

**CITY OF LAKEWOOD, CALIFORNIA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**Prepared by  
Department of Administrative Services**

**Diane Perkin  
Director of Administrative Services**



CITY OF LAKEWOOD  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
TABLE OF CONTENTS

June 30, 2010

	<u>Page Number</u>
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal	i
Organizational Chart	xi
Principal Officers	xiii
Certificate of Achievement for Excellence in Financial Reporting	xiv
 <b>FINANCIAL SECTION:</b>	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14 - 15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16 - 17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances	20 - 21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Funds:	
Statement of Net Assets	23 - 24
Statement of Revenues, Expenses and Changes in Net Assets	25
Statement of Cash Flows	26 - 27
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities	28
Notes to Basic Financial Statements	29 - 56

CITY OF LAKEWOOD  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS  
(CONTINUED)

June 30, 2010

	<u>Page Number</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedules of Funding Progress:	
CalPERS Defined Benefit Pension Plan	58
Retiree Enhancement Defined Benefit Plan	58
Retiree Health Defined Benefit Plan	58
Budgetary Comparison Schedule:	
General Fund	59
Note to Required Supplementary Information	60
<b>SUPPLEMENTARY INFORMATION:</b>	
Other Governmental Funds:	61 - 63
Combining Balance Sheet	64 - 67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	68 - 71
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
State Gasoline Tax Special Revenue Fund	72
Park Dedication Special Revenue Fund	73
Sewer Reconstruction Special Revenue Fund	74
Prop A Transit Special Revenue Fund	75
Housing Authority Special Revenue Fund	76
Prop C Transportation Special Revenue Fund	77
AB 2766 Special Revenue Fund	78
Community Development Block Grant Special Revenue Fund	79
State COPS Grants Special Revenue Fund	80
JAG Grants Special Revenue Fund	81
Litter Reduction Grant Special Revenue Fund	82
TDA Article Grant Special Revenue Fund	83
Used Oil Grant Special Revenue Fund	84
Beverage Container Grant Special Revenue Fund	85
Prop A Recreation Special Revenue Fund	86
State Parks Grants and Bonds Special Revenue Fund	87
Measure R Special Revenue Fund	88
Lakewood Business Development Special Revenue Fund	89
NSP Grant Special Revenue Fund	90
Weingart Foundation Grant Special Revenue Fund	91
Internal Service Funds:	93
Combining Statement of Net Assets	94
Combining Statement of Revenue, Expenses and Changes in Net Assets	95
Combining Statement of Cash Flows	96
Fiduciary Funds:	97
Combining Statement of Fiduciary Assets and Liabilities	98
Schedule of Changes in Fiduciary Assets and Liabilities	99

CITY OF LAKEWOOD  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS  
(CONTINUED)

June 30, 2010

	<u>Page Number</u>
STATISTICAL SECTION (UNAUDITED):	
Description of Statistical Section Contents	101
Financial Trends:	
Net Assets by Component - Last Eight Fiscal Years	102 - 103
Changes in Net Assets - Expenses and Program Revenues - Last Eight Fiscal Years	104 - 105
Changes in Net Assets - General Revenues - Last Eight Fiscal Years	106 - 107
Fund Balances of Governmental Funds - Last Eight Fiscal Years	108 - 109
Changes in Fund Balances of Governmental Funds - Last Eight Fiscal Years	110 - 111
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	112
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	113
Principal Property Taxpayers - Current Fiscal Year and Nine Fiscal Years Ago	114
Property Tax Levies and Collections - Last Ten Fiscal Years	115
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	116 - 117
Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years	118
Direct and Overlapping Debt	119
Legal Debt Margin Information - Last Ten Fiscal Years	120 - 121
Pledged Revenue Coverage:	
Water Revenue Bonds - Last Ten Fiscal Years	122
Tax Allocation Bonds - Last Ten Fiscal Years	123
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Calendar Year	124
Principal Employers - Current Fiscal Year and Nine Fiscal Years Ago	125
Operating Information:	
Full-Time and Part-Time City Employees by Function - Last Ten Fiscal Years	126 - 127
Operating Indicators by Function - Last Ten Fiscal Years	128 - 129
Capital Asset Statistics by Function - Last Ten Fiscal Years	130 - 131



Larry Van Nostran  
*Vice Mayor*

Todd Rogers  
*Council Member*



Diane DuBois  
*Council Member*

Steve Croft  
*Council Member*

Joseph Esquivel  
*Mayor*

December 9, 2010

The Honorable Mayor and City Council  
City of Lakewood  
Lakewood, California

**TRANSMITTAL**

State law requires that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lakewood for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City of Lakewood. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City of Lakewood has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Lakewood's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Lakewood'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 Lakewood's financial statements have been audited by Diehl, Evans and Company, 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 Lakewood for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved 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, and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lakewood's financial statements for the fiscal year ended June 30, 2010, 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 Lakewood 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 Lakewood's separately issued Single Audit Report.

GAAP requires 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 Lakewood's MD&A can be found immediately following the report of the independent auditors.

### **PROFILE OF THE GOVERNMENT**

The City of Lakewood, incorporated in 1954, is located in Southern Los Angeles County, 20 miles south of the City of Los Angeles. Lakewood enjoys the benefits of the diversified economy of Southern California. The City is primarily a bedroom community providing housing for the Southern California subregion. The City of Lakewood occupies a land area of 9.5 square miles and serves a population of 83,636 as of January 1, 2010.

The City of Lakewood has operated under the council-manager form of government since its incorporation. The City of Lakewood is a "contract city," having been the first in the country to adopt this form of government. John Stanford Todd's contributions to Lakewood and city government are now honored by two John Sanford Todd Memorial Highway signs located near the northern and southern borders of Lakewood along the 605 freeway. Support for the memorial highway project came from the California Contract Cities Association, which Todd helped to found in 1957, and California Assembly member Warren T. Furutani. Policy-making and legislative authority are vested in a governing council consisting of five council members. The governing council is responsible for, among other things, 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 governing council, for overseeing the day-to-day operations of the governments, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year overlapping terms. The mayor is selected by the council from among its members and serves in that capacity for a one-year term.

The City of Lakewood provides a full range of services, including police protection, solid waste collection, construction and maintenance of highways, streets and infrastructure, planning and zoning activities, utilities (water), recreational activities, cultural events, and general administrative services. The City of Lakewood is a "contract" city, meaning that some of these services are provided by contract with other agencies (both public and private) and some services are delivered by the City's own employees. In addition to the services mentioned, the City provides services through three "component units": the Lakewood Redevelopment Agency, the Lakewood Housing Authority, and the Lakewood Public Financing Authority. Therefore, the activities of these component units are included in the reporting entity. Library services, fire protection services, and sewer services are provided by special districts of the County of Los Angeles. The City has excluded the County of Los Angeles, as well as the State of California and various school districts, because they do not meet the established criteria for inclusion.

The annual budget serves as the foundation for the City of Lakewood's financial planning and control. All departments of the City of Lakewood are required to submit requests for appropriation to the City Manager for inclusion in the annual budget.



The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents a proposed budget to the council for review prior to July 1. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Lakewood's fiscal year. The appropriated budget is prepared by fund, function (e.g., solid waste collection), and department (e.g., public works). The City Manager may authorize transfers of appropriations within and between departments and between funds. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented in the required supplementary information subsection of this report. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the supplementary information subsection of this report.

### **ASSESSING THE CITY'S ECONOMIC CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Lakewood operates.

The challenges the city faces are revenue related. The decline of retail sales, the downturn in auto sales, and the drastic housing market depreciation all severely impacted tax revenues received by the city. Based on local tax trends the economic impact on tax receipts is projected at a \$2.4 million annual loss. Major revenue sources affected by the downturn are \$1.2 million loss in sales tax, property tax related revenues are \$685,000 below trend, building permits have declined by \$330,000, and gas tax continues to contract and is now \$310,000 below previous payments. Add low interest earnings, and the total loss of revenues to the city due to the poor economy tops \$3.65 million.

<b>Annual Revenue Loss</b>	
Interest	\$ 1,219,000
Sales Tax	\$ 1,109,200
Property Tax & DTT	\$ 685,000
Building Permits & Fees	\$ 329,230
Gas Tax	\$ 309,470
<b>Annual Total Loss</b>	<b>\$ 3,651,900</b>

The State deficit persists and in past years the State has taken actions to resolve its fiscal crisis with the ultimate burden on cities and other local agencies. The State has utilized various methods to close both their budget and cash flow gaps. The "triple flip," which uses a portion of city sales tax revenues as a cash flow source for the \$15 billion in bonds issued by the state, continues into the 2010-2011 fiscal year. In Fiscal Year 2010, the State borrowed local property tax, delayed payments of the local gas tax, and raided redevelopment funds. Local transportation and public safety funds have also been transferred by the State to shore up their revenues. The sheer magnitude of the state deficit created the potential for programmed revenue shifts from cities and other agencies to the state for years to come. The voter approved November 2010 Prop 22 protects local revenues and should halt State revenue shifts.

The uncertainty of the City's revenues is countered by the City's diligence to live within its means. Expenses are kept in check and long-term financial obligations are incorporated in every budget cycle.

#### **The Local Economy**

The City of Lakewood's economic base is largely residential with six percent of the city zoned for commercial use. The city is a no-and-low property tax city, which means property owners were not assessed a municipal property tax in 1978-79 that would have been folded into the tax base under Prop 13. The City relies on a small 5.85 percent share of the county collections. The total assessed valuation of real property in the city was \$7 billion for Fiscal Year 2009-2010, a 3.6 percent decrease from the previous year.



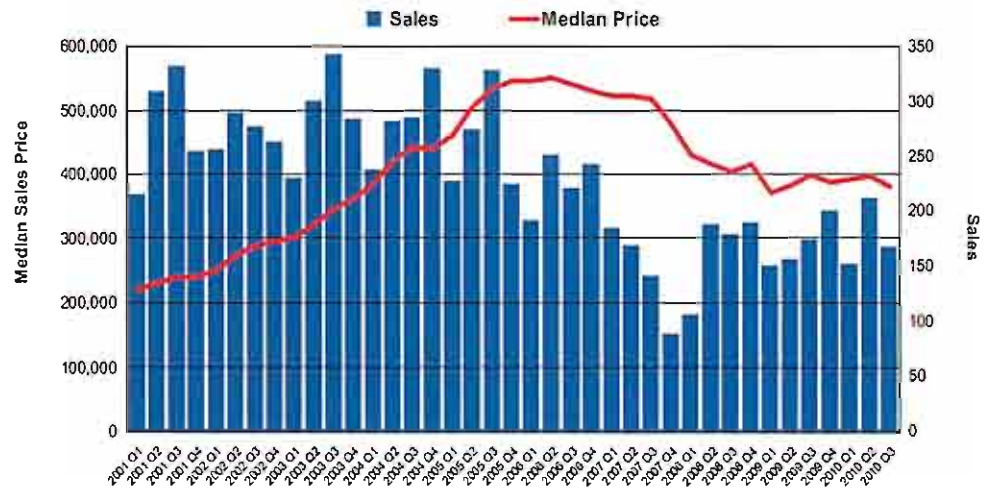
Prior to 2007, the growth in the city's assessed value outpaced the county. With 94 percent of the city zoned residential it appears the city felt the effects of the housing crash greater than the county as a whole. In the 2010, construction started to show signs of a recovery as construction and remodeling permits have increased from 2,660 in 2009, to 3,301 in 2010.

#### Assessed Property Values

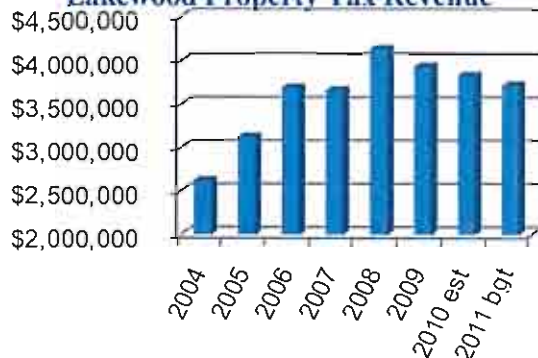
	2006	2007	2008	2009	2010
Lakewood	10.6%	10.4%	8.8%	4.2%	-3.6%
LA County	9.7%	10.6%	9.0%	7.0%	-0.6%

The decline in property values triggered the 1978 Proposition 8 reductions where the lesser of the adjusted base year value or market value is used for taxation. This and overall declines in property valuations caused property tax receipts, which account for nine percent of general fund revenues, to decrease by 4.6 percent in the budget year.

From 2004 to 2008, property tax revenues increased by \$1.5 million. Since then property tax revenues have declined by \$413,100. Further declines in the next two years are expected as homes change ownership at lower assessed values.



#### Lakewood Property Tax Revenue

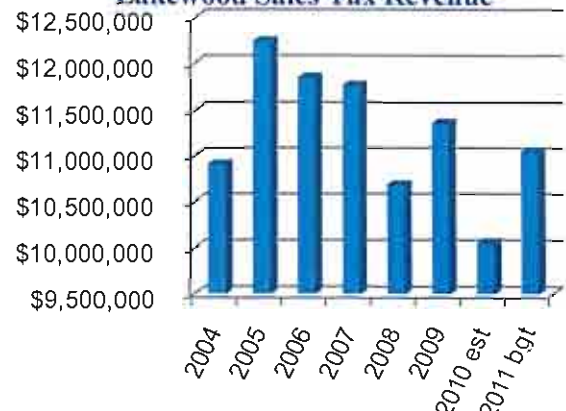


Since the approval of the 2004 Proposition 1A and subsequent implementation of the "triple-flip", decreases in property tax valuation have a greater impact on general fund revenues.

Under the "triple-flip" vehicle license fee revenue growth is tied to property tax growth. Property tax in-lieu of vehicle license fees accounts for an additional 16 percent of general fund revenues. Overall, property tax related revenues have decline by \$685,000.

Sales tax revenues account for 26 percent of General Fund Revenues. Over 3,000 businesses (including home occupations) are located in Lakewood generating a projected \$11 million in sales tax for the city. The economic base of Lakewood is primarily retail and the city's "top twenty-five" retail businesses, as a group, produce 53 percent of the city's sales tax revenues. Since its peak in 2005, sales tax revenue has declined 18 percent, a loss of \$2.2 million to the general fund in Fiscal Year 2010, and \$1.2 million loss in the 2011.

#### Lakewood Sales Tax Revenue



Sales tax revenues are expected to increase in Fiscal Year 2010-2011, and first quarter sales tax revenues are in line with this projection.

City revenues are also affected by changes in the commodity markets. The city's assessed utility users' tax represents nine percent of general fund revenues. The tax is assessed on communications, electricity, natural gas, and water use. In the past year, natural gas prices have declined dramatically, resulting in a \$220,000 unexpected decline of natural gas utility users' tax revenues. The decline in natural gas prices has also affected the city's franchise fee collections. Natural gas franchise fees fell \$117,000 in both the current and proposed budget years.

Lakewood's employment rate depends on the regional job situation. A major employer in the region is the Boeing C-17 cargo jet plant with approximately 5,000 employees. The C-17 faces an uncertain future. The Pentagon has stopped new orders, and President Barack Obama specifically targeted the plane for defense budget cuts in his proposed 2010 budget. Boeing plans to end production in mid-2013, though foreign orders could extend production beyond 2015. The \$250 million C-17 is used by militaries to haul vehicles, troops and supplies, and in relief efforts to ferry medical supplies, food, water and other relief items to disaster zones.

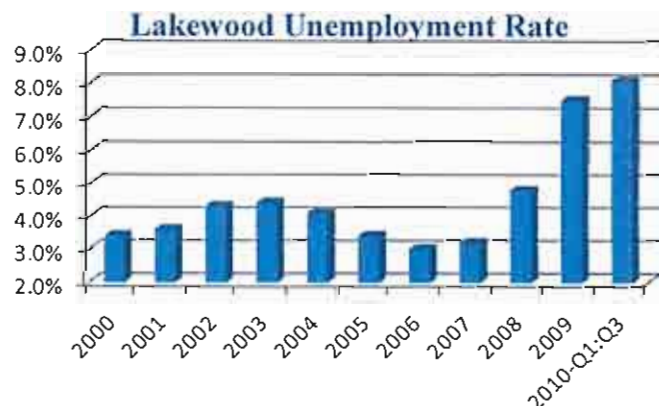


On a positive note, after a more than 20 percent decline from 2007 through 2009, trade volumes through local ports are rising at a quicker-than-expected pace indicating that international trade, a major source of jobs for our region, is recovering better than expected. Total container counts through Long Beach and Los Angeles grew by 23 and 17 percent from 2009 levels, and shippers have been moving 35 percent more empty containers and freight ships into the Long Beach Port suggesting more growth ahead.

In 2009, the Legislature passed a \$500 million five-year program to counteract the financial incentives offered by other states to lure film production away from the Los Angeles County region by offering tax credits to a limited range of qualifying productions. This program has resulted in increase in regional employment in this field by 10,000 from a year-ago.

Employment in health services was the only sector that did not show a loss of jobs in the region. The growth was slight at 1.5 percent, but this is expected to increase to 2.5 percent over the next two years. There are over 50 medical centers and hospitals in the region, which may have bolstered local employment numbers above the rest of the state.

Major employers located within city limits are Long Beach Unified School District, County of Los Angeles, Lakewood Regional Medical Center, and various retail, automotive and home improvement businesses, as well as the city itself. Lakewood's unemployment rate increased to 8.1 percent in the first nine months of 2010; far better than the state as a whole, but more than double the average rate Lakewood enjoyed in the past ten years.



Thirty-four percent of the City's operating budget pays for contracted services, and many of these contracts have cost increases tied to the local CPI. The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside, and Orange County region was 1.9 percent in 2010, and is expected to remain relatively low through 2012.

#### **Financial Management Policies and Practices**

The City implemented GASB 43 and 45 to account for the retiree health benefits, or other post employee benefits (OPEB) The City provides limited supplemental payment for post-retirement health care benefits for full-time employees who have completed 20 years of service and have reached the age of 55, or who have completed 15 years and reached the age of 60, and who are retiring under PERS.

GASB STATEMENT 43: Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans (OPEB) was issued in May 2004 to regulate non-pension post-employment benefits. GASB Statement 43 applies to the Union Bank Trust established by the City to fund OPEB benefits. Statement 43 addresses financial statement and disclosure requirements for reporting by administrators and trustees of the OPEB plan assets.

GASB STATEMENT 45: Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions was issued in June 2004 to establish standards for measurement, recognition and display of "other post-employment benefits" (OPEB) expense/expenditures and related liabilities (assets), notes disclosures, and required supplementary information. Standards set by GASB 45 are included in Note 12 of the notes to the basic financial statements and includes the following information:

Information about the OPEB plan

Benefit provided, benefit eligibility, and number of employees and retirees covered.

Actuarial Information

Liability and assets of the OPEB plan, and actuarial methods and assumptions used to calculate the liability.

Reporting of the liability

The annual required contribution (ARC) \$268,744 is reported as an annual expense.

The City has not experienced any of the five obligating events that trigger the implementation of GASB Statement 49.

GASB STATEMENT 49: Accounting and financial reporting standards for pollution remediation obligations of current or potential detrimental effects of *existing* pollution remediation activities. Once any one of five specified obligating events occurs, the City is required to estimate pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or capitalized. Obligating events include the following:

- The government is compelled to take pollution remediation action because of an imminent endangerment.
- The government violates a pollution prevention-related permit or license.
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a government responsible for sharing costs.
- The government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The government commences or legally obligates itself to commence pollution remediation.

The requirements of Statement 51 are effective for financial periods beginning after June 15, 2009, and are included in these statements.



**GASB STATEMENT 51: Accounting and Financial Reporting for Intangible Assets.** This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software.

### **Long-Term Financial Planning**

Long-term financial planning involves the management of the City's assets. Assets include cash and investments, as well as the City's entire infrastructure of streets, street lighting, signals, medians, signage, parks, recreation facilities, water mains, trees sidewalks and bus-stops, etc. Long-term debt, pension and post-employment benefits, and the depreciation and deterioration of the above named tangible assets, are also included in the long-term financial plan.

The City's cash and investment policy is written with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints, liquidity needs, and cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to safety and liquidity objectives.

Capital improvement projects typically involve large outlays and cover multiple years. Although, capital improvements are considered apart from the operating budget of the city, the operating budget is developed so that the city maintains a structural surplus to fund capital projects. In addition, Lakewood staff are encouraged and readily take the steps necessary to acquire new, and retain current funding sources. New funding possibilities include various one-time competitive grants and on-going block grants. These grants fund public works projects, park and recreation facilities, and public safety, transportation and housing programs. City staff aggressively pursued economic stimulus funds and other grants in the past year, and received funding from the following sources that have been used to enhance the city's infrastructure: American Recovery & Reinvestment Act, Highway Safety Improvement Program, Energy Efficiency & Conservation Block Grant, Transportation, Community & Systems Preservation, Truck Impacted Intersections Project Phase II, CDBG-Recovery, Justice Assistance Grant, Neighborhood Stabilization Program.

The Fiscal Year 2010-2011 budget Initiatives, **PLAN AND DEVELOP INFRUSTRUCTURE** and **PRESERVE THE NEIGHBORHOOD QUALITY OF LIFE** provide continued funding for the long-term financial plan to maintain the City's tangible assets:

**LOCAL STREET MAINTENANCE AND TRANSIT:** The city's proactive paving program began in 2000. Since the program's inception, over 132 miles of residential streets have been resurfaced with rubberized asphalt providing long lasting durable roadways throughout the city. In the past year, 1.1 miles of curb and gutter, and 1.2 miles of sidewalk were removed and replaced, and 22 curb ramps were added. Prop C, Measure R, TDA, and Community Development Block Grant funds are allocated in the proposed Fiscal Year 2010-2011 Budget to continue to city's investment in its street resurfacing and sidewalks. Truck Impacted Intersection and Transportation Community & Systems Preservation Grants will fund upgraded signals at the city's busiest intersections. Utilizing Federal Transportation Administration grant funds, 18 new bus shelters with benches, and new benches at 35 other bus stop locations for bus passengers were installed.

**MITIGATING STORM WATER POLLUTION:** Mandated by the State's Water Control Board, Lakewood implemented a citywide "no parking during street sweeping" program. The program has ensured all Lakewood streets are swept clean each week by requiring all vehicles be moved off the street on street sweeping day. General Funds are allocated to continue this program.

**TREE PLANTING:** The National Arbor Day Foundation has named Lakewood a "Tree City USA" every year since 1982. General Funds have been allocated to support the City's urban forest.

**WATER UTILITY PROJECTS:** The city's water utility provides service to about 80 percent of Lakewood. The Department of Water Resources routinely replaces water mains, service lines, and fire hydrants, which is part of the overarching plan to replace old undersized water mains, which will increase fire-fighting capabilities and improve water quality. Allocated in the proposed Fiscal Year 2010-2011 Budget are funds to implement Phase 5 of the water main replacement program, rehab Plant #13, and install a treatment facility at Well #22.

**PARK FACILITIES:** Lakewood was one of only ten California cities to win the 2010 *Playful City* honor. The designation was made by KaBoom!, a national non-profit organization based in Washington, DC that is dedicated to promoting children's recreation and creating more places for children to play safely. Along with this honor, the Mae Boyar Park Activity Building was named Project of the Year by the Southern California Chapter of the American Public Works Association. *Sports Illustrated* named Lakewood "Sportstown USA" recognizing the city's sports programs as the best in California. In addition to the ten parks and two community centers scattered throughout the city, the city preserves a two-mile West San Gabriel River Parkway Nature Trail located adjacent to Monte Verde Park for the community. The city also operates two community pools located at Mayfair and Bolivar parks. CDBG funds will be used to upgrade the play areas at Palms and Biscailuz Parks. General Funds have also been made available to keep the park play equipment in prime condition. As part of the American Recovery and Reinvestment Act, Lakewood received Energy Efficiency and Conservation Block Grant funds that will be used to upgrade the 25-year old HVAC system at The Centre.

Long-term debt is limited to the City's Water Enterprise and the Agency's Project Area 1. More detailed information regarding the City's and Agency's long-term debt is presented in the following financial statements.

