

Comprehensive Annual Financial Report



The first Lakewood City Council

*City of Lakewood, California
Year Ended June 30, 2019*



CITY OF LAKEWOOD, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

**FOR THE YEAR ENDED
JUNE 30, 2019**

Prepared by:
Finance and Administrative Services Department

Jose Gomez
Director of Finance and Administrative Services



City of Lakewood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019
Table of Contents

Page

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal	i
Principal Officials	xiii
Organizational Chart.....	xiv
GFOA Certificate of Achievement for Excellence in Financial Reporting	xv

FINANCIAL SECTION

Independent Auditors’ Report on the Financial Statements	1
Management’s Discussion and Analysis (Required Supplementary Information) (Unaudited)	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	20
Fund Financial Statements:	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet	26
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balances	30
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	32
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position.....	34
Statement of Revenues, Expenses, and Changes in Net Position	37
Statement of Cash Flows.....	38
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position	43
Statement of Changes in Fiduciary Net Position	44
Notes to the Basic Financial Statements.....	49

City of Lakewood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

Table of Contents (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued)</u>	
Required Supplementary Information (Unaudited)	
<i>Budgetary Comparison Schedule:</i>	
General Fund	95
<i>Notes to Budgetary Comparison Schedule</i>	97
<i>Schedule of Changes in Net Pension Liability and Related Ratios</i>	
California Public Employees' Retirement System Defined Benefit Plan.....	98
Public Agency Retirement System Defined Benefit Plan	99
<i>Schedule of Contributions - Pensions:</i>	
California Public Employees' Retirement System Defined Benefit Plan.....	100
Public Agency Retirement System Defined Benefit Plan	102
<i>Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios</i>	
Other Postemployment Benefits Plan.....	104
<i>Schedule of Contributions:</i>	
Other Postemployment Benefits Plan.....	105
Supplementary Information:	
<i>Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual</i>	
Housing Admin and Program Capital Projects Fund	109
Lakewood Capital Improvements Capital Projects Fund	110
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet	113
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	117
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
State Gasoline Tax Special Revenue Fund	121
Prop A Transit Special Revenue Fund.....	122
Prop C Transportation Special Revenue Fund.....	123
AB 2766 Special Revenue Fund	124
Community Development Block Grant Special Revenue Fund.....	125
State COPS Grants Special Revenue Fund.....	126
LA County Measure M Special Revenue Fund	127
Beverage Container Recycle Grant Special Revenue Fund.....	128
JAG Grant Special Revenue Fund	129
TDA Article Grant Special Revenue Fund	130
Used Oil Grant Special Revenue Fund	131
Prop A Recreation Special Revenue Fund.....	132
Measure R Special Revenue Fund	133
Road Maintenance and Rehab Account Special Revenue Fund	134
<i>Internal Service Funds:</i>	
Combining Statement of Net Position	137
Combining Statement of Revenue, Expenses, and Changes in Net Position.....	138
Combining Statement of Cash Flows	139

City of Lakewood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

Table of Contents (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued)</u>	
Supplementary Information (Continued)	
<i>Agency Funds:</i>	
Combining Statement of Fiduciary Assets and Liabilities – All Agency Funds	143
Statement of Changes in Fiduciary Assets and Liabilities – All Agency Funds	144
<u>STATISTICAL SECTION (Unaudited)</u>	
Description of Statistical Section Contents	149
Financial Trends:	
Net Position by Component – Last Ten Fiscal Years	150
Changes in Net Position – Expenses and Program Revenues – Last Ten Fiscal Years	152
Fund Balances of Governmental Funds – Last Ten Fiscal Years	156
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	158
Revenue Capacity:	
Major Tax Revenue By Sources – Last Ten Fiscal Years.....	160
Top 25 Sales Tax Producers – Current Year and Nine Fiscal Years Ago.....	161
Taxables Sales by Category – Last Ten Calendar Years	162
City Sales Tax Rates - Last Ten Fiscal Years	164
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	165
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	166
Principal Property Taxpayers – Current Year and Nine Years Ago	167
Property Tax Levies and Collections – Last Ten Fiscal Years	169
Debt Capacity:	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	170
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years.....	172
Direct and Overlapping Debt – Last Ten Fiscal Years	173
Legal Debt Margin Information – Last Ten Fiscal Years	174
Pledged-Revenue Coverage – Last Ten Fiscal Years	176
Demographic and Economic Information:	
Demographic and Economic Statistics – Last Ten Calendar Years	178
Principal Employers – Current Year and Nine Fiscal Years Ago.....	179
Operating Information:	
Full-Time City Employees by Function – Last Ten Fiscal Years.....	181
Operating Indicators by Function – Last Ten Fiscal Years.....	182
Capital Assets Statistics by Function – Last Ten Fiscal Years	184
<u>OTHER REPORT</u>	
Independent Auditors’ Report on Internal Control Over Financial Reporting	
And on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>.....	
	187



Jeff Wood
Vice Mayor

Steve Croft
Council Member



Ron Piazza
Council Member

Diane DuBois
Council Member

Todd Rogers
Mayor

December 10, 2019

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, 2019.

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, 2019 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, 2019 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.

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 region. The City of Lakewood occupies a land area of 9.5 square miles and serves a population of 81,352 as of May 2019.

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.

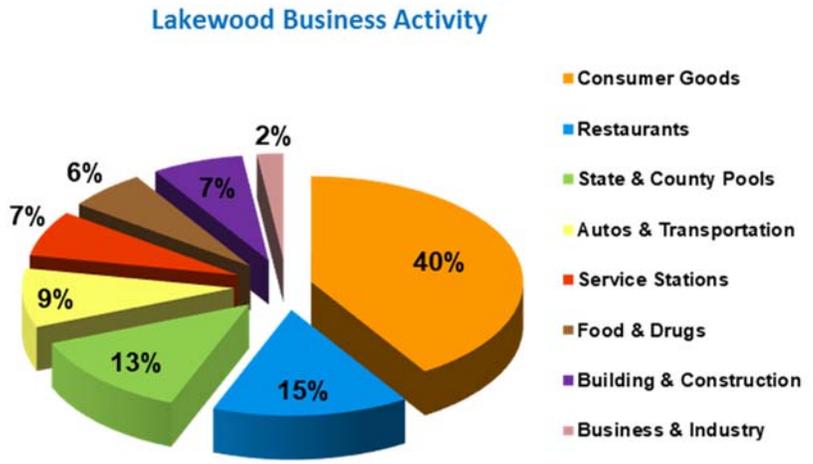
The City of Lakewood provides a full range of services, including police protection, solid waste collection, construction and maintenance of highways, streets and infrastructure, planning and zoning activities, utilities (water), recreational activities, cultural events, housing and general administrative 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 and serves.

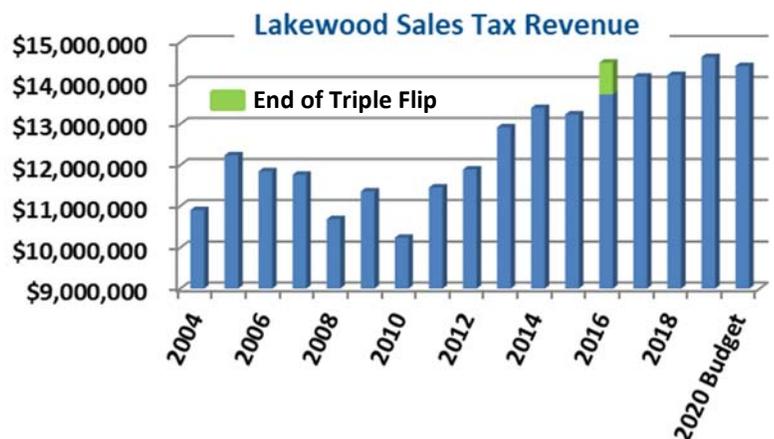
The City of Lakewood is primarily a residential community with only 6% of the city zoned for commercial use. The city is home to the seventeenth largest mall in the United States with about 2.1 million square feet of retail space, which is strategically located in the center of the city. By the end of the 1990’s, Lakewood was basically “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 a quarter of General Fund revenues. There are over 2,600 businesses (including home occupations) located in Lakewood generating approximately \$14.6 million in sales tax for the City in Fiscal Year 2018-19. The economic base of Lakewood is largely retail and the City’s “top twenty-five” retail businesses as a group produce 55% of the City’s sales tax revenues. Increasingly, state and county pools have provided a greater share of sales tax revenues to the City as online sales have grown. Sales tax collected from online sales are disbursed to cities through state and county pools based on each cities’ percent of total brick-and-mortar sales and may not bring the same value as the city’s brick-and-mortar point-of-sale tax.

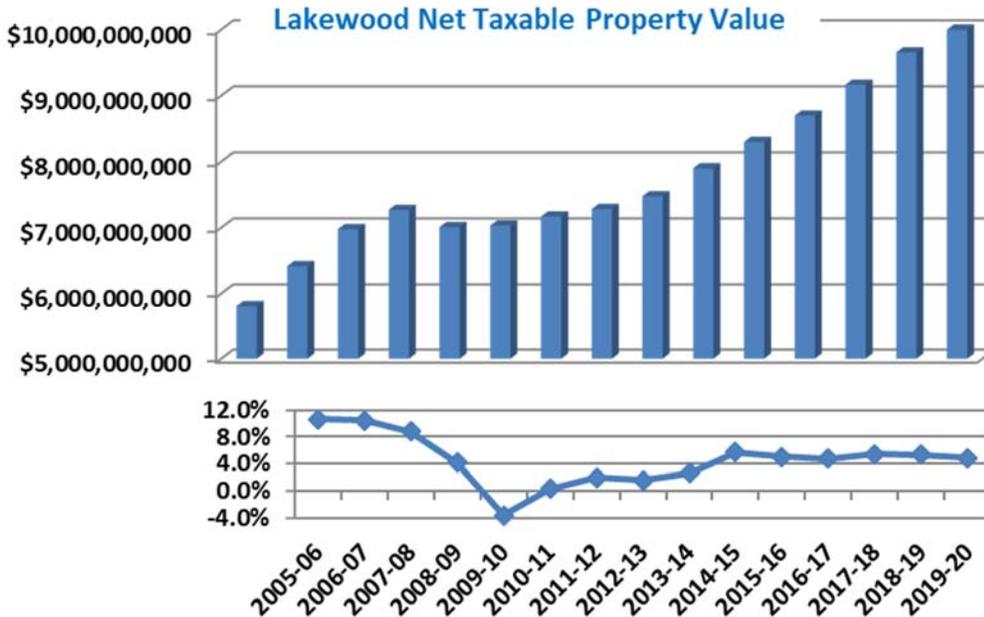
The City has been experiencing a slowing of sales tax revenue increases stemming from the continued migration of consumers away from traditional brick-and-mortar to online shopping. The adopted budget for Fiscal Year 2019-20 took this change in consumer shopping habits into consideration, with the budgeted sales tax revenue projected flat when compared to the prior fiscal year’s final budget estimate. 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 will have an increasing impact on the City’s revenue.

Economic development in the City added several retailers in the past year, expanding opportunities for shopping and dining, as well as adding over 570 jobs from over 300 new businesses in Lakewood, including 125 home occupation businesses. This built on the more than 5,000 jobs that new businesses brought to Lakewood the past seven years. Among the new businesses opening during the year were Burlington, Chinito’s Tacos, Cotton-On, Dickie’s BBQ, Ding Tea House, Kidztown, Play Live



Nation, Raising Cane’s, Sonora Market, and Way Beyond Cake Bakery. Additionally, Macy’s Backstage, Outback Steakhouse, and Black Angus all underwent major remodels.

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 Proposition 13. Today, the City relies on a small 5.84% share of the county collections – the fifth lowest in the County.



The County Assessor increased property tax assessments by a CPI of 2% from 2017-18 to 2018-19.

In the last recession, the County Assessor lowered property tax assessments utilizing the 1978 Prop 8 reduction requirement where the lesser of the adjusted base year value or market value is used for taxation.

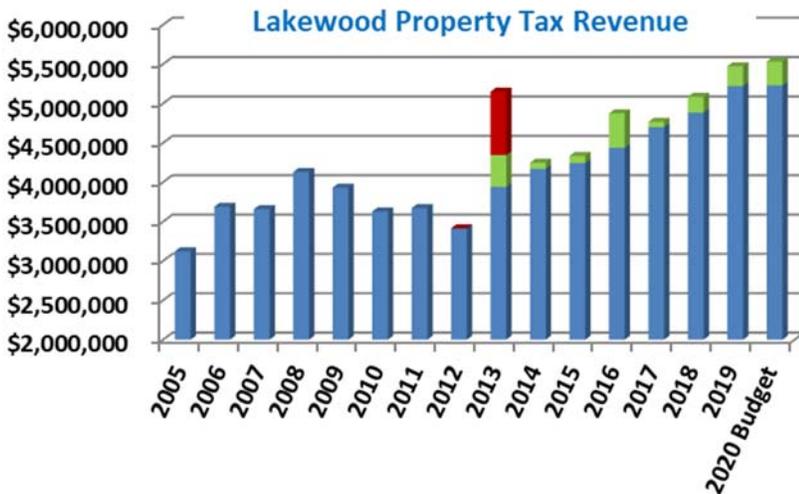
Prop 8 reductions still offset the year-over-year increase by reducing the assessed valuation by \$64 million on parcels throughout the city. The number of Prop 8 parcels has steadily decreased as property values have consistently risen. The top two factors, transfer of ownership and a CPI increase of \$173 million, along with the recapture of Prop 8 valuations largely accounted for the overall taxable value increase of \$474 million. As in past years, the main driver of the increase was residential properties at \$414 million, followed by commercial/industrial at \$60 million.

The total assessed value of real property in the city was \$10.1 billion for Fiscal Year 2019-20, a 4.9% increase from the previous year. The growth in the City’s assessed value of 4.9% was outpaced by the County which increased by 6.3%. In calendar year 2019, the median single family Lakewood



home is selling for \$590,000, a 1.7% increase from 2018 - establishing a new record high. Consistent with regional trends, the number of home sold is expected to decrease for the second year in a row.

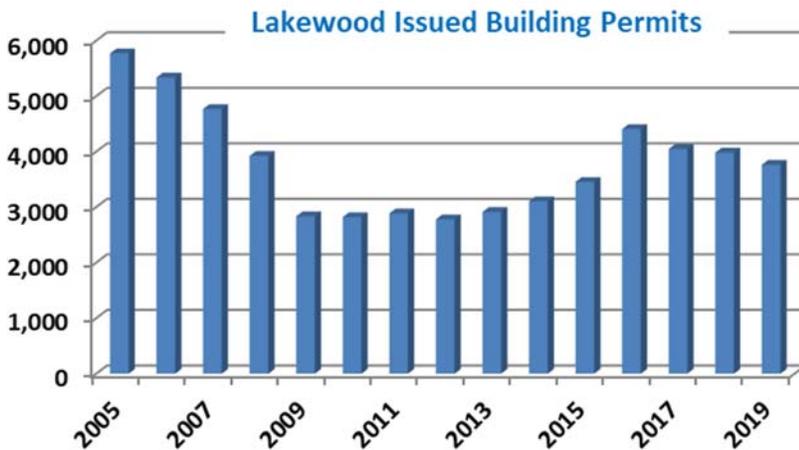
In Fiscal Year 2012-13, the City began to receive residual property tax from the dissolution of the Lakewood Redevelopment Agency. In that year, all property tax increment held by the Lakewood Redevelopment Agency was shifted to the County and disbursed to local taxing agencies - the City's share of this disbursement was \$404,967. The \$436,749 residual disbursement received in Fiscal Year 2015-16 was primarily the City's share of the \$9.4 million payment made that year to the County by the Successor Agency of the former Lakewood Redevelopment Agency. Annual residual property tax is expected to surpass \$250,000 in Fiscal Year 2019-20 due to former LRA bonds being fully paid.



In Fiscal Year 2007-08 the City joined in a Collective Action against Los Angeles County regarding property tax administrative fees. The case was settled in Fiscal Year 2012-13 resulting in a refund to the City of \$804,544 in excess property tax fees. The settlement also resulted in an ongoing annual reduction of the property tax administrative fee of about \$150,000.

Property tax revenue in Fiscal Year 2018-19 increased by 7.6% over the prior year, exceeding expectations by 4.2%, and is expected to further increase by 1% in Fiscal Year 2019-20. Property tax revenue accounts for 11% of General Fund revenues. Since the approval of the 2004 Prop 1A, changes in property tax valuation have a greater impact. Vehicle license fee revenue growth is tied to property tax growth. Property tax in-lieu of vehicle license fees accounts for an additional 18% of General Fund revenues.

Property tax revenue in Fiscal Year 2018-19 increased by 7.6% over the

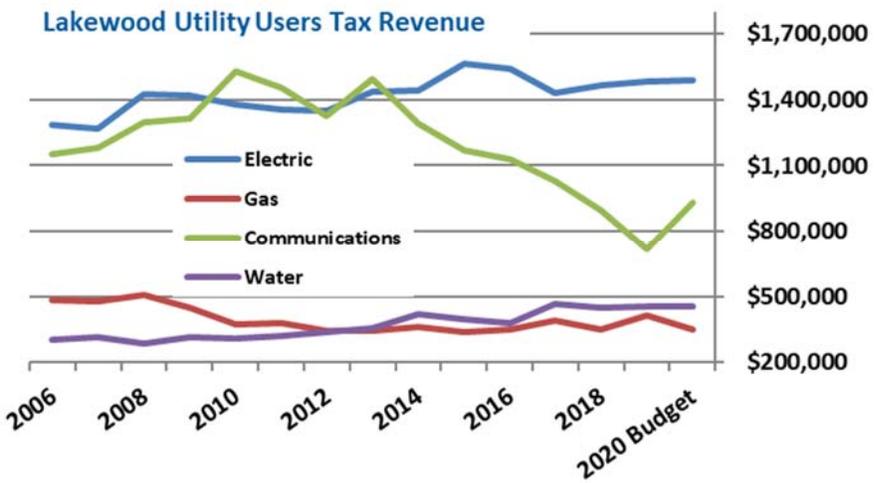


The number of building permits issued by the City is 35% below the peak reached in Fiscal Year 2004-05. During Fiscal Year 2018-19, 3,765 construction and remodeling permits were issued, which is the second year of a slightly downward trend in building activity.

City revenues are also affected by changes in the commodity markets. The City's assessed utility users tax represents 6% of General Fund revenues. The 3% tax is assessed on communications, electricity, natural gas and water use. Natural gas prices rebounded from multi-year lows resulting in an increase of \$63,701 in natural gas utility users tax revenues in Fiscal Year 2018-19 from what was received during the prior year. While this is favorable, the total is still \$96,807 less than the amount received in the peak year (Fiscal Year 2007-08).

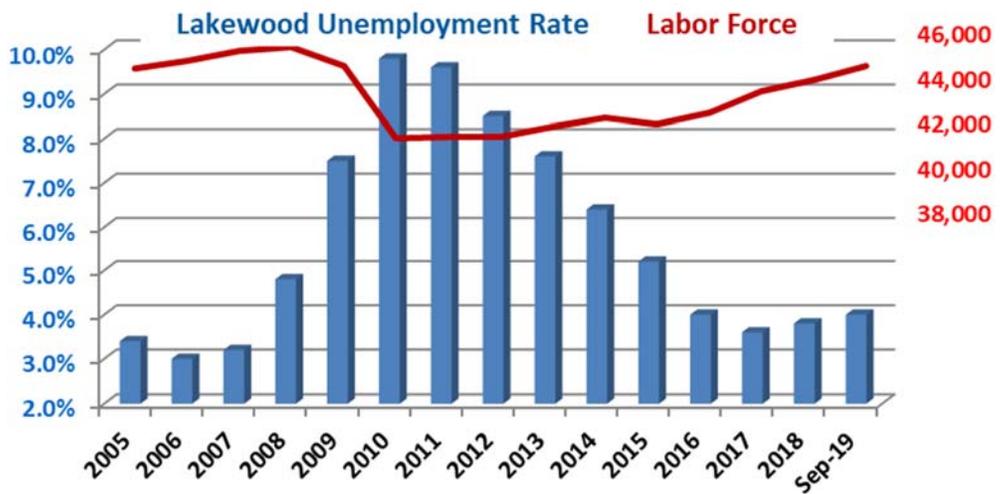
City revenues are also affected by changes in the commodity markets. The City's assessed utility users tax represents 6% of General Fund

The utility users tax for electricity shows a slight increase in Fiscal Year 2018-19, about \$14,367 more than the prior year. Still, it is lower than the peak in Fiscal Year 2014-15. This is likely due to State-issued Cap and Trade Program customer credits and the impact of solar panel installations.



The use of alternative forms of cellular communication to the traditional phone plan has also reduced the amount of utility users tax collected. It is the most notable change among the utility users taxes. The City received \$713,983 or about \$813,000 less in communications utility users tax revenues than what was received in its peak year of Fiscal Year 2009-10. Increased competition and the commoditization of services in this industry sector has greatly impacted local revenues.

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., has been transforming into a multi-used development with businesses such as: Virgin Orbit's headquarters; Mercedes-Benz training, performance and vehicle preparation center; Universal Technical Institute's mechanics campus for about 900 students; Shimadzu Precision Instruments a precision aircraft manufacturer; and two Class A medical buildings. The Sares-Regis Group, has built four new industrial buildings ranging in size from 70,000 to 134,000 square feet. The former Long Beach Boeing site includes office, retail, fitness, hospitality and industrial businesses. These businesses provide opportunities for skilled employment in the local region.

Nationwide, employment rates are at or near historic high levels. Likewise, the unemployment rate in locally remained at 4% as of September 2019. This is lower than the rate the City enjoyed prior to the recession; and slightly above the state's rate.

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 3.3% in 2019. The CPI for the nation, as well as for the region, is expected to remain relatively low in the coming years.

Economic Outlook

Beacon Economics provides market insights and forecasts for

California Communities. In their latest analysis Beacon states, “At the state level, California’s economy has performed solidly so far in 2019 and is forecast to stay on track into next year. As home to the largest port complex in the Western Hemisphere, the various trade disputes that have erupted over the past few years have been a point of elevated concern.

“California has a lot a stake when in comes to both cross-border and trans-Pacific trade activity,” said Robert Kleinhenz, Executive Director of Research at Beacon Economics and one of the forecast authors. “The ongoing trade conflicts have hit certain industries and commodities, but the state’s overall economy has only been bruised, not broken, by these developments.” Kleinhenz points to record-low unemployment and sustained job gains as evidence that the California economy continues to advance.

“Los Angeles County’s immense employment base continues to expand, although the pace of growth lags California’s other major metropolitan areas. Further, as in most of the state, the region’s housing market is slowing, although commercial real estate activity appears promising.”

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% 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 with an understanding that funding for capital projects must also be provided. 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:

- Woodruff Avenue was repaved in Fiscal Year 2018-19 at a cost of \$1.9 million. The existing asphalt pavement was cold milled to a depth of 2.5 inches and a new 2.5 inch layer of asphalt rubber hot mix was constructed along with new thermos-plastic striping and traffic loop detection.
- In coordination with Los Angeles County Metro, construction will begin in Fiscal Year 2019-20 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. Los Angeles County Metro will completely fund it as part of its "hot spot relief" program.
- The Tree and Hardscape Division completed over one and a half miles of sidewalk restoration, removing and replacing concrete as part of the continued undertaking of moving pedestrians safely throughout Lakewood. The division also completed one and a half miles of curb and gutter removal and replacement, aiding in the reduction of pooled water and mosquito abatement efforts throughout the city.
- The design concepts and environmental document for the Lakewood Boulevard Corridor Project have been completed. Work on the final construction plans is due to be completed in Fiscal Year 2019-20. The design work is fully funded by a \$3.2 Million grant from METRO. The project includes enhanced bikeways, pedestrian, transit, and drainage features, along with improved traffic flow and paving. Funding for the construction will be sought through various county, state and federal grant programs once the plans are complete.

