

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

CITY OF PALMDALE, CALIFORNIA



For the Fiscal Year Ended

June 30, 2012

Prepared By

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 For the Year Ended June 30, 2011

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Introductory

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2012



PALMDALE

a place to call home

March 8, 2013

JAMES C. LEDFORD, JR.
Mayor

TOM LACKEY
Mayor Pro Tem

LAURA BETTENCOURT
Councilmember

MIKE DISPENZA
Councilmember

STEVEN D. HOFBAUER
Councilmember

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Auxiliary aids provided for

communication accessibility

upon 72 hours notice and request.

Honorable Mayor, Members of the City Council,
and Citizens of the City of Palmdale:

Accepted practice recommends that all local governments publishing a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants 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. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Palmdale for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the City of Palmdale. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Palmdale has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Palmdale's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Palmdale's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Palmdale's financial statements have been audited by Vavrinek, Trine, Day, & Co., LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palmdale for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examination on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Palmdale's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Palmdale was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Palmdale's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Palmdale's MD&A can be found immediately following the report of the independent auditors.

Palmdale History

Today's Palmdale has its roots in two small, early communities: Harold (Alpine Station) and Palmenthal. Harold was a natural location for a community because it was at the crossroads of the two major routes on the Valley floor, the Southern Pacific Railroad tracks and Fort Tejon Road (now Barrel Springs Road). In the late 1890s Harold was reduced to a few residents when the railroad decided to build a larger station for its booster engines. Booster engines were needed to get the train over the San Gabriel Mountains, and they needed to be started on flat land. Harold was not flat, and so the new station was built a short distance north of Harold, at what is now central Palmdale.

Palmenthal came to be in 1886 when between 50 and 60 families of Swiss and German descent were moving westward from the Midwest to California. As the settlers came to the Antelope Valley and saw our Joshua trees, they mistook them for palm trees. The families settled about three miles southeast of the present Civic Center and called their new town Palmenthal. The 1890s were a decade of boom and bust spurred on by the lure of cheap land and good living. In 1899 the community relocated to the heart of present-day Palmdale, and changed its name to Palmdale. So this is how Palmdale came to be. Palmenthal and Harold both came to be abandoned, and both settlements relocated to the center of the new city of Palmdale by the new Southern Pacific railroad station.

The Primary Government

The City of Palmdale was incorporated on August 24, 1962 and became a charter City in November 2009. The City is located 60 miles north of Los Angeles and is situated in the high desert at an elevation of 2,600 feet with an average mean temperature of 72 degrees Fahrenheit. Palmdale is an upper-middle class community, with a median household income of \$55,213 in 2011, which is comparable to Los Angeles at \$61,632. Palmdale residents enjoy a comfortable hometown feel with a strong family orientation, excellent education system and abundant opportunities in a safe environment.

There are eighty-eight cities in Los Angeles County with a total population of 9.8 million. Palmdale is the sixth largest and one of the fastest growing cities in the county. The City currently occupies a land area of 104 square miles and serves a population of 153,708. The City is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Palmdale operates under the council/manager form of government. The five member City Council consists of an elected Mayor who serves a two-year term and four other members who are elected at large to overlapping four-year terms. The Mayor Pro Tem is selected from among the City Council members. The City Manager serves at the pleasure of the City Council and administers the City's affairs and carries out policies established by the City Council. The City Council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring both the city manager and city attorney. The city manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the government, and for appointing various department heads. The City provides the following municipal services:

Municipal Services

Building Services
Economic Development
Engineering
Finance
Library
Parks, Recreation, and Cultural
Human Resources
Planning and Zoning
Public Safety
Public Works

The annual budget serves as the foundation for the City of Palmdale's financial planning and control. All departments of the City of Palmdale are required to submit requests for appropriation to the city manager on or before March 31 each year. The city manager uses these requests as the starting point for developing a proposed budget. The city manager then presents this proposed budget to the council for review prior to May 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than July 1. The appropriated budget is by fund, function, and department. Department heads may make transfers of appropriations within a department.

Dissolution of Redevelopment– Change in Accounting and Reporting Focus

As of January 31, 2012, the Community Redevelopment Agency of the City of Palmdale ceased to exist. The statewide dissolution of redevelopment, per AB1X26 which was upheld by the State Supreme Court in December 2011, has changed the way in which redevelopment activity is presented in the financial statements. In prior fiscal years, the activities of the Community Redevelopment Agency of the City of Palmdale were reported as a component unit within the City's financial statements, as well as in stand-alone reports prepared and reviewed by the City's independent auditors.

The fiscal year 2011-12 financial statements will show activity of the former Community Redevelopment Agency for a truncated seven-month period (July 1, 2011 through January 31,

2012). This is the period where redevelopment still legally existed, prior to the State Supreme Court upholding AB1X26 in December 2011. Accounting procedures now require the activities of the former Community Redevelopment Agency to be recorded in the fiduciary fund statements (as a Private Purpose Trust Fund), instead of the Governmental Funds statements.

Also, under the provision of AB-1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Successor Agency Housing Authority - Housing Asset Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

Therefore, the financial statements will reflect "extraordinary gains" and "extraordinary losses" as accounting entries to record the transition of activity from January 31, when the former Community Redevelopment was part of the Governmental Funds statements, to February 1, 2012, when the former Community Redevelopment became a Fiduciary Fund for the purposes of financial reporting. Additional reporting requirements can be found in the notes to the basic financial statements.

The accompanying Comprehensive Annual Financial Report includes the financial activities of the City of Palmdale, the primary government, and its component units, which are the former Community Redevelopment Agency (for the seven month-period as described above) of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority of the City of Palmdale, and the Industrial Development Authority of the City of Palmdale. Financial information for the City and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate session, serve as the governing board of the former Community Redevelopment Agency, the Palmdale Civic Authority, the Housing Authority, and the Industrial Development Authority and, as such, these entities are presented on a blended basis.

The Former Community Redevelopment Agency of the City of Palmdale (the Agency) was established in March 1975, pursuant to provisions of the State of California Health and Safety Code. The Agency was subject to the financial accountability of the City Council of the City of Palmdale, California (City) and accordingly, is a component unit, until the date of dissolution effective January 31, 2012, of the City although it is a separate legal entity. The Agency's primary purpose was to eliminate blighted areas within the City by encouraging development of residential, commercial, industrial, recreational, and public facilities. The Agency received incremental property tax revenue on property within its project areas over a based assessed valuation on the date the project was established. As more fully explained at Note 19, on December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California effective January 31, 2012. Seven months activity of the Agency is reported in the Special Revenue, Debt Service and Capital Projects Funds. All assets and liabilities were transferred to the Successor Agency Private-Purpose Trust Fund which is used to account for assets held by the City of the former Community Redevelopment Agency.

The Palmdale Civic Authority (the Authority) was originally created under a joint powers agreement between the City of Palmdale (City) and the former Community Redevelopment Agency of the City of Palmdale (Agency) in May 1976, for the purpose of financing public improvements in the City. The Authority is financially accountable to the City and, accordingly, is a component unit of the City although it is a separate legal entity. Assets of the Authority, after

providing for all debts and obligations, are to be transferred to the City upon final payment of the loans.

Housing Authority of the City of Palmdale (the Housing Authority) was established in April 1997, pursuant to provisions of the State of California Housing Authorities Law. The Housing Authority is subject to the financial accountability of the City Council of the City of Palmdale, California (the City) and, accordingly is a component unit of the City although it is a separate legal entity. The Housing Authority's primary purpose is to address the shortage of multi-family housing in the City of Palmdale with respect to which long-term affordability for low-income persons is ensured as the result of recorded agreements or covenants. The Housing Authority elected to become the Housing Successor and on February 1, 2012, certain housing asset were transferred to the City's Successor Agency Housing Authority - Housing Asset Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

Industrial Development Authority of the City of Palmdale (the IDA) was established in February 1995, and is authorized to issue bonds pursuant to the provisions of the California Industrial Financing Act (constituting Sections 91500 et seq. of the California Government Code, the "Law") for the purpose of providing financing for the acquisition, construction, and equipping of industrial facilities.

Factors Affecting Financial Condition

Local Economy

During the fiscal year, the local economy rebounded slightly, consistent with regional and national trends, but recovery for the City has been slow and the lingering effects of the recession are still apparent. Key revenues that serve as leading indicators in an economic recovery, such as sales tax and transient occupancy tax (TOT) derived from consumer spending and tourism, are trending up. Sales tax revenues, having increased for eight straight quarters when compared to the same quarters one year earlier, were up 1.7% and 5.8% for fiscal years 2011-2012 and 2010-11, respectively. TOT revenues have also grown for the past two years with fiscal year 2011-2012 posting a gain of 5.9%. In addition, Business License Taxes, also an economically sensitive revenue source, grew by 8.1%.

The increases in consumer spending, tourism, and business licensing are tempered by broader factors that could affect the U.S. and the local economy. Experience from past recessions indicates that unless the pace of economic growth ranges from 4% to 8% during the first two to three years of recovery, which speeds up the re-entry of the unemployed to the workplace, it will be several years before we return to a typical pre-recession growth path. In addition, local governments traditionally recover one to three years after the general economy rebounds. During 2011 and 2012, growth in the United States averaged 1.8% and 2.3%, respectively. On January 23, 2013, the International Monetary Fund, a global financial institution headquartered in Washington, DC, forecast growth in the U.S. to average 2.0% in 2013 and 3.0% in 2014, with trends in the second half of each of these years rising above trend to 2.4% and 3.2%, respectively. Unemployment rates, although better than a year ago, also continue to impact the overall pace of the recovery. As reported by the US Department of Labor Bureau of Labor Statistics, the City's unemployment rate declined from 15.5% in June 2011 to 13.7% in June 2012, compared to 10.2% for the County, 10.7% for the State, and 8.2% for the U.S.

It should be noted that while Sales Tax, TOT and Business License receipts have improved, Building Permits and Property Taxes have continued to decline, though at a significantly slower pace than in prior years indicating a leveling off in these revenues. Builders continued to remain cautious in the housing market, undertaking smaller and fewer projects, resulting in an 18.4% decrease in Building Permits. In addition, further downward adjustments in assessed property tax values resulted in a 1.1% overall decrease in Property Taxes. Nonetheless, housing, which is one indicator of economic stability, is showing signs of improvement. In Los Angeles County, the California Association of Realtors reported that home sales rose 5.8 percent the period of January 2012 through June 2012 over the same period in 2011. While home prices continue to be weak, recent data indicates the downward trend may have begun to turn around. The median home sales price in Los Angeles County increased 1.7 percent in May 2012 and 5.3 percent in June 2012 over the same months in 2011. As property values stabilize, we expect a slow recovery in both Building Permits and Property Tax receipts over the next several years.

State Budget Impacts

Additional uncertainty remains with respect to the State of California's chronic budget problems. As in past years, the State continues to seize local revenues in an attempt to fix the continuing State budget deficit. During FY 2009-10 and FY 2010-11, the State raided redevelopment funds and Palmdale's Redevelopment Agency (RDA) was forced to pay \$11.6 million in May 2010 and \$2.4 million in May 2011. This shift in RDA funds was not a loan – it was a direct take by the State of California. Then in June 2011, the governor signed Senate Bill 89 of 2011, effective July 1, 2011, which eliminated Vehicle License Fee Revenue previously allocated to cities under the California Revenue and Taxation Code resulting in an annual loss to the City of approximately \$750,000. Although the League of California Cities has challenged this action in court as a Constitutional violation, unless there is a change in law, the City expects no further VLF revenues.

Last fiscal year staff reported that the State's then budget plan included proposals which could effectively end redevelopment agencies in California. At the time there was optimism that a compromise agreement would be reached to preserve redevelopment while providing much needed financial support to the State. Unfortunately, the State Legislature adopted AB1X26, the Dissolution Act, which was found constitutional by the State Supreme Court and resulted in the elimination of all redevelopment agencies statewide effective January 31, 2012, thereby eliminating a critical mechanism to improve communities and create jobs through the elimination of blight and support for economic development. Pursuant to AB1X26, the ongoing commitments of the prior RDA that are deemed "enforceable obligations" will continue to be funded by a portion of the property tax increment previously allocated to the RDA. The elimination of the RDA has resulted in operating impacts to the General Fund of approximately \$1.9 million in FY 2011-12 and \$3.3 million in FY 2012-13 as some staff costs, administrative expenses, and other overhead and allocated services were not approved as enforceable obligations.

As of January 31, 2012, the City's Community Development Agency ceased to exist as a separate, legal entity able to undertake redevelopment activities. A "Successor Agency" has taken the place of the Community Redevelopment Agency and the City's fund and accounting reporting has been updated accordingly to reflect this new entity.

In addition to the countless State auditing and reporting requirements related to AB1X26, the City is dealing with a new method of accounting for the former Community Redevelopment Agency and the Successor Agency. The City and Successor Agency are now required to complete and

submit, every six months, “Redevelopment Obligation Payment Schedules” (ROPS) to the State Department of Finance (DOF). These ROPS list “enforceable obligations” (i.e., expenditure requirements) of the Successor Agency, such as debt service payments, project specific administrative expenses, and loan repayments from the former Community Redevelopment Agency to the City. The ROPS are then reviewed by the DOF and a determination is provided on which enforceable obligations the DOF determines are allowable.

Needless to say, this process makes it difficult to responsibly plan and forecast with any semblance of stability. Since the DOF reviews each ROPS on a “sample” or “test” basis, and since the personnel assigned to review each ROPS differ from period to period, the determinations of what is allowed have been uneven from each six month period. While the City will continue to meet its debt service obligations for its tax allocation and revenue bonds, there are other required expenses that have been disallowed by the DOF. Beginning with the ROPS submitted for the January – June 2013 period (ROPS III), the State allows a “meet and confer” if the agency disagrees with the DOF’s determination. The City received its final determination for ROPS III.

There are other dissolution processes such as the required “due diligence review” (DDR) that will affect the City and Successor Agency in the coming fiscal year. The outcomes of the DDR’s will determine the amount of fund balance the Successor Agency will be allowed to retain in order to meet certain enforceable obligations. Management has completed the Low and Moderate Income Housing DDR and is in the process of working with the Department of Finance to determine how much of the funds will be allowed to be retained by the Successor Agency. Also, Management is currently engaged in the preparation and review of the former Community Redevelopment Agency for the non-low and moderate income housing DDR.

On an ongoing basis, the City will need to plan on how to effectively deal with the dissolution of redevelopment. Not only will management need to work closely with the DOF and other State agencies to protect its interests, but alternative methods of funding capital projects and economic development will need to be found.

Federal Budget Impacts

The growing federal deficit is also likely to impact City finances, as most federal budget reductions have come at the expense of domestic spending in federal programs, primarily in the areas of housing, community development block grants, public transportation, and public safety. Current decisions being made in Washington to reduce the Federal deficit may result in major cuts to Federal expenditures and overall higher rates of taxation. These actions could stall the modest economic recovery of the last two years.

Long Term Financial Planning

As we continue to deal with the lingering effects of the recession on the City’s economically sensitive revenues, it is vital to maintain focus on the long-term health of the organization in order to deliver needed services to residents. We must also continue to preserve the City’s ability to respond to external financial challenges such as continued increases in our law enforcement, retirement, and healthcare costs, as well as federal and state funding decreases.

During the 5 year period from fiscal years 2007-08 through 2011-12, as structural changes were being made to ensure long term fiscal health, the City used approximately \$15.2 million in undesignated General Fund reserves. The reserves were used to ensure devastating programmatic

reductions were not made that would have otherwise been necessary to eliminate the structural deficit sooner. The most significant structural changes have come from the reduction of positions, suspension of cost of living increases, and shifting more of the costs associated with benefits to the employees, such as a larger portion of the California State Public Employees Retirement System (CalPERS) retirement contribution. Despite these efforts, there still remains a General Fund structural deficit. This deficit is expected to continue through the 2013-2014 fiscal year due to costs associated with the State's dissolution of redevelopment, increases in our pension rates as CalPERS continues to address their unfunded liability resulting from lower projected earning rates and significant investment losses incurred during the great recession, increases in the liability premiums and cost of living adjustments on the law enforcement contract, lower property tax and building permit revenues, and slow economic recovery.

Recognizing the City's maintenance of very strong available general fund reserves, supported by well-embedded financial management policies and procedures, Standard and Poor's and Moody's Investor Services affirmed their A+ and Aa3 issuer credit ratings, with a stable outlook on Palmdale in November 2012. Therefore, the City will continue to maintain its conservative fiscal approach and monitor the need to take further actions in the future to reduce costs.

Also, recognizing the state budget crises and economic challenges that face the nation as a whole, the City is working diligently to implement infrastructure improvements using a variety of grants and restricted funding sources. The City's efforts are highlighted by the following projects:

Amargosa Creek Aquifer Recharge Project

The project directly addresses several of the water conservation and water banking priorities identified in the Strategic Plan. Beyond capturing water supplies from the California State Water Project (aqueduct) and storm flows by allowing the water to percolate into the Antelope Valley aquifer, it will also provide a precedent-setting creek-side nature park for use by residents. After demonstrating project feasibility and identifying project funding the project now enters the design phase.

Street Resurfacing Program

This annual Program implements the City's commitment to sound pavement management by resurfacing roadway infrastructure based upon consultant recommendations in the City's Pavement Management Survey and maintenance field inspections. Resurfacing by asphalt overlay is utilized for those streets in need of immediate attention. Slurry sealing streets in advance of significant distress is employed where possible to reduce future costs and the need for more expensive overlay.

Rancho Vista Boulevard /10th Street East Intersection (Phase 1 of Grade Separation)

As directly identified in the Transportation portion of the Strategic Plan, Phase 1 includes a traffic signal and intersection upgrade of 10th Street East and Rancho Vista Boulevard. The project will allow better traffic movement and will reduce idle times at these intersections. This preliminary phase prepares the way for the grade separation of the intersection of Sierra Highway, Southern Pacific Rail Road, Metrolink, High Speed Rail and Rancho Vista Boulevard.

Avenue R/10th Street East Intersection Improvements

Approximately 90% of this project is funded through a Federal Highway Safety Improvement Project (HISP) grant. At completion this project will enhance the safety at this busy intersection. Improvements include new traffic signal, turn pockets, utility relocations and minor drainage improvements.

Public Works Maintenance Yard Upgrade

The Public Works Department has been working on a Maintenance Center Master Plan Facility document for the last several years. A Conditional Use Permit (CUP 11-004) was approved by the Planning Department in June 2011 to allow for construction of a 57,020 square foot phased expansion to the City of Palmdale Department of Public Works Central Maintenance Yard, located at 39110 3rd Street East.

The intended Phase 1 of the design build project was to include the following: an approximately 20,000 square foot steel warehouse building; a 6,300 square foot Administration Building; removal of two existing modular buildings; underground utilities including fire line with three hydrants; electrical and fiber line; minimal site improvements; and removal of cargo containers to be in compliance with the City of Palmdale's Zoning Ordinance. This project will satisfy a vital need for housing the maintenance staff and maintenance equipment including the expanding Utilities Division for many years.

Yellen Park Frontage Improvements and Park Development

The project will provide a 24.3-acre multi-purpose park and drainage basin. Future park amenities will include a soccer field, softball field, tennis courts, playground, activity building, and restrooms.

Palmdale Hybrid Power Project

In FY 2006-07 the City began a process to obtain a permit for the construction of an electrical power plant within the City's boundaries. As of June 30, 2012 the project received the California Energy Commission ("CEC") certificate to construct and operate PHPP (the "CEC Permit") on August 10, 2011. This CEC Permit remains valid and in full force and effect and, pursuant to CEC regulations, is valid for five years (i.e., commencement of construction must occur by August 10, 2016) unless extended for good cause. On October 19, 2011, the project received its Prevention of Significant Deterioration ("PSD") permit from the U.S. Environmental Protection Agency (US EPA). On September 17, 2012, the Environmental Appeals Board rejected the appeal of an individual who opposes power plants in California and elsewhere who had attempted to file a petition challenging the US EPA's issuance of the PSD. The PSD Permit is now valid through February 25, 2014 but can be extended. In October 2012, the City extended a Request for Proposals for Acquisition of the project and it is currently the City's intention to sell the Palmdale Hybrid Power Project ("PHPP" or the "Project"), which it has been developing during the past six years. The City has spent a total of \$9,797,510 on the permit process and it is anticipated to cost an additional \$285,000 to complete the process and will be funded through the City's General Fund. Receipt of the permit above creates additional assurance that the project will be constructed and the City continues to pursue additional activities to improve project readiness for construction.

Economic Development, Job creation and Housing

The City's Strategic Plan reflects the concerns the community of Palmdale has with respect to a number of economic development, job creation and housing development actions. The City's primary revenue source for funding these activities was our Community Redevelopment Agency; however, this was eliminated by the State of California in a desperate attempt to divert local money to Sacramento. In one fell swoop, the City lost its most effective and flexible tool for reinvesting in the community and providing assistance in creating new jobs, affordable housing and new amenities for its residents.

Affordable Housing

With the elimination of Redevelopment Agencies in the State of California effective February 1, 2012, the City of Palmdale Housing Authority became the Successor Housing Agency to the former Community Redevelopment Agency of the City of Palmdale and assumed the responsibilities of all of the former Agency's Affordable Housing assets. The former Housing Division staff assumed their roles under the Housing Authority and has continued to move forward with existing projects.

Over the past several years the downturn in the economy has had an impact on our local housing market. In an effort to counter the adverse financial affects to the local housing market, the Housing Authority will take steps to approve and revise certain former programs and move forward with the development of new affordable housing. These programs and projects not only help to preserve and create affordable housing within our community but also provide the opportunity to create and preserve local jobs.

In FY 2011-12, the former Agency entered into an Owner Participation Agreement with Paving the Way Foundation to develop affordable transitional housing for emancipated youth enrolled in the AV Youth Build Charter School Program. The Housing Authority has assumed responsibility for this project and is currently under construction with a completion date set for June of 2013. When completed, the complex will house up to 19 students and will include a community center for local residents to utilize for various activities.

The Neighborhood Stabilization Program was also implemented with the purchase of 33 bank-owned single-family homes within the City. These homes, once acquired, are completely rehabilitated and presented for sale to the public through local realtors. As a part of the program, "bridge financing" is available to assist very low- and low-income homebuyers with the purchase of their home. The rehabilitation and resale of these units will continue into FY 2012-13.

The Transit Village project, consisting of 156 apartment units and 122 owner-occupied townhome units, received financing and has begun construction. The project is located adjacent to the City's Transportation Center. The apartments and townhomes will be part of a common homeowners association that will offer after school programs for local children within the general community. This development is the first step in moving forward with the City's Transit Village Specific Plan. It is anticipated that the apartment units will be completed in the summer of 2013 and the townhomes will begin construction in the spring of 2013.

Award and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palmdale for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the twenty second consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and I am submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the Excellence in Operational Budgeting Award from CSMFO and the Distinguished Budget Presentation Award from GFOA for the fiscal year 2011-2012 Budget.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor, City Council members, and the City Manager for their support for maintaining the highest standards of professionalism in the management of the City of Palmdale's finances.

Respectfully submitted,

A handwritten signature in cursive script that reads "Betsy St. John". The signature is written in black ink and is positioned above the printed name and title.

Betsy St. John
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palmdale
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



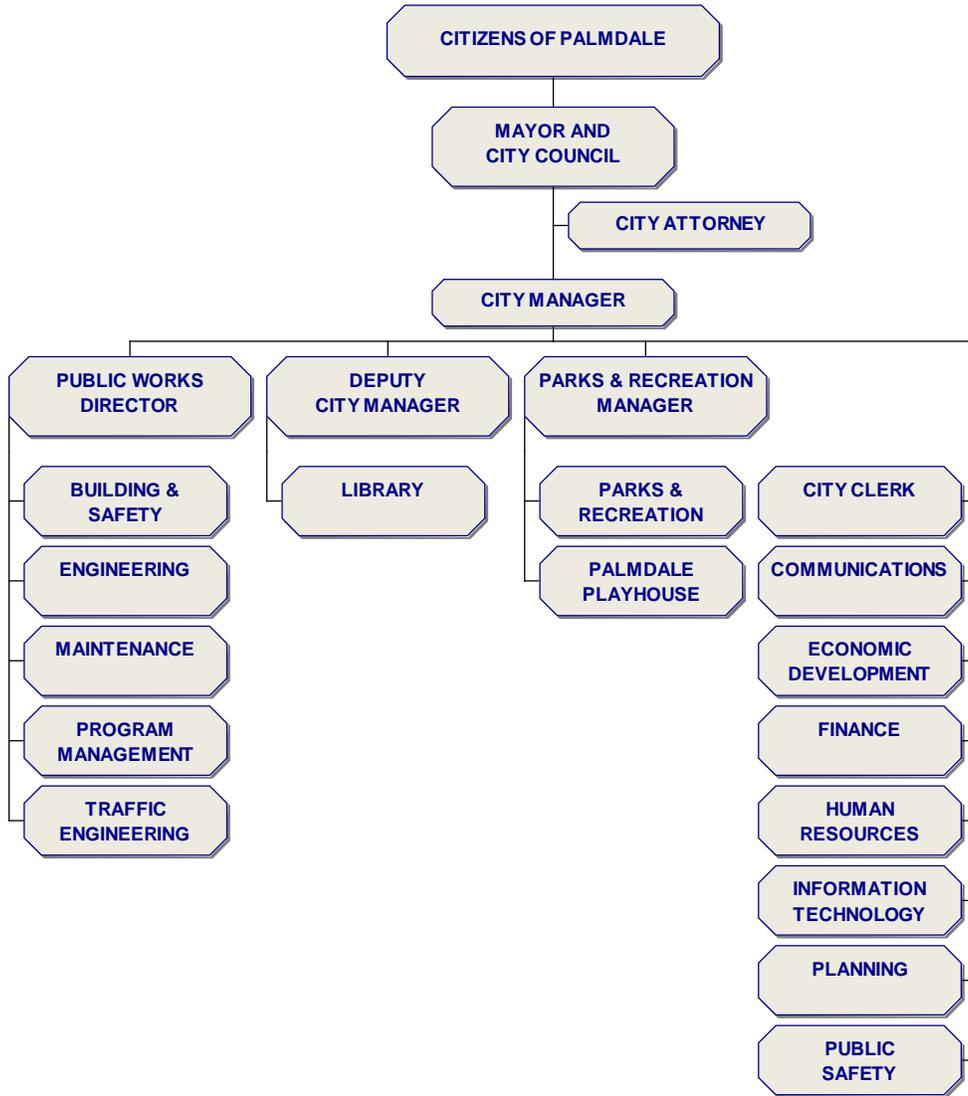
Christopher P. Morill

President

Jeffrey R. Emer

Executive Director

City of Palmdale Organizational Chart



City Officials

Year Ended June 30, 2012

City Council

James C. Ledford, Jr.	Mayor
Steven D. Hofbauer	Mayor Pro Tem
Laura Bettencourt	Councilmember
Mike Dispenza	Councilmember
Tom Lackey	Councilmember

Administration and Department Heads

David Childs	City Manager
Nancy Quelland	Deputy City Manager
Matthew Ditzhazy	City Attorney
Betsy St. John	Finance/City Treasurer
Mike Mischel	Public Works
Anne Ambrose	Public Safety and Community Relations

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Financial

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2012



INDEPENDENT AUDITORS' REPORT

The Honorable City Council of
The City of Palmdale
Palmdale, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Palmdale, California, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, and each of the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19 to the financial statements, the California State Legislature enacted legislation that provided for the dissolution of all redevelopment agencies in the State of California. The City has elected to become the Successor Agency for the former Community Redevelopment Agency (CRA) of the City. All assets and liabilities of the former CRA have been transferred to the Successor Agency's Private Purpose Trust Fund. Additionally, as noted at Note 20B to the financial statements, and also as a result of the dissolution, cash currently held by the successor housing fund (formerly the Low and Moderate Income Housing Fund) is being reviewed by the State to determine the amount that should be available for distribution and the outcome of the "meet and confer" process is uncertain.

As described at Note 18 to the financial statements, during fiscal year 2011-12, the City transferred assets (previously transferred from the Agency to the City) back to the Successor Agency. These assets included properties held for resale, permits held for resale, and notes receivable.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2013, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 through 16 and 102, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, statistical tables and the other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The combining and individual non-major fund financial statements have 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 combining and individual non-major fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory, statistical tables and the other information 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.

Vawter, Tami, Day, Co., LLP

Rancho Cucamonga, California
March 8, 2013

City of Palmdale

Management's Discussion and Analysis

As management of the City of Palmdale, we offer readers of the City of Palmdale's financial statements this narrative overview and analysis of the financial activities of the City of Palmdale for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through xi of this report.

Financial Highlights

- The assets of the City of Palmdale exceeded its liabilities at the close of the most recent fiscal year by \$851,442,344 (net assets). Of this amount \$25,291,390 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$112,776,106. Details are discussed on page 7.
- As of the close of the current fiscal year, the City of Palmdale's governmental funds reported combined ending fund balances of \$168,943,014, a decrease of \$1,988,750 in comparison with the prior year. Details are discussed on page 11.
- The City of Palmdale's total debt decreased by \$119,823,224 during the current fiscal year as the result of the dissolution of redevelopment and the accounting for activities in a Private Purpose Trust account (Fiduciary Fund). Details on the dissolution are discussed at Note 19 and on the capital leases and debt in Note 11 and Note 12, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Palmdale's basic financial statements. The City of Palmdale's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, 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 Palmdale that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and

City of Palmdale

charges (business-type activities). The governmental activities of the City of Palmdale include general government, public safety, public services, community development, cultural and recreational, health and welfare, and interest on debt. The City does not have any business-type activities.

The government-wide financial statements include not only the City of Palmdale as the primary government, but also a legally separate former Community Redevelopment Agency (for the seven month-period as described at (Note 19) of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority of the City of Palmdale, and the Industrial Development Authority of the City of Palmdale. Financial information for these component units is reported on a blended basis. The government-wide financial statements can be found on pages 18-19 of this report.

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 Palmdale, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City of Palmdale can be divided into two categories: governmental 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 financial 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, the 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 Palmdale maintains 44 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, the former Community Redevelopment Agency (CRA) former Housing Development Special Revenue fund, the former CRA Project Area No. 1, and the former CRA Project Area No. 2A Debt Service Funds, the former CRA Housing Debt Service fund, the HA-Mobile Home Park Fund, Special Revenue Fund, the HA-City Housing Capital Projects fund, the City Project Area No. 1 and No 2A Capital Projects funds, the former CRA Project Area No. 1 and CRA Project Area No. 2A Capital Projects funds and all of which are considered to be major funds. Data from the remaining 33 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 103-113.

The City of Palmdale adopts an annual appropriated budget for its General fund, its former CRA Housing Development Fund - Special Revenue Fund, its Housing Authority - Housing Asset Fund - Special Revenue Fund, and its Housing Authority Mobile Home Park – Special Revenue Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their respective budgets. The budgetary comparison statements can be found on pages 30-33.

City of Palmdale

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 statement because the resources of those funds are not available to support the City of Palmdale's own programs. The basic fiduciary fund financial statement can be found on pages 35-37 of this report.

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 statements. The notes to the financial statements can be found on pages 39-99 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Palmdale, assets exceeded liabilities by \$851,442,344 as of June 30, 2012.

The City of Palmdale's investment in capital assets, net of related debt reflects a balance of \$687,877,989. Pursuant to GASB Statement 34, the City has recorded infrastructure assets acquired prior to the City's implementation year of June 30, 2002. Investment in capital assets is defined as land, buildings, machinery and equipment, infrastructure, and construction in progress, net of accumulated depreciation, and less any related debt used to acquire these assets that is still outstanding. The City of Palmdale uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Palmdale's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Palmdale's Net Assets

	Governmental Activities 2012	Governmental Activities 2011
Current and Other Assets	\$ 221,966,186	\$ 199,735,864
Capital Assets	<u>768,273,416</u>	<u>799,779,866</u>
Total Assets	<u>990,239,602</u>	<u>999,515,730</u>
Long-Term Liabilities Outstanding	117,025,207	236,848,431
Other Liabilities	<u>21,772,051</u>	<u>30,787,161</u>
Total Liabilities	<u>138,797,258</u>	<u>267,635,592</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	687,877,989	570,607,898
Restricted	138,272,965	150,475,636
Unrestricted	<u>25,291,390</u>	<u>10,796,640</u>
Total Net Assets	<u>\$ 851,442,344</u>	<u>\$ 731,880,138</u>

The City of Palmdale's restricted net assets of \$138,272,965 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$25,291,390 may be used to meet the government's ongoing obligations to citizens and creditors. At the

City of Palmdale

end of the current fiscal year, the City of Palmdale is able to report positive balances in all three categories of net assets for its governmental activities.

City of Palmdale's Changes in Net Assets

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 31,178,687	\$ 37,855,691
Operating Grants and Contributions	8,932,066	8,568,420
Capital Grants and Contributions	23,057,899	25,479,096
General Revenues:		
Tax Increment	16,474,950	36,535,369
Property Taxes	14,566,311	14,730,451
Sales Taxes	15,177,845	14,921,645
Other Taxes	8,092,609	7,560,255
Unrestricted Investment Earnings	280,195	241,789
Other	<u>233,760</u>	<u>847,760</u>
Total Revenues	117,994,322	146,740,476
Expenses:		
General Government	16,855,129	18,062,918
Public Safety	21,761,897	21,707,909
Public Services	48,181,827	43,029,300
Community Development	22,039,137	38,275,996
Cultural and Recreation	10,809,922	10,819,142
Health and Welfare	1,861,040	2,338,032
Interest on Long-Term Debt	<u>9,253,632</u>	<u>11,987,929</u>
Total Expenses	<u>130,762,584</u>	<u>146,221,226</u>
Gain from RDA Dissolution (Note 19):	<u>125,544,368</u>	<u>-</u>
Increase (Decrease) in Net Assets	112,776,106	519,250
Net Assets – Beginning of Year (as Restated- Note 23)	<u>738,666,238</u>	<u>731,360,888</u>
Net Assets – End of Year	<u>\$ 851,442,344</u>	<u>\$ 731,880,138</u>

City of Palmdale

Governmental Activities. Governmental activities increased the City of Palmdale's net assets by \$112,776,106, or 15.3 percent, during the current fiscal year. Key elements of the governmental activities net asset increase are as follows:

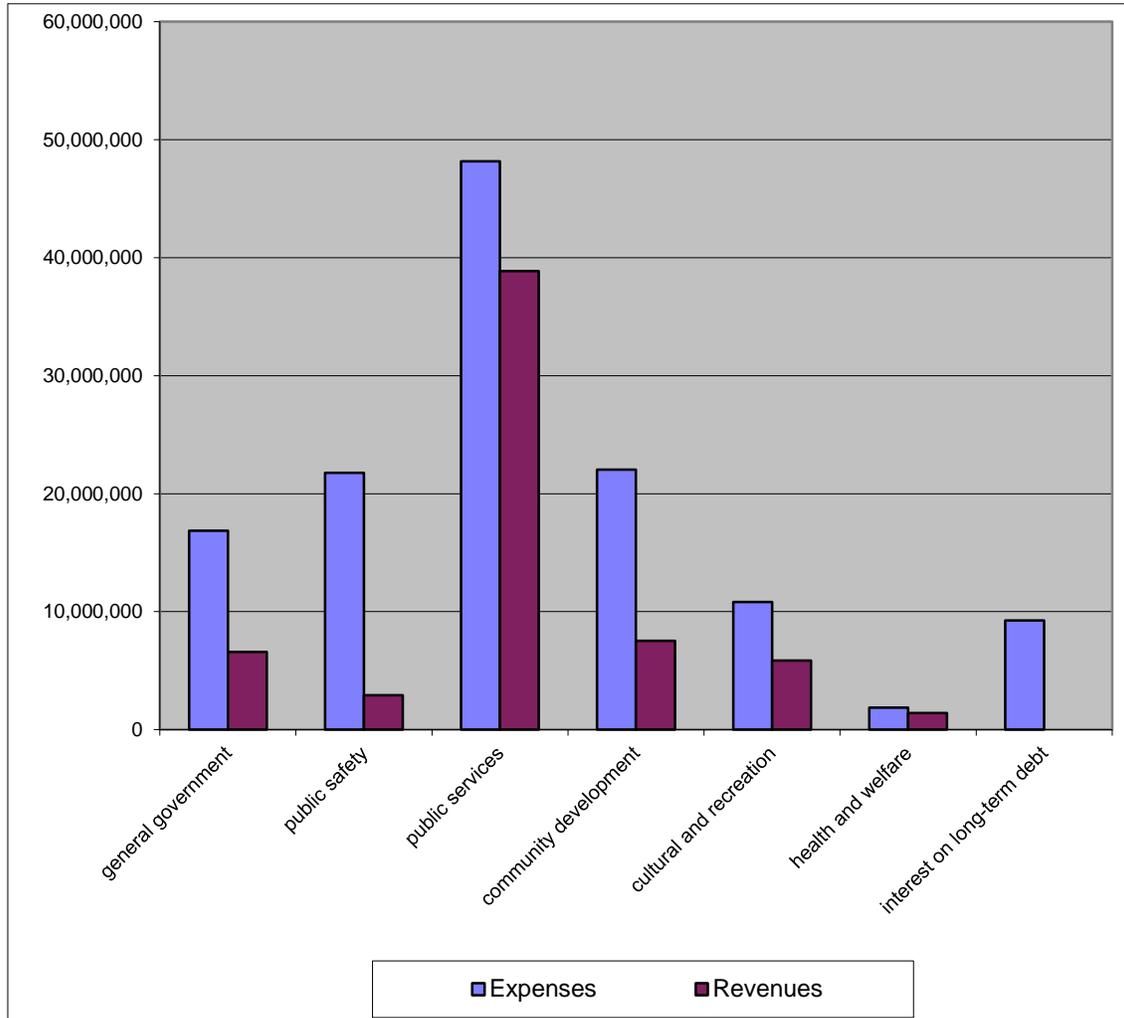
- Charges for Services decreased by \$6,677,004, or 17.63 percent, primarily as a result of a decline in administrative fees of \$6.1 collected in prior year from redevelopment and housing activities and general declines in fees collected for Licenses and Permits by \$0.3 million, Engineer Fees by \$0.1 million, Building Permit Fees by \$0.2 million and healthcare contributions by \$1.8 million. These declines were offset by general increases in assessment revenue by \$0.1 million, legal fee reimbursements by \$1.1 million, and general increases in assessment revenue, housing fees, and fees collected for Park related programs.
- Operating grants and contributions increased by \$363,646 or 4.2 percent, as the result of increases of Federal Home Program Grants received by \$0.2 million, increases related to recognizing Operating Grants at the Government Wide level and not on the Governmental Fund level of \$0.5 million and motor vehicle fuel excise tax (Section 2103) that added \$1.0 million to gas tax receipts. The increases were offset by decreases in JAG Federal Grant by \$0.2, DRVD Tire State Grant-Tire by \$0.2 and Community Development Grant of \$0.8.
- Capital grants and contributions decreased by \$2,421,197, or 9.5 percent, primarily as a result of decreases in grant revenues not received in 2011-12 from CDBG-NSP program of \$4.1 million and \$1.2 million in ARRA Grants received in prior year. Decreases in donations in capital assets by \$1.3 million from the completion of developer infrastructure improvements on large capital projects transferred to the City during FY 2011-2012 as compared to FY 2010-2011. The decreases were offset by increases in special sales tax revenues of \$1.2 million, increases in Prop 1B Grants of \$2.5 million and \$1.4 million of deferred revenue recognized on the government wide statements.
- Tax increment revenue decreased by \$20,060,419, or 54.91 percent, as a result of the dissolution of the former Community Redevelopment Agency and change in reporting of the activities effective February 1, 2012. Tax increment revenue is reported for a seven-month period in fiscal year 2011-12. All tax increments received between February 1, 2012 and June 30, 2012 is reported under a fiduciary Fund statements (Private Purpose Trust Fund) instead of the Governmental Fund statements. (Note 19)
- Property Taxes decreased by \$164,140, or 1.11 percent due to the decline in FY 2011-2012 taxable assessed values as compared to the assessed values in FY 2010-2011.
- Sales and Use Taxes increased by \$256,200, or 1.7 percent primarily due to higher food and oil prices and increased fuel receipts.
- Extraordinary Item reported in the current year is the affect of the accounting entries recorded to recognize the dissolution of the Community Redevelopment Agency. Accounting entries were recorded as "extraordinary gains" and "extraordinary losses" to record the transition of activity from January 31, when the former Community Redevelopment was part of the Governmental Funds statements, to February 1, 2012, when the former Community Redevelopment became a Fiduciary Fund for the purposes of financial reporting. (Note 19)

City of Palmdale

- General Government expenses decreased by \$1,207,789, or 6.69 percent primarily due to lower cash payments made to the State of California for the Supplemental Educational Revenue Augmentation Fund (SERAF) legislation in comparison to FY 2010-2011 by \$1.8 million offset by increases in healthcare expenditures by \$0.6 million,
- Public Service expenses increased by \$5,152,527, or 11.97 percent primarily due to an increase in Depreciation expense by \$6.2 million. Overall capital assets increased by \$8.8 million due to completed infrastructure projects during 2011-12 and capitalized. The increases were offset by decreases in donation of non-capital assets by \$1.0 million from the completion of developer infrastructure improvements on large capital projects transferred to the City during FY 2011-2012 as compared to FY 2010-2011
- Community Development expenses decreased by \$16,236,859 or 42.42 percent as a result of the dissolution of the former Community Redevelopment Agency and change in reporting of the activities effective February 1, 2012. Expenditures made for redevelopment activities including Intergovernmental Agency pass through payments during the seven-month period were reported in fiscal year 2011-12. Pass through payments and approved redevelopment obligations made between February 1, 2012 and June 30, 2012 were reported under Fiduciary Fund statements (Private Purpose Trust Fund) instead of the Governmental Fund statements. (Note 19)
- Interest on long-term debt decreased by \$2,734,297 as a result of the dissolution of the former Community Redevelopment Agency and change in reporting of the activities effective February 1, 2012. Interest payments made on long-term debt transferred to the Successor Agency is reported for a seven-month period in fiscal year 2011-12. Interest paid on debt between February 1, 2012 and June 30, 2012 is reported under Fiduciary Fund statements (Private Purpose Trust Fund) instead of the Governmental Fund statements. (Note 19)

City of Palmdale

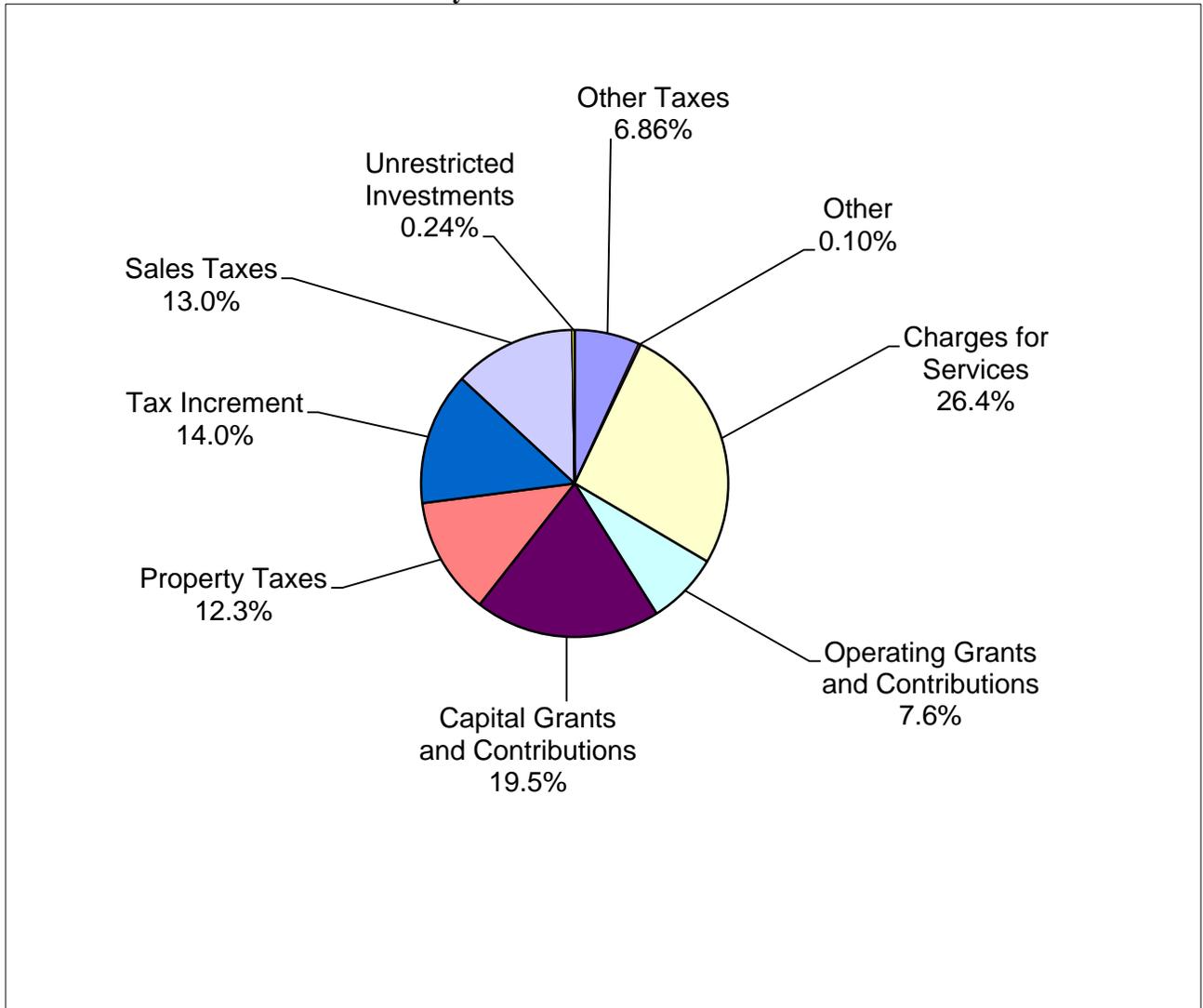
Program Expenses and Program Revenues-Governmental Activities



The Statement of Activities reflects total expenses of \$130,762,584. Program and general revenues totaling \$117,994,322 were received by the government, also a Gain was reported of \$125,544,368 to reflect assets and liabilities transferred to the Private Purpose Trust (Note 19), resulting in an increase in net assets of \$112,776,106. The graph above compares the cost of each governmental activity to the program revenue generated.

City of Palmdale

Revenues by Source-Governmental Activities



Total revenues in the Statement of Activities for the year ended June 30, 2012 were \$117,994,322. Of this amount, \$63,168,652 of the resources came from program revenues, and \$54,825,670 came from general revenues received by the government. The largest revenues are Charges for Services, followed by Capital Grants and Contributions, Tax Increment, and Sales Taxes. The transfer of Assets and liabilities of the former redevelopment agency from the City to the fiduciary funds were reported as an extraordinary gain (See Note 19). The Gain from Dissolution was due to the fact that the activity, assets and liabilities of the former Community Redevelopment Agency are no longer recorded on the City's Financial Statements and will be reported in a Private Purpose Trust account (Fiduciary Fund) beginning February 1, 2012.

Financial Analysis of the Government's Funds

As noted earlier, the City of Palmdale uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the City of Palmdale's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in

City of Palmdale

assessing the City of Palmdale's financing requirements. In particular, 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 Palmdale's governmental funds reported combined ending fund balances of \$168,943,014, a decrease of \$1,988,750 in comparison with the prior year. The fund balances, which are more fully discussed and detailed in pages 49-50 and pages 59-60 of the notes to the financial statements, have been classified into the following categories:

- \$4,685,548 is “Nonspendable” because the resources are not in a spendable form (i.e., prepaids, long-term receivables, or non-financial assets held for resale).
- \$145,746,443 is “Restricted” due to the existence of externally enforceable legal restrictions that are related primarily to special revenue funding sources and debt service reserves.
- \$19,283,043 is “Assigned” for specific purposes such as continuing appropriations, encumbrances, compensated absences, self-insurance and health insurance claims.
- (\$772,020) is “Unassigned” and represents a negative residual resources that cannot be properly classified in one of the other fund balance categories. This category is made up of positive unassigned balances of \$16.4 million in General Fund, offset overall by negative unassigned balances totaling \$17.2 million in other City Funds.

