

City of Lakewood • California



Comprehensive Annual Financial Report Year Ended June 30, 2016

CITY OF LAKEWOOD, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

**FOR THE YEAR ENDED
JUNE 30, 2016**

Prepared by:
Administrative Services Department

Diane Perkin
Director of Administrative Services

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Diane DuBois
Vice Mayor

Steve Croft
Council Member



Todd Rogers
Council Member

Jeff Wood
Council Member

Ron Piazza
Mayor

December 13, 2016

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

TRANSMITTAL LETTER

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 government 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, 2016.

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 The Pun Group, 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, 2016 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 unmodified opinions that the City of

Lakewood's financial statements for the fiscal year ended June 30, 2016 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 "Single Audit" is a single organization-wide financial and compliance audit designed to promote sound financial management and effective internal controls with respect to federal awards administered by the City of Lakewood and focuses on compliance with laws and regulations governing federal awards. Internal controls encompass a system of accounting and administrative controls. Compliance refers to how well the City complies with the requirements in federal law, regulations, contracts, and grants applicable to each of its federal programs. 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 78,471 as of January 1, 2016.

The City of Lakewood has operated under the council-manager form of government since its incorporation. The City is a "contract city," having been the first in the country to adopt this form of government. John Stanford Todd's contributions to Lakewood and city government are now honored by two John Sanford Todd Memorial Highway signs located near the northern and southern borders of Lakewood along the 605 freeway. Policy-making and legislative authority are vested in a governing council consisting of five 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 government, 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, housing 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. Library services, fire protection services, and sewer services are provided by special districts of the County of Los Angeles. The City has excluded the

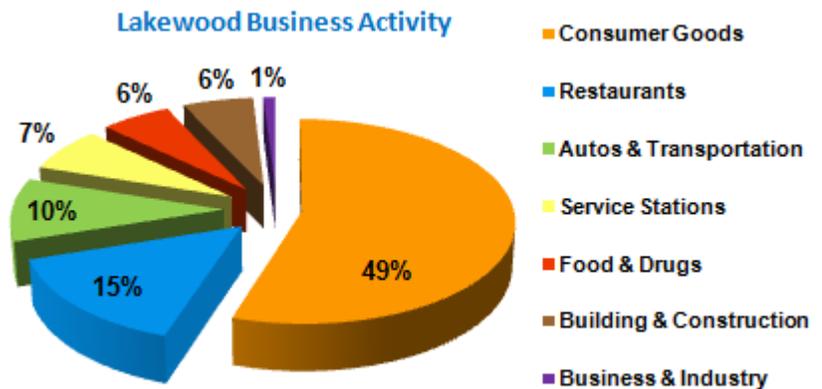
County of Los Angeles, as well as the State of California and various school districts, because they do not meet the established criteria for inclusion in the report.

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

ASSESSING THE CITY’S ECONOMIC CONDITION AND OUTLOOK

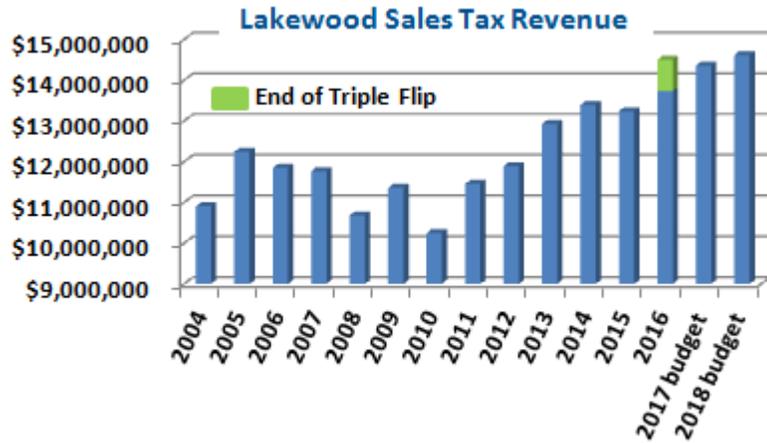
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Lakewood operates.

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



For the City of Lakewood, retail sales is the economic indicator that best heralds the City’s financial situation. Sales tax revenues account for 32 percent of General Fund revenues. There are over 3,000 businesses (including home occupations) located in Lakewood generating \$14.5 million in sales tax for the City in Fiscal Year 2015-2016. The economic base of Lakewood is largely retail and the City’s “top twenty-five” retail businesses as a group produce 54 percent of the City’s sales tax revenues.

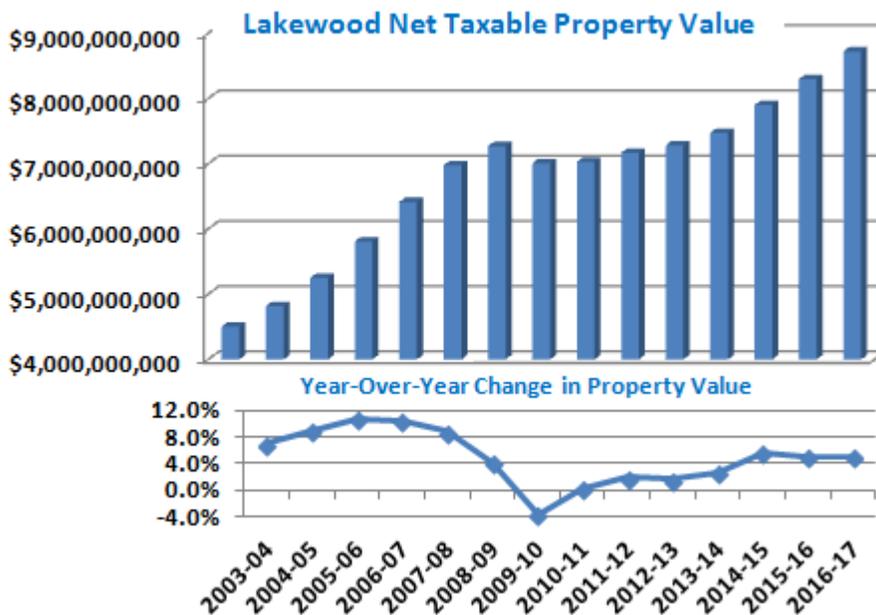
The City is expecting to see a slowing or leveling-off of sales tax revenue stemming from the continued migration of consumers away from traditional brick-and-mortar businesses to online shopping. The recently amended biennial budget for Fiscal Years 2016-2017 and 2017-2018 takes this change in consumers shopping habits into consideration and the budgeted increase in sales tax revenue is projected at 6.5 percent over the two years. Lakewood



will continue to benefit greatly from a popular regional shopping center and several smaller commercial plazas, but over time the loss of sales-tax revenue to online shopping may have an increasing impact on the City’s revenue. The state financing mechanism called the “triple flip” that began in 2004 came to an end in Fiscal Year 2015-2016 and in order to hold cities and counties harmless, ending the triple flip required one additional quarter of ERAF transfer to cities.

Economic development in the City added several retailers in the past year, expanding opportunities for shopping and dining, as well as adding over 1,000 jobs from 285 new Lakewood businesses in Lakewood. This built on the more than 5,000 jobs that new businesses brought to Lakewood the past six years. Among the new businesses are BevMo!, Hobby Lobby, H&M Fashion, H Mart supermarket, Orchard Supply & Hardware (OSH), Grocery Outlet, the return of Tokyo Hibachi restaurant, and a Farmer’s Market.

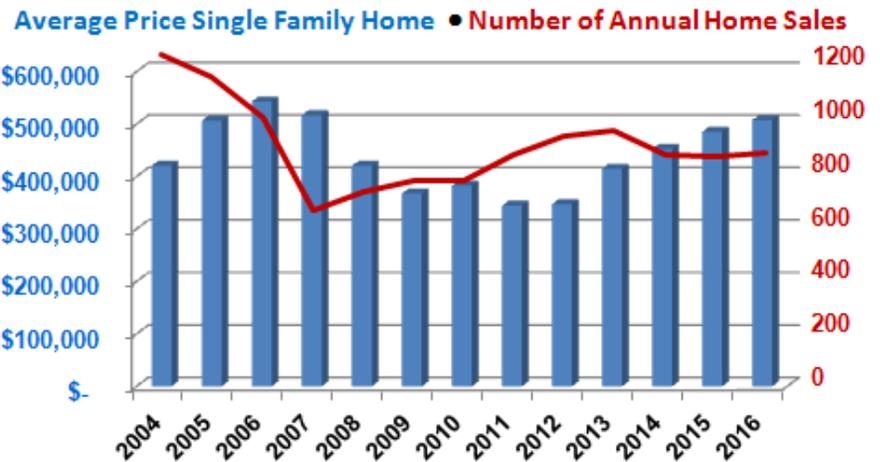
The City is a low property tax city, which means the City assessed a small municipal property tax prior to 1978-79 that has been folded into the tax base under Prop 13. Today, the City relies on a small 5.84 percent share of the county collections – the fifth lowest in the County. The County Assessor increased property tax assessments by a CPI of 1.525 percent from 2015-16 to 2016-17.



Property tax assessments were lowered in the last recession by the 1978 Prop 8 reductions, where the lesser of the adjusted base year value or market value is used for taxation. Prop 8 reductions still offset the year-over-year increase by reducing the assessed valuation by \$194 million on eight percent of the parcels in the city. However, the recapture of value on designated Prop 8 parcels was the fourth largest factor in increasing

the property values by \$72 million for 2016-17. The top three factors, transfer of ownership of \$155 million, CPI increase of \$100 million, and other charges of \$88 million, along with the recapture of Prop 8 valuations largely accounted for the overall taxable value increase of \$421 million. The main driver of the increase was residential properties at \$400 million, followed by commercial at \$21 million.

The total assessed value of real property in the city was \$8.7 billion for Fiscal Year 2016-2017, a 5.1 percent increase from the previous year. The growth in the City's assessed value of 5.1 percent was outpaced by the County which increased by 5.6 percent.



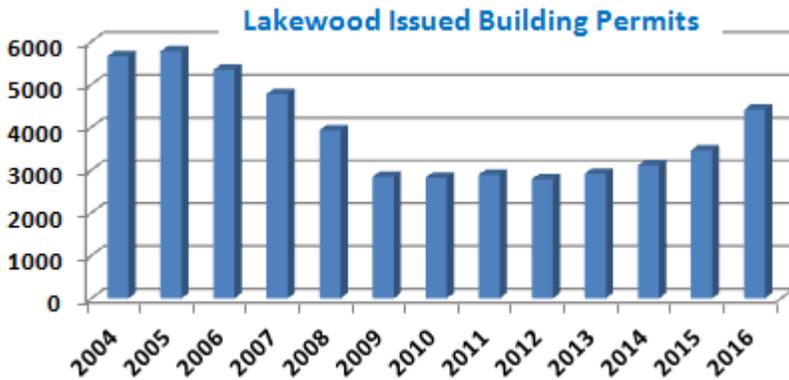
In calendar year 2016, the median single family Lakewood home is selling for \$510,000, a 7.3 percent increase from 2015. Home sales remained flat over the past year.

In Fiscal Year 2012-2013, the City of Lakewood began to receive residual property tax from the dissolution of the Lakewood Redevelopment Agency. Additionally, the property tax increment formerly held by the Lakewood Redevelopment Agency was disbursed to all other local taxing agencies. The City's share of these disbursements amounted to \$404,967 in Fiscal Year 2012-2013, and \$76,392 and \$90,184 in the two following fiscal years. The residual disbursement the City received in Fiscal Year 2015-2016 increased to \$436,749 due to the Successor Agency of the former Lakewood Redevelopment Agency making a \$9.4 million payment to the county. Future annual disbursements of residual property tax are expected to increase slightly over ten years eventually reaching about \$350,000, and continuing at that level into future years.



In an effort to retain full value of local property tax receipts, in Fiscal Year 2007-2008 the City joined in a Collective Action against Los Angeles County regarding property tax admin fees. The case was settled in Fiscal Year 2012-2013 resulting in a refund to the City of \$804,544 in excess property tax fees. The settlement also resulted in an on-going annual reduction of \$150,000 of the property tax administrative fee.

Property tax revenue in Fiscal Year 2015-2016 increased by five percent over the prior year, exceeded expectations by 1.9 percent, and is expected to further increase by three percent in Fiscal Year 2016-2017. Property tax revenue accounts for 10.7 percent of General Fund revenues. Since the approval of the 2004 Prop 1A and subsequent implementation of the “triple-flip,” changes in property tax valuation have a greater impact. Under the “triple-flip,” vehicle license fee revenue growth is tied to property tax growth. Property tax in-lieu of vehicle license fees accounts for an additional 17.2 percent of General Fund revenues.

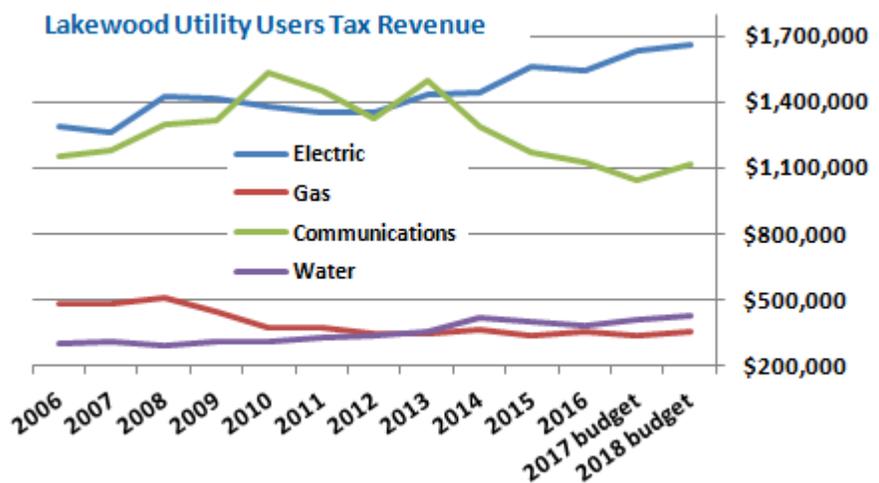


Building permits issued by the City remains 24 percent below the peak reached in Fiscal Year 2004-2005. During Fiscal Year 2015-2016, 4,408 construction and remodeling permits were issued, which continued the recent multi-year upward trend of building activity. The City of Lakewood was named by the Los Angeles County Economic

Development Corp. as one of ten finalist for the Most Business-Friendly City in Los Angeles County award in 2016.

City revenues are also affected by changes in the commodity markets. The City’s assessed utility users tax represents 7.4 percent of General Fund revenues. The three percent tax is assessed on communications, electricity, natural gas and water use. Natural gas prices continue to be at low levels resulting in \$158,117 less natural gas utility users tax revenues in Fiscal Year 2015-2016 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 received in Fiscal Year 2015-2016 remain below revenues received in Fiscal Year 2006-2007 by \$127,508.

The use of other types of communications has also reduced the amount of utility users tax collected. Over the past several years, prepaid wireless service has gone from being a small segment of the wireless market to a major share. This rapid development of the prepaid market has cut into the utility users tax collected for communications resulting in \$402,481 less communications utility users



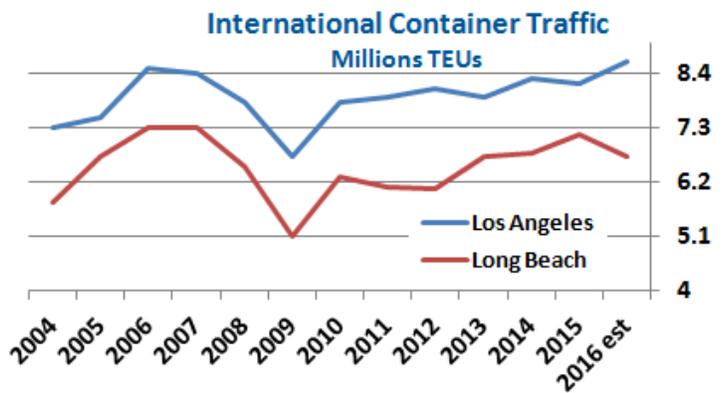
tax revenues in Fiscal Year 2015-2016 from what was received in Fiscal Year 2009-2010. The implementation of AB 1717 should reverse this trend by requiring merchants to collect the utility tax at the point of sale to then be distributed to the City through the State Board of Equalization.

Lakewood’s employment rate depends on the regional job situation. In September 2015, the U.S. Department of Defense granted \$3.9 million to help the City of Long Beach develop an economic transition plan following the closure of Boeing’s C-17 facilities, which had employed several thousand people. The area that was home to Douglas Aircraft and its DC jets, and later Boeing Co., is slowly transforming into a multi-used development with businesses such as: Virgin Galactic, which plans to build its LauncherOne satellite launch vehicles; Mercedes-Benz, which is using the site as its West Coast training, performance and vehicle preparation center; Universal Technical Institute, which is leasing a building for an automotive training campus for about 900 students; Shimadzu a precision aircraft manufacturer, which plans to build its headquarters; and Urbana Development, which is building two Class A medical buildings. The former Long Beach Boeing site will also include office, retail, hospitality and industrial businesses. These businesses will provide opportunities for skilled employment in the local region.

The Port of Long Beach is a vast provider of employment opportunities throughout the county and state. In the local area, the port operations support 30,000 jobs. The more than \$180 billion worth of cargo that moves through the port every year creates jobs, supports retail and manufacturing businesses and generates tax revenues. After a 30 percent decline from 2007 through 2009, trade volumes through the Port of Long Beach had regained much of this loss, but recently port activity has faltered due to the Hanjin bankruptcy; further north, the Port of Los Angeles has similarly regained losses experienced during the last recession and continues to grow.

The Port of Long Beach October 2016 container volumes were down 6.2 percent compared to the same month last year – largely attributable to the Hanjin bankruptcy as it goes through settlement. In 2015, Hanjin Shipping containers accounted for 12.3 percent of the Port’s total volume and the Port has had to clear a backlog of empty containers related to the Hanjin bankruptcy that were congesting flow of cargo through the Port’s supply chain. For the calendar year through October 2016, Port TEUs trail the 2015 total by 4.8 percent.

The Port of Long Beach is investing \$1.3 billion to build a new bridge to span the Port's Back Channel. The Port is also modernizing two aging shipping terminals by adding on-dock rail capacity, shore power hookups and a new longer wharf to move twice the cargo with half the air pollution – the first phase of the project at a cost of \$1.3 billion is set to open late this year and the entire project is scheduled to be completed in 2019. A multi-year renovation of the ITS container terminal is also underway. A new on-dock rail yard has been completed, nearly doubling the terminal's capacity for on-dock rail, and to come are additional shore power facilities and container yard space.

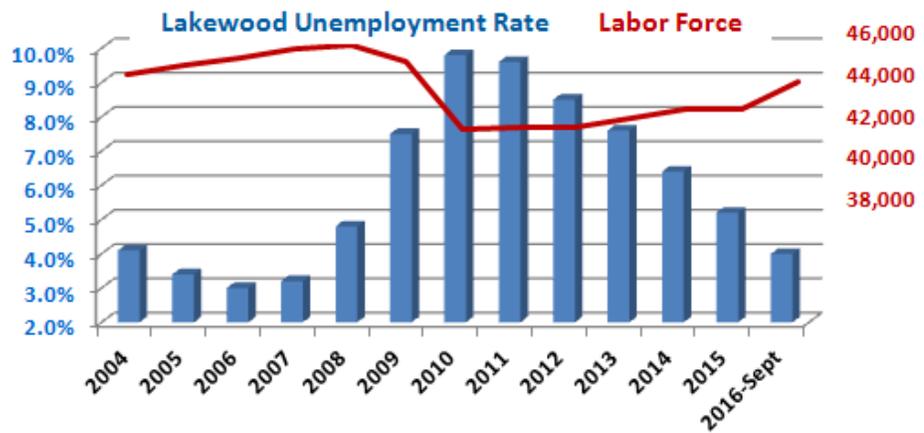


In 2009, the Legislature passed program to counteract the financial incentives offered by other states to lure film production away from the Los Angeles County region by offering tax credits to a limited range of qualifying productions. In 2014, Governor Jerry Brown signed the *California Film & Television Job Retention and Promotion Act* increasing funding in 2016 to \$330 million

per year and granting an extension of the film and television tax credit program through July 2020. The bill had the support of the business and labor community across California because of its focus on high-wage jobs for below-the-line workers. The Southern California Association of Governments (SCAG) released a study, which was conducted by the LAEDC's Economic & Policy Analysis Group, assessing the impact of California's Film and Television Tax Credit Program. The study found that for each \$1 of tax credit certificate issued total economic activity in the state increased by \$19.

Hospitals are hubs of employment, purchasers of goods and services, and generators of tax revenue. The estimated total economic output of hospitals and related services in the Los Angeles region accounts for about 11 percent of the region's economy and provides over 380,000 jobs. The area's local hospital, Lakewood Regional Medical Center, received an "A" in The Leapfrog Group's Spring 2014 Hospital Safety Score (one of the nation's leading patient safety advocacy organizations). Lakewood Regional was also recognized in 2015 with a Get With The Guidelines®-Heart Failure Gold-Plus Quality Achievement Award for implementing American Heart Association/American College of Cardiology Foundation's improvement measures for patients. The Medical Center has also received awards from the CIGNA Centers of Excellence

The unemployment rate in Lakewood fell to four percent in September 2016, back to the rate the City enjoyed prior to the recession; and better than the state as a whole. The labor force participation has also rebounded 5.6 percent after declining by nine percent during the recession.



Major employers located within city limits are Long Beach Unified School District, County of Los Angeles, Lakewood Regional Medical Center, and various retail, automotive and home improvement businesses, as well as the City itself.



The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside and Orange County region, which is the basis for many of the City's contract increases, was two percent in 2016. The CPI for the Nation, as well as for the region, is expected to remain relatively low in the coming years.

Economic Outlook

The U.S. economic outlook is one of steady economic expansion. UCLA Anderson's Forecast foresees the national economy gross domestic product growth in the two percent to 2.5 percent range throughout 2017 and 2018, where it has been for the past seven years. The UCLA Anderson's Forecast also projects that with the nation's economy is approaching full employment, and employment growth is expected to slow from what has been a consistent 200,000 jobs per month to about 150,000 per month in 2017 and 125,000 per month the following year. The national unemployment rate is predicted to be in the 4.8 percent to five percent range throughout the forecast period.

Beacon Economics reported that California continues to outpace the nation in terms of year-over-year job growth. California added 31,200 jobs in October 2016, building on a revised 36,000 jobs added in September. California payrolls expanded by 2.4 percent from October 2015 to October 2016, compared to 1.7 percent in the nation overall. Beacon further stated that although the state is effectively at full employment at 5.5 percent and the pace of job gains is somewhat tempered compared to a year ago, the leading sectors of the state continue to add jobs at an impressive rate.

Looking forward, the UCLA Anderson's California Forecast projects that California will experience steady gains in employment are expected through 2018, while the unemployment rate in the state is expected to decrease during the next two years. California's unemployment rate is expected to be insignificantly different from the U.S. rate at 5.4 percent by the end of 2018. The UCLA Anderson's Forecast also projects employment payroll growth the state will be two percent, and the forecast for 2017 and 2018 is 1.7 percent and 1.1 percent, respectively. Real personal income growth is estimated to be 2.6 percent in 2016 and is forecast to be 3.7 percent and 3.6 percent in 2017 and 2018, respectively. Home building will continue in California at about 120,000 units per year in 2017, and home prices will remain at a premium.

Beacon Economics following the presidential election posted the following caveat. "The election of Donald Trump has caused Beacon Economics to change its U.S. outlook from one of steady, if mediocre, economic expansion to one with the very real possibility of a coming recession. While the specific economic outcomes of a Trump presidency are largely unknown and will depend on what happens during the first few months of his administration, the new forecast points to several policies he campaigned aggressively on that could create enough of a shock to the economy to tip the nation into a recessionary period. What we do know is that the potential upsides are limited, and the potential downsides are enormous—to the point that there is now a very real probability of a recession over the next two years." Specifically, Trump's pledges to slash taxes, end the nation's commitment to free trade, and deport undocumented residents could have seriously damaging effects on the functioning of the economy. Other economists are not so pessimistic.

LONG-TERM FINANCIAL PLANNING

Long-term financial planning involves the management of the City's programs and assets. Programs include the services the City provides through its employees and contracts. 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 policies provide parameters that reflect the City's management and fiscal philosophy.

The City's financial and operating budget policies serve as the guiding principles for the City's financial management and annual budgetary process. The financial policy is written with the objective to maintain or improve an entity's financial position, financial management and credit rating. The operating budget policy, along with the City's purchasing policy, is written with the objective to promote good stewardship in the management of public funds and resources.