Storm water/water recapture/recycled water projects:

- The City received two CalTrans grants totaling \$26 million for the construction of water capture systems at Bolivar Park and Mayfair Park. The construction of the Bolivar Park water recapture system began in Fiscal Year 2015-16 and was completed in June 2018. During FY 2018-19, staff worked to resolve operational issues and complete start-up operations. The project is fully operational through the automation system. Construction for the water capture system at Mayfair Park began in May 2018 and is expected to be completed in late 2019. Both of the systems will reduce pollutants in the local waterways and ocean. They will also provide a source of local recycled water to be used in parks and medians.

- 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. The project was funded from a Prop 84 grant, Measure R, & SB-1 Funds. Construction will be completed in December 2019.

Parks and community facilities projects:

- Rynerson Park – Installation of a new, prefabricated, fully accessible restroom placed near Little League Fields. Project included sanitary sewer lateral line connected, the old restroom building demolished and demolition of aging picnic structures. A new concrete picnic pad was poured to replace one structure and will serve as a footprint for the possibility of a future structure. Also completed were repairs to an existing pedestrian bridge, providing accessible entry to the park from Studebaker Road.
- DASH – Purchased two new sixteen-passenger buses in FY 2018-19 that replaced two older, high mileage buses. DASH has been in the process of procuring and replacing an older fleet of vehicles over the past five years, starting with six new accessible vans in 2014. The two new buses will complete the replacement of older vehicles. The new fleet should allow DASH to operate for many years before repairs are required and vehicle replacement becomes eminent.
- The Centre – Removal of the Urban Stream and Pillars of Community. The concrete urban stream in front of the Centre plaza was removed along with the Pillars of the Community in the spring. The area was returned to a flat concrete surface that matched the existing surrounding concrete.
- Burns Community Center Renovation – The renovation of the Burns Community Center was completed in November 2018. The project included improvements to the lobby, restrooms, assembly room and Meals on Wheels are on the first floor. The elevator was upgraded to comply with ADA regulations and standards. New air conditioning units were installed and the exterior of the building received an updated look. The upstairs restrooms were expanded and improved to meet ADA regulations.
- Burns Community Center Second Story Refresh – With the departure of Nifty after Fifty, the second floor of Burns Community Center was given a refresh. Wood paneling was removed from parts of the upstairs area, and the offices and open area were given a fresh coat of paint to match the downstairs. New carpet and baseboards were installed in the entire upstairs space.
- ADA Improvements commenced with on-going restroom improvements completed in-house by City Staff. Also completed were disabled parking improvements at Mayfair Park. In addition, the City is working with architects on a design for new ADA Improvements including restroom and path-of-travel improvements at several City facilities.

Public Safety Activities:

The Public Safety Department has taken a more visible profile as it establishes a more focused effort in the administration of law enforcement and public safety services. Increased efforts have been placed on community engagement and the allocation of department resources. The department's accomplishments include:

- Conducting community safety meetings for residents in each of Lakewood's nine reporting districts
- Increased community outreach and education through participation in City events

- Worked closely with Lakewood Sheriff’s Station personnel at all levels to ensure timely and quality law enforcement services for the Lakewood community
- Revamping the Neighborhood Watch Program and increasing educational seminars to four per year
- Expanding the scope and functions of public safety field staff to include response to service requests, homeless-related concerns and department programs
- Establishing regular opportunities for residents to meet and interact with members of law enforcement through City events and programs

Water system improvements:

- In a partnership with the City of Long Beach, the Department of Water Resources utilized storage opportunities from the Central Basin Adjudication Rights. The City “pre-purchased” unused annual pumping allocation water rights in FY 2017-18 at a lower rate for use in Fiscal Year 2018-19, utilizing Long Beach’s pumping rights and resulting in savings of \$396,385.
- The City continued hosting in-person workshops, educating over 100 residents on the new leak alert and high water use tools available to them via their new smart water meter. Using the new tools, approximately 24,000 internal leaks and/or “abnormal uses” were identified, and over 1,100 leak alerts were provided to customers. Additionally, over 40 percent of water customers have signed up to use the portal to monitor their water use and manage their accounts.
- The City contracted with Fracta to perform a pipe condition assessment through the use of Artificial Intelligence/Machine Learning to evaluate the condition of the distribution system pipeline. The assessment utilized basic pipeline data and break history together with many available regional environmental and activity data to predict the likelihood of future main break locations. The assessment will help pinpoint locations for future pipeline main installation projects.
- Six of the City’s ten wells underwent extensive maintenance during the year.
- The City participated in two new Southern California Edison (SCE) energy efficiency programs. Through the programs, SCE will provide incentives for the purchase of new well site equipment.

Residential housing projects:

- The City maintained the Home Improvement Loans and Fix Up / Paint Up Programs. The Home Improvement Loan Program provides up to \$18,000 to eligible homeowners for home improvements. The Fix Up / Paint Up Program assists eligible low-income homeowners by providing grants of approximately \$3,000 for exterior repairs. Many of the participants are elderly and disabled residents who cannot cope with property upkeep.
- Housing development projects approved and currently under construction in FY 2019-20 include: Elaine Apartments - a three-story 24-unit apartment complex located on Elaine Avenue. Framing of the third floor has just started with construction scheduled to be completed by fall 2020.

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 2013-14 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 a 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% 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 governmental activities and the Water Enterprise more detailed information regarding the City'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 a 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 % 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 2% at 55 pension plan for "classic" CalPERS members, and 2% 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 currently during FY19-20 utilizes a 7.25% discount rate (will decrease to 7% by Fiscal Year 2020-21) and is 78.7% funded as of June 30, 2018, per the CalPERS GASB 68 Accounting Valuation Report and the market value of assets.
- PARS Retirement Enhancement Plan is a 0.5% 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 5.5% discount rate and is 73.4% funded as of June 30, 2019, 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 6% discount rate and is 92.8% funded as of June 30, 2019, 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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. See Note 9 of the City's basic financial statements for the City's long-term debt disclosure. GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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, 2018. This was the 37th 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 Edianne Rodriguez, Assistant Director of Administrative Services; Claire Houck, Senior Accountant, Michael Aguirre, Accountant; and Elisa Todd, Administrative Secretary deserve special recognition. We also thank the members of the City Council, especially the Audit Committee, for their interest and support in the development of this report.

Respectfully submitted,



Thaddeus McCormack
City Manager



Jose Gomez
Director of Finance & Admin. Services

CITY COUNCIL

TODD ROGERS
Mayor

JEFF WOOD
Vice Mayor

DIANE DUBOIS
Council Member

STEVE CROFT
Council Member

RON PIAZZA
Council Member

ADMINISTRATION AND DEPARTMENT DIRECTORS

THADDEUS McCORMACK
City Manager

IVY M. TSAI
City Attorney

PAOLO BELTRAN
Deputy City Manager

ABEL AVALOS
Director of Community
Development

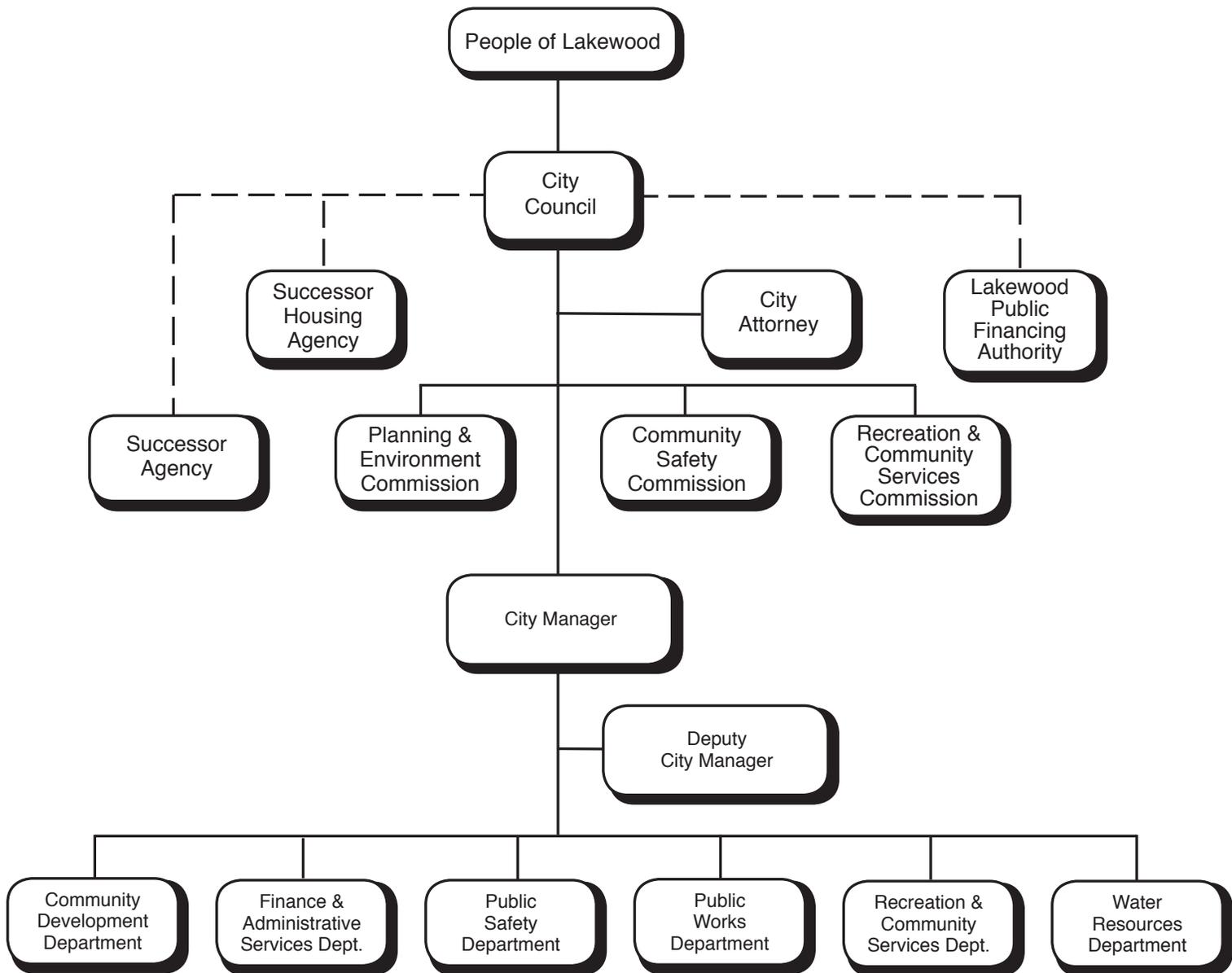
VALARIE FROST
Director of Recreation
and Community Services

JOSE GOMEZ
Director of Finance and Administrative Services

LISA A. RAPP
Director of Public Works

JASON WEN
Director of Water Resources

JOSHUA YORDT
Director of Public Safety





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lakewood
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO





INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and the Members of the City Council
of the City of Lakewood
Lakewood, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2019, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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, 2019, 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.

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 Schedules of Changes in Net Pension Liability and Related Ratios, the Schedules of Contributions – Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits on pages 5 to 13 and 95 to 105 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, the Combining and Individual Nonmajor Fund Financial Statements, the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual and the 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 Schedules 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 Schedules 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 the 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 the Honorable Mayor and the Members of the 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 26, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 26, 2019



City of Lakewood
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2019

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, 2019. 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, 2019, by \$188,009,275. Of this amount, \$29,503,998 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 \$9,997,647. The governmental activities increased by \$9,111,089 and business-type activities by \$886,558 at the end of fiscal year June 30, 2019.
- **Long Term Debt:** The City of Lakewood's total debt decreased by \$248,590. This was attributable to normal scheduled debt service payments, offset by a lease of \$750,000 to fund Americans with Disabilities Act (ADA) capital projects improvements.
- **Governmental Funds:** As of June 30, 2019, the City's governmental funds reported a combined ending fund balance of \$63,405,017, an increase of \$3,092,730 in comparison with the prior year due to a funding arrangement of capital projects that initially required the use of City's fund and subsequent reimbursement by State grants. Approximately 46.1 percent of the ending fund balance, \$29,262,939, is available for spending at the government's discretion as either a committed, assigned, and unassigned fund balance within the guidelines of the funding sources.
- **General Fund:** At June 30, 2019, committed, assigned and unassigned fund balance of the general fund was \$32,076,789. All but \$2,182,964 of these funds are committed or assigned for specific purposes in accordance with City policies and budgetary guidelines.

Government-wide financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City overall financial status in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City'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 positions 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.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

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 18 - 21 of this report.

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

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

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

The City of Lakewood maintains twenty 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. 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 a biennial 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 25 - 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 graphics 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.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

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.

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 - 91 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 schedules, pension contribution schedules, and other post-employment funding progress schedule. Required supplementary information can be found on pages 93 - 105 of this report.

The combining statements referred to earlier in connection with other governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 111 - 145 of this report.

Government-wide Financial Analysis

The government-wide financial statements provide long and short-term information about the City's overall financial condition. The net positions 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 \$188,009,275 at the close of the most recent fiscal year.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

City of Lakewood Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 76,515,179	\$ 70,222,512	\$ 16,867,298	\$ 16,138,476	\$ 93,382,477	\$ 86,360,988
Capital assets	108,813,540	101,191,917	35,902,916	37,151,768	144,716,456	138,343,685
Total Assets	<u>185,328,719</u>	<u>171,414,429</u>	<u>52,770,214</u>	<u>53,290,244</u>	<u>238,098,933</u>	<u>224,704,673</u>
Deferred Outflow of Resources	<u>7,859,558</u>	<u>10,257,328</u>	<u>895,042</u>	<u>1,169,958</u>	<u>8,754,600</u>	<u>11,427,286</u>
Long-term liabilities outstanding	33,743,442	33,410,835	12,324,551	13,325,377	46,067,993	46,736,212
Other liabilities	9,453,017	6,869,266	1,800,115	2,424,839	11,253,132	9,294,105
Total Liabilities	<u>43,196,459</u>	<u>40,280,101</u>	<u>14,124,666</u>	<u>15,750,216</u>	<u>57,321,125</u>	<u>56,030,317</u>
Deferred Inflow of Resources	<u>1,367,060</u>	<u>1,877,987</u>	<u>156,073</u>	<u>212,027</u>	<u>1,523,133</u>	<u>2,090,014</u>
Net positions:						
Net Investment in Capital Assets	108,108,047	100,416,548	26,327,391	26,543,189	134,435,438	126,959,737
Restricted	24,069,839	21,751,112	-	-	24,069,839	21,751,112
Unrestricted	16,446,872	17,346,009	13,057,126	11,954,770	29,503,998	29,300,779
Total Net Position	<u>\$ 148,624,758</u>	<u>\$ 139,513,669</u>	<u>\$ 39,384,517</u>	<u>\$ 38,497,959</u>	<u>\$ 188,009,275</u>	<u>\$ 178,011,628</u>

By far, the largest portion of the City of Lakewood's net positions, 71.5 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 are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Additional portion of the City of Lakewood's net position, 12.8 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$29,503,998 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, 66.8 percent of the City of Lakewood's business-type activities' net position were invested in capital assets.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

City of Lakewood Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 11,864,139	\$ 11,144,227	\$ 13,354,770	\$ 13,003,840	\$ 25,218,909	\$ 24,148,067
Operating grants and contributions	9,751,629	8,633,736	-	-	9,751,629	8,633,736
Capital grants and contributions	8,315,163	6,315,712	-	-	8,315,163	6,315,712
General revenues:						
Property taxes	14,637,510	13,795,722	-	-	14,637,510	13,795,722
Sales taxes-Bradley Burns	14,635,987	14,303,519	-	-	14,635,987	14,303,519
Franchise taxes	1,543,020	1,598,487	-	-	1,543,020	1,598,487
Business operation taxes	651,364	650,728	-	-	651,364	650,728
Utility user taxes	3,061,021	3,163,738	-	-	3,061,021	3,163,738
Other taxes	409,432	424,144	-	-	409,432	424,144
Investment Income	1,833,314	274,743	254,365	182,728	2,087,679	457,471
Gain on sale of property	77,715	-	-	-	77,715	-
Total Revenues	66,780,294	60,304,756	13,609,135	13,186,568	80,389,429	73,491,324
Expenses:						
General government	8,623,397	8,414,207	-	-	8,623,397	8,414,207
Public safety	15,587,612	14,934,025	-	-	15,587,612	14,934,025
Transportation	5,618,743	5,319,350	-	-	5,618,743	5,319,350
Community development	5,755,708	5,602,768	-	-	5,755,708	5,602,768
Health and sanitation	5,440,069	5,173,751	-	-	5,440,069	5,173,751
Culture and leisure	14,023,325	13,919,102	-	-	14,023,325	13,919,102
Unallocated infrastructure depreciation	2,610,286	2,680,800	-	-	2,610,286	2,680,800
Interest on long term debt	10,065	12,246	-	-	10,065	12,246
Water	-	-	12,722,577	12,124,940	12,722,577	12,124,940
Total expenses	57,669,205	56,056,249	12,722,577	12,124,940	70,391,782	68,181,189
Excess (Deficiency of Revenues Over/Under)						
Change in Net Position	9,111,089	4,248,507	886,558	1,061,628	9,997,647	5,310,135
Net position - beginning of year	139,513,669	135,265,162	38,497,959	37,436,331	178,011,628	172,701,493
Net position - end of year	\$ 148,624,758	\$ 139,513,669	\$ 39,384,517	\$ 38,497,959	\$ 188,009,275	\$ 178,011,628

Additional information on the change in net position can be found on page 20 – 21 of this report.

Governmental activities. Overall, governmental revenues increased by \$6,475,538 or 10.7 percent and expenditures increased by \$1,612,956 or 2.9 percent from prior year. Key elements of the change are as follows:

- Operating grant revenue increased by \$1,117,893 due to fully realizing the revenue for the Measure M funds from METRO, totaling an increase of \$307,000 from the prior fiscal year. The City also received Road Maintenance & Rehabilitation Account (RMRA) funds from the State for the whole fiscal year 2018-2019 in comparison to half of FY 2017-2018. There was an increase of \$1,126,776 in RMRA including interest income allocation from FY 2017-2018 to FY 2018-2019.
- Capital grants and contributions revenue increased by \$1,999,451 during this fiscal year due mainly to the building and implementation of the Mayfair Water Capture Runoff Infiltration Project.
- Property Tax increased by \$841,788 due to a higher assessed valuation of real property in the City. Secured and Unsecured taxes were up by \$274,970 and the Residual Property Tax was up by \$51,428.
- Sales Tax revenue experienced a modest increase of \$332,468 compared to last fiscal year. This was due to an uptick in fuel sales in relation to continually rising retail gas prices caused by higher crude oil costs. The City also experienced an increase of countywide use-tax pool allocation due to the continuous rise in online sales compared to brick-and-mortar sales.
- Investment income increased by \$1,558,571 mainly due to unrealized investment gains of \$1,245,135, of which \$809,138 was from the increase in value of portfolio securities.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

- Utility Users Tax revenue (UUT) was down \$102,717 mainly due to the decrease in Telecommunications UUT of \$184,092 and was offset by increases in Gas and Electric UUT by \$63,701 and \$14,387, respectively. The decrease was attributed to the availability of alternative forms of communications compared to the traditional phone services.
- A Public safety increase of \$653,587 is mainly attributable to the rise in law enforcement contract payments.
- Transportation increased slightly by \$299,393 due to multiple projects covering street resurfacing, pavement management and other street projects.

Additional information on activities and change in net position can be found on pages 20 - 21 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. An increase in the sale of water to the City of Long Beach attributed to the modest increase of \$350,930 in water sales revenue in the year. The impact of the full operation of the City's new utility billing system resulted in an increase in the total expenses amounting to \$597,637. For the year ended June 30, 2019, the City's business-type activities' change in net position was \$886,558, a decrease of 16.5 percent compared to last year. During the year, the water meter rate was adjusted to help defray increases in cost of pumping and distributing water and administration of the utility and infrastructure improvements. Major projects in the horizon include \$3.1 million for Well 28 Drilling project, \$2.3 million for Pipe Replacement project, \$1.0 million for Plant 4 Renovation project, and \$880,000 for Plant 27 Rehabilitation project.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Lakewood's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Lakewood's financing requirements. In particular, 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 fiscal year, the City of Lakewood's governmental funds reported combined ending fund balances of \$63,405,017, an increase of \$3,092,730 in comparison with the prior year. The increase is due to advanced grant funding arrangement of capital projects. Of the City's governmental funds ending fund balances, \$29,262,939 or 46.2 percent 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, \$34,142,078, 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 position of the Water Enterprise at the end of the year amounted to \$13,664,874, an increase of \$1,100,418 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.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

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 \$32,076,789, while total fund balance was \$42,581,404. The general fund's ending fund balance increased by \$1,654,970 in comparison with the prior year. 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 63.4 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 \$3,379,544 and expenditures (including transfers out) increased by \$264,605. Tax-related revenue increased by \$573,430, in which \$841,788 was an uptick on property taxes due to a higher assessed valuation of real property in the City. Franchise Tax revenue and Utility Users Tax are down \$55,467 and \$102,717, respectively. Investment income increased by \$1,522,062 mainly due to unrealized investment gains of \$1,245,135, of which \$809,138 was from the increase in value of portfolio securities.

General Fund Budgetary Highlights

For the fiscal year ended June 30, 2019, General Fund's final amended expenditure budget increased over the original budget by \$408,498 and actual expenditures were \$2,023,717 lower than the final amended budget. These can be briefly summarized as follows:

- Multi-year capital projects were at different stages of completion consequently they had a remaining balance of \$1,654,507 in 2018-2019 to be rolled forward to next fiscal year. Of this, approximately \$617,000 is for ADA improvements, \$395,000 for the Centre refurbishments, \$300,000 for the replacement of San Martin picnic shelters, \$107,000 for Facilities Master Plan, and \$35,000 for the Burns Center improvements.
- The City experienced a savings of \$936,000 in Public Safety expenditures. This was attributable to savings in helicopter maintenance cost, decrease in LA County Sheriff's special assignment contracts, and slightly lower personnel costs.
- The City experienced a decrease of \$525,000 in miscellaneous items such as IT services, the moving of the 2019 general municipal election to 2020, and the reduction in the number of tree services and street light repairs.

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

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, 2019, amounts to \$144,716,456, an increase of \$6,372,771 or 4.6 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 17,041,023	\$ 17,041,023	\$ 100,000	\$ 100,000	\$ 17,141,023	\$ 17,141,023
Construction in progress	37,005,137	26,045,091	10,251,736	9,664,469	47,256,873	35,709,560
Water rights	-	-	1,834,586	1,834,586	1,834,586	1,834,586
Infrastructure	27,772,532	30,189,929	-	-	27,772,532	30,189,929
Structures and improvements	25,473,675	26,233,821	19,330,045	21,150,443	44,803,720	47,384,264
Equipment	1,521,173	1,682,053	4,386,549	4,402,270	5,907,722	6,084,323
Total	<u>\$ 108,813,540</u>	<u>\$ 101,191,917</u>	<u>\$ 35,902,916</u>	<u>\$ 37,151,768</u>	<u>\$ 144,716,456</u>	<u>\$ 138,343,685</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 \$248,590 totaling \$10,459,336. This was attributable to normal scheduled debt service payments, offset by a lease of \$750,000 to fund Americans with Disabilities Act (ADA) capital projects improvements.

City of Lakewood						
Summary of Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue bonds	\$ -	\$ -	\$ 1,044,873	\$ 1,290,117	\$ 1,044,873	\$ 1,290,117
Loan Payable	-	-	197,480	394,961	197,480	394,961
Loan Payable-MELPA	-	-	8,333,172	8,849,230	8,333,172	8,849,230
ADA Financing Program	750,000	-	-	-	750,000	-
Lease Payable	133,811	173,618	-	-	133,811	173,618
Total	<u>\$ 883,811</u>	<u>\$ 173,618</u>	<u>\$ 9,575,525</u>	<u>\$ 10,534,308</u>	<u>\$ 10,459,336</u>	<u>\$ 10,707,926</u>

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

City of Lakewood
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Economic Factors and Next Year's Budgets and Rates

The City prudently anticipates and conservatively budgets for General Fund revenues to increase annually on average by one and a half percent over the next five years. 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 below historical levels, and gas tax and fines are both expected to remain flat through 2024.

