

CITY OF LAKEWOOD, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

**Prepared by
Department of Administrative Services**

**Diane Perkin
Director of Administrative Services**



CITY OF LAKEWOOD
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Diane DuBois
Vice Mayor

Todd Rogers
Council Member



Jeff Wood
Council Member

Steve Croft
Council Member

Larry Van Nostran
Mayor

December 13, 2011

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, 2011.

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, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an

unqualified opinion that the City of Lakewood's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

The City of Lakewood, incorporated in 1954, is located in Southern Los Angeles County, 20 miles south of the City of Los Angeles. Lakewood enjoys the benefits of the diversified economy of Southern California. The City is primarily a bedroom community providing housing for the Southern California subregion. The City of Lakewood occupies a land area of 9.5 square miles and serves a population of 80,260 as of January 1, 2011.

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

The City of Lakewood provides a full range of services, including police protection, solid waste collection, construction and maintenance of highways, streets and infrastructure, planning and zoning activities, utilities (water), recreational activities, cultural events, and general administrative services. The City of Lakewood is a "contract" city, meaning that some of these services are provided by contract with other agencies (both public and private) and some services

are delivered by the City's own employees. In addition to the services mentioned, the City provides services through three "component units": the Lakewood Redevelopment Agency, the Lakewood Housing Authority, and the Lakewood Public Financing Authority. Therefore, the activities of these component units are included in the reporting entity. Library services, fire protection services, and sewer services are provided by special districts of the County of Los Angeles. The City has excluded the County of Los Angeles, as well as the State of California and various school districts, because they do not meet the established criteria for inclusion.

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

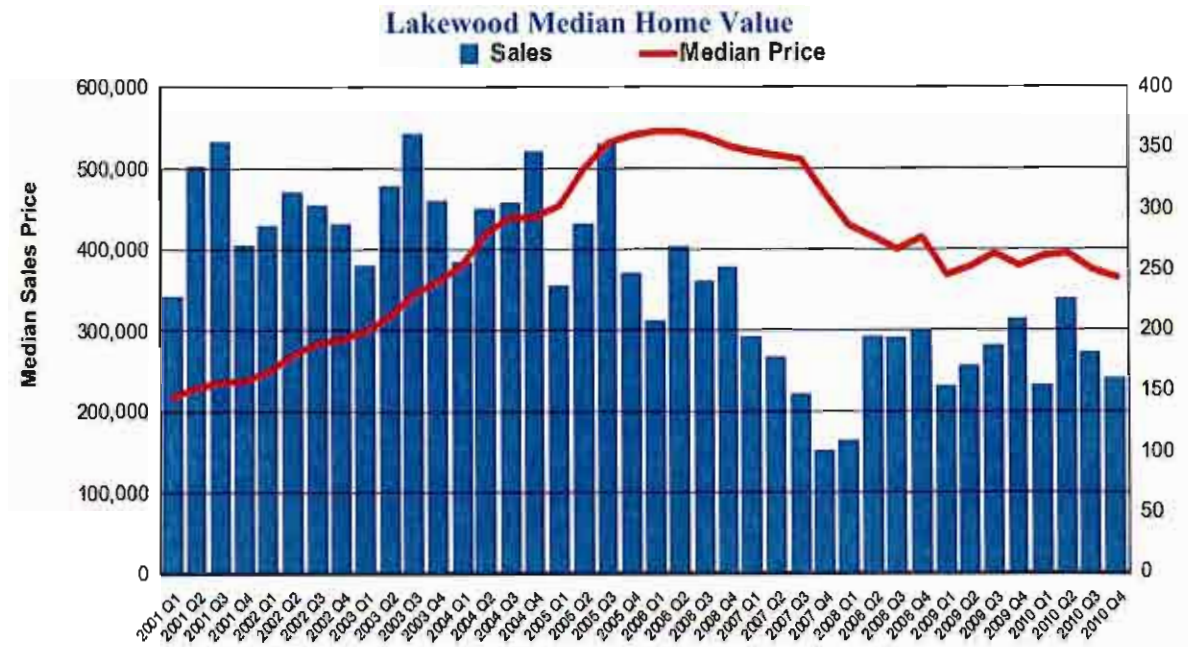
ASSESSING THE CITY'S ECONOMIC CONDITION

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

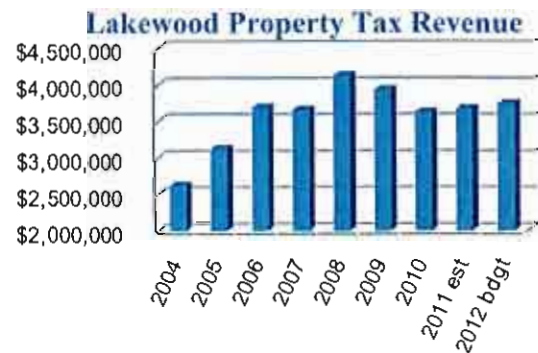
The City of Lakewood's economic base is largely residential with six percent of the city zoned for commercial use. The city is a no-and-low property tax city, which means we did not assess a municipal property tax in 1978-79 that would have been folded into the tax base under Prop 13. We rely on a small 5.84 percent share of the county collections. The total assessed valuation of real property in the city was \$7 billion for Fiscal Year 2010-2011, a 0.4 percent increase from the previous year, which included 78 percent of Lakewood properties being impacted by the negative CPI, reducing their tax assessments by 0.237 percent from 2009-2010 to 2010-2011.



The decline in property values in 2009 triggered the 1978 Proposition 8 reductions where the lesser of the adjusted base year value or market value is used for taxation. Reductions of an average 13.8 percent were made on 5.8 percent of properties due to Proposition 8 reviews.



From 2004 to 2008, property tax revenues increased by \$1.5 million. Since 2008, property tax revenues have declined and in Fiscal Year 2011-2012 remain \$386,199 below the 2008 peak. Slow growth over the next two years is expected as homes change ownership at lower assessed values.

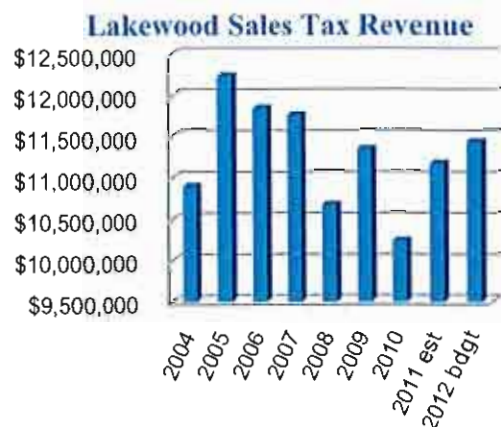


Since the approval of the 2004 Prop 1A and subsequent implementation of the “triple-flip,” decreases in property tax valuation have a greater impact. Under the “triple-flip,” vehicle license fee revenue growth is tied to property tax growth. Property tax in-lieu of vehicle license fees accounts for an additional 16 percent of general fund revenues. Overall, property tax related revenues are still lower from that received in Fiscal Year 2007-2008.

Regional development measured in construction and remodeling permits show signs of recovery from the low point in 2009 of 2,660 permits to 2,936 permits in calendar year 2010 and 2,810 permits projecting in calendar year 2011.

City revenues are affected by changes in the commodity markets. The city’s assessed utility users tax represents 8.5 percent of general fund revenues. The tax is assessed on communications, electricity, natural gas and water use. Natural gas prices have declined dramatically, resulting in a \$107,000 decline of 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 are down \$95,500 from revenues received in Fiscal Year 2008-2009.

Sales tax revenues account for 26 percent of General Fund Revenues. Over 3,000 businesses (including home occupations) are located in Lakewood generating a projected \$11 million in sales tax for the city. The economic base of Lakewood is primarily retail and the city's "top twenty-five" retail businesses, as a group, produce 59 percent of the city's sales tax revenues. Since its peak in 2005, sales tax revenue declined 18 percent. Sales tax revenue in the Fiscal Year 2011-2012 Budget is still six percent below the 2005 peak, a \$794,275 loss in general fund revenue. However, sales tax revenues are expected to increase in Fiscal Year 2011-2012 over two percent from Fiscal Year 2010-2011.



The city, in cooperation with the Greater Lakewood Chamber of Commerce, undertook a public information campaign to inform residents of the benefits to the city's finances that come from shopping in Lakewood. The campaign expanded in time for the 2011 year-end, holiday shopping season by introducing a ShopLakewood.org website featuring discount coupons from local merchants to promote more shopping in Lakewood.

Lakewood's retail economy added new jobs and expanded opportunities for shopping and dining:

- Sprouts Farmers Market and Smart & Final Extra! opened at the newly renovated Carwood Shopping Center at Carson Street and Woodruff Avenue. The new 31,418 square-foot Smart & Final Extra! opened in May in the middle of the center, and the new 27,000 square-foot Sprouts Market, opened in July at the north end of the shopping center near Harvey Way.
- Others developments came to the updated Carwood Shopping Center too, including an expanded and modernized Armed Forces recruiting office which opens in November 2011 and a new Weinerschnitzel restaurant.
- Sports Authority opened a 42,263 square-foot superstore in the Lakewood Center in August.
- WinCo Foods supermarket (South Street and Downey Avenue) opened in October in a remodeled and expanded 94,450 square-foot building – nearly twice the size of an average supermarket. Based in Boise, Idaho, WinCo Foods operates 80 stores in Washington, Idaho, California, Nevada, Oregon, and Utah. Its Lakewood store will have 200 employees, providing a nice boost to the local job market.
- Other development projects included:
 - Red Robin Restaurant (112 Lakewood Center) opened in June 2011.
 - Chick-fil-A Restaurant (4895 Candlewood Street) opened in May 2011.
 - CVS drugstore (6510 South Street) opened in March 2011.
 - Chase Bank (5560 Woodruff) will open in the Pavilion's center in late 2011.
 - Express opened in September 2011.
 - Adopt & Shop pet adoption store opened in 2011 at Lakewood Center, utilizing a partnership between the non-profit Found Animals Foundation and the South East Area Animal Control Authority (SEACCA), which serves as Lakewood's animal agency.

Lakewood's employment rate also depends on the regional job situation. A major employer in the region is the Boeing C-17 cargo jet plant with approximately 5,000 employees. In January,

Boeing announced that up to 1,000 positions will be cut by late 2012. The Pentagon has stopped new orders, and Boeing plans to end production in mid-2013, though foreign orders could extend production beyond 2015. The \$250 million C-17 is used by militaries to haul vehicles, troops and supplies, and in relief efforts to ferry medical supplies, food, water and other relief items to disaster zones.

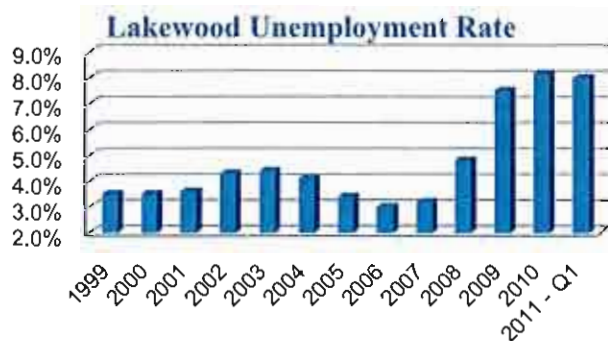


9.9 On a more positive note, after a 25 percent
8.8 decline from 2007 through 2009, trade
7.7 volumes through local ports continue to rise at
6.6 a quicker-than-expected pace of 19 percent
5.5 indicating that international trade, a major
4.4 source of jobs for our region, is recovering
3.3 better than expected.

2.2 In 2009, the Legislature passed a \$500 million
1.1 five-year program to counteract the financial
0 incentives offered by other states to lure film
production away from the Los Angeles County
region by offering tax credits to a limited

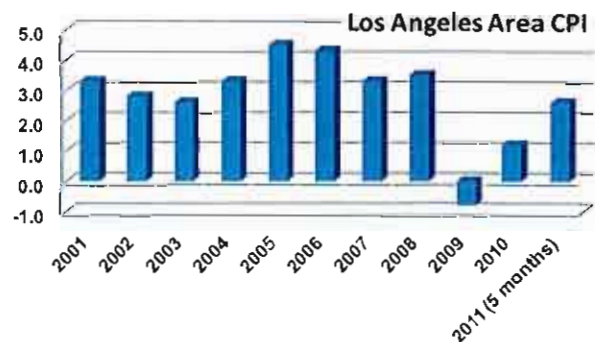
range of qualifying productions. In May 2011, the state Assembly voted to extend this incentive for California's entertainment industry for five more years to 2019. The California Film and Television Tax Credit Program enacted in 2009 has already helped keep \$2.2 billion in film and television production and 25,000 crew jobs in California.

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



Lakewood's unemployment rate remained at eight percent in the first quarter of 2011; far better than the state as a whole, but double the average rate Lakewood 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 was 1.2 percent in 2010, for the first five months of 2011 it was 2.9 percent, and is expected to remain relatively low for the next two years.



Economic Outlook

In 2011, the economy soured. Consumer sentiment is low, worn down by the nation's feeble economy and its fragility to any, and seemingly all, global events, the scarcity of jobs being overshadowed by booming stock markets and corporate profits, and the apparent lack of desire or ability by the White House and Congress to change the nation's course. Americans are suffering not a temporary setback, but a permanent reduction in their ability to develop their own and their children's capabilities. Americans' perceived dearth of opportunity will only be turned around by jobs and wage increases, and until that occurs, expect a very slow recovery.

LONG-TERM FINANCIAL PLANNING

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

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

Capital improvement projects typically involve large outlays and cover multiple years. Although, capital improvements are considered apart from the operating budget of the city, the operating budget is developed so that the city maintains a structural surplus to fund capital projects. In addition, Lakewood staff are encouraged and readily take the steps necessary to acquire new, and retain current funding sources. New funding possibilities include various one-time competitive grants and on-going block grants. These grants fund public works projects, park and recreation facilities, and public safety, transportation and housing programs.

Street and traffic signal improvements included:

The city invested another \$ 3 million in street resurfacing in 2011, resulting in the resurfacing of 95% of all residential streets in Lakewood since 2000; equivalent to over 137 miles. Also in the past year, 3.5 miles of curbs and gutters and 2.4 miles of sidewalks were removed and replaced; 58 curb ramps were added or modified.

- All streets in the Cherry Cove neighborhood.
- Centralia Avenue from Studebaker Road to the eastern city limit.
- Bellflower Boulevard from Ashworth Street to Del Amo Boulevard.
- Paramount East Service Rd. between Carson St. and Del Amo Blvd.
- Del Amo Blvd. South Service Road between Obispo Ave. and Downey Ave.
- Commercial alleys in the northeast corner of Del Amo Blvd. and Paramount Blvd. and the northeast corner of Carson St. and Paramount Blvd.
- Residential streets bounded by Deeboyar, Paramount, Candlewood and Yearling; and by Paramount, Obispo, Yearling and Del Amo; and Deerford between Levelside and Downey.

Traffic signal upgrades improved vehicle flow and safety. The improvements included left turn phasing at 8 intersections and longer mast arms at 7 intersections. The 2011 work was a continuation of a multi-year program to upgrade traffic signals at 17 intersections in Lakewood. The city was able to use federal funding for most of the project, including funds secured by U.S. Congresswoman Linda Sánchez.

Park renovations included:

New playground equipment for the school-age play area at Palms Park was installed and protective surfacing at the Tot Lot was replaced. The old play equipment was sent to an orphanage in Uganda through the efforts of Kids Around The World.

New, larger school-age playground at Biscailuz Park was created, with new play equipment, protective surfacing, fencing improvements and site furniture. The Tot Lot playground equipment was refurbished and some replaced.

Park and facility improvements included the replacement of lighting for sports fields and game courts at Biscailuz, Bolivar, and Bloomfield Parks.

Residential housing projects included:

The Home Improvement Loan program makes major repairs possible by lending up to \$18,000 for home improvements to eligible homeowners. The program funded 5 loans.

The Fix-Up Paint-Up program offers grants of up to \$3,000 in exterior repairs for elderly and disabled residents who can't cope with property upkeep. The program issued 15 grants.

The city is currently reviewing Request for Proposals (RFP) for the development of two to three affordable housing units on a previously blighted property which the city purchased using Neighborhood Stabilization Program funds. Upon review and selection of the proposals, the city will begin construction during 2012.

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

The City participates in the California Public Employee Retirement System (PERS), and provides a PARS Retirement Enhancement Plan of 0.5 percent at 60. The PARS Plan employer contribution rate is determined annually, for Fiscal Year 2011 the rate is 4.55 percent based on a 15-year amortization (20 years from July 1, 2005, the Plan implementation date); the employee contribution rate is 3 percent, more detailed information regarding the City's PERS and PARS plans is presented in the following financial statements. The City offers post-employment health benefits (OPEB) to eligible employees. The actuarial performed as of June 30, 2011, determined that the OPEB accrued liability is \$6,656,794. As of June 30, 2011 the City held \$6,611,297 in an irrevocable trust, and reserved \$45,497 in the General Fund to cover the OPEB accrued liability. The OPEB accrued liability is approximately 99.3% funded; the OPEB unfunded accrued liability (UAL) is equivalent to the amount reserved, \$45,497, approximately 0.7%. The difference in the amount held in trust and the year-end accrued liability is reserved to be transferred in FY 2012 at the completion of the biennial actuarial, which was June 30, 2011.