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

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

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

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

Street and traffic signal improvements:

- In January 2013, the City of Lakewood hit the milestone of repaving 100 percent of all residential streets in Lakewood since 2000. Over 143 miles of residential streets have been resurfaced with rubberized asphalt, which recycled over 600,000 old tires and kept them out of landfills. Street repaving of several major streets resumed in Fiscal Year 2015-2016 with a major portion of Del Amo Boulevard resurfaced, and Woodruff Avenue is lined up for repaving in Fiscal year 2016-2017.
- The City installed new energy-efficient LED lights on over 4,000 overhead street lights throughout the city. The City took advantage of rebates from Southern California Edison and energy cost savings that will fully offset the installation costs within six years. After that time, the city will save over \$160,000 a year in permanently reduced energy cost and reduced green house gas emissions.
- In coordination with Los Angeles County Metro, construction will begin in Fiscal Year 2016-2017 on a traffic-flow improvement project at the Del Amo and Lakewood Boulevard intersection. The project involves constructing dual-left turn lanes in all directions and a

roadway expansion over the nearby flood control channel and is fully funded by LA County Los Angeles County Metro as part of its “hot spot relief” program.

- Lakewood also continued its sidewalk work in Fiscal Year 2015-2016, repairing 2.2 miles of walkways.

Storm water/water recapture/recycled water projects:

- The City received two CalTrans grants totaling \$26 million for the construction of two separate water recapture systems at Bolivar Park and Mayfair Park. The construction of the Bolivar Park water recapture system began in Fiscal Year 2015-2016 and will be completed in Fiscal Year 2016-2017. After which, the recapture system at Mayfair Park will commence. These systems will reduce pollutants in the local waterways and ocean, and will also provide a source of local recycled water to be used in parks and medians.
- The City installed 48 catch-basin inserts along Lakewood streets. The inserts will prevent trash and other debris from entering the storm drain system and flowing to Alamitos Bay and the ocean. Lakewood and other cities in Southern California are under a state requirement to install catch-basin inserts in ten percent of each city's storm drain openings every year, thereby achieving full coverage in ten years.
- The City secured a state grant to help pay for converting the parkways along Paramount Boulevard into drought-tolerant landscaping that will capture and clean runoff along the roadway. This project is scheduled to start in Fiscal Year 2016-2017.
- In response to the drought Lakewood continued to utilize large amounts of recycled water, including using two recycled water tanker-trucks to irrigate roadway medians in order to protect trees and landscaping in those areas, and installed water-saving smart irrigation controllers and replaced aging hydraulic lines at Biscailuz and Bolivar parks and the Weingart Senior Center.

Parks and community facilities projects:

- The City installed an innovative play area at Rynerson Park where adults can work-out next to their children’s playgrounds, which opened in April 2016.
- In May 2016, the City opened the new “airplane playground” at Del Valle Park.
- In October 2016, the City opened up two colorful new playgrounds at Bolivar Park. The playground for school-aged children includes a 75-foot zip line—the longest of its kind in Lakewood. The tot-lot for children under age five features ten swings, including an “expression swing” that allows a parent and child to swing face-to-face.
- The Palms Park activity building was renovated in 2016, with new windows and flooring for the gymnastics center, renovations to office spaces, and ADA improvements to the parking lot.
- Other park improvements included: renovation of the restrooms at Bolivar, Biscailuz and Boyar Parks; game courts were resurfaced at San Martin, Biscailuz, Palms, and Bloomfield Parks; new flooring and other improvements for activity rooms at Del Valle and San Martin Parks; and new furniture in the Weingart Senior Center.
- The City continued annual improvements to The Centre at Sycamore Plaza to keep it looking sharp and working well as Lakewood’s premier meeting and banquet location. Improvements in Fiscal Year 2015-2016 included a new boiler for water heating and the HVAC system.

Water system improvements:

- Lakewood continued its longstanding program of modernizing its city water system, and making infrastructure improvements that ensures the reliability and safety of its water system.

- The Plant 13 water project to install new booster pumps, motors, control and associated equipment is under way and scheduled to be finished in Fiscal Year 2016-2017. The new pumping facilities will provide more reliable service and reduce electricity costs to the water system.
- The Well 22 water project to install a new variable frequency drive and upgrade chemical feed will enhance water quality control and well reliability.
- Federal grant funds were used to replace 230 residential and commercial water meters in the South Street and Downey Avenue area with advanced technology meters capable of measuring hourly water use and providing direct customer access to monitor individual use.
- The Water Resources Department leased 3,000 acre-feet of water at \$230 per acre-foot to other water utilities thereby bringing in operating revenues of \$690,000 to the water utility fund.
- Fiscal Year 2016-2017 projects include the installation of an additional 350 smart-meters, upgrading of ten fire hydrants to increase firefighting capability, and the start of a two-year process of drilling and constructing a new well to replace aging supply wells.

Residential housing projects:

- The Home Improvement Loans and Fix Up Paint Up Program can lend up to \$18,000 for home improvements to eligible homeowners, and the Fix Up Paint Up program offers grants of up to \$3,000 to complete exterior repairs for eligible homeowners many who are elderly and disabled residents who cannot cope with property upkeep. Both of these programs will remain available to the residents of Lakewood through the Successor Housing Agency.
- A 72-unit, three-story tall townhouse project equipped with solar panels on every unit and all electric utilities began construction in Fiscal Year 2014-2015 on the south side of South Street west of Downey Avenue, and was completed in Fiscal Year 2015-2016. Sales on the new units went briskly.
- Development planned for Fiscal Year 2016-2017 includes three new homes being built by Colony Developers on 216th Street and should be completed before the end of 2016; a 21-unit townhouse project on Elaine Street and a 22-unit apartment building (Villa Madrid), which is currently under construction at the corner of Bloomfield Avenue and Centralia Street; a 16 unit apartment complex is currently going through the plan check process, and construction should begin in Fiscal year 2016-2017; and escrow closed on the four former water well sites owned by the City's Water Resources Department, and the developer has submitted residential construction plans for DRB approval.

Redevelopment:

In 2011, California enacted legislation that required the dissolution of all redevelopment agencies. AB x1 26 dissolved redevelopment agencies as of February 1, 2012, and provided for the designation of successor agencies which were tasked to wind down the affairs of the dissolved redevelopment agencies. Under AB x1 26, the dissolution of redevelopment included the determination that all contracts and agreements between the City and the Lakewood Redevelopment Agency were null and void. Subsequently, AB 1484 provided for a small level of funding for housing operations that resumed in Fiscal Year 2013-2014 using housing loan payments, and SB 107 in 2015 allowed for the payment of all outstanding loans made by the City to the Agency as recalculated using four percent rate over the life of the loan. Once the Finding of Completion is issued by the Department of Finance (DOF) additional funds will be available to fund the city's housing capital programs through reimbursement of deferred housing transfers to pay for ERAF, SERAF transfers to the State, and other postponements. City Loan debt service

payments can resume once the housing deferrals have been fully paid; 20 percent of the debt service payments are required to fund housing operations and capital.

Long-term Debt:

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

The Agency also holds debt in the form of City loans. As referenced in the prior section, SB 107 allows for the payment of all outstanding loans made by the City to the Agency as recalculated using four percent rate over the life of the loan. Loan payments to the City can resume once the housing deferrals have been fully paid; 20 percent of the loan payments are required to fund housing operations and capital.

Pension and Other Post Employment Benefit Liabilities:

The City provides three retirement benefit programs. The City takes measures to ensure that the City’s retirement benefit plans are financially secure and well funded. These programs are as follows:

- California Public Employee Retirement System (CalPERS) is a two percent at 55 pension plan for “classic” CalPERS members, and two percent at 62 pension plan for new members as defined by the Public Employees Pension Reform Act (PEPRA), who are employees that have never been a member of CalPERS or who had a break in service of six months or greater. This Plan utilizes a 7.65 percent discount rate and is 81.8 percent funded as of June 30, 2015, per the CalPERS GASB 68 Accounting Valuation Report and the market value of assets.
- PARS Retirement Enhancement Plan is a 0.5 percent at 60 pension plan. The PARS Plan was established in 2004 and is only available to full-time/permanent employees. The PARS Plan was closed to new employees on January 1, 2013 as restricted by the Public Employees Pension Reform Act (PEPRA). This Plan utilizes a 6.0 percent discount rate and is 70.02 percent funded as of June 30, 2016, based on the assumptions of the GASB 67 and 68 Disclosure Document and the market value of assets.
- The City offers other post-employment benefits (OPEB), a Career Employee Medical Retirement Benefit Plan, to eligible retirees. The plan is constructed to keep costs in check by limiting eligibility and length of benefit. The City provides limited supplemental payment for post-retirement healthcare benefits for full-time/permanent 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 CalPERS. The benefit is also limited by the retiree’s years of service. This Plan utilizes a six percent discount rate and is over 100 percent funded as of June 30, 2016, based on the assumptions of the latest actuarial and the market value of assets.

More detailed information regarding the City’s pensions and other post-employment benefits is presented in the notes to the basic financial statements.

FINANCIAL MANAGEMENT POLICIES AND PRACTICES

GASB Statement No. 72, Fair Value Measurement and Application - This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement became effective for periods beginning after June 15, 2015 and did not have any measurement impact on the City's investment portfolio, except for the additional disclosure regarding to the measurement input as discussed in Note 3E of the City's financial statements for the year ended June 30, 2016.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No.68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. This Statement became effective for periods beginning after June 15, 2015 and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - This Statement establishes standards relating to the hierarchy of generally accepted accounting principles. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement became effective for periods beginning after June 15, 2015, is applied retroactively, and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants - This Statement establishes standards relating to accounting and financial reporting for certain external investment pools and pool participants. This Statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

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, 2015. This was the 34th consecutive year that Lakewood has achieved this prestigious award. In order to be

awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Preparation of this report was accomplished by the combined efforts of the Administrative Services Department staff. We appreciate the high level of professionalism and dedication that these staff members bring to the City. The contributions made by Lovemel Reveldez, Assistant Director of Administrative Services; Edianne Rodriguez, Finance Manager; Claire Houck, 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

RON PIAZZA
Mayor

DIANE DUBOIS
Vice Mayor

JEFF WOOD
Council Member

STEVE CROFT
Council Member

TODD ROGERS
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

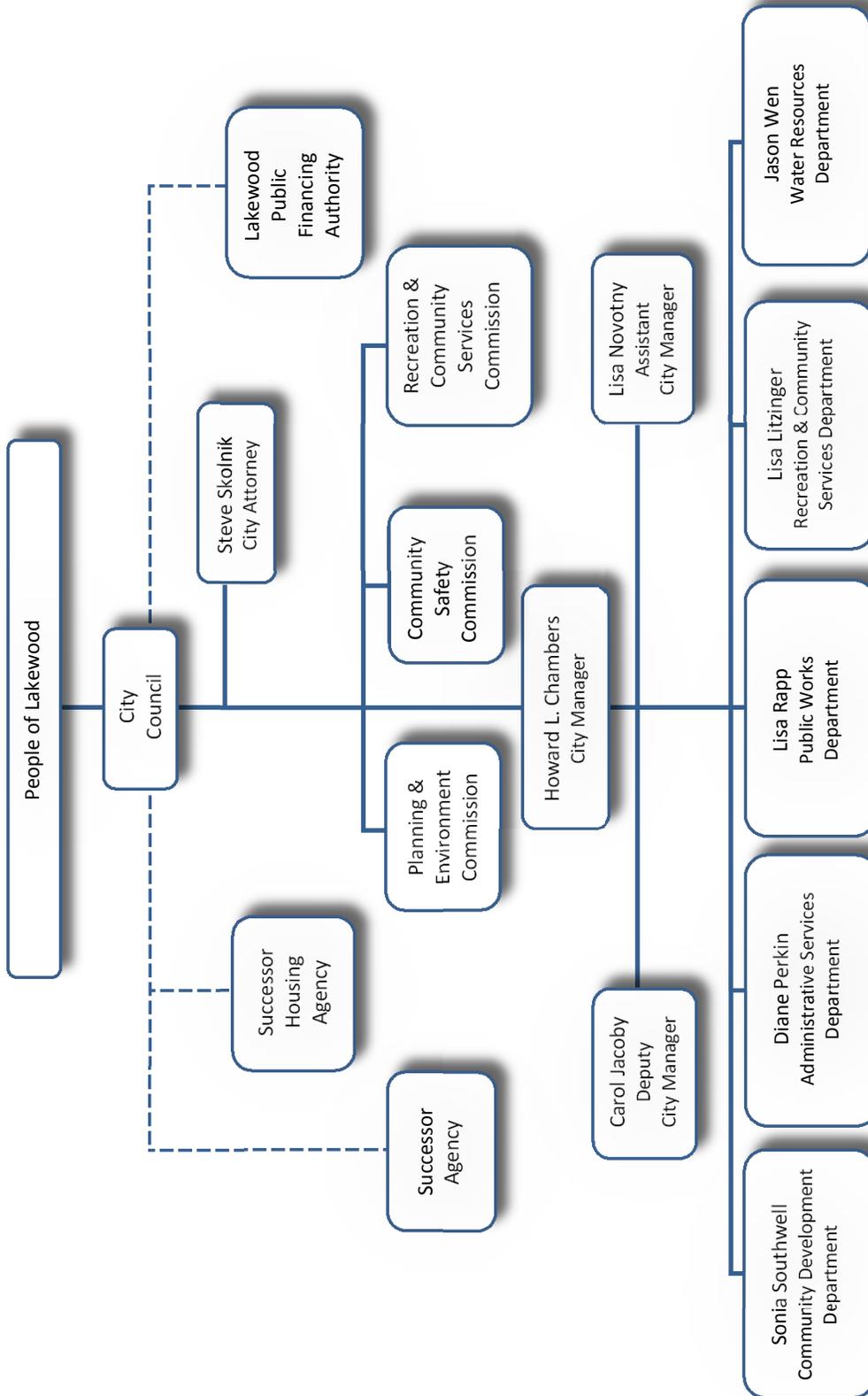
CAROL FLYNN-JACOBY
Deputy City Manager

LISA A. RAPP
Director of Public Works

LISA LITZINGER
Director of Recreation
and Community Services

SONIA SOUTHWELL
Director of Community
Development

JASON WEN
Director of Water Resources





Government Finance Officers Association

**Certificate of
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Presented to

**City of Lakewood
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lakewood, California (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Special Item

The City performed an interest rate adjustment calculation on the loan from the City, both the General Fund and Housing Admin & Capital Projects Fund to the Successor Agency for the year ended June 30, 2016. The recalculation resulted in an unrealized loss in the amount of \$(1,636,193) reported under Government-Wide Financial Statements, and unrealized gain in the amount of \$1,636,193 reported under Successor Agency, an unrealized loss in the amount of \$(3,271,563) reported under General Fund, and an unrealized gain in the amount of \$1,635,370 reported under Housing Admin & Capital Projects Fund. The unrealized gain and loss are reported as a Special Item in the accompany financial statements and disclosed in the Notes 7 and 17. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions and the Schedules of Funding Progress on pages 7 to 16 and 97 to 103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

To Honorable City Council
of the City of Lakewood
Lakewood, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
November 30, 2016



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakewood, California (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Honorable City Council
of the City of Lakewood
Lakewood, California
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

Santa Ana, California
November 30, 2016

City Of Lakewood
Management Discussion and Analysis
For The Year Ended June 30, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- **Net Position:** The assets and deferred outflows of resources of the City (*which include the value of streets, sidewalks and other infrastructure*) exceeded liabilities and deferred inflows of resources at June 30, 2016, by \$167,653,613. Of this amount, \$38,219,972 may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific City programs.
- **Changes in Net Position:** The government's total net position increased by \$3,347,045. The increase is related to the lump-sum contribution to the Public Agency Retirement Services (PARS) in FY 2014-15 of \$3,000,000. No similar contribution was made for the year ended June 30, 2016.
- **Long Term Debt:** The City of Lakewood's total debt decreased by \$644,657, as a result of normal scheduled debt service payments which were offset by a newly established capital lease of \$246,808 for a helicopter for the City's Sky Knight public safety program.
- **Governmental Funds:** As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$59,946,457 a decrease of \$490,658 in comparison with the prior year. Approximately 55.7 percent of the ending fund balance, \$33,417,927, is available for spending at the government's discretion (committed, assigned, and unassigned fund balance) within the guidelines of the funding sources.
- **General Fund:** At June 30, 2016, committed, assigned and unassigned fund balance of the general fund was \$34,075,647. All but \$2,545,033 of these funds are committed or assigned for specific purposes in accordance with City policies and budgetary guidelines. The decrease in General Fund's committed and assigned fund balance of \$6,247,388 or 16.5 percent from prior year is partially due to the remittance of \$9,332,888 plus interest earned to the Los Angeles County Auditor Controller. The amount was determined through the Other Funds Due Diligence Review conducted by the Department of Finance after the dissolution of the former Lakewood Redevelopment Agency.

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 required and other supplementary information in addition to the basic financial statements themselves.

City Of Lakewood
Management Discussion and Analysis (Continued)
For The Year Ended June 30, 2016

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net 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 the City of Lakewood and a component unit the Lakewood Public Financing Authority. Financial information for this component unit is reported within the funds of the City. The Water Utility, although also legally separate, functions for all practical purposes as a department of the City of Lakewood, and therefore has been included as an integral part of the government.

The government-wide financial statements can be found on pages 19 - 23 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.

City Of Lakewood
Management Discussion and Analysis (Continued)
For The Year Ended June 30, 2016

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-one governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Housing Administration and Program Capital Projects Fund and other governmental funds. Data from the other seventeen 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* in the supplementary information.

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 in the supplementary information of this report.

The governmental fund financial statements can be found on pages 27 - 32 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 33 - 39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Lakewood's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statement can be found on pages 41 - 44 of this report.

**City Of Lakewood
Management Discussion and Analysis (Continued)
For The Year Ended June 30, 2016**

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 45 - 93 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 changes in net pension liabilities and related ratio schedule, pension contribution schedule, and other post-employment funding progress schedules. Required supplementary information can be found on pages 95 - 103 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 110 - 135 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$167,653,613 at the close of the most recent fiscal year.

City of Lakewood Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 71,041,814	\$ 71,230,772	\$ 9,962,279	\$ 10,238,585	\$ 81,004,093	\$ 81,469,357
Capital assets	90,346,933	88,511,175	31,079,983	30,826,535	121,426,916	119,337,710
Total Assets	161,388,747	159,741,947	41,042,262	41,065,120	202,431,009	200,807,067
Deferred Outflow of Resources	5,390,679	1,970,457	635,735	353,592	6,026,414	2,324,049
Long-term liabilities outstanding	24,298,395	20,216,509	4,854,484	5,062,359	29,152,879	25,278,868
Other liabilities	5,581,956	4,783,526	1,553,738	2,297,269	7,135,694	7,080,795
Total Liabilities	29,880,351	25,000,035	6,408,222	7,359,628	36,288,573	32,359,663
Deferred Inflow of Resources	4,060,729	5,818,397	454,508	646,488	4,515,237	6,464,885
Net positions:						
Net Investment in Capital Assets	90,100,125	88,511,175	28,527,530	27,408,545	118,627,655	115,919,720
Restricted	10,805,986	15,464,118	-	-	10,805,986	15,464,118
Unrestricted	31,932,235	26,918,679	6,287,737	6,004,051	38,219,972	32,922,730
Total Net Position	\$ 132,838,346	\$ 130,893,972	\$ 34,815,267	\$ 33,412,596	\$ 167,653,613	\$ 164,306,568

By far, the largest portion of the City of Lakewood's net positions, 70.8 percent, reflects its net investment in capital assets (i.e. land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress). 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.

City Of Lakewood
Management Discussion and Analysis (Continued)
For The Year Ended June 30, 2016

Additional portion of the City of Lakewood's net position, 6.4 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$38,219,972 may be used to meet the government's ongoing obligation to citizens and creditors, but is subject to designation for specific City programs per the City's Governmental Fund Balance Policy.

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

City of Lakewood Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 11,311,240	\$ 11,012,182	\$ 10,930,852	\$ 10,311,109	\$ 22,242,092	\$ 21,323,291
Operating grants and contributions	3,585,692	4,176,696	-	-	3,585,692	4,176,696
Capital grants and contributions	3,365,208	1,726,390	-	-	3,365,208	1,726,390
General revenues:						
Property taxes	12,747,876	11,831,561	-	-	12,747,876	11,831,561
Sales taxes-Bradley Burns	13,277,900	13,207,126	-	-	13,277,900	13,207,126
Sales taxes-others	2,683,452	2,683,552	-	-	2,683,452	2,683,552
Franchise taxes	1,699,343	1,757,264	-	-	1,699,343	1,757,264
Business operation taxes	1,016,140	565,441	-	-	1,016,140	565,441
Utility user taxes	3,398,962	3,464,047	-	-	3,398,962	3,464,047
Other taxes	378,213	372,276	-	-	378,213	372,276
Investment Income	482,676	264,105	100,188	80,562	582,864	344,667
Total Revenues	<u>53,946,702</u>	<u>51,060,640</u>	<u>11,031,040</u>	<u>10,391,671</u>	<u>64,977,742</u>	<u>61,452,311</u>
Expenses:						
General government	7,187,053	10,354,630	-	-	7,187,053	10,354,630
Public safety	14,271,008	13,525,219	-	-	14,271,008	13,525,219
Transportation	4,740,336	4,772,202	-	-	4,740,336	4,772,202
Community development	4,759,414	4,622,036	-	-	4,759,414	4,622,036
Health and sanitation	4,901,125	4,888,091	-	-	4,901,125	4,888,091
Culture and leisure	11,770,595	12,090,213	-	-	11,770,595	12,090,213
Unallocated infrastructure depreciation	2,721,461	2,695,986	-	-	2,721,461	2,695,986
Interest on long term debt	15,143	-	-	-	15,143	-
Water	-	-	9,628,369	9,554,985	9,628,369	9,554,985
Total expenses	<u>50,366,135</u>	<u>52,948,377</u>	<u>9,628,369</u>	<u>9,554,985</u>	<u>59,994,504</u>	<u>62,503,362</u>
Excess (Deficiency of Revenues Over (Under)						
Expenditures Before Special Item	3,580,567	(1,887,737)	1,402,671	836,686	4,983,238	(1,051,051)
Special Item	(1,636,193)	-	-	-	(1,636,193)	-
Change in Net Position	1,944,374	(1,887,737)	1,402,671	836,686	3,347,045	(1,051,051)
Net position at beginning of year	<u>130,893,972</u>	<u>132,781,709</u>	<u>33,412,596</u>	<u>32,575,910</u>	<u>164,306,568</u>	<u>165,357,619</u>
Net position at end of year	<u>\$ 132,838,346</u>	<u>\$ 130,893,972</u>	<u>\$ 34,815,267</u>	<u>\$ 33,412,596</u>	<u>\$ 167,653,613</u>	<u>\$ 164,306,568</u>

Additional information on the change in net position can be found on page 22 – 23 of this report.

Governmental activities. Overall, governmental activities revenues increased by \$2,886,062 or 5.7 percent and expenditures decreased by \$2,582,242 or 4.8 percent from prior year. Key elements of the change are as follows:

- Charges for services increased by \$299,058, this increase is attributable to the increase in Building and Safety revenue, Refuse collection fees, and General government's rent and concession revenue.

City Of Lakewood
Management Discussion and Analysis (Continued)
For The Year Ended June 30, 2016

- Operating grants decreased by \$591,004 mainly due to the reduction in Gas Tax funding of \$332,000 and smaller declines in Prop A, Asset Forfeiture and other grant funds.
- Capital grants increased by \$1,638,818 mainly due to funding received from the Federal STPL-TEALU of \$655,000, \$374,000 provided by the State for the Water Capture project in Bolivar Park and \$394,000 increase in the Park Dedication fund.
- Property related taxes increased by \$916,315, where \$375,540 is an increase in property tax in lieu of motor vehicle license fee and \$346,565, a one-time residual tax payment received from the county.
- Overall, expenses decreased by \$2,582,242, a 4.9 percent decline from the prior year. As previously mentioned, the city made a lump-sum contribution to PARS for \$3,000,000 last year. The said amount is a prefunding of retirement enhancement plan, where the city utilized the General Fund's committed fund balance established for this purpose to reduce retirement liability.

Additional information on activities and change in fund balances can be found on pages 22 - 23 and 31 - 32 of this report.