The City's general fund operational expenditures are also expected to increase annually over the next five years by about two and a half percent; in Fiscal Year 2018-2019 General Fund expenditures increased by 0.5 percent. Employee services costs increased by 1.3 percent in Fiscal Year 2018-2019 over that of the prior year, this slight 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 2024. The City is a contract-city where only 40 percent of the cost of operations is employee service-related. In Fiscal Year 2018-2019 contract services made up 45.6 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 four percent in 2018. Overall, contract services increased by 3.6 percent in Fiscal Year 2018-2019. The CPI is expected to remain relatively low over the coming years. The City's water, refuse and building and safety fees also include the local CPI as a factor in determining rate increases.

The 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 other 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 Finance and 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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 43,792,674	\$ 15,046,326	\$ 58,839,000
Receivables:			
Accounts	8,731,551	1,179,779	9,911,330
Accrued revenue	-	1,109,812	1,109,812
Internal balances	607,748	(607,748)	-
Prepaid items	155,359	-	155,359
Inventories	155,447	117,441	272,888
Total current assets	53,442,779	16,845,610	70,288,389
Noncurrent assets:			
Restricted cash and investments:			
Cash in escrow	294,071	-	294,071
Held by City	617,122	21,688	638,810
Notes receivable	2,072,401	-	2,072,401
Receivable from Successor Agency	17,128,504	-	17,128,504
Land held for resale	2,960,302	-	2,960,302
Capital assets:			
Nondepreciable	54,046,160	12,186,322	66,232,482
Depreciable, net	54,767,380	23,716,594	78,483,974
Total capital assets	108,813,540	35,902,916	144,716,456
Total noncurrent assets	131,885,940	35,924,604	167,810,544
Total assets	185,328,719	52,770,214	238,098,933
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	7,859,558	895,042	8,754,600
Total deferred outflows of resources	7,859,558	895,042	8,754,600

City of Lakewood
Statement of Net Position (Continued)
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable	6,528,957	629,498	7,158,455
Retention payable	438,804	-	438,804
Accrued liabilities	1,087,573	85,982	1,173,555
Accrued interest payable	12,190	19,271	31,461
Unearned revenue	383,663	-	383,663
Long-term liabilities - due within one year	1,001,830	1,065,364	2,067,194
Total current liabilities	9,453,017	1,800,115	11,253,132
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	212,232	21,688	233,920
Long-term liabilities - due in more than one year	1,515,229	8,679,354	10,194,583
Aggregate net pension liability	31,324,977	3,546,731	34,871,708
Net OPEB liability	691,004	76,778	767,782
Total noncurrent liabilities	33,743,442	12,324,551	46,067,993
Total liabilities	43,196,459	14,124,666	57,321,125
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,325,578	151,464	1,477,042
Deferred inflows of resources related to OPEB	41,482	4,609	46,091
Total deferred inflows of resources	1,367,060	156,073	1,523,133
NET POSITION			
Net investment in capital assets	108,108,047	26,327,391	134,435,438
Restricted for:			
Transportation	10,502,128	-	10,502,128
Public safety	245,994	-	245,994
Community development	12,884,351	-	12,884,351
Health and sanitation	335,935	-	335,935
Culture and leisure	101,431	-	101,431
Unrestricted	16,446,872	13,057,126	29,503,998
Total net position	\$ 148,624,758	\$ 39,384,517	\$ 188,009,275

City of Lakewood
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 8,623,397	\$ 1,842,865	\$ 1,980,912	\$ -
Public safety	15,587,612	824,844	269,349	-
Transportation	5,618,743	-	7,446,993	8,221,638
Community development	5,755,708	1,831,695	-	-
Health and sanitation	5,440,069	5,736,770	54,375	-
Culture and leisure	14,023,325	1,627,965	-	93,525
Unallocated infrastructure depreciation	2,610,286	-	-	-
Interest and fiscal charges	10,065	-	-	-
Total governmental activities	<u>57,669,205</u>	<u>11,864,139</u>	<u>9,751,629</u>	<u>8,315,163</u>
Business-type Activities:				
Water	<u>12,722,577</u>	<u>13,354,770</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>12,722,577</u>	<u>13,354,770</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 70,391,782</u>	<u>\$ 25,218,909</u>	<u>\$ 9,751,629</u>	<u>\$ 8,315,163</u>

City of Lakewood
Statement of Activities (Continued)
For the Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Governmental Activities:			
General government	\$ (4,799,620)	\$ -	\$ (4,799,620)
Public safety	(14,493,419)	-	(14,493,419)
Transportation	10,049,888	-	10,049,888
Community development	(3,924,013)	-	(3,924,013)
Health and sanitation	351,076	-	351,076
Culture and leisure	(12,301,835)	-	(12,301,835)
Unallocated infrastructure depreciation	(2,610,286)	-	(2,610,286)
Interest and fiscal charges	(10,065)	-	(10,065)
Total governmental activities	(27,738,274)	-	(27,738,274)
Business-type Activities:			
Water	-	632,193	632,193
Total business-type activities	-	632,193	632,193
Total primary government	(27,738,274)	632,193	(27,106,081)
 General revenues:			
Taxes:			
Sales taxes - Bradley Burns	14,635,987	-	14,635,987
Property taxes	14,637,510	-	14,637,510
Franchise taxes	1,543,020	-	1,543,020
Business operation taxes	651,364	-	651,364
Utility user taxes	3,061,021	-	3,061,021
Other taxes	409,432	-	409,432
Total taxes	34,938,334	-	34,938,334
Investment income	1,833,314	254,365	2,087,679
Gain on sale of property	77,715	-	77,715
Total general revenues	36,849,363	254,365	37,103,728
Changes in net position	9,111,089	886,558	9,997,647
Net position - beginning of year	139,513,669	38,497,959	178,011,628
Net position - end of year	\$ 148,624,758	\$ 39,384,517	\$ 188,009,275



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Lakewood
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds		
	General Fund	Housing Admin and Program Capital Projects Fund	Lakewood Capital Improvements Capital Projects Fund
ASSETS			
Cash and investments	\$ 32,405,176	\$ 424,825	\$ 114,339
Restricted cash and investments:			
Cash in escrow	-	-	207,622
Held by city	617,122	-	-
Accounts receivable	4,909,525	-	3,340,765
Prepaid items	155,359	-	-
Inventories	49,500	-	-
Due from other funds	305,786	-	-
Receivable from Successor Agency	9,682,634	7,445,870	-
Notes receivable	-	2,072,401	-
Land held for resale	-	2,960,302	-
Total assets	\$ 48,125,102	\$ 12,903,398	\$ 3,662,726
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,254,221	\$ 18,000	\$ 2,887,934
Accrued liabilities	1,021,796	-	-
Retention payable	746	-	342,416
Deposit payable	211,185	1,047	-
Due to other funds	-	-	-
Unearned revenue	361,301	-	-
Total liabilities	4,849,249	19,047	3,230,350
Deferred inflows of resources:			
Unavailable revenue	694,449	-	3,083,835
Total deferred inflows of resources	694,449	-	3,083,835
Fund balances:			
Nonspendable			
Prepaid items	155,359	-	-
Inventories	49,500	-	-
Receivables from Successor Agency	9,682,634	-	-
Restricted			
Public safety	-	-	-
Transportation projects and street maintenance	-	-	-
Community development	-	12,884,351	-
Health and sanitation	-	-	-
Culture and leisure	-	-	-
ADA improvement	617,122	-	-
Committed			
Self insurance	4,000,000	-	-
Pension and personnel obligations	5,647,299	-	-
Capital projects	1,806,359	-	-
Refuse stabilization	1,964,966	-	-
Economic uncertainties	11,533,841	-	-
Assigned			
Capital replacement and repairs	3,000,000	-	-
Contract emergency services	1,941,360	-	-
Unassigned (deficit)	2,182,964	-	(2,651,459)
Total fund balances	42,581,404	12,884,351	(2,651,459)
Total liabilities, deferred inflows of resources, and fund balances	\$ 48,125,102	\$ 12,903,398	\$ 3,662,726

(Continued)

City of Lakewood
Balance Sheet (Continued)
Governmental Funds
June 30, 2019

	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 10,848,334	\$ 43,792,674
Restricted cash and investments:		
Cash in escrow	86,449	294,071
Held by city	-	617,122
Accounts receivable	481,261	8,731,551
Prepaid items	-	155,359
Inventories	-	49,500
Due from other funds	-	305,786
Receivable from Successor Agency	-	17,128,504
Notes receivable	-	2,072,401
Land held for resale	-	2,960,302
Total assets	\$ 11,416,044	\$ 76,107,270
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 335,207	\$ 6,495,362
Accrued liabilities	37,224	1,059,020
Retention payable	95,642	438,804
Deposit payable	-	212,232
Due to other funds	305,743	305,743
Unearned revenue	22,362	383,663
Total liabilities	796,178	8,894,824
Deferred inflows of resources:		
Unavailable revenue	29,145	3,807,429
Total deferred inflows of resources	29,145	3,807,429
Fund balances:		
Nonspendable		
Prepaid items	-	155,359
Inventories	-	49,500
Receivables from Successor Agency	-	9,682,634
Restricted		
Public safety	245,994	245,994
Transportation projects and street maintenance	10,069,752	10,069,752
Community development	-	12,884,351
Health and sanitation	335,935	335,935
Culture and leisure	101,431	101,431
ADA improvement	-	617,122
Committed		
Self insurance	-	4,000,000
Pension and personnel obligations	-	5,647,299
Capital projects	-	1,806,359
Refuse stabilization	-	1,964,966
Economic uncertainties	-	11,533,841
Assigned		
Capital replacement and repairs	-	3,000,000
Contract emergency services	-	1,941,360
Unassigned (deficit)	(162,391)	(630,886)
Total fund balances	10,590,721	63,405,017
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,416,044	\$ 76,107,270

(Concluded)



City of Lakewood
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Total Governmental Funds \$ 63,405,017

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	\$ 54,046,160	
Depreciable assets, net of \$145,051,764 accumulated depreciation	54,767,380	
Less: Amount reported in Internal Service Fund		
Depreciable assets, net of \$1,203,156 accumulated depreciation	<u>(89,982)</u>	108,723,558

Some of the City's receivables for operating and capital grant reimbursements, and taxes will be collected after year end, but are not available soon enough to pay for current-period expenditures, and therefore, are reported with an offset to unavailable revenues in the funds. 3,807,429

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 the deficit in the amount of \$(607,748) reported in Business-type activities. 741,486

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 and related deferred outflows and inflows of resources are reported in the Statement of Net Position:

Long-term debt	(883,811)
Interest payable	(12,190)
Compensated absences	(1,633,248)
Pensions:	
Deferred outflows of resources related to pensions	7,859,558
Aggregate net pension liabilities	(31,324,977)
Deferred inflows of resources related to pensions	(1,325,578)
Other postemployment benefits:	
Net OPEB liabilities	(691,004)
Deferred inflows of resources related to OPEB	<u>(41,482)</u>

Net position of governmental activities \$ 148,624,758

City of Lakewood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds		
	General Fund	Housing Admin and Program Capital Projects Fund	Lakewood Capital Improvements Capital Projects Fund
REVENUES:			
Taxes	\$ 25,730,284	\$ -	\$ -
Licenses and permits	1,352,461	-	-
Fines and forfeitures	877,832	-	-
Investment income, rents and concession	2,856,708	81,002	-
Intergovernmental revenues	9,721,047	-	5,961,845
Current service charges	8,102,123	-	-
Other	1,221,323	144,000	-
Total revenues	49,861,778	225,002	5,961,845
EXPENDITURES:			
Current:			
General government	7,892,909	-	-
Public safety	14,973,880	-	-
Transportation	2,756,395	-	-
Community development	5,108,494	184,130	-
Health and sanitation	5,330,025	-	-
Culture and leisure	12,212,169	-	-
Capital outlay:			
General government	201,076	-	-
Transportation	352,352	-	7,077,634
Community development	14,550	-	-
Culture and leisure	1,714,420	-	-
Debt service:			
Principal retirement	39,807	-	-
Interest payment	10,065	-	-
Total expenditures	50,606,142	184,130	7,077,634
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(744,364)	40,872	(1,115,789)
OTHER FINANCING SOURCES (USES):			
Transfers in	1,571,680	-	-
Transfers out	(61)	-	-
Issuance of long-term debt	750,000	-	-
Proceed from sale of assets	77,715	-	-
Total other financing sources (uses)	2,399,334	-	-
NET CHANGES IN FUND BALANCES	1,654,970	40,872	(1,115,789)
FUND BALANCES:			
Beginning of Year	40,926,434	12,843,479	(1,535,670)
End of Year	\$ 42,581,404	\$ 12,884,351	\$ (2,651,459)

(Continued)

City of Lakewood
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2019

	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:		
Taxes	\$ 2,923,104	\$ 28,653,388
Licenses and permits	3,747	1,356,208
Fines and forfeitures	-	877,832
Investment income, rents and concession	234,351	3,172,061
Intergovernmental revenues	6,622,591	22,305,483
Current service charges	-	8,102,123
Other	3,800	1,369,123
Total revenues	9,787,593	65,836,218
EXPENDITURES:		
Current:		
General government	35,458	7,928,367
Public safety	323,891	15,297,771
Transportation	2,238,584	4,994,979
Community development	284,210	5,576,834
Health and sanitation	76,131	5,406,156
Culture and leisure	63,145	12,275,314
Capital outlay:		
General government	-	201,076
Transportation	2,392,002	9,821,988
Community development	9,982	24,532
Culture and leisure	279,894	1,994,314
Debt service:		
Principal retirement	-	39,807
Interest payment	-	10,065
Total expenditures	5,703,297	63,571,203
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,084,296	2,265,015
OTHER FINANCING SOURCES (USES):		
Transfers in	61	1,571,741
Transfers out	(1,571,680)	(1,571,741)
Issuance of long-term debt	-	750,000
Proceed from sale of assets	-	77,715
Total other financing sources (uses)	(1,571,619)	827,715
NET CHANGES IN FUND BALANCES	2,512,677	3,092,730
FUND BALANCES:		
Beginning of Year	8,078,044	60,312,287
End of Year	\$ 10,590,721	\$ 63,405,017

(Concluded)

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, 2019

Net change in fund balances - total governmental funds: \$ 3,092,730

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 \$18,523 reported in Internal Service Funds	\$ 12,041,910	
Non-capital expenditures reclassified to functional expense	(186,908)	
Depreciation expense, net of \$28,906 reported in Internal Service Funds	<u>(4,222,996)</u>	7,632,006

Certain accrued revenues such as taxes, grants, and City's general billing 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. 866,361

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:

Lease payment		39,807
Issuance of long-term debt		(750,000)
Interest expense		(12,190)
Change in compensated absences		(158,509)
Pension expense of CalPERS Plan, net of pension contribution made after measurement date in the amount of \$2,644,275		(1,065,024)
Pension expense of PARS Plan, net of pension contribution made during the measurement period in the amount of \$574,023		(656,527)
OPEB expense, net of OPEB contribution made during the measurement period in the amount of \$490,951		147,981

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 \$1,938 allocated to business-type activities). (25,546)

Change in net position of governmental activities \$ 9,111,089

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Lakewood
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Water Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 15,046,326	\$ -
Restricted cash and investments:		
Customer deposits	21,688	-
Accounts receivable	1,179,779	-
Accrued revenue	1,109,812	-
Inventories	117,441	105,947
Total current assets	17,475,046	105,947
Noncurrent assets:		
Capital assets:		
Capital assets, not being depreciated:		
Land	100,000	-
Water Rights	1,834,586	-
Construction in progress	10,251,736	-
Capital assets, being depreciated:		
Source of supply	6,789,257	-
Pumping plant	832,338	-
Water treatment	4,852,172	-
Transmission/distribution	34,548,038	-
General plant	4,889,909	-
Equipment	5,375,827	1,293,138
Less: accumulated depreciation	(33,570,947)	(1,203,156)
Total capital assets	35,902,916	89,982
Total noncurrent assets	35,902,916	89,982
Total assets	53,377,962	195,929
 DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources related to pensions	895,042	-
Total deferred outflows of resources	895,042	-

(Continued)

City of Lakewood
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2019

	Business-type Activities - Water Enterprise Fund	Governmental Activities - Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable	629,498	33,595
Accrued liabilities	85,982	28,553
Accrued interest payable	19,271	-
Customer deposit	21,688	-
Due to other funds	-	43
Compensated absences, due within one year	84,597	-
Loan payable, due within one year	197,480	-
Lease payable, due within one year	783,287	-
Total current liabilities	1,821,803	62,191
Noncurrent liabilities:		
Compensated absences, due in more than one year	84,596	-
Lease payable, due in more than one year	8,594,758	-
Aggregate net pension liability	3,546,731	-
Net OPEB liability	76,778	-
Total noncurrent liabilities	12,302,863	-
Total liabilities	14,124,666	62,191
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	151,464	-
Deferred inflows of resources related to OPEB	4,609	-
Total deferred inflows of resources	156,073	-
NET POSITION		
Net investment in capital assets	26,327,391	89,982
Unrestricted	13,664,874	43,756
Total net position	39,992,265	\$ 133,738
Adjustment to reflect the consolidation of internal service fund activities to the water enterprise fund	(607,748)	
Net position of business-type activities	\$ 39,384,517	

(Concluded)



City of Lakewood
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities- Water Enterprise Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Metered water sales	\$ 10,945,152	\$ -
Reclaimed water sales	333,943	-
Fire protection	153,646	-
Service initiation and restoration charges	142,518	-
Billing to departments	-	1,212,480
Other revenues	1,779,511	-
Total operating revenues	<u>13,354,770</u>	<u>1,212,480</u>
OPERATING EXPENSES:		
Operations:		
Supply, transmission and distribution	8,425,532	-
Customer service	222,730	-
Administration	1,825,173	-
Operating expenses	-	1,207,182
Depreciation	1,955,620	28,906
Total operating expenses	<u>12,429,055</u>	<u>1,236,088</u>
OPERATING INCOME (LOSS)	<u>925,715</u>	<u>(23,608)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income	254,365	-
Interest expense	(295,460)	-
Total nonoperating revenues (expenses)	<u>(41,095)</u>	<u>-</u>
CHANGES IN NET POSITION	884,620	(23,608)
NET POSITION:		
Beginning of the year	39,107,645	157,346
End of the year	<u>\$ 39,992,265</u>	<u>\$ 133,738</u>
Changes in net position - Water Enterprise Fund	\$ 884,620	
Adjustment to reflect the consolidation of the internal service fund activities related to the Water Enterprise Fund	1,938	
Changes in net position of business-type activities	<u>\$ 886,558</u>	

City of Lakewood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities- Water Enterprise Fund	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 13,664,825	\$ -
Receipts from interfund services provided	-	1,212,523
Payments to suppliers	(8,429,500)	(1,237,075)
Payments to employees	(2,383,026)	-
Net cash provided by (used in) operating activities	2,852,299	(24,552)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(781,039)	(18,523)
Principal paid on leases and loan	(958,783)	-
Interest paid on revenue bonds	(297,018)	-
Net cash (used in) capital and related financing activities	(2,036,840)	(18,523)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	254,365	-
Net cash provided by investing activities	254,365	-
Net increase (decrease) in cash and cash equivalents	1,069,824	(43,075)
CASH AND CASH EQUIVALENTS:		
Beginning of year	13,998,190	43,075
End of year	\$ 15,068,014	\$ -
CASH AND CASH EQUIVALENTS:		
Cash and investments	\$ 15,046,326	\$ -
Customer deposit	21,688	-
Total cash and cash equivalents	\$ 15,068,014	\$ -

(Continued)

City of Lakewood
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities- Water Enterprise Fund	Governmental Activities - Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 925,715	\$ (23,608)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,955,620	28,906
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in accounts receivable	301,835	-
(Increase) decrease in accrued revenue	8,220	-
(Increase) decrease in inventories	32,885	(39,890)
(Increase) decrease in deferred outflows of resources related to pensions	274,916	-
Increase (decrease) in accounts payable	(588,175)	8,727
Increase (decrease) in accrued liabilities	1,426	1,270
Increase (decrease) in due to other funds	-	43
Increase (decrease) in compensated absences	31,739	-
Increase (decrease) in net pension liability	(16,044)	-
Increase (decrease) in net OPEB liability	(19,884)	-
Increase (decrease) in deferred inflows of resources related to pensions	(59,395)	-
Increase (decrease) in deferred inflows of resources related to OPEB	3,441	-
Total adjustments	1,926,584	(944)
Net cash provided by (used in) operating activities	\$ 2,852,299	\$ (24,552)

(Concluded)



FIDUCIARY FUND FINANCIAL STATEMENTS



City of Lakewood
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust fund	Agency Funds
ASSETS:		
Cash and investments	\$ 1,972,001	\$ 854,342
Loans receivable	-	654,052
Total assets	1,972,001	\$ 1,508,394
LIABILITIES:		
Accounts payable	-	\$ 24,414
Accrued liabilities		1,266
Deposit	-	702,899
Due to HUD	-	779,815
Payable to City of Lakewood	17,128,504	-
Total liabilities	17,128,504	\$ 1,508,394
NET POSITION HELD IN TRUST	\$ (15,156,503)	

City of Lakewood
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust fund
ADDITIONS:	
Redevelopment property tax trust fund	\$ 163,200
Investment losses	(308,645)
Total additions	<u>(145,445)</u>
DEDUCTIONS:	
Legal services	18,706
Overhead	231,294
Total deductions	<u>250,000</u>
CHANGE IN NET POSITION	(395,445)
NET POSITION (DEFICIT):	
Beginning of year	<u>(14,761,058)</u>
End of year	<u>\$ (15,156,503)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS



City of Lakewood
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Reporting Entity	49
Note 2 – Summary of Significant Accounting Policies	50
A. Basis of Presentation	50
B. Measurement Focus, Basis of Accounting and Financial Statements Presentation	50
C. Cash, Cash Equivalents, and Investments	53
D. Restricted Cash in Escrow.....	53
E. Fair Value Measurement	53
F. Receivables	54
G. Inventories.....	54
H. Prepaid Items.....	54
I. Interfund Transactions.....	54
J. Land Held for Resale	54
K. Capital Assets.....	54
L. Compensated Absences.....	55
M. Pensions.....	55
N. Other Postemployment Benefits (“OPEB”) Plan	56
O. Long-Term Debt.....	56
P. Claims and Judgment	57
Q. Deferred Outflows of Resources and Deferred Inflows of resources	57
R. Net Position.....	57
S. Fund Balances	58
T. Property Taxes	58
U. Use of Estimates.....	59
V. Implementation of New GASB Pronouncements	59
Note 3 – Cash and Investments	60
A. Demand Deposits	60
B. Investments Authorized by the California Government Code and the City’s Investment Policy.....	60
C. Investments Authorized by Debt Agreement	61
D. Risk Disclosures.....	61
E. Fair Value Measurement Disclosure	63
F. Investment in Local Agency Investment Fund (LAIF).....	63
G. Investment in California Asset Management Program	64
Note 4 – Notes Receivable	64
A. Governmental Activities	64
B. Agency Funds.....	65
Note 5 – Interfund Transactions	65
A. Due From and To Other Funds	65
B. Transfers In and Out.....	65
Note 6 – Land Held for Resale	66
Note 7 – Receivable from Successor Agency	66

City of Lakewood
Index to the Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 8 – Capital Assets	67
A. Governmental Activities	67
B. Business-Type Activities.....	68
Note 9 – Long-Term Liabilities	69
A. Governmental Activities	69
B. Business-Type Activities.....	70
Note 10 – Defined Contribution Plan	72
Note 11 – Defined Benefits Plan	73
A. CalPERS Plan.....	74
B. Retirement Enhancement Plan	79
Note 12 – Other Postemployment Benefits (“OPEB”)	83
Note 13 – Deferred Compensation Plan	87
Note 14 – Liabilities, Property, and Workers’ Compensation Protection	88
A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement.....	88
B. Self-Insurance Programs of the Insurance Authority	88
C. Purchased Insurance.....	89
D. Adequacy of Protection.....	89
Note 15 – Commitments and Contingencies	89
A. Lawsuits	89
B. Contract with Los Angeles County Sheriff’s Department	90
C. Lighting Maintenance Contract with City Light and Power Lakewood, Inc.	90
D. Agreement for Allocation of Tax Increment Revenue.....	90
Note 16 – Individual Fund Disclosures	90
Note 17 – Agreement with Paramount Petroleum	91

City of Lakewood
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body's financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Unit

Management determined that the following component unit should be blended based on the criteria above:

Although the following is legally separate from the City, it has been "blended" as though it is part of the City because the component unit's governing body is substantially the same as the City's and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

The Finance Authority

- 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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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.

