



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ending June 30, 2017





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

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**
For the Year Ended June 30, 2017

Prepared by the City of Lancaster, Finance Department
Pamela Statsmann, Finance Director
Tammie Holladay, Treasury Manager

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. Bozigian City Manager

December 31, 2017

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, 2017. 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 that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Lancaster's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

As the cost of internal controls should not outweigh their benefits, 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 six sections: Introductory section, Financial section, Basic Financial section, Notes to Financial Statements, Supplemental Schedules, and Statistical section. 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. The Statistical section 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.

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 services, 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.

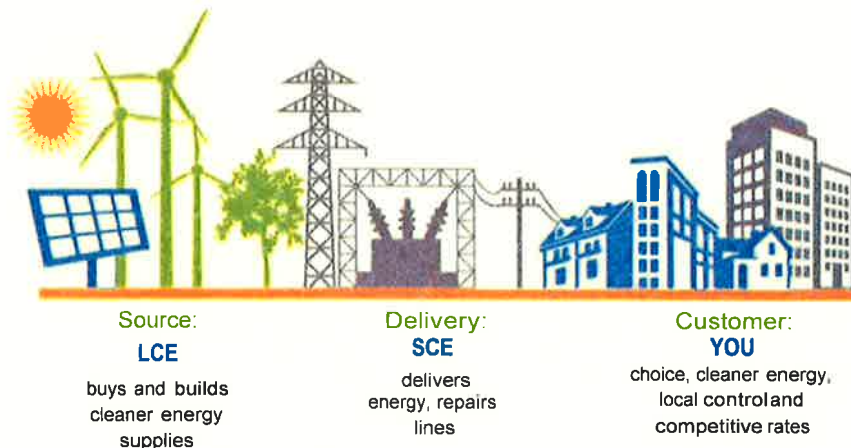
The City was incorporated on November 22, 1977. On April 13, 2010, voters approved Measure C, which granted the City its Charter City status. The Mayor and City Council are elected at large. Lancaster has grown significantly in size and diversity over the last 40 years. According to the 2010 Census, 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 2016 population at 157,859.

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 over two years now. LCE currently serves more than 54,000 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 allowed. 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

Lancaster's lighting maintenance district fund has been, for years, running an average annual deficit of approximately a quarter of a million dollars. This forced us to backfill that fund with transportation funds to pay Southern California Edison (SCE) to supply electricity and maintain nearly 18,000 Lancaster street lights. The City of Lancaster worked with SCE to come to an agreement, which has permitted the City to be the first city in SCE territory, to buy back its streetlights from SCE and maintain them. By buying back City streetlights, Lancaster has the opportunity to achieve greater operational efficiency and substantial cost savings for the community, while greatly enhancing services.

The savings the City will achieve is an accumulation of several factors. One, streetlights are powered with energy purchased by Lancaster Choice Energy (LCE). Since the launch of LCE in May 2015, rates have consistently been below those of SCE. City staff have maintained the streetlights at rates much lower than what SCE charges the City and will be similar to other operations that the City maintains with quicker and better overall service. The City has completed the process of converting streetlight lighting from inefficient high-pressure sodium to "green" LED lights, which decreases energy use by 40% and reduces the need for regular maintenance. LED lights have an average 10-year life span in comparison to high-pressure sodium lights, which typically last 2-3 years. The streetlight acquisition was completed at the end of March, with the transition to LED's completed in November 2017.



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.

In January 2018, the City will implement a Zero Net Energy Home Ordinance. The first of its kind in California, the Ordinance mandates the installation of a solar system equivalent to two watts per square foot for each new home built. The City is providing three options by which homebuilders can comply with the new regulation. Consequently, building out a sustainable community by encouraging production and opportunity, while also shifting the primary basis for the way things are traditionally accomplished.

Future Ready

As the landscape of local government continues to evolve, the City is of course taking a proactive approach. Lancaster is thinking beyond this year and next year—even further than ten years—to envision what Lancaster will look like 50 years in the future. ‘Next 50’ is a vision of sensible growth, which balances environmental, economic, individual and collective needs. The City looks to set new standards for how local government can best fulfill its role in a future where new challenges and opportunities will arise. Coupled with Next 50 are our efforts to become a ‘Smart City’. A smart city gathers data from smart devices and sensors embedded in its roadways, power grids, buildings, and other assets—like streetlights. It shares that data via a smart communications system that is typically a combination of wired and wireless inputs. It then uses smart software to create valuable information and digitally enhanced services.

Some of those services are used by the City itself. Examples include emergency response centers and citywide control centers. Likewise, enhancements such as smart power grids and smart water grids improve efficiency and reliability while also giving customers detailed information to help them reduce their bills. In addition, smart transportation uses the power of computers to optimize travel throughout the city.

Some of those services are delivered digitally via computer or smart phone. Examples include online permitting, online lookup of information such as buried cables, water mains, bus arrival times, traffic maps, crime reports, emergency warnings, and much more.

Lancaster is on its way to becoming a smart city and staff looks forward to future initiatives, developments, and projects to achieve this vision, ultimately improving quality of life by using technology to improve the efficiency and effectiveness of services, meet residents’ needs, and engage the community.



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% Financial Operating Reserve, 10% Contingency Reserve, and 8% Investment Reserve, for a total reserve of approximately 28%.

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, 2016. 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 one 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. 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
Finance Director

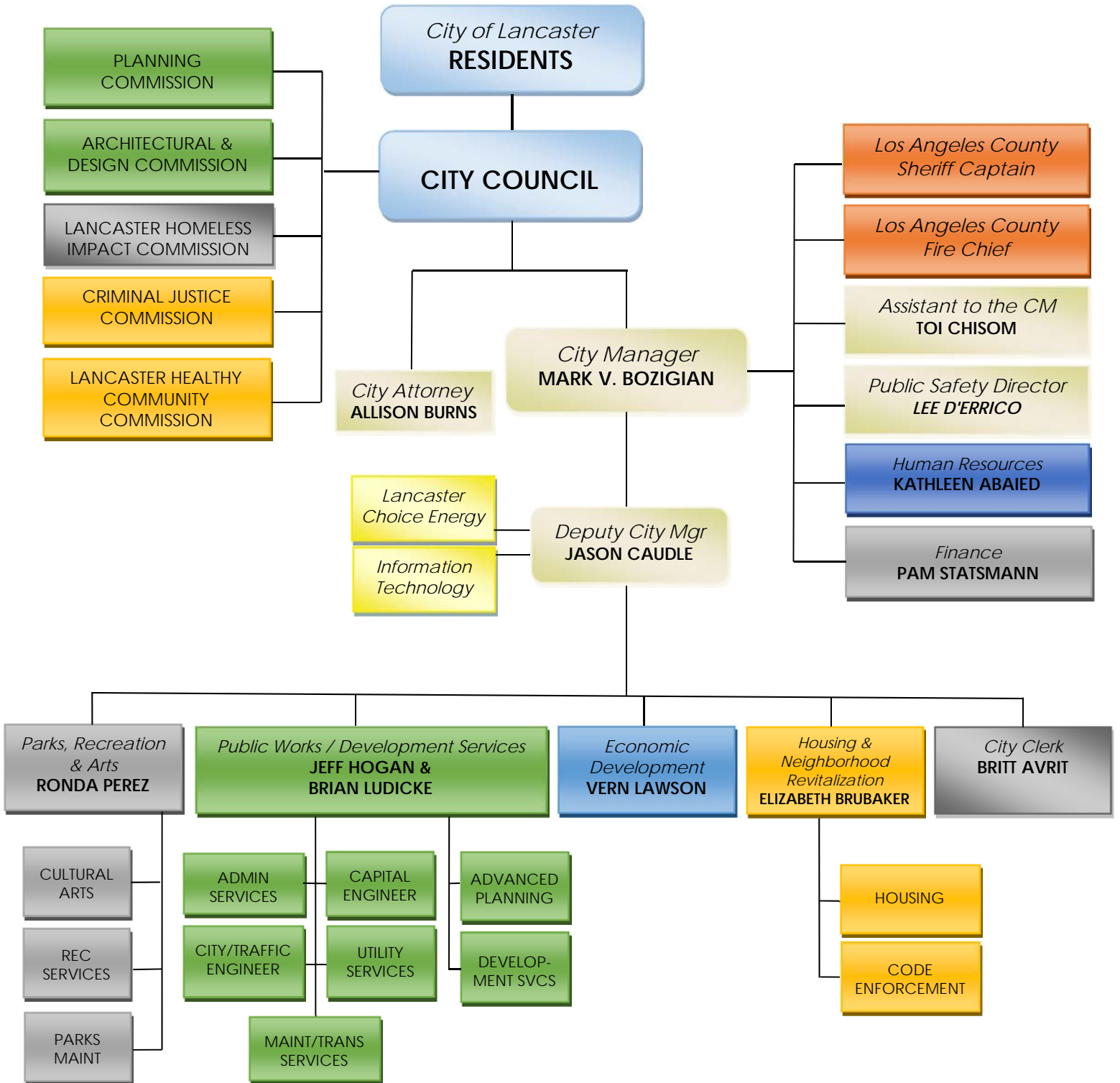
CITY OF LANCASTER

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	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





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, 2016

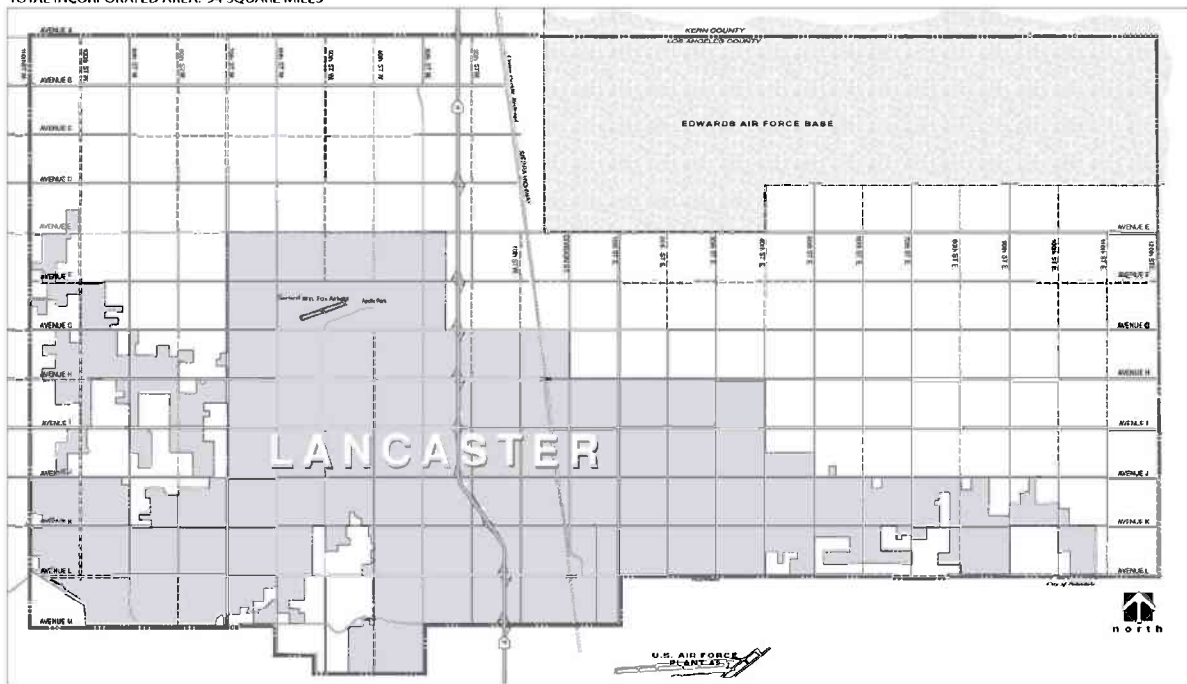
Executive Director/CEO

AV Economic Region



CITY OF LANCASTER

TOTAL INCORPORATED AREA: 94 SQUARE MILES



-  CITY BOUNDARY
-  SPHERE OF INFLUENCE

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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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund, the Transportation Development Authority Special Revenue Fund, the Lancaster Housing Authority Special Revenue Fund, and the Lancaster Lighting District Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, the net position of the governmental activities and the fund balances of the Housing Authority Special Revenue Fund and Other Governmental Funds were restated as of July 1, 2016. Our opinions are not modified with respect to these matters.

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 27, 2017, 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.

A handwritten signature in cursive script that reads "White Nelson Diehl Evans LLP". The signature is written in black ink and is positioned above a thin vertical line.

Irvine, California
December 27, 2017

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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, 2017. 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 \$137,821,300
- The cost of governmental activities was \$130,020,582
- The General Fund reported revenues and transfers-in in excess of expenditures and transfers-out of \$502,154
- For the General Fund, actual resources available for appropriation (revenue inflows and fund balance) was more than final budget by \$2,090,280; while actual appropriations (outflows) were less than the final budget by \$2,087,124.

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, Lancaster Choice Energy and the newly formed California Choice Energy Authority.

The government-wide financial statements include the blending of separate legal entities: Lancaster Housing Authority, Lancaster Community Services Foundation, Lancaster Public Financing Authority, Lancaster Power Authority, and California Choice Energy 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-six 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 three special revenue funds, all of which are considered to be major funds. Data from the other thirty-one 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 adopted a biennial appropriated budget for its general fund for FY 16/17 and FY 17/18. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its 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, Lancaster Choice Energy, and California Choice Energy Authority.

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, Lancaster Choice Energy, and California Choice Energy Authority.

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

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

Combining Statements. The combining statements referred to earlier in connection with non-major governmental funds 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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 229,382	\$ 246,263	\$ 11,574	\$ 9,429	\$ 240,956	\$ 255,692
Capital Assets	885,958	895,841	18,320	19,259	904,278	915,100
Total Assets	1,115,340	1,142,104	29,894	28,688	1,145,234	1,170,792
Total Deferred Outflows of Resources	11,278	4,399	-	-	11,278	4,399
Long Term Liabilities Outstanding	95,992	70,287	22,140	23,256	118,132	93,543
Other Liabilities	15,505	28,312	5,435	4,859	20,940	33,171
Total Liabilities	111,497	98,599	27,575	28,115	139,072	126,714
Total Deferred Inflows of Resources	1,051	3,001	-	-	1,051	3,001
Net Position						
Net Investment in Capital Assets	868,784	893,341	(998)	(1,175)	867,786	892,166
Restricted	146,633	148,498			146,633	148,498
Unrestricted	(1,347)	3,064	3,317	1,748	1,970	4,812
Total Net Position	\$ 1,014,070	\$ 1,044,903	\$ 2,319	\$ 573	\$ 1,016,389	\$ 1,045,476

Governmental Activities. Governmental activities decreased the City of Lancaster's net position by \$29,846,370.

- Sales tax increased \$964,063 or 4.9% from the prior year.
- Property taxes increased only slightly by \$216,770 or 1.1% from the prior year.
- The decrease in Net Position is largely attributed to the issuance of bonds to purchase city streetlights from Southern California Edison and an increase in the net pension liability related to the City's defined benefit pension plans.

Business-Type Activities. Business-type activities increased the City of Lancaster's net position by \$1,746,249 primarily due to the revenue generated by Lancaster Choice Energy.

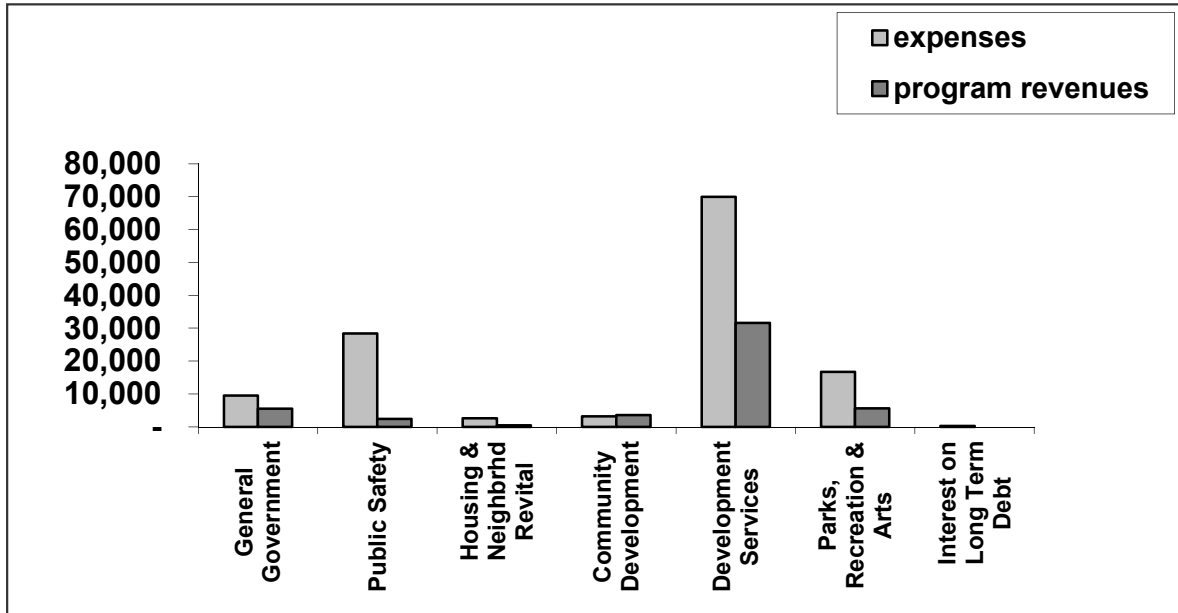
**City of Lancaster Changes in Net Position
(in Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 22,077	\$ 20,831	\$ 38,923	\$ 26,950	\$ 61,000	\$ 47,781
Operating contributions and grants	24,107	24,493	-	-	24,107	24,493
Capital contributions and grants	2,949	7,919	-	-	2,949	7,919
General revenues:						
Taxes:						
Property taxes	19,469	19,252	-	-	19,469	19,252
Sales taxes	20,463	19,499	-	-	20,463	19,499
Franchise taxes	2,926	2,822	-	-	2,926	2,822
Transient occupancy taxes	2,064	1,866	-	-	2,064	1,866
Other taxes	1,474	1,344	-	-	1,474	1,344
Investment income	465	533	10	6	475	539
Other	2,822	2,265	72	174	2,894	2,439
Total revenues	98,816	100,825	39,005	27,130	137,821	127,955
Expenses						
General Government	8,961	24,202	-	-	8,961	24,202
Public Safety	28,407	26,305	-	-	28,407	26,305
Community Development	3,153	3,076	-	-	3,153	3,076
Parks, Recreation and Arts	16,693	16,934	-	-	16,693	16,934
Development Services	69,972	50,458	-	-	69,972	50,458
Housing and Neighborhood Revitalization	2,561	2,672	-	-	2,561	2,672
Interest on long-term debt	273	217	-	-	273	217
Lancaster Power Authority	-	-	2,040	2,167	2,040	2,167
Lancaster Choice Energy	-	-	33,809	20,238	33,809	20,238
California Choice Energy Authority	-	-	52	-	52	-
Total expenses	130,020	123,864	35,901	22,405	165,921	146,269
Transfers	1,358	1,600	(1,358)	(1,600)	-	-
Extraordinary Items	-	11,789	-	-	-	11,789
Total transfers and extraordinary items	1,358	13,389	(1,358)	(1,600)	-	11,789
Increase (decrease) in net position	\$ (29,846)	\$ (9,651)	\$ 1,746	\$ 3,125	\$ (28,100)	\$ (6,525)
*Beginning Net Position	1,043,916 *	1,054,554	573	(2,552)	1,044,489	1,052,002
Ending Net Position	\$ 1,014,070	\$ 1,044,903	\$ 2,319	\$ 573	\$ 1,016,389	\$ 1,045,477

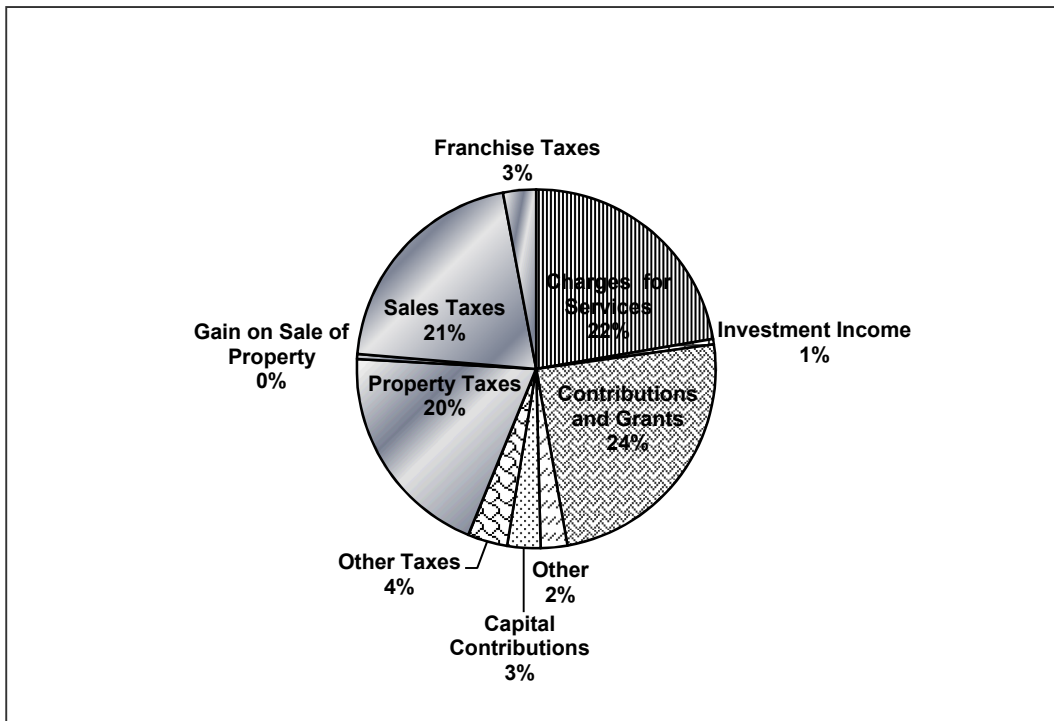
* Restatement of Net Position for FY 2016. See Note 23.

The City's total revenues are \$137,821,300 while the costs of all programs and services are \$165,921,421.

**City of Lancaster Governmental 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
	2017	2017
General Government	\$ 8,961	\$ (3,432)
Public Safety	28,407	(26,027)
Parks, Recreation and Arts	16,693	(11,054)
Development Services	69,972	(38,397)
Community Development	3,153	392
Totals	\$ 127,186	\$ (78,518)

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 \$190.6 million. This is a decrease of \$5.5 million from last fiscal year mostly due to a delay in receiving TDA Article 8 funds from MTA, a change in recognition of long-term receivables in Lancaster Housing Authority and a return of grant funds.