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 Union Bank Trust established by the City to fund OPEB benefits. Statement 43 addresses financial statement and disclosure requirements for reporting by administrators and trustees of the OPEB plan assets.

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

Information about the OPEB plan

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

Actuarial Information

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

Reporting of the liability

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

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

GASB STATEMENT 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.


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, 2010. This was the 29th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

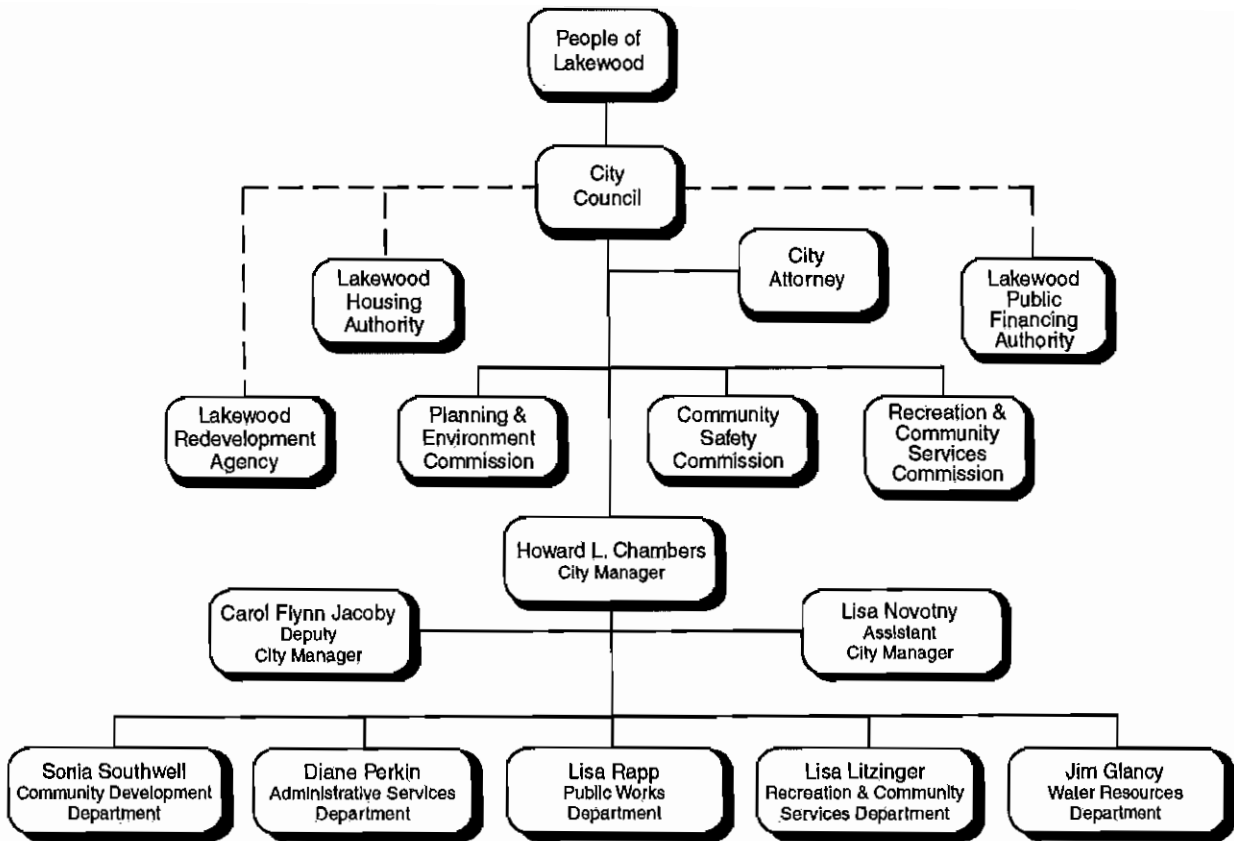
Respectfully submitted,



Howard L. Chambers
City Manager



Diane Perkin
Director of Administrative Services





CITY COUNCIL

LARRY VAN NOSTRAN
Mayor

DIANE DUBOIS
Vice Mayor

JEFF WOOD
Council Member

TODD ROGERS
Council Member

STEVE CROFT
Council Member

ADMINISTRATION AND DEPARTMENT DIRECTORS

HOWARD L. CHAMBERS
City Manager

STEVE SKOLNIK
City Attorney

LISA NOVOTNY
Assistant City Manager

DIANE PERKIN
Director of Administrative Services

CAROL FLYNN-JACOBY
Deputy City Manager

LISA A. RAPP
Director of Public Works

LISA LITZINGER
Director of Recreation
and Community Services

SONIA SOUTHWELL
Director of Community
Development

JAMES B. GLANCY
Director of Water Resources

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lakewood
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Sanison

President

Jeffrey R. Enen

Executive Director

INDEPENDENT AUDITORS' REPORT

City Council
City of Lakewood
Lakewood, California

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, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lakewood's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 1N, the City has implemented the provisions of Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.

As explained further in Note 14, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2011 on our consideration of the City of Lakewood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedules of funding progress and budgetary comparison schedule, as listed in the table of contents as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of the City of Lakewood or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lakewood's basic financial statements as a whole. The introductory section, supplementary information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

White Nelson Diehl Evans, LLP

December 6, 2011
Irvine, California

JUNE 30, 2011

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, 2011. 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 Assets:** The assets of the City (*which include the value of streets, sidewalks and other infrastructure*) exceeded its liabilities at June 30, 2011, by \$174,688,852 (*net assets*). Of this amount, \$48,616,658 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific programs.
- **Changes In Net Assets:** The government's total net assets increased by \$4,738,556 during the fiscal year ended June 30, 2011. The increase in net assets is attributable to the increase in general and operating grants and combined with a significant decrease in expenditures relating to community development, specifically the much lower Supplemental Education Revenue Augmentation Fund (SERAF) payment to the State.
- **Governmental Funds:** As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$40,992,382 an increase of \$1,521,052 in comparison with the prior year. Again, this progress is attributed the much lower Supplemental Education Revenue Augmentation Fund (SERAF) payment to the State, and a large interest payment from the Agency to the City; these increases were partially offset by increases in capital expenditures in transportation and recreation.
- **General Fund:** At June 30, 2011, unreserved fund balance of the general fund was \$37,434,909 or 93.9% of total general fund expenditures. All but \$1,258,266 of these funds are committed or assigned for specific purposes such as pension and personnel obligations, economic uncertainties, self-insurance and capital replacement and repairs.
- **Capital Assets:** The City of Lakewood's total debt (noncurrent liabilities) decreased by \$1,747,119, approximately 9.7% during the current fiscal year. The decrease is the net result of payments to Agency Tax Allocation Bonds of \$ 995,520, Water Revenue Bonds of \$554,119 and Loan Payable of \$197,480.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lakewood that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lakewood include general government, public safety, transportation, community development, health and sanitation, and culture and leisure.

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

The government-wide financial statements can be found on pages 13 - 15 of this report.

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

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

Fund financial statements (Continued)

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

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

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

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

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

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

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

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

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

See independent auditors' report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 - 56 of this report.

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

The combining statements referred to earlier in connection with other governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 61- 98 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 \$174,688,852 at the close of the most recent fiscal year.

City of Lakewood Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010 as restated	2011	2010 as restated	2011	2010 as restated
Current and other assets	\$ 68,977,458	\$ 69,787,457	\$ 9,459,928	\$ 10,114,795	\$ 78,437,386	\$ 79,902,252
Capital assets	88,276,871	85,293,777	30,214,103	29,753,083	118,490,974	115,046,860
Total Assets	157,254,329	155,081,234	39,674,031	39,867,878	196,928,360	194,949,112
Long-term liabilities outstanding	7,706,492	8,876,510	6,091,903	6,762,534	13,798,395	15,639,044
Other liabilities	6,633,782	7,846,715	1,807,331	1,513,057	8,441,113	9,359,772
Total Liabilities	14,340,274	16,723,225	7,899,234	8,275,591	22,239,508	24,998,816
Net assets:						
Invested in Capital Assets						
Net of Related Debt	88,276,871	85,293,777	23,324,720	22,410,549	111,601,591	107,704,326
Restricted	14,470,603	13,865,768	-	-	14,470,603	13,865,768
Unrestricted	40,166,581	39,198,464	8,450,077	9,181,738	48,616,658	48,380,202
Total Net Assets	\$ 142,914,055	\$ 138,358,009	\$ 31,774,797	\$ 31,592,287	\$ 174,688,852	\$ 169,950,296

By far the largest portion of the City of Lakewood's net assets, 63.9 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.

Government-wide Financial Analysis (Continued)

An additional portion of the City of Lakewood's net assets, 8.3 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$48,616,658) may be used to meet the government's ongoing obligation to citizens and creditors.

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

- The City of Lakewood's net assets increased by \$4,738,556 during the current fiscal year. As mentioned, much of the current year increase is attributed to the increase in general and operating grants and the significant decrease in expenditures relating to community development, a direct result in the reduction of SERAF contribution compared to last year.

City of Lakewood Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010 as restated	2011	2010 as restated	2011	2010 as restated
Revenues:						
Program revenues:						
Charges for services	\$ 9,330,386	\$ 9,707,715	\$ 8,124,574	\$ 8,154,174	\$ 17,454,960	\$ 17,861,889
Operating grants and contributions	8,037,655	7,053,631	-	-	8,037,655	7,053,631
Capital grants and contributions	2,760,832	3,166,065	-	-	2,760,832	3,166,065
General revenues:						
Property taxes	19,062,606	19,558,410	-	-	19,062,606	19,558,410
Other taxes	16,942,092	16,334,448	-	-	16,942,092	16,334,448
Grants and contributions not restricted to specific programs	1,147,814	556,774	-	-	1,147,814	556,774
Other	949,486	1,159,777	171,015	259,001	1,120,501	1,418,778
Total Revenues	58,230,871	57,536,820	8,295,589	8,413,175	66,526,460	65,949,995
Expenses:						
General government	7,202,986	7,405,705	-	-	7,202,986	7,405,705
Public safety	12,715,680	12,625,750	-	-	12,715,680	12,625,750
Transportation	5,247,578	5,156,031	-	-	5,247,578	5,156,031
Community development	11,240,548	13,553,273	-	-	11,240,548	13,553,273
Health and sanitation	4,451,021	4,282,434	-	-	4,451,021	4,282,434
Culture and leisure	10,037,245	9,758,660	-	-	10,037,245	9,758,660
Unallocated infrastructure depreciation	2,325,713	2,247,016	-	-	2,325,713	2,247,016
Interest on long term debt	454,054	649,264	-	-	454,054	649,264
Water	-	-	8,113,079	7,473,557	8,113,079	7,473,557
Total expenses	53,674,825	55,678,133	8,113,079	7,473,557	61,787,904	63,151,690
Increase in net assets	4,556,046	1,858,687	182,510	939,618	4,738,556	2,798,305
Net assets - at beginning of year (as restated)	138,358,009	136,499,322	31,592,287	30,652,669	169,950,296	167,151,991
Net assets - at end of year	\$ 142,914,055	\$ 138,358,009	\$ 31,774,797	\$ 31,592,287	\$ 174,688,852	\$ 169,950,296

See independent auditors' report.

Governmental activities. Governmental activities increased the City of Lakewood's net assets by \$4,556,046, thereby accounting for 96.1 percent of the total increase in net assets of the City of Lakewood. Key elements of the change are as follows:

- The City received \$170,106 more in Measure R grant during this fiscal year compared to last year.
- The City's final ARRA grant was received this fiscal year. The City received \$493,059 for the Centralia Street Pavement Rehabilitation project
- Three one-time Federal grants were received: \$301,176 from HSIP for Traffic Signal Modifications, \$238,191 from TCSP for Traffic Signal Modification II, and DOE's EECBG grant for \$695,200 for HVAC upgrade in the Centre.
- Due to lower SERAF contribution to Los Angeles County, the total expense decreased by \$2,263,708.

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

Business-type activities. Business-type activities increased the City of Lakewood's net assets by \$182,510 accounting for 3.9 percent of the total increase in net assets. This increase in "retained earnings" is necessary with an estimated \$5.5 million in capital improvements required over the next two years, as recommended by the Water Resources Committee. Such projects on the horizon include \$2.4 million in Well #22 Water Treatment Facility, \$1 million for Plant #13 Rehabilitation and \$ 932,444 for ongoing Water Main Replacement projects.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Lakewood's governmental funds reported combined ending fund balances of \$40,992,382, an increase of \$1,521,052 in comparison with the prior year. This growth is attributed to the slight increase in both general and program revenues.

The general fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$37,434,909, while total fund balance reached \$55,114,817. As a measure of the general fund's liquidity, it may be useful to compare only the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 93.9 percent of the total general fund expenditures, of which most is committed or assigned to meet the City's long-term obligations.

Financial Analysis of the Government's Funds (Continued)

The fund balance of the City of Lakewood's general fund increased by \$3,859,693 during the current fiscal year. Key factors in this increase are as follows:

- City received \$4,121,268 in notes interest revenue from Lakewood Redevelopment Agency.
- Sales Tax revenue increased by \$603,561 due to slight economic improvement experienced in FY 2011
- General Fund's Property Tax and Investment Income revenue decreased by \$495,804 and \$383,290 respectively.

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

Unrestricted net assets of the Water Enterprise at the end of the year amounted to \$9,073,570. The total increase in net assets was \$182,510. 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

Difference between the general fund's expenditures original budget and the final amended budget was \$208,879. Difference between the general fund's expenditures final amended budget and the actual was \$1,356,307 and can be briefly summarized as follows:

- General government's expense was lower than budgeted amount by \$331,367 due to reduced liability insurance premiums, personnel costs, and software maintenance agreement.
- Public Safety budgets for contingencies and possible additional services during the fiscal year. This year's actual expenditure was less than the final budget by \$710,851 due to the unused portion of the aforementioned items.
- Community Development's actual expenditure was \$328,265 less than final budget due to overall decrease in discretionary expenses.

Redevelopment Agency Debt Service Fund Highlights

- The Agency reduced the total outstanding principal on bonds by \$1,000,000.

Capital Asset and Debt Administration

Capital assets. The City of Lakewood's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$118,490,974 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Capitalization of \$6,047,277 completed projects in governmental and \$274,618 in business-type to different asset classifications.

See independent auditors' report.

Capital Asset and Debt Administration (Continued)**Capital assets (Continued).**

City of Lakewood
Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 17,444,023	\$ 17,444,023	\$ 381,023	\$ 381,023	\$ 17,825,046	\$ 17,825,046
Construction in progress	5,049,963	5,028,591	4,808,835	3,339,633	\$ 9,858,798	\$ 8,368,224
Water rights	-	-	1,834,586	1,834,586	\$ 1,834,586	\$ 1,834,586
Infrastructure	39,341,000	36,908,073	-	-	\$ 39,341,000	\$ 36,908,073
Structures and improvements	25,416,144	25,006,043	20,049,536	20,909,525	\$ 45,465,680	\$ 45,915,568
Equipment	1,025,741	907,047	3,140,123	3,288,316	\$ 4,165,864	\$ 4,195,363
Total	\$ 88,276,871	\$ 85,293,777	\$ 30,214,103	\$ 27,414,903	\$ 118,490,974	\$ 115,046,860

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

Long-term debt. At the end of the current fiscal year, the City of Lakewood had total long-term debt outstanding of \$16,405,580. Fifty one percent relates to Redevelopment Agency tax allocation bonds to be repaid by future tax increment revenue. Another forty two percent consist of revenue bonds and loan payable to be paid out of water utility revenues.

City of Lakewood
Summary of outstanding debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Tax allocation bonds	\$ 8,447,372	\$ 9,442,892	\$ -	\$ -	\$ 8,447,372	\$ 9,442,892
Compensated absences	1,068,825	1,156,033	-	-	\$ 1,068,825	\$ 1,156,033
Revenue bonds	-	-	5,112,062	5,666,181	\$ 5,112,062	\$ 5,666,181
Loan Payable	-	-	1,777,321	1,676,353	\$ 1,777,321	\$ 1,676,353
Total	\$ 9,516,197	\$ 10,598,925	\$ 6,889,383	\$ 7,342,534	\$ 16,405,580	\$ 17,941,459

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 Consumer Price Index (CPI) for the Los Angeles, Riverside, and Orange County region that includes Lakewood was 1.2 percent in 2010, and 1.7 percent for the first three quarters of 2011. The CPI year over year increase from the 2010 to the 2011 calendar year is largely due to increases in fuel prices. The City's water, refuse and building and safety fees include the local CPI as a factor in determining rate increases.

See independent auditors' report.

Economic Factors and Next Year's Budgets and Rates (Continued)

The total assessed valuation of real property in the city totaled \$7.17 billion for Fiscal Year 2011-2012, a 1.9 percent increase from the previous year, comparable to the countywide increase of 1.4 percent. Historically, Lakewood's increases in property values have exceeded the county. Only small increases in the City's assessed valuation are expected over the next several years as the housing market slowly reaches equilibrium in number of homes and price. We do however expect to see continued development of various properties throughout the city, but nothing like the expansion that had taken place in the past. The City does not levy a local property tax, however increases in assessed valuation increase the property tax collected by the Los Angeles County, of which Lakewood receives 5.84 percent.

