	(2,637,423)	(2,503,461)	(2,239,594)
Total all other governmental funds	\$ 117,816,567	\$ 109,782,950	\$ 101,882,093	\$ 95,824,153	\$ 91,585,136	\$ 149,863,431	\$ 138,091,633	\$ 148,805,000	\$ 150,859,588	\$ 141,074,717

CITY OF LANCASTER

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes (see Schedule 6)	\$ 65,926,362	\$ 70,162,583	\$ 69,730,798	\$ 59,689,451	\$ 57,914,640	\$ 48,495,344	\$ 49,816,195	\$ 43,142,049	\$ 45,955,569	\$ 50,788,011
Licenses, fees, and permits	18,406,339	8,360,699	4,376,841	3,593,907	3,742,427	10,644,481	4,758,487	3,765,131	4,213,219	7,618,177
Intergovernmental	27,189,039	25,236,245	22,924,589	28,496,569	30,291,807	23,563,011	20,477,373	25,441,406	29,814,201	20,399,991
Charges for services	8,901,806	9,319,279	9,647,677	13,069,923	10,645,688	10,166,791	10,773,394	11,055,161	11,579,958	11,943,261
Investment earnings	13,121,339	11,222,381	10,057,206	5,087,601	4,750,765	3,491,243	2,515,570	5,988,730	3,027,639	1,315,125
Fines and forfeitures	2,158,669	3,505,516	2,921,179	3,091,957	2,729,238	1,935,658	1,253,922	1,164,109	1,031,987	958,579
Miscellaneous	1,893,388	2,841,166	4,338,209	2,534,139	2,148,883	8,697,718	4,693,687	1,108,353	5,748	194,687
Total revenues	\$ 137,596,958	\$ 130,647,869	\$ 123,996,499	\$ 115,563,547	\$ 112,223,448	\$ 106,894,246	\$ 94,288,628	\$ 91,664,939	\$ 97,795,587	\$ 95,583,255
Expenditures										
General Government	\$ 16,056,247	\$ 18,935,026	\$ 20,400,983	\$ 35,400,480	\$ 20,564,844	\$ 19,429,696	\$ 16,729,037	\$ 13,998,033	\$ 15,994,460	\$ 20,261,382
Public Safety	17,107,689	21,945,315	24,303,445	24,764,758	25,188,927	23,456,553	25,349,866	24,238,229	25,019,344	26,299,308
Community Development	13,609,531	6,258,047	20,383,837	16,000,405	14,737,406	11,423,703	7,171,105	4,021,302	2,732,422	2,796,072
Parks, Recreation and Arts	11,696,144	11,878,211	11,853,863	10,961,119	11,335,806	16,530,854	11,639,084	12,324,636	12,819,404	15,218,338
Development Services	21,456,745	20,335,433	22,454,629	17,517,257	17,367,107	1,722,135	18,383,201	17,639,737	19,678,403	18,634,314
Housing and Neighborhood Revitalization	5,361,600	1,781,432	959,974	4,805,507	5,993,185	10,207,101	452,079	5,063,159	4,341,667	2,672,073
Capital outlay	37,806,315	36,955,971	19,004,734	38,183,765	20,847,133	22,019,463	17,762,739	11,121,837	14,852,578	17,109,139
Debt service	5,240,000	6,128,000	5,745,000	14,262,517	6,382,000	4,832,000	6,556,995	528,151	549,758	607,293
Interest	16,541,783	16,518,213	13,873,812	12,838,000	14,315,824	7,195,509	463,046	244,583	221,672	185,367
Debt issuance Costs	-	-	-	-	-	-	-	-	-	-
Payment to escrow agent	853,689	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 145,729,743	\$ 140,735,648	\$ 138,980,277	\$ 174,733,808	\$ 136,732,232	\$ 116,817,014	\$ 104,507,132	\$ 89,179,667	\$ 96,209,708	\$ 103,783,286
Excess of revenues over (under) expenditures	\$ (8,132,785)	\$ (10,087,779)	\$ (14,983,778)	\$ (59,170,261)	\$ (24,508,784)	\$ (9,922,768)	\$ (10,218,504)	\$ 2,485,272	\$ 1,585,879	\$ (8,200,031)
Other Financing Sources (Uses)										
Bonds, notes and loans issued	\$ -	\$ -	\$ -	\$ 42,160,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunding bonds issued	39,315,000	-	-	-	-	-	-	-	-	-
Payments to escrow agent	(5,180,403)	-	-	-	-	-	-	-	-	-
Bonds issuance premium	1,320,578	-	-	-	-	-	-	-	-	-
Gain/(Loss) on sale of land	8,409,173	-	-	-	-	5,078,193	-	-	-	-
Proceeds from capital lease	-	-	-	-	-	-	-	-	-	255,981
Transfers in	68,139,732	63,668,972	55,359,163	82,081,243	48,993,462	49,040,910	24,370,408	23,056,901	24,675,475	31,209,370
Transfers out	(68,139,732)	(63,668,972)	(55,359,163)	(82,081,243)	(48,993,462)	(48,440,910)	(23,770,408)	(22,456,901)	(23,875,475)	(29,609,370)
Total other financing sources (uses)	\$ 43,864,348	\$ -	\$ -	\$ 42,160,938	\$ -	\$ 5,078,193	\$ 600,000	\$ 600,000	\$ 800,000	\$ 1,855,981
Extraordinary, special gain/(loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,325,866	\$ (14,842,945)	\$ 22,836,799	\$ -	\$ 9,174,663
Net change in fund balances	\$ 35,731,563	\$ (10,087,779)	\$ (14,983,778)	\$ (17,009,323)	\$ (24,508,784)	\$ 28,181,291	\$ (24,461,449)	\$ 25,922,071	\$ 2,385,879	\$ 2,830,613
Debt service as a percentage of noncapital expenditures	20.18%	21.82%	16.35%	19.85%	17.86%	12.69%	8.09%	0.99%	0.95%	0.91%

