

CITY OF LAKEWOOD, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

Prepared by
Department of Administrative Services

Diane Perkin
Director of Administrative Services



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Todd Rogers
Vice Mayor

Jeff Wood
Council Member



Ron Piazza
Council Member

Diane DuBois
Council Member

Steve Croft
Mayor

December 10, 2013

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, 2013.

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 White Nelson Diehl Evans 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, 2013, 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, 2013, 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 80,781 as of January 1, 2013.

The City of Lakewood has operated under the council-manager form of government since its incorporation. The City 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 then 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 Successor Agency of the former Redevelopment Agency, the Lakewood Housing Successor Agency, 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 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'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.

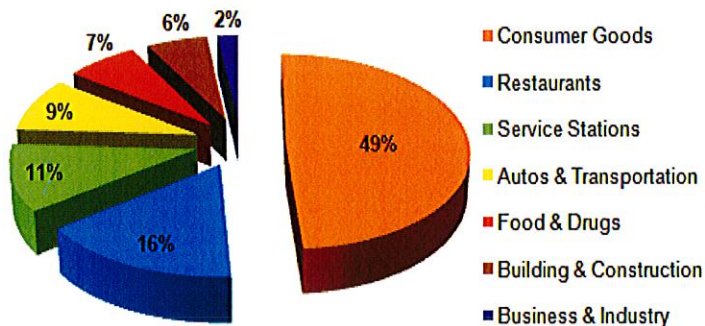
ASSESSING THE CITY'S ECONOMIC CONDITION AND OUTLOOK

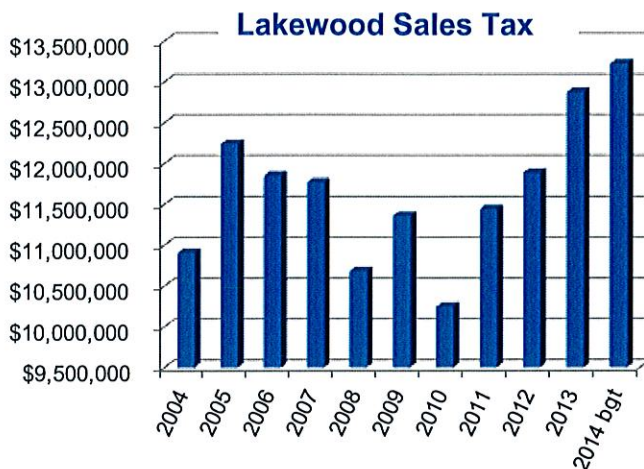
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Lakewood operates.

The City of Lakewood is primarily a residential community with only six percent of the City zoned for commercial use. The City is home to the seventeenth largest mall in the United States with about 2.1 million square feet of retail space, which is strategically located in the center of the City. By the end of the 1990's, Lakewood was 99.5 percent "built out," leaving very little of the 9.5 square miles of the City available for new development.

For the City of Lakewood, retail sales is the economic indicator that best heralds the City's financial situation. Sales tax revenues account for 32 percent of General Fund revenues. There are over 3,000 businesses (including home occupations) located in Lakewood generating a projected \$13.2 million in sales tax for the City.

The economic base of Lakewood is largely retail and the City's "top twenty-five" retail businesses, as a group, produce 59 percent of the City's sales tax revenues.





Fiscal year 2012-2013 was the first year that sales tax exceeded the level reached in Fiscal Year 2004-2005. Sales tax revenues are expected to increase by 4.5 percent in Fiscal Year 2013-2014 from Fiscal Year 2012-2013, and this expected increase of \$569,343 is included in the 2013-14 Adopted Budget.

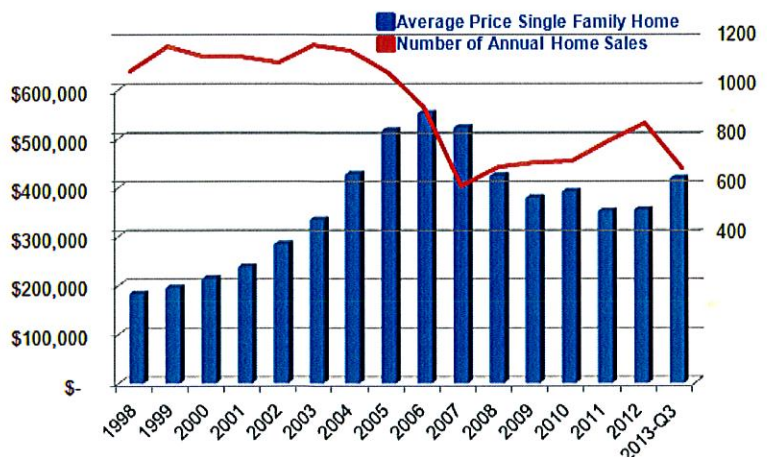
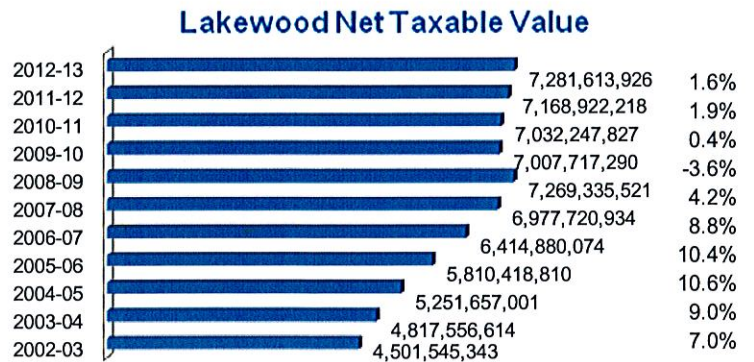
Economic development in the City added several retailers in the past year, expanding opportunities for shopping and dining, as well as adding over 600 jobs. Among the largest employers were Buffalo Wild

Wings, Round One, HomeGoods, Ulta Beauty, Book-Off, Pielogy, Men's Wearhouse, Five Guys Burgers and fries, Finish Line, Centinela Feed and Pet Supplies, and Ziba Beauty.

The City of Lakewood is a low property tax city, which means the City assessed a small municipal property tax prior to 1978-79 that has been folded into the tax base under Prop 13. Today, the City relies on a small 5.84 percent share of the county collections – one of the lowest in Los Angeles County. The total assessed valuation of real property in the City was \$7.28 billion for Fiscal Year 2011-2012, a 1.6 percent increase from the previous year. The growth in the City's assessed value of 1.6 percent is slightly less than Los Angeles County of 2.1 percent.

The Los Angeles County Assessor increased Lakewood properties' tax assessments by a CPI of two percent from 2011-2012 to 2012-2013. However, the decline in property values in the last recession triggered the 1978 Proposition 8 reductions where the lesser of the adjusted base year value or market value is used for taxation, as well as numerous assessment appeals, which completely offset the two percent assessment increase.

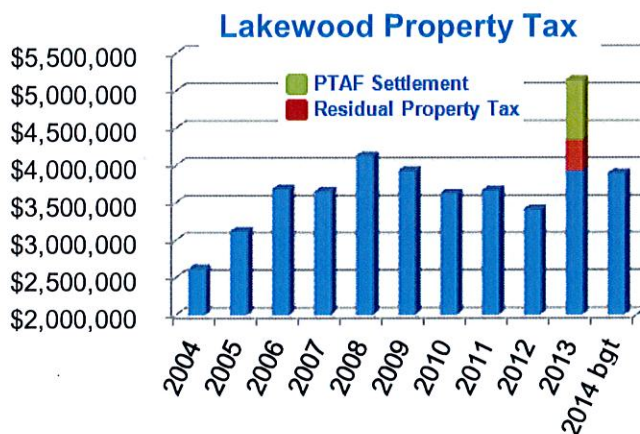
Fortunately, the transfer of ownership along with other assessed valuation changes increased the overall taxable value by \$136,674,391. The main driver of the increase was residential properties of \$64,761,949, followed by commercial and



industrial of \$37,728,582. Single-family detached homes comprise 82 percent of the housing units in the City. In calendar year 2013 and 2014, home sales and prices have stabilized and show signs of stable growth. In the third quarter of 2013, the average single family home sold for \$436,000; the median price was \$425,000 for the same quarter.

In the four years leading to the collapse of the housing market in 2008, property tax revenues increased by \$1.5 million. In the wake of the collapse, property tax revenues declined by \$716,225 and in Fiscal Year 2013-2014 remain \$235,000 below the 2008 peak. Slow growth is expected over the next decade, and it will likely take three more years to match the property tax receipts of Fiscal Year 2007-2008.

In Fiscal Year 2013, the City of Lakewood began to receive residual property tax from the dissolution of the Lakewood Redevelopment Agency. Additionally, the property tax increment formerly held by the Lakewood Redevelopment Agency was disbursed to all other local taxing agencies.



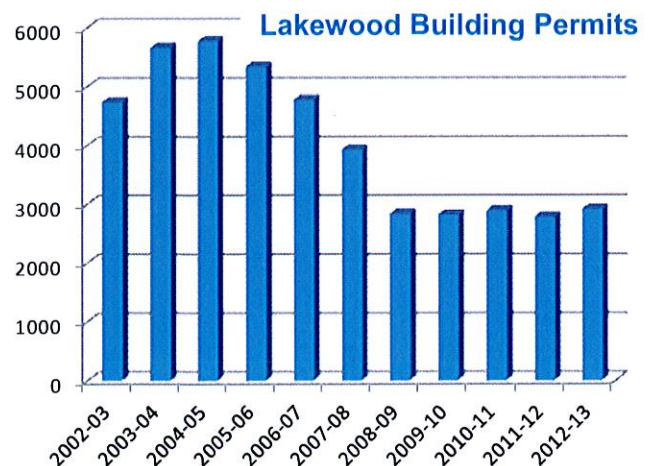
The City's share of these disbursements amounted to \$404,967 in Fiscal Year 2013. Immediate future disbursements of residual property tax are expected to drop and then increase slightly to \$500,000 over five years, and continue at that level into future years.

In an effort to retain full value of local property tax receipts, in Fiscal Year 2008 the City joined in a Collective Action against Los Angeles County regarding property tax administration fees. The case was settled

resulting in a refund to the City of \$804,544 in excess property tax fees, and current and future property tax administrative fees being reduced by \$150,000 annually.

Since the approval of the 2004 Prop 1A and subsequent implementation of the "triple-flip," decreases in property tax valuation have a greater impact. 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 17 percent of general fund revenues. Overall, property tax related revenues are \$184,000 lower from that received in Fiscal Year 2007-2008.

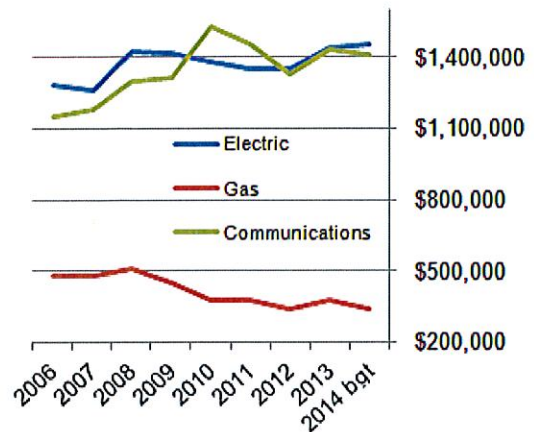
Building permits issued by the City has remained far below the levels reached in the early 2000s and relatively flat over the past five years. However, the month of October 2013 (not shown in the graph) brings optimism as building activity was significantly greater –matching the building activity experienced in Fiscal Year 2007.



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 three percent tax is assessed on communications, electricity, natural gas and water use. Natural gas prices continue to decline dramatically resulting in \$167,000 less natural gas utility users tax revenues from what was received in Fiscal Year 2007-2008.

The decline in natural gas prices has also affected the City's franchise fee collections. Natural gas franchise fees remain down \$60,000 from revenues received in Fiscal Year 2006-2007.

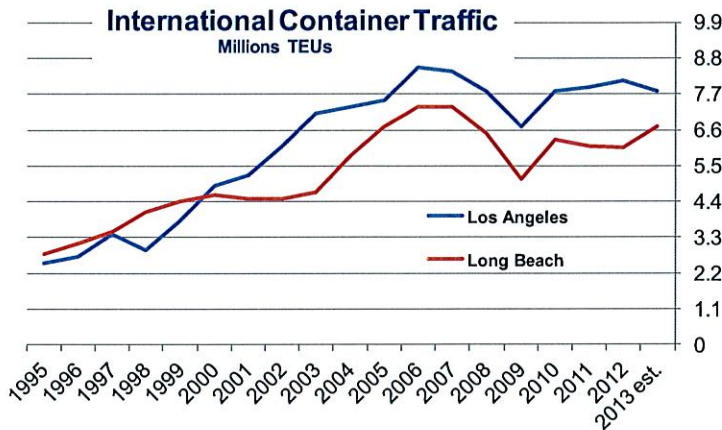
The use of other types of communications has also reduced the amount of utility users tax collected. Over the past several years, prepaid wireless service has gone from being a small segment of the wireless market to a major share. Now, more than 50 percent of all new wireless sales are prepaid, and 33 percent of all new smartphones are prepaid. This rapid development of the prepaid market has cut into the utility users tax collected for communications. Over time, as much as 50 percent of the City's existing wireless UUT is threatened. Since Fiscal Year 2010, utility users tax collected on communications has dropped by \$121,000.



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 2,200 employees (a decline from 5,000 just two years ago). The 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. Boeing built its 223rd and final C-17 for the U.S. Air Force at the company's plant at the Long Beach Airport, and the C-17 plant (California's last large fixed-wing aircraft production plant) will shutter in two years. When the U.S. government stopped ordering C-17s, Boeing officials began seeking more foreign orders to keep the production line open. Despite strong international interest, Boeing did not receive enough orders to protect the C-17 production line beyond 2015. Boeing will continue supporting the international C-17 fleet as part of a sustainment agreement, currently under contract through 2017 with annual options through 2021. On the bright side, Boeing has grown its commercial aircraft work and announced the establishment of an engineering design center that shows the Boeing Company's commitment to the Long Beach area.

The Port of Long Beach is a vast provider of employment opportunities throughout the county and state. The more than \$150 billion worth of cargo that moves through the port every year creates jobs, supports retail and manufacturing businesses, and generates tax revenues. In the local area, the port operations support 30,000 jobs. In October 2013, the Port handled an increase of 8.7 percent over October 2012 in the number of containers. Imports climbed 7.8 percent, and exports were up by 6 percent. Empties were up 13.9 percent. With imports exceeding exports, empties are sent overseas to be refilled with goods. Cargo container volume also increased for the first 10 months of calendar 2013 by 13.2 percent. The Port of Long Beach enjoyed a strong growth in the

months of August through October with imports up 14.4 percent over the same three-month period in 2012, which is the traditional “peak season” when U.S. retailers stock their shelves in advance of the holiday buying season.

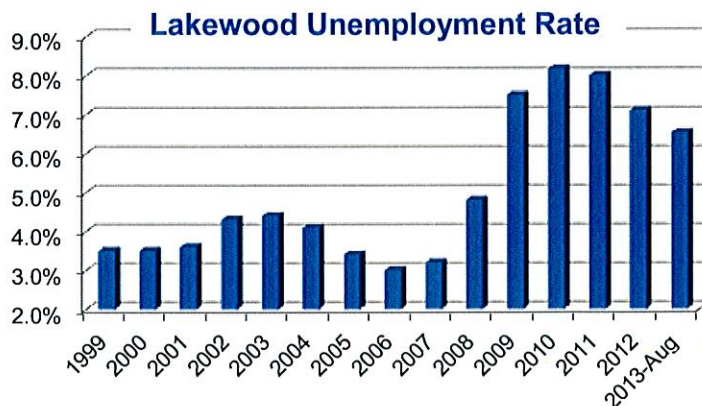


The Port of Los Angeles, to the north of the City, is also a critical economic engine. The Los Angeles Port generates 919,000 regional jobs and \$39.1 billion in wages and tax revenues each year. The Port’s plan to invest \$1 billion dollars in capital improvements over the next five years is expected to spur additional growth.

In September 2012, Governor Brown signed legislation granting an extension of California’s \$100

million-a-year film and television tax credit program, which now will run through July 2017. Per the Los Angeles Economic Development Corporation (LAEDC), the California Film and Television Tax Credit Program by 2012 had generated more than \$3.8 billion in economic output, kept over 20,000 jobs in California, and returned to the state and local governments \$201 million in tax receipts. Others claim the job impact is closer to 40,000 with an additional 172,000 individuals estimated to have received daily employment as background extras. Most notably, the tax credits assisted in the production of “Argo,” “Moneyball” and “We Bought a Zoo.”

Hospitals are hubs of employment, purchasers of goods and services, and generators of tax revenue. The local hospital and medical center, Lakewood Regional Medical Center (LRMC), has invested \$1.2 million in a new medical-surgical unit and upgraded all patient rooms. In addition, the hospital purchased a surgical robot for performing partial knee replacements. Also, it’s in the midst of a \$3.7 million expansion of its interventional suites. Many other investments have been made. LRMC has been designated by Los Angeles County as a heart attack receiving center and has just been recognized as a Primary Stroke Center. LRMC employs 780 skilled physicians, nurses, and support staff.



Lakewood’s annual unemployment rate was 6.5 percent through August of 2013; far better than the state as a whole, but above the average rate Lakewood has enjoyed in the past.

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.

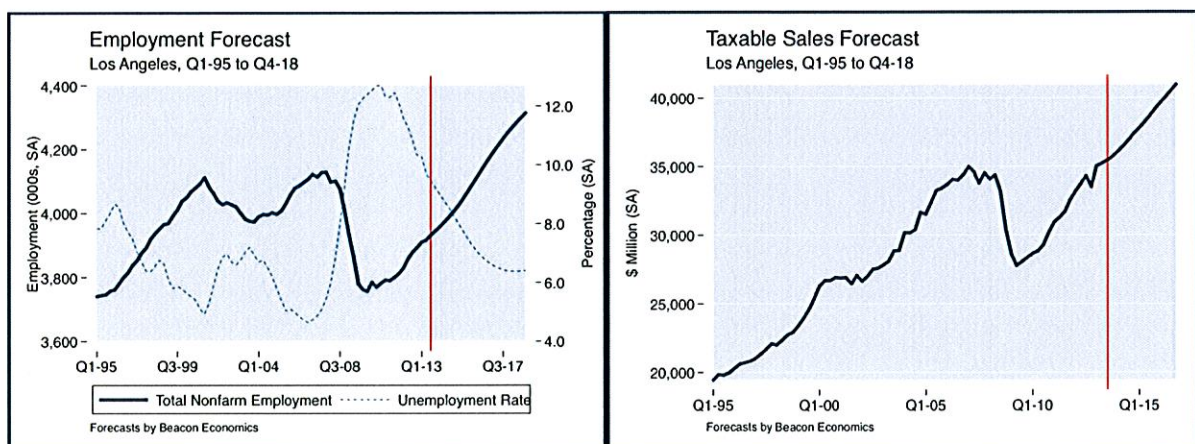


The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside, and Orange County region, which is the basis for many of the City's contract increases, was 0.9 percent in 2013. The CPI for the Nation, as well as for the region, is expected to remain relatively low in the coming years.

Economic Outlook

In its third quarterly report of 2013, the UCLA Anderson Forecast emphasizes that the U.S. economy is "returning to normalcy." And while the economy will not be normal by historical standards, it will be noticeably better than in recent years. After growing at a now-revised 2.5 percent rate in the second quarter of 2013, real GDP growth will continue at 2.5 percent for the rest of the year before rising to its historical 3 percent in 2014 and 2015, according to economists.