The City participates in the California Public Employee Retirement System (PERS), and provides a PARS Retirement Enhancement Plan of 0.5 percent at 60. The PARS Plan employer contribution rate is determined annually, for Fiscal Year 2011 the rate is 4.55 percent based on a 15-year amortization (20 years from July 1, 2005, the Plan implementation date); the employee contribution rate is 3 percent, more detailed information regarding the City's PERS and PARS plans is presented in the following financial statements. The City offers post-employment health benefits (OPEB) to eligible employees. The latest actuarial performed as of June 30, 2009, determined that the OPEB accrued liability was \$5,950,911; add the 2010 annual contribution and subtract payments made the accrued liability increased to \$6,148,024 as of June 30, 2010. As of June 30, 2010 the City had \$5,579,807 in an irrevocable trust, and reserved \$568,217 in the General Fund to cover the OPEB accrued liability. The OPEB accrued liability is approximately 91% funded; the OPEB unfunded accrued liability (UAL) is equivalent to the amount reserved, \$568,217, approximately 9%. The difference in the amount held in trust and the year-end accrued liability is reserved to be transferred at the completion of the next biennial actuarial, which is June 30, 2011.

#### **Fiscal Year 2010-2011 Major Budget Initiatives**

In addition to the budget initiatives outlined above, the following highlight how the City plans to carry on the tradition of community investment:

BUDGET FOR SUSTAINABILITY  
SECURE FISCAL RESOURCES: LOCAL, STATE AND FEDERAL  
PROMOTE ECONOMIC VITALITY  
KEEP LAKEWOOD SAFE  
HOLD ON TO LOCAL AUTHORITY  
GIVE CITIZENS THE OPPORTUNITY TO BE SELF-SUFFICIENT  
FOSTER A SENSE OF COMMUNITY  
PROTECT THE ENVIRONMENT

**2010 Highlights***Legislative achievements*

- Proposition 22 was adopted in November 2010: Lakewood joined the coalition of local government, transportation, business, public safety, labor and public transit leaders in support of the Local Taxpayer, Public Safety, and Transportation Protection Act. This measure closes loopholes to prevent the state from taking, diverting, or borrowing local government, transportation, and public interest funds.
- AB 2444, authored by Assembly member Warren Furutani, will allow a student to continue to attend the school in which they are enrolled once a transfer permit has been approved, without reapplying for transfers annually. The Lakewood City Council sought legislation that would give parents and students stability in school attendance, once they had received an inter-district transfer.
- AB 2554, authored by Assembly member Brownley, authorizes the Los Angeles County Flood Control District to impose a fee to pay the costs and expenses of carrying out projects and providing services to improve water quality and reduce stormwater and urban runoff pollution. The bill also requires the District to allocate the revenues (40% to the county and to the cities within the District, divided proportionally among each jurisdiction) to be spent on water quality improvement programs.
- SB 993, authored by Senator Huff, authorizes the State Transportation Commission to relinquish to the City of Lakewood that portion of State Highway 19 within its city limits. The change will allow the city to maintain Lakewood Boulevard to the standards of the city's other major streets.

*Neighborhood improvement projects*

- Additional \$2.5 million in street resurfacing in 2010. In the past year, 0.6 miles of curbs and gutters and one mile of sidewalks were removed and replaced; 23 curb ramps were added.
- Signal upgrade improvements included left turn phasing at Candlewood St. and Graywood Ave. and longer mast arms at Woodruff Ave. and Harvey Way. Traffic signal pre-emption for the fire station allows Fire Station 45 units to control the traffic signal to facilitate their exit from the station. Signal improvements received funding from a Truck Impacted Intersection Grant and the Highway Safety Improvement Program. Congresswoman Linda Sánchez was successful in obtaining a federal Transportation, Community and System Preservation (TCSP) Grant for one phase of signal improvements.
- The Weingart Senior Center was upgraded, thanks to a grant from the Weingart Foundation.
- New playground equipment for the school-age play areas at Biscailuz Park and Palms Park was installed. Both projects received federal funding. The old play equipment will be sent to an orphanage in Uganda through the efforts of Kids Around The World.

*Economic development*

Despite the economic downturn, Lakewood's retail economy added new and expanded businesses.

- Nordstrom Rack (4651 Silva Street, Lakewood Center): Nordstrom Rack opened a new 33,400 square foot store in Lakewood Center in October.
- Henry's Market (4237 Woodruff Avenue) and Smart & Final (4171 Woodruff Avenue): This project calls for the construction of new retail buildings and significant renovations to the existing buildings, including a new 27,000 square foot Henry's Market at the north end of the site near Harvey Way and conversion and expansion of the Harbor Freight building to accommodate a total 32,205 square feet of retail space. Just south of that will be a new 31,418 square foot Smart and Final. The Harbor Freight Tools store will move to a 14,825 square foot space currently leased, but unoccupied, by CVS. Alin Party Supply will remain in its current 27,004 square foot location.
- Winco (3400 South Street): Winco has submitted plans for the remodeling of the closed supermarket at South Street and Downey Avenue. Upon completion, the total building area will be approximately 94,450 square feet.

- Other development projects include: Chick-fil-A (4895 Candlewood Street)  
Target grocery (141 Lakewood Center)  
CVS drugstores (5505 Carson Street and 6510 South Street)  
Jo-Ann Fabrics (5255 Lakewood Boulevard)  
Wal\*Mart grocery (2770 Carson Street)  
Café Rio and Yogurtland (5021 Lakewood Boulevard)  
Taco Bell (5850 Del Amo Boulevard and 2430 Carson Street)

#### *Community sentiment*

The 2010 community survey shows residents positive about Lakewood, but hard times have hurt nearly one-in-three families.

- 97% of respondents regard Lakewood as a “good” or “excellent” community in which to live.
- 78% say the performance of the city overall is “good” or “excellent.” 12% say it’s “fair” or “poor.”
- 88% say they are “very” or “somewhat satisfied” with automated trash collection.
- 88% believe walking in Lakewood Center during daytime hours is safe. The percentage drops to 67% during nighttime hours.
- 38% of respondents have been unemployed or have had a family member unemployed during some portion of the past 12 months.
- 50% of residents have seen no change in the past 12 months in their economic condition. 35% think it has gotten worse.
- 36% expect things to get better in the next 12 months.

#### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakewood for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This was the 28<sup>th</sup> consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was accomplished by the combined efforts of the Administrative Services Department staff. We appreciate the high level of professionalism and dedication that these staff members bring to the City. The contributions made by Lovenel Reveldez, Assistant Director of Administrative Services; Claire Houck, Senior Accountant; Edianne Sapinoso, Senior Accountant; and Michael Aguirre, Accountant deserve special recognition. We also thank the members of the City Council for their interest and support in the development of this report.

Respectfully submitted,

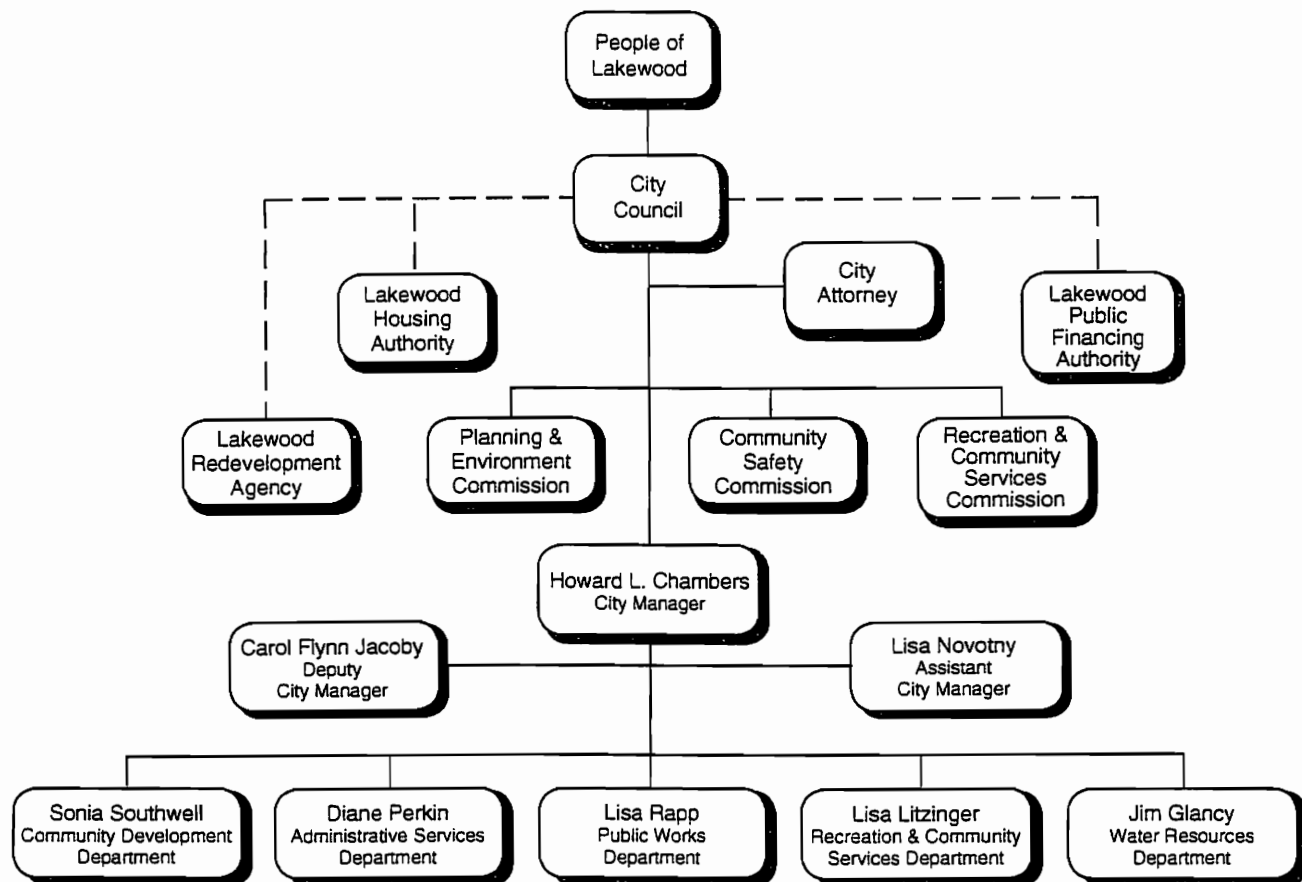


Howard L. Chambers  
City Manager



Diane Perkin  
Director of Administrative Services





**This page intentionally left blank.**

**CITY COUNCIL**

**JOSEPH ESQUIVEL**  
Mayor

**LARRY VAN NOSTRAN**  
Vice Mayor

**DIANE DUBOIS**  
Council Member

**TODD ROGERS**  
Council Member

**STEVE CROFT**  
Council Member

**ADMINISTRATION AND DEPARTMENT DIRECTORS**

**HOWARD L. CHAMBERS**  
City Manager

**STEVE SKOLNIK**  
City Attorney

**LISA NOVOTNY**  
Assistant City Manager

**DIANE PERKIN**  
Director of Administrative Services

**CAROL FLYNN-JACOBY**  
Deputy City Manager

**LISA A. RAPP**  
Director of Public Works

**LISA LITZINGER**  
Director of Recreation  
and Community Services

**SONIA SOUTHWELL**  
Director of Community  
Development

**JAMES B. GLANCY**  
Director of Water Resources

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lakewood  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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.



President

Executive Director



**DIEHL, EVANS & COMPANY, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

5 CORPORATE PARK, SUITE 100  
IRVINE, CALIFORNIA 92606-5165  
(949) 399-0600 • FAX (949) 399-0610  
[www.diehlevents.com](http://www.diehlevents.com)

December 9, 2010

MICHAEL R. LUDIN, CPA  
CRAIG W. SPRAKER, CPA  
NITIN P. PATEL, CPA  
ROBERT J. CALLANAN, CPA  
\*PHILIP H. HOLTkamp, CPA  
\*THOMAS M. PERLOWSKI, CPA  
\*HARVEY J. SCHROEDER, CPA  
KENNETH R. AMES, CPA  
WILLIAM C. PENTZ, CPA

\*A PROFESSIONAL CORPORATION

**INDEPENDENT AUDITORS' REPORT**

City Council  
City of Lakewood  
Lakewood, California

We have audited the accompany financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lakewood's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2010 on our consideration of the City of Lakewood, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

The management's discussion and analysis, the schedules of funding progress and budgetary comparison schedule, as listed in the table of contents as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is 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 management's discussion and analysis and the schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule and related note 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Lakewood, California as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

*Diehl, Evans and Company, LLP*

**JUNE 30, 2010**

As management of the City of Lakewood, California, (City) we offer readers of the City of Lakewood's financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2010. 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 in the introductory section of this report, and with the City's financial statements, which follow this discussion.

**Financial Highlights**

- The assets of the City (*which include the value of streets, sidewalks and other infrastructure*) exceeded its liabilities at June 30, 2010, by \$170,633,196 (*net assets*). Of this amount, \$48,380,202 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific programs.
- The government's total net assets increased by \$2,579,760 during the fiscal year ended June 30, 2010. Much of this increase is attributable to an increase in revenue in Governmental Activities related to general government program revenues, and a decline in capital expenditures.
- As of June 30, 2010, the City's governmental funds reported combined ending fund balances of \$40,154,230 a decrease of \$4,619,798 in comparison with the prior year. This decrease is attributed to the City's required contribution of \$3,215,951 to the Supplemental Education Revenue Augmentation Fund (SERAF) in fiscal year 2009-10 and the increase in OPEB payments of \$491,500 towards the unfunded accrued liability.
- At June 30, 2010, unreserved fund balance of the general fund was \$26,616,473 or 67 percent of total general fund expenditures. The majority of these funds are designated for specific purposes such as self-insurance, capital improvements, equipment replacement and infrastructure improvements.
- The City of Lakewood's total debt (noncurrent liabilities) increased by \$276,192 approximately 1.6% during the current fiscal year. The increase is the net result of a new loan agreement entered into by the City with the Water Replenishment District of Southern California (WRD) totaling \$1,676,353 for the design and construction of the wellhead treatment systems at the City's Well 27 site and scheduled payments for other liabilities in fiscal year 2009-10 of \$1,400,161.

**Overview of the Financial Statements**

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

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

The *statement of net assets* presents information on all of the City of Lakewood's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lakewood 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 timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lakewood 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 charges (*business-type activities*). The governmental activities of the City of Lakewood include general government, public safety, transportation, community development, health and sanitation, and culture and leisure.

See independent auditors' report.

**Government-wide financial statements (Continued)**

The government-wide financial statements include not only the City of Lakewood, but also three component units: the Lakewood Redevelopment Agency, the Lakewood Housing Authority, and the Lakewood Public Financing Authority. Financial information for these component units is reported within the funds of the City. The Water Utility, although also legally separate, functions for all practical purposes as a department of the City of Lakewood, and therefore has been included as an integral part of the government.

The government-wide financial statements can be found on pages 13 - 15 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 Lakewood, 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 Lakewood can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Lakewood maintains twenty four governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, redevelopment agency debt service and capital projects funds, all of which are considered to be major funds. Data from the other twenty governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lakewood adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget in the required supplementary information. Budgetary comparisons for other funds are provided elsewhere in this report.

The governmental fund financial statements can be found on pages 16 - 17 and 20 - 21 of this report.

**Proprietary funds.** The City of Lakewood maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lakewood uses enterprise funds to account for its Water Utility operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Lakewood's various functions. The City of Lakewood uses internal service funds to account for its central garage and print shop operations. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility operations. The Internal Service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 23 - 27 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Lakewood's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statement can be found on page 28 of this report.

See independent auditors' report.



**Notes to the basic 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 29 - 56 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Lakewood's general fund budgetary comparison schedule, pension and other post-employment funding progress schedules. Required supplementary information can be found on pages 57 - 60 of this report.

The combining statements referred to earlier in connection with other governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 61 - 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 Lakewood, assets exceeded liabilities by \$170,633,196 at the close of the most recent fiscal year.

#### City of Lakewood Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009 Restated	2010	2009	2010	2009 Restated
Current and other assets	\$ 70,934,159	\$ 71,676,321	\$ 10,114,795	\$ 10,196,208	\$ 81,048,954	\$ 81,872,529
Capital assets	85,293,777	83,348,949	29,753,083	27,414,903	115,046,860	110,763,852
Total Assets	156,227,936	155,025,270	39,867,878	37,611,111	196,095,814	192,636,381
Long-term liabilities outstanding	8,876,510	9,805,746	6,762,534	5,640,299	15,639,044	15,446,045
Other liabilities	8,310,517	7,818,757	1,513,057	1,318,143	9,823,574	9,136,900
Total Liabilities	17,187,027	17,624,503	8,275,591	6,958,442	25,462,618	24,582,945
Net assets:						
Invested in Capital Assets						
Net of Related Debt	85,293,777	83,348,949	22,410,549	21,214,604	107,704,326	104,563,553
Restricted	14,548,668	20,797,866	-	-	14,548,668	20,797,866
Unrestricted	39,198,464	33,253,952	9,181,738	9,438,065	48,380,202	42,692,017
Total Net Assets	\$ 139,040,909	\$ 137,400,767	\$ 31,592,287	\$ 30,652,669	\$ 170,633,196	\$ 168,053,436

By far the largest portion of the City of Lakewood's net assets, (63%) reflects its investment in capital assets (i.e. land, buildings, machinery and equipment). The City of Lakewood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lakewood'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.

An additional portion of the City of Lakewood's net assets, (8.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$48,380,202) may be used to meet the government's ongoing obligation to citizens and creditors.

See independent auditors' report.

## Government-wide Financial Analysis (Continued)

At the end of the current fiscal year, the City of Lakewood is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. At year-end, 71 percent of the City of Lakewood's business-type activities' net assets were invested in capital assets.

- The City of Lakewood's net assets increased by \$2,579,760 during the current fiscal year. This increase in net assets is much smaller than in prior years going back to 2003. This current year increase is attributable to an increase in program revenues in the form of capital grants and a decline in general government expenditures and capital expenditures related to transportation.

City of Lakewood  
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 9,707,715	\$ 9,605,435	\$ 8,154,174	\$ 8,499,939	\$ 17,861,889	\$ 18,105,374
Operating grants and contributions	7,053,631	9,855,674	-	-	7,053,631	9,855,674
Capital grants and contributions	3,166,065	790,799	-	-	3,166,065	790,799
General revenues:						
Property taxes	19,558,410	19,537,963	-	-	19,558,410	19,537,963
Other taxes	16,334,448	17,073,673	-	-	16,334,448	17,073,673
Grants and contributions not restricted to specific programs	556,774	555,376	-	-	556,774	555,376
Other	1,195,132	4,023,053	259,001	462,016	1,454,133	4,485,069
Total Revenues	<u>57,572,175</u>	<u>61,441,973</u>	<u>8,413,175</u>	<u>8,961,955</u>	<u>65,985,350</u>	<u>70,403,928</u>
Expenses:						
General government	7,405,705	7,835,015	-	-	7,405,705	7,835,015
Public safety	12,625,750	12,620,187	-	-	12,625,750	12,620,187
Transportation	5,156,031	5,674,897	-	-	5,156,031	5,674,897
Community development	13,807,173	10,336,150	-	-	13,807,173	10,336,150
Health and sanitation	4,282,434	4,238,617	-	-	4,282,434	4,238,617
Culture and leisure	9,758,660	9,368,215	-	-	9,758,660	9,368,215
Unallocated infrastructure depreciation	2,247,016	2,180,932	-	-	2,247,016	2,180,932
Interest on long term debt	649,264	3,114,073	-	-	649,264	3,114,073
Water	-	-	7,473,557	6,610,831	7,473,557	6,610,831
Total expenses	<u>55,932,033</u>	<u>55,368,086</u>	<u>7,473,557</u>	<u>6,610,831</u>	<u>63,405,590</u>	<u>61,978,917</u>
Increase in net assets	1,640,142	6,073,887	939,618	2,351,124	2,579,760	8,425,011
Net assets - at beginning of year (as restated)	<u>137,400,767</u>	<u>131,326,880</u>	<u>30,652,669</u>	<u>28,301,545</u>	<u>168,053,436</u>	<u>159,628,425</u>
Net assets - at end of year	<u>\$ 139,040,909</u>	<u>\$ 137,400,767</u>	<u>\$ 31,592,287</u>	<u>\$ 30,652,669</u>	<u>\$ 170,633,196</u>	<u>\$ 168,053,436</u>

See independent auditors' report.

**Government-wide Financial Analysis (Continued)**

**Governmental activities.** Governmental activities increased the City of Lakewood's net assets by \$1,640,142, thereby accounting for 64 percent of the total increase in net assets of the City of Lakewood. Key elements of the change are as follows:

- Measure R grant of \$530,146 was received during the fiscal year for local streets improvement projects.
- Three ARRA grants were received in fiscal year 09-10: \$1,386,696 for South Street project, \$565,245 for Bloomfield project and \$194,777 for parking lot improvement project.
- Required contribution of \$3,215,951 to the Supplemental Education Revenue Augmentation Fund (SERAF), pursuant to AB 26 4x, was made by Lakewood Redevelopment Agency in fiscal year 09-10.
- Increases in Capital grants were offset by decreases in other operating grants. The three funds with the highest decreases are: (1) Prop 1B, went down by \$1,439,408, (2) State parks grants & bonds went down by \$708,488, and (3) CDBG went down by \$453,913.

Additional information on the change in net assets can be found on pages 14-15 of this report

**Business-type activities.** Business-type activities increased the City of Lakewood's net assets by \$939,618 accounting for 36 percent of the total increase in net assets. This increase in "retained earnings" is necessary with an estimated \$5.3 million in capital improvements required over the next two years, as recommended by the Water Resources Committee. Such projects on the horizon include \$1 million in Phase 6 of Water Main Replacements, \$2.5 million in Water Treatment for Plant #22 and \$1 million in Plant 13 Rehabilitation Project.

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Lakewood's governmental funds reported combined ending fund balances of \$40,154,230, a decrease of \$4,619,798, in comparison with the prior year. The decrease in fund balance is due to the required contribution of \$3,215,951 to the Supplemental Education Revenue Augmentation Fund (SERAF) was made by Lakewood Redevelopment Agency in fiscal year 2009-10 and items listed below.

The general fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$26,616,473, while total fund balance reached \$51,255,124. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 67 percent of the total general fund expenditures, while total fund balance represents 128 percent of that same amount.

The fund balance of the City of Lakewood's general fund decreased by \$1,737,973 during the current fiscal year. Key factors in this decrease are as follows:

- An increase in OPEB payments of \$491,500 towards the unfunded accrued liability.
- Sales Tax decreased by \$539,912 due to the continuing decline of the economic condition.
- The net investment income decreased by \$573,438 due to lower interest rates and reduction in investment assets.

**Proprietary funds.** The City of Lakewood's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Enterprise at the end of the year amounted to \$9,812,210. The total increase in net assets was \$952,562. These funds will be used to fund planned capital improvements. Other factors concerning the finance of this fund have already been addressed in the discussion of the City of Lakewood's business-type activities.

See independent auditors' report.

**General Fund Budgetary Highlights**

Differences between the general fund's expenditures original budget and the final amended budget were \$198,678. Differences between the general fund's expenditures final amended budget and the actual were \$2,414,800 and can be briefly summarized as follows:

- Public Safety budgets for contingencies and possible additional services during the fiscal year. This year's actual expenditure was less than the final budget by \$1,634,321 due to the unused portion of the aforementioned items.
- Public Works actual expenditure was less than the final budget by \$351,111, due to reduced utility costs and decrease in disposal and contractual services cost.
- Information Technology division realized a \$170,846 cost savings in Brea IT salaries due to higher efficiency and in cost of hardware maintenance due to server consolidation.
- Overall voluntary reduction in discretionary spending produced cost savings of \$181,106 in Community Development and \$204,224 in Culture and Leisure.

**Redevelopment Agency Debt Service Fund Highlights**

- The Agency reduced the total outstanding principal on bonds by \$960,000.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Lakewood's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$115,046,860 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital assets events during the fiscal year included the following:

- Capitalization of \$6,733,606 completed projects in governmental and \$5,375,639 in business-type to different asset classifications.

City of Lakewood  
Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009 Restated	2010	2009	2010	2009 Restated
Land	\$ 17,444,023	\$ 17,444,023	\$ 381,023	\$ 381,023	\$ 17,825,046	\$ 17,825,046
Construction in progress	5,028,591	6,473,750	3,339,633	5,244,400	8,368,224	11,718,150
Water rights	-	-	1,834,586	1,834,586	1,834,586	1,834,586
Infrastructure	36,908,073	36,053,389	-	-	36,908,073	36,053,389
Structures and improvements	25,006,043	22,275,826	20,909,525	19,498,171	45,915,568	41,773,997
Equipment	907,047	1,101,961	3,288,316	456,723	4,195,363	1,558,684
Total	<u>\$ 85,293,777</u>	<u>\$ 83,348,949</u>	<u>\$ 29,753,083</u>	<u>\$ 27,414,903</u>	<u>\$ 115,046,860</u>	<u>\$ 110,763,852</u>

Additional information on the City of Lakewood's capital assets can be found in Note 3 to the basic financial statements.