Business-type activities. The business-type activities reflect the City's water system which includes water operation, water treatment and water production and distribution. Prior year's State mandated drought conservation efforts resulted in lower consumption year after year which explains the small increase in water sales revenue in fiscal year 2016. The increase in revenue of \$619,743 is all attributed to water sales to Long Beach Water Department through an interconnect agreement. The impact of reduced demand for water resulted in a slight increase in the total expenses amounting to \$73,384. For the year ended June 30, 2016, the City's business-type activities' change in net position was \$1,402,671, an increase of 4.2 percent compared to last year. During the year, the water rate was adjusted to help defray increases in cost of pumping and distributing water and administration of the utility and infrastructure improvements. The increase is necessary for the estimated \$5.2 million in capital improvements required over the next two years, as recommended by the Water Resources Committee. Major projects on the horizon include \$1.1 million for Plant 13 Rehabilitation project, \$1.0 million for Well 28 Drilling project, \$800,000 for Well 22 Treatment Facility project, \$587,600 for Water Main Replacement program, \$555,000 in Water facility and system upgrades, and \$400,000 for a Water Master Plan.

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, spendable fund balance may serve as a useful measure of a government's net resources 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 \$59,946,457, a decrease of \$490,658 in comparison with the prior year. Of this amount, \$33,417,927 of the City's governmental funds ending fund balances or 55.7 percent

City Of Lakewood
Management Discussion and Analysis (Continued)
For The Year Ended June 30, 2016

constitute committed, assigned and unassigned fund balance, which is available for spending at the government's discretion within the guidelines of the funding sources. The remainder of fund balance, \$26,528,530, is either nonspendable or restricted for purposes imposed by creditors, grantors, contributors, laws or regulations of other governments or through enabling legislation.

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 \$6,893,225, an increase of \$270,925 from the prior year. These funds will be used to fund water operations and 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 Financial Highlights

The General Fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, committed, assigned and unassigned fund balance of the general fund was \$34,075,647, while total fund balance was \$43,082,826. The general fund's ending fund balance decreased by \$2,766,775 in comparison with the prior year. This decrease was due to the State Department of Finance disallowing certain loans to the former Lakewood Redevelopment Agency. As a measure of the General Fund's liquidity, it may be useful to compare only the committed, assigned and unassigned fund balance to total fund expenditures. Committed, assigned and unassigned fund balance represents 79.1 percent of the total general fund expenditures, most of which is committed or assigned to meet the City's long-term obligations.

Overall, General Fund revenues (including transfers in) increased year-over-year by \$2,145,043 and expenses (including transfers out) increased by \$262,080. Property related taxes increased by \$916,315, including a one-time residual tax payment from the county for \$346,565. Business license revenue increased by \$450,699, including park dedication fees charged to developers. Charges for services increased by \$375,306 due to the increase in Building and Safety revenue, Refuse collection fees, and public safety charges for services. Sales taxes has a slight increase \$70,774 compared to last year.

General Fund Budgetary Highlights

For the fiscal year ended June 30, 2016, General Fund's final amended budget increased over the original budget by \$2,152,901 and actual expenditures were \$1,330,408 lower than the final amended budget. These can be briefly summarized as follows:

- Additional appropriation was approved to complete Rynerson Park playground for \$596,000, Del Valle park playground for \$287,000, Palms Park Transit office for \$236,100, for Del Valle park's Brick Memorial program for \$121,578

City Of Lakewood
Management Discussion and Analysis (Continued)
For The Year Ended June 30, 2016

- Additional appropriation of \$279,038 was approved to cover cost of labor, equipment and materials used to maintain parks and median vegetation due to the statewide mandatory drought proclamation issued by the governor on April 1, 2015.
- Prior year budgeted amount of \$283,673 was rolled-over to current fiscal year to cover ongoing multi-year projects.
- Additional appropriation for \$203,626 was approved for multi-year street and median improvement projects.
- Multi-year capital projects were at different stages of completion, therefore had a remaining balance of \$1,442,890 by the end of the year.

Capital Asset and Debt Administration

Capital assets. The City of Lakewood’s net investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$121,426,916, an increase of \$2,089,206 or 1.7 percent of total capital assets over prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

City of Lakewood						
Capital Assets (Net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 17,041,023	\$ 17,041,023	\$ 381,023	\$ 381,023	\$ 17,422,046	\$ 17,422,046
Construction in progress	9,572,835	8,244,826	1,716,465	5,197,736	11,289,300	13,442,562
Water rights	-	-	1,834,586	1,834,586	1,834,586	1,834,586
Infrastructure	35,482,027	37,119,667	-	-	35,482,027	37,119,667
Structures and improvements	26,184,832	24,723,701	23,495,187	21,261,083	49,680,019	45,984,784
Equipment	2,066,216	1,381,958	3,652,722	2,152,107	5,718,938	3,534,065
Total	<u>\$ 90,346,933</u>	<u>\$ 88,511,175</u>	<u>\$ 31,079,983</u>	<u>\$ 30,826,535</u>	<u>\$ 121,426,916</u>	<u>\$ 119,337,710</u>

Additional information on the City of Lakewood’s capital assets can be found in Note 8 to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the City of Lakewood’s total long-term debt outstanding decreased by \$644,657 or 18.7 percent from the prior year due to normal scheduled debt service payments. Revenue bonds and loan payable of \$2,552,453 are to be paid out of water utility revenues.

City Of Lakewood
Management Discussion and Analysis (Continued)
For The Year Ended June 30, 2016

City of Lakewood						
Summary of outstanding debt						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds	\$ -	\$ -	\$ 1,762,532	\$ 2,456,517	\$ 1,762,532	\$ 2,456,517
Loan Payable	-	-	789,921	987,401	789,921	987,401
Lease Payable	246,808	-	-	-	246,808	-
Total	\$ 246,808	\$ -	\$ 2,552,453	\$ 3,443,918	\$ 2,799,261	\$ 3,443,918

Additional information on the City of Lakewood's long-term debt can be found in Note 9 to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

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

The City's general fund operational expenditures are also expected to increase annually by about two percent; however, in Fiscal Year 2015-2016 general fund expenditures increased by 5.8 percent. This increase is larger than the two percent average for the City, and is due to the addition of new positions and larger than usual increases in certain public works contracts, specifically the installation of LED street-lighting. Employee services costs increased by 4.9 percent in Fiscal Year 2015-2016 over that of the prior year, this increase includes savings realized from the recent pension reform. We expect employee service costs to increase closer to an average of two to three percent per year through 2020. The City is a contract-city where only 37.5 percent of the cost of operations is employee service related. In Fiscal Year 2015-2016 contract services made up 47 percent of the City's general fund operational costs. The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside, and Orange County region, which is the basis for many of the City's contract increases, was 0.5 percent in 2015 (this is the rate the City utilized as authorized increases in many of its contract service agreements for the 2015-2016 fiscal year) however, the City's largest contract, its contract for law enforcement services, increased by 2.5 percent. The cost of contract services reflected this, as well as certain one-time public works contracts by increasing 4.7 percent in Fiscal Year 2015-2016. The CPI is expected to remain relatively low over the coming years. The City's water, refuse and building and safety fees also include the local CPI as a factor in determining rate increases.

City Of Lakewood
Management Discussion and Analysis (Continued)
For The Year Ended June 30, 2016

The Great Recession and the State's draconian dissolution of redevelopment agencies greatly impacted the City as evidenced by decreases in revenues from which the City is still recovering. However, the City took purposeful measures to not reduce any services to its residential and business community or implement cost cutting measures such as furloughs. The City weathered the Great Recession and the prolonged sluggish multi-year recovery by adhering to its philosophy to stay focused on what is truly important – the core functions of operating a city – resulting in a healthy community for residents and business. By keeping this focus, the city has built a large capital base that includes the entire inventory of city assets: streets, sidewalks, water system, trees, parks, community facilities and goodwill. The city's goodwill, cultivated through recreation, community services, public safety and economic development programs, creates the neighborly sense of community we all enjoy.

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

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, City of Lakewood, Post Office Box 220, Lakewood, CA 90712.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Lakewood
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 38,028,006	\$ 8,883,503	\$ 46,911,509
Receivables:			
Accounts	7,214,165	736,960	7,951,125
Accrued revenue	-	887,440	887,440
Internal balances	605,488	(605,488)	-
Prepaid items	5,950	-	5,950
Inventories	78,754	37,474	116,228
Total current assets	45,932,363	9,939,889	55,872,252
Noncurrent assets:			
Restricted cash and investments:			
Held by City	-	22,390	22,390
Notes receivable	2,094,646	-	2,094,646
Receivable from Successor Agency	16,178,182	-	16,178,182
Land held for resale	2,960,302	-	2,960,302
Net OPEB assets	3,876,321	-	3,876,321
Capital assets:			
Nondepreciable	26,613,858	3,932,074	30,545,932
Depreciable, net	63,733,075	27,147,909	90,880,984
Total capital assets	90,346,933	31,079,983	121,426,916
Total noncurrent assets	115,456,384	31,102,373	146,558,757
Total assets	161,388,747	41,042,262	202,431,009
DEFERRED OUTFLOWS OF RESOURCES			
Pension contribution after measurement date	2,445,353	271,706	2,717,059
Difference between projected and actual earnings on pension investments	833,803	103,054	936,857
Change in assumptions	2,111,523	260,975	2,372,498
Total deferred outflows of resources	5,390,679	635,735	6,026,414

City of Lakewood
Statement of Net Position (Continued)
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	3,328,178	888,158	4,216,336
Retention payable	-	41,514	41,514
Accrued liabilities	974,917	97,405	1,072,322
Accrued interest payable	2,408	23,829	26,237
Unearned revenue	458,666	-	458,666
Long-term liabilities - due within one year	817,787	502,832	1,320,619
Total current liabilities	5,581,956	1,553,738	7,135,694
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	27,072	22,390	49,462
Long-term liabilities - due in more than one year	785,043	2,162,306	2,947,349
Aggregate net pension liabilities	23,486,280	2,669,788	26,156,068
Total noncurrent liabilities	24,298,395	4,854,484	29,152,879
Total liabilities	29,880,351	6,408,222	36,288,573
DEFERRED INFLOWS OF RESOURCES			
Difference between projected and actual earnings on pension investments	790,281	87,808	878,089
Difference between expected and actual experience	2,021,315	227,907	2,249,222
Change in assumptions	1,249,133	138,793	1,387,926
Total deferred inflows of resources	4,060,729	454,508	4,515,237
NET POSITION			
Net investment in capital assets	90,100,125	28,527,530	118,627,655
Restricted for:			
Transportation	4,702,191	-	4,702,191
Public safety	365,067	-	365,067
Community development	5,481,764	-	5,481,764
Health and sanitation	256,964	-	256,964
Unrestricted	31,932,235	6,287,737	38,219,972
Total net position	\$ 132,838,346	\$ 34,815,267	\$ 167,653,613

City of Lakewood
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,187,053	\$ 1,790,751	\$ 1,475,777	\$ 27,450
Public safety	14,271,008	912,841	162,750	386,732
Transportation	4,740,336	-	1,908,805	2,813,590
Community development	4,759,414	1,754,359	-	-
Health and sanitation	4,901,125	5,309,601	38,360	-
Culture and leisure	11,770,595	1,543,688	-	137,436
Unallocated infrastructure depreciation	2,721,461	-	-	-
Interest and fiscal charges	15,143	-	-	-
Total governmental activities	<u>50,366,135</u>	<u>11,311,240</u>	<u>3,585,692</u>	<u>3,365,208</u>
Business-type Activities:				
Water	9,628,369	10,930,852	-	-
Total business-type activities	<u>9,628,369</u>	<u>10,930,852</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 59,994,504</u>	<u>\$ 22,242,092</u>	<u>\$ 3,585,692</u>	<u>\$ 3,365,208</u>

City of Lakewood
Statement of Activities (Continued)
For the Year Ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Governmental Activities:			
General government	\$ (3,893,075)	\$ -	\$ (3,893,075)
Public safety	(12,808,685)	-	(12,808,685)
Transportation	(17,941)	-	(17,941)
Community development	(3,005,055)	-	(3,005,055)
Health and sanitation	446,836	-	446,836
Culture and leisure	(10,089,471)	-	(10,089,471)
Unallocated infrastructure depreciation	(2,721,461)	-	(2,721,461)
Interest and fiscal charges	(15,143)	-	(15,143)
Total governmental activities	(32,103,995)	-	(32,103,995)
Business-type Activities:			
Water	-	1,302,483	1,302,483
Total business-type activities	-	1,302,483	1,302,483
Total primary government	(32,103,995)	1,302,483	(30,801,512)
General revenues and transfers:			
General revenues:			
Taxes:			
Sales taxes - Bradley Burns	13,277,900	-	13,277,900
Sales taxes - others	2,683,452	-	2,683,452
Property taxes	12,747,876	-	12,747,876
Franchise taxes	1,699,343	-	1,699,343
Business operation taxes	1,016,140	-	1,016,140
Utility user taxes	3,398,962	-	3,398,962
Other taxes	378,213	-	378,213
Total taxes	35,201,886	-	35,201,886
Investment income	482,676	100,188	582,864
Total general revenues	35,684,562	100,188	35,784,750
Changes in net position before special item	3,580,567	1,402,671	4,983,238
Speical item:			
Loss on interest rate adjustment on the loans to Successor Agency (Note 17)	(1,636,193)	-	(1,636,193)
Changes in net position	1,944,374	1,402,671	3,347,045
Net position - beginning of year	130,893,972	33,412,596	164,306,568
Net position - end of year	\$ 132,838,346	\$ 34,815,267	\$ 167,653,613

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Lakewood
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			
	General Fund	Housing Admin and Program Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 32,704,138	\$ 427,061	\$ 4,896,807	\$ 38,028,006
Accounts receivable	5,865,124	-	1,349,041	7,214,165
Prepaid items	5,950	-	-	5,950
Inventories	39,699	-	-	39,699
Due from other funds	755,812	-	-	755,812
Receivable from Successor Agency	8,961,530	7,216,652	-	16,178,182
Notes receivable	-	2,094,646	-	2,094,646
Land held for resale	-	2,960,302	-	2,960,302
Total assets	\$ 48,332,253	\$ 12,698,661	\$ 6,245,848	\$ 67,276,762
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,194,557	\$ -	\$ 116,113	\$ 3,310,670
Accrued liabilities	940,686	-	10,215	950,901
Retention payable	-	-	-	-
Interest payable	2,408	-	-	2,408
Deposit payable	26,827	245	-	27,072
Due to other funds	-	-	754,215	754,215
Unearned revenue	436,138	-	22,528	458,666
Total Liabilities	4,600,616	245	903,071	5,503,932
Deferred inflows of resources:				
Unavailable revenue	648,811	-	1,177,562	1,826,373
Total deferred inflows of resources	648,811	-	1,177,562	1,826,373
Fund balances:				
Nonspendable				
Prepaid items	5,950	-	-	5,950
Inventories	39,699	-	-	39,699
Receivables from Successor Agency	8,961,530	7,216,652	-	16,178,182
Restricted				
Public safety	-	-	365,067	365,067
Transportation projects and street maintenance	-	-	4,141,312	4,141,312
Community development	-	5,481,764	-	5,481,764
Health and sanitation	-	-	256,964	256,964
Culture and leisure	-	-	59,592	59,592
Committed				
Self insurance	4,000,000	-	-	4,000,000
Pension and personnel obligations	5,876,389	-	-	5,876,389
Capital projects	705,423	-	-	705,423
Refuse stabilization	1,964,966	-	-	1,964,966
Economic uncertainties	9,923,347	-	-	9,923,347
Assigned				
Capital replacement and repairs	7,554,756	-	-	7,554,756
Contract emergency services	1,505,733	-	-	1,505,733
Unassigned	2,545,033	-	(657,720)	1,887,313
Total fund balances	43,082,826	12,698,416	4,165,215	59,946,457
Total liabilities, deferred inflows of resources, and fund balances	\$ 48,332,253	\$ 12,698,661	\$ 6,245,848	\$ 67,276,762

City of Lakewood
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances - Total Governmental Funds \$ 59,946,457

Amounts reported for governmental activities in the statement of net position are different because:

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

Amount reported in government-wide statement of position:

Nondepreciable assets	\$ 26,613,858
Depreciable assets, net of \$129,582,294 accumulated depreciation	63,733,075

Less: Amount reported in Internal Service Fund

Depreciable assets, net of \$1,164,470 accumulated depreciation	<u>(155,533)</u>
---	------------------

90,191,400

Some of the City's receivables for loans, operating and capital grant reimbursements, taxes and investment income will be collected after year end, but are not available soon enough to pay for current-period expenditures, and therefore, are either not reported or are reported with an offset to unavailable revenues in the funds.

1,826,373

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

3,876,321

Pension contribution made after measurement date is reported as deferred outflow of resources in the government-wide financial statements but reported as pension expense in governmental funds.

2,445,353

Excess in projected over actual earnings on pension investment is reported as deferred outflows of resources in the government-wide financial statement but not reported in the governmental funds.

833,803

Excess in actual over projected earning on pension investment is reported as deferred inflows of resources in the government-wide financial statement but not reported in the governmental funds.

(790,281)

Net change in assumptions is reported as deferred inflows of resources in the government-wide financial statement but not reported in the governmental funds.

862,390

Difference in expected and actual experience is reported as deferred inflows of resources in the government-wide financial statement but not reported in the governmental funds.

(2,021,315)

Internal service funds are used by the City to charge the cost of materials and supplies, maintenance and repair of vehicles and equipment and printing services provided to the various departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. Internal Service funds net position, net of net deficit in the amount of \$(605,488) reported in Business-type activities.

756,955

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Position. Balances at June 30, 2016 are:

Lease payable	(246,808)
Aggregate net pension liabilities	(23,486,280)
Compensated absences	<u>(1,356,022)</u>

Net position of governmental activities

\$ 132,838,346

City of Lakewood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Total Governmental Funds
	General Fund	Housing Admin and Program Capital Projects Fund	Other Governmental Funds	
REVENUES:				
Taxes	\$ 25,433,978	\$ -	\$ 3,078,175	\$ 28,512,153
Licenses and permits	1,302,897	-	2,497	1,305,394
Fines and forfeitures	792,042	-	-	792,042
Investment income, rents and concession	1,526,936	1,163	51,900	1,579,999
Intergovernmental revenues	8,373,381	-	4,666,908	13,040,289
Current service charges	7,820,247	-	-	7,820,247
Other	1,139,267	180,000	-	1,319,267
Total revenues	46,388,748	181,163	7,799,480	54,369,391
EXPENDITURES:				
Current:				
General government	7,415,686	-	53,352	7,469,038
Public safety	13,835,471	-	199,911	14,035,382
Transportation	2,644,147	-	2,204,486	4,848,633
Community development	4,412,282	182,879	282,756	4,877,917
Health and sanitation	4,891,323	-	16,780	4,908,103
Culture and leisure	11,217,729	-	139,157	11,356,886
Capital outlay				
General government	31,505	-	28,887	60,392
Public safety	894,527	-	-	894,527
Transportation	299,552	-	2,175,333	2,474,885
Community development	85,996	-	-	85,996
Culture and leisure	2,143,411	-	300,351	2,443,762
Debt service:				
Principal retirement	31,313	-	-	31,313
Interest payment	15,143	-	-	15,143
Total expenditures	47,918,085	182,879	5,401,013	53,501,977
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,529,337)	(1,716)	2,398,467	867,414
OTHER FINANCING SOURCES (USES):				
Issuance of lease payable	278,121	-	-	278,121
Transfers in	1,763,754	-	7,750	1,771,504
Transfers out	(7,750)	-	(1,763,754)	(1,771,504)
Total other financing sources (uses)	2,034,125	-	(1,756,004)	278,121
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEMS	504,788	(1,716)	642,463	1,145,535
SPECIAL ITEMS:				
Gain on interest rate adjustment on the loans to Successor Agency (Note 17)	-	1,635,370	-	1,635,370
Loss on interest rate adjustment on the loans to Successor Agency (Note 17)	(3,271,563)	-	-	(3,271,563)
Total special items	(3,271,563)	1,635,370	-	(1,636,193)
NET CHANGE IN FUND BALANCES	(2,766,775)	1,633,654	642,463	(490,658)
FUND BALANCES:				
Beginning of Year	45,849,601	11,064,762	3,522,752	60,437,115
End of Year	\$ 43,082,826	\$ 12,698,416	\$ 4,165,215	\$ 59,946,457

City of Lakewood
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds: \$ (490,658)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital expenditures exceeded depreciation in the current period:

Capital outlay expenditures, net of \$110,920 reported in Internal Service Funds	\$ 5,959,562	
Non-capital expenditures reclassified to functional expense	(103,975)	
Depreciation expense, net of \$19,660 reported in Internal Service Funds	<u>(4,111,089)</u>	1,744,498

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. (422,689)

Governmental funds do not report the changes in net OPEB asset, since it does not provide or require the use of current financial resources. (36,702)

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

Change in compensated absences	(22,051)
Pension expense	1,346,892
Issuance of lease payable	(278,121)
Lease payment	31,313

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 (net of \$12,761 allocated to business-type activities). 71,892

Change in net position of governmental activities \$ 1,944,374

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Lakewood
Statement of Net Position
Proprietary Funds
June 30, 2016

ASSETS	Business-type Activity - Water Enterprise Fund	Governmental Activities - Internal Service Funds
Current Assets:		
Cash and investments	\$ 8,883,503	\$ -
Restricted cash and investments:		
Customer deposits	22,390	-
Accounts receivable	736,960	-
Accrued revenue	887,440	-
Inventories	37,474	39,055
Total current assets	10,567,767	39,055
Noncurrent assets:		
Capital assets:		
Capital assets, not being depreciated:		
Land	381,023	-
Water Rights	1,834,586	-
Construction in progress	1,716,465	-
Capital assets, being depreciated:		
Source of supply	4,770,755	-
Pumping plant	807,312	-
Water treatment	4,726,040	-
Transmission/distribution	35,276,664	-
General plant	4,889,909	-
Equipment	4,882,532	1,320,003
Less: accumulated depreciation	(28,205,303)	(1,164,470)
Total capital assets	31,079,983	155,533
Total noncurrent assets	31,079,983	155,533
Total assets	41,647,750	194,588
DEFERRED OUTFLOWS OF RESOURCES:		
Pension contribution after measurement date	271,706	-
Change in assumption	260,975	-
Difference between projected and actual earning on pension investment	103,054	-
Total deferred outflows of resources	635,735	-

(Continued)

City of Lakewood
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2016

	<u>Business-type Activity - Water Enterprise Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
LIABILITIES		
Current liabilities:		
Accounts payable	888,158	17,508
Accrued liabilities	97,405	24,016
Accrued interest payable	23,829	-
Retention payable	41,514	-
Due to other funds	-	1,597
Customer deposit	22,390	-
Compensated absences, due within one year	72,107	-
Loan payable, due within one year	197,480	-
Revenue bonds payable, due within one year	233,245	-
	<u>1,576,128</u>	<u>43,121</u>
Total current liabilities		
Noncurrent liabilities:		
Compensated absences, due in more than one year	40,578	-
Loan payable, due in more than one year	592,441	-
Revenue bonds payable, due in more than one year	1,529,287	-
Aggregate net pension liabilities	2,669,788	-
	<u>4,832,094</u>	<u>-</u>
Total noncurrent liabilities		
Total liabilities		
	<u>6,408,222</u>	<u>43,121</u>
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual earning on pension investment	87,808	-
Differences between Expected and Actual Experience	227,907	-
Change of assumptions	138,793	-
	<u>454,508</u>	<u>-</u>
Total deferred inflows of resources		
NET POSITION		
Net investment in capital assets	28,527,530	155,533
Unrestricted (deficit)	6,893,225	(4,066)
	<u>35,420,755</u>	<u>\$ 151,467</u>
Total net position		
Adjustment to reflect the consolidation of internal service fund activities to the water enterprise fund		
	<u>(605,488)</u>	
Net position of business-type activities		
	<u>\$ 34,815,267</u>	

(Concluded)

City of Lakewood
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activity- Water Enterprise Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Metered water sales	\$ 9,073,600	\$ -
Reclaimed water sales	351,985	-
Fire protection	75,716	-
Service initiation and restoration charges	117,893	-
Billing to departments	-	1,303,411
Other revenues	1,311,658	-
Total operating revenues	<u>10,930,852</u>	<u>1,303,411</u>
OPERATING EXPENSES:		
Operations:		
Supply, transmission and distribution	6,306,946	-
Customer service	879,704	-
Administration	661,940	-
Cost of goods sold	-	1,199,098
Depreciation	1,699,315	19,660
Total operating expenses	<u>9,547,905</u>	<u>1,218,758</u>
OPERATING INCOME	<u>1,382,947</u>	<u>84,653</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income/(loss)	100,188	-
Interest expense on long-term debt	(93,225)	-
Total nonoperating revenues (expenses)	<u>6,963</u>	<u>-</u>
CHANGES IN NET POSITION	1,389,910	84,653
NET POSITION:		
Beginning of the year	<u>34,030,845</u>	<u>66,814</u>
End of the year	<u>\$ 35,420,755</u>	<u>\$ 151,467</u>
Changes in net position - Water Enterprise Fund	\$ 1,389,910	
Adjustment to reflect the consolidation of the internal service fund activities related to the Water Enterprise Fund	<u>12,761</u>	
Changes in net position of business-type activities	<u>\$ 1,402,671</u>	