In California, the economy continues to mirror the slow growth of the nation. Both the Los Angeles County Economic Development Corp. and Beacon Economics expect employment growth to slow slightly next year, and over the next two years expect nonfarm job growth in the 1.5 to 2 percent range. By the beginning of 2016, economists expect nonfarm employment levels to surpass the previous all time high and hit 4,030,000 positions. As the number of nonfarm payroll jobs in Los Angeles County is expected to reach its pre-recession peak of 4.1 million in 2015 or 2016, over the next five years, Los Angeles's unemployment rate is expected to fall, reaching 7 percent by the middle of 2016. While job growth is expected to slow, total personal income and taxable retail sales are likely to see accelerated growth rates, the forecast said. Total personal income is forecast to grow 2.1 percent this year and 4.9 percent next year, while taxable sales will increase 3.1 percent this year and 3.8 percent next year.



Beacon Economics projects continued growth in both employment and retail sales, which hopefully translates into continued revenue growth for the City of Lakewood, specifically sales tax, the City's largest revenue source.

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.

The City's governmental fund balance policy is written with the objective to retain the proper levels of reserves for economic uncertainty (20 percent of operational costs), unforeseen capital expenditures and repairs, emergency response services, and pension obligations.

The City's capital financing and debt management policy is written with the objective to set guidelines as to the financing of capital expenditures and long-term capital planning.

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 is 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.

Street and traffic signal improvements:

In January 2013, the City of Lakewood hit the milestone of repaving 100 percent of all residential streets in Lakewood since 2000. Over 143 miles of residential streets have been resurfaced with rubberized asphalt, which recycled over 600,000 old tires and kept them out of landfills. Street repaving continued in 2013, with spot repairs made to Candlewood Street and the industrial area of the city near Walmart and Kohl's being fully repaved. Correspondingly, five miles of sidewalks were repaired in 2013.

Parks and community facilities projects:

- Mayfair Pool was renovated with a new fiberglass liner, concrete deck, diving boards and patio furniture. The tennis courts at Mayfair Park were resurfaced, and Mayfair Park's community building HVAC system replaced.
- Bloomfield Tot Lot and picnic shelter were renovated, which included colorful new playground equipment; and a new shade shelter was put in at Bolivar Park Tot Lot.
- The City continued annual improvements to The Centre at Sycamore Plaza to keep it looking sharp and working well as Lakewood's premier meeting and banquet location. In 2013, uplights were added to enhance the ambience of banquet rooms, restrooms were updated, and new signage was installed throughout the building.

- Lakewood won a \$1.4 million state grant to extend and complete the final phase of the West San Gabriel River Parkway Nature Trail. Planning and agreements for the project were completed in 2013. The final phase of the trail is located between Candlewood St. and Del Amo Blvd.

Water system improvements:

- Water main replacement improved system reliability. The City installed 2.1 miles of new water main in 2013 to replace aging 4-inch lines with modern 8-inch lines. Since 1990, the City has replaced almost 40 miles of aging water lines.
- In another preventative maintenance project, ten large underground water valves were replaced in 2013. The valves are part of the backbone of transmission mains that move large volumes of water from one end of the city to the other. The valves were installed in the early 1960's and ranged in size from 12 to 27 inches in diameter.
- The City entered the second year of a three-year \$2.4 million project to upgrade Plant 22 to enhance water quality and improve reliability. In 2013, work was done related to well-rehabilitation in preparation for further upgrades now under design. A study with recommendations on the seismic retrofit viability of the 70-year-old concrete reservoir at Plant 22 will be completed in spring 2014.
- Upgrades continued to the SCADA (Supervisory Control and Data Acquisition) system. The upgrades to the 20-year-old electronics will maintain the best possible water pressure and energy efficiency throughout the City water system.
- Lakewood continued to work with Long Beach and Los Angeles to change the Central Basin adjudication to allow for groundwater storage. Storing more water underground would help to serve future needs. This proposal will work through the courts for several years.

Residential housing projects:

- The Home Improvement Loans and Fix Up Paint Up Program can lend up to \$18,000 for home improvements to eligible homeowners and the Fix Up Paint Up program offers grants of up to \$3,000 to complete exterior repairs for eligible homeowners many who are elderly and disabled residents who can't cope with property upkeep. During 2013, eleven loans and sixteen grants were funded. The elimination of the redevelopment agencies within the State drove a need to revise the funding source to Federal Community Development Block Grant funding for both the Home Improvement Loan program and the Fix Up Paint Up program. Both of these programs will remain available to the residents of Lakewood during 2014 through the Successor Housing Agency.
- The development of three affordable housing units on a previously blighted property that the City purchased using Neighborhood Stabilization Program funds was completed in 2013.
- A 72-unit, three-story tall townhouse project with solar panels on every unit and all electric utilities will be built in the 2014 fiscal year by City Ventures on the south side of South Street west of Downey Avenue.

Redevelopment:

In 2011, California enacted legislation that required the dissolution of all redevelopment agencies. AB x1 26 dissolved redevelopment agencies as of February 1, 2012, and provided for the designation of successor agencies and required these successor agencies to wind down the affairs of the dissolved redevelopment agencies. The State also required successor agencies to make payments due for enforceable obligations, dispose of all assets of the former redevelopment

agency, and to remit unencumbered balances of redevelopment agency funds, including housing funds, to the county auditor-controller for distribution to taxing entities.

Under AB x1 26, the dissolution of redevelopment included the determination that all contracts and agreements between the City and the Lakewood Redevelopment Agency were null and void. Subsequently, AB 1484 provided for a small level of funding for housing operations that will resume in Fiscal Year 2014 using housing loan payments, and once the Finding of Completion is issued by the Department of Finance (DOF) additional funds will be available to fund the City's housing capital programs through reimbursement of deferred housing transfers to pay for ERAF, SERAF transfers to the State, and other postponements. AB 1484 also allows for the payment of all outstanding loans made by the City to the Agency as recalculated using the Local Agency Investment Fund (LAIF) rate over the life of the loan. Loan payments can resume once the housing deferrals have been fully paid; 20 percent of the loan payments are required to fund housing operations and capital.

The corresponding Management's Analysis and Discussion section of this report highlights the significant changes in the City's governmental funding and fund balances because of the dissolution of the Lakewood Redevelopment Agency. The changes in the City's governmental funding and fund balances are due to the recalculation of the City loans (advances) made to the Lakewood Redevelopment Agency at the state level Local Agency Investment Fund (LAIF) rate over the life of the loans.

The loss of the Redevelopment Agency and subsequent recalculation of the City loans is also listed as an Extraordinary Item line in the financial statements of this report to show the significant impact the dissolution of redevelopment agencies had on the City's governmental fund balance.

Long-term Debt:

Long-term debt is limited to the City's Water Enterprise and the Successor Agency of the former Redevelopment Agency. More detailed information regarding the City's and Agency's long-term debt is presented in Note 4 of the following financial statements.

The Agency also holds debt in the form of City loans. As referenced in the prior section, AB 1484 also allows for the payment of all outstanding loans made by the City to the Agency as recalculated using the LAIF rate over the life of the loan. Loan payments to the City can resume once the housing deferrals have been fully paid; 20 percent of the loan payments are required to fund housing operations and capital.

Pension Liabilities:

The City participates in the California Public Employee Retirement System (PERS) providing a two percent at 55 plan for "classic" members, and two percent at 62 plan for new members as defined by the Public Employees Pension Reform Act (PEPRA) who are employees that have never been a member of CalPERS or who had a break in service of six months or greater. The employer rate for both plans was 12.116 percent. As of June 30, 2012 the plan was 73.9 percent funded on a market value of assets basis. For Fiscal Year 2014, the employer rate is 12.774 percent, and is set to decrease to 12.621 percent for Fiscal Year 2015. The employee contribution rate stays constant at seven percent for "classic" members, and the new member rate can fluctuate from the current rate of 6.25 percent.

The City also provides a PARS Retirement Enhancement Plan of 0.5 percent at 60. The PARS Plan employer contribution rate is determined bi-annually. For Fiscal Year 2013, the rate was 5.75 percent based on a 12-year amortization (20 years from July 1, 2005, the Plan implementation date); the employee contribution rate is 3.0 percent. The plan was 57 percent funded as of June 30, 2013, with \$6,762,513 held in an irrevocable trust. The plan is now closed to new employees as restricted by the Public Employees Pension Reform Act (PEPRA). Here forward the plan will be funded on a level contribution schedule through 2025 with an employer rate of approximately 6.45 percent.

The City offers post-employment health benefits (OPEB) to eligible retirees. The actuarial performed as of June 30, 2013, determined that the OPEB accrued liability is \$6,147,829. As of June 30, 2013, the City held \$7,414,436 in an irrevocable trust to cover the OPEB accrued liability. The OPEB accrued liability is over 100 percent funded.

FINANCIAL MANAGEMENT POLICIES AND PRACTICES

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 U.S. 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) is reported as an annual expense.

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 healthcare 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. The benefit is also limited by the retiree's years of service.

GASB STATEMENT 49: Accounting and financial reporting standards for pollution remediation obligations of current or potential detrimental effect 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 City has not experienced any of the five obligating events that trigger the implementation of GASB Statement 49.

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.

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

GASB STATEMENT 54: Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The requirements of Statement 54 are effective for financial periods beginning after June 15, 2010 and are included in these statements.

GASB STATEMENT 63: This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The requirements of Statement 63 are effective for financial periods beginning after December 15, 2011, and are included in these statements.

GASB STATEMENT 65: This standard was intended to compliment Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under GASB No. 65, items that were previously reported as assets and liabilities are now classified as deferred outflows or deferred inflows going forward. Significantly, GASB No. 65 changed the treatment of debt issuance costs. With the exception of prepaid insurance, debt

issuance costs related to services are provided in the current period and thus the costs should be expensed in the current period. *This is a change from current practice which is to record these as assets and amortize them over the life of the related debt issue.*

The requirements of Statement 65 are effective for financial periods beginning after December 15, 2012, and are included in these statements.

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, 2012. This was the 31st consecutive year that Lakewood 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 Rodriguez, 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.

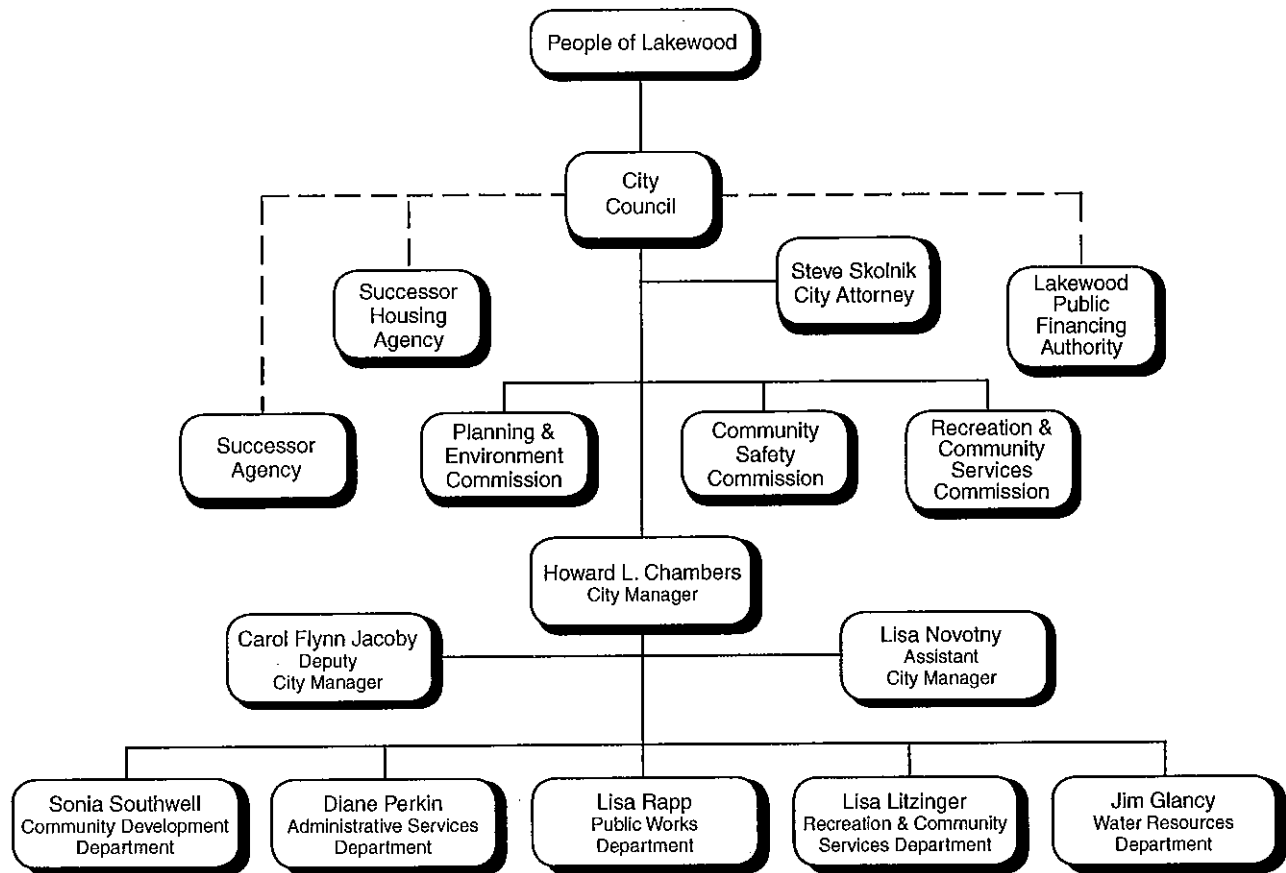
Respectfully submitted,



Howard L. Chambers
City Manager



Diane Perkin
Director of Administrative Services



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CITY COUNCIL

STEVE CROFT
Mayor

TODD ROGERS
Vice Mayor

DIANE DUBOIS
Council Member

JEFF WOOD
Council Member

RON PIAZZA
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



Government Finance Officers Association

**Certificate of
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Presented to

**City of Lakewood
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

The Honorable City Council
of the City of Lakewood
Lakewood, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 15 to the basic financial statements, the State of California Department of Finance and the Controller's Office have contended that the former Lakewood Redevelopment Agency (the "LRA") improperly repaid loans made by the City to the LRA, prior to the dissolution of the LRA. The State has demanded that the City repay a total of \$11,188,583. The City believes that the State is misapplying the applicable law and has initiated litigation to get the dispute resolved. Management and the City's legal counsel cannot predict the possible outcome of this matter, and accordingly, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 1D to the basic financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Notes 1D and 17 to the basic financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2012-2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The adoption of this standard required retrospective application resulting in a \$143,513 and \$136,986 reduction of previously reported net position of the business activity and the private purpose trust fund, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them. The budgetary comparison schedules 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 of the City 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

White Nelson Nick Evans LLP

Irvine, California
December 2, 2013

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JUNE 30, 2013

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, 2013. 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

- **Net Position:** The assets of the City (*which include the value of streets, sidewalks and other infrastructure*) exceeded its liabilities at June 30, 2013, by \$188,588,043. Of this amount, \$61,150,490 may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific City programs per the City's Governmental Fund Balance Policy. Additional information can be found on page 17 of the following Financial Statements.
- **Changes in Net Position:** The government's total net position decreased by \$28,973,466 during the fiscal year ended June 30, 2013. The change is primarily the result of the adjustment of the amount due from the Lakewood Successor Agency under AB1X26 and AB1484 which require the agency to list as enforceable obligation only the amount of the City loans recalculated at the LAIF rate over the life of the loan, causing a \$27,956,419 reduction in Net Position. Additional information can be found under Note 14 of the Notes to the Basic Financial Statements.

The decrease in net position also includes the reduction of prior year's reported net position of the business activity of \$143,513. The City has changed its method for accounting and reporting certain items previously reported as assets of liabilities during fiscal year 2012-2013 due to adoption of Governmental Accounting Standards Board's Statement No. 65 which resulted in the above adjustment for cost of bond issuance. The restatement calculation can be found under Note 17 of the Notes to the Basic Financial Statements.

- **Governmental Funds:** As of June 30, 2013, the City's governmental funds reported combined ending fund balances of \$57,186,428 a decrease of \$16,508,953 in comparison with the prior year. Approximately 71 percent of this total amount, \$40,795,412, is available for spending at the government's discretion (committed, assigned, and unassigned fund balance) within the guidelines of the City's Governmental Fund Balance Policy. The decrease is primarily the result of recalculating the City Advances (loans) to the former Lakewood Redevelopment Agency using the LAIF rate over the life of the loan.
- **Long Term Liabilities:** The City of Lakewood's total debt (noncurrent liabilities) decreased by \$729,890, as a result of normal scheduled debt service payments.
- **General Fund:** At June 30, 2013, unrestricted fund balance of the general fund was \$41,451,620. This represents an increase of \$501,634 or 1.2 percent from prior year. All but \$3,796,234 of these funds are committed or assigned for specific purposes such as pension and personnel obligations, economic uncertainties, self-insurance and capital replacement.

See independent auditors' report.

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 position* presents information on all of the City of Lakewood's assets and liabilities, with the difference between the two reported as *net position*. Over time, increase or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of 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.

The government-wide financial statements include not only the City of Lakewood, but also the Lakewood Public Financing Authority. Financial information for this component unit 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 17 - 19 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of 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*

See independent auditors' report.

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 nineteen 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, housing administration and program and capital projects funds, all of which are considered to be major funds. Data from the other sixteen 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 20 - 21 and 24 - 25 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 27 - 31 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 pages 32 - 33 of this 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 33 - 63 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 65 - 68 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 69 - 104 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 \$188,588,043 at the close of the most recent fiscal year.

City of Lakewood Net Position						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012 restated	2013	2012 restated
Current and other assets	\$ 69,480,906	\$ 101,657,844	\$ 9,445,195	\$ 8,755,826	\$ 78,926,101	\$ 110,413,670
Capital assets	90,407,845	89,515,476	30,237,742	30,307,596	120,645,587	119,823,072
Total Assets	159,888,751	191,173,320	39,682,937	39,063,422	199,571,688	230,236,742
Deferred Outflow of Resources	-	-	95,069	129,640	95,069	129,640
Long-term liabilities outstanding	241,686	265,027	4,578,776	5,429,945	4,820,462	5,694,972
Other liabilities	4,443,707	5,600,586	1,814,545	1,523,188	6,258,252	7,123,774
Total Liabilities	4,685,393	5,865,613	6,393,321	6,953,133	11,078,714	12,818,746
Net positions:						
Invested in Capital Assets						
Net of Related Debt	90,407,845	89,515,476	24,816,486	24,189,811	115,224,331	113,705,287
Restricted	12,213,222	18,104,141	-	-	12,213,222	18,104,141
Unrestricted	52,582,291	77,688,090	8,568,199	7,920,478	61,150,490	85,608,568
Total Net Position	\$ 155,203,358	\$ 185,307,707	\$ 33,384,685	\$ 32,110,289	\$ 188,588,043	\$ 217,417,996

By far the largest portion of the City of Lakewood's net position, 61.1 percent 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.

Additional portion of the City of Lakewood's net position, 6.5 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$61,150,490 may be used to meet the government's ongoing obligation to citizens and creditors, but is subject to designation for specific City programs per the City's Governmental Fund Balance Policy.

See independent auditors' report.

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, 74.3 percent of the City of Lakewood's business-type activities' net assets were invested in capital assets.

