

CITY OF LAKEWOOD, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

**Prepared by
Department of Finance**

**Diane Perkin
Director of Administrative Services**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION



Todd Rogers
Vice Mayor

Larry Van Nostran
Council Member



Diane DuBois
Council Member

Joseph Esquivel
Council Member

Steve Croft
Mayor

December 30, 2008

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

TRANSMITTAL

State law requires that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lakewood for the fiscal year ended June 30, 2008.

This report consists of management's representations concerning the finances of the City of Lakewood. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City of Lakewood has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Lakewood's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Lakewood's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Lakewood's financial statements have been audited by Diehl, Evans and Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lakewood for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lakewood's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

The City of Lakewood, incorporated in 1954, is located in Southern Los Angeles County, 20 miles south of the City of Los Angeles. Lakewood enjoys the benefits of the diversified economy of Southern California. The City is primarily a bedroom community providing housing for the Southern California subregion. The City of Lakewood occupies a land area of 9.5 square miles and serves a population of 83,486 as of January 1, 2008.

The City of Lakewood has operated under the council-manager form of government since its incorporation. The City of Lakewood is a "contract city," having been the first in the country to adopt this form of government. Policy-making and legislative authority are vested in a governing council consisting of five council members. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the governments, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year overlapping terms. The mayor is selected by the council from among its members and serves in that capacity for a one-year term.

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

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

FISCAL YEAR 2007-2008 HIGHLIGHTS

Law enforcement:

The Lakewood Sheriff's Station has been expanded and modernized for the law enforcement needs of the 21st century. Thanks to Supervisor Don Knabe and Sheriff Lee Baca, who secured county funding, and Congresswoman Linda Sánchez, who provided federal funding for technology upgrades, Lakewood's 1950s-era sheriff's station was recommissioned in February. The expansion project included a state-of-the-art dispatch center, station operations center, a dedicated Emergency Operations Center for disaster and homeland security response, a new vehicle service garage, and remodeled space for the Detective Bureau, Team Lakewood deputies, traffic and narcotics units, and station administration. The project was completed without a new tax, a tax increase, or special assessment. And it was completed on time and under budget. Phase I began in February 2006. Phase 2 began in March 2007.

Crime in Lakewood has declined significantly. Overall, crime in Lakewood has declined significantly from levels that were already relatively low. Between 1997 and the start of 2008, violent crime dropped 10.5 percent, and overall Part I crime dropped by 7 percent. In 2008, property crimes (including robbery, burglary, and theft) dropped 14 percent. Part I crime overall dropped 15 percent. Violent crimes (such as murder, rape and assault) declined 29 percent. (Source: LARCIS report, December 15, 2008). In 2008, the fingerprint identification unit conducted over 370 criminal investigations. Lakewood is one of the few cities where law enforcement routinely lifts prints from non-violent crime scenes.

Residents readied families for disaster. In cooperation with the Los Angeles County Fire Department, the city assisted 75 residents in becoming certified members of the Community Emergency Response Team. CERT's free, 20-hour training program educates participants in emergency preparedness and basic disaster rescue.

The Bloomfield Park Teen Resource Center opened. The center, partially funded by a grant from Supervisor Don Knabe, offers a comfortable and safe environment for doing homework, reading, and socializing. The center includes five desktop computers for school projects, two video game systems, and a library holding approximately 200 books (including manuals for college preparation and career building). The center offers daily programs provided by park staff and homework assistance.

Bloomfield Park facilities received a facelift. Parents can now view their young performers in the dance classes through a new "store front" window. Restrooms were updated. And the park building was painted and the building's landscaping was refreshed.

The Burns Community Service Center added a Nifty after Fifty wellness center and spa. Nifty after Fifty offers fitness and strength training, physical rehabilitation services, and spa treatments for its members.

Boyar Park's renovation continued. The first phase of the project improved one of the park's restrooms, added drinking fountains for the disabled on the north and south sides of the park, and installed both a large-group picnic shelter and a smaller Tot Lot shelter.

The environment:

- **Recycling used tires into street repairs since 2000 has kept over 810,000 old tires out of landfills.** Nearly 90 percent of city streets – both neighborhood streets and local highways – have been repaved since 2000 using rubberized asphalt. The city invested another \$2.6 million in street repairs in 2008.
- **Over 2,500 tons of litter were kept from Lakewood's storm drains in 2008.** Responding to stormwater pollution mandates from the state's Water Control Board, Lakewood adopted citywide "no parking during street sweeping" regulations in 2007 that were fully implemented at the start of 2008. Reaching out to residents through a comprehensive information campaign eased the transition to the new parking regulations.
- **Streets were shaded by 630 replacement parkway trees.** And 5,600 of the city's 26,000 trees were trimmed. The National Arbor Day Foundation has named Lakewood a "Tree City USA" every year since 1982.
- **City construction projects were built green.** The city has incorporated "green building" features – the use of sustainable materials, energy efficiency, and the recycling of demolition debris – into all its construction plans.
- **Clean fuels cut greenhouse gas emissions from city vehicles.** The city operates a fleet of 25 cars, vans, and trucks that run on clean-burning natural gas.
- **Lakewood's Certified Collection Centers recycled over 9,624 gallons of used oil.** And more than 1,000 used oil filters were collected from do-it-yourselfers.
- **Greenwaste drop-offs made recycling easier.** Over 36 tons of greenwaste were recycled between March and the end of October at collection events at the city's Arbor Maintenance Yard.
- **Recycling was made easier with the posting of an interactive map.** With a click or two at www.lakewoodcity.org/r3, users can locate recycling centers in the Lakewood region, see what the centers accept, and get directions.

Preserving neighborhoods:

- **Lakewood's abatement team took on problem properties.** The city's Nuisance Property Abatement Team (which includes the city prosecutor) addresses severe code violations, as well as locations where property violations are accompanied by criminal activity. Since 1999, the abatement team has worked nearly 1,000 cases.
- **Fix Up Paint Up program offered grants to those in need.** The Fix Up Paint Up program offers grants of up to \$3,000 in exterior repairs for elderly and disabled residents who can't cope with property upkeep. The program issued 27 grants in 2008.

- **Home Improvement Loan program made major repairs possible.** The Home Improvement Loan program makes major repairs possible by lending up to \$18,000 for home improvements to eligible homeowners. The program funded 14 loans in 2008.
- **Neighborhood eyesores were removed through the purchase of scattered lots.** The city's neighborhood improvement program acquires troubled properties needing renovation and uses "set aside" housing funds to make these sites available for the construction of new market-rate and affordable housing. To date, six distressed properties have been purchased and made available for housing. The city purchased three more parcels at the end of 2008.

Economic development expanded retail options:

- **New retail projects expanded existing shopping centers.** The first half of 2008 saw the completion of a Wells Fargo Bank at Candlewood Street and Graywood Avenue; the replacement of the former Walgreens store at Paramount Boulevard and South Street with a new commercial center that includes a 5,800-square-foot Famima!! store; and the opening of the I Luv Sushi restaurant at Clubhouse Drive and Carson Street.
- **Kohl's went green.** The Kohl's store at Paramount Boulevard and Carson Street brought a power generating solar system on-line in 2008.
- **New home construction helped meet housing needs.** The Lakewood Estates at Gordon Ranch development at Del Amo Boulevard and Studebaker Road includes 27 single-family, market-rate homes and an 8,000 square foot commercial center. All the homes have now been sold.

City efforts protected Lakewood's water supply:

- **Lakewood residents cut their water use by an average of eight percent a month in Fiscal Year 2008.** The city has asked Lakewood residents to conserve water voluntarily. During a drought in the 1990s, the city developed a conservation plan that maximizes the use of reclaimed water for landscape irrigation and sets water conservation standards for homeowners and businesses.
- **Programs that insure a reliable water supply were continued.** These included the purchase of additional water rights, the positioning of stand-by generators to run pumps, and the installation of mutual-aid inter-ties with neighboring water systems.
- **An additional 3.2 miles of water mains were installed.** A new water well capable of producing 2,500 gallons per minute was completed in 2008.