City of Lakewood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activity- Water Enterprise Fund	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and user	\$ 9,537,428	\$ -
Receipts from interfund services provided	-	1,303,411
Other operating receipts	1,143,482	-
Payments to suppliers	(5,995,840)	(798,852)
Payments to employees	(2,346,686)	(393,639)
Net cash provided by operating activities	2,338,384	110,920
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(2,034,898)	(110,920)
Principal paid on revenue bonds and loan	(884,948)	-
Interest paid on revenue bonds	(54,010)	-
Net cash used in capital and related financing activities	(2,973,856)	(110,920)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	100,188	-
Net cash provided by investing activities	100,188	-
Net increase (decrease) in cash and cash equivalents	(535,284)	-
CASH AND CASH EQUIVALENTS:		
Beginning of year	9,441,177	-
End of year	\$ 8,905,893	\$ -

City of Lakewood
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activity- Water Enterprise Fund	Governmental Activities - Internal Service Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 1,382,947	\$ 84,653
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,699,315	19,660
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(78,041)	-
(Increase) decrease in accrued revenue	(168,176)	-
(Increase) decrease in inventories	-	5,166
(Increase) decrease in pension contribution made after measurement date	9,057	-
(Increase) decrease in difference in projected and actual earning on pension investment	(56,153)	-
(Increase) decrease in change in assumptions	(260,975)	-
Increase (decrease) in accounts payable	(471,961)	(3,289)
Increase (decrease) in accrued liabilities	30,525	4,730
Increase (decrease) in customer deposits	(3,725)	-
Increase (decrease) in compensated absences	(17,251)	-
Increase (decrease) in net pension liabilities	464,802	-
Increase (decrease) in change in assumptions	138,793	-
Increase (decrease) in difference in expected and actual experience	227,907	-
Increase (decrease) in difference in projected and actual earning on pension investment	(558,680)	-
Total adjustment	<u>955,437</u>	<u>26,267</u>
Net cash provided by operating activities	<u><u>\$ 2,338,384</u></u>	<u><u>\$ 110,920</u></u>

FIDUCIARY FUND FINANCIAL STATEMENTS

City of Lakewood
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust fund	Agency Funds
	<u>Trust fund</u>	<u>Agency Funds</u>
ASSETS:		
Cash and investments	\$ 2,360,891	\$ 1,662,452
Cash and investments with fiscal agents	1,458,728	-
Notes receivable	451,183	812,634
Total assets	<u>4,270,802</u>	<u>\$ 2,475,086</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on refunding	<u>10,868</u>	
Total deferred outflows of resources	<u>10,868</u>	
LIABILITIES:		
Accounts payable	155	\$ 33,146
Interest payable	44,934	-
Deposit	-	474,266
Due to EDA	-	1,092,229
Due to HUD	-	875,445
Payable to City of Lakewood	16,178,182	-
Long-term liabilities:		
Due within one year	1,330,000	-
Due in more than one year	1,395,644	-
Total liabilities	<u>18,948,915</u>	<u>\$ 2,475,086</u>
NET POSITION HELD IN TRUST	<u>\$ (14,667,245)</u>	

City of Lakewood
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust fund
ADDITIONS:	
Redevelopment property tax trust fund	\$ 5,663,130
Investment income	27,929
Total additions	<u>5,691,059</u>
DEDUCTIONS:	
Contract services	1,750
Legal services	79,253
Trustee fees	11,000
Owner participation	1,430,806
Overhead	168,437
Miscellaneous	10,000,800
Interest	131,186
Total deductions	<u>11,823,232</u>
CHANGE IN NET POSITION BEFORE SPECIAL ITEMS	(6,132,173)
SPECIAL ITEM:	
Gain on interest rate adjustment on loans from the City (Note 17)	<u>1,636,193</u>
CHANGE IN NET POSITION BEFORE SPECIAL ITEMS	(4,495,980)
NET POSITION (DEFICIT):	
Beginning of year	<u>(10,171,265)</u>
End of year	<u>\$ (14,667,245)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Lakewood
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For the Year Ended June 30, 2016

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City of Lakewood
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City of Lakewood
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Note 1 – Reporting Entity

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

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

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

The criteria used in determining the scope of the reporting entity are based on the provisions of Government Accounting Standards Board ("GASB") Statement 14. The City of Lakewood is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for the Financing Authority as a "blended" component unit. Despite being legally separate, this entity is so intertwined with the City that it is, in substance, part of the City's operations. Accordingly, the balances and transactions of this component unit are reported within the funds of the City. The Financing Authority balances and transactions are reported as part of the Water Enterprise Fund. The following specific criteria were used in determining that the Financing Authority was a blended component unit:

- The members of the City Council also act as the governing body of the Financing Authority.
- The Financing Authority is managed by employees of the City. No allocation of the City's salary and overhead expenses are made to the Financing Authority.
- The City and the Financing Authority are financially interdependent. The Financing Authority arranges financing issues for the City. The City pays the debt service on the Financing Authority's financing issues.
- No individual financial statements are prepared for the Financing Authority.

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

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

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Government Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recognized as soon as they are both "measurable" and "available". Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The City reports the following major Governmental Funds:

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.

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's internal service funds include two individual funds which provide services directly to other City funds. These areas of service include Central Garage and Print Shop.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Proprietary Fund Financial Statements (Continued)

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

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

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

The City reports the following fiduciary funds:

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

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

C. Cash, Cash Equivalents, and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City reported its investments at fair value and the unrealized gain on investments amounted to \$173,609 for the fiscal year ended June 30, 2016.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents, and Investments (Continued)

The statement of cash flows requires presentation of “cash and cash equivalents”. For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as “cash and cash equivalents”, as such funds are available to the various funds as needed.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

D. Restricted Cash and Investments with Fiscal Agents

Cash and investments with fiscal agents are restricted due to limitations on their use by bond covenants or donor limitations. Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture.

E. Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Applications*, this statement defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

The three levels of the fair value measurement hierarchy are described below:

- Level 1 - Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

F. Receivables

Receivables include such items as taxes, intergovernmental revenues, charges for services, miscellaneous accounts receivable, and interest receivable. No allowance for doubtful accounts has been established, as the City believes all amounts are considered to be collectible in the normal course of business.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

G. Inventories

Inventories consist primarily of recreation equipment, maintenance and repair supplies, fuel, and office supplies for the governmental activities. Inventories consist primarily of water pipe, valves, and fittings for the Water Enterprise Fund. Inventories are valued at cost on a weighted average basis.

H. Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended using purchase method.

I. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Governmental-Wide Financial Statements as “internal balances”.

J. Land Held for Resale

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

K. 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 in the accompanying government-wide statement of net position. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include roads, bridges, streetlights, traffic signals and sewer lines. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curbs and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 for non-infrastructure assets and \$25,000 for infrastructure assets. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Capital Assets (Continued)

For all infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting.

Interest accrued during capital assets construction, if any, is capitalized for the business-type funds as part of the asset cost.

L. Compensated Absences

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

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

M. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 11). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

PARS

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

N. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts, as well as gains and losses on refunding, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed in the year of issuance.

Fund Financial Statements

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

O. Claims and Judgment

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 California Joint Powers Insurance Authority (the "Authority"), which is described in Note 14 to the financial statements. 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. 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.

P. Net Position

In governmental-wide and proprietary fund financial statements, Net Position are categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted Net Position are available, the City's policy is to apply restricted Net Position first, then unrestricted Net Position as they are needed.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Q. Fund Balances

In governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City. Adoption of a resolution by the City Council is required to commit resources or to rescind the commitment.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has by resolution authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental fund other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first. Further, when the components of unrestricted fund balance can be used for the same purpose, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

R. Property Taxes

Property taxes are levied on March 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Los Angeles, California (County) bills and collects property taxes and remits them to the City according to a payment schedule established by the County.

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year or the current CPI, whichever is less. The City receives a share of this basic tax levy proportionate to what it received during the years 1980-1981.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days after the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected.

No allowance for doubtful accounts was considered necessary.

S. Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates and assumptions.

T. Implementation of New GASB Pronouncements

GASB Statement No. 72, Fair Value Measurement and Application - This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement became effective for periods beginning after June 15, 2015 and did not have any measurement impact on the City's investment portfolio, except for the additional disclosure regarding to the measurement input as discussed in Note 3E of the City's financial statements for the year ended June 30, 2016.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No.68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. This Statement became effective for periods beginning after June 15, 2015 and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

T. Implementation of New GASB Pronouncements (Continued)

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - This Statement establishes standards relating to the hierarchy of generally accepted accounting principles. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement became effective for periods beginning after June 15, 2015, is applied retroactively, and did not have a significant impact on the City’s financial statements for the year ended June 30, 2016.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* - This Statement establishes standards relating to accounting and financial reporting for certain external investment pools and pool participants. This Statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 and did not have a significant impact on the City’s financial statements for the year ended June 30, 2016.

Note 3 – Cash and Investments

At June 30, 2016, cash and cash investments are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Unrestricted assets:			
Cash and investments	\$ 46,911,509	\$ 4,023,343	\$ 50,934,852
Restricted assets:			
Cash and investments	22,390	-	22,390
Cash and investments with fiscal agents	-	1,458,728	1,458,728
Total cash and investments	\$ 46,933,899	\$ 5,482,071	\$ 52,415,970

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Cash and Investments (Continued)

At June 30, 2016, cash and investments consisted of the following:

Deposits with financial institution	\$ 5,260,754
Petty cash	2,700
Investments	47,152,516
Total cash and investments	\$ 52,415,970

A. Demand Deposits

The carrying amount of the City's cash deposits were \$5,260,754 at June 30, 2016. Bank balances before reconciling items were \$7,117,767 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investments in One Issuer
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 Deposit	5 Years	30%	10%
Time Certificates of Deposit	1 Year	None	None
Corporate Notes	5 Years	30%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Money Market Funds	N/A	20%	10%
Government Pools	N/A	None	None
Los Angeles County Pooled Fund	N/A	None	None

N/A - Not Applicable

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreement

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.

D. Risk Disclosures

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	\$ 8,491,302	\$ -	\$ -	\$ 8,491,302
United States Treasury Notes	-	3,331,214	8,840,658	12,171,872
United States Government Sponsored Agency Securities	-	3,399,316	3,340,733	6,740,049
Supra-National Agency Notes	-	-	882,706	882,706
CAMP Cash Reserve Portfolio	43,229	-	-	43,229
Money Market Mutual Funds	795,998	-	-	795,998
Negotiable Certificates of Deposit	3,803,760	4,364,310	-	8,168,070
Corporate Medium Notes	860,568	5,041,697	2,504,297	8,406,562
Held by Bond Trustee: Money Market Mutual Funds	1,452,728	-	-	1,452,728
Total	\$ 15,447,585	\$ 16,136,537	\$ 15,568,394	\$ 47,152,516

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

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, 2016 for each investment type:

Investment Type	Fair Value as of June 30, 2016	Minimum Legal Rating	AAA	Other	Not Rated	Not Required to be Rated
Local Agency Investment Fund	\$ 8,491,302	N/A	\$ -	\$ -	\$ 8,491,302	\$ -
United States Treasury Notes	12,171,872	N/A	-	-	-	12,171,872
United States Government Sponsored						
Agency Securities	6,740,049	N/A	-	6,740,049	-	-
Supra-National Agency Notes	882,706	AAA	882,706	-	-	-
CAMP Cash Reserve Portfolio	43,229	A	43,229	-	-	-
Money Market Mutual Funds	795,998	A	795,998	-	-	-
Negotiable Certificates of Deposit	8,168,070	N/A	-	8,168,070	-	-
Corporate Medium Notes	8,406,562	A	-	8,406,562	-	-
Held by Bond Trustee:						
Money Market Mutual Funds	1,452,728	A	1,452,728	-	-	-
Total	\$47,152,516		\$ 3,174,661	\$23,314,681	\$ 8,491,302	\$12,171,872

N/A - Not Applicable

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

Investment Type	AA+	AA	AA-	A+	A	A-	BBB+	Total
United States Government								
Sponsored Agency Securities	\$ 6,740,049	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,740,049
Negotiable Certificates of Deposits	-	-	2,910,406	5,257,664	-	-	-	8,168,070
Corporate Medium Notes	755,855	408,812	2,269,523	338,280	2,826,243	1,283,004	524,845	8,406,562
Total	\$ 7,495,904	\$ 408,812	\$ 5,179,929	\$ 5,595,944	\$ 2,826,243	\$ 1,283,004	\$ 524,845	\$23,314,681

Disclosures Relating to 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. There were no investments in any one issuer that represent 5% or more at June 30, 2016.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of LAIF and other pooled investments, are held by a third-party custodian.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Cash and Investments (Continued)

E. Fair Value Measurement Disclosure

At June 30, 2016, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2016:

Investment Type	Measurement Input			Total
	Level 1	Level 2	N/A	
Local Agency Investment Fund	\$ -	\$ 8,491,302	\$ -	\$ 8,491,302
United States Treasury Notes	12,171,872	-	-	12,171,872
United States Government Sponsored				
Agency Securities	-	6,740,049	-	6,740,049
Supra-National Agency Notes	-	882,706	-	882,706
CAMP Cash Reserve Portfolio	-	43,229	-	43,229
Money Market Mutual Funds	-	-	795,998	795,998
Negotiable Certificates of Deposit	-	8,168,070	-	8,168,070
Corporate Medium Notes	-	8,406,562	-	8,406,562
Held by Bond Trustee:				
Money Market Mutual Funds	-	-	1,452,728	1,452,728
Total	\$ 12,171,872	\$ 32,731,918	\$ 2,248,726	\$ 47,152,516

F. Investment in Local Agency Investment Fund (LAIF)

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2016 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2016, the City had \$8,491,302 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. The credit quality rating of LAIF is unrated as of June 30, 2016.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Cash and Investments (Continued)

G. Investment in California Asset Management Program

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

Note 4 – Notes Receivable

At June 30, 2016, notes receivable consisted of the followings:

	Government-Wide Financial Statements	Fiduciary Fund Financial Statements		
	Governmental Activities	Private Purpose Trust Fund	Agency Funds	Total
Home Improvement Loan Program	\$ 2,094,646	\$ -	\$ 778,431	\$ 2,873,077
HJCH II, Inc. Lakewood Redevelopment Agency	-	451,183	-	451,183
Revolving Loan Fund Program	-	-	34,203	34,203
Total notes receivable	\$ 2,094,646	\$ 451,183	\$ 812,634	\$ 3,358,463

A. Governmental Activities

The former Redevelopment Agency made deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal year 1996-97, the former Redevelopment Agency began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. The rehabilitation loans were made from the former Redevelopment Agency's low and moderate housing 20% set-aside funds. The loans were transferred to the Housing Admin & Program Capital Projects Fund on February 1, 2012, the effective date of the former Redevelopment Agency dissolution, since the City had accepted the role of being the Successor Housing Agency. Due to the long-term nature of the loans, the City has deferred recognition of revenues until receipt in the governmental fund financial statements. The balance of these loans totaled \$2,094,646 at June 30, 2016.

B. Private Purpose Trust Fund

As consideration for the sale of land on November 3, 2006, the former Redevelopment Agency took a \$689,520 note from the buyer. The term of the note is ten years. Interest accrues on the note at a rate of 5.5% per annum. Principal and interest is payable quarterly. The quarterly payments are fixed at \$14,298 with a balloon payment of \$434,883 due on November 1, 2016. The note balance at June 30, 2016 is \$451,183.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 4 – Notes Receivable (Continued)

C. Agency Funds

The City makes deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In fiscal year 1996-97, the City began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. Through fiscal year 1997-98 and 2012-13, the City also used Housing and Community Development Block Grant (CDBG) funds to provide these loans. The rehabilitation loans made from the former Redevelopment Agency's low and moderate housing 20% set-aside funds are reported in the Housing Admin & Program Capital Projects Fund. Due to the long-term nature of the loans, the City has deferred recognition of revenues until receipt. The rehabilitation loans made from CDBG funds and all HUD cash held for rehabilitation loans are reflected in the Housing Rehabilitation Agency Fund. Since the Department of Housing and Urban Development has a claim to any funds remaining when the program is terminated, these funds are reported as "Due to HUD" in the Agency Fund.

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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2016, the City has the following due from and to other funds:

Due From Other Funds	Due To Other Funds		Total
	Governmental Funds	Proprietary Funds	
	Nonmajor Governmental Funds	Internal Service Fund	
Governmental Funds:			
General Fund	\$ 754,215	1,597	\$ 755,812

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

B. Transfers In and Out

At June 30, 2016, the City had the following transfers in/out:

Transfers Out	Transfers In		
	Governmental Funds		
	General Fund	Nonmajor Governmental Funds	Total
Governmental Funds:			
General Fund	\$ -	\$ 7,750	\$ 7,750
Nonmajor Governmental Funds	1,763,754	-	1,763,754
Total	\$ 1,763,754	\$ 7,750	\$ 1,771,504

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

Note 6 – Land Held for Resale

At June 30, 2016, land held for resale consisted of the followings:

Location/Address	Amount	Use of Property
20529 Pioneer Boulevard	\$ 129,557	Vacant. Future affordable housing development site
20525 Pioneer Boulevard	375,445	Vacant. Future affordable housing development site
11643 207th St	413,650	Affordable Housing
11647 207th St	413,650	Affordable Housing
11644 206th St	526,000	Affordable Housing
20920 Roseton Ave	257,000	Affordable Housing
11649 207th St	320,000	Affordable Housing
11610 207th St	262,500	Vacant Land
11618 207th St	262,500	Vacant Land
Total	\$ 2,960,302	

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Receivable from Successor Agency

On June 30, 2012, the amount due by the Lakewood Successor Agency to the City was \$30,950,525. Under AB 1X26, the Successor Agency was only able to list as enforceable obligation the amount of the *initial* City Loan for the plan area, which was \$382,000. Subsequent legislation, AB1484, allowed interest for the City loans to be recalculated at the LAIF rate over the life of the loan. The outstanding interest on the City loan using the LAIF interest rate calculation is \$2,612,099, of which, 80% are allocated to General Fund and 20% are allocated to the City's Housing Admin & Program Capital Projects Fund. Due to the Due Diligence Review called for under AB 1X26, the City reduced the amount receivable to the amount allowable, which resulted in the Successor Agency recognizing an extraordinary gain of \$27,956,419 on the statement of changes in fiduciary net position. During fiscal year 2013-14, the Successor Agency made a principal payment of \$38,200 to the City. Pursuant Health and Safety (HSC) Section 34179.7, the Oversight Board approves the Successor Agency's Finding of Completion on December 10, 2016; therefore, the City's General Fund loaned to the Successor Agency an additional \$9,400,000 to make its payment under Protest for Department of Finance Determination of Other Funds and Accounts Due Diligence Review. Pursuant to HSC Section 34191.6 (2), the Last and Final Recognized Obligation Payment Schedule shall include an interest rate of 4 percent. The City performed interest rate adjustment based on four percent interest rate and reallocated to General Fund and the City's Housing Admin & Program Capital Projects Fund. The recalculation resulted in an unrealized loss in the General Fund in the amount of \$3,271,563 and unrealized gain in the City's Housing Admin & Capital Projects Fund in the amount of \$1,635,370. These unrealized loss and gain are reported as a special item in the financial statements. At June 30, 2016, the total principal and interest due to the City General Fund and Housing Admin & Program Capital Projects Fund were in the amount of \$8,961,530 and \$2,162,792, respectively.

On April 14, 2005, the Agency Board approved a 10-year interfund loan from the Capital Projects Fund to the Debt Service Fund to provide partial funding for the required payment to the County of Los Angeles' Educational Revenue Augmentation Fund for the year ended June 30, 2005. No interest accrues on this loan and annual installments of \$22,623 commenced May 10, 2006. The loan balance at June 30, 2016 was \$90,491. The loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1X26.

On February 9, 2011, the Agency Board approved a 5-year loan from the Capital Projects Fund to the Debt Service Fund to provide funding for the required payment to the County of Los Angeles' Supplemental Educational Revenue Augmentation Fund. On January 25, 2012, the Agency Board approved a second 5-year loan from the Capital Projects Fund to the Debt Service Fund for similar purposes. No interest accrues on these loans and the loans must be repaid on or before June 30, 2015 and 2016, respectively. The total loan balance at June 30, 2016 was \$3,878,059. The liability side of this loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1X26.

California Health and Safety Code Section 33334.6 requires that Redevelopment Agencies set aside 20% of the annual tax increment proceeds for the benefit of low- and moderate-income housing. However, an Agency may defer the set-aside of 20% if it determines that the tax increment required to be deposited is necessary for the orderly and timely completion of programs approved by the Agency prior to January 1, 1986. The Agency made such a determination to defer the deposit of \$1,383,310 of tax increment into the Housing Set-Aside Fund. The Agency has adopted a plan for repayment of this Housing Set-Aside Fund deficit. The Agency did not make a payment towards this deficit during the year ended June 30, 2015, as this deficit was not considered an enforceable obligation under Assembly Bill 1X26, the deficit total remains at \$1,085,310; however, under subsequent legislation, AB1484, this deficit is now considered an enforceable obligation and payments from the Successor Agency are allowed to commence in fiscal year 2013-14 to the City's Housing Admin & Program Capital Projects Fund.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets of the governmental activities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Reclassification	Balance June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 17,041,023	\$ -	\$ -	\$ -	\$ 17,041,023
Construction in progress	8,244,826	4,835,823	-	(3,507,814)	9,572,835
Total capital assets, not being depreciated	<u>25,285,849</u>	<u>4,835,823</u>	<u>-</u>	<u>(3,507,814)</u>	<u>26,613,858</u>
Capital assets, being depreciated:					
Structures and improvements	46,347,866	-	-	2,423,993	48,771,859
Equipment	8,009,386	1,130,684	(409,393)	-	8,730,677
Infrastructure	138,450,368	-	-	1,083,821	139,534,189
Total capital assets, being depreciated	<u>192,807,620</u>	<u>1,130,684</u>	<u>(409,393)</u>	<u>3,507,814</u>	<u>197,036,725</u>
Less accumulated depreciation for:					
Structures and improvements	(21,624,165)	(962,862)	-	-	(22,587,027)
Equipment	(6,627,428)	(446,426)	409,393	-	(6,664,461)
Infrastructure	(101,330,701)	(2,721,461)	-	-	(104,052,162)
Total accumulated depreciation	<u>(129,582,294)</u>	<u>(4,130,749)</u>	<u>409,393</u>	<u>-</u>	<u>(133,303,650)</u>
Total capital assets, being depreciated, net	<u>63,225,326</u>	<u>(3,000,065)</u>	<u>-</u>	<u>3,507,814</u>	<u>63,733,075</u>
Governmental activities capital assets, net	<u>\$ 88,511,175</u>	<u>\$ 1,835,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,346,933</u>

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

General government	\$ 78,443
Public safety	253,546
Transportation	131,696
Culture and leisure	925,943
Unallocated depreciation for infrasture	2,721,461
Internal service funds depreciation charged to programs	19,660
Total depreciation expense - governmental activities	<u>\$ 4,130,749</u>

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 8 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in capital assets of the business-type activities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Reclassification	Balance June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 381,023	\$ -	\$ -	\$ -	\$ 381,023
Water rights	1,834,586	-	-	-	1,834,586
Construction in progress	5,197,736	1,940,955	-	(5,422,226)	1,716,465
Total capital assets, not being depreciated	7,413,345	1,940,955	-	(5,422,226)	3,932,074
Capital assets, being depreciated:					
Source of supply	4,770,755	-	-	-	4,770,755
Pumping plant	807,312	-	-	-	807,312
Water treatment	2,482,330	-	-	2,243,710	4,726,040
Transmission/distribution	32,098,148	-	-	3,178,516	35,276,664
General plant and equipment	9,760,633	11,808	-	-	9,772,441
Total capital assets, being depreciated	49,919,178	11,808	-	5,422,226	55,353,212
Less accumulated depreciation for:					
Source of supply	(2,991,183)	(77,714)	-	-	(3,068,897)
Pumping plant	(552,424)	(11,733)	-	-	(564,157)
Water treatment	(1,395,837)	(353,628)	-	-	(1,749,465)
Transmission/distribution	(17,158,684)	(854,964)	-	-	(18,013,648)
General plant and equipment	(4,407,860)	(401,276)	-	-	(4,809,136)
Total accumulated depreciation	(26,505,988)	(1,699,315)	-	-	(28,205,303)
Total capital assets, being depreciated, net	23,413,190	(1,687,507)	-	5,422,226	27,147,909
Business-type activities capital assets, net	\$ 30,826,535	\$ 253,448	\$ -	\$ -	\$ 31,079,983

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

Business type activity:	
Water	<u>\$ 1,699,315</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,699,315</u></u>

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Long-Term Liabilities

A. Governmental Activities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2016 is as follow:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
Governmental Activities:						
Lease payable	\$ -	\$ 278,121	\$ (31,313)	\$ 246,808	\$ 35,564	\$ 211,244
Compensated absences	1,333,971	1,166,174	(1,144,123)	1,356,022	782,223	573,799
Total governmental activities	\$ 1,333,971	\$ 1,444,295	\$ (1,175,436)	\$ 1,602,830	\$ 817,787	\$ 785,043

Lease Payable

The City has lease agreement for the acquisition of helicopter. Total equipment acquired through capital leases amounted to \$278,121. The total principal balance of the lease at June 30, 2016 was \$246,808.