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.

Government-Wide Financial Statements

The City’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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, 2019

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 nonmajor 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.

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 and 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.

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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.

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 nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major proprietary fund:

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. During the year ended June 30, 2019, the City closed Sheriff Station Renovation and Lakewood Business Development Agency Funds.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

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 \$544,150 for the fiscal year ended June 30, 2019.

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 in Escrow

Cash and investments in escrow are restricted for capital projects retention payments.

E. Fair Value Measurement

U.S. GAAP 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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 and 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 acquisition 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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Capital Assets (Continued)

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

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

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. Pensions

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. 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, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

PARS

Valuation Date	July 1, 2017
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Pensions (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and inflows of sources related to pensions and are to be recognized in further pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

N. Other Postemployment Benefits (“OPEB”) Plan

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s OPEB Plan and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are reported OPEB reporting:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the sources of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

O. 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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

P. 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.

Q. Deferred Outflows of Resources and Deferred Inflows of Resources

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; 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; therefore, are not recognized as a revenue until that time.

R. 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 and retention payable.

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, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

S. 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, inventories, and loans receivable, 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. The use of proceeds from Housing Admin and Program Capital projects notes receivable is restricted; therefore, it is reported in the restricted fund balance classification.

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. The amount for economic uncertainties is computed as 20% of the General Fund's annual operating expenditures. Economic uncertainties are held to offset major or unexpected reductions in revenue. Reduction in revenue equal to or greater than 10% would trigger the use of these funds to support core city services.

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.

T. 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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

T. Property Taxes (Continued)

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.

U. Use of Estimates

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

V. Implementation of New GASB Pronouncements

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. See Note 9 for the City's long-term debt disclosure.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Cash and Investments

At June 30, 2019, 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	\$ 58,839,000	\$ 2,826,343	\$ 61,665,343
Restricted assets:			
Cash in escrow	294,071	-	294,071
Cash and investments	638,810	-	638,810
Total cash and investments	\$ 59,771,881	\$ 2,826,343	\$ 62,598,224

At June 30, 2019, cash and investments consisted of the following:

Deposits with financial institution	\$ 5,277,160
Petty cash	2,700
Investments	57,318,364
Total cash and investments	\$ 62,598,224

A. Demand Deposits

The carrying amount of the City's cash deposits were \$5,277,160 at June 30, 2019. Bank balances before reconciling items were \$5,956,991 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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Cash and Investments (Continued)

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

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 Enterprise Securities	5 Years	None	None
Municipal Obligations	5 Years	None	None
Negotiable Certificates of Deposit	5 Years	30%	None
Placement Service Deposits	N/A	30%	None
Corporate Notes	5 Years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Money Market Funds	N/A	20%	10%
Commercial paper	270 days	25%	10%
Government Pools	N/A	None	None
Los Angeles County Pooled Fund	N/A	None	None
Supranationals	5 Years	30%	None
Asset-Backed Securities	5 Years	20%	None

N/A - Not Applicable

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:

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Investment Type	Remaining Maturity (In Months)			Total
	12 Months or Less	13-24 Months	25-60 Months	
Local Agency Investment Fund	\$ 12,932,963	\$ -	\$ -	\$ 12,932,963
United States Treasury Notes	-	2,458,549	16,777,652	19,236,201
United States Government Sponsored				
Enterprise Securities	597	1,455,586	2,036,607	3,492,790
Municipal bonds	-	441,790	-	441,790
Supra-National Agency Notes	-	1,492,147	519,426	2,011,573
CAMP Cash Reserve Portfolio	7,123,617	-	-	7,123,617
Negotiable Certificates of Deposit	1,906,910	2,504,570	-	4,411,480
Corporate Medium Notes	1,650,164	3,398,502	2,619,284	7,667,950
Total	\$ 23,614,251	\$ 11,751,144	\$ 21,952,969	\$ 57,318,364

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, 2019 for each investment type:

Investment Type	Fair Value as of June 30, 2019	Minimum Legal Rating	Not		Not Required to be Rated
			AAA	Other	
Local Agency Investment Fund	\$ 12,932,963	N/A	\$ -	\$ -	\$ 12,932,963
United States Treasury Notes	19,236,201	N/A	-	-	19,236,201
United States Government Sponsored					
Agency Securities	3,492,790	N/A	-	3,492,790	-
Municipal bonds	441,790	AA	-	441,790	-
Supra-National Agency Notes	2,011,573	AA	2,011,573	-	-
CAMP Cash Reserve Portfolio	7,123,617	A	7,123,617	-	-
Negotiable Certificates of Deposit	4,411,480	A or A-*	-	4,411,480	-
Corporate Medium Notes	7,667,950	A	80,069	7,587,881	-
Total	\$ 57,318,364		\$ 9,215,259	\$ 15,933,941	\$ 12,932,963

N/A - Not Applicable

*Purchases are limited to securities rated in a rating category of "A" for long-term or "A-" for short term.

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

Investment Type	AA	A	Total
United States Government			
Sponsored Agency Securities	\$ 3,492,790	\$ -	\$ 3,492,790
Municipal bonds	441,790	-	441,790
Negotiable Certificates of Deposits	1,583,857	2,827,623	4,411,480
Corporate Medium Notes	1,672,884	5,914,997	7,587,881
Total	\$ 7,191,321	\$ 8,742,620	\$ 15,933,941

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

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.

No investments in any one issuers that represents 5% or more of total City's investments at June 30, 2019.

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.

E. Fair Value Measurement Disclosure

At June 30, 2019, 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, 2019:

Investment Type	Measurement Input			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Uncategorized	
Local Agency Investment Fund	\$ -	\$ -	\$ 12,932,963	\$ 12,932,963
United States Treasury Notes	19,236,201	-	-	19,236,201
United States Government Sponsored Agency Securities	-	3,492,790 ⁽¹⁾	-	3,492,790
Municipal bonds	-	441,790 ⁽¹⁾	-	441,790
Supra-National Agency Notes	-	2,011,573 ⁽¹⁾	-	2,011,573
CAMP Cash Reserve Portfolio	-	-	7,123,617	7,123,617
Negotiable Certificates of Deposit	-	4,411,480 ⁽²⁾	-	4,411,480
Corporate Medium Notes	-	7,667,950 ⁽¹⁾	-	7,667,950
Total	\$ 19,236,201	\$ 18,025,583	\$ 20,056,580	\$ 57,318,364

⁽¹⁾ Institutional Bond Quotes - evaluations based on various market and industry inputs

⁽²⁾ Market prices

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, 2019 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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 – Cash and Investments (Continued)

F. Investment in Local Agency Investment Fund (LAIF) (Continued)

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, 2019, the City had \$12,932,963 invested in LAIF, which had invested 1.77% 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. LAIF is reported at amortized costs, which approximates fair value.

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, 2019, notes receivable consisted of the followings:

	Government-Wide Financial Statements	Fiduciary Fund Financial Statements	
	Governmental Activities	Agency Funds	Total
Home Improvement Loan Program	\$ 2,072,401	\$ 654,052	\$ 2,726,453
Total notes receivable	\$ 2,072,401	\$ 654,052	\$ 2,726,453

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 and 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. The balance of these loans totaled \$2,072,401 at June 30, 2019.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 4 – Notes Receivable (Continued)

B. 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. 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 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 principal balance outstanding at June 30, 2019 was \$654,052.

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2019, the City has the following due from and to other funds:

	Due To Other Funds		
	Governmental Funds	Proprietary Funds	Total
	Nonmajor Governmental Funds	Internal Service Funds	
Due From Other Funds			
Governmental Funds:			
General Fund	\$ 305,743	\$ 43	\$ 305,786

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

B. Transfers In and Out

During the year ended June 30, 2019, the City had the following transfers in and transfers out:

	Transfers In		
	Governmental Funds		
	General Fund	Nonmajor Governmental Funds	Total
Transfers Out			
Governmental Funds:			
General Fund	\$ -	\$ 61	\$ 61
Nonmajor Governmental Funds	1,571,680	-	1,571,680
	<u>\$ 1,571,680</u>	<u>\$ 61</u>	<u>\$ 1,571,741</u>

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Land Held for Resale

At June 30, 2019, 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	

Note 7 – Receivable from Successor Agency

At June 30, 2019, the receivables from Successor Agency are as follows:

	Housing Admin and Program Capital		Total
	General Fund	Projects Fund	
Initial Loan	\$ 114,600	\$ -	\$ 114,600
Inter-Agency Loan	9,568,034	2,392,010	11,960,044
10-Year Interfund Loan		90,491	90,491
5-Year Loan	-	3,878,059	3,878,059
Housing Set-Aside Fund	-	1,085,310	1,085,310
	\$ 9,682,634	\$ 7,445,870	\$ 17,128,504

Upon dissolution of former Lakewood Redevelopment Agency, the amount due by the former Lakewood Redevelopment 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. This obligation is payable in 10 annual payments of \$38,200. At June 30, 2019, the total amount due to the City is \$114,600. 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 in the statement of changes in fiduciary net position. 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. At June 30, 2019, the total principal and interest due to the City General Fund and Housing Admin & Program Capital Projects Fund were in the amount of \$9,568,034 and \$2,392,010, respectively.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Receivable from Successor Agency (Continued)

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, 2019 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, 2019 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.

Note 8 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets of the governmental activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Reclassification	Balance June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 17,041,023	\$ -	\$ -	\$ -	\$ 17,041,023
Construction in progress	26,045,092	11,499,421	-	(539,376)	37,005,137
Total capital assets, not being depreciated	43,086,115	11,499,421	-	(539,376)	54,046,160
Capital assets, being depreciated:					
Structures and improvements	50,978,245	-	-	346,486	51,324,731
Equipment	8,754,709	374,104	(482,439)	-	8,646,374
Infrastructure	139,655,149	-	-	192,890	139,848,039
Total capital assets, being depreciated	199,388,103	374,104	(482,439)	539,376	199,819,144
Less accumulated depreciation for:					
Structures and improvements	(24,744,424)	(1,106,632)	-	-	(25,851,056)
Equipment	(7,072,656)	(534,984)	482,439	-	(7,125,201)
Infrastructure	(109,465,221)	(2,610,286)	-	-	(112,075,507)
Total accumulated depreciation	(141,282,301)	(4,251,902)	482,439	-	(145,051,764)
Total capital assets, being depreciated, net	58,105,802	(3,877,798)	-	539,376	54,767,380
Governmental activities capital assets, net	\$ 101,191,917	\$ 7,621,623	\$ -	\$ -	\$ 108,813,540

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 8 – Capital Assets (Continued)

A. Governmental Activities (Continued)

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

General government	\$	112,487
Public safety		281,083
Transportation		158,815
Community development		8,226
Culture and leisure		1,052,099
Unallocated depreciation for infrastructure		2,610,286
Internal service funds depreciation charged to programs		28,906
Total depreciation expense - governmental activities	\$	4,251,902

B. Business-Type Activities

Summary of changes in capital assets of the business-type activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Reclassification	Balance June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Water rights	1,834,586	-	-	-	1,834,586
Construction in progress	9,664,469	665,898	-	(78,631)	10,251,736
Total capital assets, not being depreciated	11,599,055	665,898	-	(78,631)	12,186,322
Capital assets, being depreciated:					
Source of supply	6,774,997	-	-	14,260	6,789,257
Pumping plant	832,338	-	-	-	832,338
Water treatment	4,751,431	40,870	-	59,871	4,852,172
Transmission/distribution	34,548,038	-	-	-	34,548,038
General plant and equipment	10,261,236	-	-	4,500	10,265,736
Total capital assets, being depreciated	57,168,040	40,870	-	78,631	57,287,541
Less accumulated depreciation for:					
Source of supply	(3,257,829)	(146,252)	-	-	(3,404,081)
Pumping plant	(591,376)	(14,235)	-	-	(605,611)
Water treatment	(2,681,515)	(468,337)	-	-	(3,149,852)
Transmission/distribution	(19,447,960)	(857,529)	-	-	(20,305,489)
General plant and equipment	(5,636,647)	(469,267)	-	-	(6,105,914)
Total accumulated depreciation	(31,615,327)	(1,955,620)	-	-	(33,570,947)
Total capital assets, being depreciated, net	25,552,713	(1,914,750)	-	78,631	23,716,594
Business-type activities capital assets, net	\$ 37,151,768	\$ (1,248,852)	\$ -	\$ -	\$ 35,902,916

Depreciation expense was charged to the Water Enterprise Fund in the amount of \$1,955,620 for the year ended June 30, 2019

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Long-Term Liabilities

A. Governmental Activities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2019 is as follow:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in More Than One Year
Governmental Activities:						
Lease payable	\$ 173,618	\$ -	\$ (39,807)	\$ 133,811	\$ 42,115	\$ 91,696
ADA Financing Program	-	750,000	-	750,000	143,091	606,909
Compensated absences	1,474,739	1,243,549	(1,085,040)	1,633,248	816,624	816,624
Total governmental activities	\$ 1,648,357	\$ 1,993,549	\$ (1,124,847)	\$ 2,517,059	\$ 1,001,830	\$ 1,515,229

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, 2019 was \$133,811. The asset acquired through capital lease is as follow:

	<u>Governmental Activities</u>
Assets	
Equipment	\$ 278,121
Less: accumulated depreciation	(139,061)
Total	<u>\$ 139,060</u>

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

Year Ended June 30,	<u>Governmental Activities</u>
2020	\$ 49,872
2021	49,872
2022	49,872
Subtotal	<u>149,616</u>
Less amount representing interest	<u>(15,805)</u>
Present value of future minimum lease payments	<u>\$ 133,811</u>

ADA Financing Program

In April 2019, the City entered into a lease financing agreement with the California Joint Powers Insurance Authority (the "CJPIA"). Pursuant to the agreement, CJPIA is to lease the City \$750,000 for its participation in the ADA Financing Program which involves a lease and lease-back of certain real property and improvements thereon owned by the City with a value that is not less than the amount of funds to be advanced by CJPIA to the City to finance costs of the ADA Improvements under the ADA Financing Program. The lease is unsecured and bear an interest of 2.69% per annum. The term of the lease is five years from the initial lease disbursement date which occurred on April 1, 2019. Principal payments are due annually commencing five years from the date of the initial lease disbursement in an amount.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Long-Term Liabilities (Continued)

The debt service requirements to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 143,091	\$ 20,310	\$ 163,401
2021	146,941	16,460	163,401
2022	150,893	12,508	163,401
2023	154,952	8,449	163,401
2024	154,123	4,278	158,401
Total	<u>\$ 750,000</u>	<u>\$ 62,005</u>	<u>\$ 812,005</u>

B. Business-Type Activities

Compensated Absences

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

Summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2019 is as follow:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in More Than One Year
Business-type Activities						
2015 Photovoltaic system lease and sublease agreements	\$ 1,290,117	\$ -	\$ (245,244)	\$ 1,044,873	\$ 251,474	\$ 793,399
Loans payable	394,961	-	(197,481)	197,480	197,480	-
2017 Master equipment lease/ purchase agreement	8,849,230	-	(516,058)	8,333,172	531,813	7,801,359
Compensated absences	137,454	129,953	(98,214)	169,193	84,597	84,596
Total business-type activities	<u>\$ 10,671,762</u>	<u>\$ 129,953</u>	<u>\$ (1,056,997)</u>	<u>\$ 9,744,718</u>	<u>\$ 1,065,364</u>	<u>\$ 8,679,354</u>

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, 2019

Note 9 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

The future annual required lease payments at June 30, 2019, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 251,474	\$ 26,540	\$ 278,014
2021	257,861	20,152	278,013
2022	264,411	13,603	278,014
2023	271,127	6,887	278,014
Total	<u>\$ 1,044,873</u>	<u>\$ 67,182</u>	<u>\$ 1,112,055</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
2020	<u>\$ 197,480</u>	<u>\$ -</u>	<u>\$ 197,480</u>

2017 Master Equipment Lease/Purchase Agreement

On May 23, 2017, the City entered the \$8,965,667 Master Lease/Purchase Agreement with Fathom Water Management, Inc. for the City's water operation and replacement of water meter throughout out the City. The contract rate for the lease is 3.030% and the taxable rate is 4.7456%.

Principal and interest payments on the capital lease are due annually each June 13 and December 13, commencing June 13, 2018.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

The future annual required lease payments at June 30, 2019, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	\$ 531,813	\$ 248,497	\$ 780,310
2021	548,049	232,261	780,310
2022	564,780	215,529	780,309
2023	582,023	198,286	780,309
2024	599,791	198,286	798,077
2025-2029	3,285,068	713,799	3,998,867
2030-2032	2,221,648	202,476	2,424,124
Total	<u>\$ 8,333,172</u>	<u>\$ 2,009,134</u>	<u>\$ 10,342,306</u>

Compensated Absences

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

Note 10 – Defined Contribution Plan

The City provides a tax qualified retirement savings plan under Section 401(a) of the Internal Revenue Code to classic employees hired before December 31, 2012. 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 94 employees covered by the Plan for the year ended June 30, 2019. Employer lump sum 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, 2019, employee contributions totaled \$51,382.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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, 2019 are as follows:

Governmental Activities	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contribution after measurement date:			
CalPERS	\$ 2,644,275	\$ 293,808	\$ 2,938,083
Change in assumptions:			
CalPERS	2,819,868	313,319	3,133,187
PARS	1,742,803	215,403	1,958,206
Subtotal	<u>4,562,671</u>	<u>528,722</u>	<u>5,091,393</u>
Difference between expected and actual experience			
CalPERS	489,996	54,444	544,440
Difference in projected and actual earnings on pension investments:			
CalPERS	162,616	18,068	180,684
Total deferred outflows of resources	<u>\$ 7,859,558</u>	<u>\$ 895,042</u>	<u>\$ 8,754,600</u>
Net pension liabilities:			
CalPERS	\$ 26,024,172	\$ 2,891,575	\$ 28,915,747
PARS	5,300,805	655,156	5,955,961
Total net pension liabilities	<u>\$ 31,324,977</u>	<u>\$ 3,546,731</u>	<u>\$ 34,871,708</u>
Deferred inflows of Resources:			
Change in assumptions:			
CalPERS	400,527	44,503	445,030
Difference between expected and actual experience			
CalPERS	590,425	65,603	656,028
PARS	201,240	24,872	226,112
Subtotal	<u>791,665</u>	<u>90,475</u>	<u>882,140</u>
Difference in projected and actual earnings on pension investments:			
PARS	133,386	16,486	149,872
Total deferred inflows of resources	<u>\$ 1,325,578</u>	<u>\$ 151,464</u>	<u>\$ 1,477,042</u>
Pension Expense:			
CalPERS	\$ 3,709,299	\$ 412,145	\$ 4,121,444
PARS	1,230,550	152,087	1,382,637
Total pension expense	<u>4,939,849</u>	<u>564,232</u>	<u>5,504,081</u>

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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 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 62 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, 2019

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, 2017, the valuation date, the following employees were covered by the benefit terms:

Active employees	284
Transferred and terminated employees	314
Retired employees and beneficiaries	248
Total	846

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, 2018, the classic active employee contribution rates was 7% of annual pay, the PEPRA active employee contribution rate was 5.50% of annual pay, and the required employer contribution rates were 6.859% of the annual payroll.

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2017 valuation was rolled forward to determine the June 30, 2018 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change of Assumption

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

Net Pension Liability (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The tables to the right reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100.00%</u>		

¹ In the CalPERS' Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used

³ An expected inflation of 2.92% used

Discount Return

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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 (c) = (a) - (b)
Balance at June 30, 2017 (Valuation Date)	\$ 129,852,741	\$ 100,887,292	\$ 28,965,449
Changes Recognized for the Measurement Period:			
Service Cost	2,527,432	-	2,527,432
Interest on the total pension liability	9,163,433	-	9,163,433
Changes of benefit terms	-	-	-
Changes of assumptions	(603,969)	-	(603,969)
Difference between expected and actual experience	738,883	-	738,883
Net plan to plan resource movement	-	(248)	248
Contributions from the employer	-	2,573,441	(2,573,441)
Contributions from employees	-	1,161,949	(1,161,949)
Net investment income	-	8,596,094	(8,596,094)
Benefit payments, including refunds of employee contributions	(6,182,947)	(6,182,947)	-
Administrative expense	-	(157,210)	157,210
Other miscellaneous income/(expense)	-	(298,545)	298,545
Net changes during July 1, 2017 to June 30, 2018	\$ 5,642,832	\$ 5,692,534	\$ (49,702)
Balance at June 30, 2018 (Measurement Date)	\$ 135,495,573	\$ 106,579,826	\$ 28,915,747

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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
\$ 46,499,432	\$ 28,915,747	\$ 14,335,813

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, 2019

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 ended June 30, 2018, the City incurred a pension expense of \$4,121,444.

As of measurement date of June 30, 2018, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 2,938,083	\$ -
Changes of assumptions	3,133,187	445,030
Difference between expected and actual experience	544,440	656,028
Net difference between projected and actual earning on pension plan investments	180,684	-
Total	\$ 6,796,394	\$ 1,101,058

The amounts above are net of outflows and inflows recognized in the 2017-18 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 2017-18 measurement period is 3.8 years, which was obtained by dividing the total service years of 3,223 (the sum of remaining service lifetimes of the active employees) by 846 (the total number of participants: active, inactive, and retired).

The \$2,938,083 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, 2019 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ending	Deferred Outflows/(Inflows) of Resources
June 30	Miscellaneous Plan
2020	\$ 2,692,479
2021	1,378,818
2022	(1,015,131)
2023	(298,913)
2024	-
Thereafter	-
Total	\$ 2,757,253

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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 PEPRA 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 5%), 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 July 1, 2017, the valuation date, the following employees were covered by the benefit terms:

Active employees	117
Terminated employees	30
Retired employees and beneficiaries	57
Total	204

Contributions

Employees contribute 3.00% of compensation of which the City picks-up 0.13%. The employer contributed 7.85% of compensation during the year ended June 30, 2019.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The July 1, 2017 valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Return	5.50%
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+.
Withdrawal/Disability	Consistent with the rates used to value the Miscellaneous CalPERS Pension Plans
Expenses	None are assumed.
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	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

Change of Assumption

In 2019, there is no change of assumption.

Discount Rate

The discount rate used to measure the total pension liability was 5.50 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, 2019

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Net Pension Liability (Continued)

Long - Term Expected Rate of Return

The assumption for the long-term expected rate of return was selected by the City. Below is a projector of the 30 year average return derived by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation on the Plan's current asset allocation.