FISCAL YEAR 2008-2009 BUDGET INITIATIVES

The following focus areas were identified in the operating budget. These priorities include managing in an unstable economy, securing stable fiscal resources, developing the Lakewood economy, keeping Lakewood safe, passing on a tradition of volunteerism, providing leisure activities, protecting the environment, preserving Lakewood's infrastructure, meeting housing needs, and preserving the neighborhood quality of life.

MANAGING IN AN UNSTABLE ECONOMY: Economic trends and indices, state and federal actions are closely monitored to ensure that the city remains viable in this unstable economy. The city remains very active in the legislative process at Sacramento to protect local jobs, land use and redevelopment authority, and assure that local revenues are protected and state takeaways stopped. City council members and city staff will continue to engage our legislators and members of the Governor's staff to insure minimal impact on cities and our residents.

SECURING STABLE FISCAL RESOURCES: Of the four principle sources of city funds, only the utility users' tax (UUT) has historic reliability. Revenue from Lakewood's UUT goes directly into the city's general fund as an unrestricted source of revenue that pays for law enforcement, anti-gang efforts, city-sponsored after-school programs, programs for seniors, those in need, and other city services. To keep pace with technological change – and comply with recent court decisions, Lakewood modernized the language in the 1992 ordinance so that all taxpayers will be treated equally regardless of the technology used for telephone services. An updated utility users' tax ordinance was approved by 80% of the voters during the November 4, 2008 election.

DEVELOPING THE LAKEWOOD ECONOMY: The city collaborates with the community to encourage commercial development in Lakewood to provide our residents with both convenient shopping and employment opportunities. In addition to the 17.3 acres of commercially zoned vacant property throughout the city, the Economic Development Committee also looks at opportunities to rejuvenate existing businesses in Lakewood. Improvements to the retail center located on the corner of Bellflower and South will continue into Fiscal Year 2008-2009.

In February 2009, the city will see the addition of a Costco at the Lakewood Center Mall to replace a large site left empty since 2006. Costco will be one of the anchors at Lakewood Center. Plans have been approved for a 160,000-square-foot, single-story Costco store to take the place of the empty 210,000-square-foot, two-story building. The Costco building will be detached from the enclosed mall. The open space between will be filled by an outdoor plaza, palm trees and other landscaping, café seating, and a new skylighted entrance to the mall. Combining Costco and a traditional shopping mall makes Lakewood “a very powerful retail magnet,” according to Jack Kyser, chief economist of the Economic Development Corporation of Los Angeles County. The Costco building also utilizes energy saving design concepts. Costco uses skylights and photocell based day-lighting controls as a standard feature. Each store’s Energy Management System (EMS) is controlled remotely to save on energy consumption and costs.

KEEPING LAKEWOOD SAFE: With the completion of the major expansion and renovation of the Lakewood Sheriff’s Station, the city council authorized increasing the Public Safety budget for two additional special assignment officers to provide law enforcement services in targeted areas of the city, and a probation officer. Lakewood is also one of the few cities where law enforcement routinely lifts prints from non-violent crime scenes.

The city funds annual enforcement and education campaigns to take on illegal fireworks use. The city council ordered a crackdown in 2006 on those who sell or use illegal fireworks, and took a strong anti-illegal fireworks message to the community in a coordinated public education campaign. Deputies issued 90 citations for illegal fireworks use; down from the previous year of 150 citations.

Neighborhood Watch, Park Watch, LAND, and Business Watch programs enhance neighborhood security. The city’s highly successful Neighborhood Watch program and Lakewood’s park patrol program continue to impact crime in local neighborhoods. Business Watch and the LAND (Lakewood Apartments Nuisance Deterrent) program for rental property managers continue to offer crime-fighting strategies that help small businesses and apartment complexes become less vulnerable to crime.

The city-operated “Live Scan” fingerprinting unit at the Community Safety Center inside the mall provides quick processing of juveniles detained in the mall by deputies. This system also provides fingerprinting services for residents for job clearances at schools and municipalities, as well as state and federal agencies.

“Countywide interoperability” will continue to be a city focus, and provides for the ability for all law enforcement agencies in Los Angeles County to be able to communicate via radio during times of multi-agency response to disasters and other emergencies. The city’s “community resource command vehicle” – an Emergency Operations Center on wheels – is equipped with a dispatch center, conference rooms, satellite telephone communications system, interoperable radios linked to all emergency agencies, and computers to handle a full range of emergency operations and special event coordination. Lakewood’s *Survive for 7* information campaign and Web site deliver the message that every family needs a week’s worth of survival supplies should disaster strike. The campaign has been called a model by state disaster planning experts. The city has also installed a Reverse 911 system to reach out to residents with disaster information. Expanded telephone and e-mail systems allow public safety officials to contact Lakewood residents at home in the event of an emergency. Lakewood has met training requirements mandated by federal Homeland Security Presidential Directive-5, and Lakewood’s workforce is fully certified in the National Incident Management System.

PASSING ON A TRADITION OF VOLUNTEERISM: The City of Lakewood continues to recognize the value to the community provided by the city’s many volunteers who help make Lakewood a better place to live. Volunteers are the cornerstone in maintaining the quality-of-life programs that have made Lakewood unique. Lakewood Youth Sports coaches contribute over 14,000 volunteer hours annually. Lakewood teens continue to be enthusiastic volunteers contributing over 9,000 hours each year, and senior programming volunteers give over 28,000 hours annually. In the years ahead, the city will focus on enlisting new volunteers in city-sponsored programs.

PROVIDING LEISURE ACTIVITIES: The Recreation and Community Services Department offers a wide array of events, classes, activities and programs to the community. In addition to contract classes and programs conducted throughout the year, seasonal highlights include Summer Concerts in the Park, Halloween Carnivals, aquatics programs, sports leagues and extended park hours of operation. The recently expanded West San Gabriel River Parkway Nature Trail, located adjacent to Monte Verde Park, offers a desirable passive natural experience for the enjoyment and enrichment of the community. The Centre at Sycamore Plaza continues to operate as a multi-purpose banquet facility boasting state-of-the-art functionality making it a highly desirable locale for many users ranging from recreation classes and small community meetings to large corporate functions and private events.

PROTECTING THE ENVIRONMENT: The city oversees a recycling program diverting from landfills tons of street sweepings, thousands of pounds of televisions, monitors, computers, and other e-waste, over 25 tons of green-waste, tens of thousands of gallons of oil, over a hundred tons of used waste paper and 50 tons of Christmas trees, and household batteries. Additionally, staff will be developing a construction and demolition ordinance, a fats, oil and grease (FOG) ordinance and continue to develop public education materials for the storm water and FOG programs for Lakewood residents and businesses.

The city negotiated an agreement with City Light and Power to install, finance and operate a photovoltaic system installed on the roof of the largest reservoir at the city's Arbor Maintenance Yard. The project will be completed in Fiscal Year 2008-2009, and will provide over 250 kilowatts of electrical energy during daylight hours to power water storage facility's booster station during daylight hours reducing the use of electrical energy during periods of peak demand and peak time of use rates. The city has reserved a \$711,000 rebate from the California Solar Initiative Program, which will be paid to the city over five years once the system is operational. And the solar panels will eliminate the equivalent of 13 million pounds of carbon dioxide from the environment over the system's 30-year life.

The state Department of Conversation approved a \$200,000 grant to expand recycling at eleven multi-family complexes with over 4,500 residents. The materials to be collected are beverage containers, cardboard, paper, non-CRV plastic, glass, and metal. The program is expected to cut 31 tons of greenhouse gas emissions per year.

The drafting of a Climate Action Plan for greenhouse gas reduction is underway. Lakewood's plan will outline current and future climate-friendly activities.