City of Lakewood Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012 as restated	2013	2012 as restated
Revenues:						
Program revenues:						
Charges for services	\$ 9,703,035	\$ 9,221,485	\$ 10,573,733	\$ 9,096,414	\$ 20,276,768	\$ 18,317,899
Operating grants and contributions	3,553,814	3,238,589	-	-	3,553,814	3,238,589
Capital grants and contributions	1,538,183	3,077,293	-	-	1,538,183	3,077,293
General revenues:						
Property taxes	12,030,119	14,444,518	-	-	12,030,119	14,444,518
Other taxes	21,511,888	19,922,374	-	-	21,511,888	19,922,374
Grants and contributions not restricted to specific programs	936,004	1,026,041	-	-	936,004	1,026,041
Other	245,815	741,146	59,279	85,797	305,094	826,943
Total Revenues	49,518,858	51,671,446	10,633,012	9,182,211	60,151,870	60,853,657
Expenses:						
General government	7,527,025	7,333,030	-	-	7,527,025	7,333,030
Public safety	12,450,911	12,277,420	-	-	12,450,911	12,277,420
Transportation	6,137,250	6,068,549	-	-	6,137,250	6,068,549
Community development	4,548,531	6,973,684	-	-	4,548,531	6,973,684
Health and sanitation	4,692,717	4,612,935	-	-	4,692,717	4,612,935
Culture and leisure	10,205,926	9,548,824	-	-	10,205,926	9,548,824
Unallocated infrastructure depreciation	2,606,851	2,492,155	-	-	2,606,851	2,492,155
Interest on long term debt	-	650,838	-	-	-	650,838
Water	-	-	9,358,616	8,846,719	9,358,616	8,846,719
Total expenses	48,169,211	49,957,435	9,358,616	8,846,719	57,527,827	58,804,154
Excess (Deficiency of Revenues Over (Under) Expenditures Before Extraordinary Items	1,349,647	1,714,011	1,274,396	335,492	2,624,043	2,049,503
Extraordinary Gain (Loss)	(31,453,996)	40,679,641	-	-	(31,453,996)	40,679,641
Change in Net Position	(30,104,349)	42,393,652	1,274,396	335,492	(28,829,953)	42,729,144
Net position at beginning of year, as restated	185,307,707	142,914,055	32,110,289	31,774,797	217,417,996	174,688,852
Net position at end of year	\$ 155,203,358	\$ 185,307,707	\$ 33,384,685	\$ 32,110,289	\$ 188,588,043	\$ 217,417,996

Additional information on the change in net position can be found on page 17 of this report

Governmental activities. Overall, Citywide governmental revenues decreased by \$2,152,588 or 4.2 percent and expenditures decreased by \$1,788,244 or 3.6 percent from prior year. Key elements of the change are as follows:

- The amount of revenue received from other governments and organizations (grants) that subsidized the City's operating and capital activities decreased by \$1,223,885.
- Property taxes decreased by \$2,414,399 due to the dissolution of the Redevelopment Agency. Property taxes distributed to the Successor Agency was reported in the Trust Fund account effective February 1, 2012 and is no longer part of the City's tax revenue.
- Investment income decreased by \$2,263,874, this too is largely due to the dissolution of the Redevelopment Agency.
- Sales and use tax related revenue increased by \$1,243,670 or 8.7 percent from prior year, this includes Prop A and C and Measure R funding.
- The Prop A fund exchange between City of Lakewood and City of West Hollywood resulted in an increase in other revenues of \$560,000.

See independent auditors' report.

- The decline in expenses is due to the debt service decline of \$4,916,203 due to the dissolution of the Redevelopment Agency, which is now not included in the combined Governmental Funds.
- The dissolution of the Redevelopment Agency also redistributed operational costs as the City absorbed the costs formerly supported by the agency; overall operational costs declined by \$458,076 from the prior year.
- Capital expenses increased by \$343,907 to that of the prior year.

Additional information on activities and change in fund balances can be found on pages 20 – 21 and 24 - 25 of this report

Business-type activities. Business-type activities increased the City of Lakewood's net position by \$1,274,396 accounting for 48.6 percent of the total increase in net position. This increase in "retained earnings" is necessary with an estimated \$5.1 million in capital improvements required over the next two years, as recommended by the Water Resources Committee. Such projects on the horizon include \$2 million in Well #22 Water Treatment Facility, \$1 million for Water Main Replacement projects and \$967,978 for ongoing 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 \$57,186,428, a decrease of \$16,508,953 in comparison with the prior year. This decrease is due primarily to the adjustment of the amount due from the Lakewood Successor Agency under AB1X26 and AB1484 which require the agency to list as enforceable obligation only the amount of the City loans recalculated at the LAIF rate over the life of the loan, causing a \$27,956,419 reduction in Net Position. Additional information can be found under Note 15 of the Notes to the Basic Financial Statements.

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 \$7,822,486. The total increase in net position was \$1,269,238. 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.

General Fund Budgetary Highlights

The general fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$41,451,620, while total fund balance reached \$45,625,299. As a measure of the general fund's liquidity, it may be useful to compare only the unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 99.6 percent of the total general fund expenditures, of which most is committed or assigned to meet the City's long-term obligations. The fund balance of the City of Lakewood's general fund increased by \$696,604 during the 2012-2013 fiscal year.

General fund revenues (including transfers in) increased by \$350,021, and expenses (including transfers out for capital projects) increased by \$3,363,423. Key factors in these increases are as follows:

- Sales Tax revenue increased by \$989,912 or 8.3 percent from the previous year, due to the continued improvement in the economic condition.
- The City prevailed in a class action against Los Angeles County over the assessment of property tax administrative fees, resulting in \$804,544 being refunded to the City.
- The City sold a piece of property to the Los Angeles Public Library for \$511,875.
- The City received \$404,967 in residual property tax due to the dissolution of the Redevelopment Agency.
- The City exchanged Prop A funds, resulting in a \$560,000 benefit to the general fund.
- The above increases were offset with the loss of interest payments from the former Redevelopment Agency.
- Operational expenditures increased 4.7 percent or \$1,836,246 due in large part to the dissolution of the Redevelopment Agency as the City absorbed cost previously funded by the Agency.
- Capital expenditures (transfers out), increased by \$1,187,774.

The difference between the general fund's expenditures original budget and the final amended budget was \$80,567. The difference between the general fund's expenditures final amended budget to the actual expenditure was \$987,034 and can be briefly summarized as follows:

- The increase in the General government and Community development's total expenditures are due to the City taking over the costs previously funded by the former Redevelopment Agency.
- Public Safety budgets for contingencies and possible additional services during the fiscal year. This year's actual expenditure was less than the budgeted amount by \$905,693 due to the suspension of multiple contract items.

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, 2013, amounts to \$120,645,587 (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 \$4,389,263 completed projects in governmental and \$1,161,233 in business-type to different asset classifications.

See independent auditors' report.

- The sale of land to the Los Angeles County Library for \$511,875.

City of Lakewood						
Capital Assets (Net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 17,041,023	\$ 17,444,023	\$ 381,023	\$ 381,023	\$ 17,422,046	\$ 17,825,046
Construction in progress	5,618,598	5,569,295	2,412,576	2,192,022	8,031,174	7,761,317
Water rights	-	-	1,834,586	1,834,586	1,834,586	1,834,586
Infrastructure	41,346,101	40,470,672	-	-	41,346,101	40,470,672
Structures and improvements	24,805,163	24,783,204	22,843,683	23,008,491	47,648,846	47,791,695
Equipment	1,596,960	1,248,282	2,765,874	2,891,474	4,362,834	4,139,756
Total	\$ 90,407,845	\$ 89,515,476	\$ 30,237,742	\$ 30,307,596	\$ 120,645,587	\$ 119,823,072

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's total long-term debt outstanding decreased by \$859,530 or 11.7 percent from the prior year. Revenue bonds and loan payable of \$5,421,256 to be paid out of water utility revenues.

City of Lakewood						
Summary of outstanding debt						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Compensated absences	\$ 1,036,981	\$ 1,070,342	\$ -	\$ -	\$ 1,036,981	\$ 1,070,342
Revenue bonds	-	-	4,038,895	4,667,584	4,038,895	4,667,584
Loan Payable	-	-	1,382,361	1,579,841	1,382,361	1,579,841
Total	\$ 1,036,981	\$ 1,070,342	\$ 5,421,256	\$ 6,247,425	\$ 6,458,237	\$ 7,317,767

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 City anticipates and budgets for general fund revenues to annually increase on average by two percent. This increase includes a slight increase in property tax revenues as a result of the dissolution of redevelopment, a very conservative growth in sales tax, and slow recovery in building permits. Interest earnings are expected to remain far below historical levels, and gas tax and fines are both expected to remain flat through 2020.

The City's general fund expenditures are expected to increase by just under two percent. This small increase is possible due to the City being a contract-city where only 37 percent of operations are employee service related. Although we expect employee service costs to increase by an average of three percent through 2020, the overall increase in general fund costs can, and has been, held below two percent by closely monitoring contracts, and limiting expenses on other operational expenses.

In Fiscal Year 2013 contract services made up 45 percent of the City's general fund costs. The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside, and Orange County region, which is the basis for many of the city's contract increases, was 0.9 percent in 2013; this is the rate by which the City utilizes as authorized increases in many of its contract service agreements. The CPI is expected to remain relatively low over the coming years. The City's water, refuse and building and safety fees also include the local CPI as a factor in determining rate increases.

The Great Recession and the State's draconian dissolution of redevelopment agencies greatly impacted the City as evidenced by decreases in revenues from which the City is still recovering. However, the City took purposeful measures to not reduce any services to its residential and business community, or implement cost cutting measures such as furloughs.

The City weathered the Great Recession by adhering to its philosophy to stay focused on what is truly important – the core functions of operating a city – resulting in a healthy community for residents and businesses. By keeping this focus, the city has built a large capital base that includes the entire inventory of city assets: streets, sidewalks, water system, trees, parks, community facilities and goodwill. The city's goodwill, cultivated through recreation, community services, public safety and economic development programs, creates the neighborly sense of community we all enjoy.

Further detail regarding the impact of national and local economic factors on the City's budget and finances can be read in the Transmittal Letter.

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.

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BASIC FINANCIAL STATEMENTS

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CITY OF LAKEWOOD
STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 44,920,144	\$ 7,741,710	\$ 52,661,854
Receivables:			
Accounts	4,985,235	1,006,558	5,991,793
Notes	2,311,542	-	2,311,542
Accrued revenue	-	912,175	912,175
Internal balances	619,287	(619,287)	-
Prepaid items	606,546	-	606,546
Inventories	56,274	32,809	89,083
Land held for resale	2,960,302	-	2,960,302
Net OPEB asset	3,889,772	-	3,889,772
Receivable from Successor Agency	9,131,804	-	9,131,804
Temporarily restricted assets:			
Cash and investments	-	26,230	26,230
Cash and investments held by bond trustees	-	345,000	345,000
Capital assets:			
Land	17,041,023	381,023	17,422,046
Water rights	-	1,834,586	1,834,586
Construction in progress	5,618,598	2,412,576	8,031,174
Depreciable infrastructure, net	41,346,101	-	41,346,101
Depreciable structures and improvements, net	24,805,163	22,843,683	47,648,846
Depreciable equipment, net	1,596,960	2,765,874	4,362,834
TOTAL ASSETS	<u>159,888,751</u>	<u>39,682,937</u>	<u>199,571,688</u>
DEFERRED OUTFLOW OF RESOURCES:			
Deferred loss on refunding, net of accumulated amortization	-	95,069	95,069
LIABILITIES:			
Accounts payable and other current liabilities	3,171,648	902,733	4,074,381
Accrued interest payable	-	43,098	43,098
Retainage payable	60,096	-	60,096
Unearned revenue	416,668	-	416,668
Liabilities payable from restricted assets:			
Customer deposits	-	26,234	26,234
Noncurrent liabilities:			
Due within one year	795,295	842,480	1,637,775
Due in more than one year	241,686	4,578,776	4,820,462
TOTAL LIABILITIES	<u>4,685,393</u>	<u>6,393,321</u>	<u>11,078,714</u>
NET POSITION:			
Net investment in capital assets	90,407,845	24,816,486	115,224,331
Restricted for:			
Transportation	2,719,447	-	2,719,447
Public safety	397,732	-	397,732
Parks and recreation	86,003	-	86,003
Community development	8,802,868	-	8,802,868
Other purposes	207,172	-	207,172
Unrestricted	52,582,291	8,568,199	61,150,490
TOTAL NET POSITION	<u>\$ 155,203,358</u>	<u>\$ 33,384,685</u>	<u>\$ 188,588,043</u>

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

CITY OF LAKEWOOD

STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

Functions/programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,527,025	\$ 1,500,664	\$ 1,281,837	\$ -
Public safety	12,450,911	827,333	151,465	-
Transportation	6,137,250	-	2,064,786	953,157
Community development	4,548,531	887,126	-	-
Health and sanitation	4,692,717	4,965,890	55,726	574,362
Culture and leisure	10,205,926	1,522,022	-	10,664
Unallocated infrastructure depreciation	2,606,851	-	-	-
Total governmental activities	48,169,211	9,703,035	3,553,814	1,538,183
Business-type activity:				
Water	9,358,616	10,573,733	-	-
Total	\$ 57,527,827	\$ 20,276,768	\$ 3,553,814	\$ 1,538,183

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
Gain on sale of property
Investment income

Total general revenues

Change in net position, before extraordinary item

Extraordinary item:

Losses related to dissolution of redevelopment agency (Note 14F)

Change in net position

Net position at beginning of year, as restated

Net position at end of year

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activity	Total
\$ (4,744,524)	\$ -	\$ (4,744,524)
(11,472,113)	-	(11,472,113)
(3,119,307)	-	(3,119,307)
(3,661,405)	-	(3,661,405)
903,261	-	903,261
(8,673,240)	-	(8,673,240)
(2,606,851)	-	(2,606,851)
<u>(33,374,179)</u>	<u>-</u>	<u>(33,374,179)</u>
<u>-</u>	<u>1,215,117</u>	<u>1,215,117</u>
<u>(33,374,179)</u>	<u>1,215,117</u>	<u>(32,159,062)</u>
15,461,092	-	15,461,092
12,030,119	-	12,030,119
1,607,535	-	1,607,535
508,100	-	508,100
3,626,639	-	3,626,639
308,522	-	308,522
<u>33,542,007</u>	<u>-</u>	<u>33,542,007</u>
42,894	-	42,894
893,110	-	893,110
108,469	-	108,469
137,346	59,279	196,625
<u>34,723,826</u>	<u>59,279</u>	<u>34,783,105</u>
1,349,647	1,274,396	2,624,043
<u>(31,453,996)</u>	<u>-</u>	<u>(31,453,996)</u>
(30,104,349)	1,274,396	(28,829,953)
<u>185,307,707</u>	<u>32,110,289</u>	<u>217,417,996</u>
<u>\$ 155,203,358</u>	<u>\$ 33,384,685</u>	<u>\$ 188,588,043</u>

CITY OF LAKEWOOD

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

		Capital Projects	
	General Fund	Lakewood Capital Improvements	Housing Admin & Program
ASSETS			
Cash and investments	\$ 40,672,541	\$ 568,376	\$ 247,467
Accounts receivable	3,216,394	-	-
Prepaid items	606,546	-	-
Inventories	11,610	-	-
Due from other funds	1,512,507	-	-
Receivable from Successor Agency	3,555,523	-	5,576,281
Notes receivable	-	-	2,311,542
Land held for resale	-	-	2,960,302
TOTAL ASSETS	\$ 49,575,121	\$ 568,376	\$ 11,095,592
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 2,478,618	\$ -	\$ 140
Accrued liabilities	572,432	-	-
Retainage payable	40,170	-	-
Due to other funds	-	-	-
Unearned revenue	393,846	-	-
TOTAL LIABILITIES	3,485,066	-	140
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	464,756	-	2,311,542
FUND BALANCES:			
Nonspendable:			
Prepaid items	606,546	-	-
Inventories	11,610	-	-
Transportation	-	-	-
Receivable from Successor Agency	3,555,523	-	5,576,281
Land held for resale	-	-	2,960,302
Restricted:			
Public safety	-	-	-
Transportation	-	-	-
Community development	-	-	247,327
Health and sanitation	-	-	-
Culture and leisure	-	-	-
Committed:			
Self insurance	4,000,000	-	-
Pension and personnel obligations	13,308,994	-	-
Capital projects	470,925	-	-
Refuse stabilization	1,964,966	-	-
Economic uncertainties	9,321,457	-	-
Assigned:			
Capital replacement and repairs	7,190,762	-	-
Contract emergency services	1,398,282	-	-
Unassigned	3,796,234	568,376	-
TOTAL FUND BALANCES	45,625,299	568,376	8,783,910
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ 49,575,121	\$ 568,376	\$ 11,095,592

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

Other Governmental Funds	Total Governmental Funds
\$ 3,431,760	\$ 44,920,144
516,835	3,733,229
-	606,546
-	11,610
-	1,512,507
-	9,131,804
-	2,311,542
-	2,960,302
<u>\$ 3,948,595</u>	<u>\$ 65,187,684</u>

\$ 68,015	\$ 2,546,773
25,495	597,927
19,926	60,096
1,512,507	1,512,507
22,822	416,668
<u>1,648,765</u>	<u>5,133,971</u>

<u>90,987</u>	<u>2,867,285</u>
---------------	------------------

-	606,546
-	11,610
-	-
-	9,131,804
-	2,960,302
397,732	397,732
2,628,460	2,628,460
115,303	362,630
205,929	205,929
86,003	86,003
-	4,000,000
-	13,308,994
-	470,925
-	1,964,966
-	9,321,457
-	7,190,762
-	1,398,282
(1,224,584)	3,140,026
<u>2,208,843</u>	<u>57,186,428</u>
<u>\$ 3,948,595</u>	<u>\$ 65,187,684</u>

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CITY OF LAKEWOOD

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

June 30, 2013

Fund balances - total governmental funds \$ 57,186,428

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

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

Land	\$ 17,041,023	
Construction in progress	5,618,598	
Infrastructure net of \$95,958,273 accumulated depreciation	41,346,101	
Structures and improvements, net of \$19,807,333 accumulated depreciation	24,805,163	
Equipment, net of \$4,931,298 accumulated depreciation	<u>1,565,134</u>	
		90,376,019

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 either not reported or are reported with an offset to unavailable revenues in the funds.