The General Fund is the chief operating fund of the City of Palmdale. At the end of the current fiscal year, the total fund balance of the general fund was \$29,657,651. Of this amount, \$4,685,548 was nonspendable, \$2,917,536 was restricted, \$5,639,221 was assigned, and \$16,415,346 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 34.6 percent of total general fund expenditures, while total fund balance represents 62.6 percent of that same amount.

The City of Palmdale's general fund balance decreased by \$2,274,431 during the current fiscal year. This decrease is attributable primarily to decreases to Charges for Services revenues by \$6.0 million when comparing to 2010-11. These decreases were attributable to one-time redevelopment administrative fees charged in prior fiscal year and one-time legal settlements received in prior year. The City continues to make reductions across the board in expenditures to offset downturn in revenues while still maintaining an adequate fund balance reserve to continue providing necessary services to our residents in the current economic environment.

The Housing Authority – Mobile Home Park is used to account for revenues and expenditures related to the operation of three mobile home parks. The fund balance deficit increased as the result of recording a Note Payable due to the City Housing Fund for \$16,170,000 as the result of the dissolution of the Community Redevelopment Agency (Note 4d)

The Housing Authority - City Housing Fund has a fund balance of \$38,270,862 and is restricted for low and moderate- income capital projects. This fund is used to record the assets formally held by the Community Redevelopment Agency Low and Moderate Income Housing Fund. As part of the new accounting methods for the former redevelopment agency, an entry on the *Governmental Funds* statement representing an “extraordinary gain” was recorded in the amount of \$16,170,000 representing assets approved by the State Department of Finance to be retained by the Low and Moderate Housing Fund.

The City Project Area No. 1 Fund has a fund balance of \$1,919, all of which is restricted for Community Development in Project Area No. 1. As part of the new accounting methods for the former

City of Palmdale

redevelopment agency, an entry on the *Governmental Funds* statement representing an “extraordinary loss” was recorded in the amount of \$10,126,800 representing assets returned to the Private Purpose Trust Fund (Fiduciary Fund) (See Note 18A).

The City Project Area No 2A Fund has a fund balance of \$9,527,944, all of which is restricted for Community Development in Project Area No. 2A. As part of the new accounting methods for the former redevelopment agency, an entry on the *Governmental Funds* statement representing an “extraordinary loss” was recorded in the amount of \$1,546,727 representing assets returned to the Private Purpose Trust Fund (Fiduciary Fund) (See Note 18A).

The discussion which follows about the former Community Redevelopment Agency (CRA) focuses on the seven month period (July 1, 2011 – January 31, 2012) when the CRA still legally existed. The State Supreme Court, on December 29, 2011, upheld AB1X26, which lead to the dissolution of redevelopment agencies across the State effective January 31, 2012. A subsequent bill (AB-1484) was passed in June 2012, further clarifying the dissolution of redevelopment and adding various reporting requirements in an effort to determine the total amount of unobligated funds to be transferred to other taxing entities.

For the purposes of these financial statements, and the description of the former CRA major governmental funds below, the reader must keep in mind that the data represents only a partial fiscal year (July 1, 2011 – January 31, 2012). The remaining five months (February 1 – June 30, 2012) of activity are recorded in the Fiduciary Fund statements, as a Private Purpose Trust fund. General ledger activity of the former CRA is recorded using various “Successor Agency” funds.

The CRA Housing Development Fund was used to account for 20 percent of the total Community Redevelopment Agency property tax increment revenues received from the former redevelopment project areas. This fund had a fund balance of \$26,098,101 at the beginning of year. As part of the new accounting methods for the former redevelopment agency, an entry on the *Governmental Funds* statement representing an “extraordinary loss” was recorded in the amount of \$21,242,322. Management is dealing with the State Department of Finance (DOF) to determine how much of the \$2.8 million cash balance the City will be allowed to retain for legitimate low and moderate income housing projects. (Note 20 B) As of June 30,2012 the \$2.8 million is recorded in the Housing Authority-Housing Asset Fund.

Housing Authority – Housing Asset Fund is the new fund created as part of the dissolution of redevelopment. This fund is used to record the assets formally held by the Community Redevelopment Agency Low and Moderate Income Housing Fund. As part of the recording of these transfers, this fund ended the fiscal year with a fund balance of \$20,850,106.

The CRA Project Area No. 1 Debt Service Fund had a negative fund balance of \$3,972,087 as of the beginning of the year. An “extraordinary gain” of \$2,727,107 was recorded on the *Governmental Funds* statement as part of the accounting for the former Community Redevelopment Agency fund. Property taxes (i.e., tax increment) in the amount of \$3,322,276 were recorded in this fund for the seven-month period when redevelopment still legally existed. It should be noted that, as of the preparation of the report, management is working to complete a DOF required review of this fund and the former Community Redevelopment Agency capital projects fund. The outcome of this review will determine how much of the existing fund balance will be retained by the Successor Agency.

The CRA Project Area No. 2A Debt Service Fund had a negative fund balance of \$10,343,421 as of the beginning of the year. An “extraordinary gain” of \$10,859,427 was recorded on the *Governmental Funds* statement as part of the accounting for the former Community Redevelopment Agency fund. Property taxes (i.e., tax increment) in the amount of \$13,152,674 were recorded in this fund for the seven-month period when redevelopment still legally existed. It should be noted that, as of the preparation of the

City of Palmdale

report, management is working to complete a DOF required review of this fund and the former Community Redevelopment Agency capital projects fund. The out come of this review will determine how much of the existing fund balance will be retained by the Successor Agency.

The CRA Housing Debt Service Fund had a fund balance of \$930,372 as of the beginning of the year. Activity (i.e., debt service payments) in the amount of \$1,301,171 was recorded in this fund for the seven-month period when redevelopment still legally existed. It should be noted that, as of the preparation of the report, management is working to complete a DOF required review of this fund and the former Community Redevelopment Agency capital projects fund. The out come of this review will determine how much of the existing fund balance will be retained by the Successor Agency.

The CRA Project Area No. 1 Capital Projects Fund had a fund balance of \$12,690 as of the beginning of the year. An “extraordinary gain” of \$118,380 was recorded on the *Governmental Funds* statement as part of the accounting for the former Community Redevelopment Agency fund. Activity (i.e., approved obligations) in the amount of \$131,070 was recorded in this fund for the seven-month period when redevelopment still legally existed. It should be noted that, as of the preparation of the report, management is working to complete a DOF required review of this fund and the former Community Redevelopment Agency debt service funds. The out come of this review will determine how much of the existing fund balance will be retained by the Successor Agency.

The CRA Project Area No. 2A Capital Projects Fund had a fund balance of \$1,139,923 as of the beginning of the year. An “extraordinary loss” of \$149,492 was recorded on the *Governmental Funds* statement as part of the accounting for the former Community Redevelopment Agency fund. Activity (i.e., approved obligations) in the amount of \$991,536 was recorded in this fund for the seven-month period when redevelopment still legally existed. It should be noted that, as of the preparation of the report, management is working to complete a DOF required review of this fund and the former Community Redevelopment Agency debt service funds. The out come of this review will determine how much of the existing fund balance will be retained by the Successor Agency.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an increase of appropriations by \$2,246,670. The primary reason for the increase is the result of additional litigation cost and capital outlay anticipated. Differences between the final amended budget and actual resulted in a \$16,677,328 decrease in appropriations and can be briefly summarized as follows:

- \$3,594,354 decrease in general governmental activities.
- \$1,729,610 decrease in public safety contracts.
- \$9,961,024 decrease in public services.
- \$57,642 decrease in community Development programs
- \$1,188,849 decrease in cultural and recreational programs.
- \$125,841 decrease in health and welfare services.
- \$775,995 decrease in capital projects.
- \$13 decrease in debt service payments.

The decrease is due to not only expenditures coming in less than anticipated but also the result of activities that were budgeted but not completed during the current fiscal year and reclassifying activities to special revenue funds to comply with GASB 54. See Note No.1 Q.

Overall, the reclassifying of expenditures resulted in a \$9,865,034 reduction of transfers in and offsetting reduction to expenditures.

City of Palmdale

Capital Asset and Debt Administration

Capital Assets. The City of Palmdale's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$768,273,416 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, infrastructure and construction in progress. The Capital Assets decreased by \$31,506,450 in 2011-12 as compared to 2010-11. The dissolution of redevelopment and the accounting for activities in a Private Purpose Trust account (Fiduciary Fund) is primarily responsible for the large decrease in the capital assets. The investment in capital assets net of depreciation transferred to the Private Purpose Trust Fund amounts to \$17,398,610 (Note 19)

**City of Palmdale's Capital Assets
(Net of Depreciation)**

	Governmental Activities 2012	Governmental Activities 2011
Land and Improvements	\$105,192,069	\$ 119,527,002
Buildings and Structures	50,657,607	51,026,291
Machinery and Equipment	1,662,327	1,997,666
Infrastructure	602,195,728	612,421,892
Construction in Progress	<u>8,565,685</u>	<u>14,807,015</u>
	<u>\$ 768,273,416</u>	<u>\$ 799,779,866</u>

Major capital asset events during the current fiscal year included the following:

- Completion of sewer lines by Developers in the amount of \$752,559.
- Completion of various streets and resurfacing projects totaling \$13,734,330, of which \$3,936,814 were contributed by Developers.
- Completion of various traffic signal projects totaling \$520,000.
- Completion of various storm drain and basin repair and mitigation improvements in the amount of \$1,449,375, of which \$989,721 were contributed by Developers.
- Completion of various recycled water facilities at various park sites in the amount of \$2,160,710.
- Completion of various park facility improvement projects in the amount of \$392,258, of which \$231,160 were contributed by Developers

Additional information on the City of Palmdale's capital assets can be found on page 63, Note 10.

Long-Term Debt. At the end of the current fiscal year, the City of Palmdale had total bonded debt outstanding of \$104,187,910. The Tax Allocation Bonds and the Revenue Bonds are secured by pledges of sales taxes and/or incremental property taxes generated in the former Community Redevelopment Agency project areas. Certificates of Participation require the City to pay a semi-annual base rental to the

City of Palmdale

Palmdale Civic Authority (PCA). The rentals will be used by the PCA to pay debt service as the Certificates of Participation come due.

City of Palmdale's Outstanding Bonded Debt Tax Allocation and Revenue Bonds and Certificates of Participation

	Governmental Activities 2012	Governmental Activities 2011
Tax Allocation Bonds	\$ -	\$ 89,612,082
Revenue Bonds	25,524,050	27,302,575
Certificates of Participation	78,735,000	80,450,000
Deferred Loss on Refinancing	(483,772)	(2,739,644)
Bond Premiums	<u>412,632</u>	<u>550,559</u>
Total	<u>\$ 104,187,910</u>	<u>\$ 195,175,572</u>

The remainder of the City of Palmdale's debt of \$117,025,207 was comprised of \$3,089,748 in compensated absences, \$1,364,567 in self-insurance liability claims, \$149,214 in capital leases payable for equipment purchases and \$8,233,768 in notes payable, primarily for Fairway Business Park land acquisition, developer infrastructure and a Section 108 HUD Loan.

The City of Palmdale's total debt decreased by \$119,823,224 during the current fiscal year as compared to 2010-11. The dissolution of redevelopment and the accounting for activities in a Private Purpose Trust account (Fiduciary Fund) is primarily responsible for the large decrease. As part of the new accounting methods for the former Community Redevelopment Agency, a total of \$113,200,553 debt was transferred to the Successor Agency and was recorded in the Fiduciary fund statements and not on the government-wide financial statements. (See Note 19) Subsequent to the dissolution of the Community Redevelopment Agency, the Successor Agency continues to meet its debt service obligations. The expenditures related to the debt service are recorded in the Private Purpose Trust Fund. As of the date of preparation of this report, the State Department of Finance (DOF) appears to agree with the City that all the debt transferred are enforceable obligations. DOF approval of these enforceable obligation means that the City and Successor Agency should continue to receive funding from the State sufficient to meet the annual debt service obligations.

Additional information on the Successor Agency's debt can be found on pages 82-95, Note 19 and at the Other Information Section beginning at page 181.

Additional information on the City of Palmdale's debt can be found on pages 63-73, Note 11 and Note 12.

Economic Factors and Next Year's Budgets and Rates

The City took into consideration the following factors in preparing the budget for the 2012-13 fiscal year:

- Property tax declines from homeowner appeals of property values.
- Continued slowdown in housing development.
- Modest sales tax increases as the result of higher oil prices and increased fuel receipts.
- City funds impacted by State and Federal budget actions.

City of Palmdale

The dissolution of redevelopment (per AB1X26 and AB1484) has and will continue to impact the City for a number of years. The City and Successor Agency have been busy responding to the numerous new reporting and auditing requirements of AB1X26 and AB1484. In addition to instituting new reporting and auditing requirements, as reflected in these financial statements, the City and the Successor Agency have had to interpret new statutes and their requirements and deadlines. As of the printing of these financial statements, management is working through the submittal and preparation of required “due diligence reviews” (DDRs) for the former Community Redevelopment Agency funds (debt service and capital projects).

Management is also currently working through the “meet and confer” process on the low and moderate income housing fund DDR in an effort to reach an agreement with the State Department of Finance (DOF) on the retention of \$2.8 million in funds. These are significant challenges the City and Successor Agency face in FY 2012-13, with impacts likely felt for several years in the future. Additional information can be found at Note 19 and 20.

Requests for Information

This financial report is designed to provide a general overview of the City of Palmdale's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, requests for any of the separately issued component unit financial statements or additional financial information should be addressed to the City of Palmdale, Office of the Finance Director, 38300 Sierra Highway, Suite D, Palmdale, California, 93550.

Government-Wide Financial Statements

City of Palmdale
Statement of Net Assets
June 30, 2012

	Governmental Activities
Assets:	
Cash	\$ 67,509
Investments	94,763,881
Accounts Receivable	7,165,781
Interest Receivable	1,863,847
Property Taxes Receivable	1,247,979
Due from Other Governmental Units	19,047,553
Net OPEB Asset	505,910
Notes and Liens	56,947,957
Deposits and Prepays	307,035
Deferred Charges - Cost of Issuance	2,153,102
Land Held for Resale	5,004,404
Permit Held for Resale	9,797,510
Restricted Assets:	
Cash and Investments	23,077,413
Interest Receivable	16,305
Capital Assets:	
Not Being Depreciated:	
Land and Improvements	105,192,069
Construction in Progress	8,565,685
Being Depreciated, Net of Accumulated Depreciation:	
Buildings and Structures	50,657,607
Machinery, Equipment and Other Improvements	1,662,327
Infrastructure	602,195,728
Total Assets	990,239,602
Liabilities:	
Accounts Payable	5,793,162
Accrued Salaries & Employee Benefits	1,337,733
Due to Bank - Overnight Sweep	3,213,022
Deposits	7,376,182
Accrued Interest Payable	2,304,115
Unearned Revenue	1,747,837
Noncurrent Liabilities:	
Due Within One Year	6,033,511
Due in More than One Year	110,991,696
Total Liabilities	138,797,258
Net Assets:	
Invested in Capital Assets, Net of Related Debt	687,877,989
Restricted for:	
Public Safety	3,345,200
Public Services	70,791,700
Community Development	54,295,222
Cultural & Recreational	5,763,645
Health & Welfare	1,201
Debt Service	4,075,997
Unrestricted	25,291,390
Total Net Assets	\$ 851,442,344

See Accompanying Notes to the Financial Statements

City of Palmdale
Statement of Activities
For the Year Ended June 30, 2012

	Program Revenues				Net Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 16,855,129	\$ 5,665,531	\$ 925,835	\$ -	\$ (10,263,763)
Public Safety	21,761,897	2,286,012	443,145	177,251	(18,855,489)
Public Services	48,181,827	13,835,689	5,245,524	19,796,941	(9,303,673)
Community Development	22,039,137	4,535,231	405,959	2,591,662	(14,506,285)
Cultural and Recreational	10,809,922	4,581,581	773,414	492,045	(4,962,882)
Health and Welfare	1,861,040	274,643	1,138,189	-	(448,208)
Interest on Long-Term Debt	9,253,632	-	-	-	(9,253,632)
Total Governmental Activities	\$ 130,762,584	\$ 31,178,687	\$ 8,932,066	\$ 23,057,899	\$ (67,593,932)

General Revenues:

Taxes:

Tax Increment	\$ 16,474,950
Property Taxes	14,566,311
Sales and Use Taxes	15,177,845
Unrestricted Motor Vehicle in Lieu	75,858
Franchise Taxes	4,445,066
Transient Occupancy Taxes	2,788,736
Property Transfer Tax	302,479
Business License Taxes	480,470
Unrestricted Investment Earnings	280,195
Other	233,760
Total General Revenues	\$ 54,825,670

Extraordinary Items:

Net of Assets Transferred to/Liabilities Assumed by Successor Agency (Note 19)	\$ 125,544,368
Change in Net Assets	112,776,106
Net Assets - Beginning of Year (As Restated-Note 23)	738,666,238
Net Assets - End of Year	\$ 851,442,344

See Accompanying Notes to the Financial Statements

Governmental Fund Financial Statements

The General Fund is the City's primary operating fund and has been classified as a major fund. It accounts for all financial resources of the general government that are not already required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds are used to account for specific revenues that are restricted or committed to expenditure for a specific purpose other than debt service or capital projects. The following funds have been classified as major funds:

Former CRA Housing Development Fund - This fund was used to account for 20 percent set aside revenues from CRA property tax increments, as well as restricted expenditures related to low and moderate income housing needs. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Successor Agency Housing Authority-Housing Asset Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law. (Refer to Note 19).

Housing Authority-Housing Asset Fund - Used to account for the restricted housing assets of the former CRA Housing Development Fund, which were transferred to the Successor Agency Fund and then transferred to the Housing Authority - Housing Asset Fund upon acceptance of the Housing Successor role by the City (Refer to Note 19). Revenues received from assets previously held by the former CRA Housing Development Fund are restricted to be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

Housing Authority (HA) Mobile Home Parks - This fund is used to account for revenues and expenditures related to the operation of three mobile home parks.

Debt Service Funds are used to account for the accumulation of resources for and the payment made for principal and interest on bonded debt and other long-term obligations. The following funds have been classified as major funds:

Former CRA Project Area No. 1 Fund - This fund was used to account for resources accumulated and payments made for principal and interest on bonded debt and other long-term obligations of the Agency and Authority that are secured by Project Area Project Area No. 1 tax increment revenues. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities were transferred to a private purpose trust fund (Refer to Note 19).

Former CRA Project Area No. 2A Fund - This fund was used to account for resources accumulated and payments made for the principal and interest on bonded debt and other long-term obligations of the Agency and Authority that are secured by No. 2A sales tax and/or tax increment revenues. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities were transferred to a private purpose trust fund (Refer to Note 19).

Former CRA Housing Fund - This fund was used to account for resources accumulated and payments made for principal and interest on bonded debt of mobile home parks and on low/moderate income housing set-aside projects. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities were transferred to a private purpose trust fund (Refer to Note 19).

Governmental Fund Financial Statements

Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities. The following funds have been classified as major funds:

Housing Authority - City Housing Fund - This fund accounts for the former CRA Housing Development Fund assets, resources accumulated from land sale proceeds, principal and interest on notes receivable as well as expenditures related to low and moderate income housing needs. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Successor Agency Housing Authority-Housing Asset Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law. (Refer to Note 19).

City Project Area No. 1 Fund - This fund accounts for resources accumulated from land sale proceeds and assets that are held for the benefit of Project Area No. 1.

City Project Area No. 2A Fund - This fund accounts for resources accumulated from land sale proceeds, permit sale proceeds, principal and interest on notes receivable and assets that are held for the benefit of Project Area No. 2A.

Former CRA Project Area No. 1 Fund - This fund was used to account for all capital projects of Project Area No. 1. . On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities were transferred to a private purpose trust fund (Refer to Note 19).

Former CRA Project Area No. 2A Fund - This fund was used to account for all capital projects of Project Area No. 2A. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities were transferred to a private purpose trust fund (Refer to Note 19).

City of Palmdale
Balance Sheet
Governmental Funds
June 30, 2012

Assets	General	Special Revenue Funds			Debt Service Funds	
		CRA Housing Development	HA Housing Asset Fund	HA Mobile Home Park	CRA Project Area No. 1	CRA Project Area No. 2A
Assets:						
Cash	\$ 58,812	-	-	2,000	-	-
Investments	28,363,391	-	2,890,453	193,298	-	-
Receivables:				-		
Accounts and Interest Receivable	3,815,742	-	93,697	1,495,048	-	-
Property Taxes Receivable	252,572	-	-	-	-	-
Due from Other Funds	1,074,296	-	186,109	-	-	-
Advances Due from Fiduciary Funds (Note 19)	-	-	15,857,215	-	-	-
Due from Other Governmental Units	2,606,479	-	-	-	-	-
Notes and Liens	561,252	-	2,260,000	-	-	-
Interfund Promissory Note (Note 4D)	-	-	-	-	-	-
Advances Due from Other Funds	-	-	-	-	-	-
Deposits and Prepays	306,931	-	-	-	-	-
Restricted Assets:				-		
Investments	-	-	4,455,208	-	-	-
Interest Receivable	-	-	36	-	-	-
Land Held for Resale	-	-	1,302,018	-	-	-
Permit Held for Resale	3,817,365	-	-	-	-	-
Total Assets	40,856,840	-	27,044,736	1,690,346	-	-
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	4,475,491	-	39,507	93,387	-	-
Due to Bank - Overnight Sweep	1,113,805	-	78,671	6,555	-	-
Due to Other Funds	-	-	-	662,139	-	-
Accrued Self Insurance Liability	272,335	-	-	-	-	-
Advances Due to Other Funds	-	-	-	1,706,781	-	-
Interfund Promissory Note	-	-	-	15,720,000	-	-
Deposits	2,596,655	-	4,455,244	187,573	-	-
Deferred Revenue	2,740,903	-	1,621,208	-	-	-
Total Liabilities	11,199,189	-	6,194,630	18,376,435	-	-
Fund Balances:						
Nonspendable	4,685,548	-	-	-	-	-
Restricted	2,917,536	-	20,850,106	-	-	-
Assigned	5,639,221	-	-	-	-	-
Unassigned	16,415,346	-	-	(16,686,089)	-	-
Total Fund Balances	29,657,651	-	20,850,106	(16,686,089)	-	-
Total Liabilities and Fund Balances	\$ 40,856,840	-	27,044,736	1,690,346	-	-

See Accompanying Notes to the Financial Statements

Debt Service Fund		Capital Projects Funds				Other	Total
CRA Housing	HA City Housing Fund	City Project Area 1 Fund	City Project Area 2A	CRA Project Area No. 1	CRA Project Area No. 2A	Governmental Funds	Governmental Funds
-	-	-	-	-	-	6,697	\$ 67,509
-	2,237,591	4,282	5,196	-	-	61,069,668	94,763,879
-	560,167	10,029	510	-	-	3,054,435	9,029,628
-	-	-	-	-	-	995,407	1,247,979
-	385,000	-	-	-	-	277,139	1,922,544
-	-	-	-	-	-	-	15,857,215
-	-	-	-	-	-	583,859	3,190,338
-	18,000,383	-	3,542,269	-	-	7,380,003	31,743,907
-	15,720,000	-	-	-	-	-	15,720,000
-	1,706,781	-	-	-	-	-	1,706,781
-	-	-	-	-	-	104	307,035
-	-	-	-	-	-	18,622,206	23,077,414
-	-	-	-	-	-	16,268	16,304
-	292,830	-	-	-	-	3,409,556	5,004,404
-	-	-	5,980,145	-	-	-	9,797,510
-	38,902,752	14,311	9,528,120	-	-	95,415,342	213,452,447
-	-	12,392	-	-	-	2,510,118	7,130,895
-	75,876	-	176	-	-	1,937,939	3,213,022
-	-	-	-	-	-	1,260,405	1,922,544
-	-	-	-	-	-	-	272,335
-	-	-	-	-	-	-	1,706,781
-	-	-	-	-	-	-	15,720,000
-	-	-	-	-	-	136,711	7,376,183
-	556,014	-	-	-	-	2,249,548	7,167,673
-	631,890	12,392	176	-	-	8,094,721	44,509,433
-	-	-	-	-	-	-	4,685,548
-	38,270,862	1,919	9,527,944	-	-	74,178,076	145,746,443
-	-	-	-	-	-	13,643,822	19,283,043
-	-	-	-	-	-	(501,277)	(772,020)
-	38,270,862	1,919	9,527,944	-	-	87,320,621	168,943,014
-	38,902,752	14,311	9,528,120	-	-	95,415,342	\$ 213,452,447

City of Palmdale
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2012

Total Fund Balances - Total Governmental Funds (page 23)		\$ 168,943,014
Amounts reported for Governmental Activities in the Statement of Net Assets (page 18) are different because:		
Notes Receivable Related to Revenue Bonds Payable are not current financial resources and are not reported in the Governmental funds Balance Sheet		25,204,051
Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		
Governmental Capital Assets	\$ 1,156,957,182	
Less Accumulated Depreciation	<u>(388,683,766)</u>	768,273,416
Deferred Charge for Issuance Costs are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		2,153,102
Net OPEB Asset contribution in excess of the ARC are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		505,910
Accounts receivable not available to pay for current-period expenditures are deferred in the funds		5,419,838
Interest Due on Long-Term Debt do not require current financial resources and therefore are not reported as a liability in the Governmental Funds Balance Sheet.		
Interest Payable		(2,304,115)
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as a liability in the Governmental Funds Balance Sheet.		
Compensated Absences	\$ 3,089,748	
Claims Payable	1,092,232	
Capital Leases Payable	149,214	
Notes Payable	8,233,768	
Bonds & Certificates of Participation Payable	104,259,050	
Less Deferred Loss on Refinance	(483,772)	
Plus Issuance Premiums	<u>412,632</u>	<u>(116,752,872)</u>
Net Assets of Governmental Activities (page 18)		<u>\$ 851,442,344</u>

See Accompanying Notes to the Financial Statements

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City of Palmdale
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds			Debt Service Funds		
	General	CRA Housing Development	HA Housing Asset Fund	HA Mobile Home Park	CRA Project Area No. 1	CRA Project Area No. 2A
Revenues:						
Property Taxes	\$ 14,566,311	-	-	-	3,322,276	13,152,674
Sales and Use Taxes	15,177,845	-	-	-	-	-
Other Taxes	8,016,750	-	-	-	-	-
Subventions and Grants	149,738	-	-	-	-	-
Park Development Fees	-	-	-	-	-	-
Licenses and Permits	1,483,838	-	-	-	-	-
Motor Vehicle License Fees	75,858	-	-	-	-	-
Fines and Forfeitures	337,989	-	-	-	-	-
Special Assessments	-	-	-	-	-	-
Use of Property	515,172	1	-	4,326,644	-	-
Charges for Current Services	4,444,905	14,979	9,677	-	-	-
Drainage Fees	-	-	-	-	-	-
Sewer Upgrade Fees	-	-	-	-	-	-
Traffic Impact Fees	-	-	-	-	-	-
Facilities Impact Fees	-	-	-	-	-	-
Interfund Interest	-	-	-	-	-	-
Interest	178,202	22,975	-	1,500	18,535	36,353
Net Increase (Decrease) in the Fair Value of Investments:	21,082	(384)	599	150	-	322
Developer Contributions	-	-	-	-	-	-
State Contributions	-	-	-	-	-	-
County Contributions	-	-	-	-	-	-
Other	3,284,942	1,537	-	-	-	-
Total Revenues	48,252,632	39,108	10,276	4,328,294	3,340,811	13,189,349
Expenditures:						
Current:						
General Government	15,638,436	-	-	-	-	-
Public Safety	20,567,720	-	-	-	-	-
Public Services	858,226	25,000	-	-	-	-
Community Development	505,858	6,145,810	41,543	3,173,033	97,341	368,472
Cultural and Recreational	7,905,191	-	-	-	-	-
Health and Welfare	674,159	-	-	-	-	-
Intergovernmental - Tax Sharing	-	-	-	-	78,557	8,210,609
Capital Outlay	372,555	302,777	37,354	-	-	-
Debt service:						
Principal	845,542	-	-	-	1,331,840	2,107,376
Interfund Interest	-	-	-	570,935	-	-
Interest	30,715	-	-	-	1,561,127	1,559,750
Total Expenditures	47,398,402	6,473,587	78,897	3,743,968	3,068,865	12,246,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	854,230	(6,434,479)	(68,621)	584,326	271,946	943,142
Other Financing Sources (Uses):						
Transfers In	3,641,198	2,027,488	7,231	448,788	1,454,877	-
Transfers Out	(6,769,859)	(448,788)	(330,826)	(75,542)	(481,843)	(1,459,148)
Total Other Financing Sources (Uses)	(3,128,661)	1,578,700	(323,595)	373,246	973,034	(1,459,148)
Extraordinary Items:						
Extraordinary Gain (Loss) Upon dissolution of the Redevelopment Agency (Note 19)	-	(21,242,322)	21,242,322	(16,170,000)	2,727,107	10,859,427
Total Extraordinary Items	-	(21,242,322)	21,242,322	(16,170,000)	2,727,107	10,859,427
Net Change in Fund Balances	(2,274,431)	(26,098,101)	20,850,106	(15,212,428)	3,972,087	10,343,421
Fund Balances - Beginning of Year (As Restated-Note 23)	31,932,082	26,098,101	-	(1,473,661)	(3,972,087)	(10,343,421)
Fund Balances - End of Year	\$ 29,657,651	-	20,850,106	(16,686,089)	-	-

See Accompanying Notes to the Financial Statements

Debt Service Funds	Capital Projects Funds					Other	Total
CRA Housing	HA City Housing Fund	City Project Area 1 Fund	City Project Area 2A	CRA Project Area No. 1	CRA Project Area No. 2A	Governmental Funds	Governmental Funds
-	-	-	-	-	-	-	\$ 31,041,261
-	-	-	-	-	-	-	15,177,845
-	-	-	-	-	-	4,252,238	12,268,988
-	-	-	-	-	-	18,035,838	18,185,576
-	-	-	-	-	-	432,364	432,364
-	-	-	-	-	-	91,017	1,574,855
-	-	-	-	-	-	-	75,858
-	-	-	-	-	-	487,991	825,980
-	-	-	-	-	-	13,998,835	13,998,835
-	10,000	-	-	-	-	75,362	4,927,179
-	79,960	38,091	5,500	-	-	2,222,638	6,815,750
-	-	-	-	-	-	207,605	207,605
-	-	-	-	-	-	330	330
-	-	-	-	-	-	257,877	257,877
-	-	-	-	-	-	221,656	221,656
-	570,935	-	-	-	-	-	570,935
(25)	20,581	-	26	-	440	482,950	761,537
1	-	-	4	-	41	47,952	69,767
-	-	-	-	-	-	14,000	14,000
-	-	-	-	-	-	31,813	31,813
-	-	-	-	-	-	282,702	282,702
-	-	-	-	-	624	538,038	3,825,141
(24)	681,476	38,091	5,530	-	1,105	41,681,206	111,567,854
-	-	-	-	-	-	411,272	16,049,708
-	-	-	-	-	-	1,070,932	21,638,652
-	-	-	-	-	-	16,358,262	17,241,488
-	18,465	43,372	1,237,826	59,482	264,553	1,749,478	13,705,233
-	-	-	-	-	-	1,579,727	9,484,918
-	-	-	-	-	-	1,178,873	1,853,032
-	-	-	-	-	-	-	8,289,166
-	-	-	-	-	-	12,777,066	13,489,752
715,000	-	-	-	-	-	2,080,731	7,080,489
-	-	-	-	-	-	-	570,935
586,171	-	-	-	-	-	4,694,132	8,431,895
1,301,171	18,465	43,372	1,237,826	59,482	264,553	41,900,473	117,835,268
(1,301,195)	663,011	(5,281)	(1,232,296)	(59,482)	(263,448)	(219,267)	(6,267,414)
370,823	-	7,200	147,775	-	-	7,987,550	16,092,930
-	(2,002,018)	-	-	(71,588)	(726,983)	(3,726,335)	(16,092,930)
370,823	(2,002,018)	7,200	147,775	(71,588)	(726,983)	4,261,215	-
-	16,170,000	(10,126,800)	(1,546,727)	118,380	(149,492)	2,396,769	4,278,664
-	16,170,000	(10,126,800)	(1,546,727)	118,380	(149,492)	2,396,769	4,278,664
(930,372)	14,830,993	(10,124,881)	(2,631,248)	(12,690)	(1,139,923)	6,438,717	(1,988,750)
930,372	23,439,869	10,126,800	12,159,192	12,690	1,139,923	80,881,904	170,931,764
-	38,270,862	1,919	9,527,944	-	-	87,320,621	\$ 168,943,014

City of Palmdale
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities and Changes in Net Assets
 For the Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds (page 27) \$ (1,988,750)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets (page 19) are different because:

Governmental Funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives and recorded as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions - Current Year (Net Deletions) \$	17,545,860	
Less Depreciation Expense	<u>(31,653,701)</u>	(14,107,841)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred Grant Revenues Earned, but not received within the 60-day Accrual Period	1,567,114	
Deferred Interest Revenue Earned but not received within the 60-day Accrual Period	328,445	

Long-Term Debt Proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Principal repayments of long-term debt and escrow agent payments are expenditures/uses in the Governmental Funds, but they reduce long-term liabilities in the Government-Wide Statement of Net Assets. Also issuance costs and premiums are recognized in the current period in the Governmental Funds, whereas these amounts are deferred and amortized in the Government-Wide Statement of Activities. This is the amount by which repayments exceeded proceeds.

Debt Issued or Incurred:		
Self Insurance Liability Claims Payable	\$ 39,757	
Principal Repayments:		
Capital Leases	476,294	
Notes Payable	1,214,196	
Bonds & Certificates of Participation Payable	<u>5,390,000</u>	7,120,247

Some Expenses reported in the Government-Wide Statement of Activities and Changes in Net Assets do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds.

Compensated Absences	\$ (143,938)	
Accrued OPEB Obligations	(317,841)	
Accrued Interest on Debt	(442,189)	
Accreted Interest on Bonds	(298,077)	
Amortization of Deferred Loss	(98,049)	
Amortization of Issuance Costs	(170,993)	
Amortization of Bond Premiums	<u>62,274</u>	<u>(1,408,813)</u>

Extraordinary Gain reported in the Government-Wide Statement of Activities and Changes in Net Assets are different than amounts reported in the Governmental Funds Statements because: (Note 19)

Capital Assets net of Depreciation transferred to the Successor Agency as an extraordinary gain was not reported in the governmental fund statements.		(17,398,610)
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Long-term debt assumed by Successor Agency as an extraordinary loss was not reported in the governmental fund statements.		<u>138,664,314</u>
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Change in Net Assets of Governmental Activities (page 19) \$ 112,776,106

See Accompanying Notes to the Financial Statements

Budgetary Comparison Statements

City of Palmdale
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 13,818,790	14,322,030	14,566,311	244,281
Sales and Use Taxes	4,986,070	15,353,000	15,177,845	(175,155)
Other Taxes	7,576,000	7,665,580	8,016,750	351,170
Subventions and Grants	8,010	36,320	149,738	113,418
Licenses and Permits	1,183,500	1,169,250	1,483,838	314,588
Motor Vehicle License Fees	400,000	75,860	75,858	(2)
Fines and Forfeitures	352,100	351,600	337,989	(13,611)
Special Assessments	20	-	-	-
Use of Property	354,010	414,030	515,172	101,142
Charges for Current Services	4,827,150	4,303,140	4,444,905	141,765
Interest	26,630	26,660	178,202	151,542
Net Decrease in the Fair Value of Investments	-	-	21,082	21,082
Other	3,677,080	3,763,650	3,284,942	(478,708)
Total Revenues	37,209,360	47,481,120	48,252,632	771,512
Expenditures:				
Current:				
General Government	17,506,090	19,232,790	15,638,436	3,594,354
Public Safety	22,698,620	22,297,330	20,567,720	1,729,610
Public Services	11,460,060	10,819,250	858,226	9,961,024
Community Development	-	563,500	505,858	57,642
Cultural and Recreational	9,213,930	9,094,040	7,905,191	1,188,849
Health and Welfare	800,000	800,000	674,159	125,841
Capital Outlay	69,600	1,148,550	372,555	775,995
Debt Service:				
Principal	806,010	845,550	845,542	8
Interest	30,750	30,720	30,715	5
Total Expenditures	62,585,060	64,831,730	47,398,402	17,433,328
Excess (Deficiency) of Revenues: Over (Under) Expenditures	(25,375,700)	(17,350,610)	854,230	18,204,840
Other Financing Sources (Uses):				
Transfers In	8,451,160	15,141,310	3,641,198	(11,500,112)
Transfers Out	(5,813,340)	(6,220,500)	(6,769,859)	(549,359)
Total Other Financing Sources (Uses)	2,637,820	8,920,810	(3,128,661)	(12,049,471)
Net Change in Fund Balance	(22,737,880)	(8,429,800)	(2,274,431)	6,155,369
Fund Balance - Beginning of Year (As Restated-Note 23)	29,325,007	29,325,007	31,932,082	-
Fund Balance - End of Year	\$ 6,587,127	20,895,207	29,657,651	8,762,444

See Accompanying Notes to the Financial Statements

City of Palmdale
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
CRA Housing Development Special Revenue Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ -	-	1	1
Charges for Current Services	109,450	-	14,979	14,979
Interest	224,940	35,000	22,975	(12,025)
Net Decrease in the Fair Value of Investments	-	-	(384)	(384)
Other	-	1,540	1,537	(3)
Total Revenues	334,390	36,540	39,108	2,568
Expenditures:				
Current:				
Public Services	-	-	25,000	(25,000)
Community Development	5,785,720	7,590,360	6,145,810	1,444,550
Capital Outlay	1,000,000	378,670	302,777	75,893
Total Expenditures	6,785,720	7,969,030	6,473,587	1,495,443
Excess (Deficiency) of Revenues: Over (Under) Expenditures	(6,451,330)	(7,932,490)	(6,434,479)	1,498,011
Other Financing Sources (Uses):				
Transfers In	7,645,540	84,230	2,027,488	1,943,258
Transfers Out	(562,180)	(1,321,140)	(448,788)	872,352
Total Other Financing Sources (Uses)	7,083,360	(1,236,910)	1,578,700	2,815,610
Net Change in Fund Balance	632,030	(9,169,400)	(4,855,779)	4,313,621
Extraordinary Gain (Loss):				
Extraordinary Gain (Loss) Upon dissolution of the Redevelopment Agency (Note 19)	-	-	(21,242,322)	(21,242,322)
Fund Balance - Beginning of Year	26,098,101	26,098,101	26,098,101	-
Fund Balance - End of Year	\$ 26,730,131	16,928,701	-	(16,928,701)

See Accompanying Notes to the Financial Statements

City of Palmdale

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Housing Authority - Housing Asset Fund - Special Revenue Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues:				
Charges for Current Services	\$ 109,450	-	9,677	9,677
Interest	224,940	35,000	-	(35,000)
Net Decrease in the Fair Value of Investments	-	-	599	599
Other	-	1,540	-	(1,540)
Total Revenues	334,390	36,540	10,276	(26,264)
Expenditures:				
Current:				
Community Development	5,785,720	7,590,360	41,543	7,548,817
Capital Outlay	1,000,000	378,670	37,354	341,316
Total Expenditures	6,785,720	7,969,030	78,897	7,890,133
Excess (Deficiency) of Revenues: Over (Under) Expenditures	(6,451,330)	(7,932,490)	(68,621)	7,863,869
Other Financing Sources (Uses):				
Transfers In	7,645,540	84,230	7,231	(76,999)
Transfers Out	(562,180)	(1,321,140)	(330,826)	990,314
Total Other Financing Sources (Uses)	7,083,360	(1,236,910)	(323,595)	913,315
Net Change in Fund Balance	632,030	(9,169,400)	(392,216)	8,777,184
Extraordinary Gain (Loss):				
Extraordinary Gain (Loss) Upon dissolution of the Redevelopment Agency (Note 19)	-	-	21,242,322	21,242,322
Fund Balance - Beginning of Year	26,098,101	26,098,101	-	(26,098,101)
Fund Balance - End of Year	\$ 26,730,131	16,928,701	20,850,106	3,921,405

See Accompanying Notes to the Financial Statements

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Housing Authority Mobile Home Parks Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of Property	\$ 4,094,970	4,441,210	4,326,644	(114,566)
Interest	250	250	1,500	1,250
Net Decrease in the Fair Value of Investments	-	-	150	150
Total Revenues	<u>4,095,220</u>	<u>4,441,460</u>	<u>4,328,294</u>	<u>(113,166)</u>
Expenditures:				
Current:				
Community Development	3,514,770	3,381,900	3,173,033	208,867
Debt Service:				
Interfund Interest	-	-	570,935	(570,935)
Interest	77,000	-	-	-
Total Expenditures	<u>3,591,770</u>	<u>3,381,900</u>	<u>3,743,968</u>	<u>(362,068)</u>
Excess (Deficiency) of Revenues: Over (Under) Expenditures	<u>503,450</u>	<u>1,059,560</u>	<u>584,326</u>	<u>(475,234)</u>
Other Financing Sources (Uses):				
Transfers In	-	463,190	448,788	(14,402)
Transfers Out	(1,356,340)	(1,356,340)	(75,542)	1,280,798
Total Other Financing Sources (Uses)	<u>(1,356,340)</u>	<u>(893,150)</u>	<u>373,246</u>	<u>1,266,396</u>
Extraordinary Gain (Loss)				
Extraordinary Gain (Loss) Upon dissolution of the Redevelopment Agency	-	-	(16,170,000)	(16,170,000)
Net Change in Fund Balance	(852,890)	166,410	(15,212,428)	(15,378,838)
Fund Balance - Beginning of Year	(1,473,661)	(1,473,661)	(1,473,661)	-
Fund Balance - End of Year	<u>\$ (2,326,551)</u>	<u>(1,307,251)</u>	<u>(16,686,089)</u>	<u>(15,378,838)</u>

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Fiduciary Fund Financial Statement

The City's Fiduciary Funds are Agency Funds, Retiree Health Premium Trust Funds, and Private-purpose Trust Funds. Agency Funds, Retiree Health Premium Trust Funds, and Private-purpose Trust Funds are used to account for assets held by the City as an agency for other governmental units, private organizations, individuals and/or other funds.

Assessment and Community Facilities Districts Fund

This fund is used to account for receipts and disbursements associated with 1915 Act Assessment Bonds and Special Tax Bonds, which are administered by, but are not the liability of, the City.

Retiree Health Premium Trust Funds

This fund is used to account for the receipt of City funds held in trust to provide Eligible Retirees with a supplement to reduce their premiums for participating in the City's Health Plan.

Successor Agency Private-purpose Trust Funds

This fund is used to account for the assets, liabilities and activities of the former Community Redevelopment Agency of the City of Palmdale in a trustee capacity to pay enforceable obligations of the former Community Redevelopment Agency. As more fully explained at Note 19, on February 1, 2012 in accordance with Assembly Bill (ABX126 and 1484) all redevelopment agencies in the State of California were dissolved. Assets and liabilities were transferred to the Successor Agency Private Purpose Trust Fund that is used to account for assets held by the City of Palmdale's former Redevelopment Agency. The City has agreed to serve as the successor agency to hold the assets until all enforceable obligations of the prior redevelopment agency have been paid in full and they are distributed to other units of state and local government.

**City of Palmdale
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012**

	Agency Funds	OPEB Trust Funds	Successor Agency Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash	\$ -	\$ -	\$ 10,624,088
Investments	131,428	-	-
Receivables:			
Accounts and Interest Receivable	-	-	505
Property Taxes Receivable	472,496	-	-
Deferred Charge-Cost of Issuance	-	-	1,915,189
Land Held for Resale	-	-	11,673,527
Restricted Assets:			
Cash and cash equivalents	-	6,660	-
Investments	9,065,665	4,568,496	684,184
Interest Receivable	2,385	-	11
Capital Assets:			
Not Being Depreciated:			
Land and Improvements	-	-	14,390,465
Construction in Progress	-	-	1,987,118
Being Depreciated, Net of Accumulated Depreciation:			
Buildings and Structures	<u>-</u>	<u>-</u>	<u>272,355</u>
Total Assets	<u>9,671,974</u>	<u>4,575,156</u>	<u>41,547,442</u>
Liabilities:			
Accounts Payable	4,660	-	77,919
Advances Due to Housing Asset Fund	-	-	15,857,215
Due to Bank - Overnight Sweep	40,560	-	-
Due to Other Governmental Units	583,859	-	1,923,118
Deposits	151,859	-	-
Accrued Interest Payable	-	-	2,330,417
Long-Term Liabilities:			
Due Within One Year	-	-	4,870,982
Due in More than One Year	<u>8,891,036</u>	<u>-</u>	<u>135,026,918</u>
Total Liabilities	<u>\$ 9,671,974</u>	<u>-</u>	<u>160,086,569</u>
Net Assets:			
Assets Held in Trust		<u>4,575,156</u>	<u>(118,539,127)</u>
Total Net Assets		<u>4,575,156</u>	<u>(118,539,127)</u>
Total Liabilities and Net Assets		<u>\$ 4,575,156</u>	<u>\$ 41,547,442</u>

See Accompanying Notes to the Financial Statements

City of Palmdale
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012

	OPEB Trust Funds	Successor Agency Trust Funds
Additions:		
Contributions to Retiree Medical Trust	\$ 228,087	\$ -
Property Taxes		18,911,680
Investment and interest income	109,784	53,718
Net Investment Gains (Losses)	(124,234)	202
Total Additions	213,637	18,965,600
Deductions:		
Benefits paid to participants	610,236	-
General Government	-	9,965
Community Development	-	172,663
Public Services	-	396,759
Cultural And Recreation	-	20,518
Intergovernmental-Tax Sharing	-	8,259,449
Depreciation	-	3,651
Interest Expense	-	3,097,354
Total Deductions	610,236	11,960,359
Change in Net Assets held in Trust	(396,599)	7,005,241
Net Assets Held in Trust at July 1, 2011	4,971,755	-
Extraordinary Loss Upon Dissolution of the Redevelopment Agency (Note 19)	-	(125,544,368)
Net Assets Held in Trust at June 30, 2012	\$ 4,575,156	\$ (118,539,127)

See Accompanying Notes to the Financial Statements

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**Notes to the
Financial Statements**



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2012

City of Palmdale
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Notes to the Financial Statements
For the Year Ended June 30, 2012

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(1) Summary of Significant Accounting Policies

A. Description of the Reporting Entity

The City of Palmdale (the City) was incorporated on August 24, 1962, under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: library, cultural and recreational, public improvements, planning and zoning, building and safety, street maintenance and general administrative services. The City contracts with the County of Los Angeles to provide law enforcement, animal control, limited street maintenance for snow and hazardous materials removal, and emergency services. Fire service is provided by a separate County Fire Protection District and is not under the City's jurisdiction.

As required by GAAP, the accompanying comprehensive annual financial report includes the financial activities of the City of Palmdale, the primary government, and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for a component unit if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City.

Included within the financial reporting of the City of Palmdale are the Dissolved Community Redevelopment Agency of the City of Palmdale (Agency) for the seven month period (Note 19), the Palmdale Civic Authority (Authority), the Industrial Development Authority (IDA), and the Housing Authority of the City of Palmdale (Housing Authority). The City Council of the City of Palmdale serves as the governing board of each of these entities, and executive management activities for these entities are conducted by City Staff. As such, these entities are presented on a blended basis.