PRESERVING LAKEWOOD'S INFRASTRUCTURE: Lakewood will continue its program of local street maintenance with the use of CDBG and Prop 1B funds, and reserves that were set aside in economically good years. Providing well-maintained local streets for Lakewood residents will always be a local government priority. Since 2000, 88% of residential streets and alleys have been fully repaved with rubberized asphalt, including every residential street in Lakewood east of the San Gabriel River. By the end of Fiscal Year 2008-2009, 92% of the streets will be resurfaced. Since 2006, four miles of sidewalk were removed and replaced. Additionally, the city plans to continue its tree planting program to maintain the Lakewood tradition as a Tree City USA.

A new activity building will replace the current "A" framed structure at Boyar Park, with construction set to begin in late 2008. The replacement of the Boyar Park activity building will include demolition of the old A-frame structure and construction of a new 4,000 square foot building. It will have an activity room, park office, a meeting room, a food staging area, a covered patio area for table games, and restrooms accessible for the disabled. The basic "footprint" of the building will remain the same, however, retaining its "neighborhood feel." The Boyar Park activity building will feature a Craftsman style design using durable materials, and kid-friendly finishes. As with all its construction projects, the city has incorporated "green building" features, such as the use of sustainable construction materials, increased energy efficiency, and the recycling of demolition debris.

The three large 1950s-era group picnic shelters at Del Valle Park will be replaced with three, Craftsman-style durable metal roofed structures. The grounds around each shelter will be graded to eliminate "bowls" and high mounds which created visibility problems for park staff and sheriff patrol officers. Also included at each shelter will be new BBQs, trash receptacles, picnic and food prep tables and accessible drinking fountains.

Lakewood continues its commitment to excellent water quality and providing a reliable water supply. The city has implemented a number of programs and strategies to insure a reliable water supply, even during emergencies. These programs include stand-by generators to run pumps and mutual-aid inter-ties with neighboring water systems. The Department of Water Resources will replace another three miles of water mains, add new service lines and fire hydrants, and install a treatment facility at well #27. These projects – part of an on-going plan to replace old undersized water mains – will increase fire-fighting capabilities and improve water quality.

MEETING HOUSING NEEDS: Lakewood continues to focus on the preservation of its homes, most of which are now more than 50 years old. The city will maintain its home improvement efforts in Fiscal Year 2008-2009 to assist low and moderate-income families and seniors. The Fix Up/Paint Up program offers grants of up to \$3,000 in exterior repairs for elderly and disabled residents who cannot attend to property upkeep themselves. The Home Improvement Loan program makes major repairs possible by lending up to \$18,000 for home improvements to eligible homeowners. Both of these home renovation efforts will continue in Fiscal Year 2008-2009.

The city's neighborhood improvement program acquires troubled properties needing renovation and uses housing funds that have been set aside to make these sites available for the construction of new market-rate and affordable housing. To date, five parcels have been purchased and assembled, and neighborhood eyesores will continue to be removed through the purchase of scattered lots.

PRESERVING THE NEIGHBORHOOD QUALITY OF LIFE: Lakewood's Nuisance Property Abatement Team (which includes the city prosecutor) will continue to address severe code violations, as well as locations where property violations are accompanied by criminal activity. In response to Lakewood citizens' concerns, the city council adopted an ordinance banning (with very limited exceptions) the on-street parking of RVs and trailers not registered to a Lakewood address. Limited, permit-only parking for RVs and trailers registered to a Lakewood address was overwhelmingly approved by Lakewood voters in November 2006. The City will be providing more comfortable and esthetically pleasing bus shelters at the various bus stops throughout the city. The City implemented a city-wide mandatory street sweeping program. This street sweeping program is designed to reduce refuse flowing into storm drains, and improve the aesthetics of the city's tree lined streets.

ASSESSING THE CITY'S ECONOMIC CONDITION

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

ECONOMIC CLIMATE: At the time of the adoption of the City of Lakewood Fiscal Year 2007-2008 Budget, the economic projection was dismal – now it is dire. Projected GDP for 2008 was 1.4 percent and last year at this time, Gross Domestic Product was expected to strengthen in the second half of 2007 as negative growth implications of the housing market faded, and then further increase to 3.3 percent in 2008; and concerns regarding inflation were emerging. Then, the primary budgetary concerns were the dramatic decline in the housing market, the tightening of credit, and record high fuel prices that had slowed gasoline consumption and severely cut into consumer spending resulting in the weakest retail sales since 1970. Economic concerns focused on the housing and related housing industries, and somewhat the diminishing credit availability.

The economic risk of the tightening credit market proved to be catastrophic – causing the worst financial crisis since the Great Depression. The carnage experienced by the financial markets ignited a global financial panic shutting down the global economy. In the 3rd quarter of 2008, GDP plummeted and is now in negative territory, unemployment is rising and projected to reach levels not seen since the recession of the 1980s, the stock market fell 47 percent, and property values plunged to new lows and with the sub-prime lending created rampant home foreclosures across the nation. Consumer confidence reached an all time low in October 2008, with little hope of relief. The only reprieve for the consumer is gasoline prices are at record lows and the fear of inflation for now is gone. The U.S. Treasury and Federal Reserve have used every available tool to mitigate the downward economic spiral from tempting the fate of moral hazards by buying securities of companies “too big to fail,” to slashing the Federal Funds rate to 0-0.25 percent; all to no avail. Now hope is hinged on a huge stimulus program from the newly elected president and administration to stabilize the economy, create jobs, and bolster consumer confidence and spending.

California suffered the same plight felt across the nation. The dramatic slowing of the economy in 2008 will result in a loss of jobs and rising unemployment. Unemployment for California, which had remained fairly steady at 4.8 percent since July 2006, is now over eight percent. The State's government operating shortfall increased significantly to \$15 billion, then to \$21 billion as of November 2008. With state revenues severely reduced combined with rising state expenses, the Legislative Analyst projects that the state will need \$40 billion in budget solutions over the 2008-09 and 2009-10 fiscal years, and forecasts huge budget shortfalls in the range of \$22 billion through 2013-14. Closing a projected \$40 billion budget shortfall will involve reducing base spending and increasing revenues. The current State's budget does not include revenue shifts from cities to the state, but cities remain skeptical of the state and its past practice of shifting services to counties and repercussions to cities; and the caveat remains that a state deficit creates the potential for a revenue shift from cities to the state in the current year, as well as future years.

Five months after the adoption of the City of Lakewood Fiscal Year 2008-2009 Budget, the economic downward spiral due to the fallout of the financial crisis spurred by the sub-prime housing market, the severe decline in consumer spending, and the burgeoning State deficit of over \$20 billion have created a fiscally tenuous environment for cities. The decline in sales tax revenues, the listing downward growth in property tax revenues, and the certain possibility of revenue shifts to the state have required the city to put in place cost saving measures while maintaining the high level of service to the city's citizens.

LONG-TERM FINANCIAL PLANNING: Capital improvements are considered apart from the operating budget of the city. Capital improvement projects typically involve large outlays and cover multiple years. The Legacy Capital Improvement Plan is the City of Lakewood's five-year capital improvement plan.

CASH MANAGEMENT POLICIES AND PRACTICES: Cash temporarily idle during the year was invested in government agencies and the States Local Agency Investment Fund (LAIF). The maturities of the investments range from one to five years, with an average maturity of 30 months. The average yield on investments was 4.13 percent. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

RISK MANAGEMENT: The City of Lakewood is a member of the California Joint Powers Insurance Authority (CJPIA). With 123 city and public entity members, it is the largest joint powers insurance authority in California. Through the CJPIA, the City is self-insured against liability and workers' compensation claims. As protection against catastrophic loss, members fund a pool to finance large settlements. During 2007-2008, Lakewood continued its proactive liability risk management role through careful monitoring of losses, working closely with the CJPIA's third-party claims adjuster, and designing and implementing programs to minimize risks and reduce losses. In addition, the City's Safety Committee analyzes Workers' Compensation issues by monitoring work conditions and organizing and implementing safety training programs to reduce employee exposure to hazards. Additional information of the City of Lakewood's risk management activity can be found in Note 11 of the notes to the basic financial statements.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS: The City of Lakewood is a member of the Public Employees Retirement System (PERS), which is a defined benefit plan covering all full-time and some part-time employees. The City of Lakewood is also a member of the Public Agency Retirement System (PARS), which is a defined contribution plan covering part-time employees who work less than 1,000 hours per year and provides a stackable defined benefit plan to full-time employees who retire from PERS and the City. The City does not pay Social Security. The City of Lakewood also offers two 457 deferred compensation plans and a 401(a) deferred compensation plan, to which the City does not contribute. The City provides limited supplemental payment for post-retirement health care benefits for full-time employees who have completed 20 years of service and have reached the age of 55, or who have completed 15 years and reached the age of 60, and who are retiring under the PERS.