The General Fund is the chief operating fund of the City of Lancaster. At the end of the current fiscal year, including transfers, the General Fund reported revenues and proceeds from capital lease, and transfers-in in excess of expenditures and transfers-out of \$502,154. This increase in fund balance is due to rebounding revenues and diligent cost containment.

The Transportation Development Authority Fund is a special revenue fund used for local street and road improvements, congestion relief and traffic safety. At the end of the current fiscal year Transportation Development Authority Fund reported expenditures and transfers-out in excess of revenues and transfer-in of \$3,335,591. This is primarily due to a delay in receiving funds from MTA.

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 \$1,474,923. The services provided to the community by the Housing and Neighborhood revitalization staff exceeded the revenues received to cover these expenses.

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 16/17, the Capital Projects Fund reported expenditures of \$10,569,076 and transfers in totaling \$10,569,076.

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 major funds of this type: Lancaster Power Authority and Lancaster Choice Energy.

The net position of the Lancaster Power Authority at the end of the year was \$945,562, an increase over last year of \$733,268. This is mainly due to a decrease in transfers out to the General Fund for overhead costs and decrease in staffing expensed to the Authority.

The net position of Lancaster Choice Energy at the end of the year was \$1,345,699, an increase over last year of \$985,257. This is mainly due to the continued success of Lancaster Choice Energy, a community choice aggregation providing electricity to Lancaster residents at a reduced rate.

General Fund Budgetary Highlights

The actual amounts of expenditures for the General Fund at year-end were \$1,768,723 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 departmental budgets to ensure overruns did not occur. Actual revenues were \$2,150,608 more than the final budget before transfers. This is mainly attributed to slight increase across all general revenues.

Capital Asset and Debt Administration

Capital Assets. At the end of FY 2017, the City had \$904.3 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 \$45.7 million through fiscal 2017-18 on new projects. Funding will come from current fund balances and projected revenues. The most significant projects include: 2018 Pavement Management Program, Revive 25; State Route 14 Interchange Enhancement Projects; 10th Street West and Avenue J Improvements (HSIP); 10th Street West Bikeway and Road Diet; Avenue H and 7th Street West Improvements (BYD).

	Governmental Activities	Business-type Activities	Total Capital Assets
Land	\$ 24,093		\$ 24,093
Structures and Improvements	45,257		45,257
Furniture and Equipment	4,568		4,568
Infrastructure	791,782		791,782
Construction in Progress	20,258		20,258
Intangible Assets		18,320	18,320
Net Capital Assets	\$ 885,958	\$ 18,320	\$ 904,278

Note 5 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 \$13,121,314 or (37.5%) from the prior year due to the issue of bonds to purchase streetlights. As of June 30, 2017, the City of Lancaster had accrued employee benefits outstanding of \$3,334,560.

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	
	2017	2016	2017	2016	2017	2016
Notes Payable	\$ 1,967	\$ 2,377	\$ -	\$ -	\$ 1,967	\$ 2,377
Accrued Employee Benefits	3,335	3,484	-	-	3,335	3,484
Claims and Judgements	1,167	1,143	-	-	1,167	1,143
Renewable Energy Bonds			22,605	23,745	22,605	23,745
Unamortized Bond Discount			(465)	(489)	(465)	(489)
Unamortized Bond Premium	529				529	-
Settlement Agreement	2,000	2,200	-	-	2,000	2,200
Loans	1,026	1,130	-	-	1,026	1,130
Streetlight Acquisition Issue of 2016	14,250				14,250	-
Capital Leases	1,707	1,409	-	-	1,707	1,409
Total	\$ 25,981	\$ 11,743	\$ 22,140	\$ 23,256	\$ 48,121	\$ 34,999

Notes 7 provides a detailed analysis of these Long Term Debt items.

Economic Factors and Next Year’s Budgets and Rates

On June 27, 2017, the City Council adopted the second year of Lancaster’s first Biennial Financial Plan and Budget for fiscal years 16/17 and 17/18. Appropriations of \$187.7 million were adopted for the 17/18 fiscal 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 30.5% of all General Fund revenues, and property tax representing 29.6% 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, Finance Director, at the City of Lancaster, 44933 Fern Avenue, Lancaster, CA 93534, or by phone at (661)723-6038.

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BASIC FINANCIAL STATEMENTS

CITY OF LANCASTER

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$ 70,392,630	\$ 2,540,272	\$ 72,932,902
Receivables:			
Accounts	6,945,963	6,616,510	13,562,473
Taxes	5,119,381	-	5,119,381
Accrued interest	217,145	-	217,145
Due from other governments	5,978,113	-	5,978,113
Notes and loans	10,168,601	-	10,168,601
Deposits	-	100,000	100,000
Prepaid items	574,317	127,000	701,317
Internal balances	1,952,421	(1,952,421)	-
Inventories	191,505	-	191,505
Land held for resale	54,269,023	-	54,269,023
Advances to Successor Agency	73,573,104	-	73,573,104
Restricted assets:			
Cash and investments	-	4,142,964	4,142,964
Capital assets:			
Non-depreciable	44,350,019	-	44,350,019
Depreciable	841,608,228	18,319,684	859,927,912
TOTAL ASSETS	<u>1,115,340,450</u>	<u>29,894,009</u>	<u>1,145,234,459</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts on pension plan	11,278,288	-	11,278,288
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,278,288</u>	<u>-</u>	<u>11,278,288</u>
LIABILITIES:			
Accounts payable	9,589,370	5,190,591	14,779,961
Accrued liabilities	1,285,157	21,400	1,306,557
Accrued interest	64,476	151,982	216,458
Unearned revenues	2,229,028	71,225	2,300,253
Deposits payable	2,338,177	-	2,338,177
Noncurrent liabilities:			
Due within one year	3,846,636	410,000	4,256,636
Due in more than one year	92,144,641	21,729,826	113,874,467
TOTAL LIABILITIES	<u>111,497,485</u>	<u>27,575,024</u>	<u>139,072,509</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts on pension plan	1,051,332	-	1,051,332
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,051,332</u>	<u>-</u>	<u>1,051,332</u>
NET POSITION:			
Net investment in capital assets	868,784,058	(998,271)	867,785,787
Restricted for:			
Community development projects	2,530,241	-	2,530,241
Public safety	2,519	-	2,519
Parks, recreation, and arts	2,150,129	-	2,150,129
Development services	44,048,220	-	44,048,220
Debt service	6,772	-	6,772
Housing and neighborhood revitalization	97,894,993	-	97,894,993
Unrestricted	(1,347,011)	3,317,256	1,970,245
TOTAL NET POSITION	<u>\$ 1,014,069,921</u>	<u>\$ 2,318,985</u>	<u>\$ 1,016,388,906</u>

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 8,960,666	\$ 639,962	\$ 4,888,814	\$ -
Public safety	28,407,266	984,026	1,395,942	-
Community development	3,153,141	661,602	2,883,096	-
Parks, recreation, and arts	16,693,089	4,550,335	1,088,636	-
Development services	69,971,677	15,011,307	13,614,188	2,949,315
Housing and neighborhood revitalization	2,561,473	229,371	236,141	-
Interest and other charges	273,270	-	-	-
Total governmental activities	<u>130,020,582</u>	<u>22,076,603</u>	<u>24,106,817</u>	<u>2,949,315</u>
Business-Type Activities:				
Lancaster Power Authority	2,039,939	2,818,772	-	-
Lancaster Choice Energy	33,808,624	36,023,817	-	-
California Choice Energy Authority	52,276	80,000	-	-
Total business-type activities	<u>35,900,839</u>	<u>38,922,589</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 165,921,421</u>	<u>\$ 60,999,192</u>	<u>\$ 24,106,817</u>	<u>\$ 2,949,315</u>

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

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
\$ (3,431,890)	\$ -	\$ (3,431,890)
(26,027,298)	-	(26,027,298)
391,557	-	391,557
(11,054,118)	-	(11,054,118)
(38,396,867)	-	(38,396,867)
(2,095,961)	-	(2,095,961)
(273,270)	-	(273,270)
(80,887,847)	-	(80,887,847)
-	778,833	778,833
-	2,215,193	2,215,193
-	27,724	27,724
-	3,021,750	3,021,750
(80,887,847)	3,021,750	(77,866,097)
19,468,926	-	19,468,926
20,462,687	-	20,462,687
2,926,257	-	2,926,257
2,064,522	-	2,064,522
842,598	-	842,598
630,705	-	630,705
70,376	-	70,376
465,226	10,109	475,335
2,308,190	72,454	2,380,644
443,926	-	443,926
1,358,064	(1,358,064)	-
51,041,477	(1,275,501)	49,765,976
(29,846,370)	1,746,249	(28,100,121)
1,043,916,291	572,736	1,044,489,027
\$ 1,014,069,921	\$ 2,318,985	\$ 1,016,388,906

CITY OF LANCASTER

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General	Special Revenue Funds	
		Transportation Development Authority	Lancaster Housing Authority
ASSETS:			
Pooled cash and investments	\$ 15,438,547	\$ -	\$ 8,492,987
Receivables:			
Accounts	2,896,707	-	1,355
Taxes	4,581,767	-	-
Accrued interest	182,267	-	-
Due from other governments	427,030	2,798,498	-
Notes and loans, net	7,434,470	-	1,347,733
Prepaid items	271,448	-	-
Due from other funds	5,898,716	-	-
Inventories	191,505	-	-
Land held for resale	-	-	53,083,630
Advances to Successor Agency	39,792,773	-	33,780,331
Advances to other funds	1,930,838	-	-
TOTAL ASSETS	\$ 79,046,068	\$ 2,798,498	\$ 96,706,036
LIABILITIES:			
Accounts payable	\$ 5,516,573	\$ -	\$ 81,829
Accrued liabilities	1,100,520	-	13,834
Unearned revenues	155,782	-	-
Deposits payable	1,545,068	-	-
Due to other funds	-	2,999,998	-
TOTAL LIABILITIES	8,317,943	2,999,998	95,663
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues	15,172,766	2,798,498	3,545,901
FUND BALANCES:			
Nonspendable:			
Notes and loans	7,368,200	-	-
Prepaid items	271,448	-	-
Inventories	191,505	-	-
Advances to Successor Agency	25,609,169	-	-
Advances to other funds	1,930,838	-	-
Restricted:			
Community development projects	-	-	-
Public safety	-	-	-
Parks, recreation, and arts	-	-	-
Development services	-	-	-
Debt service	-	-	-
Housing and neighborhood revitalization	-	-	93,064,472
Assigned:			
Financial stability reserve	6,550,000	-	-
Employee benefits	3,335,000	-	-
Capital replacement	1,200,000	-	-
Capital facilities	1,800,000	-	-
Technology infrastructure	1,500,000	-	-
Legal claims	1,500,000	-	-
Capital projects	500,000	-	-
Unassigned	3,799,199	(2,999,998)	-
TOTAL FUND BALANCES (DEFICIT)	55,555,359	(2,999,998)	93,064,472
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 79,046,068	\$ 2,798,498	\$ 96,706,036

See accompanying notes to financial statements.

Special Revenue Funds (Continued)			
Lancaster Lighting District	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 283,757	\$ 2,724,194	\$ 43,453,145	\$ 70,392,630
212,602	-	3,835,299	6,945,963
105,778	-	431,836	5,119,381
-	-	34,878	217,145
-	-	2,752,585	5,978,113
-	-	1,386,398	10,168,601
72,336	-	230,533	574,317
-	-	-	5,898,716
-	-	-	191,505
-	-	1,185,393	54,269,023
-	-	-	73,573,104
-	-	-	1,930,838
<u>\$ 674,473</u>	<u>\$ 2,724,194</u>	<u>\$ 53,310,067</u>	<u>\$ 235,259,336</u>
\$ 791,192	\$ 2,663,547	\$ 536,229	\$ 9,589,370
17,452	-	153,351	1,285,157
-	-	2,073,246	2,229,028
-	-	793,109	2,338,177
-	-	2,877,135	5,877,133
<u>808,644</u>	<u>2,663,547</u>	<u>6,433,070</u>	<u>21,318,865</u>
-	-	1,775,243	23,292,408
-	-	-	7,368,200
72,336	-	230,533	574,317
-	-	-	191,505
-	-	-	25,609,169
-	-	-	1,930,838
-	-	2,509,953	2,509,953
-	-	2,519	2,519
-	-	2,125,854	2,125,854
-	-	39,744,384	39,744,384
-	-	6,772	6,772
-	-	1,284,620	94,349,092
-	-	-	6,550,000
-	-	-	3,335,000
-	-	-	1,200,000
-	-	-	1,800,000
-	-	-	1,500,000
-	-	-	1,500,000
-	60,647	-	560,647
(206,507)	-	(802,881)	(210,187)
<u>(134,171)</u>	<u>60,647</u>	<u>45,101,754</u>	<u>190,648,063</u>
<u>\$ 674,473</u>	<u>\$ 2,724,194</u>	<u>\$ 53,310,067</u>	<u>\$ 235,259,336</u>

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CITY OF LANCASTER

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

June 30, 2017

Fund balances - total governmental funds		\$ 190,648,063
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	\$ 1,781,725,632	
Accumulated depreciation	<u>(895,767,385)</u>	885,958,247
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, 2017 are:		
Bonds, notes, loans and capital leases payable	(21,461,759)	
Claims and judgments	(1,167,000)	
Compensated absences	<u>(3,334,560)</u>	(25,963,319)
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	11,278,288	
Deferred inflows of resources	(1,051,332)	
Pension liability	<u>(50,675,279)</u>	(40,448,323)
OPEB obligation and supplemental pension benefit are not accrued in governmental funds, but rather are recognized as expenditures when paid.		(19,352,679)
Accrued interest payable for the current portion of interest due on bonds are not reported in the governmental funds		(64,476)
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>23,292,408</u>
Net position of governmental activities		<u><u>\$ 1,014,069,921</u></u>

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, 2017

	General	Special Revenue Funds	
		Transportation Development Authority	Lancaster Housing Authority
REVENUES:			
Taxes	\$ 47,086,014	\$ -	\$ -
Licenses and permits	1,441,179	-	-
Intergovernmental	1,928,832	-	-
Charges for services	4,088,911	-	-
Investment earnings	791,184	-	22,801
Fines and forfeitures	813,237	-	-
Contributions	-	-	-
Rental income	155,750	-	-
Miscellaneous	2,926,763	1,060	756,550
TOTAL REVENUES	<u>59,231,870</u>	<u>1,060</u>	<u>779,351</u>
EXPENDITURES:			
Current:			
General government	16,271,180	-	-
Public safety	28,327,940	-	-
Community development	1,933,114	-	-
Parks, recreation, and arts	13,931,514	-	-
Development services	3,999,033	-	-
Housing and neighborhood revitalization	-	-	1,573,372
Capital outlay	332,783	-	-
Debt service:			
Principal retirement	326,704	-	-
Interest and fiscal charges	108,581	-	-
TOTAL EXPENDITURES	<u>65,230,849</u>	<u>-</u>	<u>1,573,372</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,998,979)</u>	<u>1,060</u>	<u>(794,021)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from capital lease	332,783	-	-
Proceeds from bond issuance	-	-	-
Proceeds from bond premium	-	-	-
Transfers in	7,792,962	50,824	1,279
Transfers out	(1,624,612)	(3,387,475)	(682,181)
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,501,133</u>	<u>(3,336,651)</u>	<u>(680,902)</u>
NET CHANGE IN FUND BALANCES	502,154	(3,335,591)	(1,474,923)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	<u>55,053,205</u>	<u>335,593</u>	<u>94,539,395</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 55,555,359</u>	<u>\$ (2,999,998)</u>	<u>\$ 93,064,472</u>

See accompanying notes to financial statements.

Special
Revenue Funds
(Continued)

Lancaster Lighting District	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,139,200	\$ 51,225,214
-	-	5,713,617	7,154,796
-	-	18,202,641	20,131,473
4,432,157	-	3,526,900	12,047,968
24,422	-	27,425	865,832
-	-	263,593	1,076,830
-	-	630	630
-	-	-	155,750
288,973	-	1,347,617	5,320,963
<u>4,745,552</u>	<u>-</u>	<u>33,221,623</u>	<u>97,979,456</u>
-	-	3,377,008	19,648,188
-	-	73,128	28,401,068
-	-	946,442	2,879,556
10,605	-	2,215,719	16,157,838
19,517,045	-	11,110,348	34,626,426
-	-	1,991,231	3,564,603
-	10,569,076	2,165,519	13,067,378
-	-	444,699	771,403
-	-	184,678	293,259
<u>19,527,650</u>	<u>10,569,076</u>	<u>22,508,772</u>	<u>119,409,719</u>
<u>(14,782,098)</u>	<u>(10,569,076)</u>	<u>10,712,851</u>	<u>(21,430,263)</u>
-	-	222,438	555,221
14,250,000	-	-	14,250,000
529,230	-	-	529,230
299,025	10,569,076	3,927,100	22,640,266
<u>(417,005)</u>	<u>-</u>	<u>(15,170,929)</u>	<u>(21,282,202)</u>
<u>14,661,250</u>	<u>10,569,076</u>	<u>(11,021,391)</u>	<u>16,692,515</u>
(120,848)	-	(308,540)	(4,737,748)
<u>(13,323)</u>	<u>60,647</u>	<u>45,410,294</u>	<u>195,385,811</u>
<u>\$ (134,171)</u>	<u>\$ 60,647</u>	<u>\$ 45,101,754</u>	<u>\$ 190,648,063</u>

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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, 2017

Net change in fund balances - total governmental funds		\$ (4,737,748)
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	\$ 25,529,875	
Depreciation expense	<u>(35,413,185)</u>	(9,883,310)
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	771,403	
Amortization of bond premium	17,643	
Capital lease proceeds	(555,221)	
Bond premium	(529,230)	
Bond proceeds	<u>(14,250,000)</u>	(14,545,405)
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	149,186	
Change in claims payable	(24,000)	
Change in settlement agreement	<u>200,000</u>	325,186
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.		2,348
To record as income the City's other post-employment benefit obligation in the Statement of Activities.		217,904
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.		(3,065,167)
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>1,839,822</u>
Change in net position of governmental activities		<u><u>\$ (29,846,370)</u></u>

See accompanying notes to financial statements.

CITY OF LANCASTER

BUDGETARY COMPARISON STATEMENT
GENERAL FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 55,053,205	\$ 55,053,205	\$ 55,053,205	\$ -
Resources (Inflows):				
Taxes	45,166,910	45,166,910	47,086,014	1,919,104
Licenses and permits	1,276,040	1,276,040	1,441,179	165,139
Intergovernmental	1,022,510	1,647,635	1,928,832	281,197
Charges for services	6,316,600	3,936,600	4,088,911	152,311
Investment earnings	448,800	630,775	791,184	160,409
Fines and forfeitures	1,076,500	1,076,500	813,237	(263,263)
Rental income	79,750	79,750	155,750	76,000
Miscellaneous	1,102,335	3,599,835	2,926,763	(673,072)
Proceeds from capital lease	-	-	332,783	332,783
Transfers in	8,053,290	7,853,290	7,792,962	(60,328)
Extraordinary item	-	-	-	-
Amounts Available for Appropriations	<u>119,595,940</u>	<u>120,320,540</u>	<u>122,410,820</u>	<u>2,090,280</u>
Charges to Appropriations (Outflows):				
General government	18,238,248	17,842,194	16,271,180	1,571,014
Public safety	28,541,157	28,921,497	28,327,940	593,557
Community development	1,753,434	1,940,706	1,933,114	7,592
Parks, recreation, and arts	14,320,463	14,130,334	13,931,514	198,820
Development services	4,727,727	4,164,841	3,999,033	165,808
Capital outlay	-	-	332,783	(332,783)
Debt service:				
Principal retirement	-	-	326,704	(326,704)
Interest and fiscal charges	-	-	108,581	(108,581)
Transfers out	<u>1,595,218</u>	<u>1,943,013</u>	<u>1,624,612</u>	<u>318,401</u>
Total Charges to Appropriations	<u>69,176,247</u>	<u>68,942,585</u>	<u>66,855,461</u>	<u>2,087,124</u>
Budgetary Fund Balance, June 30	<u>\$ 50,419,693</u>	<u>\$ 51,377,955</u>	<u>\$ 55,555,359</u>	<u>\$ 4,177,404</u>

See accompanying notes to financial statements.

CITY OF LANCASTER

BUDGETARY COMPARISON STATEMENT
 TRANSPORTATION DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 335,593	\$ 335,593	\$ 335,593	\$ -
Resources (Inflows):				
Intergovernmental	6,176,445	6,176,445	-	(6,176,445)
Investment earnings	14,000	14,000	-	(14,000)
Miscellaneous	-	-	1,060	1,060
Transfers in	-	-	50,824	50,824
Amounts Available for Appropriations	<u>6,526,038</u>	<u>6,526,038</u>	<u>387,477</u>	<u>(6,138,561)</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>10,134,924</u>	<u>10,678,949</u>	<u>3,387,475</u>	<u>7,291,474</u>
Total Charges to Appropriations	<u>10,134,924</u>	<u>10,678,949</u>	<u>3,387,475</u>	<u>7,291,474</u>
Budgetary Fund Balance (Deficit), June 30	<u><u>\$ (3,608,886)</u></u>	<u><u>\$ (4,152,911)</u></u>	<u><u>\$ (2,999,998)</u></u>	<u><u>\$ 1,152,913</u></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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as Restated	\$ 94,539,395	\$ 94,539,395	\$ 94,539,395	\$ -
Resources (Inflows):				
Investment earnings	25,800	25,800	22,801	(2,999)
Miscellaneous	290,365	290,365	756,550	466,185
Transfers in	-	-	1,279	1,279
Amounts Available for Appropriations	<u>94,855,560</u>	<u>94,855,560</u>	<u>95,320,025</u>	<u>464,465</u>
Charges to Appropriations (Outflows):				
Housing and neighborhood revitalization	3,501,180	1,899,670	1,573,372	326,298
Transfers out	<u>681,610</u>	<u>681,610</u>	<u>682,181</u>	<u>(571)</u>
Total Charges to Appropriations	<u>4,182,790</u>	<u>2,581,280</u>	<u>2,255,553</u>	<u>325,727</u>
Budgetary Fund Balance, June 30	<u>\$ 90,672,770</u>	<u>\$ 92,274,280</u>	<u>\$ 93,064,472</u>	<u>\$ 790,192</u>

See accompanying notes to financial statements.