The asset acquired through capital lease is as follow:

	Governmental Activities
Assets	
Equipment	\$ 278,121
Less: accumulated depreciation	(19,866)
Total	\$ 258,255

Future minimum lease payment under the capital lease is as follows:

Year Ended June 30,	Governmental Activities
2017	\$ 49,872
2018	49,872
2019	49,872
2020	49,872
2021	49,872
2022	49,871
Subtotal	299,231
Less amount representing interest	(52,423)
Present value of future minimum lease payments	\$ 246,808

Compensated Absences

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Long-Term Liabilities (Continued)

B. Business-Type Activities

Summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2016 is as follow:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
Business-type Activities						
Water Revenue Bonds:						
2004 Bonds	\$ 460,000	\$ -	\$ (460,000)	\$ -	\$ -	\$ -
Bond premium	6,517	-	(6,517)	-	-	-
Total water revenue bonds	466,517	-	(466,517)	-	-	-
2015 Photovoltaic system lease and sublease agreements	1,990,000	-	(227,468)	1,762,532	233,245	1,529,287
Loans payable	987,401	-	(197,480)	789,921	197,480	592,441
Compensated absences	129,936	141,618	(158,869)	112,685	72,107	40,578
Total business-type activities	\$ 3,573,854	\$ 141,618	\$ (1,050,334)	\$ 2,665,138	\$ 502,832	\$ 2,162,306

2004 Water Revenue Bonds

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

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

The aggregate amount of 2004 Water Revenue Bonds outstanding at June 30, 2016 was \$0.

2015 Photovoltaic System Lease and Sublease Agreements

On May 25, 2015, the City entered into the \$1,990,000 Photovoltaic System Lease and Sublease Agreements with CLP Holdings Inc. to refund the 2008 Water Revenue Bonds. The current refunding resulted in an economic gain in the amount of \$194,632 and saving in debt service payments in the amount of \$520,579. The current refunding resulted in no deferred gains or losses as the bond proceeds were sufficient to cover repayment of 2008 Water Revenue Bonds, the interest due, and issuance cost in the 2015 Photovoltaic System Lease and Sublease Agreements.

Principal payments on the capital lease are due annually each April 1, commencing April 1, 2011. The bonds were sold through a negotiated sale and bears interest at a rate of 2.54%. Interest payments are payable semi-annually on April 1 and October 1.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

2015 Photovoltaic System Lease and Sublease Agreements (Continued)

The future annual required lease payments at June 30, 2016, are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 233,245	\$ 44,768	\$ 278,013
2018	239,170	38,844	278,014
2019	245,244	32,769	278,013
2020	251,474	26,540	278,014
2021	257,861	20,152	278,013
2022-2023	535,538	20,490	556,028
Total	<u>\$ 1,762,532</u>	<u>\$ 183,563</u>	<u>\$ 1,946,095</u>

Loans 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. Since 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.

The debt service schedule to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 197,480	-	\$ 197,480
2018	197,480	-	197,480
2019	197,480	-	197,480
2020	197,481	-	197,481
Total	<u>\$ 789,921</u>	<u>\$ -</u>	<u>\$ 789,921</u>

Compensated Absences

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements

Summary of changes in long-term debt for fiduciary fund financial statements for the year ended June 30, 2015 is as follow:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in More Than One Year
Fiduciary Fund Financial Statements						
Tax Allocation Bonds:						
1999 Series A	\$ 1,800,000	\$ -	\$ (570,000)	\$ 1,230,000	\$ 600,000	\$ 630,000
2003 Series A	1,420,000	-	(455,000)	965,000	475,000	490,000
2003 Series B	765,000	-	(240,000)	525,000	255,000	270,000
Bond premium	10,481	-	(4,837)	5,644	-	5,644
Total fiduciary fund financial statements	\$ 3,995,481	\$ -	\$ (1,269,837)	\$ 2,725,644	\$ 1,330,000	\$ 1,395,644

1999 Tax Allocation Bonds Series A

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

The 1999A Bonds are serial bonds maturing annually each September 1 through the calendar year 2017, and bearing interest at rates ranging from 4.0% to 5.4%. Interest is payable semiannually on March 1 and September 1. The 1999A Bonds maturing on or after September 1, 2011, are subject to redemption prior to maturity at the option of the Agency as a whole, or in part, on or after September 1, 2009, by such maturities as designated by the Agency and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, plus a premium (expressed as a percentage of the principal amount of bonds to be redeemed) plus accrued interest to the redemption date. The redemption prices range from 100% to 102%.

Total debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 600,000	\$ 50,070	\$ 650,070
2018	630,000	17,010	647,010
Total	<u>\$ 1,230,000</u>	<u>\$ 67,080</u>	<u>\$ 1,297,080</u>

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2003 Tax Allocation Bonds Series A

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

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

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

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 475,000	\$ 29,835	\$ 504,835
2018	490,000	10,168	500,168
Total	<u>\$ 965,000</u>	<u>\$ 40,003</u>	<u>\$ 1,005,003</u>

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2003 Tax Allocation Bonds Series B

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

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

The 2003B Bonds are serial bonds maturing annually each September 1 through the calendar year 2017, and bearing interest 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
2017	\$ 255,000	\$ 22,220	\$ 277,220
2018	270,000	7,547	277,547
Total	<u>\$ 525,000</u>	<u>\$ 29,767</u>	<u>\$ 554,767</u>

Note 10 – Defined Contribution Plan

The City provides a tax qualified retirement savings plan under Section 401(a) of the Internal Revenue Code to all 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. There were 184 employees covered by the Plan for the year ended June 30, 2016. 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, 2016, employee contributions totaled \$333,890 and employer contributions totaled \$202,662.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Defined Benefits Plan

Summary of changes in deferred outflows of resources related to pension, net pension liabilities, and deferred inflows of resources related to pension for both governmental activities and business-type activities for the year ended June 30, 2016 are as follow:

<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution after measurement date:			
CalPERS	\$ 2,445,353	\$ 271,706	\$ 2,717,059
Difference in projected and actual earnings on pension investments:			
PARS	833,803	103,054	936,857
Change in assumptions:			
PARS	2,111,523	260,975	2,372,498
Total deferred outflows of resources	<u>\$ 5,390,679</u>	<u>\$ 635,735</u>	<u>\$ 6,026,414</u>
Net pension liabilities:			
CalPERS	\$ 18,664,197	\$ 2,073,799	\$ 20,737,996
PARS	4,822,083	595,989	5,418,072
Total net pension liabilities	<u>\$ 23,486,280</u>	<u>\$ 2,669,788</u>	<u>\$ 26,156,068</u>
Deferred inflows of Resources:			
Difference in projected and actual earnings on pension investments:			
CalPERS	\$ 790,281	\$ 87,808	\$ 878,089
Difference between expected and actual experience			
CalPERS	1,755,689	195,077	1,950,766
PARS	265,626	32,830	298,456
Subtotal	<u>2,021,315</u>	<u>227,907</u>	<u>2,249,222</u>
Change in assumptions:			
CalPERS	1,249,133	138,793	1,387,926
Total deferred inflows of resources	<u>\$ 4,060,729</u>	<u>\$ 454,508</u>	<u>\$ 4,515,237</u>

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan

General Information about the Pension Plan

Plan Description

The City contributes to the California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2014 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. During the year ended June 30, 2013, the California's Public Employees' Pension Reform Act ("PEPRA") went into effect. Employees hired after January 1, 2013 who are new to the CalPERS system are part of the PEPRA plan. PEPRA members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay. Retirement benefits for classic employees are calculated as 2% of the average final 12 months compensation. Retirement benefits for PEPRA employees are calculated as 2% of the average final 36 months compensation.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month salary for each completed year of current service, up to a maximum of six months salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2014, the valuation date, the following employees were covered by the benefit terms:

Active employees	265
Transferred and terminated employees	271
Retired Employees and Beneficiaries	221
Total	757

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015, the classic active employee contribution rates was 7% of annual pay, the PEPRA active employee contribution rate was 6.25% of annual, and the required employer contribution rates were 12.621% of the annual payroll.

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

Net Pension Liability (Continued)

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The discount rate was changed from 7.50 percent (net of administrative expenses in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

¹ An expected inflation of 2.5% used

² An expected inflation of 3.0% used

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2014 (Valuation Date)	\$ 113,819,356	\$ 93,854,960	\$ 19,964,396
Changes Recognized for the Measurement Period:			
Service Cost	2,028,208	-	2,028,208
Interest on the total pension liability	8,236,636	-	8,236,636
Changes of benefit terms	-	-	-
Changes of assumptions	(1,943,097)	-	(1,943,097)
Difference between expected and actual experience	(2,731,071)	-	(2,731,071)
Contributions from the employer	-	1,871,751	(1,871,751)
Contributions from employees	-	939,852	(939,852)
Net investment income	-	2,111,030	(2,111,030)
Benefit payments, including refunds of employee contributions	(4,981,710)	(4,981,710)	-
Administrative Expense	-	(105,557)	105,557
Net Changes during July 1, 2014 to June 30, 2015	\$ 608,966	\$ (164,634)	\$ 773,600
Balance at June 30, 2015 (Measurement Date)	\$ 114,428,322	\$ 93,690,326	\$ 20,737,996

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
\$ 35,459,757	\$ 20,737,996	\$ 8,490,904

Pension plan fiduciary net position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial report.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2015, the City incurred a pension expense of \$397,247.

As of measurement date of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ -	\$ 1,387,926
Difference between expected and actual experience	-	1,950,766
Contribution made after the measurement date	2,717,059	-
Net difference between projected and actual earning on pension plan investments	-	878,089
Total	\$ 2,717,059	\$ 4,216,781

The amounts above are net of outflows and inflows recognized in the 2014-15 measurement period expense.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the 2014-15 measurement period is 3.5 years, which was obtained by dividing the total service years of 2,681 (the sum of remaining service lifetimes of the active employees) by 757 (the total number of participants: active, inactive, and retired).

The \$2,717,059 reported as deferred outflows of resources related to pension resulting from the City’s contributions subsequent to the measurement date during the year ended June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

	Deferred Outflows/(Inflows) of Resources
Year Ended June 30	Miscellaneous Plan
2017	\$ (1,959,054)
2018	(1,959,054)
2019	(1,291,315)
2020	992,642
2021	-
Thereafter	-
	\$ (4,216,781)

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan

General Information about the Pension Plan

Plan Description

The City provides a 401(a) 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). A separate audited GAAP-basis post-employment benefit plan report is not available for this Plan. Due to PEPRRA legislation the Plan is closed to employees hired by the City after December 31, 2012.

Benefit Provided

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.

Final average compensation is equal to the highest year of compensation with the City, including CalPERS employer paid member contributions (salary plus 7%), subject to IRC 401(a)(17) limitations. Salary includes longevity pay.

There is no disability benefit or death benefit under this plan.

The normal form of benefit is a life-only annuity. In lieu of a life-only annuity, a participant may elect an actuarial equivalent optional form of payment. The optional form is a joint and survivor annuity.

Any benefit in payment status will increase by 2% per annum on each participant's anniversary date of retirement.

Employees Covered by Benefit Terms

At June 30, 2015, the valuation date, the following employees were covered by the benefit terms:

Active employees	136
Terminated employees	31
Retired Employees and Beneficiaries	46
Total	<u>213</u>

Contributions

Employees contribute 3.00% of compensation of which the City picks-up 0.13%.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and the June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment return	6.00%
Inflation	2.75%
Salary Increases	Increase are based on service, ranges from 12.20% to 3.5% for 0 to 30 or more years of service, respectively.
Cost of Living Adjustment	2.00% compounded annually
Withdrawal/Disability	Consistent with Non-Industrial rate used to value the Miscellaneous CalPERS Pension Plans.
Mortality	Pre-Retirement: consistent with Non-Industrial rate used to value the Miscellaneous CalPERS Pension Plans. Post-Retirement: CalPERS 1997-2011 Healthy Retiree Tables (sex-distinct) with an assumed base year of 2008 and full generational projections using Scale AA.
Retirement	Ranges from 7.1% at age 55 to 100% at age 75+.
Disability	Consistent with the rates used to value the Miscellaneous CalPERS Pension Plans
Expenses	None are assumed.
Maximum Benefits and Salary	Consistent with the rates used to value the Miscellaneous CalPERS Pension Plans
Form of payment	All current participants are assumed to elect a single life annuity.
Election of Deferred Benefit	Active employees terminating prior to attainment of age 55 and completion of two years of service are assumed to elect a refund of their contributions with interest

Discount Rate

The discount rate used to measure the total pension liability was 6 percent. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

The table below reflects long-term expected real return adjusted for inflation by asset classes:

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	3.40%	0.42%	0.41%
US Core Fixed Income	Barclays Aggregate	47.00%	2.12%	1.99%
US Equity Market	Russell 3000	38.23%	5.12%	3.81%
Foreign Developed Equity	MSCI EAFE	8.65%	5.85%	4.20%
Emerging Market Equities	MSCI Emerging Markets	2.72%	8.07%	4.79%
		100.00%		
Assumed Inflation - Mean			2.32%	2.30%
Assumed Inflation - Standard Deviation			1.89%	1.89%
Portfolio Real Mean Return			3.70%	3.31%
Portfolio Nominal Mean Return			6.01%	5.68%
Portfolio Standard Deviation				5.83%
Long-Term Expected Rate of Return				6.00%

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2015	\$ 14,664,922	\$ 12,769,050	\$ 1,895,872
Changes Recognized for the Measurement Period:			
Service Cost	522,429	-	522,429
Interest on the total pension liability	898,895	-	898,895
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(345,830)	-	(345,830)
Effect of assumptions changes or inputs	2,749,085	-	2,749,085
Contributions from the employer	-	54,800	(54,800)
Contributions from employees	-	281,187	(281,187)
Net investment income	-	(8,365)	8,365
Benefit payments, including refunds	(417,601)	(417,601)	-
Administrative expense	-	(25,243)	25,243
Net Changes during July 1, 2015 to June 30, 2016	\$ 3,406,978	\$ (115,222)	\$ 3,522,200
Balance at June 30, 2016 (Measurement Date)	\$ 18,071,900	\$ 12,653,828	\$ 5,418,072

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Changes in Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.00%) or 1 percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Plan's Net Pension Liability	\$ 8,049,724	\$ 5,418,072	\$ 3,237,525

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available upon request.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the measurement period ending June 30, 2016, the City incurred a pension expense of \$992,472.

As of measurement date of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ -	\$ (298,456)
Changes of assumptions	2,372,498	-
Net difference between projected and actual earning on pension plan investments	936,857	-
Total	\$ 3,309,355	\$ (298,456)

The amounts above are net of outflows and inflows recognized in the 2015-16 measurement period expense. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2017	\$ 590,076
2018	590,076
2019	590,075
2020	483,482
2021	329,213
Thereafter	427,977
	\$ 3,010,899

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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 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 \$542 per month on January 1, 2014, continuing until the retiree has met Medicare age. Thereafter, the payment is decreased to \$295 per month. The benefit is increased annually according to the terms of the MOU. The maximum term of benefits paid a qualifying employee is equal to the number of months of continuous Lakewood City service. A separate audited GAAP-basis post-employment benefit plan report is not available for this Plan.

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, 2016, the City made contributions of \$280,100 on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation (Asset)

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC for fiscal year 2015-16 was \$283,401 and was determined as part of an actuarial valuation as of July 1, 2015.

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)	\$	283,401
Interest Adjustment on Net OPEB Assets		(231,149)
Amortization Adjustment to ARC		265,550
Annual OPEB Cost		317,802
Contribution Made		(281,100)
Decrease in Net OPEB Assets		36,702
Net OPEB Assets:		
Beginning of Year		(3,913,023)
End of Year	\$	(3,876,321)

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 12 – Other Post-Employment Benefits (Continued)

Three-Year Trend Information

For the year ended June 30, 2016, the City's annual OPEB cost (expense) of \$317,802 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 Ending	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of APC Contributed	Net OPEB (Assets) Obligation
6/30/2014	\$ 193,512	\$ 156,224	80.73%	\$ (3,852,484)
6/30/2015	197,245	257,874	130.69%	(3,913,023)
6/30/2016	317,802	281,100	88.45%	(3,876,321)

Funded Status and Funding Progress

As of July 1, 2015, the latest actuarial valuation date, the plan was 101.21% funded. The actuarial accrued liability for benefits was \$8,159,602 and the actuarial value of assets was \$8,258,175 resulting in an actuarial surplus of \$98,573. The covered payroll (annual payroll of active employees covered by the plan) was \$10,819,843 and the ratio of the surplus to the covered payroll was 0.91%. The actuarial valuation is performed on the odd year; therefore, July 1, 2015 actuarial valuation is the most recent report.

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, 2015, 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 twenty-year open period.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 13 – 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 CalPERS 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.

Plan assets are held in trust for the exclusive benefit of participant and their beneficiaries; and therefore, are not included in the accompanying financial statements.

Note 14 – Liabilities, 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 (the “Authority”). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Insurance Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

B. Self-Insurance Programs of the Insurance Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years 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. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 14 – Liabilities, Property, and Workers’ Compensation Protection (Continued)

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

Liability

In the liability program claims are pooled separately between police and general government 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 from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2015-16 the Authority’s pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority’s reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million x/s \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation

In the workers’ compensation program claims are pooled separately between public safety (police and fire) and general government 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 from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2015-16 the Authority’s pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers’ Compensation Law.

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 14 – Liabilities, Property, and Workers’ Compensation Protection (Continued)

C. Purchased Insurance

Pollution Legal Liability Insurance

The City of Lakewood participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Lakewood. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City of Lakewood participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Lakewood property is currently insured according to a schedule of covered property submitted by the City of Lakewood to the Authority. City of Lakewood property currently has all-risk property insurance protection in the amount of \$53,955,520. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance

The City of Lakewood purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Lakewood property currently has earthquake protection in the amount of \$33,579,639. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

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

Special Event Tenant User Liability Insurance

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

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2015-16.

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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 15 – Commitments and Contingencies

A. Lawsuits

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. Contract with Los Angeles County Sheriff's Department

The City contracts for policing services through the Los Angeles County Sheriffs Department. As part of the agreement for services, the City is required to pay an additional 4% premium over the contract price to the Sheriff's Department for liability insurance. This amount is held by the County in a Liability Trust Fund and provides for the payment of claims brought against the Sheriffs Department.

C. Lighting Maintenance Contract with City Light and Power Lakewood, Inc.

In November 1997, the City entered into a lighting maintenance contract with City Light and Power Lakewood, Inc. The contract requires the City to pay a basic annual rent of \$544,250, with a portion of the basic rent adjusted annually using the current consumer price index. During the year ended June 30, 2016, the City was paying \$56,964 per month for the maintenance contract. The contract expires in November 2022.

D. Lease Agreement with Lakewood Mall Business Company

On September 14, 1999, the former Lakewood Redevelopment 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, 2016, the Agency's obligation under this agreement totaled \$750,000.

E. Agreement for Allocation of Tax Increment Revenue

On June 13, 1989, the former Lakewood Redevelopment 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, 2016, the Agency's outstanding deferral balance is \$843,589.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 16 – Individual Fund Disclosures

Funds with a deficit fund balance/net position at June 30, 2016, are as follows:

Governmental Funds:	
CDBG Special Revenue Fund	\$ (37,808)
Prop A Recreation Special Revenue Fund	\$ (241,339)
River Park Grant Special Revenue Fund	\$ (105,742)
Open Space Special Revenue Fund	\$ (23,374)
Lakewood Capital Improvements	\$ (249,457)
Internal Service Fund	
Print Shop	\$ (19,956)

The City plans to eliminate the \$19,956 deficit in Print Shop through a transfer from the General Fund and the remaining deficits through pending grant funding.

Note 17 – Special Item

Pursuant to Health and Safety Code section 34191.6 (2), the Last and Final Recognized Obligation Payment Schedule shall include an interest rate of four percent. The City performed interest rate adjustment calculation on the loan from the City, both the General Fund and Housing Admin & Capital Projects Fund to the Successor Agency for the year ended June 30, 2016. The recalculation resulted in an unrealized loss in the amount of \$(1,636,193) reported under Government-Wide Financial Statements, an unrealized loss in the amount of \$(3,271,563) reported under the General Fund, an unrealized gain in the amount of \$1,635,370 reported under the Housing Admin & Program Capital Projects Fund, and unrealized gain in the amount of \$1,636,193 reported under the Successor Agency. Due to the infrequent nature, the unrealized gain and loss are reported as a Special Item in the accompanying financial statements. Please refer to Note 7 for additional information.

Summary of a gain or loss reported in the accompanying financial statements as follows:

Governmental Funds:	<u>Gain (Loss)</u>
General Fund	\$ (3,271,563)
Housing Admin & Capital Projects Fund	1,635,370
Total Governmental Funds	<u>(1,636,193)</u>
Fiduciary Funds:	
Successor Agency	<u>1,636,193</u>
Government-Wide Financial Statements:	
Governmental Activities	<u><u>\$ (1,636,193)</u></u>

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 18 – Agreement with Paramount Petroleum

In 1992 the City and Paramount Petroleum Corporation entered into an agreement that allowed Paramount Petroleum to maintain their existing petroleum storage facility (tank farm) on a 4.24-acre site located at 2920 56th Way in Lakewood. The tank farm consists of two 55,000 barrel storage tanks and two 5,000 barrel water tanks and a petroleum pumping station. The agreement established a 15 year amortization period after which time the tanks were to be removed from the site.

Because of changes in the oil industry, as well as the nature of development surrounding the tank farm, Ordinance No. 2005-14 amended the provisions of the Lakewood Municipal Code 9392.B.1 (g) which allowed Paramount Petroleum to operate an additional 10 years ending in January, 2017.