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, 2007. This was the 27th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Howard L. Chambers
City Manager

Diane Perkin
Director of Administrative Services

FINANCIAL SECTION



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December 18, 2008

INDEPENDENT AUDITORS' REPORT

City Council
City of Lakewood
Lakewood, California

We have audited the accompany financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lakewood's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2008 on our consideration of the City of Lakewood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison schedule as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lakewood's basic financial statements. The introductory section, supplementary information section and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diehl, Evans and Company, LLP

JUNE 30, 2008

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- The assets of the City (*which include the value of streets, sidewalks and other infrastructure*) exceeded its liabilities at June 30, 2008, by \$159,215,369 (*net assets*). Of this amount, \$43,702,895 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific programs.
- The government's total net assets increased by \$6,674,034 during the fiscal year ended June 30, 2008. Much of this increase is attributable to an increase in revenue in Governmental Activities related to general government program revenues, and a decline in capital expenditures.
- As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$48,729,153, an increase of \$2,981,868 in comparison with the prior year.
- At June 30, 2008, unreserved fund balance of the general fund was \$27,880,662 or 71 percent of total general fund expenditures. The majority of these funds are designated for specific purposes such as self-insurance, capital improvements, equipment replacement and infrastructure improvements.
- The City of Lakewood's total debt (noncurrent liabilities) increased by \$2,153,204 approximately 12.8% during the current fiscal year. This includes the financing of the photovoltaic system of \$3,450,000.

Overview of the Financial Statements

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

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

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

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

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

See independent auditors' report.

Government-wide financial statements (Continued)

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

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

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

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

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

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

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

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

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

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

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

See independent auditors' report.

Fund financial statements (Continued)

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

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 - 54 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. Required supplementary information can be found on pages 56 - 57 of this report.

The combining statements referred to earlier in connection with other governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 59 - 95 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lakewood, assets exceeded liabilities by \$159,215,369 at the close of the most recent fiscal year.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007 Restated	2008	2007 Restated	2008	2007 Restated
Current and other assets	\$ 69,389,254	\$ 65,656,490	\$ 10,572,076	\$ 8,532,249	\$ 79,961,330	\$ 74,188,739
Capital assets	80,655,513	79,858,105	25,227,790	22,372,641	105,883,303	102,230,746
Total Assets	150,044,767	145,514,595	35,799,866	30,904,890	185,844,633	176,419,485
Long-term liabilities outstanding	8,359,802	11,727,346	6,174,417	3,068,536	14,534,219	14,795,882
Other liabilities	10,782,105	7,180,839	1,312,940	1,901,429	12,095,045	9,082,268
Total Liabilities	19,141,907	18,908,185	7,487,357	4,969,965	26,629,264	23,878,150
Net assets:						
Invested in Capital Assets						
Net of Related Debt	80,655,513	79,858,105	18,683,373	18,784,893	99,338,886	98,642,998
Restricted	16,173,588	14,647,204	-	-	16,173,588	14,647,204
Unrestricted	34,073,759	32,101,101	9,629,136	7,150,032	43,702,895	39,251,133
Total Net Assets	\$ 130,902,860	\$ 126,606,410	\$ 28,312,509	\$ 25,934,925	\$ 159,215,369	\$ 152,541,335

By far the largest portion of the City of Lakewood's net assets, (62%) reflects its investment in capital assets (i.e. land, buildings, machinery and equipment). The City of Lakewood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lakewood's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Lakewood's net assets, (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$43,702,895) may be used to meet the government's ongoing obligation to citizens and creditors.

See independent auditors' report.

Government-wide Financial Analysis (Continued)

At the end of the current fiscal year, the City of Lakewood is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. At year-end, 66 percent of the City of Lakewood's business-type activities' net assets were invested in capital assets.

- The City of Lakewood's net assets increased by \$6,674,034 during the current fiscal year. Much of this increase is attributable to an increase in program revenues and a decline in capital expenditures related to transportation.

City of Lakewood
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007 Restated	2008	2007 Restated	2008	2007 Restated
Revenues:						
Program revenues:						
Charges for services	\$ 9,843,459	\$ 9,252,447	\$ 8,916,030	\$ 8,996,352	\$ 18,759,489	\$ 18,248,799
Operating grants and contributions	8,182,326	7,988,389	-	-	8,182,326	7,988,389
Capital grants and contributions	1,263,382	822,247	-	-	1,263,382	822,247
General revenues:						
Property taxes	18,955,132	18,479,238	-	-	18,955,132	18,479,238
Other taxes	16,528,332	16,997,159	-	-	16,528,332	16,997,159
Grants and contributions not restricted to specific programs	433,593	740,072	-	-	433,593	740,072
Other	4,689,711	4,987,039	342,341	407,213	5,032,052	5,394,252
Total Revenues	59,895,935	59,266,591	9,258,371	9,403,565	69,154,306	68,670,156
Expenses:						
General government	8,128,441	8,510,064	-	-	8,128,441	8,510,064
Public safety	12,455,676	11,356,267	-	-	12,455,676	11,356,267
Transportation	5,649,724	4,824,504	-	-	5,649,724	4,824,504
Community development	10,717,032	10,309,543	-	-	10,717,032	10,309,543
Health and sanitation	4,449,649	4,250,787	-	-	4,449,649	4,250,787
Culture and leisure	9,141,664	9,019,931	-	-	9,141,664	9,019,931
Unallocated infrastructure depreciation	1,979,819	1,776,204	-	-	1,979,819	1,776,204
Interest on long term debt	3,077,480	2,795,304	-	-	3,077,480	2,795,304
Water	-	-	6,880,787	6,276,836	6,880,787	6,276,836
Total expenses	55,599,485	52,842,604	6,880,787	6,276,836	62,480,272	59,119,440
Increase in net assets	4,296,450	6,423,987	2,377,584	3,126,729	6,674,034	9,550,716
Net assets - at beginning of year (as restated)	126,606,410	120,182,423	25,934,925	22,808,196	152,541,335	142,990,619
Net assets - at end of year	\$ 130,902,860	\$ 126,606,410	\$ 28,312,509	\$ 25,934,925	\$ 159,215,369	\$ 152,541,335

Governmental activities. Governmental activities increased the City of Lakewood's net assets by \$4,296,450, thereby accounting for 64 percent of the total increase in net assets of the City of Lakewood. Key elements of the change are as follows:

- Prop 1B grant of \$1,345,308 was received during the fiscal year for local streets improvement projects.
- River Park grant of \$299,907 was received during the fiscal year for parks improvement program.
- Property tax increased overall by \$475,894. Property tax allocated to the general fund, which includes the motor vehicle license fee in-lieu, increased by \$1,005,542. This increase was offset by a decline in property tax allocation to the Lakewood Redevelopment Agency due to roll corrections based on supplemental exemptions.
- Sales tax decreased by \$1,084,825 during the fiscal year attributable to the declining economy.
- Decrease in capital outlay for transportation related projects of \$4,478,565.

Additional information on the change in net assets can be found on pages 21 - 22 of this report

Business-type activities. Business-type activities increased the City of Lakewood's net assets by \$2,377,584 accounting for 36 percent of the total increase in net assets. This increase in "retained earnings" is necessary with an estimated \$8.2 million in capital improvements required over the next two years, as recommended by the Water Resources Committee. Such projects on the horizon include \$1.6 million in Phase 4 of Water Main Replacements, \$2.3 million in Water Treatment for Plant #22, and \$3.4 million for the Photovoltaic System. See independent auditors' report.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Lakewood's governmental fund reported combined ending fund balances of \$48,729,153, an increase of \$2,981,868, in comparison with the prior year. Approximately 4 percent of this amount, \$1,901,603, constitutes unreserved fund balances, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of restricted purposes.