CITY OF LANCASTER

BUDGETARY COMPARISON STATEMENT
LANCASTER LIGHTING DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (13,323)	\$ (13,323)	\$ (13,323)	\$ -
Resources (Inflows):				
Charges for services	4,301,750	4,301,750	4,432,157	130,407
Investment earnings	-	-	24,422	24,422
Miscellaneous	45,000	162,000	288,973	126,973
Proceeds from bond issuance	16,731,085	14,250,000	14,250,000	-
Proceeds from bond premium	-	529,230	529,230	-
Transfers in	-	299,025	299,025	-
Amounts Available for Appropriations	<u>21,064,512</u>	<u>19,528,682</u>	<u>19,810,484</u>	<u>281,802</u>
Charges to Appropriations (Outflows):				
Parks, recreation, and arts	11,640	11,640	10,605	1,035
Development services	19,194,938	20,837,914	19,517,045	1,320,869
Transfers out	<u>59,980</u>	<u>417,005</u>	<u>417,005</u>	<u>-</u>
Total Charges to Appropriations	<u>19,266,558</u>	<u>21,266,559</u>	<u>19,944,655</u>	<u>1,321,904</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ 1,797,954</u>	<u>\$ (1,737,877)</u>	<u>\$ (134,171)</u>	<u>\$ 1,603,706</u>

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

June 30, 2017

	Business-Type Activities Enterprise Funds			Total
	Lancaster Power Authority	Lancaster Choice Energy	Non-Major California Choice Energy Authority	
ASSETS:				
CURRENT ASSETS:				
Cash and investments	\$ 2,540,272	\$ -	\$ -	\$ 2,540,272
Receivables:				
Accounts	226,892	6,309,618	80,000	6,616,510
Deposits	-	100,000	-	100,000
Prepaid items	-	127,000	-	127,000
Restricted assets:				
Cash and investments	2,224,219	1,918,745	-	4,142,964
TOTAL CURRENT ASSETS	4,991,383	8,455,363	80,000	13,526,746
NONCURRENT ASSETS:				
Capital assets:				
Depreciable	18,319,684	-	-	18,319,684
TOTAL ASSETS	23,311,067	8,455,363	80,000	31,846,430
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	-	5,159,898	30,693	5,190,591
Accrued liabilities	2,472	18,928	-	21,400
Interest payable	151,982	-	-	151,982
Unearned revenues	71,225	-	-	71,225
Due to other funds	-	-	21,583	21,583
Current portion of long-term liabilities	410,000	-	-	410,000
TOTAL CURRENT LIABILITIES	635,679	5,178,826	52,276	5,866,781
LONG-TERM LIABILITIES:				
Advances from other funds	-	1,930,838	-	1,930,838
Noncurrent portion of long-term liabilities	21,729,826	-	-	21,729,826
TOTAL LONG-TERM LIABILITIES	21,729,826	1,930,838	-	23,660,664
TOTAL LIABILITIES	22,365,505	7,109,664	52,276	29,527,445
NET POSITION:				
Net investment in capital assets	(998,271)	-	-	(998,271)
Unrestricted	1,943,833	1,345,699	27,724	3,317,256
TOTAL NET POSITION	\$ 945,562	\$ 1,345,699	\$ 27,724	\$ 2,318,985

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, 2017

	Business-Type Activities Enterprise Funds			Total
	Lancaster Power Authority	Lancaster Choice Energy	Non-Major California Choice Energy Authority	
OPERATING REVENUES:				
Sales and service charges	\$ 2,818,772	\$ 36,023,817	\$ 80,000	\$ 38,922,589
TOTAL OPERATING REVENUES	2,818,772	36,023,817	80,000	38,922,589
OPERATING EXPENSES:				
Purchased power	-	29,075,834	-	29,075,834
Administration and general	153,720	4,676,552	52,276	4,882,548
Depreciation expense	939,471	-	-	939,471
TOTAL OPERATING EXPENSES	1,093,191	33,752,386	52,276	34,897,853
OPERATING INCOME	1,725,581	2,271,431	27,724	4,024,736
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	10,109	-	-	10,109
Other nonoperating income (loss)	(5,674)	78,128	-	72,454
Interest expense	(946,748)	(56,238)	-	(1,002,986)
TOTAL NONOPERATING REVENUES (EXPENSES)	(942,313)	21,890	-	(920,423)
INCOME BEFORE TRANSFERS	783,268	2,293,321	27,724	3,104,313
TRANSFERS:				
Transfers out	(50,000)	(1,308,064)	-	(1,358,064)
TOTAL TRANSFERS	(50,000)	(1,308,064)	-	(1,358,064)
CHANGE IN NET POSITION	733,268	985,257	27,724	1,746,249
NET POSITION - BEGINNING OF YEAR	212,294	360,442	-	572,736
NET POSITION - END OF YEAR	\$ 945,562	\$ 1,345,699	\$ 27,724	\$ 2,318,985

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2017

	Business-Type Activities Enterprise Funds			Total
	Lancaster Power Authority	Lancaster Choice Energy	Non-Major California Choice Energy Authority	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 3,022,604	\$ 35,695,193	\$ -	\$ 38,717,797
Cash paid to suppliers for goods and services	(153,757)	(33,172,883)	(21,583)	(33,348,223)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>2,868,847</u>	<u>2,522,310</u>	<u>(21,583)</u>	<u>5,369,574</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from other funds	-	-	21,583	21,583
Cash paid to other funds	(50,000)	(1,308,064)	-	(1,358,064)
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>(50,000)</u>	<u>(1,308,064)</u>	<u>21,583</u>	<u>(1,336,481)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	(1,140,000)	-	-	(1,140,000)
Interest paid on capital debt	(928,994)	-	-	(928,994)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,068,994)</u>	<u>-</u>	<u>-</u>	<u>(2,068,994)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	10,109	-	-	10,109
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>10,109</u>	<u>-</u>	<u>-</u>	<u>10,109</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	759,962	1,214,246	-	1,974,208
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,004,529</u>	<u>704,499</u>	<u>-</u>	<u>4,709,028</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,764,491</u>	<u>\$ 1,918,745</u>	<u>\$ -</u>	<u>\$ 6,683,236</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income	\$ 1,725,581	\$ 2,271,431	\$ 27,724	\$ 4,024,736
Other income (loss)	(5,674)	78,128	-	72,454
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	939,471	-	-	939,471
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	209,506	(406,752)	(80,000)	(277,246)
(Increase) decrease in prepaid items	-	28,400	-	28,400
Increase (decrease) in accounts payable	-	550,229	30,693	580,922
Increase (decrease) in accrued liabilities	(37)	874	-	837
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 2,868,847</u>	<u>\$ 2,522,310</u>	<u>\$ (21,583)</u>	<u>\$ 5,369,574</u>
SCHEDULE OF NON-CASH FINANCING ACTIVITIES:				
Accrued interest on advance from other funds	<u>\$ -</u>	<u>\$ 56,238</u>	<u>\$ -</u>	<u>\$ 56,238</u>

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2017

	Private-Purpose Trust Fund		
	Successor Agency of the Former RDA	PARS Pension Trust Fund	Agency Funds
ASSETS:			
Pooled cash and investments	\$ 14,401,099		\$ 4,081,320
Receivable:			
Accounts	6,637	-	32,973
Taxes	-	-	3,207
Notes and loans, net	2,373,150	-	-
Land held for resale	11,504,140	-	-
Restricted assets:			
Cash and investments with fiscal agents	3,045,427	\$ 9,224,630	1,000,996
TOTAL ASSETS	31,330,453	9,224,630	\$ 5,118,496
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred losses on debt refundings	5,881,234	-	
LIABILITIES:			
Accounts payable	357	-	\$ 70,420
Accrued liabilities	3,595	-	-
Interest payable	2,134,224	-	-
Deposits payable	15,099	-	661,774
Due to other governments	391	-	-
Due to bondholders	-	-	4,386,302
Advances from City of Lancaster	39,792,773	-	-
Advances from Lancaster Housing Authority	33,780,331	-	-
Long-term liabilities:			
Due in one year	8,285,000	-	-
Due in more than one year	189,816,815	-	-
TOTAL LIABILITIES	273,828,585	-	\$ 5,118,496
DEFERRED INFLOWS OF RESOURCES:			
Deferred gains on debt refundings	1,339,871	-	
NET POSITION:			
Held in trust for other purposes	(237,956,769)	-	
Net pension restricted for pensions	-	9,224,630	
TOTAL NET POSITION	\$ (237,956,769)	\$ 9,224,630	

See accompanying notes to financial statements.

CITY OF LANCASTER

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the year ended June 30, 2017

	Private-Purpose Trust Fund	
	Successor Agency of the Former RDA	PARS Pension Trust Fund
ADDITIONS:		
Taxes	\$ 18,312,363	\$ -
Intergovernmental - other	2,531,413	-
Investment income (loss)	284,702	886,950
Rental income	420,636	-
Miscellaneous	117,903	-
	<u>21,667,017</u>	<u>886,950</u>
TOTAL ADDITIONS		
DEDUCTIONS:		
Administrative expenses	3,689,073	23,332
Developer disposition agreements	1,044,728	-
Distributions	-	665,644
Cost of debt issuance	1,238,817	-
Interest expense	8,427,182	-
Remittance to the County of Los Angeles	1,365,572	-
	<u>15,765,372</u>	<u>688,976</u>
TOTAL DEDUCTIONS		
CHANGE IN NET POSITION	5,901,645	197,974
NET POSITION - BEGINNING OF YEAR	<u>(243,858,414)</u>	<u>9,026,656</u>
NET POSITION - END OF YEAR	<u>\$ (237,956,769)</u>	<u>\$ 9,224,630</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the City of Lancaster, California (the City), have been prepared in accordance with accounting principles generally accepted in the United States of America (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 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, the Lancaster Power Authority, and the California Choice Energy 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, 2017

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.

The California Choice Energy Authority (the Energy Authority) was formed to help cities in Southern California Edison territory to participate in community choice aggregation without having to sacrifice control often associated with joint power authorities or taking on the significant liability of a single entity community choice aggregation. Separate financial statements are not available for the Energy 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, 2017

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 transactions 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, represent a private-purpose trust fund, a pension trust fund, and agency funds.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

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, 2017

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 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, 2017

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.

Transportation Development Authority Special Revenue Fund - This fund accounts for local street and road improvements, congestion relief, and traffic safety projects funded by revenues received by the Metropolitan Transportation Authority.

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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Fund Classifications (Continued):

Major Governmental Funds (Continued):

Lancaster Lighting District - This fund is used to account for the operation of traffic and street lights within the City.

Capital Projects – This fund is used to account for the City’s capital improvement project activities not required to be accounted for in other funds.

The City reports the following major proprietary funds:

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, 2017

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

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, and did not impact the City.

GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for periods beginning after June 15, 2016, and did not impact the City.

GASB 77 - Tax Abatement Disclosure, effective for periods beginning after December 15, 2015. The implementation of this standard resulted in additional disclosures for the notes to the basic financial statements.

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, and did not impact the City.

GASB 80 - Blending Requirements for Certain Component Units, effective for periods beginning after June 15, 2016, and did not impact the City.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Pending Accounting Standards

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

- GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017.
- 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.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.
- GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Interfund 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.

g. Property Taxes

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.

h. Inventories and Prepaid Items:

Inventories of materials and supplies are carried at cost on a moving average basis. 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. The consumption method of accounting is used for both inventories and prepaid items.

i. 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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. 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

k. 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 outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between expected and actual experience. These amounts are 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.
- Deferred outflows 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.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k. 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 are 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 inflows related to pensions for differences between expected and actual experience. These amounts are 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.
- 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 plan.

l. 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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

m. 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.

n. 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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

o. 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.

p. Fund Balance Classification:

In the fund financial statements, fund balances are classified as follows:

Nonspendable includes 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. In the General Fund only, 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 includes 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 includes 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 includes 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 includes 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. In other funds, deficit balance amounts resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned are classified as unassigned.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

p. 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.

q. 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.

r. 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, 2017

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 \$994,923 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, 2017.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Funds:			
General Fund:			
Capital outlay	\$ -	\$ 332,783	\$ (332,783)
Debt service - principal retirement	-	326,704	(326,704)
Debt service - interest and fiscal charges	-	108,581	(108,581)
HOME Program Special Revenue Funds:			
General Government	10,000	10,138	(138)
Lancaster Housing Authority Special Revenue Funds:			
Transfers out	681,610	682,181	(571)
Other Governmental Special Revenue Funds:			
Landscaping Maintenance District:			
Parks, recreation, and arts	1,236,852	1,352,973	(116,121)
Bikeway Improvement:			
Transfers out	31	3,091	(3,060)
Housing and Community Development			
Housing and Neighborhood Revitalization	2,138,279	2,850,406	(712,127)
County and Other:			
Transfers out	-	6,206	(6,206)
Recycle Water:			
Development services	116,225	139,331	(23,106)

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

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

Excess of Expenditures over Appropriations (Continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other Governmental Special Revenue Funds (Continued):			
AQMD:			
Community development	\$ -	\$ 19,875	\$ (19,875)
Lancaster Drainage Maintenance			
Debt service - principal retirement	-	34,699	(34,699)
Engineering Fees:			
Development services	2,016,872	2,094,854	(77,982)
LA County Reimbursement:			
Community development	76,479	147,576	(71,097)

Deficit Fund Balances

The following funds contained deficit fund balances as of June 30, 2017:

	<u>Deficit Amount</u>
Major Fund:	
Lancaster Lighting District Special Revenue Fund	\$ 134,171 (3)
Other Governmental Special Revenue Funds:	
Transportation Development Authority	2,999,998 (2)
State Grants	228,895 (1) (2)
Recycled Water	168,985 (2)
Engineering Fees	145,564 (2)
LA County Reimbursement	128,955 (2)
MTA Grant	130,482 (2) (3)

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

3. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments held by the City at June 30, 2017, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 72,932,902
Restricted:	
Cash and investments	4,142,964
Statement of Net Position - Fiduciary Funds:	
Pooled cash and investments	18,482,419
Restricted:	
Cash and investments with fiscal agents	<u>13,271,053</u>
 Total cash and investments	 <u>\$ 108,829,338</u>

Cash and investments consisted of the following:

Cash on hand	\$ 9,430
Deposits with financial institutions	6,239,578
Investments	<u>102,580,330</u>
 Total cash and investments	 <u>\$ 108,829,338</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, 2017, the carrying amount of the City's deposits was \$6,239,578 and the bank balance was \$7,793,017. The \$1,553,439 difference represents outstanding checks and other reconciling items.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

3. CASH AND INVESTMENTS (CONTINUED):

Deposits (Continued)

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.

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.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

3. CASH AND INVESTMENTS (CONTINUED):

Investments in State Investment Pool

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

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.

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, 2017, the City invested in various MTNs which were rated AA- or better by Standard & Poor's (S&P). At June 30, 2017, the City's investments with U.S. Government Sponsored 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, 2017, 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, 2017, none of the City's deposits or investments were exposed to custodial credit risk.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

3. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk

The City's investment policy imposes restrictions on the maximum percentage it can invest in a single type of investment. These limitations are 25% of the City's invested funds for nonnegotiable certificates of deposit, 15% of the City's invested funds for banker acceptances with no more than 2% in any one issuer, 25% of the City's invested funds for commercial paper with no more than 5% in any one issuer, 20% of the City's invested funds for medium term notes with no more than 5% in any one issuer, and 20% of the City's invested funds for money market funds with no more than 10% in any one issuer. If the City has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk.

As of June 30, 2017, the City's investment in the following issuers exceeded 5% of the City investment pool:

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	U.S. Government Sponsored Agency Securities	\$ 5,778,596
Federal Farm Credit Bank	U.S. Government Sponsored Agency Securities	\$ 5,999,460

This exposure will be corrected in fiscal year 2017-18.

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.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

3. CASH AND INVESTMENTS (CONTINUED):

Interest Rate Risk (Continued)

As of June 30, 2017, 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	\$ 2,743,617	\$ 4,044,489	\$ -	\$ -	\$ 6,788,106
United States Government Sponsored Agency Securities	5,977,476	11,983,563	986,800	-	18,947,839
Medium-Term Corporate Notes	599,700	5,637,478	-	-	6,237,178
California Local Agency Investment Fund (LAIF)	52,716,266	-	-	-	52,716,266
Money Market Mutual Funds	3,956	-	-	-	3,956
Held by Fiscal Agent:					
Money Market Mutual Funds	8,662,355	-	-	-	8,662,355
PARS Trust Pooled Investments	9,224,630	-	-	-	9,224,630
	<u>\$ 79,928,000</u>	<u>\$ 21,665,530</u>	<u>\$ 986,800</u>	<u>\$ -</u>	<u>\$ 102,580,330</u>

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 City has the following recurring fair value measurements as of June 30, 2017:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Treasury Securities	\$ -	\$ 6,788,106	\$ -	\$ 6,788,106
United States Government Sponsored Agency Securities	-	18,947,839	-	18,947,839
Medium-Term Corporate Notes	-	6,237,178	-	6,237,178
Total Leveled Investments	<u>\$ -</u>	<u>\$ 31,973,123</u>	<u>\$ -</u>	31,973,123
LAIF (1)				52,716,266
Money Market Mutual Fund (1)				3,956
Held by Fiscal Agent:				
Money Market Mutual Funds (1)				8,662,355
PARS Pooled Trust Investments (1)				9,224,630
Total Investment Portfolio				<u>\$ 102,580,330</u>

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

4. NOTES AND LOANS RECEIVABLE:

Notes and loans receivable at June 30, 2017, was as follows:

	Loans and Notes Receivable <u>Repayments</u>	Loan Forgiveness <u>Terms</u>	Long-Term Lump Sum <u>Repayment Terms</u>	<u>Net Total</u>
General Fund	\$ 8,645,263	\$ (801,000)	\$ (409,793)	\$ 7,434,470
HOME Program				
Special Revenue Fund	15,026,032	-	(13,639,634)	1,386,398
Lancaster Housing Authority				
Special Revenue Fund	<u>2,251,246</u>	<u>-</u>	<u>(903,513)</u>	<u>1,347,733</u>
Total governmental funds	<u>\$ 25,922,541</u>	<u>\$ (801,000)</u>	<u>\$ (14,952,940)</u>	<u>\$ 10,168,601</u>
Fiduciary Private-Purpose Trust Fund	<u>\$ 3,525,703</u>	<u>\$ (1,152,553)</u>	<u>\$ -</u>	<u>\$ 2,373,150</u>

5. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2017, was as follows:

Governmental Activities

	Balance at July 1, 2016	Construction In Progress Transfers	Additions	Deletions	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 21,850,094	\$ -	\$ 2,242,418	\$ -	\$ 24,092,512
Construction in progress	<u>21,535,160</u>	<u>(10,874,330)</u>	<u>9,849,346</u>	<u>(252,669)</u>	<u>20,257,507</u>
Total capital assets, not being depreciated	<u>43,385,254</u>	<u>(10,874,330)</u>	<u>12,091,764</u>	<u>(252,669)</u>	<u>44,350,019</u>
Capital assets, being depreciated:					
Structures and improvements	76,004,224	452,302	-	-	76,456,526
Furniture and equipment	14,547,678	-	1,335,422	(299,460)	15,583,640
Infrastructure	<u>1,622,594,775</u>	<u>10,422,028</u>	<u>12,318,644</u>	<u>-</u>	<u>1,645,335,447</u>
Total capital assets, being depreciated	<u>1,713,146,677</u>	<u>10,874,330</u>	<u>13,654,066</u>	<u>(299,460)</u>	<u>1,737,375,613</u>
Less accumulated depreciation for:					
Structures and improvements	(29,338,453)	-	(1,860,342)	-	(31,198,795)
Furniture and equipment	(10,510,849)	-	(804,563)	299,460	(11,015,952)
Infrastructure	<u>(820,841,072)</u>	<u>-</u>	<u>(32,711,566)</u>	<u>-</u>	<u>(853,552,638)</u>
Total accumulated depreciation	<u>(860,690,374)</u>	<u>-</u>	<u>(35,376,471)</u>	<u>299,460</u>	<u>(895,767,385)</u>
Total capital assets, being depreciated, net	<u>852,456,303</u>	<u>10,874,330</u>	<u>(21,722,405)</u>	<u>-</u>	<u>841,608,228</u>
Total governmental activities capital assets, net	<u>\$ 895,841,557</u>	<u>\$ -</u>	<u>\$ (9,630,641)</u>	<u>\$ (252,669)</u>	<u>\$ 885,958,247</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

5. CAPITAL ASSETS (CONTINUED):

Governmental Activities (Continued)

Depreciation expense was charged in the following functions in the statement of activities for the year ended June 30, 2017, as follows:

General government	\$ 613,993
Public safety	6,198
Development services	32,713,041
Community development	383,951
Parks, recreation, and arts	<u>1,659,288</u>
	<u>\$ 35,376,471</u>

Business-type Activities

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2017</u>
Capital assets, being depreciated:				
Intangible assets	\$ 23,486,774	\$ -	\$ -	\$ 23,486,774
Less accumulated depreciation for:				
Intangible assets	<u>(4,227,619)</u>	<u>(939,471)</u>	<u>-</u>	<u>(5,167,090)</u>
Total business-type activities capital assets, net	<u>\$ 19,259,155</u>	<u>\$ (939,471)</u>	<u>\$ -</u>	<u>\$ 18,319,684</u>

The depreciation expense of \$939,471 was charged to the Lancaster Power Authority program for the year ended June 30, 2017.

6. INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

Due To/From Other Funds

Interfund receivable and payable balances at June 30, 2017, are as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 5,877,133
	California Choice Energy Authority	
	Nonmajor Enterprise Fund	<u>21,583</u>
		<u>\$ 5,898,716</u>

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

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

Advances To/From Other Funds

Advances receivable and payable balances at June 30, 2017, are as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Lancaster Choice Energy Enterprise Fund	<u>\$ 1,930,838</u>

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

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	\$ 681,610
	Lancaster Lighting District Special Revenue Fund	417,005
	Other Governmental Funds	5,394,347
	Lancaster Power Authority Enterprise Fund	50,000
	Lancaster Choice Energy Enterprise Fund	1,250,000
Lancaster Housing Authority Special Revenue Fund	Other Governmental Funds	1,279
Lancaster Lighting District Special Revenue Fund	Other Governmental Funds	299,025
Capital Projects	General Fund	241,866
	Other Governmental Funds	10,269,146
	Lancaster Choice Energy Enterprise Fund	58,064
Other Governmental Funds	General Fund	1,382,746
	Lancaster Housing Authority Special Revenue Fund	571
	Other Governmental Funds	<u>2,594,607</u>
		<u>\$ 22,640,266</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

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

Transfers (Continued)

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

Transfers made to the General Fund were for administrative and retiree health benefit 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 the Lancaster Housing Authority to Other Governmental Funds were to cover the overage in spending in the Homeless Prevention and Rapid Rehousing program.

Transfers from the Other Governmental Funds to the Lancaster Lighting District were to cover street light operations.