4,119,291

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

3,889,772

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 Position. Internal Service funds net position is:

668,829

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. All liabilities, both current and long-term are reported in the Statement of Net Position. Balances at June 30, 2013 are:

Compensated absences	<u>(1,036,981)</u>
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Net position of governmental activities \$ 155,203,358

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, 2013

		Capital Projects	
	General	Lakewood Capital Improvements	Housing Admin & Program
REVENUES:			
Taxes	\$ 24,044,797	\$ -	\$ -
Licenses and permits	882,983	-	-
Fines and forfeitures	782,011	-	-
Investment income, rents and concessions	977,585	-	691
From other agencies	7,002,022	574,000	-
Current service charges	8,416,888	-	-
Other	-	-	250,038
TOTAL REVENUES	42,106,286	574,000	250,729
EXPENDITURES:			
Current:			
General government	6,891,333	-	-
Public safety	12,294,180	-	-
Transportation	4,289,918	-	-
Community development	3,935,794	-	-
Health and sanitation	4,666,999	-	-
Culture and leisure	9,217,246	-	-
Capital outlay:			
General government	-	4,054	-
Public safety	-	543,434	-
Transportation	-	205,634	-
Culture and leisure	-	1,178,552	-
TOTAL EXPENDITURES	41,295,470	1,931,674	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	810,816	(1,357,674)	250,729
OTHER FINANCING SOURCES (USES):			
Sale of general capital assets	511,875	-	-
Transfers in	1,881,332	1,931,674	575,745
Transfers out	(2,507,419)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(114,212)	1,931,674	575,745
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	696,604	574,000	826,474
EXTRAORDINARY ITEM:			
Losses related to dissolution of redevelopment agency (Note 14F)	(13,896,128)	-	(3,303,000)
NET CHANGE IN FUND BALANCE	(13,199,524)	574,000	(2,476,526)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	58,824,823	(5,624)	11,260,436
FUND BALANCES AT END OF YEAR	\$ 45,625,299	\$ 568,376	\$ 8,783,910

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

Other Governmental Funds	Total Governmental Funds
\$ 2,367,188	\$ 26,411,985
-	882,983
-	782,011
37,409	1,015,685
4,158,791	11,734,813
-	8,416,888
-	250,038
<u>6,563,388</u>	<u>49,494,403</u>

189,296	7,080,629
80,308	12,374,488
1,818,802	6,108,720
422,581	4,358,375
23,838	4,690,837
222,989	9,440,235
-	4,054
-	543,434
2,856,279	3,061,913
474,866	1,653,418
<u>6,088,959</u>	<u>49,316,103</u>

<u>474,429</u>	<u>178,300</u>
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-	511,875
-	4,388,751
<u>(1,881,332)</u>	<u>(4,388,751)</u>
<u>(1,881,332)</u>	<u>511,875</u>

(1,406,903)	690,175
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<u>-</u>	<u>(17,199,128)</u>
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(1,406,903)	(16,508,953)
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<u>3,615,746</u>	<u>73,695,381</u>
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<u>\$ 2,208,843</u>	<u>\$ 57,186,428</u>
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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, 2013

Net change in fund balances - total governmental funds \$ (16,508,953)

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 expenditures exceeded depreciation in the current period:

Capital expenditures	\$ 5,201,928	
Depreciation expense	(3,937,978)	
Disposition of capital assets	<u>(403,407)</u>	860,543

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 repaid	(248,187)
------------------------------	-----------

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.

164,172

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

(181,443)

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:

33,361

Change in compensated absences

Write-down of amount receivable from Successor Agency as amount is disallowed by the Department of Finance under AB1484.

(14,254,868)

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.

31,026

Change in net position of governmental activities

\$ (30,104,349)

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

CITY OF LAKEWOOD

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
ASSETS:		
CURRENT ASSETS:		
Cash and investments	\$ 7,741,710	\$ -
Restricted cash and investments:		
Customer deposits	26,230	-
Held by bond trustees	345,000	-
Accounts receivable	1,006,558	-
Accrued revenue	912,175	-
Inventories	32,809	44,664
TOTAL CURRENT ASSETS	<u>10,064,482</u>	<u>44,664</u>
CAPITAL ASSETS:		
Capital assets, not being depreciated:		
Land	381,023	-
Water rights	1,834,586	-
Construction in progress	2,412,576	-
Capital assets, being depreciated:		
Source of supply	4,770,755	-
Pumping plant	807,312	-
Water treatment	2,482,330	-
Transmission/distribution	32,098,148	-
General plant	4,668,264	-
Equipment	4,330,315	1,304,398
Less: accumulated depreciation	<u>(23,547,567)</u>	<u>(1,272,572)</u>
Total capital assets (net of accumulated depreciation)	<u>30,237,742</u>	<u>31,826</u>
TOTAL NONCURRENT ASSETS	<u>30,237,742</u>	<u>31,826</u>
TOTAL ASSETS	<u>40,302,224</u>	<u>76,490</u>
DEFERRED OUTFLOW OF RESOURCES:		
Deferred loss on refunding, net of accumulated amortization	<u>95,069</u>	<u>-</u>

(Continued)

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

CITY OF LAKEWOOD

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(CONTINUED)

June 30, 2013

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 743,356	\$ 13,608
Accrued liabilities	159,377	13,340
Accrued interest payable	43,098	-
Customer deposits	26,234	-
Current portion of long-term debt	842,480	-
TOTAL CURRENT LIABILITIES	1,814,545	26,948
LONG-TERM LIABILITIES:		
Loan payable	1,184,881	-
Revenue bonds	3,393,895	-
TOTAL NONCURRENT LIABILITIES	4,578,776	-
TOTAL LIABILITIES	6,393,321	26,948
NET POSITION:		
Net investment in capital assets	24,816,486	31,826
Unrestricted	9,187,486	17,716
TOTAL NET POSITION	34,003,972	\$ 49,542
Adjustment to reflect the consolidation of internal service fund activities related to the water enterprise fund	(619,287)	
Net position of business-type activity	\$ 33,384,685	

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

CITY OF LAKEWOOD

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

For the year ended June 30, 2013

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
OPERATING REVENUES:		
Metered water sales	\$ 8,918,895	\$ -
Reclaimed water sales	261,020	-
Fire protection	30,669	-
Service initiation and restoration charges	173,399	-
Billings to departments	-	1,369,270
Other revenues	1,189,750	-
	<u>10,573,733</u>	<u>1,369,270</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations:		
Supply, transmission and distribution	6,189,002	-
Customer service	851,012	-
Administration	655,446	-
Cost of goods sold	-	1,330,638
Improvements	978	-
Depreciation	1,451,641	2,448
	<u>9,148,079</u>	<u>1,333,086</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME	<u>1,425,654</u>	<u>36,184</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	59,279	-
Interest expense on long-term debt	(215,695)	-
	<u>(156,416)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
CHANGE IN NET POSITION	1,269,238	36,184
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	<u>32,734,734</u>	<u>13,358</u>
NET POSITION AT END OF YEAR	<u>\$ 34,003,972</u>	<u>\$ 49,542</u>
Change in net position - Water Enterprise Fund	\$ 1,269,238	
Adjustment to reflect the consolidation of the internal service fund activities related to the Water Enterprise Fund	5,158	
Change in net position of business-type activity	<u>\$ 1,274,396</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, 2013

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 8,654,844	\$ -
Receipts from interfund services provided	-	1,369,270
Other operating receipts	1,384,050	-
Payments to suppliers	(3,974,563)	(681,508)
Payments to employees	(2,092,340)	(653,488)
Payments for interfund services used	(1,365,000)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,606,991</u>	<u>34,274</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(1,381,787)	(34,274)
Principal paid on revenue bonds and loan	(817,480)	-
Interest paid on revenue bonds	(195,620)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,394,887)</u>	<u>(34,274)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u>59,279</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	271,383	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,841,557</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,112,940</u>	<u>\$ -</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, 2013

	Business-type Activity- Water <u>Enterprise Fund</u>	Governmental Activities- Internal Service <u>Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	<u>\$ 1,425,654</u>	<u>\$ 36,184</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,451,641	2,448
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	(364,024)	-
(Increase) decrease accrued revenue	(30,597)	-
(Increase) decrease in prepaid items	-	-
(Increase) decrease in inventories	(18,207)	(2,311)
Increase (decrease) in accounts payable	142,988	(2,768)
Increase (decrease) in accrued liabilities	2,382	721
Increase (decrease) in customer deposits	<u>(2,846)</u>	<u>-</u>
Total adjustments	<u>1,181,337</u>	<u>(1,910)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,606,991</u></u>	<u><u>\$ 34,274</u></u>

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

CITY OF LAKEWOOD

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2013

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	\$ 2,919,584	\$ 1,210,003
Cash and investments with fiscal agent	1,456,982	-
Notes receivable	540,168	1,137,741
TOTAL ASSETS	4,916,734	\$ 2,347,744
DEFERRED OUTFLOW OF RESOURCES:		
Deferred loss on refunding	38,822	
LIABILITIES:		
Accounts payable	592	\$ 3,274
Interest payable	102,749	-
Deposits	2,804,026	308,119
Due to EDA	-	1,083,790
Due to HUD	-	952,561
Payable to City of Lakewood	9,131,804	-
Long-term liabilities:		
Due within one year	1,155,000	-
Due in more than one year	5,215,155	-
TOTAL LIABILITIES	18,409,326	\$ 2,347,744
NET POSITION HELD IN TRUST	\$ (13,453,770)	

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

CITY OF LAKEWOOD

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2013

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Taxes	\$ 2,889,277
Investment income	31,798
TOTAL ADDITIONS	<u>2,921,075</u>
DEDUCTIONS:	
Contract services	1,775
Legal services	1,647
Trustee fees	11,000
Payment to developer	94,500
Owner participation	750,000
Overhead	148,632
Distributions to Los Angeles County	5,439,279
Miscellaneous	18,000
Interest	<u>322,671</u>
TOTAL DEDUCTIONS	<u>6,787,504</u>
CHANGE IN NET POSITION BEFORE EXTRAORDINARY ITEM	(3,866,429)
EXTRAORDINARY ITEM:	
Gains related to dissolution of redevelopment agency (Note 14F)	<u>31,453,996</u>
CHANGE IN NET POSITION	27,587,567
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>(41,041,337)</u>
NET POSITION - END OF YEAR	<u>\$ (13,453,770)</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The reporting entity, "City of Lakewood," includes the accounts of the City 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 Public Financing Authority was created on December 12, 1995, by a Joint Exercise of Powers Agreement between the City and the former Redevelopment 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 Government Accounting Standards Board ("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 Financing Authority as a "blended" component unit. Despite being legally separate, this entity is so intertwined with the City that it is, in substance, part of the City's operations. Accordingly, the balances and transactions of this component unit are reported within the funds of the City. 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 Financing Authority was a blended component unit:

1. The members of the City Council also act as the governing body of the Financing Authority.
2. The Financing Authority is managed by employees of the City. No allocation of the City's salary and overhead expenses are made to the Financing Authority.
3. 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.

No individual financial statements are prepared for the Financing Authority.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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.

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and the fiduciary private purpose trust fund. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (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, deferred outflow of resources, liabilities and deferred inflows of resources 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 fund balances. 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 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 agency funds are reported using no measurement focus but utilize the accrual basis of accounting.

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.

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.

Housing Admin & Program Capital Projects Fund

The Housing Admin & Program Capital Projects Fund is used to account for the low and moderate income housing activities that were transferred to the City upon dissolution of the former Redevelopment Agency.

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

Fiduciary Funds

The Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the Lakewood Redevelopment Agency.

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, joint governmental projects, housing rehabilitation loans funded by Department of Housing and Urban Development grants and small business revolving loans funded by the Economic Development Administration grants.

D. New Accounting Pronouncements

Implemented

In fiscal year 2012-2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, *"Elements of Financial Statements"* into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

In fiscal year 2012-2013, the City early implemented GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the early implementation of this statement, bond issue costs, which should be recognized as an expense in the period incurred, were eliminated. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the beginning net position of the business-type activity by \$143,513 and the decrease the beginning net position of private purpose trust fund by \$136,986.

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. New Accounting Pronouncements (Continued)

Pending Accounting Standards

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

- GASB 66 - *"Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62"*, effective for periods beginning after December 15, 2012.
- GASB 67 - *"Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25"*, effective for the fiscal years beginning after June 15, 2013.
- GASB 68 - *"Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27"*, effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - *"Government Combinations and Disposals of Government Operations"*, effective for periods beginning after December 15, 2013.
- GASB 70 - *"Accounting and Financial Reporting for Nonexchange Financial Guarantees"*, effective for the periods beginning after June 15, 2013.

E. Cash and Investments

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

F. 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.

G. Prepaid Items

Prepaid items are recorded as expenditures when consumed.

H. 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.

I. Land Held for Resale

Land held for resale is recorded at the lower of acquisition cost or net realizable value in the Housing Admin & Program Capital Projects Fund.

J. 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.

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred loss on refunding, net of accumulated amortization reported in the business-type activities financial statements and the proprietary funds financial statements. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position and/or Governmental Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenues*, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from three sources: current services charges, loan repayments and taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. 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.

M. 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

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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, 2013 are refunds totaling \$473,946 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. In addition, there is prepaid balance in the General Fund totaling \$132,600 related to the general liability program.

O. Net Position

The government-wide and proprietary funds financial statements utilize a net position presentation. Net position is classified in the following categories:

Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

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

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

P. Fund Balances

The fund balances reported in the fund statements are classified as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by the City Council through the adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation.

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balances (Continued)

Assigned Fund Balance - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as committed. City Council has by resolution authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily.

Unassigned Fund Balance - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is applied first, followed by assigned fund balance, and then finally unassigned fund balance.

Q. 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.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2013 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Unrestricted assets:			
Cash and investments	\$ 52,661,854	\$ 4,129,587	\$ 56,791,441
Cash and investments with fiscal agent	-	1,456,982	1,456,982
Restricted assets:			
Cash and investments	26,230	-	26,230
Cash and investments held by bond trustees	345,000	-	345,000
Total Cash and Investments	<u>\$ 53,033,084</u>	<u>\$ 5,586,568</u>	<u>\$ 58,619,653</u>

Cash and investments at June 30, 2013 consisted of the following:

Cash on hand	\$ 2,700
Deposits with financial institutions	6,410,105
Investments	<u>52,206,848</u>
Total Cash and Investments	<u>\$ 58,619,653</u>

See independent auditors' report.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Bills, Bonds and Notes	5 years	None	None
United States Government Sponsored Agency 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
Corporate Notes	5 years	30%	10%
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

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 Agency 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.

See independent auditors' report.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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)			
	12 Months or Less	13 - 24 Months	25 - 60 Months	Total
Local Agency Investment Fund	\$ 14,164,701	\$ -	\$ -	\$ 14,164,701
United States Treasury Notes	951,681	6,307,784	9,085,447	16,344,912
United States Government Sponsored				
Agency Securities	-	4,422,872	4,176,330	8,599,202
Municipal Bonds	-	450,072	372,573	822,645
CAMP Cash Reserve Portfolio	43,042	-	-	43,042
Money Market Mutual Funds	25,631	-	-	25,631
Negotiable Certificates of Deposit	850,000	2,621,925	-	3,471,925
Corporate Medium Notes	124,780	3,106,895	3,701,140	6,932,815
Held by Bond Trustee:				
CAMP Cash Reserve Portfolio	666,889	-	-	666,889
Money Market Mutual Funds	1,135,086	-	-	1,135,086
	<u>\$ 17,961,810</u>	<u>\$ 16,909,548</u>	<u>\$ 17,335,490</u>	<u>\$ 52,206,848</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 June 30, 2013 for each investment type:

Investment Type	Total as of June 30, 2013	Minimum Legal Rating	AAA	Other	Not Rated	Not Required to be Rated
Local Agency Investment Fund	\$ 14,164,701	N/A	\$ -	\$ -	\$ 14,164,701	\$ -
United States Treasury Notes	16,344,912	N/A	-	-	-	16,344,912
United States Government						
Sponsored Agency Securities	8,599,202	N/A	-	8,599,202	-	-
Municipal Bonds	822,645	A	723,675	98,970	-	-
CAMP Cash Reserve Portfolio	43,042	A	43,042	-	-	-
Money Market Mutual Funds	25,631	A	25,631	-	-	-
Negotiable Certificates of Deposit	3,471,925	N/A	-	-	3,471,925	-
Corporate Medium Notes	6,932,815	A	-	6,932,815	-	-
Held by Bond Trustee:						
CAMP Cash Reserve Portfolio	666,889	A	666,889	-	-	-
Money Market Mutual Funds	1,135,086	A	1,135,086	-	-	-
	<u>\$ 52,206,848</u>		<u>\$ 2,594,323</u>	<u>\$ 15,630,987</u>	<u>\$ 17,636,626</u>	<u>\$ 16,344,912</u>

N/A - Not Applicable

See independent auditors' report.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

The actual ratings for the "Other" category above are as follows:

<u>Investment Type</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>A-</u>	<u>Total</u>
United States Government							
Sponsored Agency Securities	\$8,599,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,599,202
Municipal Bonds	-	98,970	-	-	-	-	98,970
Corporate Medium Notes	<u>1,228,559</u>	<u>-</u>	<u>1,060,080</u>	<u>1,838,930</u>	<u>2,522,432</u>	<u>282,814</u>	<u>6,932,815</u>
	<u>\$9,827,761</u>	<u>\$ 98,970</u>	<u>\$1,060,080</u>	<u>\$1,838,930</u>	<u>\$2,522,432</u>	<u>\$ 282,814</u>	<u>\$ 15,630,987</u>

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 Agency Securities	\$ 5,368,188
Federal National Mortgage Association	United States Government Sponsored Agency Securities	\$ 3,231,014

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, 2013, the City's cash on deposit exceeded federally insured limits by \$7,450,943.

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.

See independent auditors' report.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental Activities:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 17,444,023	\$ -	\$ (403,000)	\$ 17,041,023
Construction in progress	<u>5,569,295</u>	<u>4,438,566</u>	<u>(4,389,263)</u>	<u>5,618,598</u>
Total capital assets, not being depreciated	<u>23,013,318</u>	<u>4,438,566</u>	<u>(4,792,263)</u>	<u>22,659,621</u>
Capital assets, being depreciated:				
Structures and improvements	43,705,513	906,983	-	44,612,496
Equipment	7,101,397	797,636	(98,203)	7,800,830
Infrastructure	<u>133,822,094</u>	<u>3,482,280</u>	<u>-</u>	<u>137,304,374</u>
Total capital assets, being depreciated	<u>184,629,004</u>	<u>5,186,899</u>	<u>(98,203)</u>	<u>189,717,700</u>
Less accumulated depreciation for:				
Structures and improvements	(18,922,309)	(885,024)	-	(19,807,333)
Equipment	(5,853,115)	(448,551)	97,796	(6,203,870)
Infrastructure	<u>(93,351,422)</u>	<u>(2,606,851)</u>	<u>-</u>	<u>(95,958,273)</u>
Total accumulated depreciation	<u>(118,126,846)</u>	<u>(3,940,426)</u>	<u>97,796</u>	<u>(121,969,476)</u>
Total capital assets, being depreciated, net	<u>66,502,158</u>	<u>1,246,473</u>	<u>(407)</u>	<u>67,748,224</u>
Total governmental activities capital assets, net	<u>\$ 89,515,476</u>	<u>\$ 5,685,039</u>	<u>\$ (4,792,670)</u>	<u>\$ 90,407,845</u>

See independent auditors' report.