Sales tax, the largest revenue stream for the City's General Fund, rebounded by 11.7 percent in fiscal year 2010-2011 compared to Fiscal Year 2010, yet still falls \$800,000 short of the peak sales tax revenue received in Fiscal Year 2005. The latest year over year increase in sales tax is largely attributable to the increase in fuel prices at the pump. Sales tax is expected to continue to increase slightly in Fiscal Year 2011-2012, and this increase is included in the adopted budget. Lakewood Center Mall continues to play a large role in keeping Lakewood's economy stable and strong in bringing sales tax revenue up in the coming years.

These factors were considered in preparing the City of Lakewood's amended budget for the 2011-2012 fiscal year, and will be considered in the development of the 2013 fiscal year budget.

In general terms, the City is in strong fiscal condition. The 2011 fiscal year revenues saw a slightly larger than expected bounce in sales tax while other on-going revenues on a year-over-year comparison were flat, however, one-time general fund revenues such as LRA realized interest payments, tire recycling rebate, and sale of Prop A funds boosted revenues to Fiscal Year 2008 levels. These revenue increases were partially offset by revenue declines in investment earnings, public safety services, and cessation of the Long Beach SERRF rebate program. Year over year change in expenses showed a decline in general government expenses for CJPIA insurance while all other on-going expenses remained relatively flat; year over year one-time capital project expenses increased for street paving, which was more than offset by decreases in capital expense for facilities. The fund balance as now presented per GASB 54 shows that all the City's long-term obligations are manageable with multi-year capital projects fully funded, pension obligations met, and no outstanding General Fund debt.

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 ASSETS

June 30, 2011

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 48,039,185	\$ 8,259,179	\$ 56,298,364
Receivables:			
Accounts	7,255,703	514,946	7,770,649
Notes	3,290,280	-	3,290,280
Accrued revenue	-	749,131	749,131
Internal balances	623,493	(623,493)	-
Prepaid items	897,974	-	897,974
Inventories	33,668	11,804	45,472
Deferred charges	163,499	165,681	329,180
Land held for resale	2,960,302	-	2,960,302
Net OPEB asset	4,256,293	-	4,256,293
Temporarily restricted assets:			
Cash and investments	-	37,680	37,680
Cash and investments held by bond trustees	1,457,061	345,000	1,802,061
Capital assets:			
Land	17,444,023	381,023	17,825,046
Water rights	-	1,834,586	1,834,586
Construction in progress	5,049,963	4,808,835	9,858,798
Depreciable infrastructure, net	39,341,000	-	39,341,000
Depreciable structures and improvements, net	25,416,144	20,049,536	45,465,680
Depreciable equipment, net	1,025,741	3,140,123	4,165,864
TOTAL ASSETS	157,254,329	39,674,031	196,928,360
LIABILITIES:			
Accounts payable and other current liabilities	4,332,303	917,787	5,250,090
Accrued interest payable	133,015	54,384	187,399
Unearned revenue	358,759	-	358,759
Liabilities payable from restricted assets:			
Customer deposits	-	37,680	37,680
Noncurrent liabilities:			
Due within one year	1,809,705	797,480	2,607,185
Due in more than one year	7,706,492	6,091,903	13,798,395
TOTAL LIABILITIES	14,340,274	7,899,234	22,239,508
NET ASSETS:			
Invested in capital assets, net of related debt	88,276,871	23,324,720	111,601,591
Restricted for:			
Debt service	1,324,046	-	1,324,046
Transportation	4,079,982	-	4,079,982
Parks and recreation	242,429	-	242,429
Community development	8,358,950	-	8,358,950
Other purposes	465,196	-	465,196
Unrestricted	40,166,581	8,450,077	48,616,658
TOTAL NET ASSETS	\$ 142,914,055	\$ 31,774,797	\$ 174,688,852

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

CITY OF LAKEWOOD

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Functions/programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,202,986	\$ 1,077,906	\$ 1,207,303	\$ -
Public safety	12,715,680	954,298	933,631	-
Transportation	5,247,578	-	4,637,509	2,760,832
Community development	11,240,548	1,066,061	1,045,062	-
Health and sanitation	4,451,021	4,752,505	34,203	-
Culture and leisure	10,037,245	1,479,616	179,947	-
Unallocated infrastructure depreciation	2,325,713	-	-	-
Interest on long term debt	454,054	-	-	-
Total governmental activities	53,674,825	9,330,386	8,037,655	2,760,832
Business-type activity:				
Water	8,113,079	8,124,574	-	-
Total	\$ 61,787,904	\$ 17,454,960	\$ 8,037,655	\$ 2,760,832

General revenues:

Taxes:

Sales taxes

Property taxes

Franchise taxes

Business operation taxes

Utility users taxes

Other taxes

Total taxes

Unrestricted motor vehicle in lieu

Grants and contributions not restricted to specific programs

Investment income

Total general revenues

Change in net assets

Net assets at beginning of year as restated

Net assets at end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activity	Total
\$ (4,917,777)	\$ -	\$ (4,917,777)
(10,827,751)	-	(10,827,751)
2,150,763	-	2,150,763
(9,129,425)	-	(9,129,425)
335,687	-	335,687
(8,377,682)	-	(8,377,682)
(2,325,713)	-	(2,325,713)
(454,054)	-	(454,054)
(33,545,952)	-	(33,545,952)
-	11,495	11,495
(33,545,952)	11,495	(33,534,457)
11,262,520	-	11,262,520
19,062,606	-	19,062,606
1,455,300	-	1,455,300
469,595	-	469,595
3,508,512	-	3,508,512
246,165	-	246,165
36,004,698	-	36,004,698
383,059	-	383,059
1,147,814	-	1,147,814
566,427	171,015	737,442
38,101,998	171,015	38,273,013
4,556,046	182,510	4,738,556
138,358,009	31,592,287	169,950,296
<u>\$ 142,914,055</u>	<u>\$ 31,774,797</u>	<u>\$ 174,688,852</u>

CITY OF LAKEWOOD

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Redevelopment Agency Debt Service Fund
ASSETS		
Cash and investments	\$ 36,225,455	\$ 739,637
Cash and investments held by bond trustees	-	1,457,061
Accounts receivable	3,159,308	1,986,020
Prepaid items	897,974	-
Inventories	6,767	-
Due from other funds	790,970	5,702,615
Advances to other funds	30,616,106	-
Notes receivable	-	-
Land held for resale	-	-
TOTAL ASSETS	\$ 71,696,580	\$ 9,885,333
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 1,650,188	\$ 1,030,185
Accrued liabilities	294,087	-
Due to other funds	-	-
Deferred revenue	14,637,488	-
Advances from other funds	-	34,584,657
TOTAL LIABILITIES	16,581,763	35,614,842
FUND BALANCES (DEFICITS):		
Nonspendable:		
Prepaid items	897,974	-
Inventories	6,767	-
Advances	16,775,167	-
Notes receivables	-	-
Land held for resale	-	-
Restricted:		
Public safety	-	-
Transportation	-	-
Community development	-	-
Health and sanitation	-	-
Culture and leisure	-	-
Debt service	-	1,457,061
Low and moderate income housing	-	-
Committed:		
Self insurance	4,000,000	-
Pension and personnel obligations	13,015,905	-
Capital projects	871,757	-
Refuse stabilization	1,964,966	-
Economic uncertainties	8,550,000	-
Assigned:		
Capital replacement and repairs	6,736,750	-
Contract emergency services	1,037,265	-
Unassigned	1,258,266	(27,186,570)
TOTAL FUND BALANCES (DEFICITS)	55,114,817	(25,729,509)
TOTAL LIABILITIES AND FUND BALANCES	\$ 71,696,580	\$ 9,885,333

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

Capital Projects			
Redevelopment Agency	Lakewood Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ 4,759,377	\$ -	\$ 6,303,049	\$ 48,027,518
-	-	-	1,457,061
5,302	463,260	702,111	6,316,001
-	-	-	897,974
-	-	-	6,767
-	-	-	6,493,585
3,968,551	-	-	34,584,657
3,290,280	-	-	3,290,280
2,960,302	-	-	2,960,302
<u>\$ 14,983,812</u>	<u>\$ 463,260</u>	<u>\$ 7,005,160</u>	<u>\$ 104,034,145</u>

\$ 7,351	\$ 155,856	\$ 1,139,400	\$ 3,982,980
16,265	-	16,333	326,685
5,702,615	452,635	338,335	6,493,585
2,698,394	225,069	92,905	17,653,856
-	-	-	34,584,657
<u>8,424,625</u>	<u>833,560</u>	<u>1,586,973</u>	<u>63,041,763</u>

5,302	-	-	903,276
-	-	-	6,767
3,968,551	-	-	20,743,718
591,886	-	-	591,886
2,960,302	-	-	2,960,302
-	-	186,968	186,968
-	-	3,924,065	3,924,065
-	-	1,013,434	1,013,434
-	-	35,646	35,646
-	-	373,420	373,420
-	-	-	1,457,061
4,748,900	-	-	4,748,900
-	-	-	4,000,000
-	-	-	13,015,905
-	-	-	871,757
-	-	-	1,964,966
-	-	-	8,550,000
-	-	-	6,736,750
-	-	-	1,037,265
(5,715,754)	(370,300)	(115,346)	(32,129,704)
<u>6,559,187</u>	<u>(370,300)</u>	<u>5,418,187</u>	<u>40,992,382</u>
<u>\$ 14,983,812</u>	<u>\$ 463,260</u>	<u>\$ 7,005,160</u>	<u>\$ 104,034,145</u>

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CITY OF LAKEWOOD

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

June 30, 2011

Fund balances - total governmental funds	\$ 40,992,382
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Land	\$ 17,444,023	
Construction in progress	5,049,963	
Infrastructure net of \$90,859,267 accumulated depreciation	39,341,000	
Structures and improvements, net of \$18,056,055 accumulated depreciation	25,416,144	
Equipment, net of \$5,531,219 accumulated depreciation	<u>1,025,741</u>	
		88,276,871

Some of the City's receivables for loans, operating and capital grant reimbursements, taxes and investment income will be collected after year end, but are not available soon enough to pay for current-period expenditures, and therefore are reported as deferred revenues in the funds. Balances at June 30, 2011 totaled:	18,234,799
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The net OPEB pension asset is not an available current financial resources and therefore is not reported in the governmental funds:	4,256,293
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Internal service funds are used by the City to charge the cost of materials and supplies, maintenance and repair of vehicles and equipment and printing services provided to the various departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. Internal Service funds net assets are:	639,423
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the Statement of Net Assets. Balances at June 30, 2011 are:

Accrued interest on bonds		(133,015)
Tax allocation bonds	\$ (8,475,000)	
Less: Deferred amount on refunding, net of accumulated amortization	57,459	
Less: Deferred charges, net of accumulated amortization	163,499	
Plus: Bond issuance premium, net of accumulated amortization	(29,831)	
Compensated absences	<u>(1,068,825)</u>	
		<u>(9,352,698)</u>

Net assets of governmental activities	<u>\$ 142,914,055</u>
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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, 2011

	General	Redevelopment Agency Debt Service Fund
REVENUES:		
Taxes	\$ 20,793,564	\$ 8,747,330
Licenses and permits	770,650	-
Fines and forfeitures	881,450	-
Investment income, rents and concessions	5,217,577	48,179
From other agencies	7,097,751	-
Current service charges	7,746,660	-
Other	-	6,500
TOTAL REVENUES	<u>42,507,652</u>	<u>8,802,009</u>
EXPENDITURES:		
Current:		
General government	6,748,930	-
Public safety	12,363,381	-
Transportation	3,941,050	-
Community development	3,325,637	2,309,650
Health and sanitation	4,417,288	-
Culture and leisure	9,071,742	-
Capital outlay:		
Public safety	-	-
Transportation	-	-
Community development	-	-
Culture and leisure	-	-
Debt service:		
Owner participation agreement payments	-	764,882
Principal retirement	-	1,000,000
Interest	-	4,558,769
TOTAL EXPENDITURES	<u>39,868,028</u>	<u>8,633,301</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,639,624</u>	<u>168,708</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	2,208,860	831,600
Transfers out	(988,791)	(1,909,068)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,220,069</u>	<u>(1,077,468)</u>
NET CHANGE IN FUND BALANCES	3,859,693	(908,760)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR AS RESTATED	<u>51,255,124</u>	<u>(24,820,749)</u>
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ 55,114,817</u>	<u>\$ (25,729,509)</u>

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

Capital Projects			
Redevelopment Agency	Lakewood Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,108,767	\$ 31,649,661
-	-	-	770,650
-	-	-	881,450
53,780	-	130,613	5,450,149
-	1,872,947	6,647,625	15,618,323
-	-	-	7,746,660
1,099,830	-	62,063	1,168,393
1,153,610	1,872,947	8,949,068	63,285,286
-	-	110,416	6,859,346
-	-	308,500	12,671,881
-	-	1,289,628	5,230,678
2,877,095	-	1,979,262	10,491,644
-	-	32,625	4,449,913
-	-	274,563	9,346,305
-	71,053	-	71,053
-	2,061,019	2,885,328	4,946,347
-	72,347	-	72,347
-	984,265	316,804	1,301,069
-	-	-	764,882
-	-	-	1,000,000
-	-	-	4,558,769
2,877,095	3,188,684	7,197,126	61,764,234
(1,723,485)	(1,315,737)	1,751,942	1,521,052
1,911,748	988,791	-	5,940,999
(831,600)	-	(2,211,540)	(5,940,999)
1,080,148	988,791	(2,211,540)	-
(643,337)	(326,946)	(459,598)	1,521,052
7,202,524	(43,354)	5,877,785	39,471,330
\$ 6,559,187	\$ (370,300)	\$ 5,418,187	\$ 40,992,382

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, 2011

Net change in fund balances - total governmental funds \$ 1,521,052

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital expenses (\$6,381,458) exceeded depreciation (\$3,398,364) in the current period. 2,983,094

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

Total amount of loans made	\$ 153,000	
Total amount of loans repaid	(206,392)	(53,392)

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

Principal payments	1,000,000
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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. (693,840)

Governmental funds do not report the changes in net OPEB asset, since it does not provide or require the use of current financial resources (280,995)

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

Accrued interest	14,441	
Amortization of deferred amount on refunding, deferred charges and bond premium	(30,994)	
Change in compensated absences	87,208	70,655

In the governmental funds, current year accrued interest on interfund advances is included as an expenditure in the fund reporting the advance payable, however, the corresponding revenue in the fund reporting the advance receivable is deferred since it does not meet the availability criteria. In order to eliminate the effect of interfund activity in the Statement of Activities, the interest expense needs to be adjusted. (32,915)

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. 42,387

Change in net assets of governmental activities \$ 4,556,046

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

CITY OF LAKEWOOD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2011

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 8,259,179	\$ 11,667
Restricted cash and investments:		
Customer deposits	37,680	-
Held by bond trustees	345,000	-
Accounts receivable	514,946	-
Accrued revenue	749,131	-
Inventories	11,804	26,901
	<u>9,917,740</u>	<u>38,568</u>
TOTAL CURRENT ASSETS		
NONCURRENT ASSETS:		
Deferred charges, net of accumulated amortization	165,681	-
Capital assets, not being depreciated:		
Land	381,023	-
Water rights	1,834,586	-
Construction in progress	4,808,835	-
Capital assets, being depreciated:		
Source of supply	4,770,755	-
Pumping plant	807,312	-
Water treatment	2,482,330	-
Transmission/distribution	29,538,090	-
General plant	6,334,928	-
Equipment	-	1,293,124
Less: accumulated depreciation	(20,743,756)	(1,293,124)
	<u>30,214,103</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)		
TOTAL NONCURRENT ASSETS	<u>30,379,784</u>	<u>-</u>
TOTAL ASSETS	<u>40,297,524</u>	<u>38,568</u>

(Continued)

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

CITY OF LAKEWOOD

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
(CONTINUED)

June 30, 2011

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 777,108	\$ 13,143
Accrued liabilities	140,679	9,495
Accrued interest payable	54,384	-
Customer deposits	37,680	-
Current portion of long-term debt	797,480	-
TOTAL CURRENT LIABILITIES	1,807,331	22,638
NONCURRENT LIABILITIES:		
Loan payable	1,579,841	-
Revenue bonds	4,512,062	-
TOTAL NONCURRENT LIABILITIES	6,091,903	-
TOTAL LIABILITIES	7,899,234	22,638
NET ASSETS		
Invested in capital assets, net of related debt	23,324,720	-
Unrestricted	9,073,570	15,930
TOTAL NET ASSETS	32,398,290	\$ 15,930
Adjustment to reflect the consolidation of internal service fund activities related to the water enterprise fund	(623,493)	
Net assets of business-type activity	\$ 31,774,797	