CITY OF LANCASTER

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

Fiscal Year	Property Taxes	Transient Occupancy	Sales Taxes	Franchise Taxes	Business Licenses Taxes	Other Taxes	Total
2007	\$ 30,773,463	\$ 1,452,827	\$ 25,879,313	\$ 2,754,230	\$ 886,625	\$ 1,002,095	\$ 62,748,553
2008	44,679,962	1,211,514	19,449,760	2,484,807	846,911	453,943	69,126,897
2009	47,841,204	1,327,022	14,934,911	2,902,408	855,453	518,992	68,379,990
2010	41,226,311	1,380,790	14,523,154	2,593,418	883,017	430,826	61,037,516
2011	35,895,395	1,300,067	15,607,533	2,697,165	1,008,810	310,397	56,819,367
2012	25,370,913	1,338,016	16,435,979	2,655,535	1,001,935	304,942	47,107,320
2013*	14,142,727	1,314,747	16,254,549	2,617,877	906,896	406,441	35,643,237
2014	14,370,865	1,313,033	18,043,706	2,669,286	929,618	413,913	37,740,421
2015	16,854,719	1,614,404	18,540,150	2,776,634	983,968	419,034	41,188,909
2016	19,252,156	1,866,299	19,498,624	2,821,855	915,740	428,651	44,783,325
Change							
2007-2016	-37.4%	28.5%	-24.7%	2.5%	3.3%	-57.2%	-28.6%

*Substantially less due to dissolution of Lancaster Redevelopment Agency
Source: City of Lancaster Finance Department