**Long-term debt.** At the end of the current fiscal year, the City of Lakewood had total long-term debt outstanding of \$17,941,459. Fifty-three percent relates to Redevelopment Agency tax allocation bonds to be repaid by future tax increment revenue. Another 31.6 percent is revenue bonds to be paid out of revenues of the water utility.

City of Lakewood  
Summary of Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Tax allocation bonds	\$ 9,442,892	\$ 10,398,411	\$ -	\$ -	\$ 9,442,892	\$ 10,398,411
Compensated absences	1,156,033	1,066,557	-	-	1,156,033	1,066,557
Revenue bonds	-	-	5,666,181	6,200,299	5,666,181	6,200,299
Loan payable	-	-	1,676,353	-	1,676,353	-
<b>Total</b>	<b>\$ 10,598,925</b>	<b>\$ 11,464,968</b>	<b>\$ 7,342,534</b>	<b>\$ 6,200,299</b>	<b>\$ 17,941,459</b>	<b>\$ 17,665,267</b>

Additional information on the City of Lakewood's long-term debt can be found in Note 4 to the basic financial statements.

#### Economic Factors and Next Year's Budgets and Rates

The Los Angeles, Riverside, and Orange County region that includes Lakewood had a CPI decrease to -1.1 percent in 2009, and experienced an increase in the CPI in the first half of 2010 to 1.9 percent.

Due to the housing market bust, the regional housing market is not expected to rebound as anticipated a year ago. At this time last year, it was projected that the housing market may remain sluggish through 2010; now, after record foreclosure and price declines, it is believed the downward spiral of the housing market of 2008 has begun to slow down and will continue through 2011.

The total assessed valuation of real property in the City was \$7.0 billion for Fiscal Year 2009-2010, a 0.4 percent decrease from the previous year, as compared to the countywide decrease of -1.9 percent. Historically, Lakewood's increases in property values have exceeded the county. The City's decrease in property values is expected to slow down to 2.9 percent in fiscal year 2010-2011.

We expect to see development of various properties throughout the city, but nothing like the expansion that had taken place in the recent past. Sales tax revenues decreased slightly in fiscal year 2009-2010, and is expected to increase by 9.5 % in fiscal year 2010-2011. Lakewood Center Mall continues to play a large role in keeping Lakewood's economy stable and strong in bringing sales tax revenue up in the coming years.

Although Lakewood's unemployment rate remains below the national (9.5%) and state (12.3%) levels, unemployment in the Lakewood area followed the pattern across the nation and increased slightly to 7.5 percent after years of remaining at a steady rate of 3.2 percent.

These factors were considered in preparing the City of Lakewood's amended budget for the 2010-2011 fiscal year.

During the reported fiscal year, unreserved fund balance in the general fund decreased slightly to \$26,616,473. In January 2011 the City of Lakewood will begin preparation of its 2012 Fiscal Year Budget. As a part of this budgeting process, careful attention will also be given to the City's infrastructure needs as detailed and addressed in the Capital planning process. These two processes will blend into one budgetary presentation to City Council for consideration and adoption.

#### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, City of Lakewood, Post Office Box 220, Lakewood, CA 90714-0220.

See independent auditors' report.

**This page intentionally left blank**

**BASIC FINANCIAL STATEMENTS**

**This page intentionally left blank.**



## CITY OF LAKEWOOD

## STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities	Business-type Activity	Total
<b>ASSETS:</b>			
Cash and investments	\$ 48,503,068	\$ 8,761,781	\$ 57,264,849
Receivables:			
Accounts	8,222,121	637,986	8,860,107
Notes	3,826,905	-	3,826,905
Accrued revenue	-	758,388	758,388
Internal balances	630,472	(630,472)	-
Prepaid items	409,656	1,875	411,531
Inventories	49,076	19,137	68,213
Deferred charges	190,013	187,848	377,861
Land held for resale	3,108,056	-	3,108,056
Net OPEB asset	4,537,288	-	4,537,288
Temporarily restricted assets:			
Cash and investments	-	33,197	33,197
Cash and investments held by bond trustees	1,457,504	345,055	1,802,559
Capital assets:			
Land	17,444,023	381,023	17,825,046
Water rights	-	1,834,586	1,834,586
Construction in progress	5,028,591	3,339,633	8,368,224
Depreciable infrastructure, net	36,908,073	-	36,908,073
Depreciable structures and improvements, net	25,006,043	20,909,525	45,915,568
Depreciable equipment, net	907,047	3,288,316	4,195,363
<b>TOTAL ASSETS</b>	<b>156,227,936</b>	<b>39,867,878</b>	<b>196,095,814</b>
<b>LIABILITIES:</b>			
Accounts payable and other current liabilities	5,765,626	840,294	6,605,920
Accrued interest payable	147,456	59,566	207,022
Unearned revenue	675,020	-	675,020
Liabilities payable from restricted assets:			
Customer deposits	-	33,197	33,197
Noncurrent liabilities:			
Due within one year	1,722,415	580,000	2,302,415
Due in more than one year	8,876,510	6,762,534	15,639,044
<b>TOTAL LIABILITIES</b>	<b>17,187,027</b>	<b>8,275,591</b>	<b>25,462,618</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	85,293,777	22,410,549	107,704,326
Restricted for:			
Debt service	1,310,048	-	1,310,048
Transportation	4,356,729	-	4,356,729
Parks and recreation	351,849	-	351,849
Community development	8,325,467	-	8,325,467
Other purposes	204,575	-	204,575
Unrestricted	39,198,464	9,181,738	48,380,202
<b>TOTAL NET ASSETS</b>	<b>\$ 139,040,909</b>	<b>\$ 31,592,287</b>	<b>\$ 170,633,196</b>

See independent auditors' report and notes to basic financial statements.

## CITY OF LAKEWOOD

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

Functions/programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 7,405,705	\$ 1,200,911	\$ 94,841	\$ -
Public safety	12,625,750	1,250,887	54,422	88,499
Transportation	5,156,031	-	4,294,955	3,077,566
Community development	13,807,173	961,786	1,963,632	-
Health and sanitation	4,282,434	4,785,217	171,628	-
Culture and leisure	9,758,660	1,508,914	474,153	-
Unallocated infrastructure depreciation	2,247,016	-	-	-
Interest on long term debt	649,264	-	-	-
<b>Total governmental activities</b>	<b>55,932,033</b>	<b>9,707,715</b>	<b>7,053,631</b>	<b>3,166,065</b>
<b>Business-type activity:</b>				
Water	7,473,557	8,154,174	-	-
<b>Total</b>	<b>\$ 63,405,590</b>	<b>\$ 17,861,889</b>	<b>\$ 7,053,631</b>	<b>\$ 3,166,065</b>

## General revenues:

## Taxes:

Sales taxes

Property taxes

Franchise taxes

Business operation taxes

Utility users taxes

Other taxes

Total taxes

Unrestricted motor vehicle in lieu

Grants and contributions not restricted to specific programs

Investment income

Total general revenues

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (6,109,953)	\$ -	\$ (6,109,953)
(11,231,942)	-	(11,231,942)
2,216,490	-	2,216,490
(10,881,755)	-	(10,881,755)
674,411	-	674,411
(7,775,593)	-	(7,775,593)
(2,247,016)	-	(2,247,016)
(649,264)	-	(649,264)
<u>(36,004,622)</u>	<u>-</u>	<u>(36,004,622)</u>
 -	 680,617	 680,617
<u>(36,004,622)</u>	<u>680,617</u>	<u>(35,324,005)</u>
 10,658,959	 -	 10,658,959
19,558,410	-	19,558,410
1,374,501	-	1,374,501
456,269	-	456,269
3,591,722	-	3,591,722
252,997	-	252,997
<u>35,892,858</u>	<u>-</u>	<u>35,892,858</u>
245,415	-	245,415
556,774	-	556,774
949,717	259,001	1,208,718
<u>37,644,764</u>	<u>259,001</u>	<u>37,903,765</u>
 1,640,142	 939,618	 2,579,760
<u>137,400,767</u>	<u>30,652,669</u>	<u>168,053,436</u>
<u>\$ 139,040,909</u>	<u>\$ 31,592,287</u>	<u>\$ 170,633,196</u>

## CITY OF LAKEWOOD

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	General Fund	Redevelopment Agency Debt Service Fund
<b>ASSETS</b>		
Cash and investments	\$ 30,648,448	\$ 6,575,529
Cash and investments held by bond trustees	-	1,457,504
Accounts receivable	2,925,958	2,644,911
Prepaid items	404,656	-
Inventories	8,491	-
Due from other funds	668,477	4,070,148
Advances to other funds	35,175,499	-
Notes receivable	-	-
Land held for resale	-	-
<b>TOTAL ASSETS</b>	<b>\$ 69,831,529</b>	<b>\$ 14,748,092</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 2,966,583	\$ 1,064,276
Accrued liabilities	984,911	-
Due to other funds	-	-
Deferred revenue	14,624,911	-
Advances from other funds	-	38,504,565
<b>TOTAL LIABILITIES</b>	<b>18,576,405</b>	<b>39,568,841</b>
<b>FUND BALANCES (DEFICIT):</b>		
Reserved:		
Continuing appropriations	1,070,139	-
Personnel benefits	568,217	-
Debt service	-	1,457,504
Land held for resale	-	-
Low and moderate housing	-	-
Notes receivable	-	-
Prepaid items	404,656	-
Inventories	8,491	-
Advances	21,334,562	-
Special revenue purposes	-	-
Encumbrances	473,464	-
Other reserves	779,122	-
Unreserved, reported in:		
General fund	26,616,473	-
Special revenue funds	-	-
Debt service fund	-	(26,278,253)
Capital projects fund	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>51,255,124</b>	<b>(24,820,749)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 69,831,529</b>	<b>\$ 14,748,092</b>

See independent auditors' report and notes to basic financial statements.

Capital Projects			
Redevelopment Agency	Lakewood Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ 4,301,396	\$ -	\$ 6,976,932	\$ 48,502,305
-	-	-	1,457,504
4,212	-	1,527,198	7,102,279
4,244	-	-	408,900
-	-	-	8,491
-	-	-	4,738,625
3,329,066	-	-	38,504,565
3,367,488	-	459,417	3,826,905
3,108,056	-	-	3,108,056
<u>\$ 14,114,462</u>	<u>\$ -</u>	<u>\$ 8,963,547</u>	<u>\$ 107,657,630</u>

\$ 90,004	\$ 42,000	\$ 580,797	\$ 4,743,660
-	-	12,675	997,586
4,070,148	1,354	615,963	4,687,465
2,751,786	-	1,193,427	18,570,124
-	-	-	38,504,565
<u>6,911,938</u>	<u>43,354</u>	<u>2,402,862</u>	<u>67,503,400</u>

-	985,930	1,281,417	3,337,486
-	-	-	568,217
-	-	-	1,457,504
3,108,056	-	-	3,108,056
4,263,268	-	-	4,263,268
615,702	-	-	615,702
4,244	-	-	408,900
-	-	-	8,491
3,329,066	-	-	24,663,628
-	-	5,378,929	5,378,929
-	835,975	680,845	1,990,284
-	-	-	779,122
-	-	-	26,616,473
-	-	(780,506)	(780,506)
-	-	-	(26,278,253)
(4,117,812)	(1,865,259)	-	(5,983,071)
<u>7,202,524</u>	<u>(43,354)</u>	<u>6,560,685</u>	<u>40,154,230</u>
<u>\$ 14,114,462</u>	<u>\$ -</u>	<u>\$ 8,963,547</u>	<u>\$ 107,657,630</u>

**This page intentionally left blank.**

## CITY OF LAKEWOOD

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

June 30, 2010

Fund balances - total governmental funds	\$ 40,154,230
--	---------------

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Land	\$ 17,444,023	
Construction in progress	5,028,591	
Infrastructure net of \$88,533,552 accumulated depreciation	36,908,073	
Structures and improvements, net of \$17,214,262 accumulated depreciation	25,006,043	
Equipment, net of \$4,107,403 accumulated depreciation	<u>907,047</u>	
		85,293,777

Some of the City's receivables for loans, operating and capital grant reimbursements, taxes and investment income will be collected after year end, but are not available soon enough to pay for current-period expenditures, and therefore are reported as deferred revenues in the funds. Balances at June 30, 2010 totaled:	19,014,946
--	------------

The net OPEB pension asset is not an available current financial resources and therefore is not reported in the governmental funds:	4,537,288
---	-----------

Internal service funds are used by the City to charge the cost of materials and supplies, maintenance and repair of vehicles and equipment and printing services provided to the various departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. Internal Service funds net assets are:	597,036
---	---------

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the Statement of Net Assets. Balances at June 30, 2010 are:

Accrued interest on bonds		(147,456)
Tax allocation bonds	\$ (9,475,000)	
Less: Deferred amount on refunding, net of accumulated amortization	66,776	
Less: Deferred charges, net of accumulated amortization	190,013	
Plus: Bond issuance premium, net of accumulated amortization	(34,668)	
Compensated absences	<u>(1,156,033)</u>	
		<u>(10,408,912)</u>

Net assets of governmental activities	<u>\$ 139,040,909</u>
---------------------------------------	-----------------------

See independent auditors' report and notes to basic financial statements.

## CITY OF LAKEWOOD

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

For the year ended June 30, 2010

	General	Redevelopment Agency Debt Service Fund
<b>REVENUES:</b>		
Taxes	\$ 19,548,657	\$ 9,304,912
Licenses and permits	713,054	-
Fines and forfeitures	1,013,090	-
Investment income, rents and concessions	1,506,627	72,316
From other agencies	7,649,321	-
Current service charges	7,634,788	-
Other	4,157	-
<b>TOTAL REVENUES</b>	<b>38,069,694</b>	<b>9,377,228</b>
<b>EXPENDITURES:</b>		
Current:		
General government	7,221,204	-
Public safety	12,483,955	-
Transportation	4,043,762	-
Community development	3,227,056	5,122,403
Health and sanitation	4,271,868	-
Culture and leisure	8,670,757	-
Capital outlay:		
General government	-	-
Public safety	-	-
Transportation	-	-
Community development	-	-
Culture and leisure	-	-
Debt service:		
Owner participation agreement payments	-	761,781
Principal retirement	-	960,000
Interest and fiscal charges	-	3,048,683
<b>TOTAL EXPENDITURES</b>	<b>39,918,602</b>	<b>9,892,867</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,848,908)</b>	<b>(515,639)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	2,158,110	-
Transfers out	(2,047,175)	(2,036,009)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>110,935</b>	<b>(2,036,009)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,737,973)</b>	<b>(2,551,648)</b>
<b>FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED</b>	<b>52,993,097</b>	<b>(22,269,101)</b>
<b>FUND BALANCES (DEFICITS) AT END OF YEAR</b>	<b>\$ 51,255,124</b>	<b>\$ (24,820,749)</b>

See independent auditors' report and notes to basic financial statements.



Capital Projects			
Redevelopment Agency	Lakewood Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,943,611	\$ 30,797,180
-	-	-	713,054
-	-	-	1,013,090
51,639	-	181,124	1,811,706
-	2,146,718	5,047,234	14,843,273
-	-	-	7,634,788
290,367	-	15,777	310,301
<u>342,006</u>	<u>2,146,718</u>	<u>7,187,746</u>	<u>57,123,392</u>
-	-	127,361	7,348,565
-	-	88,499	12,572,454
-	-	1,027,266	5,071,028
2,684,873	-	2,249,621	13,283,953
-	-	9,336	4,281,204
-	-	336,747	9,007,504
-	38,916	85,317	124,233
-	-	-	-
-	2,001,723	959,393	2,961,116
-	412,622	-	412,622
-	1,783,986	126,061	1,910,047
-	-	-	761,781
-	-	-	960,000
-	-	-	3,048,683
<u>2,684,873</u>	<u>4,237,247</u>	<u>5,009,601</u>	<u>61,743,190</u>
<u>(2,342,867)</u>	<u>(2,090,529)</u>	<u>2,178,145</u>	<u>(4,619,798)</u>
2,036,009	2,047,175	-	6,241,294
-	-	(2,158,110)	(6,241,294)
<u>2,036,009</u>	<u>2,047,175</u>	<u>(2,158,110)</u>	<u>-</u>
(306,858)	(43,354)	20,035	(4,619,798)
<u>7,509,382</u>	<u>-</u>	<u>6,540,650</u>	<u>44,774,028</u>
<u>\$ 7,202,524</u>	<u>\$ (43,354)</u>	<u>\$ 6,560,685</u>	<u>\$ 40,154,230</u>

CITY OF LAKEWOOD

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

For the year ended June 30, 2010

Net change in fund balances - total governmental funds	\$ (4,619,798)
--	----------------

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital expenses (\$5,315,105) exceeded depreciation (\$3,302,400) in the current period.	2,012,705
--	-----------

Governmental funds report long-term rehabilitation and business loans made as expenditures and repayments of those loans as revenues. However, these transactions have no effect in the Statement of Activities. The loan activity for the current period is as follows:

Total amount of loans made	\$ 394,000	
Total amount of loans repaid	(306,573)	87,427

The issuance of long term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long term liabilities affects the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Principal payments	960,000
--------------------	---------

Certain accrued revenues such as taxes, interest, grants, and sanitation service charges, do not provide current financial resources and therefore, are not reported in the governmental funds as revenues. This is the amount of the net change in these accrued revenue amounts during the current period.	755,356
--	---------

Governmental funds do not report the changes in net OPEB asset, since it does not provide or require the use of current financial resources	208,248
---	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Accrued interest	\$ 13,400	
Amortization of deferred amount on refunding, deferred charges and bond premium	(30,995)	
Change in compensated absences	(89,476)	(107,071)

In the governmental funds, current year accrued interest on interfund advances is included as an expenditure in the fund reporting the advance payable, however, the corresponding revenue in the fund reporting the advance receivable is deferred since it does not meet the availability criteria. In order to eliminate the effect of interfund activity in the Statement of Activities, the interest expense needs to be adjusted.

2,417,014

Internal service funds are used by management to charge the costs of certain activities, such as fleet repair and maintenance, central stores and printing services to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities.

(73,739)

Change in net assets of governmental activities	\$ 1,640,142
---	--------------

See independent auditors' report and notes to basic financial statements.

## CITY OF LAKEWOOD

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2010

	Business-type Activity- Water <u>Enterprise Fund</u>	Governmental Activities- Internal <u>Service Funds</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and investments	\$ 8,761,781	\$ 763
Restricted cash and investments:		
Customer deposits	33,197	-
Held by bond trustees	345,055	-
Accounts receivable	637,986	-
Accrued revenue	758,388	-
Prepaid items	1,875	756
Inventories	19,137	40,585
<b>TOTAL CURRENT ASSETS</b>	<b>10,557,419</b>	<b>42,104</b>
<b>NONCURRENT ASSETS:</b>		
Deferred charges, net of accumulated amortization	187,848	-
Capital assets, not being depreciated:		
Land	381,023	-
Water rights	1,834,586	-
Construction in progress	3,339,633	-
Capital assets, being depreciated:		
Source of supply	4,770,755	-
Pumping plant	532,694	-
Water treatment	2,482,330	-
Transmission/distribution	29,538,090	-
General plant	6,326,915	-
Equipment	-	1,293,124
Less: accumulated depreciation	(19,452,943)	(1,293,124)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>29,753,083</b>	<b>-</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>29,940,931</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>40,498,350</b>	<b>42,104</b>

(Continued)

See independent auditors' report and notes to basic financial statements.

## CITY OF LAKEWOOD

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
(CONTINUED)

June 30, 2010

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 713,851	\$ 16,344
Accrued liabilities	126,443	8,036
Accrued interest payable	59,566	-
Due to other funds	-	51,160
Customer deposits	33,197	-
Current portion of revenue bonds	580,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,513,057</b>	<b>75,540</b>
<b>NONCURRENT LIABILITIES:</b>		
Loan payable	1,676,353	-
Revenue bonds	5,086,181	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>6,762,534</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>8,275,591</b>	<b>75,540</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	22,410,549	-
Unrestricted	9,812,210	(33,436)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>32,222,759</b>	<b>\$ (33,436)</b>
Adjustment to reflect the consolidation of internal service fund activities related to the water enterprise fund	(630,472)	
<b>Net assets of business-type activity</b>	<b>\$ 31,592,287</b>	

See independent auditors' report and notes to basic financial statements.

**CITY OF LAKEWOOD**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS**

For the year ended June 30, 2010

	<b>Business-type Activity- Water Enterprise Fund</b>	<b>Governmental Activities- Internal Service Funds</b>
<b>OPERATING REVENUES:</b>		
Metered water sales	\$ 7,430,627	\$ -
Reclaimed water sales	211,979	-
Fire protection	35,771	-
Service initiation and restoration charges	1,775	-
Installation charges	20	-
Billings to departments	-	1,193,241
Other revenues	474,002	-
	<hr/>	<hr/>
<b>TOTAL OPERATING REVENUES</b>	<b>8,154,174</b>	<b>1,193,241</b>
	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>		
Operations:		
Supply, transmission and distribution	4,655,076	-
Customer service	712,728	-
Administration	629,532	-
Cost of goods sold	-	1,212,047
Bad debt expense	10,695	-
Depreciation	1,151,308	67,877
	<hr/>	<hr/>
<b>TOTAL OPERATING EXPENSES</b>	<b>7,159,339</b>	<b>1,279,924</b>
	<hr/>	<hr/>
<b>OPERATING INCOME (LOSS)</b>	<b>994,835</b>	<b>(86,683)</b>
	<hr/>	<hr/>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	259,001	-
Interest expense on long-term debt	(279,107)	-
Amortization of deferred charges	(22,167)	-
	<hr/>	<hr/>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(42,273)</b>	<b>-</b>
	<hr/>	<hr/>
<b>CHANGE IN NET ASSETS</b>	<b>952,562</b>	<b>(86,683)</b>
	<hr/>	<hr/>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>31,270,197</b>	<b>53,247</b>
	<hr/>	<hr/>
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ 32,222,759</b>	<b>\$ (33,436)</b>
	<hr/>	<hr/>
Change in net assets - Water Enterprise Fund	\$ 952,562	
Adjustment to reflect the consolidation of the internal service fund activities related to the Water Enterprise Fund	(12,944)	
Change in net assets of business-type activity	<u>\$ 939,618</u>	

See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the year ended June 30, 2010

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 7,519,890	\$ -
Receipts from interfund services provided	-	1,193,241
Other operating receipts	474,002	-
Payments to suppliers	(2,995,093)	(529,661)
Payments to employees	(2,110,602)	(726,368)
Payments for interfund services used	(725,000)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,163,197</u>	<u>(62,788)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Receipts from other funds	<u>-</u>	<u>51,160</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from loan	1,676,353	-
Acquisition of capital assets	(3,489,488)	-
Principal paid on revenue bonds	(560,000)	-
Interest paid on revenue bonds	(258,212)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,631,347)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	<u>259,001</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(209,149)	(11,628)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,349,182</u>	<u>12,391</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,140,033</u>	<u>\$ 763</u>

See independent auditors' report and notes to basic financial statements.

(Continued)

CITY OF LAKEWOOD

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(CONTINUED)

For the year ended June 30, 2010

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 994,835	\$ (86,683)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,151,308	67,877
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	(89,527)	-
(Increase) decrease accrued revenue	(59,750)	-
(Increase) decrease in prepaid items	(1,875)	(206)
(Increase) decrease in inventories	(11,695)	(23,088)
Increase (decrease) in accounts payable	250,281	3,697
Increase (decrease) in accrued liabilities	(70,070)	(24,385)
Increase (decrease) in customer deposits	(310)	-
Total adjustments	1,168,362	23,895
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,163,197	\$ (62,788)

See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2010

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and investments	\$ 1,105,642
Accounts receivable	10,000
Loans receivable	<u>915,901</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 2,031,543</u></b>
 <b>LIABILITIES:</b>	
Accounts payable	\$ 133,518
Deposits	950,673
Due to HUD	<u>947,352</u>
 <b>TOTAL LIABILITIES</b>	 <b><u>\$ 2,031,543</u></b>

See independent auditors' report and notes to basic financial statements.



**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2010

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

## A. Reporting Entity

The reporting entity, "City of Lakewood," includes the accounts of the City, the Lakewood Redevelopment Agency (Agency), the Housing Authority of the City of Lakewood (Housing Authority), and the Lakewood Public Financing Authority (Financing Authority).

The City of Lakewood was incorporated April 16, 1954, under the general laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities.