Separate component unit financial statements are issued for the Authority and the Housing Authority and may be obtained from the City's Finance Department, 38300 Sierra Highway, Suite D, Palmdale, CA 93550.

The Former Community Redevelopment Agency of the City of Palmdale was established March 25, 1975, pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law" with the City Council serving as the Agency's governing board. The Agency was formed for the purpose of eliminating blighted areas within the City by encouraging development of residential, commercial, industrial, recreational and public facilities. City Staff provided management assistance to the Agency, which was funded by property tax increment revenue and the use of debt. As more fully explained at Note 19, on December 29, 2011, the California Supreme Court upheld Assembly Bill 1 X 26 that provides for the dissolution of all redevelopment agencies in the State of California effective January 31, 2012. Seven months activity of the Agency is reported in the Special Revenue, Debt Service and Capital Projects Funds. All assets and liabilities were transferred to the Successor Agency Private-Purpose Trust Fund which is used to account for assets held by the City of the former Community Redevelopment Agency.

The Successor Agency for the Former Community Redevelopment Agency of the City of Palmdale was created on January 4, 2012 when the City Council elected to become the Successor Agency for the former redevelopment agency of the City of Palmdale in accordance with Assembly Bill (ABX126 and 1484). As more fully explained at Note 19, The Agency was formed for the purpose of holding the assets of the former community redevelopment agency

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

until they are distributed to other units of state and local government. The Agency is subject to the control of an oversight board and remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution. The assets and activities are reported as a private purpose trust fund and its debts and obligations are not debts or obligations of the City.

The Palmdale Civic Authority is a joint powers authority organized under Section 6500 et seq. of the California Government Code on May 1, 1976, between the City and the Agency for the purpose of acting as a vehicle for financing various projects of the City and the Agency.

The Authority is a distinct legal entity separate and apart from the City and the Agency, and its debts and obligations are not debts or obligations of the City or the Agency. The City Council acts as the governing body of the Authority by serving as its board members. The activity of the Authority is reported in the Debt Service and Capital Projects Funds.

The Industrial Development Authority was organized under Section 91500 et seq. of the California Government Code on February 8, 1995, for the purpose of financing industrial development in the City. The IDA works with manufacturers and industrial companies to develop new industrial sites in Palmdale. The IDA is a distinct legal entity separate and apart from the City and the Agency, and its debts and obligations are not debts or obligations of the City or the Agency. The City Council acts as the governing body of the IDA by serving as its board members.

The Housing Authority of the City of Palmdale was established on April 9, 1997, pursuant to the State of California Health and Safety Code, Section 34200, entitled "Housing Authorities Law". The Housing Authority was formed for the purpose of working with mobile home parks located in the City. As more fully explained at Note 19, the Housing Authority assumed the authority to perform housing functions previously performed by the dissolved community redevelopment agency and all rights, powers, duties, obligations, and housing assets, were transferred to the Housing Authority during 2011-12. The Housing Authority is a distinct legal entity separate and apart from the City and the Agency, and its debts and obligations are not debts or obligations of the City or the Agency. The City Council acts as the governing body of the Housing Authority by serving as its board members. The activity of the Housing Authority is reported in the Special Revenue Funds.

The financial statements of the City of Palmdale have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

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

The accounts of the City are organized 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, fund equity, revenues and expenditures/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 to be controlled.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

Government-Wide Financial Statements

The Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities are reported separately from business-type activities and, likewise, the primary government is reported separately from discretely presented component units. The City of Palmdale has no business-type activities or discretely presented component units. Interfund activity, including payables and receivables; have been eliminated in the Statement of Activities and the Statement of Net Assets as prescribed by GASB Statement No. 34.

Interfund Services provided are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the Government-Wide presentation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Government-Wide Financial Statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the City's assets and liabilities (including capital assets, infrastructure assets and long-term liabilities) are reported in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major funds individually and non-major funds in the aggregate. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements.

Governmental Fund Financial Statements are presented using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

current fiscal period. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Those revenues susceptible to accrual are incremental property taxes, franchise taxes, special assessments, licenses, interest and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other revenue items are recorded when received in cash.

The City has presented all major funds that qualified as major funds, which included the General Fund, the former CRA Housing Development Special Revenue Fund, the, new Housing Authority Housing Asset Fund, the former CRA Project Area No. 1 and the former CRA Project Area No. 2A Debt Service Funds and the Housing Authority City Housing Capital Projects Fund. In addition, the City electively added, as major funds, the former CRA Housing Debt Service Fund, City Project Area 1 and City Project Area 2A Capital Projects Funds, and the former CRA Project Area No. 1 and former 2A Capital Projects Fund because the City believes the financial position and activities of these funds are significant to the City as a whole. Specific fund descriptions and purpose of each fund can be found on page 20 for all major funds. Summarization of all non-major governmental funds is presented under the Other Governmental Funds column. The individual fund statements and descriptions and purpose of the non-major funds can be found on pages 103-113.

Fiduciary Fund Financial Statements

Fiduciary funds are used to account for assets held in a trustee or agency capacity and cannot be used to support the City's own programs. Trust funds are accounted for using the accrual basis of accounting while the Agency funds report only assets and liabilities and therefore, do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognized assets and liabilities.

The OPEB Trust funds are used to account for Other Post Employment Benefits. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Successor Agency Trust Funds are used to account for the assets, liabilities and activities of the dissolved Community Redevelopment Agency in a trustee capacity to pay obligations of the former Community Redevelopment Agency. Revenues are recognized when allocated in the amount that is necessary to pay the enforceable obligations and obligations are recognized when due and payable and approved by the oversight board. (Note 19)

C. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital project funds, which adopt project-length budgets.

The budget process begins in January when budget request forms are distributed to each department. These requests are assembled by the Finance Department and are presented to the City Manager in March. Budget meetings are then held with each department. The proposed budget is presented to the government's Council on or before May 31 of each year. The Council holds a public hearing in June and must adopt a final budget by July 1 of each fiscal year. If Council continues the public hearing and/or adoption of the budget beyond June 30, the

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

Finance Department is required to obtain written authorization for the continuation of spending for the new fiscal year at a public meeting of the Council prior to July 1.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the category level. The category level includes salaries and benefits, training and meetings, operating expenditures, contingency, debt service and capital outlay. Supplemental appropriations during the year must be approved by the City Council if they are over \$25,000 or between funds, except for shifts in appropriations relating to personnel changes that may be done administratively by the City Manager. The City Manager can approve budget transfers up to \$25,000 within a fund. Supplemental appropriations were made during the year and are reflected in the budgeted numbers contained in the accompanying financial statements. Unexpended appropriations at year-end may be added to the subsequent year's adopted budget by the Director of Finance with the approval of the City Manager per Council Resolution 92-120, Section 5.

A separate unaudited budgetary report-comparing budget to actual at the category level has been issued for the General Fund, Special Revenue Funds, and Debt Service Funds. This budgetary report is available from the City's Finance Department, 38300 Sierra Highway, Suite D, Palmdale, California 93550.

Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts and other commitments) outstanding at year-end are reported as assigned fund balance in the General Fund since they do not constitute expenditures or liabilities and are added to the subsequent year's adopted appropriations.

D. Cash and Investments

Cash includes amounts in demand deposits and petty cash on hand. Investments include amounts in U.S. Treasury and Agency Securities, Repurchase Agreements, the Local Agency Investment Fund, money market funds and investment agreements. The U.S. Treasury and Agency Securities were adjusted to fair value based on market prices on June 30, 2012. The Local Agency Investment Fund is reported at the carrying value because the fair value was not materially different. Amounts invested in money market funds and investment agreements are reported at fair value or guaranteed amounts per investment agreement, which is equal to cost as of June 30, 2012.

E. Trust Fund Investments

Investments held in Trust are reported at fair value, which are valued based on published market prices.

F. Short-Term Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" in the balance sheet.

G. Advances Between Funds

Non-current portions of interfund loans receivable, reported as advances from other funds, are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

H. Prepaid Items

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.

I. Land Held for Resale

Project land held for resale is capitalized in the special revenue funds and the capital projects funds at the acquisition cost. Fund balances are classified as nonspendable or restricted in amounts equal to the carrying value of land held for resale since such assets are not available to finance the City's current operations.

J. Permit Held for Resale

Project costs associated with a permit held for resale are capitalized in the General Fund and the capital projects funds at the lower of acquisition cost or estimated resale value. Fund balances are classified as nonspendable in amounts equal to the carrying value of permit held for resale since such assets are not available to finance the City's current operations.

K. Restricted Assets

Restricted assets represent unexpended proceeds, interest thereon and bond reserve amounts related to bond anticipation notes, revenue bonds, tax allocation bonds and certificates of participation. The bond resolutions and indentures require that the bond reserves be maintained in amounts equal to the maximum amount of principal and interest to be paid in any single future fiscal year for each issue.

The debt service funds report restricted assets for resources set aside for current and future principal and interest payments on the bonds. The capital projects funds report restricted assets for proceeds of bond issuances, and interest thereon, which are restricted for use in construction. In cases where capital construction is being financed partially by restricted bond proceeds and partially from the City's own resources, the City typically uses restricted assets first as appropriate opportunities arise, but reserves the right to selectively defer the use of bond proceeds to future projects.

L. Capital Assets

Capital assets, which include property, plant, equipment and public domain infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems), are reported in the applicable governmental columns in the Government-Wide Financial Statements. Capital assets and Intangible assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and \$125,000 respectively and an estimated useful life in excess of two years. Such assets are recorded at cost where historical costs are available and at an estimated original cost where no historical records exist. Donated capital assets are recorded at estimated fair market 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.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-Wide Financial Statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the balance sheet. The range of lives used for depreciation purposes for each capital asset class are as follows:

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

<u>Assets</u>	<u>Years</u>
Buildings and Structures	50
Improvements Other than Buildings	5-10
Machinery and Equipment	5-15
Infrastructure	20-50

The retroactive historical value of the City's infrastructure assets (roads, bridges, sewers and traffic signals that were completed prior to July 1, 2001) has been included in the Government-Wide Financial Statements, as of June 30, 2012. The City's infrastructure assets are recorded at historical cost or at estimated historical cost in the Government-Wide Financial Statements as required by GASB Statement No. 34. All current year additions to infrastructure assets are depreciated.

M. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and administrative leave, and compensatory and floating holiday time. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation and administrative leave, compensatory and floating holiday time, and associated employer-related salary costs are 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. Compensated absences are generally liquidated by the general fund and special revenue funds.

N. Long-Term Obligations

In the Government-Wide Financial Statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums/discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight-line method.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Fund Equity

In the Fund Financial Statements, governmental funds report fund balance into five components whereby each component identifies the extent to which the City is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The five components of the fund balance are as follows:

Nonspendable: Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.

Restricted: Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

Committed: Resources that are constrained to specific purposes by a formal action of the City Council, which constitutes the most binding constraint such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the City Council. Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.

Assigned: Resources that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed or the residual balance of all other governmental funds except the General Fund.

Unassigned: Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, the negative residual resources in excess of what can be properly classified as nonspendable, restricted, or committed.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balances, and finally unassigned fund balance.

This policy delegates to the Finance Director the authority to assign unrestricted fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

P. Deficit Fund Equity

The following funds had a deficit unassigned fund balance at June 30, 2012 in the amount indicated:

Non-major Special Revenue Funds:	
Federal Grants Fund	\$ 454,711
Public Facilities Fund	\$ 46,566

Management anticipates that these deficits will be resolved in future years as the funds are either collected from impact fees or outstanding reimbursable grants are received.

Housing Authority Mobile Home Park Fund	\$ 16,686,089
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Management anticipates that this deficit will be resolved in future fiscal years as additional operating revenues become available and the Mobile Home Parks occupancy levels remain high and consistent each year at the three mobile home parks.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

Q. Expenditures Exceeding Appropriations

For the year ended June 30, 2012, funds with expenditures exceeding appropriation in the program/function (the legal level of budgetary control), exceeded as the result of GASB 54. Budget appropriations approved were reported to the City Council as being paid out of General Fund and Federal Jobs Program Fund and funded through transfers in from special revenue funds. The following special revenue funds reclassified transfers out to the expenditure function level of the special revenue fund financial statements to comply with GASB 54 requirements. Funds with expenditures exceeding appropriations were as follows: Gas Tax Fund, Public Safety Fund, Prop A Fund, Prop C Fund, Air Quality Fund, Article 8 Fund, Park Development Fund, Traffic Impact Fund, Drainage Funds, Federal Grant Funds, State Grant Funds, Park Assessments, Landscape Maintenance Fund, Street Lighting Fund, and Sewer Drainage Benefit Fund.

R. Property Taxes

With the passage of Assembly Bill No. 1197, the City of Palmdale, previously a “no property tax” city began to receive property taxes in fiscal year 1989-90. In addition, the former Community Redevelopment Agency (CRA) received incremental property taxes on property within its project areas over a base-assessed valuation on the date the project area was established. Upon dissolution of the former CRA incremental property tax will be received by the Private Purpose Trust. (Note 19). The Los Angeles County Assessor and Tax Collector perform the duties of assessing and collecting property taxes, respectively. Tax levies cover the period from July 1 to June 30 of each year. All tax liens attach annually on January 1 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.

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by December 10. The second installment is due on February 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year. These taxes become delinquent if not paid by August 31.

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

T. Implemented Accounting Pronouncements

During fiscal year 2011-12, the City adopted GASB Statement No. 57, *OPEB Measurements by Agency Employers and Agent Multiple-Employer Plans*. The objective of this statement is to address issues related to the use of alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple employers other post-employment benefit plans. The statement is effective for the periods beginning after June 15, 2011. The implementation did not have any significant impact on the City’s financial statements.

During fiscal year 2011-12, the City adopted GASB Statement no. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement no. 53*. The objective of this Statement is to clarify whether an effective hedging relationship

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Statement was effective for periods beginning after June 15, 2011. The implementation did not have any significant impact on the City's financial statements.

(2) Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash	\$ 67,509
Cash overdraft-Due to Bank	(3,213,022)
Investments	94,763,881
Restricted cash and investments	<u>23,077,413</u>
	<u>114,695,781</u>

Fiduciary funds:

Cash	10,624,088
Cash overdraft-Due to Bank	(40,560)
Investments	131,428
Restricted cash and investments	<u>14,325,005</u>
	<u>25,039,961</u>

Total cash and investments \$ 139,735,742

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand		\$ 13,835
Cash overdraft-Due to Bank		(3,253,582)
Deposits with financial institutions		10,677,762
Investments:		
Pooled	\$ 95,959,964	
Held by trustees	<u>36,337,763</u>	<u>132,297,727</u>
Total cash and investments		<u>\$ 139,735,742</u>

A. Investments Authorized by the California Government Code and the City of Palmdale's Investment Policy

The table below identifies the investment types that are authorized for the City of Palmdale by the California Government Code (or the City of Palmdale's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City of Palmdale's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements with the City of Palmdale, rather than the general provisions of the California Government Code or the City of Palmdale's investment policy.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	2%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	15%	10%
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

*Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

The City of Palmdale's investment policy also authorizes Demand Deposits of up to \$2,000,000 (and \$2,500,000 in the aggregate) with Bank of America or Wells Fargo Bank. As of June 30, 2012, a demand deposit of \$10,624,088 is expected to be expended in short period of time and is held on behalf of the Successor Agency Private Purpose Trust Fund.

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the trust agreements, created in connection with the issuance of debt (see Note 11) rather than the general provisions of the California Government Code. Certificates of Participation and Revenue Bond indentures specify the types of securities in which proceeds may be invested as well as any related insurance, collateral, or minimum credit rating requirements. Although requirements may vary between debt issues, money market funds are all required to be investment grade. Guaranteed investment contracts are required to be acceptable to the municipal bond insurer. The fair value of investments is based on the valuation provided by trustee banks.

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Investment Policy of the City of Palmdale, Sections 4.1 and 4.2, provide guidelines for managing risk. One of the ways that the City of Palmdale manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City of Palmdale's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City of Palmdale's investments by maturity.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Repurchase Agreements	\$ 13,859,184	\$ 13,859,184	\$ -	\$ -
Federal Agency Securities	33,064,890	-	5,040,850	28,024,040
Certificates of Deposit	3,010,476	1,253,100	1,757,376	-
Money Market Funds	82,980	82,980	-	-
State Investment Pool	45,942,434	45,942,434	-	-
Held By Trustees:				
Money Market Funds	29,247,134	29,247,134	-	-
Mutual Funds	4,568,496	4,568,496	-	-
Investment Agreements	2,415,811	-	-	956,951
State Investment Pool	<u>106,322</u>	<u>106,322</u>	-	-
Total	<u>\$ 132,297,727</u>	<u>\$ 95,059,650</u>	<u>\$ 6,798,226</u>	<u>\$ 28,980,991</u>
			<u>\$ 1,458,860</u>	

D. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Palmdale's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Not Required To Be Rated</u>	<u>NR/Baa1*</u>	<u>A/A2*</u>	<u>AA+/Aaa*</u>	<u>AAA/Aaa*</u>
Repurchase agreement	\$ 13,859,184	N/A	\$ -	\$ -	\$ -	\$ -	\$ 13,859,184
Federal agency securities	33,064,890	N/A	-	-	-	-	33,064,890
Certificates of Deposit	3,010,476	N/A	3,010,476	-	-	-	-
Money market funds	82,980	A	-	-	-	-	82,980
State investment pool	45,942,434	N/A	45,942,434	-	-	-	-
Held by bond trustees:							
Money market funds	29,247,134	A	-	-	-	-	29,247,134
Mutual Funds	4,568,496	N/A	4,568,496	-	-	-	-
Investment agreements	2,415,811	N/A	-	956,951	660,000	798,860	-
State investment pool	<u>106,322</u>	N/A	<u>106,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 132,297,727</u>		<u>\$ 53,627,728</u>	<u>\$ 956,951</u>	<u>\$ 660,000</u>	<u>\$ 798,860</u>	<u>\$ 76,254,188</u>

* Ratings are from S&P & Moody's, respectively.

The State Investment Pool is 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. This pool is not rated.

E. Concentration of Credit Risk

The investment policy of the City of Palmdale contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Reportable investments in any one issuer that represent 5% or more of the total City of Palmdale's investments are as follows:

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	\$ 8,041,840
Federal Ntl Mtg Assoc.	Federal agency securities	19,007,660
Federal Ntl Mtg Assoc. – Overnight Sweep	Federal agency securities	13,859,184

F. Custodial Credit Risk

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 its 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 (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Palmdale’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$11,128,326 of the City of Palmdale’s deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts, but not in the name of the City. As of June 30, 2012, City of Palmdale investments in the following investment types were held by the safekeeping department of the broker-dealer (counterparty) used by the City of Palmdale to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Certificates of Deposit	\$3,010,476
Federal agency securities	33,064,890

G. Investment in State Investment Pool

The City of Palmdale 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. The fair value of the City of Palmdale’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Palmdale’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

H. Disclosures by Reporting Unit

Investments in any one issuer that represent 5% or more of total investments by reporting unit (governmental activities, major fund, non-major in the aggregate, etc.) are as follows:

\$798,860 of investments (including amounts held by bond trustees) reported in the Palmdale Civic Authority Fund (a non-major fund of the City) is held in the form of guaranteed investment contracts issued by IXIS Funding, with a rating of AA+/Aaa. The investment agreement matures on September 1, 2029.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

\$660,000 of investments (including amounts held by bond trustees) reported in the Successor Agency Private Purpose Trust Fund of the former CRA Project Area 1 Debt Service Fund (a major fund of the City) is held in the form of guaranteed investment contracts as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Maturity</u>	<u>Rating</u>
Societe Generale	Investment Agreement	\$660,000	06/25/2023	A/A2

\$956,951 of investments (including amounts held by bond trustees) reported in the Successor Agency Private Purpose Trust Fund are held in the form of a guaranteed investment contract issued by Bayerische Landesbank, with a rating of NR/Baal. The investment agreements mature on July 1, 2015.

(3) Interfund Transfers - Interfund transfers for the year ended June 30, 2012 were as follows:

<u>Transfer To:</u>	<u>Transfer From:</u>	<u>Amount</u>
Major Funds:		
General Fund	CRA Housing Development	\$ 35,544
	Non-Major Funds	<u>3,605,654</u>
		3,641,198
CRA Housing Development	General Fund	21,198
	City Housing Fund	2,002,018
	CRA Project Area 2A Debt Fund	<u>4,272</u>
		2,027,488
HA Housing Asset Fund	General Fund	7,231
HA Mobile Home Park Fund	CRA Housing Development Fund	448,788
CRA Project Area 1 Debt Service	CRA Project Area 2A Debt Service	1,454,877
CRA Housing Debt Service	CRA Housing Development	295,281
	Housing Authority Mobile Home Park	<u>75,542</u>
		370,823
City Project Area 1 Capital	General Fund	7,200
City Project Area 2A	CRA Project Area 2A Capital Project	147,775
Non-Major Funds	Non-Major Funds	120,681
	General Fund	6,734,230
	CRA Project Area 1 Debt Service	481,843
	CRA Project Area 1 Capital	71,588
	CRA Project Area 2A Capital	<u>579,208</u>
		<u>7,987,550</u>
Total Interfund Transfers		<u>\$ 16,092,930</u>

Remaining transfers resulted from the following transactions:

- 1) Moving revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires expending them.
- 2) Moving receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments come due.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

- 3) Using unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(4) Interfund Assets/Liabilities

A. Due From/To Other Funds for the year ended June 30, 2012 were as follows:

<u>Payable To:</u>	<u>Payable From:</u>	<u>Amount</u>
Major Funds:		
General Fund	Non-Major Funds	\$ 1,074,296
HA-Housing Development Fund	Non-Major Funds	186,109
HA-City Housing Fund	Non-Major Funds	385,000
Non-Major Funds:	Non-Major Funds	<u>277,139</u>
Total Due From/To Other Funds		<u><u>\$ 1,922,544</u></u>

All balances resulted from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made

B. Advances Due From/To Drainage Funds at June 30, 2012

Beginning in fiscal year ending June 30, 1993, advances were made from the Amargosa, Portal Ridge, and Pearland Drainage funds to cover shortfalls in funding in the Anaverde Drainage Funds. Government Code Section 66006 stipulates that developer impact fees shall be kept in a separate fund and earn interest until expended for the purpose for which the fee was originally collected. In accordance with this Government Code Section, interest has been accrued on a monthly basis with a rate equal to the monthly LAIF rate since the inception of the advances.

The Drainage funds financial statements are presented as one combined statement within this report. Due to this presentation the advances have been eliminated.

	<u>Receivable</u>	<u>Payable</u>
Amargosa Drainage	\$ 763,103	\$ -
Anaverde Drainage	-	7,688,224
Portal Ridge Drainage	288,900	-
Pearland Drainage	<u>6,636,221</u>	<u>-</u>
	<u>\$ 7,688,224</u>	<u>\$ 7,688,224</u>

The total fund equity of the individual funds is as follows:

	<u>Fund Equity</u>
Amargosa Drainage	\$ 1,256,003
Anaverde Drainage	(9,410,512)
Big Rock Drainage	7,582
Portal Ridge Drainage	465,351
Pearland Drainage	13,883,672
Littlerock Drainage	<u>115,944</u>
	<u><u>\$ 6,318,040</u></u>

City of Palmdale
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For the Year Ended June 30, 2012

An annual AB1600 report is issued each year. This report contains additional data on the individual Drainage funds. A copy of this report can be obtained from the City of Palmdale, Finance Department, 38300 Sierra Highway, Suite D, Palmdale, California 93550.

C. Advances Due From/To Other Funds at June 30, 2012

	Receivable	Payable
Major Funds:		
Capital Projects Funds:		
Housing Authority-City Housing Fund	\$ 1,706,781	-
Special Revenue Funds:		
Housing Authority Mobile Home Parks Fund	-	\$ 1,706,781
Sub-Total Major Funds	\$ 1,706,781	\$ 1,706,781

The Housing Authority-Mobile Home Park has advances due to the Housing Authority-City Housing Fund (\$1,706,781), resulting from the acquisition and operation of three mobile home parks purchased during fiscal year 2002-2003. Upon acquisition, the Housing Authority assumed the prior park owner's liabilities which were payable to the CRA-Low and Moderate Income Housing Fund and City under the terms of an operating agreement. The operating agreement establishes priorities for the use of revenues from operation of the parks, and provides for repayment of the advances from net income once expenses, debt service, operating, and capital reserve requirements are met. In the interim, additional liabilities for debt service shortfalls and program/project management fees will continue to accrue to the long-term advances due the City Housing Fund. These advances will be repaid when net income is sufficient under the operating agreement.

D. Interfund Promissory Note Receivable and Payable at June 30, 2012

The Housing Authority-Mobile Home Parks issued a Promissory Note to the Former Low and Moderate Income Housing Fund to generate proceeds to fund additional housing programs. The Promissory Note is to be repaid from the Mobile Home Parks operating revenue when net income is sufficient under the operating agreement. As the result of the dissolution of the Community Redevelopment Agency, the Promissory Note asset will be held by the Housing Authority-City Housing Fund. All proceeds from repayment of the Promissory Note must be used in accordance with applicable housing related provisions of Community Redevelopment Law. During the five-month period, beginning February 1, 2012, the HA-Mobile Home Parks paid \$450,000 principal and \$570,935 interest for a total of \$1,020,935 to the City Housing Fund. The balance of the Promissory Note as of June 30, 2012 is \$15,720,000.

(5) Notes Receivable- Successor Agency Cash Flow Loan

The City approved a cash flow loan agreement not to exceed \$7,889,081 between the City of Palmdale and the Successor Agency in order for the Successor Agency to pay certain enforceable obligations when RPTTF was insufficient. The Oversight Board approved the Loan on September 27, 2012. Interest on the Loan shall accrue at a rate equal to the interest rate applicable to funds on deposit in the Local Agency Investment Fund, compounded annually. As of June 30, 2012, the City of Palmdale loaned to the Successor Agency from Special Revenue Funds a total of \$2,034,658. The State Department of Finance has approved the loan as an enforceable obligation of the Successor Agency payable on June 1 and January 2 of each year solely from property tax receipts available. All Loan payments shall first be used to pay all accrued interest and then to reduce the principal balance.

City of Palmdale
Notes to the Financial Statements
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(6) Fund Balance Classification

The Governmental Fund Balances at June 30, 2012 were classified as follows:

	General	Special Revenue Fund HA-Housing Asset Fund	Special Revenue Fund – HA Mobile Home Parks	Capital Projects Fund City Housing Fund	Capital Projects Fund City Project Area I	Capital Projects Fund City Project Area 2A
Nonspendable:						
Deposits and Prepaids	\$ 306,931	\$ -	\$ -	\$ -	\$ -	\$ -
Permit for Resale	3,817,365	-	-	-	-	-
Long Term Receivables	-	-	-	-	-	-
Notes and Loans	561,252	-	-	-	-	-
Total Nonspendable	<u>4,685,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted:						
General Government	954,483	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Public Safety	584,830	-	-	-	-	-
Public Services	1,285,822	-	-	-	-	-
Community Development	-	20,850,106	-	38,270,862	1,919	9,527,944
Cultural and Recreation	92,401	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-
Housing Auth Operations	-	-	-	-	-	-
MH Park Operations	-	-	-	-	-	-
Total Restricted	<u>2,917,536</u>	<u>20,850,106</u>	<u>-</u>	<u>38,270,862</u>	<u>1,919</u>	<u>9,527,944</u>
Assigned:						
Capital Projects	-	-	-	-	-	-
Appropriations	458,650	-	-	-	-	-
Compensated Absences	1,912,365	-	-	-	-	-
Self Insurance Claims	1,092,232	-	-	-	-	-
Health Insurance	2,175,974	-	-	-	-	-
Total Assigned	<u>5,639,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned:	<u>16,415,346</u>	<u>-</u>	<u>(16,686,089)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 29,657,651</u>	<u>\$ 20,850,106</u>	<u>\$ 16,686,089)</u>	<u>\$ 38,270,862</u>	<u>\$ 1,919</u>	<u>\$ 9,527,944</u>

	Debt Service Fund CRA Project Area 2A General	Debt Service Fund CRA Housing	Capital Projects Fund CRA Project Area No. 1	Capital Projects Fund CRA Project Area No. 2A	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Deposits and Prepaids	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306,931
Permit for Resale	-	-	-	-	-	3,817,365
Long Term Receivables	-	-	-	-	-	-
Notes and Loans	-	-	-	-	-	561,252
Total Nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,685,548</u>
Restricted:						
General Government	-	-	-	-	-	954,483
Debt Service	-	-	-	-	6,380,112	6,380,112
Public Safety	-	-	-	-	2,760,370	3,345,200
Public Services	-	-	-	-	51,442,349	52,728,171
Community Development	-	-	-	-	2,436,568	71,087,399
Cultural and Recreation	-	-	-	-	11,078,149	11,170,550
Health and Welfare	-	-	-	-	1,201	1,201
Housing Auth Operations	-	-	-	-	79,327	79,327
Total Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,178,076</u>	<u>145,746,443</u>

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

	Debt Service Fund CRA Project Area 2A General	Debt Service Fund CRA Housing	Capital Projects Fund CRA Project Area No. 1	Capital Projects Fund CRA Project Area No. 2A	Other Governmental Funds	Total Governmental Funds
Assigned:						
Capital Projects	-	-	-	-	10,166,132	10,166,132
Appropriations	-	-	-	-	3,477,690	3,936,340
Compensated Absences	-	-	-	-	-	1,912,365
Self Insurance Claims	-	-	-	-	-	1,092,232
Health Insurance Claims	-	-	-	-	-	2,175,974
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,643,822</u>	<u>19,283,043</u>
Unassigned:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(501,277)</u>	<u>(772,020)</u>
Total Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,320,621</u>	<u>\$ 168,943,014</u>

(7) Joint Ventures

A. Antelope Valley Transit Authority

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

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

As of June 30, 2012, Antelope Valley Transit Authority's financial position was as follows:

Assets	<u>\$ 54,449,003</u>
Liabilities	5,813,492
Fund Equity	<u>48,635,511</u>
Total Liabilities and Fund Equity	<u>54,449,003</u>
Revenues	33,018,699
Expenses	<u>24,753,300</u>
Increase in Fund Equity	<u>\$ 8,265,399</u>

The Authority is funded in part by revenues allocated to the City and redirected to the Authority and in part by a shared formula based on the level of service provided to the jurisdiction.

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

(8) Risk Management

The City is self insured and exposed to various risk of loss related to general liability and health, dental and vision needs of employees. Under the City's risk management program, the City retains the risk for general liability claims for the first \$250,000 per occurrence and carries excess general liability and automobile insurance with total policy limits of \$26,000,000. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The

City of Palmdale
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For the Year Ended June 30, 2012

City transitioned to a self-insurance health plan in January 2009 and purchases stop loss coverage for the health benefits program for health claims in excess of \$150,000 per covered person with policy limits of \$1,850,000 per covered person. The City retains the risk for dental and vision claims. Carl Warner and Company, a third-party claims administrator, administers the general liability program. The health, dental and vision claims are administered by Benefit and Risk Management Services, Inc. a third-party claims administrators. Both administrators are experts in their respective fields.

The City records estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk. Charges to the General Fund and other funds are determined from an analysis of claims costs, and are recorded as expenditures or expenses in the various funds and revenues in the self-insured funds.

During fiscal year 2011-2012, \$4,123 was paid in general liability claims and \$254,426 was paid in liability administrative costs. At June 30, 2012, \$1,149,422 was accrued for general liability claims in the Government-Wide Financial Statements. The portion estimated to be due within one year is \$57,190 and is calculated based on settlements paid during a sixty day period subsequent to fiscal year end. These accruals, based on the results of an actuarial study, represent estimates of amounts to be paid for reported claims and incurred but unreported claims.

During fiscal year 2011-2012, \$1,647,195 was paid in health claims and \$341,943 was paid in health administrative costs. At June 30, 2012, \$209,693 was accrued for health liability claims in the Government-Wide Financial Statements. The accruals, based on the results of an actuarial study, represent estimates of amounts to be paid for reported claims and incurred but unreported claims.

During fiscal year 2011-12, \$291,184 was paid in dental and vision claims and \$20,245 was paid in dental and vision administrative costs. At June 30, 2012, \$5,452 was accrued for dental and vision claims in the Government-Wide Financial Statements. The accruals, based on the results of an actuarial study, represent estimates of amounts to be paid for reported claims and incurred but unreported claims.

The total liability is calculated considering the effects of inflation, recent favorable claim settlement trends including frequency and amount of payouts, anticipated future investment earnings on funds held to pay losses and other economic and social factors.

It is the City's practice to obtain a full actuarial study annually to perform an analysis of the City's potential liability for the City's retained risk portions of the various self-insurance programs. The amounts recorded as liabilities represent estimates of amounts to be paid for reported claims, as well as incurred but not reported claims based upon past experience, modified for current trends and information. While the ultimate amounts of losses incurred through June 30, 2012, are dependent on future developments, the City's management believes that the aggregate accrual is adequate to cover such losses. The liabilities for general liability claims are reported using a discount rate of 3.0% while a 5.0% margin was added to the estimated health, dental and vision claims for potential adverse deviation. The estimates do not include any additional provision for administrative expenses associated with adjudicating or processing the unpaid claims.

Changes in the balances of the City's claims liabilities for the current and prior fiscal years are as follows:

City of Palmdale
Notes to the Financial Statements
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	General Liability	Medical Benefits	Dental and Vision Claims	Total
Balance, June 30, 2010	\$ 1,454,200	\$ 301,769	\$ 61,488	\$ 1,817,457
Claims Incurred	373,105	1,218,284	367,203	1,900,102
Claims Paid	(592,436)	(1,392,182)	(37)	(2,305,923)
Balance, June 30, 2011	1,234,869	127,871	48,896	1,411,636
Claims Incurred	4,123	1,729,017	247,740	1,976,757
Claims Paid	(89,570)	(1,647,195)	(291,184)	(2,023,826)
Balance, June 30, 2012	<u>\$ 1,149,422</u>	<u>\$ 209,693</u>	<u>\$ 5,452</u>	<u>\$ 1,364,567</u>

(9) Deferred Revenue/Unearned Revenue

Unearned Revenue - Governmental funds report deferred revenue on the balance sheet in connection with resources that have been received, but not yet earned. Accordingly, this type of deferred revenue is also reported on the Statement of Net Assets. At the end of the current fiscal year, the components of deferred unearned revenue were as follows:

General Fund:

Fees received for recreational programs not yet held	\$ 103,416
Fees received for facility rental not yet used	28,078
Fees received for business licenses paid in advance	2,930

Housing Development:

Lease revenues received in advance	1,560,000
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Park Development Special Revenue Fund:

Park fee credit vouchers issued on home not yet constructed	53,413
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Total Deferred Unearned Revenue for Governmental Funds	<u>\$ 1,747,837</u>
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Unavailable Revenue - Governmental funds also report deferred revenue on the balance sheet in connection with resources that have been earned, but are not yet available to finance expenditures of the current fiscal period. This type of deferred revenue is unique to governmental funds, since it is tied to the modified accrual basis of accounting. Accordingly, these deferred unavailable revenues are not reported on the Statement of Net Assets. At the end of the current fiscal year, the components of unavailable deferred revenue resulting from grant revenue not received with the 60-day accrual period were as follows:

Major Funds:

General Fund	\$ 2,606,479
CRA Housing	61,208
City Housing	556,014

Non-Major Special Revenue Funds:

Community Development Block Grant	42,948
Federal Funds Fund	454,711
Federal Home Program Fund	686,102
Misc Grants/Developer Contributions	494,793
State Grants Fund	517,581

Total Deferred Unavailable Revenue for Governmental Funds	<u>\$ 5,419,836</u>
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City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

(10) Capital Assets

Capital Assets of the City for the year ended June 30, 2012, consisted of the following:

	Beginning Balance	Additions	Deletions	Transfer to Successor Agency	Ending Balance
Capital Assets, Not Being Depreciated					
Land and Improvements	\$ 119,527,002	\$ 55,532	\$ -	\$ 14,390,465	\$ 105,192,069
Construction in Progress	14,807,015	12,461,303	15,970,494	2,732,139	8,565,685
Total Capital Assets, Not Being Depreciated	134,334,017	12,516,835	15,970,494	17,122,604	113,757,754
Capital Assets, Being Depreciated					
Buildings and Structures	62,894,990	1,179,276	-	438,152	63,636,114
Improvements Other than Buildings	91,349	-	-	-	91,349
Machinery and Equipment	12,615,241	653,971	442,985	6,920	12,819,307
Infrastructure	947,459,951	19,192,707	-	-	966,652,658
Total Capital Assets, Being Depreciated	1,023,061,531	21,025,954	442,985	445,072	1,043,199,428
Less Accumulated Depreciation for:					
Buildings and Structures	11,868,699	1,271,954	-	162,146	12,978,507
Improvements Other than Buildings	76,598	3,850	-	-	80,448
Machinery and Equipment	10,632,326	959,026	416,551	6,920	11,167,881
Infrastructure	335,038,059	29,418,871	-	-	364,456,930
Total Accumulated Depreciation	357,615,682	31,653,701	416,551	169,066	388,683,766
Total Capital Assets, Being Depreciated, Net	665,445,849	(10,627,747)	(26,434)	276,006	654,515,662
Total Capital Assets, Net	\$ 799,779,866	\$ 1,889,088	\$ 15,996,928	\$ 17,398,610	\$ 768,273,416

For the year ended June 30, 2012, depreciation expense on capital assets was charged to the governmental functions as follows:

General Government	\$ 654,466
Cultural & Recreational	1,014,209
Community Development	520,130
Health & Welfare	8,012
Public Safety	83,137
Public Services	29,373,747
Total Depreciation Expense	\$ 31,653,701

(11) Capital Leases

Equipment and Vehicle Lease – On June 18, 2008, the City entered into a four year lease purchase agreement with California First National Bank to finance the acquisition of various Public Works trucks and sweepers, Park equipment, and computer related hardware and Library software. Interest on the lease is payable semi-annual at 3.18% per annum. Lease payments for the year ended June 30, 2012, amounted to \$510,358. At the end of the lease, there is a one-dollar buy out cost.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

Year Ending	Amount
2013	\$ 153,971
Total minimum lease payments	153,971
Less: amount representing interest	(4,757)
Present value of minimum lease payments	\$ 149,214

(12) Long-Term Debt

A. Notes Payable

Palmdale Plaza Note Payable - On July 9, 1997, the City issued a Promissory Note to the Agency for \$1,450,000 for the purchase of approximately 9.5 acres of Agency land (formerly known as Palmdale Plaza). The note bears interest at zero percent per annum. The Palmdale Plaza Note was paid in full on June 30, 2012.

Hoprock Infrastructure Note Payable - The City entered into an Improvement Reimbursement Agreement to reimburse the developer for the installation of public improvements for the development at the corner of 47th Street East and Avenue R. The agreement provides for the reimbursement amount to be \$2,200,000 for the installation of the improvements that are to the benefit of the general public. The City has pledged a percent of sales tax revenues generated from retail sites on the property to repay the Note. Each reimbursement payment will be in an amount equal to 50% of the sales tax revenue actually received by the City, generated by the sales of the retail development on the property as reported in the latest quarterly report. Reimbursement payments are due 30 days after the City receives notice stating the amount of sales tax revenue generated by sales occurring during such calendar quarter. The reimbursement payments made for the current year were \$355,980 and the balance remaining to be paid from pledged future revenues total \$1,204,768 as of June 30, 2012.

Section 108 HUD Note Payable – On January 11, 2006, the City issued a Variable Rate Note by entering into the Department of Housing and Urban Development Contract for Loan Guarantee Assistance under Section 108 of the Housing and Urban Development Act of 1974. The City has received advanced proceeds of \$5,000,000 and will use the proceeds for property acquisition, relocation, and demolition costs associated with the development of the proposed Senior Center. Interest on the note is equal to .2% above the applicable London Interbank Offered (LIBOR) and is payable semi annually on February 1, August 1, and beginning February 1, 2006. Principal installments are payable August 1 of each year from 2006 through 2025. The payment schedule detailed below uses a blended interest rate ranging from 4.63% to 5.37% due to the note’s variable interest rate. The value of the note as of June 30, 2012 is \$4,179,000.

Year Ending	Principal	Interest	Total
2013	\$ 213,000	\$ 199,864	\$ 412,864
2014	222,000	191,023	413,023
2015	233,000	181,455	414,455
2016	244,000	171,079	415,079
2017	255,000	152,588	407,588
2018-2022	1,476,000	591,992	2,067,992
2023-2026	1,536,000	172,258	1,708,258
Totals	\$ 4,179,000	\$ 1,660,259	\$ 5,839,259

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

HOME Loan Note Payable – In December of 2005, the City entered into an agreement with the Department of Housing and Community Development for the State of California HOME Investment Partnerships Program (HOME) to help approve the construction loan closing for the Courson Connection project. The City has received advanced proceeds of \$2,850,000 from HOME and has passed through those funds to the developer, Courson Senior Partners LP, for construction of the 75 units of Senior Housing in the Courson Connection Project. The repayment of the loan will be over a 55-year term through residual receipts from the Project. As of June 30, 2012, no residual receipts from the project have been received from the developer. Interest on the note is equal to 3%. The value of the note as of June 30, 2012 is \$2,850,000 with \$482,938 of unpaid, accrued interest.

B. Revenue Bonds

1994 Revenue Bonds Payable (\$44,999,493) - On June 29, 1994, the Palmdale Civic Authority issued \$44,999,493 of 1994 Revenue Bonds (1994 Bonds). Interest on the 1994 Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 4.80% to 6.60% per annum. Principal installments are payable September 1 of each year from 2000 through 2034.

The liability for the 1994 Revenue Bonds was partially in-substance defeased in June 2004 in the amount of \$17,230,000 by the Civic Authority's 2004 Tax Allocation Series A Bonds. Subsequently, on September 1, 2004, these refunded 1994 Revenue Bonds were called and redeemed at a premium of \$340,300.

The remaining 1994 Bonds maturing on September 1, 2007 through 2015 in the initial aggregate principal amount of \$1,469,493 constitute capital appreciation bonds that are not subject to optional redemption prior to their respective stated maturities. Interest on the Capital Appreciation Bonds compounds on March 1 and September 1, commencing March 1, 1995, and the principal and accreted value on the Capital Appreciation Bonds is payable at maturity or upon earlier redemption.

The proceeds of the 1994 Bonds were loaned to the former Community Redevelopment Agency (CRA) for use in Project Area No. 2A to finance redevelopment activities in or of benefit to the project area and to fully advance refund the former CRA Agency's Redevelopment Project Area No. 3 1985 Tax Allocation Bonds and Project Area No. 4 1989 Revenue Bonds, Series A. The loan agreement between the Civic Authority and the former Community Redevelopment Agency requires the former CRA to pay the Civic Authority under the same terms as the 1994 Bonds were issued. The Note Receivable is recorded on the City's Statement of Net Assets.

The Civic Authority has a Note Receivable due from the dissolved former Community Redevelopment Agency related to the 1994 Bonds. The former Community Redevelopment Agency has a Note Payable reported in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The former CRA has pledged sales tax and incremental property tax generated in Project Area No. 2A to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1994 Bonds as they become due. The principal only paid for the current year prior to the dissolution of Community Redevelopment Agency of the City of Palmdale was \$190,000. Net sales tax and incremental property tax collected and pledged could not be determined for

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

the current year. At year-end, pledged future revenues totaled \$739,050 which was the amount of the remaining principal on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 193,063	\$ -	\$ 193,063
2014	190,740	-	190,740
2015	179,081	-	179,081
2016	176,166	-	176,166
Totals	<u>\$ 739,050</u>	<u>\$ -</u>	<u>\$ 739,050</u>

1997 Revenue Bonds Payable (\$10,890,000) - On May 28, 1997, the Palmdale Civic Authority issued \$10,890,000 of 1997 Revenue Bonds, Series A (1997 Series A Bonds). Interest on the 1997 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 4.00% to 5.60% per annum. Principal installments are payable July 1 of each year from 1998 through 2015.

The 1997 Series A Term Bonds maturing on July 1, 2012, and July 1, 2015, are subject to mandatory sinking fund redemption beginning July 1, 2011, and July 1, 2013, respectively, in the amount of principal. The 1997 Series A Bonds maturing on or after July 1, 2008, may be redeemed on or after July 1, 2007, at decreasing premiums of 2.00% in 2007 to 1.00% in 2008 and at par thereafter.

The proceeds of the 1997 Series A Bonds were loaned to the former Community Redevelopment Agency (CRA) to refinance the 1987 Refunding Certificates of Participation. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former CRA to pay the Civic Authority under the same terms as the 1997 Series A Bonds were issued. The Note Receivable is recorded on the City's Statement of Net Assets.

The Civic Authority has a Note Receivable due from the dissolved former Community Redevelopment Agency related to the 1997 Bonds. The former Community Redevelopment Agency has a Note Payable reported in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The CRA has pledged incremental property tax and sales tax generated in Project Area No. 2A, but reserves the option under the repayment agreement to use incremental property tax generated in Project Area No. 1, to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1997 Series A Bonds as they become due. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$934,098. Net sales tax and incremental property tax collected and pledged for the current year could not be determined. At year-end, pledged future revenues totaled \$3,709,559 which was the amount of the remaining principal and interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 765,000	\$ 163,919	\$ 928,919
2014	805,000	120,820	925,820
2015	850,000	74,480	924,480
2016	905,000	25,340	930,340
Totals	<u>\$ 3,325,000</u>	<u>\$ 384,559</u>	<u>\$ 3,709,559</u>

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Notes to the Financial Statements
For the Year Ended June 30, 2012

2003 Revenue Bonds Payable (\$19,220,000) - On May 13, 2003, the Palmdale Civic Authority issued \$19,220,000 of 2003 Revenue Bonds, Series A (2003 Series A Bonds). Interest on the 2003 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 2.00% to 5.00% per annum. Principal installments are payable July 1 of each year from 2004 through 2025.

The 2003 Series A Bonds maturing on or after July 1, 2014, may be redeemed on or after July 1, 2013, in the amount of principal and accrued interest. The 2003 Series A Term Bonds maturing on July 1, 2025, are subject to mandatory sinking fund redemption on July 1, 2023, and on July 1 in each year thereafter to and including July 1, 2025, in the amount of principal and accrued interest.

The proceeds of the 2003 Series A Bonds were loaned to the former Community Redevelopment Agency (CRA) to advance refund a portion of the 1993 Revenue Bonds. Repayment agreements between the Civic Authority and the former Redevelopment Agency require the former CRA to pay the Civic Authority under the same terms as the 2003 Series A Bonds were issued. The Note Receivable is recorded on the City's Statement of Net Assets.

The Civic Authority has a Note Receivable due from the dissolved former Community Redevelopment Agency related to the 2003 Bonds. The former Community Redevelopment Agency has a Note Payable reported in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The former CRA has pledged incremental property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2003 Series A Bonds as they become due. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$1,517,638. Net incremental property tax totaled \$7,942,234 for the year. At year-end, pledged future revenues totaled \$21,107,519 which was the amount of the remaining principal and interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 810,000	\$ 705,837	\$ 1,515,837
2014	845,000	672,737	1,517,737
2015	875,000	638,338	1,513,338
2016	910,000	602,637	1,512,637
2017	950,000	564,844	1,514,844
2018-2022	5,470,000	2,068,000	7,538,000
2022-2026	5,435,000	560,126	5,995,126
Totals	<u>\$ 15,295,000</u>	<u>\$ 5,812,519</u>	<u>\$ 21,107,519</u>

2009 Revenue Bonds Payable (\$6,380,000) - On June 5, 2009, the Palmdale Civic Authority issued \$6,380,000 of 2009 Revenue Bonds, Series A (2009 Series A Bonds). Interest on the 2009 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 3.625% to 6.00% per annum. Principal installments are payable July 1 of each year from 2010 through 2027.