CITY OF LANCASTER

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

Fiscal Year	Residential Property*	Commercial Property*	Industrial Property*	Other Property*	Unsecured Property*	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Taxable Assessed Value ^a as a Percentage of Actual Taxable Value (2)
2007	\$ 6,926,915	\$ 803,807	\$ 323,171	\$ 1,218,049	\$ 291,323	\$ -	\$ 9,563,265	0.0697	\$ 9,563,265	100.000%
2008	8,706,013	1,078,852	459,229	1,031,785	322,058	-	11,597,937	0.0700	11,597,937	100.000%
2009	8,698,733	1,164,920	459,459	998,914	318,702	-	11,640,728	0.0702	11,640,728	100.000%
2010	6,922,218	1,120,681	421,199	1,403,444	353,362	(392,871)	9,828,033	0.0676	9,935,752	101.096%
2011	5,752,260	1,119,257	405,506	1,217,476	331,486	(428,418)	8,397,567	0.0676	8,249,711	98.239%
2012	5,881,635	1,099,774	410,978	1,108,713	316,057	(457,271)	8,359,886	0.0676	8,100,717	96.900%
2013	5,775,643	1,109,273	417,524	1,093,610	309,749	(447,236)	8,258,563	0.0676	8,491,853	102.825%
2014	6,028,269	1,142,422	421,089	1,086,064	290,049	(491,828)	8,476,065	0.0676	10,751,310	126.843%
2015	6,875,938	1,151,791	429,440	1,105,203	278,624	(501,969)	9,339,027	0.0676	10,761,355	115.230%
2016	7,366,323	1,272,042	431,603	1,137,342	291,158	(513,024)	9,985,444	0.0676	11,922,544	119.399%

Source: Los Angeles County Assessor data, MuniServices, LLC

*For 2008-09 and prior, net values are reported.

^a Includes tax-exempt property.

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

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

CITY OF LANCASTER

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Los Angeles County		Antelope Valley Union High School District		Westside School District		Community College		Water	Total Direct & Overlapping		Total Direct (1)
	General		School District	Union High	School District	Westside	College					
2007	1.00000%	0.00066%	0.01996%	0.01996%	0.08454%	0.02905%	0.07049%	0.07049%	1.20470%	0.06970		
2008	1.00000%	0.00000%	0.01908%	0.01908%	0.08488%	0.00983%	0.07049%	0.07049%	1.18428%	0.06999		
2009	1.00000%	0.00000%	0.02095%	0.02095%	0.09374%	0.01682%	0.07049%	0.07049%	1.20200%	0.07015		
2010	1.00000%	0.00000%	0.02421%	0.02421%	0.02282%	0.02460%	0.07049%	0.07049%	1.14212%	0.06759		
2011	1.00000%	0.00000%	0.02902%	0.02902%	0.03061%	0.02539%	0.07049%	0.07049%	1.15551%	0.06759		
2012	1.00000%	0.00000%	0.02913%	0.02913%	0.03074%	0.02599%	0.07049%	0.07049%	1.15635%	0.06759		
2013	1.00000%	0.00000%	0.03075%	0.03075%	0.03380%	0.02949%	0.07049%	0.07049%	1.16453%	0.06759		
2014	1.00000%	0.00000%	0.02602%	0.02602%	0.05503%	0.02741%	0.07049%	0.07049%	1.17895%	0.06759		
2015	1.00000%	0.00000%	0.02585%	0.02585%	0.04837%	0.02480%	0.07049%	0.07049%	1.16951%	0.06759		
2016	1.00000%	0.00000%	0.02428%	0.02428%	0.05449%	0.02556%	0.07049%	0.07049%	1.17482%	0.06759		

Source: Los Angeles County Assessor data, MuniServices, LLC

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

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

CITY OF LANCASTER

**Principal Property Tax Payers (Top 5%)
Last Fiscal Year and Nine Years Prior**

	2015-2016				2006-2007			
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	
Kaiser Foundation Health Plan	\$ 108,735,132	1	1.09%	Basrock	\$ 106,364,428	1	1.11%	
Wal Mart Stores	58,539,290	2	0.59%	Spc Del Sur Ranch Lic	45,218,600	2	0.47%	
Us Industrial Reit Ii	45,284,000	3	0.45%	Avenue K Lancaster Ucm	45,000,000	3	0.47%	
Cp Antelope Shops Lic	39,779,205	4	0.40%	Bpp Valley Central	39,877,585	4	0.42%	
Thrifty Payless Inc.	36,712,346	5	0.37%	KB Home Greater Los Angeles In	38,048,210	5	0.40%	
Mgf Cordova Park Lp	34,796,789	6	0.35%	Lennar Homes of California Inc	32,859,506	6	0.34%	
Fts Property Holdings Lic	33,213,456	7	0.33%	Richmond American Homes	29,173,613	7	0.31%	
Mk Rrp 176 Holston Drive Lic	32,231,365	8	0.32%	Countrywide Home Loans Inc	27,506,255	8	0.29%	
Mgp Ix Properties Lic	28,942,025	9	0.29%	Lexington Lancaster Ii Lic	27,268,215	9	0.29%	
Syigma Network Inc.	26,442,628	10	0.26%	California Compaction Corp	22,841,809	10	0.24%	
Castleblack Lancaster Owner LI	24,972,405	11	0.25%	Pulte Home Corp	20,820,450	11	0.22%	
Mg Sienna Heights Apt I Lp	24,077,723	12	0.24%	Avalon Meadows Lic	20,798,984	12	0.22%	
Mg Granada Villas Apt I Lp	23,303,043	13	0.23%	Universe at Amargosa Creek Lic	20,448,590	13	0.21%	
Top 5% Total	\$ 517,029,407		5.18%	Top 5% Total	\$ 476,226,245		4.98%	
City Total	9,985,443,650		100.00%	City Total	9,563,265,414		100%	