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

CITY OF LAKEWOOD

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

For the year ended June 30, 2011

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
OPERATING REVENUES:		
Metered water sales	\$ 7,294,891	\$ -
Reclaimed water sales	217,405	-
Fire protection	25,815	-
Service initiation and restoration charges	204,059	-
Billings to departments	-	1,347,298
Other revenues	382,404	-
	<u>8,124,574</u>	<u>1,347,298</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES:		
Operations:		
Supply, transmission and distribution	5,071,712	-
Customer service	793,931	-
Administration	682,473	-
Cost of goods sold	-	1,297,932
Depreciation	1,290,813	-
	<u>7,838,929</u>	<u>1,297,932</u>
TOTAL OPERATING EXPENSES		
OPERATING INCOME	<u>285,645</u>	<u>49,366</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	171,015	-
Interest expense on long-term debt	(258,962)	-
Amortization of deferred charges	(22,167)	-
	<u>(110,114)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
CHANGE IN NET ASSETS	175,531	49,366
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>32,222,759</u>	<u>(33,436)</u>
NET ASSETS AT END OF YEAR	<u>\$ 32,398,290</u>	<u>\$ 15,930</u>
Change in net assets - Water Enterprise Fund	\$ 175,531	
Adjustment to reflect the consolidation of the internal service fund activities related to the Water Enterprise Fund	6,979	
Change in net assets of business-type activity	<u>\$ 182,510</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, 2011

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 7,431,671	\$ -
Receipts from interfund services provided	-	1,347,298
Other operating receipts	829,683	-
Payments to suppliers	(3,223,629)	(604,789)
Payments to employees	(2,127,788)	(680,445)
Payments for interfund services used	(1,110,000)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,799,937</u>	<u>62,064</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to other funds	<u>-</u>	<u>(51,160)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from loan	298,448	-
Acquisition of capital assets	(1,751,833)	-
Principal paid on revenue bonds and loan	(777,480)	-
Interest paid on revenue bonds	(238,261)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,469,126)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u>171,015</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(498,174)	10,904
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>9,140,033</u>	<u>763</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 8,641,859</u></u>	<u><u>\$ 11,667</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, 2011

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 285,645	\$ 49,366
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,290,813	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	123,038	-
(Increase) decrease accrued revenue	9,257	-
(Increase) decrease in prepaid items	1,875	756
(Increase) decrease in inventories	7,333	13,684
Increase (decrease) in accounts payable	63,257	(3,201)
Increase (decrease) in accrued liabilities	14,236	1,459
Increase (decrease) in customer deposits	4,483	-
Total adjustments	1,514,292	12,698
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,799,937	\$ 62,064

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

CITY OF LAKEWOOD

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2011

	Agency Funds
ASSETS:	
Cash and investments	\$ 1,588,410
Loans receivable	<u>1,239,306</u>
TOTAL ASSETS	<u><u>\$ 2,827,716</u></u>
LIABILITIES:	
Accounts payable	\$ 12,233
Deposits	820,933
Due to EDA	1,079,517
Due to HUD	<u>915,033</u>
TOTAL LIABILITIES	<u><u>\$ 2,827,716</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

General Fund

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

Redevelopment Agency Debt Service Fund

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

Redevelopment Agency Capital Projects Fund

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

Lakewood Capital Improvements Capital Projects Fund

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

The City reports the following major enterprise fund:

Water Enterprise Fund

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

Additionally, the City reports the following fund types:

Special Revenue Funds

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

Internal Service Funds

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

Agency Funds

The Agency funds account for assets held by the City as trustee or agent for individuals, private organizations or other governmental units. The City accounts for special deposits resulting from new development, 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Cash and Investments

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

E. Cash and Cash Equivalents

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

F. Capital Assets

Capital assets, which include land, site improvements, buildings and improvements, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets consist of roads, bridges, streetlights, traffic signals and sewer lines. Capital assets are defined by the City as assets, with an initial cost of more than \$5,000 (\$25,000 for infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

G. Inventories

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

Prepaid items are recorded as expenditures when consumed.

I. Land Held for Resale

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

J. Compensated Absences

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

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

K. Property Taxes

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

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

L. Claims and Judgments

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

The City's self-insurance program is administered through a Joint Powers Authority (the Authority), which is described at Note 11. The Authority is a public entity risk pool. Claims losses recorded in the Authority include both current claims and Incurred But Not Reported claims (IBNR). Deposits to the Authority are recorded by the City as insurance expenditures in the General Fund when paid. These deposits are subject to retrospective adjustment. Favorable claims experience in prior years results in a refund of deposits from the Authority and such refunds, if any, are recorded as prepaid items in the General Fund since they will be used to offset future deposit requirements. Included in prepaid items as of June 30, 2011 are refunds totaling \$586,224 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 \$311,750 related to the general liability program.

M. Deferred Amounts

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

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balances

The City has implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011. The fund balances reported on the fund statements now consist of the following categories:

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 a formal action of the government's highest level of decision-making authority.

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 restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

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.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

O. 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, 2011 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 56,298,364	\$ 1,588,410	\$ 57,886,774
Temporarily restricted assets:			
Cash and investments	37,680	-	37,680
Cash and investments held by bond trustees	<u>1,802,061</u>	<u>-</u>	<u>1,802,061</u>
Total Cash and Investments	<u>\$ 58,138,105</u>	<u>\$ 1,588,410</u>	<u>\$ 59,726,515</u>

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash and investments at June 30, 2011 consisted of the following:

Cash on hand	\$ 2,700
Deposits with financial institutions	2,423,964
Investments	<u>57,299,851</u>
Total Cash and Investments	<u>\$ 59,726,515</u>

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

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

<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
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.

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)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Local Agency Investment Fund	\$ 21,669,264	\$ -	\$ -	\$ 21,669,264
United States Treasury Notes	5,059,064	4,063,589	-	9,122,653
United States Government Sponsored Agency Securities	2,157,898	7,443,883	13,235,797	22,837,578
CAMP Cash Reserve Portfolio	155,951	-	-	155,951
Money Market Mutual Funds	11,365	-	-	11,365
Certificate of Deposit	850,978	850,000	-	1,700,978
Held by Bond Trustee:				
CAMP Cash Reserve Portfolio	666,969	-	-	666,969
Money Market Mutual Funds	1,135,093	-	-	1,135,093
	<u>\$ 31,706,582</u>	<u>\$ 12,357,472</u>	<u>\$ 13,235,797</u>	<u>\$ 57,299,851</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, 2011 for each investment type:

Investment Type	Total as of June 30, 2011	Minimum Legal Rating	AAA	Not Rated	Not Required to be Rated
Local Agency Investment Fund	\$ 21,669,264	N/A	\$ -	\$ 21,669,264	\$ -
United States Treasury Notes	9,122,653	N/A	-	-	9,122,653
United States Government Sponsored Agency Securities	22,837,578	N/A	22,837,578	-	-
CAMP Cash Reserve Portfolio	155,951	A	155,951	-	-
Money Market Mutual Funds	11,365	A	11,365	-	-
Certificate of Deposit	1,700,978	N/A	-	1,700,978	-
Held by Bond Trustee:					
CAMP Cash Reserve Portfolio	666,969	A	666,969	-	-
Money Market Mutual Funds	1,135,093	A	1,135,093	-	-
	<u>\$ 57,299,851</u>		<u>\$ 24,806,956</u>	<u>\$ 23,370,242</u>	<u>\$ 9,122,653</u>

N/A - Not Applicable

Subsequent to June 30, 2011, Standard and Poor's reduced the rating of the United States Government Sponsored Agency Securities from AAA to AA+.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	\$ 9,470,635
Federal Home Loan Bank	United States Government Sponsored Agency Securities	\$ 4,497,987
Federal National Mortgage Association	United States Government Sponsored Agency Securities	\$ 8,868,956

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, 2011, the City's cash on deposit exceeded federally insured limits by \$372,613.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in Government Pooled Fund

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

See independent auditors' report.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

Governmental Activities:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 17,444,023	\$ -	\$ -	\$ 17,444,023
Construction in progress	<u>5,028,591</u>	<u>6,068,649</u>	<u>(6,047,277)</u>	<u>5,049,963</u>
Total capital assets, not being depreciated	<u>22,472,614</u>	<u>6,068,649</u>	<u>(6,047,277)</u>	<u>22,493,986</u>
Capital assets, being depreciated:				
Structures and improvements	42,220,305	1,251,894	-	43,472,199
Equipment	6,307,574	349,550	(100,164)	6,556,960
Infrastructure	<u>125,441,625</u>	<u>4,758,642</u>	<u>-</u>	<u>130,200,267</u>
Total capital assets, being depreciated	<u>173,969,504</u>	<u>6,360,086</u>	<u>(100,164)</u>	<u>180,229,426</u>
Less accumulated depreciation for:				
Structures and improvements	(17,214,262)	(841,793)	-	(18,056,055)
Equipment	(5,400,527)	(230,856)	100,164	(5,531,219)
Infrastructure	<u>(88,533,552)</u>	<u>(2,325,715)</u>	<u>-</u>	<u>(90,859,267)</u>
Total accumulated depreciation	<u>(111,148,341)</u>	<u>(3,398,364)</u>	<u>100,164</u>	<u>(114,446,541)</u>
Total capital assets, being depreciated, net	<u>62,821,163</u>	<u>2,961,722</u>	<u>-</u>	<u>65,782,885</u>
Total governmental activities capital assets, net	<u>\$ 85,293,777</u>	<u>\$ 9,030,371</u>	<u>\$ (6,047,277)</u>	<u>\$ 88,276,871</u>

See independent auditors' report.

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Business-type Activity:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 381,023	\$ -	\$ -	\$ 381,023
Water rights	1,834,586	-	-	1,834,586
Construction in progress	3,339,633	1,743,820	(274,618)	4,808,835
Total capital assets, not being depreciated	<u>5,555,242</u>	<u>1,743,820</u>	<u>(274,618)</u>	<u>7,024,444</u>
Capital assets, being depreciated:				
Source of supply	4,770,755	-	-	4,770,755
Pumping plant	532,694	274,618	-	807,312
Water treatment	2,482,330	-	-	2,482,330
Transmission/distribution	29,538,090	-	-	29,538,090
General plant	6,326,915	8,013	-	6,334,928
Total capital assets, being depreciated	<u>43,650,784</u>	<u>282,631</u>	<u>-</u>	<u>43,933,415</u>
Less accumulated depreciation for:				
Source of supply	(2,494,201)	(131,138)	-	(2,625,339)
Pumping plant	(495,123)	(8,018)	-	(503,141)
Water treatment	(179,731)	(245,987)	-	(425,718)
Transmission/distribution	(13,245,289)	(749,137)	-	(13,994,426)
General plant	(3,038,599)	(156,533)	-	(3,195,132)
Total accumulated depreciation	<u>(19,452,943)</u>	<u>(1,290,813)</u>	<u>-</u>	<u>(20,743,756)</u>
Total capital assets, being depreciated, net	<u>24,197,841</u>	<u>(1,008,182)</u>	<u>-</u>	<u>23,189,659</u>
Total business-type activity, capital assets, net	<u>\$ 29,753,083</u>	<u>\$ 735,638</u>	<u>\$ (274,618)</u>	<u>\$ 30,214,103</u>

Depreciation expense:

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

Governmental activities:

General government	\$ 169,345
Public safety	49,940
Transportation	39,209
Community development	153,267
Health and sanitation	1,222
Culture and leisure	659,666
Unallocated infrastructure depreciation	<u>2,325,715</u>
Total depreciation expense - governmental activities	<u>\$ 3,398,364</u>

Business type activity:

Water	<u>\$ 1,290,813</u>
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NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2011:

Governmental Activities

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011	Due Within One Year
Agency Tax Allocation Bonds:					
1999 Series A	\$ 4,210,000	\$ -	\$ (430,000)	\$ 3,780,000	\$ 450,000
2003 Series A	3,460,000	-	(380,000)	3,080,000	395,000
2003 Series B	1,805,000	-	(190,000)	1,615,000	195,000
Plus (less) deferred amounts:					
For issuance premium	34,668	-	(4,837)	29,831	-
On refunding	(66,776)	-	9,317	(57,459)	-
Total Agency Tax Allocation Bonds	9,442,892	-	(995,520)	8,447,372	1,040,000
Compensated absences	1,156,033	1,137,920	(1,225,128)	1,068,825	769,705
Total Governmental Activities	10,598,925	1,137,920	(2,220,648)	9,516,197	1,809,705

Business-type Activity

Water Revenue Bonds:					
2004 Bonds	2,545,000	-	(390,000)	2,155,000	405,000
2008 Bonds	3,270,000	-	(190,000)	3,080,000	195,000
Plus (less) deferred amounts:					
For issuance premiums	49,962	-	(8,689)	41,273	-
On refunding	(198,781)	-	34,570	(164,211)	-
Total Water Revenue Bonds	5,666,181	-	(554,119)	5,112,062	600,000
Loan payable	1,676,353	298,448	(197,480)	1,777,321	197,480
Total Business-type Activity	7,342,534	298,448	(751,599)	6,889,383	797,480
City Total	\$ 17,941,459	\$ 1,436,368	\$ (2,972,247)	\$ 16,405,580	\$ 2,607,185

Governmental Activities

The proceeds from the Agency's refunding bonds were not used to acquire capital assets.

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

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

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

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

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

Series 1999A (Continued)

Total debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 450,000	\$ 186,935	\$ 636,935
2013	475,000	163,573	638,573
2014	515,000	138,070	653,070
2015	540,000	110,505	650,505
2016	570,000	81,224	651,224
2017 - 2018	<u>1,230,000</u>	<u>67,080</u>	<u>1,297,080</u>
Total	<u>\$ 3,780,000</u>	<u>\$ 747,387</u>	<u>\$ 4,527,387</u>

Series 2003A

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

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

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 395,000	\$ 111,955	\$ 506,955
2013	405,000	97,449	502,449
2014	420,000	81,718	501,718
2015	440,000	65,330	505,330
2016	455,000	48,208	503,208
2017 - 2018	<u>965,000</u>	<u>40,001</u>	<u>1,005,001</u>
Total	<u>\$ 3,080,000</u>	<u>\$ 444,661</u>	<u>\$ 3,524,661</u>

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)Series 2003B

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

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

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

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 195,000	\$ 82,477	\$ 277,477
2013	205,000	72,197	277,197
2014	220,000	61,275	281,275
2015	230,000	49,192	279,192
2016	240,000	36,055	276,055
2017 - 2018	<u>525,000</u>	<u>29,767</u>	<u>554,767</u>
Total	<u>\$ 1,615,000</u>	<u>\$ 330,963</u>	<u>\$ 1,945,963</u>

B. Compensated Absences

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

Business-type Activity**C. Water Revenue Bonds Payable**2004 Bonds

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

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

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity (Continued)

C. Water Revenue Bonds Payable (Continued)

2004 Bonds (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2011, are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 405,000	\$ 71,238	\$ 476,238
2013	415,000	58,581	473,581
2014	430,000	45,094	475,094
2015	445,000	31,119	476,119
2016	<u>460,000</u>	<u>16,100</u>	<u>476,100</u>
Total	<u>\$ 2,155,000</u>	<u>\$ 222,132</u>	<u>\$ 2,377,132</u>

2008 Bonds

On May 7, 2008 the City issued \$3,450,000 in non-taxable water revenues bonds to finance the construction of a photovoltaic system. The bonds were sold through a negotiated sale and bears interest at a rate of 4.75%. The 2008 Bonds are secured by a charge and lien on the net revenue of the water enterprise. Principal payments on the capital lease are due annually each April 1, commencing April 1, 2010. Interest payments are payable semi-annually on April 1 and October 1.

The future annual required lease payments at June 30, 2011, are as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 195,000	\$ 146,300	\$ 341,300
2013	205,000	137,038	342,038
2014	215,000	127,300	342,300
2015	225,000	117,088	342,088
2016	235,000	106,400	341,400
2017 - 2021	1,365,000	352,450	1,717,450
2022 - 2024	<u>640,000</u>	<u>45,838</u>	<u>685,838</u>
Total	<u>\$ 3,080,000</u>	<u>\$ 1,032,414</u>	<u>\$ 4,112,414</u>

D. Loan Payable

In November 2008, the City entered into a loan agreement with the Water Replenishment District of Southern California (WRD). Pursuant to the agreement, WRD is to loan the City up to \$2,200,000 which is to be used towards the design, construction and installation of wellhead treatment systems at the City's Well 27 site. As of June 30, 2011, 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.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity (Continued)

D. Loan Payable (Continued)

The debt service schedule to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2012	\$ 197,480	\$ -	\$ 197,480
2013	197,480	-	197,480
2014	197,480	-	197,480
2015	197,480	-	197,480
2016	197,480	-	197,480
2017 - 2020	<u>789,921</u>	<u>-</u>	<u>789,921</u>
Total	<u>\$ 1,777,321</u>	<u>\$ -</u>	<u>\$ 1,777,321</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances were as follows at June 30, 2011:

Due To / From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Lakewood Capital Improvements Fund	\$ 452,635
	Other Governmental Funds	338,335
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	<u>5,702,615</u>
		<u>\$ 6,493,585</u>

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

Advances From / To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$ 30,616,106
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Debt Service Fund	<u>3,968,551</u>
		<u>\$ 34,584,657</u>

The City provides advances to the Redevelopment Agency to assist the Agency with its operating budget and redevelopment activities. As of July 1, 2010, the City has consolidated the outstanding principal and accrued unpaid interest into three promissory notes with the Agency. The interest rate on the advances is 12% per annum compounded annually on the outstanding principal portion only.