Note 19 – Subsequent Events

The City has evaluated events subsequent to assess the need for potential recognition or disclosures in the financial statements, such events were evaluated through November 30, 2016; the date financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

City of Lakewood
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 24,614,694	\$ 24,614,694	\$ 25,433,978	\$ 819,284
Licenses and permits	1,009,007	1,009,007	1,302,897	293,890
Fines and forfeitures	772,200	772,200	792,042	19,842
Investment income, rents and concession	1,475,370	1,475,370	1,526,936	51,566
Intergovernmental revenues	7,846,728	7,846,728	8,373,381	526,653
Current service charges	7,609,107	7,609,107	7,820,247	211,140
Other	1,021,800	1,022,439	1,139,267	116,828
Total revenues	<u>44,348,906</u>	<u>44,349,545</u>	<u>46,388,748</u>	<u>2,039,203</u>
EXPENDITURES:				
Current:				
General government	6,943,411	6,978,623	7,415,686	(437,063)
Public safety	14,307,294	14,277,934	13,835,471	442,463
Transportation	2,610,439	2,615,673	2,644,147	(28,474)
Community development	4,316,531	4,282,282	4,412,282	(130,000)
Health and sanitation	4,972,738	4,966,183	4,891,323	74,860
Culture and leisure	11,186,321	11,465,359	11,217,729	247,630
Capital outlay				
General government	19,800	24,200	31,505	(7,305)
Transportation	1,205,200	1,408,826	299,552	1,109,274
Public safety	350,000	426,546	894,527	(467,981)
Community development	90,000	90,671	85,996	4,675
Culture and leisure	1,093,858	2,712,196	2,143,411	568,785
Debt service:				
Principal retirement	-	-	31,313	(31,313)
Interest and fiscal charges	-	-	15,143	(15,143)
Total expenditures	<u>47,095,592</u>	<u>49,248,493</u>	<u>47,918,085</u>	<u>1,330,408</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,746,686)</u>	<u>(4,898,948)</u>	<u>(1,529,337)</u>	<u>3,369,611</u>
OTHER FINANCING SOURCES:				
Issuance of lease payable	-	-	278,121	278,121
Transfers in	1,910,091	1,910,091	1,763,754	(146,337)
Transfers out	(90,690)	(90,690)	(7,750)	82,940
Total other financing sources	<u>1,819,401</u>	<u>1,819,401</u>	<u>2,034,125</u>	<u>214,724</u>
SPECIAL ITEMS:				
Loss on interest rate adjustment on the loan to Successor Agency (Note 17)	-	-	(3,271,563)	(3,271,563)
NET CHANGE IN FUND BALANCE	<u>\$ (927,285)</u>	<u>\$ (3,079,547)</u>	<u>(2,766,775)</u>	<u>\$ 312,772</u>
FUND BALANCE:				
Beginning of Year			45,849,601	
End of Year			<u>\$ 43,082,826</u>	

City of Lakewood
Required Supplementary Information (Unaudited) (Continued)
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2016

Budget and 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. The City Manager is authorized to make transfers of budget appropriations between classifications and activities within a fund.
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, are added to the following year's budgeted appropriations. However, encumbrances at year end are reported as assigned 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 since no budgets were adopted for this funds. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
5. Capital project budgets are long term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2016, based on calculations by City Management, proceeds of taxes did not exceed related appropriations. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies, to be used in future years without limitation. In 2009-10, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds.

City of Lakewood
Required Supplementary Information (Unaudited) (Continued)
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Pension Plan

Measurement period	2013-14 ¹	2014-15 ¹
Total pension liability		
Service cost	\$ 2,144,455	\$ 2,028,208
Interest	8,019,215	8,236,636
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(2,731,071)
Changes of assumptions	-	(1,943,097)
Benefit payments, including refunds of employee contributions	(4,389,897)	(4,981,710)
Net change in total pension liability	5,773,773	608,966
Total pension liability - beginning	108,045,583	113,819,356
Total pension liability - ending (a)	<u>\$ 113,819,356</u>	<u>\$ 114,428,322</u>
Pension fiduciary net position		
Contributions - employer	\$ 1,873,372	\$ 1,871,751
Contributions - employee	1,012,408	939,852
Net investment income	14,100,175	2,111,030
Benefit payments, including refunds of employee contributions	(4,389,897)	(4,981,710)
Administrative expense	-	(105,557)
Net change in plan fiduciary net position	12,596,058	(164,634)
Plan fiduciary net position - beginning	81,258,902	93,854,960
Plan fiduciary net position - ending (b)	<u>\$ 93,854,960</u>	<u>\$ 93,690,326</u>
Plan net pension liability - ending (a) - (b)	<u>\$ 19,964,396</u>	<u>\$ 20,737,996</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.46%</u>	<u>81.88%</u>
Covered-employee payroll¹	<u>\$ 15,265,197</u>	<u>\$ 15,213,079</u>
Plan net pension liability as a percentage of covered-employee payroll	<u>130.78%</u>	<u>136.32%</u>

1 Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

City of Lakewood
Required Supplementary Information (Unaudited) (Continued)
Schedule of Changes in Net Pension Liability and Related Ratios (Continued)
June 30, 2016

Last Ten Fiscal Years

Public Agency Retirement System Defined Benefit Plan

Measurement period	2014-15 ¹	2015-16 ¹
Total pension liability		
Service cost	\$ 501,866	\$ 522,429
Interest	972,653	898,895
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(345,830)
Changes of assumptions	-	2,749,085
Benefit payments, including refunds of employee contributions	(398,794)	(417,601)
	1,075,725	3,406,978
Net change in total pension liability		
	1,075,725	3,406,978
Total pension liability - beginning	13,589,197	14,664,922
Total pension liability - ending (a)	\$ 14,664,922	\$ 18,071,900
Pension fiduciary net position		
Contributions - employer	\$ 3,884,844	\$ 54,800
Contributions - employee	293,815	281,187
Net investment income, net of investment expenses	212,179	(8,365)
Benefit payments, including refunds of employee contributions	(398,794)	(417,601)
Administrative expenses	(19,517)	(25,243)
Other	-	-
	3,972,527	(115,222)
Net change in plan fiduciary net position		
	3,972,527	(115,222)
Plan fiduciary net position - beginning	8,796,523	12,769,050
Plan fiduciary net position - ending (b)	\$ 12,769,050	\$ 12,653,828
Plan net pension liability - ending (a) - (b)	\$ 1,895,872	\$ 5,418,072
Plan fiduciary net position as a percentage of the total pension liability	87.07%	70.02%
Covered-employee payroll	\$ 10,819,843	\$ 11,643,566
Net pension liability as a percentage of covered-employee payroll	17.52%	46.53%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

City of Lakewood
Required Supplementary Information (Unaudited) (Continued)
Schedule of Contributions
June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Pension Plan

	2013-14 ¹	2014-15 ¹	2015-16 ¹
Actuarially determined contribution	\$ 1,873,372	\$ 1,871,751	\$ 2,717,059
Contributions in relation to the actuarially determined contribution ²	(1,873,372)	(1,871,751)	(2,717,059)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll ^{3, 4}	\$ 15,265,197	\$ 15,213,079	\$ 15,669,471
Contributions as a percentage of covered-employee payroll ³	12.27%	12.30%	17.34%

¹ As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be determined as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll presented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year \$14,769,980 was assumed to increase by 3.00 percent payroll growth assumption.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were derived from the June 30, 2012 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Remaining amortization period	18 years for valuation dated June 30, 2012 24 years for valuation dated June 30, 2011
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	varies by entry age and service
Payroll Growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

City of Lakewood
Required Supplementary Information (Unaudited) (Continued)
Schedule of Contributions (Continued)
June 30, 2016

Last Ten Fiscal Years

Public Agency Retirement System Defined Benefit Plan

	2013-14 ¹	2014-15 ¹	2015-16 ¹
Actuarially determined contribution	\$ 799,971	\$ 871,044	\$ 874,736
Contributions in relation to the actuarially determined contribution	(723,539)	(3,884,844)	(54,800)
Contribution deficiency (excess)	\$ 76,432	\$ (3,013,800)	\$ 819,936
Covered-employee payroll	\$ 13,496,727	\$ 10,819,843	\$ 11,643,566
Contributions as a percentage of covered-employee payroll	5.36%	35.90%	0.47%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

Notes to Schedule:

Valuation date: June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	20 Years
Asset valuation method	None
Inflation	2.75%
Salary increases	3.50% to 12.20% depending on age, service, and type of employment
Cost of Living Adjustment	2.00%
Investment rate of return	6.00%
Withdraw/Disability/Mortality	Consistent with the Non-Industrial rate used to value the Miscellaneous CalPERS Pension Plans.
Retirement age	Ranges from 7.1% at age 55 to 100% at age 75+
Maximum Benefits and Salary	Salary used in the calculation of final average compensation is subject to the limitations of IRC 401(a)(17). The limit is assumed to increase 2.75% per annum.
Form of Payment	Single Life Annuity

City of Lakewood
Required Supplementary Information (Unaudited) (Continued)
Schedule of Funding Progress
For the Year Ended June 30, 2016

OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Entry Age Actuarial Accrued Liabilities (AAL) (a)	Actuarial Valuation 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)
7/1/2011	\$ 6,656,794	\$ 6,611,297	\$ 45,497	99.32%	\$ 12,749,552	0.36%
7/1/2013	6,147,829	7,333,693	(1,185,864)	119.29%	12,430,631	-9.54%
7/1/2015	8,159,602	8,258,175	(98,573)	101.21%	10,819,843	-0.91%

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds:

Special Revenue Funds are used to account for taxes and other revenues set aside in accordance with the law or administrative regulations 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 1/2 cent transportation sales tax which became effective July 1, 1982. These funds may be used only for certain transportation purposes.

Prop C Transportation Fund - To account for Los Angeles County additional special 1/2 cent transportation sales tax which became effective July 1, 1992. These funds may be only 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. Department 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.

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

Asset Forfeiture Fund - To account for receipts and expenditures of equitably shared forfeited Federal and State funds to support community policing activities, training and/or law enforcement operations.

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 on pedestrians, bikeways and handicapped accessibility projects.

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

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

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds (Continued):

Measure R Fund - To account for Los Angeles County special 1/2 cent transportation sales tax which became effectively July 1, 2009. These funds may be used only for certain transportation purposes.

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

Open Space Fund - To account for funding received from the Los Angeles Regional Park and Open Space District for the West San Gabriel River Parkway Improvement Project – Phase III.

STPL-TEA-LU Fund - To account for funding received from the U.S. Department of Transportation, passed through the California Department of Transportation for Del Amo Blvd from Clark Avenue to Downey Avenue Project.

Nonmajor Capital Project Fund:

Capital Project Fund are used to account for resources used for the construction and acquisition of capital facilities.

Lakewood Capital Improvements Capital Projects Fund - 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

City of Lakewood
Combining Balance Sheet
Other Governmental Funds
June 30, 2016

	Special Revenue Funds				
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit	Prop C Transportation
ASSETS					
Cash and investments	\$ -	\$ 59,592	\$ 118,282	\$ 761,046	\$ 2,354,650
Accounts receivable	-	-	-	-	-
Total assets	\$ -	\$ 59,592	\$ 118,282	\$ 761,046	\$ 2,354,650
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 35,001	\$ 784
Accrued liabilities	-	-	-	6,801	-
Retention payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	41,802	784
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	-	-	-
Transportation	-	-	-	719,244	2,353,866
Community development	-	-	-	-	-
Health and sanitation	-	-	118,282	-	-
Culture and leisure	-	59,592	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	-	59,592	118,282	719,244	2,353,866
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 59,592	\$ 118,282	\$ 761,046	\$ 2,354,650

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Other Governmental Funds
June 30, 2016

	Special Revenue Funds				
	AB 2766	CDBG	State COPS Grant	JAG Grants	Asset Forfeiture Grant
ASSETS					
Cash and investments	\$ 144,693	\$ -	\$ 391,756	\$ -	\$ 3,895
Accounts receivable	27,919	139,247	-	-	-
Total assets	\$ 172,612	\$ 139,247	\$ 391,756	\$ -	\$ 3,895
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 33,533	\$ 30,584	\$ -	\$ -
Accrued liabilities	185	-	-	-	-
Retention payable	-	-	-	-	-
Due to other funds	-	143,522	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	185	177,055	30,584	-	-
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	361,172	-	3,895
Transportation	172,427	-	-	-	-
Community development	-	-	-	-	-
Health and sanitation	-	-	-	-	-
Culture and leisure	-	-	-	-	-
Unassigned (deficit)	-	(37,808)	-	-	-
Total fund balances (deficit)	172,427	(37,808)	361,172	-	3,895
Total liabilities, deferred inflows of resources and fund balances	\$ 172,612	\$ 139,247	\$ 391,756	\$ -	\$ 3,895

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Other Governmental Funds
June 30, 2016

	Special Revenue Funds				
	Litter Reduction Grant	TDA Article Grant	Used Oil Grant	Prop A Recreation	Measure R
ASSETS					
Cash and investments	\$ 118,113	\$ -	\$ 49,005	\$ -	\$ 895,775
Accounts receivable	-	4,313	-	238,110	-
Total assets	<u>\$ 118,113</u>	<u>\$ 4,313</u>	<u>\$ 49,005</u>	<u>\$ 238,110</u>	<u>\$ 895,775</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 5,908	\$ -	\$ -
Accrued liabilities	-	-	-	3,229	-
Retention payable	-	-	-	-	-
Due to other funds	-	4,313	-	238,110	-
Unearned revenue	-	-	22,528	-	-
Total liabilities	<u>-</u>	<u>4,313</u>	<u>28,436</u>	<u>241,339</u>	<u>-</u>
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	238,110	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,110</u>	<u>-</u>
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	895,775
Community development	-	-	-	-	-
Health and sanitation	118,113	-	20,569	-	-
Culture and leisure	-	-	-	-	-
Unassigned (deficit)	-	-	-	(241,339)	-
Total fund balances (deficit)	<u>118,113</u>	<u>-</u>	<u>20,569</u>	<u>(241,339)</u>	<u>895,775</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 118,113</u>	<u>\$ 4,313</u>	<u>\$ 49,005</u>	<u>\$ 238,110</u>	<u>\$ 895,775</u>

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Other Governmental Funds
June 30, 2016

	Special Revenue Funds			Capital Projects Fund	Total Other Governmental Funds
	River Park Grant	Open Space	STPL TEA-LU	Lakewood Capital Improvements	
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 4,896,807
Accounts receivable	105,742	23,374	-	810,336	1,349,041
Total assets	\$ 105,742	\$ 23,374	\$ -	\$ 810,336	\$ 6,245,848
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 10,303	\$ 116,113
Accrued liabilities	-	-	-	-	10,215
Retention payable	-	-	-	-	-
Due to other funds	105,742	23,374	-	239,154	754,215
Unearned revenue	-	-	-	-	22,528
Total liabilities	105,742	23,374	-	249,457	903,071
Deferred Inflows of Resources:					
Unavailable revenues	105,742	23,374	-	810,336	1,177,562
Total deferred inflows of resources	105,742	23,374	-	810,336	1,177,562
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	-	-	365,067
Transportation	-	-	-	-	4,141,312
Community development	-	-	-	-	-
Health and sanitation	-	-	-	-	256,964
Culture and leisure	-	-	-	-	59,592
Unassigned (deficit)	(105,742)	(23,374)	-	(249,457)	(657,720)
Total fund balances (deficit)	(105,742)	(23,374)	-	(249,457)	4,165,215
Total liabilities, deferred inflows of resources and fund balances	\$ 105,742	\$ 23,374	\$ -	\$ 810,336	\$ 6,245,848

(Concluded)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit	Prop C Transportation
REVENUES:					
Taxes	\$ -	\$ 394,722	\$ -	\$ 1,466,114	\$ 1,217,339
Licenses and permits	-	-	2,497	-	-
Investment income, rents and concession	8,872	-	-	10,975	21,065
Intergovernmental revenues	1,754,882	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	1,763,754	394,722	2,497	1,477,089	1,238,404
EXPENDITURES:					
Current:					
General government	-	-	-	40,993	-
Public safety	-	-	-	-	-
Transportation	-	-	-	1,288,116	901,601
Community development	-	-	-	95,633	-
Health and sanitation	-	-	-	-	-
Culture and leisure	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Transportation	-	-	-	-	257,160
Culture and leisure	-	-	-	147,429	-
Total expenditures	-	-	-	1,572,171	1,158,761
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,763,754	394,722	2,497	(95,082)	79,643
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(1,763,754)	-	-	-	-
Total other financing sources (uses)	(1,763,754)	-	-	-	-
NET CHANGES IN FUND BALANCES	-	394,722	2,497	(95,082)	79,643
FUND BALANCES (DEFICIT):					
Beginning of year	-	(335,130)	115,785	814,326	2,274,223
End of year	\$ -	\$ 59,592	\$ 118,282	\$ 719,244	\$ 2,353,866

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Other Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				
	AB2766	CDBG	State COPS Grants	JAG Grants	Asset Forfeiture Grant
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Investment income, rents and concession	893	-	4,082	-	-
Intergovernmental revenues	102,167	298,741	146,301	16,409	40
Other revenues	-	-	-	-	-
Total revenues	103,060	298,741	150,383	16,409	40
EXPENDITURES:					
Current:					
General government	5,504	6,855	-	-	-
Public safety	-	-	183,502	16,409	-
Transportation	14,769	-	-	-	-
Community development	-	187,123	-	-	-
Health and sanitation	-	-	-	-	-
Culture and leisure	-	33,000	-	-	-
Capital outlay:					
General government	28,887	-	-	-	-
Transportation	-	-	-	-	-
Culture and leisure	-	108,773	-	-	-
Total expenditures	49,160	335,751	183,502	16,409	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	53,900	(37,010)	(33,119)	-	40
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGES IN FUND BALANCES	53,900	(37,010)	(33,119)	-	40
FUND BALANCES (DEFICIT):					
Beginning of year	118,527	(798)	394,291	-	3,855
End of year	\$ 172,427	\$ (37,808)	\$ 361,172	\$ -	\$ 3,895

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Other Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				
	Litter Reduction Grant	TDA Article Grant	Used Oil Grant	Prop A Recreation	Measure R
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Investment income, rents and concession	1,163	-	-	-	4,850
Intergovernmental revenues	21,580	51,756	16,780	-	912,629
Other revenues	-	-	-	-	-
Total revenues	22,743	51,756	16,780	-	917,479
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	-	-	-	-	-
Health and sanitation	-	-	16,780	-	-
Culture and leisure	-	-	-	106,157	-
Capital outlay:					
General government	-	-	-	-	-
Transportation	-	51,756	-	-	-
Culture and leisure	-	-	-	-	-
Total expenditures	-	51,756	16,780	106,157	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,743	-	-	(106,157)	917,479
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	7,750	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	7,750	-
NET CHANGES IN FUND BALANCES	22,743	-	-	(98,407)	917,479
FUND BALANCES (DEFICIT):					
Beginning of year	95,370	-	20,569	(142,932)	(21,704)
End of year	\$ 118,113	\$ -	\$ 20,569	\$ (241,339)	\$ 895,775

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Other Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds			Capital Projects Fund	Total Other Governmental Funds
	River Park Grant	Open Space	STPL TEA-LU	Lakewood Capital Improvements	
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,078,175
Licenses and permits	-	-	-	-	2,497
Investment income, rents and concession	-	-	-	-	51,900
Intergovernmental revenues	205,088	8,074	655,873	476,588	4,666,908
Other revenues	-	-	-	-	-
Total revenues	205,088	8,074	655,873	476,588	7,799,480
EXPENDITURES:					
Current:					
General government	-	-	-	-	53,352
Public safety	-	-	-	-	199,911
Transportation	-	-	-	-	2,204,486
Community development	-	-	-	-	282,756
Health and sanitation	-	-	-	-	16,780
Culture and leisure	-	-	-	-	139,157
Capital outlay:					
General government	-	-	-	-	28,887
Transportation	-	-	655,873	1,210,544	2,175,333
Culture and leisure	-	8,074	-	36,075	300,351
Total expenditures	-	8,074	655,873	1,246,619	5,401,013
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	205,088	-	-	(770,031)	2,398,467
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	7,750
Transfers out	-	-	-	-	(1,763,754)
Total other financing sources (uses)	-	-	-	-	(1,756,004)
NET CHANGES IN FUND BALANCES	205,088	-	-	(770,031)	642,463
FUND BALANCES (DEFICIT):					
Beginning of year	(310,830)	(23,374)	-	520,574	3,522,752
End of year	\$ (105,742)	\$ (23,374)	\$ -	\$ (249,457)	\$ 4,165,215

(Concluded)

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income, rents and concession	\$ 5,000	\$ 5,000	\$ 8,872	\$ 3,872
Intergovernmental revenues	1,769,401	1,769,401	1,754,882	(14,519)
Total revenues	<u>1,774,401</u>	<u>1,774,401</u>	<u>1,763,754</u>	<u>(10,647)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,774,401	1,774,401	1,763,754	(10,647)
OTHER FINANCING USES:				
Transfers out	(1,774,401)	(1,774,401)	(1,763,754)	10,647
Total other financing uses	<u>(1,774,401)</u>	<u>(1,774,401)</u>	<u>(1,763,754)</u>	<u>10,647</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u>\$ -</u>	

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 328,337	\$ 328,337	\$ 394,722	\$ 66,385
Total revenues	328,337	328,337	394,722	66,385
EXPENDITURES:				
Capital outlay:				
Culture and leisure	401,982	487,315	-	487,315
Total expenditures	401,982	487,315	-	487,315
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (73,645)	\$ (158,978)	394,722	\$ 553,700
FUND BALANCE:				
Beginning of year			(335,130)	
End of year			\$ 59,592	

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 1,471,024	\$ 1,471,024	\$ 1,466,114	\$ (4,910)
Investment income, rents and concession	10,000	10,000	10,975	975
Total revenues	<u>1,481,024</u>	<u>1,481,024</u>	<u>1,477,089</u>	<u>(3,935)</u>
EXPENDITURES:				
Current:				
General government	43,584	47,529	40,993	6,536
Transportation	1,318,359	1,319,587	1,288,116	31,471
Community development	111,227	106,054	95,633	10,421
Capital outlay:				
Culture and leisure	-	-	147,429	(147,429)
Total expenditures	<u>1,473,170</u>	<u>1,473,170</u>	<u>1,572,171</u>	<u>(99,001)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 7,854</u>	<u>\$ 7,854</u>	(95,082)	<u>\$ (102,936)</u>
FUND BALANCE:				
Beginning of year			<u>814,326</u>	
End of year			<u>\$ 719,244</u>	

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 1,220,176	\$ 1,220,176	\$ 1,217,339	\$ (2,837)
Investment income, rents and concession	15,000	15,000	21,065	6,065
Total revenues	<u>1,235,176</u>	<u>1,235,176</u>	<u>1,238,404</u>	<u>3,228</u>
EXPENDITURES:				
Current:				
Transportation	1,202,684	1,202,789	901,601	301,188
Capital outlay:				
Transportation	<u>1,028,533</u>	<u>1,932,388</u>	<u>257,160</u>	<u>1,675,228</u>
Total expenditures	<u>2,231,217</u>	<u>3,135,177</u>	<u>1,158,761</u>	<u>1,976,416</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(996,041)</u>	<u>(1,900,001)</u>	<u>79,643</u>	<u>1,979,644</u>
NET CHANGE IN FUND BALANCE	<u>\$ (996,041)</u>	<u>\$ (1,900,001)</u>	<u>79,643</u>	<u>\$ 1,979,644</u>
FUND BALANCE:				
Beginning of year			<u>2,274,223</u>	
End of year			<u>\$ 2,353,866</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
AB2766 Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income, rents and concession	\$ 1,000	\$ 1,000	\$ 893	\$ (107)
Intergovernmental revenues	100,000	100,000	102,167	2,167
Total revenues	<u>101,000</u>	<u>101,000</u>	<u>103,060</u>	<u>2,060</u>
EXPENDITURES:				
Current:				
General government	41,427	41,427	5,504	35,923
Transportation	15,679	15,679	14,769	910
Capital outlay:				
General government	-	-	28,887	(28,887)
Total expenditures	<u>57,106</u>	<u>57,106</u>	<u>49,160</u>	<u>7,946</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>43,894</u>	<u>43,894</u>	<u>53,900</u>	<u>10,006</u>
NET CHANGE IN FUND BALANCE	<u>\$ 43,894</u>	<u>\$ 43,894</u>	<u>53,900</u>	<u>\$ 10,006</u>
FUND BALANCE:				
Beginning of year			<u>118,527</u>	
End of year			<u>\$ 172,427</u>	

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	539,459	539,459	\$ 298,741	\$ (240,718)
Total revenues	<u>539,459</u>	<u>539,459</u>	<u>298,741</u>	<u>(240,718)</u>
EXPENDITURES:				
Current:				
General government	8,924	9,079	6,855	2,224
Community development	248,298	242,409	187,123	55,286
Culture and leisure	33,000	33,000	33,000	-
Capital outlay:				
Culture and leisure	249,237	621,355	108,773	512,582
Total expenditures	<u>539,459</u>	<u>905,843</u>	<u>335,751</u>	<u>570,092</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (366,384)</u>	<u>(37,010)</u>	<u>\$ 329,374</u>
FUND BALANCE:				
Beginning of year			<u>(798)</u>	
End of year			<u>\$ (37,808)</u>	

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income, rents and concession	\$ 2,000	\$ 2,000	\$ 4,082	\$ 2,082
Intergovernmental revenues	130,000	130,000	146,301	16,301
Total revenues	132,000	132,000	150,383	18,383
EXPENDITURES:				
Current:				
Public safety	132,000	183,678	183,502	176
Total expenditures	132,000	183,678	183,502	176
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ (51,678)	(33,119)	\$ 18,559
FUND BALANCE:				
Beginning of year			394,291	
End of year			\$ 361,172	