Source: Los Angeles County Assessor data, MuniServices, LLC

CITY OF LANCASTER

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy	Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 3,745,240	100%	\$ 3,745,240	100%	\$ -	\$ 3,745,240	100%
2008	4,507,321	100%	4,507,321	100%	-	4,507,321	100%
2009	4,127,058	100%	4,127,058	100%	-	4,127,058	100%
2010	1,590,352	100%	1,590,352	100%	-	1,590,352	100%
2011	2,947,289	100%	2,947,289	100%	-	2,947,289	100%
2012	3,188,619	100%	3,188,619	100%	-	3,188,619	100%
2013	5,545,157	100%	5,545,157	100%	-	5,545,157	100%
2014	3,686,297	100%	3,686,297	100%	-	3,686,297	100%
2015	5,101,745	100%	5,101,745	100%	-	5,101,745	100%
2016	6,698,981	100%	6,698,981	100%	-	6,698,981	100%

Source: City of Lancaster Finance Department

CITY OF LANCASTER

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

Fiscal Year	Tax Allocation		Assessment		Community		Total Primary Government	Percentage of Household Income ^a	Per Capita
	Bonds	Revenue Bonds	District Bonds	Bonds	Facilities Dist. Bonds	Bonds			
2007	\$ 240,720	\$ 16,245	\$ 5,775	\$ 17,965	\$ 280,705	463.18%	2.03		
2008	235,660	15,720	5,455	17,758	274,593	432.26%	1.91		
2009	230,465	15,170	5,070	17,598	268,303	407.69%	1.85		
2010	261,145	15,000	4,680	17,439	298,264	437.04%	2.06		
2011	255,605	14,455	4,265	15,579	289,904	443.45%	1.85		
2012	249,160	40,780	3,760	13,694	307,394	502.15%	1.95		
2013	242,465	34,465	3,295	9,476	289,701	459.11%	1.83		
2014	228,955	30,970	2,805	9,561	272,291	439.21%	1.70		
2015	218,715	29,795	2,280	7,309	258,099	412.57%	1.61		
2016	193,400	28,555	1,370	4,159	227,484	354.94%	1.45		

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

CITY OF LANCASTER

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

General Bonded Debt Outstanding							Percentage of	
General		Tax Allocation		Total			Actual Taxable	
Fiscal Year	Bonds	Bonds	Redevelopment	Bonds	Redevelopment	Total	Value ^a of Property	Per Capita ^b
2007	\$ -	\$ 240,720		\$ 240,720		\$ 240,720	2.4853%	1.74
2008	-	235,660		235,660		235,660	2.0094%	1.64
2009	-	230,465		230,465		230,465	1.9798%	1.59
2010	-	261,145		261,145		261,145	2.6571%	1.80
2011	-	255,605		255,605		255,605	3.0438%	1.63
2012	-	249,160		249,160		249,160	2.9804%	1.58
2013	-	242,465		242,465		242,465	2.9359%	1.53
2014	-	228,955		228,955		228,955	2.7012%	1.43
2015	-	218,715		218,715		218,715	2.3419%	1.36
2016	-	193,400		193,400		193,400	1.9368%	1.23