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

Asset Class	Index	Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	2.49%	0.71%	0.71%
US Core Fixed Income	Barclays Aggregate	46.15%	1.83%	1.73%
US Equity Market	Russell 3000	38.87%	4.71%	3.52%
Foreign Developed Equity	MSCI EAFE NR	5.82%	6.06%	4.55%
Emerging Market Equities	MSCI EM NR	4.31%	8.23%	5.43%
US REITs	FTSE NAREIT Equity REIT	2.36%	5.05%	3.42%
		100.00%		
Assumed Inflation - Mean			2.21%	2.20%
Assumed Inflation - Standard Deviation			1.65%	1.65%
Portfolio Real Mean Return			3.52%	3.16%
Portfolio Nominal Mean Return			5.73%	5.43%
Portfolio Standard Deviation				8.15%
Long-Term Expected Rate of Return				5.50%

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, 2018	\$ 21,399,662	\$ 15,343,037	\$ 6,056,625
Changes Recognized for the Measurement Period:			
Service cost	513,290	-	513,290
Interest on the total pension liability	1,184,779	-	1,184,779
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions changes or inputs	-	-	-
Contributions from the employer	-	644,970	(644,970)
Contributions from employees	-	224,569	(224,569)
Net investment income	-	954,443	(954,443)
Benefit payments, including refunds	(753,088)	(753,088)	-
Administrative expense	-	(25,249)	25,249
Net changes during July 1, 2018 to June 30, 2019	\$ 944,981	\$ 1,045,645	\$ (100,664)
Balance at June 30, 2019 (Measurement Date)	\$ 22,344,643	\$ 16,388,682	\$ 5,955,961

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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 5.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.50%) or 1 percentage-point higher (6.50%) than the current rate:

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Plan's Net Pension Liability	\$ 8,878,376	\$ 5,955,961	\$ 3,354,607

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 ended June 30, 2019, the City incurred a pension expense of \$1,382,637.

As of measurement date of June 30, 2019, 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	\$ -	\$ (226,112)
Changes of assumptions	1,958,206	-
Net difference between projected and actual earning on pension plan investments	-	(149,872)
Total	\$ 1,958,206	\$ (375,984)

The amounts above are net of outflows and inflows recognized in the 2018-19 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:

Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2020	\$ 623,637
2021	469,367
2022	412,075
2023	77,143
2024	-
Thereafter	-
Total	\$ 1,582,222

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Other Postemployment Benefits (“OPEB”)

At June 30, 2019, net OPEB liability and related deferred inflows of resources are as follows:

<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net OPEB liabilities:	\$ 691,004	\$ 76,778	\$ 767,782
Deferred inflows of resources:			
Net difference between projected and actual earning on OPEB plan investment	\$ 41,482	\$ 4,609	\$ 46,091
OPEB Expense	\$ 342,970	\$ 36,082	\$ 379,052

Plan Description

Plan Administration

The City sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options.

Benefit Provided

The City offers PEMHCA coverage to its retirees. The City makes the required statutory PEMHCA contribution (\$133 per month in calendar year 2018 and \$133 per month is scheduled by law to be indexed with medical inflation (CPI) for calendar years 2019 and thereafter). Furthermore, the City will make additional contributions towards certain eligible retirees' premiums for a given number of months after retirement equal to the employees' months of service with the City before retirement. This program is known as the "Career Employees Medical Retirement Benefit", and is also available to non-PEMHCA retirees in the form of quarterly reimbursements upon proper verification of authorized healthcare costs.

In order to be eligible for the Career Medical Benefit, retirees must have satisfied either of the following age and service requirements:

- (1) Later of age 55 and 20 years of service, at least 10 years of which are immediately prior to retirement with the City of Lakewood as a regular full-time employee; or
- (2) Later of age 60 and 15 years of service, at least 10 years of which are immediately prior to retirement with the City of Lakewood as a regular full-time employee.

For eligible individuals who retired prior to July 1, 2006, the grandfathered maximum City contribution is \$434 per month until age 65 (now obsolete) and \$347 per month beginning at age 65. For those retiring between July 1, 2007 and January 1, 2013, the 2017 limits are \$504 and \$306. For those retiring between January 1, 2014 and January 1, 2015, the 2017 limits are \$564 and \$306. For those retiring between January 1, 2015 and January 1, 2016, the 2017 pre-65 limit is \$542 per month. For those retiring between January 1, 2016 and January 1, 2017, the 2017 pre-65 limit is \$555 per month. For retirements during 2017, the limits are \$574 and \$300, respectively. For retirements during 2018, the limits are \$643 and \$316, respectively (the retiree-only premiums under PEMHCA for Kaiser - Los Angeles Area).

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Other Postemployment Benefits (Continued)

Plan Description (Continued)

Benefit Provided (Continued)

Beginning January 1, 2013, benefits in pay status are indexed (increased) by the lesser of 2% per year or the increase in the Kaiser PEMHCA premium for the Los Angeles Area. Retirees who retire prior to age 65 have as a base year for post-65 payments the PEMHCA Kaiser Senior Advantage premium for the year in which they reach age 65 (rather than the year of retirement).

Employees Covered by Benefit Term

At July 1, 2017, the date of the latest actuarial valuation, membership in the Plan consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	73
Active plan members	196
Total	269

Contributions

The City currently finances benefits on a pay-as-you-go basis.

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.00%
Investment Rate of Return	6.00%, net of OPEB plan investment expense
Healthcare cost trend rate	5.00 percent for 2018 and later years
Future cap levels	Pre-retirement: Cap assumed to increase with healthcare trend for all future years. Post-retirement increases limited to 2% per year for all future years. For retirements prior to age 65, the Medicare Supplement premium is projected to age 65 using healthcare trend and increased at 2% per year thereafter.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Retirement and termination assumptions used were based on a review of plan experience and our best estimate of future plan experience.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Other Postemployment Benefits (Continued)

Net OPEB Liability (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed Asset Allocation	Real Rate of Return
Board U.S. Equity	50.00%	4.4
U.S. Fixed	50.00%	1.5

Investments Policy

The City’s policy regarding the allocation of the plan’s invested assets is established and may be amended by District management. The current investment selection is the Moderate HighMark PLUS. The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

Asset Class	Stated Range
Cash	0 - 20%
Fixed Income	40% - 60%
Equity	40% - 60%

Market conditions may cause the account’s asset allocation to vary from the stated range from time to time.

Discount Rate

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the City’s total OPEB liability is based on these requirements and the following information:

Long-Term Expected Return of Plan Investments (if any)	Municipal Bond 20- Year High Grade Rate Index	Discount Rate	Annual money-weighted Rate of Return
6.00%	3.13%	6.00%	7.06%

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Other Postemployment Benefits (Continued)

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at July 1, 2018	\$ 10,244,305	\$ 9,277,688	\$ 966,617
Changes Recognized for the Measurement Period:			
Service Cost	330,601	-	330,601
Interest on the total OPEB liability	599,131	-	599,131
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions from the employer	-	525,242	(525,242)
Contributions from employees	-	-	-
Net investment income	-	652,234	(652,234)
Benefit payments, including refunds of employee contributions	(525,242)	(525,242)	-
Administrative Expense	-	(48,909)	48,909
Net Changes during July 1, 2018 to June 30, 2019	\$ 404,490	\$ 603,325	\$ (198,835)
Balance at June 30, 2019 (Measurement Date)	\$ 10,648,795	\$ 9,881,013	\$ 767,782

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

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

Plan's Net OPEB Liability/(Asset)		
Discount Rate - 1% (5.00%)	Current Discount Rate (6.00%)	Discount Rate + 1% (7.00%)
\$ 2,065,066	\$ 767,782	\$ (320,563)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (5.00 percent increasing to 6.00 percent) than the current healthcare cost trend rates:

Plan's Net OPEB Liability/(Asset)		
Trend Rate - 1% (4.00%)	Healthcare Cost Trend Rate (5.00%)	Trend Rate + 1% (6.00%)
\$ (354,328)	\$ 767,782	\$ 1,983,143

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 – Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City' recognized OPEB expense of \$360,818. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Net difference between projected and actual earning on pension plan investments	\$ -	\$ 46,091
Total	\$ -	\$ 46,091

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average service life.

Amount reported as deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

	Deferred Outflows/(Inflows) of Resources OPEB Plan
Year Ended June 30	
2020	\$ (12,253)
2021	(12,253)
2022	(12,253)
2023	(9,332)
2024	-
Thereafter	-
Total	\$ (46,091)

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 Voya Financial RetireFlex-MF 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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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 (“Authority”). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the 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 California JPIA 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 nine-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. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

Primary 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.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Primary 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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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

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

Primary Workers’ Compensation Program (Continued)

For 2018-19 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.

C. Purchased Insurance

Pollution Legal Liability Insurance

The City 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. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$63,314,014. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Crime Insurance

The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the 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 2018-19.

Complete financial statements for the Authority may be obtained at their administrative office located at 8081 Moody Street, La Palma, California 90623.

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.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 15 – Commitments and Contingencies (Continued)

B. Contract with Los Angeles County Sheriff’s Department

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

C. 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, 2019, the City paid \$59,059 per month for the maintenance contract. The contract expires in November 2022.

D. Agreement for Allocation of Tax Increment Revenue

On June 13, 1989, the former Lakewood Redevelopment Agency (the “Agency”) entered into an agreement for the allocation of tax increment revenue generated from Project Area No. 2. As part of the agreement, the Agency is required to reimburse the Consolidated Fire Protection District of Los Angeles County 17.26% of tax increment revenues and Los Angeles County 54.59% of tax increment revenue. The Los Angeles County portion may be deferred in any year under certain terms of the agreement until total tax increment of the Agency reaches a cumulative total of \$60,000,000. After the total reaches \$60,000,000, the Agency is required to reimburse Los Angeles County 100% of tax increment revenue (net of the allocation to the Consolidated Fire Protection District of Los Angeles County) until the deferred sums have been repaid. Interest on any deferral amounts was prepaid in a lump sum of \$842,000 in fiscal year 1990-91. At June 30, 2019, the Agency's outstanding deferral balance is \$756,943.

Note 16 – Individual Fund Disclosures

Funds with a deficit fund balance/net position at June 30, 2019, are as follows:

Governmental Funds:	
Lakewood Capital Improvements Capital Projects Fund	\$ (2,651,459)
CDBG Special Revenue Fund	(132,362)
Prop A Recreation Special Revenue Fund	(30,029)
Fiduciary Fund:	
Successor Agency Private Purpose Trust Fund	(15,156,503)
Proprietary Funds:	
Print Shop Internal Service Fund	(17,968)

The Governmental Funds’ deficits are primarily the result of unavailable revenue at June 30, 2019 and will be eliminated upon receipts of the grant reimbursements in the following fiscal year. The Successor Agency deficit is due to the Advance from the City and will be recovered by future by Recognized Obligation Payment Schedule.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 17 – 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 and the nature of development surrounding the tank farm, Ordinance No. 2005-14 amended the provisions of the Lakewood Municipal Code 9392.B.1 (g) allowing Paramount Petroleum to operate an additional 10 years, ending in January 2017. The agreement also allowed for automatic two-year extensions, with the current extension valid through January 2021.



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



City of Lakewood
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 25,512,200	\$ 25,512,200	\$ 25,730,284	\$ 218,084
Licenses and permits	1,337,350	1,337,350	1,352,461	15,111
Fines and forfeitures	816,200	816,200	877,832	61,632
Investment income, rents and concession	1,405,658	1,405,658	2,856,708	1,451,050
Intergovernmental revenues	9,602,300	9,602,300	9,721,047	118,747
Current service charges	8,424,046	8,424,046	8,102,123	(321,923)
Other	1,038,700	1,038,700	1,221,323	182,623
Total revenues	<u>48,136,454</u>	<u>48,136,454</u>	<u>49,861,778</u>	<u>1,725,324</u>
EXPENDITURES:				
Current:				
General government	10,081,256	10,151,629	7,892,909	2,258,720
Public safety	15,832,802	15,910,590	14,973,880	936,710
Transportation	2,689,003	2,693,894	2,756,395	(62,501)
Community development	5,248,135	5,279,733	5,108,494	171,239
Health and sanitation	5,607,170	5,607,170	5,330,025	277,145
Culture and leisure	12,493,332	12,504,698	12,212,169	292,529
Capital outlay:				
General government	44,350	44,528	201,076	(156,548)
Transportation	43,200	93,200	352,352	(259,152)
Community development	10,000	10,000	14,550	(4,550)
Culture and leisure	122,241	284,545	1,714,420	(1,429,875)
Debt service:				
Principal retirement	39,807	39,807	39,807	-
Interest and fiscal charges	10,065	10,065	10,065	-
Total expenditures	<u>52,221,361</u>	<u>52,629,859</u>	<u>50,606,142</u>	<u>2,023,717</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,084,907)</u>	<u>(4,493,405)</u>	<u>(744,364)</u>	<u>3,749,041</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,008,001	2,008,001	1,571,680	(436,321)
Transfers out	-	-	(61)	(61)
Issuance of long-term debt	-	-	750,000	750,000
Proceed from sale of assets	-	-	77,715	77,715
Total other financing sources (use)	<u>2,008,001</u>	<u>2,008,001</u>	<u>2,399,334</u>	<u>391,333</u>
NET CHANGES IN FUND BALANCE	<u>\$ (2,076,906)</u>	<u>\$ (2,485,404)</u>	<u>1,654,970</u>	<u>\$ 4,140,374</u>
FUND BALANCE:				
Beginning of Year			<u>40,926,434</u>	
End of Year			<u>\$ 42,581,404</u>	



City of Lakewood
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2019

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 Park Dedication Special Revenue Fund, the Sewer Reconstruction Special Revenue Fund, and Open Space Special Revenue Fund since no budgets were adopted for these funds. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
5. Capital project budgets are long term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2019, 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)
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Benefit Plan

Measurement period	2013-14	2014-15	2015-16	2016-17	2017-18 ¹
Total pension liability					
Service cost	\$ 2,144,455	\$ 2,028,208	\$ 2,109,082	\$ 2,355,437	\$ 2,527,432
Interest	8,019,215	8,236,636	8,472,508	8,766,071	9,163,433
Changes of benefit terms	-	-	-	-	-
Changes of assumptions	-	(1,943,097)	-	7,049,669	(603,969)
Differences between expected and actual experience	-	(2,731,071)	(2,102,094)	(581,254)	738,883
Benefit payments, including refunds of employee contributions	(4,389,897)	(4,981,710)	(5,258,099)	(5,386,901)	(6,182,947)
Net change in total pension liability	5,773,773	608,966	3,221,397	12,203,022	5,642,832
Total pension liability - beginning	108,045,583	113,819,356	114,428,322	117,649,719	129,852,741
Total pension liability - ending (a)	\$ 113,819,356	\$ 114,428,322	\$ 117,649,719	\$ 129,852,741	\$ 135,495,573
Pension fiduciary net position					
Net Plan to Plan Resource Movement	\$ -	\$ -	\$ -	\$ -	\$ (248)
Contributions - employer	1,873,372	1,871,751	2,717,060	2,344,596	2,573,441
Contributions - employee	1,012,408	939,852	1,051,966	1,098,583	1,161,949
Net investment income	14,100,175	2,111,030	554,532	10,269,191	8,596,094
Benefit payments, including refunds of employee contributions	(4,389,897)	(4,981,710)	(5,258,099)	(5,386,901)	(6,182,947)
Administrative expense	-	(105,557)	(57,099)	(136,863)	(157,210)
Other Miscellaneous Income/(Expense) ²	-	-	-	-	(298,545)
Net change in plan fiduciary net position	12,596,058	(164,634)	(991,640)	8,188,606	5,692,534
Plan fiduciary net position - beginning	81,258,902	93,854,960	93,690,326	92,698,686	100,887,292
Plan fiduciary net position - ending (b)	\$ 93,854,960	\$ 93,690,326	\$ 92,698,686	\$ 100,887,292	\$ 106,579,826
Plan net pension liability - ending (a) - (b)	\$ 19,964,396	\$ 20,737,996	\$ 24,951,033	\$ 28,965,449	\$ 28,915,747
Plan fiduciary net position as a percentage of the total pension liability	82.46%	81.88%	78.79%	77.69%	78.66%
Covered payroll	\$ 15,265,197	\$ 15,213,079	\$ 16,033,770	\$ 16,036,475	\$ 16,673,912
Plan net pension liability as a percentage of covered payroll	130.78%	136.32%	155.62%	180.62%	173.42%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

² During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

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, 2017 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: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Public Agency Retirement System Defined Benefit Plan

Measurement period	2014-15	2015-16	2016-17	2017-18	2018-19 ¹
Total pension liability					
Service cost	\$ 501,866	\$ 522,429	\$ 538,102	\$ 447,262	\$ 513,290
Interest	972,653	898,895	1,102,003	1,161,853	1,184,779
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(345,830)	-	(127,926)	-
Changes of assumptions	-	2,749,085	-	1,311,695	-
Benefit payments, including refunds of employee contributions	(398,794)	(417,601)	(493,769)	(611,458)	(753,088)
Net change in total pension liability	1,075,725	3,406,978	1,146,336	2,181,426	944,981
Total pension liability - beginning	13,589,197	14,664,922	18,071,900	19,218,236	21,399,662
Total pension liability - ending (a)	\$ 14,664,922	\$ 18,071,900	\$ 19,218,236	\$ 21,399,662	\$ 22,344,643
Pension fiduciary net position					
Contributions - employer	\$ 3,884,844	\$ 54,800	\$ 597,130	\$ 568,494	\$ 644,970
Contributions - employee	293,815	281,187	272,183	243,461	224,569
Net investment income, net of investment expenses	212,179	(8,365)	1,290,294	878,414	954,443
Benefit payments, including refunds of employee contributions	(398,794)	(417,601)	(493,769)	(611,458)	(753,088)
Administrative expenses	(19,517)	(25,243)	(23,483)	(32,057)	(25,249)
Other	-	-	-	-	-
Net change in plan fiduciary net position	3,972,527	(115,222)	1,642,355	1,046,854	1,045,645
Plan fiduciary net position - beginning	8,796,523	12,769,050	12,653,828	14,296,183	15,343,037
Plan fiduciary net position - ending (b)	\$ 12,769,050	\$ 12,653,828	\$ 14,296,183	\$ 15,343,037	\$ 16,388,682
Plan net pension liability - ending (a) - (b)	\$ 1,895,872	\$ 5,418,072	\$ 4,922,053	\$ 6,056,625	\$ 5,955,961
Plan fiduciary net position as a percentage of the total pension liability	87.07%	70.02%	74.39%	71.70%	73.35%
Covered payroll	\$ 10,819,843	\$ 11,643,566	\$ 11,992,873	\$ 9,975,323	\$ 8,214,154
Net pension liability as a percentage of covered payroll	17.52%	46.53%	41.04%	60.72%	72.51%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Benefit Plan

	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution	\$ 1,873,372	\$ 1,871,751	\$ 2,136,551	\$ 2,344,596	\$ 2,573,441
Contributions in relation to the actuarially determined contribution ²	(1,873,372)	(1,871,751)	(2,717,060)	(2,344,596)	(2,573,441)
Contribution deficiency (excess)	\$ -	\$ -	\$ (580,509)	\$ -	\$ -
Covered payroll ³	\$ 15,265,197	\$ 15,213,079	\$ 16,033,770	\$ 16,036,475	\$ 16,673,912
Contributions as a percentage of covered payroll ³	12.27%	12.30%	16.95%	14.62%	15.43%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

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 Includes one year's payroll growth using 3.00 percent payroll assumption from 2017-18 to 2018-19.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were derived from the June 30, 2016 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
Asset valuation method	Market value
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 2014 CalPERS Experience study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions (Continued)
For the Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Benefit Plan

	<u>2018-19</u>
Actuarially determined contribution	\$ 2,938,083
Contributions in relation to the actuarially determined contribution ²	<u>(2,938,083)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll ³	\$ 17,174,129
Contributions as a percentage of covered payroll ³	17.11%

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions (Continued)
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Public Agency Retirement System Defined Benefit Plan

	2013-14 ¹	2014-15	2015-16	2016-17	2017-18
Actuarially determined contribution	\$ 799,971	\$ 871,044	\$ 874,736	\$ 594,125	\$ 493,923
Contributions in relation to the actuarially determined contribution	(723,539)	(3,884,844)	(54,800)	(54,800)	(568,494)
Contribution deficiency (excess)	<u>\$ 76,432</u>	<u>\$ (3,013,800)</u>	<u>\$ 819,936</u>	<u>\$ 539,325</u>	<u>\$ (74,571)</u>
Covered payroll	\$ 13,496,727	\$ 10,819,843	\$ 11,643,566	\$ 11,992,873	\$ 9,975,323
Contributions as a percentage of covered payroll	5.36%	35.90%	0.47%	0.46%	5.70%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Valuation date: July 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	19 Years
Asset valuation method	None
Inflation	2.75%
Salary increases	Consistent with the rates used to value the CalPERS Miscellaneous Public Agency pension plans.
Cost of Living Adjustment	2.00%
Investment rate of return	5.50%
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 3.00% per annum.
Form of Payment	Single Life Annuity

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions (Continued)
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Public Agency Retirement System Defined Benefit Plan

	<u>2018-19</u>
Actuarially determined contribution	\$ 814,859
Contributions in relation to the actuarially determined contribution	<u>(644,970)</u>
Contribution deficiency (excess)	<u>\$ 169,889</u>
Covered payroll	\$ 8,214,154
Contributions as a percentage of covered payroll	7.85%

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Other Postemployment Benefits Plan

	2017-18 ¹	2018-19
Measurement period		
Total OPEB liability		
Service cost	\$ 320,972	\$ 330,601
Interest	573,684	599,131
Changes of benefit terms	-	-
Changes of assumptions	-	-
Differences between expected and actual experience	-	-
Benefit payments, including refunds of employee contributions	(417,410)	(525,242)
Net change in total OPEB liability	477,246	404,490
Total OPEB liability - beginning	9,767,059	10,244,305
Total OPEB liability - ending (a)	\$ 10,244,305	\$ 10,648,795
Plan fiduciary net position		
Contributions - employer	\$ 417,410	\$ 525,242
Net investment income	575,333	652,234
Benefit payments, including refunds of employee contributions	(417,410)	(525,242)
Administrative expense	(48,048)	(48,909)
Net change in plan fiduciary net position	527,285	603,325
Plan fiduciary net position - beginning	8,750,403	9,277,688
Plan fiduciary net position - ending (b)	\$ 9,277,688	\$ 9,881,013
Plan net OPEB liability - ending (a) - (b)	\$ 966,617	\$ 767,782
Plan fiduciary net position as a percentage of the total OPEB liability	90.56%	92.79%
Covered payroll	\$ 7,657,419	\$ 7,486,794
Plan net OPEB liability as a percentage of covered payroll	12.62%	10.26%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other Postemployment Benefits
For the Year Ended June 30, 2019

Last Ten Fiscal Years

Other Postemployment Benefits Plan

	2017-18 ¹	2018-19
Fiscal year		
Actuarially determined contribution	\$ 373,794	\$ 385,009
Contributions in relation to the actuarially determined contribution	(417,410)	(525,242)
Contribution deficiency (excess)	\$ (43,616)	\$ (140,233)
Covered payroll	\$ 7,657,419	\$ 7,486,794
Contributions as a percentage of covered payroll	5.45%	7.02%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Valuation date: July 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Level Percent of Pay
Salary increases	3.00%
Investment rate of return	6.00 %, net of OPEB plan investment expense
Healthcare cost trend rate	6.00 % for 2017; 5.00 % for 2018 and later years
Future cap levels	Pre-retirement: Cap assumed to increase with healthcare trend for all future years. Post-retirement increases limited to 2% per year for all future years. For retirements prior to age 65, the Medicare Supplement premium is projected to age 65 using healthcare trend and increased at 2% per year thereafter.