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental revenues	\$ 16,409	\$ 16,409	\$ 16,409	\$ -
Total revenues	<u>16,409</u>	<u>16,409</u>	<u>16,409</u>	<u>-</u>
EXPENDITURES:				
Current:				
Public safety	<u>16,409</u>	<u>16,409</u>	<u>16,409</u>	<u>-</u>
Total expenditures	<u>16,409</u>	<u>16,409</u>	<u>16,409</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u><u>\$ -</u></u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Asset Forfeiture Grants Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ -	\$ -	\$ 40	\$ 40
Total revenues	-	-	40	40
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	\$ -	\$ -	40	\$ 40
FUND BALANCE:				
Beginning of year			3,855	
End of year			\$ 3,895	

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Investment income, rents and concession	\$ 600	\$ 600	\$ 1,163	\$ 563
Intergovernmental revenues	<u>20,000</u>	<u>20,000</u>	<u>21,580</u>	<u>1,580</u>
Total revenues	<u>20,600</u>	<u>20,600</u>	<u>22,743</u>	<u>2,143</u>
EXPENDITURES:				
Current:				
Health and sanitation	<u>20,600</u>	<u>20,600</u>	<u>-</u>	<u>20,600</u>
Total expenditures	<u>20,600</u>	<u>20,600</u>	<u>-</u>	<u>20,600</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	22,743	<u>\$ 22,743</u>
FUND BALANCE:				
Beginning of year			<u>95,370</u>	
End of year			<u>\$ 118,113</u>	

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental revenues	\$ 51,908	\$ 51,756	\$ 51,756	\$ -
Total revenues	<u>51,908</u>	<u>51,756</u>	<u>51,756</u>	<u>-</u>
EXPENDITURES:				
Capital outlay:				
Transportation	<u>51,908</u>	<u>51,756</u>	<u>51,756</u>	<u>-</u>
Total expenditures	<u>51,908</u>	<u>51,756</u>	<u>51,756</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u><u>\$ -</u></u>	

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental revenues	\$ -	\$ -	\$ 16,780	\$ 16,780
Total revenues	<u>-</u>	<u>-</u>	<u>16,780</u>	<u>16,780</u>
EXPENDITURES:				
Current:				
Health and sanitation	45,206	45,206	16,780	28,426
Total expenditures	<u>45,206</u>	<u>45,206</u>	<u>16,780</u>	<u>28,426</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (45,206)</u>	<u>\$ (45,206)</u>	-	<u>\$ 45,206</u>
FUND BALANCE:				
Beginning of year			<u>20,569</u>	
End of year			<u>\$ 20,569</u>	

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 112,657	\$ 112,657	\$ -	\$ (112,657)
Total revenues	112,657	112,657	-	(112,657)
EXPENDITURES:				
Current:				
Culture and leisure	112,657	112,657	106,157	6,500
Total expenditures	112,657	112,657	106,157	6,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(106,157)	(106,157)
OTHER FINANCING SOURCES:				
Transfers in			7,750	7,750
NET CHANGES IN FUND BALANCES	\$ -	\$ -	(98,407)	\$ (98,407)
FUND BALANCE:				
Beginning of year			(142,932)	
End of year			\$ (241,339)	

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income, rents, and concession	\$ -	\$ -	\$ 4,850	\$ 4,850
Intergovernmental revenues	915,143	915,143	912,629	(2,514)
Total revenues	915,143	915,143	917,479	2,336
EXPENDITURES:				
Transportation	130,012	130,012	-	130,012
Capital outlay:				
Transportation	650,000	685,000	-	685,000
Total expenditures	780,012	815,012	-	815,012
REVENUES OVER (UNDER) EXPENDITURES	\$ 135,131	\$ 100,131	917,479	\$ 817,348
FUND BALANCE:				
Beginning of year			(21,704)	
End of year			\$ 895,775	

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ -	\$ -	\$ 205,088	\$ 205,088
Total revenues	-	-	205,088	205,088
EXPENDITURES:				
Capital outlay:				
Culture and leisure	-	108,403	-	108,403
Total expenditures	-	108,403	-	108,403
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ (108,403)	205,088	\$ 313,491
FUND BALANCE:				
Beginning of year			(310,830)	
End of year			\$ (105,742)	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Open Space Special Revenue Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ -	\$ 8,076	\$ 8,074	\$ (2)
Total revenues	-	8,076	8,074	(2)
EXPENDITURES:				
Capital outlay:				
Culture and leisure	-	137,733	8,074	129,659
Total expenditures	-	137,733	8,074	129,659
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ (129,657)	-	\$ 129,657
FUND BALANCE:				
Beginning of year			-	
End of year			\$ -	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
STPL TEA-LU
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental revenues	\$ -	\$ -	\$ 655,873	\$ 655,873
Total revenues	<u>-</u>	<u>-</u>	<u>655,873</u>	<u>655,873</u>
EXPENDITURES:				
Capital outlay:				
Transportation	-	856,000	655,873	200,127
Total expenditures	<u>-</u>	<u>856,000</u>	<u>655,873</u>	<u>200,127</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (856,000)</u>	<u>-</u>	<u>\$ 856,000</u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u>\$ -</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Lakewood Capital Improvements Capital Projects Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental revenues	\$ 3,135,000	\$ 11,036,075	\$ 476,588	\$ (10,559,487)
Total revenues	<u>3,135,000</u>	<u>11,036,075</u>	<u>476,588</u>	<u>(10,559,487)</u>
EXPENDITURES:				
Capital outlay:				
Transportation	3,100,000	14,398,400	1,210,544	13,187,856
Culture and leisure	<u>35,000</u>	<u>36,100</u>	<u>36,075</u>	<u>25</u>
Total expenditures	<u>3,135,000</u>	<u>14,434,500</u>	<u>1,246,619</u>	<u>13,187,881</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ (3,398,425)</u>	<u>(770,031)</u>	<u>\$ 2,628,394</u>
FUND BALANCE:				
Beginning of year			<u>520,574</u>	
End of year			<u>\$ (249,457)</u>	

Internal Service Funds

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

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

City of Lakewood
Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	Central Garage	Print Shop	Totals
ASSETS			
Current Assets:			
Inventories	\$ 38,416	\$ 639	\$ 39,055
Total current assets	<u>38,416</u>	<u>639</u>	<u>39,055</u>
Noncurrent assets:			
Capital assets:			
Capital assets, being depreciated:			
Equipment	1,320,003	-	1,320,003
Less: accumulated depreciation	<u>(1,164,470)</u>	<u>-</u>	<u>(1,164,470)</u>
Total capital assets, net	<u>155,533</u>	<u>-</u>	<u>155,533</u>
Total noncurrent assets	<u>155,533</u>	<u>-</u>	<u>155,533</u>
Total assets	<u>193,949</u>	<u>639</u>	<u>194,588</u>
LIABILITIES			
Current liabilities:			
Accounts payable	7,440	10,068	17,508
Accrued liabilities	13,489	10,527	24,016
Due to other funds	<u>1,597</u>	<u>-</u>	<u>1,597</u>
Total current liabilities	<u>22,526</u>	<u>20,595</u>	<u>43,121</u>
Total liabilities	<u>22,526</u>	<u>20,595</u>	<u>43,121</u>
NET POSITION			
Net investment in capital assets	155,533	-	155,533
Unrestricted (deficit)	<u>15,890</u>	<u>(19,956)</u>	<u>(4,066)</u>
Total net position	<u>\$ 171,423</u>	<u>\$ (19,956)</u>	<u>\$ 151,467</u>

City of Lakewood
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2016

	Central Garage	Print Shop	Totals
OPERATING REVENUES:			
Billing to departments	\$ 906,154	\$ 397,257	\$ 1,303,411
Total operating revenues	906,154	397,257	1,303,411
OPERATING EXPENSES:			
Operations:			
Cost of goods sold	796,236	402,862	1,199,098
Depreciation	19,660	-	19,660
Total operating expenses	815,896	402,862	1,218,758
OPERATING INCOME (LOSS)	90,258	(5,605)	84,653
CHANGE IN NET POSITION	90,258	(5,605)	84,653
NET POSITION:			
Beginning of the year	81,165	(14,351)	66,814
End of the year	\$ 171,423	\$ (19,956)	\$ 151,467

City of Lakewood
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

	Central Garage	Print Shop	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 906,154	\$ 397,257	\$ 1,303,411
Payments to suppliers	(398,525)	(400,327)	(798,852)
Payments to employees	(396,709)	3,070	(393,639)
Net cash provided by operating activities	<u>110,920</u>	<u>-</u>	<u>110,920</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(110,920)	-	(110,920)
Net cash (used in) capital and related financing activities	<u>(110,920)</u>	<u>-</u>	<u>(110,920)</u>
Changes in cash and cash equivalents	-	-	-
CASH AND CASH EQUIVALENTS:			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 90,258	\$ (5,605)	\$ 84,653
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	19,660	-	19,660
Change in assets and liabilities:			
(Increase) decrease in inventories	4,133	1,033	5,166
Increase (decrease) in accounts payable	(4,791)	1,502	(3,289)
Increase (decrease) in accrued liabilities	1,660	3,070	4,730
Increase (decrease) in due to other funds	-	-	-
Total adjustment	<u>20,662</u>	<u>5,605</u>	<u>26,267</u>
Net cash provided by operating activities	<u>\$ 110,920</u>	<u>\$ -</u>	<u>\$ 110,920</u>

Agency Funds

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

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

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

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

City of Lakewood
Combining Statement of Fiduciary Assets and Liabilities
All Agency Funds
June 30, 2016

	Deposits	Housing Rehabilitation	Sheriff Station Renovation	Lakewood Business Development	Total
ASSETS:					
Cash and investments	\$ 386,905	\$ 204,200	\$ 13,113	\$ 1,058,234	\$ 1,662,452
Loans receivable	-	778,431	-	34,203	812,634
Total assets	\$ 386,905	\$ 982,631	\$ 13,113	\$ 1,092,437	\$ 2,475,086
LIABILITIES:					
Accounts payable	\$ 29,343	\$ 3,595	\$ -	\$ 208	\$ 33,146
Deposits	357,562	103,591	13,113	-	474,266
Due to EDA	-	-	-	1,092,229	1,092,229
Due to HUD	-	875,445	-	-	875,445
Total liabilities	\$ 386,905	\$ 982,631	\$ 13,113	\$ 1,092,437	\$ 2,475,086

City of Lakewood
Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>Deposits</u>				
ASSETS:				
Cash and investments	\$ 297,241	\$ 308,429	\$ (218,765)	\$ 386,905
Total assets	\$ 297,241	\$ 308,429	\$ (218,765)	\$ 386,905
LIABILITIES:				
Accounts payable	\$ 45,781	\$ 167,447	\$ (183,885)	\$ 29,343
Deposits	251,460	315,944	(209,842)	357,562
Total liabilities	\$ 297,241	\$ 483,391	\$ (393,727)	\$ 386,905
<u>Housing Rehabilitation</u>				
ASSETS:				
Cash and investments	\$ 94,815	\$ 253,606	\$ (144,221)	\$ 204,200
Loans receivable	840,909	-	(62,478)	778,431
Total assets	\$ 935,724	\$ 253,606	\$ (206,699)	\$ 982,631
LIABILITIES:				
Accounts payable	\$ 8,216	\$ 120,753	\$ (125,374)	\$ 3,595
Deposits	38,387	198,000	(132,796)	103,591
Due to HUD	889,121	48,803	(62,479)	875,445
Total liabilities	\$ 935,724	\$ 367,556	\$ (320,649)	\$ 982,631
<u>Sheriff Station Renovation</u>				
ASSETS:				
Cash and investments	\$ 12,978	\$ 135	\$ -	\$ 13,113
Total assets	\$ 12,978	\$ 135	\$ -	\$ 13,113
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits	12,978	135	-	13,113
Total liabilities	\$ 12,978	\$ 135	\$ -	\$ 13,113
<u>Lakewood Business Development</u>				
ASSETS:				
Cash and investments	\$ 1,004,701	\$ 57,498	\$ (3,965)	\$ 1,058,234
Loans receivable	85,079	-	(50,876)	34,203
Total assets	\$ 1,089,780	\$ 57,498	\$ (54,841)	\$ 1,092,437
LIABILITIES:				
Accounts payable	\$ 208	\$ 3,965	\$ (3,965)	\$ 208
Due to EDA	1,089,572	55,609	(52,952)	1,092,229
Total liabilities	\$ 1,089,780	\$ 59,574	\$ (56,917)	\$ 1,092,437

City of Lakewood
Statement of Changes in Fiduciary Assets and Liabilities (Continued)
All Agency Funds
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 1,409,735	\$ 619,668	\$ (366,951)	\$ 1,662,452
Loans receivable	925,988	-	(113,354)	812,634
Total assets	\$ 2,335,723	\$ 619,668	\$ (480,305)	\$ 2,475,086
LIABILITIES:				
Accounts payable	\$ 54,205	\$ 292,165	\$ (313,224)	\$ 33,146
Deposits	302,825	514,079	(342,638)	474,266
Due to EDA	1,089,572	55,609	(52,952)	1,092,229
Due to HUD	889,121	48,803	(62,479)	875,445
Total liabilities	\$ 2,335,723	\$ 910,656	\$ (771,293)	\$ 2,475,086

STATISTICAL SECTION

City of Lakewood
Description of Statistical Section Contents
June 30, 2016

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
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	148 - 157
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	158 - 161
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the	162 - 169
Demographic and Economic Information - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities	170 - 171
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report related to the services the City provides and activities it performs.	173 - 177

City of Lakewood
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
Government activities:					
Net investment in capital assets	\$ 80,280,502	\$ 80,655,513	\$ 84,047,863	\$ 85,293,777	\$ 88,276,871
Restricted	14,647,204	16,173,588	20,797,866	14,548,668	14,470,603
Unrestricted	31,896,543	34,073,759	33,383,975	39,198,464	40,166,581
Total governmental activities net position	<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>
Business-type activities:					
Net investment in capital assets	\$ 18,820,327	\$ 18,683,373	\$ 21,214,604	\$ 22,410,549	\$ 23,324,720
Restricted	-	-	-	-	-
Unrestricted	7,150,032	9,629,136	9,438,065	9,181,738	8,450,077
Total business-type activities net position	<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>
Primary government:					
Net investment in capital assets	\$ 99,100,829	\$ 99,338,886	\$ 105,262,467	\$ 107,704,326	\$ 111,601,591
Restricted	14,647,204	16,173,588	20,797,866	14,548,668	14,470,603
Unrestricted	39,046,575	43,702,895	42,822,040	48,380,202	48,616,658
Total primary government net position	<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
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014*	2015	2016
Government activities:					
Net investment in capital assets	\$ 89,515,476	\$ 90,407,845	\$ 89,075,037	\$ 88,511,175	\$ 90,100,125
Restricted	18,104,141	12,213,220	3,994,605	15,464,118	10,805,986
Unrestricted	77,688,090	52,582,291	39,712,067	26,918,679	31,932,235
Total governmental activities net position	<u>\$ 185,307,707</u>	<u>\$ 155,203,356</u>	<u>\$ 132,781,709</u>	<u>\$ 130,893,972</u>	<u>\$ 132,838,346</u>
Business-type activities:					
Net investment in capital assets	\$ 24,189,811	\$ 24,816,486	\$ 24,587,382	\$ 27,408,545	\$ 28,527,530
Restricted	-	-	-	-	-
Unrestricted	8,063,991	8,568,199	7,988,528	6,004,051	6,287,737
Total business-type activities net position	<u>\$ 32,253,802</u>	<u>\$ 33,384,685</u>	<u>\$ 32,575,910</u>	<u>\$ 33,412,596</u>	<u>\$ 34,815,267</u>
Primary government:					
Net investment in capital assets	\$ 113,705,287	\$ 115,224,331	\$ 113,662,419	\$ 115,919,720	\$ 118,627,655
Restricted	18,104,141	12,213,220	3,994,605	15,464,118	10,805,986
Unrestricted	85,752,081	61,150,490	47,700,595	32,922,730	38,219,972
Total primary government net position	<u>\$ 217,561,509</u>	<u>\$ 188,588,041</u>	<u>\$ 165,357,619</u>	<u>\$ 164,306,568</u>	<u>\$ 167,653,613</u>

* 2014 unrestricted net positions are restated as result of implementaion of GASB Statements No. 68 and 71.

City of Lakewood
Changes in Net Position - Expenses and Program Revenues
Last Ten Fiscal Years
(accrual basis of accounting)

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

City of Lakewood
Changes in Net Position - Expenses and Program Revenues (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
Expenses:					
Governmental Activities:					
General government	\$ 7,333,030	\$ 7,527,025	\$ 7,412,703	\$ 10,354,630	\$ 7,187,053
Public Safety	12,277,420	12,450,911	12,983,054	13,525,219	14,271,008
Transportation	6,068,549	6,137,250	4,587,061	4,772,202	4,740,336
Community development	6,973,684	4,548,531	4,967,510	4,622,036	4,759,414
Health and sanitation	4,612,935	4,692,717	4,925,697	4,888,091	4,901,125
Culture and leisure	9,548,824	10,205,926	11,386,411	12,090,213	11,770,595
Unallocated infrastructure depreciation	2,492,155	2,606,851	2,676,442	2,695,986	2,721,461
Interest on long-term debt	650,838	-	-	-	15,143
Total governmental activities expenses	49,957,435	48,169,211	48,938,878	52,948,377	50,366,135
Business-type activities:					
Water	8,703,206	9,358,616	9,990,086	9,554,985	9,628,369
Total primary government expenses	\$ 58,660,641	\$ 57,527,827	\$ 58,928,964	\$ 62,503,362	\$ 59,994,504
Program revenues:					
Governmental activities:					
Charges for services:					
General government	\$ 1,177,789	\$ 1,500,664	\$ 1,753,540	\$ 1,679,199	\$ 1,790,751
Public safety	904,654	827,333	863,286	866,028	912,841
Community development	787,552	887,126	1,199,667	1,647,432	1,754,359
Health and sanitation	4,838,762	4,965,890	5,111,702	5,242,204	5,309,601
Culture and leisure	1,512,728	1,522,022	1,562,310	1,577,319	1,543,688
Operating grants and contributions	3,238,589	3,553,814	4,810,026	4,176,696	3,585,692
Capital grants and contributions	3,077,293	1,538,183	866,959	1,726,390	3,365,208
Total governmental activities program revenues	15,537,367	14,795,032	16,167,490	16,915,268	18,262,140
Business-type activities:					
Charges for services:					
Water	9,096,414	10,573,733	11,711,839	10,311,109	10,930,852
Total primary government program revenues	\$ 24,633,781	\$ 25,368,765	\$ 27,879,329	\$ 27,226,377	\$ 29,192,992
Net revenues (expenses):					
Governmental activities	\$ (34,420,068)	\$ (33,374,179)	\$ (32,771,388)	\$ (36,033,109)	\$ (32,103,995)
Business-type activities	393,208	1,215,117	1,721,753	756,124	1,302,483
Total net revenues (expenses)	\$ (34,026,860)	\$ (32,159,062)	\$ (31,049,635)	\$ (35,276,985)	\$ (30,801,512)

City of Lakewood
Changes in Net Position - Expenses and Program Revenues (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Sales taxes	\$ 11,766,140	\$ 10,681,315	\$ 11,198,871	\$ 10,658,959	\$ 11,262,520
Property taxes	18,479,238	18,955,132	19,537,963	19,558,410	19,062,606
Franchise taxes	1,236,819	1,249,586	1,453,817	1,374,501	1,455,300
Business operation taxes	396,078	476,926	462,403	456,269	469,595
Utility user taxes	3,239,797	3,517,707	3,490,921	3,591,722	3,508,512
Other taxes	358,325	602,798	467,661	252,997	246,165
Unrestricted, motor vehicle in lieu	446,043	35,099	35,089	245,415	383,059
Grants and contributions not restricted to specific programs	740,072	433,593	555,376	556,774	1,147,814
Gain on sale of property	-	-	-	-	-
Investment income	4,540,996	4,654,612	3,987,964	949,717	566,427
Total governmental activities	<u>41,203,508</u>	<u>40,606,768</u>	<u>41,190,065</u>	<u>37,644,764</u>	<u>38,101,998</u>
Business-type activities:					
Gain on sale of capital assets	36,000	-	-	-	-
Investment income	371,213	342,341	462,016	259,001	171,015
Total business-type activities	<u>407,213</u>	<u>342,341</u>	<u>462,016</u>	<u>259,001</u>	<u>171,015</u>
Total primary government	<u>\$ 41,610,721</u>	<u>\$ 40,949,109</u>	<u>\$ 41,652,081</u>	<u>\$ 37,903,765</u>	<u>\$ 38,273,013</u>
Changes in net assets, before special and extraordinary item					
Governmental activities	\$ 6,423,987	\$ 4,296,450	\$ 6,073,887	\$ 1,640,142	\$ 4,556,046
Business-type activities	<u>3,126,729</u>	<u>2,377,584</u>	<u>2,351,124</u>	<u>939,618</u>	<u>182,510</u>
Special item	-	-	-	-	-
Extraordinary item	-	-	-	-	-
Changes in net position					
Governmental activities	\$ 6,423,987	\$ 4,296,450	\$ 6,073,887	\$ 1,640,142	\$ 4,556,046
Business-type activities	<u>3,126,729</u>	<u>2,377,584</u>	<u>2,351,124</u>	<u>939,618</u>	<u>182,510</u>
Total primary government	<u>\$ 9,550,716</u>	<u>\$ 6,674,034</u>	<u>\$ 8,425,011</u>	<u>\$ 2,579,760</u>	<u>\$ 4,738,556</u>

City of Lakewood
Changes in Net Position - Expenses and Program Revenues (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Sales taxes	\$ 14,217,422	\$ 15,461,092	\$ 15,792,115	\$ 15,890,678	\$ 15,961,352
Property taxes	14,444,518	12,030,119	11,310,210	11,831,561	12,747,876
Franchise taxes	1,538,068	1,607,535	1,697,405	1,757,264	1,699,343
Business operation taxes	546,279	508,100	542,110	565,441	1,016,140
Utility user taxes	3,360,149	3,626,639	3,520,414	3,464,047	3,398,962
Other taxes	260,456	308,522	322,834	372,276	378,213
Unrestricted, motor vehicle in lieu	41,395	42,894	35,499	-	-
Grants and contributions not restricted to specific programs	1,026,041	893,110	-	-	-
Gain on sale of property	-	108,469	-	-	-
Investment income	699,751	137,346	377,099	264,105	482,676
Total governmental activities	<u>36,134,079</u>	<u>34,723,826</u>	<u>33,597,686</u>	<u>34,145,372</u>	<u>35,684,562</u>
Business-type activities:					
Gain on sale of capital assets	-	-	-	-	-
Investment income	85,797	59,279	60,664	80,562	100,188
Total business-type activities	<u>85,797</u>	<u>59,279</u>	<u>60,664</u>	<u>80,562</u>	<u>100,188</u>
Total primary government	<u>\$ 36,219,876</u>	<u>\$ 34,783,105</u>	<u>\$ 33,658,350</u>	<u>\$ 34,225,934</u>	<u>\$ 35,784,750</u>
Changes in net assets, before special and extraordinary item					
Governmental activities	\$ 1,714,011	\$ 1,349,647	\$ 808,298	\$ (1,887,737)	\$ 3,580,567
Business-type activities	479,005	1,274,396	1,782,417	836,686	1,402,671
Special item	-	-	-	-	(1,636,193)
Extraordinary item	40,679,641	(31,453,996)	-	-	-
Changes in net position					
Governmental activities	\$ 42,393,652	\$ (30,104,349)	\$ 808,298	\$ (1,887,737)	\$ 1,944,374
Business-type activities	479,005	1,274,396	1,782,417	836,686	1,402,671
Total primary government	<u>\$ 42,872,657</u>	<u>\$ (28,829,953)</u>	<u>\$ 2,590,715</u>	<u>\$ (1,051,051)</u>	<u>\$ 3,347,045</u>

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

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

(a) The City implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) during the year ended June 30, 2011.

(b) Presentation of fund balances in accordance with GASB 54 is not available for fiscal years prior to 2011.