The general fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$27,880,662, while total fund balance reached \$57,209,642. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 71 percent of the total general fund expenditure, while total fund balance represents 146 percent of that same amount.

The fund balance of the City of Lakewood's general fund increased by \$1,546,801 during the current fiscal year. Key factors in this increase are as follows:

- Parking fines increased by \$123,297 due to enhanced citywide street-sweeping coverage and aggressive collection of unpaid citations.
- Other revenue increased by \$420,000 when the City exchanged excess Proposition A funds for general funds for City-related projects.
- Damages to City property's revenue increased by \$212,314 due to the recovery of repair costs thru streamlined billing and payments received from the insurance agency.
- Investment income increased by \$773,641 due to the booking of unrealized gains of investment portfolio's market valuation at fiscal year-end.

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

Unrestricted net assets of the Water Enterprise at the end of the year amounted to \$10,235,690. The total growth in net assets was \$2,529,770. A portion of these funds will be used to fund future capital improvements. Other factors concerning the finance of this fund have already been addressed in the discussion of the City of Lakewood's business-type activities.

General Fund Budgetary Highlights

Differences between the general fund original budget and the final amended budget were approximately \$3,023,797 and can be briefly summarized as follows:

- Additional appropriation of \$133,000 for Public Information projects.
- An increase of \$173,492 in Law Enforcement costs.
- An increase of \$390,345 in Public Works maintenance costs.
- An increase of \$455,170 for Streets and Medians projects.
- An increase of \$119,295 for Civic Center Phone system upgrade.
- An increase of \$283,745 for Sheriff Station project.
- An increase of \$1,142,443 for various Parks & Recreation projects.
- An increase of \$190,866 for Community Development project.
- Additional appropriations of \$135,000 for departmental operating costs.

See independent auditors' report.

Redevelopment Agency Debt Service Fund Highlights

- The Agency reduced the total outstanding principal on bonds by \$885,000.

Capital Asset and Debt Administration

Capital assets. The City of Lakewood's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$105,883,303 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Restatement of assets' beginning balances due to physical inventory
- Increase in the capitalization threshold from \$100 to \$5,000
- Capitalization of \$12,907,000 completed projects to different asset classifications

City of Lakewood
Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007 Restated	2008	2007 Restated	2008	2007 Restated
Land	\$ 17,444,023	\$ 17,444,023	\$ 381,023	\$ 381,023	\$ 17,825,046	\$ 17,825,046
Construction in progress	1,636,008	10,168,927	6,065,686	3,827,955	7,701,694	13,996,882
Water rights	-	-	1,791,836	1,791,836	1,791,836	1,791,836
Infrastructure	38,186,072	31,351,988	-	-	38,186,072	31,351,988
Structures and improvements	21,239,564	18,482,577	16,610,483	15,989,131	37,850,047	34,471,708
Equipment	2,149,846	2,410,590	378,762	382,696	2,528,608	2,793,286
Total	<u>\$ 80,655,513</u>	<u>\$ 79,858,105</u>	<u>\$ 25,227,790</u>	<u>\$ 22,372,641</u>	<u>\$ 105,883,303</u>	<u>\$ 102,230,746</u>

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

Long-term debt. At the end of the current fiscal year, the City of Lakewood had total long-term debt outstanding of \$18,899,716. Sixty percent relates to Redevelopment Agency tax allocation bonds to be repaid by future tax increment revenue. Another 35 percent is revenue bonds to be paid out of revenues of the water utility.

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

City of Lakewood
Summary of Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Tax allocation bonds	\$ 11,313,931	\$ 12,194,451	\$ -	\$ -	\$ 11,313,931	\$ 12,194,451
Compensated absences	1,041,368	1,090,964	-	-	1,041,368	1,090,964
Reclaimed water loan	-	-	-	37,561	-	37,561
Revenue bonds	-	-	6,544,417	3,423,536	6,544,417	3,423,536
Total	<u>\$ 12,355,299</u>	<u>\$ 13,285,415</u>	<u>\$ 6,544,417</u>	<u>\$ 3,461,097</u>	<u>\$ 18,899,716</u>	<u>\$ 16,746,512</u>

See independent auditors' report.

Economic Factors and Next Year's Budgets and Rates

The Los Angeles, Riverside, and Orange County region that includes Lakewood had a CPI growth of 3.3 percent in 2007, and is experienced slight growth in the CPI in the first half of 2008 to 3.8 percent. The 2008 fourth quarter financial crisis caused the CPI to reverse course in a steep decline to 1.0 in November 2008.

Due to the housing market bust, the regional housing market is not expected to rebound as quickly as anticipated a year ago. At this time last year, it was projected that the housing market may remain sluggish through 2008; now, even after record foreclosure and price declines, it is believed the downward spiral of the housing market will last through 2009.

The total assessed valuation of real property in the city was \$7.0 billion for Fiscal Year 2007-2008, an 8.8 percent increase from the previous year, as compared to the countywide increase of 9.1 percent. Historically, Lakewood's increases in property values have exceeded the county. The city's increase in property values is expected to slow to 4.6 percent in Fiscal Year 2008-2009.

We expect to see development of various properties throughout the city, but nothing like the expansion that had taken place in the recent past. Sales tax revenues fell in fiscal year 2007-2008 and are not projected to rebound until the middle of fiscal year 2009-10. Growth is expected to be at a much slower rate than previous years due to the nationwide economic downturn. Lakewood Center Mall continues to play a large role in keeping Lakewood's economy stable and strong and the forthcoming opening of Costco will be a key factor in bringing sales tax revenue up in the coming years.

Lakewood's unemployment rate remains below the national (6.7%) and state (8%) levels. Recently, unemployment in the Lakewood area followed the pattern across the nation and increased to 5.3 percent after years of remaining at a steady rate of 3.2 percent.

These factors were considered in preparing the City of Lakewood's amended budget for the 2008-2009 fiscal year.

During the reported fiscal year, unreserved fund balance in the general fund increased slightly to \$27,880,662. In January 2009 the City of Lakewood will begin preparation of its 2010 Fiscal Year Budget. As a part of this budgeting process, careful attention will also be given to the City's infrastructure needs as detailed and addressed in the Capital planning process. These two processes will blend into one budgetary presentation to City Council for consideration and adoption.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF LAKEWOOD
STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 54,650,852	\$ 8,399,892	\$ 63,050,744
Receivables:			
Accounts	6,903,196	405,129	7,308,325
Notes	3,738,937	-	3,738,937
Accrued revenue	-	682,051	682,051
Internal balances	606,554	(606,554)	-
Prepaid items	85,988	-	85,988
Inventories	86,169	12,695	98,864
Deferred charges	243,040	232,182	475,222
Land held for resale	1,480,056	-	1,480,056
Temporarily restricted assets:			
Cash and investments	-	8,120	8,120
Cash and investments held by bond trustees	1,594,462	1,438,561	3,033,023
Capital assets:			
Land	17,444,023	381,023	17,825,046
Water rights	-	1,791,836	1,791,836
Construction in progress	1,636,008	6,065,686	7,701,694
Depreciable infrastructure, net	38,186,072	-	38,186,072
Depreciable structures and improvements, net	21,239,564	16,610,483	37,850,047
Depreciable equipment, net	2,149,846	378,762	2,528,608
TOTAL ASSETS	150,044,767	35,799,866	185,844,633
LIABILITIES:			
Accounts payable and other current liabilities	4,985,235	883,824	5,869,059
Accrued interest payable	172,544	50,996	223,540
Unearned revenue	1,628,829	-	1,628,829
Liabilities payable from restricted assets:			
Customer deposits	-	8,120	8,120
Noncurrent liabilities:			
Due within one year	1,573,194	370,000	1,943,194
Due in more than one year	10,782,105	6,174,417	16,956,522
TOTAL LIABILITIES	19,141,907	7,487,357	26,629,264
NET ASSETS:			
Invested in capital assets, net of related debt	80,655,513	18,683,373	99,338,886
Restricted for:			
Debt service	1,421,918	-	1,421,918
Transportation	4,604,148	-	4,604,148
Parks and recreation	719,635	-	719,635
Community development	9,267,617	-	9,267,617
Other purposes	160,270	-	160,270
Unrestricted	34,073,759	9,629,136	43,702,895
TOTAL NET ASSETS	\$ 130,902,860	\$ 28,312,509	\$ 159,215,369