The 2009 Series A Bonds maturing on or after July 1, 2020, may be redeemed on or after July 1, 2019, in the amount of principal and accrued interest. The 2009 Series A Term Bonds maturing on July 1, 2027, are subject to mandatory sinking fund redemption on July 1, 2021,

City of Palmdale
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and on July 1 in each year thereafter to and including July 1, 2027, in the amount of principal and accrued interest.

The proceeds of the 2009 Series A Bonds were loaned to the former Community Redevelopment Agency (CRA) to advance refund the 2003 Bond Anticipation Notes. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former CRA to pay the Civic Authority under the terms of the Second Supplement to Loan Agreement No. A-2501. The Note Receivable is recorded on the City's Statement of Net Assets.

The Civic Authority has a Note Receivable due from the dissolved former Community Redevelopment Agency related to the 2009 Bonds. The former Community Redevelopment Agency has a Note Payable reported in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The former CRA has pledged incremental property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2009 Series A Bonds as they become due. Net incremental property tax totaled 7,942,234 for the year. At year-end, pledged future revenues totaled \$10,576,740 which was the amount of the remaining principal and interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 130,000	\$ 349,289	\$ 479,289
2014	135,000	344,317	479,317
2015	140,000	338,726	478,726
2016	150,000	332,376	482,376
2017	155,000	325,359	480,359
2018-2022	875,000	1,502,473	2,377,473
2023-2027	2,685,000	1,162,350	3,847,350
2028	1,895,000	56,850	1,951,850
Totals	<u>\$ 6,165,000</u>	<u>\$ 4,411,740</u>	<u>\$ 10,576,740</u>

C. Certificates of Participation

1999 Certificates of Participation Payable (\$12,310,000) - On March 17, 1999, the Palmdale Civic Authority issued \$12,310,000 of Certificates of Participation (1999 Certificates). Interest on the 1999 Certificates is payable semi-annually on March 1 and September 1 at rates ranging from 4.00% to 5.00% per annum. Principal installments are payable September 1 of each year from 2001 to 2029.

The 1999 Certificates maturing on September 1, 2019, September 1, 2028, and September 1, 2029, are subject to mandatory sinking fund redemption beginning on September 1 in each year on and after September 1, 2014, September 1, 2001, and September 1, 2020, respectively, in the amount of the principal component of scheduled lease payments required to be made by the City together with interest accrued thereon. The 1999 Certificates maturing on or after September 1, 2001, are subject to extraordinary mandatory redemption from the net proceeds of an insurance, title insurance, condemnation or eminent domain award on any interest payment date, in the amount of principal and accrued interest, to the extent that the City credits these proceeds towards the prepayment of lease payments. The 1999 Certificates maturing on or after September 1, 2010, excluding the certificates maturing September 1, 2028, as discussed below, may be redeemed on or after September 1, 2009, from proceeds of optional lease

City of Palmdale
Notes to the Financial Statements
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prepayments made by the City, at decreasing premiums of 2% in 2009 to 1% in 2011 and at par thereafter. The 1999 Certificates maturing on September 1, 2028, are subject to special redemption on any interest payment date, in the amount of principal and accrued interest, from any available moneys credited towards the prepayment of lease payments by the City.

The proceeds of the 1999 Certificates were used to finance the construction, installation and equipping of a new Courthouse building and a new City Hall building and to fund a reserve fund.

The 1999 Certificates represent direct, undivided fractional interests in a lease of the City Hall Site, Administration Building, Public Works/Building and Safety Building, Central Maintenance Yard and the Hammack Activity Center. Upon completion of construction of the City Hall and Courthouse, the City has the right, subject to certain conditions, to substitute the City Hall and Courthouse projects for the above properties, as the property subject to the lease. The lease agreement requires the City to pay a semi-annual base rental on August 15 and February 15 to the Authority for the use of the facilities through September 2029. The rentals will be used by the Authority to pay principal and interest with respect to the 1999 Certificates as they become due. Title to the land and facilities covered by the lease and the 1999 Certificates is vested in the Authority, for the benefit of the 1999 Certificate holders, during the lease term.

Upon completion of the term of the lease and payment in full to the 1999 Certificate holders, title to the property shall vest in the City. The City may, on any date, deposit sufficient funds into an irrevocable trust to pay all remaining lease payments, at which time the lease agreement shall cease and terminate and title to the property shall vest in the City.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 345,000	\$ 445,590	\$ 790,590
2014	360,000	429,245	789,245
2015	375,000	411,450	786,450
2016	395,000	392,200	787,200
2017	415,000	371,950	786,950
2018-2022	2,400,000	1,521,444	3,921,444
2023-2027	3,035,000	867,975	3,902,975
2028-2030	2,050,000	142,956	2,192,956
Totals	<u>\$ 9,375,000</u>	<u>\$ 4,582,810</u>	<u>\$ 13,957,810</u>

2002 Certificates of Participation Payable (\$43,215,000) - On December 10, 2002, the Palmdale Civic Authority issued \$43,215,000 of Certificates of Participation (2002 Certificates). Interest on the 2002 Certificates is payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 5.25% per annum. Principal installments are payable September 1 of each year from 2004 to 2032. The 2002 Certificates maturing on September 1, 2024 and September 1, 2032, are subject to mandatory sinking fund redemption beginning on September 1 in each year on and after September 1, 2023 and September 1, 2025, respectively, in the amount of the principal component of scheduled lease payments required to be made by the City together with interest accrued thereon. The 2002 Certificates maturing on or after September 1, 2004, are subject to mandatory redemption from the net proceeds of an insurance, title insurance, condemnation or eminent domain award on any date, in the amount of principal and accrued interest, to the extent that the City credits these proceeds towards the prepayment of lease payments. The 2002 Certificates maturing on or after September 1, 2013, may be redeemed on or after September 1, 2012, from proceeds of optional lease prepayments made by the City, at decreasing premiums of 2% in 2012 to 1% in 2013 and at par thereafter.

City of Palmdale
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The proceeds of the 2002 Certificates were used to finance a portion of the development of (1) a 33-acre eastside park site, (2) an additional 40 acres in the existing Marie Kerr 17-acre park site and (3) approximately four miles of Avenue S, between the Antelope Valley Freeway and 40th Street East.

The 2002 Certificates represent direct, undivided fractional interests in a lease of Marie Kerr Park, the Eastside Park Site, Domenic Massari Park, Desert Sands Park, the Palmdale City Hall, the Palmdale Main Library, the Larry Chimbole Cultural Center, and the four-mile portion of Avenue S improvements discussed above.

The lease agreement requires the City to pay a semi-annual base rental on August 15 and February 15 to the Authority for the use of the facilities through September 2032. The rentals will be used by the Authority to pay principal and interest with respect to the 2002 Certificates as they become due. Title to the land and facilities covered by the lease and the 2002 Certificates are vested in the Authority, for the benefit of the 2002 Certificate holders, during the lease term.

Upon completion of the term of the lease and payment in full to the 2002 Certificate holders, title to the property shall vest in the City. The City may, on any date, deposit sufficient funds into an irrevocable trust to pay all remaining lease payments, at which time the lease agreement shall cease and terminate and title to the property shall vest in the City.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 575,000	\$ 2,026,613	\$ 2,601,613
2014	660,000	2,001,912	2,661,912
2015	750,000	1,973,713	2,723,713
2016	845,000	1,939,700	2,784,700
2017	945,000	1,900,606	2,845,606
2018-2022	6,600,000	8,620,169	15,220,169
2023-2027	10,635,000	6,426,831	17,061,831
2028-2032	16,010,000	3,125,750	19,135,750
2033	4,000,000	100,000	4,100,000
Totals	<u>\$ 41,020,000</u>	<u>\$ 28,115,294</u>	<u>\$ 69,135,294</u>

2004 Certificates of Participation Payable (\$13,455,000) - On November 30, 2004, the Palmdale Civic Authority issued \$13,455,000 of Certificates of Participation (2004 Certificates). Interest on the 2004 Certificates is payable semi-annually on May 1 and November 1 at rates ranging from 2.00% to 4.625% per annum. Principal installments are payable November 1 of each year from 2005 to 2024. The 2004 Certificates maturing on or after November 1, 2005, are subject to mandatory redemption from the net proceeds of an insurance, title insurance, condemnation or eminent domain award on any date, in the amount of principal and accrued interest, to the extent that the City credits these proceeds towards the prepayment of lease payments. The 2004 Certificates maturing on or after November 1, 2015, may be redeemed on or after November 1, 2014, from proceeds of optional lease prepayments made by the City, at decreasing premiums of 2% in 2015 to 1% in 2016 and at par thereafter.

The proceeds of the 2004 Certificates were used to finance new traffic signal installation projects and finance the rehabilitation or reconstruction of various City arterial and neighborhood streets. The 2004 Certificates represent direct, undivided fractional interests in a lease of various arterial streets located in the City as discussed above.

City of Palmdale
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The lease agreement requires the City to pay a semi-annual base rental on October 15 and April 15 to the Authority for the use of the facilities through November 2024. The rentals will be used by the Authority to pay principal and interest with respect to the 2004 Certificates as they become due. Title to the land and facilities covered by the lease and the 2004 Certificates is vested in the Authority, for the benefit of the 2004 Certificate holders, during the lease term. Upon completion of the term of the lease and payment in full to the 2004 Certificate holders, title to the property shall vest in the City.

The City may, on any date, deposit sufficient funds into an irrevocable trust to pay all remaining lease payments, at which time the lease agreement shall cease and terminate and title to the property shall vest in the City.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 595,000	\$ 394,281	\$ 989,281
2014	615,000	373,850	988,850
2015	635,000	351,578	986,578
2016	660,000	327,694	987,694
2017	685,000	302,047	987,047
2018-2022	3,855,000	1,055,753	4,910,753
2023-2025	2,740,000	193,241	2,933,241
Totals	<u>\$ 9,785,000</u>	<u>\$ 2,998,444</u>	<u>\$ 12,783,444</u>

2007 Certificates of Participation Payable (\$19,960,000) - On April 12, 2007, the Palmdale Civic Authority issued \$19,960,000 of Certificates of Participation (2007 Certificates). Interest on the 2007 Certificates is payable semi-annually on April 1 and October 1 at rates ranging from 5.705% to 6.311% per annum. Principal installments are payable April 1 of each year from 2008 to 2037. The 2007 Certificates maturing on April 1, 2017 and April 1, 2037, are subject to mandatory sinking fund redemption beginning on April 1 in each year on and after April 1, 2008 and April 1, 2018, respectively, in the amount of the principal component of scheduled lease payments required to be made by the City together with interest accrued thereon, without premium. The 2007 Certificates maturing on or after April 1, 2008, are subject to mandatory redemption from the net proceeds of an insurance, title insurance, condemnation or eminent domain award on any date, in the amount of principal and accrued interest, to the extent that the City credits these proceeds towards the redemption of lease payments. The 2007 Certificates maturing on or after April 1, 2018, may be redeemed on or after April 1, 2017, from proceeds of optional lease prepayments made by the City, without premium.

The 2007 Certificates are subject to extraordinary redemption, in whole, on any date upon the election of the City to do so prior to (a) the commencement of construction of a power generating plant on the property, or (b) the closing of a construction loan to finance a power generating plant on the property, in the amount of principal and accrued interest, to the extent that the City credits these proceeds towards the prepayment of lease payments, without premium. The 2007 Certificates are subject to extraordinary redemption, in whole or in part, on any date on or after April 1, 2010, from the proceeds derived by the City of the sale of all or a portion of the property to the extent that the City credits these proceeds towards the prepayment of lease payments, without premium.

The proceeds of the 2007 Certificates were used to finance the acquisition of certain real property for future use as the site of a power generating plant and for other City uses. The 2007

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For the Year Ended June 30, 2012

Certificates represent direct, undivided fractional interests in a lease of the certain property to be the location of a power generating plant as discussed above.

The lease agreement requires the City to pay a semi-annual base rental on September 15 and March 15 to the Authority for the use and occupancy of the property through April 2037. The rentals will be used by the Authority to pay principal and interest with respect to the 2007 Certificates as they become due. Title to the property covered by the lease and the 2007 Certificates is vested in the Authority, for the benefit of the 2007 Certificate holders, during the lease term.

Upon completion of the term of the lease and payment in full to the 2007 Certificate holders, title to the property shall vest in the City. The City may, on any date, deposit sufficient funds into an irrevocable trust to pay all remaining lease payments, at which time the lease agreement shall cease and terminate and title to the property shall vest in the City.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 335,000	\$ 1,159,704	\$ 1,494,704
2014	350,000	1,140,592	1,490,592
2015	370,000	1,120,625	1,490,625
2016	395,000	1,099,517	1,494,517
2017	415,000	1,076,982	1,491,982
2018-2022	2,485,000	4,971,806	7,456,806
2023-2027	3,380,000	4,081,639	7,461,639
2028-2032	4,590,000	2,871,820	7,461,820
2033-2037	6,235,000	1,228,436	7,463,436
Totals	<u>\$ 18,555,000</u>	<u>\$ 18,751,121</u>	<u>\$ 37,306,121</u>

E. Prior Year Defeasance of Debt

On September 1, 2010, the Community Redevelopment Agency of the City of Palmdale issued \$11,001,339 of 2010 Series A Tax Allocation Refunding Revenue Notes (2010 Series A Notes) and \$16,504,000 of 2010 Series B Tax Allocation Refunding Revenue Notes (2010 Series B Notes). The net proceeds of the 2010 Series A & B Tax Allocation Refunding Revenue Notes were used to refinance the Agency's outstanding Fairway Business Park note payable.

F. Change in Long-Term Liabilities - Activity for the year ended June 30, 2012 were as follows:

City of Palmdale
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For the Year Ended June 30, 2012

	Balance at July 1, 2011	Additions	Retirements	Transfer to Successor Agency Trust Fund at February 1, 2012	Balance at June 30, 2012	Due Within One Year
Compensated Absences Payable:						
General Fund	\$ 1,988,761	\$ 1,004,790	\$ 1,180,522	\$ -	\$ 1,813,029	\$ 892,609
Gas Tax Fund	532,116	352,237	330,407	-	553,946	349,443
Prop A Fund	5,477	6,699	5,919	-	6,257	6,257
Drainage Funds	22,016	-	22,016	-	-	-
Water Park Fund	41,203	29,397	20,979	-	49,621	18,582
Library Fund	47,378	34,936	32,599	-	49,715	43,681
Landscape Maintenance Fund	125,325	129,076	103,514	-	150,887	114,546
Street Light District Fund	-	33,932	9,618	-	24,314	3,206
Sewer Maintenance Fund	182,346	206,688	130,514	-	258,520	111,486
Housing Development Fund	104,458	168,704	89,703	-	183,459	71,100
CRA Redevelopment Fund	70,480	103,276	-	173,756	-	-
Total Compensated Absences	<u>3,119,560</u>	<u>2,069,735</u>	<u>1,925,791</u>	<u>173,756</u>	<u>3,089,748</u>	<u>1,610,910</u>
Liability Claims (General Fund):						
Health, Dental and Vision Claims	176,767	1,976,757	1,938,379	-	215,145	245,145
Liability Claims	1,234,869	4,123	89,570	-	1,149,422	57,190
Total Liability Claims	<u>1,411,636</u>	<u>1,980,880</u>	<u>2,027,949</u>	<u>-</u>	<u>1,364,567</u>	<u>302,335</u>
Leases Payable:						
Equipment and Vehicle Lease	625,507	-	476,293	-	149,214	149,214
Total Leases Payable	<u>625,507</u>	<u>-</u>	<u>476,293</u>	<u>-</u>	<u>149,214</u>	<u>149,214</u>
Notes Payable:						
Palmdale Plaza	50,000	-	50,000	-	-	-
Fairway Business Park	26,970,022	-	551,840	26,418,182	-	-
Dillard's Infrastructure	702,386	-	52,375	650,011	-	-
Hoprock Infrastructure	1,560,748	-	355,980	-	1,204,768	-
Section 108 HUD Loan	4,383,000	-	204,000	-	4,179,000	213,000
HOME Loan	2,850,000	-	-	-	2,850,000	-
Total Notes Payable	<u>36,516,156</u>	<u>-</u>	<u>1,214,195</u>	<u>27,068,193</u>	<u>8,233,768</u>	<u>213,000</u>
Bonds Payable:						
1998 Tax Allocation Bonds	27,240,000	-	615,000	26,625,000	-	-
1999 Tax Allocations Bonds	2,990,000	-	95,000	2,895,000	-	-
2002 Tax Allocations Bonds	8,522,082	270,432	-	8,792,514	-	-
2003 Tax Allocations Bonds	4,805,000	-	175,000	4,630,000	-	-
2003 Tax Allocations Bonds	7,090,000	-	30,000	7,060,000	-	-
2004 Tax Allocations Bonds	18,195,000	-	280,000	17,915,000	-	-
2004 Tax Allocations Bonds	6,090,000	-	145,000	5,945,000	-	-
2005 Tax Allocations Bonds	12,015,000	-	475,000	11,540,000	-	-
2005 Tax Allocations Bonds	2,665,000	-	35,000	2,630,000	-	-
1994 Revenue Bonds	882,575	46,475	190,000	-	739,050	193,063
1997 Revenue Bonds	4,055,000	-	730,000	-	3,325,000	765,000
2003 Revenue Bonds	16,075,000	-	780,000	-	15,295,000	810,000
2009 Revenue Bonds	6,290,000	-	125,000	-	6,165,000	130,000
1999 Certificates of Participation	9,705,000	-	330,000	-	9,375,000	345,000
2002 Certificates of Participation	41,515,000	-	495,000	-	41,020,000	575,000
2004 Certificates of Participation	10,360,000	-	575,000	-	9,785,000	595,000
2007 Certificates of Participation	18,870,000	-	315,000	-	18,555,000	335,000
Less: Deferred Loss on Refi \$14.1M Tab	(760,746)	-	(27,450)	(733,296)	-	-
Less: Deferred Loss on Refi \$5.9M Tab	(770,911)	-	(27,816)	(743,095)	-	-
Less: Deferred Loss on Refi \$19.2M Rev	(527,751)	-	(43,979)	-	(483,772)	(43,979)
Less: Deferred Loss on Refi \$18.5M Tab	(680,236)	-	(17,127)	(663,109)	-	-
Plus: Deferred Issuance Premiums \$43.2M	282,919	-	33,468	-	249,451	31,864
Plus: Deferred Issuance Premiums \$19.2M	187,329	-	24,148	-	163,181	22,104
Plus: Deferred Issuance Premiums \$18.5M	80,311	-	14,721	65,590	-	-
Total Bonds Payable	<u>195,175,572</u>	<u>316,907</u>	<u>5,345,965</u>	<u>85,958,604</u>	<u>104,187,910</u>	<u>3,758,052</u>
Total	<u>\$ 236,848,431</u>	<u>\$ 4,367,522</u>	<u>\$ 10,990,193</u>	<u>\$ 113,200,553</u>	<u>\$ 117,025,207</u>	<u>\$ 6,033,511</u>

City of Palmdale
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(13) Special Assessment District and Community Facilities District Bonds

None of the Bonds described below constitute indebtedness of the City payable from its general funds, and the City is in no way obligated for their repayment except to the extent of any assessments or special taxes collected and pledged for their repayment. The City is only acting on behalf of the Bondholders in collecting the assessments and special taxes levied to repay the Bonds, forwarding the collections to the Bondholders and initiating foreclosure proceedings, if necessary. Accordingly, these special assessment and special tax Bonds payable are not recorded as a liability in the accompanying financial statements. The amounts collected and held by the City pending disbursement to the Bondholders are accounted for in an agency fund.

A. Bonds Outstanding

Assessment District No. 88-1 (10th Street West) Limited Obligation Improvement Bonds - In July 1989, the City issued \$34,834,852 of special assessment Bonds for the construction and acquisition of the infrastructure improvements relating to the Regional Shopping Center and the Auto Center. On August 2, 2005, the City of Palmdale issued \$8,675,000 of Series A and \$3,436,684 of Subordinate Series B 10th Street West Assessment District No. 88-1 (Reassessment and Refunding of 2005) Limited Obligation Refunding Bonds to refund a portion of the City's outstanding 10th Street West Assessment District No. 88-1 Series 1989-A Limited Obligation Improvement Bonds. The \$3,436,684 in Subordinate Series 2005-B Bonds was prepaid in full during the 2011-12 Fiscal Year. As of June 30, 2012, a total of \$3,285,000 in Series 2005-A Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special assessments on the property in the 10th Street West Assessment District No. 88-1.

Assessment District No. 90-2 (7th Street West) Limited Obligation Improvement Bonds - In September 1990, the City issued \$29,093,269 of special assessment Bonds for the construction and acquisition of infrastructure improvements relating to the Regional Shopping Center and the Auto Center. On August 23, 2007, the City of Palmdale issued \$2,135,000 of Series A, \$8,250,000 of Series B, and \$3,205,000 of Series C 7th Street West Assessment District No. 90-2 (Reassessment and Refunding of 2007) Limited Obligation Refunding Bonds to refund a portion of the City's outstanding 7th Street West Assessment District No. 90-2 Series 1990-A Limited Obligation Improvement Bonds. The \$3,205,000 in Series 2007-C Bonds was prepaid in full during the 2007-08 Fiscal Year, the Series 2007-B Bonds were prepaid in full during the 2011-12 Fiscal Year, and the remaining balance of the original 90-2 Bonds were paid off during the 2011-12 Fiscal Year. As of June 30, 2012, a total of \$1,300,000 in Series 2007-A Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special assessments on the property in the 7th Street West Assessment District No. 90-2.

Community Facilities District No. 91-1 (Sierra Gateway) Special Tax Bonds - In December 1991, the City issued \$7,970,000 of special tax Bonds. Proceeds were used for the development of public improvements for the Sierra Gateway Center, a master-planned, mixed-use business park, which is proposed to ultimately include 2.5 million square feet of industrial, office, and retail buildings. The Bond issue provided for the acquisition of land, acquisition and construction of storm drainage retention facilities, landscaping, and street, water, and utility improvements. As of June 30, 2012, a total of \$7,425,000 in Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special taxes on the property in the Sierra Gateway Community Facilities District No. 91-1.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

Assessment District No. 91-2 (52nd Street East) Limited Obligation Improvement Bonds -

In October 1992, the City issued \$1,260,727 of special assessment Bonds for the construction of street improvements, sewers, fire hydrants, and street lighting. As of June 30, 2012, a total of \$185,000 in Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special assessments on the property in the 52nd Street East Assessment District No. 91-2.

Community Facilities District No. 93-1 (Ritter Ranch) Special Tax Bonds -

In April 1995, the City issued \$50,000,000 of special tax Bonds for the design, acquisition and construction of public improvements for a master-planned community known as Ritter Ranch consisting of approximately 10,444 acres. The mixed-use project incorporates residential, open space, public facility, recreational, school, and commercial uses. As of June 30, 2012, a total of \$33,500,000 in Bonds was outstanding for Ritter Ranch Community Facilities District No. 93-1. The principal and interest on the Bonds are to be paid from the collection of special taxes levied on the property in the Ritter Ranch Community Facilities District No. 93-1.

Community Facilities District No. 2003-1 (Anaverde Improvement Area A) Special Tax Bonds -

On February 23, 2005, the City issued \$28,500,000 of Special Tax Bonds, Series 2005-A and \$1,500,000 of Special Tax Bonds, Subordinate Series 2005-B for the acquisition and construction of certain public capital improvements necessary for the development of a 5,200-unit master-planned community known as Anaverde. As of June 30, 2012, a total of \$25,440,000 in Series 2005-A Bonds and \$1,365,000 in Subordinate Series 2005-B Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special taxes on the property in the Anaverde Community Facilities District No. 2003-1.

Community Facilities District No. 05-1 (Trade & Commerce Center) Special Tax Bonds -

On August 2, 2005, the City of Palmdale issued \$5,765,000 of Series A and \$1,460,000 of Subordinate Series B Community Facilities District No. 05-1 (Trade and Commerce Center Area) 2005 Special Tax Refunding Bonds to refund a portion of the City's outstanding 10th Street West Assessment District No. 88-1 Series 1989-A Limited Obligation Improvement Bonds and refund certain outstanding CFD 99-1 (Trade and Commerce Center) special tax bonds. The Subordinate Series B Bonds were converted to Series A Bonds during the 2011-12 Fiscal Year. As of June 30, 2012, a total of \$6,705,000 in Series A Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special taxes on the property in the Trade & Commerce Center Community Facilities District No. 05-1.

Community Facilities District No. 05-1 (Trade & Commerce Center Area) 2007 Special Tax Refunding Bonds, Series A -

On August 23, 2007, the City of Palmdale issued \$6,460,000 of Series A Community Facilities District No. 05-1 (Trade and Commerce Center Area) 2007 Special Tax Refunding Bonds to refund a portion of the City's outstanding 7th Street West Assessment District No. 90-2 Series 1990-A Limited Obligation Improvement Bonds. As of June 30, 2012, a total of \$6,360,000 Series A 2007 Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special taxes on the property in the Trade & Commerce Center Community Facilities District No. 05-1.

Assessment District No. 2006-1 (Godde Hills Estates Sewer Improvements) Limited Obligation Improvement Bonds -

In November 2006, the City issued \$2,220,000 of special assessment Bonds for the construction of sewer improvements in the community known as Godde Hills Estates. As of June 30, 2012, a total of \$1,535,000 in Bonds was outstanding. The principal and interest on the Bonds are to be paid from the collection of special assessments on the property in the Godde Hills Estates Sewer Improvements Assessment District No. 2006-1.

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B. Defaults in Payment of Debt Service on Bonds Outstanding

Community Facilities District No. 91-1 (Sierra Gateway) Special Tax Bonds - On December 1, 1997, there were insufficient funds on hand to make the full payment of the scheduled principal and interest on the Community Facilities District No. 91-1 Bonds due to delinquencies within the District. In accordance with procedures for Community Facilities Districts (which are different from those for Assessment Districts), a payment of interest only in the amount of \$115,220 was made proportionally to the Bondholders on December 8, 1997. Additional proportionate payments of interest only were made of \$126,661 on June 15, 1998, \$36,657 on December 2, 1998, \$111,817 on June 1, 1999, \$64,649 on December 23, 1999, \$83,634 on June 1, 2000, \$59,562 on December 15, 2000, \$64,131 on June 1, 2001, \$60,634 on December 12, 2001, \$80,742 on June 1, 2002, \$49,080 on December 3, 2002, and \$81,623 on June 2, 2003, \$47,251 on January 2, 2004, \$82,203 on June 2, 2004, \$41,625 on December 1, 2004, \$85,087 on June 1, 2005, \$51,610 on January 1, 2006, \$88,794 on June 1, 2006, \$52,506 on May 1, 2007, \$91,912 on June 5, 2007, \$46,773 on December 24, 2007, \$96,014 on June 2, 2008, \$51,282 on January 12, 2009, \$89,897 on June 2, 2009, \$55,474 on January 15, 2010, \$91,657 on June 1, 2010, \$56,248 on December 28, 2010, \$93,481 on June 1, 2011, \$57,594 on December 27, 2011, and \$95,349 on June 4, 2012. Interest only proportionate payments will continue to occur on or about the regularly scheduled debt service payment dates with available funds on hand.

Community Facilities District No. 93-1 (Ritter Ranch) Special Tax Bonds - On September 1, 2012, there were insufficient funds on hand to make the payment of the scheduled principal and interest on the Community Facilities District No. 93-1 Bonds due to delinquencies within the District and the Reserve Fund being fully depleted. The sole property owner within the districts has filed a Chapter 11 Bankruptcy case and the City is currently working with the property owner and bond owner on an agreement that will resolve the special tax delinquencies and bring the bonds current.

For further information, refer to the Districts' June 30, 2012 individual financial reports.

(14) Residential Mortgage Revenue Bond Programs

The Multifamily Mortgage Program is designed to provide funds for the construction and permanent financing of apartment complexes. Bonds are paid from monthly rental payments generated by the development and from remaining bond proceeds held by the trustees, U.S. Bank Corporate Trust Services, Chase, and Wells Fargo. As of June 30, 2012, there were \$8,077,474 Multifamily Mortgage Revenue Bonds outstanding.

The bonds described above do not constitute indebtedness of the Agency or the City, and there exists no legal or moral obligation on the part of the Agency or the City to make payments on such bonds from any source other than the revenue and assets pledged thereto. The program is completely administered by the trustees. Accordingly, these programs and the mortgage revenue bonds issued there under have been excluded from the accompanying financial statements.

(15) Retirement Plans

A. Public Employees' Retirement System

Plan Description - The City of Palmdale's defined benefit pension plan (Miscellaneous Plan) provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public

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Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions, as well as other requirements. The City of Palmdale selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report available from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy - Active plan members in the Miscellaneous Plan are required to contribute 8.00% of their annual covered salary. However, the City on behalf of the employees as an additional benefit pays 4% of this contribution. The City of Palmdale is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 21.389% for miscellaneous employees. Palmdale has only miscellaneous employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Also, the City of Palmdale's Council has the authority for establishing or amending the plan's provision or contribution rate.

Annual Pension Cost - For fiscal year 2011-2012, the City of Palmdale's annual pension cost was \$3,634,082 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2011-2012 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% long-term investment rate of return (net of administrative expenses); (b) a projected salary increase of 3.25% annually for miscellaneous members; and (c) 3.00% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.60%. The actuarial value of Miscellaneous Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Miscellaneous Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 30 years.

Three years of trend information regarding annual pension costs including costs paid on behalf of the employees is summarized as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/2010	\$ 4,870,747	100%	-
06/30/2011	3,558,652	100%	-
06/30/2012	3,634,082	100%	-

Funded Status and Funding Progress - As of June 30, 2011, the most recent actuarial valuation date, the plan was 79.4% percent funded. The actuarial accrued liability for benefits was \$118,950,881, and the actuarial value of assets was \$94,425,573, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,525,308. The covered payroll (annual payroll of active employees covered by the plan) was \$15,097,811, and the ratio of the UAAL to the covered payroll was 162.4 percent.

City of Palmdale
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The schedule of funding progress, presented as RSI 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 liability for benefits.

B. Public Agency Retirement Systems

Plan Description - The City provides pension benefits for all of its part-time employees not covered by PERS through the Public Agency Retirement Systems (PARS) pursuant to the requirements of 3121(b)(7)(F) of the Internal Revenue Code. This is a defined contribution plan created in accordance with Internal Revenue Code Sections 401(a) and 501 and administered by Phase II Systems. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment.

Funding Requirements - The Plan agreement requires that the employee contribute an amount equal to 7.50% of the employee's earnings. The covered employees made the required 7.50% contributions. The City of Palmdale's Council has the authority for establishing or amending the plan's provision or contribution requirements.

(16) Other Post-Employment Benefits

Plan Description:

On January 1, 2009, the City of Palmdale adopted a single employer defined benefit, as well as a single employer defined contribution Other Post employment Benefit (OPEB) healthcare plan. The Plans are administered by Benefit and Risk Management Services, Inc. of Folsom, California. To receive a post-employment health care benefit, an eligible or vested employee must retire from the City on or after attaining age 50 with at least five years of service and elect retiree health benefits within 120 days of separation. Retirees who opt out of the health plan may re-enroll under eligible qualifying events.

Beginning January 1, 2009, the City through local resolution amended the post-employment health care benefits and offered two benefit options to current retirees and to full time employees employed at December 31, 2008. The options included a defined contribution option and defined benefit option. All full-time employees hired after December 31, 2008 will not have any post-employment benefits. The City of Palmdale retains the authority and may elect at any time to amend post employment health care benefits through local ordinance or resolution. Contributions are not currently required to be made by employees for either of the plans.

Funding Policies:

Defined Benefit Plan: Current retirees receive a max of \$250 deposited into the Plan per month beginning January 1, 2009. As of June 30, 2012, there were 52 retirees who met those eligibility requirements and were active participating members in the plan. There are 38 retirees and beneficiaries currently receiving benefits. Employees age 45 and greater on December 31, 2008 and choose a defined benefit plan of \$250 per month at retirement, will receive either a maximum contribution of \$250 per month or a pro-rated contribution for less than 10 years of service.

Defined Contribution: Full time employees under age 45 on December 31, 2008 and employees aged 45 and greater who choose a defined contribution option will receive a defined contribution account, starting with a benefit value of a \$250 monthly payment and growing with investment

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earnings and annual City contributions. Beginning account balances were determined based on years of service, annual benefit times the life annuity factor at expected retirement age. Currently, 14 employees are receiving benefits. Annual contributions for the beginning account balances and the annual contribution is made when the employee is fully vested as described above. The City made a total contribution of \$226,203 in FY 2011-2012 for vested employees participating in the Defined Contribution option, which is equal to the required contributions. Currently, plan members and beneficiaries are not required to contribute to the plan.

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
June 30, 2012	\$1,932,262	\$4,473,244	2,540,982	43.2%	15,101,418	16.8%

Actuarial Methods and Assumptions:

Annual OPEB cost and Net OPEB Obligation: The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), determined as part of the June 30, 2012 actuarial valuation. The actuarial valuation was prepared in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other Than Pensions*. The actuarial assumptions included (a) 4.5% discount rate; (b) average age-based monthly retiree medical costs of; (c) health trend rates of 9% per year decreasing by .5% per year through 2020 and 5% thereafter; (d) 45% active HRA Standard plan participant rate, 35% active PPO Standard plan participant rate, 10% Kaiser HMO plan participant rate, and Kaiser HRA plan participant rate; (e) average retirement age of 59.97, plan eligibility or current age; (f) 2010 CalPERS Retirement Plan mortality tables; (g) 30 year level dollar amortization of UAAL on an open basis; (h) Projected Unit Credit actuarial method with a 30-year amortization of the unfunded liability; (i) Expected invested return rate of 7.25% for Trust Assets, and (j) discount rate of 4.00% for the value of unfunded future payments, and (j) 3% inflation rate. The discount rate used was based on investment rate of return on underlying assets to be held in an irrevocable trust. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to plan. This assumes employer continues to pay direct subsidy and implicit subsidy benefits out of the Defined Benefit Trust Plan and makes no future contributions to the trust.

Annual Required Contribution	\$ 304,338
Interest on net OPEB obligation	(37,069)
Adjustment to annual required contribution	<u>50,572</u>
Annual OPEB cost (expense)	<u>317,841</u>
Contributions made	-
Net OPEB obligation (asset)	317,841
Net OPEB obligation (asset), beginning of the year	<u>(823,751)</u>
Net OPEB obligation (asset), end of the year	<u><u>\$ 509,910</u></u>

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

Fiscal Year End	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 344,074	\$ 1,324,107	384.8%	\$ (949,048)
June 30, 2011	\$ 332,903	\$ 332,903	100.0%	\$ (823,751)
June 30, 2012	\$ 317,841	\$ 317,841	100.0%	\$ (505,910)

The above noted actuarial accrued liability was based on the June 30, 2012 actuarial valuation. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial valuations contained in the Report involve estimates of the values of reported amounts and assumptions about the probability of events far into the future and will be subject to continual revision as they reflect a long-term perspective. Assumptions used in the Report also include techniques designed to reduce short-term volatility in AAL and the actuarial value of assets. Current estimates of the funded status and trend information about the funding progress and the employer contributions are presented in the Required Supplemental Information following the notes to the basic financial statements.

Condensed Financial Statements:

Separate GAAP-basis reports are not currently available for the defined benefit and contribution plans. In lieu of separately issued financial statements for the City administered post-employment health care benefit trust funds, condensed financial statements are presented below for the year ended June 30, 2012:

Statement of Net Assets

June 30, 2012

	OPEB Trust Defined Benefit Plan	OPEB Trust Defined Contribution Plan	Total
<u>Assets:</u>			
Cash and cash equivalents	\$ -	\$ 6,660	\$ 6,660
Investments:			
Mutual Funds	<u>1,932,262</u>	<u>2,636,234</u>	<u>4,568,496</u>
Total Assets	<u><u>1,932,262</u></u>	<u><u>2,642,894</u></u>	<u><u>4,575,156</u></u>
<u>Net Assets:</u>			
Held in trust for OPEB benefits	<u>1,932,262</u>	<u>2,642,894</u>	<u>4,575,156</u>
Total Net Assets	<u><u>\$ 1,932,262</u></u>	<u><u>\$ 2,642,894</u></u>	<u><u>\$ 4,575,156</u></u>

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

**Statement of Changes in Net Assets
For the Year Ended June 30, 2012**

	OPEB Trust Defined Benefit Plan	OPEB Trust Defined Contribution Plan	Total
<u>Additions:</u>			
Contributions to Retiree Medical Trust	\$ 1,884	\$ 226,203	\$ 228,087
Investment and interest income	66,279	43,505	109,784
Net Realized and Unrealized Gains (Losses)	(89,654)	(34,580)	(124,234)
Total Additions (Deletions)	(21,491)	235,128	213,637
<u>Deductions:</u>			
Benefits paid to participants	417,632	192,604	610,236
Total Deductions	417,632	192,604	610,236
Change in Net Assets held in Trust	(439,123)	42,524	(396,599)
Net Assets Held in Trust at July 1, 2011	2,371,385	2,600,370	4,971,755
Net Assets Held in Trust at June 30, 2012	\$ 1,932,262	\$ 2,642,894	\$ 4,575,156

(17) Permit Held for Resale

In FY 2006-07 the City began a process to obtain a permit for the construction of an electrical power plant within the City’s boundaries. The City Council has approved spending up to \$10,016,320 to obtain this permit through the California Energy commission. The City received the California Energy Commission (“CEC”) certificate to construct and operate PHPP (the “CEC Permit”) on August 10, 2011. The CEC Permit remains valid and in full force and effect and, pursuant to CEC regulations, is valid for five years (i.e., commencement of construction must occur by August 10, 2016 unless extended for good cause. On October 19, 2011, the Project received its Prevention of Significant Deterioration (“PSD”) permit from the U.S. Environmental Protection Agency. The City has spent a total of \$9,797,510 on the permit process and it is anticipated to cost an additional \$431,820 to complete the process and will be funded through the City’s General Fund. Receipt of the permit above creates additional assurance that the project will be constructed and the City continues to pursue additional activities to improve project readiness for construction. In October 2012, the City issued a Request for Proposals for acquisition of the Palmdale Hybrid Power Project and desires to sell the Project under Terms and Conditions Favorable to the City.

(18) Transfer of Assets and Other Agency Related Transactions

A. Assets Transferred by City to Successor Agency Trust Fund:

During 2010-11, properties were conveyed to the City pursuant to Section 33220(g) of the Health and Safety Code to provide redevelopment and retain local control. As the result of AB1484, the same properties were reconvened back to the Successor Agency Trust Fund through a quitclaim process on November 9, 2012. The reconvenance was legally deemed to be reported as of June 30, 2012. Land Held for Resale was transferred at a carrying value that is the lower of historical cost or estimated net realizable value.

Land Held For Resale Transfer From:	Amount
City Capital Project No. Area 1	\$ 10,126,800
City Capital Project No. Area 2A	1,546,727
Total Transferred to Successor Agency Trust Funds	\$ 11,673,527

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

(19) Successor Agency Trust For Assets of the Former Redevelopment Agency of the City of Palmdale

A. General Discussion

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

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 04, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number CC 2012-002.

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

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

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

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. 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 reasonable possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorable to the City.

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

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

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

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

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

Total extraordinary gain reported in governmental funds- decrease to net assets of the Successor Agency Trust Fund	(\$ 4,278,664)
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	17,398,610
Deferred Charge for Issuance Costs recorded in the government-wide financial statements – increase to the net assets of the Successor Agency Trust Fund	1,977,106
Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	(2,255,647)
Long-term debt reported in the government-wide financial statements- Decrease to net assets of the Successor Agency Trust Fund (Related to NP- Revenue Bonds) (Note 19 F 4)	(25,185,220)
Long-term debt reported in the government-wide financial statements – Decrease to net assets of the Successor Agency Trust Fund	<u>(113,200,553)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result Of initial transfers (equal to amount of extraordinary gain reported in the Government-wide financial statements of the City)	<u>(\$125,544,368)</u>

B. Land Held for Resale

Project land held for resale is capitalized at the lower of acquisition cost or estimated resale value. During 2010-11, properties were conveyed to the City pursuant to Section 33220(g) of the Health and Safety Code to provide redevelopment and retain local control. As the result of AB1484, the same properties were reconvened back to the Successor Agency Trust Fund through a quitclaim process on November 9, 2012. The reconvenance was legally deemed to be reported as of June 30, 2012. Land Held for Resale was transferred at a carrying value of \$11,673,527 that is the lower of historical cost or estimated net realizable value.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

C. Capital Assets

Capital Assets of the Successor Agency for the year ended June 20, 2012, consisted of the following:

	Beginning Balance February 1, 2012	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Improvements	\$ 14,390,465	\$ -	\$ -	\$ 14,390,465
Construction in Progress	2,732,139	-	745,021	1,987,118
Total Capital Assets, Not Being Depreciated	<u>17,122,604</u>	<u>-</u>	<u>745,021</u>	<u>16,377,583</u>
Capital Assets, Being Depreciated				
Buildings and Structures	438,152	-	-	438,152
Machinery and Equipment	6,920	-	-	6,920
Total Capital Assets, Being Depreciated	<u>445,072</u>	<u>-</u>	<u>-</u>	<u>445,072</u>
Less Accumulated Depreciation for:				
Buildings and Structures	162,146	3,651	-	165,797
Machinery and Equipment	6,920	-	-	6,920
Total Accumulated Depreciation	<u>169,066</u>	<u>3,651</u>	<u>-</u>	<u>172,717</u>
Total Capital Assets, Being Depreciated, Net	<u>276,006</u>	<u>(3,651)</u>	<u>-</u>	<u>272,355</u>
Total Capital Assets, Net	<u>\$ 17,398,610</u>	<u>\$ (3,651)</u>	<u>\$ (745,021)</u>	<u>\$ 16,649,938</u>

For the year ended June 30, 2012, depreciation expense on capital assets was charged in the amount of \$3,651.

D. Advances Due to Housing Authority-Housing Asset Fund

	Receivable	Payable
Housing Authority - Special Revenue Funds:		
Housing Authority- Housing Asset Fund	\$ 15,857,215	\$ -
Successor Agency:		
Dissolved-CRA Project Area No. 1 Fund	-	3,410,513
Dissolved-CRA Project Area No. 2A Fund	<u>-</u>	<u>12,446,702</u>
Total	<u>\$ 15,857,215</u>	<u>\$ 15,857,215</u>

In fiscal years 2004-2005 and 2005-2006, the state required the former Community Redevelopment Agency (CRA) to shift tax increment of \$1,862,827 to the Education Revenue Augmentation Fund (ERAF). To assist in funding this shift, the former CRA Housing Development fund advanced \$355,538 and \$1,507,289 (50% of the total requirement) to the former CRA Project Area No. 1 and 2A Debt Service funds, respectively. ERAF legislation requires that the loan be repaid within 10 years from the date the funds were advanced. Accordingly, the 2004-2005 advance of \$939,215 and the 2005-2006 advance of \$923,612 will be repaid by May 2015 and May 2016, respectively.

In Fiscal year 2009-2010, the State required the former Community Redevelopment Agency (CRA) to shift tax increment of \$11,605,102 to the Supplemental Education Revenue Augmentation Fund (SERAF). To assist in funding this shift, the former CRA Housing

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

Development fund advanced \$2,533,394 and \$9,071,708 (100% of the total requirement) to the former CRA Project Area No. 1 and 2A Debt Service funds, respectively. SERAF legislation requires that the loan be repaid within 5 years from the date the funds were advanced. Accordingly, the 2009-2010 advance of \$11,605,102 will be repaid by June 2015.

In fiscal year 2010-11, the State required the former Community Redevelopment Agency (CRA) to shift tax increment of \$2,389,286 to the Supplemental Education Revenue Augmentation Fund (SERAF). To assist in funding this shift, the former CRA Housing Development fund advanced \$521,581 and \$1,867,705 (100% of the total requirement) to the former CRA Project Area No. 1 and 2A Debt Service funds, respectively. SERAF legislation requires that the loan be repaid within 5 years from the date the funds were advanced. Accordingly, the 2010-2011 advance of \$2,389,286 will be repaid by June 2016.

As more fully explained at Note 19, the Successor Agency Trust Fund was formed for the purpose of holding the assets and liabilities of the former community redevelopment agency. All assets and liabilities were transferred to the Successor Agency Private Purpose Trust Fund which is used to account for assets and liabilities held by the City for the former Community Redevelopment Agency. The Advances due to Housing Authority described above are approved enforceable obligations in existence at the date of dissolution and will be repaid by the Successor Agency from future tax increment.

E. Due to Other Governmental Units

The Successor Agency is required to pay pass through payments pursuant to the terms of the tax sharing agreements. The Agency's outstanding pass through payments at the end of June 30, 2012 totaled \$1,923,118.

F. Successor Agency Long-term Debt

1) **Successor Agency Long Term Debt - Change in Long Term Liabilities** – The following debt activity (as detailed on pages 86-95) for the period of February 1, 2012 through June 30, 2012, are not debts of the City as they have been fully transferred to the Successor Agency of the former Community Redevelopment Agency which are now accounted for in the Private Purpose Trust fund:

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

	Balance at February 1, 2012	Additions	Retirements	Balance at June 30, 2012	Due Within One Year
Compensated Absences Payable:					
CRA Redevelopment Fund	\$ 173,756	\$ -	\$ 173,756	\$ -	\$ -
Total Compensated Absences	173,756	-	173,756	-	-
Loan Agreement:					
City of Palmdale	-	2,034,658	-	2,034,658	-
Total Notes Payable	-	2,034,658	-	2,034,658	-
Notes Payable:					
Fairway Business Park	26,418,182	-	568,874	25,849,308	1,190,968
Dillard's Infrastructure	650,011	-	33,820	616,191	-
Related to: 1994 Revenue Bonds	720,220	18,831	-	739,051	193,063
Related to: 1997 Revenue Bonds	3,325,000	-	-	3,325,000	765,000
Related to: 2003 Revenue Bonds	15,295,000	-	-	15,295,000	810,000
Related to: 2009 Revenue Bonds	5,845,000	-	-	5,845,000	100,000
Total Notes Payable	52,253,413	18,831	602,694	51,669,550	3,059,031
Bonds Payable:					
1998 Tax Allocation Bonds	26,625,000	-	-	26,625,000	640,000
1999 Tax Allocations Bonds	2,895,000	-	-	2,895,000	100,000
2002 Tax Allocations Bonds	8,792,514	193,398	-	8,985,912	-
2003 Tax Allocations Bonds	4,630,000	-	-	4,630,000	175,000
2003 Tax Allocations Bonds	7,060,000	-	-	7,060,000	30,000
2004 Tax Allocations Bonds	17,915,000	-	-	17,915,000	290,000
2004 Tax Allocations Bonds	5,945,000	-	-	5,945,000	145,000
2005 Tax Allocations Bonds	11,540,000	-	-	11,540,000	500,000
2005 Tax Allocations Bonds	2,630,000	-	-	2,630,000	35,000
Less: Deferred Loss on Refi	(733,296)	-	(19,607)	(713,689)	(47,056)
Less: Deferred Loss on Refi	(743,095)	-	(19,869)	(723,226)	(47,685)
Less: Deferred Loss on Refi	(663,109)	-	(12,234)	(650,875)	(29,363)
Plus: Deferred Issuance Prem	65,590	-	10,020	55,570	21,055
Total Bonds Payable	85,958,604	193,398	(41,690)	86,193,692	1,811,951
Total	\$ 138,385,773	\$ 2,246,887	\$ 734,760	\$ 139,897,900	\$ 4,870,982

2) Loan Agreement

The Successor Agency approved a cash flow loan agreement not to exceed \$7,889,081 between the City of Palmdale and the Successor Agency in order for the Successor Agency to pay certain enforceable obligations when Redevelopment Property Trust Tax (RPTTF) was insufficient. The City recorded a Notes Receivable on the Governmental Fund Balance Sheet as of June 30, 2012. The Oversight Board subsequently approved the Loan on September 27, 2012. Interest on the Loan shall accrue at a rate equal to the interest rate applicable to funds on deposit in the Local Agency Investment Fund, compounded annually. As of June 30, 2012, the City of Palmdale loaned to the Successor Agency from Special Revenue Funds a total of \$2,034,658. The loan is an enforceable obligation of the Successor Agency payable on June 1 and January 2 of each year solely from property tax receipts available. All Loan payments shall first be used to pay all accrued interest and then to reduce the principal balance.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

3) Notes Payable

Fairway Business Park Note Payable - The former Community Redevelopment Agency (CRA) issued a Promissory Note for the purchase of 120 acres of industrial property known as the Fairway Business Park. On May 16, 2007, the former CRA approved a Settlement Agreement and Mutual General Release, which provided for the former CRA to pay a settlement amount of \$23,043,000 for the property and \$4,975,309 for accrued, unpaid interest. On September 1, 2010, the former Community Redevelopment Agency of the City of Palmdale issued \$11,001,339 of 2010 Series A Tax Allocation Refunding Revenue Notes (2010 Series A Notes) and \$16,504,000 of 2010 Series B Tax Allocation Refunding Revenue Notes (2010 Series B Notes). The net proceeds of the 2010 Series A & B Tax Allocation Refunding Revenue Notes were used to refinance the former Community Redevelopment Agency's outstanding Fairway Business Park note payable.