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

	Fiscal Year				
	2012	2013	2014	2015	2016
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Total general fund	<u>\$ -</u>				
All other governmental funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Capital project fund	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>				
General fund:					
Nonspendable	\$ 17,874,837	\$ 4,173,679	\$ 2,670,747	\$ 3,334,102	\$ 9,007,179
Committed	30,036,038	29,066,342	32,456,408	28,993,127	22,470,125
Assigned	8,349,193	8,589,044	8,738,457	8,784,875	9,060,489
Unassigned	<u>2,564,755</u>	<u>3,796,234</u>	<u>3,640,285</u>	<u>4,737,497</u>	<u>2,545,033</u>
Total general fund	<u>\$ 58,824,823</u>	<u>\$ 45,625,299</u>	<u>\$ 47,505,897</u>	<u>\$ 45,849,601</u>	<u>\$ 43,082,826</u>
All other governmental funds:					
Nonspendable	\$ 8,014,163	\$ 8,536,583	\$ 8,537,919	\$ 10,614,864	\$ 7,216,652
Restricted	6,955,242	3,679,754	4,256,020	4,807,418	10,304,699
Unassigned	<u>(98,847)</u>	<u>(626,208)</u>	<u>(1,408,079)</u>	<u>(834,768)</u>	<u>(657,720)</u>
Total all other governmental funds	<u>\$ 14,870,558</u>	<u>\$ 11,590,129</u>	<u>\$ 11,385,860</u>	<u>\$ 14,587,514</u>	<u>\$ 16,863,631</u>

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Revenues:					
Taxes	\$ 31,784,445	\$ 31,000,225	\$ 31,590,639	\$ 30,797,180	\$ 31,649,661
Licenses and permits	738,038	923,086	592,929	713,054	770,650
Fines and forfeitures	716,319	824,290	1,208,896	1,013,090	881,450
Investment income, rents and concessions	2,561,550	3,484,410	2,782,769	1,811,706	5,450,149
From other agencies	14,710,260	15,883,025	15,253,739	14,843,273	15,618,323
Current service charges	7,651,476	7,863,790	7,532,352	7,634,788	7,746,660
Other	607,189	826,595	677,272	310,301	1,168,393
Total revenues	<u>58,769,277</u>	<u>60,805,421</u>	<u>59,638,596</u>	<u>57,123,392</u>	<u>63,285,286</u>
Expenditures:					
Current:					
General government	8,107,339	7,757,977	11,926,351	7,348,565	6,859,346
Public safety	11,681,352	12,331,098	12,548,066	12,572,454	12,671,881
Transportation	4,553,872	5,350,765	5,586,431	5,071,028	5,230,678
Community Development	9,452,465	10,066,888	9,630,108	13,283,953	10,491,644
Health and sanitation	4,238,095	4,445,610	4,236,923	4,281,204	4,449,913
Culture and leisure	8,260,888	8,323,630	8,813,143	9,007,504	9,346,305
Capital outlay:					
General government	132,630	149,824	6,259	124,233	-
Public safety	412,453	212,983	6,032	-	71,053
Transportation	6,190,273	1,711,708	4,576,032	2,961,116	4,946,347
Community Development	109,297	59,865	71,327	412,622	72,347
Culture and leisure	1,641,415	1,935,873	2,013,129	1,910,047	1,301,069
Debt service:					
Owner participation agreement payments	760,698	760,974	761,781	761,781	764,882
Principal retirement	860,000	885,000	920,000	960,000	1,000,000
Interest and fiscal charges	2,774,360	3,057,549	3,094,768	3,048,683	4,558,769
Total expenditures	<u>59,175,137</u>	<u>57,049,744</u>	<u>64,190,350</u>	<u>61,743,190</u>	<u>61,764,234</u>
Excess of revenues over (under) expenditures	<u>(405,860)</u>	<u>3,755,677</u>	<u>(4,551,754)</u>	<u>(4,619,798)</u>	<u>1,521,052</u>
Other financing sources (uses):					
Issuance of lease payable	-	-	-	-	-
Transfers in	14,223,245	8,100,982	6,478,745	6,241,294	5,940,999
Transfers out	(14,376,187)	(8,874,791)	(7,008,948)	(6,241,294)	(5,940,999)
Sale of capital assets	689,520	-	-	-	-
Total other financing sources (uses)	<u>536,578</u>	<u>(773,809)</u>	<u>(530,203)</u>	<u>-</u>	<u>-</u>
SPECIAL ITEMS:					
Transfer to HACoLA	-	-	-	-	-
Gain(loss) on interest adjustment on the loans to the Successor Agency	-	-	-	-	-
Net change in fund balances, before extraordinary items	<u>130,718</u>	<u>2,981,868</u>	<u>(5,081,957)</u>	<u>(4,619,798)</u>	<u>1,521,052</u>
EXTRAORDINARY ITEM:					
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	-
Net change in fund balances	<u>\$ 130,718</u>	<u>\$ 2,981,868</u>	<u>\$ 5,081,957</u>	<u>\$ (4,619,798)</u>	<u>\$ 1,521,052</u>
Debt service as a percentage of noncapital expenditures	7.26%	7.43%	6.99%	7.10%	10.04%

City of Lakewood
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
Revenues:					
Taxes	\$ 27,467,122	\$ 26,411,985	\$ 26,076,260	\$ 26,285,474	\$ 28,512,153
Licenses and permits	635,098	882,983	860,267	1,236,029	1,305,394
Fines and forfeitures	817,092	782,011	794,905	800,988	792,042
Investment income, rents and concessions	3,635,549	1,015,685	1,229,344	1,348,984	1,579,999
From other agencies	13,998,687	11,734,813	11,732,076	12,262,584	13,040,289
Current service charges	8,015,864	8,416,888	7,354,833	7,603,770	7,820,247
Other	138,664	250,038	1,209,438	3,883,093	1,319,267
Total revenues	<u>54,708,076</u>	<u>49,494,403</u>	<u>49,257,123</u>	<u>53,420,922</u>	<u>54,369,391</u>
Expenditures:					
Current:					
General government	6,975,939	7,080,629	7,198,445	10,121,711	7,469,038
Public safety	12,217,707	12,374,488	12,622,353	13,279,510	14,035,382
Transportation	6,018,040	6,108,720	4,454,458	4,529,295	4,848,633
Community Development	5,873,608	4,358,375	4,822,302	4,550,855	4,877,917
Health and sanitation	4,612,804	4,690,837	4,789,347	4,884,931	4,908,103
Culture and leisure	8,813,262	9,440,235	11,057,389	11,029,303	11,356,886
Capital outlay:					
General government	33,803	4,054	-	43,032	60,392
Public safety	41,530	543,434	-	-	894,527
Transportation	3,909,593	3,061,913	1,412,843	605,487	2,474,885
Community Development	-	-	-	55,238	85,996
Culture and leisure	933,986	1,653,418	1,194,657	2,776,202	2,443,762
Debt service:					
Owner participation agreement payments	-	-	-	-	-
Principal retirement	1,040,000	-	-	-	31,313
Interest and fiscal charges	3,876,203	-	-	-	15,143
Total expenditures	<u>54,346,475</u>	<u>49,316,103</u>	<u>47,551,794</u>	<u>51,875,564</u>	<u>53,501,977</u>
Excess of revenues over (under) expenditures	<u>361,601</u>	<u>178,300</u>	<u>1,705,329</u>	<u>1,545,358</u>	<u>867,414</u>
Other financing sources (uses):					
Issuance of lease payable	-	-	-	-	278,121
Transfers in	3,309,912	2,457,077	2,597,281	2,107,215	1,771,504
Transfers out	(3,309,912)	(2,457,077)	(2,597,281)	(2,107,215)	(1,771,504)
Sale of capital assets	-	511,875	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>511,875</u>	<u>-</u>	<u>-</u>	<u>278,121</u>
SPECIAL ITEMS:					
Transfer to HACoLA	(926,715)	-	-	-	-
Gain(loss) on interest adjustment on the loans to the Successor Agency	-	-	-	-	(1,636,193)
Net change in fund balances, before extraordinary items	<u>(565,114)</u>	<u>690,175</u>	<u>1,705,329</u>	<u>1,545,358</u>	<u>(490,658)</u>
EXTRAORDINARY ITEM:					
Gain (loss) on dissolution of Redevelopment Agency	33,268,113	(17,199,128)	-	-	-
Net change in fund balances	<u>\$ 32,702,999</u>	<u>\$ (16,508,953)</u>	<u>\$ 1,705,329</u>	<u>\$ 1,545,358</u>	<u>\$ (490,658)</u>
Debt service as a percentage of noncapital expenditures	10.04%	9.95%	0.00%	0.00%	0.10%

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
2007	6,288,569	1,862	124,448	6,414,879	0.167%
2008	6,855,443	268	122,010	6,977,721	0.169%
2009	7,134,053	268	135,015	7,269,336	0.171%
2010	6,877,477	268	129,973	7,007,718	0.180%
2011	6,899,318	268	132,663	7,032,249	0.180%
2012	7,028,289	258	140,375	7,168,922	0.181%
2013	7,132,189	258	149,168	7,281,615	0.186%
2014	7,335,693	258	138,341	7,474,292	0.061%
2015	7,750,838	258	148,398	7,899,494	0.061%
2016	8,155,338	258	142,831	8,298,427	0.060%

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 re-assessed 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
Last Ten Fiscal Years
(Rate per \$100 of assessed value)

	Fiscal Years									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City Direct Rates:										
City basic rate	\$ 0.1676	\$ 0.1689	\$ 0.1706	\$ 0.1796	\$ 0.1799	\$ 0.1811	\$ 0.1855	\$ 0.0607	\$ 0.0606	\$ 0.0604
Overlapping Rates:										
Los Angeles County	0.0007	-	-	-	-	-	-	-	-	-
School Districts	0.1099	0.2049	0.2200	0.2824	0.2686	0.2830	0.3200	0.3039	0.3681	0.3066
Sanitation and Water	-	-	-	-	-	-	-	-	-	-
Water Districts	0.2778	0.0045	0.0043	0.0043	0.0037	0.0037	0.0035	0.0035	0.0035	0.0035
Other	<u>1.0000</u>									
Total Direct Rate	<u>\$ 1.5560</u>	<u>\$ 1.3783</u>	<u>\$ 1.3949</u>	<u>\$ 1.4663</u>	<u>\$ 1.4522</u>	<u>\$ 1.4679</u>	<u>\$ 1.5090</u>	<u>\$ 1.3681</u>	<u>\$ 1.4322</u>	<u>\$ 1.3706</u>

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

City of Lakewood
Principal Property Taxpayers
Current Year and Nine Fiscal Years Ago

	2016		2007	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
<u>Taxpayer</u>				
Macerich Lakewood LLC	\$ 359,386,955	4.33%	\$ 327,166,134	5.10%
Lakewood Manor Apartments LLC	87,150,393	1.05%	N/A	N/A
Lakewood Regional Medical Center	58,063,660	0.70%	\$ 49,551,258	0.77%
Towne Center Fee Owner LLC	48,769,617	0.59%	N/A	N/A
Lakewood Marketplace LLC	38,166,005	0.46%	\$ 33,501,001	0.52%
May Company Department Stores	34,123,276	0.41%	N/A	N/A
Carwood Center LLC	31,640,274	0.38%	\$ 18,972,000	0.30%
Lakewood Associates LLC	29,907,014	0.36%	\$ 26,301,872	0.41%
Advanced Group	29,689,787	0.36%	\$ 61,093,850	N/A
Regency Center LLC	29,125,890	0.35%	\$ 25,116,459	0.39%
Total	\$ 746,022,871	9.0%	\$ 541,702,574	7.5%

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

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 the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	3,822,116 *	3,627,249	94.90%	123,686	3,750,935	98.14%
2008	3,876,613	3,758,953	96.96%	117,660	3,876,613	100.00%
2009	3,812,168	3,694,298	96.91%	117,870	3,812,168	100.00%
2010	3,556,539	3,481,743	97.90%	74,796	3,556,539	100.00%
2011	3,735,728	3,574,761	95.69%	120,220	3,694,981	98.91%
2012	3,811,051	3,593,697	94.30%	217,354	3,811,051	100.00%
2013	4,024,637	3,811,325	94.70%	213,311	4,024,636	100.00%
2014	4,109,676	4,017,643	97.76%	92,033	4,109,676	100.00%
2015	4,251,103	4,158,507	97.82%	92,596	4,251,103	100.00%
2016	4,553,569	4,452,399	97.78%	101,169	4,553,568	100.00%

Note:

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

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

City of Lakewood
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities

Fiscal Year Ended June 30	General Obligation Bonds	Tax Allocation Bonds ¹	Loans	Total Governmental Activities
2007	-	12,194,451	-	\$ 12,194,451
2008	-	11,313,931	-	\$ 11,313,931
2009	-	10,398,411	-	\$ 10,398,411
2010	-	9,442,892	-	\$ 9,442,892
2011	-	8,447,372	-	\$ 8,447,372
2012	-	- ²	-	\$ -
2013	-	- ²	-	\$ -
2014	-	- ²	-	\$ -
2015	-	- ²	-	\$ -
2016	-	- ²	-	\$ -

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

¹ Prior year amounts were restated to include premium and adjustments.

² The Tax Allocation Bonds were transferred to the Successor Agency during the year ended June 30, 2012.

City of Lakewood
Ratios of Outstanding Debt by Type (Continued)
Last Ten Fiscal Years

Business-type Activities

Water Revenue Bonds	Loan Payable to Water Replacement District	Loan Payable to State of California	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
3,423,536	-	37,561	3,461,097	\$ 15,655,548	N/A	175
6,544,417	-	-	6,544,417	\$ 17,858,348	0.97%	214
6,200,299	-	-	6,200,299	\$ 16,598,710	0.71%	199
5,666,181	1,676,353	-	7,342,534	\$ 16,785,426	0.76%	202
5,112,062	1,777,321	-	6,889,383	\$ 15,336,755	0.69%	183
4,537,944	1,579,841	-	6,117,785	\$ 6,117,785	0.27%	76
4,038,895	1,382,361	-	5,421,256	\$ 5,421,256	0.23%	67
3,385,206	1,184,881	-	4,570,087	\$ 4,570,087	0.19%	56
2,456,517	987,401	-	3,443,918	\$ 3,443,918	0.15%	42
1,762,532	789,921	-	2,552,453	\$ 2,552,453	0.11%	33

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

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 Assessed Value ¹	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
2007	-	11,314	11,314	0.19%	-
2008	-	10,398	10,398	0.16%	-
2009	-	9,443	9,443	0.14%	-
2010	-	8,447	8,447	0.14%	-
2011	-	-	-	0.12%	-
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-

Notes: General bonded 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
As of June 30, 2016

Total Assessed Valuation	\$ 7,243,083,918		
	Percentage Applicable ¹	Outstanding Debt 6/30/16	Estimated Share of Overlapping Debt
Overlapping Debt:			
Metropolitan Water District	0.704%	\$ 44,916,916	\$ 316,298
Cerritos Community College District 2004 Series 2009C	7.088%	4,520,000	320,382
Cerritos Community College District 2004 Series 2012D	7.088%	82,152,224	5,823,024
Cerritos Community College District 2012 Series 2014A	7.088%	91,545,000	6,488,792
Cerritos Community College District 2014 Ref Bonds Series A	7.088%	78,830,000	5,587,542
Cerritos Community College District 2014 Ref Bonds Series B	7.088%	17,400,000	1,233,328
Compton Community College District 2002 Series 2008A	2.784%	1,075,000	29,928
Compton Community College District 2002 Series 2012C	2.784%	14,705,055	409,384
Compton Community College District 2012 Refunding Bonds	2.784%	13,235,000	368,458
Compton Community College District 2002 Series 2013D	2.784%	16,484,972	458,936
Compton Community College District 2014 REF	2.784%	29,760,000	828,508
Long Beach Community College District 2002 Ref Series C, 2005	8.412%	1,423,937	119,780
Long Beach Community College District 2002 Series D, 2007 Debt Service	8.412%	24,042,666	2,022,436
Long Beach Community College District 2008 Series A, 2008 Debt Service	8.412%	17,471,109	1,469,646
Long Beach Community College District 2008 Series 2009B	8.412%	40,275,000	3,387,877
Long Beach Community College District Ref 02 12 Series A	8.412%	228,233,695	19,198,703
Long Beach Community College District DS Ref Bonds 2014 Series C	8.412%	11,825,000	994,703
Long Beach Community College District DS Ref Bonds 2014 Series C	8.412%	42,430,000	3,569,153
Long Beach Community College District DS Ref Bonds 2015 Series C	8.412%	32,265,000	2,714,087
ABC Unified School District 2003 Ref Bond Series A	9.782%	29,626,700	2,898,228
ABC Unified School District 2010 Refunding Bonds Debt Service	9.782%	12,730,000	1,245,311
Bellflower Unified School District, District 2012 Series A	27.581%	35,080,000	9,675,276
Bellflower Unified School District, District 2012 Series B	27.581%	42,000,000	11,583,854
Long Beach Unified School District DS 1999 Series G	8.410%	19,825,606	1,667,305
Long Beach Unified School District DS 2008 Ref Bonds	8.410%	19,170,000	1,612,170
Long Beach Unified School District DS 2008 Series A	8.410%	66,235,000	5,570,270
Long Beach Unified School District DS 2009 Ref Bonds Series B	8.410%	1,500,000	126,148
Long Beach Unified School District DS 2010 Ref Bonds Series A	8.410%	44,610,000	3,751,638
Long Beach Unified School District DS 2008 SR B-1 QSCB	8.410%	72,406,000	6,089,242
Long Beach Unified School District 2011 Refunding Bonds	8.410%	11,280,686	948,690
Long Beach Unified School District 2012 Refunding Bonds	8.410%	79,675,000	6,700,554
Long Beach Unified School District 2008 Series C	8.410%	34,010,000	2,860,193
Long Beach Unified School District 2008 Series D	8.410%	399,548,410	33,601,455
Paramount Unified School District 2006 Series 2011 Bonds	9.789%	7,714,976	755,189
Paramount Unified School District 2006 2013 Series C	9.789%	68,722,831	6,727,008
Paramount Unified School District Ref Bond Series 2015	9.789%	36,830,000	3,605,144
Total overlapping debt		\$ 1,773,555,783	\$ 154,758,640
City Direct Debt:			
Water Revenue Bonds	100.000%	1,762,532	1,762,532
Total Direct and Overlapping Debt			\$ 156,521,172

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.

Notes: 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 Statistical. 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.

City of Lakewood
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Years				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Assessed valuation (In thousands)	\$ 6,414,879	\$ 6,977,721	\$ 7,269,336	\$ 7,007,717	\$ 7,032,248
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit (In thousands)	962,232	1,046,658	1,090,400	1,051,158	1,054,837
Total net debt applicable to the limit:					
General obligation bonds (In thousands)	-	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 962,232</u>	<u>\$ 1,046,658</u>	<u>\$ 1,090,400</u>	<u>\$ 1,051,158</u>	<u>\$ 1,054,837</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

Note: 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.

City of Lakewood
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years

	Fiscal Years				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed valuation (In thousands)	\$ 7,168,922	\$ 7,281,614	\$ 7,474,292	\$ 7,899,494	\$ 8,298,427
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit (In thousands)	1,075,338	1,092,242	1,121,144	1,184,924	1,244,764
Total net debt applicable to the limit:					
General obligation bonds (In thousands)	-	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 1,075,338</u>	<u>\$ 1,092,242</u>	<u>\$ 1,121,144</u>	<u>\$ 1,184,924</u>	<u>\$ 1,244,764</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

Note: 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.

City of Lakewood
Pledged-Revenue Coverage
Last Ten Fiscal Years
(In thousands)

Fiscal Year Ended June 30	Water Revenue Bonds					Coverage
	Water Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2007	8,996	5,265	3,731	340	133	7.89
2008	8,915	5,990	2,925	355	119	6.17
2009	8,499	5,228	3,271	370	266	5.14
2010	8,154	6,008	2,146	560	258	2.62
2011	8,132	6,556	1,576	580	238	1.93
2012	9,096	7,090	2,006	600	218	2.45
2013	10,574	7,696	2,878	620	196	3.53
2014	11,712	6,927	4,785	645	172	5.86
2015	10,311	7,826	2,485	670	148	3.04
2015	10,311	7,826	2,485	670	148	3.04
2016	10,931	7,849	3,082	687	67	4.09

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

City of Lakewood
Pledged-Revenue Coverage (Continued)
Last Ten Fiscal Years
(In thousands)

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2007	8,762	860	574	6.11
2008	8,280	885	541	5.81
2009	8,638	920	507	6.05
2010	9,305	960	468	6.52
2011	8,747	1,000	426	6.13
2012	4,010	1,040	381	2.82
2013	1,418	1,085	333	1.00
2014	1,436	1,155	281	1.00
2015	1,435	1,210	225	1.00
2016	1,430	1,265	165	1.00

Notes: Details regarding the city's outstanding debt can be found in the notes to the 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 (thousands of dollars) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2006	89,293	N/A	N/A	3.0%
2007	83,486	1,844,623	22,095	3.2%
2008	83,508	2,333,548	27,944	4.8%
2009	83,196	2,207,459	26,533	7.5%
2010	83,636	2,216,103	26,497	8.2%
2011	80,378	2,297,042	28,578	8.0%
2012	80,781	2,386,755	29,546	7.1%
2013	81,224	2,388,960	29,412	4.9%
2014	81,261	2,363,232	29,082	6.4%
2015	78,471	2,426,233	30,918	5.2%

**City of Lakewood
Principal Employers
Current Year and Nine Fiscal Years Ago**

Employer	2016		2007	
	Number of Employees	Percentage of Total Employment*	Number of Employees	Percent of Total Employment
Long Beach Unified School District	929	2.32%	N/A	N/A
Lakewood Regional Medical Center	803	2.01%	N/A	N/A
City of Lakewood	573	1.43%	N/A	N/A
Dept. of Children & Family Services	503	1.26%	N/A	N/A
Bellflower Unified School District	434	1.09%	N/A	N/A
LA County Sheriff's Department	371	0.93%	N/A	N/A
Wal-Mart	363	0.91%	N/A	N/A
ABC Unified School District	317	0.79%	N/A	N/A
Albertson's	297	0.74%	N/A	N/A
Home Depot	291	0.73%	N/A	N/A

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

City of Lakewood
Full-Time City Employees by Function
Last Ten Fiscal Years

<u>Division</u>	<u>Fiscal Years</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City Administration	31	32	32	32	32	32	32	31	30	30
City Clerk	2	2	2	2	2	2	2	2	2	2
Administrative Services	21	21	21	21	21	21	21	21	20	21
Community Development	15	15	15	15	15	15	15	15	14	14
Public Works	31	31	31	31	31	31	31	31	31	32
Recreation and Community Services	59	59	59	59	59	59	59	60	62	62
Water Resources	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>
Total	<u>178</u>	<u>179</u>	<u>178</u>	<u>180</u>						

City of Lakewood
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Years				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public works:					
Street resurfacing (miles)	24	7	9	4	8
Recreation and community services:					
Number of recreation classes	1,709	1,945	1,993	1,945	2,230
Number of facility rentals	7,532	6,900	6,390	4,845	5,486
Water					
New connections	11	14	10	7	12
Number of consumers	21,449	20,403	20,079	20,396	20,421
Average daily consumption (thousands of gallons)	8,900	8,506	7,747	7,323	6,920
Community development					
Number of building permits issued	3,405 *	1,646	1,066	2,825	2,889

*Includes both residential and commercial permits.

City of Lakewood
Operating Indicators by Function (Continued)
Last Ten Fiscal Years

	Fiscal Years				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public works:					
Street resurfacing (miles)	6	6	1	-	1
Recreation and community services:					
Number of recreation classes	1,805	1,786	1,812	1,615	1,931
Number of facility rentals	6,871	7,320	7,473	8,259	7,919
Water					
New connections	27	24	11	6	2
Number of consumers	20,440	20,453	20,469	20,489	20,481
Average daily consumption (thousands of gallons)	7,200	7,330	7,549	6,857	5,887
Community development					
Number of building permits issued	2,781	2,915	3,107	3,457	4,408

*Includes both residential and commercial permits.

City of Lakewood
Capital Assets Statistics by Function
Last Ten Fiscal Years

	Fiscal Years				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public works:					
Streets (miles)	196	196	196	196	196
Streetlights	6,654	6,654	6,654	6,654	6,654
Recreation and community services:					
Number of recreation facilities	13	13	13	13	13
Acreage of facilities	189.0 *	189.0	189.0	189.0	189.0
Number of pools	2	2	2	2	2
Water					
Water mains (miles)	195.00	195.00	195.00	195.00	195.00
Wastewater					
Sewers (miles)	167.00	167.00	167.00	167.00	167.00

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

City of Lakewood
Capital Assets Statistics by Function (Continued)
Last Ten Fiscal Years

	Fiscal Years				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public works:					
Streets (miles)	196	196	196	196	196
Streetlights	6,654	6,654	6,654	6,654	6,654
Recreation and community services:					
Number of recreation facilities	13	13	13	13	13
Acreage of facilities	189.0	189.0	189.0	189.0	189.0
Number of pools	2	2	2	2	2
Water					
Water mains (miles)	195.00	195.00	195.00	195.00	195.00
Wastewater					
Sewers (miles)	167.00	167.00	167.00	167.00	167.00