The Lakewood Redevelopment Agency was established November 1972, pursuant to the State of California Health and Safety Code Section 33000. The primary purpose of the Agency is to encourage private redevelopment of property and to rehabilitate areas suffering from physical and economic blight. The Agency has established three redevelopment project areas known as Town Center Project Area No. 1, approximately 261 acres; Project Area No. 2, approximately 160 acres; and Project Area No. 3, approximately 218 acres.

The Lakewood Housing Authority was created by resolution in July 1984, so that the City could apply directly to the United States Department of Housing and Urban Development for rental assistance on behalf of Lakewood residents.

The Lakewood Public Financing Authority was created on December 12, 1995, by a Joint Exercise of Powers Agreement between the City and the Agency pursuant to the State of California Joint Exercise of Powers Act. The primary purpose of the Financing Authority is assisting in the financing and refinancing of certain public programs and projects of the City or the Agency.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14. The City of Lakewood is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for the Agency, Housing Authority, and Financing Authority as "blended" component units. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City. Balances for the Agency are reported as separate funds in the Debt Service and Capital Projects Funds. The Housing Authority transactions are set forth as a separate fund in the Special Revenue Funds. The Financing Authority balances and transactions are reported as part of the Water Enterprise Fund. The following specific criteria were used in determining that the Agency, Housing Authority, and Financing Authority were blended component units:

1. The members of the City Council also act as the governing bodies of the Agency, the Housing Authority, and the Financing Authority.
2. The City and the Agency are financially interdependent. The City makes loans to the Agency for use on redevelopment projects. Property tax revenues of the Agency are used to repay the loans from the City.
3. The Agency, the Housing Authority, and the Financing Authority are managed by employees of the City. A portion of the City's salary and overhead expenses is billed to the Agency each year. No such allocation is made to the Housing Authority or the Financing Authority.
4. The City and the Financing Authority are financially interdependent. The Financing Authority arranges financing issues for the City. The City pays the debt service on the Financing Authority's financing issues.

Financial statements for the Agency can be obtained from the City of Lakewood Finance Department. No individual financial statements are prepared for the Housing Authority or Financing Authority.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. An exception to this rule is charges between the City's water function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

## C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary funds financial statements. Under the economic resources measurement focus, all assets and liabilities (current and long-term) are reported. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, generally only current assets and current liabilities are reported in the governmental funds. Governmental fund operating statements 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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures only when payment is due.

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

The fiduciary fund financial statement is reported using no measurement focus and the accrual basis of accounting.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City reports the following major governmental funds:

General Fund

The General Fund is used to account for all revenues and activities financed by the City, except those required to be accounted for in another fund.

Redevelopment Agency Debt Service Fund

The Redevelopment Agency Debt Service Fund is used to account for the current interest and principal payments on the tax allocation bonds, interest on interfund loans from the City, and payments pursuant to ownership participation agreements.

Redevelopment Agency Capital Projects Fund

The Redevelopment Agency Capital Projects Fund is used to account for resources used in developing the project areas as well as the administrative costs incurred in sustaining Agency activities.

Lakewood Capital Improvements Capital Projects Fund

The Lakewood Capital Improvements Capital Projects Fund is used to account for the receipt and disbursement of monies used for the construction of major capital facilities which generally require more than one budgetary cycle to complete. These projects are funded by the General Fund, Gas Tax Special Revenue Fund, and federal and state grants.

The City reports the following major enterprise fund:

Water Enterprise Fund

The Water Enterprise Fund is used to account for the construction, operation, and maintenance of the City water system.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities not accounted for in other funds.

Internal Service Funds

Internal Service Funds account for the financing of materials and supplies, maintenance, repair and replacement of vehicles and equipment, and printing services used by various departments of the City.

Agency Funds

The Agency funds account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units. The City accounts for special deposits resulting from new development and joint governmental projects and housing rehabilitation loans funded by Department of Housing and Urban Development grant funds.

See independent auditors' report.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 to the government-wide financial statements and proprietary fund financial statements, unless those pronouncements contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

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

## D. Cash and Investments

Investments are stated at fair value (quoted market price or the best available estimate thereof).

## E. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

## F. Capital Assets

Capital assets, which include land, site improvements, buildings and improvements, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets consist of roads, bridges, streetlights, traffic signals and sewer lines. Capital assets are defined by the City as assets, with an initial cost of more than \$5,000 (\$25,000 for infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

The City's current capitalization policy requires capital assets to be depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building improvement	30 years
Water and sewer lines	50 years
Roads	30 years
Vehicles	7 years
Office equipment	7 years
Computer equipment/software	5 years
Other equipment	7 years

## G. Inventories

Inventories are valued at cost on a weighted average basis. The inventories are recorded as expenditures when consumed. Water Enterprise Fund inventories consist primarily of water pipe, valves, and fittings. Governmental Activities inventories consist primarily of recreation equipment, maintenance and repair supplies, fuel, and office supplies.

## H. Prepaid Items

Prepaid items are recorded as expenditures when consumed.

## I. Land Held for Resale

Land held for resale is recorded at the lower of acquisition cost or net realizable value in the Redevelopment Agency Capital Projects Fund.

See independent auditors' report.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave (compensated absences). All vacation pay and eligible sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. Compensated absences are reported in governmental funds only if they matured (i.e., unused reimbursable leave still outstanding following an employee's termination from employment). Typically, the General Fund has been used in prior years to liquidate the liability for compensated absences.

Unpaid compensated absences of proprietary funds are recorded as a liability in those funds as the vested benefits to the employees accrue.

## K. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. Accordingly, the City of Lakewood accrues only those taxes which are received from the county within 60 days after year end.

Lien Date	January 1
Levy Date	June 30
Due Dates	November 1 and February 1
Collection Dates	December 10 and April 10

## L. Claims and Judgments

When it is probable that a claim liability has been incurred at year-end and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. Small dollar claims and judgments are recorded as expenditures when paid.

The City's self-insurance program is administered through a Joint Powers Authority (the Authority), which is described at Note 11. The Authority is a public entity risk pool. Claims losses recorded in the Authority include both current claims and Incurred But Not Reported claims (IBNR). Deposits to the Authority are recorded by the City as insurance expenditures in the General Fund when paid. These deposits are subject to retrospective adjustment. Favorable claims experience in prior years results in a refund of deposits from the Authority and such refunds, if any, are recorded as prepaid items in the General Fund since they will be used to offset future deposit requirements. Included in prepaid items as of June 30, 2010 are refunds totaling \$387,288 related to the workers' compensation coverage program. Adverse claims experience in prior years results in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when incurred. Included in the General Fund accounts payable as of June 30, 2010 is an additional deposit for the general and automobile liability coverage program totaling \$592,827 to the Authority to cover adverse claims in prior years.

## M. Deferred Amounts

Deferred charges (bond issuance costs) and deferred amounts for issuance premiums and on refunding debt are being amortized over the life of the respective issues on a straight-line basis.

## N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Specifically, the City has made certain estimates and assumptions related to the collectibility of its receivables, the depreciation of its capital assets and the ultimate outcome of claims and judgments. Accordingly, actual results could differ from those estimates.

See independent auditors' report.

## NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2010 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 57,264,849	\$ 1,105,642	\$ 58,370,491
Temporarily restricted assets:			
Cash and investments	33,197	-	33,197
Cash and investments held by bond trustees	1,802,559	-	1,802,559
Total Cash and Investments	<u>\$ 59,100,605</u>	<u>\$ 1,105,642</u>	<u>\$ 60,206,247</u>

Cash and investments at June 30, 2010 consisted of the following:

Cash on hand	\$ 2,700
Deposits with financial institutions	3,170,642
Investments	<u>57,032,905</u>
Total Cash and Investments	<u>\$ 60,206,247</u>

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City'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 of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
United States Treasury Bills, Bonds and Notes	5 years	None	None
United States Government Sponsored Enterprise Securities	5 years	None	None
Municipal Obligations	5 years	None	None
Negotiable Certificates of Deposits	5 years	30%	10%
Time Certificates of Deposit	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Money Market Funds	N/A	20%	10%
Government Pools	N/A	None	None
Los Angeles County Pooled Fund	N/A	None	None

N/A - Not Applicable

## NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, United States Treasury Obligations, United States Government Sponsored Enterprise Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Banker's Acceptance, Money Market Mutual Funds, Investment Agreements, Repurchase Agreements, Local Agency Investment Fund of the State of California and any other investments permitted in writing by bond insurer. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment.

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. One of the ways that the City 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's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Local Agency Investment Fund	\$ 21,544,045	\$ -	\$ -	\$ 21,544,045
United States Treasury Notes	7,225,228	2,577,985	-	9,803,213
United States Government Sponsored Enterprise Securities	311,343	14,445,667	8,902,456	23,659,466
CAMP Cash Reserve Portfolio	155,641	-	-	155,641
Money Market Mutual Funds	67,981	-	-	67,981
Held by Bond Trustee:				
CAMP Cash Reserve Portfolio	667,411	-	-	667,411
Money Market Mutual Funds	1,135,148	-	-	1,135,148
	<u>\$ 31,106,797</u>	<u>\$ 17,023,652</u>	<u>\$ 8,902,456</u>	<u>\$ 57,032,905</u>

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's investment policy, or debt agreements, and the actual rating, by Standard and Poor's, as of year end for each investment type:

Investment Type	Total as of June 30, 2010	Minimum Legal Rating	AAA	Not Rated	Not Required to be Rated
Local Agency Investment Fund	\$ 21,544,045	N/A	\$ -	\$ 21,544,045	\$ -
United States Treasury Notes	9,803,213	N/A	-	-	9,803,213
United States Government Sponsored Enterprise Securities	23,659,466	N/A	23,659,466	-	-
CAMP Cash Reserve Portfolio	155,641	A	155,641	-	-
Money Market Mutual Funds	67,981	A	67,981	-	-
Held by Bond Trustee:					
CAMP Cash Reserve Portfolio	667,411	A	667,411	-	-
Money Market Mutual Funds	1,135,148	A	1,135,148	-	-
	<u>\$ 57,032,905</u>		<u>\$ 25,685,647</u>	<u>\$ 21,544,045</u>	<u>\$ 9,803,213</u>

N/A - Not Applicable

See independent auditors' report.



## NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Corporation	United States Government Sponsored Enterprise Securities	\$ 9,959,895
Federal Home Loan Bank	United States Government Sponsored Enterprise Securities	\$ 5,213,181
Federal National Mortgage Association	United States Government Sponsored Enterprise Securities	\$ 8,486,390

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'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. The financial institution used by the City has indicated that there are times during the course of a year where they may not have met the collateral requirements. In addition, due to existing financial market conditions, there is a risk that the City may not be able to recover its deposits in excess of FDIC insurance coverage if a financial institution fails and the market value of the collateral is not sufficient to cover all deposits. At June 30, 2010, the City's cash on deposit exceeded federally insured limits by \$4,396,482.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City'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.

Investment in Government Pooled Fund

The City is a voluntary participant in the California Asset Management Program (CAMP), a California joint powers authority established in 1989 by the treasurers and finance directors of several California local agencies. CAMP offers its shareholders a California Asset Management Trust (Trust) Cash Reserve Portfolio, a short-term money market portfolio. The Trust's activities are directed by a board of trustees, all of whom are employees of California public agencies which are participants in the Trust. The Trust's investments are limited to investments permitted by subdivisions (a) to (o), inclusive, of Section 53601 of the California Government Code. The City's investment in the CAMP Cash Reserve Portfolio is reported at amounts based upon the City's pro-rata share of the Portfolio's amortized cost (which approximates fair value) as provided by CAMP. The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

See independent auditors' report.

## NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

## Governmental Activities:

	Balance at July 1, 2009 <u>As Restated</u>	<u>Reclassification</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2010
Capital assets, not being depreciated:					
Land	\$ 17,444,023	\$ -	\$ -	\$ -	\$ 17,444,023
Construction in progress	<u>6,473,750</u>	<u>-</u>	<u>5,288,447</u>	<u>(6,733,606)</u>	<u>5,028,591</u>
Total capital assets, not being depreciated	<u>23,917,773</u>	<u>-</u>	<u>5,288,447</u>	<u>(6,733,606)</u>	<u>22,472,614</u>
Capital assets, being depreciated:					
Structures and improvements	38,726,660	36,517	3,457,128	-	42,220,305
Equipment	6,189,110	(36,517)	201,436	(46,455)	6,307,574
Infrastructure	<u>122,339,925</u>	<u>-</u>	<u>3,101,700</u>	<u>-</u>	<u>125,441,625</u>
Total capital assets, being depreciated	<u>167,255,695</u>	<u>-</u>	<u>6,760,264</u>	<u>(46,455)</u>	<u>173,969,504</u>
Less accumulated depreciation for:					
Structures and improvements	(16,450,834)	-	(763,428)	-	(17,214,262)
Equipment (1)	(5,087,149)	-	(359,833)	46,455	(5,400,527)
Infrastructure	<u>(86,286,536)</u>	<u>-</u>	<u>(2,247,016)</u>	<u>-</u>	<u>(88,533,552)</u>
Total accumulated depreciation	<u>(107,824,519)</u>	<u>-</u>	<u>(3,370,277)</u>	<u>46,455</u>	<u>(111,148,341)</u>
Total capital assets, being depreciated, net	<u>59,431,176</u>	<u>-</u>	<u>3,389,987</u>	<u>-</u>	<u>62,821,163</u>
Total governmental activities capital assets, net	<u>\$ 83,348,949</u>	<u>\$ -</u>	<u>\$ 8,678,434</u>	<u>\$ (6,733,606)</u>	<u>\$ 85,293,777</u>

- (1) The beginning balance of accumulated depreciation for equipment has been increased by \$698,914 to correct the amount that was inadvertently written off for the fiscal year ended June 30, 2008 due to the change in the City's capitalization policy.

## NOTE 3 - CAPITAL ASSETS (CONTINUED)

**Business-type Activity:**

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 381,023	\$ -	\$ -	\$ 381,023
Water rights	1,834,586	-	-	1,834,586
Construction in progress	<u>5,244,400</u>	<u>3,470,872</u>	<u>(5,375,639)</u>	<u>3,339,633</u>
Total capital assets, not being depreciated	<u>7,460,009</u>	<u>3,470,872</u>	<u>(5,375,639)</u>	<u>5,555,142</u>
Capital assets, being depreciated:				
Source of supply	4,770,755	-	-	4,770,755
Pumping plant	532,694	-	-	532,694
Water treatment	67,903	2,414,427	-	2,482,330
Transmission/distribution	29,510,175	27,915	-	29,538,090
General plant	<u>3,375,002</u>	<u>2,951,913</u>	<u>-</u>	<u>6,326,915</u>
Total capital assets, being depreciated	<u>38,256,529</u>	<u>5,394,255</u>	<u>-</u>	<u>43,650,784</u>
Less accumulated depreciation for:				
Source of supply	(2,298,867)	(195,334)	-	(2,494,201)
Pumping plant	(491,677)	(3,446)	-	(495,123)
Water treatment	(54,465)	(125,266)	-	(179,731)
Transmission/distribution	(12,538,347)	(706,942)	-	(13,245,289)
General plant	<u>(2,918,279)</u>	<u>(120,320)</u>	<u>-</u>	<u>(3,038,599)</u>
Total accumulated depreciation	<u>(18,301,635)</u>	<u>(1,151,308)</u>	<u>-</u>	<u>(19,452,943)</u>
Total capital assets, being depreciated, net	<u>19,954,894</u>	<u>4,242,947</u>	<u>-</u>	<u>24,197,841</u>
Total business-type activity, capital assets, net	<u>\$ 27,414,903</u>	<u>\$ 7,713,819</u>	<u>\$ (5,375,639)</u>	<u>\$ 29,753,083</u>

**Depreciation expense:**

Depreciation expense was charged to City functions/programs as follows:

**Governmental activities:**

General government	\$ 168,731
Public safety	50,250
Transportation	39,006
Community development	150,867
Health and sanitation	1,230
Culture and leisure	645,300
Internal service funds depreciation charged to programs	67,877
Unallocated infrastructure depreciation	<u>2,247,016</u>

Total depreciation expense - governmental activities \$ 3,370,277

**Business type activity:**

Water \$ 1,151,308

See independent auditors' report.

## NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2010:

**Governmental Activities**

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010	Due Within One Year
Agency Tax Allocation Bonds:					
1999 Series A	\$ 4,620,000	\$ -	\$ (410,000)	\$ 4,210,000	\$ 430,000
2003 Series A	3,830,000	-	(370,000)	3,460,000	380,000
2003 Series B	1,985,000	-	(180,000)	1,805,000	190,000
Plus (less) deferred amounts:					
For issuance premium	39,505	-	(4,837)	34,668	-
On refunding	(76,094)	-	9,318	(66,776)	-
Total Agency Tax Allocation Bonds	10,398,411	-	(955,519)	9,442,892	1,000,000
Compensated absences	1,066,557	1,051,267	(961,791)	1,156,033	722,415
Total Governmental Activities	11,464,968	1,051,267	(1,917,310)	10,598,925	1,722,415

**Business-type Activity**

Water Revenue Bonds:					
2004 Bonds	2,925,000	-	(380,000)	2,545,000	390,000
2008 Bonds	3,450,000	-	(180,000)	3,270,000	190,000
Plus (less) deferred amounts:					
For issuance premiums	58,651	-	(8,689)	49,962	-
On refunding	(233,352)	-	34,571	(198,781)	-
Total Water Revenue Bonds	6,200,299	-	(534,118)	5,666,181	580,000
Loan payable	-	1,676,353	-	1,676,353	-
Total Business-type Activity	6,200,299	1,676,353	(534,118)	7,342,534	580,000
City Total	\$ 17,665,267	\$ 2,727,620	\$ (2,451,428)	\$ 17,941,459	\$ 2,302,415

**Governmental Activities****A. Agency Tax Allocation Bonds - Series 1999A, Series 2003A and Series 2003B****Series 1999A**

On October 1, 1999, the Agency issued \$6,760,000 Redevelopment Project No. 1 Tax Allocation Parity Refunding Bonds, 1999 Series A, to refinance a portion of the 1992A Bonds and to finance certain obligations under a Participation Agreement with Lakewood Mall Business Company. The 1999A Bonds are secured by a pledge of tax increment revenue from Project Area No. 1.

The 1999A Bonds are serial bonds maturing annually each September 1 through the calendar year 2017, and bearing interest at rates ranging from 4.0% to 5.4%. Interest is payable semiannually on March 1 and September 1. The 1999A Bonds maturing on or after September 1, 2010, are subject to redemption prior to maturity at the option of the Agency as a whole, or in part, on or after September 1, 2009, by such maturities as designated by the Agency and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, plus a premium (expressed as a percentage of the principal amount of bonds to be redeemed) plus accrued interest to the redemption date. The redemption prices range from 100% to 102%.

See independent auditors' report.

## NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

## Governmental Activities (Continued)

## A. Agency Tax Allocation Bonds - Series 1999A, Series 2003A and Series 2003B (Continued)

Series 1999A (Continued)

Total debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 430,000	\$ 208,613	\$ 638,613
2012	450,000	186,935	636,935
2013	475,000	163,573	638,573
2014	515,000	138,070	653,070
2015	540,000	110,505	650,505
2016-2018	<u>1,800,000</u>	<u>148,304</u>	<u>1,948,304</u>
Total	<u>\$ 4,210,000</u>	<u>\$ 956,000</u>	<u>\$ 5,166,000</u>

Series 2003A

On October 28, 2003, the Agency issued \$5,565,000 Redevelopment Project No. 1 Tax Allocation Parity Refunding Bonds, 2003 Series A, to refinance the outstanding 1992A Bonds. The 1992A Bonds were called in full on December 22, 2003. The Series 2003A Bonds were issued at a premium of \$66,514. This premium is being amortized on a straight-line basis as an adjustment to interest expense on the statement of activities through the year 2018. The 2003A Bonds are secured by a pledge of tax increment revenue from Project Area No. 1 on a parity with the remaining 1999A Bonds.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$81,827. This difference, reported as a deduction from bonds payable, is being amortized on a straight-line basis as interest expense on the statement of activities through the year 2018.

The 2003A Bonds are serial bonds maturing annually each September 1 through the calendar year 2017, and bearing interest at rates ranging from 2.5% to 4.15%. Interest is payable semiannually on March 1 and September 1. The 2003A Bonds maturing on or after September 1, 2014, are subject to redemption prior to maturity at the option of the Agency as a whole, or in part, on or after September 1, 2013, by such maturities as designated by the Agency and by lot within a maturity, at a redemption price equal to one hundred percent (100%) of the principal amount to be redeemed, plus accrued interest to the redemption date.

Series 2003A total debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 380,000	\$ 125,518	\$ 505,518
2012	395,000	111,955	506,955
2013	405,000	97,449	502,449
2014	420,000	81,718	501,718
2015	440,000	65,330	505,330
2016-2018	<u>1,420,000</u>	<u>88,209</u>	<u>1,508,209</u>
Total	<u>\$ 3,460,000</u>	<u>\$ 570,179</u>	<u>\$ 4,030,179</u>

See independent auditors' report.

## NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

## Governmental Activities (Continued)

Series 2003B

On October 28, 2003, the Agency issued \$2,805,000 Redevelopment Project No. 1 Taxable Tax Allocation Parity Refunding Bonds, 2003 Series B, to refinance the outstanding 1992B Bonds. The 1992B Bonds were called in full on December 22, 2003. The 2003B Bonds are secured by a pledge of tax increment revenue from Project Area No. 1 on a parity with the remaining 1999A Bonds.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$46,291. This difference, reported as a deduction from bonds payable, is being amortized on a straight-line basis as interest expense on the statement of activities through the year 2017.

The 2003B Bonds are serial bonds maturing annually each September 1 through the calendar year 2017, and bearing interest at rates ranging from 3.89% to 5.59%. Interest is payable semiannually on March 1 and September 1. The 2003B Bonds maturing September 1, 2017, are subject to redemption prior to maturity at the option of the Agency as a whole, or in part, on or after September 1, 2013, by such maturities as designated by the Agency and by lot within a maturity, at a redemption price equal to one hundred percent (100%) of the principal amount to be redeemed, plus accrued interest to the redemption date.

Series 2003B total debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 190,000	\$ 92,372	\$ 282,372
2012	195,000	82,477	277,477
2013	205,000	72,197	277,197
2014	220,000	61,275	281,275
2015	230,000	49,192	279,192
2016-2018	<u>765,000</u>	<u>65,822</u>	<u>830,822</u>
Total	<u>\$ 1,805,000</u>	<u>\$ 423,335</u>	<u>\$ 2,228,335</u>

## B. Compensated Absences

There is no fixed payment schedule for earned but unpaid compensated absences.

## Business-type Activity

## C. Water Revenue Bonds Payable

2004 Bonds

On April 15, 2004 the City issued \$4,635,000 Water Refunding Bonds to refinance the outstanding 1996 Water-Bond. The 2004 Bonds are secured by a charge and lien on net revenue of the water enterprise.

The 2004 Bonds are revenue bonds maturing annually each April 1 through the calendar year 2016, and bearing interest at rates ranging from 3% to 4%. Interest is payable semiannually on April 1 and October 1.

## NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

## Business-type Activity (Continued)

## C. Water Revenue Bonds Payable (Continued)

2004 Bonds (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2010, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 390,000	\$ 82,938	\$ 472,938
2012	405,000	71,238	476,238
2013	415,000	58,581	473,581
2014	430,000	45,094	475,094
2015	445,000	31,119	476,119
2016	<u>460,000</u>	<u>16,100</u>	<u>476,100</u>
Total	<u>\$ 2,545,000</u>	<u>\$ 305,070</u>	<u>\$ 2,850,070</u>

2008 Bonds

On May 7, 2008 the City issued \$3,450,000 in non-taxable water revenues bonds to finance the construction of a photovoltaic system. The bonds were sold through a negotiated sale and bears interest at a rate of 4.75%. The 2008 Bonds are secured by a charge and lien on the net revenue of the water enterprise. Principal payments on the capital lease are due annually each April 1, commencing April 1, 2010. Interest payments are payable semi-annually on April 1 and October 1. Since construction has not been completed, this amount is included in construction in progress.