The principal and interest on the Notes are payable from pledged tax increment from the former Redevelopment Project Area No. 1. Interest on the notes is payable semi-annually on March 1 and September 1, beginning March 1, 2011. Principal installments are payable September 1 and March 1 of each year from 2011 through 2026. The 2010 Series A Notes bear a fixed interest rate of 5.97% per annum and the 2010 Series B Notes bear a fixed interest rate of 6.2% per annum.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$1,375,330. The payments made after the dissolution were \$1,375,331. The value of the notes as of June 30, 2012, is \$25,849,308.

Dillard's Infrastructure Note Payable - The former Community Redevelopment Agency entered into a Third Implementation Agreement to a Disposition and Development Agreement to reimburse the developer for improvements relating to the construction of a Dillard's department store. The agreement provides for a maximum reimbursement of \$1,851,038 to Dillard's for costs of the public infrastructure improvements necessary for the site. The former Community Redevelopment Agency has pledged a percent of sales tax revenues generated from Dillard's department store to repay the Note. The amount to be reimbursed quarterly is based upon 50 percent of the sales tax revenue actually received by the former Community Redevelopment Agency, generated by the sales occurring at the Dillard's department store as reported by the latest quarterly report. Reimbursement payments are due 30 days after the Agency receives notice stating the amount of sales tax revenue generated by sales occurring during such calendar quarter.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The reimbursement payment made prior to the dissolution of Community Redevelopment Agency of the City of Palmdale was \$52,376. The reimbursement payment made for the current year after the dissolution was \$33,820, and the balance remaining to be paid from pledged future revenues total \$616,191 as of June 30, 2012.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

4) Note Payable Related to Revenue Bonds

Note Payable Related to: 1994 Revenue Bonds Payable (\$44,999,493) - On June 29, 1994, the Civic Authority issued \$44,999,493 of 1994 Revenue Bonds (1994 Bonds). Interest on the 1994 Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 4.80% to 6.60% per annum. Principal installments are payable September 1 of each year from 2000 through 2034.

The liability for the 1994 Revenue Bonds was partially in-substance defeased in June 2004 in the amount of \$17,230,000 by the former Community Redevelopment Agency's 2004 Tax Allocation Series A Bonds. Subsequently, on September 1, 2004, these refunded 1994 Revenue Bonds were called and redeemed at a premium of \$340,300.

The remaining 1994 Bonds maturing on September 1, 2007 through 2015 in the initial aggregate principal amount of \$1,469,493 constitute capital appreciation bonds that are not subject to optional redemption prior to their respective stated maturities. Interest on the Capital Appreciation Bonds compounds on March 1 and September 1, commencing March 1, 1995, and the principal and accreted value on the Capital Appreciation Bonds is payable at maturity or upon earlier redemption.

The proceeds of the 1994 Bonds were loaned to the former Community Redevelopment Agency for use in Project Area No. 2A to finance redevelopment activities in or of benefit to the project area and to fully advance refund the former Community Redevelopment Agency's Redevelopment Project Area No. 3 1985 Tax Allocation Bonds and Project Area No. 4 1989 Revenue Bonds, Series A. The loan agreement between the Civic Authority and the former Community Redevelopment Agency requires the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 1994 Bonds were issued. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1994 Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 1994 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The principal only paid for the current year prior to the dissolution of Community Redevelopment Agency of the City of Palmdale was \$190,000. At year-end, pledged future revenues totaled \$739,051 which was the amount of the remaining principal on the Bonds.

Note Payable Related to: 1997 Revenue Bonds Payable (\$10,890,000) - On May 28, 1997, the Civic Authority issued \$10,890,000 of 1997 Revenue Bonds, Series A (1997 Series A Bonds). Interest on the 1997 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 4.00% to 5.60% per annum. Principal installments are payable July 1 of each year from 1998 through 2015.

The 1997 Series A Term Bonds maturing on July 1, 2012, and July 1, 2015, are subject to mandatory sinking fund redemption beginning July 1, 2011, and July 1, 2013, respectively, in the amount of principal. The 1997 Series A Bonds maturing on or after July 1, 2008, may be redeemed on or after July 1, 2007, at decreasing premiums of 2.00% in 2007 to 1.00% in 2008 and at par thereafter.

City of Palmdale
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The proceeds of the 1997 Series A Bonds were loaned to the former Community Redevelopment Agency to refinance the 1987 Refunding Certificates of Participation. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 1997 Series A Bonds were issued. The former Community Redevelopment Agency has pledged incremental property tax and sales tax generated in Project Area No. 2A, but reserves the option under the repayment agreement to use incremental property tax generated in Project Area No. 1, to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1997 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 1997 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$934,098. At year-end, pledged future revenues totaled \$3,709,559 of which \$3,325,000 was the remaining principal and \$384,559 was interest on the Bonds.

Note Payable Related to: 2003 Revenue Bonds Payable (\$19,220,000) - On May 13, 2003, the Civic Authority issued \$19,220,000 of 2003 Revenue Bonds, Series A (2003 Series A Bonds). Interest on the 2003 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 2.00% to 5.00% per annum. Principal installments are payable July 1 of each year from 2004 through 2025.

The 2003 Series A Bonds maturing on or after July 1, 2014, may be redeemed on or after July 1, 2013, in the amount of principal and accrued interest. The 2003 Series A Term Bonds maturing on July 1, 2025, are subject to mandatory sinking fund redemption on July 1, 2023, and on July 1 in each year thereafter to and including July 1, 2025, in the amount of principal and accrued interest.

The proceeds of the 2003 Series A Bonds were loaned to the former Community Redevelopment Agency to advance refund a portion of the 1993 Revenue Bonds. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 2003 Series A Bonds were issued. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2003 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 2003 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$1,517,638. Net incremental property tax totaled \$7,942,234 for the year. At year-end, pledged future revenues totaled \$21,107,519 of which \$15,295,000 was the amount of the remaining principal and \$5,812,519 was interest on the Bonds.

City of Palmdale
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Note Payable Related to: 2009 Loan Payable (\$6,000,000) - On June 5, 2009, the Civic Authority issued \$6,380,000 of 2009 Revenue Bonds, Series A (2009 Series A Bonds). Interest on the 2009 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 3.625% to 6.00% per annum. Principal installments are payable July 1 of each year from 2010 through 2027.

The 2009 Series A Bonds maturing on or after July 1, 2020, may be redeemed on or after July 1, 2019, in the amount of principal and accrued interest. The 2009 Series A Term Bonds maturing on July 1, 2027, are subject to mandatory sinking fund redemption on July 1, 2021, and on July 1 in each year thereafter to and including July 1, 2027, in the amount of principal and accrued interest.

The proceeds of the 2009 Series A Bonds were loaned to the former Community Redevelopment Agency to advance refund the 2003 Bond Anticipation Notes. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the terms of the Second Supplement to Loan Agreement No. A-2501. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2009 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 2009 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$481,843. Net incremental property tax totaled \$7,942,234 for the year. At year-end, pledged future revenues totaled \$10,605,118 of which \$5,845,000 was the amount of the remaining principal and \$4,760,118 of interest on the Bonds.

5) Tax Allocation Bonds

1998 Tax Allocation Bonds Payable (\$30,625,000) - On September 22, 1998, the former Community Redevelopment Agency issued \$30,625,000 of 1998 Tax Allocation Refunding Bonds (1998 Bonds). Interest on the 1998 Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.75% to 5.00% per annum. Principal installments are payable September 1 of each year from 2000 to 2034.

The 1998 Bonds maturing September 1, 2028, and September 1, 2034, are subject to mandatory sinking fund redemption beginning September 1, 2009, and September 1, 2029, respectively, in the amount of principal and accrued interest. The 1998 Bonds maturing on or after September 1, 2009, may be redeemed on or after September 1, 2008, at decreasing premiums of 2% in 2008 to 1% in 2010 and at par thereafter.

The proceeds of the 1998 Bonds were used to advance refund in part the former Community Redevelopment Agency's obligations with respect to the 1994 Revenue Bonds. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 1998 Bonds as they become due.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$1,296,000. The interest payment made after the dissolution was \$665,625. Net sales tax and incremental property tax pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$44,734,625 of which \$26,625,000 was the amount of the remaining principal and \$18,109,625 interest on the Bonds.

1999 Tax Allocation Bonds Payable (\$2,722,056) - On March 30, 1999, the former Community Redevelopment Agency issued \$2,722,056 of 1999 Subordinate Lien Tax Allocation Bonds (1999 Bonds). The 1999 Bonds constitute convertible capital appreciation bonds. Interest on the 1999 Bonds will accrete at a rate of 4.25% per annum on June 1 and December 1 to and including December 1, 2004, (the Conversion Date) and will not be payable during such period but will increase the Accreted Value of the 1999 Bonds to an amount equal to their Final Compounded Amount on the Conversion Date. From and after the Conversion Date, interest on the 1999 Bonds is payable semi-annually on June 1 and December 1 at 5.5% per annum. Principal installments are payable December 1 of each year from 2005 to 2029.

The 1999 Bonds maturing on or after December 1, 2005, are subject to mandatory sinking fund redemption beginning December 1, 2005, in the amount of principal and accrued interest. The 1999 Bonds maturing on or after December 1, 2014, may be redeemed on or after December 1, 2014, at decreasing premiums of 2% in 2014 to 1% in 2016 and at par thereafter.

The proceeds of the 1999 Bonds were used to finance redevelopment activities in or of benefit to Project Area No. 2A. The former Community Redevelopment Agency pledged incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 1999 Bonds as they become due.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$177,225. The interest payment made after the dissolution was \$79,613. Net incremental property tax totaled \$10,413,739 for the year. At year-end, pledged future revenues totaled \$4,552,013 of which \$2,895,000 was the amount of the remaining principal and \$1,657,013 interest on the Bonds.

2002 Tax Allocation Bonds Payable (\$5,329,748) - On August 20, 2002, the former Community Redevelopment Agency issued \$5,329,748 of 2002 Subordinate Lien Tax Allocation Bonds (2002 Bonds). The 2002 Bonds constitute capital appreciation bonds that are not subject to redemption prior to their respective stated maturities. Interest on the 2002 Bonds compound at rates ranging from 4.88% to 5.68% per annum on June 1 and December 1, commencing December 1, 2002, and will be payable solely at maturity or upon earlier

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

redemption of the respective Bonds. The Bonds will mature and be payable December 1 of each year from 2016 through 2032.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2002 Bonds were used to finance redevelopment activities in or of benefit to Project Area No. 2A. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 2002 Bonds as they become due. No principal or interest was paid for the current year. Net sales tax and incremental property tax pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$17,255,000 of which \$8,985,912 was the amount of the remaining principal and \$8,269,088 interest on the Bonds.

2003 Tax Allocation Bonds Payable (\$5,965,000) - On December 9, 2003, the former Community Redevelopment Agency issued \$5,965,000 of 2003 Series C Tax Allocation Refunding Bonds (2003 Series C Bonds). Interest on the 2003 Series C Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 4.75% per annum. Principal installments are payable September 1 of each year from 2004 to 2028.

The 2003 Series C Bonds maturing on September 1, 2028, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2003 Series C Bonds maturing on or after September 1, 2008, may be redeemed on or after September 1, 2007, at decreasing premiums of 2% in 2008 to 1% in 2009 and at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2003 Series C Bonds were used to fully advance refund the former Community Redevelopment Agency's 1997 Series B Taxable Tax Allocation Bonds. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$278,305. The interest payment made after the dissolution was \$100,680. At year-end, pledged future revenues totaled \$6,898,643 of which \$4,630,000 was the amount of the remaining principal and \$2,268,643 interest on the Bonds.

2003 Tax Allocation Bonds Payable (\$7,250,000) - On December 9, 2003, the former Community Redevelopment Agency issued \$7,250,000 of 2003 Series D Tax Allocation Bonds (2003 Series D Bonds). Interest on the 2003 Series D Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 4.90% per annum. Principal installments are payable September 1 of each year from 2004 to 2032.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

The 2003 Series D Bonds maturing on September 1, 2018, September 1, 2023, September 1, 2028, and September 1, 2032, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2003 Series D Bonds maturing on or after September 1, 2012, may be redeemed on or after September 1, 2011, at decreasing premiums of 2% in 2012 to 1% in 2013 and at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2003 Series D Bonds were used to finance housing activities of the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$202,016. The interest payment made after the dissolution was \$171,529. At year-end, pledged future revenues totaled \$13,301,166 of which \$7,060,000 was the amount of the remaining principal and \$6,241,166 interest on the Bonds.

2004 Tax Allocation Bonds Payable (\$18,535,000) - On June 8, 2004, the former Community Redevelopment Agency issued \$18,535,000 of 2004 Series A Tax Allocation Refunding Bonds (2004 Series A Bonds). Interest on the 2004 Series A Bonds is payable semi-annually on March 1 and September 1 at a fixed rate of 5.00% per annum. Principal installments are payable September 1 of each year from 2005 to 2007 and from 2010 to 2034.

The 2004 Series A Bonds maturing September 1, 2028, and September 1, 2034, are subject to mandatory sinking fund redemption beginning September 1, 2023, and September 1, 2029, respectively, in the amount of principal and accrued interest. The 2004 Series A Bonds maturing on or after September 1, 2015, may be redeemed on or after September 1, 2014, at decreasing premiums of 2% in 2015 to 1.5% in 2016 to 1% in 2017 to 0.5% in 2018 and at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2004 Series A Bonds were used to prepay a portion of a loan made in 1994 by the Palmdale Civic Authority to the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 2004 Series A Bonds as they become due. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$734,875. The interest payment made after the dissolution was \$447,875. At year-end, pledged future revenues totaled \$30,515,625 of which \$17,915,000 was the amount of the remaining principal and \$12,600,625 interest on the Bonds.

2004 Tax Allocation Bonds Payable (\$6,090,000) - On October 7, 2004, the former Community Redevelopment Agency issued \$6,090,000 of 2004 Subordinate Lien Tax Allocation Bonds (2004 Bonds). Interest on the 2004 Bonds is payable semi-annually on

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

June 1 and December 1 at rates ranging from 3.00% to 4.75% per annum. Principal installments are payable December 1 of each year from 2011 to 2033.

The 2004 Bonds maturing on December 1, 2024, December 1, 2027, December 1, 2029, and December 1, 2033, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2004 Bonds maturing on or after December 1, 2015, may be redeemed on or after December 1, 2014, in the amount of principal and accrued interest.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2004 Bonds were used to finance redevelopment activities of the Agency. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 2A to pay principal and interest on the bonds as they become due. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$282,552. The interest payment made after the dissolution was \$135,378. Net incremental property tax totaled \$10,413,739 for the year. At year-end, pledged future revenues totaled \$10,000,778 of which \$5,945,000 was the amount of the remaining principal and \$4,055,778 interest on the Bonds.

2005 Tax Allocation Bonds Payable (\$14,115,000) - On August 16, 2005, the former Community Redevelopment Agency issued \$14,115,000 of 2005 Series E Tax Allocation Refunding Bonds (2005 Series E Bonds). Interest on the 2005 Series E Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.00% to 4.50% per annum. Principal installments are payable September 1 of each year from 2006 to 2027.

The 2005 Series E Bonds maturing on September 1, 2027, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2005 Series E Bonds maturing on or after September 1, 2016, may be redeemed on or after September 1, 2015, at par together with accrued interest, without premium.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2005 Series E Bonds were used to fully advance refund the former Community Redevelopment Agency's 1997 Series A Tax Allocation Bonds. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$727,583. The interest payment made after the dissolution was \$241,896. At year-end, pledged future revenues totaled \$15,966,736 of which \$11,540,000 was the amount of the remaining principal and \$4,426,736 interest on the Bonds.

2005 Tax Allocation Bonds Payable (\$2,805,000) - On August 16, 2005, the former Community Redevelopment Agency issued \$2,805,000 of 2005 Series F Tax Allocation Bonds (2005 Series F Bonds). Interest on the 2005 Series F Bonds is payable semi-annually

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

on March 1 and September 1 at rates ranging from 3.00% to 4.50% per annum. Principal installments are payable September 1 of each year from 2006 to 2033.

The 2005 Series F Bonds maturing on September 1, 2029, and September 1, 2033, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2005 Series F Bonds maturing on or after September 1, 2016, may be redeemed on or after September 1, 2015, at par together with accrued interest, without premium.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2005 Series F Bonds were used to finance housing activities of the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$93,265. The interest payment made after the dissolution was \$57,696. At year-end, pledged future revenues totaled \$4,724,560 of which \$2,630,000 was the amount of the remaining principal and \$2,094,560 interest on the Bonds.

(20) Commitments and Contingencies

A. Contracts and Purchase Orders

The City has contracted with the County of Los Angeles for various services, principally law enforcement until June 30, 2014. These contracts are cancelable at anytime, with or without cause, upon 180-days written notice by the City or as of the first day of July of any year upon notice in writing not less than 60-days prior.

The following is the contract cost by year:

FY2012-13	\$ 23,779,863
FY2013-14	<u>25,064,385</u>
Total	<u>\$ 48,844,248</u>

The City also has other various outstanding contracts and purchase orders for services, supplies, materials, and capital projects that have not been completed at year-end. These commitments total approximately \$6,507,214 at June 30, 2012.

B. Successor Agency Low and Moderate Income Housing Due Diligence Review

The purpose of the Low and Moderate Income Housing Due Diligence Review (DDR) was to determine the amount of cash available for distribution to the affected taxing entities. The Department of Finance's (DOFs) review of the Low and Moderate Income Housing DDR determined that the Low and Moderate Income Housing Fund had available cash balances of \$2,723,442 for distribution to taxing entities. Management is currently in the "meet and confer" process of working with DOF to demonstrate that the funds are needed to for the purpose of meeting approved obligations.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

C. Grants

The City has received State and Federal funds for specific purposes that are subject to review by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any disallowed amounts will not be material.

D. Claims and Judgments

There are certain legal actions pending against the City that have arisen in the normal course of operations. These actions include filed lawsuits and asserted claims for personal injury, property damage and wrongful death - auto accident. In the opinion of management, after consultation with counsel, the ultimate resolution of such actions may result in claims of less than \$1,000,000.

E. Land Held for Resale

The City has land held for development in the amount of \$5,004,404, which was acquired and recorded at acquisition cost. Due to the downturn of the economic condition of the State and potential sale of the land in the future, the City may record a potential loss due to the fair market of the asset at the time of the sale.

F. Obligations of the Successor Agency Private Purpose Trust Fund

As more fully described at Note #19, the former Community Redevelopment Agency of the City of Palmdale was dissolved on January 31, 2012. Obligations to be paid out to the Successor Agency Private Purpose Trust Fund are included in the Required Obligation Payment Schedules (ROPS) which are subject to approval by the State Department of Finance. All obligations of the Successor Agency have been approved by the State Department of Finance, however, are still subject to audit by the County Auditor-Controller and the State Controller. Additionally, obligations on a future ROPS may be denied even if it was not questioned from a preceding ROPS

(21) Subsequent Events

A. Permit Held for Resale

In FY 2006-07 the City began a process to obtain a permit for the construction of an electrical power plant within the City's boundaries. As of June 30, 2012 the project received the California Energy Commission ("CEC") certificate to construct and operate PHPP (the "CEC Permit") on August 10, 2011. This CEC Permit remains valid and in full force and effect and, pursuant to CEC regulations, is valid for five years (i.e., commencement of construction must occur by August 10, 2016) unless extended for good cause. On October 19, 2011, the project received its Prevention of Significant Deterioration ("PSD") permit from the U.S. Environmental Protection Agency (US EPA). On September 17, 2012, the Environmental Appeals Board rejected the appeal of an individual who opposes power plants in California and elsewhere who had attempted to file a petition challenging the US EPA's issuance of the PSD. The PSD Permit is now valid through February 25, 2014 but can be extended. In October 2012, the City extended a Request for Proposals for Acquisition of the project and it is currently the City's intention to sell the Palmdale Hybrid Power Project ("PHPP" or the "Project"), which it has been developing during the past six years. The City has spent a total of \$9,797,510 on the permit process and it is anticipated to cost an additional \$285,000 to complete the process and

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

will be funded through the City's General Fund. Receipt of the permit above creates additional assurance that the project will be constructed and the City continues to pursue additional activities to improve project readiness for construction.

B. Bond Refunding

Due to the adoption by the State legislature of AB26 and AB 1484, the use of the Palmdale Civic Authority to assist in future financings is limited, since the former Agency, now Successor Agency, is one of the parties to the joint powers agreement forming the Civic Authority. AB 1484 contains language concerning the termination of the Successor Agency in the future that could have an impact on any new debt issued by the Civic Authority. However, AB 1484 will not affect any existing outstanding debt of the Civic Authority. As a result, it was necessary to establish a new joint powers authority with the same powers and purpose as the existing Palmdale Civic Authority - that is to assist in financing and refinancing City capital improvements, and to be used in connection with future City financings. In September 2012, a new joint exercise of powers agreement was executed by the City and the Housing Authority to create the "Palmdale Financing Authority" to assist in the bond refunding described below.

On December 19, 2012, the Palmdale Financing Authority issued \$8,695,000 of Series 2012 Lease Revenue Refunding Bonds. The net proceeds of the Series 2012 Lease Revenue Refunding Bonds will be used to refinance an existing lease and refund the City's related 1999 Certificates of Participation Bonds. The principal and interest on the Series 2012 Lease Revenue Refunding Bonds are payable from pledged lease payments to be made by the City of Palmdale to the Palmdale Financing Authority as rental for certain property pursuant to a Lease Agreement.

C. Loan Agreement

The Successor Agency approved a cash flow loan agreement not to exceed \$7,889,081 between the City of Palmdale and the Successor Agency in order for the Successor Agency to pay certain enforceable obligations when Redevelopment Property Trust Tax (RPTTF) was insufficient. The City recorded a Notes Receivable on the Governmental Fund Balance Sheet as of June 30, 2012. The Oversight Board subsequently approved the Loan on September 27, 2012. Interest on the Loan shall accrue at a rate equal to the interest rate applicable to funds on deposit in the Local Agency Investment Fund, compounded annually. As of June 30, 2012, the City of Palmdale loaned to the Successor Agency from Special Revenue Funds a total of \$2,034,658.

(22) New Accounting Pronouncements

GASB Statement No. 60 – GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, is effective for periods beginning in fiscal 2013. This statement address the issues related to service concession arrangements (SCA's), which, for the purposes of this statement, are arrangements between the transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The statement also provides guidance for governments that are operators in an SCA, and requires disclosures pertaining to an SCA. The provisions of the statement generally are required to be applied retroactively. The statement is effective for fiscal 2012-13. The City has not determined its effect on the financial statements.

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

GASB Statement No. 61 – In November 2010, GASB issued Statement no. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14. and No. 34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement is effective for periods beginning after June 15, 2012. The City has not determined its effect on the financial statements.

GASB Statement No. 62 – In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedures that were issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Statement is effective for periods beginning after December 15, 2011. The City has not determined its effect on the financial statements.

GASB Statement no. 63 – In June 2011, GASB issued Statement no. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,* and other pronouncements by incorporation deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2012. The City has not determined its effect on the financial statements.

GASB Statement no. 65 – In March 2012, GASB issued Statement no. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The City has not determined if there will be an effect on the financial statements.

GASB Statement No. 66 – In March 2012, GASB issued Statement no. 66, *Technical Corrections – 2012 an amendment of GASB statements No. 10 and No. 62.* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The Statement is effective for periods beginning after December 15, 2012. The City has not determined if there will be an effect on the financial statements.

GASB Statement No. 67 – In June 2012, GASB issued Statement no. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.* The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting

City of Palmdale
Notes to the Financial Statements
For the Year Ended June 30, 2012

and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to define contribution plans that provide postemployment benefits other than pensions. The Statement is effective for periods beginning after December 15, 2013. The City has not determined if there will be an effect on the financial statements.

GASB Statement No. 68 – In June 2012, GASB issued Statement no. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The City has not determined if there will be an effect on the financial statements.

(23) Restatement of Beginning Equity

A Prior Period Adjustment was recorded to recognize revenues received in a prior period that qualified as a nonexchange transaction and revenues should have been recognized in the period they were available to pay for expenditures. According to GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues received in a nonexchange transaction, or revenues received without giving equal value should be recognized in the period of availability. The following adjustments were made to the Government Wide Statements and Governmental Fund Statements to correct the recording of Grants and Contributions from Deposit Liabilities to Revenues.

Governmental Fund Statement Adjustment:

	Fund Balance, As Previously Stated	Revenue Adjustments	Fund Balance, Restated
Major Funds:			
General Fund	\$29,325,007	\$ 2,607,075	\$ 31,932,082
Non-Major Special Revenue Funds:			
Gas Tax Fund	3,039,429	2,366,909	5,406,338
Misc Grants/Developer Contributions Fund	(389,092)	1,468,951	1,079,859
State Grant Fund	<u>(291,448)</u>	<u>343,165</u>	<u>51,717</u>
Total Prior Period Adjustment	<u>\$ 31,683,896</u>	<u>\$ 6,786,100</u>	<u>\$ 38,469,996</u>

City Wide Financial Statement Adjustment:

Net Assets-Beginning of Year	\$731,880,138
Adjustments related to nonexchange transactions	<u>6,786,100</u>
Net Assets-Beginning of Year As Restated	<u>\$738,666,238</u>

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Required
Supplementary Information



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2012

Required Supplementary Information

**Required Supplementary Information
Schedule of Funding Progress**

Public Employees Retirement System (PERS)

The following schedule summarizes the City of Palmdale's funding progress for the PERS plan:

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
June 30, 2009	101,419,219	81,291,604	20,127,615	80.2%	19,730,068	102.0%
June 30, 2010	108,394,465	88,229,640	20,164,825	81.4%	18,969,559	106.3%
June 30, 2011	118,950,881	94,425,573	24,525,308	79.4%	15,097,811	162.4%

Other Post Employment Defined Benefit Plan (OPEB)

The following schedule summarizes the City of Palmdale's funding progress for OPEB:

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
June 30, 2010	2,279,119	4,511,210	2,531,693	43.88%	12,687,328	19.95%
June 30, 2011	2,371,386	4,686,030	2,085,660	55.49%	10,428,300	20.00%
June 30, 2012	1,932,262	4,473,244	2,540,982	43.20%	15,101,418	16.80%

**Other Post Employment Defined Benefit Plan (OPEB)
Schedule of Employer Contributions**

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Of Contribution
2010	\$ 344,074	1,324,107	384.8%
2011	332,903	332,903	100.0%
2012	317,841	317,841	100.0%

Combining Statements - Non-Major Governmental Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose. The following special revenue funds have been classified as non-major funds:

Air Quality Improvement Fund

The revenue and related expenditures in this fund are for the City's equipment and capital projects which improve air quality

Community Development Block Grant (CDBG) Fund

This fund accounts for Federal entitlements under the Housing and Community Development Act of 1974, as amended.

Drainage Funds

This fund accounts for revenues under the City's Drainage Fee, which are used for the development of drainage improvements.

Drainage Benefit Assessment Dist.

This fund accounts for revenues collected under the City's Drainage Fee, which are used for the development of drainage improvements.

Federal Funds

This fund accounts for revenues and expenditures received from Federal sources.

Federal Home Program

This fund accounts for all federal funds received under the Home Investment Partnership Act.

Federal Jobs Program Fund

This fund accounts for revenues and expenditures associated with the Job Training Partnership Act and Welfare to Work Programs.

Fire Facilities Impact Fund

This fund accounts for revenues collected under the City's Fire Facilities Impact Fee, which are used for constructing and outfitting facilities needed to serve future development.

Gas Tax Fund

This fund accounts for state gasoline allocations provided to the City for street-related purposes.

Housing Authority Fund

This fund accounts for compliance monitoring expenditures and Bond Issuer's Fees collected for the Housing Authority.

Landscape Maintenance Fund

This fund is used to account for revenues and expenditures attributable to Landscape Maintenance District 97-1.

Local Transportation Article 3 Fund

This fund is used to account for State funds provided to the City for construction of local bikeways and bikeway related projects.

Local Transportation Article 8 Fund

This fund accounts for State funds provided to the City for street-related purposes only.

Measure R Fund

This fund accounts for State Funds provided to the City for Street related purposes only.

Miscellaneous Grants/Developer Contributions

This fund accounts for revenues and expenditures received from Developers and Local Agencies for improvements.

Parks Assessments Fund

This fund accounts for revenues collected under the City-wide Park Assessment District, which are used for the acquisition, improvement, expansion and maintenance of public parks.

Park Development Fund

This fund accounts for revenues collected under the City's Unit Dwelling Fee, which are used for the acquisition, improvement and expansion of public parks, playgrounds & recreational facilities.

Proposition A Fund

This fund accounts for special sales tax revenues, which are used for local transit.

Proposition C Fund

This fund accounts for special sales tax revenues and expenditures related to street and road improvements and transit.

Public Facilities Fund

This fund is used to account for revenues received from developer fees. These funds can

only be used to assist with the development and rehabilitation of City buildings.

Public Safety Fund

This fund is used to account for the revenues received as a result of vehicle code violations and drug forfeiture operations. These funds can only be used for law enforcement expenditures.

S.A.V.E.S. Fund (South Antelope Valley Emergency Services)

This fund is used to account for revenues and expenditures related to providing food and shelter for qualified recipients.

Sewer Maintenance Assessment District

This fund is used to account for revenues and expenditures associated with the City sewer assessment district serving the City and its sewer system.

Sewer Upgrade Fund

This fund accounts for revenues collected under the City's Sewer Upgrade Fee, which are used for sewer improvements.

State Grants Fund

This fund accounts for revenues and expenditures received from State sources.

Street Lighting Assessment District Fund

This fund is used to account for revenues and expenditures associated with residential street lighting services.

Traffic Impact Fund

This fund accounts for revenues collected under the City's Traffic Impact Fee, which are used for traffic related projects, such as traffic signals and street improvements.

Water Park

This fund accounts for the operation of the City owned Dry Town Water Park.

Debt Service Funds are used to account for the accumulation of resources for the payment made for principal and interest on bonded debt and other long-term obligations. The following funds have been classified as non-major funds:

Palmdale Civic Authority Fund

This fund accounts for resources accumulated and payments made for principal and interest certificates of participation issued to construct the civic center complex.

Combining Statements - Non-Major Governmental Funds

Capital Projects Funds are used to account for financial resources used for the acquisition and construction of major capital facilities. The following capital projects funds have been classified as non-major funds:

Community Facilities District (CFD) and Assessment District Fund

This fund accounts for the revenues and expenditures of community facilities districts and assessment districts, which are funded entirely from district bond proceeds.

Former Community Redevelopment Agency (CRA) Redevelopment Fund

This fund was the CRA's primary operating fund and is used to account for revenues and expenditures related to the sale of land and the operation of the Economic Development Department. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities are reported under a private purpose trust fund. (Note 19)

Former CRA Housing Fund

Accounts for low/moderate income housing set-aside capital projects. On February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities. All assets and liabilities are reported under a private purpose trust fund. (Note 19)

Palmdale Civic Authority Fund

This fund is used to account for construction projects funded through issuance of Certificates of Participation. Current projects include new park facilities and street improvements.

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City of Palmdale
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

Assets	Special Revenue Funds							
	Air Quality Improvement	Community Development Block Grant	Drainage Funds	Drainage Benefit Assmnt Dist	Federal Funds	Federal Home Program	Federal Jobs Programs	Fire Facilities Impact
Assets:								
Cash	\$ -	200	-	-	-	-	-	-
Investments	10,265	456,179	6,568,689	410,263	-	-	20,516	2,825,429
Receivables:								
Accounts and Interest Receivable	19	43,196	12,195	762	526,371	695,082	180,055	5,245
Property Taxes Receivable	-	-	-	1,087	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-	-	-
Notes and Liens	-	662,680	-	-	-	4,682,665	-	-
Deposits and Prepaids	-	104	-	-	-	-	-	-
Restricted Assets:								
Investments	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Land Held for Resale	-	3,409,556	-	-	-	-	-	-
Total Assets	<u>10,284</u>	<u>4,571,915</u>	<u>6,580,884</u>	<u>412,112</u>	<u>526,371</u>	<u>5,377,747</u>	<u>200,571</u>	<u>2,830,674</u>
Liabilities and Fund Balances								
Liabilities								
Accounts Payable	-	29,104	28,779	62	81,428	8,878	120,280	-
Due To Bank Overnight Sweep	348	15,017	222,374	13,912	-	-	-	95,809
Due To Other Funds	-	-	-	-	444,943	102	80,291	-
Deposits	-	124,020	11,691	-	-	-	-	-
Deferred Revenue	-	42,948	-	-	454,711	686,102	-	-
Total Liabilities	<u>348</u>	<u>211,089</u>	<u>262,844</u>	<u>13,974</u>	<u>981,082</u>	<u>695,082</u>	<u>200,571</u>	<u>95,809</u>
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	9,936	4,360,826	6,318,040	398,138	-	4,682,665	-	2,734,865
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(454,711)	-	-	-
Total Fund Balances	<u>9,936</u>	<u>4,360,826</u>	<u>6,318,040</u>	<u>398,138</u>	<u>(454,711)</u>	<u>4,682,665</u>	<u>-</u>	<u>2,734,865</u>
Total Liabilities and Fund Balances	<u>\$ 10,284</u>	<u>4,571,915</u>	<u>6,580,884</u>	<u>412,112</u>	<u>526,371</u>	<u>5,377,747</u>	<u>200,571</u>	<u>2,830,674</u>

Special Revenue Funds (continued)

<u>Gas Tax</u>	<u>Housing Authority</u>	<u>Landscape Maintenance</u>	<u>Local Transportation Article 3</u>	<u>Local Transportation Article 8</u>	<u>Measure R</u>	<u>Misc Grants/ Developer Contributions</u>	<u>Parks Assessments</u>	<u>Park Development</u>
-	-	-	-	-	-	-	-	-
8,063,809	-	7,634,174	176,341	-	3,620,705	774,210	1,018,970	3,572,593
86,319	4,000	14,172	328	362,050	6,722	494,801	1,892	10,568
-	-	294,272	-	-	-	-	163,994	-
-	277,139	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,034,658
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>8,150,128</u>	<u>281,139</u>	<u>7,942,618</u>	<u>176,669</u>	<u>362,050</u>	<u>3,627,427</u>	<u>1,269,011</u>	<u>1,184,856</u>	<u>5,617,819</u>
1,433	14,805	357,199	-	-	-	232,794	-	990,635
273,441	-	203,229	5,980	-	122,777	26,253	34,553	102,545
-	186,007	-	-	362,050	-	-	-	-
-	1,000	-	-	-	-	-	-	-
-	-	-	-	-	-	494,793	-	53,413
<u>274,874</u>	<u>201,812</u>	<u>560,428</u>	<u>5,980</u>	<u>362,050</u>	<u>122,777</u>	<u>753,840</u>	<u>34,553</u>	<u>1,146,593</u>
-	-	-	-	-	-	-	-	-
7,875,254	79,327	7,382,190	170,689	-	3,504,650	515,171	1,150,303	4,471,226
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>7,875,254</u>	<u>79,327</u>	<u>7,382,190</u>	<u>170,689</u>	<u>-</u>	<u>3,504,650</u>	<u>515,171</u>	<u>1,150,303</u>	<u>4,471,226</u>
<u>8,150,128</u>	<u>281,139</u>	<u>7,942,618</u>	<u>176,669</u>	<u>362,050</u>	<u>3,627,427</u>	<u>1,269,011</u>	<u>1,184,856</u>	<u>5,617,819</u>

City of Palmdale
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

		Special Revenue Funds (continued)						
Assets	Proposition A	Proposition C	Public Facilities Fund	Public Safety	SAVES	Sewer Maint Assessment District	Sewer Upgrade	State Grants
Assets:								
Cash	\$ -	-	-	-	-	-	-	-
Investments	3,340,264	1,715,121	-	-	16,939	9,560,753	871,315	2,375,925
Receivables:								
Accounts and Interest Receivable	6,201	3,184	-	29,648	31	20,726	1,617	522,546
Property Taxes Receivable	-	-	-	104,303	-	326,658	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Governmental Un	-	-	-	-	-	-	-	-
Notes and Liens	-	-	-	-	-	-	-	-
Deposits and Prepaids	-	-	-	-	-	-	-	-
Restricted Assets:								
Investments	-	-	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-	-
Total Assets	<u>3,346,465</u>	<u>1,718,305</u>	<u>-</u>	<u>133,951</u>	<u>16,970</u>	<u>9,908,137</u>	<u>872,932</u>	<u>2,898,471</u>
Liabilities and Fund Balances								
Liabilities								
Accounts Payable	77,292	-	-	-	15,195	161,622	-	178,746
Due To Bank Overnight Sweep	113,033	58,159	-	-	574	281,057	29,546	80,567
Due To Other Funds	-	-	46,566	108,446	-	-	-	-
Deposits	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	517,581
Total Liabilities	<u>190,325</u>	<u>58,159</u>	<u>46,566</u>	<u>108,446</u>	<u>15,769</u>	<u>442,679</u>	<u>29,546</u>	<u>776,894</u>
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	3,156,140	1,660,146	-	25,505	1,201	9,465,458	843,386	2,121,577
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	(46,566)	-	-	-	-	-
Total Fund Balances	<u>3,156,140</u>	<u>1,660,146</u>	<u>(46,566)</u>	<u>25,505</u>	<u>1,201</u>	<u>9,465,458</u>	<u>843,386</u>	<u>2,121,577</u>
Total Liabilities and Fund Balance	<u>\$ 3,346,465</u>	<u>1,718,305</u>	<u>-</u>	<u>133,951</u>	<u>16,970</u>	<u>9,908,137</u>	<u>872,932</u>	<u>2,898,471</u>

Special Revenue Funds (continued)			Debt Service Funds			Capital Projects Funds					Total Non-Major Governmental Funds
Street Lighting Assessment District	Traffic Impact	Water Park	Total Special Revenue	Palmdale Civic Authority	Total Debt Service Funds	CFD/ Assessment Districts	CRA Redevelopment	CRA Housing	Palmdale Civic Authority	Total Capital	
-	-	6,497	6,697	-	-	-	-	-	-	-	6,697
2,719,897	4,360,062	97,372	60,209,791	24,343	24,343	835,534	-	-	-	835,534	61,069,668
5,049	8,094	5,593	3,046,466	45	45	7,924	-	-	-	7,924	3,054,435
105,093	-	-	995,407	-	-	-	-	-	-	-	995,407
-	-	-	277,139	-	-	-	-	-	-	-	277,139
-	-	-	-	-	-	583,859	-	-	-	583,859	583,859
-	-	-	7,380,003	-	-	-	-	-	-	-	7,380,003
-	-	-	104	-	-	-	-	-	-	-	104
-	-	-	-	6,340,484	6,340,484	11,677,803	-	-	603,919	12,281,722	18,622,206
-	-	-	-	16,065	16,065	193	-	-	10	203	16,268
-	-	-	3,409,556	-	-	-	-	-	-	-	3,409,556
<u>2,830,039</u>	<u>4,368,156</u>	<u>109,462</u>	<u>75,325,163</u>	<u>6,380,937</u>	<u>6,380,937</u>	<u>13,105,313</u>	<u>-</u>	<u>-</u>	<u>603,929</u>	<u>13,709,242</u>	<u>95,415,342</u>
47,599	49,252	108,639	2,503,742	-	-	1,454	-	-	4,922	6,376	2,510,118
88,620	141,453	823	1,910,070	825	825	27,044	-	-	-	27,044	1,937,939
-	-	-	1,228,405	-	-	-	-	-	32,000	32,000	1,260,405
-	-	-	136,711	-	-	-	-	-	-	-	136,711
-	-	-	2,249,548	-	-	-	-	-	-	-	2,249,548
<u>136,219</u>	<u>190,705</u>	<u>109,462</u>	<u>8,028,476</u>	<u>825</u>	<u>825</u>	<u>28,498</u>	<u>-</u>	<u>-</u>	<u>36,922</u>	<u>65,420</u>	<u>8,094,721</u>
-	-	-	-	-	-	-	-	-	-	-	-
2,693,820	4,177,451	-	67,797,964	6,380,112	6,380,112	-	-	-	-	-	74,178,076
-	-	-	-	-	-	13,076,815	-	-	567,007	13,643,822	13,643,822
-	-	-	(501,277)	-	-	-	-	-	-	-	(501,277)
<u>2,693,820</u>	<u>4,177,451</u>	<u>-</u>	<u>67,296,687</u>	<u>6,380,112</u>	<u>6,380,112</u>	<u>13,076,815</u>	<u>-</u>	<u>-</u>	<u>567,007</u>	<u>13,643,822</u>	<u>87,320,621</u>
<u>2,830,039</u>	<u>4,368,156</u>	<u>109,462</u>	<u>75,325,163</u>	<u>6,380,937</u>	<u>6,380,937</u>	<u>13,105,313</u>	<u>-</u>	<u>-</u>	<u>603,929</u>	<u>13,709,242</u>	<u>95,415,342</u>

City of Palmdale
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds							
	Air Quality Improvement	Community Development Block Grant	Drainage Funds	Drainage Benefit Assmt. Dist.	Federal Funds	Federal Home Program	Federal Jobs Programs	Fire Facilities
Revenues:								
Other Taxes	-	-	-	-	-	-	-	-
Subventions and Grants	75,000	2,355,993	-	-	640,733	441,871	801,177	-
Park Development Fees	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-
Special Assessments	-	-	-	53,473	-	-	-	-
Use of Property	-	-	-	-	-	-	-	-
Charges for Current Services	-	-	7,541	-	-	39,349	-	-
Drainage Fees	-	-	207,605	-	-	-	-	-
Sewer Upgrade Fees	-	-	-	-	-	-	-	-
Traffic Impact Fees	-	-	-	-	-	-	-	-
Facilities Impact Fees	-	-	-	-	-	-	-	156,325
Interest	125	13	74,402	2,677	-	-	1	18,747
Net Decrease in the Fair Value of Investments:	8	-	5,046	318	-	-	-	2,179
Developer Contributions	-	-	-	-	-	-	-	-
State Contributions	-	-	-	-	-	-	-	-
County Contributions	-	-	-	-	-	-	-	-
Other	-	17,074	-	284	-	-	-	-
Total Revenues	75,133	2,373,080	294,594	56,752	640,733	441,871	840,527	177,251
Expenditures:								
Current:								
General Government	-	-	52,000	-	-	-	-	7,816
Public Safety	-	-	-	-	240,258	-	-	-
Public Services	75,000	-	105,455	13,915	-	-	-	-
Community Development	-	725,350	-	-	-	360,702	-	-
Cultural and Recreational	-	-	-	-	-	-	-	-
Health and Welfare	-	215,474	-	-	-	-	932,297	-
Capital Outlay	-	1,453,198	373,221	-	506,928	-	-	-
Debt Service:								
Principal	-	204,000	-	-	-	-	-	-
Interfund Interest	-	-	-	-	-	-	-	-
Interest	-	208,254	29,420	-	-	-	-	-
Total Expenditures	75,000	2,806,276	560,096	13,915	747,186	360,702	932,297	7,816
Excess (Deficiency) of Revenues Over (Under) Expenditures	133	(433,196)	(265,502)	42,837	(106,453)	81,169	(91,770)	169,435
Other Financing Sources(Uses):								
Transfers In	-	-	-	-	-	-	91,768	-
Transfers Out	-	-	-	-	(71,252)	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	(71,252)	-	91,768	-
Extraordinary Items:								
Extraordinary Gain (Loss) Upon dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Total Extraordinary Items	-	-	-	-	-	-	-	-
Net Change in Fund Balances	133	(433,196)	(265,502)	42,837	(177,705)	81,169	(2)	169,435
Fund Balances - Beginning of Year (As Restated-Note 23)	9,803	4,794,022	6,583,542	355,301	(277,006)	4,601,496	2	2,565,430
Fund Balances - End of Year	\$ 9,936	4,360,826	6,318,040	398,138	(454,711)	4,682,665	-	2,734,865

Special Revenue Funds (continued)

Gas Tax	Housing Authority	Landscape Maintenance	Local Transportation Article 3	Local Transportation Article 8	Measure R	Misc Grants/ Developer Contributions	Parks Assessments	Park Development
4,252,238	-	-	-	-	-	-	-	-
-	-	-	170,259	4,344,606	1,378,480	298,271	-	250,000
-	-	-	-	-	-	-	-	432,364
-	-	-	-	-	-	-	-	-
-	-	5,247,204	-	-	-	-	2,288,442	-
-	37,317	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
46,080	-	49,197	397	-	21,890	36	4,479	55,222
6,015	-	5,965	131	-	2,829	4	847	4,460
-	-	-	-	-	-	-	-	-
31,813	-	-	-	-	-	-	-	-
124,608	-	-	-	-	-	158,094	-	-
104,293	-	80,808	-	-	-	-	34,564	-
<u>4,565,047</u>	<u>37,317</u>	<u>5,383,174</u>	<u>170,787</u>	<u>4,344,606</u>	<u>1,403,199</u>	<u>456,405</u>	<u>2,328,332</u>	<u>742,046</u>
117,370	-	40,220	-	-	-	-	63,866	65,000
-	-	-	-	-	-	-	91,330	-
1,366,323	-	4,569,785	-	4,345,209	-	-	-	-
-	82,704	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	250,000
-	-	-	-	-	-	-	-	-
365,526	-	50,752	75	-	51,908	1,021,093	-	5,494,084
-	-	36,731	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	3,349	-	-	-	-	-	-
<u>1,849,219</u>	<u>82,704</u>	<u>4,700,837</u>	<u>75</u>	<u>4,345,209</u>	<u>51,908</u>	<u>1,021,093</u>	<u>155,196</u>	<u>5,809,084</u>
<u>2,715,828</u>	<u>(45,387)</u>	<u>682,337</u>	<u>170,712</u>	<u>(603)</u>	<u>1,351,291</u>	<u>(564,688)</u>	<u>2,173,136</u>	<u>(5,067,038)</u>
-	-	-	-	-	-	-	805,429	-
<u>(246,912)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,886,971)</u>	<u>(50,000)</u>
<u>(246,912)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,081,542)</u>	<u>(50,000)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>2,468,916</u>	<u>(45,387)</u>	<u>682,337</u>	<u>170,712</u>	<u>(603)</u>	<u>1,351,291</u>	<u>(564,688)</u>	<u>1,091,594</u>	<u>(5,117,038)</u>
<u>5,406,338</u>	<u>124,714</u>	<u>6,699,853</u>	<u>(23)</u>	<u>603</u>	<u>2,153,359</u>	<u>1,079,859</u>	<u>58,709</u>	<u>9,588,264</u>
<u>7,875,254</u>	<u>79,327</u>	<u>7,382,190</u>	<u>170,689</u>	<u>-</u>	<u>3,504,650</u>	<u>515,171</u>	<u>1,150,303</u>	<u>\$ 4,471,226</u>