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Business-type Activity:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 381,023	\$ -	\$ -	\$ 381,023
Water rights	1,834,586	-	-	1,834,586
Construction in progress	<u>2,192,022</u>	<u>1,381,787</u>	<u>(1,161,233)</u>	<u>2,412,576</u>
Total capital assets, not being depreciated	<u>4,407,631</u>	<u>1,381,787</u>	<u>(1,161,233)</u>	<u>4,628,185</u>
Capital assets, being depreciated:				
Source of supply	4,770,755	-	-	4,770,755
Pumping plant	807,312	-	-	807,312
Water treatment	2,482,330	-	-	2,482,330
Transmission/distribution	31,081,340	1,016,808	-	32,098,148
General plant and equipment	<u>8,854,154</u>	<u>144,425</u>	<u>-</u>	<u>8,998,579</u>
Total capital assets, being depreciated	<u>47,995,891</u>	<u>1,161,233</u>	<u>-</u>	<u>49,157,124</u>
Less accumulated depreciation for:				
Source of supply	(2,735,814)	(92,079)	-	(2,827,893)
Pumping plant	(515,732)	(12,483)	-	(528,215)
Water treatment	(669,742)	(242,425)	-	(912,167)
Transmission/distribution	(14,748,527)	(792,813)	-	(15,541,340)
General plant and equipment	<u>(3,426,111)</u>	<u>(311,841)</u>	<u>-</u>	<u>(3,737,952)</u>
Total accumulated depreciation	<u>(22,095,926)</u>	<u>(1,451,641)</u>	<u>-</u>	<u>(23,547,567)</u>
Total capital assets, being depreciated, net	<u>25,899,965</u>	<u>(290,408)</u>	<u>-</u>	<u>25,609,557</u>
Total business-type activity, capital assets, net	<u>\$ 30,307,596</u>	<u>\$ 1,091,379</u>	<u>\$ (1,161,233)</u>	<u>\$ 30,237,742</u>

Depreciation expense:

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

Governmental activities:

General government	\$ 238,124
Public safety	76,730
Transportation	54,326
Community development	191,094
Health and sanitation	1,880
Culture and leisure	768,973
Internal service funds depreciation charged to programs	2,448
Unallocated infrastructure depreciation	<u>2,606,851</u>

Total depreciation expense - governmental activities \$ 3,940,426

Business type activity:

Water \$ 1,451,641

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, 2013:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013	Due Within One Year
Governmental Activities					
Compensated absences	\$ 1,070,342	\$ 1,036,981	\$ (1,070,342)	\$ 1,036,981	\$ 795,295
Total Governmental Activities	<u>1,070,342</u>	<u>1,036,981</u>	<u>(1,070,342)</u>	<u>1,036,981</u>	<u>795,295</u>
Business-type Activity					
Water Revenue Bonds:					
2004 Bonds	1,750,000	-	(415,000)	1,335,000	430,000
2008 Bonds	2,885,000	-	(205,000)	2,680,000	215,000
Plus (less) deferred amounts:					
For issuance premiums	<u>32,584</u>	<u>-</u>	<u>(8,689)</u>	<u>23,895</u>	<u>-</u>
Total Water Revenue Bonds	4,667,584	-	(628,689)	4,038,895	645,000
Loan payable	<u>1,579,841</u>	<u>-</u>	<u>(197,480)</u>	<u>1,382,361</u>	<u>197,480</u>
Total Business-type Activity	<u>6,247,425</u>	<u>-</u>	<u>(826,169)</u>	<u>5,421,256</u>	<u>842,480</u>
City Total	<u>\$ 7,317,767</u>	<u>\$ 1,036,981</u>	<u>\$ (1,896,511)</u>	<u>\$ 6,458,237</u>	<u>\$ 1,637,775</u>

Governmental Activities**A. Compensated Absences**

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

Business-type Activity**B. 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.

The annual requirements to amortize the bonds outstanding at June 30, 2013, are as follows:

Year Ending June 30	Principal	Interest	Total
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>\$ 1,335,000</u>	<u>\$ 92,313</u>	<u>\$ 1,427,313</u>

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity (Continued)**B. Water Revenue Bonds Payable (Continued)**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, 2011. Interest payments are payable semi-annually on April 1 and October 1.

The future annual required lease payments at June 30, 2013, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 215,000	\$ 127,300	\$ 342,300
2015	225,000	117,088	342,088
2016	235,000	106,400	341,400
2017	250,000	95,238	345,238
2018	260,000	83,363	343,363
2019 - 2023	<u>1,495,000</u>	<u>219,688</u>	<u>1,714,688</u>
Total	<u>\$ 2,680,000</u>	<u>\$ 749,077</u>	<u>\$ 3,429,077</u>

C. 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, 2013, the City had requested and received \$1,974,801 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.

The debt service schedule to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 197,480	\$ -	\$ 197,480
2015	197,480	-	197,480
2016	197,480	-	197,480
2017	197,480	-	197,480
2018	197,480	-	197,480
2019 - 2020	<u>394,961</u>	<u>-</u>	<u>394,961</u>
Total	<u>\$ 1,382,361</u>	<u>\$ -</u>	<u>\$ 1,382,361</u>

See independent auditors' report.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances were as follows at June 30, 2013:

Due To / From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>1,512,507</u>

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

Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,881,332
Capital Improvement Fund	General Fund	1,931,674
Housing Admin & Program Capital Projects Fund	General Fund	<u>575,745</u>
		<u>\$ 4,388,751</u>

Transfers provided funding for capital projects, capital acquisitions and debt service.

NOTE 6 - NOTES RECEIVABLE

The former Redevelopment Agency made 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 former Redevelopment 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 were made from the former Redevelopment Agency's low and moderate housing 20% set-aside funds. The loans were transferred to the Housing Admin & Program Special Revenue Fund on February 1, 2012, the effective date of the former Redevelopment Agency dissolution, since the City had accepted the role of being the Successor Housing Agency. Due to the long-term nature of the loans, the City has deferred recognition of revenues until receipt in the governmental fund financial statements. The balance of these loans totaled \$2,311,542 at June 30, 2013.

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.

See independent auditors' report.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. CalPERS Plan (Continued)

Funding Policy

During the year ended June 30, 2013, the California's Public Employees' Pension Reform Act (PEPRA) went into effect. Employees hired after January 1, 2013 who are new to the CalPERS system are required to pay half of their plan's normal cost. The new miscellaneous members contribute 6.25% of their annual covered salary. Employees who were CalPERS members before January 1, 2013 are considered "classic" members and the member rate as a percentage of wages for local miscellaneous members is 7%. The City makes the contributions required of "classic" members on their behalf and for their account.

Annual Pension Cost

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 2012-13 was 12.116% 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.

For fiscal year 2012-13, the City's actual and contributed pension cost was \$1,976,950. The required contribution for fiscal year 2012-13 was determined as part of the June 30, 2010, actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by age, length of service and type of employment from 3.30 % to 14.20%, (c) a 2.75% inflation rate; (d) a 3% 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:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$ 1,499,038	100%	-
6/30/12	1,849,473	100%	-
6/30/13	1,976,950	100%	-

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 86.5% funded. The actuarial accrued liability for benefits was \$96,686,489, and the actuarial value of assets was \$83,591,596, resulting in an unfunded liability of \$13,094,893. The covered payroll (annual payroll of active employees covered by the plan) was \$14,567,621, and the ratio of the UAAL to the covered payroll was 89.9%.

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.

See independent auditors' report.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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. A separate audited GAAP-basis post-employment benefit plan report is not available for this Plan.

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 2012-13 was 5.75%.

Annual Pension Cost

For fiscal year 2012-13, the City's actual and contributed pension cost was \$765,962. This required contribution was determined as part of the July 1, 2011, 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 3.85 % 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 using a level percentage of projected payroll.

Three-Year Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$ 631,475	100%	-
6/30/12	606,833	100%	-
6/30/13	765,962	100%	-

Funded Status and Funding Progress

As of July 1, 2013, the latest actuarial valuation date, the plan was 57.08% funded. The actuarial accrued liability for benefits was \$12,535,655, and the actuarial value of assets was \$7,154,752 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,380,903. The covered payroll (annual payroll of active employees covered by the plan) was \$13,071,891 and the ratio of the UAAL to the covered payroll was 41.2%.

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.

See independent auditors' report.

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, 2013, employee contributions totaled \$286,757 and employer contributions totaled \$203,390.

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 - HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAMS

- A. 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 and 2012-13, the City also used Housing and Community Development Block Grant (CDBG) funds to provide these loans. The rehabilitation loans made from the former Redevelopment Agency's low and moderate housing 20% set-aside funds are reported in the Housing Admin & Program 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.
- B. The Gateway Cities Council of Governments has received loan 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 loan 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 revolving loans and all EDA cash held for revolving loans are reflected in the Lakewood Business Development Loans Agency Fund. Since the Economic Development Administration (EDA) has a claim to any funds remaining when the program is terminated, these funds are reported as "Due to EDA" in the Agency Fund.

See independent auditors' report.

NOTE 11 - 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 lines of coverage. The Insurance Authority 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 Insurance Authority

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability. In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Insurance Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3 million annual aggregate deductible is fully retained by the Insurance Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

Workers' Compensation. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

See independent auditors' report.

NOTE 11 - LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION (CONTINUED)

C. Purchased Insurance

Pollution Legal Liability Insurance. The City participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Insurance 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 Insurance Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Insurance Authority has a \$10 million sub-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. City property currently has all-risk property insurance protection in the amount of \$52,149,150. 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 \$30,885,400. 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 Insurance Authority.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2012-2013.

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 12 - 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 \$502 per month on January 1, 2013, continuing until the retiree has met Medicare age. Thereafter, the payment is decreased to \$288 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. A separate audited GAAP-basis post-employment benefit plan report is not available for this Plan.

See independent auditors' report.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or the employee associations. Currently, contributions are not required from plan members. During the fiscal year ended June 30, 2013, the City made contributions of \$149,948 on a pay-as-you-go basis.

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 2012-13 was \$277,084 and was determined as part of an actuarial valuation dated July 1, 2011.

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)	\$ 277,084
Interest adjustment on Net OPEB asset	(257,605)
Amortization adjustment to ARC	<u>311,912</u>
Annual OPEB cost	331,391
Contribution made	<u>(149,948)</u>
Decrease in Net OPEB asset	181,443
Net OPEB asset - beginning of year	<u>(4,071,215)</u>
Net OPEB asset - end of year	<u>\$ (3,889,772)</u>

Three-Year Trend Information

For fiscal year 2013, the City's annual OPEB cost (expense) of \$331,391 was greater than the ARC. Information on the annual OPEB cost, percentage of Annual OPEB Cost contributed, and Net OPEB Obligation is presented below:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2011	\$ 416,110	\$ 135,115	32.47%	\$ (4,256,293)
6/30/2012	331,391	146,313	44.15%	(4,071,215)
6/30/2013	331,391	149,948	45.25%	(3,889,772)

Funded Status and Funding Progress

As of July 1, 2013, the latest actuarial valuation date, the plan was 119.29% funded. The actuarial accrued liability for benefits was \$6,147,829 and the actuarial value of assets was \$7,333,693 resulting in an actuarial surplus of \$1,185,864. The covered payroll (annual payroll of active employees covered by the plan) was \$12,430,631 and the ratio of the surplus to the covered payroll was 9.54%.

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.

See independent auditors' report.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and 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, 2013, 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 6.0% per annum and a healthcare cost trend rate of 8.0% initially, reduced by annual decrements of 1.0% to an ultimate rate of 5.0% after three years. The City's unfunded actuarial accrued liability is being amortized by level dollar contributions over a thirty-year open period.

NOTE 13 - COMMITMENTS AND 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 4% 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. In November 1997, the City entered into a lighting maintenance contract with City Light and Power Lakewood, Inc. The contract requires the City to pay a basic annual rent of \$544,250, with a portion of the basic rent adjusted annually using the current consumer price index. At June 30, 2013, the City was paying \$55,979 per month for the maintenance contract. The contract expires in November 2022.

NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES

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

- A. At June 30, 2012, the unencumbered cash of \$1,209,117 related to the former redevelopment agency's low and moderate income housing activities had yet to be transferred from the Housing Admin & Program Capital Projects Fund to the Successor Agency as required by AB 1484 as of year-end. The transfer occurred on July 1, 2012.

- B. Note Receivable

As consideration for the sale of land on November 3, 2006, the former Redevelopment 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, 2013 is \$540,168.

See independent auditors' report.

NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED)

C. Payable to the City of Lakewood

1. On June 30, 2012, the amount due by the Lakewood Successor Agency to the City was \$30,950,525. Under AB 1X26, the Successor Agency was only able to list as enforceable obligation the amount of the *initial* City Loan for the plan area, which was \$382,000. Subsequent legislation, AB1484, allowed interest for the City loans to be recalculated at the LAIF rate over the life of the loan. The outstanding interest on the City loan using the LAIF interest rate calculation is \$2,612,099. Due to the Due Diligence Review called for under AB1X26, the City reduced the amount receivable to the amount allowable, which resulted in the Successor Agency recognizing an extraordinary gain of \$27,956,419 on the statement of changes in fiduciary net position. During fiscal year 2012-13, the Successor Agency made a principal payment of \$38,200 to the City. At June 30, 2013, the total principal and interest due to the City was \$2,955,899.
2. On April 14, 2005, the Agency Board approved a 10-year interfund 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, 2013 is \$90,492. The loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1x26.
3. On February 9, 2011, 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. On January 25, 2012, the Agency Board approved a second 5-year loan from the Capital Projects Fund to the Debt Service Fund for similar purposes. No interest accrues on these loans and the loans must be repaid on or before June 30, 2015 and 2016, respectively. The total loan balance at June 30, 2013 is \$3,878,059. The liability side of this loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1x26.
4. 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 did not make a payment towards this deficit during the year ended June 30, 2013, as this deficit was not considered an enforceable obligation under Assembly Bill 1x26, the deficit total remains at \$1,085,310; however, under subsequent legislation, AB1484, this deficit is now considered an enforceable obligation and payments from the Successor Agency are allowed to commence in fiscal year 2013-14 to the City's Housing Admin & Program Capital Projects Fund.
5. During the year ended June 30, 2013, the City loaned the Successor Agency \$1,122,044 to make its required obligation payments. The Department of Finance (DOF) has approved the expenditures and the City will receive payments from the County Auditor during fiscal year 2013-14.

D. Long-Term Liabilities

The following is a summary of long-term liability transactions for the year ended June 30, 2013:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013	Due Within One Year
Agency Tax Allocation Bonds:					
1999 Series A	\$ 3,330,000	\$ -	\$ (475,000)	\$ 2,855,000	\$ 515,000
2003 Series A	2,685,000	-	(405,000)	2,280,000	420,000
2003 Series B	1,420,000	-	(205,000)	1,215,000	220,000
Plus (less) deferred amounts:					
For issuance premium	24,992	-	(4,837)	20,155	-
Total Agency Tax Allocation Bonds	<u>\$ 7,459,992</u>	<u>\$ -</u>	<u>\$ (1,089,837)</u>	<u>\$ 6,370,155</u>	<u>\$ 1,155,000</u>

See independent auditors' report.

NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED)

D. Long-Term Liabilities (Continued)

Tax Allocation Bond Series 1999A

On October 1, 1999, the former Redevelopment 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, 2011, 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%.

Total debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 515,000	\$ 138,070	\$ 653,070
2015	540,000	110,505	650,505
2016	570,000	81,224	651,224
2017	600,000	50,070	650,070
2018	630,000	17,080	647,080
Total	<u>\$ 2,855,000</u>	<u>\$ 396,949</u>	<u>\$ 3,251,949</u>

Tax Allocation Bond Series 2003A

On October 28, 2003, the former Redevelopment 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.

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.

NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED)

D. Long-Term Liabilities (Continued)

Tax Allocation Bond Series 2003A (Continued)

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>
2014	\$ 420,000	\$ 81,718	\$ 501,718
2015	440,000	65,330	505,330
2016	455,000	48,208	503,208
2017	475,000	29,835	504,835
2018	<u>490,000</u>	<u>10,168</u>	<u>500,168</u>
Total	<u>\$ 2,280,000</u>	<u>\$ 235,259</u>	<u>\$ 2,515,259</u>

Tax Allocation Bond Series 2003B

On October 28, 2003, the former Redevelopment 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.

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>
2014	\$ 220,000	\$ 61,275	\$ 281,275
2015	230,000	49,192	279,192
2016	240,000	36,055	276,055
2017	255,000	22,220	277,220
2018	<u>270,000</u>	<u>7,547</u>	<u>277,547</u>
Total	<u>\$ 1,215,000</u>	<u>\$ 176,289</u>	<u>\$ 1,391,289</u>

See independent auditors' report.

NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED)

E. Agreements

1. 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, 2013, the Agency made payments of \$94,500 in relation to this agreement.
2. 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, 2013, the Agency's obligation under this agreement totaled \$750,000.
3. 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, 2013, the Agency's outstanding deferral balance is \$843,589.

F. Extraordinary Item

The Successor Agency's gain (and the City's loss) related to the dissolution of the former Redevelopment Agency include a \$27,956,419 write-down of notes receivable by the City to comply with AB 1484 which required interest on such notes to be recalculated based on LAIF rates over the life of the notes, and a transfer of \$3,497,577 in cash being held by the Lakewood Housing Successor Agency (\$3,303,000) and the City (\$194,577) that was required to be returned to the Successor Agency for remittance to the County of Los Angeles as a result of the State Department of Finance's due diligence reviews.

NOTE 15 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package. The Dissolution Act required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for impending dissolution. Assembly Bill 1x 27 provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

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

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

See independent auditors' report.

NOTE 15 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED)

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

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The City elected on February 1, 2012 to serve as the housing successor agency.

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

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

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

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

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

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency. The State of California Department of Finance and the Controller's Office have contended that the former Lakewood Redevelopment Agency (the "LRA") improperly repaid loan made by the City to the LRA, prior to the dissolution of the LRA. The State has demanded that the City repay a total of \$11,188,583. The City believes that the State is misapplying the applicable law and has initiated litigation to get the dispute resolved. Management and the City's legal counsel cannot predict the possible outcome of this matter, and accordingly, no accrual has been made by the City as of June 30, 2013 for the potential repayment of the amount received by the City.

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

NOTE 16 - INDIVIDUAL FUND DISCLOSURES:

A. Funds with a deficit fund balance/net position at June 30, 2013, are as follows:

Other Governmental Funds:	
Prop A Recreation	\$ 93,497
Measure R	1,131,087
Internal Service Fund:	
Print Shop	8,115

The City plans to eliminate the \$8,115 deficit in Print Shop through a transfer from the General Fund and the remaining deficits through pending grant funding.

NOTE 17 - RESTATEMENT OF NET POSITION

Net position for the government-wide financial statements as of July 1, 2012 was restated as follows:

	Business-type Activity
Net position as previously reported as of June 30, 2012	\$ 32,253,802
Reduction in net position to remove unamortized bond issuance costs as a result of the implementation of GASB Statement 65	<u>(143,513)</u>
Net position as restated July 1, 2012	<u>\$ 32,110,289</u>

Net position for the proprietary fund financial statements as of July 1, 2012 was restated as follows:

	Water Enterprise Fund
Net position as previously reported as of June 30, 2012	\$ 32,878,247
Reduction in net position to remove unamortized bond issuance costs as a result of the implementation of GASB Statement 65	<u>(143,513)</u>
Net position as restated July 1, 2012	<u>\$ 32,734,734</u>

Net position for the fiduciary fund financial statements as of July 1, 2012 was restated as follows:

	Private-Purpose Trust Fund
Net position as previously reported as of June 30, 2012	\$ (40,904,351)
Reduction in net position to remove unamortized bond issuance costs as a result of the implementation of GASB Statement 65	<u>(136,986)</u>
Net position as restated July 1, 2012	<u>\$ (41,041,337)</u>

NOTE 18 - SUBSEQUENT EVENT

Events occurring after June 30, 2013, have been evaluated for possible adjustment to the financial statements or disclosure as of December 2, 2013, which is the date the financial statements were available to be issued.

See independent auditors' report.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKEWOOD

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2013

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)
06/30/10	\$ 90,988,219	\$ 78,965,253	\$ 12,022,966	86.79%	\$ 14,824,292	81.10%
06/30/11	96,686,489	83,591,596	13,094,893	86.46%	14,567,621	89.89%
06/30/12	98,690,194	87,513,341	11,176,853	88.67%	14,641,043	76.34%

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)
07/01/09	\$ 8,040,975	\$ 2,493,670	\$ 5,547,305	31.01%	\$ 13,027,092	42.58%
07/01/11	11,171,066	4,962,691	6,208,375	44.42%	13,050,447	47.57%
07/01/13	12,535,655	7,154,752	5,380,903	57.08%	13,071,891	41.16%

OTHER POST-EMPLOYMENT BENEFITS 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)
07/01/09	\$ 5,950,911	\$ 4,543,540	\$ 1,407,371	76.35%	\$ 12,590,469	11.18%
07/01/11	6,656,794	6,611,297	45,497	99.32%	12,749,552	0.36%
07/01/13	6,147,829	7,333,693	(1,185,864)	119.29%	12,430,631	-9.54%

See independent auditors' report.