The future annual required lease payments at June 30, 2010, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 190,000	\$ 155,325	\$ 345,325
2012	195,000	146,300	341,300
2013	205,000	137,038	342,038
2014	215,000	127,300	342,300
2015	225,000	117,088	342,088
2016 - 2020	1,300,000	414,200	1,714,200
2021 - 2023	<u>940,000</u>	<u>90,487</u>	<u>1,030,487</u>
Total	<u>\$ 3,270,000</u>	<u>\$ 1,187,738</u>	<u>\$ 4,457,738</u>

## D. Loan Payable

In November 2008, the City entered into a loan agreement with the Water Replenishment District of Southern California (WRD). Pursuant to the agreement, WRD is to loan the City up to \$2,200,000 which is to be used towards the design, construction and installation of wellhead treatment systems at the City's Well 27 site. As of June 30, 2010, the City had requested and received \$1,676,353 from WRD. The loan is unsecured and does not bear interest. The term of the loan is ten years from the initial loan disbursement date which occurred on September 24, 2009. Principal payments are due annually commencing two years from the date of the initial loan disbursement in an amount equal to the lesser of (i) 10% of the total cumulative amount of loan disbursements made by WRD during the immediately preceding twelve month period or (ii) \$220,000.

## NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

## Business-type Activity (Continued)

## D. Loan Payable (Continued)

The debt service schedule to maturity is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ -	\$ -
2012	167,635	-	167,635
2013	167,635	-	167,635
2014	167,636	-	167,636
2015	167,635	-	167,635
2016 - 2020	838,177	-	838,177
2021	<u>167,635</u>	<u>-</u>	<u>167,635</u>
Total	<u>\$ 1,676,353</u>	<u>\$ -</u>	<u>\$ 1,676,353</u>

## NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances were as follows at June 30, 2010:

Due To / From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Lakewood Capital Improvements Fund	\$ 1,354
	Other Governmental Funds	615,963
	Central Garage Internal Service Fund	51,160
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	<u>4,070,148</u>
		<u>\$ 4,738,625</u>

These interfund balances represent routine short-term cash flow assistance.

Advances From / To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$ 35,175,499
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Debt Service Fund	<u>3,329,066</u>
		<u>\$ 38,504,565</u>

The City provides advances to the Redevelopment Agency to assist the Agency with its operating budget and redevelopment activities. The interest rate on the advances is 12% per annum compounded annually on the outstanding principal portion only. Accrued unpaid interest totaling \$13,840,937 at June 30, 2010 is included in the advance balance. Since the accrued unpaid interest due to the City is not available as a resource to meet expenditures of the current year, it has been recorded as deferred revenue in the General Fund.

See independent auditors' report.



## NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Advances From / To Other Funds (Continued)

On April 14, 2005, the Agency Board approved a 10-year loan from the Capital Projects Fund to the Debt Service Fund to provide partial funding for the required payment to the County of Los Angeles' Educational Revenue Augmentation Fund for the year ended June 30, 2005. No interest accrues on this loan and annual installments of \$22,623 commenced May 10, 2006. The loan balance at June 30, 2010 is \$113,115.

On February 9, 2010, the Agency Board approved a 5-year loan from the Capital Projects Fund to the Debt Service Fund to provide funding for the required payment to the County of Los Angeles' Supplemental Educational Revenue Augmentation Fund for the year June 30, 2010. No interest accrues on this loan and the loan must be repaid on or before June 30, 2015. The loan balance at June 30, 2010 is \$3,215,951.

Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,158,110
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	2,036,009
Lakewood Capital Improvements Capital Projects Fund	General Fund	2,047,175
		<u>\$ 6,241,294</u>

Transfers provided funding for capital projects, capital acquisitions, debt service, print shop services and the losing of the central stores internal service fund.

## NOTE 6 - NOTES RECEIVABLE

- A. As consideration for the sale of land on November 3, 2006, the Agency took a \$689,520 note from the buyer. The term of the note is ten years. Interest accrues on the note at a rate of 5.5% per annum. Principal and interest is payable quarterly. The quarterly payments are fixed at \$14,298 with a balloon payment of \$434,883 due on November 1, 2016. The note balance at June 30, 2010 is \$615,702 and is included in the Redevelopment Agency Capital Projects Fund.
- B. The Agency makes deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal year 1996-97, the Agency began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. The rehabilitation loans made from Redevelopment Agency low and moderate housing 20% set-aside funds are reported in the Lakewood Redevelopment Agency Capital Projects Fund. Due to the long-term nature of the loans, the Agency has deferred recognition of revenues until receipt in the governmental fund financial statements. The balance of these loans totaled \$2,751,786 at June 30, 2010.
- C. The Gateway Cities Council of Governments has received grant funds for economic development from the Economic Development Administration (EDA). On August 24, 1999, the City of Lakewood approved an agreement with the Gateway Cities Council of Governments, of which the City of Lakewood is a member, to receive \$666,725 of these funds as a sub-grantee. These funds were used to establish a commercial revolving loan fund to provide for business expansion, economic development, and job creation in Lakewood. The revolving loan fund particularly targets industrial, manufacturing, and commercial businesses adjacent to the Boeing plant and Long Beach Airport and at the 19-acre former Rockwell site in Lakewood. This is a matching grant program. The funds received from the EDA have been matched with \$85,000 from a California Trade and Commerce Agency Defense Adjustment Matching Grant and \$168,245 in Community Development Block Grant (CDBG) funds. The outstanding balance, which is reported in the Other Governmental Funds, as of June 30, 2010 was \$459,417.

See independent auditors' report.

## NOTE 7 - DEFINED BENEFIT PENSION PLANS

## A. CalPERS Plan

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public 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. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

The City makes all of the contributions required of City employees on their behalf and for their account. The employee portion of the rates is set by statute and therefore remains unchanged from year to year. The member rate as a percentage of wages for local miscellaneous members is 7%.

Additionally, the City 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 2009-10 was 9.468% for local miscellaneous members. The contribution requirements of the plan members are established by State statute and the employer contribution rates were established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2009-10, the City's actual and contributed pension cost was \$1,353,997. The required contribution for fiscal year 2009-10 was determined as part of the June 30, 2007, actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by age, length of service and type of employment from 3.25 % to 14.45%, (c) a 3.0% inflation rate; (d) a 3.25% payroll growth rate; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen-year period. Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over a 30 year rolling period which results in an amortization of about 6% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of Plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

## Three-Year Trend Information for the Miscellaneous Plan:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 1,244,453	100%	\$ -
6/30/09	1,306,480	100%	-
6/30/10	1,353,997	100%	-

See independent auditors' report.

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

## A. CalPERS Plan (Continued)

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 87.3% funded. The actuarial accrued liability for benefits was \$85,776,801, and the actuarial value of assets was \$74,859,464, resulting in an unfunded liability of \$10,917,337. The covered payroll (annual payroll of active employees covered by the plan) was \$14,052,480, and the ratio of the UAAL to the covered payroll was 77.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## B. Retirement Enhancement Plan

Plan Description

The City provides a 401a defined benefit retirement enhancement plan under the terms of a Memorandum of Understanding (MOU) between the City and its employees. The Plan is part of an agent multiple employer plan administered by the Public Agency Retirement Service (PARS). The benefit is equal to 0.5% of final average compensation for all future years of City service (on or after July 1, 2005) and for 75% of past years of City service (before July 1, 2005). Eligibility for an immediate benefit is defined as reaching age 60, completing two years of full-time continuous Lakewood service, and retiring concurrently from both the City and CalPERS after leaving City employment on or after July 1, 2006. Employees terminating from the City with two years of service and concurrent retirement with CalPERS but prior to age 60 may choose to receive either a deferred retirement benefit to begin at age 60 or a refund of their employee contributions with 3% interest compounded annually. All other terminating employees will receive a refund of their employee contributions with 3% interest.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City, City Council, and/or the employee associations and the employer contribution rates are established and may be amended by PARS. Currently, plan members are required to contribute 3% of compensation of which the City picks-up 0.13%. The required employer contribution for the fiscal year 2009-10 was 3.57%.

Annual Pension Cost

For fiscal year 2009-10, the City's actual and contributed pension cost was \$489,730. This required contribution was determined as part of the July 1, 2009, actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.00% investment rate of return; (b) projected salary increases that vary by age, length of service and type of employment from 3.25 % to 12.65%, (c) a 3.0% inflation rate; and (d) a 2.00% cost of living adjustment compounded annually. Initial unfunded liabilities are amortized over a closed 20-year period that began on July 1, 2005.

## Three-Year Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 444,918	100%	\$ -
6/30/09	475,852	100%	-
6/30/10	489,730	100%	-

See independent auditors' report.

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

## B. Retirement Enhancement Plan(Continued)

Funded Status and Funding Progress

As of July 1, 2009, the latest actuarial valuation date, the plan was 31.01% percent funded. The actuarial accrued liability for benefits was \$8,040,975, and the actuarial value of assets was \$2,493,670 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,547,305. The covered payroll (annual payroll of active employees covered by the plan) was \$13,027,092 and the ratio of the UAL to the covered payroll was 42.58%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## NOTE 8 - DEFINED CONTRIBUTION PLAN

The City provides a tax qualified retirement savings plan under Section 401(a) of the Internal Revenue Code to its full-time employees. The Plan is a defined contribution plan and benefits depend solely on amounts contributed to the plan and investment earnings. The Plan is administered by the Public Agency Retirement System (PARS) and the City Council has the authority for establishing and amending the plan provisions. Employer contributions are based on an employee's tier of eligibility. Depending on the limits and requirements of the eligible tier, the City will contribute certain amounts equivalent to an employee's eligible unused accrued vacation time, compensatory time, floating holidays, sick leave and administrative leave. Employee contributions are mandatory and are also based on an employee's tier of eligibility. The amount of the mandatory employee contribution will depend on the limits and requirements of the tier which take into consideration an employee's longevity, merit adjustments and prescribed plan percentages. For the year ended June 30, 2010, employee contributions totaled \$315,500 and employer contributions totaled \$241,674.

## NOTE 9 - DEFERRED COMPENSATION PLAN

The City has made available to its employees two deferred compensation plans, whereby employees authorize the City to withhold funds from salary to be invested in the ICMA Retirement Corporation or the California Public Employees Retirement System (PERS) California Employees Deferred Compensation Plan. Funds may be withdrawn by participants upon termination of employment or retirement. The City makes no contributions under the plans. The City withholds employee contributions from employee's payroll checks and transmits these monies to the plan providers on a bi-weekly basis. The City makes distributions from the plans based solely upon authorizations from the plan administrator.

Pursuant to changes in Internal Revenue Code (IRC) Section 457 on November 26, 1997, the City formally established a plan level trust in which all assets and income of the 457 plan were placed. The assets, all property and rights purchased with such amount, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries. These assets are no longer the property of the City and, as such, are no longer subject to the claims of the City's general creditors. As a result, the assets of the 457 plan are no longer reflected in the financial statements. The City had minimal involvement in the administration of the 457 plan and, therefore, lacks the fiduciary accountability that would have required the 457 plan to be recorded.

## NOTE 10 - RESERVES AND DESIGNATIONS OF FUND BALANCES

A city may set up "reserves" of fund equity to segregate fund balances which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" also may be established to indicate tentative plans for financial resource utilization in a future period.

## NOTE 10 - RESERVES AND DESIGNATIONS OF FUND BALANCES (CONTINUED)

The City's reserves and designations at June 30, 2010, are tabulated below, followed by explanations as to the nature and purpose of each reserve and designation.

Reserves	General Fund	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	Lakewood Capital Improvements Capital Projects Fund	Other Governmental Funds
Continuing appropriations	\$ 1,070,139	\$ -	\$ -	\$ 985,930	\$ 1,281,417
Personnel benefits	568,217	-	-	-	-
Debt service	-	1,457,504	-	-	-
Land held for resale	-	-	3,108,056	-	-
Low and moderate housing	-	-	4,263,268	-	-
Notes receivable	-	-	615,702	-	-
Prepaid items	404,656	-	4,244	-	-
Inventories	8,491	-	-	-	-
Advances	21,334,562	-	3,329,066	-	-
Special revenue purposes	-	-	-	-	5,378,929
Encumbrances	473,464	-	-	835,975	680,845
Other reserves	779,122	-	-	-	-
Total reserves	<u>\$ 24,638,651</u>	<u>\$ 1,457,504</u>	<u>\$ 11,320,336</u>	<u>\$ 1,821,905</u>	<u>\$ 7,341,191</u>

Designations	General Fund
Self-Insurance	\$ 4,000,000
Infrastructure and capital improvements	3,546,320
Equipment replacement	2,200,933
General contingencies	5,364,904
Refuse disposal rate stabilization	1,964,966
Civic Center improvements	989,350
Economic uncertainties	<u>8,550,000</u>
Total designations	<u>\$ 26,616,473</u>

## A. Reserve for Continuing Appropriations

Appropriations for capital projects which are unexpended as of June 30, 2010, will carry forward as continuing appropriations to be expended in 2010-11.

## B. Reserve for Personnel Benefits

This reserve provides for OPEB (Other Post Retirement additional negotiated personnel Benefits), as provided in the memorandum of understanding effective July 1, 2010.

## C. Reserve for Debt Service

The Tax Increment Bond Resolutions require that reserves be established.

## D. Reserve for Land Held for Resale

This reserve is provided to indicate that land held for resale is not "available" as a resource to meet expenditures of the current year.

See independent auditors' report.

## NOTE 10 - RESERVES AND DESIGNATIONS OF FUND BALANCES (CONTINUED)

## E. Reserve for Low and Moderate Housing

These funds are reserved for low and moderate housing, as required by the State of California Health and Safety Code Sections 33334.2 and 33334.3.

## F. Reserve for Notes Receivable

This reserve is provided to indicate that long-term notes receivable are not "available" as a resource to meet expenditures of the current year.

## G. Reserve for Prepaid Items

This reserve is provided to indicate that prepaid items are not "available" as a resource to meet expenditures of the current year.

## H. Reserve for Inventories:

This reserve is provided to indicate that inventories are not "available" as a resource to meet expenditures of the current year.

## I. Reserve for Advances

This reserve is provided to indicate that advances are not "available" as a resource to meet expenditures of the current year.

## J. Reserve for Special Revenue Purposes

These funds are reserved for the specific special revenue purposes as restricted by law or administrative action. They include funds which may only be used for street maintenance and construction, park and recreation purposes, sewer reconstruction, certain transportation purposes, federal housing grants, prevention of drug abuse, and to reduce air pollution from mobile sources.

## K. Reserve for Encumbrances

Amounts reserved for encumbrances are commitments for materials and services on purchase orders and contracts that are unperformed.

## L. Other Reserves

Other reserves have been established for central stores, CATV, Special Olympics, restricted recreation contributions and major contract services.

## M. Designated for Self-Insurance

These funds have been designated to provide for the general liability and workers' compensation insurance programs. The City is a member of the California Joint Powers Insurance Authority as described in Note 10.

## N. Designated for Infrastructure and Capital Improvements

These funds are designated to provide for new infrastructure improvements and capital additions as determined by the City Council.

## O. Designated for Equipment Replacement

These funds are designated to provide primarily for replacement of major City equipment, such as office and computer equipment and equipment at City swimming pools.

See independent auditors' report.

## NOTE 10 - RESERVES AND DESIGNATIONS OF FUND BALANCES (CONTINUED)

## P. Designated for General Contingencies

The remainder of the unreserved fund balance at June 30, 2010, in the General Fund has been designated for general contingencies.

## Q. Designated for Refuse Disposal Rate Stabilization

These funds are designated to provide for refuse disposal rate stabilization as determined by the City Council.

## R. Designated for Civic Center Improvements

These funds are designated to provide for a Civic Center Master Plan and its eventual implementation.

## S. Designated for Economic Uncertainties:

These funds are designated to provide for unforeseen situations, which could include increases in demand for services, state revenue take-aways or downturns in the economy.

## NOTE 11 - HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAMS

The City makes deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal Year 1996-97, the City began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. Through Fiscal Year 1997-98, the City also used Housing and Community Development Block Grant (CDBG) funds to provide these loans. The rehabilitation loans made from Redevelopment Agency low and moderate housing 20% set-aside funds are reflected in the Lakewood Redevelopment Agency Capital Projects Fund. Due to the long-term nature of the loans, the City has deferred recognition of revenues until receipt. The rehabilitation loans made from CDBG funds and all HUD cash held for rehabilitation loans are reflected in the Housing Rehabilitation Agency Fund. Since the Department of Housing and Urban Development has a claim to any funds remaining when the program is terminated, these funds are reported as "Due to HUD" in the Agency Fund.

## NOTE 12 - LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION

## A. Description of Self-insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Insurance Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

## B. Self-insurance Programs of the Authority

**General Liability Insurance.** Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance and excess insurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

See independent auditors' report.



## NOTE 12 - LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION (CONTINUED)

## B. Self-insurance Programs of the Authority (Continued)

Workers' Compensation. The City also participates in the workers compensation pool administered by the Insurance Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

## C. Purchased Insurance

Environmental Insurance. The City participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance. The City participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Insurance Authority. Total all-risk property insurance coverage is \$48,219,653. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance. The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Insurance Authority. City property currently has earthquake protection in the amount of \$29,875,491. There is a deductible of 5% of per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance. The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Insurance Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Special Event Tenant User Liability Insurance. The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on City property. The insurance premium is paid by the tenant user and is paid to the City according to a schedule. The City then pays for the insurance. The insurance is arranged by the Authority.

## D. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

The aforementioned information is not included in the accompanying financial statements. Complete financial statements for the Insurance Authority may be obtained at their administrative office located at 8081 Moody Street, La Palma, California 90623.



## NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides a post-retirement medical care benefit under the terms of a Memorandum of Understanding (MOU) between the City and its employees. The Plan is part of an agent multiple employer plan administered by the Public Agency Retirement Service (PARS). The benefit is in the form of a monthly supplemental payment to assist qualified retirees with premium payment on medical insurance. Effective July 1, 1989, this benefit is available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after attaining age 60 and who have completed at least 15 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. Effective July 1, 2001, this benefit was modified and is also available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after age 55 and who have completed at least 20 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. The benefit is a "defined dollar benefit" set at \$302 per month on July 1, 2004, continuing until the retiree has met the insured status requirements for Medicare. Thereafter, the payment is decreased to \$266 per month. The benefit is increased annually according to the terms of the MOU. The maximum term of benefits paid a qualifying employee is equal to the number of months of continuous Lakewood City service.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or the employee associations. Currently, contributions are not required from plan members. During the fiscal year ended June 30, 2010, the City elected to fund \$624,358 towards the unfunded accrued liability related to this benefit.

Annual OPEB Cost and Net OPEB Obligation (Asset)

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC for fiscal year 2009-10 was \$361,352 and was determined as part of an actuarial valuation dated July 1, 2009.

The following table shows the component of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset.

Annual required contribution (ARC)	\$ 361,352
Interest adjustment on Net OPEB asset	(259,742)
Amortization adjustment to ARC	314,500
Annual OPEB cost	416,110
Contribution made	(624,358)
Increase in Net OPEB asset	(208,248)
Net OPEB asset - beginning of year	(4,329,040)
Net OPEB asset - end of year	<u>\$ (4,537,288)</u>

Three-Year Trend Information

For fiscal year 2010, the City's annual OPEB cost (expense) of \$416,110 was greater than the ARC. Since this fiscal year is only the second transition year, information on the annual OPEB cost, percentage of Annual OPEB Cost contributed, and Net OPEB Obligation is only available for the two fiscal years, as presented below:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2009	\$ 268,744	\$ 4,597,784	1,710.84%	\$ (4,329,040)
6/30/2010	416,110	624,358	150.05%	(4,537,288)

See independent auditors' report.

## NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of July 1, 2009, the latest actuarial valuation date, the plan was 76.35 percent funded. The actuarial accrued liability for benefits was \$5,950,911, and the actuarial value of assets was \$4,543,540 resulting in an unfunded actuarial liability (UAAL) of \$1,407,371. The covered payroll (annual payroll of active employees covered by the plan) was \$12,590,469 and the ratio of the UAAL to the covered payroll was 11.18%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2007, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a discount rate of 6.0% per annum, a rate of return on assets of 5.0% per annum and a healthcare cost trend rate of 9.0% initially, reduced by annual decrements of 1.0% to an ultimate rate of 5.0% after four years. The City's unfunded actuarial accrued liability is being amortized by level dollar contributions over a thirty-year closed period as a level dollar amount.

## NOTE 14 - CONTINGENT LIABILITIES

- A. Numerous claims and suits have been filed against the City in the normal course of business. Based upon information received from the City Attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by self-insurance designations and insurance coverage.
- B. The City contracts for policing services through the Los Angeles County Sheriff's Department. As part of the agreement for services, the City is required to pay an additional 6% premium over the contract price to the Sheriff's Department for liability insurance. This amount is held by the County in a Liability Trust Fund and provides for the payment of claims brought against the Sheriff's Department.
- C. Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies will be required to make Supplemental Education Revenue Augmentation Fund (SERAF) contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the California Redevelopment Association filed a class action lawsuit on behalf of all California redevelopment agencies, challenging the SERAF obligations as unconstitutional. The court ruled that the SERAF obligations were not unconstitutional.

The Agency borrowed \$3,215,951 from the Housing Set-Aside Fund to make its contribution for the fiscal year 2009-2010. Also, the Agency will borrow \$661,471 from the Housing Set-Aside Fund to make its contribution for the fiscal year 2010-2011.

## NOTE 15 - OTHER AGREEMENTS

- A. California Health and Safety Code Section 33334.6 requires that Redevelopment Agencies set aside 20% of the annual tax increment proceeds for the benefit of low- and moderate-income housing. However, an Agency may defer the set-aside of 20% if it determines that the tax increment required to be deposited is necessary for the orderly and timely completion of programs approved by the Agency prior to January 1, 1986. The Agency made such a determination to defer the deposit of \$1,383,310 of tax increment into the Housing Set-Aside Fund. The Agency has adopted a plan for repayment of this Housing Set-Aside Fund deficit. The Agency made a payment of \$36,000 towards this deficit during the year ended June 30, 2010. At June 30, 2010, the remaining deficit totaled \$1,125,310. Given the presently anticipated revenues and activities of the Agency, the deficit is expected to be eliminated by fiscal 2021-2022.
- B. On August 27, 2002, the Lakewood Redevelopment Agency entered into a twelve-year agreement with Pacific Ford, Inc., and HJCH II for a rehabilitation reimbursement in the amount not to exceed \$1,890,000 to be paid quarterly based on a tax revenue generated by the Ford dealership and any other dealership on the property acquired and to be acquired by HJCH II. Pacific Ford and HJCH II guarantee for the term of the agreement a minimum amount of sales per year subject to California sales tax. In the event the minimum is not achieved in the aggregate for the term of the agreement, the participant shall reimburse the City of Lakewood for the amount of sales tax revenue not generated. For the year ended June 30, 2010, the Agency made no payments in relation to this agreement.
- C. On September 14, 1999, the Agency also approved an agreement to lease 1,900 parking stalls from the Lakewood Mall Business Company to provide public parking. Rent is comprised of basic rent and additional rent. The basic rent is \$450,000 per year. The additional rent is based on the amount of additional tax increment received above a base year amount and is capped at \$300,000 per year. The agreement also allows for catch up payments in the event that additional rent is less than the cap in the first three years of the lease. Catch up payments are only due when additional rent exceeds the \$300,000 annual cap in future years. The Agency also entered into a sublease with the developer in order for the developer to operate and maintain the premises as public facilities. The annual lease payments will be paid with tax increment revenues generated by the Mall. For the fiscal year ended June 30, 2010, the Agency's obligation under this agreement totaled \$750,000.
- D. On December 16, 1998, the Agency entered into a participation agreement with Golden State Health Centers, Inc., which reimburses all tax increment revenues which the Agency receives from the redevelopment of the site located at 11695 Del Amo Boulevard, excluding: (1) the property taxes levied and assessed against the site as of January 1, 1998; (2) the amount required to be set aside for the low-and moderate-income housing fund equal to 20%; and (3) that amount of tax increment the Agency is required to pay to other taxing agencies which is currently approximately 20% of such tax increment. Such payments shall be made to the owner in semi-annual installments within 60 days after the Agency's receipt of its tax increment for the Redevelopment Project from the County tax collector. The owner shall submit a written statement each year to the Agency requesting such payment together with a copy of its property tax bill(s) for all real property within the site, whether billed to the owner of any tenant. For the year ended June 30, 2010, the Agency paid \$11,781 pursuant to this agreement.
- E. On June 13, 1989, the Agency entered into an agreement for the allocation of tax increment revenue generated from Project Area No. 2. As part of the agreement, the Agency is required to reimburse the Consolidated Fire Protection District of Los Angeles County 17.26% of tax increment revenues and Los Angeles County 54.59% of tax increment revenue. The Los Angeles County portion may be deferred in any year under certain terms of the agreement until total tax increment of the Agency reaches a cumulative total of \$60,000,000. After the total reaches \$60,000,000, the Agency is required to reimburse Los Angeles County 100% of tax increment revenue (net of the allocation to the Consolidated Fire Protection District of Los Angeles County) until the deferred sums have been repaid. Interest on any deferral amounts was prepaid in a lump sum of \$842,000 in Fiscal Year 1990-91. At June 30, 2010, the Agency's outstanding deferral balance is \$552,498.