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

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

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

CITY OF LANCASTER

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2016**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>2015-16 Assessed Valuation: \$10,108,446,108</u>			
Debt repaid with property taxes:			
Antelope Valley Joint Community College District	\$ 138,823,272	33.63%	\$ 46,680,713
Antelope Valley Union High School District	67,204,873	38.198	25,670,917
Eastside Union School District	7,629,377	60.021	4,579,228
Lancaster School District	44,377,965	97.068	43,076,803
Westside Union School District	66,616,367	28.983	19,307,422
Westside Union School District Community Facilities Districts	20,684,866	100	20,684,866
City of Lancaster Community Facilities Districts	4,159,046	100	4,159,046
City of Lancaster 1915 Act Bonds	1,370,000	100	1,370,000
Los Angeles County Regional Park and Open Space Assessment District	50,610,000	0.793	401,337
Total Overlapping Tax And Assessment Debt			\$ 165,930,332
Direct And Overlapping General Fund Debt:			
Los Angeles County General Fund Obligations	\$ 2,029,010,694	0.79%	\$16,090,055
Los Angeles County Superintendent of Schools Certificates of Participation	7,944,360	0.793	62,999
Antelope Valley Joint Community College District Certificates of Participation	20,675,000	33.626	6,952,176
Eastside Union School District Certificates of Participation	3,500,000	60.021	2,100,735
Lancaster School District Certificates of Participation	7,870,000	97.068	7,639,252
Los Angeles County Sanitation District No. 14 Certificates of Participation	2,310,358	75.551	1,745,498
City of Lancaster Power Authority Revenue Bonds	23,745,000	100	23,745,000
Total Gross Direct And Overlapping General Fund Debt			\$ 58,335,715
Less: Lancaster Power Authority Revenue Bonds supported by solar utility revenues			23,745,000
Total Net Direct And Overlapping General Fund Debt			\$ 34,590,715
Overlapping Tax Increment Debt:			
City of Lancaster Tax Allocation Bonds	\$193,400,000	100.00%	\$193,400,000
Total Overlapping Tax Increment Debt			\$193,400,000
TOTAL GROSS DIRECT DEBT			\$23,745,000
TOTAL NET DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$ 393,921,047
GROSS COMBINED TOTAL DEBT			\$ 417,666,047
NET COMBINED TOTAL DEBT			\$393,921,047
Notes:			
1 The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.			
2 Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy bonds are included based on principal due at maturity.			
(1) <u>Ratios to 2015-16 Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt	1.64%		
Total Gross Direct Debt (\$23,745,000)	0.23%		
Total Net Direct Debt	0.00%		
Gross Combined Total Debt	4.13%		
Net Combined Total Debt	3.90%		
<u>Ratios to Redevelopment Incremental Valuation (\$6,285,876,177):</u>			
Total Overlapping Tax Increment Debt	3.08%		

CITY OF LANCASTER

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

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed Valuation	\$9,685,762	\$11,727,911	\$11,777,155	\$9,828,032	\$8,397,567	\$ 8,359,886	\$ 8,258,563	\$ 8,476,065	\$ 9,339,027	\$ 9,985,444
Debt limit (3.75% of Gross AV)	\$ 363,216	\$ 439,797	\$ 441,643	\$ 368,551	\$ 314,909	\$ 313,496	\$ 309,696	\$ 317,852	\$ 350,214	\$ 374,454
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 363,216	\$ 439,797	\$ 441,643	\$ 368,551	\$ 314,909	\$ 313,496	\$ 309,696	\$ 317,852	\$ 350,214	\$ 374,454
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Los Angeles County Assessor data, MuniServices, LLC

CITY OF LANCASTER

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

Fiscal Year	Redevelopment Tax Allocation Bonds			
	Property Tax Increment	Principal	Debt Service Interest	Coverage
2007	\$ 69,681	\$ 4,870	\$ 11,284	4.31
2008	78,378	5,060	11,537	4.72
2009	84,269	5,270	11,403	5.05
2010	66,205	6,895	12,144	3.48
2011	55,395	5,620	13,299	2.93
2012: 7/1/11-1/31/12*	24,020	4,155	6,717	2.21
2012: 1/31/12-6/30/12*	9,288	2,495	6,629	1.02
2012	33,308	6,650	13,346	1.67
2013	19,564	6,695	12,618	1.01
2014	23,252	16,005	12,313	0.82
2015	23,535	9,675	11,477	1.11
2016	25,590	11,255	10,531	1.17

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

*Fiscal year 2012 is split because the Redevelopment Agency officially dissolved on

2/1/2012 and started receiving property taxes from the County of Los Angeles instead of

"Property Tax Increment."