Transfers from Other Governmental Funds to Other Governmental Funds were to cover a portion of Gas Tax 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, 2017

7. LONG-TERM LIABILITIES:

Governmental Activities

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2017, are as follows:

	Balance		Balance		Due	Due in
	June 30, 2016	Additions	Deletions	June 30, 2017	Within	More Than
					One Year	One Year
City of Lancaster:						
Section 108 Notes:						
Series 2015-A1	\$ 719,000	\$ -	\$ (78,000)	\$ 641,000	\$ 81,000	\$ 560,000
Series 2015-A2	823,000	-	(77,000)	746,000	81,000	665,000
Series 2010-A	835,000	-	(255,000)	580,000	265,000	315,000
Capital leases	1,408,685	555,221	(256,869)	1,707,037	239,390	1,467,647
Loans	1,130,669	-	(104,534)	1,026,135	107,693	918,442
Streetlight Acquisition						
Issue of 2016	-	14,250,000	-	14,250,000	530,000	13,720,000
Unamortized bond premium	-	529,230	(17,643)	511,587	-	511,587
Settlement agreement	2,200,000	-	(200,000)	2,000,000	200,000	1,800,000
Accrued employee benefits	3,483,746	1,678,441	(1,827,627)	3,334,560	1,827,627	1,506,933
Claims and judgments						
(Note 12)	<u>1,143,000</u>	<u>1,521,136</u>	<u>(1,497,136)</u>	<u>1,167,000</u>	<u>514,926</u>	<u>652,074</u>
Total long-term liabilities						
Governmental activities	<u>\$ 11,743,100</u>	<u>\$ 18,534,028</u>	<u>\$ (4,513,809)</u>	<u>\$ 25,963,319</u>	<u>\$ 3,846,636</u>	<u>\$ 22,116,683</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 67 percent, and 33 percent is liquidated by the other governmental funds.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued)

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, 2017, was \$641,000.

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, 2017, was \$746,000.

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, 2017, was \$580,000.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (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, 2017, was \$80,000.

The annual requirements to amortize the outstanding indebtedness as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 427,000	\$ 41,709	\$ 468,709
2019	454,000	31,530	485,530
2020	205,000	23,821	228,821
2021	182,000	19,879	201,879
2022	190,000	15,845	205,845
2023 - 2025	509,000	18,588	527,588
Total	<u>\$ 1,967,000</u>	<u>\$ 151,372</u>	<u>\$ 2,118,372</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, 2017, is \$1,080,279.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. 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 (barging 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, 2017, is \$178,417.

On August 1, 2016, the City entered into an equipment lease/purchase agreement for vehicles. This lease agreement qualifies as a capital lease for accounting purpose (barging 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 \$222,438. The financing was obtained from Caterpillar Financial Services Corp. on August 1, 2016, for \$222,438 with an interest rate of 3.05% per annum and annual payments of \$34,699 through the end of the lease (August, 2023). The outstanding balance at June 30, 2017, is \$187,738.

On February 22, 2017, the City entered into an equipment lease/purchase agreement for vehicles. This lease agreement qualifies as a capital lease for accounting purpose (barging 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 \$86,376. The financing was obtained from Caterpillar Financial Services Corp. on February 22, 2017, for \$86,376 with an interest rate of 4.2% per annum and annual payments of \$18,707 through the end of the lease (February 2022). The outstanding balance at June 30, 2017, is \$67,669.

On May 2, 2017, the City entered into an equipment lease/purchase agreement for vehicles. This lease agreement qualifies as a capital lease for accounting purpose (barging 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 \$246,407. The financing was obtained from National Cooperative Leasing on May 2, 2017, for \$246,407 with an interest rate of 5.09% per annum and annual payments of \$54,519 through the end of the lease (May 2022). The outstanding balance at June 30, 2017, is \$192,933.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued)

Capital Leases (Continued)

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

<u>Year Ending June 30,</u>		
2018	\$	311,324
2019		311,324
2020		311,324
2021		279,005
2022		181,040
2023 - 2026		<u>620,062</u>
Subtotal		2,014,079
Less: amount representing interest		<u>(307,042)</u>
Total	\$	<u><u>1,707,037</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, 2017, is \$1,026,135.

The annual requirements to amortize the outstanding indebtedness as of June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	121,314	16,364	137,678
2023 - 2026	<u>454,186</u>	<u>27,690</u>	<u>481,876</u>
Total	<u>\$ 1,026,135</u>	<u>\$ 144,131</u>	<u>\$ 1,170,266</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued)

Assessment Revenue Bonds

On October 26, 2016, the Lancaster Financing Authority issued \$14,250,000 of 2016 Assessment Revenue Streetlights Acquisition Bonds. These bonds were used to finance the purchase of streetlights throughout the City. Interest on these bonds is due semiannually on March 2 and September 2 of each year commencing March 2, 2017. Interest rates vary from 2% to 4%. The principal portion of these bonds is payable from September 2, 2017 to September 2, 2036. The outstanding balance at June 30, 2017, is \$14,250,000.

The annual requirements to amortize the outstanding indebtedness as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 530,000	\$ 446,756	\$ 976,756
2019	540,000	436,056	976,056
2020	550,000	422,406	972,406
2021	570,000	405,606	975,606
2022	585,000	388,281	973,281
2023 - 2027	3,205,000	1,662,856	4,867,856
2028 - 2032	3,785,000	1,054,381	4,839,381
2033 - 2037	4,485,000	359,297	4,844,297
Total	<u>\$ 14,250,000</u>	<u>\$ 5,175,639</u>	<u>\$ 19,425,639</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, 2017, is \$2,000,000.

Business-type Activities

Changes in long-term liabilities for the business-type activities for the year ended June 30, 2017, are as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year	Due in More Than One Year
2012A Solar Renewable						
Energy Revenue Bonds	\$ 23,745,000	\$ -	\$ (1,140,000)	\$ 22,605,000	\$ 410,000	\$ 22,195,000
Unamortized bond discount	(488,628)	-	23,454	(465,174)	-	(465,174)
Total long-term liabilities						
Business-type activities	<u>\$ 23,256,372</u>	<u>\$ -</u>	<u>\$ (1,116,546)</u>	<u>\$ 22,139,826</u>	<u>\$ 410,000</u>	<u>\$ 21,729,826</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued)

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 semiannually 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, 2017, is \$22,605,000.

The annual requirements to amortize the outstanding indebtedness as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	625,000	843,706	1,468,706
2023 - 2027	4,180,000	3,805,981	7,985,981
2028 - 2032	6,420,000	2,746,497	9,166,497
2033 - 2037	<u>9,430,000</u>	<u>1,090,638</u>	<u>10,520,638</u>
Total	<u>\$ 22,605,000</u>	<u>\$ 12,025,348</u>	<u>\$ 34,630,348</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. DEFINED BENEFIT PENSION PLANS:

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

1) General Information about the Pension Plan:

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial 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, 2017, are summarized as follows:

	Miscellaneous		
	Classic Members	Classic Members	New Members
	Hired Prior to January 1, 2013	Hired On or After January 1, 2013	Hired On or After January 1, 2013
Hire date			
Benefit formula	2.7%@55	2.0%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years 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 eligible compensation	2% to 2.7%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7 - 8%	6.25%
Required employer contribution rates	22.721%	22.721%	22.721%
	(including 4% paid by employees)		

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

1) General Information about the Pension Plan:

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for the Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	283
Inactive employees entitled to but not yet receiving benefits	385
Active employees	433
Total	<u><u>1,101</u></u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS's annual actuarial valuation process. 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. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

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, 2016, using an annual actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, 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, 2017

8. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

2) Net Pension Liability (Continued):

Actuarial Assumptions

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015, total pension liability determined in the June 30, 2015, actuarial accounting valuation. The June 30, 2016, total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Income	(3)

(1) Varies by entry age and service.

(2) 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

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015, 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's website under Forms and Publications.

Change of Assumptions

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. 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% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, 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 of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS's 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 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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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, 2017

8. 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's Board of Directors effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%		

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

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

Subsequent Events

In December 2016, CalPERS's Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019 and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017, measurement date reports and will result in an increase to employer's total pension liabilities.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. 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, 2016, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015 (Measurement Date)	<u>\$135,618,611</u>	<u>\$ 97,228,982</u>	<u>\$ 38,389,629</u>
Changes in the Year:			
Service cost	3,757,280	-	3,757,280
Interest on the total pension liability	10,446,457	-	10,446,457
Differences between expected and actual experience	1,362,060	-	1,362,060
Changes in assumptions			-
Changes in benefit terms			-
Contribution - employer		4,077,018	(4,077,018)
Contribution - employee		1,628,815	(1,628,815)
Net investment income		535,654	(535,654)
Administrative expenses		(59,256)	59,256
Benefit payments, including refunds of employee contributions	(4,608,628)	(4,608,628)	-
Net Changes	<u>10,957,169</u>	<u>1,573,603</u>	<u>9,383,566</u>
Balance at June 30, 2016 (Measurement Date)	<u><u>\$146,575,780</u></u>	<u><u>\$ 98,802,585</u></u>	<u><u>\$ 47,773,195</u></u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. 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 one percentage point lower or one percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 68,719,274
Current Discount Rate	7.65%
Net Pension Liability	\$ 47,773,195
1% Increase	8.65%
Net Pension Liability	\$ 30,518,680

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, 2017, the City recognized pension expense of \$5,527,927 for this Plan. At June 30, 2017, 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	\$ 4,429,710	\$ -
Differences between expected and actual experience	908,040	(158,162)
Change in assumptions	-	(893,170)
Net differences between projected and actual earnings on plan investments	5,435,888	-
Total	<u>\$ 10,773,638</u>	<u>\$ (1,051,332)</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. 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):

An amount of \$4,429,710 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
<u>2018</u>	\$ 327,336
2019	1,187,518
2020	2,398,157
2021	1,379,585
2022	-
Thereafter	-

5) Payable to the Pension Plans:

At June 30, 2017, the City had no outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2017.

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, 2017

8. 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, 2017, 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, 2016, using an annual actuarial valuation as of June 30, 2016. 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, 2017

8. 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, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	4.99%, net of investment expenses
Inflation	3.0%
Salary Scale	Aggregate - 3.25% Merit - CalPERS 1997-2011 Experience Study
Investment Rate of Return	6.25%, net of investment expenses only
Mortality assumption for service retirements and 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 nonwork 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, 2015, the discount rate was updated from 6.50% to 4.99% and the expected long-term rate of return on investments was updated from 6.50% to 6.25%.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. DEFINED BENEFIT PENSION PLANS (CONTINUED):

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

2) Net Pension Liability (Continued):

Discount Rate

The discount rate of 4.99% 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 \$2,902,084 or 75.7% funded.

The 6.25% long-term expected rate of return was derived based on the inflation assumption of 3% and a long-term asset allocation of 48% equities, 45% fixed income, 2% REITs and 5% cash equivalent. The geometric real rates of return were assumed to be 4.8% for equities, 1.5% for fixed income, 3.8% for REITs, and 0.1% 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	Target Allocation	Expected Real Rate of Return
Equity	48 %	4.8 %
Fixed Income	45 %	1.1 %
REITs	2 %	3.8 %
Cash	5 %	0.1 %
Total	100 %	

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. 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, 2016, 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, 2015	<u>\$ 10,107,000</u>	<u>\$ 9,716,000</u>	<u>\$ 391,000</u>
Changes in the Year:			
Service cost	1,000	-	1,000
Interest on the total pension liability	636,000	-	636,000
Changes in benefit terms	-	-	-
Changes in assumptions	1,837,000	-	1,837,000
Differences between actual and expected experience	-	-	-
Contribution - employer	-	-	-
Contribution - employee	-	-	-
Net investment loss	-	(108)	108
Administrative expenses	-	(23,332)	23,332
Benefit payments, including refunds of employee contributions	<u>(652,000)</u>	<u>(665,644)</u>	<u>13,644</u>
Net Changes	<u>1,822,000</u>	<u>(689,084)</u>	<u>2,511,084</u>
Balance at June 30, 2016 (Measurement Period)	<u>\$ 11,929,000</u>	<u>\$ 9,026,916</u>	<u>\$ 2,902,084</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. 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 one percentage point lower or one percentage point higher than the current rate:

	<u>PARS</u>
1% Decrease	3.99%
Net Pension Liability (Asset)	\$ 4,447,000
Current Discount Rate	4.99%
Net Pension Liability (Asset)	\$ 2,902,084
1% Increase	5.99%
Net Pension Liability (Asset)	\$ 1,632,000

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, 2017, the City recognized pension expense of \$1,974,420. At June 30, 2017, 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>
Net differences between projected and actual earnings on plan investments	<u>\$ 504,650</u>	<u>\$ -</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

8. 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>
2018	\$ 86,424
2019	86,426
2020	206,600
2021	125,200
2022	-
Thereafter	-

5) Payable to the Pension Plans:

At June 30, 2017, the City had no outstanding contributions to the PARS pension plan required for the year ended June 30, 2017.

9. OTHER POST-EMPLOYMENT BENEFITS PLAN:

Plan Description

The City provides other post-employment 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, 2017

9. 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 net contribution of \$2,125,904 was made during the 2016-2017 fiscal year. The purpose of the contribution was to pay current year premiums for retirees and \$1.6 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)	\$ 2,149,000
Interest on net OPEB obligation	1,321,000
Adjustment to ARC	<u>(1,562,000)</u>
Annual OPEB cost	1,908,000
Contributions made	<u>(2,125,904)</u>
Decrease in net OPEB obligation	(217,904)
Net OPEB Obligation - beginning of year, as restated	<u>19,570,583</u>
Net OPEB Obligation - end of year	<u>\$ 19,352,679</u>

The contribution rate is based on the ARC of \$2,149,000, 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 30-year period.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

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

Annual OPEB Costs and Net OPEB Obligation

For the fiscal year 2016-2017, the City's annual OPEB cost (expense) was \$1,908,000. 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, 2017, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/15	\$ 2,499,000	\$ 1,720,952	68.87 %	\$ 19,313,048
06/30/16	2,592,000	2,334,465	90.06 %	19,570,583
06/30/17	1,908,000	2,125,904	111.42 %	19,352,679

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

9. 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 229 (140 active and 89 retired and receiving benefits) at June 30, 2017, and \$703,733 of premium's for retirees was paid for the year then ended.

OPEB Trust

The City has 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, 2017, is as follows:

Balance - June 30, 2016	\$ 3,738,665
Contributions	2,606,450
Distributions	(480,546)
Investment earnings	401,926
Admin expense	(2,898)
Investment expense	<u>(2,119)</u>
Balance - June 30, 2017	<u>\$ 6,212,478</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, 2017, the City has a \$701,374 receivable from the CERBT for unreimbursed premium payments.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

10. 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 \$4,059,880, 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.

11. 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, 2017 (latest information available), Antelope Valley Transit Authority's financial position was as follows:

Assets	<u>\$ 78,560,204</u>
Deferred Outflows of Resources	<u>\$ 888,674</u>
Liabilities	<u>\$ 6,711,159</u>
Deferred Inflows of Resources	<u>\$ 142,398</u>
Net Position	<u>\$ 72,595,321</u>
Revenues	\$ 25,720,370
Expenses	<u>26,758,531</u>
Changes in Net Position	<u>\$ (1,038,161)</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

11. 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 an equity interest or 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, CA 93534.

12. 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.

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.

Noncommittal debt amounts issued and outstanding at June 30, 2017, are as follows:

	Bonds <u>Issued</u>	Bonds <u>Outstanding</u>
AD 93-3, Series 1994	\$ 3,680,000	\$ 950,000
CFD 89-1, Series 1997	360,000	360,000
CFD 89-1, Series 1997A	3,740,000	900,000
CFD 89-1, Series 1997B	1,185,535	370,399
CFD 89-1, Series 1990	<u>4,885,000</u>	<u>1,270,000</u>
	<u>\$ 13,850,535</u>	<u>\$ 3,850,399</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

13. RISK MANAGEMENT:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City handled those risks with the purchase of commercial insurance. The City maintained liability insurance coverage up to a limit of \$10,000,000 with \$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, 2017, \$1,167,000 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, 2017, 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 2016 and 2017 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>
2015 - 2016	\$ 1,346,000	\$ 345,449	\$ (548,449)	\$ 1,143,000
2016 - 2017	1,143,000	1,521,136	(1,497,136)	1,167,000

For workers' 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.

14. CONTINGENT LIABILITIES:

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

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

15. CONSTRUCTION COMMITMENTS:

The following material construction commitments existed at June 30, 2017:

Project Name:	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2017</u>	<u>Remaining Commitments</u>
L.A. County Senior Center Expansion	\$ 196,142	\$ 144,300	\$ 51,842
Traffic Operations Center / Signal Contract	158,869	61,420	97,449
Lancaster Blvd to Ave J Improvements	89,814	86,804	3,010
2016 Pavement Management Program	2,839,199	635,391	2,203,808
2015/2016 Pvmt. Mgmt. Program Revision 25	3,513,141	1,422,285	2,090,856
2016/2017 Pvmt. Mgmt. Program Revision 26	1,633,759	446,820	1,186,939
Avenue K / State Road 14 Interchange	1,992,324	1,494,384	497,940
Avenue M / State Road 14 Interchange	2,373,972	2,187,901	186,071
Avenue G / State Road 14 Interchange	1,642,520	1,290,976	351,544
Avenue J / State Road 14 Interchange	1,821,923	1,372,625	449,298
Avenue L / State Road 14 Interchange	535,949	352,701	183,248
10 th Street W. /Avenue M Gap Closure	217,194	216,216	978
Avenue I / 15 th Street West Streetscape	219,922	139,902	80,020
5 th Street East Corridor Improvements	125,541	116,027	9,514
Trevor Avenue Widening	88,990	47,339	41,651
Medical Main Street	420,118	20,173	399,945
10 th St. W & 30 th St. W / Avenue I	157,603	132,434	25,169
Traffic Signal System Modernization	260,191	164,298	95,893
2016 / 2017 Traffic Signal Upgrades	78,500	40,640	37,860
K8 Drainage Improvements - 5 th St. E to 7 th St. E	31,930	6,220	25,710

16. 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 “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, 2017, the City made payments totaling \$25,104,747 for take or pay contracts. At June 30, 2017, the City has \$105,108,342 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, 2017

17. 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.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

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

In the current and future fiscal years, the Successor Agency will only be allocated revenue from the County of Los Angeles in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the Dissolved RDA until all enforceable obligations of the Dissolved RDA have been paid in full and all assets have been liquidated.

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.

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.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

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

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.
- 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.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

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

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.

18. 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:

LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance			Balance			Due	Due in
	July 1, 2016	Additions	Deletions	June 30, 2017	Within	One Year	More Than	One Year
2004 County-Fire	\$ 5,295,000	\$ -	\$ (550,000)	\$ 4,745,000	\$ 580,000	\$ 4,165,000		
2004 County-Sheriff	11,355,000	-	(1,180,000)	10,175,000	1,245,000	8,930,000		
2003A Housing	49,505,000	-	(49,505,000)	-	-	-		
2009 Housing	25,295,000	-	(25,295,000)	-	-	-		
2015 Housing A&B	22,935,000	-	(610,000)	22,325,000	625,000	21,700,000		
2017 Housing	-	65,650,000	-	65,650,000	2,525,000	63,125,000		
2010 Non-Housing								
Lease Revenue	4,810,000	-	(140,000)	4,670,000	150,000	4,520,000		
2016 A-1 & A-2								
Non-Housing	61,425,000	-	(830,000)	60,595,000	2,550,000	58,045,000		
2016 B-1 & B-2								
Non-Housing	<u>17,590,000</u>	<u>-</u>	<u>(670,000)</u>	<u>16,920,000</u>	<u>610,000</u>	<u>16,310,000</u>		
Total Successor Agency	198,210,000	65,650,000	(78,780,000)	185,080,000	8,285,000	176,795,000		
Unamortized original issue (discount) or premium	<u>9,052,193</u>	<u>5,536,411</u>	<u>(1,566,789)</u>	<u>13,021,815</u>	<u>-</u>	<u>13,021,815</u>		
Net Long-Term Debt	<u>\$ 207,262,193</u>	<u>\$ 71,186,411</u>	<u>\$ (80,346,789)</u>	<u>\$ 198,101,815</u>	<u>\$ 8,285,000</u>	<u>\$ 189,816,815</u>		

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED)

Combined Tax Allocation Notes and Bonds

- a. On April 18, 2017, the Successor Agency issued \$62,495,000 of Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Refunding Bonds and \$3,155,000 of Combined Redevelopment Project Areas (Housing Programs) Taxable Tax Allocation Refunding Bonds issue of 2017. This financing was undertaken to advance refund \$47,750,000 of Combined Housing Financing Series 2003 Bonds and \$24,680,000 of Combined Redevelopment Project Areas (Housing Program) Tax Allocation Bonds issue 2009. The principal portion of these bonds is payable annually from August 1, 2017 to 2039. Interest is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2017. The outstanding balance at June 30, 2017, is \$65,650,000.

As a result of the advance refunding, the City reduced its total debt service requirements by \$21,457,747, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$9,106,155.

- b. 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 semiannually on February 1 and August 1 of each year commencing on August 1, 2016. The outstanding balance at June 30, 2017, is \$60,595,000.
- c. 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 semiannually on February 1 and August 1 of each year commencing on August 1, 2016. The outstanding balance at June 30, 2017, is \$16,920,000.
- d. 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 semiannually on February 1 and August 1 of each year commencing on August 1, 2015. The outstanding balance at June 30, 2017, is \$22,325,000.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED)

Combined Tax Allocation Notes and Bonds (Continued)

- e. 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 semiannually 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. The outstanding balance at June 30, 2017, is \$4,670,000.
- f. 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 semiannually at rates of 4.0% to 6.875% per annum on February 1 and August 1 of each year commencing on February 1, 2010. The Housing Program bonds were refinanced in fiscal year 2016-2017 with the issuance of the Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Refunding Bonds, issue of 2017.
- g. 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 semiannually 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. The outstanding balance at June 30, 2017, is \$4,745,000.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

LONG-TERM LIABILITIES (CONTINUED)

Combined Tax Allocation Notes and Bonds (Continued)

- h. 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 semiannually 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. The outstanding balance at June 30, 2017, is \$10,175,000.
- i. On June 11, 2003, the Successor Agency issued \$60,980,000 Combined Housing Financing Series 2003 Bonds. This financing was undertaken to refund outstanding Agency debt. The principal portion of these bonds is payable from August 1, 2006 to 2033. Interest is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2004. The Combined Housing Financing Bonds were refinanced in fiscal year 2016-2017 with the issuance of the Combined Redevelopment Project Areas (Housing Programs) Tax Allocation Refunding Bonds, issue of 2017.