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

CITY OF LAKEWOOD

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

Functions/programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 8,128,441	\$ 1,187,144	\$ -	\$ -
Public safety	12,455,676	1,423,814	552,391	364,533
Transportation	5,649,724	-	5,370,983	898,849
Community development	10,717,032	1,169,018	1,353,536	-
Health and sanitation	4,449,649	4,489,476	173,176	-
Culture and leisure	9,141,664	1,574,007	732,240	-
Unallocated infrastructure depreciation	1,979,819	-	-	-
Interest on long term debt	3,077,480	-	-	-
Total governmental activities	55,599,485	9,843,459	8,182,326	1,263,382
Business-type activity:				
Water	6,880,787	8,916,030	-	-
Total	\$ 62,480,272	\$ 18,759,489	\$ 8,182,326	\$ 1,263,382

General revenues:

Taxes:

Sales taxes

Property taxes

Franchise taxes

Business operation taxes

Utility users taxes

Other taxes

Total taxes

Unrestricted motor vehicle in lieu

Grants and contributions not restricted to specific programs

Investment income

Total general revenues

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activity	Total
\$ (6,941,297)	\$ -	\$ (6,941,297)
(10,114,938)	-	(10,114,938)
620,108	-	620,108
(8,194,478)	-	(8,194,478)
213,003	-	213,003
(6,835,417)	-	(6,835,417)
(1,979,819)	-	(1,979,819)
(3,077,480)	-	(3,077,480)
(36,310,318)	-	(36,310,318)
-	2,035,243	2,035,243
(36,310,318)	2,035,243	(34,275,075)
10,681,315	-	10,681,315
18,955,132	-	18,955,132
1,249,586	-	1,249,586
476,926	-	476,926
3,517,707	-	3,517,707
602,798	-	602,798
35,483,464	-	35,483,464
35,099	-	35,099
433,593	-	433,593
4,654,612	342,341	4,996,953
40,606,768	342,341	40,949,109
4,296,450	2,377,584	6,674,034
126,606,410	25,934,925	152,541,335
<u>\$ 130,902,860</u>	<u>\$ 28,312,509</u>	<u>\$ 159,215,369</u>

CITY OF LAKEWOOD

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Redevelopment Agency Debt Service Fund
ASSETS		
Cash and investments	\$ 34,883,458	\$ 5,442,328
Cash and investments held by bond trustees	-	1,594,462
Accounts receivable	3,426,464	2,105,085
Prepaid items	85,988	-
Inventories	24,213	-
Due from other funds	1,768,872	445,652
Advances to other funds	31,093,121	-
Notes receivable	-	-
Land held for resale	-	-
TOTAL ASSETS	\$ 71,282,116	\$ 9,587,527
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 2,501,676	\$ 991,903
Accrued liabilities	813,607	-
Due to other funds	-	-
Deferred revenue	10,757,191	-
Advances from other funds	-	31,251,482
TOTAL LIABILITIES	14,072,474	32,243,385
FUND BALANCES (DEFICIT):		
Reserved:		
Continuing appropriations	2,538,337	-
Personnel benefits	4,464,565	-
Debt service	-	1,594,462
Land held for resale	-	-
Low and moderate housing	-	-
Notes receivable	-	-
Prepaid items	85,988	-
Inventories	24,213	-
Advances	21,471,735	-
Special revenue purposes	-	-
Encumbrances	442,905	-
Other reserves	301,237	-
Unreserved, reported in:		
General fund	27,880,662	-
Special revenue funds	-	-
Debt service fund	-	(24,250,320)
Capital projects fund	-	-
TOTAL FUND BALANCES (DEFICIT)	57,209,642	(22,655,858)
TOTAL LIABILITIES AND FUND BALANCES	\$ 71,282,116	\$ 9,587,527

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

Capital Projects			
Redevelopment Agency	Lakewood Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ 6,529,483	\$ -	\$ 7,785,551	\$ 54,640,820
-	-	-	1,594,462
-	-	1,371,647	6,903,196
-	-	-	85,988
-	-	-	24,213
-	-	-	2,214,524
158,361	-	-	31,251,482
3,460,662	-	278,275	3,738,937
1,480,056	-	-	1,480,056
<u>\$ 11,628,562</u>	<u>\$ -</u>	<u>\$ 9,435,473</u>	<u>\$ 101,933,678</u>
\$ 110,092	\$ -	\$ 438,029	\$ 4,041,700
-	-	59,143	872,750
445,652	-	1,228,340	1,673,992
2,801,059	-	1,806,351	15,364,601
-	-	-	31,251,482
<u>3,356,803</u>	<u>-</u>	<u>3,531,863</u>	<u>53,204,525</u>
-	-	3,058,267	5,596,604
-	-	-	4,464,565
-	-	-	1,594,462
1,480,056	-	-	1,480,056
6,466,558	-	-	6,466,558
659,603	-	-	659,603
-	-	-	85,988
-	-	-	24,213
158,361	-	-	21,630,096
-	-	4,081,263	4,081,263
-	-	-	442,905
-	-	-	301,237
-	-	-	27,880,662
-	-	(1,235,920)	(1,235,920)
-	-	-	(24,250,320)
(492,819)	-	-	(492,819)
<u>8,271,759</u>	<u>-</u>	<u>5,903,610</u>	<u>48,729,153</u>
<u>\$ 11,628,562</u>	<u>\$ -</u>	<u>\$ 9,435,473</u>	<u>\$ 101,933,678</u>

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CITY OF LAKEWOOD

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

June 30, 2008

Fund balances - total governmental funds	\$ 48,729,153
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Land	\$ 17,444,023	
Construction in progress	1,636,008	
Infrastructure net of \$84,105,604 accumulated depreciation	38,186,072	
Structures and improvements, net of \$15,761,240 accumulated depreciation	21,239,564	
Equipment, net of \$2,765,701 accumulated depreciation	<u>2,014,501</u>	
		80,520,168

Some of the City's receivables for loans, operating and capital grant reimbursements, taxes and investment income will be collected after year end, but are not available soon enough to pay for current-period expenditures, and therefore are reported as deferred revenues in the funds. Balances at June 30, 2008 totaled:	13,735,772
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Internal service funds are used by the City to charge the cost of materials and supplies, maintenance and repair of vehicles and equipment and printing services provided to the various departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. Internal Service funds net assets are:	202,570
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the Statement of Net Assets. Balances at June 30, 2008 are:	(172,544)
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Accrued interest on bonds		
Tax allocation bonds	\$ 11,355,000	
Less: Deferred amount on refunding, net of accumulated amortization	(85,411)	
Less: Deferred charges, net of accumulated amortization	(243,040)	
Plus: Bond issuance premium, net of accumulated amortization	44,342	
Compensated absences	<u>1,041,368</u>	
		<u>(12,112,259)</u>

Net assets of governmental activities	<u>\$ 130,902,860</u>
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See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD

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

For the year ended June 30, 2008

	General	Redevelopment Agency Debt Service Fund
REVENUES:		
Taxes	\$ 20,305,698	\$ 8,283,177
Licenses and permits	690,948	-
Fines and forfeitures	824,290	-
Investment income, rents and concessions	2,496,515	468,786
From other agencies	9,667,856	-
Current service charges	7,863,790	-
Other	478,407	-
TOTAL REVENUES	<u>42,327,504</u>	<u>8,751,963</u>
EXPENDITURES:		
Current:		
General government	7,637,161	-
Public safety	11,927,864	-
Transportation	3,782,907	-
Community development	3,409,621	1,596,947
Health and sanitation	4,401,637	-
Culture and leisure	8,109,872	-
Capital outlay:		
General government	-	-
Public safety	-	-
Transportation	-	-
Community development	-	-
Culture and leisure	-	-
Debt service:		
Owner participation agreement payments	-	760,974
Principal retirement	-	885,000
Interest and fiseal charges	-	3,057,549
TOTAL EXPENDITURES	<u>39,269,062</u>	<u>6,300,470</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,058,442</u>	<u>2,451,493</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	2,029,352	-
Transfers out	(3,540,993)	(3,304,446)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,511,641)</u>	<u>(3,304,446)</u>
NET CHANGE IN FUND BALANCES	1,546,801	(852,953)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED	<u>55,662,841</u>	<u>(21,802,905)</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 57,209,642</u>	<u>\$ (22,655,858)</u>

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

Capital Projects			
Redevelopment Agency	Lakewood Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,411,350	\$ 31,000,225
-	-	232,138	923,086
-	-	-	824,290
246,019	-	273,090	3,484,410
-	-	6,215,169	15,883,025
-	-	-	7,863,790
166,714	-	181,474	826,595
412,733	-	9,313,221	60,805,421
-	-	120,816	7,757,977
-	-	403,234	12,331,098
-	-	1,567,858	5,350,765
3,415,225	-	1,645,095	10,066,888
-	-	43,973	4,445,610
-	-	213,758	8,323,630
-	149,824	-	149,824
-	212,983	-	212,983
-	205,646	1,506,062	1,711,708
-	59,865	-	59,865
-	1,244,597	691,276	1,935,873
-	-	-	760,974
-	-	-	885,000
-	-	-	3,057,549
3,415,225	1,872,915	6,192,072	57,049,744
(3,002,492)	(1,872,915)	3,121,149	3,755,677
3,304,446	1,872,915	894,269	8,100,982
-	-	(2,029,352)	(8,874,791)
3,304,446	1,872,915	(1,135,083)	(773,809)
301,954	-	1,986,066	2,981,868
7,969,805	-	3,917,544	45,747,285
\$ 8,271,759	\$ -	\$ 5,903,610	\$ 48,729,153

CITY OF LAKEWOOD

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

For the year ended June 30, 2008

Net change in fund balances - total governmental funds \$ 2,981,868

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital expenses (\$4,006,015) exceeded depreciation (\$3,099,953) in the current period. 906,062

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

Total amount of loans made	\$ 324,000	
Total amount of loans repaid	<u>(346,430)</u>	(22,430)

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

Principal payments	885,000
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Certain accrued revenues such as taxes, interest, grants, and sanitation service charges, do not provide current financial resources and therefore, are not reported in the governmental funds as revenues. This is the amount of the net change in these accrued revenue amounts during the current period. (563,056)

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

Accrued interest	\$ 11,062	
Amortization of deferred amount on refunding, deferred charges and bond premium	(30,993)	
Change in compensated absences	<u>49,596</u>	29,665

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. 79,341

Change in net assets of governmental activities	<u>\$ 4,296,450</u>
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See independent auditors' report and notes to basic financial statements.

CITY OF LAKEWOOD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2008

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 8,399,892	\$ 10,032
Restricted cash and investments:		
Customer deposits	8,120	-
Held by bond trustees	1,438,561	-
Accounts receivable	405,129	-
Accrued revenue	682,051	-
Inventories	12,695	61,956
TOTAL CURRENT ASSETS	<u>10,946,448</u>	<u>71,988</u>
NONCURRENT ASSETS:		
Deferred charges, net of accumulated amortization	<u>232,182</u>	<u>-</u>
Capital assets, not being depreciated:		
Land	381,023	-
Construction in progress	6,065,686	-
Capital assets, being depreciated:		
Water rights	1,791,836	-
Source of supply	3,976,897	-
Pumping plant	532,694	-
Water treatment	67,903	-
Transmission/distribution	26,426,910	-
General plant	3,207,426	-
Equipment	-	1,293,124
Less: accumulated depreciation	<u>(17,222,585)</u>	<u>(1,157,779)</u>
Total capital assets (net of accumulated depreciation)	<u>25,227,790</u>	<u>135,345</u>
TOTAL NONCURRENT ASSETS	<u>25,459,972</u>	<u>135,345</u>
TOTAL ASSETS	<u>36,406,420</u>	<u>207,333</u>

(Continued)

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

CITY OF LAKEWOOD

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
(CONTINUED)

June 30, 2008

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 559,339	\$ 44,181
Accrued liabilities	324,485	26,604
Due to other funds	-	540,532
Accrued revenue bond interest	50,996	-
Customer deposits	8,120	-
Current portion of revenue bonds	370,000	-
TOTAL CURRENT LIABILITIES	1,312,940	611,317
NONCURRENT LIABILITIES:		
Revenue bonds	6,174,417	-
TOTAL LIABILITIES	7,487,357	611,317
NET ASSETS		
Invested in capital assets, net of related debt	18,683,373	135,345
Unrestricted	10,235,690	(539,329)
TOTAL NET ASSETS (DEFICIT)	28,919,063	\$ (403,984)
Adjustment to reflect the consolidation of internal service fund activities related to the water enterprise fund	(606,554)	
Net assets of business-type activity	\$ 28,312,509	

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

CITY OF LAKEWOOD

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

For the year ended June 30, 2008

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
OPERATING REVENUES:		
Metered water sales	\$ 7,451,213	\$ -
Reclaimed water sales	213,419	-
Fire protection	24,810	-
Service initiation and restoration charges	48,110	-
Installation charges	120	-
Billings to departments	-	568,542
Other revenues	1,178,358	-
TOTAL OPERATING REVENUES	8,916,030	568,542
OPERATING EXPENSES:		
Operations:		
Supply, transmission and distribution	4,179,383	-
Customer service	562,255	-
Administration	740,674	-
Cost of goods sold	-	1,306,543
Bad debt expense	111,931	-
Depreciation	985,238	108,653
TOTAL OPERATING EXPENSES	6,579,481	1,415,196
OPERATING INCOME (LOSS)	2,336,549	(846,654)
NONOPERATING REVENUES (EXPENSES):		
Sales of pumping rights	-	-
Investment income	342,341	-
Interest expense on long-term debt	(134,142)	-
Amortization of deferred charges	(14,978)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	193,221	-
INCOME (LOSS) BEFORE TRANSFERS	2,529,770	(846,654)
TRANSFERS IN	-	773,809
CHANGE IN NET ASSETS	2,529,770	(72,845)
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED	26,389,293	(331,139)
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 28,919,063	\$ (403,984)
Change in net assets - Water Enterprise Fund	\$ 2,529,770	
Adjustment to reflect the consolidation of the internal service fund activities related to the Water Enterprise Fund	(152,186)	
Change in net assets of business-type activity	<u>\$ 2,377,584</u>	

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

CITY OF LAKEWOOD

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2008

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 7,910,608	\$ -
Receipts from interfund services provided	-	525,002
Other operating receipts	1,178,358	-
Payments to suppliers	(4,368,189)	(663,996)
Payments to employees	(1,020,960)	(603,469)
Payments for interfund services used	(725,000)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,974,817	(742,463)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts from other funds	-	738,886
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of debt	3,450,000	-
Debt issuance costs	(128,682)	-
Acquisition of capital assets	(3,840,387)	-
Principal paid on revenue bonds and state loan	(392,561)	-
Interest paid on revenue bonds and state loan	(120,484)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,032,114)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	342,341	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,285,044	(3,577)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,561,529	13,609
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,846,573	\$ 10,032

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

(Continued)

CITY OF LAKEWOOD

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)