CITY OF LAKEWOOD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2013

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 22,386,596	\$ 22,386,596	\$ 24,044,797	\$ 1,658,201
Licenses and permits	654,353	746,021	882,983	136,962
Fines and forfeitures	917,500	917,500	782,011	(135,489)
Investment income, rents and concessions	1,202,102	1,202,102	977,585	(224,517)
From other agencies	6,732,904	6,733,473	7,002,022	268,549
Current service charges	8,081,151	7,990,052	8,416,888	426,836
TOTAL REVENUES	<u>39,974,606</u>	<u>39,975,744</u>	<u>42,106,286</u>	<u>2,130,542</u>
EXPENDITURES:				
Current:				
General government	6,860,014	6,731,744	6,891,333	(159,589)
Public safety	13,120,298	13,199,873	12,294,180	905,693
Transportation	4,359,182	4,384,459	4,289,918	94,541
Community development	3,656,511	3,766,168	3,935,794	(169,626)
Health and sanitation	4,701,268	4,701,319	4,666,999	34,320
Culture and leisure	9,504,664	9,498,941	9,217,246	281,695
TOTAL EXPENDITURES	<u>42,201,937</u>	<u>42,282,504</u>	<u>41,295,470</u>	<u>987,034</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,227,331)</u>	<u>(2,306,760)</u>	<u>810,816</u>	<u>3,117,576</u>
OTHER FINANCING SOURCES (USES):				
Sale of general capital assets	-	-	511,875	511,875
Transfers in	2,185,910	2,185,910	1,881,332	(304,578)
Transfers out	-	-	(2,507,419)	(2,507,419)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,185,910</u>	<u>2,185,910</u>	<u>(114,212)</u>	<u>(2,300,122)</u>
NET CHANGE IN FUND BALANCE BEFORE EXTRAORDINARY ITEM	(41,421)	(120,850)	696,604	817,454
EXTRAORDINARY ITEM:				
Losses related to dissolution of redevelopment agency	<u>(13,896,128)</u>	<u>(13,896,128)</u>	<u>(13,896,128)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(13,937,549)	(14,016,978)	(13,199,524)	817,454
FUND BALANCE AT BEGINNING OF YEAR	<u>58,824,823</u>	<u>58,824,823</u>	<u>58,824,823</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 44,887,274</u>	<u>\$ 44,807,845</u>	<u>\$ 45,625,299</u>	<u>\$ 817,454</u>

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 Sewer Reconstruction Special Revenue Fund and the River Park Grant Special Revenue Fund since no budgets were adopted for these funds. 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, 2013, 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.

See independent auditors' report.

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.

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.

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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.

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

STPL TEA-LU Fund - To account for highway safety improvement expenditures funded by the Surface Transportation Program Local Transportation Equity Act – a Legacy for Users (STPL TEA-LU).

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.

River Park Grant Fund - To account for funding received from California State Resources Agency for the purpose of providing pre-construction costs for the West San Gabriel Parkway - Phase 3.

CITY OF LAKEWOOD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
ASSETS				
Cash and investments	\$ -	\$ 86,003	\$ 96,345	\$ 516,941
Accounts receivable	160,992	-	-	-
TOTAL ASSETS	\$ 160,992	\$ 86,003	\$ 96,345	\$ 516,941
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 13,229
Accrued liabilities	-	-	-	2,398
Retainage payable	-	-	-	-
Due to other funds	160,992	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	160,992	-	-	15,627
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	-	-	-	-
FUND BALANCES (DEFICITS):				
Restricted for:				
Public safety	-	-	-	-
Transportation	-	-	-	501,314
Community development	-	-	96,345	-
Health and sanitation	-	-	-	-
Culture and leisure	-	86,003	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	86,003	96,345	501,314
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 160,992	\$ 86,003	\$ 96,345	\$ 516,941

See independent auditors' report.

Special Revenue Funds (Continued)

<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>
\$ 2,151,350	\$ 85,526	\$ -	\$ 398,869	\$ -	\$ 51,273
-	25,389	198,608	14,148	-	21,751
<u>\$ 2,151,350</u>	<u>\$ 110,915</u>	<u>\$ 198,608</u>	<u>\$ 413,017</u>	<u>\$ -</u>	<u>\$ 73,024</u>
\$ 7,687	\$ -	\$ 31,261	\$ 15,285	\$ -	\$ -
16,517	88	-	-	-	-
-	-	19,926	-	-	-
-	-	128,463	-	-	-
-	-	-	-	-	-
<u>24,204</u>	<u>88</u>	<u>179,650</u>	<u>15,285</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	397,732	-	-
2,127,146	-	-	-	-	-
-	-	18,958	-	-	-
-	110,827	-	-	-	73,024
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,127,146</u>	<u>110,827</u>	<u>18,958</u>	<u>397,732</u>	<u>-</u>	<u>73,024</u>
<u>\$ 2,151,350</u>	<u>\$ 110,915</u>	<u>\$ 198,608</u>	<u>\$ 413,017</u>	<u>\$ -</u>	<u>\$ 73,024</u>

(Continued)

CITY OF LAKEWOOD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2013

		Special Revenue Funds (Continued)		
		TDA Article Grant	Used Oil Grant	Prop A Recreation
ASSETS				
Cash and investments		\$ -	\$ 45,453	\$ -
Accounts receivable		4,960	-	90,987
TOTAL ASSETS		\$ 4,960	\$ 45,453	\$ 90,987
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable		\$ -	\$ 553	\$ -
Accrued liabilities		-	-	2,510
Retainage payable		-	-	-
Due to other funds		4,960	-	90,987
Unearned revenue		-	22,822	-
TOTAL LIABILITIES		4,960	23,375	93,497
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue		-	-	90,987
FUND BALANCES (DEFICITS):				
Restricted for:				
Public safety		-	-	-
Transportation		-	-	-
Community development		-	-	-
Health and sanitation		-	22,078	-
Culture and leisure		-	-	-
Unassigned		-	-	(93,497)
TOTAL FUND BALANCES (DEFICITS)		-	22,078	(93,497)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		\$ 4,960	\$ 45,453	\$ 90,987

See independent auditors' report.

Special Revenue Funds (Continued)			
STPL TEA-LU	Measure R	River Park Grant	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 3,431,760
-	-	-	516,835
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,948,595</u>
\$ -	\$ -	\$ -	\$ 68,015
-	3,982	-	25,495
-	-	-	19,926
-	1,127,105	-	1,512,507
-	-	-	22,822
<u>-</u>	<u>1,131,087</u>	<u>-</u>	<u>1,648,765</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>90,987</u>
-	-	-	397,732
-	-	-	2,628,460
-	-	-	115,303
-	-	-	205,929
-	-	-	86,003
-	(1,131,087)	-	(1,224,584)
<u>-</u>	<u>(1,131,087)</u>	<u>-</u>	<u>2,208,843</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,948,595</u>

CITY OF LAKEWOOD

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

For the year ended June 30, 2013

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
REVENUES:				
Taxes	\$ -	\$ 330	\$ -	\$ 1,292,382
Investment income, rents and concessions	5,010	-	9,626	5,146
From other agencies	1,876,322	-	-	-
TOTAL REVENUES	1,881,332	330	9,626	1,297,528
EXPENDITURES:				
Current:				
General government	-	-	-	30,121
Public safety	-	-	-	-
Transportation	-	-	-	1,008,662
Community development	-	-	-	47,096
Health and sanitation	-	-	-	-
Culture and leisure	-	-	-	-
Capital outlay:				
Transportation	-	-	-	-
Culture and leisure	-	-	-	-
TOTAL EXPENDITURES	-	-	-	1,085,879
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,881,332	330	9,626	211,649
OTHER FINANCING USES:				
Transfers out	(1,881,332)	-	-	-
TOTAL OTHER FINANCING USES	(1,881,332)	-	-	-
NET CHANGE IN FUND BALANCES	-	330	9,626	211,649
FUND BALANCES (DEFICITS)				
AT BEGINNING OF YEAR	-	85,673	86,719	289,665
FUND BALANCES (DEFICITS)				
AT END OF YEAR	\$ -	\$ 86,003	\$ 96,345	\$ 501,314

See independent auditors' report.

(Special Revenue Fund (Continued))

Prop C Transportation	AB 2766	CDBG	State COPS Grants	JAG Grants	Litter Reduction Grant
\$ 1,074,476	\$ -	\$ -	\$ -	\$ -	\$ -
12,189	1,224	400	2,546	-	363
-	96,954	882,220	125,053	26,412	21,750
1,086,665	98,178	882,620	127,599	26,412	22,113
-	139,618	19,557	-	-	-
-	-	-	53,896	26,412	-
786,350	15,453	-	-	-	-
-	-	375,485	-	-	-
-	-	-	-	-	-
-	-	33,000	-	-	-
-	-	-	-	-	-
-	-	474,866	-	-	-
786,350	155,071	902,908	53,896	26,412	-
300,315	(56,893)	(20,288)	73,703	-	22,113
-	-	-	-	-	-
-	-	-	-	-	-
300,315	(56,893)	(20,288)	73,703	-	22,113
1,826,831	167,720	39,246	324,029	-	50,911
\$ 2,127,146	\$ 110,827	\$ 18,958	\$ 397,732	\$ -	\$ 73,024

(Continued)

CITY OF LAKEWOOD

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

For the year ended June 30, 2013

	Special Revenue Funds (Continued)		
	TDA Article Grant	Used Oil Grant	Prop A Recreation
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Investment income, rents and concessions	-	301	-
From other agencies	59,513	33,674	73,675
TOTAL REVENUES	59,513	33,975	73,675
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Transportation	-	-	-
Community development	-	-	-
Health and sanitation	-	23,838	-
Culture and leisure	-	-	189,989
Capital outlay:			
Transportation	59,513	-	-
Culture and leisure	-	-	-
TOTAL EXPENDITURES	59,513	23,838	189,989
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	10,137	(116,314)
OTHER FINANCING USES:			
Transfers out	-	-	-
TOTAL OTHER FINANCING USES	-	-	-
NET CHANGE IN FUND BALANCES	-	10,137	(116,314)
FUND BALANCES (DEFICITS)			
AT BEGINNING OF YEAR	-	11,941	22,817
FUND BALANCES (DEFICITS)			
AT END OF YEAR	<u>\$ -</u>	<u>\$ 22,078</u>	<u>\$ (93,497)</u>

See independent auditors' report.

Special Revenue Funds (Continued)			
STPL TEA-LU	Measure R	River Park Grant	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 2,367,188
-	604	-	37,409
149,521	803,033	10,664	4,158,791
149,521	803,637	10,664	6,563,388
-	-	-	189,296
-	-	-	80,308
-	8,337	-	1,818,802
-	-	-	422,581
-	-	-	23,838
-	-	-	222,989
66,962	2,729,804	-	2,856,279
-	-	-	474,866
66,962	2,738,141	-	6,088,959
82,559	(1,934,504)	10,664	474,429
-	-	-	(1,881,332)
-	-	-	(1,881,332)
82,559	(1,934,504)	10,664	(1,406,903)
(82,559)	803,417	(10,664)	3,615,746
\$ -	\$ (1,131,087)	\$ -	\$ 2,208,843

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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 10,000	\$ 5,010	\$ (4,990)
From other agencies	<u>2,175,910</u>	<u>1,876,322</u>	<u>(299,588)</u>
TOTAL REVENUES	2,185,910	1,881,332	(304,578)
OTHER FINANCING USES:			
Transfers out	<u>(2,185,910)</u>	<u>(1,881,332)</u>	<u>304,578</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<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

PARK DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 990	\$ 330	\$ (660)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	990	330	(660)
FUND BALANCE AT BEGINNING OF YEAR	85,673	85,673	-
FUND BALANCE AT END OF YEAR	<u>\$ 86,663</u>	<u>\$ 86,003</u>	<u>\$ (660)</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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 1,216,721	\$ 1,292,382	\$ 75,661
Investment income, rents and concessions	5,000	5,146	146
TOTAL REVENUES	<u>1,221,721</u>	<u>1,297,528</u>	<u>75,807</u>
EXPENDITURES:			
Current:			
General government	36,502	30,121	6,381
Transportation	1,048,028	1,008,662	39,366
Community development	59,749	47,096	12,653
TOTAL EXPENDITURES	<u>1,144,279</u>	<u>1,085,879</u>	<u>58,400</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	77,442	211,649	134,207
FUND BALANCE AT BEGINNING OF YEAR	<u>289,665</u>	<u>289,665</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 367,107</u>	<u>\$ 501,314</u>	<u>\$ 134,207</u>

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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 1,009,238	\$ 1,074,476	\$ 65,238
Investment income, rents and concessions	25,000	12,189	(12,811)
TOTAL REVENUES	<u>1,034,238</u>	<u>1,086,665</u>	<u>52,427</u>
EXPENDITURES:			
Current:			
Transportation	1,060,103	786,350	273,753
Capital outlay:			
Transportation	<u>1,628,902</u>	<u>-</u>	<u>1,628,902</u>
TOTAL EXPENDITURES	<u>2,689,005</u>	<u>786,350</u>	<u>1,902,655</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,654,767)	300,315	1,955,082
FUND BALANCE AT BEGINNING OF YEAR	<u>1,826,831</u>	<u>1,826,831</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 172,064</u>	<u>\$ 2,127,146</u>	<u>\$ 1,955,082</u>

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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 2,500	\$ 1,224	\$ (1,276)
From other agencies	95,000	96,954	1,954
TOTAL REVENUES	97,500	98,178	678
EXPENDITURES:			
Current:			
General government	139,618	139,618	-
Transportation	15,460	15,453	7
TOTAL EXPENDITURES	155,078	155,071	7
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(57,578)	(56,893)	685
FUND BALANCE AT BEGINNING OF YEAR	167,720	167,720	-
FUND BALANCE AT END OF YEAR	\$ 110,142	\$ 110,827	\$ 685

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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 400	\$ 400
From other agencies	441,961	882,220	440,259
TOTAL REVENUES	441,961	882,620	440,659
EXPENDITURES:			
Current:			
General government	21,133	19,557	1,576
Community development	387,847	375,485	12,362
Culture and leisure	33,000	33,000	-
Capital outlay:			
Culture and leisure	474,866	474,866	-
TOTAL EXPENDITURES	916,846	902,908	13,938
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(474,885)	(20,288)	454,597
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	39,246	39,246	-
FUND BALANCE AT END OF YEAR	\$ (435,639)	\$ 18,958	\$ 454,597

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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 2,000	\$ 2,546	\$ 546
From other agencies	100,000	125,053	25,053
TOTAL REVENUES	102,000	127,599	25,599
EXPENDITURES:			
Current:			
Public safety	102,000	53,896	48,104
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	73,703	73,703
FUND BALANCE AT BEGINNING OF YEAR	324,029	324,029	-
FUND BALANCE AT END OF YEAR	\$ 324,029	\$ 397,732	\$ 73,703

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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 26,412	\$ 26,412	\$ -
EXPENDITURES:			
Current:			
Public safety	26,412	26,412	-
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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 200	\$ 363	\$ 163
From other agencies	<u>22,000</u>	<u>21,750</u>	<u>(250)</u>
TOTAL REVENUES	22,200	22,113	(87)
EXPENDITURES:			
Current:			
Health and sanitation	<u>22,200</u>	<u>-</u>	<u>22,200</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	22,113	22,113
FUND BALANCE AT BEGINNING OF YEAR	<u>50,911</u>	<u>50,911</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 50,911</u>	<u>\$ 73,024</u>	<u>\$ 22,113</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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 59,513	\$ 59,513	\$ -
EXPENDITURES:			
Capital outlay:			
Transportation	59,513	59,513	-
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

USED OIL GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 200	\$ 301	\$ 101
From other agencies	23,512	33,674	10,162
TOTAL REVENUES	23,712	33,975	10,263
EXPENDITURES:			
Current:			
Health and sanitation	24,553	23,838	715
TOTAL EXPENDITURES	24,553	23,838	715
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(841)	10,137	10,978
FUND BALANCE AT BEGINNING OF YEAR	11,941	11,941	-
FUND BALANCE AT END OF YEAR	\$ 11,100	\$ 22,078	\$ 10,978

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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 1,000	\$ -	\$ (1,000)
From other agencies	190,995	73,675	(117,320)
TOTAL REVENUES	191,995	73,675	(118,320)
EXPENDITURES:			
Current:			
Culture and leisure	191,995	189,989	2,006
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(116,314)	(116,314)
FUND BALANCE AT BEGINNING OF YEAR	22,817	22,817	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 22,817	\$ (93,497)	\$ (116,314)

See independent auditors' report.

CITY OF LAKEWOOD

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

STPL TEA-LU SPECIAL REVENUE FUND

For the year ended June 30, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ -	\$ 149,521	\$ 149,521
EXPENDITURES:			
Capital outlay:			
Transportation	66,962	66,962	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(66,962)	82,559	149,521
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(82,559)	(82,559)	-
FUND BALANCE AT END OF YEAR	\$ (149,521)	\$ -	\$ 149,521

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, 2013

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 16,000	\$ 604	\$ (15,396)
From other agencies	756,949	803,033	46,084
TOTAL REVENUES	772,949	803,637	30,688
EXPENDITURES:			
Current:			
Community development	52,189	-	52,189
Transportation	138,898	8,337	130,561
Capital outlay:			
Transportation	2,675,615	2,729,804	(54,189)
TOTAL EXPENDITURES	2,866,702	2,738,141	128,561
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,093,753)	(1,934,504)	159,249
FUND BALANCE AT BEGINNING OF YEAR	803,417	803,417	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (1,290,336)	\$ (1,131,087)	\$ 159,249

See independent auditors' report.

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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 POSITION
INTERNAL SERVICE FUNDS

June 30, 2013

	Central Garage	Print Shop	Totals
ASSETS:			
CURRENT ASSETS:			
Inventories	\$ 42,954	\$ 1,710	\$ 44,664
TOTAL CURRENT ASSETS	42,954	1,710	44,664
NONCURRENT ASSETS:			
Capital assets:			
Equipment	1,304,398	-	1,304,398
Less: accumulated depreciation	(1,272,572)	-	(1,272,572)
Total capital assets (net of accumulated depreciation)	31,826	-	31,826
TOTAL ASSETS	74,780	1,710	76,490
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	9,016	4,592	13,608
Accrued liabilities	8,107	5,233	13,340
TOTAL CURRENT LIABILITIES	17,123	9,825	26,948
NET POSITION:			
Net investment in capital assets	31,826	-	31,826
Unrestricted	25,831	(8,115)	17,716
TOTAL NET POSITION	\$ 57,657	\$ (8,115)	\$ 49,542

See independent auditors' report.

CITY OF LAKEWOOD

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

For the year ended June 30, 2013

	Central Garage	Print Shop	Totals
OPERATING REVENUES:			
Billings to departments	\$ 975,589	\$ 393,681	\$ 1,369,270
OPERATING EXPENSES:			
Operations:			
Cost of goods sold	933,078	397,560	1,330,638
Depreciation	2,448	-	2,448
TOTAL OPERATING EXPENSES	935,526	397,560	1,333,086
OPERATING INCOME (LOSS)/CHANGE IN NET POSITION	40,063	(3,879)	36,184
NET POSITION AT BEGINNING OF YEAR	17,594	(4,236)	13,358
NET POSITION AT END OF YEAR	\$ 57,657	\$ (8,115)	\$ 49,542

See independent auditors' report.