The annual requirements to amortize the outstanding bond indebtedness for the Lancaster Redevelopment Agency Bonds and Notes, as of June 30, 2017, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 8,285,000	\$ 6,729,075	\$ 15,014,075
2019	8,435,000	7,070,831	15,505,831
2020	8,685,000	6,802,434	15,487,434
2021	8,985,000	6,493,202	15,478,202
2022	9,470,000	6,127,352	15,597,352
2023 - 2027	45,120,000	24,378,435	69,498,435
2028 - 2032	48,220,000	14,547,185	62,767,185
2033 - 2037	41,765,000	4,361,873	46,126,873
2037 - 2040	6,115,000	301,400	6,416,400
Total	<u>\$ 185,080,000</u>	<u>\$ 76,811,787</u>	<u>\$ 261,891,787</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

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.

Total principal and interest remaining on the debt is \$261,891,787 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 \$21,247,912 and the debt service obligation on the bonds was \$13,950,407 broken down as follows:

	<u>Received in FY 16/17</u>
Scope of Fund Recognized by Successor Agency for Enforceable Obligations:	
Redevelopment Property Tax Trust Funds (RPTTF)	\$ 18,312,363
Fire and Sheriff	2,531,413
Lease Revenue Funds remitted by the City of Lancaster	<u>404,136</u>
 Total funds recognized by the Successor Agency available for the payment of debt services	 <u>\$ 21,247,912</u>

<u>Debt Service Obligations due in FY 16/17</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
Non-Housing, Housing and School Bonds (RPTTF)	\$ 4,480,000	\$ 6,527,189	\$ 11,007,189
County Fire & Sheriff Bonds (paid from Fire & Sherriff pass through funds)	1,730,000	807,500	2,537,500
Lease Revenue Bonds (paid from lease payments from City of Lancaster)	<u>140,000</u>	<u>265,718</u>	<u>405,718</u>
 Total Successor Agency Debt Service Obligations, FY 16/17	 <u>\$ 6,350,000</u>	 <u>\$ 7,600,407</u>	 <u>\$ 13,950,407</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

18. 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, 2017 is \$23,832,137. The Successor Agency made repayments totaling \$294,805 to the Lancaster Housing Authority during the current fiscal years.

2. 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, 2017, totals \$17,729,505. The total amount due to the City and Housing Authority from the Successor Agency on these prior advances is \$49,740,967. No repayments were made during the current fiscal year and accrued unpaid interest of \$240,901 was added to the advance balance.

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.

At June 30, 2017, the following defeased bond issues are still outstanding:

	<u>Outstanding Amount</u>
The Combined Housing Financing bonds 2003 Issue	\$ 47,750,000
Tax Allocation Bonds (Housing Programs) 2009 Issue	24,680,000

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

18. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

NONCOMMITMENT 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 12.

19. 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.

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.

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

20. 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 416 participants in the Plan for the year ended June 30, 2017. Employer contributions are based on an employee's tier of eligibility. For the year ended June 30, 2017, employer contributions totaled \$896,735. 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.

21. 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 five-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 336 individuals in the RHSP at June 30, 2017. Contributions for the year ended June 30, 2017 totaled \$521,892.

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, 2017

22. RESTATEMENT OF NET POSITION / FUND BALANCE:

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

	<u>Governmental Activities</u>
Net position as previously reported as of June 30, 2016	\$1,044,902,898
Correct the other post-employment benefit liability for contributions not considered in the obligation	192,730
Correct the revenue recognition related to accrued interest receivable on noteS receivable	(437,226)
Decrease in net position to recognize a reduction of long-term receivables resulting from foreclosures, payoffs, and adjustments that had occurred as of June 30, 2016	(591,484)
Decrease in net position to recognize the return of grant funds that had been overdrawn on as of June 30, 2016.	<u>(150,627)</u>
Net position as restated July 1, 2016	<u>\$1,043,916,291</u>

Beginning fund balances for the fund financial statements were restated as follows:

	<u>Housing Authority Special Revenue Fund</u>
Fund balance as previously reported as of June 30, 2016	\$ 95,130,879
Correct the revenue recognition related to accrued interest receivable on a note receivable	<u>(591,484)</u>
Fund balance as restated July 1, 2016	<u>\$ 94,539,395</u>
	<u>Other Governmental Funds</u>
Fund balance as previously reported as of June 30, 2016	\$ 44,701,010
Decrease in fund balance to recognize the return of grant funds that had been overdrawn on as of June 30, 2016.	<u>(150,627)</u>
Fund balance as restated July 1, 2016	<u>\$ 44,550,383</u>

CITY OF LANCASTER

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2017

23. SUBSEQUENT EVENTS:

Events occurring after June 30, 2017, have been evaluated for possible adjustments to the financial statements or disclosure as of December 27, 2017, 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, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement Period Ended	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:			
Service cost	\$ 3,757,280	\$ 3,659,838	\$ 3,783,673
Interest on total pension liability	10,446,457	9,650,056	9,015,665
Differences between expected and actual experience	1,362,060	(445,730)	-
Changes in assumptions	-	(2,517,116)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	<u>(4,608,628)</u>	<u>(4,011,772)</u>	<u>(3,666,038)</u>
Net Change in Total Pension Liability	10,957,169	6,335,276	9,133,300
Total Pension Liability - Beginning of Year	<u>135,618,611</u>	<u>129,283,335</u>	<u>120,150,035</u>
Total Pension Liability - End of Year (a)	<u>\$ 146,575,780</u>	<u>\$ 135,618,611</u>	<u>\$ 129,283,335</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 4,077,018	\$ 3,803,574	\$ 3,549,119
Contributions - employee	1,628,815	1,611,229	1,556,684
Net investment income	535,654	2,090,380	13,752,204
Benefit payments	(4,608,628)	(4,011,772)	(3,666,038)
Administrative expense	<u>(59,256)</u>	<u>(109,427)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	1,573,603	3,383,984	15,191,969
Plan Fiduciary Net Position - Beginning of Year	<u>97,228,982</u>	<u>93,844,998</u>	<u>78,653,029</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 98,802,585</u>	<u>\$ 97,228,982</u>	<u>\$ 93,844,998</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 47,773,195</u>	<u>\$ 38,389,629</u>	<u>\$ 35,438,337</u>
Plan fiduciary net position as a percentage of the total pension liability	67.41%	71.69%	72.59%
Covered - employee payroll	\$ 19,428,612	\$ 19,407,546	\$ 19,312,337
Net pension liability as percentage of covered- employee payroll	245.89%	197.81%	183.50%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

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

CITY OF LANCASTER

SCHEDULE OF CONTRIBUTIONS
CalPERS PENSION PLANS

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 4,429,710	\$ 4,072,457	\$ 3,803,574
Contributions in relation to the actuarially determined contributions	<u>(4,429,710)</u>	<u>(4,072,457)</u>	<u>(3,803,574)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 19,501,764	\$ 19,428,612	\$ 19,407,546
Contributions as a percentage of covered - employee payroll	22.71%	20.96%	19.60%

Notes to Schedule:

Valuation Date	6/30/2014	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, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years for 2.7%@55 and 2%@60, 52 years for 2%@62
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

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

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) 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. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

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, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement Period Ended	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:			
Service cost	\$ 1,000	\$ 1,000	\$ 1,000
Interest on total pension liability	636,000	605,000	607,000
Differences between expected and actual experience	-	156,000	-
Changes in assumptions	1,837,000	350,000	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	<u>(652,000)</u>	<u>(640,000)</u>	<u>(627,000)</u>
Net Change in Total Pension Liability	1,822,000	472,000	(19,000)
Total Pension Liability - Beginning of Year	<u>10,107,000</u>	<u>9,635,000</u>	<u>9,654,000</u>
Total Pension Liability - End of Year (a)	<u>\$ 11,929,000</u>	<u>\$ 10,107,000</u>	<u>\$ 9,635,000</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ -	\$ -	\$ -
Contributions - employee	-	-	-
Net investment income (loss)	(108)	230,000	1,204,000
Administrative expense	(23,332)	(20,000)	(20,000)
Benefit payments	<u>(665,644)</u>	<u>(640,000)</u>	<u>(627,000)</u>
Net Change in Plan Fiduciary Net Position	(689,084)	(430,000)	557,000
Plan Fiduciary Net Position - Beginning of Year	<u>9,716,000</u>	<u>10,146,000</u>	<u>9,589,000</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 9,026,916</u>	<u>\$ 9,716,000</u>	<u>\$ 10,146,000</u>
Net Pension Asset - Ending (a)-(b)	<u>\$ 2,902,084</u>	<u>\$ 391,000</u>	<u>\$ (511,000)</u>
Plan fiduciary net position as a percentage of the total pension liability	75.67%	96.13%	105.30%
Covered - employee payroll	None	None	None
Net pension liability as percentage of covered- employee payroll	N/A	N/A	N/A

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

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.

From fiscal year June 30, 2016 to June 30, 2017:

The discount rate was updated from 6.50% to 4.99% and the expected long-term rate of return on investments was updated from 6.50% to 6.25%.

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

CITY OF LANCASTER

SCHEDULE OF CONTRIBUTIONS
PARS PENSION PLAN

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 93,000	\$ 52,000	\$ -
Contributions in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	\$ 93,000	\$ 52,000	\$ -
Covered - employee payroll	None	None	None
Contributions as a percentage of covered - employee payroll	N/A	N/A	N/A

Notes to Schedule:

Valuation Date	6/30/2015	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	Entry age normal
Amortization method	Level dollar	Level dollar	Level dollar
Remaining amortization period	10 years open	10 years closed	10 years open
Asset valuation method	Market value	Market value	Market value
Inflation	3.00%	3.00%	3.00%
Salary scale:			
Aggregate	3.25%	3.25%	3.25%
Merit (CalPERS Experience Study)	1997-2011	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 three years are shown.

CITY OF LANCASTER

SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS PLAN

For the year ended June 30, 2017

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, 2017

	Special Revenue Funds			
	Gas Tax	Community Services	Landscape Maintenance District	Housing and Community Development
ASSETS:				
Pooled cash and investments	\$ 2,705,531	\$ 152,614	\$ 2,629,523	\$ 1,115,308
Receivables:				
Accounts	843	-	5,387	162,656
Taxes	268,767	-	25,044	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	467,140
Notes and loans, net	-	-	-	-
Prepaid items	52,589	-	120	-
Land held for resale	-	-	-	1,185,393
TOTAL ASSETS	\$ 3,027,730	\$ 152,614	\$ 2,660,074	\$ 2,930,497
LIABILITIES:				
Accounts payable	\$ 191,008	\$ 1,460	\$ 113,370	\$ 109,422
Accrued liabilities	45,958	-	5,420	8,540
Unearned revenues	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	460,462
TOTAL LIABILITIES	236,966	1,460	118,790	578,424
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	-	-	-	20,288
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	20,288
FUND BALANCES (DEFICITS):				
Nonspendable:				
Prepaid items	52,589	-	120	-
Restricted:				
Community development projects	-	151,154	-	2,331,785
Public safety	-	-	-	-
Parks, recreation, and arts	-	-	-	-
Development services	2,738,175	-	2,541,164	-
Debt service	-	-	-	-
Housing and neighborhood revitalization	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	2,790,764	151,154	2,541,284	2,331,785
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,027,730	\$ 152,614	\$ 2,660,074	\$ 2,930,497

Special Revenue Funds (Continued)

HOME Program	Proposition A	Bikeway Improvement	Proposition C	Federal Grants	State Grants	Parks Development
\$ 691,331	\$ 3,526,168	\$ -	\$ 5,953,703	\$ 465,235	\$ 151,823	\$ 790,310
-	-	-	-	993,728	-	46,500
-	-	-	-	-	-	-
-	8,768	-	14,250	-	171	-
-	-	1,768	-	123,299	495,108	-
1,386,398	-	-	-	-	-	-
-	-	-	176,840	984	-	-
-	-	-	-	-	-	-
<u>\$ 2,077,729</u>	<u>\$ 3,534,936</u>	<u>\$ 1,768</u>	<u>\$ 6,144,793</u>	<u>\$ 1,583,246</u>	<u>\$ 647,102</u>	<u>\$ 836,810</u>
\$ -	\$ 19,721	\$ -	\$ 600	\$ 6,468	\$ 4,358	\$ -
-	310	-	-	-	1,116	-
-	-	-	-	-	151,823	-
793,109	-	-	-	-	-	-
-	-	101	-	1,111,542	700,265	-
<u>793,109</u>	<u>20,031</u>	<u>101</u>	<u>600</u>	<u>1,118,010</u>	<u>857,562</u>	<u>-</u>
-	-	-	-	102,227	18,435	-
-	-	-	-	102,227	18,435	-
-	-	-	176,840	984	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	836,810
-	3,514,905	-	5,967,353	362,025	-	-
-	-	1,667	-	-	-	-
1,284,620	-	-	-	-	-	-
-	-	-	-	-	(228,895)	-
<u>1,284,620</u>	<u>3,514,905</u>	<u>1,667</u>	<u>6,144,193</u>	<u>363,009</u>	<u>(228,895)</u>	<u>836,810</u>
<u>\$ 2,077,729</u>	<u>\$ 3,534,936</u>	<u>\$ 1,768</u>	<u>\$ 6,144,793</u>	<u>\$ 1,583,246</u>	<u>\$ 647,102</u>	<u>\$ 836,810</u>

(Continued)

CITY OF LANCASTER

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2017

	Special Revenue Funds (Continued)			
	County and Other	Developer Fees - Signals	Developer Fees - Drainage	Recycled Water
ASSETS:				
Pooled cash and investments	\$ -	\$ 3,663,862	\$ 4,301,645	\$ -
Receivables:				
Accounts	-	194,401	413,322	37,421
Taxes	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Notes and loans, net	-	-	-	-
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 3,858,263</u></u>	<u><u>\$ 4,714,967</u></u>	<u><u>\$ 37,421</u></u>
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 1,542	\$ 4,733
Accrued liabilities	-	-	-	861
Unearned revenues	-	98,058	234,028	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	200,812
	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,812</u>
TOTAL LIABILITIES	<u>-</u>	<u>98,058</u>	<u>235,570</u>	<u>206,406</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS):				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks, recreation, and arts	-	-	-	-
Development services	-	3,760,205	4,479,397	-
Debt service	-	-	-	-
Housing and neighborhood revitalization	-	-	-	-
Unassigned	-	-	-	(168,985)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,985)</u>
TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>3,760,205</u>	<u>4,479,397</u>	<u>(168,985)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ -</u></u>	<u><u>\$ 3,858,263</u></u>	<u><u>\$ 4,714,967</u></u>	<u><u>\$ 37,421</u></u>

Special Revenue Funds (Continued)

Biological Impact Fees	Traffic Impact Fees	AQMD	Lancaster Drainage Maintenance District	Miscellaneous Grants	Traffic Safety	Engineering Fees	LA County Reimbursement
\$ 259,040	\$ 2,779,043	\$ 174,677	\$ 1,499,647	\$ 27,014	\$ -	\$ -	\$ 1,354,568
397,248	329,921	-	2,310	-	-	19,622	-
-	-	-	62,294	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	18,425	-	141,507
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 656,288</u>	<u>\$ 3,108,964</u>	<u>\$ 174,677</u>	<u>\$ 1,564,251</u>	<u>\$ 27,014</u>	<u>\$ 18,425</u>	<u>\$ 19,622</u>	<u>\$ 1,496,075</u>
\$ -	\$ -	\$ 876	\$ 41,553	\$ -	\$ -	\$ 5,577	\$ 1,534
-	-	-	7,425	-	-	42,017	-
-	210,494	-	-	-	-	-	1,354,568
-	-	-	-	-	-	-	-
-	-	-	-	-	15,906	117,592	139,973
-	210,494	876	48,978	-	15,906	165,186	1,496,075
-	-	-	-	-	-	-	128,955
-	-	-	-	-	-	-	128,955
-	-	-	-	-	-	-	-
-	-	-	-	27,014	-	-	-
-	-	-	-	-	2,519	-	-
656,288	2,898,470	173,801	1,515,273	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(145,564)	(128,955)
<u>656,288</u>	<u>2,898,470</u>	<u>173,801</u>	<u>1,515,273</u>	<u>27,014</u>	<u>2,519</u>	<u>(145,564)</u>	<u>(128,955)</u>
<u>\$ 656,288</u>	<u>\$ 3,108,964</u>	<u>\$ 174,677</u>	<u>\$ 1,564,251</u>	<u>\$ 27,014</u>	<u>\$ 18,425</u>	<u>\$ 19,622</u>	<u>\$ 1,496,075</u>

(Continued)

CITY OF LANCASTER

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2017

	Special Revenue Funds (Continued)			
	MTA Grant	Urban Structure Program	Mariposa Lily	Sewer Maintenance District
ASSETS:				
Pooled cash and investments	\$ -	\$ 1,265,303	\$ 62,733	\$ 4,503,159
Receivables:				
Accounts	-	223,248	-	19,282
Taxes	-	-	-	75,731
Accrued interest	-	-	-	-
Due from other governments	137,427	-	-	-
Notes and loans, net	-	-	-	-
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
TOTAL ASSETS	\$ 137,427	\$ 1,488,551	\$ 62,733	\$ 4,598,172
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 34,007
Accrued liabilities	-	-	-	41,704
Unearned revenues	-	24,275	-	-
Deposits payable	-	-	-	-
Due to other funds	130,482	-	-	-
TOTAL LIABILITIES	130,482	24,275	-	75,711
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues	137,427	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	137,427	-	-	-
FUND BALANCES (DEFICITS):				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Parks, recreation, and arts	-	1,289,044	-	-
Development services	-	175,232	62,733	4,522,461
Debt service	-	-	-	-
Housing and neighborhood revitalization	-	-	-	-
Unassigned	(130,482)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	(130,482)	1,464,276	62,733	4,522,461
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 137,427	\$ 1,488,551	\$ 62,733	\$ 4,598,172

Special Revenue Funds (Continued)			Debt Service Fund	Total Other Governmental Funds
Proposition 1B	Proposition 42	Measure R	Lancaster Financing Authority	
\$ 247,563	\$ 492,161	\$ 4,636,079	\$ 5,105	\$ 43,453,145
-	-	989,410	-	3,835,299
-	-	-	-	431,836
593	-	11,096	-	34,878
-	-	1,367,911	-	2,752,585
-	-	-	-	1,386,398
-	-	-	-	230,533
-	-	-	-	1,185,393
<u>\$ 248,156</u>	<u>\$ 492,161</u>	<u>\$ 7,004,496</u>	<u>\$ 5,105</u>	<u>\$ 53,310,067</u>
\$ -	\$ -	\$ -	\$ -	\$ 536,229
-	-	-	-	153,351
-	-	-	-	2,073,246
-	-	-	-	793,109
-	-	-	-	2,877,135
-	-	-	-	6,433,070
-	-	1,367,911	-	1,775,243
-	-	1,367,911	-	1,775,243
-	-	-	-	230,533
-	-	-	-	2,509,953
-	-	-	-	2,519
-	-	-	-	2,125,854
248,156	492,161	5,636,585	-	39,744,384
-	-	-	5,105	6,772
-	-	-	-	1,284,620
-	-	-	-	(802,881)
<u>248,156</u>	<u>492,161</u>	<u>5,636,585</u>	<u>5,105</u>	<u>45,101,754</u>
<u>\$ 248,156</u>	<u>\$ 492,161</u>	<u>\$ 7,004,496</u>	<u>\$ 5,105</u>	<u>\$ 53,310,067</u>

CITY OF LANCASTER

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

For the year ended June 30, 2017

	Special Revenue Funds			
	Gas Tax	Community Services	Landscape Maintenance District	Housing and Community Development
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	2,982,215	-	-	1,640,413
Charges for services	9,161	-	1,737,337	-
Investment earnings	-	-	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	630	-
Miscellaneous	1,547	109,817	-	1,200,970
TOTAL REVENUES	<u>2,992,923</u>	<u>109,817</u>	<u>1,737,967</u>	<u>2,841,383</u>
EXPENDITURES:				
Current:				
General government	63,524	-	-	39,304
Public safety	-	-	-	-
Community development	-	60,439	-	678,442
Parks, recreation, and arts	862,746	-	1,352,973	-
Development services	3,771,515	-	170,364	-
Housing and neighborhood revitalization	-	-	-	1,991,231
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	410,000
Interest and fiscal charges	-	-	-	184,678
TOTAL EXPENDITURES	<u>4,697,785</u>	<u>60,439</u>	<u>1,523,337</u>	<u>3,303,655</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,704,862)</u>	<u>49,378</u>	<u>214,630</u>	<u>(462,272)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	-	-	-	-
Transfers in	2,228,870	-	31,306	-
Transfers out	<u>(1,705,713)</u>	<u>-</u>	<u>(298,398)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>523,157</u>	<u>-</u>	<u>(267,092)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,181,705)	49,378	(52,462)	(462,272)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR, AS RESTATED	<u>3,972,469</u>	<u>101,776</u>	<u>2,593,746</u>	<u>2,794,057</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 2,790,764</u>	<u>\$ 151,154</u>	<u>\$ 2,541,284</u>	<u>\$ 2,331,785</u>

HOME Program	Proposition A	Bikeway Improvement	Proposition C	Federal Grants	State Grants	Parks Development
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	84,938
99,254	2,933,882	1,765	2,400,022	1,196,085	1,387,320	-
-	3,739	-	15,954	-	214	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>99,254</u>	<u>2,937,621</u>	<u>1,765</u>	<u>2,415,976</u>	<u>1,196,085</u>	<u>1,387,534</u>	<u>84,938</u>
10,138	2,757,070	-	391,904	-	-	-
-	-	-	-	73,128	-	-
-	-	-	-	-	40,110	-
-	-	-	-	-	-	-
-	-	-	101,350	65,180	525,666	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>10,138</u>	<u>2,757,070</u>	<u>-</u>	<u>493,254</u>	<u>138,308</u>	<u>565,776</u>	<u>-</u>
89,116	180,551	1,765	1,922,722	1,057,777	821,758	84,938
-	-	-	-	-	-	-
-	-	-	7,501	94,234	164,552	-
<u>-</u>	<u>(206,696)</u>	<u>(3,091)</u>	<u>(2,418,115)</u>	<u>(534,216)</u>	<u>(259,293)</u>	<u>(31,014)</u>
-	(206,696)	(3,091)	(2,410,614)	(439,982)	(94,741)	(31,014)
89,116	(26,145)	(1,326)	(487,892)	617,795	727,017	53,924
1,195,504	3,541,050	2,993	6,632,085	(254,786)	(955,912)	782,886
<u>\$ 1,284,620</u>	<u>\$ 3,514,905</u>	<u>\$ 1,667</u>	<u>\$ 6,144,193</u>	<u>\$ 363,009</u>	<u>\$ (228,895)</u>	<u>\$ 836,810</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, 2017