SUPPLEMENTARY INFORMATION



City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Housing Admin and Program Capital Projects Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	\$ 81,002	\$ 71,002
Other income	199,000	199,000	144,000	(55,000)
Total revenues	<u>209,000</u>	<u>209,000</u>	<u>225,002</u>	<u>16,002</u>
EXPENDITURES:				
Current:				
Community development	201,000	201,000	184,130	16,870
Total expenditures	<u>201,000</u>	<u>201,000</u>	<u>184,130</u>	<u>16,870</u>
NET CHANGES IN FUND BALANCE	<u>\$ 8,000</u>	<u>\$ 8,000</u>	40,872	<u>\$ 32,872</u>
FUND BALANCE:				
Beginning of year			<u>12,843,479</u>	
End of year			<u>\$ 12,884,351</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ -	\$ -	\$ 5,961,845	\$ 5,961,845
Total revenues	<u>-</u>	<u>-</u>	<u>5,961,845</u>	<u>5,961,845</u>
EXPENDITURES:				
Capital outlay:				
Transportation	-	5,532,744	7,077,634	(1,544,890)
Total expenditures	<u>-</u>	<u>5,532,744</u>	<u>7,077,634</u>	<u>(1,544,890)</u>
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ (5,532,744)</u>	<u>(1,115,789)</u>	<u>\$ 4,416,955</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(1,535,670)</u>	
End of year			<u>\$ (2,651,459)</u>	

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 are restricted 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 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 Grant 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.

LA County Measure M Fund - To account for Los Angeles County special 1/2 cent sales tax approved pursuant to SB767 which was approved by the METRO Board of Directors on June 23, 2016 and approved by the voters of Los Angeles County on November 8, 2016. These funds may be used to improve transportation and transit service and ease traffic congestion consistent with the Measure M Ordinance #16-01.

Beverage Container Recycle Grant Fund - To account for the Department of Resources Recycling and Recovery (CalRecycle) beverage container recycling program to reach and maintain an eighty percent recycling rate for all California refund value beverage containers - aluminum, glass, plastic and bi-metal.

JAG Grant 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.

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.

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.

Road Maintenance and Rehab Account Fund - To account for transportation taxes from the Road Repair and Accountability Act of 2017 (SB1 Beall) to be used for local streets and roads and other transportation uses. The source of the revenue are: (1) an additional 12 cent per gallon to the gas excise tax, (2) an additional 10 cent per gallon to the diesel fuel excise tax, and (3) an additional vehicle registration tax.

City of Lakewood
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds				
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit	Prop C Transportation
ASSETS					
Cash and investments	\$ -	\$ 101,431	\$ 162,524	\$ 880,500	\$ 2,324,446
Restricted cash and investments:					
Cash in escrow	-	-	-	-	86,449
Accounts receivables	-	-	-	-	-
Total assets	\$ -	\$ 101,431	\$ 162,524	\$ 880,500	\$ 2,410,895
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 25,653	\$ 34,702
Accrued liabilities	-	-	-	4,500	21,750
Retention payable	-	-	-	-	86,449
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	30,153	142,901
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	-	-	-
Transportation	-	-	-	850,347	2,267,994
Health and sanitation	-	-	162,524	-	-
Culture and leisure	-	101,431	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	-	101,431	162,524	850,347	2,267,994
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 101,431	\$ 162,524	\$ 880,500	\$ 2,410,895

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds				
	AB 2766	CDBG	State COPS Grant	LA County Measure M	Beverage Container Recycle Grant
ASSETS					
Cash and investments	\$ 361,504	\$ -	\$ 278,448	\$ 1,817,296	\$ 156,701
Restricted cash and investments:					
Cash in escrow	-	-	-	-	-
Accounts receivables	27,298	154,655	-	-	-
Total assets	\$ 388,802	\$ 154,655	\$ 278,448	\$ 1,817,296	\$ 156,701
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 103	\$ 6,179	\$ 32,454	\$ 3,719	\$ 5,404
Accrued liabilities	-	8,060	-	-	-
Retention payable	-	-	-	-	-
Due to other funds	-	272,778	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	103	287,017	32,454	3,719	5,404
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	245,994	-	-
Transportation	388,699	-	-	1,813,577	-
Health and sanitation	-	-	-	-	151,297
Culture and leisure	-	-	-	-	-
Unassigned (deficit)	-	(132,362)	-	-	-
Total fund balances (deficit)	388,699	(132,362)	245,994	1,813,577	151,297
Total liabilities, deferred inflows of resources and fund balances	\$ 388,802	\$ 154,655	\$ 278,448	\$ 1,817,296	\$ 156,701

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds				
	JAG Grant	TDA Article Grant	Used Oil Grant	Prop A Recreation	Measure R
ASSETS					
Cash and investments	\$ -	\$ -	\$ 50,149	\$ -	\$ 3,314,064
Restricted cash and investments:					
Cash in escrow	-	-	-	-	-
Accounts receivables	-	4,478	-	29,145	-
Total assets	\$ -	\$ 4,478	\$ 50,149	\$ 29,145	\$ 3,314,064
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 5,673	\$ -	\$ 218,620
Accrued liabilities	-	-	-	1,542	1,372
Retention payable	-	-	-	-	9,193
Due to other funds	-	4,478	-	28,487	-
Unearned revenue	-	-	22,362	-	-
Total liabilities	-	4,478	28,035	30,029	229,185
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	29,145	-
Total deferred inflows of resources	-	-	-	29,145	-
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	3,084,879
Health and sanitation	-	-	22,114	-	-
Culture and leisure	-	-	-	-	-
Unassigned (deficit)	-	-	-	(30,029)	-
Total fund balances (deficit)	-	-	22,114	(30,029)	3,084,879
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 4,478	\$ 50,149	\$ 29,145	\$ 3,314,064

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds		
	Open Space	Road Maintenance and Rehab Account	Total
ASSETS			
Cash and investments	\$ -	\$ 1,401,271	\$ 10,848,334
Restricted cash and investments:			
Cash in escrow	-	-	86,449
Accounts receivables	-	265,685	481,261
Total assets	\$ -	\$ 1,666,956	\$ 11,416,044
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 2,700	\$ 335,207
Accrued liabilities	-	-	37,224
Retention payable	-	-	95,642
Due to other funds	-	-	305,743
Unearned revenue	-	-	22,362
Total liabilities	-	2,700	796,178
Deferred Inflows of Resources:			
Unavailable revenues	-	-	29,145
Total deferred inflows of resources	-	-	29,145
Fund Balances (Deficit):			
Restricted for:			
Public safety	-	-	245,994
Transportation	-	1,664,256	10,069,752
Health and sanitation	-	-	335,935
Culture and leisure	-	-	101,431
Unassigned (deficit)	-	-	(162,391)
Total fund balances (deficit)	-	1,664,256	10,590,721
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 1,666,956	\$ 11,416,044

(Concluded)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds				
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit	Prop C Transportation
REVENUES:					
Taxes	\$ -	\$ 11,550	\$ -	\$ 1,591,472	\$ 1,320,082
Licenses and permits	-	-	3,747	-	-
Investment income, rents and concession	17,033	-	-	16,726	76,749
Intergovernmental revenues	1,554,647	-	-	-	-
Other revenues	-	-	-	3,800	-
Total revenues	1,571,680	11,550	3,747	1,611,998	1,396,831
EXPENDITURES:					
Current:					
General government	-	-	-	31,398	-
Public safety	-	-	-	-	-
Transportation	-	-	-	1,230,889	634,327
Community development	-	-	-	52,107	-
Health and sanitation	-	-	-	-	-
Culture and leisure	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Transportation	-	-	-	175,469	1,876,689
Community development	-	-	-	-	-
Culture and leisure	-	-	-	-	-
Total expenditures	-	-	-	1,489,863	2,511,016
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,571,680	11,550	3,747	122,135	(1,114,185)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(1,571,680)	-	-	-	-
Total other financing sources (uses)	(1,571,680)	-	-	-	-
NET CHANGES IN FUND BALANCES	-	11,550	3,747	122,135	(1,114,185)
FUND BALANCES (DEFICIT):					
Beginning of year	-	89,881	158,777	728,212	3,382,179
End of year	\$ -	\$ 101,431	\$ 162,524	\$ 850,347	\$ 2,267,994

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds				
	AB2766	CDBG	State COPS Grants	LA County Measure M	Beverage Container Recycle Grant
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Investment income, rents and concession	8,046	-	7,121	21,724	3,441
Intergovernmental revenues	105,294	538,646	245,640	1,114,213	54,613
Other revenues	-	-	-	-	-
Total revenues	113,340	538,646	252,761	1,135,937	58,054
EXPENDITURES:					
Current:					
General government	-	4,060	-	-	-
Public safety	-	-	307,303	-	-
Transportation	10,000	-	-	150,936	-
Community development	-	232,103	-	-	-
Health and sanitation	49,760	-	-	-	10,961
Culture and leisure	-	34,000	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	-	9,982	-	-	-
Culture and leisure	-	279,894	-	-	-
Total expenditures	59,760	560,039	307,303	150,936	10,961
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	53,580	(21,393)	(54,542)	985,001	47,093
OTHER FINANCING SOURCES (USES):					
Transfers in	61	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	61	-	-	-	-
NET CHANGES IN FUND BALANCES	53,641	(21,393)	(54,542)	985,001	47,093
FUND BALANCES (DEFICIT):					
Beginning of year	335,058	(110,969)	300,536	828,576	104,204
End of year	\$ 388,699	\$ (132,362)	\$ 245,994	\$ 1,813,577	\$ 151,297

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds				
	JAG Grants	TDA Article Grant	Used Oil Grant	Prop A Recreation	Measure R
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Investment income, rents and concession	-	195	-	-	66,694
Intergovernmental revenues	16,588	53,738	16,125	29,145	990,346
Other revenues	-	-	-	-	-
Total revenues	16,588	53,933	16,125	29,145	1,057,040
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	16,588	-	-	-	-
Transportation	-	-	-	-	212,432
Community development	-	-	-	-	-
Health and sanitation	-	-	15,410	-	-
Culture and leisure	-	-	-	29,145	-
Capital outlay:					
General government	-	-	-	-	-
Transportation	-	53,933	-	-	283,211
Community development	-	-	-	-	-
Culture and leisure	-	-	-	-	-
Total expenditures	16,588	53,933	15,410	29,145	495,643
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	715	-	561,397
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGES IN FUND BALANCES	-	-	715	-	561,397
FUND BALANCES (DEFICIT):					
Beginning of year	-	-	21,399	(30,029)	2,523,482
End of year	\$ -	\$ -	\$ 22,114	\$ (30,029)	\$ 3,084,879

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds		
	Open Space	Road Maintenance and Rehab Account	Total
REVENUES:			
Taxes	\$ -	\$ -	\$ 2,923,104
Licenses and permits	-	-	3,747
Investment income, rents and concession	-	16,622	234,351
Intergovernmental revenues	323,374	1,580,222	6,622,591
Other revenues	-	-	3,800
Total revenues	323,374	1,596,844	9,787,593
EXPENDITURES:			
Current:			
General government	-	-	35,458
Public safety	-	-	323,891
Transportation	-	-	2,238,584
Community development	-	-	284,210
Health and sanitation	-	-	76,131
Culture and leisure	-	-	63,145
Capital outlay:			
General government	-	-	-
Transportation	-	2,700	2,392,002
Community development	-	-	9,982
Culture and leisure	-	-	279,894
Total expenditures	-	2,700	5,703,297
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	323,374	1,594,144	4,084,296
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	61
Transfers out	-	-	(1,571,680)
Total other financing sources (uses)	-	-	(1,571,619)
NET CHANGES IN FUND BALANCES	323,374	1,594,144	2,512,677
FUND BALANCES (DEFICIT):			
Beginning of year	(323,374)	70,112	8,078,044
End of year	\$ -	\$ 1,664,256	\$ 10,590,721

(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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 10,200	\$ 10,200	\$ 17,033	\$ 6,833
Intergovernmental revenues	2,017,258	2,017,258	1,554,647	(462,611)
Total revenues	<u>2,027,458</u>	<u>2,027,458</u>	<u>1,571,680</u>	<u>(455,778)</u>
OTHER FINANCING USES:				
Transfers out	(2,017,357)	(2,017,357)	(1,571,680)	445,677
Total other financing uses	<u>(2,017,357)</u>	<u>(2,017,357)</u>	<u>(1,571,680)</u>	<u>445,677</u>
NET CHANGES IN FUND BALANCE	<u>\$ 10,101</u>	<u>\$ 10,101</u>	-	<u>\$ (10,101)</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 1,551,571	\$ 1,551,571	\$ 1,591,472	\$ 39,901
Investment income	13,000	13,000	16,726	3,726
Other revenues	-	-	3,800	3,800
Total revenues	<u>1,564,571</u>	<u>1,564,571</u>	<u>1,611,998</u>	<u>47,427</u>
EXPENDITURES:				
Current:				
General government	31,417	31,417	31,398	19
Transportation	1,311,289	1,311,289	1,230,889	80,400
Community development	75,516	75,516	52,107	23,409
Capital outlay:				
Transportation	-	-	175,469	(175,469)
Total expenditures	<u>1,418,222</u>	<u>1,418,222</u>	<u>1,489,863</u>	<u>(71,641)</u>
NET CHANGES IN FUND BALANCE	<u>\$ 146,349</u>	<u>\$ 146,349</u>	122,135	<u>\$ (24,214)</u>
FUND BALANCE:				
Beginning of year			<u>728,212</u>	
End of year			<u>\$ 850,347</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 1,286,988	\$ 1,286,988	\$ 1,320,082	\$ 33,094
Investment income	25,000	25,000	76,749	51,749
Total revenues	<u>1,311,988</u>	<u>1,311,988</u>	<u>1,396,831</u>	<u>84,843</u>
EXPENDITURES:				
Current:				
Transportation	751,305	751,305	634,327	116,978
Capital outlay:				
Transportation	-	145,297	1,876,689	(1,731,392)
Total expenditures	<u>751,305</u>	<u>896,602</u>	<u>2,511,016</u>	<u>(1,614,414)</u>
NET CHANGES IN FUND BALANCE	<u>\$ 560,683</u>	<u>\$ 415,386</u>	(1,114,185)	<u>\$ (1,529,571)</u>
FUND BALANCE:				
Beginning of year			<u>3,382,179</u>	
End of year			<u>\$ 2,267,994</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 7,500	\$ 7,500	\$ 8,046	\$ 546
Intergovernmental revenues	100,000	100,000	105,294	5,294
Total revenues	<u>107,500</u>	<u>107,500</u>	<u>113,340</u>	<u>5,840</u>
EXPENDITURES:				
Current:				
Transportation	10,000	10,000	10,000	-
Capital outlay:				
General government	-	-	-	-
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>97,500</u>	<u>97,500</u>	<u>103,340</u>	<u>5,840</u>
OTHER FINANCING SOURCES:				
Transfers in	-	-	61	61
Total other financing sources	<u>-</u>	<u>-</u>	<u>61</u>	<u>61</u>
NET CHANGES IN FUND BALANCE	<u>\$ 97,500</u>	<u>\$ 97,500</u>	103,401	<u>\$ 5,901</u>
FUND BALANCE:				
Beginning of year			<u>335,058</u>	
End of year			<u>\$ 438,459</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 510,700	\$ 510,700	\$ 538,646	\$ 27,946
Total revenues	<u>510,700</u>	<u>510,700</u>	<u>538,646</u>	<u>27,946</u>
EXPENDITURES:				
Current:				
General government	12,373	12,373	4,060	8,313
Community development	223,097	223,097	232,103	(9,006)
Culture and leisure	37,500	37,500	34,000	3,500
Capital outlay:				
Community development	-	-	9,982	(9,982)
Culture and leisure	-	-	279,894	(279,894)
Total expenditures	<u>272,970</u>	<u>272,970</u>	<u>560,039</u>	<u>(287,069)</u>
NET CHANGES IN FUND BALANCE	<u>\$ 237,730</u>	<u>\$ 237,730</u>	(21,393)	<u>\$ (259,123)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(110,969)</u>	
End of year			<u>\$ (132,362)</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 4,500	\$ 4,500	\$ 7,121	\$ 2,621
Intergovernmental revenues	245,000	245,000	245,640	640
Total revenues	<u>249,500</u>	<u>249,500</u>	<u>252,761</u>	<u>3,261</u>
EXPENDITURES:				
Current:				
Public safety	312,822	312,822	307,303	5,519
Total expenditures	<u>312,822</u>	<u>312,822</u>	<u>307,303</u>	<u>5,519</u>
NET CHANGES IN FUND BALANCE	<u>\$ (63,322)</u>	<u>\$ (63,322)</u>	(54,542)	<u>\$ 8,780</u>
FUND BALANCE:				
Beginning of year			<u>300,536</u>	
End of year			<u>\$ 245,994</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
LA County Measure M Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	\$ 21,724	\$ 11,724
Intergovernmental revenues	1,093,939	1,093,939	1,114,213	20,274
Total revenues	<u>1,103,939</u>	<u>1,103,939</u>	<u>1,135,937</u>	<u>31,998</u>
EXPENDITURES:				
Current:				
Transportation	200,000	200,000	150,936	49,064
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>150,936</u>	<u>49,064</u>
NET CHANGES IN FUND BALANCE	<u>\$ 903,939</u>	<u>\$ 903,939</u>	985,001	<u>\$ 81,062</u>
FUND BALANCE:				
Beginning of year			<u>828,576</u>	
End of year			<u>\$ 1,813,577</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Beverage Container Recycle Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 3,000	\$ 3,000	\$ 3,441	\$ 441
Intergovernmental revenues	-	-	54,613	54,613
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>58,054</u>	<u>55,054</u>
EXPENDITURES:				
Current:				
Health and sanitation	-	20,341	10,961	9,380
Total expenditures	<u>-</u>	<u>20,341</u>	<u>10,961</u>	<u>9,380</u>
NET CHANGES IN FUND BALANCE	<u>\$ 3,000</u>	<u>\$ (17,341)</u>	47,093	<u>\$ 64,434</u>
FUND BALANCE:				
Beginning of year			<u>104,204</u>	
End of year			<u>\$ 151,297</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
JAG Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ -	\$ -	\$ 16,588	\$ 16,588
Total revenues	<u>-</u>	<u>-</u>	<u>16,588</u>	<u>16,588</u>
EXPENDITURES:				
Current:				
Public safety	16,124	16,124	16,588	(464)
Total expenditures	<u>16,124</u>	<u>16,124</u>	<u>16,588</u>	<u>(464)</u>
NET CHANGES IN FUND BALANCE	<u>\$ (16,124)</u>	<u>\$ (16,124)</u>	-	<u>\$ 16,124</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
TDA Article Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ -	\$ -	\$ 195	\$ 195
Intergovernmental revenues	53,738	58,637	53,738	(4,899)
Total revenues	<u>53,738</u>	<u>58,637</u>	<u>53,933</u>	<u>(4,704)</u>
EXPENDITURES:				
Capital outlay:				
Transportation	54,000	58,637	53,933	4,704
Total expenditures	<u>54,000</u>	<u>58,637</u>	<u>53,933</u>	<u>4,704</u>
NET CHANGES IN FUND BALANCE	<u>\$ (262)</u>	<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
Used Oil Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 21,457	\$ 21,457	\$ 16,125	\$ (5,332)
Total revenues	<u>21,457</u>	<u>21,457</u>	<u>16,125</u>	<u>(5,332)</u>
EXPENDITURES:				
Current:				
Health and sanitation	23,000	23,000	15,410	7,590
Total expenditures	<u>23,000</u>	<u>23,000</u>	<u>15,410</u>	<u>7,590</u>
NET CHANGES IN FUND BALANCE	<u>\$ (1,543)</u>	<u>\$ (1,543)</u>	715	<u>\$ 2,258</u>
FUND BALANCE:				
Beginning of year			<u>21,399</u>	
End of year			<u>\$ 22,114</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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 700	\$ 700	\$ -	\$ (700)
Intergovernmental revenues	50,000	50,000	29,145	(20,855)
Total revenues	<u>50,700</u>	<u>50,700</u>	<u>29,145</u>	<u>(21,555)</u>
EXPENDITURES:				
Current:				
Culture and leisure	44,843	44,843	29,145	15,698
Total expenditures	<u>44,843</u>	<u>44,843</u>	<u>29,145</u>	<u>15,698</u>
NET CHANGES IN FUND BALANCE	<u>\$ 5,857</u>	<u>\$ 5,857</u>	-	<u>\$ (5,857)</u>
FUND BALANCE:				
Beginning of year			<u>(30,029)</u>	
End of year			<u>\$ (30,029)</u>	

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 60,000	\$ 60,000	\$ 66,694	\$ 6,694
Intergovernmental revenues	965,261	965,261	990,346	25,085
Total revenues	<u>1,025,261</u>	<u>1,025,261</u>	<u>1,057,040</u>	<u>31,779</u>
EXPENDITURES:				
Current:				
Transportation	12,755	233,755	212,432	21,323
Capital outlay:				
Transportation	-	599,625	283,211	316,414
Total expenditures	<u>12,755</u>	<u>833,380</u>	<u>495,643</u>	<u>337,737</u>
NET CHANGES IN FUND BALANCES	<u>\$ 1,012,506</u>	<u>\$ 191,881</u>	561,397	<u>\$ 369,516</u>
FUND BALANCE:				
Beginning of year			<u>2,523,482</u>	
End of year			<u>\$ 3,084,879</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Road Maintenance and Rehab Account Special Revenue Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income	\$ 12,000	\$ 12,000	\$ 16,622	\$ 4,622
Intergovernmental revenues	1,420,282	1,420,282	1,580,222	159,940
Total revenues	<u>1,432,282</u>	<u>1,432,282</u>	<u>1,596,844</u>	<u>164,562</u>
EXPENDITURES:				
Current:				
Transportation	200,000	221,000	-	221,000
Capital outlay:				
Transportation	-	800,000	2,700	797,300
Total expenditures	<u>200,000</u>	<u>1,021,000</u>	<u>2,700</u>	<u>1,018,300</u>
NET CHANGES IN FUND BALANCES	<u>\$ 1,232,282</u>	<u>\$ 411,282</u>	1,594,144	<u>\$ 1,182,862</u>
FUND BALANCE:				
Beginning of year			<u>70,112</u>	
End of year			<u>\$ 1,664,256</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, 2019

	Central Garage	Print Shop	Total
ASSETS			
Current Assets:			
Inventories	\$ 104,837	\$ 1,110	\$ 105,947
Total current assets	<u>104,837</u>	<u>1,110</u>	<u>105,947</u>
Noncurrent assets:			
Capital assets:			
Capital assets, being depreciated:			
Equipment	1,293,138	-	1,293,138
Less: accumulated depreciation	<u>(1,203,156)</u>	<u>-</u>	<u>(1,203,156)</u>
Total capital assets, net	<u>89,982</u>	<u>-</u>	<u>89,982</u>
Total noncurrent assets	<u>89,982</u>	<u>-</u>	<u>89,982</u>
Total assets	<u>194,819</u>	<u>1,110</u>	<u>195,929</u>
LIABILITIES			
Current liabilities:			
Accounts payable	23,352	10,243	33,595
Accrued liabilities	19,718	8,835	28,553
Due to other funds	<u>43</u>	<u>-</u>	<u>43</u>
Total current liabilities	<u>43,113</u>	<u>19,078</u>	<u>62,191</u>
Total liabilities	<u>43,113</u>	<u>19,078</u>	<u>62,191</u>
NET POSITION			
Investment in capital assets	89,982	-	89,982
Unrestricted	<u>61,724</u>	<u>(17,968)</u>	<u>43,756</u>
Total net position	<u>\$ 151,706</u>	<u>\$ (17,968)</u>	<u>\$ 133,738</u>

City of Lakewood
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2019

	Central Garage	Print Shop	Total
OPERATING REVENUES:			
Billing to departments	\$ 963,245	\$ 249,235	\$ 1,212,480
Total operating revenues	<u>963,245</u>	<u>249,235</u>	<u>1,212,480</u>
OPERATING EXPENSES:			
Operating expenses	914,378	292,804	1,207,182
Depreciation	28,906	-	28,906
Total operating expenses	<u>943,284</u>	<u>292,804</u>	<u>1,236,088</u>
OPERATING INCOME (LOSS)	<u>19,961</u>	<u>(43,569)</u>	<u>(23,608)</u>
CHANGE IN NET POSITION	19,961	(43,569)	(23,608)
NET POSITION:			
Beginning of the year	131,745	25,601	157,346
End of the year	<u>\$ 151,706</u>	<u>\$ (17,968)</u>	<u>\$ 133,738</u>

City of Lakewood
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2019

	Central Garage	Print Shop	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 963,288	\$ 249,235	\$ 1,212,523
Payments to suppliers for goods and services	(946,209)	(290,866)	(1,237,075)
Net cash provided by (used in) operating activities	17,079	(41,631)	(24,552)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(18,523)	-	(18,523)
Net cash (used in) capital and related financing activities	(18,523)	-	(18,523)
Changes in cash and cash equivalents	(1,444)	(41,631)	(43,075)
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,444	41,631	43,075
End of year	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 19,961	\$ (43,569)	\$ (23,608)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	28,906	-	28,906
Change in assets and liabilities:			
(Increase) decrease in inventories	(40,019)	129	(39,890)
Increase (decrease) in accounts payable	7,123	1,604	8,727
Increase (decrease) in accrued liabilities	1,065	205	1,270
Increase (decrease) in due to other funds	43	-	43
Total adjustment	(2,882)	1,938	(944)
Net cash provided by (used in) operating activities	\$ 17,079	\$ (41,631)	\$ (24,552)



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. The fund was closed during the year ended June 30, 2019.