Accrued unpaid interest totaling \$13,840,937 at June 30, 2011 is included in the advance balance. Since the accrued unpaid interest due to the City is not available as a resource to meet expenditures of the current year, it has been recorded as deferred revenue in the General Fund.

See independent auditors' report.

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

Advances From / To Other Funds (Continued)

On April 14, 2005, the Agency Board approved a 10-year loan from the Capital Projects Fund to the Debt Service Fund to provide partial funding for the required payment to the County of Los Angeles' Educational Revenue Augmentation Fund for the year ended June 30, 2005. No interest accrues on this loan and annual installments of \$22,623 commenced May 10, 2006. The loan balance at June 30, 2011 is \$90,492.

On February 9, 2010, the Agency Board approved a 5-year loan from the Capital Projects Fund to the Debt Service Fund to provide funding for the required payment to the County of Los Angeles' Supplemental Educational Revenue Augmentation Fund. On January 25, 2011, 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, 2011 is \$3,878,059.

Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,208,860
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	831,600
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	1,909,068
	Other Governmental Funds	2,680
Lakewood Capital Improvements Capital Projects Fund	General Fund	988,791
		<u>\$ 5,940,999</u>

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

NOTE 6 - NOTES RECEIVABLE

- A. As consideration for the sale of land on November 3, 2006, the Agency took a \$689,520 note from the buyer. The term of the note is ten years. Interest accrues on the note at a rate of 5.5% per annum. Principal and interest is payable quarterly. The quarterly payments are fixed at \$14,298 with a balloon payment of \$434,883 due on November 1, 2016. The note balance at June 30, 2011 is \$591,886 and is included in the Redevelopment Agency Capital Projects Fund.
- B. The Agency makes deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal year 1996-97, the Agency began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. The rehabilitation loans made from Redevelopment Agency low and moderate housing 20% set-aside funds are reported in the Lakewood Redevelopment Agency Capital Projects Fund. Due to the long-term nature of the loans, the Agency has deferred recognition of revenues until receipt in the governmental fund financial statements. The balance of these loans totaled \$2,698,394 at June 30, 2011.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. CalPERS Plan

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, is established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

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

Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-11 was 9.979% for local miscellaneous members. The contribution requirements of the plan members are established by State statute and the employer contribution rates were established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2010-11, the City's actual and contributed pension cost was \$1,499,038. The required contribution for fiscal year 2010-11 was determined as part of the June 30, 2008, actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by age, length of service and type of employment from 3.25 % to 14.45%, (c) a 3.0% inflation rate; (d) a 3.25% payroll growth rate; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen-year period. Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over a 30 year rolling period which results in an amortization of about 6% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of Plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Three-Year Trend Information for the Miscellaneous Plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 1,306,480	100%	\$ -
6/30/10	1,353,997	100%	-
6/30/11	1,499,038	100%	-

See independent auditors' report.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. CalPERS Plan (Continued)

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 86.8% funded. The actuarial accrued liability for benefits was \$90,988,219, and the actuarial value of assets was \$78,965,253, resulting in an unfunded liability of \$12,022,966. The covered payroll (annual payroll of active employees covered by the plan) was \$14,824,292, and the ratio of the UAAL to the covered payroll was 81.1%.

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

B. Retirement Enhancement Plan

Plan Description

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the City, City Council, and/or the employee associations and the employer contribution rates are established and may be amended by PARS. Currently, plan members are required to contribute 3% of compensation of which the City picks-up 0.13%. The required employer contribution for the fiscal year 2010-11 was 4.55%.

Annual Pension Cost

For fiscal year 2010-11, the City's actual and contributed pension cost was \$631,475. This required contribution was determined as part of the July 1, 2010, actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.00% investment rate of return; (b) projected salary increases that vary by age, length of service and type of employment from 3.25 % to 12.65%, (c) a 3.0% inflation rate; and (d) a 2.00% cost of living adjustment compounded annually. Initial unfunded liabilities are amortized over a closed 20-year period that began on July 1, 2005 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
6/30/09	\$ 475,852	100%	\$ -
6/30/10	489,730	100%	-
6/30/11	631,475	100%	-

See independent auditors' report.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Retirement Enhancement Plan (Continued)

Funded Status and Funding Progress

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

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

NOTE 8 - DEFINED CONTRIBUTION PLAN

The City provides a tax qualified retirement savings plan under Section 401(a) of the Internal Revenue Code to its full-time employees. The Plan is a defined contribution plan and benefits depend solely on amounts contributed to the plan and investment earnings. The Plan is administered by the Public Agency Retirement System (PARS) and the City Council has the authority for establishing and amending the plan provisions. Employer contributions are based on an employee's tier of eligibility. Depending on the limits and requirements of the eligible tier, the City will contribute certain amounts equivalent to an employee's eligible unused accrued vacation time, compensatory time, floating holidays, sick leave and administrative leave. Employee contributions are mandatory and are also based on an employee's tier of eligibility. The amount of the mandatory employee contribution will depend on the limits and requirements of the tier which take into consideration an employee's longevity, merit adjustments and prescribed plan percentages. For the year ended June 30, 2011, employee contributions totaled \$400,346 and employer contributions totaled \$266,171.

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, the City also used Housing and Community Development Block Grant (CDBG) funds to provide these loans. The rehabilitation loans made from Redevelopment Agency low and moderate housing 20% set-aside funds are reflected in the Lakewood Redevelopment Agency Capital Projects Fund. Due to the long-term nature of the loans, the City has deferred recognition of revenues until receipt. The rehabilitation loans made from CDBG funds and all HUD cash held for rehabilitation loans are reflected in the Housing Rehabilitation Agency Fund. Since the Department of Housing and Urban Development has a claim to any funds remaining when the program is terminated, these funds are reported as "Due to HUD" in the Agency Fund.

See independent auditors' report.

NOTE 10 - HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAMS (CONTINUED)

- 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.

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

B. Self-insurance Programs of the Authority

A revised cost allocation methodology was introduced in 2010-11, however it retains many elements of the previous cost allocation methodology. Each member pays an annual contribution (formerly called the primary deposit) 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.

General Liability Insurance. 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. 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. On a cumulative basis for all 2010-11 reinsurance contracts the annual aggregate deductible is \$5.5 million. (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 \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

See independent auditors' report.

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

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

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 \$4 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$4 million to \$10 million are pooled among members.

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 Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Insurance Authority has a \$10,000,000 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. Total all-risk property insurance coverage is \$48,305,149. 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 \$28,733,471. There is a deductible of 5% of per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

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

D. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2010-2011.

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.

See independent auditors' report.

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 \$302 per month on July 1, 2004, continuing until the retiree has met the insured status requirements for Medicare. Thereafter, the payment is decreased to \$266 per month. The benefit is increased annually according to the terms of the MOU. The maximum term of benefits paid a qualifying employee is equal to the number of months of continuous Lakewood City service.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or the employee associations. Currently, contributions are not required from plan members. During the fiscal year ended June 30, 2011, the City elected to fund \$135,115 towards the unfunded accrued liability related to this benefit.

Annual OPEB Cost and Net OPEB Obligation (Asset)

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC for fiscal year 2010-11 was \$361,352 and was determined as part of an actuarial valuation dated July 1, 2009.

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

Annual required contribution (ARC)	\$	361,352
Interest adjustment on Net OPEB asset		(259,742)
Amortization adjustment to ARC		314,500
Annual OPEB cost		416,110
Contribution made		(135,115)
Decrease in Net OPEB asset		280,995
Net OPEB asset - beginning of year		(4,537,288)
Net OPEB asset - end of year	\$	(4,256,293)

Three-Year Trend Information

For fiscal year 2011, the City's annual OPEB cost (expense) of \$416,110 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
6/30/2009	\$ 268,744	\$ 4,597,784	1,710.84%	\$ (4,329,040)
6/30/2010	416,110	624,358	150.05%	(4,537,288)
6/30/2011	416,110	135,115	32.47%	(4,256,293)

See independent auditors' report.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of July 1, 2011, the latest actuarial valuation date, the plan was 99.32 percent funded. The actuarial accrued liability for benefits was \$6,656,794, and the actuarial value of assets was \$6,611,297 resulting in an unfunded actuarial liability (UAAL) of \$45,497. The covered payroll (annual payroll of active employees covered by the plan) was \$11,694,390 and the ratio of the UAAL to the covered payroll was 0.39%.

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, 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 as a level dollar amount.

NOTE 13 - CONTINGENT LIABILITIES

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

The Agency's SERAF contributions are \$3,215,951 for fiscal year 2009-2010 and \$662,108 for 2010-2011. The Agency borrowed \$3,878,059 from the Housing Set-Aside Fund to make these contributions.

NOTE 14 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCY

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1x 26 and 27 as part of the State's budget package. Assembly Bill 1x 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1x 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program each City would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill 1x 26 indicates that the City "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Lakewood intends to use available monies of its redevelopment agency for this purpose. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill 1x 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill 1x 26.

In the event that Assembly Bill 1x 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills 1x 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1x 27 and most of Assembly Bill 1x 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012". A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills 1x 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (EOPS) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (ROPS) by September 30, 2011.

Because the stay provided by Assembly Bill 1x 26 only affects enforcement, each agency must adopt an EOPS and draft ROPS prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlement; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill 1x 26.

On August 9, 2011, City Ordinance No. 2011-8 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills 1x 26 and/or 27 are upheld as constitutional. The initial payment by the City is \$2.3 million with one half due on January 15, 2012 and the other half due May 15, 2012. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill 1x 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the Housing Set-Aside Fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of Assembly Bill 1x 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bill 1x 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

NOTE 15 - OTHER AGREEMENTS

- A. California Health and Safety Code Section 33334.6 requires that Redevelopment Agencies set aside 20% of the annual tax increment proceeds for the benefit of low- and moderate-income housing. However, an Agency may defer the set-aside of 20% if it determines that the tax increment required to be deposited is necessary for the orderly and timely completion of programs approved by the Agency prior to January 1, 1986. The Agency made such a determination to defer the deposit of \$1,383,310 of tax increment into the Housing Set-Aside Fund. The Agency has adopted a plan for repayment of this Housing Set-Aside Fund deficit. The Agency made a payment of \$40,000 towards this deficit during the year ended June 30, 2011. At June 30, 2011, the remaining deficit totaled \$1,085,310. Given the presently anticipated revenues and activities of the Agency, the deficit is expected to be eliminated by fiscal 2021-2022.
- B. On August 27, 2002, the Lakewood Redevelopment Agency entered into a twelve-year agreement with Pacific Ford, Inc., and HJCH II for a rehabilitation reimbursement in the amount not to exceed \$1,890,000 to be paid quarterly based on a tax revenue generated by the Ford dealership and any other dealership on the property acquired and to be acquired by HJCH II. Pacific Ford and HJCH II guarantee for the term of the agreement a minimum amount of sales per year subject to California sales tax. In the event the minimum is not achieved in the aggregate for the term of the agreement, the participant shall reimburse the City of Lakewood for the amount of sales tax revenue not generated. For the year ended June 30, 2011, the Agency made payments of \$189,000 in relation to this agreement.
- C. On September 14, 1999, the Agency also approved an agreement to lease 1,900 parking stalls from the Lakewood Mall Business Company to provide public parking. Rent is comprised of basic rent and additional rent. The basic rent is \$450,000 per year. The additional rent is based on the amount of additional tax increment received above a base year amount and is capped at \$300,000 per year. The agreement also allows for catch up payments in the event that additional rent is less than the cap in the first three years of the lease. Catch up payments are only due when additional rent exceeds the \$300,000 annual cap in future years. The Agency also entered into a sublease with the developer in order for the developer to operate and maintain the premises as public facilities. The annual lease payments will be paid with tax increment revenues generated by the Mall. For the fiscal year ended June 30, 2011, the Agency's obligation under this agreement totaled \$750,000.
- D. On December 16, 1998, the Agency entered into a participation agreement with Golden State Health Centers, Inc., which reimburses all tax increment revenues which the Agency receives from the redevelopment of the site located at 11695 Del Amo Boulevard, excluding: (1) the property taxes levied and assessed against the site as of January 1, 1998; (2) the amount required to be set aside for the low-and moderate-income housing fund equal to 20%; and (3) that amount of tax increment the Agency is required to pay to other taxing agencies which is currently approximately 20% of such tax increment. Such payments shall be made to the owner in semi-annual installments within 60 days after the Agency's receipt of its tax increment for the Redevelopment Project from the County tax collector. The owner shall submit a written statement each year to the Agency requesting such payment together with a copy of its property tax bill(s) for all real property within the site, whether billed to the owner of any tenant. For the year ended June 30, 2011, the Agency paid \$14,882 pursuant to this agreement.
- E. On June 13, 1989, the Agency entered into an agreement for the allocation of tax increment revenue generated from Project Area No. 2. As part of the agreement, the Agency is required to reimburse the Consolidated Fire Protection District of Los Angeles County 17.26% of tax increment revenues and Los Angeles County 54.59% of tax increment revenue. The Los Angeles County portion may be deferred in any year under certain terms of the agreement until total tax increment of the Agency reaches a cumulative total of \$60,000,000. After the total reaches \$60,000,000, the Agency is required to reimburse Los Angeles County 100% of tax increment revenue (net of the allocation to the Consolidated Fire Protection District of Los Angeles County) until the deferred sums have been repaid. Interest on any deferral amounts was prepaid in a lump sum of \$842,000 in Fiscal Year 1990-91. At June 30, 2011, the Agency's outstanding deferral balance is \$843,589.

NOTE 16 - RESTATEMENT OF NET ASSETS/FUND BALANCES

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

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

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 139,040,909
Adjustments (see schedule below and Notes 1C and 10B)	<u>(682,900)</u>
Net assets as restated	<u>\$ 138,358,009</u>

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

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

	<u>Other Governmental Funds</u>
Fund balances as previously reported	\$ 6,560,685
To reclassify the Lakewood Business Development Loan from Special Revenue Fund to the Agency Fund	<u>(682,900)</u>
Fund balances as restated	<u>\$ 5,877,785</u>

NOTE 17 - INDIVIDUAL FUND DISCLOSURES:

A. Funds with a deficit fund balance at June 30, 2011, are as follows:

Major Funds:

Redevelopment Agency Debt Service Fund	\$ 25,729,509
Lakewood Capital Improvements Capital Projects Fund	370,300

Other Governmental Funds:

CDBG Special Revenue Fund	15,059
Beverage Container Grant Special Revenue Fund	2,288
STPL TEA-LU Special Revenue Fund	85,074
River Park Grant Special Revenue Fund	12,925

Internal Service Funds:

Print Shop	9,348
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The City plans to eliminate the \$25,729,509 deficit in Redevelopment Agency Debt Service Fund through tax increment, the \$9,348 deficit in Print Shop through a transfer from the General Fund and the remaining deficits through pending grant funding. The deficit to be eliminated by tax increment is dependent on the outcome of the California Supreme Court case *California Redevelopment Association v. Matosantos*. A decision is expected by January 15, 2012.

B. For the year ended June 30, 2011, expenditures exceeded appropriations at the fund level (the legal level of budgetary control) in the Housing Authority Special Revenue Fund by \$290,743 and the STPL TEA-LU Special Revenue Fund by \$85,073.

NOTE 18 - SUBSEQUENT EVENT:

Effective July 1, 2011, the United States Department of Housing and Urban Development has approved the transfer of the Housing Choice Voucher Program from the City of Lakewood's Housing Authority (the Authority) to the Housing Authority of the County of Los Angeles (HACoLA). The Authority had a fund balance of \$926,715 as of June 30, 2011 which was disbursed to HACoLA subsequent to year end.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKEWOOD

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2011

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)
06/30/08	\$ 77,501,716	\$ 71,496,367	\$ 6,005,349	92.25%	\$ 13,191,916	45.52%
06/30/09	85,776,801	74,859,464	10,917,337	87.27%	14,052,480	77.69%
06/30/10	90,988,219	78,965,253	12,022,966	86.79%	14,824,292	81.10%

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)
07/01/07	\$ 5,745,565	\$ 1,569,624	\$ 4,175,941	27.32%	\$ 11,671,485	35.78%
07/01/09	8,040,975	2,493,670	5,547,305	31.01%	13,027,092	42.58%

RETIREE HEALTH DEFINED BENEFIT PLAN

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
07/01/07	\$ 4,464,565	\$ -	\$ 4,464,565	0.00%	\$ 11,108,547	40.19%
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%	11,694,390	0.39%

See independent auditors' report.