	Special Revenue Funds (Continued)			
	County and Other	Developer Fees - Signals	Developer Fees - Drainage	Recycled Water
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	497,235	1,093,395	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	116,961
Investment earnings	-	-	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	12,329
TOTAL REVENUES	<u>-</u>	<u>497,235</u>	<u>1,093,395</u>	<u>129,290</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Parks, recreation, and arts	-	-	-	-
Development services	-	-	4,961	139,331
Housing and neighborhood revitalization	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>4,961</u>	<u>139,331</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>497,235</u>	<u>1,088,434</u>	<u>(10,041)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	-	-	-	-
Transfers in	35,915	-	-	110,000
Transfers out	<u>(6,206)</u>	<u>(488,164)</u>	<u>(149,972)</u>	<u>(57,230)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>29,709</u>	<u>(488,164)</u>	<u>(149,972)</u>	<u>52,770</u>
NET CHANGE IN FUND BALANCES	29,709	9,071	938,462	42,729
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR, AS RESTATED	<u>(29,709)</u>	<u>3,751,134</u>	<u>3,540,935</u>	<u>(211,714)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ -</u>	<u>\$ 3,760,205</u>	<u>\$ 4,479,397</u>	<u>\$ (168,985)</u>

Special Revenue Funds (Continued)

Biological Impact Fees	Traffic Impact Fees	AQMD	Lancaster Drainage Maintenance District	Miscellaneous Grants	Traffic Safety	Engineering Fees	LA County Reimbursement
\$ -	\$ -	\$ -	\$ -	\$ 11,505	\$ -	\$ -	\$ -
538,226	637,062	-	-	-	-	2,366,649	-
-	-	-	-	-	-	-	574,048
-	-	-	1,663,441	-	-	-	-
-	-	-	-	-	263,593	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	22,954	-
<u>538,226</u>	<u>637,062</u>	<u>-</u>	<u>1,663,441</u>	<u>11,505</u>	<u>263,593</u>	<u>2,389,603</u>	<u>574,048</u>
-	-	-	-	-	-	101,167	-
-	-	-	-	-	-	-	-
-	-	19,875	-	-	-	-	147,576
-	-	-	-	-	-	-	-
-	-	-	939,344	-	-	2,094,854	-
-	-	-	-	-	-	-	-
2,165,519	-	-	-	-	-	-	-
-	-	-	34,699	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,165,519</u>	<u>-</u>	<u>19,875</u>	<u>974,043</u>	<u>-</u>	<u>-</u>	<u>2,196,021</u>	<u>147,576</u>
<u>(1,627,293)</u>	<u>637,062</u>	<u>(19,875)</u>	<u>689,398</u>	<u>11,505</u>	<u>263,593</u>	<u>193,582</u>	<u>426,472</u>
-	-	-	222,438	-	-	-	-
-	3,183	-	-	377,959	-	663,390	153,610
<u>(11,205)</u>	<u>(180,125)</u>	<u>(23,942)</u>	<u>(501,685)</u>	<u>(10,000)</u>	<u>(230,000)</u>	<u>(843,760)</u>	<u>(555,427)</u>
<u>(11,205)</u>	<u>(176,942)</u>	<u>(23,942)</u>	<u>(279,247)</u>	<u>367,959</u>	<u>(230,000)</u>	<u>(180,370)</u>	<u>(401,817)</u>
<u>(1,638,498)</u>	<u>460,120</u>	<u>(43,817)</u>	<u>410,151</u>	<u>379,464</u>	<u>33,593</u>	<u>13,212</u>	<u>24,655</u>
<u>2,294,786</u>	<u>2,438,350</u>	<u>217,618</u>	<u>1,105,122</u>	<u>(352,450)</u>	<u>(31,074)</u>	<u>(158,776)</u>	<u>(153,610)</u>
<u>\$ 656,288</u>	<u>\$ 2,898,470</u>	<u>\$ 173,801</u>	<u>\$ 1,515,273</u>	<u>\$ 27,014</u>	<u>\$ 2,519</u>	<u>\$ (145,564)</u>	<u>\$ (128,955)</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, 2017

	Special Revenue Funds (Continued)			
	MTA Grant	Urban Structure Program	Mariposa Lily	Sewer Maintenance District
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 4,127,695
Licenses and permits	-	327,118	-	168,994
Intergovernmental	6,648	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>6,648</u>	<u>327,118</u>	<u>-</u>	<u>4,296,689</u>
EXPENDITURES:				
Current:				
General government	-	-	-	13,901
Public safety	-	-	-	-
Community development	-	-	-	-
Parks, recreation, and arts	-	-	-	-
Development services	-	-	-	3,297,783
Housing and neighborhood revitalization	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,311,684</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,648</u>	<u>327,118</u>	<u>-</u>	<u>985,005</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	-	-	-	-
Transfers in	22,446	-	-	26,682
Transfers out	<u>(137,427)</u>	<u>(259,792)</u>	<u>-</u>	<u>(2,453,762)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(114,981)</u>	<u>(259,792)</u>	<u>-</u>	<u>(2,427,080)</u>
NET CHANGE IN FUND BALANCES	(108,333)	67,326	-	(1,442,075)
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR, AS RESTATED	<u>(22,149)</u>	<u>1,396,950</u>	<u>62,733</u>	<u>5,964,536</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (130,482)</u>	<u>\$ 1,464,276</u>	<u>\$ 62,733</u>	<u>\$ 4,522,461</u>

Special Revenue Funds (Continued)			Debt Service Fund	Total Other Governmental Funds
Proposition 1B	Proposition 42	Measure R	Lancaster Financing Authority	
\$ -	\$ -	\$ -	\$ -	\$ 4,139,200
-	-	-	-	5,713,617
-	-	4,980,989	-	18,202,641
-	-	-	-	3,526,900
672	-	6,832	14	27,425
-	-	-	-	263,593
-	-	-	-	630
-	-	-	-	1,347,617
<u>672</u>	<u>-</u>	<u>4,987,821</u>	<u>14</u>	<u>33,221,623</u>
-	-	-	-	3,377,008
-	-	-	-	73,128
-	-	-	-	946,442
-	-	-	-	2,215,719
-	-	-	-	11,110,348
-	-	-	-	1,991,231
-	-	-	-	2,165,519
-	-	-	-	444,699
-	-	-	-	184,678
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,508,772</u>
<u>672</u>	<u>-</u>	<u>4,987,821</u>	<u>14</u>	<u>10,712,851</u>
-	-	-	-	222,438
-	5,711	1,741	-	3,927,100
<u>(30,944)</u>	<u>(288,221)</u>	<u>(3,486,531)</u>	<u>-</u>	<u>(15,170,929)</u>
<u>(30,944)</u>	<u>(282,510)</u>	<u>(3,484,790)</u>	<u>-</u>	<u>(11,021,391)</u>
(30,272)	(282,510)	1,503,031	14	(308,540)
<u>278,428</u>	<u>774,671</u>	<u>4,133,554</u>	<u>5,091</u>	<u>45,410,294</u>
<u>\$ 248,156</u>	<u>\$ 492,161</u>	<u>\$ 5,636,585</u>	<u>\$ 5,105</u>	<u>\$ 45,101,754</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,972,469	\$ 3,972,469	\$ 3,972,469	\$ -
Resources (Inflows):				
Intergovernmental	3,293,590	3,384,745	2,982,215	(402,530)
Charges for services	10,000	10,000	9,161	(839)
Miscellaneous	25,000	25,000	1,547	(23,453)
Transfers in	2,509,950	2,854,950	2,228,870	(626,080)
Amounts Available for Appropriations	9,811,009	10,247,164	9,194,262	(1,052,902)
Charges to Appropriations (Outflows):				
General government	325	63,825	63,524	301
Parks, recreation, and arts	931,774	931,774	862,746	69,028
Development services	4,375,224	4,311,724	3,771,515	540,209
Transfers out	4,670,519	4,670,519	1,705,713	2,964,806
Total Charges to Appropriations	9,977,842	9,977,842	6,403,498	3,574,344
Budgetary Fund Balance, June 30	\$ (166,833)	\$ 269,322	\$ 2,790,764	\$ 2,521,442

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 101,776	\$ 101,776	\$ 101,776	\$ -
Resources (Inflows):				
Miscellaneous	35,500	76,625	109,817	33,192
Amounts Available for Appropriations	137,276	178,401	211,593	33,192
Charges to Appropriations (Outflows):				
General government	6,200	6,200	-	6,200
Community development	124,883	146,383	60,439	85,944
Total Charges to Appropriations	131,083	152,583	60,439	92,144
Budgetary Fund Balance, June 30	\$ 6,193	\$ 25,818	\$ 151,154	\$ 125,336

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,593,746	\$ 2,593,746	\$ 2,593,746	\$ -
Resources (Inflows):				
Charges for services	1,810,000	1,810,000	1,737,337	(72,663)
Contributions	1,750	1,750	630	(1,120)
Transfers in	-	-	31,306	31,306
Amounts Available for Appropriations	<u>4,405,496</u>	<u>4,405,496</u>	<u>4,363,019</u>	<u>(42,477)</u>
Charges to Appropriations (Outflows):				
Parks, recreation, and arts	1,236,852	1,236,852	1,352,973	(116,121)
Development services	233,505	233,505	170,364	63,141
Transfers out	<u>462,931</u>	<u>462,931</u>	<u>298,398</u>	<u>164,533</u>
Total Charges to Appropriations	<u>1,933,288</u>	<u>1,933,288</u>	<u>1,821,735</u>	<u>111,553</u>
Budgetary Fund Balance, June 30	<u>\$ 2,472,208</u>	<u>\$ 2,472,208</u>	<u>\$ 2,541,284</u>	<u>\$ 69,076</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,794,057	\$ 2,794,057	\$ 2,794,057	\$ -
Resources (Inflows):				
Intergovernmental	1,571,994	1,571,994	1,640,413	68,419
Investment earnings	-	-	-	-
Miscellaneous	1,350,000	1,350,000	1,200,970	(149,030)
Amounts Available for Appropriations	<u>5,716,051</u>	<u>5,716,051</u>	<u>5,635,440</u>	<u>(80,611)</u>
Charges to Appropriations (Outflows):				
General government	331,345	331,345	39,304	292,041
Community development	901,714	901,714	678,442	223,272
Housing and neighborhood revitalization	972,405	2,138,279	1,991,231	147,048
Debt service:				
Principal retirement	410,000	410,000	410,000	-
Interest and fiscal charges	260,280	260,280	184,678	75,602
Total Charges to Appropriations	<u>2,875,744</u>	<u>4,041,618</u>	<u>3,303,655</u>	<u>737,963</u>
Budgetary Fund Balance, June 30	<u>\$ 2,840,307</u>	<u>\$ 1,674,433</u>	<u>\$ 2,331,785</u>	<u>\$ 657,352</u>

CITY OF LANCASTER

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

HOME PROGRAM SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,195,504	\$ 1,195,504	\$ 1,195,504	\$ -
Resources (Inflows):				
Intergovernmental	<u>110,000</u>	<u>110,000</u>	<u>99,254</u>	<u>(10,746)</u>
Amounts Available for Appropriations	<u>1,305,504</u>	<u>1,305,504</u>	<u>1,294,758</u>	<u>(10,746)</u>
Charges to Appropriations (Outflows):				
General government	<u>10,000</u>	<u>10,000</u>	<u>10,138</u>	<u>(138)</u>
Total Charges to Appropriations	<u>10,000</u>	<u>10,000</u>	<u>10,138</u>	<u>(138)</u>
Budgetary Fund Balance, June 30	<u>\$ 1,295,504</u>	<u>\$ 1,295,504</u>	<u>\$ 1,284,620</u>	<u>\$ (10,884)</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 3,541,050	\$ 3,541,050	\$ 3,541,050	\$ -
Resources (Inflows):				
Intergovernmental	2,945,930	2,945,930	2,933,882	(12,048)
Investment earnings	10,000	10,000	3,739	(6,261)
Amounts Available for Appropriations	<u>6,496,980</u>	<u>6,496,980</u>	<u>6,478,671</u>	<u>(18,309)</u>
Charges to Appropriations (Outflows):				
General government	1,725,101	3,180,101	2,757,070	423,031
Transfers out	<u>2,199,270</u>	<u>2,199,270</u>	<u>206,696</u>	<u>1,992,574</u>
Total Charges to Appropriations	<u>3,924,371</u>	<u>5,379,371</u>	<u>2,963,766</u>	<u>2,415,605</u>
Budgetary Fund Balance, June 30	<u>\$ 2,572,609</u>	<u>\$ 1,117,609</u>	<u>\$ 3,514,905</u>	<u>\$ 2,397,296</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,993	\$ 2,993	\$ 2,993	\$ -
Resources (Inflows):				
Intergovernmental	260,690	260,690	1,765	(258,925)
Amounts Available for Appropriations	263,683	263,683	4,758	(258,925)
Charges to Appropriations (Outflows):				
Transfers out	31	31	3,091	(3,060)
Total Charges to Appropriations	31	31	3,091	(3,060)
Budgetary Fund Balance, June 30	\$ 263,652	\$ 263,652	\$ 1,667	\$ (261,985)

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,632,085	\$ 6,632,085	\$ 6,632,085	\$ -
Resources (Inflows):				
Intergovernmental	2,443,575	2,443,575	2,400,022	(43,553)
Investment earnings	17,500	17,500	15,954	(1,546)
Transfers in	-	-	7,501	7,501
Amounts Available for Appropriations	<u>9,093,160</u>	<u>9,093,160</u>	<u>9,055,562</u>	<u>(37,598)</u>
Charges to Appropriations (Outflows):				
General government	-	391,904	391,904	-
Development services	62,013	162,013	101,350	60,663
Transfers out	<u>8,273,148</u>	<u>7,781,244</u>	<u>2,418,115</u>	<u>5,363,129</u>
Total Charges to Appropriations	<u>8,335,161</u>	<u>8,335,161</u>	<u>2,911,369</u>	<u>5,423,792</u>
Budgetary Fund Balance, June 30	<u>\$ 757,999</u>	<u>\$ 757,999</u>	<u>\$ 6,144,193</u>	<u>\$ 5,386,194</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (254,786)	\$ (254,786)	\$ (254,786)	\$ -
Resources (Inflows):				
Intergovernmental	555,258	7,698,426	1,196,085	(6,502,341)
Transfers in	12,542	95,512	94,234	(1,278)
Amounts Available for Appropriations	<u>313,014</u>	<u>7,539,152</u>	<u>1,035,533</u>	<u>(6,503,619)</u>
Charges to Appropriations (Outflows):				
Public safety	53,052	121,935	73,128	48,807
Development services	99,664	99,664	65,180	34,484
Transfers out	<u>6,780,001</u>	<u>6,783,740</u>	<u>534,216</u>	<u>6,249,524</u>
Total Charges to Appropriations	<u>6,932,717</u>	<u>7,005,339</u>	<u>672,524</u>	<u>6,332,815</u>
Budgetary Fund Balance, June 30	<u>\$ (6,619,703)</u>	<u>\$ 533,813</u>	<u>\$ 363,009</u>	<u>\$ (170,804)</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (955,912)	\$ (955,912)	\$ (955,912)	\$ -
Resources (Inflows):				
Intergovernmental	1,242,031	2,169,446	1,387,320	(782,126)
Investment earnings	-	-	214	214
Transfers in	-	-	164,552	164,552
Amounts Available for Appropriations	<u>286,119</u>	<u>1,213,534</u>	<u>596,174</u>	<u>(617,360)</u>
Charges to Appropriations (Outflows):				
Community development	228,496	446,311	40,110	406,201
Development services	828,612	868,953	525,666	343,287
Transfers out	<u>854,291</u>	<u>880,261</u>	<u>259,293</u>	<u>620,968</u>
Total Charges to Appropriations	<u>1,911,399</u>	<u>2,195,525</u>	<u>825,069</u>	<u>1,370,456</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ (1,625,280)</u>	<u>\$ (981,991)</u>	<u>\$ (228,895)</u>	<u>\$ 753,096</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 782,886	\$ 782,886	\$ 782,886	\$ -
Resources (Inflows):				
Licenses and permits	50,000	57,500	84,938	27,438
Amounts Available for Appropriations	832,886	840,386	867,824	27,438
Charges to Appropriations (Outflows):				
Transfers out	525,000	525,000	31,014	493,986
Total Charges to Appropriations	525,000	525,000	31,014	493,986
Budgetary Fund Balance, June 30	\$ 307,886	\$ 315,386	\$ 836,810	\$ 521,424

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (29,709)	\$ (29,709)	\$ (29,709)	\$ -
Resources (Inflows):				
Transfers in	-	-	35,915	35,915
Amounts Available for Appropriations	(29,709)	(29,709)	6,206	35,915
Charges to Appropriations (Outflows):				
Transfers out	250,000	-	6,206	(6,206)
Total Charges to Appropriations	250,000	-	6,206	(6,206)
Budgetary Fund Balance, June 30	\$ (279,709)	\$ (29,709)	\$ -	\$ 29,709

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,751,134	\$ 3,751,134	\$ 3,751,134	\$ -
Resources (Inflows):				
Licenses and permits	190,000	350,000	497,235	147,235
Amounts Available for Appropriations	3,941,134	4,101,134	4,248,369	147,235
Charges to Appropriations (Outflows):				
Transfers out	3,843,565	3,926,535	488,164	3,438,371
Total Charges to Appropriations	3,843,565	3,926,535	488,164	3,438,371
Budgetary Fund Balance, June 30	\$ 97,569	\$ 174,599	\$ 3,760,205	\$ 3,585,606

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,540,935	\$ 3,540,935	\$ 3,540,935	\$ -
Resources (Inflows):				
Licenses and permits	620,000	800,000	1,093,395	293,395
Amounts Available for Appropriations	4,160,935	4,340,935	4,634,330	293,395
Charges to Appropriations (Outflows):				
Development services	245,000	245,000	4,961	240,039
Transfers out	4,091,644	4,091,644	149,972	3,941,672
Total Charges to Appropriations	4,336,644	4,336,644	154,933	4,181,711
Budgetary Fund Balance (Deficit), June 30	\$ (175,709)	\$ 4,291	\$ 4,479,397	\$ 4,475,106

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (211,714)	\$ (211,714)	\$ (211,714)	\$ -
Resources (Inflows):				
Charges for services	110,000	110,000	116,961	6,961
Miscellaneous	-	-	12,329	12,329
Transfers in	110,000	110,000	110,000	-
Amounts Available for Appropriations	<u>8,286</u>	<u>8,286</u>	<u>27,576</u>	<u>19,290</u>
Charges to Appropriations (Outflows):				
Development services	116,225	116,225	139,331	(23,106)
Transfers out	<u>57,230</u>	<u>57,230</u>	<u>57,230</u>	<u>-</u>
Total Charges to Appropriations	<u>173,455</u>	<u>173,455</u>	<u>196,561</u>	<u>(23,106)</u>
Budgetary Fund Balance (Deficit), June 30	<u><u>\$ (165,169)</u></u>	<u><u>\$ (165,169)</u></u>	<u><u>\$ (168,985)</u></u>	<u><u>\$ (3,816)</u></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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,294,786	\$ 2,294,786	\$ 2,294,786	\$ -
Resources (Inflows):				
Licenses and permits	900,000	1,650,000	538,226	(1,111,774)
Amounts Available for Appropriations	3,194,786	3,944,786	2,833,012	(1,111,774)
Charges to Appropriations (Outflows):				
Capital outlay	-	2,165,519	2,165,519	-
Transfers out	120,007	120,007	11,205	108,802
Total Charges to Appropriations	120,007	2,285,526	2,176,724	108,802
Budgetary Fund Balance, June 30	\$ 3,074,779	\$ 1,659,260	\$ 656,288	\$ (1,002,972)

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 2,438,350	\$ 2,438,350	\$ 2,438,350	\$ -
Resources (Inflows):				
Licenses and permits	2,000	460,000	637,062	177,062
Transfers in	-	3,183	3,183	-
Amounts Available for Appropriations	<u>2,440,350</u>	<u>2,901,533</u>	<u>3,078,595</u>	<u>177,062</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>1,675,418</u>	<u>1,675,418</u>	<u>180,125</u>	<u>1,495,293</u>
Total Charges to Appropriations	<u>1,675,418</u>	<u>1,675,418</u>	<u>180,125</u>	<u>1,495,293</u>
Budgetary Fund Balance, June 30	<u>\$ 764,932</u>	<u>\$ 1,226,115</u>	<u>\$ 2,898,470</u>	<u>\$ 1,672,355</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 217,618	\$ 217,618	\$ 217,618	\$ -
Amounts Available for Appropriations	<u>217,618</u>	<u>217,618</u>	<u>217,618</u>	<u>-</u>
Charges to Appropriations (Outflows):				
Community development	-	-	19,875	(19,875)
Transfers out	<u>159,785</u>	<u>276,830</u>	<u>23,942</u>	<u>252,888</u>
Total Charges to Appropriations	<u>159,785</u>	<u>276,830</u>	<u>43,817</u>	<u>233,013</u>
Budgetary Fund Balance, June 30	<u>\$ 57,833</u>	<u>\$ (59,212)</u>	<u>\$ 173,801</u>	<u>\$ 233,013</u>

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,105,122	\$ 1,105,122	\$ 1,105,122	\$ -
Resources (Inflows):				
Charges for services	1,710,000	1,710,000	1,663,441	(46,559)
Proceeds from capital lease	-	-	222,438	222,438
Amounts Available for Appropriations	<u>2,815,122</u>	<u>2,815,122</u>	<u>2,991,001</u>	<u>175,879</u>
Charges to Appropriations (Outflows):				
Development services	1,241,567	1,241,567	939,344	302,223
Transfers out	501,685	501,685	501,685	-
Debt service:				
Principal retirement	-	-	34,699	(34,699)
Total Charges to Appropriations	<u>1,743,252</u>	<u>1,743,252</u>	<u>1,475,728</u>	<u>267,524</u>
Budgetary Fund Balance, June 30	<u>\$ 1,071,870</u>	<u>\$ 1,071,870</u>	<u>\$ 1,515,273</u>	<u>\$ 443,403</u>