Lakewood Business Development Fund - To account for the small business revolving loans financed by the Economic Development Administration (EDA). The fund was closed during the year ended June 30, 2019.



City of Lakewood
Combining Statement of Fiduciary Assets and Liabilities
All Agency Funds
June 30, 2018

	Deposits	Housing Rehabilitation	Total
ASSETS:			
Cash and investments	\$ 504,979	\$ 349,363	\$ 854,342
Loans receivable	-	654,052	654,052
Total assets	\$ 504,979	\$ 1,003,415	\$ 1,508,394
LIABILITIES:			
Accounts payable	\$ 591	\$ 23,823	\$ 24,414
Accrued liabilities	-	1,266	1,266
Deposits	504,388	198,511	702,899
Due to HUD	-	779,815	779,815
Total liabilities	\$ 504,979	\$ 1,003,415	\$ 1,508,394

City of Lakewood
Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Deposits</u>				
ASSETS:				
Cash and investments	\$ 767,083	\$ 288,594	\$ (550,698)	\$ 504,979
Total assets	\$ 767,083	\$ 288,594	\$ (550,698)	\$ 504,979
LIABILITIES:				
Accounts payable	\$ 17,179	\$ 524,405	\$ (540,993)	\$ 591
Deposits	749,904	294,295	(539,811)	504,388
Total liabilities	\$ 767,083	\$ 818,700	\$ (1,080,804)	\$ 504,979
<u>Housing Rehabilitation</u>				
ASSETS:				
Cash and investments	\$ 304,587	\$ 169,386	\$ (124,610)	\$ 349,363
Loans receivable	669,052	-	(15,000)	654,052
Total assets	\$ 973,639	\$ 169,386	\$ (139,610)	\$ 1,003,415
LIABILITIES:				
Accounts payable	\$ 2,271	\$ 108,750	\$ (87,198)	\$ 23,823
Accrued liabilities	-	-	1,266	1,266
Deposits	159,935	146,750	(108,174)	198,511
Due to HUD	811,433	170,407	(202,025)	779,815
Total liabilities	\$ 973,639	\$ 425,907	\$ (396,131)	\$ 1,003,415
<u>Sheriff Station Renovation</u>				
ASSETS:				
Cash and investments	\$ 13,475	\$ 326	\$ (13,801)	\$ -
Total assets	\$ 13,475	\$ 326	\$ (13,801)	\$ -
LIABILITIES:				
Deposits	\$ 13,263	\$ -	\$ (13,263)	\$ -
Interest payable	212	326	(538)	-
Total liabilities	\$ 13,475	\$ 326	\$ (13,801)	\$ -
<u>Lakewood Business Development</u>				
ASSETS:				
Cash and investments	\$ 1,098,827	\$ 806,646	\$ (1,905,473)	\$ -
Loans receivable	3,933	5	(3,938)	-
Total assets	\$ 1,102,760	\$ 806,651	\$ (1,909,411)	\$ -
LIABILITIES:				
Accounts payable	\$ -	\$ 869,918	\$ (869,918)	\$ -
Interest payable	222	1,024	(1,246)	-
Due to EDA	1,102,538	-	(1,102,538)	-
Total liabilities	\$ 1,102,760	\$ 870,942	\$ (1,973,702)	\$ -

City of Lakewood
Statement of Changes in Fiduciary Assets and Liabilities (Continued)
All Agency Funds
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 2,183,972	\$ 1,264,952	\$ (2,594,582)	\$ 854,342
Loans receivable	672,985	5	(18,938)	654,052
Total assets	<u>\$ 2,856,957</u>	<u>\$ 1,264,957</u>	<u>\$ (2,613,520)</u>	<u>\$ 1,508,394</u>
LIABILITIES:				
Accounts payable	\$ 19,450	\$ 1,503,073	\$ (1,498,109)	\$ 24,414
Accrued liabilities	-	-	1,266	1,266
Deposits	923,102	441,045	(661,248)	702,899
Interest payable	434	1,350	(1,784)	-
Due to EDA	1,102,538	-	(1,102,538)	-
Due to HUD	811,433	170,407	(202,025)	779,815
Total liabilities	<u>\$ 2,856,957</u>	<u>\$ 2,115,875</u>	<u>\$ (3,464,438)</u>	<u>\$ 1,508,394</u>



STATISTICAL SECTION



City of Lakewood
Description of Statistical Section Contents
June 30, 2019

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.	150 - 159
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	160 - 169
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 future.	170 - 177
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 take place.	178 - 179
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.	181 - 185

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

	Fiscal Year				
	2010	2011	2012	2013	2014*
Government activities:					
Net investment in capital assets	\$ 85,293,777	\$ 88,276,871	\$ 89,515,476	\$ 90,407,845	\$ 89,075,037
Restricted	14,548,668	14,470,603	18,104,141	12,213,220	3,994,605
Unrestricted	39,198,464	40,166,581	77,688,090	52,582,291	39,712,067
Total governmental activities net position	<u>\$ 139,040,909</u>	<u>\$ 142,914,055</u>	<u>\$ 185,307,707</u>	<u>\$ 155,203,356</u>	<u>\$ 132,781,709</u>
Business-type activities:					
Net investment in capital assets	\$ 22,410,549	\$ 23,324,720	\$ 24,189,811	\$ 24,816,486	\$ 24,587,382
Restricted	-	-	-	-	-
Unrestricted	9,181,738	8,450,077	8,063,991	8,568,199	7,988,528
Total business-type activities net position	<u>\$ 31,592,287</u>	<u>\$ 31,774,797</u>	<u>\$ 32,253,802</u>	<u>\$ 33,384,685</u>	<u>\$ 32,575,910</u>
Primary government:					
Net investment in capital assets	\$ 107,704,326	\$ 111,601,591	\$ 113,705,287	\$ 115,224,331	\$ 113,662,419
Restricted	14,548,668	14,470,603	18,104,141	12,213,220	3,994,605
Unrestricted	48,380,202	48,616,658	85,752,081	61,150,490	47,700,595
Total primary government net position	<u>\$ 170,633,196</u>	<u>\$ 174,688,852</u>	<u>\$ 217,561,509</u>	<u>\$ 188,588,041</u>	<u>\$ 165,357,619</u>

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

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

	Fiscal Year				
	2015	2016	2017**	2018	2019
Government activities:					
Net investment in capital assets	\$ 88,511,175	\$ 90,100,125	\$ 94,918,550	\$ 100,416,548	\$ 108,108,047
Restricted	15,464,118	10,805,986	15,160,381	21,751,112	24,069,839
Unrestricted	26,918,679	31,932,235	25,186,231	17,346,009	16,446,872
Total governmental activities net position	<u>\$ 130,893,972</u>	<u>\$ 132,838,346</u>	<u>\$ 135,265,162</u>	<u>\$ 139,513,669</u>	<u>\$ 148,624,758</u>
Business-type activities:					
Net investment in capital assets	\$ 27,408,545	\$ 28,527,530	\$ 27,587,388	\$ 26,543,189	\$ 26,327,391
Restricted	-	-	-	-	-
Unrestricted	6,004,051	6,287,737	9,848,943	11,954,770	13,057,126
Total business-type activities net position	<u>\$ 33,412,596</u>	<u>\$ 34,815,267</u>	<u>\$ 37,436,331</u>	<u>\$ 38,497,959</u>	<u>\$ 39,384,517</u>
Primary government:					
Net investment in capital assets	\$ 115,919,720	\$ 118,627,655	\$ 122,505,938	\$ 126,959,737	\$ 134,435,438
Restricted	15,464,118	10,805,986	15,160,381	21,751,112	24,069,839
Unrestricted	32,922,730	38,219,972	35,035,174	29,300,779	29,503,998
Total primary government net position	<u>\$ 164,306,568</u>	<u>\$ 167,653,613</u>	<u>\$ 172,701,493</u>	<u>\$ 178,011,628</u>	<u>\$ 188,009,275</u>

** 2017 unrestricted net positions are restated as result of implementation of GASB Statement No. 75.

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

	Fiscal Year				
	2010	2011	2012	2013	2014
Expenses:					
Governmental Activities:					
General government	\$ 7,405,705	\$ 7,202,986	\$ 7,333,030	\$ 7,527,025	\$ 7,412,703
Public Safety	12,625,750	12,715,680	12,277,420	12,450,911	12,983,054
Transportation	5,156,031	5,247,578	6,068,549	6,137,250	4,587,061
Community development	13,807,173	11,240,548	6,973,684	4,548,531	4,967,510
Health and sanitation	4,282,434	4,451,021	4,612,935	4,692,717	4,925,697
Culture and leisure	9,758,660	10,037,245	9,548,824	10,205,926	11,386,411
Unallocated infrastructure depreciation	2,247,016	2,325,713	2,492,155	2,606,851	2,676,442
Interest on long-term debt	649,264	454,054	650,838	-	-
Total governmental activities expenses	<u>55,932,033</u>	<u>53,674,825</u>	<u>49,957,435</u>	<u>48,169,211</u>	<u>48,938,878</u>
Business-type activities:					
Water	<u>7,473,557</u>	<u>8,113,079</u>	<u>8,703,206</u>	<u>9,358,616</u>	<u>9,990,086</u>
Total primary government expenses	<u>\$ 63,405,590</u>	<u>\$ 61,787,904</u>	<u>\$ 58,660,641</u>	<u>\$ 57,527,827</u>	<u>\$ 58,928,964</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	\$ 1,200,911	\$ 1,077,906	\$ 1,177,789	\$ 1,500,664	\$ 1,753,540
Public safety	1,250,887	954,298	904,654	827,333	863,286
Community development	961,786	1,066,061	787,552	887,126	1,199,667
Health and sanitation	4,785,217	4,752,505	4,838,762	4,965,890	5,111,702
Culture and leisure	1,508,914	1,479,616	1,512,728	1,522,022	1,562,310
Operating grants and contributions	7,053,631	8,037,655	3,238,589	3,553,814	4,810,026
Capital grants and contributions	3,166,065	2,760,832	3,077,293	1,538,183	866,959
Total governmental activities program revenues	<u>19,927,411</u>	<u>20,128,873</u>	<u>15,537,367</u>	<u>14,795,032</u>	<u>16,167,490</u>
Business-type activities:					
Charges for services:					
Water	<u>8,154,174</u>	<u>8,124,574</u>	<u>9,096,414</u>	<u>10,573,733</u>	<u>11,711,839</u>
Total primary government program revenues	<u>\$ 28,081,585</u>	<u>\$ 28,253,447</u>	<u>\$ 24,633,781</u>	<u>\$ 25,368,765</u>	<u>\$ 27,879,329</u>
Net revenues (expenses):					
Governmental activities	\$ (36,004,622)	\$ (33,545,952)	\$ (34,420,068)	\$ (33,374,179)	\$ (32,771,388)
Business-type activities	<u>680,617</u>	<u>11,495</u>	<u>393,208</u>	<u>1,215,117</u>	<u>1,721,753</u>
Total net revenues (expenses)	<u>\$ (35,324,005)</u>	<u>\$ (33,534,457)</u>	<u>\$ (34,026,860)</u>	<u>\$ (32,159,062)</u>	<u>\$ (31,049,635)</u>

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

	Fiscal Year				
	2015	2016	2017	2018	2019
Expenses:					
Governmental Activities:					
General government	\$ 10,354,630	\$ 7,187,053	\$ 7,618,899	\$ 8,414,207	\$ 8,623,397
Public Safety	13,525,219	14,271,008	14,266,703	14,934,025	15,587,612
Transportation	4,772,202	4,740,336	4,915,779	5,319,350	5,618,743
Community development	4,622,036	4,759,414	5,216,400	5,602,768	5,755,708
Health and sanitation	4,888,091	4,901,125	5,066,047	5,173,751	5,440,069
Culture and leisure	12,090,213	11,770,595	12,757,229	13,919,102	14,023,325
Unallocated infrastructure depreciation	2,695,986	2,721,461	2,732,259	2,680,800	2,610,286
Interest on long-term debt	-	15,143	14,308	12,246	10,065
Total governmental activities expenses	52,948,377	50,366,135	52,587,624	56,056,249	57,669,205
Business-type activities:					
Water	9,554,985	9,628,369	9,316,642	12,124,940	12,722,577
Total primary government expenses	\$ 62,503,362	\$ 59,994,504	\$ 61,904,266	\$ 68,181,189	\$ 70,391,782
Program revenues:					
Governmental activities:					
Charges for services:					
General government	\$ 1,679,199	\$ 1,790,751	\$ 1,961,794	\$ 1,701,064	\$ 1,842,865
Public safety	866,028	912,841	828,408	799,898	824,844
Community development	1,647,432	1,754,359	1,687,297	1,644,380	1,831,695
Health and sanitation	5,242,204	5,309,601	5,430,005	5,493,200	5,736,770
Culture and leisure	1,577,319	1,543,688	1,591,984	1,505,685	1,627,965
Operating grants and contributions	4,176,696	3,585,692	6,100,046	8,633,736	9,751,629
Capital grants and contributions	1,726,390	3,365,208	8,542,663	6,315,712	8,315,163
Total governmental activities program revenues	16,915,268	18,262,140	26,142,197	26,093,675	29,930,931
Business-type activities:					
Charges for services:					
Water	10,311,109	10,930,852	10,873,311	13,003,840	13,354,770
Total primary government program revenues	\$ 27,226,377	\$ 29,192,992	\$ 37,015,508	\$ 39,097,515	\$ 43,285,701
Net revenues (expenses):					
Governmental activities	\$ (36,033,109)	\$ (32,103,995)	\$ (26,445,427)	\$ (29,962,574)	\$ (27,738,274)
Business-type activities	756,124	1,302,483	1,556,669	878,900	632,193
Total net revenues (expenses)	\$ (35,276,985)	\$ (30,801,512)	\$ (24,888,758)	\$ (29,083,674)	\$ (27,106,081)

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

	Fiscal Year				
	2010	2011	2012	2013	2014
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Sales taxes	\$ 10,658,959	\$ 11,262,520	\$ 14,217,422	\$ 15,461,092	\$ 15,792,115
Property taxes	19,558,410	19,062,606	14,444,518	12,030,119	11,310,210
Franchise taxes	1,374,501	1,455,300	1,538,068	1,607,535	1,697,405
Business operation taxes	456,269	469,595	546,279	508,100	542,110
Utility user taxes	3,591,722	3,508,512	3,360,149	3,626,639	3,520,414
Other taxes	252,997	246,165	260,456	308,522	322,834
Unrestricted, motor vehicle in lieu	245,415	383,059	41,395	42,894	35,499
Grants and contributions not restricted to specific programs	556,774	1,147,814	1,026,041	893,110	-
Gain on sale of property	-	-	-	108,469	-
Investment income	949,717	566,427	699,751	137,346	377,099
Total governmental activities	<u>37,644,764</u>	<u>38,101,998</u>	<u>36,134,079</u>	<u>34,723,826</u>	<u>33,597,686</u>
Business-type activities:					
Gain on sale of capital assets	-	-	-	-	-
Investment income	259,001	171,015	85,797	59,279	60,664
Total business-type activities	<u>259,001</u>	<u>171,015</u>	<u>85,797</u>	<u>59,279</u>	<u>60,664</u>
Total primary government	<u>\$ 37,903,765</u>	<u>\$ 38,273,013</u>	<u>\$ 36,219,876</u>	<u>\$ 34,783,105</u>	<u>\$ 33,658,350</u>
Changes in net assets, before special and extraordinary item					
Governmental activities	\$ 1,640,142	\$ 4,556,046	\$ 1,714,011	\$ 1,349,647	\$ 808,298
Business-type activities	939,618	182,510	479,005	1,274,396	1,782,417
Special item	-	-	-	-	-
Extraordinary item	-	-	40,679,641	(31,453,996)	-
Changes in net position					
Governmental activities	\$ 1,640,142	\$ 4,556,046	\$ 42,393,652	\$ (30,104,349)	\$ 808,298
Business-type activities	939,618	182,510	479,005	1,274,396	1,782,417
Total primary government	<u>\$ 2,579,760</u>	<u>\$ 4,738,556</u>	<u>\$ 42,872,657</u>	<u>\$ (28,829,953)</u>	<u>\$ 2,590,715</u>

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

	Fiscal Year				
	2015	2016	2017	2018	2019
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Sales taxes	\$ 15,890,678	\$ 15,961,352	\$ 14,133,828	\$ 14,303,519	\$ 14,635,987
Property taxes	11,831,561	12,747,876	13,039,739	13,795,722	14,637,510
Franchise taxes	1,757,264	1,699,343	1,430,601	1,598,487	1,543,020
Business operation taxes	565,441	1,016,140	674,880	650,728	651,364
Utility user taxes	3,464,047	3,398,962	3,314,095	3,163,738	3,061,021
Other taxes	372,276	378,213	442,393	424,144	409,432
Unrestricted, motor vehicle in lieu	-	-	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	-	-
Gain on sale of property	-	-	114,000	-	77,715
Investment income	264,105	482,676	459,477	274,743	1,833,314
Total governmental activities	<u>34,145,372</u>	<u>35,684,562</u>	<u>33,609,013</u>	<u>34,211,081</u>	<u>36,849,363</u>
Business-type activities:					
Gain on sale of capital assets	-	-	1,035,021	-	-
Investment income	80,562	100,188	131,040	182,728	254,365
Total business-type activities	<u>80,562</u>	<u>100,188</u>	<u>1,166,061</u>	<u>182,728</u>	<u>254,365</u>
Total primary government	<u>\$ 34,225,934</u>	<u>\$ 35,784,750</u>	<u>\$ 34,775,074</u>	<u>\$ 34,393,809</u>	<u>\$ 37,103,728</u>
Changes in net assets, before special and extraordinary item					
Governmental activities	\$ (1,887,737)	\$ 3,580,567	\$ 7,163,586	\$ 4,248,507	\$ 9,111,089
Business-type activities	836,686	1,402,671	2,722,730	1,061,628	886,558
Special item	-	(1,636,193)	-	-	-
Extraordinary item	-	-	-	-	-
Changes in net position					
Governmental activities	\$ (1,887,737)	\$ 1,944,374	\$ 7,163,586	\$ 4,248,507	\$ 9,111,089
Business-type activities	<u>836,686</u>	<u>1,402,671</u>	<u>2,722,730</u>	<u>1,061,628</u>	<u>886,558</u>
Total primary government	<u>\$ (1,051,051)</u>	<u>\$ 3,347,045</u>	<u>\$ 9,886,316</u>	<u>\$ 5,310,135</u>	<u>\$ 9,997,647</u>

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

	Fiscal Year				
	2010 ^(b)	2011 ^(a)	2012	2013	2014
General Fund:					
Reserved	\$ 24,638,651	\$ -	\$ -	\$ -	\$ -
Unreserved	26,616,473	-	-	-	-
Total general fund	<u>\$ 51,255,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:					
Reserved	\$ 21,940,936	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue fund	(780,506)	-	-	-	-
Debt service fund	(26,278,253)	-	-	-	-
Capital project fund	(5,983,071)	-	-	-	-
Total all other governmental funds	<u>\$ (11,100,894)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General fund:					
Nonspendable	\$ -	\$ 17,679,908	\$ 17,874,837	\$ 4,173,679	\$ 2,670,747
Restricted	-	-	-	-	-
Committed	-	28,402,628	30,036,038	29,066,342	32,456,408
Assigned	-	7,774,015	8,349,193	8,589,044	8,738,457
Unassigned	-	1,258,266	2,564,755	3,796,234	3,640,285
Total general fund	<u>\$ -</u>	<u>\$ 55,114,817</u>	<u>\$ 58,824,823</u>	<u>\$ 45,625,299</u>	<u>\$ 47,505,897</u>
All other governmental funds:					
Nonspendable	\$ -	\$ 7,526,041	\$ 8,014,163	\$ 8,536,583	\$ 8,537,919
Restricted	-	11,739,494	6,955,242	3,679,754	4,256,020
Unassigned	-	(33,387,970)	(98,847)	(626,208)	(1,408,079)
Total all other governmental funds	<u>\$ -</u>	<u>\$ (14,122,435)</u>	<u>\$ 14,870,558</u>	<u>\$ 11,590,129</u>	<u>\$ 11,385,860</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				
	2015	2016	2017	2018	2019
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	\$ 3,334,102	\$ 9,007,179	\$ 9,242,133	\$ 9,614,693	\$ 9,887,493
Restricted	-	-	-	-	617,122
Committed	28,993,127	22,470,125	24,641,778	25,016,682	24,952,465
Assigned	8,784,875	9,060,489	7,941,985	4,573,815	4,941,360
Unassigned	<u>4,737,497</u>	<u>2,545,033</u>	<u>1,388,222</u>	<u>1,721,244</u>	<u>2,182,964</u>
Total general fund	<u>\$ 45,849,601</u>	<u>\$ 43,082,826</u>	<u>\$ 43,214,118</u>	<u>\$ 40,926,434</u>	<u>\$ 42,581,404</u>
All other governmental funds:					
Nonspendable	\$ 10,614,864	\$ 7,216,652	\$ 7,293,057	\$ -	\$ -
Restricted	4,807,418	10,304,699	11,811,420	21,385,895	23,637,463
Unassigned	<u>(834,768)</u>	<u>(657,720)</u>	<u>(3,223,534)</u>	<u>(2,000,042)</u>	<u>(2,813,850)</u>
Total all other governmental funds	<u>\$ 14,587,514</u>	<u>\$ 16,863,631</u>	<u>\$ 15,880,943</u>	<u>\$ 19,385,853</u>	<u>\$ 20,823,613</u>