CITY OF LAKEWOOD

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2013

	Central Garage	Print Shop	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 975,589	\$ 393,681	\$ 1,369,270
Payments to suppliers	(558,570)	(122,938)	(681,508)
Payments to employees	(382,745)	(270,743)	(653,488)
NET CASH PROVIDED BY OPERATING ACTIVITIES	34,274	-	34,274
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(34,274)	-	(34,274)
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 40,063	\$ (3,879)	\$ 36,184
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,448	-	2,448
Changes in operating assets and liabilities:			
(Increase) decrease in inventories	(1,913)	(398)	(2,311)
Increase (decrease) in accounts payable	(6,917)	4,149	(2,768)
Increase (decrease) in accrued liabilities	593	128	721
TOTAL ADJUSTMENTS	(5,789)	3,879	(1,910)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 34,274	\$ -	\$ 34,274

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.

Lakewood Business Development Fund - To account for the small business revolving loans financed by the Economic Development Administration (EDA).

CITY OF LAKEWOOD

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2013

	Agency Funds				Totals
	Deposit	Housing Rehabilitation	Sheriff Station Renovation	Lakewood Business Development	
ASSETS:					
Cash and investments	\$ 193,477	\$ 141,392	\$ 12,808	\$ 862,326	\$ 1,210,003
Loans receivable	-	916,102	-	221,639	1,137,741
TOTAL ASSETS	\$ 193,477	\$ 1,057,494	\$ 12,808	\$ 1,083,965	\$ 2,347,744
LIABILITIES:					
Accounts payable	\$ 2,787	\$ 312	\$ -	\$ 175	\$ 3,274
Deposits	190,690	104,621	12,808	-	308,119
Due to EDA	-	-	-	1,083,790	1,083,790
Due to HUD	-	952,561	-	-	952,561
TOTAL LIABILITIES	\$ 193,477	\$ 1,057,494	\$ 12,808	\$ 1,083,965	\$ 2,347,744

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
DEPOSIT FUND				
ASSETS:				
Cash and investments	\$ 686,887	\$ 86,210	\$ 579,620	\$ 193,477
LIABILITIES:				
Accounts payable	\$ 100	\$ 117,999	\$ 115,312	\$ 2,787
Deposits	686,787	137,694	633,791	190,690
TOTAL LIABILITIES	\$ 686,887	\$ 255,693	\$ 749,103	\$ 193,477
HOUSING REHABILITATION FUND				
ASSETS:				
Cash and investments	\$ 53,556	\$ 127,790	\$ 39,954	\$ 141,392
Loans receivable	856,308	90,000	30,206	916,102
TOTAL ASSETS	\$ 909,864	\$ 217,790	\$ 70,160	\$ 1,057,494
LIABILITIES:				
Accounts payable	\$ 935	\$ 531	\$ 1,154	\$ 312
Deposits	21,951	126,180	43,510	104,621
Due to HUD	886,978	1,018,933	953,350	952,561
TOTAL LIABILITIES	\$ 909,864	\$ 1,145,644	\$ 998,014	\$ 1,057,494
SHERIFF STATION RENOVATION				
ASSETS:				
Cash and investments	\$ 12,718	\$ 90	\$ -	\$ 12,808
LIABILITIES:				
Deposits	\$ 12,718	\$ 90	\$ -	\$ 12,808
LAKEWOOD BUSINESS DEVELOPMENT				
ASSETS:				
Cash and investments	\$ 794,310	\$ 74,485	\$ 6,469	\$ 862,326
Loans receivable	288,976	999	68,336	221,639
TOTAL ASSETS	\$ 1,083,286	\$ 75,484	\$ 74,805	\$ 1,083,965
LIABILITIES:				
Accounts payable	\$ 2,124	\$ 3,820	\$ 5,769	\$ 175
Due to EDA	1,081,162	298,278	295,650	1,083,790
TOTAL LIABILITIES	\$ 1,083,286	\$ 302,098	\$ 301,419	\$ 1,083,965

See independent auditors' report.

(Continued)

CITY OF LAKEWOOD

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
(CONTINUED)

For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 1,547,471	\$ 288,575	\$ 626,043	\$ 1,210,003
Loans receivable	<u>1,145,284</u>	<u>90,999</u>	<u>98,542</u>	<u>1,137,741</u>
TOTAL ASSETS	<u><u>\$ 2,692,755</u></u>	<u><u>\$ 379,574</u></u>	<u><u>\$ 724,585</u></u>	<u><u>\$ 2,347,744</u></u>
LIABILITIES:				
Accounts payable	\$ 3,159	\$ 122,350	\$ 122,235	\$ 3,274
Deposits	721,456	263,964	677,301	308,119
Due to EDA	1,081,162	298,278	295,650	1,083,790
Due to HUD	<u>886,978</u>	<u>1,018,933</u>	<u>953,350</u>	<u>952,561</u>
TOTAL LIABILITIES	<u><u>\$ 2,692,755</u></u>	<u><u>\$ 1,703,525</u></u>	<u><u>\$ 2,048,536</u></u>	<u><u>\$ 2,347,744</u></u>

See independent auditors' report.

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2012

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.

Contents:

Pages

<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.	104 - 113
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	114 - 117
<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.	118 - 125
<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.	126 - 127
<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.	128 - 133

CITY OF LAKEWOOD

Net Position by Component

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
Net investment in capital assets	\$ 73,743,565	\$ 73,036,013	\$ 75,031,207	\$ 80,280,502
Restricted	11,244,238	12,242,213	13,165,754	14,647,204
Unrestricted	27,428,650	31,541,215	32,203,301	31,896,543
Total governmental activities net position	<u>\$ 112,416,453</u>	<u>\$ 116,819,441</u>	<u>\$ 120,400,262</u>	<u>\$ 126,824,249</u>
Business-type activities:				
Net investment in capital assets	\$ 12,498,286	\$ 13,431,784	\$ 15,974,851	\$ 18,820,327
Restricted	-	-	-	-
Unrestricted	6,465,984	7,320,797	6,868,779	7,150,032
Total business-type activities net position	<u>\$ 18,964,270</u>	<u>\$ 20,752,581</u>	<u>\$ 22,843,630</u>	<u>\$ 25,970,359</u>
Primary government:				
Net investment in capital assets	\$ 86,241,851	\$ 86,467,797	\$ 91,006,058	\$ 99,100,829
Restricted	11,244,238	12,242,213	13,165,754	14,647,204
Unrestricted	33,894,634	38,862,012	39,072,080	39,046,575
Total primary government net position	<u>\$ 131,380,723</u>	<u>\$ 137,572,022</u>	<u>\$ 143,243,892</u>	<u>\$ 152,794,608</u>

Source: Department of Administrative Services, City of Lakewood

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 80,655,513	\$ 84,047,863	\$ 85,293,777	\$ 88,276,871	\$ 89,515,476	\$ 90,407,845
16,173,588	20,797,866	14,548,668	14,470,603	18,104,141	12,213,220
34,073,759	33,383,975	39,198,464	40,166,581	77,688,090	52,582,291
<u>\$ 130,902,860</u>	<u>\$ 138,229,704</u>	<u>\$ 139,040,909</u>	<u>\$ 142,914,055</u>	<u>\$ 185,307,707</u>	<u>\$ 155,203,356</u>
\$ 18,683,373	\$ 21,214,604	\$ 22,410,549	\$ 23,324,720	\$ 24,189,811	\$ 24,816,486
-	-	-	-	-	-
9,629,136	9,438,065	9,181,738	8,450,077	8,063,991	8,568,199
<u>\$ 28,312,509</u>	<u>\$ 30,652,669</u>	<u>\$ 31,592,287</u>	<u>\$ 31,774,797</u>	<u>\$ 32,253,802</u>	<u>\$ 33,384,685</u>
\$ 99,338,886	\$ 105,262,467	\$ 107,704,326	\$ 111,601,591	\$ 113,705,287	\$ 115,224,331
16,173,588	20,797,866	14,548,668	14,470,603	18,104,141	12,213,220
43,702,895	42,822,040	48,380,202	48,616,658	85,752,081	61,150,490
<u>\$ 159,215,369</u>	<u>\$ 168,882,373</u>	<u>\$ 170,633,196</u>	<u>\$ 174,688,852</u>	<u>\$ 217,561,509</u>	<u>\$ 188,588,041</u>

CITY OF LAKEWOOD

Changes in Net Position - Expenses and Program Revenues

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Expenses:				
Governmental activities:				
General government	\$ 6,469,288	\$ 6,188,887	\$ 7,349,163	\$ 8,510,064
Public safety	9,837,380	10,938,617	10,850,664	11,356,267
Transportation	5,874,797	4,149,697	5,214,752	4,824,504
Community development	9,395,361	9,517,641	10,402,500	10,309,543
Health and sanitation	3,500,490	4,245,217	3,808,855	4,250,787
Culture and leisure	7,354,906	7,748,336	8,570,789	9,019,931
Unallocated infrastructure depreciation	1,577,783	1,632,049	1,719,530	1,776,204
Interest on long-term debt	2,603,529	2,475,189	2,182,653	2,795,304
Total governmental activities expenses	<u>46,613,534</u>	<u>46,895,633</u>	<u>50,098,906</u>	<u>52,842,604</u>
Business-type activities:				
Water	<u>5,193,182</u>	<u>5,347,379</u>	<u>5,528,122</u>	<u>6,276,836</u>
Total primary government expenses	<u>\$ 51,806,716</u>	<u>\$ 52,243,012</u>	<u>\$ 55,627,028</u>	<u>\$ 59,119,440</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 54,431	\$ 754,006	\$ 840,154	\$ 859,860
Public safety	1,621,435	1,309,730	1,735,629	1,351,445
Community development	1,267,453	1,277,257	1,294,667	1,133,876
Health and sanitation	3,815,916	3,947,546	4,098,993	4,346,022
Culture and leisure	1,280,977	1,529,562	1,589,069	1,561,244
Operating grants and contributions	7,685,891	6,706,916	7,323,457	7,988,389
Capital grants and contributions	<u>932,599</u>	<u>641,047</u>	<u>759,981</u>	<u>822,247</u>
Total governmental activities program revenues	<u>16,658,702</u>	<u>16,166,064</u>	<u>17,641,950</u>	<u>18,063,083</u>
Business-type activities:				
Charges for services:				
Water	<u>6,977,418</u>	<u>6,867,123</u>	<u>7,213,658</u>	<u>8,996,352</u>
Total primary government program revenues	<u>\$ 23,636,120</u>	<u>\$ 23,033,187</u>	<u>\$ 24,855,608</u>	<u>\$ 27,059,435</u>
Net revenues (expenses):				
Governmental activities	\$ (29,954,832)	\$ (30,729,569)	\$ (32,456,956)	\$ (34,779,521)
Business-type activities	<u>1,784,236</u>	<u>1,519,744</u>	<u>1,685,536</u>	<u>2,719,516</u>
Total net revenues (expenses)	<u>\$ (28,170,596)</u>	<u>\$ (29,209,825)</u>	<u>\$ (30,771,420)</u>	<u>\$ (32,060,005)</u>

Source: Department of Administrative Services, City of Lakewood

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 8,128,441	\$ 7,835,015	\$ 7,405,705	\$ 7,202,986	\$ 7,333,030	\$ 7,527,025
12,455,676	12,620,187	12,625,750	12,715,680	12,277,420	12,450,911
5,649,724	5,674,897	5,156,031	5,247,578	6,068,549	6,137,250
10,717,032	10,336,150	13,807,173	11,240,548	6,973,684	4,548,531
4,449,649	4,238,617	4,282,434	4,451,021	4,612,935	4,692,717
9,141,664	9,368,215	9,758,660	10,037,245	9,548,824	10,205,926
1,979,819	2,180,932	2,247,016	2,325,713	2,492,155	2,606,851
3,077,480	3,114,073	649,264	454,054	650,838	-
<u>55,599,485</u>	<u>55,368,086</u>	<u>55,932,033</u>	<u>53,674,825</u>	<u>49,957,435</u>	<u>48,169,211</u>
<u>6,880,787</u>	<u>6,610,831</u>	<u>7,473,557</u>	<u>8,113,079</u>	<u>8,703,206</u>	<u>9,358,616</u>
<u>\$ 62,480,272</u>	<u>\$ 61,978,917</u>	<u>\$ 63,405,590</u>	<u>\$ 61,787,904</u>	<u>\$ 58,660,641</u>	<u>\$ 57,527,827</u>
\$ 1,187,144	\$ 1,332,148	\$ 1,200,911	\$ 1,077,906	\$ 1,177,789	\$ 1,500,664
1,423,814	1,512,415	1,250,887	954,298	904,654	827,333
1,169,018	710,503	961,786	1,066,061	787,552	887,126
4,489,476	4,563,049	4,785,217	4,752,505	4,838,762	4,965,890
1,574,007	1,487,320	1,508,914	1,479,616	1,512,728	1,522,022
8,182,326	9,855,674	7,053,631	8,037,655	3,238,589	3,553,814
1,263,382	790,799	3,166,065	2,760,832	3,077,293	1,538,183
<u>19,289,167</u>	<u>20,251,908</u>	<u>19,927,411</u>	<u>20,128,873</u>	<u>15,537,367</u>	<u>14,795,032</u>
<u>8,916,030</u>	<u>8,499,939</u>	<u>8,154,174</u>	<u>8,124,574</u>	<u>9,096,414</u>	<u>10,573,733</u>
<u>\$ 28,205,197</u>	<u>\$ 28,751,847</u>	<u>\$ 28,081,585</u>	<u>\$ 28,253,447</u>	<u>\$ 24,633,781</u>	<u>\$ 25,368,765</u>
\$ (36,310,318)	\$ (35,116,178)	\$ (36,004,622)	\$ (33,545,952)	\$ (34,420,068)	\$ (33,374,179)
2,035,243	1,889,108	680,617	11,495	393,208	1,215,117
<u>\$ (34,275,075)</u>	<u>\$ (33,227,070)</u>	<u>\$ (35,324,005)</u>	<u>\$ (33,534,457)</u>	<u>\$ (34,026,860)</u>	<u>\$ (32,159,062)</u>

CITY OF LAKEWOOD

Changes in Net Position - General Revenues

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Sales taxes	\$ 10,903,733	\$ 12,240,714	\$ 11,849,134	\$ 11,766,140
Property taxes	8,024,746	9,861,832	14,371,331	18,479,238
Franchise taxes	1,078,926	1,117,100	1,143,817	1,236,819
Business operation taxes	511,999	496,604	524,675	396,078
Utility users taxes	2,868,671	3,067,139	3,223,998	3,239,797
Other taxes	371,331	3,595,849	522,598	358,325
Unrestricted, motor vehicle in lieu	5,037,029	2,041,412	576,720	446,043
Grants and contributions not restricted to specific programs	2,075,274	137,952	745,400	740,072
Gain on sale of property	-	-	-	-
Investment income	2,452,718	3,146,486	3,080,104	4,540,996
Total governmental activities	33,324,427	35,705,088	36,037,777	41,203,508
Business-type activities:				
Gain on sale of capital assets	135,005	120,000	187,000	36,000
Investment income	108,014	148,567	218,513	371,213
Total business-type activities	243,019	268,567	405,513	407,213
Total primary government	\$ 33,567,446	\$ 35,973,655	\$ 36,443,290	\$ 41,610,721
Changes in net assets, before extraordinary item				
Governmental activities	\$ 3,369,595	\$ 4,975,519	\$ 3,580,821	\$ 6,423,987
Business-type activities	2,027,255	1,788,311	2,091,049	3,126,729
Extraordinary item	-	-	-	-
Changes in net position				
Governmental activities	\$ 3,369,595	\$ 4,975,519	\$ 3,580,821	\$ 6,423,987
Business-type activities	2,027,255	1,788,311	2,091,049	3,126,729
Total primary government	\$ 5,396,850	\$ 6,763,830	\$ 5,671,870	\$ 9,550,716

Source: Department of Administrative Services, City of Lakewood

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 10,681,315	\$ 11,198,871	\$ 10,658,959	\$ 11,262,520	\$ 14,217,422	\$ 15,461,092
18,955,132	19,537,963	19,558,410	19,062,606	14,444,518	12,030,119
1,249,586	1,453,817	1,374,501	1,455,300	1,538,068	1,607,535
476,926	462,403	456,269	469,595	546,279	508,100
3,517,707	3,490,921	3,591,722	3,508,512	3,360,149	3,626,639
602,798	467,661	252,997	246,165	260,456	308,522
35,099	35,089	245,415	383,059	41,395	42,894
433,593	555,376	556,774	1,147,814	1,026,041	893,110
-	-	-	-	-	108,469
4,654,612	3,987,964	949,717	566,427	699,751	137,346
40,606,768	41,190,065	37,644,764	38,101,998	36,134,079	34,723,826
-	-	-	-	-	-
342,341	462,016	259,001	171,015	85,797	59,279
342,341	462,016	259,001	171,015	85,797	59,279
\$ 40,949,109	\$ 41,652,081	\$ 37,903,765	\$ 38,273,013	\$ 36,219,876	\$ 34,783,105
\$ 4,296,450	\$ 6,073,887	\$ 1,640,142	\$ 4,556,046	\$ 1,714,011	\$ 1,349,647
2,377,584	2,351,124	939,618	182,510	479,005	1,274,396
-	-	-	-	40,679,641	(31,453,996)
\$ 4,296,450	\$ 6,073,887	\$ 1,640,142	\$ 4,556,046	\$ 42,393,652	(30,104,349)
2,377,584	2,351,124	939,618	182,510	479,005	1,274,396
\$ 6,674,034	\$ 8,425,011	\$ 2,579,760	\$ 4,738,556	\$ 42,872,657	\$ (28,829,953)

CITY OF LAKEWOOD

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
General fund:				
Reserved	\$ 21,930,821	\$ 24,377,893	\$ 32,688,162	\$ 28,796,772
Unreserved	28,715,548	30,509,959	24,373,273	26,661,511
Total general fund	<u>\$ 50,646,369</u>	<u>\$ 54,887,852</u>	<u>\$ 57,061,435</u>	<u>\$ 55,458,283</u>
All other governmental funds:				
Reserved	\$ 9,179,910	\$ 10,604,308	\$ 11,198,683	\$ 13,523,632
Unreserved, reported in:				
Special revenue fund	-	-	-	-
Debt service fund	(18,177,791)	(18,672,859)	(22,618,454)	(23,295,789)
Capital projects fund	(1,046,542)	(2,342,005)	(229,655)	(143,399)
Total all other governmental funds	<u>\$ (10,044,423)</u>	<u>\$ (10,410,556)</u>	<u>\$ (11,649,426)</u>	<u>\$ (9,915,556)</u>
General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Department of Administrative Services, City of Lakewood