## NOTE 16 - RESTATEMENT OF NET ASSETS/FUND BALANCES

## A. Restatement of Net Assets - Government-wide Financial Statements:

Net assets at the beginning of the year in the government-wide financial statements have been restated as follows:

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 138,229,704
Adjustments (see schedule below and Note 3)	<u>(828,937)</u>
Net assets as restated	<u>\$ 137,400,767</u>

## B. Restatement of Fund Balances - Governmental Fund Financial Statements:

Fund balances at beginning of year in the governmental fund financial statements have been restated as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund balances as previously reported	\$ 53,055,544	\$ 6,608,226
To correct miscellaneous liabilities balances as of the beginning of the year	(62,447)	-
To correct a deferred revenue balance that should not have been recognized as revenue in prior year	<u>-</u>	<u>(67,576)</u>
Fund balances as restated	<u>\$ 52,993,097</u>	<u>\$ 6,540,650</u>

## NOTE 17 - INDIVIDUAL FUND DISCLOSURES:

## A. Funds with a deficit fund balance at June 30, 2010, are as follows:

Major Funds:	
Redevelopment Agency Debt Service Fund	\$ 24,820,749
Lakewood Capital Improvements Capital Projects Fund	43,354
Other Governmental Funds:	
Litter Reduction Grant Special Revenue Fund	682
Beverage Container Grant Special Revenue Fund	8,116
NSP Grant Special Revenue Fund	269,791
Internal Service Funds:	
Central Garage	22,585
Print Shop	10,851

The City plans to eliminate these deficits through transfers from the General Fund, receipt of tax increment revenues and receipt of deferred grant revenues.

B. For the year ended June 30, 2010, expenditures exceeded appropriations at the fund level (the legal level of budgetary control) in the TDA Article Grant Special Revenue Fund by \$160, the State Parks Grants and Bonds Special Revenue Fund by \$574, the Lakewood Business Development Special Revenue Fund by \$147,400 and the NSP Grant Special Revenue Fund by \$269,791.

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF LAKEWOOD

## SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2010

## CalPERS DEFINED BENEFIT PENSION PLAN

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
06/30/07	\$ 71,522,076	\$ 66,743,647	\$ 4,778,429	93.32%	\$ 13,038,258	36.65%
06/30/08	77,501,716	71,496,367	6,005,349	92.25%	13,191,916	45.52%
06/30/09	85,776,801	74,859,464	10,917,337	87.27%	14,052,480	77.69%

## RETIREE ENHANCEMENT DEFINED BENEFIT PLAN

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
07/01/05	\$ 4,667,989	\$ -	\$ 4,667,989	0.00%	\$ 10,445,585	44.69%
07/01/07	5,745,565	1,569,624	4,175,941	27.32%	11,671,485	35.78%
07/01/09	8,040,975	2,493,670	5,547,305	31.01%	13,027,092	42.58%

## RETIREE HEALTH DEFINED BENEFIT PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
7/1/2007	\$ 4,464,565	\$ -	\$ 4,464,565	0.00%	\$ 11,108,547	40.19%
7/1/2009	5,950,911	4,543,540	1,407,371	76.35%	12,590,469	11.18%

See independent auditors' report.

**CITY OF LAKEWOOD**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

For the year ended June 30, 2010

	Budgeted Amounts			Variance Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Taxes	\$ 20,151,609	\$ 20,151,609	\$ 19,548,657	\$ (602,952)
Licenses and permits	574,323	574,323	713,054	138,731
Fines and forfeitures	1,115,000	1,115,000	1,013,090	(101,910)
Investment income, rents and concessions	1,593,402	1,593,402	1,506,627	(86,775)
From other agencies	9,514,921	9,433,567	7,649,321	(1,784,246)
Current service charges	7,642,724	7,658,594	7,634,788	(23,806)
Other	51,500	51,500	4,157	(47,343)
<b>TOTAL REVENUES</b>	<b>40,643,479</b>	<b>40,577,995</b>	<b>38,069,694</b>	<b>(2,508,301)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	7,237,460	7,228,229	7,221,204	7,025
Public safety	14,269,753	14,118,276	12,483,955	1,634,321
Transportation	3,988,775	4,080,775	4,043,762	37,013
Community development	3,385,901	3,408,162	3,227,056	181,106
Health and sanitation	4,625,150	4,622,979	4,271,868	351,111
Culture and leisure	9,025,041	8,874,981	8,670,757	204,224
<b>TOTAL EXPENDITURES</b>	<b>42,532,080</b>	<b>42,333,402</b>	<b>39,918,602</b>	<b>2,414,800</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,888,601)</b>	<b>(1,755,407)</b>	<b>(1,848,908)</b>	<b>(93,501)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,932,179	2,090,919	2,158,110	67,191
Transfers out	(877,936)	(3,238,293)	(2,047,175)	1,191,118
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,054,243</b>	<b>(1,147,374)</b>	<b>110,935</b>	<b>1,258,309</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(834,358)</b>	<b>(2,902,781)</b>	<b>(1,737,973)</b>	<b>1,164,808</b>
<b>FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED</b>	<b>52,993,097</b>	<b>52,993,097</b>	<b>52,993,097</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 52,158,739</b>	<b>\$ 50,090,316</b>	<b>\$ 51,255,124</b>	<b>\$ 1,164,808</b>

See independent auditors' report and note to required supplementary information.

## NOTE 1 - BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers substantially all City expenditures, with the exception of debt service on bond issues and capital improvement projects, which expenditures constitute legally-authorized "non-appropriated budget." There were no significant non-budgeted financial activities. Actual expenditures may not exceed budgeted appropriations at the fund level. However, the City Manager is authorized to transfer budgeted amounts between funds and between functional categories.
3. Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are encumbered at year end lapse, and then are added to the following year's budgeted appropriations. However, encumbrances at year end are reported as reservations of fund balance.
4. Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparison is presented for the Redevelopment Agency Debt Service Fund since no budget is adopted for this fund. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
5. Capital project budgets are long term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2010, based on calculations by City Management, proceeds of taxes did not exceed related appropriations. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies, to be used in future years without limitation. In 2009-10, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds.



**OTHER GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for taxes and other revenues set aside in accordance with law or administrative regulation for a specific purpose.

State Gasoline Tax Fund - To account for state gasoline taxes received by the City. These funds may be used for street maintenance, right-of-way acquisition, and street construction.

Park Dedication Fund - To account for business taxes collected on the construction of dwelling units. These funds are used only for park and recreation land and facilities.

Sewer Reconstruction Fund - To account for charges collected on construction permits to be used for the reconstruction of sanitary sewers.

Prop A Transit Fund - To account for Los Angeles County special ½ cent transportation sales tax which became effective July 1, 1982. These funds may be used only for certain transportation purposes.

Housing Authority Fund - To account for revenues and expenditures for federal housing grants to the Lakewood Housing Authority.

Prop C Transportation Fund - To account for Los Angeles County additional special ½ cent transportation sales tax which became effective July 1, 1992. These funds may be used only for certain transportation purposes.

AB 2766 Fund - To account for motor vehicle registration fees authorized by Assembly Bill 2766. These funds are to be used solely to reduce air pollution from mobile sources.

Community Development Block Grant (CDBG) Fund - To account for funds received from the U.S. Dept. of Housing and Urban Development for use in community development projects.

State COPS Grants Fund - To account for state funding under the Citizens Option for Public Safety program to supplement City's current funding for front-line law enforcement services.

**This page intentionally left blank.**

**OTHER GOVERNMENTAL FUNDS (CONTINUED)**

**SPECIAL REVENUE FUNDS (CONTINUED)**

JAG Grants Fund - To account for receipts and expenditures of federal grant to support a broad range of activities to prevent and control crime and to improve the criminal justice system.

Litter Reduction Grant Fund - To account for recycling and litter cleanup activities funded by the California Beverage Container Recycling and Litter Reduction Act.

TDA Article Grant Fund - To account for proceeds received from LACMTA under the Transportation Development Act for use in pedestrians, bikeways and handicapped accessibility projects.

Used Oil Grant Fund - To account for funding received from California Integrated Waste Management for permanent and sustainable used oil recycling programs.

Beverage Container Grant Fund - To account for funding received from California Department of Conservation for the purpose of providing convenient CRV beverage container recycling within the City.

Prop A Recreation Fund - To account for the expenditures and reimbursements of park maintenance and servicing of Prop A funded projects.

State Parks Grants and Bonds Fund - To account for receipts and expenditures of multiple state park grants under the Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act to be used for parks improvement projects.

Measure R Fund - To account for Los Angeles County special ½ cent transportation sales tax which became effective July 1, 2009. These funds may be used only for certain transportation purposes.

Lakewood Business Development Fund - To account for funding received from the Economic Development Administration to provide low-interest and low-cost loans to local businesses.

NSP Grant Fund - To account for HERA Act 2008 for use in redevelopment of abandoned and foreclosed residential properties.

Weingart Foundation Grant Fund - To account for funding received from the Weingart Foundation for the purpose of maintaining the Weingart facility.

CITY OF LAKEWOOD  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS

June 30, 2010

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 4,153	\$ 86,719	\$ 1,110,736
Accounts receivable	333,316	-	-	305
Notes receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 333,316</b>	<b>\$ 4,153</b>	<b>\$ 86,719</b>	<b>\$ 1,111,041</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 15,371
Accrued liabilities	-	-	-	6,601
Due to other funds	333,316	-	-	-
Deferred revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>333,316</b>	<b>-</b>	<b>-</b>	<b>21,972</b>
<b>FUND BALANCES (DEFICITS):</b>				
Reserved:				
Continuing appropriations	-	-	-	-
Encumbrances	-	-	-	-
Special revenue purposes	-	4,153	86,719	1,089,069
Unreserved; undesignated	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>-</b>	<b>4,153</b>	<b>86,719</b>	<b>1,089,069</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 333,316</b>	<b>\$ 4,153</b>	<b>\$ 86,719</b>	<b>\$ 1,111,041</b>

See independent auditors' report.

**Special Revenue Funds (Continued)**

<u>Housing Authority</u>	<u>Prop C Transportation</u>	<u>AB 2766</u>	<u>CDBG</u>	<u>State COPS Grants</u>	<u>JAG Grants</u>	<u>Litter Reduction Grant</u>
\$ 1,613,107	\$ 2,268,040	\$ 92,512	\$ 90,843	\$ 100,958	\$ 176,579	\$ 7,945
114,340	600,000	25,393	77,640	21,064	-	-
-	-	-	-	-	-	-
<u>\$ 1,727,447</u>	<u>\$ 2,868,040</u>	<u>\$ 117,905</u>	<u>\$ 168,483</u>	<u>\$ 122,022</u>	<u>\$ 176,579</u>	<u>\$ 7,945</u>
\$ 417,034	\$ 47,077	\$ -	\$ 90,526	\$ 8,443	\$ -	\$ -
-	1,151	49	3,023	-	-	-
-	-	-	-	-	-	-
-	-	-	74,934	113,579	176,579	8,627
<u>417,034</u>	<u>48,228</u>	<u>49</u>	<u>168,483</u>	<u>122,022</u>	<u>176,579</u>	<u>8,627</u>
-	871,306	-	67,153	-	-	-
-	244,056	-	300,351	-	133,330	1,083
1,310,413	1,704,450	117,856	-	-	-	-
-	-	-	(367,504)	-	(133,330)	(1,765)
<u>1,310,413</u>	<u>2,819,812</u>	<u>117,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(682)</u>
<u>\$ 1,727,447</u>	<u>\$ 2,868,040</u>	<u>\$ 117,905</u>	<u>\$ 168,483</u>	<u>\$ 122,022</u>	<u>\$ 176,579</u>	<u>\$ 7,945</u>

(Continued)

## CITY OF LAKEWOOD

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
(CONTINUED)

June 30, 2010

	Special Revenue Funds (Continued)			
	TDA Article Grant	Used Oil Grant	Beverage Container Grant	Prop A Recreation
ASSETS				
Cash and investments	\$ -	\$ 12,542	\$ -	\$ 277,489
Accounts receivable	5,175	-	8,116	72,058
Notes receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,175</b>	<b>\$ 12,542</b>	<b>\$ 8,116</b>	<b>\$ 349,547</b>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 435	\$ -
Accrued liabilities	-	-	-	1,851
Due to other funds	5,175	-	7,681	-
Deferred revenue	-	7,676	8,116	72,058
<b>TOTAL LIABILITIES</b>	<b>5,175</b>	<b>7,676</b>	<b>16,232</b>	<b>73,909</b>
FUND BALANCES (DEFICITS):				
Reserved:				
Continuing appropriations	-	-	-	-
Encumbrances	-	2,025	-	-
Special revenue purposes	-	2,841	-	275,638
Unreserved; undesignated	-	-	(8,116)	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>-</b>	<b>4,866</b>	<b>(8,116)</b>	<b>275,638</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,175</b>	<b>\$ 12,542</b>	<b>\$ 8,116</b>	<b>\$ 349,547</b>

See independent auditors' report.

**Special Revenue Funds (Continued)**

<b>State Parks Grants and Bonds</b>	<b>Measure R</b>	<b>Lakewood Business Development</b>	<b>NSP Grant</b>	<b>Weingart Foundation Grant</b>	<b>Total Other Governmental Funds</b>
\$ -	\$ 447,848	\$ 687,285	\$ -	\$ 176	\$ 6,976,932
-	-	-	269,791	-	1,527,198
-	-	459,417	-	-	459,417
<u>\$ -</u>	<u>\$ 447,848</u>	<u>\$ 1,146,702</u>	<u>\$ 269,791</u>	<u>\$ 176</u>	<u>\$ 8,963,547</u>
\$ -	\$ -	\$ 1,735	\$ -	\$ 176	\$ 580,797
-	-	-	-	-	12,675
-	-	-	269,791	-	615,963
-	-	462,067	269,791	-	1,193,427
-	-	463,802	539,582	176	2,402,862
-	342,958	-	-	-	1,281,417
-	-	-	-	-	680,845
-	104,890	682,900	-	-	5,378,929
-	-	-	(269,791)	-	(780,506)
-	447,848	682,900	(269,791)	-	6,560,685
<u>\$ -</u>	<u>\$ 447,848</u>	<u>\$ 1,146,702</u>	<u>\$ 269,791</u>	<u>\$ 176</u>	<u>\$ 8,963,547</u>

## CITY OF LAKEWOOD

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

For the year ended June 30, 2010

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
<b>REVENUES:</b>				
Taxes	\$ -	\$ 330	\$ -	\$ 1,062,167
Investment income, rents and concessions	20,508	-	-	26,893
From other agencies	2,098,710	-	-	-
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>2,119,218</b>	<b>330</b>	<b>-</b>	<b>1,089,060</b>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	27,687
Public safety	-	-	-	-
Transportation	-	-	-	861,225
Community development	-	-	-	51,663
Health and sanitation	-	-	-	-
Culture and leisure	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Transportation	-	-	-	7,686
Culture and leisure	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>948,261</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,119,218</b>	<b>330</b>	<b>-</b>	<b>140,799</b>
<b>OTHER FINANCING USES:</b>				
Transfers out	(2,158,110)	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(38,892)</b>	<b>330</b>	<b>-</b>	<b>140,799</b>
<b>FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR, AS RESTATED</b>	<b>38,892</b>	<b>3,823</b>	<b>86,719</b>	<b>948,270</b>
<b>FUND BALANCES (DEFICITS) AT END OF YEAR</b>	<b>\$ -</b>	<b>\$ 4,153</b>	<b>\$ 86,719</b>	<b>\$ 1,089,069</b>

See independent auditors' report.



**Special Revenue Funds (Continued)**

<u>Housing Authority</u>	<u>Prop C Transportation</u>	<u>AB 2766</u>	<u>CDBG</u>	<u>State COPS Grants</u>	<u>JAG Grants</u>	<u>Litter Reduction Grant</u>
\$ -	\$ 881,114	\$ -	\$ -	\$ -	\$ -	\$ -
42,263	62,227	2,634	-	2,159	-	-
1,489,298	-	94,554	504,776	86,340	-	1,735
-	-	-	-	-	-	-
<u>1,531,561</u>	<u>943,341</u>	<u>97,188</u>	<u>504,776</u>	<u>88,499</u>	<u>-</u>	<u>1,735</u>
-	-	4,833	94,841	-	-	-
-	-	-	-	88,499	-	-
-	150,952	15,089	-	-	-	-
1,531,115	-	-	143,152	-	-	-
-	-	-	-	-	-	1,735
-	-	-	164,659	-	-	-
-	-	85,317	-	-	-	-
-	828,551	-	-	-	-	-
-	-	-	102,124	-	-	-
<u>1,531,115</u>	<u>979,503</u>	<u>105,239</u>	<u>504,776</u>	<u>88,499</u>	<u>-</u>	<u>1,735</u>
446	(36,162)	(8,051)	-	-	-	-
-	-	-	-	-	-	-
446	(36,162)	(8,051)	-	-	-	-
<u>1,309,967</u>	<u>2,855,974</u>	<u>125,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(682)</u>
<u>\$ 1,310,413</u>	<u>\$ 2,819,812</u>	<u>\$ 117,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (682)</u>

(Continued)

## CITY OF LAKEWOOD

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

For the year ended June 30, 2010

	Special Revenue Funds (Continued)			
	TDA Article Grant	Used Oil Grant	Beverage Container Grant	Prop A Recreation
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment income, rents and concessions	160	-	-	-
From other agencies	35,996	7,166	-	91,229
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>36,156</b>	<b>7,166</b>	<b>-</b>	<b>91,229</b>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Community development	-	-	-	-
Health and sanitation	-	7,166	435	-
Culture and leisure	-	-	-	172,088
Capital outlay:				
General government	-	-	-	-
Transportation	36,156	-	-	-
Culture and leisure	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>36,156</b>	<b>7,166</b>	<b>435</b>	<b>172,088</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(435)</b>	<b>(80,859)</b>
OTHER FINANCING USES:				
Transfers out	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(435)</b>	<b>(80,859)</b>
FUND BALANCES (DEFICITS)				
AT BEGINNING OF YEAR, AS RESTATED	-	4,866	(7,681)	356,497
FUND BALANCES (DEFICITS)				
AT END OF YEAR	\$ -	\$ 4,866	\$ (8,116)	\$ 275,638

See independent auditors' report.

**Special Revenue Funds (Continued)**

<b>State Parks Grants and Bonds</b>	<b>Measure R</b>	<b>Lakewood Business Development</b>	<b>NSP Grant</b>	<b>Weingart Foundation Grant</b>	<b>Total Other Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,943,611
-	4,702	19,578	-	-	181,124
107,284	530,146	-	-	-	5,047,234
-	-	15,777	-	-	15,777
<u>107,284</u>	<u>534,848</u>	<u>35,355</u>	<u>-</u>	<u>-</u>	<u>7,187,746</u>
-	-	-	-	-	127,361
-	-	-	-	-	88,499
-	-	-	-	-	1,027,266
-	-	253,900	269,791	-	2,249,621
-	-	-	-	-	9,336
-	-	-	-	-	336,747
-	-	-	-	-	85,317
-	87,000	-	-	-	959,393
<u>574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,363</u>	<u>126,061</u>
<u>574</u>	<u>87,000</u>	<u>253,900</u>	<u>269,791</u>	<u>23,363</u>	<u>5,009,601</u>
106,710	447,848	(218,545)	(269,791)	(23,363)	2,178,145
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,158,110)</u>
106,710	447,848	(218,545)	(269,791)	(23,363)	20,035
<u>(106,710)</u>	<u>-</u>	<u>901,445</u>	<u>-</u>	<u>23,363</u>	<u>6,540,650</u>
<u>\$ -</u>	<u>\$ 447,848</u>	<u>\$ 682,900</u>	<u>\$ (269,791)</u>	<u>\$ -</u>	<u>\$ 6,560,685</u>

## CITY OF LAKEWOOD

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

## STATE GASOLINE TAX SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 25,000	\$ 20,508	\$ (4,492)
From other agencies	<u>2,075,485</u>	<u>2,098,710</u>	<u>23,225</u>
TOTAL REVENUES	2,100,485	2,119,218	18,733
OTHER FINANCING USES:			
Transfers out	<u>(2,090,919)</u>	<u>(2,158,110)</u>	<u>(67,191)</u>
NET CHANGE IN FUND BALANCE	9,566	(38,892)	(48,458)
FUND BALANCE AT BEGINNING OF YEAR	<u>38,892</u>	<u>38,892</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 48,458</u>	<u>\$ -</u>	<u>\$ (48,458)</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

PARK DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Other taxes	\$ -	\$ 330	\$ 330
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	330	330
FUND BALANCE AT BEGINNING OF YEAR	3,823	3,823	-
FUND BALANCE AT END OF YEAR	\$ 3,823	\$ 4,153	\$ 330

See independent auditors' report.

CITY OF LAKEWOOD

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

SEWER RECONSTRUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Licenses and permits	\$ 10,000	\$ -	\$ (10,000)
EXPENDITURES:			
Current:			
Community development	10,000	-	10,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	86,719	86,719	-
FUND BALANCE AT END OF YEAR	<u>\$ 86,719</u>	<u>\$ 86,719</u>	<u>\$ -</u>

See independent auditors' report.

## CITY OF LAKEWOOD

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

## PROP A TRANSIT SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 1,300,000	\$ 1,062,167	\$ (237,833)
Investment income, rents and concessions	35,000	26,893	(8,107)
TOTAL REVENUES	<u>1,335,000</u>	<u>1,089,060</u>	<u>(245,940)</u>
EXPENDITURES:			
Current:			
General government	36,100	27,687	8,413
Transportation	888,484	861,225	27,259
Community development	55,689	51,663	4,026
Capital outlay:			
Transportation	-	7,686	(7,686)
TOTAL EXPENDITURES	<u>980,273</u>	<u>948,261</u>	<u>32,012</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	354,727	140,799	(213,928)
FUND BALANCE AT BEGINNING OF YEAR	<u>948,270</u>	<u>948,270</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 1,302,997</u>	<u>\$ 1,089,069</u>	<u>\$ (213,928)</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 50,000	\$ 42,263	\$ (7,737)
From other agencies	1,550,000	1,489,298	(60,702)
 TOTAL REVENUES	 1,600,000	 1,531,561	 (68,439)
EXPENDITURES:			
Current:			
Community development	1,600,000	1,531,115	68,885
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 -	 446	 446
 FUND BALANCE AT BEGINNING OF YEAR	 1,309,967	 1,309,967	 -
 FUND BALANCE AT END OF YEAR	 \$ 1,309,967	 \$ 1,310,413	 \$ 446

See independent auditors' report.



## CITY OF LAKEWOOD

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

## PROP C TRANSPORTATION SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 1,200,000	\$ 881,114	\$ (318,886)
Investment income, rents and concessions	100,000	62,227	(37,773)
TOTAL REVENUES	1,300,000	943,341	(356,659)
EXPENDITURES:			
Current:			
Transportation	153,193	150,952	2,241
Capital outlay:			
Transportation	1,943,318	828,551	1,114,767
TOTAL EXPENDITURES	2,096,511	979,503	1,117,008
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(796,511)	(36,162)	760,349
FUND BALANCE AT BEGINNING OF YEAR	2,855,974	2,855,974	-
FUND BALANCE AT END OF YEAR	\$ 2,059,463	\$ 2,819,812	\$ 760,349

See independent auditors' report.

## CITY OF LAKEWOOD

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

## AB 2766 SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 2,500	\$ 2,634	\$ 134
From other agencies	92,000	94,554	2,554
<b>TOTAL REVENUES</b>	<b>94,500</b>	<b>97,188</b>	<b>2,688</b>
EXPENDITURES:			
Current:			
General government	11,800	4,833	6,967
Transportation	62,055	15,089	46,966
Capital outlay:			
General government	84,548	85,317	(769)
<b>TOTAL EXPENDITURES</b>	<b>158,403</b>	<b>105,239</b>	<b>53,164</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(63,903)</b>	<b>(8,051)</b>	<b>55,852</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>125,907</b>	<b>125,907</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 62,004</b>	<b>\$ 117,856</b>	<b>\$ 55,852</b>

See independent auditors' report.