City of Palmdale
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2012

Special Revenue Funds (continued)								
	Proposition A	Proposition C	Public Facilities	Public Safety	SAVES	Sewer Maint Assessment District	Sewer Upgrade	State Grants
Revenues:								
Other Taxes	-	-	-	-	-	-	-	-
Subventions and Grants	2,230,259	1,834,530	-	247,780	31,101	-	-	2,935,778
Park Development Fees	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	91,017	-	-
Fines and Forfeitures	-	-	-	487,991	-	-	-	-
Special Assessments	-	-	-	-	-	5,420,695	-	-
Use of Property	-	-	-	-	-	-	-	-
Charges for Current Services	-	-	-	-	-	272,169	-	-
Drainage Fees	-	-	-	-	-	-	-	-
Sewer Upgrade Fees	-	-	-	-	-	-	330	-
Traffic Impact Fees	-	-	-	-	-	-	-	-
Facilities Impact Fees	-	-	65,331	-	-	-	-	-
Interest	23,201	9,384	-	207	89	57,845	5,940	9,384
Net Decrease in the Fair Value of Investments:	2,669	1,283	-	20	13	7,457	672	1,996
Developer Contributions	-	-	-	-	-	-	-	-
State Contributions	-	-	-	-	-	-	-	-
County Contributions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	28,260	-	-
Total Revenues	2,256,129	1,845,197	65,331	735,998	31,203	5,877,443	6,942	2,947,158
Expenditures:								
Current:								
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	739,344	-	-	-	-
Public Services	1,353,325	771,600	-	-	-	2,497,667	-	77,599
Community Development	-	-	-	-	-	-	-	-
Cultural and Recreational	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	31,102	-	-	-
Capital Outlay	124,609	190,067	-	-	-	714,342	-	799,699
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interfund Interest	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total Expenditures	1,477,934	961,667	-	739,344	31,102	3,212,009	-	877,298
Excess (Deficiency) of Revenues Over (Under) Expenditures	778,195	883,530	65,331	(3,346)	101	2,665,434	6,942	2,069,860
Other Financing Sources(Uses):								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	(654,800)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(654,800)	-	-	-	-	-	-
Extraordinary Items:								
Extraordinary Gain (Loss) Upon dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Total Extraordinary Items	-	-	-	-	-	-	-	-
Net Change in Fund Balances	778,195	228,730	65,331	(3,346)	101	2,665,434	6,942	2,069,860
Fund Balances - Beginning of Year (As Restated-Note 23)	2,377,945	1,431,416	(111,897)	28,851	1,100	6,800,024	836,444	51,717
Fund Balances - End of Year	3,156,140	1,660,146	(46,566)	25,505	1,201	9,465,458	843,386	2,121,577

Special Revenue Funds (continued)				Debt Service Funds		Capital Projects Funds					Total Non-Major Governmental Funds
Street Lighting Assessment District	Traffic Impact	Water Park	Total Special Revenue	Palmdale Civic Authority	Total Debt Service Funds	CFD/Assessment District	CRA Redevelopment	CRA Housing	Palmdale Civic Authority	Total Capital Projects	
-	-	-	4,252,238	-	-	-	-	-	-	-	4,252,238
-	-	-	18,035,838	-	-	-	-	-	-	-	18,035,838
-	-	-	432,364	-	-	-	-	-	-	-	432,364
-	-	-	91,017	-	-	-	-	-	-	-	91,017
-	-	-	487,991	-	-	-	-	-	-	-	487,991
989,021	-	-	13,998,835	-	-	-	-	-	-	-	13,998,835
-	-	75,362	75,362	-	-	-	-	-	-	-	75,362
-	-	725,981	1,082,357	-	-	1,140,281	-	-	-	1,140,281	2,222,638
-	-	-	207,605	-	-	-	-	-	-	-	207,605
-	-	-	330	-	-	-	-	-	-	-	330
-	257,877	-	257,877	-	-	-	-	-	-	-	257,877
-	-	-	221,656	-	-	-	-	-	-	-	221,656
17,778	33,573	307	430,974	45,294	45,294	6,341	168	16	157	6,682	482,950
2,112	3,258	18	47,300	21	21	631	-	-	-	631	47,952
14,000	-	-	14,000	-	-	-	-	-	-	-	14,000
-	-	-	31,813	-	-	-	-	-	-	-	31,813
-	-	-	282,702	-	-	-	-	-	-	-	282,702
5,834	-	266,921	538,038	-	-	-	-	-	-	-	538,038
1,028,745	294,708	1,068,589	40,488,297	45,315	45,315	1,147,253	168	16	157	1,147,594	41,681,206
-	65,000	-	411,272	-	-	-	-	-	-	-	411,272
-	-	-	1,070,932	-	-	-	-	-	-	-	1,070,932
707,095	-	-	15,882,973	-	-	475,289	-	-	-	475,289	16,358,262
-	-	-	1,168,756	-	-	-	580,722	-	-	580,722	1,749,478
-	-	1,329,727	1,579,727	-	-	-	-	-	-	-	1,579,727
-	-	-	1,178,873	-	-	-	-	-	-	-	1,178,873
-	1,410,500	-	12,556,002	-	-	184,142	-	-	36,922	221,064	12,777,066
-	-	-	240,731	1,840,000	1,840,000	-	-	-	-	-	2,080,731
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	241,023	4,453,109	4,453,109	-	-	-	-	-	4,694,132
707,095	1,475,500	1,329,727	34,330,289	6,293,109	6,293,109	659,431	580,722	-	36,922	1,277,075	41,900,473
321,650	(1,180,792)	(261,138)	6,158,008	(6,247,794)	(6,247,794)	487,822	(580,554)	16	(36,765)	(129,481)	(219,267)
-	-	189,401	1,086,598	6,250,156	6,250,156	-	650,796	-	-	650,796	7,987,550
-	(740,737)	-	(3,650,672)	-	-	-	(26,234)	-	(49,429)	(75,663)	(3,726,335)
-	(740,737)	189,401	(2,564,074)	6,250,156	6,250,156	-	624,562	-	(49,429)	575,133	4,261,215
-	-	-	-	2,446,387	2,446,387	-	(45,143)	(4,475)	-	(49,618)	2,396,769
-	-	-	-	2,446,387	2,446,387	-	(45,143)	(4,475)	-	(49,618)	2,396,769
321,650	(1,921,529)	(71,737)	3,593,934	2,448,749	2,448,749	487,822	(1,135)	(4,459)	(86,194)	396,034	6,438,717
2,372,170	6,098,980	71,737	63,702,753	3,931,363	3,931,363	12,588,993	1,135	4,459	653,201	13,247,788	80,881,904
2,693,820	4,177,451	-	67,296,687	6,380,112	6,380,112	13,076,815	-	-	567,007	13,643,822	87,320,621

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Budgetary Comparison Schedule

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Air Quality Improvement
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 75,000	75,000	75,000	-
Interest	-	-	125	125
Net Decrease in the Fair Value of Investments:	-	-	8	8
Total Revenues	75,000	75,000	75,133	133
Expenditures:				
Current:				
Public Services	-	-	75,000	(75,000)
Total Expenditures	-	-	75,000	(75,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures	75,000	75,000	133	(74,867)
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	(75,000)	-	75,000
Total Other Financing Sources (Uses)	-	(75,000)	-	75,000
Net Change in Fund Balance	75,000	-	133	133
Fund Balance - Beginning of Year	9,803	9,803	9,803	-
Fund Balance - End of Year	\$ 84,803	9,803	9,936	133

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Community Development Block Grant
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 1,660,640	5,540,260	2,355,993	(3,184,267)
Interest	-	-	13	13
Other	55,500	45,500	17,074	(28,426)
Total Revenues	1,716,140	5,585,760	2,373,080	(3,212,680)
Expenditures:				
Current:				
Community Development	470,640	616,520	725,350	(108,830)
Health and Welfare	270,500	243,890	215,474	28,416
Capital Outlay	562,730	3,760,520	1,453,198	2,307,322
Debt Service:				
Principal	204,000	204,000	204,000	-
Interest	208,270	208,270	208,254	16
Total Expenditures	1,716,140	5,033,200	2,806,276	2,226,924
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	552,560	(433,196)	(985,756)
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	552,560	(433,196)	(985,756)
Fund Balance - Beginning of Year	4,794,022	4,794,022	4,794,022	-
Fund Balance - End of Year	<u>\$ 4,794,022</u>	<u>5,346,582</u>	<u>4,360,826</u>	<u>(985,756)</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Drainage
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for Current Services	\$ -	3,520	7,541	4,021
Drainage Fees	12,400	3,670	207,605	203,935
Interest	74,150	70,150	74,402	4,252
Net Decrease in the Fair Value of Investments	-	-	5,046	5,046
Total Revenues	86,550	77,340	294,594	217,254
Expenditures:				
Current:				
General Government	-	-	52,000	(52,000)
Public Services	-	-	105,455	(105,455)
Capital Outlay	4,000,000	592,040	373,221	218,819
Debt Service:				
Principal	-	-	-	-
Interest	58,400	58,400	29,420	28,980
Total Expenditures	4,058,400	650,440	560,096	90,344
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,971,850)	(573,100)	(265,502)	307,598
Other Financing Sources (Uses):				
Transfers In	150,000	150,000	-	(150,000)
Transfers Out	-	(183,630)	-	183,630
Total Other Financing Sources (Uses)	150,000	(33,630)	-	33,630
Net Change in Fund Balance	(3,821,850)	(606,730)	(265,502)	341,228
Fund Balance - Beginning of Year	6,583,542	6,583,542	6,583,542	-
Fund Balance - End of Year	\$ 2,761,692	5,976,812	6,318,040	341,228

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Drainage Benefit Assessment District
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 52,000	44,000	53,473	9,473
Interest	600	600	2,677	2,077
Net Decrease in the Fair Value of Investments:	-	-	318	318
Other	500	200	284	84
Total Revenues	53,100	44,800	56,752	11,952
Expenditures:				
Current:				
Public Services	35,750	38,050	13,915	24,135
Capital Outlay	-	17,500	-	17,500
Total Expenditures	35,750	55,550	13,915	41,635
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,350	(10,750)	42,837	53,587
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	17,350	(10,750)	42,837	53,587
Fund Balance - Beginning of Year	355,301	355,301	355,301	-
Fund Balance - End of Year	\$ 372,651	344,551	398,138	53,587

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Federal Funds
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 5,305,890	5,237,420	640,733	(4,596,687)
Total Revenues	5,305,890	5,237,420	640,733	(4,596,687)
Expenditures:				
Current:				
Public Safety	-	-	240,258	(240,258)
Public Services	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	5,170,340	4,489,560	506,928	3,982,632
Total Expenditures	5,170,340	4,489,560	747,186	3,742,374
Excess (Deficiency) of Revenues Over (Under) Expenditures	135,550	747,860	(106,453)	(854,313)
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	(747,860)	(71,252)	676,608
Total Other Financing Sources (Uses)	-	(747,860)	(71,252)	676,608
Net Change in Fund Balance	135,550	-	(177,705)	(177,705)
Fund Balance - Beginning of Year	(277,006)	(277,006)	(277,006)	-
Fund Balance - End of Year	\$ (141,456)	(277,006)	(454,711)	(177,705)

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Federal Home Program
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 500,000	2,459,340	441,871	(2,017,469)
Interest	59,550	250	-	(250)
Total Revenues	559,550	2,459,590	441,871	(2,017,719)
Expenditures:				
Current:				
Community Development	750,000	2,959,340	360,702	2,598,638
Total Expenditures	750,000	2,959,340	360,702	2,598,638
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,450)	(499,750)	81,169	580,919
Other Financing Sources (Uses):				
Transfers In	250,000	500,000	-	(500,000)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	250,000	500,000	-	(500,000)
Net Change in Fund Balance	59,550	250	81,169	80,919
Fund Balance - Beginning of Year	4,601,496	4,601,496	4,601,496	-
Fund Balance - End of Year	\$ 4,661,046	4,601,746	4,682,665	80,919

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Federal Jobs Program
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 779,990	802,990	801,177	(1,813)
Charges for Services	-	35,200	39,349	4,149
Interest	-	-	1	1
	-	-	-	-
Total Revenues	<u>779,990</u>	<u>838,190</u>	<u>840,527</u>	<u>2,337</u>
Expenditures:				
Current:				
Health and Welfare	858,270	1,213,560	932,297	281,263
Capital Outlay	-	-	-	-
	-	-	-	-
Total Expenditures	<u>858,270</u>	<u>1,213,560</u>	<u>932,297</u>	<u>281,263</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(78,280)</u>	<u>(375,370)</u>	<u>(91,770)</u>	<u>283,600</u>
Other Financing Sources (Uses):				
Transfers In	-	375,370	91,768	(283,602)
Transfers Out	-	-	-	-
	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>375,370</u>	<u>91,768</u>	<u>(283,602)</u>
Net Change in Fund Balance	(78,280)	-	(2)	(2)
Fund Balance - Beginning of Year	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ (78,278)</u>	<u>2</u>	<u>-</u>	<u>(2)</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Fire Facilities Impact Special Revenue Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fire Facilities Impact Fees	\$ 100,000	75,000	156,325	81,325
Interest	2,000	2,000	18,747	16,747
Net Decrease in the Fair Value of Investments	-	-	2,179	2,179
Total Revenues	102,000	77,000	177,251	100,251
Expenditures:				
Current:				
General Government	5,000	5,000	7,816	(2,816)
Total Expenditures	5,000	5,000	7,816	(2,816)
Excess (Deficiency) of Revenues Over (Under) Expenditures	97,000	72,000	169,435	97,435
Net Change in Fund Balance	97,000	72,000	169,435	97,435
Fund Balance - Beginning of Year	2,565,430	2,565,430	2,565,430	-
Fund Balance - End of Year	\$ 2,662,430	2,637,430	2,734,865	97,435

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Gas Tax
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Other Taxes	\$ 2,364,000	4,965,450	4,252,238	(713,212)
Interest	-	-	46,080	46,080
Net Decrease in the Fair Value of Investments:	-	-	6,015	6,015
State Contributions	25,000	25,000	31,813	6,813
County Contributions	125,000	125,000	124,608	(392)
Other	-	-	104,293	104,293
Total Revenues	2,514,000	5,115,450	4,565,047	(550,403)
Expenditures:				
Current:				
General Government	-	-	117,370	(117,370)
Public Services	-	-	1,366,323	(1,366,323)
Capital Outlay	-	1,062,100	365,526	696,574
Total Expenditures	-	1,062,100	1,849,219	(787,119)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,514,000	4,053,350	2,715,828	(1,337,522)
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	-	(2,870,520)	(246,912)	2,623,608
Total Other Financing Sources (Uses)	-	(2,870,520)	(246,912)	2,623,608
Net Change in Fund Balance	2,514,000	1,182,830	2,468,916	1,286,086
Fund Balance - Beginning of Year (As restated-Note 23)	3,039,429	3,039,429	5,406,338	2,366,909
Fund Balance - End of Year	\$ 5,553,429	4,222,259	7,875,254	3,652,995

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Housing Authority
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for Current Services	\$ 36,660	37,320	37,317	(3)
Total Revenues	36,660	37,320	37,317	(3)
Expenditures:				
Current:				
Community Development	61,790	59,940	82,704	(22,764)
Total Expenditures	61,790	59,940	82,704	(22,764)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,130)	(22,620)	(45,387)	(22,767)
Other Financing Sources (Uses):				
Transfers In	-	12,530	-	(12,530)
Total Other Financing Sources (Uses)	-	12,530	-	(12,530)
Net Change in Fund Balance	(25,130)	(10,090)	(45,387)	(35,297)
Fund Balance - Beginning of Year	124,714	124,714	124,714	-
Fund Balance - End of Year	<u>\$ 99,584</u>	<u>114,624</u>	<u>79,327</u>	<u>(35,297)</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Landscape Maintenance
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 5,403,000	5,251,590	5,247,204	(4,386)
Interest	11,000	11,000	49,197	38,197
Net Decrease in the Fair Value of Investments:	-	-	5,965	5,965
Developer Contributions	10,000	-	-	-
Other	15,000	25,240	80,808	55,568
Total Revenues	5,439,000	5,287,830	5,383,174	95,344
Expenditures:				
Current:				
General Government	-	-	40,220	(40,220)
Public Services	5,245,210	5,214,250	4,569,785	644,465
Capital Outlay	50,000	118,250	50,752	67,498
Debt Service:				
Principal	36,730	36,730	36,731	(1)
Interest	3,350	3,350	3,349	1
Total Expenditures	5,335,290	5,372,580	4,700,837	671,743
Excess (Deficiency) of Revenues Over (Under) Expenditures	103,710	(84,750)	682,337	767,087
Other Financing Sources (Uses):				
Transfers Out	-	(65,220)	-	65,220
Total Other Financing Sources (Uses)	-	(65,220)	-	65,220
Net Change in Fund Balance	103,710	(149,970)	682,337	832,307
Fund Balance - Beginning of Year	6,699,853	6,699,853	6,699,853	-
Fund Balance - End of Year	\$ 6,803,563	6,549,883	7,382,190	832,307

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Local Transportation - Article 3
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 61,040	86,380	170,259	83,879
Interest	300	-	397	397
Net Decrease in the Fair Value of Investments:	-	-	131	131
Total Revenues	<u>61,340</u>	<u>86,380</u>	<u>170,787</u>	<u>84,407</u>
Expenditures:				
Capital Outlay	-	86,350	75	(86,275)
Total Expenditures	<u>-</u>	<u>86,350</u>	<u>75</u>	<u>(86,275)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>61,340</u>	<u>30</u>	<u>170,712</u>	<u>170,682</u>
Fund Balance - Beginning of Year	<u>(23)</u>	<u>(23)</u>	<u>(23)</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 61,317</u>	<u>7</u>	<u>170,689</u>	<u>170,682</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Local Transportation - Article 8
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 3,614,370	4,344,600	4,344,606	6
Total Revenues	3,614,370	4,344,600	4,344,606	6
Expenditures:				
Current:				
Public Services	-	-	4,345,209	(4,345,209)
Total Expenditures	-	-	4,345,209	(4,345,209)
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,614,370	4,344,600	(603)	(4,345,203)
Other Financing Sources (Uses):				
Transfers Out	-	(4,345,200)	-	4,345,200
Total Other Financing Sources (Uses)	-	(4,345,200)	-	4,345,200
Net Change in Fund Balance	3,614,370	(600)	(603)	(3)
Fund Balance - Beginning of Year	603	603	603	-
Fund Balance - End of Year	\$ 3,614,973	3	-	(3)

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Measure R
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 1,273,820	1,273,820	1,378,480	104,660
Interest	1,500	1,500	21,890	20,390
Net Decrease in the Fair Value of Investments:	-	-	2,829	2,829
Total Revenues	<u>1,275,320</u>	<u>1,275,320</u>	<u>1,403,199</u>	<u>127,879</u>
Expenditures:				
Capital Outlay	<u>640,000</u>	<u>752,500</u>	<u>51,908</u>	<u>700,592</u>
Total Expenditures	<u>640,000</u>	<u>752,500</u>	<u>51,908</u>	<u>700,592</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>635,320</u>	<u>522,820</u>	<u>1,351,291</u>	<u>828,471</u>
Fund Balance - Beginning of Year	<u>2,153,359</u>	<u>2,153,359</u>	<u>2,153,359</u>	-
Fund Balance - End of Year	<u>\$ 2,788,679</u>	<u>2,676,179</u>	<u>3,504,650</u>	<u>828,471</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Miscellaneous Grants/Developer Contributions
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Subventions and Grants	\$ 758,000	1,415,200	298,271	(1,116,929)
Developer Contributions	534,530	669,400	-	(669,400)
County Contributions	-	310,970	158,094	(152,876)
Interest	-	-	36	36
Net Decrease in the Fair Value of Investments:	-	-	4	4
Other Agency Contributions	-	182,260	-	(182,260)
 Total Revenues	 <u>1,292,530</u>	 <u>2,577,830</u>	 <u>456,405</u>	 <u>(2,121,425)</u>
Expenditures:				
Capital Outlay	<u>1,292,530</u>	<u>2,577,830</u>	<u>1,021,093</u>	<u>1,556,737</u>
 Total Expenditures	 <u>1,292,530</u>	 <u>2,577,830</u>	 <u>1,021,093</u>	 <u>1,556,737</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>-</u>	 <u>-</u>	 <u>(564,688)</u>	 <u>(564,688)</u>
 Fund Balance - Beginning of Year (As restated-Note 23)	 <u>(389,092)</u>	 <u>(389,092)</u>	 <u>1,079,859</u>	 <u>-</u>
 Fund Balance - End of Year	 <u>\$ (389,092)</u>	 <u>(389,092)</u>	 <u>515,171</u>	 <u>904,263</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Parks Assessments
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 2,200,000	2,200,000	2,288,442	88,442
Interest	-	-	4,479	4,479
Net Decrease in the Fair Value of Investments:	-	-	847	847
Other	20,000	20,000	34,564	14,564
	2,220,000	2,220,000	2,328,332	108,332
Total Revenues				
Expenditures:				
Current:				
General Government	121,140	121,140	63,866	57,274
Public Safety	-	-	91,330	(91,330)
	121,140	121,140	155,196	(34,056)
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,098,860	2,098,860	2,173,136	74,276
	2,098,860	2,098,860	2,173,136	74,276
Other Financing Sources (Uses):				
Transfers In	-	-	805,429	805,429
Transfers Out	-	(2,157,560)	(1,886,971)	(270,589)
	-	(2,157,560)	(1,081,542)	534,840
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	2,098,860	(58,700)	1,091,594	1,150,294
Fund Balance - Beginning of Year	58,709	58,709	58,709	-
Fund Balance - End of Year	\$ 2,157,569	9	1,150,303	1,150,294

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Park Development
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 110,000	110,000	250,000	140,000
Park Development Fees	500,000	400,000	432,364	32,364
Interest	25,000	25,000	55,222	30,222
Net Decrease in the Fair Value of Investments:	-	-	4,460	4,460
Total Revenues	<u>635,000</u>	<u>535,000</u>	<u>742,046</u>	<u>207,046</u>
Expenditures:				
Current:				
General Government	-	-	65,000	(65,000)
Cultural and Recreational	-	-	250,000	(250,000)
Capital Outlay	3,470,000	6,871,610	5,494,084	1,377,526
Total Expenditures	<u>3,470,000</u>	<u>6,871,610</u>	<u>5,809,084</u>	<u>1,062,526</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,835,000)</u>	<u>(6,336,610)</u>	<u>(5,067,038)</u>	<u>1,269,572</u>
Other Financing Sources (Uses):				
Transfers Out	-	(375,000)	(50,000)	325,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>(375,000)</u>	<u>(50,000)</u>	<u>325,000</u>
Net Change in Fund Balance	<u>(2,835,000)</u>	<u>(6,711,610)</u>	<u>(5,117,038)</u>	<u>1,594,572</u>
Fund Balance - Beginning of Year	<u>9,588,264</u>	<u>9,588,264</u>	<u>9,588,264</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 6,753,264</u>	<u>2,876,654</u>	<u>4,471,226</u>	<u>1,594,572</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Proposition A
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 2,047,580	2,047,580	2,230,259	182,679
Interest	4,500	4,500	23,201	18,701
Net Decrease in the Fair Value of Investments	-	-	2,669	2,669
Total Revenues	2,052,080	2,052,080	2,256,129	204,049
Expenditures:				
Current:				
Public Services	-	-	1,353,325	(1,353,325)
Capital Outlay	25,000	327,850	124,609	203,241
Total Expenditures	25,000	327,850	1,477,934	(1,150,084)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,027,080	1,724,230	778,195	(946,035)
Other Financing Sources (Uses):				
Transfers Out	-	(1,532,160)	-	1,532,160
Total Other Financing Sources (Uses)	-	(1,532,160)	-	1,532,160
Net Change in Fund Balance	2,027,080	192,070	778,195	586,125
Fund Balance - Beginning of Year	2,377,945	2,377,945	2,377,945	-
Fund Balance - End of Year	<u>\$ 4,405,025</u>	<u>2,570,015</u>	<u>3,156,140</u>	<u>586,125</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Proposition C
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 1,698,420	1,698,420	1,834,530	136,110
Interest	500	500	9,384	8,884
Net Decrease in the Fair Value of Investments:	-	-	1,283	1,283
Total Revenues	1,698,920	1,698,920	1,845,197	146,277
Expenditures:				
Current:				
Public Services	-	-	771,600	(771,600)
Capital Outlay	374,710	355,730	190,067	165,663
Total Expenditures	374,710	355,730	961,667	(605,937)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,324,210	1,343,190	883,530	(459,660)
Other Financing Sources (Uses):				
Transfers Out	-	(1,426,400)	(654,800)	771,600
Total Other Financing Sources (Uses)	-	(1,426,400)	(654,800)	771,600
Net Change in Fund Balance	1,324,210	(83,210)	228,730	311,940
Fund Balance - Beginning of Year	1,431,416	1,431,416	1,431,416	-
Fund Balance - End of Year	\$ 2,755,626	1,348,206	1,660,146	311,940

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Facilities Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Facilities Impact Fees	\$ 70,000	70,000	65,331	(4,669)
		-		
Total Revenues	<u>70,000</u>	<u>70,000</u>	<u>65,331</u>	<u>(4,669)</u>
Expenditures:				
Current:	-	-	-	-
General Government	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>70,000</u>	<u>70,000</u>	<u>65,331</u>	<u>(4,669)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	70,000	70,000	65,331	(4,669)
Fund Balance - Beginning of Year	<u>(111,897)</u>	<u>(111,897)</u>	<u>(111,897)</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ (41,897)</u></u>	<u><u>(41,897)</u></u>	<u><u>(46,566)</u></u>	<u><u>(4,669)</u></u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Safety
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 100,000	247,780	247,780	-
Fines and Forfeitures	520,400	520,000	487,991	(32,009)
Interest	-	-	207	207
Net Decrease in the Fair Value of Investments:	-	-	20	20
Total Revenues	620,400	767,780	735,998	(31,782)
Expenditures:				
Current:				
Public Safety	-	-	739,344	(739,344)
Total Expenditures	-	-	739,344	(739,344)
Excess (Deficiency) of Revenues Over (Under) Expenditures	620,400	767,780	(3,346)	(771,126)
Other Financing Sources (Uses):				
Transfers Out	-	(767,780)	-	767,780
Total Other Financing Sources (Uses)	-	(767,780)	-	767,780
Net Change in Fund Balance	620,400	-	(3,346)	(3,346)
Fund Balance - Beginning of Year	28,851	28,851	28,851	-
Fund Balance - End of Year	<u>\$ 649,251</u>	<u>28,851</u>	<u>25,505</u>	<u>(3,346)</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
South Antelope Valley Emergency Services (SAVES)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 55,000	42,750	31,101	(11,649)
Interest	-	-	89	89
Net Decrease in the Fair Value of Investments:	-	-	13	13
Total Revenues	55,000	42,750	31,203	(11,547)
Expenditures:				
Current:				
Health and Welfare	55,000	42,750	31,102	11,648
Total Expenditures	55,000	42,750	31,102	11,648
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	101	101
Net Change in Fund Balance	-	-	101	101
Fund Balance - Beginning of Year	1,100	1,100	1,100	-
Fund Balance - End of Year	\$ 1,100	1,100	1,201	101

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Sewer Maintenance Assessment District
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Licenses and Permits	\$ 76,000	85,000	91,017	6,017
Special Assessments	5,000,000	5,260,000	5,420,695	160,695
Charges for Current Services	120,000	122,410	272,169	149,759
Interest	6,000	6,000	57,845	51,845
Net Decrease in the Fair Value of Investments:	-	-	7,457	7,457
Other	13,500	16,000	28,260	12,260
Total Revenues	5,215,500	5,489,410	5,877,443	388,033
Expenditures:				
Current:				
Public Services	3,134,510	3,632,670	2,497,667	1,135,003
Capital Outlay	3,450,000	4,733,790	714,342	-
Total Expenditures	6,584,510	8,366,460	3,212,009	1,135,003
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,369,010)	(2,877,050)	2,665,434	5,542,484
Other Financing Sources (Uses):				
Transfers Out	-	(50,000)	-	50,000
Total Other Financing Sources (Uses)	-	(50,000)	-	50,000
Net Change in Fund Balance	(1,369,010)	(2,927,050)	2,665,434	5,592,484
Fund Balance - Beginning of Year	6,800,024	6,800,024	6,800,024	-
Fund Balance - End of Year	<u>\$ 5,431,014</u>	<u>3,872,974</u>	<u>9,465,458</u>	<u>5,592,484</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Sewer Upgrade
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Sewer Upgrade Fees	\$ -	330	330	-
Interest	2,000	2,000	5,940	3,940
Net Decrease in the Fair Value of Investments:	-	-	672	672
Total Revenues	<u>2,000</u>	<u>2,330</u>	<u>6,942</u>	<u>4,612</u>
Expenditures:				
Capital Outlay	824,620	25,000	-	25,000
Total Expenditures	<u>824,620</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Net Change in Fund Balance	(822,620)	(22,670)	6,942	29,612
Fund Balance - Beginning of Year	836,444	836,444	836,444	-
Fund Balance - End of Year	<u>\$ 13,824</u>	<u>813,774</u>	<u>843,386</u>	<u>29,612</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
State Grants
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Subventions and Grants	\$ 64,200	1,490,630	2,935,778	1,445,148
Interest	-	-	9,384	9,384
Net Decrease in the Fair Value of Investments:	-	-	1,996	1,996
Total Revenues	<u>64,200</u>	<u>1,490,630</u>	<u>2,947,158</u>	<u>1,456,528</u>
Expenditures:				
Current:				
Public Services	-	-	77,599	(77,599)
Capital Outlay	-	1,366,630	799,699	566,931
Total Expenditures	<u>-</u>	<u>1,366,630</u>	<u>877,298</u>	<u>489,332</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>64,200</u>	<u>124,000</u>	<u>2,069,860</u>	<u>1,945,860</u>
Other Financing Sources (Uses):				
Transfers Out	-	(124,000)	-	124,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>(124,000)</u>	<u>-</u>	<u>124,000</u>
Net Change in Fund Balance	<u>64,200</u>	<u>-</u>	<u>2,069,860</u>	<u>2,069,860</u>
Fund Balance - Beginning of Year (As restated-Note 23)	<u>(291,448)</u>	<u>(291,448)</u>	<u>51,717</u>	<u>343,165</u>
Fund Balance - End of Year	<u><u>\$ (227,248)</u></u>	<u><u>(291,448)</u></u>	<u><u>2,121,577</u></u>	<u><u>2,413,025</u></u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Street Lighting Assessment District
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special Assessments	\$ 710,960	710,960	989,021	278,061
Interest	4,000	4,000	17,778	13,778
Net Decrease in the Fair Value of Investments:	-	-	2,112	2,112
Developer Contributions	7,000	7,000	14,000	7,000
Other	1,200	2,970	5,834	2,864
	723,160	724,930	1,028,745	303,815
Expenditures:				
Current:				
Public Services	684,370	861,470	707,095	154,375
	684,370	861,470	707,095	154,375
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,790	(136,540)	321,650	458,190
Other Financing Sources (Uses):				
Transfers Out	-	(10,000)	-	10,000
	-	(10,000)	-	10,000
Net Change in Fund Balance	38,790	(146,540)	321,650	468,190
Fund Balance - Beginning of Year	2,372,170	2,372,170	2,372,170	-
Fund Balance - End of Year	\$ 2,410,960	2,225,630	2,693,820	468,190

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Traffic Impact
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Traffic Impact Fees	\$ 350,000	350,000	257,877	(92,123)
Interest	15,000	15,000	33,573	18,573
Net Decrease in the Fair Value of Investments:	-	-	3,258	3,258
Total Revenues	<u>365,000</u>	<u>365,000</u>	<u>294,708</u>	<u>(70,292)</u>
Expenditures:				
Current:				
General Government	-	-	65,000	(65,000)
Capital Outlay	1,033,440	3,555,780	1,410,500	2,145,280
Total Expenditures	<u>1,033,440</u>	<u>3,555,780</u>	<u>1,475,500</u>	<u>2,080,280</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(668,440)</u>	<u>(3,190,780)</u>	<u>(1,180,792)</u>	<u>2,009,988</u>
Other Financing Sources (Uses):				
Transfers Out	-	(805,950)	(740,737)	65,213
Total Other Financing Sources (Uses)	<u>-</u>	<u>(805,950)</u>	<u>(740,737)</u>	<u>65,213</u>
Net Change in Fund Balance	(668,440)	(3,996,730)	(1,921,529)	2,075,201
Fund Balance - Beginning of Year	<u>6,098,980</u>	<u>6,098,980</u>	<u>6,098,980</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 5,430,540</u>	<u>2,102,250</u>	<u>4,177,451</u>	<u>2,075,201</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Water Park
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Use of Property	\$ 63,000	69,670	75,362	5,692
Charges for Current Services	710,000	694,000	725,981	31,981
Interest	-	-	307	307
Net Decrease in the Fair Value of Investments	-	-	18	18
Other	215,000	274,610	266,921	(7,689)
	988,000	1,038,280	1,068,589	30,309
Total Revenues				
Expenditures:				
Current:				
Cultural and Recreational	1,369,480	1,420,120	1,329,727	90,393
	1,369,480	1,420,120	1,329,727	90,393
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	(381,480)	(381,840)	(261,138)	120,702
	(381,480)	(381,840)	(261,138)	120,702
Other Financing Sources (Uses):				
Transfers In	394,200	351,310	189,401	(161,909)
	394,200	351,310	189,401	(161,909)
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	12,720	(30,530)	(71,737)	(41,207)
Fund Balance - Beginning of Year	71,737	71,737	71,737	-
	71,737	71,737	71,737	-
Fund Balance - End of Year	\$ 84,457	41,207	-	(41,207)
	84,457	41,207	-	(41,207)

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service - Palmdale Civic Authority 1999 COP \$12.3M
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$ 44,690	45,160	45,294	134
Net Decrease in the Fair Value of Investments	-	-	21	21
Total Revenues	<u>44,690</u>	<u>45,160</u>	<u>45,315</u>	<u>155</u>
Expenditures:				
Debt Service				
Principal	1,840,000	1,840,000	1,840,000	-
Interest	4,453,110	4,453,110	4,453,109	1
Total Expenditures	<u>6,293,110</u>	<u>6,293,110</u>	<u>6,293,109</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,248,420)</u>	<u>(6,247,950)</u>	<u>(6,247,794)</u>	<u>156</u>
Other Financing Sources (Uses):				
Transfers In	<u>6,295,190</u>	<u>6,295,190</u>	<u>6,250,156</u>	<u>(45,034)</u>
Total Other Financing Sources (Uses)	<u>6,295,190</u>	<u>6,295,190</u>	<u>6,250,156</u>	<u>(45,034)</u>
Extraordinary Gain				
Extraordinary Gain Upon Dissolution of the Redevelopment Agency	-	-	2,446,387	2,446,387
Total Extraordinary Gain	<u>-</u>	<u>-</u>	<u>2,446,387</u>	<u>2,446,387</u>
Net Change in Fund Balance	46,770	47,240	2,448,749	2,401,509
Fund Balance - Beginning of Year	<u>3,931,363</u>	<u>3,931,363</u>	<u>3,931,363</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 3,978,133</u>	<u>3,978,603</u>	<u>6,380,112</u>	<u>2,401,509</u>

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
CRA Project Area No.1 - Debt Service Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 8,935,880	3,322,270	3,322,276	6
Sales and Use Taxes	1,494,960	-	-	-
Interest	38,460	38,490	18,535	(19,955)
Net Decrease in the Fair Value of Investments	-	-	-	-
Total Revenues	10,469,300	3,360,760	3,340,811	(19,949)
Expenditures:				
Current:				
Community Development	111,680	98,800	97,341	1,459
Intergovernmental - Tax Sharing	289,860	78,540	78,557	(17)
Debt Service:				
Principal	1,995,720	1,995,720	1,331,840	663,880
Interest	2,754,440	2,754,440	1,561,127	1,193,313
Total Expenditures	5,151,700	4,927,500	3,068,865	1,858,635
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,317,600	(1,566,740)	271,946	1,838,686
Other Financing Sources (Uses):				
Transfers In	3,822,640	-	1,454,877	1,454,877
Transfers Out	(1,494,960)	(120,600)	(481,843)	(361,243)
Total Other Financing Sources (Uses)	2,327,680	(120,600)	973,034	1,093,634
Extraordinary Gain				
Extraordinary Gain Upon Dissolution of the Redevelopment Agency	-	-	2,727,107	2,727,107
Total Extraordinary Gain	-	-	2,727,107	2,727,107
Net Change in Fund Balance	7,645,280	(1,687,340)	3,972,087	5,659,427
Fund Balance - Beginning of Year	(3,972,087)	(3,972,087)	(3,972,087)	-
Fund Balance - End of Year	\$ 3,673,193	(5,659,427)	-	5,659,427

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
CRA Project Area No. 2A - Debt Service Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 29,291,760	13,127,690	13,152,674	24,984
Sales and Use Taxes	6,880,260	-	-	-
Interest	82,350	62,380	36,353	(26,027)
Net Decrease in the Fair Value of Investments:	-	-	322	322
Total Revenues	36,254,370	13,190,070	13,189,349	(721)
Expenditures:				
Current:				
Community Development	380,340	385,830	368,472	17,358
Intergovernmental - Tax Sharing	19,196,040	8,210,740	8,210,609	131
Debt Service:				
Principal	2,160,000	2,135,910	2,107,376	28,534
Interest	2,888,250	2,888,260	1,559,750	1,328,510
Total Expenditures	24,624,630	13,620,740	12,246,207	1,374,533
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,629,740	(430,670)	943,142	1,373,812
Other Financing Sources (Uses):				
Transfers In	2,035,460	-	-	-
Transfers Out	(12,738,620)	(360,180)	(1,459,148)	(1,098,968)
Total Other Financing Sources (Uses)	(10,703,160)	(360,180)	(1,459,148)	(1,098,968)
Extraordinary Gain				
Extraordinary Gain Upon Dissolution of the Redevelopment Agency	-	-	10,859,427	10,859,427
Total Extraordinary Gain	-	-	10,859,427	10,859,427
Net Change in Fund Balance	926,580	(790,850)	10,343,421	11,134,271
Fund Balance - Beginning of Year	(10,343,421)	(10,343,421)	(10,343,421)	-
Fund Balance - End of Year	\$ (9,416,841)	(11,134,271)	-	11,134,271

City of Palmdale
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
CRA Housing - Debt Service Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Interest	\$ 700	700	(25)	(725)
Net Decrease in the Fair Value of Investments	-	-	1	1
Total Revenues	700	700	(24)	(724)
Expenditures:				
Debt Service:				
Principal	715,000	715,000	715,000	-
Interest	1,157,990	1,157,990	586,171	571,819
Total Expenditures	1,872,990	1,872,990	1,301,171	571,819
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,872,290)	(1,872,290)	(1,301,195)	571,095
Other Financing Sources (Uses):				
Transfers In	1,880,860	1,880,860	370,823	(1,510,037)
Total Other Financing Sources (Uses)	1,880,860	1,880,860	370,823	(1,510,037)
Net Change in Fund Balance	8,570	8,570	(930,372)	(938,942)
Fund Balance - Beginning of Year	930,372	930,372	930,372	-
Fund Balance - End of Year	\$ 938,942	938,942	-	(938,942)

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Statement of Agency Funds

Agency Funds

This fund is used to account for assets held by the City as an agency for other governmental units, private organizations, individuals and/or other funds.

Assessment and Community Facilities District Fund

This fund is used to account for receipts and disbursements associated with 1915 Act Assessment Bonds and Special Tax Bonds which are administered By, but are not the liability of, the City.

City of Palmdale
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2012

	Assessment and Community Facilities Districts <u>Agency Fund</u>
Assets:	
Investments	\$ 131,428
Receivables:	
Property Taxes Receivable	472,496
Restricted Assets:	
Investments	9,065,665
Interest Receivable	<u>2,385</u>
Total Assets	<u><u>9,671,974</u></u>
Liabilities:	
Accounts Payable	4,660
Due to Bank - Overnight Sweep	40,560
Due to Other Governmental Units	583,859
Deposits	151,859
Held in Trust	<u>8,891,036</u>
Total Liabilities	<u><u>\$ 9,671,974</u></u>

Statement of Changes - Fiduciary Net Assets

City of Palmdale
Statement of Changes in Assets and Liabilities
Assessment and Community Facilities Districts Agency Fund
For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Assets:				
Investments	\$ 128,291	3,137	-	\$ 131,428
Receivables:				
Accounts and Interest Receivable	32,636	-	32,636	-
Property Taxes Receivable	252,772	219,724	-	472,496
Restricted Assets:				
Investments	11,928,744	-	2,863,079	9,065,665
Interest Receivable	1,617	768	-	2,385
Total Assets	<u>12,344,060</u>	<u>223,629</u>	<u>2,895,715</u>	<u>9,671,974</u>
Liabilities:				
Accounts Payable	23,527	-	18,867	4,660
Due to Bank - Overnight Sweep	48,920	-	8,360	40,560
Advances Due to Other Governmental Uni	583,859	-	-	583,859
Deposits	152,596	-	737	151,859
Held in Trust	11,535,158	-	2,644,122	8,891,036
Total Liabilities	<u>\$ 12,344,060</u>	<u>-</u>	<u>2,672,086</u>	<u>\$ 9,671,974</u>

Statistical

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2012

City of Palmdale

STATISTICAL SECTION

June 30, 2012

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	154
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property taxes.	159
Debt Capacity 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.	166
Demographic and Economic Information 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.	173
Operating Information 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.	175

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, 2002; schedules presenting government-wide information include information beginning in that year.

City of Palmdale
Net Assets by Component
Last Ten Fiscal Years
(Accrual basis of accounting)

	2003	2004	2005	2006 (2)	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	(1,057,171)	(2,514,976)	29,508,319	526,315,947	518,102,215	551,714,600	576,227,953	575,275,003	570,607,898	687,877,989
Restricted Assets	67,321,871	87,145,082	107,143,484	127,252,604	161,463,622	140,198,738	141,959,138	146,856,238	150,475,636	138,272,965
Unrestricted	5,516,834	9,563,253	21,868,619	21,594,901	29,571,281	26,992,948	17,804,191	9,229,647	10,796,604	25,291,390
Total Governmental Activities Net Assets	<u>71,781,534</u>	<u>94,193,359</u>	<u>158,520,422</u>	<u>675,163,452</u>	<u>709,137,118</u>	<u>718,906,286</u>	<u>735,991,282</u>	<u>731,360,888</u>	<u>731,880,138</u>	<u>851,442,344</u>

Source: The information is derived from the Comprehensive Annual Financial Reports for the relevant year. The City of Palmdale implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

Note 1: The City of Palmdale does not have any business-type activities to report.

Note 2: For FY2006 Net Assets were restated to reflect the cumulative effect of implementation reporting of retroactive infrastructure as the result of GASB 34.

**City of Palmdale
Changes in Net Assets
Last Ten Fiscal Years
(Accrual basis of accounting)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	12,083,363	14,017,931	16,998,196	18,492,758	18,083,870	17,845,760	19,185,451	30,120,518	18,062,918	16,855,129
Public Safety	13,533,329	14,317,921	16,175,156	18,794,840	20,449,561	23,305,979	27,202,602	21,998,235	21,707,909	21,761,897
Public Services	12,451,324	14,880,408	20,113,389	20,478,327	39,983,924	45,472,059	42,531,740	43,942,305	43,029,300	48,181,827
Community Development	18,877,886	25,858,801	35,242,606	30,193,545	35,764,713	43,987,895	39,966,752	34,169,400	38,275,996	22,039,137
Cultural and Recreational	10,178,276	10,947,074	12,907,085	17,040,010	17,599,199	17,875,462	16,894,235	13,652,211	10,819,142	10,809,922
Health and Welfare	1,007,865	1,035,811	1,090,104	1,662,536	1,304,242	1,329,262	1,240,971	2,004,790	2,338,032	1,861,040
Interest on Long-Term Debt	8,246,208	10,534,197	9,076,084	9,606,507	15,001,139	12,947,831	12,868,534	12,780,665	11,987,929	9,253,632
Total Governmental Activities Expenses	76,378,251	91,592,143	111,602,620	116,268,523	148,186,648	162,764,248	159,890,285	158,668,124	146,221,226	130,762,584
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	1,439,971	1,575,438	3,060,929	1,941,424	5,890,753	4,665,010	5,954,230	8,553,972	13,101,053	5,665,531
Public Safety	5,553,403	6,117,917	10,650,014	9,028,094	8,298,051	5,945,185	3,248,263	2,915,485	2,712,950	2,286,012
Public Services	3,415,497	4,423,168	5,962,886	10,882,903	10,583,084	8,899,491	10,173,275	11,845,911	12,869,081	13,835,689
Community Development	862,751	3,567,112	3,841,233	4,099,792	3,985,741	4,160,614	4,178,530	4,272,836	4,539,129	4,535,231
Cultural and Recreational	2,476,726	2,670,877	2,786,246	3,396,516	4,426,375	4,593,948	4,796,044	4,549,359	4,345,598	4,581,581
Health and Welfare	600,621	542,568	533,697	563,806	383,453	438,066	320,888	297,947	287,880	274,643
Operating Grants and Contributions	10,032,462	7,401,684	11,360,223	12,313,944	16,119,583	8,367,715	7,223,053	7,454,967	8,568,420	8,932,066
Capital Grants and Contributions	21,823,840	25,763,091	59,087,285	32,968,553	44,182,951	43,630,373	48,552,845	34,558,609	25,479,096	23,057,899
Total Primary Governmental Activities Program Revenues	46,205,271	52,061,855	97,282,513	75,195,032	93,869,991	80,700,402	84,447,128	74,449,086	71,903,207	63,168,652
Net Revenues (Expenses)	(30,172,980)	(39,530,288)	(14,320,107)	(41,073,491)	(54,316,657)	(82,063,846)	(75,443,157)	(84,219,038)	(74,318,019)	(67,593,932)
General Revenues and other Changes in Net Assets:										
Governmental Activities:										
Taxes:										
Tax Increment	26,035,421	28,861,179	31,862,531	38,442,251	41,637,203	45,247,711	48,020,519	43,025,101	36,535,369	16,474,950
Property Taxes (Note 2)	2,886,410	3,160,056	3,891,523	4,395,603	5,800,726	6,546,013	6,918,844	5,261,215	4,765,792	4,553,208
Sales and Use Taxes	12,113,640	15,752,925	18,916,689	17,902,901	18,239,981	16,509,935	14,448,749	14,104,937	14,921,645	15,177,845
Motor Vehicle in Lieu	7,648,898	5,983,291	10,530,327	9,902,805	13,061,697	14,139,907	14,256,968	12,217,092	10,967,302	10,391,440
Franchise Taxes	3,255,545	3,401,238	5,119,357	3,713,779	3,851,987	3,910,119	4,101,425	3,795,048	4,182,380	4,445,066
Transient Occupancy Taxes	1,036,521	1,215,752	1,316,944	1,407,786	1,532,879	1,482,127	1,517,223	2,581,658	2,633,405	2,788,736
Business License Taxes	351,704	374,864	398,795	424,065	465,301	444,099	455,216	428,916	444,511	480,470
Unrestricted Investment Earnings	1,034,181	704,034	1,289,009	1,989,688	2,884,946	2,727,326	2,064,949	137,085	241,789	280,195
Other General Revenues	3,108,110	2,488,774	2,495,904	2,617,100	815,603	825,777	744,262	1,114,030	145,076	233,760
Special Item-MHP Acquisition (Note 1)	(2,311,704)	-	-	-	-	-	-	-	-	-
Special Item-Dissolution of RDA (Note 3)	(2,311,704)	-	-	-	-	-	-	-	-	125,544,368
Total Governmental Activities	52,847,022	61,942,113	75,821,079	80,795,978	88,290,323	91,833,014	92,528,155	82,665,082	74,837,269	180,370,038
Change in Net Assets	22,674,042	22,411,825	61,500,972	39,722,487	33,973,666	9,769,168	17,084,998	(1,553,956)	519,250	112,776,106

Note 1: In 1997, the Agency acquired three mobile home parks (Parks) to increase, preserve and improve the supply of affordable housing in the community. The transfer of title in the property, along with all related assets and liabilities, resulted in a purchase price that exceeded the appraisal value of the property transferred.