CITY OF LANCASTER

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Average Household Income	Per Capita Personal Income	Unemployment Rate
2007	138,392	\$ 60,604	\$ 19,740.72	7.30%
2008	143,818	63,525	20,692	10.70%
2009	145,243	65,810	21,507	16.20%
2010	145,074	68,246	22,523	17.50%
2011	156,633	65,375	20,623	17.10%
2012	157,902	61,215	19,311	15.30%
2013	158,630	63,100	19,905	13.90%
2014	159,878	61,996	19,557	11.98%
2015	160,784	62,559	19,428	8.45%
2016	157,094	64,090	19,904	5.77%

- Sources:**
- Population statistics gathered from State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties, and the State, except during decennial census year(s), 2010-2011, U.S. Census Bureau.
 - Average Household and Personal Income gathered from Greater Antelope Valley Economic Alliance
 - Unemployment Rate gathered from State of California Employment Development Department <http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tablename=labforce>
 - Unemployment Rate not seasonally adjusted
 - 2016 Unemployment Rate is preliminary

CITY OF LANCASTER

**Top 10 Principal Employers
Current Calendar Year and Ten Years Prior**

<u>Employer</u>	2016			2007		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Valley Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Valley Employment</u>
Edwards AFB	11,990	1	15.60%	11,285	1	19.32%
China Lake NWC	6,520	2	8.48%	6,838	2	11.71%
Northrop Grumman	4,020	3	5.23%	3,900	3	6.68%
County of Los Angeles	3,912	4	5.09%	3,604	4	6.17%
Lockheed Martin	3,000	5	3.90%	2,294	5	3.93%
Antelope Valley Hospital	2,600	6	3.38%	2,280	6	3.90%
Antelope Valley Union High School District	2,500	7	3.25%	2,100	7	3.59%
Lancaster School District	2,200	8	2.86%	1,957	8	3.35%
Palmdale School District	2,001	9	2.60%	1,500	9	2.57%
Antelope Valley Mall	1,975	10	2.57%	1,800	10	3.08%
TOTAL Employment	76,843		52.99%	58,419		64.29%

Source: 2016 City of Lancaster Economic Development; CA EDD; GAVEA. 2007: City of Lancaster CAFR FY 2006-2007

Notes: Total employment as used above may represent figures from total employment located within the Greater Antelope Valley region. The Greater Antelope Valley is considered to be the City's economic region and covers 3,514.2 square miles of area and includes Lancaster, Palmdale, Tehachapi, Mojave, Edwards AFB, and Ridgecrest.

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CITY OF LANCASTER

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

Function	Full-time-Equivalent Employees									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City Manager	4	5	5	7.63	7.63	8.25	8.25	9.25	10.25	11.75
City Clerk	5	5	5	3.62	3.62	4	4	3	2	3
Administrative Services	6.9	4	4	4	4	2	4	8	6	3
Finance	16.75	21	21	21	21	22	21	25	24	25
Human Resources	4	10	10	10	11	5	5	5	5	4
Planning	16	16	16	12	12	12	-	-	-	-
Redevelopment	22.3	37	37	38	38	-	-	-	-	-
Housing and Neighborhood Revitalization	-	-	-	-	-	30	22	20	19	20
Economic Development	-	-	-	-	-	4	2	2	3	4
City Attorney	-	-	-	-	-	0	0	0	1	1
Lancaster Choice Energy	-	-	-	-	-	0	0	0	0	8
Public Safety	17.75	21	21	16	20	16	15	13	13	12
Parks, Recreation and Arts	67	66	66	59	59	56	54	51	53	45
Public Works	137	144	144	125	124	128	-	-	-	-
Development Services							124	125	124	131
Less vacancies filled by internal recruitments								-11	-8	-22
Total	296.7	329	329	296.25	300.25	287.25	259.25	250.25	252.25	245.75
Year over year	29.15	32.3	0	-32.75	4	-13	-28	-9.00	2.00	-6.50