## CITY OF LAKEWOOD

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

## COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 802,582	\$ 504,776	\$ (297,806)
EXPENDITURES:			
Current:			
General government	111,127	94,841	16,286
Community development	178,200	143,152	35,048
Culture and leisure	465,098	164,659	300,439
Capital outlay:			
Culture and leisure	99,025	102,124	(3,099)
TOTAL EXPENDITURES	853,450	504,776	348,674
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(50,868)	-	50,868
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ (50,868)	\$ -	\$ 50,868

See independent auditors' report.

## CITY OF LAKEWOOD

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

## STATE COPS GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 2,159	\$ 2,159
From other agencies	100,000	86,340	(13,660)
TOTAL REVENUES	100,000	88,499	(11,501)
EXPENDITURES:			
Current:			
Public safety	186,402	88,499	97,903
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(86,402)	-	86,402
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ (86,402)	\$ -	\$ 86,402

See independent auditors' report.

CITY OF LAKEWOOD

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

JAG GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 209,725	\$ -	\$ (209,725)
EXPENDITURES:			
Current:			
Public safety	209,725	-	209,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -

See independent auditors' report.

## CITY OF LAKEWOOD

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

## LITTER REDUCTION GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 23,000	\$ 1,735	\$ (21,265)
EXPENDITURES:			
Current:			
Health and sanitation	<u>23,000</u>	<u>1,735</u>	<u>21,265</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(682)</u>	<u>(682)</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u><u>\$ (682)</u></u>	<u><u>\$ (682)</u></u>	<u><u>\$ -</u></u>

See independent auditors' report.

## CITY OF LAKEWOOD

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

## TDA ARTICLE GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 160	\$ 160
From other agencies	50,000	35,996	(14,004)
TOTAL REVENUES	50,000	36,156	(13,844)
EXPENDITURES:			
Capital outlay:			
Transportation	35,996	36,156	(160)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,004	-	(14,004)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ 14,004	\$ -	\$ (14,004)

See independent auditors' report.

CITY OF LAKEWOOD

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

USED OIL GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 27,666	\$ 7,166	\$ (20,500)
EXPENDITURES:			
Current:			
Health and sanitation	18,111	7,166	10,945
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,555	-	(9,555)
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	4,866	4,866	-
FUND BALANCE AT END OF YEAR	\$ 4,866	\$ 4,866	\$ -

See independent auditors' report.



CITY OF LAKEWOOD

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

BEVERAGE CONTAINER GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 208,300	\$ -	\$ (208,300)
EXPENDITURES:			
Current:			
Health and sanitation	<u>208,300</u>	<u>435</u>	<u>207,865</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(435)	(435)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED	<u>(7,681)</u>	<u>(7,681)</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (7,681)</u>	<u>\$ (8,116)</u>	<u>\$ (435)</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

PROP A RECREATION SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 140,347	\$ 91,229	\$ (49,118)
EXPENDITURES:			
Current:			
Culture and leisure	<u>179,501</u>	<u>172,088</u>	<u>7,413</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(39,154)	(80,859)	(41,705)
FUND BALANCE AT BEGINNING OF YEAR	<u>356,497</u>	<u>356,497</u>	-
FUND BALANCE AT END OF YEAR	<u><u>\$ 317,343</u></u>	<u><u>\$ 275,638</u></u>	<u><u>\$ (41,705)</u></u>

See independent auditors' report.

## CITY OF LAKEWOOD

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

## STATE PARKS GRANTS AND BONDS SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ -	\$ 107,284	\$ 107,284
EXPENDITURES:			
Capital outlay:			
Culture and leisure	-	574	(574)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	106,710	106,710
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED	(106,710)	(106,710)	-
FUND BALANCE AT END OF YEAR	\$ (106,710)	\$ -	\$ 106,710

See independent auditors' report.

## CITY OF LAKEWOOD

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

## MEASURE R SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 4,702	\$ 4,702
From other agencies	429,958	530,146	100,188
TOTAL REVENUES	429,958	534,848	104,890
EXPENDITURES:			
Capital outlay:			
Transportation	429,958	87,000	342,958
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	447,848	447,848
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ 447,848	\$ 447,848

See independent auditors' report.

CITY OF LAKEWOOD

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

LAKEWOOD BUSINESS DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 20,000	\$ 19,578	\$ (422)
Other	15,000	15,777	777
TOTAL REVENUES	35,000	35,355	355
EXPENDITURES:			
Current:			
Community development	106,500	253,900	(147,400)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(71,500)	(218,545)	(147,045)
FUND BALANCE AT BEGINNING OF YEAR	901,445	901,445	-
FUND BALANCE AT END OF YEAR	\$ 829,945	\$ 682,900	\$ (147,045)

See independent auditors' report.

## CITY OF LAKEWOOD

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

## NSP GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 479,587	\$ -	\$ (479,587)
EXPENDITURES:			
Current:			
Community development	-	269,791	(269,791)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	479,587	(269,791)	(749,378)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	<u>\$ 479,587</u>	<u>\$ (269,791)</u>	<u>\$ (749,378)</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

WEINGART FOUNDATION GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2010

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
EXPENDITURES:			
Capital outlay:			
Culture and leisure	\$ 23,363	\$ 23,363	\$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,363)	(23,363)	-
FUND BALANCE AT BEGINNING OF YEAR	23,363	23,363	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -

See independent auditors' report.

**This page intentionally left blank.**



**PROPRIETARY FUNDS**

**INTERNAL SERVICE FUNDS**

Central Garage Fund - To account for maintenance and repair of vehicles and equipment used by various departments of the City. Costs are billed to the various departments as the work is completed.

Print Shop Fund - To account for the printing services provided to the various departments of the City. Costs of materials, supplies and services are billed as the work is completed.

## CITY OF LAKEWOOD

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS

June 30, 2010

	Central Garage	Print Shop	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and investments	\$ -	\$ 763	\$ 763
Prepaid items	756	-	756
Inventories	38,687	1,898	40,585
<b>TOTAL CURRENT ASSETS</b>	<b>39,443</b>	<b>2,661</b>	<b>42,104</b>
<b>NONCURRENT ASSETS</b>			
Capital assets:			
Equipment	1,293,124	-	1,293,124
Less: accumulated depreciation	(1,293,124)	-	(1,293,124)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>39,443</b>	<b>2,661</b>	<b>42,104</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	5,740	10,604	16,344
Accrued liabilities	5,128	2,908	8,036
Due to other funds	51,160	-	51,160
<b>TOTAL CURRENT LIABILITIES</b>	<b>62,028</b>	<b>13,512</b>	<b>75,540</b>
<b>NET ASSETS</b>			
Invested in capital assets	-	-	-
Unrestricted	(22,585)	(10,851)	(33,436)
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ (22,585)</b>	<b>\$ (10,851)</b>	<b>\$ (33,436)</b>

See independent auditors' report.

## CITY OF LAKEWOOD

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

For the year ended June 30, 2010

	Central Garage	Print Shop	Totals
OPERATING REVENUES:			
Billings to departments	\$ 826,224	\$ 367,017	\$ 1,193,241
OPERATING EXPENSES:			
Operations:			
Cost of goods sold	839,091	372,956	1,212,047
Depreciation	67,877	-	67,877
TOTAL OPERATING EXPENSES	906,968	372,956	1,279,924
OPERATING LOSS/CHANGE IN NET ASSETS	(80,744)	(5,939)	(86,683)
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	58,159	(4,912)	53,247
NET ASSETS (DEFICIT) AT END OF YEAR	\$ (22,585)	\$ (10,851)	\$ (33,436)

See independent auditors' report.

CITY OF LAKEWOOD

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the year ended June 30, 2010

	Central Garage	Print Shop	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from interfund services provided	\$ 826,224	\$ 367,017	\$ 1,193,241
Payments to suppliers	(412,302)	(117,359)	(529,661)
Payments to employees	(465,082)	(261,286)	(726,368)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(51,160)</b>	<b>(11,628)</b>	<b>(62,788)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Receipts from other funds	51,160	-	51,160
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>(11,628)</b>	<b>(11,628)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>-</b>	<b>12,391</b>	<b>12,391</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ -</b>	<b>\$ 763</b>	<b>\$ 763</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ (80,744)	\$ (5,939)	\$ (86,683)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	67,877	-	67,877
Changes in operating assets and liabilities:			
(Increase) decrease in prepaid items	(206)	-	(206)
(Increase) decrease in inventories	(22,956)	(132)	(23,088)
Increase (decrease) in accounts payable	1,025	2,672	3,697
Increase (decrease) in accrued liabilities	(16,156)	(8,229)	(24,385)
<b>TOTAL ADJUSTMENTS</b>	<b>29,584</b>	<b>(5,689)</b>	<b>23,895</b>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (51,160)</b>	<b>\$ (11,628)</b>	<b>\$ (62,788)</b>

See independent auditors' report.

**FIDUCIARY FUNDS**

**AGENCY FUNDS**

Deposit Fund - To account for collection and payment of such items as performance bond deposits.

Housing Rehabilitation Fund - To account for the housing rehabilitation loans financed by the Community Development Block Grant of the Department of Housing and Urban Development.

Sheriff Station Renovation Fund - To account for the County funds used for the renovation and expansion of the Sheriff Station.

Southeast Water Coalition Fund - To account for fund activities of a joint powers authority whose purpose is to maintain and manage the quality, quantity and storage of groundwater for the benefit of local interest.

## CITY OF LAKEWOOD

## COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2010

	Agency Funds				Totals
	Deposit	Housing Rehabilitation	Sheriff Station Renovation	Southeast Water Coalition	
<b>ASSETS:</b>					
Cash and investments	\$ 641,993	\$ 173,398	\$ 186,104	\$ 104,147	\$ 1,105,642
Accounts receivable	-	-	-	10,000	10,000
Loans receivable	-	915,901	-	-	915,901
<b>TOTAL ASSETS</b>	<u>\$ 641,993</u>	<u>\$ 1,089,299</u>	<u>\$ 186,104</u>	<u>\$ 114,147</u>	<u>\$ 2,031,543</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 298	\$ 19,073	\$ -	\$ 114,147	\$ 133,518
Deposits	641,695	122,874	186,104	-	950,673
Due to HUD	-	947,352	-	-	947,352
<b>TOTAL LIABILITIES</b>	<u>\$ 641,993</u>	<u>\$ 1,089,299</u>	<u>\$ 186,104</u>	<u>\$ 114,147</u>	<u>\$ 2,031,543</u>

See independent auditors' report.

## CITY OF LAKEWOOD

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
ALL AGENCY FUNDS

For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<b>DEPOSIT FUND</b>				
<b>ASSETS:</b>				
Cash and investments	\$ 732,418	\$ 44,019	\$ 134,444	\$ 641,993
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ 98,128	\$ 97,830	\$ 298
Deposits	732,418	71,482	162,205	641,695
<b>TOTAL LIABILITIES</b>	<b>\$ 732,418</b>	<b>\$ 169,610</b>	<b>\$ 260,035</b>	<b>\$ 641,993</b>
<b>HOUSING REHABILITATION FUND</b>				
<b>ASSETS:</b>				
Cash and investments	\$ 299,676	\$ 331,646	\$ 457,924	\$ 173,398
Loans receivable	979,553	6,000	69,952	915,601
<b>TOTAL ASSETS</b>	<b>\$ 1,279,229</b>	<b>\$ 337,646</b>	<b>\$ 527,876</b>	<b>\$ 1,088,999</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ 351,721	\$ 332,648	\$ 19,073
Deposits	286,225	245,054	408,405	122,874
Due to HUD	993,004	18,000	63,652	947,352
<b>TOTAL LIABILITIES</b>	<b>\$ 1,279,229</b>	<b>\$ 614,775</b>	<b>\$ 804,705</b>	<b>\$ 1,089,299</b>
<b>SHERIFF STATION RENOVATION</b>				
<b>ASSETS:</b>				
Cash and investments	\$ 360,716	\$ 9,688	\$ 184,300	\$ 186,104
<b>LIABILITIES:</b>				
Deposits	\$ 360,716	\$ 9,688	\$ 184,300	\$ 186,104
<b>SOUTHEAST WATER COALITION</b>				
<b>ASSETS:</b>				
Cash and investments	\$ 73,216	\$ 113,672	\$ 82,741	\$ 104,147
Accounts receivable	-	120,462	110,462	10,000
<b>TOTAL ASSETS</b>	<b>\$ 73,216</b>	<b>\$ 234,134</b>	<b>\$ 193,203</b>	<b>\$ 114,147</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 3,574	\$ 305,314	\$ 194,741	\$ 114,147
Deposits	69,642	34,318	103,960	-
<b>TOTAL LIABILITIES</b>	<b>\$ 73,216</b>	<b>\$ 339,632</b>	<b>\$ 298,701</b>	<b>\$ 114,147</b>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS:</b>				
Cash and investments	\$ 1,466,026	\$ 499,025	\$ 859,409	\$ 1,105,642
Accounts receivable	-	120,462	110,462	10,000
Loans receivable	979,553	6,000	69,952	915,601
<b>TOTAL ASSETS</b>	<b>\$ 2,445,579</b>	<b>\$ 625,487</b>	<b>\$ 1,039,823</b>	<b>\$ 2,031,243</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 3,574	\$ 755,163	\$ 625,219	\$ 133,518
Deposits	1,449,001	360,542	858,870	950,673
Due to HUD	993,004	18,000	63,652	947,352
<b>TOTAL LIABILITIES</b>	<b>\$ 2,445,579</b>	<b>\$ 1,133,705</b>	<b>\$ 1,547,741</b>	<b>\$ 2,031,543</b>

See independent auditors' report.

**This page intentionally left blank.**



**DESCRIPTION OF STATISTICAL SECTION CONTENTS**

June 30, 2010

This part of the City of Lakewood'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 say about the government's overall financial health.

<b>Contents:</b>	<b><u>Pages</u></b>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	102 - 111
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	112 - 115
<u>Debt Capacity</u> - 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.	116 - 123
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	124 - 125
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	126 - 131

CITY OF LAKEWOOD

Net Assets by Component

Last Eight Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 76,305,577	\$ 73,743,565	\$ 73,036,013	\$ 75,031,207
Restricted	11,941,950	11,244,238	12,242,213	13,165,754
Unrestricted	22,938,019	27,428,650	31,541,215	32,203,301
Total governmental activities net assets	<u>\$ 111,185,546</u>	<u>\$ 112,416,453</u>	<u>\$ 116,819,441</u>	<u>\$ 120,400,262</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 11,892,836	\$ 12,498,286	\$ 13,431,784	\$ 15,974,851
Restricted	-	-	-	-
Unrestricted	5,044,179	6,465,984	7,320,797	6,868,779
Total business-type activities net assets	<u>\$ 16,937,015</u>	<u>\$ 18,964,270</u>	<u>\$ 20,752,581</u>	<u>\$ 22,843,630</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 88,198,413	\$ 86,241,851	\$ 86,467,797	\$ 91,006,058
Restricted	11,941,950	11,244,238	12,242,213	13,165,754
Unrestricted	27,982,198	33,894,634	38,862,012	39,072,080
Total primary government net assets	<u>\$ 128,122,561</u>	<u>\$ 131,380,723</u>	<u>\$ 137,572,022</u>	<u>\$ 143,243,892</u>

*The City of Lakewood implemented GASB 34 for the fiscal year ended June 30, 2003.  
Information prior to the implementation of GASB 34 is not available.*

Fiscal Year			
2007	2008	2009	2010
\$ 80,280,502	\$ 80,655,513	\$ 84,047,863	\$ 85,293,777
14,647,204	16,173,588	20,797,866	14,548,668
31,896,543	34,073,759	33,383,975	39,198,464
<u>\$ 126,824,249</u>	<u>\$ 130,902,860</u>	<u>\$ 138,229,704</u>	<u>\$ 139,040,909</u>
\$ 18,820,327	\$ 18,683,373	\$ 21,214,604	\$ 22,410,549
-	-	-	-
7,150,032	9,629,136	9,438,065	9,181,738
<u>\$ 25,970,359</u>	<u>\$ 28,312,509</u>	<u>\$ 30,652,669</u>	<u>\$ 31,592,287</u>
\$ 99,100,829	\$ 99,338,886	\$ 105,262,467	\$ 107,704,326
14,647,204	16,173,588	20,797,866	14,548,668
39,046,575	43,702,895	42,822,040	48,380,202
<u>\$ 152,794,608</u>	<u>\$ 159,215,369</u>	<u>\$ 168,882,373</u>	<u>\$ 170,633,196</u>

**CITY OF LAKEWOOD**

**Changes in Net Assets - Expenses and Program Revenues**

Last Eight Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses:</b>				
<b>Governmental activities:</b>				
General government	\$ 6,483,636	\$ 6,469,288	\$ 6,188,887	\$ 7,349,163
Public safety	9,642,211	9,837,380	10,938,617	10,850,664
Transportation	5,984,110	5,874,797	4,149,697	5,214,752
Community development	6,886,063	9,395,361	9,517,641	10,402,500
Health and sanitation	4,130,482	3,500,490	4,245,217	3,808,855
Culture and leisure	8,318,769	7,354,906	7,748,336	8,570,789
Unallocated infrastructure depreciation	1,519,198	1,577,783	1,632,049	1,719,530
Interest on long-term debt	2,563,185	2,603,529	2,475,189	2,182,653
<b>Total governmental activities expenses</b>	<b>45,527,654</b>	<b>46,613,534</b>	<b>46,895,633</b>	<b>50,098,906</b>
<b>Business-type activities:</b>				
Water	5,435,676	5,193,182	5,347,379	5,528,122
<b>Total primary government expenses</b>	<b>\$ 50,963,330</b>	<b>\$ 51,806,716</b>	<b>\$ 52,243,012</b>	<b>\$ 55,627,028</b>
<b>Program revenues:</b>				
<b>Governmental activities:</b>				
<b>Charges for services:</b>				
General government	\$ 53,855	\$ 54,431	\$ 754,006	\$ 840,154
Public safety	1,722,616	1,621,435	1,309,730	1,735,629
Community development	1,065,511	1,267,453	1,277,257	1,294,667
Health and sanitation	3,755,914	3,815,916	3,947,546	4,098,993
Culture and leisure	1,389,452	1,280,977	1,529,562	1,589,069
Operating grants and contributions	7,044,959	7,685,891	6,706,916	7,323,457
Capital grants and contributions	2,228,881	932,599	641,047	759,981
<b>Total governmental activities program revenues</b>	<b>17,261,188</b>	<b>16,658,702</b>	<b>16,166,064</b>	<b>17,641,950</b>
<b>Business-type activities:</b>				
<b>Charges for services:</b>				
Water	6,253,378	6,977,418	6,867,123	7,213,658
<b>Total primary government program revenues</b>	<b>\$ 23,514,566</b>	<b>\$ 23,636,120</b>	<b>\$ 23,033,187</b>	<b>\$ 24,855,608</b>
<b>Net revenues (expenses):</b>				
Governmental activities	\$ (28,266,466)	\$ (29,954,832)	\$ (30,729,569)	\$ (32,456,956)
Business-type activities	817,702	1,784,236	1,519,744	1,685,536
<b>Total net revenues (expenses)</b>	<b>\$ (27,448,764)</b>	<b>\$ (28,170,596)</b>	<b>\$ (29,209,825)</b>	<b>\$ (30,771,420)</b>

*The City of Lakewood implemented GASB 34 for the fiscal year ended June 30, 2003.  
Information prior to the implementation of GASB 34 is not available.*

Source: Department of Administrative Services, City of Lakewood

Fiscal Year			
2007	2008	2009	2010
\$ 8,510,064	\$ 8,128,441	\$ 7,835,015	\$ 7,405,705
11,356,267	12,455,676	12,620,187	12,625,750
4,824,504	5,649,724	5,674,897	5,156,031
10,309,543	10,717,032	10,336,150	13,807,173
4,250,787	4,449,649	4,238,617	4,282,434
9,019,931	9,141,664	9,368,215	9,758,660
1,776,204	1,979,819	2,180,932	2,247,016
2,795,304	3,077,480	3,114,073	649,264
52,842,604	55,599,485	55,368,086	55,932,033
6,276,836	6,880,787	6,610,831	7,473,557
\$ 59,119,440	\$ 62,480,272	\$ 61,978,917	\$ 63,405,590
\$ 859,860	\$ 1,187,144	\$ 1,332,148	\$ 1,200,911
1,351,445	1,423,814	1,512,415	1,250,887
1,133,876	1,169,018	710,503	961,786
4,346,022	4,489,476	4,563,049	4,785,217
1,561,244	1,574,007	1,487,320	1,508,914
7,988,389	8,182,326	9,855,674	7,053,631
822,247	1,263,382	790,799	3,166,065
18,063,083	19,289,167	20,251,908	19,927,411
8,996,352	8,916,030	8,499,939	8,154,174
\$ 27,059,435	\$ 28,205,197	\$ 28,751,847	\$ 28,081,585
\$ (34,779,521)	\$ (36,310,318)	\$ (35,116,178)	\$ (36,004,622)
2,719,516	2,035,243	1,889,108	680,617
\$ (32,060,005)	\$ (34,275,075)	\$ (33,227,070)	\$ (35,324,005)

**CITY OF LAKEWOOD**

**Changes in Net Assets - General Revenues**

Last Eight Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Sales taxes	\$ 10,357,711	\$ 10,903,733	\$ 12,240,714	\$ 11,849,134
Property taxes	6,850,543	8,024,746	9,861,832	14,371,331
Franchise taxes	1,045,746	1,078,926	1,117,100	1,143,817
Business operation taxes	501,266	511,999	496,604	524,675
Utility users taxes	2,589,173	2,868,671	3,067,139	3,223,998
Other taxes	273,571	371,331	3,595,849	522,598
Unrestricted, motor vehicle in lieu	5,476,123	5,037,029	2,041,412	576,720
Grants and contributions not restricted to specific programs	655,455	2,075,274	137,952	745,400
Investment income	2,973,411	2,452,718	3,146,486	3,080,104
Total governmental activities	<u>30,722,999</u>	<u>33,324,427</u>	<u>35,705,088</u>	<u>36,037,777</u>
Business-type activities:				
Gain on sale of capital assets	-	135,005	120,000	187,000
Investment income	146,031	108,014	148,567	218,513
Total business-type activities	<u>146,031</u>	<u>243,019</u>	<u>268,567</u>	<u>405,513</u>
Total primary government	<u>\$ 30,869,030</u>	<u>\$ 33,567,446</u>	<u>\$ 35,973,655</u>	<u>\$ 36,443,290</u>
Changes in net assets				
Governmental activities	\$ 2,456,533	\$ 3,369,595	\$ 4,975,519	\$ 3,580,821
Business-type activities	963,733	2,027,255	1,788,311	2,091,049
Total primary government	<u>\$ 3,420,266</u>	<u>\$ 5,396,850</u>	<u>\$ 6,763,830</u>	<u>\$ 5,671,870</u>

*The City of Lakewood implemented GASB 34 for the fiscal year ended June 30, 2003.  
Information prior to the implementation of GASB 34 is not available.*

Fiscal Year			
2007	2008	2009	2010
\$ 11,766,140	\$ 10,681,315	\$ 11,198,871	\$ 10,658,959
18,479,238	18,955,132	19,537,963	19,558,410
1,236,819	1,249,586	1,453,817	1,374,501
396,078	476,926	462,403	456,269
3,239,797	3,517,707	3,490,921	3,591,722
358,325	602,798	467,661	252,997
446,043	35,099	35,089	245,415
740,072	433,593	555,376	556,774
4,540,996	4,654,612	3,987,964	949,717
41,203,508	40,606,768	41,190,065	37,644,764
36,000	-	-	-
371,213	342,341	462,016	259,001
407,213	342,341	462,016	259,001
\$ 41,610,721	\$ 40,949,109	\$ 41,652,081	\$ 37,903,765
\$ 6,423,987	\$ 4,296,450	\$ 6,073,887	\$ 1,640,142
3,126,729	2,377,584	2,351,124	939,618
\$ 9,550,716	\$ 6,674,034	\$ 8,425,011	\$ 2,579,760

**CITY OF LAKEWOOD**

**Fund Balances of Governmental Funds**

**Last Eight Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>General fund:</b>				
Reserved	\$ 20,376,339	\$ 21,930,821	\$ 24,377,893	\$ 32,688,162
Unreserved	<u>26,954,935</u>	<u>28,715,548</u>	<u>30,509,959</u>	<u>24,373,273</u>
Total general fund	<u>\$ 47,331,274</u>	<u>\$ 50,646,369</u>	<u>\$ 54,887,852</u>	<u>\$ 57,061,435</u>
<b>All other governmental funds:</b>				
Reserved	\$ 9,973,327	\$ 9,179,910	\$ 10,604,308	\$ 11,198,683
Unreserved, reported in:				
Special revenue fund	-	-	-	-
Debt service fund	(16,817,964)	(18,177,791)	(18,672,859)	(22,618,454)
Capital projects fund	<u>(127,020)</u>	<u>(1,046,542)</u>	<u>(2,342,005)</u>	<u>(229,655)</u>
Total all other governmental funds	<u>\$ (6,971,657)</u>	<u>\$ (10,044,423)</u>	<u>\$ (10,410,556)</u>	<u>\$ (11,649,426)</u>