CITY OF LAKEWOOD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 20,222,705	\$ 20,222,705	\$ 20,793,564	\$ 570,859
Licenses and permits	714,000	714,000	770,650	56,650
Fines and forfeitures	1,070,000	1,070,000	881,450	(188,550)
Investment income, rents and concessions	2,187,464	2,187,464	5,217,577	3,030,113
From other agencies	7,022,433	7,022,433	7,097,751	75,318
Current service charges	7,526,520	7,699,560	7,746,660	47,100
TOTAL REVENUES	38,743,122	38,916,162	42,507,652	3,591,490
EXPENDITURES:				
Current:				
General government	7,063,380	7,080,297	6,748,930	331,367
Public safety	13,098,232	13,074,232	12,363,381	710,851
Transportation	3,935,730	3,953,305	3,941,050	12,255
Community development	3,488,531	3,653,902	3,325,637	328,265
Health and sanitation	4,451,818	4,451,818	4,417,288	34,530
Culture and leisure	8,977,765	9,010,781	9,071,742	(60,961)
TOTAL EXPENDITURES	41,015,456	41,224,335	39,868,028	1,356,307
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,272,334)	(2,308,173)	2,639,624	4,947,797
OTHER FINANCING SOURCES (USES):				
Transfers in	2,164,937	2,164,937	2,208,860	43,923
Transfers out	(320,874)	(1,652,683)	(988,791)	663,892
TOTAL OTHER FINANCING SOURCES (USES)	1,844,063	512,254	1,220,069	707,815
NET CHANGE IN FUND BALANCE	(428,271)	(1,795,919)	3,859,693	5,655,612
FUND BALANCE AT BEGINNING OF YEAR	51,255,124	51,255,124	51,255,124	-
FUND BALANCE AT END OF YEAR	\$ 50,826,853	\$ 49,459,205	\$ 55,114,817	\$ 5,655,612

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 Redevelopment Agency Debt Service Fund since no budget is 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 XIIIB 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, 2011, based on calculations by City Management, proceeds of taxes did not exceed related appropriations. Further, Section 5 of Article XIIIB allows the City to designate a portion of fund balance for general contingencies, to be used in future years without limitation. In 2009-10, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds.

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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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.

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

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

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.

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

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, 2011

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
ASSETS				
Cash and investments	\$ -	\$ 44,913	\$ 86,719	\$ 1,060,345
Accounts receivable	244,875	-	-	-
TOTAL ASSETS	<u>\$ 244,875</u>	<u>\$ 44,913</u>	<u>\$ 86,719</u>	<u>\$ 1,060,345</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 15,487
Accrued liabilities		-	-	9,144
Due to other funds	244,875	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	<u>244,875</u>	<u>-</u>	<u>-</u>	<u>24,631</u>
FUND BALANCES (DEFICITS):				
Restricted for:				
Public safety	-	-	-	-
Transportation	-	-	-	1,035,714
Community development	-	-	86,719	-
Health and sanitation	-	-	-	-
Culture and leisure	-	44,913	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>44,913</u>	<u>86,719</u>	<u>1,035,714</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 244,875</u>	<u>\$ 44,913</u>	<u>\$ 86,719</u>	<u>\$ 1,060,345</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Housing Authority	Prop C Transportation	AB 2766	CDBG	State COPS Grants	JAG Grants	Litter Reduction Grant
\$ 1,389,529	\$ 2,231,496	\$ 172,143	\$ -	\$ 174,754	\$ -	\$ 6,659
-	241,874	19,433	67,958	25,083	4,504	-
<u>\$ 1,389,529</u>	<u>\$ 2,473,370</u>	<u>\$ 191,576</u>	<u>\$ 67,958</u>	<u>\$ 199,837</u>	<u>\$ 4,504</u>	<u>\$ 6,659</u>
\$ 462,814	\$ 104,850	\$ -	\$ 68,349	\$ 15,342	\$ -	\$ -
-	1,895	67	2,994	-	-	-
-	-	-	11,674	-	2,031	-
-	-	-	-	-	-	-
<u>462,814</u>	<u>106,745</u>	<u>67</u>	<u>83,017</u>	<u>15,342</u>	<u>2,031</u>	<u>-</u>
-	-	-	-	184,495	2,473	-
-	2,366,625	-	-	-	-	-
926,715	-	-	-	-	-	-
-	-	-	-	-	-	6,659
-	-	191,509	-	-	-	-
-	-	-	(15,059)	-	-	-
<u>926,715</u>	<u>2,366,625</u>	<u>191,509</u>	<u>(15,059)</u>	<u>184,495</u>	<u>2,473</u>	<u>6,659</u>
<u>\$ 1,389,529</u>	<u>\$ 2,473,370</u>	<u>\$ 191,576</u>	<u>\$ 67,958</u>	<u>\$ 199,837</u>	<u>\$ 4,504</u>	<u>\$ 6,659</u>

(Continued)

CITY OF LAKEWOOD

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2011

	Special Revenue Funds (Continued)			
	TDA Article Grant	Used Oil Grant	Beverage Container Grant	Prop A Recreation
ASSETS				
Cash and investments	\$ -	\$ 40,908	\$ -	\$ 139,231
Accounts receivable	2,797	-	6,222	73,443
TOTAL ASSETS	<u>\$ 2,797</u>	<u>\$ 40,908</u>	<u>\$ 6,222</u>	<u>\$ 212,674</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ 11,921	\$ 1,430	\$ -
Accrued liabilities	-	-	-	2,233
Due to other funds	2,797	-	3,540	-
Deferred revenue	-	-	3,540	73,443
TOTAL LIABILITIES	<u>2,797</u>	<u>11,921</u>	<u>8,510</u>	<u>75,676</u>
FUND BALANCES (DEFICITS):				
Restricted for:				
Public safety	-	-	-	-
Transportation	-	-	-	-
Community development	-	-	-	-
Health and sanitation	-	28,987	-	-
Culture and leisure	-	-	-	136,998
Unassigned	-	-	(2,288)	-
TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>28,987</u>	<u>(2,288)</u>	<u>136,998</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,797</u>	<u>\$ 40,908</u>	<u>\$ 6,222</u>	<u>\$ 212,674</u>

See independent auditors' report.

Special Revenue Funds (Continued)

STPL TEA-LU	Measure R	NSP Grant	River Park Grant	Total Other Governmental Funds
\$ -	\$ 956,352	\$ -	\$ -	\$ 6,303,049
10,972	-	-	4,950	702,111
<u>\$ 10,972</u>	<u>\$ 956,352</u>	<u>\$ -</u>	<u>\$ 4,950</u>	<u>\$ 7,005,160</u>
\$ 16,606	\$ 434,626	\$ -	\$ 7,975	\$ 1,139,400
-	-	-	-	16,333
68,468	-	-	4,950	338,335
10,972	-	-	4,950	92,905
<u>96,046</u>	<u>434,626</u>	<u>-</u>	<u>17,875</u>	<u>1,586,973</u>
-	-	-	-	186,968
-	521,726	-	-	3,924,065
-	-	-	-	1,013,434
-	-	-	-	35,646
-	-	-	-	373,420
(85,074)	-	-	(12,925)	(115,346)
<u>(85,074)</u>	<u>521,726</u>	<u>-</u>	<u>(12,925)</u>	<u>5,418,187</u>
<u>\$ 10,972</u>	<u>\$ 956,352</u>	<u>\$ -</u>	<u>\$ 4,950</u>	<u>\$ 7,005,160</u>

CITY OF LAKEWOOD

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

For the year ended June 30, 2011

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
REVENUES:				
Taxes	\$ -	\$ 40,760	\$ -	\$ 1,129,424
Investment income, rents and concessions	21,583	-	-	18,017
From other agencies	2,058,477	-	-	-
Other	-	-	-	-
TOTAL REVENUES	2,080,060	40,760	-	1,147,441
EXPENDITURES:				
Current:				
General government	-	-	-	29,185
Public safety	-	-	-	-
Transportation	-	-	-	1,127,515
Community development	-	-	-	44,096
Health and sanitation	-	-	-	-
Culture and leisure	-	-	-	-
Capital outlay:				
Transportation	-	-	-	-
Culture and leisure	-	-	-	-
TOTAL EXPENDITURES	-	-	-	1,200,796
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,080,060	40,760	-	(53,355)
OTHER FINANCING USES:				
Transfers out	(2,080,060)	-	-	-
NET CHANGE IN FUND BALANCES	-	40,760	-	(53,355)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR, AS RESTATED	-	4,153	86,719	1,089,069
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ -	\$ 44,913	\$ 86,719	\$ 1,035,714

See independent auditors' report.

Special Revenue Funds (Continued)

Housing Authority	Prop C Transportation	AB 2766	CDBG	State COPS Grants	JAG Grants	Litter Reduction Grant
\$ -	\$ 938,583	\$ -	\$ -	\$ -	\$ -	\$ -
25,873	45,269	2,445	-	2,533	699	-
1,381,172	-	91,199	1,207,303	225,956	266,280	8,627
-	62,063	-	-	-	-	-
<u>1,407,045</u>	<u>1,045,915</u>	<u>93,644</u>	<u>1,207,303</u>	<u>228,489</u>	<u>266,979</u>	<u>8,627</u>
-	-	4,800	76,431	-	-	-
-	-	-	-	43,994	264,506	-
-	146,922	15,191	-	-	-	-
1,790,743	-	-	144,423	-	-	-
-	-	-	-	-	-	1,286
-	-	-	97,133	-	-	-
-	1,352,180	-	600,496	-	-	-
-	-	-	303,879	-	-	-
<u>1,790,743</u>	<u>1,499,102</u>	<u>19,991</u>	<u>1,222,362</u>	<u>43,994</u>	<u>264,506</u>	<u>1,286</u>
(383,698)	(453,187)	73,653	(15,059)	184,495	2,473	7,341
-	-	-	-	-	-	-
(383,698)	(453,187)	73,653	(15,059)	184,495	2,473	7,341
<u>1,310,413</u>	<u>2,819,812</u>	<u>117,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(682)</u>
<u>\$ 926,715</u>	<u>\$ 2,366,625</u>	<u>\$ 191,509</u>	<u>\$ (15,059)</u>	<u>\$ 184,495</u>	<u>\$ 2,473</u>	<u>\$ 6,659</u>

(Continued)

CITY OF LAKEWOOD

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

For the year ended June 30, 2011

	Special Revenue Funds (Continued)			
	TDA Article Grant	Used Oil Grant	Beverage Container Grant	Prop A Recreation
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment income, rents and concessions	-	537	-	-
From other agencies	33,571	42,770	17,981	167,590
Other	-	-	-	-
TOTAL REVENUES	33,571	43,307	17,981	167,590
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Community development	-	-	-	-
Health and sanitation	-	19,186	12,153	-
Culture and leisure	-	-	-	177,430
Capital outlay:				
Transportation	33,571	-	-	-
Culture and leisure	-	-	-	-
TOTAL EXPENDITURES	33,571	19,186	12,153	177,430
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	24,121	5,828	(9,840)
OTHER FINANCING USES:				
Transfers out	-	-	-	(128,800)
NET CHANGE IN FUND BALANCES	-	24,121	5,828	(138,640)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR, AS RESTATED	-	4,866	(8,116)	275,638
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ -	\$ 28,987	\$ (2,288)	\$ 136,998

See independent auditors' report.

Special Revenue Funds (Continued)

STPL TEA-LU	Measure R	NSP Grant	River Park Grant	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,108,767
-	13,657	-	-	130,613
173,976	700,252	272,471	-	6,647,625
-	-	-	-	62,063
173,976	713,909	272,471	-	8,949,068
-	-	-	-	110,416
-	-	-	-	308,500
-	-	-	-	1,289,628
-	-	-	-	1,979,262
-	-	-	-	32,625
-	-	-	-	274,563
259,050	640,031	-	-	2,885,328
-	-	-	12,925	316,804
259,050	640,031	-	12,925	7,197,126
(85,074)	73,878	272,471	(12,925)	1,751,942
-	-	(2,680)	-	(2,211,540)
(85,074)	73,878	269,791	(12,925)	(459,598)
-	447,848	(269,791)	-	5,877,785
\$ (85,074)	\$ 521,726	\$ -	\$ (12,925)	\$ 5,418,187

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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 25,000	\$ 21,583	\$ (3,417)
From other agencies	2,139,937	2,058,477	(81,460)
TOTAL REVENUES	2,164,937	2,080,060	(84,877)
OTHER FINANCING USES:			
Transfers out	(2,164,937)	(2,080,060)	84,877
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -

Sec 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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Other taxes	\$ -	\$ 40,760	\$ 40,760
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	40,760	40,760
FUND BALANCE AT BEGINNING OF YEAR	4,153	4,153	-
FUND BALANCE AT END OF YEAR	<u>\$ 4,153</u>	<u>\$ 44,913</u>	<u>\$ 40,760</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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 1,125,512	\$ 1,129,424	\$ 3,912
Investment income, rents and concessions	30,000	18,017	(11,983)
TOTAL REVENUES	<u>1,155,512</u>	<u>1,147,441</u>	<u>(8,071)</u>
EXPENDITURES:			
Current:			
General government	50,473	29,185	21,288
Transportation	1,109,247	1,127,515	(18,268)
Community development	57,885	44,096	13,789
TOTAL EXPENDITURES	<u>1,217,605</u>	<u>1,200,796</u>	<u>16,809</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(62,093)	(53,355)	8,738
FUND BALANCE AT BEGINNING OF YEAR	<u>1,089,069</u>	<u>1,089,069</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,026,976</u>	<u>\$ 1,035,714</u>	<u>\$ 8,738</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 35,000	\$ 25,873	\$ (9,127)
From other agencies	<u>1,465,000</u>	<u>1,381,172</u>	<u>(83,828)</u>
TOTAL REVENUES	1,500,000	1,407,045	(92,955)
EXPENDITURES:			
Current:			
Community development	<u>1,500,000</u>	<u>1,790,743</u>	<u>(290,743)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(383,698)	(383,698)
FUND BALANCE AT BEGINNING OF YEAR	<u>1,310,413</u>	<u>1,310,413</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 1,310,413</u>	<u>\$ 926,715</u>	<u>\$ (383,698)</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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 933,582	\$ 938,583	\$ 5,001
Investment income, rents and concessions	80,000	45,269	(34,731)
Other	-	62,063	62,063
TOTAL REVENUES	<u>1,013,582</u>	<u>1,045,915</u>	<u>32,333</u>
EXPENDITURES:			
Current:			
Transportation	166,046	146,922	19,124
Capital outlay:			
Transportation	<u>2,213,858</u>	<u>1,352,180</u>	<u>861,678</u>
TOTAL EXPENDITURES	<u>2,379,904</u>	<u>1,499,102</u>	<u>880,802</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,366,322)	(453,187)	913,135
FUND BALANCE AT BEGINNING OF YEAR	<u>2,819,812</u>	<u>2,819,812</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,453,490</u>	<u>\$ 2,366,625</u>	<u>\$ 913,135</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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 2,445	\$ 2,445
From other agencies	88,000	91,199	3,199
TOTAL REVENUES	88,000	93,644	5,644
EXPENDITURES:			
Current:			
General government	4,800	4,800	-
Transportation	16,459	15,191	1,268
TOTAL EXPENDITURES	21,259	19,991	1,268
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	66,741	73,653	6,912
FUND BALANCE AT BEGINNING OF YEAR	117,856	117,856	-
FUND BALANCE AT END OF YEAR	\$ 184,597	\$ 191,509	\$ 6,912

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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 772,100	\$ 1,207,303	\$ 435,203
EXPENDITURES:			
Current:			
General government	65,172	76,431	(11,259)
Community development	155,103	144,423	10,680
Culture and leisure	97,133	97,133	-
Capital outlay:			
Transportation	600,496	600,496	-
Culture and leisure	407,330	303,879	103,451
TOTAL EXPENDITURES	1,325,234	1,222,362	102,872
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(553,134)	(15,059)	538,075
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (553,134)	\$ (15,059)	\$ 538,075

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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 2,500	\$ 2,533	\$ 33
From other agencies	100,000	225,956	125,956
TOTAL REVENUES	102,500	228,489	125,989
EXPENDITURES:			
Current:			
Public safety	102,500	43,994	58,506
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	184,495	184,495
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ 184,495	\$ 184,495

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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 699	\$ 699
From other agencies	266,280	266,280	-
TOTAL REVENUES	266,280	266,979	699
EXPENDITURES:			
Current:			
Public safety	266,280	264,506	1,774
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	2,473	2,473
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ 2,473	\$ 2,473

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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 23,000	\$ 8,627	\$ (14,373)
EXPENDITURES:			
Current:			
Health and sanitation	23,000	1,286	21,714
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	7,341	7,341
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(682)	(682)	-
FUND BALANCE AT END OF YEAR	<u>\$ (682)</u>	<u>\$ 6,659</u>	<u>\$ 7,341</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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 33,571	\$ 33,571	\$ -
EXPENDITURES:			
Capital outlay:			
Transportation	40,000	33,571	6,429
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,429)	-	6,429
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ (6,429)	\$ -	\$ 6,429

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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 537	\$ 537
From other agencies	14,676	42,770	28,094
TOTAL REVENUES	14,676	43,307	28,631
EXPENDITURES:			
Current:			
Health and sanitation	24,214	19,186	5,028
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,538)	24,121	33,659
FUND BALANCE AT BEGINNING OF YEAR	4,866	4,866	-
FUND BALANCE AT END OF YEAR	\$ (4,672)	\$ 28,987	\$ 33,659

See independent auditors' report.