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (352,450)	\$ (352,450)	\$ (352,450)	\$ -
Resources (Inflows):				
Taxes	11,505	11,505	11,505	-
Transfers in	-	-	377,959	377,959
Amounts Available for Appropriations	<u>(340,945)</u>	<u>(340,945)</u>	<u>37,014</u>	<u>377,959</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Charges to Appropriations	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Budgetary Fund Balance, June 30	<u><u>\$ (350,945)</u></u>	<u><u>\$ (350,945)</u></u>	<u><u>\$ 27,014</u></u>	<u><u>\$ 377,959</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit_), July 1	\$ (31,074)	\$ (31,074)	\$ (31,074)	\$ -
Resources (Inflows):				
Fines and forfeitures	<u>330,000</u>	<u>250,000</u>	<u>263,593</u>	<u>13,593</u>
Amounts Available for Appropriations	<u>298,926</u>	<u>218,926</u>	<u>232,519</u>	<u>13,593</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>330,000</u>	<u>230,000</u>	<u>230,000</u>	<u>-</u>
Total Charges to Appropriations	<u>330,000</u>	<u>230,000</u>	<u>230,000</u>	<u>-</u>
Budgetary Fund Balance, June 30	<u><u>\$ (31,074)</u></u>	<u><u>\$ (11,074)</u></u>	<u><u>\$ 2,519</u></u>	<u><u>\$ 13,593</u></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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (158,776)	\$ (158,776)	\$ (158,776)	\$ -
Resources (Inflows):				
Licenses and permits	1,520,000	2,267,000	2,366,649	99,649
Miscellaneous	-	-	22,954	22,954
Transfers in	1,280,235	1,210,000	663,390	(546,610)
	<u>2,641,459</u>	<u>3,318,224</u>	<u>2,894,217</u>	<u>(424,007)</u>
Amounts Available for Appropriations				
Charges to Appropriations (Outflows):				
General government	120,545	101,245	101,167	78
Development services	1,997,572	2,016,872	2,094,854	(77,982)
Transfers out	843,760	843,760	843,760	-
	<u>2,961,877</u>	<u>2,961,877</u>	<u>3,039,781</u>	<u>(77,904)</u>
Total Charges to Appropriations				
Budgetary Fund Balance (Deficit), June 30	<u>\$ (320,418)</u>	<u>\$ 356,347</u>	<u>\$ (145,564)</u>	<u>\$ (501,911)</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance (Deficit), July 1	\$ (153,610)	\$ (153,610)	\$ (153,610)	\$ -
Resources (Inflows):				
Intergovernmental	-	2,870,014	574,048	(2,295,966)
Transfers in	-	-	153,610	153,610
Amounts Available for Appropriations	<u>(153,610)</u>	<u>2,716,404</u>	<u>574,048</u>	<u>(2,142,356)</u>
Charges to Appropriations (Outflows):				
Community development	-	76,479	147,576	(71,097)
Transfers out	<u>250,000</u>	<u>2,793,535</u>	<u>555,427</u>	<u>2,238,108</u>
Total Charges to Appropriations	<u>250,000</u>	<u>2,870,014</u>	<u>703,003</u>	<u>2,167,011</u>
Budgetary Fund Balance (Deficit), June 30	<u>\$ (403,610)</u>	<u>\$ (153,610)</u>	<u>\$ (128,955)</u>	<u>\$ 24,655</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (22,149)	\$ (22,149)	\$ (22,149)	\$ -
Resources (Inflows):				
Intergovernmental	333,790	4,155,453	6,648	(4,148,805)
Transfers in	-	-	22,446	22,446
Amounts Available for Appropriations	<u>311,641</u>	<u>4,133,304</u>	<u>6,945</u>	<u>(4,126,359)</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>4,527,455</u>	<u>4,155,455</u>	<u>137,427</u>	<u>4,018,028</u>
Total Charges to Appropriations	<u>4,527,455</u>	<u>4,155,455</u>	<u>137,427</u>	<u>4,018,028</u>
Budgetary Fund Balance (Deficit), June 30	<u><u>\$ (4,215,814)</u></u>	<u><u>\$ (22,151)</u></u>	<u><u>\$ (130,482)</u></u>	<u><u>\$ (108,331)</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,396,950	\$ 1,396,950	\$ 1,396,950	\$ -
Resources (Inflows):				
Licenses and permits	142,000	159,300	327,118	167,818
Amounts Available for Appropriations	1,538,950	1,556,250	1,724,068	167,818
Charges to Appropriations (Outflows):				
Transfers out	629,876	629,876	259,792	370,084
Total Charges to Appropriations	629,876	629,876	259,792	370,084
Budgetary Fund Balance, June 30	\$ 909,074	\$ 926,374	\$ 1,464,276	\$ 537,902

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,964,536	\$ 5,964,536	\$ 5,964,536	\$ -
Resources (Inflows):				
Taxes	4,200,000	4,200,000	4,127,695	(72,305)
Licenses and permits	151,150	151,150	168,994	17,844
Transfers in	-	-	26,682	26,682
Amounts Available for Appropriations	<u>10,315,686</u>	<u>10,315,686</u>	<u>10,287,907</u>	<u>(27,779)</u>
Charges to Appropriations (Outflows):				
General government	122,445	122,445	13,901	108,544
Development services	3,474,997	3,474,998	3,297,783	177,215
Transfers out	<u>2,163,876</u>	<u>2,563,876</u>	<u>2,453,762</u>	<u>110,114</u>
Total Charges to Appropriations	<u>5,761,318</u>	<u>6,161,319</u>	<u>5,765,446</u>	<u>395,873</u>
Budgetary Fund Balance, June 30	<u>\$ 4,554,368</u>	<u>\$ 4,154,367</u>	<u>\$ 4,522,461</u>	<u>\$ 368,094</u>

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 278,428	\$ 278,428	\$ 278,428	\$ -
Resources (Inflows):				
Investment earnings	-	-	672	672
Amounts Available for Appropriations	278,428	278,428	279,100	672
Charges to Appropriations (Outflows):				
Transfers out	98,648	98,648	30,944	67,704
Total Charges to Appropriations	98,648	98,648	30,944	67,704
Budgetary Fund Balance, June 30	\$ 179,780	\$ 179,780	\$ 248,156	\$ 68,376

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 774,671	\$ 774,671	\$ 774,671	\$ -
Resources (Inflows):				
Transfers in	-	5,711	5,711	-
Amounts Available for Appropriations	774,671	780,382	780,382	-
Charges to Appropriations (Outflows):				
Transfers out	784,837	774,671	288,221	486,450
Total Charges to Appropriations	784,837	774,671	288,221	486,450
Budgetary Fund Balance, June 30	\$ (10,166)	\$ 5,711	\$ 492,161	\$ 486,450

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,133,554	\$ 4,133,554	\$ 4,133,554	\$ -
Resources (Inflows):				
Intergovernmental	13,432,545	26,353,093	4,980,989	(21,372,104)
Investment earnings	8,225	8,225	6,832	(1,393)
Transfers in	-	-	1,741	1,741
Amounts Available for Appropriations	<u>17,574,324</u>	<u>30,494,872</u>	<u>9,123,116</u>	<u>(21,371,756)</u>
Charges to Appropriations (Outflows):				
Transfers out	<u>29,546,886</u>	<u>30,046,886</u>	<u>3,486,531</u>	<u>26,560,355</u>
Total Charges to Appropriations	<u>29,546,886</u>	<u>30,046,886</u>	<u>3,486,531</u>	<u>26,560,355</u>
Budgetary Fund Balance, June 30	<u><u>\$(11,972,562)</u></u>	<u><u>\$ 447,986</u></u>	<u><u>\$ 5,636,585</u></u>	<u><u>\$ 5,188,599</u></u>

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CITY OF LANCASTER

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2017

	Assessment District	Agency	AD 93-3	AD 92-101
ASSETS				
Pooled cash and investments	\$ 154,596	\$ 676,224	\$ 641,195	\$ 87,607
Receivable:				
Accounts	-	32,973	-	-
Taxes	-	-	55	266
Restricted:				
Cash and investments with fiscal agents	-	-	454,170	-
TOTAL ASSETS	<u>\$ 154,596</u>	<u>\$ 709,197</u>	<u>\$ 1,095,420</u>	<u>\$ 87,873</u>
LIABILITIES				
Accounts payable	\$ -	\$ 63,233	\$ 996	\$ 328
Deposits payable	-	645,964	-	-
Due to bondholders	154,596	-	1,094,424	87,545
TOTAL LIABILITIES	<u>\$ 154,596</u>	<u>\$ 709,197</u>	<u>\$ 1,095,420</u>	<u>\$ 87,873</u>

<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	\$ 853,305	\$ 447,172	\$ 770,575	\$ 450,644	\$ 4,081,320
-	-	-	-	-	32,973
-	2,886	-	-	-	3,207
-	546,826	-	-	-	1,000,996
<u>\$ 2</u>	<u>\$ 1,403,017</u>	<u>\$ 447,172</u>	<u>\$ 770,575</u>	<u>\$ 450,644</u>	<u>\$ 5,118,496</u>
\$ -	\$ 5,265	\$ -	\$ 598	\$ -	\$ 70,420
-	-	-	-	15,810	661,774
<u>2</u>	<u>1,397,752</u>	<u>447,172</u>	<u>769,977</u>	<u>434,834</u>	<u>4,386,302</u>
<u>\$ 2</u>	<u>\$ 1,403,017</u>	<u>\$ 447,172</u>	<u>\$ 770,575</u>	<u>\$ 450,644</u>	<u>\$ 5,118,496</u>

CITY OF LANCASTER

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
ASSESSMENT DISTRICTS				
ASSETS:				
Pooled cash and investments	\$ 154,596	\$ -	\$ -	\$ 154,596
TOTAL ASSETS	\$ 154,596	\$ -	\$ -	\$ 154,596
LIABILITIES:				
Due to bondholders	\$ 154,596	\$ -	\$ -	\$ 154,596
TOTAL LIABILITIES	\$ 154,596	\$ -	\$ -	\$ 154,596
AGENCY				
ASSETS:				
Pooled cash and investments	\$ 757,694	\$ 280,705	\$ (362,175)	\$ 676,224
Receivable:				
Accounts	-	46,845	(13,872)	32,973
TOTAL ASSETS	\$ 757,694	\$ 327,550	\$ (376,047)	\$ 709,197
LIABILITIES:				
Accounts payable	\$ 69,212	\$ 270,415	\$ (276,394)	\$ 63,233
Deposits payable	688,482	336,555	(379,073)	645,964
TOTAL LIABILITIES	\$ 757,694	\$ 606,970	\$ (655,467)	\$ 709,197
AD 93-3				
ASSETS:				
Pooled cash and investments	\$ 611,661	\$ 552,123	\$ (522,589)	\$ 641,195
Receivable:				
Taxes	1,995	55	(1,995)	55
Restricted:				
Cash and investments with fiscal agents	453,925	245	-	454,170
TOTAL ASSETS	\$ 1,067,581	\$ 552,423	\$ (524,584)	\$ 1,095,420
LIABILITIES:				
Accounts payable	\$ 21	\$ 523,564	\$ (522,589)	\$ 996
Due to bondholders	1,067,560	552,424	(525,560)	1,094,424
TOTAL LIABILITIES	\$ 1,067,581	\$ 1,075,988	\$ (1,048,149)	\$ 1,095,420

(Continued)

CITY OF LANCASTER

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

For the year ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
AD 92-101				
ASSETS:				
Pooled cash and investments	\$ 87,335	\$ 468	\$ (196)	\$ 87,607
Receivable:				
Taxes	-	266	-	266
TOTAL ASSETS	<u>\$ 87,335</u>	<u>\$ 734</u>	<u>\$ (196)</u>	<u>\$ 87,873</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 490	\$ (162)	\$ 328
Due to bondholders	87,335	734	(524)	87,545
TOTAL LIABILITIES	<u>\$ 87,335</u>	<u>\$ 1,224</u>	<u>\$ (686)</u>	<u>\$ 87,873</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	\$ 483,388	\$ 424,656	\$ (54,739)	\$ 853,305
Receivable:				
Taxes	4,292	2,886	(4,292)	2,886
Restricted:				
Cash and investments with fiscal agents	940,731	-	(393,905)	546,826
TOTAL ASSETS	<u>\$ 1,428,411</u>	<u>\$ 427,542</u>	<u>\$ (452,936)</u>	<u>\$ 1,403,017</u>
LIABILITIES:				
Accounts payable	\$ 2,510	\$ 57,247	\$ (54,492)	\$ 5,265
Due to bondholders	1,425,901	427,543	(455,692)	1,397,752
TOTAL LIABILITIES	<u>\$ 1,428,411</u>	<u>\$ 484,790</u>	<u>\$ (510,184)</u>	<u>\$ 1,403,017</u>

(Continued)

CITY OF LANCASTER

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

For the year ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
CFD 90-1				
ASSETS:				
Pooled cash and investments	\$ 447,621	\$ 3,584	\$ (4,033)	\$ 447,172
Receivable:				
Taxes	1,544	-	(1,544)	-
TOTAL ASSETS	<u>\$ 449,165</u>	<u>\$ 3,584</u>	<u>\$ (5,577)</u>	<u>\$ 447,172</u>
LIABILITIES:				
Accounts payable	\$ 2,018	\$ 2,015	\$ (4,033)	\$ -
Due to bondholders	447,147	3,585	(3,560)	447,172
TOTAL LIABILITIES	<u>\$ 449,165</u>	<u>\$ 5,600</u>	<u>\$ (7,593)</u>	<u>\$ 447,172</u>
CFD 91-1				
ASSETS:				
Pooled cash and investments	\$ 770,534	\$ 494	\$ (453)	\$ 770,575
TOTAL ASSETS	<u>\$ 770,534</u>	<u>\$ 494</u>	<u>\$ (453)</u>	<u>\$ 770,575</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 598	\$ -	\$ 598
Due to bondholders	770,534	494	(1,051)	769,977
TOTAL LIABILITIES	<u>\$ 770,534</u>	<u>\$ 1,092</u>	<u>\$ (1,051)</u>	<u>\$ 770,575</u>

(Continued)

CITY OF LANCASTER

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

For the year ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
CFD 91-2				
ASSETS:				
Pooled cash and investments	\$ 366,163	\$ 108,176	\$ (23,695)	\$ 450,644
Receivable:				
Taxes	32,082	-	(32,082)	-
Restricted:				
Cash and investments with fiscal agents	679,830	22,903	(702,733)	-
TOTAL ASSETS	<u>\$ 1,078,075</u>	<u>\$ 131,079</u>	<u>\$ (758,510)</u>	<u>\$ 450,644</u>
LIABILITIES:				
Accounts payable	\$ 13,709	\$ 10,519	\$ (24,228)	\$ -
Deposits payable	15,810	-	-	15,810
Due to bondholders	1,048,556	108,214	(721,936)	434,834
TOTAL LIABILITIES	<u>\$ 1,078,075</u>	<u>\$ 118,733</u>	<u>\$ (746,164)</u>	<u>\$ 450,644</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Pooled cash and investments	\$ 3,678,994	\$ 1,370,206	\$ (967,880)	\$ 4,081,320
Receivable:				
Accounts	-	46,845	(13,872)	32,973
Taxes	39,913	3,207	(39,913)	3,207
Restricted:				
Cash and investments with fiscal agents	2,074,486	23,148	(1,096,638)	1,000,996
TOTAL ASSETS	<u>\$ 5,793,393</u>	<u>\$ 1,443,406</u>	<u>\$ (2,118,303)</u>	<u>\$ 5,118,496</u>
LIABILITIES:				
Accounts payable	\$ 87,470	\$ 864,848	\$ (881,898)	\$ 70,420
Deposits payable	704,292	336,555	(379,073)	661,774
Due to bondholders	5,001,631	1,092,994	(1,708,323)	4,386,302
TOTAL LIABILITIES	<u>\$ 5,793,393</u>	<u>\$ 2,294,397</u>	<u>\$ (2,969,294)</u>	<u>\$ 5,118,496</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.

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Financial Trends	161-165
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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	166-170
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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	171-175
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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	176-177
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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	178-182
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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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 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	\$ 868,784,058
Restricted	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	146,632,874
Unrestricted	(108,634,823)	(107,716,546)	93,233,996	71,812,198	23,048,243	5,094,946	30,520,092	(10,727,418)	3,063,526	(1,347,011)
Total governmental activities net assets	\$ 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	\$ 1,014,069,921
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,221,367.00)	\$ (1,317,420.00)	\$ (1,175,345)	\$ (698,271)
Unrestricted	-	-	-	-	(252,698)	(1,397,269)	2,469,059	(1,234,241)	1,748,081	3,317,256
Total business-type activities net assets	\$ -	\$ -	\$ -	\$ -	\$ (252,698)	\$ (1,397,269)	\$ (1,752,308)	\$ (2,551,661)	\$ 572,736	\$ 2,318,985
Primary government										
Net investment in capital assets	\$ 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	\$ 867,785,787
Restricted	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	146,632,874
Unrestricted	(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	1,970,245
Total primary government net assets	\$ 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	\$ 1,016,388,906

CITY OF LANCASTER

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General Government	\$ 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	\$ 8,960,666
Public Safety	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	28,407,266
Community Development	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	3,153,141
Parks, Recreation and Arts	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	16,693,089
Development Services	1,786,468	59,454,167	52,992,594	52,085,914	1,722,135	53,654,875	54,078,702	54,734,695	50,457,653	69,971,677
Housing and Neighborhood Revitalization	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	2,561,473
Interest on long-term debt	16,512,637	14,194,203	15,149,746	14,873,413	2,316,858	375,667	233,915	180,567	217,001	273,270
Total primary governmental activities expenses	\$ 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	\$ 130,020,582
Business-type activities:										
Lancaster Power Authority	\$ -	\$ -	\$ -	\$ -	\$ 1,138,830	\$ 2,990,770	\$ 3,215,141	\$ 2,170,134	\$ 2,166,532	\$ 2,039,939
Lancaster Choice Energy	-	-	-	-	-	-	-	1,430,990	20,238,595	33,808,624
California Choice Energy Authority	-	-	-	-	1,138,830	2,990,770	3,215,141	-	-	52,276
Total business-type activities expenses	\$ 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	\$ 165,921,421
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General Government	\$ 1,647,842	\$ 3,690,259	\$ 3,976,962	\$ 1,436,838	\$ 935,460	\$ 284,461	\$ 198,193	\$ 432,988	\$ 513,200	\$ 639,962
Public Safety	3,505,516	2,921,179	3,091,957	2,729,238	1,935,658	1,070,125	978,834	818,277	751,611	984,026
Community Development	1,478,571	579,523	1,045,149	738,985	3,156,519	428,817	568,214	550,551	496,533	661,602
Parks, Recreation and Arts	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	4,550,335
Development Services	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	15,011,307
Housing and Neighborhood Revitalization	1,610,734	1,655,770	1,652,359	1,676,262	283,252	908,953	1,009,550	303,541	226,958	229,371
Operating grants and contributions	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	24,106,817
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	2,949,315
Total governmental activities program revenues	\$ 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	\$ 49,132,735
Business-type activities:										
Charges for services:										
Lancaster Power Authority	\$ -	\$ -	\$ -	\$ -	\$ 1,479,116	\$ 2,937,736	\$ 3,402,736	\$ 3,273,181	\$ 3,512,716	\$ 2,818,772
Lancaster Choice Energy	-	-	-	-	-	-	-	275,128	23,437,682	36,023,817
California Choice Energy Authority	-	-	-	-	-	-	-	-	-	80,000
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	\$ 38,922,589
Total primary government program revenues	\$ 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	\$ 88,055,324
Governmental activities	\$ (25,541,223)	\$ (62,820,627)	\$ (67,969,458)	\$ (74,286,895)	\$ (70,566,073)	\$ (62,374,602)	\$ (64,838,504)	\$ (59,335,872)	\$ (70,620,908)	\$ (80,887,847)
Business-type activities:	-	-	-	-	340,286	53,034	53,036	(52,815)	4,545,271	3,021,750
Net Primary Government Revenue (Expense)	\$ (25,541,223)	\$ (62,820,627)	\$ (67,969,458)	\$ (74,286,895)	\$ (70,225,787)	\$ (62,321,568)	\$ (64,785,468)	\$ (59,388,687)	\$ (66,075,637)	\$ (77,866,097)

CITY OF LANCASTER

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 19,468,926
Transient occupancy taxes	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	2,064,522
Sales taxes	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	20,462,687
Franchise taxes	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	2,926,257
Business licenses taxes	846,911	855,453	883,017	1,008,810	955,466	906,896	929,618	983,968	915,740	842,598
Other taxes	453,943	518,992	430,826	310,397	284,519	406,441	413,913	419,034	428,651	630,705
Intergovernmental unrestricted	918,534	493,557	426,464	679,772	78,065	80,905	67,299	65,519	64,874	70,376
Use of money and property	22,647,525	10,270,036	4,275,530	3,952,452	2,102,259	38,131	252,605	331,645	532,869	465,226
Miscellaneous	557,331	619,185	293,490	336,649	3,913,577	1,008,418	331,511	1,141,731	1,041,187	2,308,190
Gain on sale of land held for resale	-	-	-	-	5,078,193	109,072	4,160,149	2,129,772	1,158,860	443,926
Transfers	-	-	-	-	600,000	600,000	600,000	800,000	1,600,000	1,358,064
Total governmental activities	\$ 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	\$ 51,041,477
Business-type activities:										
Use of Money and Property	\$ -	\$ -	\$ -	\$ -	\$ 7,016	\$ 2,421	\$ 9,533	\$ 1,762	\$ 6,041	\$ 10,109
Miscellaneous	-	-	-	-	-	42,750	47,833	51,700	173,085	72,454
Transfers	-	-	-	-	(600,000)	(600,000)	(600,000)	(800,000)	(1,600,000)	(1,358,064)
Total business-type activities	\$ -	\$ -	\$ -	\$ -	\$ (592,984)	\$ (554,829)	\$ (542,634)	\$ (746,538)	\$ (1,420,874)	\$ (1,275,501)
Extraordinary gain/(loss)	\$ -	\$ -	\$ -	\$ -	\$ 236,809,943	\$ (14,482,945)	\$ 41,469,430	\$ -	\$ 11,789,312	\$ -
Total Primary Government Revenues, Contributions, Extraordinary Items and Transfers	\$ 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	\$ 49,765,976
Change in Net Assets										
Governmental activities	\$ 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)	\$ (29,846,370)
Business-type activities	67,709,064	26,942,141	(1,936,458)	(12,498,655)	(252,698)	(607,863)	(355,039)	(799,353)	3,124,397	1,746,249
Total Primary Government	\$ 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)	\$ (28,100,121)

CITY OF LANCASTER

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 54,513,982	\$ 52,461,253	\$ 50,723,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	35,371,160
Assigned	-	-	-	6,665,011	4,889,386	4,800,218	4,680,626	4,928,059	5,271,564	16,385,000
Unassigned	-	-	-	16,502,115	11,700,986	12,927,615	8,742,053	7,363,284	14,512,289	3,799,199
Total general fund	\$ 91,836,288	\$ 87,279,897	\$ 76,668,663	\$ 63,342,372	\$ 38,910,226	\$ 26,560,575	\$ 41,643,914	\$ 42,437,721	\$ 55,053,205	\$ 55,555,359
All Other Governmental Funds										
Reserved	\$ 59,478,125	\$ 74,432,801	\$ 105,561,942	\$ 96,050,746	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	59,541,994	56,919,624	40,794,756	44,504,625	-	-	-	-	-	-
Capital projects funds	(34,197,147)	(62,191,991)	(64,562,712)	(55,635,744)	-	-	-	-	-	-
Debt service funds	24,959,978	32,721,659	14,030,167	6,665,509	-	-	-	-	-	-
Nonspendable	-	-	-	-	94,373,593	87,303,062	-	47,639	138,887	302,869
Restricted	-	-	-	-	60,392,063	56,185,252	151,441,914	153,298,355	143,175,424	138,736,574
Assigned	-	-	-	-	509	509	509	17,055	-	60,647,00
Unassigned	-	-	-	-	(4,902,734)	(5,397,190)	(2,637,423)	(2,503,461)	(2,239,594)	(4,009,386)
Total all other governmental funds	\$ 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	\$ 135,092,704