*The City of Lakewood has elected to show only eight years of data for this schedule.*



Fiscal Year			
2007	2008	2009	2010
\$ 28,796,772	\$ 29,328,980	\$ 25,260,235	\$ 24,638,651
26,661,511	27,880,662	27,795,309	26,616,473
<u>\$ 55,458,283</u>	<u>\$ 57,209,642</u>	<u>\$ 53,055,544</u>	<u>\$ 51,255,124</u>
\$ 13,523,632	\$ 17,498,570	\$ 18,188,115	\$ 21,940,936
-	(1,235,920)	(215,141)	(780,506)
(23,295,789)	(24,250,320)	(23,842,134)	(26,278,253)
(143,399)	(492,819)	(2,282,333)	(5,983,071)
<u>\$ (9,915,556)</u>	<u>\$ (8,480,489)</u>	<u>\$ (8,151,493)</u>	<u>\$ (11,100,894)</u>

**CITY OF LAKEWOOD**

**Changes in Fund Balances of Governmental Funds**

**Last Eight Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>Revenues:</b>				
Taxes	\$ 23,805,100	\$ 25,793,195	\$ 28,368,107	\$ 30,125,649
Licenses and permits	659,201	852,446	790,743	863,646
Fines and forfeitures	612,967	563,936	569,626	622,236
Investment income, rents and concessions	2,876,540	1,905,643	4,108,890	2,814,652
From other agencies	11,543,865	10,016,274	10,647,318	11,374,361
Current service charges	6,069,882	6,462,339	6,811,857	7,479,770
Other	1,013,740	2,912,843	1,025,694	1,419,205
Total revenues	<u>46,581,295</u>	<u>48,506,676</u>	<u>52,322,235</u>	<u>54,699,519</u>
<b>Expenditures:</b>				
Current:				
General government	5,983,811	6,368,463	5,898,051	7,209,635
Public safety	9,570,375	9,747,244	10,260,258	10,962,340
Transportation	3,610,737	5,664,657	4,122,970	4,850,734
Community development	6,272,891	9,472,107	9,150,363	10,267,364
Health and sanitation	4,147,217	3,515,646	4,254,469	3,789,774
Culture and leisure	6,205,909	6,500,490	7,100,285	7,917,301
Capital outlay:				
General government	188,277	-	6,794	303,694
Public safety	113,303	273,949	454,808	445,368
Transportation	3,445,983	1,757,205	2,112,737	2,761,071
Community development	534,184	2,200	88,927	248,210
Culture and leisure	1,833,116	282,749	186,273	437,430
Debt service:				
Owner participation agreement payments	533,023	1,012,281	1,005,470	760,019
Advance refunding escrow	-	994,037	-	-
Bond issuance costs	-	364,559	-	-
Principal retirement	500,000	550,000	820,000	790,000
Interest and fiscal charges	2,572,497	2,553,708	2,479,841	2,160,673
Total expenditures	<u>45,511,323</u>	<u>49,059,295</u>	<u>47,941,246</u>	<u>52,903,613</u>
Excess of revenues over (under) expenditures	<u>1,069,972</u>	<u>(552,619)</u>	<u>4,380,989</u>	<u>1,795,906</u>
<b>Other financing sources (uses):</b>				
Transfers in	9,339,721	6,766,278	6,814,752	10,948,367
Transfers out	(9,762,223)	(7,158,906)	(7,320,391)	(11,809,560)
Refunding bonds issued	-	8,370,000	-	-
Bond premium	-	66,514	-	-
Payment to bond escrow agent	-	(7,248,938)	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(422,502)</u>	<u>794,948</u>	<u>(505,639)</u>	<u>(861,193)</u>
Net change in fund balances	<u>\$ 647,470</u>	<u>\$ 242,329</u>	<u>\$ 3,875,350</u>	<u>\$ 934,713</u>
Debt service as a percentage of noncapital expenditures	8.29%	11.82%	9.53%	7.69%

*The City of Lakewood has elected to show only eight years of data for this schedule.*

Source: Department of Administrative Services, City of Lakewood

Fiscal Year			
2007	2008	2009	2010
\$ 31,784,445	\$ 31,000,225	\$ 31,590,639	\$ 30,797,180
738,038	923,086	592,929	713,054
716,319	824,290	1,208,896	1,013,090
2,561,550	3,484,410	2,782,769	1,811,706
14,710,260	15,883,025	15,253,739	14,843,273
7,651,476	7,863,790	7,532,352	7,634,788
607,189	826,595	677,272	310,301
<u>58,769,277</u>	<u>60,805,421</u>	<u>59,638,596</u>	<u>57,123,392</u>
8,107,339	7,757,977	11,926,351	7,348,565
11,681,352	12,331,098	12,548,066	12,572,454
4,553,872	5,350,765	5,586,431	5,071,028
9,452,465	10,066,888	9,630,108	13,283,953
4,238,095	4,445,610	4,236,923	4,281,204
8,260,888	8,323,630	8,813,143	9,007,504
132,630	149,824	6,259	124,233
412,453	212,983	6,032	-
6,190,273	1,711,708	4,576,032	2,961,116
109,297	59,865	71,327	412,622
1,641,415	1,935,873	2,013,129	1,910,047
760,698	760,974	761,781	761,781
-	-	-	-
-	-	-	-
860,000	885,000	920,000	960,000
<u>2,774,360</u>	<u>3,057,549</u>	<u>3,094,768</u>	<u>3,048,683</u>
<u>59,175,137</u>	<u>57,049,744</u>	<u>64,190,350</u>	<u>61,743,190</u>
<u>(405,860)</u>	<u>3,755,677</u>	<u>(4,551,754)</u>	<u>(4,619,798)</u>
14,223,245	8,100,982	6,478,745	6,241,294
(14,376,187)	(8,874,791)	(7,008,948)	(6,241,294)
-	-	-	-
-	-	-	-
-	-	-	-
689,520	-	-	-
<u>536,578</u>	<u>(773,809)</u>	<u>(530,203)</u>	<u>-</u>
<u>\$ 130,718</u>	<u>\$ 2,981,868</u>	<u>\$ (5,081,957)</u>	<u>\$ (4,619,798)</u>
8.78%	8.87%	8.31%	8.45%

**CITY OF LAKEWOOD**

**Assessed Value and Estimated Actual Value of Taxable Property**

**Last Ten Fiscal Years  
(in thousands of dollars)**

<b>Fiscal Year Ended June 30</b>	<b>Secured</b>	<b>Nonunitary</b>	<b>Unsecured</b>	<b>Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2001	\$ 3,921,097	\$ 1,244	\$ 104,499	\$ 4,026,840	0.156%
2002	4,150,896	1,330	121,253	4,273,479	0.161%
2003	4,378,849	1,219	121,478	4,501,546	0.160%
2004	4,705,822	1,355	110,380	4,817,557	0.158%
2005	5,129,355	1,627	120,676	5,251,658	0.169%
2006	5,685,313	2,089	123,017	5,810,419	0.167%
2007	6,288,569	1,862	124,448	6,414,879	0.167%
2008	6,855,443	268	122,010	6,977,721	0.169%
2009	7,134,053	268	135,015	7,269,336	0.171%
2010	6,877,477	268	129,973	7,007,718	0.180%

**NOTE:**

In 1978 the voters of the State of California passed Proposition 13 which limited property 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 increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price 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.

**CITY OF LAKEWOOD**

**Direct and Overlapping Property Tax Rates  
(Rate per \$100 of assessed value)**

**Last Ten Fiscal Years**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>City Direct Rates:</b>										
City basic rate	\$ 0.1558	\$ 0.1607	\$ 0.1600	\$ 0.1577	\$ 0.1688	\$ 0.1666	\$ 0.1676	\$ 0.1689	\$ 0.1706	\$ 0.1796
<b>Overlapping Rates:</b>										
Los Angeles County	0.0013	0.0011	0.0010	0.0009	0.0009	0.0008	0.0007	-	-	-
School Districts	0.0985	0.1094	0.1186	0.1236	0.1272	0.1186	0.1099	0.2049	0.2200	0.2824
Sanitation and Water	0.0013	0.0010	-	-	0.0002	-	-	-	-	-
Water Districts	0.0088	0.0077	0.0067	0.0061	0.0058	0.0052	0.2778	0.0045	0.0043	0.0043
Other	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<b>Total Direct Rate</b>	<b>\$ 1.2657</b>	<b>\$ 1.2799</b>	<b>\$ 1.2863</b>	<b>\$ 1.2883</b>	<b>\$ 1.3029</b>	<b>\$ 1.2912</b>	<b>\$ 1.5560</b>	<b>\$ 1.3783</b>	<b>\$ 1.3949</b>	<b>\$ 1.4663</b>

**NOTE:**

In 1978, California voters passed Proposition 13 which sets 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 the School District bonds.

**CITY OF LAKEWOOD**

**Principal Property Tax Payers**

**Current Fiscal Year and Nine Fiscal Years Ago**

<b>Taxpayer</b>	<b>2010</b>		<b>2001</b>	
	<b>Taxable Assessed Value</b>	<b>Percent of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Percent of Total City Taxable Assessed Value</b>
Macerich Lakewood LLC	\$ 269,097,430	3.84%	\$ 232,099,683	5.77%
Advance Group 05-86	81,808,556	1.15%	N/A	N/A
Lakewood Regional Medical Center	68,201,288	0.96%	N/A	N/A
Monterey Lakewood LLC	45,602,195	0.64%	N/A	N/A
Lakewood Marketplace LLC	35,551,491	0.50%	N/A	N/A
May Company Department Stores	33,979,879	0.48%	N/A	N/A
Carwood Center LLC	29,529,348	0.41%	N/A	N/A
Lakewood Associates LLC	27,911,737	0.39%	N/A	N/A
Regency Center LLC	26,653,776	0.37%	N/A	N/A
Target Corporation	25,634,159	0.36%	N/A	N/A
	<u><u>\$ 643,969,859</u></u>	<u><u>9.10%</u></u>	<u><u>\$ 232,099,683</u></u>	<u><u>5.77%</u></u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

N/A - Not Available

**CITY OF LAKEWOOD**

**Property Tax Levies and Collections**

**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2001	\$ 2,242,359	\$ 2,479,668	110.58%	\$ 3,108	\$ 2,482,776	110.72%
2002	2,359,786	2,378,123	100.78%	9,626	2,387,749	101.18%
2003	2,478,507	2,612,402	105.40%	30,440	2,642,842	106.63%
2004	2,642,717	2,606,161	98.62%	15,717	2,621,878	99.21%
2005	2,832,544	3,045,518	107.52%	38,056	3,083,574	108.86%
2006	2,925,491	3,449,685	117.92%	235,732	3,685,417	125.98%
2007	3,822,116 *	3,671,902	96.07%	35,719	3,707,621	97.00%
2008	3,876,613	3,654,888	94.28%	221,725	3,876,613	100.00%
2009	3,812,168	3,567,629	93.59%	244,539	3,812,168	100.00%
2010	3,556,539	3,375,983	94.92%	180,556	3,556,539	100.00%

**NOTE:**

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

\* Sum of Property Tax 06-07 Current Year Secured and Unsecured Taxes and Prior Year's Taxpayer Refund (based on Internal Cash Control Form).

**CITY OF LAKEWOOD**

**Ratios of Outstanding Debt by Type**

**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Governmental Activities				Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds	Loans		
2001	\$ -	\$ 15,670,000	\$ -		\$ 15,670,000
2002	-	15,380,000	-		15,380,000
2003	-	14,880,000	-		14,880,000
2004	-	14,710,000	-		14,710,000
2005	-	13,890,000	-		13,890,000
2006	-	13,100,000	-		13,100,000
2007	-	12,240,000	-		12,240,000
2008	-	11,355,000	-		11,355,000
2009	-	10,435,000	-		10,435,000
2010	-	9,475,000	-		9,475,000

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

<sup>1</sup> These ratios are calculated using personal income and population for the prior calendar year.



<u>Business-type Activities</u>			<u>Total Primary Government</u>	<u>Percentage of Personal Income <sup>1</sup></u>	<u>Debt Per Capita <sup>1</sup></u>
<u>Water Revenue Bonds</u>	<u>Loan Payable to State of California</u>	<u>Total Business-type Activities</u>			
\$ 5,030,000	\$ 384,203	\$ 5,414,203	\$ 21,084,203	0.89%	260
4,795,000	331,959	5,126,959	20,506,959	0.84%	255
4,550,000	277,619	4,827,619	19,707,619	0.79%	242
4,635,000	221,098	4,856,098	19,566,098	0.76%	238
4,315,000	162,309	4,477,309	18,367,309	0.67%	221
3,990,000	101,162	4,091,162	17,191,162	0.80%	207
3,650,000	37,561	3,687,561	15,927,561	N/A	178
6,745,000	-	6,745,000	18,100,000	0.98%	217
6,375,000	-	6,375,000	16,810,000	0.72%	201
5,815,000	-	5,815,000	15,290,000	0.69%	184

# CITY OF LAKEWOOD

## Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years  
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value <sup>1</sup>	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
2001	\$ -	\$ 15,670	\$ 15,670	0.39%	-
2002	-	15,380	15,380	0.36%	-
2003	-	14,880	14,880	0.33%	-
2004	-	14,710	14,710	0.31%	-
2005	-	13,890	13,890	0.26%	-
2006	-	13,100	13,100	0.23%	-
2007	-	12,240	12,240	0.19%	-
2008	-	11,355	11,355	0.16%	-
2009	-	10,435	10,435	0.14%	-
2010	-	9,475	9,475	0.14%	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

<sup>1</sup> Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

**CITY OF LAKEWOOD**

**Direct and Overlapping Debt**

June 30, 2010

<b>Total Assessed Valuation</b>		<b>\$ 6,125,107,973</b>	
			<b>Estimated</b>
			<b>Share of</b>
			<b>Overlapping</b>
			<b>Debt</b>
	<b>Percentage</b>	<b>Outstanding</b>	
	<b>Applicable <sup>1</sup></b>	<b>Debt 6/30/10</b>	
<b>Overlapping Debt:</b>			
Metropolitan Water District	0.711%	\$ 121,475,156	\$ 863,125
Cerritos Community College District 2004 Series 2004A	7.006%	3,595,000	251,878
Cerritos Community College District 2005 Refunding Bonds	7.006%	22,875,994	1,602,768
Cerritos Community College District 2004 Series 2006	7.006%	30,645,000	2,147,091
Cerritos Community College District 2004 Series 2009C	7.006%	55,000,000	3,853,483
Compton Community College District 2002 Series A	2.712%	35,990,000	975,878
Compton Community College District 2002 Series 2008A	2.712%	15,000,000	406,732
Long Beach Community College District 2002 Series A, 2003 Debt Service	8.155%	3,550,000	289,488
Long Beach Community College District 2002 Series B, 2005 Debt Service	8.155%	59,410,000	4,844,642
Long Beach Community College District Ref BD 2002 Series C, 2005	8.155%	18,674,898	1,522,861
Long Beach Community College District 2002 Series D, 2007 Debt Service	8.155%	70,999,987	5,789,757
Long Beach Community College District 2008 Series A, 2008 Debt Service	8.155%	48,373,981	3,944,700
ABC Unified School District 2003 Refunding Series A Debt Service	9.770%	26,820,000	2,622,230
ABC Unified School District 1997 Series B Debt Service	9.770%	30,811,700	3,012,505
Long Beach Unified School District 1999 Series C Debt Service	8.152%	19,805,000	1,614,562
Long Beach Unified School District 1999 Series D Debt Service	8.152%	17,985,000	1,466,191
Long Beach Unified School District 1999 Series E Debt Service	8.152%	39,390,000	3,211,190
Long Beach Unified School District 1999 Series F Debt Service	8.152%	32,270,000	2,630,746
Long Beach Unified School District 1999 Series G	8.152%	29,995,606	2,445,331
Long Beach Unified School District Refunding Bonds	8.152%	38,320,000	3,123,960
Long Beach Unified School District Series A	8.152%	260,000,000	21,195,971
Long Beach Unified School District Ref Bonds, Series B Debt Service	8.152%	79,780,000	6,503,902
Paramount Unified School District 1998 Series A Debt Service	9.766%	21,990,000	2,147,534
Paramount Unified School District 1998 Series B Debt Service	9.766%	7,714,976	753,441
Paramount Unified School District 2006 Series Debt Service 2007	9.766%	29,650,000	2,895,606
<b>Total overlapping debt</b>		<b>1,120,122,298</b>	<b>80,115,572</b>
<b>City Direct Debt:</b>			
Water Revenue Bonds	100.000%	5,666,181	5,666,181
<b>Total direct and overlapping debt</b>			<b>\$ 85,781,753</b>

**Notes:**

<sup>1</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property 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.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: HdL

# CITY OF LAKEWOOD

## Legal Debt Margin Information

### Last Ten Fiscal Years

	Fiscal Year			
	2001	2002	2003	2004
Assessed valuation (In thousands)	\$ 4,026,840	\$ 4,273,479	\$ 4,501,546	\$ 4,817,557
Debt limit percentage	15%	15%	15%	15%
Debt limit (In thousands)	604,026	641,022	675,232	722,634
Total net debt applicable to limit: General obligation bonds (In thousands)	-	-	-	-
Legal debt margin (In thousands)	\$ 604,026	\$ 641,022	\$ 675,232	\$ 722,634
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

The City of Lakewood has no general bonded indebtedness.

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 5,251,658	\$ 5,810,419	\$ 6,414,879	\$ 6,977,721	\$ 7,269,336	\$ 7,007,717
15%	15%	15%	15%	15%	15%
787,749	871,563	962,232	1,046,658	1,090,400	1,051,158
-	-	-	-	-	-
<u>\$ 787,749</u>	<u>\$ 871,563</u>	<u>\$ 962,232</u>	<u>\$ 1,046,658</u>	<u>\$ 1,090,400</u>	<u>\$ 1,051,158</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**CITY OF LAKEWOOD**

**Pledged-Revenue Coverage**

**Last Ten Fiscal Years  
(In Thousands)**

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2001	\$ 5,357	\$ 4,495	\$ 862	\$ 225	\$ 277	1.72
2002	6,064	4,901	1,163	235	268	2.31
2003	6,253	5,036	1,217	245	258	2.42
2004	6,977	4,836	2,141	255	247	4.26
2005	6,867	5,041	1,826	265	235	3.65
2006	7,214	5,276	1,938	325	146	4.11
2007	8,996	5,265	3,731	340	133	7.89
2008	8,915	5,990	2,925	355	119	6.17
2009	8,499	5,228	3,271	370	266	5.14
2010	8,154	6,008	2,146	560	258	2.62

**Note:** Details regarding the city's outstanding debt can be found in the notes to basic financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

**CITY OF LAKEWOOD**

**Pledged-Revenue Coverage**

**Last Ten Fiscal Years  
(In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Tax Allocation Bonds</b>			
	<b>Tax Increment</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
2001	\$ 4,002	\$ 270	\$ 984	3.19
2002	4,017	290	965	3.20
2003	4,341	500	942	3.01
2004	5,277	550	911	3.61
2005	6,739	820	631	4.64
2006	6,283	790	603	4.51
2007	8,762	860	574	6.11
2008	8,280	885	249	7.30
2009	8,638	920	507	6.05
2010	9,305	960	468	6.52

**Note:** Details regarding the city's outstanding debt can be found in the notes to basic financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

**CITY OF LAKEWOOD**

**Demographic and Economic Statistics**

**Last Ten Calendar Years**

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
2000	81,000	\$ 2,367,792	\$ 29,232	3.2%
2001	80,347	2,450,825	30,503	3.4%
2002	81,415	2,509,862	30,828	4.1%
2003	82,341	2,589,789	31,452	4.2%
2004	82,988	2,753,459	33,179	3.9%
2005	83,175	2,152,497	24,106	3.2%
2006	89,293	N/A	N/A	N/A
2007	83,486	1,844,623	22,095	5.3%
2008	83,508	2,333,548	27,944	7.2%
2009	83,196	2,207,456	26,533	7.5%

Sources: (1) U.S. Census Bureau  
(2) California State Department of Finance



# CITY OF LAKEWOOD

## Principal Employers

Current Fiscal Year and Nine Fiscal Years Ago

Employer	2010		2001	
	Number of Employees	Percent of Total Employment*	Number of Employees	Percent of Total Employment
Long Beach Unified School District	901	5.40%	N/A	N/A
City of Lakewood	604	3.62%	N/A	N/A
Department of Children and Family Services	550	3.29%	N/A	N/A
Albertson's	500	2.99%	N/A	N/A
Bellflower Unified School District	418	2.50%	N/A	N/A
Long Beach Mazda	400	2.40%	N/A	N/A
ABC Unified School District	360	2.16%	N/A	N/A
Los Angeles County Sheriff's Department	317	1.90%	N/A	N/A
Piazza McDonald's	258	1.55%	N/A	N/A
Pacific Ford	250	1.50%	N/A	N/A

*Note: Information from nine years ago is not readily available*

"Total Employment" as used above represents the total employment of all employers located within City limits.

\* Based on U.S. Census Bureau's Labor Force count.

**CITY OF LAKEWOOD**

**Full-time and Part-time City Employees  
by Function**

**Last Ten Fiscal Years**

Division	Fiscal Year			
	2001	2002	2003	2004
City Administration	N/A	N/A	N/A	N/A
City Clerk	N/A	N/A	N/A	N/A
Administrative Services	N/A	N/A	N/A	N/A
Community Development	N/A	N/A	N/A	N/A
Public Works	N/A	N/A	N/A	N/A
Recreation and Community Services	N/A	N/A	N/A	N/A
Water Resources	N/A	N/A	N/A	N/A
Total	166	169	171	174

*Note: Detailed information from prior years not readily available*

\* - Full-time employees only.

Fiscal Year					
2005	2006	2007	2008 (*)	2009	2010
N/A	30	31	32	32	32
N/A	5	2	2	2	2
N/A	20	21	21	21	21
N/A	15	15	15	15	15
N/A	31	31	31	31	31
N/A	59	59	59	59	59
N/A	19	19	19	19	19
174	179	178	179	179	179

**CITY OF LAKEWOOD**

**Operating Indicators  
by Function**

**Last Ten Fiscal Years**

	Fiscal Year			
	2001	2002	2003	2004
<b>Public works:</b>				
Street resurfacing (miles)	N/A	N/A	N/A	N/A
<b>Recreation and community services:</b>				
Number of recreation classes	1,436	1,576	1,745	1,664
Number of facility rentals	7,206	7,546	7,207	7,725
<b>Water:</b>				
New connections	N/A	N/A	N/A	N/A
Number of consumers	19,873	20,415	20,412	20,313
Average daily consumption (thousands of gallons)	8,200	8,250	8,100	8,475
<b>Community development:</b>				
Number of building permits issued	1,559	1,619	1,912	1,950

\* - Includes both residential and commercial permits.

Fiscal Year					
2005	2006	2007	2008	2009	2010
N/A	13	24	7	9	4
1,631	1,734	1,709	1,945	1,993	1,945
7,258	7,559	7,532	6,900	6,390	4,845
N/A	8	11	14	10	7
20,101	20,125	21,449	20,403	20,079	20,396
7,893	7,332	8,900	8,506	7,747	7,323
2,104	2,001	3,405 *	1,646	1,066	2,825

**CITY OF LAKEWOOD**

**Capital Asset Statistics  
by Function**

**Last Ten Fiscal Years**

	Fiscal Year			
	2001	2002	2003	2004
Public works:				
Streets (miles)	196	196	196	196
Streetlights	6,654	6,654	6,654	6,654
Recreation and community services:				
Number of recreation facilities	13	13	13	13
Acreage of facilities	152	152	152	152
Number of pools	2	2	2	2
Water:				
Water mains (miles)	195.00	195.00	195.00	195.00
Wastewater:				
Sewers (miles)	167.00	167.00	167.00	167.00

\* Increase in acreage of recreation facilities due to completion of nature trails within City limits

Fiscal Year					
2005	2006	2007	2008	2009	2010
196 6,654	196 6,654	196 6,654	196 6,654	196 6,654	196 6,654
13 152 2	13 152 2	13 189 * 2	13 189 2	13 189 2	13 189 2
195.00	195.00	195.00	195.00	195.00	195.00
167.00	167.00	167.00	167.00	167.00	167.00