Source: City Finance Department

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

CITY OF LANCASTER

Operating Indicators by Function/Program

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Business licenses										
New business licenses issued	825	606	1,272	1,326	1,238	1,201	1,169	1,178	1,325	1,135
Business licenses renewed	3,313	2,499	4,103	3,904	4,101	3,972	3,989	4,073	4,315	4,385
Business improvement district										
BID licenses issued	10	4	23	23	38	73	42	21	27	21
BID licenses renewed	159	100	152	144	151	149	161	183	149	147
Taxi Business licenses										
New business licenses issued		24	31	21	39	38	29	24	16	7
Business licenses renewed		0	21	27	40	45	46	39	23	25
Tow Business licenses										
New business licenses issued		8	14	12	23	20	25	16	24	15
Business licenses renewed		2	24	41	44	44	37	45	32	42
Group Home Business licenses										
New business licenses issued		3	14	16	6	1	2	7	7	6
Business licenses renewed		0	3	17	25	33	33	42	43	53
LANCAP Business licenses										
New business licenses issued		79	848	844	1,168	781	579	577	567	449
Business licenses renewed		818	1,137	1,864	2,693	3,228	3,522	3,774	4,058	4,147
Massage Business licenses										
New business licenses issued		56	79	103	63	43	29	16	10	24
Business licenses renewed		5	72	66	69	63	48	44	35	39
News rack Permits										
New permits issued				4	1	0	0	0	-	-
Permits renewed				0	4	3	4	5	2	1
Human Resource Recruitments	44	30	23	22	4	2	12	22	26	40
Public Safety										
Physical arrests	11,042	17,606	17,867	27,854	12,778	11,371	11,929	7,474	8,374	6,971
Citations	24,216	23,031	26,407	25,386	22,025	15,401	3,265	10,487	8,616	9,987
Community Safety										
Parking violations	17,458	28,389	17,616	41,505	31,089	26,632	20,784	17,224	15,669	17,599
Development Services										
Building permits issued	2,363	1,400	907	1,444	2,228	2,600	3,192	1,777	1,270	3,795
Centerline miles maintained	590	627	621	630	630	633	640	640	640	640
No of Traffic Signals	130	139	145	141	138	138	137	139	147	139
Fleet Vehicles Maintained	272	307	320	295	292	301	301	318	323	322
Sponsored recycling event	4	12	30	0	0	5	7	4	4	4
Street sweeping - residential miles	18,000	14,770	15,678	15,678	16,274	16,375	16,522	16,651	16,651	16,655
Street sweeping - arterial miles	8,876	8,960	9,224	2,220	2,234	2,245	2,267	2,279	2,279	2,280
Street sweeping - alley miles	900	900	900	0	0	0	0	0	0	0
Street sweeping - raised median curb miles	1,794	2,015	2,106	0	0	10	0	0	0	0

CITY OF LANCASTER

Operating Indicators by Function/Program

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Parks, Recreation and Arts										
Maintenance Services										
No. of developed park sites	13	13	13	13	14	14	14	14	14	14
No. of acres maintained	362	365	438	449	463	463	463	463	463	463
No. of trees in right of way	53,176	44,773	47,022	58,987	61,225	61,324	61,462	68,000	68,320	68,320
Recreation										
Community Events Sponsored	12	10	10	16	21	21	21	22	23	23
Youth Sport Participants	289	315	295	315	315	323	329	349	334	417
Adult league basketball teams	61	67	74	67	65	58	63	62	44	36
Adult league softball teams	434	474	493	545	542	474	511	495	195	195
Softball tournaments- no. of teams	680	572	681	582	624	500	533	597	589	476
Soccer tournaments-no. of teams	2,222	2,057	2,130	2,530	1,959	2,100	2,203	3,699	2,765	3,756
Instructional class enrollments*	19,103	7,499	7,425	6,839	6,814	6,115	7,468	6,607	8,911	7,635
Performing Arts Center										
Season Performances	95	94	94	97	68	55	74	59	95	53
Tickets Sold	51,694	34,850	45,360	39,376	33,590	27,913	31,525	23,829	32,124	28,564
Outreaches	28	32	35	32	33	23	20	19	24	24
Master Classes	2	2	2	1	3	0	9	2	2	1
Acting Workshops	0	4	4	0	0	0	1	0	-	0
Theater Rentals	118	85	126	92	51	55	75	78	75	49
Rental tickets sold	38,400	25,500	29,940	29,940	21,009	16,705	17,770	16,094	16,945	20,600

Sources: Various city departments.