CITY OF LAKEWOOD

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

BEVERAGE CONTAINER GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 203,118	\$ 17,981	\$ (185,137)
EXPENDITURES:			
Current:			
Health and sanitation	<u>203,118</u>	<u>12,153</u>	<u>190,965</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	5,828	5,828
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(8,116)</u>	<u>(8,116)</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (8,116)</u>	<u>\$ (2,288)</u>	<u>\$ 5,828</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

PROP A RECREATION SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 180,935	\$ 167,590	\$ (13,345)
EXPENDITURES:			
Current:			
Culture and leisure	180,935	177,430	3,505
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(9,840)	(9,840)
OTHER FINANCING USES:			
Transfers out	-	(128,800)	(128,800)
NET CHANGE IN FUND BALANCE	-	(138,640)	(138,640)
FUND BALANCE AT BEGINNING OF YEAR	275,638	275,638	-
FUND BALANCE AT END OF YEAR	<u>\$ 275,638</u>	<u>\$ 136,998</u>	<u>\$ (138,640)</u>

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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 173,976	\$ 173,976	\$ -
EXPENDITURES:			
Capital outlay:			
Transportation	173,976	259,050	(85,074)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(85,074)	(85,074)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ -	\$ (85,074)	\$ (85,074)

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, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 13,657	\$ 13,657
From other agencies	100,000	700,252	600,252
TOTAL REVENUES	100,000	713,909	613,909
EXPENDITURES:			
Capital outlay:			
Transportation	1,107,958	640,031	467,927
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,007,958)	73,878	1,081,836
FUND BALANCE AT BEGINNING OF YEAR	447,848	447,848	-
FUND BALANCE AT END OF YEAR	\$ (560,110)	\$ 521,726	\$ 1,081,836

See independent auditors' report.

CITY OF LAKEWOOD

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

NSP GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ -	\$ 272,471	\$ 272,471
OTHER FINANCING USES:			
Transfers out	-	(2,680)	(2,680)
NET CHANGE IN FUND BALANCE	-	269,791	269,791
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(269,791)	(269,791)	-
FUND BALANCE AT END OF YEAR	<u>\$ (269,791)</u>	<u>\$ -</u>	<u>\$ 269,791</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

RIVER PARK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
EXPENDITURES:			
Capital outlay:			
Culture and leisure	\$ 106,638	\$ 12,925	\$ 93,713
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(106,638)	(12,925)	93,713
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (106,638)	\$ (12,925)	\$ 93,713

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 ASSETS
INTERNAL SERVICE FUNDS

June 30, 2011

	Central Garage	Print Shop	Totals
ASSETS			
CURRENT ASSETS:			
Cash and investments	\$ 11,667	\$ -	\$ 11,667
Inventories	24,846	2,055	26,901
TOTAL CURRENT ASSETS	36,513	2,055	38,568
NONCURRENT ASSETS			
Capital assets:			
Equipment	1,293,124	-	1,293,124
Less: accumulated depreciation	(1,293,124)	-	(1,293,124)
Total capital assets (net of accumulated depreciation)	-	-	-
TOTAL ASSETS	36,513	2,055	38,568
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	5,756	7,387	13,143
Accrued liabilities	5,479	4,016	9,495
TOTAL CURRENT LIABILITIES	11,235	11,403	22,638
NET ASSETS			
Invested in capital assets	-	-	-
Unrestricted	25,278	(9,348)	15,930
TOTAL NET ASSETS (DEFICIT)	\$ 25,278	\$ (9,348)	\$ 15,930

See independent auditors' report.

CITY OF LAKEWOOD

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

For the year ended June 30, 2011

	Central Garage	Print Shop	Totals
OPERATING REVENUES:			
Billings to departments	\$ 962,029	\$ 385,269	\$ 1,347,298
OPERATING EXPENSES:			
Operations:			
Cost of goods sold	914,166	383,766	1,297,932
Depreciation	-	-	-
TOTAL OPERATING EXPENSES	914,166	383,766	1,297,932
OPERATING INCOME/CHANGE IN NET ASSETS	47,863	1,503	49,366
NET ASSETS (DEFICITS) AT BEGINNING OF YEAR	(22,585)	(10,851)	(33,436)
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 25,278	\$ (9,348)	\$ 15,930

See independent auditors' report.

CITY OF LAKEWOOD

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2011

	Central Garage	Print Shop	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 962,029	\$ 385,269	\$ 1,347,298
Payments to suppliers	(476,381)	(128,408)	(604,789)
Payments to employees	(422,821)	(257,624)	(680,445)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	62,827	(763)	62,064
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Payments to other funds	(51,160)	-	(51,160)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,667	(763)	10,904
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	763	763
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 11,667	\$ -	\$ 11,667
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income	\$ 47,863	\$ 1,503	\$ 49,366
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	-	-	-
Changes in operating assets and liabilities:			
(Increase) decrease in prepaid items	756	-	756
(Increase) decrease in inventories	13,841	(157)	13,684
Increase (decrease) in accounts payable	16	(3,217)	(3,201)
Increase (decrease) in accrued liabilities	351	1,108	1,459
TOTAL ADJUSTMENTS	14,964	(2,266)	12,698
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 62,827	\$ (763)	\$ 62,064

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).

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

CITY OF LAKEWOOD

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2011

	Agency Funds					Totals
	Deposit	Housing Rehabilitation	Sheriff Station Renovation	Lakewood Business Development	Southeast Water Coalition	
ASSETS:						
Cash and investments	\$ 671,961	\$ 177,547	\$ 12,594	\$ 726,308	\$ -	\$ 1,588,410
Loans receivable	-	883,582	-	355,724	-	1,239,306
TOTAL ASSETS	\$ 671,961	\$ 1,061,129	\$ 12,594	\$ 1,082,032	\$ -	\$ 2,827,716
LIABILITIES:						
Accounts payable	\$ 6,508	\$ 3,210	\$ -	\$ 2,515	\$ -	\$ 12,233
Deposits	665,453	142,886	12,594	-	-	820,933
Duc to EDA	-	-	-	1,079,517	-	1,079,517
Due to HUD	-	915,033	-	-	-	915,033
TOTAL LIABILITIES	\$ 671,961	\$ 1,061,129	\$ 12,594	\$ 1,082,032	\$ -	\$ 2,827,716

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Delctions	Balance June 30, 2011
DEPOSIT FUND				
ASSETS:				
Cash and investments	\$ 641,993	\$ 156,996	\$ 127,028	\$ 671,961
LIABILITIES:				
Accounts payable	\$ 298	\$ 121,800	\$ 115,590	\$ 6,508
Deposits	641,695	166,753	142,995	665,453
TOTAL LIABILITIES	\$ 641,993	\$ 288,553	\$ 258,585	\$ 671,961
HOUSING REHABILITATION FUND				
ASSETS:				
Cash and investments	\$ 173,398	\$ 218,276	\$ 214,127	\$ 177,547
Loans receivable	915,901	-	32,319	883,582
TOTAL ASSETS	\$ 1,089,299	\$ 218,276	\$ 246,446	\$ 1,061,129
LIABILITIES:				
Accounts payable	\$ 19,073	\$ 154,134	\$ 169,997	\$ 3,210
Deposits	122,874	171,514	151,502	142,886
Due to HUD	947,352	-	32,319	915,033
TOTAL LIABILITIES	\$ 1,089,299	\$ 325,648	\$ 353,818	\$ 1,061,129
SHERIFF STATION RENOVATION				
ASSETS:				
Cash and investments	\$ 186,104	\$ 14,798	\$ 188,308	\$ 12,594
LIABILITIES:				
Deposits	\$ 186,104	\$ 14,798	\$ 188,308	\$ 12,594
LAKESWOOD BUSINESS DEVELOPMENT				
ASSETS:				
Cash and investments	\$ 687,285	\$ 44,521	\$ 5,498	\$ 726,308
Loans receivable	459,417	925	104,618	355,724
TOTAL ASSETS AS RESTATED	\$ 1,146,702	\$ 45,446	\$ 110,116	\$ 1,082,032
LIABILITIES:				
Accounts payable	\$ 1,735	\$ 6,100	\$ 5,320	\$ 2,515
Due to EDA	1,144,967	40,893	106,343	1,079,517
TOTAL LIABILITIES AS RESTATED	\$ 1,146,702	\$ 46,993	\$ 111,663	\$ 1,082,032

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, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
SOUTHEAST WATER COALITION				
ASSETS:				
Cash and investments	\$ 104,147	\$ -	\$ 104,147	\$ -
Accounts receivable	10,000	-	10,000	-
TOTAL ASSETS	<u>\$ 114,147</u>	<u>\$ -</u>	<u>\$ 114,147</u>	<u>\$ -</u>
LIABILITIES:				
Accounts payable	\$ 114,147	\$ -	\$ 114,147	\$ -
Deposits	-	-	-	-
TOTAL LIABILITIES	<u>\$ 114,147</u>	<u>\$ -</u>	<u>\$ 114,147</u>	<u>\$ -</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 1,792,927	\$ 434,591	\$ 639,108	\$ 1,588,410
Accounts receivable	10,000	-	10,000	-
Loans receivable	1,375,318	925	136,937	1,239,306
TOTAL ASSETS AS RESTATED	<u>\$ 3,178,245</u>	<u>\$ 435,516</u>	<u>\$ 786,045</u>	<u>\$ 2,827,716</u>
LIABILITIES:				
Accounts payable	\$ 135,253	\$ 282,034	\$ 405,054	\$ 12,233
Deposits	950,673	353,065	482,805	820,933
Due to EDA	1,144,967	40,893	106,343	1,079,517
Due to HUD	947,352	-	32,319	915,033
TOTAL LIABILITIES AS RESTATED	<u>\$ 3,178,245</u>	<u>\$ 675,992</u>	<u>\$ 1,026,521</u>	<u>\$ 2,827,716</u>

See independent auditors' report.

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2011

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.	102 - 111
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	112 - 115
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	116 - 123
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	124 - 125
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	126 - 131

CITY OF LAKEWOOD

Net Assets by Component

Last Nine Fiscal Years
(accrual basis of accounting)

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

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 80,280,502	\$ 80,655,513	\$ 84,047,863	\$ 85,293,777	\$ 88,276,871
14,647,204	16,173,588	20,797,866	14,548,668	14,470,603
31,896,543	34,073,759	33,383,975	39,198,464	40,166,581
<u>\$ 126,824,249</u>	<u>\$ 130,902,860</u>	<u>\$ 138,229,704</u>	<u>\$ 139,040,909</u>	<u>\$ 142,914,055</u>
\$ 18,820,327	\$ 18,683,373	\$ 21,214,604	\$ 22,410,549	\$ 23,324,720
-	-	-	-	-
7,150,032	9,629,136	9,438,065	9,181,738	8,450,077
<u>\$ 25,970,359</u>	<u>\$ 28,312,509</u>	<u>\$ 30,652,669</u>	<u>\$ 31,592,287</u>	<u>\$ 31,774,797</u>
\$ 99,100,829	\$ 99,338,886	\$ 105,262,467	\$ 107,704,326	\$ 111,601,591
14,647,204	16,173,588	20,797,866	14,548,668	14,470,603
39,046,575	43,702,895	42,822,040	48,380,202	48,616,658
<u>\$ 152,794,608</u>	<u>\$ 159,215,369</u>	<u>\$ 168,882,373</u>	<u>\$ 170,633,196</u>	<u>\$ 174,688,852</u>

CITY OF LAKEWOOD

Changes in Net Assets - Expenses and Program Revenues

Last Nine Fiscal Years
(accrual basis of accounting)

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

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

Source: Department of Administrative Services, City of Lakewood

Fiscal Year				
2007	2008	2009	2010	2011
\$ 8,510,064	\$ 8,128,441	\$ 7,835,015	\$ 7,405,705	\$ 7,202,986
11,356,267	12,455,676	12,620,187	12,625,750	12,715,680
4,824,504	5,649,724	5,674,897	5,156,031	5,247,578
10,309,543	10,717,032	10,336,150	13,807,173	11,240,548
4,250,787	4,449,649	4,238,617	4,282,434	4,451,021
9,019,931	9,141,664	9,368,215	9,758,660	10,037,245
1,776,204	1,979,819	2,180,932	2,247,016	2,325,713
2,795,304	3,077,480	3,114,073	649,264	454,054
52,842,604	55,599,485	55,368,086	55,932,033	53,674,825
6,276,836	6,880,787	6,610,831	7,473,557	8,113,079
<u>\$ 59,119,440</u>	<u>\$ 62,480,272</u>	<u>\$ 61,978,917</u>	<u>\$ 63,405,590</u>	<u>\$ 61,787,904</u>
\$ 859,860	\$ 1,187,144	\$ 1,332,148	\$ 1,200,911	\$ 1,077,906
1,351,445	1,423,814	1,512,415	1,250,887	954,298
1,133,876	1,169,018	710,503	961,786	1,066,061
4,346,022	4,489,476	4,563,049	4,785,217	4,752,505
1,561,244	1,574,007	1,487,320	1,508,914	1,479,616
7,988,389	8,182,326	9,855,674	7,053,631	8,037,655
822,247	1,263,382	790,799	3,166,065	2,760,832
18,063,083	19,289,167	20,251,908	19,927,411	20,128,873
8,996,352	8,916,030	8,499,939	8,154,174	8,124,574
<u>\$ 27,059,435</u>	<u>\$ 28,205,197</u>	<u>\$ 28,751,847</u>	<u>\$ 28,081,585</u>	<u>\$ 28,253,447</u>
\$ (34,779,521)	\$ (36,310,318)	\$ (35,116,178)	\$ (36,004,622)	\$ (33,545,952)
2,719,516	2,035,243	1,889,108	680,617	11,495
<u>\$ (32,060,005)</u>	<u>\$ (34,275,075)</u>	<u>\$ (33,227,070)</u>	<u>\$ (35,324,005)</u>	<u>\$ (33,534,457)</u>

CITY OF LAKEWOOD

Changes in Net Assets - General Revenues

Last Nine Fiscal Years
(accrual basis of accounting)

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

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 11,766,140	\$ 10,681,315	\$ 11,198,871	\$ 10,658,959	\$ 11,262,520
18,479,238	18,955,132	19,537,963	19,558,410	19,062,606
1,236,819	1,249,586	1,453,817	1,374,501	1,455,300
396,078	476,926	462,403	456,269	469,595
3,239,797	3,517,707	3,490,921	3,591,722	3,508,512
358,325	602,798	467,661	252,997	246,165
446,043	35,099	35,089	245,415	383,059
740,072	433,593	555,376	556,774	1,147,814
4,540,996	4,654,612	3,987,964	949,717	566,427
41,203,508	40,606,768	41,190,065	37,644,764	38,101,998
36,000	-	-	-	-
371,213	342,341	462,016	259,001	171,015
407,213	342,341	462,016	259,001	171,015
\$ 41,610,721	\$ 40,949,109	\$ 41,652,081	\$ 37,903,765	\$ 38,273,013
\$ 6,423,987	\$ 4,296,450	\$ 6,073,887	\$ 1,640,142	\$ 4,556,046
3,126,729	2,377,584	2,351,124	939,618	182,510
\$ 9,550,716	\$ 6,674,034	\$ 8,425,011	\$ 2,579,760	\$ 4,738,556

CITY OF LAKEWOOD

Fund Balances of Governmental Funds

Last Nine Fiscal Years
(modified accrual basis of accounting)

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

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 28,796,772	\$ 29,328,980	\$ 25,260,235	\$ 24,638,651	
26,661,511	27,880,662	27,795,309	26,616,473	
<u>\$ 55,458,283</u>	<u>\$ 57,209,642</u>	<u>\$ 53,055,544</u>	<u>\$ 51,255,124</u>	<u>\$ -</u>
\$ 13,523,632	\$ 17,498,570	\$ 18,188,115	\$ 21,940,936	
-	(1,235,920)	(215,141)	(780,506)	
(23,295,789)	(24,250,320)	(23,842,134)	(26,278,253)	
(143,399)	(492,819)	(2,282,333)	(5,983,071)	
<u>\$ (9,915,556)</u>	<u>\$ (8,480,489)</u>	<u>\$ (8,151,493)</u>	<u>\$ (11,100,894)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 17,679,908
-	-	-	-	-
-	-	-	-	28,402,628
-	-	-	-	7,774,015
-	-	-	-	1,258,266
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,114,817</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,526,041
-	-	-	-	11,739,494
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(33,387,970)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,122,435)</u>