CITY OF LANCASTER

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes (see Schedule 6)	\$ 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	\$ 51,225,214
Licenses, fees, and permits	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	7,154,796
Intergovernmental	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	20,131,473
Charges for services	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	12,047,968
Investment earnings	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	865,832
Fines and forfeitures	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	1,076,830
Contributions	-	-	-	-	-	-	-	-	-	630
Rental Income	-	-	-	-	-	-	-	5,748	194,687	155,750
Miscellaneous	2,841,166	4,338,209	2,534,139	2,148,883	8,697,718	4,693,687	1,108,353	2,167,266	2,365,424	5,320,963
Total revenues	\$ 130,647,869	\$ 123,996,499	\$ 115,563,547	\$ 112,223,448	\$ 106,994,246	\$ 94,288,628	\$ 91,664,939	\$ 97,795,587	\$ 95,583,255	\$ 97,979,456
Expenditures										
General Government	\$ 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	\$ 19,648,188
Public Safety	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	28,401,068
Community Development	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	2,879,556
Parks, Recreation and Arts	11,878,211	11,853,863	10,961,119	11,335,806	16,530,854	11,639,064	12,324,636	12,819,404	15,218,334	16,157,838
Development Services	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	34,626,426
Housing and Neighborhood Revitalization	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	3,564,603
Capital outlay	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	13,067,378
Debt service										
Principal	6,128,000	5,745,000	14,282,517	6,382,000	4,832,000	6,556,995	528,151	549,758	607,293	771,403
Interest	16,518,213	13,873,812	12,838,000	14,315,824	7,195,509	463,046	244,583	221,672	185,367	293,259
Debt issuance Costs	-	-	-	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 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	\$ 119,409,719
Excess of revenues over (under) expenditures	\$ (10,087,779)	\$ (14,983,778)	\$ (59,170,261)	\$ (24,508,784)	\$ (9,822,768)	\$ (10,218,504)	\$ 2,485,272	\$ 1,585,879	\$ (8,200,031)	\$ (21,430,263)
Other Financing Sources (Uses)										
Bonds, notes and loans issued	-	-	\$ 42,160,938	-	-	-	-	-	-	\$ 14,250,000
Bonds issuance premium	-	-	-	-	-	-	-	-	-	529,230
Gain/(Loss) on sale of land	-	-	-	-	5,078,193	-	-	-	-	-
Proceeds from capital lease	-	-	-	-	-	-	-	-	255,981	555,221
Transfers in	63,688,972	55,359,163	82,081,243	48,993,462	49,040,910	24,370,408	23,086,901	24,675,475	31,209,370	22,640,266
Transfers out	(63,688,972)	(55,359,163)	(82,081,243)	(48,993,462)	(48,440,910)	(23,770,408)	(22,456,901)	(23,875,475)	(29,609,370)	(21,282,202)
Total other financing sources (uses)	-	-	42,160,938	-	5,678,193	600,000	600,000	800,000	1,855,981	16,682,515
Extraordinary, special gain/(loss)										
Net change in fund balances	\$ (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	\$ (4,737,748)
Debt service as a percentage of noncapital expenditures	21.82%	16.35%	19.85%	17.86%	12.69%	8.09%	0.99%	0.95%	0.91%	1.00%

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
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
2017	19,468,926	2,064,522	20,462,687	2,926,257	842,598	630,705	46,395,695
Change 2008-2017	-56.4%	70.4%	5.2%	17.8%	-0.5%	38.9%	-32.9%

*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)
2007-08	\$ 8,706,013	\$ 1,078,852	\$ 459,229	\$ 1,031,785	\$ 322,058	\$ -	\$ 11,597,937	0.0700	\$ 11,597,937	100.000%
2008-09	8,698,733	1,164,920	459,459	998,914	318,702	-	11,640,728	0.0702	11,640,728	100.000%
2009-10	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%
2010-11	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%
2011-12	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%
2012-13	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%
2013-14	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%
2014-15	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%
2015-16	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%
2016-17	7,772,454	1,293,080	439,480	1,175,301	309,909	(429,860)	10,560,364	0.0676	13,385,314	126.751%

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	School District	Westside School District	College		Water		Overlapping	Direct	Total	Direct (1)
2008	1.000000%	0.000000%	0.01908%	0.08488%	0.00983%	0.07049%	0.07049%	0.07049%	0.07049%	1.18428%	0.0700	0.0700	0.0700	0.0700
2009	1.000000%	0.000000%	0.02095%	0.09374%	0.01682%	0.07049%	0.07049%	0.07049%	0.07049%	1.20200%	0.0702	0.0702	0.0702	0.0702
2010	1.000000%	0.000000%	0.02421%	0.02282%	0.02460%	0.07049%	0.07049%	0.07049%	0.07049%	1.14212%	0.0676	0.0676	0.0676	0.0676
2011	1.000000%	0.000000%	0.02902%	0.03061%	0.02539%	0.07049%	0.07049%	0.07049%	0.07049%	1.15551%	0.0676	0.0676	0.0676	0.0676
2012	1.000000%	0.000000%	0.02913%	0.03074%	0.02599%	0.07049%	0.07049%	0.07049%	0.07049%	1.15635%	0.0676	0.0676	0.0676	0.0676
2013	1.000000%	0.000000%	0.03075%	0.03380%	0.02949%	0.07049%	0.07049%	0.07049%	0.07049%	1.16453%	0.0676	0.0676	0.0676	0.0676
2014	1.000000%	0.000000%	0.02602%	0.05503%	0.02741%	0.07049%	0.07049%	0.07049%	0.07049%	1.17895%	0.0676	0.0676	0.0676	0.0676
2015	1.000000%	0.000000%	0.02585%	0.04837%	0.02480%	0.07049%	0.07049%	0.07049%	0.07049%	1.16951%	0.0676	0.0676	0.0676	0.0676
2016	1.000000%	0.000000%	0.02428%	0.05449%	0.02556%	0.07049%	0.07049%	0.07049%	0.07049%	1.17482%	0.0676	0.0676	0.0676	0.0676
2017	1.000000%	0.000000%	0.02474%	0.05512%	0.02560%	0.07049%	0.07049%	0.07049%	0.07049%	1.17594%	0.0676	0.0676	0.0676	0.0676

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**

	2016-2017			2007-2008		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Kaiser Foundation Hospitals	\$ 76,631,263	1	0.73%	\$ 108,561,201	1	0.94%
Provident Housing Resources In	48,953,065	2	0.46%	46,122,972	2	0.40%
Wal Mart Real Estate	48,812,599	3	0.46%	45,900,000	3	0.40%
Thrifty Payless Inc.	47,987,872	4	0.45%	42,983,789	4	0.37%
Us Industrial Reit Ii	45,284,000	5	0.43%	33,002,633	5	0.28%
Cp Antelope Shops LLC	40,385,821	6	0.38%	31,308,185	6	0.27%
Mgf Cordova Park LP	35,357,704	7	0.33%	28,039,299	7	0.24%
Caritas Affordable Housing Inc+A8:F32	34,410,307	8	0.33%	27,813,578	8	0.24%
Fts Property Holdings LLC	33,308,564	9	0.32%	27,270,280	9	0.24%
Mgp Ix Properties LLC	29,383,383	10	0.28%	25,419,398	10	0.22%
Castleblack Lancaster Owner LL	25,305,324	11	0.24%	23,637,028	11	0.20%
Mg Stenna Heights Apt I LP	24,443,819	12	0.23%	23,592,600	12	0.20%
Mg Granada Villas Apt I LP	23,654,170	13	0.22%	20,853,978	13	0.18%
Sygma Network Inc.	22,801,042	14	0.22%	20,582,166	14	0.18%
				19,094,821	15	0.16%
				18,679,044	16	0.16%
Top 5% Total	\$ 536,718,933		5.08%			
City Total			100.00%			
				\$ 594,805,259		5.13%
						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
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%
2017	6,205,334	100%	6,205,334	100%	-	6,205,334	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			
2008	\$	\$ 15,720	\$ 5,455	\$	\$ 17,758	\$	\$ 274,593	432.26%	1.82
2009		15,170	5,070		17,598		268,303	407.69%	1.75
2010		15,000	4,680		17,439		298,264	437.04%	1.90
2011		14,455	4,265		15,579		289,904	443.45%	1.84
2012		40,780	3,760		13,694		307,394	502.15%	1.95
2013		34,465	3,295		9,476		289,701	459.11%	1.85
2014		30,970	2,805		9,561		272,291	439.21%	1.73
2015		29,795	2,280		7,309		258,099	412.57%	1.64
2016		28,555	1,370		4,159		227,484	354.94%	1.44
2017		27,275	15,200		2,900		225,785	338.84%	1.43

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)

Fiscal Year	General Bonded Debt Outstanding				Percentage of Actual Taxable	
	General		Tax Allocation		Value ^a of Property	Per Capita ^b
	Obligation	Redevelopment	Bonds	Total		
2008	\$ -	\$ 235,660	\$ 235,660	\$ 235,660	2.0094%	1.56
2009	-	230,465	230,465	230,465	1.9798%	1.50
2010	-	261,145	261,145	261,145	2.6571%	1.67
2011	-	255,605	255,605	255,605	3.0438%	1.62
2012	-	249,160	249,160	249,160	2.9804%	1.58
2013	-	242,465	242,465	242,465	2.9359%	1.55
2014	-	228,955	228,955	228,955	2.7012%	1.45
2015	-	218,715	218,715	218,715	2.3419%	1.39
2016	-	193,400	193,400	193,400	1.9368%	1.23
2017	-	180,410	180,410	180,410	1.7084%	1.14

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, 2017**

2016-17 Assessed Valuation: \$10,680,868,667

Governmental Unit

Debt repaid with property taxes:

Antelope Valley Joint Community College District	\$ 287,028,682	33.88%	\$ 97,245,317
Antelope Valley Union High School District	63,289,873	38.492	24,361,538
Eastside Union School District	7,115,113	62.669	4,458,970
Lancaster School District	42,201,319	97.131	40,990,563
Westside Union School District	63,124,731	28.934	18,264,510
Westside Union School District Community Facilities Districts	20,039,330	100	20,039,330
City of Lancaster Community Facilities Districts No. 89-1	1,295,399	100	1,295,399
City of Lancaster Lighting Maintenance District	14,250,000	100	14,250,000
City of Lancaster 1915 Act Bonds	950,000	100	950,000
Los Angeles County Regional Park and Open Space Assessment District	38,895,000	0.794	308,826
Total Overlapping Tax And Assessment Debt			\$ 222,164,453

Direct And Overlapping General Fund Debt:

Los Angeles County General Fund Obligations	\$ 1,996,576,065	0.79%	\$ 15,852,814
Los Angeles County Superintendent of Schools Certificates of Participation	7,204,988	0.794	57,208
Eastside Union School District Certificates of Participation	3,500,000	62.669	2,193,415
Lancaster School District Certificates of Participation	7,715,000	97.131	7,493,657
Los Angeles County Sanitation District No. 14 Certificates of Participation	1,950,417	75.614	1,474,788
City of Lancaster Power Authority Revenue Bonds	22,605,000	100	22,605,000

Total Gross Direct And Overlapping General Fund Debt

Less: Lancaster Power Authority Revenue Bonds supported by solar utility revenues

Total Net Direct And Overlapping General Fund Debt

Overlapping Tax Increment Debt:

City of Lancaster Tax Allocation Bonds	\$185,080,000	100.00%	\$185,080,000
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TOTAL GROSS DIRECT DEBT

TOTAL NET DIRECT DEBT

TOTAL OVERLAPPING DEBT

GROSS COMBINED TOTAL DEBT

NET COMBINED TOTAL DEBT

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.

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt

Total Gross Direct Debt (\$32,095,000)

Total Net Direct Debt (\$5,200,000)

Gross Combined Total Debt

Net Combined Total Debt

Ratios to Redevelopment Incremental Valuation (\$6,710,555,240):

Total Overlapping Tax Increment Debt

2.08%
0.21%
0.00%
4.28%
4.07%

2.76%

CITY OF LANCASTER

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

	Fiscal Year									
	<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>	<u>2017</u>
Assessed Valuation	\$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	\$ 10,560,364
Debt limit (3.75% of Gross AV)	\$ 439,797	\$ 441,643	\$ 368,551	\$ 314,909	\$ 313,496	\$ 309,696	\$ 317,852	\$ 350,214	\$ 374,454	\$ 396,014
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 439,797</u>	<u>\$ 441,643</u>	<u>\$ 368,551</u>	<u>\$ 314,909</u>	<u>\$ 313,496</u>	<u>\$ 309,696</u>	<u>\$ 317,852</u>	<u>\$ 350,214</u>	<u>\$ 374,454</u>	<u>\$ 396,014</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Los Angeles County Assessor data, MuniServices, LLC

CITY OF LANCASTER

Pledged-Revenue Coverage

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year	Redevelopment Tax Allocation Bonds			
	Property Tax Increment	Principal	Debt Service Interest	Coverage
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
2017	21,248	6,350	7,600	1.52

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
2008	151,181	\$ 63,525	\$ 20,692	10.70%
2009	153,613	65,810	21,507	16.20%
2010	156,633	68,246	22,523	17.50%
2011	157,803	65,375	20,623	17.10%
2012	157,515	61,215	19,311	15.30%
2013	156,809	63,100	19,905	13.90%
2014	157,458	61,996	19,557	11.98%
2015	157,658	62,559	19,428	7.40%
2016	157,859	64,090	19,904	5.90%
2017	157,820	66,634	19,832	5.26%

- 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/cgj/dataanalysis/areaselection.asp?tablename=labforce>
 - Unemployment Rate not seasonally adjusted
 - 2017 Unemployment Rate is preliminary

CITY OF LANCASTER

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

<u>Employer</u>	2017			2008		
	<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	11,457	1	15.01%	12,800	1	20.99%
China Lake NWC	6,520	2	8.54%	6,580	2	10.79%
Northrop Grumman	4,200	3	5.50%	3,700	3	6.07%
County of Los Angeles	4,136	4	5.42%	3,546	4	5.82%
Lockheed Martin	3,700	5	4.85%	2,370	5	3.89%
Antelope Valley Hospital	2,500	6	3.28%	2,232	6	3.66%
Antelope Valley Union Highschool District	2,500	7	3.28%	2,100	7	3.44%
Lancaster School District	2,200	8	2.88%	2,070	8	3.40%
Wal Mart Sotres (5)	1,922	9	2.52%	1,963	9	3.22%
AV Mall	1,800	10	2.36%	1,800	10	2.95%
TOTAL Employment	76,329		53.63%	60,967		64.23%

Source: 2016 City of Lancaster Economic Development; CA EDD; GAVEA. 2008: City of Lancaster CAFR FY 2007-2008

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.

CITY OF LANCASTER

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

Function	Full-time-Equivalent Employees									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
City Manager	5	5	7.63	7.63	8.25	8.25	9.25	10.25	11.75	12.75
City Clerk	5	5	3.62	3.62	4	4	3	2	3	3
Administrative Services	4	4	4	4	2	4	8	6	3	1
Finance	21	21	21	21	22	21	25	24	25	25
Human Resources	10	10	10	11	5	5	5	5	4	6
Planning	16	16	12	12	12	-	-	-	-	-
Redevelopment	37	37	38	38	-	-	-	-	-	-
Housing and Neighborhood Revitalization	-	-	-	-	30	22	20	19	20	20
Economic Development	-	-	-	-	4	2	2	3	4	4
City Attorney	-	-	-	-	0	0	0	1	1	2
Lancaster Choice Energy	-	-	-	-	0	0	0	0	8	8
Public Safety	21	21	16	20	16	15	13	13	12	12
Parks, Recreation and Arts	66	66	59	59	56	54	51	53	45	45
Public Works	144	144	125	124	128	-	-	-	-	-
Development Services	-	-	-	-	-	124	125	124	131	131
Less vacancies filled by internal recruitments							-11	-8	-22	-18.75
Total	329	329	296.25	300.25	287.25	259.25	250.25	252.25	245.75	269.75
Year over year	32.3	0	-32.75	4	-13	-28	-9.00	2.00	-6.50	24.00

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2017</u>	
General government											
Business licenses											
New business licenses issued	606	1,272	1,326	1,238	1,201	1,169	1,178	1,325	1,135	1,188	
Business licenses renewed	2,499	4,103	3,904	4,101	3,972	3,989	4,073	4,315	4,385	4,143	
Business improvement district											
BID licenses issued	4	23	23	38	73	42	21	27	21	*	
BID licenses renewed	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	4	
Business licenses renewed	0	21	27	40	45	46	39	23	25	13	
Tow Business licenses											
New business licenses issued	8	14	12	23	20	25	16	24	15	9	
Business licenses renewed	2	24	41	44	44	37	45	32	42	35	
Group Home Business licenses											
New business licenses issued	3	14	16	6	1	2	7	7	6	7	
Business licenses renewed	0	3	17	25	33	33	42	43	53	29	
LANCAP Business licenses											
New business licenses issued	79	848	844	1,168	781	579	577	567	449	448	
Business licenses renewed	818	1,137	1,864	2,693	3,228	3,522	3,774	4,058	4,147	4094	
Massage Business licenses											
New business licenses issued	56	79	103	63	43	29	16	10	24	40	
Business licenses renewed	5	72	66	69	63	48	44	35	39	31	
News rack Permits											
New permits issued			4	1	0	0	0	-	-	0	
Permits renewed			0	4	3	4	5	2	1	1	
Human Resource Recruitments	30	23	22	4	2	12	22	26	40	31	
Public Safety											
Physical arrests	17,606	17,867	27,854	12,778	11,371	11,929	7,474	8,374	6,971	8,256	
Citations	23,031	26,407	25,386	22,025	15,401	3,265	10,487	8,616	9,987	8,919	
Community Safety											
Parking violations	28,389	17,616	41,505	31,089	26,632	20,784	17,224	15,669	17,599	29,663	

CITY OF LANCASTER

Operating Indicators by Function/Program

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2017</u>
Development Services										
Building permits issued	1,400	907	1,444	2,228	2,600	3,192	1,777	1,270	3,795	3,460
Centerline miles maintained	627	621	630	630	633	640	640	640	640	640
No of Traffic Signals	139	145	141	138	138	137	139	147	139	153
Fleet Vehicles Maintained	307	320	295	292	301	301	318	323	322	320
Sponsored recycling event	12	30	0	0	5	7	4	4	4	4
Street sweeping - residential miles	14,770	15,678	15,678	16,274	16,375	16,522	16,651	16,651	16,655	14,407
Street sweeping - arterial miles	8,960	9,224	2,220	2,234	2,245	2,267	2,279	2,279	2,280	2,702
Street sweeping - alley miles	900	900	0	0	0	0	0	0	0	-
Street sweeping - raised median curb miles	2,015	2,106	0	0	10	0	0	0	0	631
Parks, Recreation and Arts										
Maintenance Services										
No. of developed park sites	13	13	13	14	14	14	14	14	14	14
No. of acres maintained	365	438	449	463	463	463	463	463	463	463
No. of trees in right of way	44,773	47,022	58,987	61,225	61,324	61,462	68,000	68,320	68,320	68,320
Recreation										
Community Events Sponsored	10	10	16	21	21	21	22	23	23	23
Youth Sport Participants	315	295	315	315	323	329	349	334	417	898
Adult league basketball teams	67	74	67	65	58	63	62	44	36	55
Adult league softball teams	474	493	545	542	474	511	495	195	195	409
Softball tournaments- no. of teams	572	681	582	624	500	533	597	589	476	790
Soccer tournaments-no. of teams	2,057	2,130	2,530	1,959	2,100	2,203	3,699	2,765	3,756	1,931
Instructional class enrollments*	7,499	7,425	6,839	6,814	6,115	7,468	6,607	8,911	7,635	8,551
Performing Arts Center										
Season Performances	94	94	97	68	55	74	59	95	53	54
Tickets Sold	34,850	45,360	39,376	33,590	27,913	31,525	23,829	32,124	28,564	29,541
Outreaches	32	35	32	33	23	20	19	24	24	23
Master Classes	2	2	1	3	0	9	2	2	1	1
Acting Workshops	4	4	0	0	0	1	0	0	0	0
Theater Rentals	85	126	92	51	55	75	78	75	49	71
Rental tickets sold	25,500	29,940	29,940	21,009	16,705	17,770	16,094	16,945	20,600	16,752

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 within city boundary

Estimates

Not available at time of inquiry

* Migrated to new business license software in FY 16/17. Data for BID licenses not available. Will work to have this information in FY 17/18.

CITY OF LANCASTER

Capital Asset Statistics by Function/Program

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government										
City Hall	1	1	1	1	1	1	1	1	1	1
Annex/Record Center	1	1	1	1	-	-	-	-	-	-
Community Development										
Brierwood Mobile Home Park	1	1	1	1	-	-	-	-	-	-
Desert Sands Mobile Home Park	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	4	4	4	4	4	3	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)	627	621	630	630	633	640	640	1,765	1,765	1,765
Streetlights (owned by City)	1,600	1,141	1,112	1,149	1,157	1,875	1,895	1,895	1,908	19,576
Traffic signals	139	145	141	138	138	137	139	147	145	453
Street Signs	27,000	28,000	28,533	29,058	26,334	26,378	26,400	26,412	26,472	26,759
Fleet Vehicles	307	320	295	292	301	301	318	304	322	320
Storm Drain Pipe (LF)		117,142	381,110	381,821	434,005	485,113	485,113	485,113	485,113	420,239
Storm Drain Box (LF)		20,803	31,570	31,570	26,169	27,993	27,996	27,996	27,996	
Storm Drain Box (Each)										1,547
Storm Drain Channel (LF)		48,715	48,715	48,715	44,883	44,883	44,883	44,883	44,883	45,733
Sewer Pipe (LF)		2055473*	2244000*	2,077,192	2,265,580	2,261,609	2,265,120	2,265,120	2,262,626	2,268,696
Sewer Manholes		8000*	9083*	8,089	9,005	9,035	9,188	9,042	8,966	8,975
Sewer Lift Station		1	1	1	1	1	1	1	1	1

CITY OF LANCASTER

Capital Asset Statistics by Function/Program

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2017</u>	
Parks, Recreation and Arts											
Acreage	365	525	525	538	538	538	538	538	538	538	
Developed park sites	12	13	13	14	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	8	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	8	8	8	8	8	8	8	8	8	

Sources: Various city departments.

*Estimated figures



City of Lancaster
Department of Finance
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