Notes: Public Safety numbers are estimates by querying Lancaster sheriffs station computer assisted dispatching system and using GIS to extract citations given w

CITY OF LANCASTER

Capital Asset Statistics by Function/Program

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
City Hall	1	1	1	1	1	1	1	1	1	1
Annex/Record Center	1	1	1	1	1	-	-	-	-	-
Community Development										
Brierwood Mobile Home Park	1	1	1	1	1	-	-	-	-	-
Desert Sands Mobile Home Park	1	1	1	1	1	1	1	-	-	-
Development Services										
Maintenance Yard - Modular Office Bldg.	1	1	1	1	1	1	1	1	1	1
Maintenance Yard - Office/Warehouse	1	1	1	1	1	1	1	1	1	1
Maintenance Yard - Maintenance Garage	1	1	1	1	1	1	1	1	1	1
Maintenance Yard - Canopy	1	1	1	1	1	1	1	1	1	1
Maintenance Yard - Storage Bldg	3	3	3	4	4	4	4	4	3	3
Maintenance Yard - Wash Bay	1	1	1	1	1	1	1	1	1	1
Maintenance Yard - HazMat Storage Bldg	1	1	1	1	1	1	1	1	1	1
Streets (miles)	591	627	621	630	630	633	640	640	1,765	1,765
Streetlights (owned by City)	1,405	1,600	1,141	1,112	1,149	1,157	1,875	1,895	1,895	1,908
Traffic signals	130	139	145	141	138	138	137	139	147	145
Street Signs	26,000	27,000	28,000	28,533	29,058	26,334	26,378	26,400	26,412	26,472
Fleet Vehicles	272	307	320	295	292	301	301	318	304	322
Storm Drain Pipe (LF)			117,142	381,110	381,821	434,005	485,113	485,113	485,113	485,113
Storm Drain Box (LF)			20,803	31,570	31,570	26,169	27,993	27,996	27,996	27,996
Storm Drain Channel (LF)			48,715	48,715	48,715	44,883	44,883	44,883	44,883	44,883
Sewer Pipe (LF)			2055473*	2244000*	2,077,192	2,265,580	2,261,609	2,265,120	2,265,120	2,262,626
Sewer Manholes			8000*	9083*	8,089	9,005	9,035	9,188	9,042	8,966
Sewer Lift Station			1	1	1	1	1	1	1	1
Parks, Recreation and Arts										
Acreage	362	365	525	525	538	538	538	538	538	538
Developed park sites	13	12	13	13	14	14	14	14	14	14
Pools	2	2	2	2	2	2	2	2	2	2
Big 8 Tournament Baseball complex	1	1	1	1	1	1	1	1	1	1
Batting Cage Facility	1	1	1	1	1	1	1	1	1	1
Soccer complex	1	1	1	1	1	1	1	1	1	1
Community/Activity Centers	7	7	7	7	7	7	8	8	8	8
Cedar Center				1	1	1	1	1	1	1
Prime Desert Woodlands Preserve & Nature Center	1	1	1	1	1	1	1	1	1	1
Municipal Baseball Stadium	1	1	1	1	1	1	1	1	1	1
Performing Arts Center	1	1	1	1	1	1	1	1	1	1
Museum and Art Gallery	1	1	1	1	1	1	1	1	1	1
Western Hotel (historic site)	1	1	1	1	1	1	1	1	1	1
Metrolink Station	1	1	1	1	1	1	1	1	1	1
Park and Ride Lots	4	4	8	8	8	8	8	8	8	8

Sources: Various city departments.

*Estimated figures

City of Lancaster
Department of Finance
44933 Fern Ave.
Lancaster, CA 93534