Note 2: The Motor Vehicle in Lieu Taxes include property tax in lieu of VLF revenues.

Note 3: Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity. All assets and liabilities of the former Redevelopment Agency of the City of Palmdale was transferred to a Private Purpose Trust Fund to be held until they are distributed to other units of the state and local government. The extraordinary gain recognized on the Government Wide statements is the net assets and liabilities transferred to the Fiduciary Fund at February 1, 2012.

Note 4: A prior period adjustment was recorded to comply with GASB 33, Revenue recognition of nonexchange revenues received in the prior year.

Source: The information is derived from the Comprehensive Annual Financial Reports for the relevant year.

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

	2003	2004	2005	2006	2007	2008	2009	2010	See Note 2011
General Fund									
Reserved	896,945	2,287,038	2,243,992	3,605,268	5,834,570	5,673,947	5,368,215	5,363,834	-
Unreserved	9,065,873	11,937,755	23,762,459	22,894,111	30,335,111	28,046,526	22,767,287	18,112,832	-
Total General Fund	<u>9,962,818</u>	<u>14,224,793</u>	<u>26,006,451</u>	<u>26,499,379</u>	<u>36,169,681</u>	<u>33,720,473</u>	<u>28,135,502</u>	<u>23,476,666</u>	<u>-</u>
All Other Governmental Funds									
Reserved	45,909,516	42,118,179	50,587,068	62,639,228	81,535,935	61,400,662	54,717,638	60,764,046	-
Unreserved, Reported In:									
Special Revenue Funds	21,781,641	21,918,354	17,643,576	33,766,566	53,039,381	64,115,486	59,908,666	54,659,643	-
Capital Projects Funds	59,072,287	54,553,947	50,383,514	37,787,556	29,481,903	28,600,585	31,700,086	23,226,199	-
Debt Service Funds	15,618	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>126,779,062</u>	<u>118,590,480</u>	<u>118,614,158</u>	<u>134,193,350</u>	<u>164,057,219</u>	<u>154,116,733</u>	<u>146,326,390</u>	<u>138,649,888</u>	<u>-</u>
Total Governmental Funds	<u>136,741,880</u>	<u>132,815,273</u>	<u>144,620,609</u>	<u>160,692,729</u>	<u>200,226,900</u>	<u>187,837,206</u>	<u>174,461,892</u>	<u>162,126,554</u>	<u>-</u>

The Following Fund Balances are classified in compliance to GASB 54:

	2011	2012
General Fund		
Nonspendable	4,180,275	4,685,548
Restricted	-	2,917,536
Assigned	7,672,148	5,639,221
Unassigned	17,472,584	16,415,346
Total General Fund	<u>29,325,007</u>	<u>29,657,651</u>
All Other Governmental Funds		
Nonspendable	599,434	-
Restricted	140,356,828	142,828,907
Assigned	13,865,470	13,643,822
Unassigned	(20,001,075)	(17,187,366)
Total All Other Governmental Funds	<u>134,820,657</u>	<u>139,285,363</u>
Total Governmental Funds	<u>164,145,664</u>	<u>168,943,014</u>

Note:

The information is derived from the Comprehensive Annual Financial Reports for the relevant year.

FY2010-11 is the first year that the City implemented GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The City chose not to restate the prior year information.

City of Palmdale
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting-audited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes (see page 159)	48,673,176	55,893,469	64,982,332	80,013,130	88,309,633	90,707,345	92,059,450	83,783,678	77,274,996	58,488,094
Subventions and Grants	11,416,177	9,691,250	16,260,951	25,526,725	16,300,075	14,959,865	14,968,117	15,968,036	21,721,531	18,185,576
Fees and Charges	19,241,807	22,901,273	35,674,302	36,294,470	41,688,957	25,479,113	18,261,796	15,855,734	20,087,670	13,776,125
Licenses and Permits	5,422,079	5,910,761	10,079,166	8,637,100	7,346,818	4,940,292	2,114,087	1,942,445	1,810,522	1,574,855
Special Assessments	3,520,930	3,766,538	4,612,735	5,550,737	6,625,214	7,464,331	10,825,548	13,375,425	14,019,785	13,998,835
Interfund Interest	-	-	-	-	-	-	-	-	-	570,935
Interest	3,462,045	2,469,965	3,459,521	4,571,403	6,570,867	6,019,741	3,896,529	976,511	957,706	750,011
Capital Contributions	319,574	1,426,459	27,898,227	1,180,186	2,812,722	752,247	1,468,992	296,693	239,995	328,515
Net Increase (Decrease) in the Fair Value of Investments:	(57,668)	(569,608)	(67,167)	140,958	914,287	313,160	390,484	(395,472)	(176,960)	69,767
Other revenue	3,191,776	2,294,678	1,835,891	1,716,820	1,470,536	1,395,222	2,401,536	4,205,689	5,421,695	3,825,141
Total Revenues	95,189,896	103,784,785	164,735,958	163,631,529	172,039,109	152,031,316	146,386,539	136,008,739	141,356,940	111,567,854
Expenditures:										
Current:										
General Government	10,636,340	12,120,477	12,989,448	14,860,807	17,188,633	16,348,207	18,020,219	18,478,189	15,544,789	16,049,708
Public Safety	13,456,696	14,208,152	19,054,101	18,731,400	20,380,190	23,000,452	22,865,674	21,898,106	21,690,842	21,638,652
Public Services	10,428,553	12,354,459	10,066,858	15,324,792	17,065,903	17,833,777	18,452,277	20,462,591	17,791,923	17,241,488
Community Development	4,490,294	6,479,895	14,704,649	7,755,690	8,845,220	10,175,300	11,811,091	23,755,350	19,093,766	13,705,233
Cultural and Recreational	9,535,554	10,333,636	11,975,897	14,377,525	15,891,139	16,609,622	15,923,788	12,897,447	9,611,612	9,484,918
Health and Welfare	990,977	1,018,827	1,087,144	1,646,832	1,257,153	1,327,240	1,246,003	2,017,575	2,335,940	1,853,032
Other	4,632	2,273	-	-	-	-	-	-	-	-
Intergovernmental - Tax Sharing	13,328,054	15,535,347	16,873,680	20,724,822	23,345,814	24,052,674	26,522,289	9,501,128	17,449,701	8,289,166
Intergovernmental - ERAF	538,034	953,850	1,878,430	1,847,224	-	-	-	11,605,102	2,389,286	-
Capital Outlay	36,788,002	37,261,205	79,445,146	43,164,445	43,037,684	39,929,164	26,023,665	14,253,471	14,572,641	13,489,752
Debt service:										
Principal	3,093,390	4,433,620	3,643,938	5,264,256	5,376,806	5,850,994	6,448,665	7,200,485	7,258,139	7,080,489
Interfund Interest	-	-	-	-	-	-	-	-	-	570,935
Interest	6,138,655	8,255,345	8,605,738	8,731,778	14,615,545	11,948,349	12,391,397	12,053,242	11,599,191	8,431,895
Cost of Issuance	2,652,707	1,275,868	770,037	588,714	444,331	-	320,683	3,724	-	-
Payments to Adv Refund Escrow	2,452,911	506,819	-	644,214	-	-	-	-	-	-
Total Expenditures	114,534,799	124,739,773	181,095,066	153,662,499	167,448,418	167,075,779	160,025,751	154,126,410	139,337,830	117,835,268
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,344,903)	(20,954,988)	(16,359,108)	9,969,030	4,590,691	(15,044,463)	(13,639,212)	(18,117,671)	2,019,110	(6,267,414)

(continued)

City of Palmdale
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting-audited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses):										
Capital Lease Proceeds	343,256	351,052	1,584,009	1,588,803	22,386	2,146,379	-	-	-	-
Gain (Loss) on Resale Land	-	-	-	-	-	(4,953,791)	-	310,632	-	-
Issuance of Notes	11,661,711	8,535,038	7,141,244	1,254,260	14,961,094	5,462,181	-	2,200,000	-	-
Issuance of Bonds	67,764,748	31,750,000	19,545,000	16,920,000	19,960,000	-	6,380,000	-	-	-
Payments to Refunded Bond Escrow	(18,107,416)	(23,792,847)	-	(13,562,858)	-	-	(6,149,500)	-	-	-
Debt Issuance Premiums (Discounts)	1,041,842	295,259	(105,809)	(97,115)	-	-	33,398	-	-	-
Transfer to Fiduciary Funds	-	-	-	-	-	-	-	-	-	-
Transfers In	112,679,339	68,443,573	91,799,656	78,886,339	71,612,552	50,508,086	71,782,468	49,118,864	71,537,568	16,092,930
Transfers Out	(112,679,339)	(68,443,573)	(91,799,656)	(78,886,339)	(71,612,552)	(50,508,806)	(71,782,468)	(49,118,864)	(71,537,568)	(16,092,930)
Total Other Financing Sources (Uses)	62,704,141	17,138,502	28,164,444	6,103,090	34,943,480	2,654,049	263,898	2,510,632	-	-
Extraordinary Items:										
Extraordinary Gain (Loss) Upon Dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-	-	4,278,664
Net Change in Fund Balances	43,359,238	(3,816,486)	11,805,336	16,072,120	39,534,171	(12,390,414)	(13,375,314)	(15,607,039)	2,019,110	(1,988,750)
Debt service as a percentage of noncapital expenditures	8.86%	11.59%	8.26%	11.61%	20.39%	13.67%	16.66%	18.41%	15.36%	18.57%

Source: City of Palmdale, Finance Department and Audited Annual Financial Reports

City of Palmdale
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years

Fiscal Year	Property and Tax Increment Revenue ^a	Sales and Use Taxes ^b	Business License Tax	Franchise Tax	Gasoline Tax	Transient Occupancy Tax ^c	Real Property Transfer Tax ^d	Total
2002-03	28,921,831	12,113,640	351,704	3,255,545	2,477,385	1,036,521	516,550	48,673,176
2003-04	32,021,235	15,752,925	374,864	3,401,238	2,324,521	1,215,752	802,934	55,893,469
2004-05	35,754,054 ^e	18,916,689	398,795	5,119,357	2,404,089	1,316,944	1,072,404	64,982,332
2005-06	52,303,973	17,902,901	424,065	4,236,249	2,452,830	1,407,786	1,285,326	80,013,130
2006-07	58,712,132	18,239,981	465,301	4,369,349	4,020,516	1,532,879	969,475	88,309,633
2007-08	64,836,544	16,509,935	444,099	4,459,145	2,523,726	1,482,127	451,769	90,707,345
2008-09	68,258,192	14,448,749	455,216	4,101,425	2,845,711	1,517,223	432,934	92,059,450
2009-10	59,618,703	14,104,937	428,916	4,143,990	2,465,611	2,581,658	439,863	83,783,678
2010-11	51,265,821	14,921,645	444,511	4,182,380	3,527,274	2,633,405	299,960	77,274,996
2011-12	31,041,261	15,177,845	480,470	4,445,066	4,252,237	2,788,736	302,479	58,488,094
Change 2003-2012	7.33%	25.30%	36.61%	36.54%	71.64%	169.05%	-41.44%	20.16%

^a The City's property and tax increment revenue has increased by 7.33 percent in the last ten years due to the increases in the City's population and housing boom. However, an overall decrease in 2011-12 as compared to 2010-11 as the result of the dissolution of all California Redevelopment Agencies during 2011-12. The Tax Increment previously reported under the City of Palmdale's Redevelopment Agency, a component unit of the City of Palmdale, is reported under a Private Purpose Trust Fund effective February 1, 2012.

^b The City's sales and use tax has increased by 25.30 percent in the last ten years as the result of increased population and new businesses opening.

^c Transient Occupancy Tax has increased by 169.05 percent as the result of seven additional hotels opening since 1998.

^d Real Property Transfer tax has decreased by 41.44 percent due to the decline in housing market values in combination with a decline in activity as the result of the decline in housing market as compared to ten years ago.

^e An overpayment of Sales Tax was received in FY2004-05 that was repaid in FY2005-06.

City of Palmdale
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Secured Property								
	Residential Property	Commercial Property	Industrial Property	Dry Farm Property	Government Property	Institutional Property	Irrigated Property	Miscellaneous Property	Recreational Property
2002-03	4,180,782,500	537,473,997	311,172,260	22,080,218	565,788	8,380,632	2,400,772	830,963	9,025,782
2003-04	4,727,688,656	598,680,856	321,515,688	1,870,236	94,381	9,929,425	1,749,265	847,580	12,076,603
2004-05	5,438,324,605	670,278,004	354,265,015	2,668	-	10,557,906	2,066,305	863,400	12,327,005
2005-06	6,543,712,941	741,444,328	385,705,596	1,069,068	156,594	12,055,290	2,627,121	880,665	13,579,103
2006-07	8,067,558,110	899,495,661	412,892,148	1,090,447	159,725	16,694,034	2,240,244	898,275	15,629,875
2007-08	9,499,096,328	967,572,888	444,099,165	2,828	255,739	20,170,777	2,244,637	916,237	29,358,075
2008-09	9,529,419,713	1,017,772,708	492,863,922	2,883	166,177	100,743,049	2,287,961	934,557	28,452,126
2009-10	7,547,774,554	1,194,241,824	513,340,677	2,940	169,500	91,841,308	2,332,151	953,245	28,990,541
2010-11	6,323,973,473	1,241,846,521	502,928,731	2,932	127,500	91,029,408	2,299,903	950,982	28,415,152
2011-12	6,253,249,158	1,248,716,862	499,654,620	2,953	127,500	141,963,630	2,062,267	958,139	29,731,246

Fiscal Year	Secured Property				Total Secured	SBE Nonunitary Property	Unsecured Property	Total Taxable Assessed Value	Total Direct Tax Rate	(See Note 2) Estimated Actual Taxable Value
	Vacant Land Property	Cross Reference Property	Exempt Property	Unknown Property						
2002-03	272,219,670	139,610,025	(49,264,365)	1,271,570	5,436,549,812	2,734,539	207,215,563	5,646,499,914	0.45919%	-
2003-04	311,111,995	138,488,882	(49,157,569)	428,335	6,075,324,333	3,098,738	209,287,479	6,287,710,550	0.45328%	-
2004-05	323,578,129	146,643,148	(64,273,500)	-	6,894,632,685	3,306,483	199,951,396	7,097,890,564	0.45668%	-
2005-06	420,731,110	156,016,034	(52,320,239)	-	8,225,657,611	3,154,293	255,179,559	8,483,991,463	0.44421%	-
2006-07	485,302,199	163,520,208	(67,405,844)	22	9,998,075,104	2,984,430	272,283,947	10,273,343,481	0.43553%	-
2007-08	551,890,393	171,236,008	(55,802,504)	-	11,631,040,571	1,983,798	272,633,914	11,905,658,283	0.42304%	-
2008-09	571,143,768	160,491,656	(71,343,928)	-	11,832,934,592	1,950,352	308,284,491	12,143,169,435	0.42380%	-
2009-10	513,904,333	166,240,555	(76,284,071)	-	9,983,507,557	1,877,452	331,325,052	10,316,710,061	0.44557%	-
2010-11	450,752,702	157,088,446	(78,398,849)	6,022	8,721,022,923	1,601,400	337,572,964	9,060,197,287	0.45828%	-
2011-12	583,252,015	148,423,521	(83,267,879)	6,000	8,824,880,032	963,200	273,267,652	9,099,110,884	0.46508%	-

Note 1: Exempt values are not included in total taxable assessed value

Note 2: In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: L.A County Assessor 2002/03 - 2011/12 Combined Tax Rolls

City of Palmdale
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (Rate per \$100 of Taxable Value)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Basic Levy¹	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Acton-Agua Dulce USD DS 2008 Series A	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.02178%	0.03150%	0.03523%
Antelope Valley Community College	0.00000%	0.00000%	0.00000%	0.01633%	0.02905%	0.00983%	0.01682%	0.02459%	0.02539%	0.02599%
Antelope Valley Union High	0.02650%	0.02428%	0.02571%	0.02266%	0.01996%	0.01907%	0.02095%	0.02421%	0.02902%	0.02913%
Antelope Valley East Kern Water Agency	0.07138%	0.07055%	0.07054%	0.07050%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%	0.07049%
County Detention Facilities 1987 Debt	0.00103%	0.00099%	0.00092%	0.00080%	0.00066%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Eastside Union School District	0.08283%	0.11380%	0.08407%	0.06574%	0.05531%	0.05414%	0.05789%	0.06700%	0.08172%	0.08149%
LA County Flood Control	0.00088%	0.00046%	0.00025%	0.00005%	0.00005%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
LA County Water Works	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Lancaster School District	0.02411%	0.02243%	0.01989%	0.01858%	0.01515%	0.01604%	0.01855%	0.02282%	0.03061%	0.03074%
Palm Ranch Irrigation District	0.03552%	0.03044%	0.02506%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Palmdale School District	0.02994%	0.02639%	0.02593%	0.02092%	0.01619%	0.01678%	0.01827%	0.01988%	0.02337%	0.02323%
Palmdale Water District	0.37511%	0.09133%	0.16389%	0.15228%	0.11965%	0.12544%	0.12593%	0.31737%	0.31356%	0.29166%
Westside Union School District	0.02626%	0.02642%	0.02272%	0.01933%	0.01407%	0.01470%	0.01729%	0.03359%	0.05571%	0.05062%
Total Direct & Overlapping² Tax Rates	1.67357%	1.40711%	1.43898%	1.38718%	1.34059%	1.32650%	1.34618%	1.60175%	1.66136%	1.63859%
City Share of 1% Levy per Prop 13³	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%	0.06629%
General Obligation Debt Rate	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Redevelopment Rate⁴	1.07242%	1.07155%	1.07146%	1.07129%	1.07115%	1.07049%	1.07049%	1.07049%	1.07049%	1.07049%
Total Direct Rate⁵	0.45919%	0.45328%	0.45668%	0.44421%	0.43553%	0.42304%	0.42380%	0.44557%	0.45828%	0.46508%

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³City's share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value with the City. ERAF general fund tax shifts may not be included in tax ratio figures.

⁴RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

⁵Total direct rate is the weighted average of all individual direct rates and applied by the City of Palmdale.

Data Source: L.A. County Assessor 2002/03 - 2011/12 Tax Rate Table

City of Palmdale
Principal Property Tax Payers
Current Year and Nine Years Ago

<u>Taxpayer</u>	2011-12		2002-03	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Lockheed Corporation	\$ 354,006,864	3.86%	\$ 232,540,123	4.08%
Universal Health Services	134,379,497	1.46%		0.00%
Antelope Valley Mall Developers Limited	115,563,872	1.26%	83,697,228	1.47%
Wal Mart Real Estate Business Trust/Sam's West Inc	73,974,866	0.81%		0.00%
MGP X Properties LLC	67,497,382	0.74%		0.00%
Time Warner NY Cable LLC	57,225,454	0.62%		0.00%
Target Corporation	37,852,506	0.41%		0.00%
Amargosa Palmdale Investments LLC	33,809,072	0.37%		0.00%
Northrop Grumman Systems Corporation	32,564,864	0.35%	51,136,058	0.90%
Bascom Fountains LLC	29,865,035	0.33%		0.00%
Lockheed Martin Aeronautics Company	0	0.00%	45,666,782	0.80%
Dayton Hudson Corporation	0	0.00%	17,630,499	0.31%
Adelphia Communication of California II LLC			28,457,073	0.50%
IXC Business Services LLC			25,777,146	0.45%
Anderson Barrows Metals Corporation			20,022,367	0.35%
Trishul			16,660,752	0.29%
California Investors VII			15,895,124	0.28%
Mcalpin Company			0	0.00%
Top Ten Total	\$ 936,739,412	10.25%	\$ 537,483,152	10.23%
Total City Taxable Assessed Value	\$ 9,182,378,763	100.48%	5,695,764,279	100.00%

Source: HdL Coren & Cone, Los Angeles County Assessor 2011/12 and 2002/03 Combined Tax Rolls

City of Palmdale
City Property Tax Levies and Collections Last Ten Fiscal
Last Ten Fiscal Years

Fiscal Year	City Property Tax			Subsequent Collections			Total Collections	% of Levy
	Levy (1)	Collections (2)	% of Levy	Supplemental (3)	Redemption (4)	Refunds Adjustment (5)		
2002-03	2,927,377	2,766,668	94.51%	64,267	69,453	(37,086)	2,863,302	97.81%
2003-04	3,202,504	2,991,634	93.42%	84,739	78,756	(8,165)	3,146,964	98.27%
2004-05	4,031,820	3,411,242	84.61%	550,660	67,617	(22,421)	4,007,098	99.39%
2005-06	4,728,009	4,072,984	86.15%	527,713	109,291	(23,983)	4,686,005	99.11%
2006-07	5,983,714	4,802,317	80.26%	788,186	162,147	(22,405)	5,730,244	95.76%
2007-08	6,625,681	5,497,094	82.97%	729,995	239,917	(15,765)	6,451,240	97.37%
2008-09	6,762,465	5,592,424	82.70%	394,922	211,630	(10,742)	6,188,234	91.51%
2009-10	5,225,565	4,764,653	91.18%	131,963	226,253	(55,222)	5,067,647	96.98%
2010-11	4,532,321	4,191,087	92.47%	145,044	165,780	70,326	4,572,236	100.88%
2011-12	4,569,196	4,045,607	88.54%	153,788	114,549	101,781	4,415,725	96.64%

- (1) Billings represents the Secured, Unsecured, and Homeowners Property Tax billed amounts for each fiscal year.
- (2) Collections represents the Secured, Unsecured, and Homeowners Property Tax collected amounts for each fiscal year.
- (3) SB813 requires that a supplemental assessment be enrolled for the amount of the difference in value between regular assessment roll and the new fair market value after a change of ownership. The Supplemental figures were taken from LA County remittances and may include supplemental amounts from prior fiscal years.
- (4) Redemption collections represent tax-defaulted secured property taxes that were unpaid at the end of a fiscal year. The Redemption figures were taken from LA County remittances and may include redemption amounts from prior fiscal years.
- (5) Refunds represent overpayments of taxes due because of a decrease in value; whereas adjustments represent changes to the tax roll. The Refund and Adjustment figures were taken from LA County remittances and may include refunds and/or adjustments from prior fiscal years.

City of Palmdale
Community Redevelopment Agency
CRA Project Area 2A Tax Increment Levies and Collections
Last Ten Fiscal Years

Fiscal Year	CRA Merged Project Area Tax Increment			Subsequent Collections			Total Collections	% of Levy (6)
	Levies (1)	Collections (2)	% of Levy	Supplemental (3)	Redemption (4)	Refunds/Adjustments (5)		
2001-02	17,277,539	16,457,978	95.26%	1,084,167	389,356	(35,925)	17,895,576	103.58%
2002-03	20,524,098	19,441,076	94.72%	1,248,882	725,918	(92,632)	21,323,244	103.89%
2003-04	22,376,309	21,469,534	95.95%	1,866,277	1,012,563	(140,771)	24,207,603	108.18%
2004-05	25,010,784	23,784,476	95.10%	2,269,823	1,265,927	(646,674)	26,673,552	106.65%
2005-06	29,013,648	27,319,486	94.16%	3,756,930	1,486,883	(81,652)	32,481,647	111.95%
2006-07	33,463,813	30,507,960	91.17%	2,363,938	1,803,389	(7,603)	34,667,684	103.60%
2007-08	38,047,735	34,098,597	89.62%	1,121,007	2,682,753	(43,644)	37,858,713	99.50%
2008-09	37,818,166	35,254,987	93.22%	(206,907)	4,914,079	(764)	39,961,395	105.67%
2009-10	33,244,842	31,957,066	96.13%	(454,966)	3,145,414	10,741	34,658,255	104.25%
2010-11	30,191,396	29,318,184	97.11%	248,945	1,941,469	(23,744)	31,484,854	104.28%

- (1) Billings represents the Secured, Unsecured, and Unitary billed amounts for each fiscal year.
- (2) Collections represents the Secured, Unsecured, and Unitary collected amounts for each fiscal year.
- (3) SB813 requires that a supplemental assessment be enrolled for the amount of the difference in value between regular assessment roll and the new fair market value after a change of ownership. The Supplemental figures were taken from LA County CRA remittances and may include supplemental amounts from prior fiscal years.
- (4) Redemption collections represent tax-defaulted secured property taxes that were unpaid at the end of a fiscal year. The Redemption figures were taken from LA County CRA remittances and may include redemption amounts from prior fiscal years.
- (5) Refunds represent overpayments of taxes due because of a decrease in value; whereas adjustments represent changes to the tax roll. The Refund and Adjustment figures were taken from LA County CRA remittances and may include refunds and/or adjustments from prior fiscal years.
- (6) Percentage of Levy Collected over 100% is likely due to Subsequent collections of Supplemental and Redemption collections including prior fiscal years' amounts.

Note: As the result of the dissolution of the former Community Redevelopment Agencies (RDA) across the State of California, the former RDA no longer exist, effective January 31, 2012. As such, the former RDA is no longer a blended component unit of the City of Palmdale's Financial Statements and the assets, liabilities and activities are recorded in the Fiduciary Fund Statements as a Private Purpose Trust Fund. The Tax Increment Levies and Collections for the former CRA Project Area 2A will not longer be reported on this schedule for FY2011-12 forward.

City of Palmdale
Community Redevelopment Agency
CRA Project Area 1 Tax Increment Levies and Collections
Last Ten Fiscal Years

Fiscal Year	CRA Project Area 1 Tax Increment			Subsequent Collections			Total Collections	% of Levy (6)
	Levies (1)	Collections (2)	% of Levy	Supplemental (3)	Redemption (4)	Refunds/ Adjustments (5)		
2001-02	\$ 2,975,489	\$ 2,835,262	95.29%	\$ 65,910	\$ 100,952	\$ (10,022)	\$ 2,992,102	100.56%
2002-03	3,468,677	3,291,834	94.90%	227,928	156,436	(35,962)	3,640,236	104.95%
2003-04	3,681,801	3,549,565	96.41%	148,371	172,001	(84,221)	3,785,716	102.82%
2004-05	4,289,736	4,128,863	96.25%	427,705	216,430	(53,872)	4,719,126	110.01%
2005-06	4,880,332	4,689,360	96.09%	399,605	208,212	(25,898)	5,271,279	108.01%
2006-07	5,749,126	5,450,971	94.81%	712,489	221,637	(40,503)	6,344,595	110.36%
2007-08	6,779,674	6,306,300	93.02%	297,025	297,391	1,912	6,902,628	101.81%
2008-09	7,632,966	7,254,029	95.04%	144,387	423,065	(12,273)	7,809,208	102.31%
2009-10	7,650,443	7,382,490	96.50%	71,425	476,519	7,296	7,937,730	103.76%
2010-11	6,905,431	6,739,033	97.59%	47,490	269,806	(8,994)	7,047,335	102.05%

- (1) Billings represents the Secured, Unsecured, and Unitary billed amounts for each fiscal year.
- (2) Collections represents the Secured, Unsecured, and Unitary collected amounts for each fiscal year.
- (3) SB813 requires that a supplemental assessment be enrolled for the amount of the difference in value between regular assessment roll and the new fair market value after a change of ownership. The Supplemental figures were taken from LA County CRA remittances and may include supplemental amounts from prior fiscal years.
- (4) Redemption collections represent tax-defaulted secured property taxes that were unpaid at the end of a fiscal year. The Redemption figures were taken from LA County CRA remittances and may include redemption amounts from prior fiscal years.
- (5) Refunds represent overpayments of taxes due because of a decrease in value; whereas adjustments represent changes to the tax roll. The Refund and Adjustment figures were taken from LA County CRA remittances and may include refunds and/or adjustments from prior fiscal years.
- (6) Percentage of Levy Collected over 100% is likely due to Subsequent collections of Supplemental and Redemption collections including prior fiscal years' amounts.

Note: As the result of the dissolution of the former Community Redevelopment Agencies (RDA) across the State of California, the former RDA no longer exist, effective January 31, 2012. As such, the former RDA is no longer a blended component unit of the City of Palmdale's Financial Statements and the assets, liabilities and activities are recorded in the Fiduciary Fund Statements as a Private Purpose Trust Fund. The Tax Increment Levies and Collections for the former CRA Project Area 1 will not longer be reported on this schedule for FY2011-12 forward.

City of Palmdale
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Certificates of Participation	Tax Allocation Bonds ^A	Bond Anticipation Note	Revenue Bonds	Capital Leases	Other Notes Payable	Total Governmental Activities	Percentage of Personal Income (1)	Per Capita (1)
2003	56,099,873	58,153,232	6,000,000	47,821,263	1,537,109	6,521,007	176,132,484	8.08%	1,387
2004	56,084,426	84,761,546	6,000,000	30,058,724	1,194,757	12,730,830	190,830,283	8.04%	1,458
2005	66,471,872	90,561,705	6,000,000	29,100,050	1,744,736	18,869,650	212,748,013	8.19%	1,568
2006	64,596,726	93,983,966	6,000,000	28,010,778	2,291,329	18,657,035	213,539,834	7.43%	1,529
2007	83,661,083	93,134,622	6,000,000	26,886,479	1,680,546	32,330,419	243,693,149	7.87%	1,701
2008	82,474,985	92,319,669	6,000,000	25,549,124	2,972,492	36,708,142	246,024,412	7.74%	1,685
2009	81,180,479	91,490,186	-	30,498,952	2,331,651	37,915,317	243,416,585	7.72%	1,614
2010	79,777,320	90,607,264	-	28,987,709	1,411,759	38,224,725	239,008,777	8.97%	1,566
2011	78,260,915	89,612,082	-	27,302,575	625,507	36,516,156	232,317,235	8.22%	1,511
2012	78,984,451	-	-	25,203,459	149,214	8,233,768	112,570,892	3.97%	732

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

^AA decrease in 2011-12 as compared to 2010-11 is the direct result of the dissolution of all California Redevelopment Agencies during 2011-12. The Debt previously reported under the City of Palmdale's Redevelopment Agency, a component unit of the City of Palmdale, is now being reported under a Private Purpose Trust Fund effective February 1, 2012.

(1) These ratios are calculated using per capita personal income and population for the prior calendar year provided by HdL, Coren & Cone

Source: City of Palmdale, Finance Department

City of Palmdale
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Tax Allocation Bonds ^A	Revenue Bonds	Total	Percent of Assessed Value (1)	Per Capita
2003	58,153,232	47,821,263	105,974,495	1.88%	835
2004	84,761,546	30,058,724	114,820,270	1.83%	877
2005	90,561,705	29,100,050	119,661,755	1.69%	882
2006	93,983,966	28,010,778	121,994,744	1.44%	873
2007	93,134,622	26,886,479	120,021,101	1.17%	838
2008	92,319,669	25,549,124	117,868,793	0.99%	807
2009	91,490,186	30,498,952	121,989,138	1.00%	809
2010	90,607,264	28,987,709	119,594,973	1.16%	784
2011	89,612,082	27,302,575	116,914,657	1.29%	761
2012	-	25,203,459	25,203,459	0.28%	164

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

General bonded debt is debt payable with governmental fund resources recorded in Redevelopment Agency and Palmdale Civic Authority (of which the City has none).

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of

^AA decrease in 2011-12 as compared to 2010-11 is the direct result of the dissolution of all California Redevelopment Agencies during 2011-12. The Debt previously reported under the City of Palmdale's Redevelopment Agency, a component unit of the City of Palmdale, is now being reported under a Private Purpose Trust Fund effective February 1, 2012.

City of Palmdale
Direct and Overlapping Governmental Activities Debt
June 30, 2012

City Assessed Valuation	\$	5,600,964,613
Redevelopment Agency Incremental Valuation		3,581,239,150
Total Assessed Valuation	\$	9,182,203,763

<u>OVERLAPPING DEBT:</u>	<u>Gross Bonded Debt Balance</u>	<u>Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
308.60-Palmdale Water District Bond	\$31,107,530	90.223%	\$ 28,066,228
464.50-Eastside Union Elem School District 1998 Series A Debt Service	3,462,548	6.740%	233,393
464.51-Eastside Union School District Series 2002	4,040,000	6.740%	272,316
464.52-Eastside Union School District Series 2003	2,910,000	6.740%	196,148
529.50-Lancaster School District 1999 Series 99 A Debt Service	3,314,669	0.619%	20,507
529.51-Lancaster School District 1999 Series 2001 A Debt Service	10,170,332	0.616%	62,601
529.52-Lancaster School District Ref Bond Series 2009	7,765,000	0.616%	47,795
593.50-Palmdale School District 2001 Series 2002 Debt Service	2,138,148	94.275%	2,015,747
593.52-Palmdale School District 2001 Series 2003 Debt Service	3,381,456	94.275%	3,187,880
689.53-Westside Union School District Series C Debt Service	2,230,000	38.764%	864,427
689.54-Westside Union School District 1998 Series A Debt Service	5,350,604	38.764%	2,074,084
689.55-Westside Union School District 1998 Series S-2001 A Debt Service	3,325,718	38.764%	1,289,166
689.56-Westside Union School District 1998 Series S-2002 A Debt Service	2,911,250	38.764%	1,128,504
689.61-Westside Union School District 2008 Series A Debt Service	9,329,852	38.290%	3,572,415
689.62-Westside Union School District Debt Service 2008 Series B	33,588,931	38.764%	13,020,259
717.50-Antelope Valley Union High 2012 Refunding	37,685,000	40.587%	15,295,103
717.51-Antelope Valley Union High School District 2002 Series A Debt Se	1,155,000	40.734%	470,481
717.52-Antelope Valley Union High School District 2002 Series B Debt Se	29,001,694	40.734%	11,813,634
717.53-Antelope Valley Unified High School District 2002 DS Series 2005	16,793,179	40.734%	6,840,582
792.52-Antelope Valley CCD 2004 Series B Debt Service	1,685,000	37.935%	639,212
792.53-Antelope Valley CCD 2006 Ref Bonds	20,435,048	37935.000%	7,752,127
792.54-Antelope Valley CC 2004 Series C Debt Service	107,681,533	37.935%	40,849,472
935.52-Action-Agua Dulce USD 2008 Debt Service Series A	12,871,927	0.007%	943
TOTAL OVERLAPPING DEBT			\$ 139,713,024
City of Palmdale's Direct Debt			\$ -
Total Direct and Overlapping Debt			\$ 139,713,024

Notes:

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Palmdale. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

City of Palmdale
 Legal Debt Margin Information
 Last Ten Fiscal Years

Fiscal Year	Assessed Evaluation	Debt Limit (1)	Total Net Debt Applicable to the Limit (2)	Total Debt Applicable to the Limit as a Percentage of Debt Limit
2002-03	5,695,764,279	213,591,160	105,974,495	49.62%
2003-04	6,336,868,119	237,632,554	114,820,270	48.32%
2004-05	7,162,164,064	268,581,152	119,661,755	44.55%
2005-06	8,536,311,702	320,111,689	121,994,744	38.11%
2006-07	10,340,749,325	387,778,100	120,021,101	30.95%
2007-08	11,961,460,787	448,554,780	117,868,793	26.28%
2008-09	12,214,513,363	458,044,251	121,989,138	26.63%
2009-10	10,392,994,132	389,737,280	119,594,973	30.69%
2010-11	9,138,596,136	342,697,355	116,914,657	34.12%
2011-12	9,182,378,763	344,339,204	25,203,459	7.32%

Source: Los Angeles County

Note (1): The legal debt limit is statutorily computed at 3.75% of assessed valuation. Amounts applicable to the former Community Redevelopment Agency of the City of Palmdale are included in years 2002-03 through 2010-11.

Note (2): Total net debt applicable to the limit includes Tax Allocation Bonds and Revenue Bonds.

Note (3): The aggregate principal amount of the City's general obligation debt for public improvements is statutorily limited to 15.0 percent of the City's total reported assessed valuation. The City has no general obligation debt outstanding as of June 30, 2012.

City of Palmdale
Former Community Redevelopment Agency - Project Area 1 & 1 A Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	1993 Revenue Bonds Debt Service (1)		2003 Revenue Bonds 19.2 Debt Service		2003 Bond Anticipation NP Debt Service (4)		2009 Revenue Bond 6.38 Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	500,000	1,073,785	-	-	-	-	-	-
2004	-	-	-	521,249	-	221,375	-	-
2005	-	-	600,000	817,025	-	345,000	-	-
2006	-	-	720,000	803,825	-	345,000	-	-
2007	-	-	735,000	789,275	-	345,000	-	-
2008	-	-	750,000	772,550	-	345,000	-	-
2009	660,000	-	110,000	761,800	6,000,000	345,000	-	-
2010	660,000	-	115,000	758,700	-	-	-	207,370
2011	660,000	-	115,000	755,106	-	-	90,000	36,045
2012	-	-	780,000	737,638	-	-	125,000	354,770

Fiscal Year	Debt Summary			Pledged Revenue			Coverage
	Total Principal	Total Interest	Total Debt Service	Gross Tax Increment (2)	Less: Operating Expenses (3)	Net Available	
2003	500,000	1,073,785	1,573,785	3,787,328	1,053,201	2,734,127	1.74
2004	-	742,624	742,624	3,932,365	1,101,195	2,831,170	3.81
2005	600,000	1,162,025	1,762,025	4,781,944	1,258,167	3,523,777	2.00
2006	720,000	1,148,825	1,868,825	5,332,210	1,424,239	3,907,971	2.09
2007	735,000	1,134,275	1,869,275	6,432,872	1,702,916	4,729,956	2.53
2008	750,000	1,117,550	1,867,550	6,960,662	1,261,118	5,699,544	3.05
2009	6,770,000	1,106,800	7,876,800	7,861,714	2,036,582	5,825,132	0.74
2010	775,000	966,070	1,741,070	7,981,001	1,943,519	6,037,482	3.47
2011	865,000	791,151	1,656,151	4,797,340	1,261,631	3,535,709	2.13
2012	905,000	1,092,408	1,997,408	8,217,166	274,933	7,942,233	3.98

Note: Details regarding the City's debt can be found in the notes to the financial statements.

Note: As the result of the dissolution of the former Community Redevelopment Agency, the debt listed on this schedule has been assumed by the Successor Agency of the Former Community Redevelopment Agency. The debt has been approved by the State Department of Finance as an enforceable obligation and will be paid from future tax revenues received by the Private Purpose Trust Fund. (Note 19)

Source: City of Palmdale, Finance Department

(1) Revenue Bonds were partially defeased in May 2003 by the 2003 Revenue Bonds.

(2) Gross Tax Increment consist of property taxes generated from Project Area No. 1&1A

(3) Operating Expenses consist of the 20% set-aside property taxes generated from Project Area No. 1&1A, pass through payments pursuant to agreements to allocate tax increment funds to various Local Agencies, and other charges related to administering Area 1&1A debt.

(4) 2003 Bond Anticipation Note was fully defeased in June 2009 by the 2009 Revenue Bond.

City of Palmdale
Former Community Redevelopment Agency - Project Area 2A Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	1999 Sublien TAB 2.7 Debt Service		2002 TAB 5.3 Debt Service		2004 TAB 6.09 Debt Service		2004 TAB 18.5 Debt Service		1998 TAB 30.6 Debt Service		1994 Revenue Bonds Debt Service (1)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 1,510,203	\$ 130,000	\$ 1,115,318
2003	-	-	-	-	-	-	-	-	80,000	1,507,680	155,000	1,108,115
2004	-	-	-	-	-	-	-	-	165,000	1,502,861	185,000	1,099,353
2005	-	95,013	-	-	-	178,818	-	677,042	240,000	1,494,803	-	-
2006	65,000	188,238	-	-	-	275,105	110,000	924,000	300,000	1,483,853	-	-
2007	70,000	184,525	-	-	-	275,105	145,000	917,625	410,000	1,469,195	-	-
2008	75,000	180,538	-	-	-	275,105	10,000	913,750	475,000	1,450,594	168,377	-
2009	80,000	176,275	-	-	-	275,105	-	913,500	500,000	1,429,750	173,315	-
2010	85,000	171,737	-	-	-	275,105	-	913,500	555,000	1,405,125	178,254	-
2011	90,000	166,925	-	-	-	275,105	75,000	911,625	585,000	1,376,625	193,191	-
2012	95,000	161,838	-	-	145,000	272,930	280,000	902,750	615,000	1,346,625	188,127	-

Fiscal Year	1997 Revenue Bonds Debt Service		Debt Summary				Pledged Revenue				Coverage
	Principal	Interest	Total Principal	Total Interest	Service	Sales Tax (2)	Increment (2)	Expenses (3)	Net Available		
2002	\$ 445,000	\$ 492,799	\$ 625,000	\$ 3,118,319	\$ 3,743,319	\$ 7,996,969	\$ 18,974,498	\$ 15,146,298	\$ 11,825,169	3.16	
2003	465,000	472,091	700,000	3,087,886	3,787,886	8,892,745	22,231,230	17,820,482	13,303,493	3.51	
2004	495,000	449,764	845,000	3,051,978	3,896,978	10,071,208	24,891,990	20,571,484	14,391,714	3.69	
2005	515,000	425,771	755,000	2,871,447	3,626,447	12,203,623	27,043,025	22,358,241	16,888,407	4.66	
2006	535,000	400,304	1,010,000	3,271,499	4,281,499	10,068,634	33,071,730	27,369,744	15,770,620	3.68	
2007	565,000	373,071	1,190,000	3,219,521	4,409,521	10,228,130	35,165,253	30,483,379	14,910,004	3.38	
2008	595,000	342,584	1,323,377	3,162,571	4,485,948	9,499,172	38,247,190	31,843,423	15,902,939	3.55	
2009	625,000	310,284	1,378,315	3,104,914	4,483,229	7,549,500	40,118,147	34,596,140	13,071,507	2.92	
2010	655,000	277,316	1,473,254	3,042,783	4,516,037	7,585,792	35,002,630	28,233,627	14,354,795	3.18	
2011	690,000	242,001	1,633,191	2,972,281	4,605,472	8,027,506	31,695,731	26,344,253	13,378,984	2.91	
2012	730,000	204,098	2,053,127	2,888,241	4,941,368	Note (4)	27,126,295	16,712,555	Note (4)	Note (4)	

Note: Details regarding the City's debt can be found in the notes to the financial statements.

Source: City of Palmdale, Finance Department

- (1) The 1994 Revenue Bonds were partially defeased in June 2004.
- (2) Gross sales tax and tax increment consist of property taxes and sales tax generated from Project Area No. 2A
- (3) Operating Expenses consist of the 20% set-aside property taxes generated from Project Area No. 2A, pass through payments pursuant to agreements to allocate tax increment funds to various Local Agencies, and other charges related to administering Area 2A debt.
- (4) Due to the dissolution of the Community Redevelopment Agency in 2012, the Sales Tax generated by Project Area was not available therefore the "Net Available" and "Coverage" percent is not available.

Note: As the result of the dissolution of the former Community Redevelopment Agency, the debt listed on this schedule has been assumed by the Successor Agency of the Former Community Redevelopment Agency. The debt has been approved by the State Department of Finance as an enforceable obligation and will be paid from future tax revenues received by the Private Purpose Trust Fund. (Note 19)

City of Palmdale
Former Community Redevelopment Agency - Project Area 2A (20% Set Aside) Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	2003 TAB 5.9 Debt Service		2003 TAB 7.2 Debt Service		2005 TAB 14.115 Debt Service		2005 TAB 2.8 Debt Service		1997 TAB Series A Debt Service (1)		1997 TAB Series B Debt Service (2)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2002	-	-	-	-	-	-	-	-	-	784,949	-	416,075
2003	-	-	-	-	-	-	-	-	235,000	779,191	85,000	412,930
2004	-	53,302	-	79,220	-	-	-	-	245,000	767,431	90,000	204,893
2005	155,000	232,460	15,000	347,645	-	-	-	-	260,000	754,929	-	-
2006	165,000	229,260	25,000	347,245	-	311,454	-	65,414	-	-	-	-
2007	170,000	225,910	20,000	346,795	370,000	569,441	20,000	120,465	-	-	-	-
2008	165,000	222,560	25,000	346,345	410,000	557,741	30,000	119,715	-	-	-	-
2009	170,000	218,785	25,000	345,798	420,000	545,291	30,000	118,815	-	-	-	-
2010	165,000	214,185	25,000	345,157	445,000	532,316	25,000	117,990	-	-	-	-
2011	170,000	209,160	25,000	344,423	455,000	515,404	35,000	117,073	-	-	-	-
2012	175,000	203,985	30,000	343,545	475,000	494,479	35,000	115,961	-	-	-	-

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Fiscal Year	Debt Summary		Pledged Revenue			
	Total Principal	Total Interest	Total Debt Service	20% Set Aside Tax Increment (3)	Net Available	Coverage
2002	-	1,201,024	1,201,024	3,794,899	3,794,899	3.16
2003	320,000	1,192,121	1,512,121	4,446,246	4,446,246	2.94
2004	335,000	1,104,846	1,439,846	4,978,398	4,978,398	3.46
2005	430,000	1,335,034	1,765,034	5,408,605	5,408,605	3.06
2006	190,000	953,373	1,143,373	6,614,346	6,614,346	5.78
2007	580,000	1,262,611	1,842,611	7,033,050	7,033,050	3.82
2008	630,000	1,246,361	1,876,361	7,649,438	7,649,438	4.08
2009	645,000	1,228,689	1,873,689	8,023,630	8,023,630	4.28
2010	660,000	1,209,648	1,869,648	7,000,526	7,000,526	3.74
2011	660,000	1,209,648	1,869,648	6,339,147	6,339,147	3.39
2012	685,000	1,186,060	1,871,060	5,425,259	5,425,259	2.90

Note: Details regarding the City's debt can be found in the notes to the financial statements.

Source: City of Palmdale, Finance Department

(1)The 1997 TAB Series A TAB were fully defeased in December 2003 by the 2003 TAB Series C Bonds.

(2)The 1997 TAB Series B were fully defeased in December 2003 by the 2003 Tax Allocation Series C Bonds.

(3)The pledged revenues represent 20% property tax increments generated from Project Area 2A and set aside as required by State law for low and moderate income housing.

(4) Due to the dissolution of the Community Redevelopment Agency during 2012, the 20% set aside is not longer required. The 20% set aside calculated is based on what it should have been if legally required.