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 29,328,980	\$ 25,260,235	\$ 24,638,651	\$ -	\$ -	\$ -
27,880,662	27,795,309	26,616,473	-	-	-
<u>\$ 57,209,642</u>	<u>\$ 53,055,544</u>	<u>\$ 51,255,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,498,570	\$ 18,188,115	\$ 21,940,936	\$ -	\$ -	\$ -
(1,235,920)	(215,141)	(780,506)	-	-	-
(24,250,320)	(23,842,134)	(26,278,253)	-	-	-
(492,819)	(2,282,333)	(5,983,071)	-	-	-
<u>\$ (8,480,489)</u>	<u>\$ (8,151,493)</u>	<u>\$ (11,100,894)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 17,679,908	\$ 17,874,837	\$ 4,173,679
-	-	-	-	-	-
-	-	-	28,402,628	30,036,038	29,066,342
-	-	-	7,774,015	8,349,193	8,589,044
-	-	-	1,258,266	2,564,755	3,796,234
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,114,817</u>	<u>\$ 58,824,823</u>	<u>\$ 45,625,299</u>
\$ -	\$ -	\$ -	\$ 7,526,041	\$ 8,014,163	\$ 8,536,583
-	-	-	11,739,494	6,955,242	3,679,754
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(33,387,970)	(98,847)	(626,208)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,122,435)</u>	<u>\$ 14,870,558</u>	<u>\$ 11,590,129</u>

CITY OF LAKEWOOD

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Revenues:				
Taxes	\$ 25,793,195	\$ 28,368,107	\$ 30,125,649	\$ 31,784,445
Licenses and permits	852,446	790,743	863,646	738,038
Fines and forfeitures	563,936	569,626	622,236	716,319
Investment income, rents and concessions	1,905,643	4,108,890	2,814,652	2,561,550
From other agencies	10,016,274	10,647,318	11,374,361	14,710,260
Current service charges	6,462,339	6,811,857	7,479,770	7,651,476
Other	2,912,843	1,025,694	1,419,205	607,189
Total revenues	<u>48,506,676</u>	<u>52,322,235</u>	<u>54,699,519</u>	<u>58,769,277</u>
Expenditures:				
Current:				
General government	6,368,463	5,898,051	7,209,635	8,107,339
Public safety	9,747,244	10,260,258	10,962,340	11,681,352
Transportation	5,664,657	4,122,970	4,850,734	4,553,872
Community development	9,472,107	9,150,363	10,267,364	9,452,465
Health and sanitation	3,515,646	4,254,469	3,789,774	4,238,095
Culture and leisure	6,500,490	7,100,285	7,917,301	8,260,888
Capital outlay:				
General government	-	6,794	303,694	132,630
Public safety	273,949	454,808	445,368	412,453
Transportation	1,757,205	2,112,737	2,761,071	6,190,273
Community development	2,200	88,927	248,210	109,297
Culture and leisure	282,749	186,273	437,430	1,641,415
Debt service:				
Owner participation agreement payments	1,012,281	1,005,470	760,019	760,698
Advance refunding escrow	994,037	-	-	-
Bond issuance costs	364,559	-	-	-
Principal retirement	550,000	820,000	790,000	860,000
Interest and fiscal charges	2,553,708	2,479,841	2,160,673	2,774,360
Total expenditures	<u>49,059,295</u>	<u>47,941,246</u>	<u>52,903,613</u>	<u>59,175,137</u>
Excess of revenues over (under) expenditures	<u>(552,619)</u>	<u>4,380,989</u>	<u>1,795,906</u>	<u>(405,860)</u>
Other financing sources (uses):				
Transfers in	6,766,278	6,814,752	10,948,367	14,223,245
Transfers out	(7,158,906)	(7,320,391)	(11,809,560)	(14,376,187)
Refunding bonds issued	8,370,000	-	-	-
Bond premium	66,514	-	-	-
Payment to bond escrow agent	(7,248,938)	-	-	-
Sale of capital assets	-	-	-	689,520
Total other financing sources (uses)	<u>794,948</u>	<u>(505,639)</u>	<u>(861,193)</u>	<u>536,578</u>
SPECIAL ITEMS:				
Transfer to HACoLA	-	-	-	-
Net change in fund balances, before extraordinary item	<u>242,329</u>	<u>3,875,350</u>	<u>934,713</u>	<u>130,718</u>
EXTRAORDINARY ITEM:				
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-
Net change in fund balances	<u>\$ 242,329</u>	<u>\$ 3,875,350</u>	<u>\$ 934,713</u>	<u>\$ 130,718</u>
Debt service as a percentage of noncapital expenditures	6.70%	7.31%	6.12%	7.26%

Source: Department of Administrative Services, City of Lakewood

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 31,000,225	\$ 31,590,639	\$ 30,797,180	\$ 31,649,661	\$ 27,467,122	\$ 26,411,985
923,086	592,929	713,054	770,650	635,098	882,983
824,290	1,208,896	1,013,090	881,450	817,092	782,011
3,484,410	2,782,769	1,811,706	5,450,149	3,635,549	1,015,685
15,883,025	15,253,739	14,843,273	15,618,323	13,998,687	11,734,813
7,863,790	7,532,352	7,634,788	7,746,660	8,015,864	8,416,888
826,595	677,272	310,301	1,168,393	138,664	250,038
60,805,421	59,638,596	57,123,392	63,285,286	54,708,076	49,494,403
7,757,977	11,926,351	7,348,565	6,859,346	6,975,939	7,080,629
12,331,098	12,548,066	12,572,454	12,671,881	12,217,707	12,374,488
5,350,765	5,586,431	5,071,028	5,230,678	6,018,040	6,108,720
10,066,888	9,630,108	13,283,953	10,491,644	5,873,608	4,358,375
4,445,610	4,236,923	4,281,204	4,449,913	4,612,804	4,690,837
8,323,630	8,813,143	9,007,504	9,346,305	8,813,262	9,440,235
149,824	6,259	124,233	-	33,803	4,054
212,983	6,032	-	71,053	41,530	543,434
1,711,708	4,576,032	2,961,116	4,946,347	3,909,593	3,061,913
59,865	71,327	412,622	72,347	-	-
1,935,873	2,013,129	1,910,047	1,301,069	933,986	1,653,418
760,974	761,781	761,781	764,882	-	-
-	-	-	-	-	-
-	-	-	-	-	-
885,000	920,000	960,000	1,000,000	1,040,000	-
3,057,549	3,094,768	3,048,683	4,558,769	3,876,203	-
57,049,744	64,190,350	61,743,190	61,764,234	54,346,475	49,316,103
3,755,677	(4,551,754)	(4,619,798)	1,521,052	361,601	178,300
8,100,982	6,478,745	6,241,294	5,940,999	3,309,912	2,457,077
(8,874,791)	(7,008,948)	(6,241,294)	(5,940,999)	(3,309,912)	(2,457,077)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	511,875
(773,809)	(530,203)	-	-	-	511,875
-	-	-	-	(926,715)	-
2,981,868	(5,081,957)	(4,619,798)	1,521,052	(565,114)	690,175
-	-	-	-	33,268,113	(17,199,128)
\$ 2,981,868	\$ (5,081,957)	\$ (4,619,798)	\$ 1,521,052	\$ 32,702,999	\$ (16,508,953)
7.43%	6.99%	7.10%	10.04%	9.95%	0.00%

CITY OF LAKEWOOD

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	Secured	Nonunitary	Unsecured	Taxable Assessed Value	Total Direct Tax Rate
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%
2011	6,899,318	268	132,663	7,032,249	0.180%
2012	7,028,289	258	140,375	7,168,922	0.181%
2013	7,132,189	258	149,168	7,281,615	0.186%

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.

Source: HdL

CITY OF LAKEWOOD

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

Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City Direct Rates:										
City basic rate	\$ 0.1577	\$ 0.1688	\$ 0.1666	\$ 0.1676	\$ 0.1689	\$ 0.1706	\$ 0.1796	\$ 0.1799	\$ 0.1811	\$ 0.1855
Overlapping Rates:										
Los Angeles County	0.0009	0.0009	0.0008	0.0007	-	-	-	-	-	-
School Districts	0.1236	0.1272	0.1186	0.1099	0.2049	0.2200	0.2824	0.2686	0.2830	0.3200
Sanitation and Water	-	0.0002	-	-	-	-	-	-	-	-
Water Districts	0.0061	0.0058	0.0052	0.2778	0.0045	0.0043	0.0043	0.0037	0.0037	0.0035
Other	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Total Direct Rate	<u>\$ 1.2883</u>	<u>\$ 1.3029</u>	<u>\$ 1.2912</u>	<u>\$ 1.5560</u>	<u>\$ 1.3783</u>	<u>\$ 1.3949</u>	<u>\$ 1.4663</u>	<u>\$ 1.4522</u>	<u>\$ 1.4678</u>	<u>\$ 1.5090</u>

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

Taxpayer	2013		2004	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Macerich Lakewood LLC	\$ 298,161,469	4.09%	\$ 221,648,839	4.60%
Lakewood Manor Apartments LLC	83,414,574	1.15%	N/A	N/A
Lakewood Regional Medical Center	55,589,973	0.76%	\$ 45,481,463	0.94%
Monterey Lakewood LLC	46,753,049	0.64%	\$ 21,133,654	0.44%
AARP Carson Street LLC	43,067,745	0.59%	N/A	N/A
Lakewood Marketplace LLC	36,448,941	0.50%	\$ 28,308,401	0.59%
May Company Department Stores	32,996,544	0.45%	N/A	N/A
Lakewood Associates LLC	28,616,351	0.39%	\$ 23,817,615	0.49%
Regency Center LLC	27,868,930	0.38%	N/A	N/A
South and Downey LLC	26,724,840	0.37%	N/A	N/A
	<u>\$ 679,642,416</u>	<u>9.32%</u>	<u>\$ 340,389,972</u>	<u>7.06%</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
2004	\$ 2,669,827	\$ 2,571,785	96.33%	\$ 83,146	\$ 2,654,931	99.44%
2005	2,861,386	2,850,547	99.62%	10,839	2,861,386	100.00%
2006	3,157,994	3,070,473	97.23%	87,521	3,157,994	100.00%
2007	3,822,116 *	3,627,249	94.90%	123,686	3,750,935	98.14%
2008	3,876,613	3,758,953	96.96%	117,660	3,876,613	100.00%
2009	3,812,168	3,694,298	96.91%	117,870	3,812,168	100.00%
2010	3,556,539	3,481,743	97.90%	74,796	3,556,539	100.00%
2011	3,735,728	3,574,761	95.69%	120,220	3,694,981	98.91%
2012	3,811,051	3,593,697	94.30%	217,354	3,811,051	100.00%
2013	4,024,637	3,811,325	94.70%	213,311	4,024,636	100.00%

Note:

In FY 2011, historical data was updated due to inaccurate levy amounts reported in prior fiscal years. The levied amounts were corrected in accordance with Los Angeles County Auditor-Controller numbers.

* 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			
	General Obligation Bonds	Tax Allocation Bonds	Loans	Total Governmental Activities
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
2011	-	8,475,000 ²	-	8,475,000
2012	-	-	-	-
2013	-	-	-	-

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

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

² This bond was transferred to the Successor Agency on February 1, 2012 in accordance with Assembly Bill 1 x 26.

Business-type Activities						
Water Revenue Bonds	Loan Payable to Water Replacement District	Loan Payable to State of California	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
\$ 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	1,676,353	-	7,491,353	16,966,353	0.77%	204
5,235,000	1,777,321	-	7,012,321	15,487,321	0.70%	185
4,635,000	1,579,841	-	6,214,841	6,214,841	0.27%	77
4,015,000	1,382,361	-	5,397,361	5,397,361	0.23%	67

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 ¹	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
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%	-
2011	-	8,475	8,475	0.12%	-
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-

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

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

CITY OF LAKEWOOD

Direct and Overlapping Debt

June 30, 2013

Total Assessed Valuation		<u><u>\$ 6,314,408,803</u></u>	
	Percentage Applicable ¹	Outstanding Debt 6/30/13	Estimated Share of Overlapping Debt
Overlapping Debt:			
Metropolitan Water District	0.715%	\$ 79,696,126	570,126
Cerritos Community College District 2004 Series 2004A	6.929%	2,330,000	161,443
Cerritos Community College District 2005 Refunding Bonds	6.929%	21,268,286	1,473,657
Cerritos Community College District 2004 Series 2006	6.929%	30,645,000	2,123,360
Cerritos Community College District 2004 Series 2009C	6.929%	51,160,000	3,544,822
Cerritos Community College District 2004 Series 2012D	6.929%	82,825,515	5,738,892
Compton Community College District 2002 Series A	2.747%	19,730,000	542,019
Compton Community College District 2002 Series 2008A	2.747%	28,576,122	785,038
Compton Community College District 2002 REF	2.747%	14,470,000	397,517
Long Beach Community College District 2002 Series B, 2005 Debt Service	8.478%	17,180,000	1,456,515
Long Beach Community College District Ref BD 2002 Series C, 2005	8.478%	47,699,898	4,043,981
Long Beach Community College District 2002 Series D, 2007 Debt Service	8.478%	70,741,407	5,997,432
Long Beach Community College District 2008 Series A, 2008 Debt Service	8.478%	47,537,904	4,030,247
Long Beach Community College District 2008 Series 2009B	8.478%	237,003,695	20,093,092
ABC Unified School District 1997 Series B	9.479%	29,626,700	2,808,311
ABC Unified School District 2010 Refunding Bonds Debt Service	9.479%	21,615,000	2,048,883
Bellflower Unified School District	26.774%	37,000,000	9,906,336
Long Beach Unified School District 1999 Series G	8.476%	29,995,606	2,542,389
Long Beach Unified School District 2008 Refunding Bonds	8.476%	35,900,000	3,042,838
Long Beach Unified School District 2008 Series A Debt Service	8.476%	202,945,000	17,201,359
Long Beach Unified School District Ref Bonds, Series B Debt Service	8.476%	24,640,000	2,088,455
Long Beach Unified School District 2010 & 2011 Ref Bonds, Debt Service	8.476%	51,720,000	4,383,721
Long Beach Unified School District 2011 & 2012 Ref Bonds	8.476%	72,406,000	6,137,040
Long Beach Unified School District 2011 Refunding Bonds	8.476%	9,750,000	826,398
Long Beach Unified School District 2012 Refunding Bonds	8.476%	80,905,000	6,857,404
Long Beach Unified School District 2011 & 2013	8.476%	53,020,686	4,493,966
Paramount Unified School District 205 Refunding Bond	9.642%	17,470,000	1,684,504
Paramount Unified School District 1998 Series B Debt Service	9.642%	7,714,976	743,898
Paramount Unified School District 2006 Ser 2007 & 2005	9.642%	27,425,000	2,644,391
Paramount Unified School District 2006 Series 2011 Bonds	9.642%	33,864,316	3,265,287
Total overlapping debt		<u>1,486,862,237</u>	<u>121,633,321</u>
City Direct Debt:			
Water Revenue Bonds	100.000%	3,943,825	<u>3,943,825</u>
Total direct and overlapping debt			<u><u>\$ 125,577,146</u></u>

Notes:

¹ 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			
	2004	2005	2006	2007
Assessed valuation (In thousands)	\$ 4,817,557	\$ 5,251,658	\$ 5,810,419	\$ 6,414,879
Debt limit percentage	15%	15%	15%	15%
Debt limit (In thousands)	722,634	787,749	871,563	962,232
Total net debt applicable to limit: General obligation bonds (In thousands)	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 722,634</u>	<u>\$ 787,749</u>	<u>\$ 871,563</u>	<u>\$ 962,232</u>
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					
2008	2009	2010	2011	2012	2013
\$ 6,977,721	\$ 7,269,336	\$ 7,007,717	\$ 7,032,248	\$ 7,168,922	\$ 7,281,614
15%	15%	15%	15%	15%	15%
1,046,658	1,090,400	1,051,158	1,054,837	1,075,338	1,092,242
-	-	-	-	-	-
<u>\$ 1,046,658</u>	<u>\$ 1,090,400</u>	<u>\$ 1,051,158</u>	<u>\$ 1,054,837</u>	<u>\$ 1,075,338</u>	<u>\$ 1,092,242</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	
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
2011	8,132	6,556	1,576	580	238	1.93
2012	9,096	7,090	2,006	600	218	2.45
2013	10,574	7,696	2,878	620	196	3.53

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)

Fiscal Year Ended June 30	Tax Allocation Bonds				
	Tax Increment	Debt Service		Coverage	
		Principal	Interest		
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	
2011	8,747	1,000	426	6.13	
2012	4,010	1,040	381	2.82	
2013	-	-	-	-	

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>
2003	82,341	\$ 2,589,789	\$ 31,452	4.4%
2004	82,988	2,753,459	33,179	4.1%
2005	83,175	2,152,497	24,106	3.4%
2006	89,293	N/A	N/A	3.0%
2007	83,486	1,844,623	22,095	3.2%
2008	83,508	2,333,548	27,944	4.8%
2009	83,196	2,207,456	26,533	7.5%
2010	83,636	2,216,103	26,497	8.2%
2011	80,378	2,297,042	28,578	8.0%
2012	80,781	2,386,755	29,546	7.1%

Source: HdL / Bureau of Labor Statistics

CITY OF LAKEWOOD

Principal Employers

Current Fiscal Year and Nine Fiscal Years Ago

Employer	2013		2005	
	Number of Employees	Percent of Total Employment*	Number of Employees	Percent of Total Employment
Long Beach Unified School District	917	5.39%	N/A	N/A
Lakewood Regional Medical Center	782	4.60%	N/A	N/A
City of Lakewood	601	3.54%	N/A	N/A
Department of Children and Family Services	491	2.89%	N/A	N/A
Bellflower Unified School District	419	2.46%	N/A	N/A
Los Angeles County Sheriff's Department	345	2.03%	N/A	N/A
Wal-Mart	331	1.95%	N/A	N/A
ABC Unified School District	329	1.94%	N/A	N/A
Albertson's	301	1.77%	N/A	N/A
Home Depot	292	1.72%	N/A	N/A

Note: Information from nine years ago is not readily available

* Based on estimated 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			
	2004	2005	2006	2007
City Administration	N/A	N/A	30	31
City Clerk	N/A	N/A	5	2
Administrative Services	N/A	N/A	20	21
Community Development	N/A	N/A	15	15
Public Works	N/A	N/A	31	31
Recreation and Community Services	N/A	N/A	59	59
Water Resources	N/A	N/A	19	19
Total	174	174	179	178

Note: Detailed information from prior years not readily available

* - Full-time employees only.

Sources: Department of Administrative Services, City of Lakewood
Department of Personnel, City of Lakewood

Fiscal Year					
2008 (*)	2009	2010	2011	2012	2013
32	32	32	32	32	32
2	2	2	2	2	2
21	21	21	21	21	21
15	15	15	15	15	15
31	31	31	31	31	31
59	59	59	59	59	59
19	19	19	19	19	19
179	179	179	179	179	179

CITY OF LAKEWOOD

Operating Indicators by Function

Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
Public works:				
Street resurfacing (miles)	N/A	N/A	13	24
Recreation and community services:				
Number of recreation classes	1,664	1,631	1,734	1,709
Number of facility rentals	7,725	7,258	7,559	7,532
Water:				
New connections	N/A	N/A	8	11
Number of consumers	20,313	20,101	20,125	21,449
Average daily consumption (thousands of gallons)	8,475	7,893	7,332	8,900
Community development:				
Number of building permits issued	1,950	2,104	2,001	3,405

* - Includes both residential and commercial permits.

Source: City of Lakewood

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
	7	9	4	8	6	6
	1,945	1,993	1,945	2,230	1,805	1,786
	6,900	6,390	4,845	5,486	6,871	7,320
	14	10	7	12	27	24
	20,403	20,079	20,396	20,421	20,440	20,453
	8,506	7,747	7,323	6,920	7,200	7,330
*	1,646	1,066	2,825	2,889	2,781	2,915

CITY OF LAKEWOOD

Capital Asset Statistics
by Function

Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
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	189
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					
2008	2009	2010	2011	2012	2013
196 6,654	196 6,654	196 6,654	196 6,654	196 6,654	196 6,654
13 189 2	13 189 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

*