CITY OF LAKEWOOD

Changes in Fund Balances of Governmental Funds

Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 23,805,100	\$ 25,793,195	\$ 28,368,107	\$ 30,125,649
Licenses and permits	659,201	852,446	790,743	863,646
Fines and forfeitures	612,967	563,936	569,626	622,236
Investment income, rents and concessions	2,876,540	1,905,643	4,108,890	2,814,652
From other agencies	11,543,865	10,016,274	10,647,318	11,374,361
Current service charges	6,069,882	6,462,339	6,811,857	7,479,770
Other	1,013,740	2,912,843	1,025,694	1,419,205
Total revenues	<u>46,581,295</u>	<u>48,506,676</u>	<u>52,322,235</u>	<u>54,699,519</u>
Expenditures:				
Current:				
General government	5,983,811	6,368,463	5,898,051	7,209,635
Public safety	9,570,375	9,747,244	10,260,258	10,962,340
Transportation	3,610,737	5,664,657	4,122,970	4,850,734
Community development	6,272,891	9,472,107	9,150,363	10,267,364
Health and sanitation	4,147,217	3,515,646	4,254,469	3,789,774
Culture and leisure	6,205,909	6,500,490	7,100,285	7,917,301
Capital outlay:				
General government	188,277	-	6,794	303,694
Public safety	113,303	273,949	454,808	445,368
Transportation	3,445,983	1,757,205	2,112,737	2,761,071
Community development	534,184	2,200	88,927	248,210
Culture and leisure	1,833,116	282,749	186,273	437,430
Debt service:				
Owner participation agreement payments	533,023	1,012,281	1,005,470	760,019
Advance refunding escrow	-	994,037	-	-
Bond issuance costs	-	364,559	-	-
Principal retirement	500,000	550,000	820,000	790,000
Interest and fiscal charges	2,572,497	2,553,708	2,479,841	2,160,673
Total expenditures	<u>45,511,323</u>	<u>49,059,295</u>	<u>47,941,246</u>	<u>52,903,613</u>
Excess of revenues over (under) expenditures	<u>1,069,972</u>	<u>(552,619)</u>	<u>4,380,989</u>	<u>1,795,906</u>
Other financing sources (uses):				
Transfers in	9,339,721	6,766,278	6,814,752	10,948,367
Transfers out	(9,762,223)	(7,158,906)	(7,320,391)	(11,809,560)
Refunding bonds issued	-	8,370,000	-	-
Bond premium	-	66,514	-	-
Payment to bond escrow agent	-	(7,248,938)	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(422,502)</u>	<u>794,948</u>	<u>(505,639)</u>	<u>(861,193)</u>
Net change in fund balances	<u>\$ 647,470</u>	<u>\$ 242,329</u>	<u>\$ 3,875,350</u>	<u>\$ 934,713</u>
Debt service as a percentage of noncapital expenditures	7.06%	6.70%	7.31%	6.12%

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

Source: Department of Administrative Services, City of Lakewood

Fiscal Year				
2007	2008	2009	2010	2011
\$ 31,784,445	\$ 31,000,225	\$ 31,590,639	\$ 30,797,180	\$ 31,649,661
738,038	923,086	592,929	713,054	770,650
716,319	824,290	1,208,896	1,013,090	881,450
2,561,550	3,484,410	2,782,769	1,811,706	5,450,149
14,710,260	15,883,025	15,253,739	14,843,273	15,618,323
7,651,476	7,863,790	7,532,352	7,634,788	7,746,660
607,189	826,595	677,272	310,301	1,168,393
58,769,277	60,805,421	59,638,596	57,123,392	63,285,286
8,107,339	7,757,977	11,926,351	7,348,565	6,859,346
11,681,352	12,331,098	12,548,066	12,572,454	12,671,881
4,553,872	5,350,765	5,586,431	5,071,028	5,230,678
9,452,465	10,066,888	9,630,108	13,283,953	10,491,644
4,238,095	4,445,610	4,236,923	4,281,204	4,449,913
8,260,888	8,323,630	8,813,143	9,007,504	9,346,305
132,630	149,824	6,259	124,233	-
412,453	212,983	6,032	-	71,053
6,190,273	1,711,708	4,576,032	2,961,116	4,946,347
109,297	59,865	71,327	412,622	72,347
1,641,415	1,935,873	2,013,129	1,910,047	1,301,069
760,698	760,974	761,781	761,781	764,882
-	-	-	-	-
-	-	-	-	-
860,000	885,000	920,000	960,000	1,000,000
2,774,360	3,057,549	3,094,768	3,048,683	4,558,769
59,175,137	57,049,744	64,190,350	61,743,190	61,764,234
(405,860)	3,755,677	(4,551,754)	(4,619,798)	1,521,052
14,223,245	8,100,982	6,478,745	6,241,294	5,940,999
(14,376,187)	(8,874,791)	(7,008,948)	(6,241,294)	(5,940,999)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
689,520	-	-	-	-
536,578	(773,809)	(530,203)	-	-
\$ 130,718	\$ 2,981,868	\$ (5,081,957)	\$ (4,619,798)	\$ 1,521,052
7.26%	7.43%	6.99%	7.10%	10.04%

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
2002	\$ 4,150,896	\$ 1,330	\$ 121,253	\$ 4,273,479	0.161%
2003	4,378,849	1,219	121,478	4,501,546	0.160%
2004	4,705,822	1,355	110,380	4,817,557	0.158%
2005	5,129,355	1,627	120,676	5,251,658	0.169%
2006	5,685,313	2,089	123,017	5,810,419	0.167%
2007	6,288,569	1,862	124,448	6,414,879	0.167%
2008	6,855,443	268	122,010	6,977,721	0.169%
2009	7,134,053	268	135,015	7,269,336	0.171%
2010	6,877,477	268	129,973	7,007,718	0.180%
2011	6,899,318	268	132,663	7,032,249	0.180%

NOTE:

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

CITY OF LAKEWOOD

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

Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City Direct Rates:										
City basic rate	\$ 0.1607	\$ 0.1600	\$ 0.1577	\$ 0.1688	\$ 0.1666	\$ 0.1676	\$ 0.1689	\$ 0.1706	\$ 0.1796	\$ 0.1799
Overlapping Rates:										
Los Angeles County	0.0011	0.0010	0.0009	0.0009	0.0008	0.0007	-	-	-	-
School Districts	0.1094	0.1186	0.1236	0.1272	0.1186	0.1099	0.2049	0.2200	0.2824	0.2686
Sanitation and Water	0.0010	-	-	0.0002	-	-	-	-	-	-
Water Districts	0.0077	0.0067	0.0061	0.0058	0.0052	0.2778	0.0045	0.0043	0.0043	0.0037
Other	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Total Direct Rate	\$ 1.2799	\$ 1.2863	\$ 1.2883	\$ 1.3029	\$ 1.2912	\$ 1.5560	\$ 1.3783	\$ 1.3949	\$ 1.4663	\$ 1.4522

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	2011		2002	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Maerich Lakewood LLC	\$ 272,250,273	3.87%	\$ 214,682,466	5.02%
Advance Group 05-86	81,615,903	1.16%	N/A	N/A
Lakewood Regional Medical Center	62,420,275	0.89%	N/A	N/A
Monterey Lakewood LLC	45,494,037	0.65%	N/A	N/A
May Company Department Stores	38,458,614	0.55%	N/A	N/A
Lakewood Marketplace LLC	35,467,219	0.50%	25,373,258	0.59%
Lakewood Associates LLC	27,845,580	0.40%	N/A	N/A
Regency Center LLC	26,590,603	0.38%	19,095,197	0.45%
Target Corporation	25,391,164	0.36%	N/A	N/A
Carwood Center LLC	25,300,000	0.36%	N/A	N/A
	<u>\$ 640,833,668</u>	<u>9.11%</u>	<u>\$ 259,150,921</u>	<u>6.06%</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
2002	\$ 2,378,980	\$ 2,244,259	94.34%	\$ 78,323	\$ 2,322,582	97.63%
2003	2,498,196	2,402,138	96.15%	56,894	2,459,032	98.43%
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%

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				Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds	Loans		
2002	\$ -	\$ 15,380,000	\$ -		\$ 15,380,000
2003	-	14,880,000	-		14,880,000
2004	-	14,710,000	-		14,710,000
2005	-	13,890,000	-		13,890,000
2006	-	13,100,000	-		13,100,000
2007	-	12,240,000	-		12,240,000
2008	-	11,355,000	-		11,355,000
2009	-	10,435,000	-		10,435,000
2010	-	9,475,000	-		9,475,000
2011	-	8,475,000	-		8,475,000

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.

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

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		
2002	\$ -	\$ 15,380	\$ 15,380	0.36%	\$ -
2003	-	14,880	14,880	0.33%	-
2004	-	14,710	14,710	0.31%	-
2005	-	13,890	13,890	0.26%	-
2006	-	13,100	13,100	0.23%	-
2007	-	12,240	12,240	0.19%	-
2008	-	11,355	11,355	0.16%	-
2009	-	10,435	10,435	0.14%	-
2010	-	9,475	9,475	0.14%	-
2011	-	8,475	8,475	0.12%	-

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, 2011

Total Assessed Valuation		\$ 6,144,374,646	
	Percentage Applicable ¹	Outstanding Debt 6/30/11	Estimated Share of Overlapping Debt
Overlapping Debt:			
Metropolitan Water District	0.724%	\$ 107,259,876	\$ 776,034
Cerritos Community College District 2004 Series 2004A	7.038%	2,930,000	206,214
Cerritos Community College District 2005 Refunding Bonds	7.038%	22,358,702	1,573,611
Cerritos Community College District 2004 Series 2006	7.038%	30,645,000	2,156,803
Cerritos Community College District 2004 Series 2009C	7.038%	53,635,000	3,774,844
Compton Community College District 2002 Series A	2.769%	35,500,000	982,929
Compton Community College District 2002 Series 2008A	2.769%	14,355,000	397,463
Long Beach Community College District 2002 Series A, 2003 Debt Service	8.434%	2,415,000	203,676
Long Beach Community College District 2002 Series B, 2005 Debt Service	8.434%	58,560,000	4,938,816
Long Beach Community College District Ref BD 2002 Series C, 2005	8.434%	14,909,898	1,257,467
Long Beach Community College District 2002 Series D, 2007 Debt Service	8.434%	70,999,987	5,987,976
Long Beach Community College District 2008 Series A, 2008 Debt Service	8.434%	48,373,981	4,079,750
ABC Unified School District 2003 Refunding Series A Debt Service	9.715%	15,530,000	1,508,779
ABC Unified School District 1997 Series B Debt Service	9.715%	29,626,700	2,878,309
ABC Unified School District 2010 Refunding Bonds Debt Service	9.715%	10,670,000	1,036,618
Long Beach Unified School District 2011 Debt Service	8.432%	3,020,686	254,691
Long Beach Unified School District 2011 (QSCBS) Debt Service	8.432%	72,406,000	6,104,960
Long Beach Unified School District 1999 Series C Debt Service	8.432%	19,805,000	1,669,872
Long Beach Unified School District 1999 Series D Debt Service	8.432%	17,030,000	1,435,896
Long Beach Unified School District 1999 Series E Debt Service	8.432%	26,245,000	2,212,865
Long Beach Unified School District 1999 Series F Debt Service	8.432%	31,230,000	2,633,178
Long Beach Unified School District 1999 Series G	8.432%	29,995,606	2,529,099
Long Beach Unified School District 2008 Refunding Bonds	8.432%	38,320,000	3,230,976
Long Beach Unified School District 2008 Series A Debt Service	8.432%	237,740,000	20,045,206
Long Beach Unified School District Ref Bonds, Series B Debt Service	8.432%	27,240,000	2,296,759
Long Beach Unified School District 2010 & 2011 Ref Bonds, Debt Service	8.432%	63,050,000	5,316,103
Paramount Unified School District 2005 Ref Bonds Debt Service	9.805%	20,645,000	2,024,272
Paramount Unified School District 1998 Series B Debt Service	9.805%	7,714,976	756,465
Paramount Unified School District 2006 Series Debt Service 2007	9.805%	28,140,000	2,759,168
Total overlapping debt		1,140,351,412	85,028,799
City Direct Debt:			
Water Revenue Bonds		5,112,062	5,112,062
Total direct and overlapping debt			\$ 90,140,861

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			
	2002	2003	2004	2005
Assessed valuation (In thousands)	\$ 4,273,479	\$ 4,501,546	\$ 4,817,557	\$ 5,251,658
Debt limit percentage	15%	15%	15%	15%
Debt limit (In thousands)	641,022	675,232	722,634	787,749
Total net debt applicable to limit: General obligation bonds (In thousands)	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 641,022</u>	<u>\$ 675,232</u>	<u>\$ 722,634</u>	<u>\$ 787,749</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					
2006	2007	2008	2009	2010	2011
\$ 5,810,419	\$ 6,414,879	\$ 6,977,721	\$ 7,269,336	\$ 7,007,717	\$ 7,032,248
15%	15%	15%	15%	15%	15%
871,563	962,232	1,046,658	1,090,400	1,051,158	1,054,837
-	-	-	-	-	-
<u>\$ 871,563</u>	<u>\$ 962,232</u>	<u>\$ 1,046,658</u>	<u>\$ 1,090,400</u>	<u>\$ 1,051,158</u>	<u>\$ 1,054,837</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 Expenscs	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 6,064	\$ 4,901	\$ 1,163	\$ 235	\$ 268	2.31
2003	6,253	5,036	1,217	245	258	2.42
2004	6,977	4,836	2,141	255	247	4.26
2005	6,867	5,041	1,826	265	235	3.65
2006	7,214	5,276	1,938	325	146	4.11
2007	8,996	5,265	3,731	340	133	7.89
2008	8,915	5,990	2,925	355	119	6.17
2009	8,499	5,228	3,271	370	266	5.14
2010	8,154	6,008	2,146	560	258	2.62
2011	8,132	6,556	1,576	580	238	1.93

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				Coverage
	Tax Increment	Debt Service			
		Principal	Interest		
2002	\$ 4,017	\$ 290	\$ 965	3.20	
2003	4,341	500	942	3.01	
2004	5,277	550	911	3.61	
2005	6,739	820	631	4.64	
2006	6,283	790	603	4.51	
2007	8,762	860	574	6.11	
2008	8,280	885	249	7.30	
2009	8,638	920	507	6.05	
2010	9,305	960	468	6.52	
2011	8,747	1,000	426	6.13	

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

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2001	80,347	\$ 2,450,825	\$ 30,503	3.4%
2002	81,415	2,509,862	30,828	4.1%
2003	82,341	2,589,789	31,452	4.2%
2004	82,988	2,753,459	33,179	3.9%
2005	83,175	2,152,497	24,106	3.2%
2006	89,293	N/A	N/A	N/A
2007	83,486	1,844,623	22,095	5.3%
2008	83,508	2,333,548	27,944	7.2%
2009	83,196	2,207,456	26,533	7.5%
2010	83,636	2,216,103	26,497	8.2%

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

CITY OF LAKEWOOD

Principal Employers

Current Fiscal Year and Nine Fiscal Years Ago

Employer	2011		2002	
	Number of Employees	Percent of Total Employment*	Number of Employees	Percent of Total Employment
Long Beach Unified School District	973	5.72%	N/A	N/A
Lakewood Regional Medical Center	783	4.61%	N/A	N/A
City of Lakewood	591	3.48%	N/A	N/A
Department of Children and Family Services	483	2.84%	N/A	N/A
Bellflower Unified School District	397	2.34%	N/A	N/A
Los Angeles County Sheriff's Department	341	2.01%	N/A	N/A
Albertson's	334	1.96%	N/A	N/A
ABC Unified School District	319	1.88%	N/A	N/A
Wal-Mart	312	1.84%	N/A	N/A
Piazza McDonald's	231	1.36%	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			
	2002	2003	2004	2005
City Administration	N/A	N/A	N/A	N/A
City Clerk	N/A	N/A	N/A	N/A
Administrative Services	N/A	N/A	N/A	N/A
Community Development	N/A	N/A	N/A	N/A
Public Works	N/A	N/A	N/A	N/A
Recreation and Community Services	N/A	N/A	N/A	N/A
Water Resources	N/A	N/A	N/A	N/A
Total	169	171	174	174

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					
2006	2007	2008 (*)	2009	2010	2011
30	31	32	32	32	32
5	2	2	2	2	2
20	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	178	179	179	179	179

CITY OF LAKEWOOD

Operating Indicators by Function

Last Ten Fiscal Years

	Fiscal Year			
	2002	2003	2004	2005
Public works:				
Street resurfacing (miles)	N/A	N/A	N/A	N/A
Recreation and community services:				
Number of recreation classes	1,576	1,745	1,664	1,631
Number of facility rentals	7,546	7,207	7,725	7,258
Water:				
New connections	N/A	N/A	N/A	N/A
Number of consumers	20,415	20,412	20,313	20,101
Average daily consumption (thousands of gallons)	8,250	8,100	8,475	7,893
Community development:				
Number of building permits issued	1,619	1,912	1,950	2,104

* - Includes both residential and commercial permits.

Source: City of Lakewood

Fiscal Year					
2006	2007	2008	2009	2010	2011
13	24	7	9	4	8
1,734	1,709	1,945	1,993	1,945	2,230
7,559	7,532	6,900	6,390	4,845	5,486
8	11	14	10	7	12
20,125	21,449	20,403	20,079	20,396	20,421
7,332	8,900	8,506	7,747	7,323	6,920
2,001	3,405 *	1,646	1,066	2,825	2,889

CITY OF LAKEWOOD

Capital Asset Statistics
by Function

Last Ten Fiscal Years

	Fiscal Year			
	2002	2003	2004	2005
Public works:				
Streets (miles)	196	196	196	196
Streetlights	6,654	6,654	6,654	6,654
Recreation and community services:				
Number of recreation facilities	13	13	13	13
Acreage of facilities	152	152	152	152
Number of pools	2	2	2	2
Water:				
Water mains (miles)	195.00	195.00	195.00	195.00
Wastewater:				
Sewers (miles)	167.00	167.00	167.00	167.00

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

Fiscal Year					
2006	2007	2008	2009	2010	2011
196 6,654	196 6,654	196 6,654	196 6,654	196 6,654	196 6,654
13 152 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