Note: As the result of the dissolution of the former Community Redevelopment Agency, the debt listed on this schedule has been assumed by the Successor Agency of the Former Community Redevelopment Agency. The debt has been approved by the State Department of Finance as an enforceable obligation and will be paid from future tax revenues received by the Private Purpose Trust Fund. (Note 19)

**City of Palmdale
Demographic and Economic Statistics
Last Ten Fiscal Years**

Calendar Year	(1) Population	(2) Personal Income <i>(thousands of dollars)</i>	(2) Per Capita Personal Income	(2) Median Age	(3) School Enrollment	(4) Unemployment Rate	(5) % of Pop 25+ with HS Degree	(5) % of Pop 25+ with Bachelor's Degree
2002	123,603	2,061,093	16,675	29.10	48,584	8.5%		
2003	126,968	2,175,375	17,133	28.39	39,521	8.7%		
2004	130,889	2,367,465	18,088	30.53	45,650	8.2%		
2005	135,677	2,578,933	19,008	29.20	42,425	6.7%		
2006	139,677	2,845,967	20,375	28.30	58,255	6.0%		
2007	143,243	3,048,806	21,284	28.30	57,880	6.4%		
2008	145,973	3,137,576	21,494	28.30	44,025	9.3%		
2009	150,782	3,141,641	20,836	29.00	43,208	14.4%	79.8%	16.4%
2010	152,622	2,665,238	17,463	28.40	39,737	15.6%	73.3%	14.6%
2011	153,708	2,837,296	18,459	29.00	31,915	15.2%	73.4%	15.2%

Source:

- (1) California State Department of Finance, Demographic Research Unit E-1: City/County Population Estimates
- (2) U.S. Census Bureau, most recent American Community Survey
- (3) Greater Antelope Valley Economic Alliance, AVUSD
- (4) California Employment Development Department
- (5) Last available Census (2001 through 2008 data is not available)

City of Palmdale
Principal Employers - Antelope Valley
Current Year and Nine Years Ago
(Unaudited)

Employer	2012			2003			
	Products	Number of Employees	Percentage of Total Valley Employment	Employer	Products	Number of Employees	Percentage of Total Valley Employment
Edwards Air Force Base	Aerospace/Military	10,808	7.05%	Edwards Air Force Base	Aerospace/Military	11,288	8.97%
China Lake NWC	Aerospace/Military	9,172	5.98%	Lockheed Martin	Aerospace/Military	4,100	3.26%
County of Los Angeles	County Services	3,953	2.58%	Palmdale Elementary SD	Education	2,825	2.24%
Lockheed Martin	Aerospace/Military	3,000	1.96%	Antelope Valley Hospital	Medical/Hospital	2,191	1.74%
Palmdale School District	Education	2,682	1.75%	A.v. Union HS District	Education	1,720	1.37%
A.V. Hospital	Medical/Hospital	2,619	1.71%	Lancaster School District	Education	1,600	1.27%
Northrop-Grumman	Aerospace	2,573	1.68%	Northrop Grumman	Aerospace	1,350	1.07%
A.V. Union HS District	Education	2,037	1.33%	California State Prison	Corrections	1,300	1.03%
Wal-Mart (5)	Retail	1,922	1.25%	Wal-Mart	Retail Store	1,050	0.83%
CA State Prison-Tehachapi	Corrections	1,915	1.25%	Countrywide	Mortgage Banking	900	0.71%

Source: City of Palmdale Economic Development Department 2012 GAVEA Report)

Note 1: FY2012 represents employment reported for calendar year 2011 and the most recent year available. Calendar year 2012 will not be available until Jan 2013.

Note 2: "Total Employment" as used above represents the total employment located within the Greater Antelope Valley region. The Antelope Valley region is considered to be the City's economic region and covers 3,514.2 square miles of area and includes the City of Palmdale, Lancaster, Tehachapi and Ridgecrest. The principal employers represent all employers within the greater Antelope Valley region.

Note 3: 2003 total employment used to calculate the percentage of principal employers is an estimate. The estimate is based on the ratio of the 2003 employment to total population and then applied to total population reported for the calendar year 2003.

City of Palmdale
 Full-time-Equivalent City Government Employees by Function:Program
 Last Ten Fiscal Years

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
City Manager	5.00	8.00	8.00	10.00	10.00	8.00	7.00	6.00	6.00	3.00
City Clerk	5.00	5.00	5.00	5.00	5.00	4.00	4.00	3.00	3.00	3.00
Records Management	-	-	-	1.00	1.00	1.00	-	-	-	-
Human Resources	3.00	3.00	4.00	4.00	5.00	6.00	6.00	3.00	3.00	3.00
City Attorney	4.00	4.00	6.00	6.00	6.00	5.00	5.00	4.00	4.00	4.00
Finance	15.00	17.00	17.00	18.00	18.00	15.00	15.00	12.00	12.00	12.00
Planning	15.00	16.00	20.00	20.00	21.00	16.00	14.00	10.00	10.00	14.00
Communications	2.00	2.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Public Safety	11.00	12.00	12.00	19.00	23.00	16.00	16.00	15.00	15.00	14.00
Park Rangers	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Families in Action	2.00	2.00	2.00	1.00	4.00	3.00	3.00	-	-	-
Building and Safety	13.00	13.00	14.00	18.00	18.00	13.00	11.00	8.00	8.00	8.00
Palmdale Playhouse	4.00	4.00	4.00	4.00	4.00	4.00	4.00	-	-	-
CDBG Saves	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public Services										
Public Works Administration	13.00	13.00	11.00	14.00	13.00	8.00	8.00	5.00	5.00	4.00
Engineering	10.00	10.00	13.00	13.00	14.00	10.00	6.00	2.00	2.00	2.00
Drainage Administration	3.00	3.00	3.00	3.00	3.00	2.00	2.00	1.00	1.00	1.00
Traffic Engineering	9.00	9.00	10.00	10.00	10.00	9.00	8.00	8.00	8.00	8.00
GIS	-	-	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Street Maintenance	37.00	37.00	39.00	39.00	39.00	35.00	33.00	30.00	30.00	28.00
Transit	-	-	1.00	1.00	3.00	2.00	3.00	2.00	1.00	1.00
Park and Ride	1.00	1.00	1.00	1.00	1.00	-	-	-	-	-
Government Facilities	22.00	22.00	21.00	23.00	25.00	21.00	15.00	12.00	12.00	12.00
Park Maintenance	21.00	21.00	20.00	22.00	25.00	24.00	22.00	12.00	12.00	5.00
Sewer Maintenance	-	-	-	-	-	-	1.00	8.00	8.00	14.00
Street Light Maintenance	-	-	-	-	-	-	-	-	-	1.00
Landscape Maintenance Gen. Benefit	4.00	5.00	5.00	6.00	6.00	5.00	5.00	4.00	4.00	3.00
Landscape Maintenance District 97-1	17.00	16.00	15.00	16.00	21.00	19.00	17.00	17.00	18.00	18.00
Parks and Recreation										
Parks Administration	6.00	7.00	7.00	7.00	7.00	7.00	7.00	3.00	3.00	4.00
Special Events	2.00	2.00	2.00	4.00	5.00	4.00	4.00	3.00	3.00	2.00
Cultural Center	2.00	2.00	2.00	2.00	2.00	1.00	1.00	-	-	-
Senior Center	1.00	1.00	1.00	1.00	1.00	-	-	1.00	1.00	2.00

(continued)

City of Palmdale
 Full-time-Equivalent City Government Employees by Function/Program
 Last Ten Fiscal Years

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Recreation	4.00	4.00	5.00	2.00	2.00	2.00	2.00	2.00	2.00	-
Aquatics	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00	2.00
Youth/Adult Sports	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Oasis Park Rec Center	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Water Park	-	-	4.00	4.00	4.00	3.00	3.00	2.00	2.00	2.00
Library	25.00	23.00	23.00	23.00	24.00	19.00	11.00	7.00	7.00	6.00
Community Redevelopment										
Economic Development	4.00	4.00	6.00	6.00	6.00	6.00	3.00	4.00	4.00	-
City Economic Development	-	-	-	-	-	-	-	-	-	1.00
SA Economic Development	-	-	-	-	-	-	-	-	-	3.00
SA Housing	13.00	12.00	8.00	11.00	11.00	10.00	9.00	8.00	8.00	4.00
Total	277.00	282.00	299.00	326.00	349.00	289.00	256.00	203.00	203.00	193.00

Source: City of Palmdale, Finance Department

City of Palmdale
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
General Government										
Businesses licensed	5,000	5,195	5,523	5,600	6,000	6,000	6,307	4,357	4,841	6,290
Code Enforcement cases closed	3,225	6,195	3,045	3,000	5,076	5,270	5,892	4,373	4,057	4,016
Buildings maintained	35	37	37	37	41	41	41	41	41	40
Square footage of facilities	280,000	293,000	296,000	296,000	415,089	415,089	415,089	382,000	396,127	387,300
Request for filming information	97	138	126	100	65	75	-	-	-	-
Film permits issued	15	23	17	22	10	18	17	35	20	21
Television programs produced	-	-	3	21	25	23	69	27	46	25
Commercials produced	-	-	3	5	4	7	6	17	13	4
Newsletters published	3	4	4	6	5	3	3	3	3	3
Public Safety										
Neighborhood watch presentations	61	68	67	67	70	200	169	122	122	93
Business watch presentations	42	44	32	30	30	30	23	16	10	12
PAC presentations	62	29	50	35	40	44	28	37	28	18
Administration Citations Processed	-	-	-	0	0	372	424	576	744	535
Drug and life-skills education classes taught ¹	2,492	2,513	2,446	2,780	2,850	2,950	-	-	-	-
Drug and life-skills education students taught ¹	10,862	11,102	11,602	8,850	9,050	9,350	-	-	-	-
Parking Enforcement										
Vehicle Impounds	278	321	356	356	300	350	391	400	400	292
Citations Issued	7,377	7,318	6,474	7,640	9,329	9,640	8,040	6,651	6,601	7,416
Calls for Service	1,327	1,741	1,055	2,122	1,890	1,276	1,029	835	772	696
Number of law violations:										
Part 1 crimes ³	5,366	6,205	5,141	6,242	5,410	5,044	4,721	4,445	4,201	4,087
Part 2 crimes ³	6,054	6,673	6,545	8,050	8,307	8,186	7,337	7,053	7,011	6,589
Crime reports taken ³	17,889	19,280	16,703	29,362	21,248	20,734	19,146	18,562	17,716	16,605
Arrests ³	4,828	5,250	7,768	8,671	7,884	9,951	11,629	10,486	9,497	9,901
Accident reports taken	1,957	2,179	2,238	2,427	1,808	2,044	1,753	1,424	1,303	1,385
Animal licenses issued	25,444	25,444	21,297	21,297	24,952	23,720	11,576	7,240	9,642	9,375
Public Services										
Number of landscape districts maintained	188	206	208	218	206	228	228	245	245	245
Landscaped area (acres) maintained	75	79	81	83	117	126	130	130	253	253
Irrigation controllers maintained	284	312	314	336	345	485	393	542	542	542
Landscape median area maintained (sq. ft.)	218,423	218,423	218,423	680,781	1,081,053	983,767	983,767	983,767	2,500,344	2,500,344
SR 14 Interchange area maintained (sq. ft.)	108,400	108,400	108,400	125,382	125,382	125,382	125,382	125,382	125,382	125,382
Park-n-ride spaces maintained	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009	2,009
Building permits issued	2,614	2,781	3,401	3,110	2,387	1,300	838	790	814	851

City of Palmdale
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
Public Services (continued)										
Park-n-ride Acres Maintained	22	22	22	22	22	22	22	22	22	22
Park-n-ride security hours provided	15,240	15,240	15,240	15,240	15,240	15,240	15,240	15,240	15,240	15,240
Detention basins maintained	250	254	257	305	233	250	265	226	226	226
Detention basins (acres) maintained	79	79	80	88	92	110	120	90	207	94
Service requests - landscape maint. ¹	200	768	776	779	1,855	1,038	300	429	234	252
Vandalism repair hours	350	550	700	600	500	1,552	825	0	663	126
Graffiti abatement hours	-	-	-	6,240		7,247	6,441	5,362	4,260	5,150
Lighting districts	27	40	68	100	123	134	148	148	149	149
Number of street lights in districts	900	929	1,500	3,000	4,971	3,433	3,400	3,400	4,100	4,100
Commercial acreage in street lighting districts	166	226	300	457	503	328	460	296	600	600
Residential parcels in street lighting districts	1,750	2,321	4,000	6,000	8,279	7,408	6,600	6,200	8,000	8,000
Engineer grading permits issued	37	37	50	50	80	50	10	10	17	14
Engineer Geotechnical review	111	111	125	146	120	62	19	14	20	10
Engineer Improvement plans	380	380	510	510	595	180	58	34	71	91
Engineer Inspections	7,950	7,950	8,100	8,100	9,500	9,000	5,706	1,600	3,005	2,667
Striping and marking sq. ft.	680,000	680,000	720,000	319,206	1,253,295	1,253,649	78,767	1,637,856	237,822	1,900,000
Trees planted	200	200	750	850	49	1,490		36	0	263
Street trees pruned	7,070	7,070	9,200	1,800	2,200	2,000	2,200	1,662	1,034	1,200
Street signs maintained ¹	6,050	6,050	8,400	8,450	8,575	8,615	8,524	1,332	1,095	8,650
Street centerline miles	404	404	430	508	518	550	555	518	518	518
Street curb miles swept	20,200	20,200	21,200	24,800	26,200	26,200	26,400	26,400	26,400	26,400
Street pavement area (acres)	2,121	2,121	2,132	2,185	2,200	2,450	2,525	2,109	2,109	2,109
Bridges maintained	7	7	7	9	9	9	9	9	9	9
Box culverts maintained	6	6	6	6	6	6	6	6	6	6
Number of passengers served ⁴	2,726,545	2,734,173	2,727,838	2,668,756	2,888,881	3,062,213	3,165,000	3,062,088	2,863,691	3,283,438
Number of commuter and fixed routes ⁴	17	18	20	17	16	21	16	15	16	18
Community Development										
Financial assistance to businesses	8	8	6	4	5	4	4	3	1	-
SBDC business counseling hours	197	129	149	105	205	340	350	273	232	278
Business retention site visits ¹	208	108	29	20	10	10	20	15	34	35
Mobile Home Parks paid occupied spaces	-	689	778	787	787	787	787	787	787	787

City of Palmdale
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Cultural and Recreational										
Library circulation*	420,000	410,000	431,280	431,290	391,000	391,000	422,429	247,579	341,581	329,022
Library volumes owned*	130,000	133,400	136,710	136,860	137,500	139,000	134,184	71,726	72,101	69,805
Library programs*	382	497	578	430	527	350	613	36	48	79
Playhouse general attendance	14,409	14,765	13,637	18,060	15,721	18,714	23,539	15,850	5,220	6,642
Larry Chimbole Center attendance	75,746	75,746	76,280	107,300	112,120	160,000	109,000	99,000	59,795	61,099
Legacy Commons Attendance	67,263	67,981	69,450	69,460	69,840	70,000	68,900	62,206	36,400	36,000
Hammack Community Activity Center attendance	45,852	52,200	41,100	18,460	29,264	29,500	10,000	-	-	-
Oasis Park Recreation Center attendance ²	-	-	-	24,962	38,605	38,000	34,400	12,140	12,062	9,013
Amphitheater attendance ²	-	-	-	75,000	65,000	75,000	57,000	9,800	49,800	33,150
Day Camp participants	7,864	6,640	4,545	4,130	4,493	5,017	1,200	950	987	920
After school participants	19,441	23,260	39,000	33,980	35,429	36,000	11,100	8,406	9,467	11,175
Tiny Tot Participants	5,844	6,000	7,500	10,920	11,318	9,240	11,500	359	1,637	1,633
Park and skatepark patrons	453,957	455,500	410,000	413,230	347,746	423,998	433,000	378,938	-	-
Recreational swimming attendance	19,953	19,757	19,766	23,900	26,000	27,600	33,971	36,502	15,051	9,165
Lesson swimming attendance	12,137	12,824	13,000	11,270	12,550	13,900	19,386	15,372	15,931	15,883
Youth sports participants	191,221	186,784	185,359	179,882	166,372	169,408	157,545	150,680	168,189	167,527
Adult sports participants	131,678	132,234	131,659	1,274,473	131,280	137,309	133,052	131,142	122,377	125,525
Health and Welfare										
Families in action blocks	31	31	31	31	35	44	46	43	-	-
Families in action enrollees	500	500	476	476	450	800	723	670	-	-
Family members assisted with food and/or shelter	4,821	3,833	3,795	3,833	2,562	1,270	3,910	3,130	3,157	3,370
SAVES meals provided	101,241	80,493	79,701	80,493	53,794	68,376	74,117	99,876	92,547	87,507
SAVES motel vouchers provided (night)	730	547	542	547	395	386	647	565	433	188

*Source: City of Palmdale, various City departments

Note

1 Did not officially start until FY 1998-99

2 Did not officially start until FY 2005-06

3 Figures are for calendar year through FY 00/01

4 Figures provided by Antelope Valley Transit Authority

City of Palmdale
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
Number of City owned building facilities	34	34	35	37	37	41	41	45	47	47
City Vehicles	1	1	1	1	2	3	4	4	4	4
Public Safety										
Parking Enforcement Vehicles	2	3	3	3	3	3	3	3	3	3
Community Service Officer Vehicles	-	-	-	-	-	3	3	3	3	3
Park Ranger Vehicles	-	-	-	-	1	2	2	2	2	2
Public Services										
Streets and Bikeways (miles)	401	401	408	433	433	437	550	555	560	580
Landscaped area (acres)	73	75	75	79	81	83	121	130	253	260
Park-n-ride	-	22	22	22	22	22	22	22	22	22
Storm drainage systems (feet)	79,200	79,200	81,100	79,200	81,700	81,700	91,500	92,300	92,300	95,000
Retention and detention basins	9	9	9	9	10	10	11	11	11	11
Storm drainage pump stations	3	3	3	3	3	3	3	3	3	3
Detention basins (acres)	78	79	79	79	80	88	110	120	207	207
Traffic signals	77	79	79	79	89	114	136	164	-	166
Traffic signs	6,100	6,400	6,400	6,400	6,500	8,575	8,615	8,675	-	8,700
Transportation Center	-	-	-	-	1	1	1	1	1	1
Bridges	7	7	7	7	7	9	9	9	9	9
Street Lights	-	152	490	929	1,500	2,340	3,000	3,400	4,100	4,150
Vehicles	65	76	66	66	70	78	78	78	81	75
Community Development										
Mobile Home Parks	-	-	-	3	3	3	3	3	3	3
Cultural and Recreational										
Number of Parks	16	16	16	17	18	19	21	21	21	21
Developed park acreage	301	310	340	413	486	576	576	576	576	576
Number of swimming pools	2	2	2	2	2	4	4	4	4	4
Number of tennis courts	9	9	9	9	9	9	9	9	9	9
Number of Libraries	2	2	2	2	2	2	2	2	2	1
Number of Community Centers	3	3	3	3	3	4	4	4	4	4
Skate Parks	1	2	2	2	2	2	2	2	2	2
Soccer Fields	24	24	24	27	27	27	27	27	27	27
Basketball courts	8	8	8	8	8	8	8	8	8	8
Softball diamonds	5	5	13	13	13	20	20	20	20	20
Volleyball courts	5	5	5	6	6	6	6	6	6	6
Little league fields	11	11	11	11	11	11	11	11	11	11
Roller Hockey rinks	2	2	2	2	2	2	2	2	2	2
Aquatics Facility - Water Park	-	-	-	-	-	1	1	1	1	1
Community Theatre	1	1	1	1	1	1	1	1	1	1
Amphitheatre	-	-	-	-	-	1	1	1	1	1
Vehicles	6	6	6	8	7	7	7	7	7	7
Health and Welfare										
Vehicles	2	2	2	2	2	2	2	2	2	2

Source: City of Palmdale, various City departments

Other Information

Section



CITY OF PALMDALE, CALIFORNIA

Year Ended June 30, 2012

City of Palmdale
Other Information to the Financial Statements
For the Year Ended June 30, 2012

The former Community Redevelopment Agency of the City of Palmdale ceased to exist as of January 31, 2012, as the result of the statewide dissolution of redevelopment, per AB1X26. The following debt is related to debt of the newly formed Successor Agency of the former Community Redevelopment Agency and is not debt of the City.

A. The Successor Agency for the Former Community Redevelopment Agency of the City of Palmdale

The Successor Agency for the former Community Redevelopment Agency (CRA) was created on January 4, 2012 when the City Council elected to become the Successor Agency for the former redevelopment agency of the City of Palmdale in accordance with Assembly Bill (ABx 1 26 and 1484). The Successor Agency of the former CRA was formed for the purpose of holding the assets of the former CRA until they are distributed to other units of state and local government. The Successor Agency of the former CRA is subject to the control of an oversight board and remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution. The assets and activities are reported as a private purpose trust fund and its debts and obligations are not debts or obligations of the City.

B. Successor Agency Long-Term Debt

1) Notes Payable

Fairway Business Park Note Payable - The former Community Redevelopment Agency (CRA) issued a Promissory Note for the purchase of 120 acres of industrial property known as the Fairway Business Park. On May 16, 2007, the former CRA approved a Settlement Agreement and Mutual General Release, which provided for the former CRA to pay a settlement amount of \$23,043,000 for the property and \$4,975,309 for accrued, unpaid interest. On September 1, 2010, the former Community Redevelopment Agency of the City of Palmdale issued \$11,001,339 of 2010 Series A Tax Allocation Refunding Revenue Notes (2010 Series A Notes) and \$16,504,000 of 2010 Series B Tax Allocation Refunding Revenue Notes (2010 Series B Notes). The net proceeds of the 2010 Series A & B Tax Allocation Refunding Revenue Notes were used to refinance the former Community Redevelopment Agency's outstanding Fairway Business Park note payable.

The principal and interest on the Notes are payable from pledged tax increment from the former Redevelopment Project Area No. 1. Interest on the notes is payable semi-annually on March 1 and September 1, beginning March 1, 2011. Principal installments are payable September 1 and March 1 of each year from 2011 through 2026. The 2010 Series A Notes bear a fixed interest rate of 5.97% per annum and the 2010 Series B Notes bear a fixed interest rate of 6.2% per annum.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$1,375,330. The payments made after the dissolution were \$1,375,331. The value of the notes as of June 30, 2012, is \$25,849,308.

City of Palmdale
Other Information to the Financial Statements
For the Year Ended June 30, 2012

Year Ending	Principal	Interest	Total
2013	\$ 1,190,968	\$ 1,559,692	\$ 2,750,660
2014	1,265,627	1,485,033	2,750,660
2015	1,344,967	1,405,693	2,750,660
2016	1,429,282	1,321,378	2,750,660
2017	1,518,883	1,231,777	2,750,660
2018-2022	9,147,861	4,605,441	13,753,302
2023-2026	9,951,720	1,420,742	11,372,462
Totals	<u>\$ 25,849,308</u>	<u>\$ 13,029,756</u>	<u>\$ 38,879,064</u>

Dillard’s Infrastructure Note Payable - The former Community Redevelopment Agency entered into a Third Implementation Agreement to a Disposition and Development Agreement to reimburse the developer for improvements relating to the construction of a Dillard’s department store. The agreement provides for a maximum reimbursement of \$1,851,038 to Dillard’s for costs of the public infrastructure improvements necessary for the site. The former Community Redevelopment Agency has pledged a percent of sales tax revenues generated from Dillard’s department store to repay the Note. The amount to be reimbursed quarterly is based upon 50 percent of the sales tax revenue actually received by the former Community Redevelopment Agency, generated by the sales occurring at the Dillard’s department store as reported by the latest quarterly report. Reimbursement payments are due 30 days after the former Community Redevelopment Agency receives notice stating the amount of sales tax revenue generated by sales occurring during such calendar quarter.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The reimbursement payment made prior to the dissolution of Community Redevelopment Agency of the City of Palmdale was \$52,376. The reimbursement payment made for the current year after the dissolution was \$33,820, and the balance remaining to be paid from pledged future revenues received by the Private Purpose Trust total \$616,191 as of June 30, 2012.

2) Note Payable Related to Revenue Bonds

Note Payable Related to 1993 Revenue Bonds Payable (\$24,276,124) - On July 15, 1993, the Authority issued \$24,276,124 of 1993 Revenue Bonds (1993 Bonds) which were loaned to the Agency for use in Project Area No. 1 to finance redevelopment activities in or of benefit to the project area, to pay and prepay certain assessment lien obligations of real property owned by the Agency, to advance refund in part the Agency’s obligations with respect to the 1987 refunding Certificate of Participation and to fully advance refund the Agency’s Redevelopment Project Area No. 1 1977 Tax Allocation Bonds.

The liability for the 1993 Revenue Bonds was partially in-substance defeased in May 2003 in the amount of \$19,675,000 by the Authority’s 2003 Revenue Bond. Subsequently, on July 1, 2004, these refunded 1993 Revenue Bonds were called and redeemed at a premium of \$383,000.

The remaining 1993 Bonds maturing on July 1, 2008, 2009 and 2010 in the initial aggregate principal amount of \$806,124 constitute capital appreciation bonds that are not subject to optional redemption prior to their respective stated maturities. Interest on the Capital Appreciation Bonds compounds on January 1 and July 1, commencing January 1, 1994, and the principal and accreted value on the Capital Appreciation Bonds is payable at maturity or upon earlier redemption.

City of Palmdale
Other Information to the Financial Statements
For the Year Ended June 30, 2012

The loan agreement between the Civic Authority and the former Community Redevelopment Agency (CRA) requires the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 1993 Bonds were issued. The former CRA has pledged incremental property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1993 Bonds as they become due. Principal only paid for the current year was \$660,000 and the 1993 Bonds have now been paid in full.

Note Payable Related to: 1994 Revenue Bonds Payable (\$44,999,493) - On June 29, 1994, the Civic Authority issued \$44,999,493 of 1994 Revenue Bonds (1994 Bonds). Interest on the 1994 Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 4.80% to 6.60% per annum. Principal installments are payable September 1 of each year from 2000 through 2034.

The liability for the 1994 Revenue Bonds was partially in-substance defeased in June 2004 in the amount of \$17,230,000 by the former Community Redevelopment Agency's 2004 Tax Allocation Series A Bonds. Subsequently, on September 1, 2004, these refunded 1994 Revenue Bonds were called and redeemed at a premium of \$340,300.

The remaining 1994 Bonds maturing on September 1, 2007 through 2015 in the initial aggregate principal amount of \$1,469,493 constitute capital appreciation bonds that are not subject to optional redemption prior to their respective stated maturities. Interest on the Capital Appreciation Bonds compounds on March 1 and September 1, commencing March 1, 1995, and the principal and accreted value on the Capital Appreciation Bonds is payable at maturity or upon earlier redemption.

The proceeds of the 1994 Bonds were loaned to the former Community Redevelopment Agency for use in Project Area No. 2A to finance redevelopment activities in or of benefit to the project area and to fully advance refund the former Community Redevelopment Agency's Redevelopment Project Area No. 3 1985 Tax Allocation Bonds and Project Area No. 4 1989 Revenue Bonds, Series A. The loan agreement between the Civic Authority and the former Community Redevelopment Agency requires the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 1994 Bonds were issued. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1994 Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 1994 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The principal only paid for the current year prior to the dissolution of Community Redevelopment Agency of the City of Palmdale was \$190,000. At year-end, pledged future revenues totaled \$739,051 which was the amount of the remaining principal on the Bonds.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2012

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 193,063	\$ -	\$ 139,063
2014	190,741	-	190,741
2015	179,081	-	179,081
2016	176,166	-	176,166
Totals	<u>\$ 739,051</u>	<u>\$ -</u>	<u>\$ 739,051</u>

Note Payable Related to: 1997 Revenue Bonds Payable (\$10,890,000) - On May 28, 1997, the Civic Authority issued \$10,890,000 of 1997 Revenue Bonds, Series A (1997 Series A Bonds). Interest on the 1997 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 4.00% to 5.60% per annum. Principal installments are payable July 1 of each year from 1998 through 2015.

The 1997 Series A Term Bonds maturing on July 1, 2012, and July 1, 2015, are subject to mandatory sinking fund redemption beginning July 1, 2011, and July 1, 2013, respectively, in the amount of principal. The 1997 Series A Bonds maturing on or after July 1, 2008, may be redeemed on or after July 1, 2007, at decreasing premiums of 2.00% in 2007 to 1.00% in 2008 and at par thereafter.

The proceeds of the 1997 Series A Bonds were loaned to the former Community Redevelopment Agency to refinance the 1987 Refunding Certificates of Participation. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 1997 Series A Bonds were issued. The former Community Redevelopment Agency has pledged incremental property tax and sales tax generated in Project Area No. 2A, but reserves the option under the repayment agreement to use incremental property tax generated in Project Area No. 1, to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 1997 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 1997 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$934,098. At year-end, pledged future revenues totaled \$3,709,559 of which \$3,325,000 was the remaining principal and \$384,559 was interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 765,000	\$ 163,919	\$ 928,919
2014	805,000	120,820	925,820
2015	850,000	74,480	924,480
2016	905,000	25,340	930,340
Totals	<u>\$ 3,325,000</u>	<u>\$ 384,559</u>	<u>\$ 3,709,559</u>

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2012

Note Payable Related to: 2003 Revenue Bonds Payable (\$19,220,000) - On May 13, 2003, the Civic Authority issued \$19,220,000 of 2003 Revenue Bonds, Series A (2003 Series A Bonds). Interest on the 2003 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 2.00% to 5.00% per annum. Principal installments are payable July 1 of each year from 2004 through 2025.

The 2003 Series A Bonds maturing on or after July 1, 2014, may be redeemed on or after July 1, 2013, in the amount of principal and accrued interest. The 2003 Series A Term Bonds maturing on July 1, 2025, are subject to mandatory sinking fund redemption on July 1, 2023, and on July 1 in each year thereafter to and including July 1, 2025, in the amount of principal and accrued interest.

The proceeds of the 2003 Series A Bonds were loaned to the former Community Redevelopment Agency to advance refund a portion of the 1993 Revenue Bonds. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the same terms as the 2003 Series A Bonds were issued. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2003 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 2003 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$1,517,638. Net incremental property tax totaled \$7,942,234 for the year. At year-end, pledged future revenues totaled \$21,107,519 of which \$15,295,000 was the amount of the remaining principal and \$5,812,519 was interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 810,000	\$ 705,837	\$ 1,515,837
2014	845,000	672,737	1,517,737
2015	875,000	638,338	1,513,338
2016	910,000	602,637	1,512,637
2017	950,000	564,844	1,514,844
2018-2022	5,470,000	2,068,000	7,538,000
2023-2026	5,435,000	560,125	5,995,125
Totals	<u>\$ 15,295,000</u>	<u>\$ 5,812,519</u>	<u>\$ 21,107,519</u>

Note Payable Related to: 2009 Loan Payable (\$6,000,000) - On June 5, 2009, the Civic Authority issued \$6,380,000 of 2009 Revenue Bonds, Series A (2009 Series A Bonds). Interest on the 2009 Series A Bonds is payable semi-annually on January 1 and July 1 at rates ranging from 3.625% to 6.00% per annum. Principal installments are payable July 1 of each year from 2010 through 2027.

The 2009 Series A Bonds maturing on or after July 1, 2020, may be redeemed on or after July 1, 2019, in the amount of principal and accrued interest. The 2009 Series A Term Bonds maturing on July 1, 2027, are subject to mandatory sinking fund redemption on July 1, 2021, and on July 1 in each year thereafter to and including July 1, 2027, in the amount of principal and accrued interest.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2012

The proceeds of the 2009 Series A Bonds were loaned to the former Community Redevelopment Agency to advance refund the 2003 Bond Anticipation Notes. Repayment agreements between the Civic Authority and the former Community Redevelopment Agency require the former Community Redevelopment Agency to pay the Civic Authority under the terms of the Second Supplement to Loan Agreement No. A-2501. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 1 to repay the Civic Authority, which will in turn, pay principal and interest with respect to the 2009 Series A Bonds as they become due.

Upon dissolution of the former Community Redevelopment Agency, the Note Payable related to the 2009 Bonds were an approved enforceable obligation by the State Department of Finance, therefore beginning February 1, 2012, the pledge and payments will be made from future property tax revenues received by the Private Purpose Trust. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$481,843. Net incremental property tax totaled \$7,942,234 for the year. At year-end, pledged future revenues totaled \$10,605,118 of which \$5,845,000 was the amount of the remaining principal and \$4,760,118 of interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 100,000	\$ 380,442	\$ 480,442
2014	105,000	373,713	478,713
2015	115,000	366,491	481,491
2016	125,000	358,613	483,613
2017	130,000	350,243	480,243
2018-2022	775,000	1,610,887	2,385,887
2023-2027	2,605,000	1,257,690	3,862,690
2028	<u>1,890,000</u>	<u>62,039</u>	<u>1,952,039</u>
Totals	<u>\$ 5,845,000</u>	<u>\$ 4,760,118</u>	<u>\$ 10,605,118</u>

3) Tax Allocation Bonds

1998 Tax Allocation Bonds Payable (\$30,625,000) - On September 22, 1998, the former Community Redevelopment Agency issued \$30,625,000 of 1998 Tax Allocation Refunding Bonds (1998 Bonds). Interest on the 1998 Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.75% to 5.00% per annum. Principal installments are payable September 1 of each year from 2000 to 2034.

The 1998 Bonds maturing September 1, 2028, and September 1, 2034, are subject to mandatory sinking fund redemption beginning September 1, 2009, and September 1, 2029, respectively, in the amount of principal and accrued interest. The 1998 Bonds maturing on or after September 1, 2009, may be redeemed on or after September 1, 2008, at decreasing premiums of 2% in 2008 to 1% in 2010 and at par thereafter.

The proceeds of the 1998 Bonds were used to advance refund in part the former Community Redevelopment Agency's obligations with respect to the 1994 Revenue Bonds. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 1998 Bonds as they become due.

City of Palmdale
 Other Information to the Financial Statements
 For the Year Ended June 30, 2012

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$1,296,000. The interest payment made after the dissolution was \$665,625. Net sales tax and incremental property tax pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$44,734,625 which was the amount of the remaining principal and interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 640,000	\$ 1,315,250	\$ 1,955,250
2014	675,000	1,282,375	1,957,375
2015	710,000	1,247,750	1,957,750
2016	740,000	1,211,500	1,951,500
2017	785,000	1,173,375	1,958,375
2018-2022	4,535,000	5,224,375	9,759,375
2023-2027	5,780,000	3,940,250	9,720,250
2028-2032	7,385,000	2,302,875	9,687,875
2033-2035	5,375,000	411,875	5,786,875
Totals	<u>\$ 26,625,000</u>	<u>\$ 8,109,625</u>	<u>\$ 44,734,625</u>

1999 Tax Allocation Bonds Payable (\$2,722,056) - On March 30, 1999, the former Community Redevelopment Agency issued \$2,722,056 of 1999 Subordinate Lien Tax Allocation Bonds (1999 Bonds). The 1999 Bonds constitute convertible capital appreciation bonds. Interest on the 1999 Bonds will accrete at a rate of 4.25% per annum on June 1 and December 1 to and including December 1, 2004, (the Conversion Date) and will not be payable during such period but will increase the Accreted Value of the 1999 Bonds to an amount equal to their Final Compounded Amount on the Conversion Date. From and after the Conversion Date, interest on the 1999 Bonds is payable semi-annually on June 1 and December 1 at 5.5% per annum. Principal installments are payable December 1 of each year from 2005 to 2029.

The 1999 Bonds maturing on or after December 1, 2005, are subject to mandatory sinking fund redemption beginning December 1, 2005, in the amount of principal and accrued interest. The 1999 Bonds maturing on or after December 1, 2014, may be redeemed on or after December 1, 2014, at decreasing premiums of 2% in 2014 to 1% in 2016 and at par thereafter.

The proceeds of the 1999 Bonds were used to finance redevelopment activities in or of benefit to Project Area No. 2A. The former Community Redevelopment Agency pledged incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 1999 Bonds as they become due.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$177,225. The interest payment made

City of Palmdale
 Other Information to the Financial Statements
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after the dissolution was \$79,613. Net incremental property tax totaled \$10,413,739 for the year. At year-end, pledged future revenues totaled \$4,552,013 of which \$2,895,000 was the amount of the remaining principal and \$1,657,013 interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 100,000	\$ 156,475	\$ 256,475
2014	105,000	150,838	255,838
2015	110,000	144,925	254,925
2016	115,000	138,737	253,737
2017	120,000	132,275	252,275
2018-2022	720,000	550,000	1,270,000
2023-2027	930,000	325,050	1,255,050
2028-2030	695,000	58,713	753,713
Totals	<u>\$ 2,895,000</u>	<u>\$ 1,657,013</u>	<u>\$ 4,552,013</u>

2002 Tax Allocation Bonds Payable (\$5,329,748) - On August 20, 2002, the former Community Redevelopment Agency issued \$5,329,748 of 2002 Subordinate Lien Tax Allocation Bonds (2002 Bonds). The 2002 Bonds constitute capital appreciation bonds that are not subject to redemption prior to their respective stated maturities. Interest on the 2002 Bonds compound at rates ranging from 4.88% to 5.68% per annum on June 1 and December 1, commencing December 1, 2002, and will be payable solely at maturity or upon earlier redemption of the respective Bonds. The Bonds will mature and be payable December 1 of each year from 2016 through 2032.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2002 Bonds were used to finance redevelopment activities in or of benefit to Project Area No. 2A. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 2002 Bonds as they become due. No principal or interest was paid for the current year. Net sales tax and incremental property tax pledged could not be determined for the current year. At year-end, pledged future revenues totaled \$17,255,000 of which \$8,985,912 was the amount of the remaining principal and \$8,269,088 interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	783,872	186,128	970,000
2018-2022	3,314,895	1,520,105	4,835,000
2023-2027	2,474,730	2,385,270	4,860,000
2028-2032	2,022,054	3,342,946	5,365,000
2033	390,361	834,639	1,225,000
Totals	<u>\$ 8,985,912</u>	<u>\$ 8,269,088</u>	<u>\$ 17,255,000</u>

2003 Tax Allocation Bonds Payable (\$5,965,000) - On December 9, 2003, the former Community Redevelopment Agency issued \$5,965,000 of 2003 Series C Tax Allocation Refunding Bonds (2003 Series C Bonds). Interest on the 2003 Series C Bonds is payable

City of Palmdale
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 For the Year Ended June 30, 2012

semi-annually on March 1 and September 1 at rates ranging from 2.00% to 4.75% per annum. Principal installments are payable September 1 of each year from 2004 to 2028.

The 2003 Series C Bonds maturing on September 1, 2028, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2003 Series C Bonds maturing on or after September 1, 2008, may be redeemed on or after September 1, 2007, at decreasing premiums of 2% in 2008 to 1% in 2009 and at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2003 Series C Bonds were used to fully advance refund the former Community Redevelopment Agency's 1997 Series B Taxable Tax Allocation Bonds. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$278,305. The interest payment made after the dissolution was \$100,680. At year-end, pledged future revenues totaled \$6,898,643 of which \$4,630,000 was the amount of the remaining principal and \$2,268,643 interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 175,000	\$ 198,516	\$ 373,516
2014	180,000	192,523	372,523
2015	180,000	186,043	366,043
2016	190,000	179,102	369,102
2017	195,000	171,690	366,690
2018-2022	1,030,000	735,616	1,765,616
2023-2027	1,100,000	503,503	1,603,503
2028-2029	1,580,000	101,650	1,681,650
Totals	<u>\$ 4,630,000</u>	<u>\$ 2,268,643</u>	<u>\$ 6,898,643</u>

2003 Tax Allocation Bonds Payable (\$7,250,000) - On December 9, 2003, the former Community Redevelopment Agency issued \$7,250,000 of 2003 Series D Tax Allocation Bonds (2003 Series D Bonds). Interest on the 2003 Series D Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 2.00% to 4.90% per annum. Principal installments are payable September 1 of each year from 2004 to 2032.

The 2003 Series D Bonds maturing on September 1, 2018, September 1, 2023, September 1, 2028, and September 1, 2032, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2003 Series D Bonds maturing on or after September 1, 2012, may be redeemed on or after September 1, 2011, at decreasing premiums of 2% in 2012 to 1% in 2013 and at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

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The proceeds of the 2003 Series D Bonds were used to finance housing activities of the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$202,016. The interest payment made after the dissolution was \$171,529. At year-end, pledged future revenues totaled \$13,301,166 of which \$7,060,000 was the amount of the remaining principal and \$6,241,166 interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 30,000	\$ 342,428	\$ 372,428
2014	30,000	341,168	371,168
2015	35,000	339,802	374,802
2016	35,000	338,332	373,332
2017	35,000	336,862	371,862
2018-2022	190,000	1,660,777	1,850,777
2023-2027	240,000	1,612,750	1,852,750
2028-2032	4,760,000	1,227,274	5,987,274
2033	1,705,000	41,773	1,746,773
Totals	<u>\$ 7,060,000</u>	<u>\$ 6,241,166</u>	<u>\$ 13,301,166</u>

2004 Tax Allocation Bonds Payable (\$18,535,000) - On June 8, 2004, the former Community Redevelopment Agency issued \$18,535,000 of 2004 Series A Tax Allocation Refunding Bonds (2004 Series A Bonds). Interest on the 2004 Series A Bonds is payable semi-annually on March 1 and September 1 at a fixed rate of 5.00% per annum. Principal installments are payable September 1 of each year from 2005 to 2007 and from 2010 to 2034.

The 2004 Series A Bonds maturing September 1, 2028, and September 1, 2034, are subject to mandatory sinking fund redemption beginning September 1, 2023, and September 1, 2029, respectively, in the amount of principal and accrued interest. The 2004 Series A Bonds maturing on or after September 1, 2015, may be redeemed on or after September 1, 2014, at decreasing premiums of 2% in 2015 to 1.5% in 2016 to 1% in 2017 to 0.5% in 2018 and at par thereafter.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2004 Series A Bonds were used to prepay a portion of a loan made in 1994 by the Palmdale Civic Authority to the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged sales tax and incremental property tax generated in Project Area No. 2A to pay principal and interest with respect to the 2004 Series A Bonds as they become due. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$734,875. The interest payment made after the dissolution was \$447,875. At year-end, pledged future revenues totaled \$30,515,625 of which \$17,915,000 was the amount of the remaining principal and \$12,600,625 interest on the Bonds.

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Year Ending	Principal	Interest	Total
2013	\$ 290,000	\$ 888,500	\$ 1,178,500
2014	300,000	873,750	1,173,750
2015	310,000	858,500	1,168,500
2016	320,000	842,750	1,162,750
2017	545,000	821,125	1,366,125
2018-2022	3,170,000	3,657,000	6,827,000
2023-2027	4,050,000	2,758,750	6,808,750
2028-2032	5,165,000	1,611,875	6,776,875
2033-2035	3,765,000	288,375	4,053,375
Totals	<u>\$ 17,915,000</u>	<u>\$ 12,600,625</u>	<u>\$ 30,515,625</u>

2004 Tax Allocation Bonds Payable (\$6,090,000) - On October 7, 2004, the former Community Redevelopment Agency issued \$6,090,000 of 2004 Subordinate Lien Tax Allocation Bonds (2004 Bonds). Interest on the 2004 Bonds is payable semi-annually on June 1 and December 1 at rates ranging from 3.00% to 4.75% per annum. Principal installments are payable December 1 of each year from 2011 to 2033.

The 2004 Bonds maturing on December 1, 2024, December 1, 2027, December 1, 2029, and December 1, 2033, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2004 Bonds maturing on or after December 1, 2015, may be redeemed on or after December 1, 2014, in the amount of principal and accrued interest.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2004 Bonds were used to finance redevelopment activities of the Agency. The former Community Redevelopment Agency has pledged incremental property tax generated in Project Area No. 2A to pay principal and interest on the bonds as they become due. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$282,552. The interest payment made after the dissolution was \$135,378. Net incremental property tax totaled \$10,413,739 for the year. At year-end, pledged future revenues totaled \$10,000,778 of which \$5,945,000 was the amount of the remaining principal and \$4,055,778 interest on the Bonds.

Year Ending	Principal	Interest	Total
2013	\$ 145,000	\$ 268,508	\$ 413,508
2014	155,000	263,780	418,780
2015	160,000	258,580	418,580
2016	165,000	252,890	417,890
2017	150,000	247,145	397,145
2018-2022	870,000	1,135,375	2,005,375
2023-2027	1,075,000	900,494	1,975,494
2028-2032	1,355,000	610,731	1,965,731
2033-2034	1,870,000	118,275	1,988,275
Totals	<u>\$ 5,945,000</u>	<u>\$ 4,055,778</u>	<u>\$ 10,000,778</u>

2005 Tax Allocation Bonds Payable (\$14,115,000) - On August 16, 2005, the former Community Redevelopment Agency issued \$14,115,000 of 2005 Series E Tax Allocation Refunding Bonds (2005 Series E Bonds). Interest on the 2005 Series E Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.00% to 4.50% per annum. Principal installments are payable September 1 of each year from 2006 to 2027.

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The 2005 Series E Bonds maturing on September 1, 2027, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2005 Series E Bonds maturing on or after September 1, 2016, may be redeemed on or after September 1, 2015, at par together with accrued interest, without premium.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2005 Series E Bonds were used to fully advance refund the former Community Redevelopment Agency's 1997 Series A Tax Allocation Bonds. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of Palmdale were \$727,583. The interest payment made after the dissolution was \$241,896. At year-end, pledged future revenues totaled \$15,966,736 of which \$11,540,000 was the amount of the remaining principal and \$4,426,736 interest on the Bonds.

Year Ending	Principal	Interest	Total
2013	\$ 500,000	\$ 472,541	\$ 972,541
2014	525,000	452,104	977,104
2015	550,000	430,541	980,541
2016	570,000	407,479	977,479
2017	595,000	385,486	980,486
2018-2022	3,425,000	1,539,810	4,964,810
2023-2027	4,365,000	716,681	5,081,681
2028	1,010,000	22,094	1,032,094
Totals	<u>\$ 11,540,000</u>	<u>\$ 4,426,736</u>	<u>\$ 15,966,736</u>

2005 Tax Allocation Bonds Payable (\$2,805,000) - On August 16, 2005, the former Community Redevelopment Agency issued \$2,805,000 of 2005 Series F Tax Allocation Bonds (2005 Series F Bonds). Interest on the 2005 Series F Bonds is payable semi-annually on March 1 and September 1 at rates ranging from 3.00% to 4.50% per annum. Principal installments are payable September 1 of each year from 2006 to 2033.

The 2005 Series F Bonds maturing on September 1, 2029, and September 1, 2033, are subject to mandatory sinking fund redemption in the amount of principal and accrued interest. The 2005 Series F Bonds maturing on or after September 1, 2016, may be redeemed on or after September 1, 2015, at par together with accrued interest, without premium.

The former Community Redevelopment Agency has reported the debt in the Private Purpose Trust Fund and is an approved enforceable obligation by the State Department of Finance and will be repaid from future property tax revenues allocated to the Private Purpose Trust Fund. (Note 19)

The proceeds of the 2005 Series F Bonds were used to finance housing activities of the former Community Redevelopment Agency. The former Community Redevelopment Agency has pledged tax increment (20% Set Aside) arising from Project Area No. 2A to repay the principal and interest on the bonds. The current year payments of principal and interest prior to the dissolution of Community Redevelopment Agency of the City of

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Palmdale were \$93,265. The interest payment made after the dissolution was \$57,696. At year-end, pledged future revenues totaled \$4,724,560 of which \$2,630,000 was the amount of the remaining principal and \$2,094,560 interest on the Bonds.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 35,000	\$ 114,802	\$ 149,802
2014	35,000	113,599	148,599
2015	35,000	112,356	147,356
2016	40,000	110,976	150,976
2017	40,000	109,467	149,467
2018-2022	215,000	522,304	737,304
2023-2027	285,000	469,934	754,934
2028-2032	125,000	418,947	543,947
2033-2034	1,820,000	122,175	1,942,175
Totals	<u>\$ 2,630,000</u>	<u>\$ 2,094,560</u>	<u>\$ 4,724,560</u>

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