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

	Fiscal Year				
	2010	2011	2012	2013	2014
Revenues:					
Taxes	\$ 30,797,180	\$ 31,649,661	\$ 27,467,122	\$ 26,411,985	\$ 26,076,260
Licenses and permits	713,054	770,650	635,098	882,983	860,267
Fines and forfeitures	1,013,090	881,450	817,092	782,011	794,905
Investment income, rents and concessions	1,811,706	5,450,149	3,635,549	1,015,685	1,229,344
From other agencies	14,843,273	15,618,323	13,998,687	11,734,813	11,732,076
Current service charges	7,634,788	7,746,660	8,015,864	8,416,888	7,354,833
Other	310,301	1,168,393	138,664	250,038	1,209,438
Total revenues	<u>57,123,392</u>	<u>63,285,286</u>	<u>54,708,076</u>	<u>49,494,403</u>	<u>49,257,123</u>
Expenditures:					
Current:					
General government	7,348,565	6,859,346	6,975,939	7,080,629	7,198,445
Public safety	12,572,454	12,671,881	12,217,707	12,374,488	12,622,353
Transportation	5,071,028	5,230,678	6,018,040	6,108,720	4,454,458
Community Development	13,283,953	10,491,644	5,873,608	4,358,375	4,822,302
Health and sanitation	4,281,204	4,449,913	4,612,804	4,690,837	4,789,347
Culture and leisure	9,007,504	9,346,305	8,813,262	9,440,235	11,057,389
Capital outlay:					
General government	124,233	-	33,803	4,054	-
Public safety	-	71,053	41,530	543,434	-
Transportation	2,961,116	4,946,347	3,909,593	3,061,913	1,412,843
Community Development	412,622	72,347	-	-	-
Culture and leisure	1,910,047	1,301,069	933,986	1,653,418	1,194,657
Debt service:					
Owner participation agreement payments	761,781	764,882	-	-	-
Principal retirement	960,000	1,000,000	1,040,000	-	-
Interest and fiscal charges	3,048,683	4,558,769	3,876,203	-	-
Total expenditures	<u>61,743,190</u>	<u>61,764,234</u>	<u>54,346,475</u>	<u>49,316,103</u>	<u>47,551,794</u>
Excess of revenues over (under) expenditures	<u>(4,619,798)</u>	<u>1,521,052</u>	<u>361,601</u>	<u>178,300</u>	<u>1,705,329</u>
Other financing sources (uses):					
Issuance of lease payable	-	-	-	-	-
Transfers in	6,241,294	5,940,999	3,309,912	2,457,077	2,597,281
Transfers out	(6,241,294)	(5,940,999)	(3,309,912)	(2,457,077)	(2,597,281)
Sale of capital assets	-	-	-	511,875	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,875</u>	<u>-</u>
SPECIAL ITEMS:					
Transfer to HACoLA	-	-	(926,715)	-	-
Gain(loss) on interest adjustment on the loans to the Successor Agency	-	-	-	-	-
Net change in fund balances, before extraordinary items	<u>(4,619,798)</u>	<u>1,521,052</u>	<u>(565,114)</u>	<u>690,175</u>	<u>1,705,329</u>
EXTRAORDINARY ITEM:					
Gain (loss) on dissolution of Redevelopment Agency	-	-	33,268,113	(17,199,128)	-
Net change in fund balances	<u>\$ (4,619,798)</u>	<u>\$ 1,521,052</u>	<u>\$ 32,702,999</u>	<u>\$ (16,508,953)</u>	<u>\$ 1,705,329</u>
Debt service as a percentage of noncapital expenditures	7.10%	10.04%	10.04%	0.00%	0.00%

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

	Fiscal Year				
	2015	2016	2017	2018	2019
Revenues:					
Taxes	\$ 26,285,474	\$ 28,512,153	\$ 27,428,381	\$ 27,840,342	\$ 28,653,388
Licenses and permits	1,236,029	1,305,394	1,271,711	1,213,898	1,356,208
Fines and forfeitures	800,988	792,042	726,158	803,671	877,832
Investment income, rents and concessions	1,348,984	1,579,999	1,628,636	1,549,043	3,172,061
From other agencies	12,262,584	13,040,289	16,801,522	21,529,691	22,305,483
Current service charges	7,603,770	7,820,247	7,676,870	7,727,896	8,102,123
Other	3,883,093	1,319,267	1,332,492	1,296,960	1,369,123
Total revenues	<u>53,420,922</u>	<u>54,369,391</u>	<u>56,865,770</u>	<u>61,961,501</u>	<u>65,836,218</u>
Expenditures:					
Current:					
General government	10,121,711	7,469,038	7,598,738	7,775,703	7,928,367
Public safety	13,279,510	14,035,382	13,957,135	14,643,744	15,297,771
Transportation	4,529,295	4,848,633	4,794,659	4,938,424	4,994,979
Community Development	4,550,855	4,877,917	5,266,588	5,448,344	5,576,834
Health and sanitation	4,884,931	4,908,103	5,064,902	5,173,879	5,406,156
Culture and leisure	11,029,303	11,356,886	11,845,756	12,296,334	12,275,314
Capital outlay:					
General government	43,032	60,392	71,163	125,383	201,076
Public safety	-	894,527	-	-	-
Transportation	605,487	2,474,885	7,838,438	6,122,168	9,821,988
Community Development	55,238	85,996	30,256	7,116	24,532
Culture and leisure	2,776,202	2,443,762	1,313,659	4,163,308	1,994,314
Debt service:					
Owner participation agreement payments	-	-	-	-	-
Principal retirement	-	31,313	35,564	37,626	39,807
Interest and fiscal charges	-	15,143	14,308	12,246	10,065
Total expenditures	<u>51,875,564</u>	<u>53,501,977</u>	<u>57,831,166</u>	<u>60,744,275</u>	<u>63,571,203</u>
Excess of revenues over (under) expenditures	<u>1,545,358</u>	<u>867,414</u>	<u>(965,396)</u>	<u>1,217,226</u>	<u>2,265,015</u>
Other financing sources (uses):					
Issuance of lease payable	-	278,121	-	-	750,000
Transfers in	2,107,215	1,771,504	1,564,966	1,808,209	1,571,741
Transfers out	(2,107,215)	(1,771,504)	(1,564,966)	(1,808,209)	(1,571,741)
Sale of capital assets	-	-	114,000	-	77,715
Total other financing sources (uses)	<u>-</u>	<u>278,121</u>	<u>114,000</u>	<u>-</u>	<u>827,715</u>
SPECIAL ITEMS:					
Transfer to HACoLA	-	-	-	-	-
Gain(loss) on interest adjustment on the loans to the Successor Agency	-	(1,636,193)	-	-	-
Net change in fund balances, before extraordinary items	<u>1,545,358</u>	<u>(490,658)</u>	<u>(851,396)</u>	<u>1,217,226</u>	<u>3,092,730</u>
EXTRAORDINARY ITEM:					
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	-
Net change in fund balances	<u>\$ 1,545,358</u>	<u>\$ (490,658)</u>	<u>\$ (851,396)</u>	<u>\$ 1,217,226</u>	<u>\$ 3,092,730</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.10%	0.10%	0.10%	0.10%

City of Lakewood
Major Tax Revenue By Sources
Last Ten Fiscal Years

Fiscal Year Ended June 30	Sales Taxes	Property Taxes	Franchise Taxes	Business Operation Taxes	Utility User Taxes	Other Taxes	Total
2010	\$ 10,658,959	19,558,410	\$ 1,374,501	\$ 456,269	\$ 3,591,722	\$ 252,997	\$ 35,892,858
2011	11,262,520	19,062,606	1,455,300	469,595	3,508,512	246,165	36,004,698
2012	14,217,422	14,444,518	1,538,068	546,279	3,360,149	260,456	34,366,892
2013	15,461,092	12,030,119	1,607,535	508,100	3,626,639	308,522	33,542,007
2014	15,792,115	11,310,210	1,697,405	542,110	3,520,414	322,834	33,185,088
2015	15,890,678	11,831,561	1,757,264	565,441	3,464,047	372,276	33,881,267
2016	15,961,352	12,747,876	1,699,343	1,016,140	3,398,962	378,213	35,201,886
2017	14,133,828	13,039,739	1,430,601	674,880	3,314,095	442,393	33,035,536
2018	14,303,519	13,795,722	1,598,487	650,728	3,163,738	424,144	33,936,338
2019	14,635,987	14,637,510	1,543,020	662,914	3,061,021	409,432	34,949,884

City of Lakewood
Top 25 Sales Tax Producers
Current Year and Nine Fiscal Years Ago

2019		2010	
Business Name	Business Category	Business Name	Business Category
Arco AM PM	Service Stations	76 Station	Service Stations
Best Buy	Electronics/Appliance Stores	Arco AM PM	Service Stations
Caruso Ford Lincoln	New Motor Vehicle Dealers	Bed Bath & Beyons	Home Furnishings
Chevron	Service Stations	Best Buy	Electronics/Appliance Stores
CostCo	Discount Dept Stores	Caruso Ford Lincoln	New Motor Vehicle Dealers
CVS Pharmacy	Drug Stores	CostCo	Discount Dept Stores
Foot Locker	Shoe Stores	CVS Pharmacy	Drug Stores
Ganahl Lumber	Building Materials	Forever 21	Women's Apparel
Harbor Chevrolet/Hyundai	New Motor Vehicle Dealers	Harbor Chevrolet/Hyundai	New Motor Vehicle Dealers
Home Depot	Building Materials	Home Depot	Building Materials
JC Penney	Department Stores	JC Penney	Department Stores
Kohls	Department Stores	Kohls	Department Stores
Macys	Department Stores	Lakewood AM PM	Service Stations
Marshalls	Family Apparel	Lakewood Arco	Service Stations
McDonalds	Quick-Service Restaurants	Lakewood Chevron	Service Stations
Raising Cane's	Quick-Service Restaurants	Macys	Department Stores
Ross	Family Apparel	Marshalls	Family Apparel
Russell Sigler	Contractors	McDonalds	Quick-Service Restaurants
Target	Discount Dept Stores	Pacific Ford	New Motor Vehicle Dealers
United Oil	Service Stations	Rapid Gas	Service Stations
Victoria's Secret	Women's Apparel	Ross	Family Apparel
Vons	Grocery Stores	Target	Discount Dept Stores
Vons Fuel	Service Stations	Vons	Grocery Stores
Walgreens	Drug Stores	Vons Fuel	Service Stations
Walmart Supercenter	Discount Dept Stores	Walmart Supercenter	Discount Dept Stores

Source: HDL

Note: Due to confidentiality issues, the names of the top ten largest revenue payers are not available. The listed names are intended to provide alternative information regarding the sources of the City's revenue

City of Lakewood
Taxables Sales by Category
Last Ten Calendar Years
(in thousands of dollars)

	Fiscal Years				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Apparel Stores	\$ 97,887	\$ 91,080	\$ 90,540	\$ 91,821	\$ 94,682
General Merchandise	246,678	280,026	306,949	322,971	329,626
Food Stores	35,846	32,776	35,780	41,353	44,442
Eating and Drinking Places	139,486	139,487	147,412	157,219	167,347
Building Materials	52,250	52,489	55,154	58,739	63,714
Auto Dealers and Supplies	84,595	100,609	113,960	114,821	100,940
Service Stations	100,504	110,969	129,070	134,787	128,494
Other Retail Stores	161,251	164,822	163,435	177,164	178,010
All Other Outlets	131,054	138,306	150,988	157,199	174,803
	<u>\$ 1,049,551</u>	<u>\$ 1,110,564</u>	<u>\$ 1,193,288</u>	<u>\$ 1,256,074</u>	<u>\$ 1,282,058</u>

Source: HDL

City of Lakewood
Taxables Sales by Category (Continued)
Last Ten Calendar Years
(in thousands of dollars)

	Fiscal Years				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Apparel Stores	\$ 100,090	\$ 104,262	\$ 108,777	\$ 107,971	\$ 111,925
General Merchandise	339,237	335,292	326,877	332,043	319,083
Food Stores	46,198	47,494	47,845	46,073	46,429
Eating and Drinking Places	176,455	189,057	197,497	204,971	208,381
Building Materials	66,480	67,557	73,781	78,690	91,179
Auto Dealers and Supplies	113,843	133,160	154,323	161,696	130,424
Service Stations	123,183	100,673	86,673	93,554	107,480
Other Retail Stores	185,630	190,440	191,145	195,787	196,820
All Other Outlets	188,879	192,439	209,133	220,039	221,375
	<u>\$ 1,339,995</u>	<u>\$ 1,360,374</u>	<u>\$ 1,396,051</u>	<u>\$ 1,440,824</u>	<u>\$ 1,433,096</u>

Source: HDL

City of Lakewood
City Sales Tax Rates
Last Ten Fiscal Years
(Rate at June 30th of Fiscal Year)

	<u>Fiscal Years</u>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City Sales Tax rate	9.750%	8.750%	8.750%	9.000%	9.000%	9.000%	9.000%	8.750%	9.500%	9.500%

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
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%
2017	8,561,782	258	136,052	8,698,092	0.060%
2018	9,028,557	225	136,546	9,165,328	0.060%
2019	9,513,618	225	141,465	9,655,309	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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City Direct Rates:										
City basic rate	\$ 0.1796	\$ 0.1799	\$ 0.1811	\$ 0.1855	\$ 0.0607	\$ 0.0606	\$ 0.0604	\$ 0.0603	\$ 0.0602	\$ 0.0602
Overlapping Rates:										
Los Angeles County	-	-	-	-	-	-	-	-	-	-
School Districts	0.2824	0.2686	0.2830	0.3200	0.3039	0.3681	0.3066	0.3980	0.5239	0.5198
Sanitation and Water	-	-	-	-	-	-	-	-	-	-
Water Districts	0.0043	0.0037	0.0037	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035	0.0035
Other	<u>1.0000</u>									
Total Direct Rate	<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>	<u>\$ 1.4619</u>	<u>\$ 1.5876</u>	<u>\$ 1.5835</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

<u>Taxpayer</u>	2019		2010	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Macerich Lakewood LLC	\$ 373,175,551	3.86%	\$ 269,097,430	3.84%
Towne Center Fee Owner LLC	98,287,302	1.02%	N/A	N/A
Lakewood Manor Apartments LLC	93,167,620	0.96%	N/A	N/A
Lakewood Regional Medical Center	61,509,891	0.64%	68,201,288	0.97%
Lakewood Marketplace LLC	40,486,814	0.42%	35,551,491	0.51%
May Company Department Stores	35,695,346	0.37%	33,979,879	0.48%
Carwood Center LLC	33,420,536	0.35%	29,529,348	0.42%
Advanced Group	32,123,891	0.33%	81,808,556	1.17%
Lakewood Associates LLC	31,589,747	0.33%	27,911,737	0.40%
Regency Center LLC	30,764,678	0.32%	26,653,776	0.38%
Total	\$ 830,221,376	8.6%	\$ 572,733,505	8.2%

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
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%
2017	4,613,693	4,456,610	96.60%	157,083	4,613,693	100.00%
2018	4,960,161	4,808,236	96.94%	151,925	4,960,161	100.00%
2019	5,235,071	5,104,779	97.51%	130,292	5,235,071	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	Lease Payable	Total Governmental Activities
2010	-	9,442,892	-	9,442,892
2011	-	8,447,372	-	8,447,372
2012	-	- ²	-	-
2013	-	- ²	-	-
2014	-	- ²	-	-
2015	-	- ²	-	-
2016	-	- ²	246,808	246,808
2017	-	- ²	211,244	211,244
2018	-	- ²	173,617	173,617
2019	-	- ²	883,811	883,811

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	Lease Payable	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
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
-	789,921	1,762,532	2,552,453	2,799,261	0.12%	36
-	592,441	10,494,954	11,087,395	11,298,639	0.47%	143
-	394,961	10,139,347	10,534,308	10,707,925	0.43%	132
-	197,480	9,378,045	9,575,525	10,459,336	0.41%	129

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		
2010	-	9,475	9,475	0.14%	-
2011	-	-	-	0.12%	-
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2019	-	-	-	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, 2019

Total Assessed Valuation		\$8,451,334,788	
	Percentage Applicable ¹	Outstanding Debt 6/30/19	Estimated Share of Overlapping Debt
Overlapping Debt:			
Metropolitan Water District	0.694%	\$ 23,317,224	161,903
Cerritos Community College District 2004 Series 2009C	7.196%	1,360,000	97,869
Cerritos Community College District 2004 Series 2012D	7.196%	80,556,991	5,797,092
Cerritos Community College District 2012 Series 2014A	7.196%	73,900,000	5,318,037
Cerritos Community College District 2014 Ref Bonds Series A	7.196%	77,305,000	5,563,070
Cerritos Community College District 2014 Ref Bonds Series B	7.196%	11,900,000	856,355
Cerritos Community College District 2012 Series 2018B	7.196%	168,430,000	12,120,664
Compton Community College District 2002 Series 2008A	2.817%	320,000	9,016
Compton Community College District 2002 Series 2012C	2.817%	14,301,318	402,919
Compton Community College District 2012 Refunding Bonds	2.817%	9,545,000	268,917
Compton Community College District 2002 Series 2013D	2.817%	16,407,909	462,269
Compton Community College District 2014 REF	2.817%	16,360,000	460,920
Compton Community College District 2015 REF BONDS	2.817%	12,485,000	351,747
Compton Community College District 2014 Series A	2.817%	50,440,677	1,421,094
Long Beach Community College District DS 2002 Series D 2007	8.562%	15,767,306	1,349,968
Long Beach Community College District 2008 Series 2009B	8.562%	15,096,105	1,292,501
Long Beach Community College District Ref 02 12 Series A	8.562%	34,060,000	2,916,156
Long Beach Community College District DS Ref Bonds 2014 Series C	8.562%	139,578,695	11,950,478
Long Beach Community College District DS Ref Bonds 2014 Series E	8.562%	7,850,000	672,103
Long Beach Community College District DS Ref Bonds 2015 Series F	8.562%	42,430,000	3,632,781
Long Beach Community College District DS 2008 Series D	8.562%	28,165,000	2,411,437
Long Beach Community College District DS 2016 Series B	8.562%	55,570,000	4,757,804
Long Beach Community College District DS Ref Bonds 2017 Series G	8.562%	81,655,000	6,991,155
ABC Unified School District 2003 Ref Bond Series A	10.840%	26,204,469	2,668,733
ABC Unified School District DS 1997 Series B	10.184%	6,055,000	616,657
Bellflower Unified School District, District 2012 Series A	27.713%	34,360,000	9,522,134
Bellflower Unified School District, District 2012 Series B	27.713%	41,915,000	11,615,840
Long Beach Unified School District DS 2008 Refunding Bonds	8.560%	19,540,606	1,672,684
Long Beach Unified School District DS 2008 Series A	8.560%	20,910,000	1,789,905
Long Beach Unified School District DS 2009 Ref Bonds Series B	8.560%	1,500,000	128,401
Long Beach Unified School District DS 2010 Ref Bonds Series A	8.560%	38,265,000	3,275,500
Long Beach Unified School District DS 2008 SR B-1 QSCB	8.560%	72,406,000	6,197,983
Long Beach Unified School District DS 2011 Refunding Bonds	8.560%	7,725,686	661,322
Long Beach Unified School District DS 2012 Refunding Bonds	8.560%	79,675,000	6,820,213
Long Beach Unified School District DS 2008 Series C	8.560%	34,010,000	2,911,270
Long Beach Unified School District DS 2008 Series D	8.560%	249,328,410	21,342,615
Long Beach Unified School District DS 2016 Refunding Bonds	8.560%	136,395,000	11,675,468
Long Beach Unified School District DS 2008 Series E	8.560%	149,395,000	12,788,274
Long Beach Unified School District DS 2016 Series A	8.560%	268,085,000	22,948,186
Paramount Unified School District 2006 Series 2011 Bonds	10.044%	41,316,359	4,149,824
Paramount Unified School District 2006 2013 Series C	10.044%	32,638,515	3,278,220
Paramount Unified School District Ref Bond Series 2015	10.044%	31,145,000	3,128,211
Paramount Unified School District 2016 Series 2017A	10.044%	22,845,000	2,294,557
Paramount Unified School District 2016 Series 2018B	10.044%	30,496,089	3,063,034
Total overlapping debt		\$ 2,321,012,359	\$ 201,815,286
City Direct Debt:			
Lease payable	100.000%	883,811	883,811
Total Direct and Overlapping Debt			\$ 202,699,097

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Assessed valuation (In thousands)	\$ 7,007,717	\$ 7,032,248	\$ 7,168,922	\$ 7,281,614	\$ 7,474,292
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit (In thousands)	1,051,158	1,054,837	1,075,338	1,092,242	1,121,144
Total net debt applicable to the limit:					
General obligation bonds (In thousands)	-	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 1,051,158</u>	<u>\$ 1,054,837</u>	<u>\$ 1,075,338</u>	<u>\$ 1,092,242</u>	<u>\$ 1,121,144</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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed valuation (In thousands)	\$ 7,899,494	\$ 8,298,427	\$ 8,698,092	\$ 9,165,328	\$ 9,655,309
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit (In thousands)	1,184,924	1,244,764	1,304,714	1,374,799	1,448,296
Total net debt applicable to the limit:					
General obligation bonds (In thousands)	-	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 1,184,924</u>	<u>\$ 1,244,764</u>	<u>\$ 1,304,714</u>	<u>\$ 1,374,799</u>	<u>\$ 1,448,296</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		
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	
2016	10,931	7,849	3,082	687	67	4.09	
2017	10,873	7,280	3,593	233	45	12.92	
2018	13,004	9,589	3,415	233	38	12.60	
2019	13,355	10,473	2,882	245	32	10.40	

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				Coverage
	Tax Increment	Debt Service			
		Principal	Interest		
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	
2017	1,432	1,330	102	1.00	
2018	1,425	1,390	35	1.00	
2019	-	-	-	-	

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)
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%
2016	79,272	2,406,040	30,351	4.0%
2017	81,179	2,490,791	30,682	3.3%
2018	81,352	2,579,207	31,704	4.4%

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

Employer	2019		2010	
	Number of Employees	Percentage of Total Employment*	Number of Employees	Percent of Total Employment
Long Beach Unified School District	923	2.25%	901	5.40%
Lakewood Regional Medical Center	812	1.98%	N/A	N/A
City of Lakewood	583	1.42%	604	3.62%
Dept. of Children & Family Services	511	1.24%	550	3.29%
Bellflower Unified School District	491	1.19%	418	2.50%
LA County Sheriff's Department	384	0.93%	317	1.90%
ABC Unified School District	376	0.91%	360	2.16%
Wal-Mart	374	0.91%	N/A	N/A
CostCo	317	0.77%	N/A	N/A
Albertson's	269	0.65%	500	2.99%
Long Beach Mazda	N/A	N/A	400	2.40%
Piazza McDonald's	N/A	N/A	258	1.55%
Pacific Ford	N/A	N/A	250	1.50%

* Based on updated estimated U.S. Census Bureau's Labor Force count (2019)



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

<u>Division</u>	Fiscal Years									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City Administration	32	32	32	32	31	30	30	30	29	29
City Clerk	2	2	2	2	2	2	2	2	2	2
Administrative Services	21	21	21	21	21	20	21	21	20	20
Community Development	15	15	15	15	15	14	14	14	14	14
Public Works	31	31	31	31	31	31	32	32	32	32
Recreation and Community Services	59	59	59	59	60	62	62	62	61	61
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>17</u>	<u>17</u>
Total	<u>179</u>	<u>179</u>	<u>179</u>	<u>179</u>	<u>179</u>	<u>178</u>	<u>180</u>	<u>180</u>	<u>175</u>	<u>175</u>

City of Lakewood
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Years				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public works:					
Street resurfacing (miles)	4	8	6	6	1
Recreation and community services:					
Number of recreation classes	1,945	2,230	1,805	1,786	1,812
Number of facility rentals	4,845	5,486	6,871	7,320	7,473
Water					
New connections	7	12	27	24	11
Number of consumers	20,396	20,421	20,440	20,453	20,469
Average daily consumption (thousands of gallons)	7,323	6,920	7,200	7,330	7,549
Community development					
Number of building permits issued	*	2,825	2,889	2,781	2,915

*Includes both residential and commercial permits.

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

	Fiscal Years				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Public works:					
Street resurfacing (miles)	-	1	-	-	3
Recreation and community services:					
Number of recreation classes	1,615	1,931	1,711	1,924	1,888
Number of facility rentals	8,259	7,919	5,838	1,577**	1,715**
Water					
New connections	6	2	7	4	9
Number of consumers	20,489	20,481	20,180	20,196	20,148
Average daily consumption (thousands of gallons)	6,857	5,887	6,262	6,050	5,954
Community development					
Number of building permits issued	3,457	4,408	4,051	3,986	3,765

*Includes both residential and commercial permits.

**In November 2016 the RCS Department initiated a transition from CLASS facility booking software to the ActiveNet online system. For the duration of 2017 to date, inclusive of the 2017/18 fiscal year, the ActiveNet system has represented blocks of facility reservations for multiple dates as one event. The CLASS system previously represented a block of facility reservations for multiple dates as many events- i.e. one date equals one event. This is the reason for the significant decline in facility rentals from FY 2017 to FY 2018.

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

	Fiscal Years				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</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





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 the Honorable Mayor and Members of 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, 2019, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 basic 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 the Honorable Mayor and Members of 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.

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 26, 2019