For the year ended June 30, 2008

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 2,336,549	\$ (846,654)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	985,238	108,653
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	186,675	-
(Increase) decrease accrued revenue	(13,739)	-
(Increase) decrease in inventories	33,799	(43,540)
Increase (decrease) in accounts payable	(568,970)	35,725
Increase (decrease) in accrued liabilities	165,924	3,353
Increase (decrease) in customer deposits	(150,659)	-
Total adjustments	638,268	104,191
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,974,817	\$ (742,463)

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

CITY OF LAKEWOOD

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2008

	Agency Funds
ASSETS:	
Cash and investments	\$ 2,407,563
Accounts receivable	10,627
Loans receivable	<u>1,048,553</u>
TOTAL ASSETS	<u>\$ 3,466,743</u>
LIABILITIES:	
Accounts payable	\$ 909,296
Deposits	1,500,198
Due to HUD	<u>1,057,249</u>
TOTAL LIABILITIES	<u>\$ 3,466,743</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

General Fund

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

Redevelopment Agency Debt Service Fund

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

Redevelopment Agency Capital Projects Fund

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

Lakewood Capital Improvements Capital Projects Fund

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

The City reports the following major enterprise fund:

Water Enterprise Fund

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

Additionally, the City reports the following fund types:

Special Revenue Funds

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

Capital Projects Fund

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

Internal Service Funds

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

Agency Funds

The Agency funds account for assets held by the City as an agent for others.

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Cash and Investments

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

E. Cash and Cash Equivalents

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

F. Capital Assets

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Structures and improvements	50 years
Equipment	5 - 7 years
Infrastructure	20 - 50 years
Water treatment plant	10 years
General Plant	5 - 20 years
Transmission/distribution	20 - 40 years
Source of supply	30 years
Pumping plant	30 years

G. Inventories

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

H. Prepaid Items

Prepaid items are recorded as expenditures when consumed.

I. Land Held for Resale

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

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

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

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

K. Property Taxes

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

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

L. Claims and Judgments

When it is probable that a claim liability has been incurred at year-end and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2008, the City Attorney estimated no additional claim liability. Small dollar claims and judgments are recorded as expenditures when paid.

The City's self-insurance program is administered through a Joint Powers Authority (the Authority), which is described at Note 11. The Authority is a public entity risk pool. Claims losses recorded in the Authority include both current claims and Incurred But Not Reported claims (IBNR). Deposits to the Authority are recorded by the City as insurance expenditures in the General Fund when paid. These deposits are subject to retrospective adjustment. Favorable claims experience in prior years results in a refund of deposits from the Authority and such refunds, if any, are recorded as a reduction of insurance expenditures. Adverse claims experience in prior years results in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when paid.

M. Deferred Amounts

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

N. Estimates

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

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2008 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 63,050,744	\$ 2,407,563	\$ 65,458,307
Temporarily restricted assets:			
Cash and investments	8,120	-	8,120
Cash and investments held by bond trustees	3,033,023	-	3,033,023
Total Cash and Investments	<u>\$ 66,091,887</u>	<u>\$ 2,407,563</u>	<u>\$ 68,499,450</u>

Cash and investments at June 30, 2008 consisted of the following:

Cash on hand	\$ 2,700
Deposits with financial institutions	2,051,401
Investments	<u>66,445,349</u>
Total Cash and Investments	<u>\$ 68,499,450</u>

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Bills, Bonds and Notes	5 years	None	None
U.S. Government Sponsored Enterprise Securities	5 years	None	None
Municipal obligations	5 years	None	None
Negotiable Certificates of Deposits	5 years	30%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Money Market Mutual Funds	N/A	20%	None
Los Angeles County Pooled Fund	N/A	None	None

N/A - Not Applicable

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)			
	12 Months or Less	13 - 24 Months	25 - 60 Months	Total
Local Agency Investment Fund	\$ 23,397,331	\$ -	\$ -	\$ 23,397,331
U.S. Government Sponsored Enterprise Securities:				
Federal Home Loan Mortgage Corporation (FHLMC)	978,959	-	-	978,959
Federal Home Loan Bank (FHLB)	-	2,007,190	33,864,579	35,871,769
Federal Farm Credit Bank (FFCB)	-	1,007,810	-	1,007,810
Federal National Mortgage Association (FNMA)	-	971,375	988,000	1,959,375
Money Market Mutual Funds	307,878	-	-	307,878
Held by Bond Trustee:				
Money Market Mutual Funds	2,922,227	-	-	2,922,227
	<u>\$ 27,606,395</u>	<u>\$ 3,986,375</u>	<u>\$ 34,852,579</u>	<u>\$ 66,445,349</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standard and Poor's, as of year end for each investment type:

Investment Type	Total as of June 30, 2008	Minimum Legal Rating	AAA	A	Not Rated
Local Agency Investment Fund	\$ 23,397,331	N/A	\$ -	\$ -	\$ 23,397,331
U.S. Government Sponsored Enterprise Securities	39,817,913	N/A	39,817,913	-	-
Money Market Mutual Funds	307,878	A	155,124	152,754	-
Held by Bond Trustee:					
Money Market Mutual Funds	2,922,227	A	2,922,227	-	-
	<u>\$ 66,445,349</u>		<u>\$ 42,895,264</u>	<u>\$ 152,754</u>	<u>\$ 23,397,331</u>

N/A - Not Applicable

See independent auditors' report.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	\$ 35,871,769

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The financial institution used by the City has indicated that there are times during the course of a year where they may not have met the collateral requirements. In addition, due to existing financial market conditions, there is a risk that the City may not be able to recover its deposits in excess of FDIC insurance coverage if a financial institution fails and the market value of the collateral is not sufficient to cover all deposits. At June 30, 2008, the City's cash on deposit exceeded federally insured limits of \$100,000 by \$2,047,094.

Investment in State Investment Pool

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

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

Governmental Activities:

	Balance at July 1, 2007, As Restated (1) (See Note 15)	Additions	Deletions	Balance at June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 17,444,023	\$ -	\$ -	\$ 17,444,023
Construction in progress	<u>10,168,927</u>	<u>3,769,451</u>	<u>(12,302,370)</u>	<u>1,636,008</u>
Total capital assets, not being depreciated	<u>27,612,950</u>	<u>3,769,451</u>	<u>(12,302,370)</u>	<u>19,080,031</u>
Capital assets, being depreciated:				
Structures and improvements	33,601,091	3,399,713	-	37,000,804
Equipment	5,748,009	325,317	-	6,073,326
Infrastructure	<u>113,477,773</u>	<u>8,813,903</u>	<u>-</u>	<u>122,291,676</u>
Total capital assets, being depreciated	<u>152,826,873</u>	<u>12,538,933</u>	<u>-</u>	<u>165,365,806</u>
Less accumulated depreciation for:				
Structures and improvements	(15,118,514)	(642,726)	-	(15,761,240)
Equipment	(3,337,419)	(586,061)	-	(3,923,480)
Infrastructure	<u>(82,125,785)</u>	<u>(1,979,819)</u>	<u>-</u>	<u>(84,105,604)</u>
Total accumulated depreciation	<u>(100,581,718)</u>	<u>(3,208,606)</u>	<u>-</u>	<u>(103,790,324)</u>
Total capital assets, being depreciated, net	<u>52,245,155</u>	<u>9,330,327</u>	<u>-</u>	<u>61,575,482</u>
Total governmental activities capital, net	<u>\$ 79,858,105</u>	<u>\$ 13,099,778</u>	<u>\$ (12,302,370)</u>	<u>\$ 80,655,513</u>

- (1) Certain beginning balances have been restated in connection with a physical inventory valuation of capital assets placed in service prior to July 1, 2007 and a change in the capitalization threshold. See Note 15 for details.

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Business-type Activity:

	Balance at July 1, 2007 As Restated (See Note 15)	Additions	Deletions	Balance at June 30, 2008
Capital assets, not being depreciated				
Land	\$ 381,023	\$ -	\$ -	\$ 381,023
Water rights	1,791,836	-	-	1,791,836
Construction in progress	<u>3,827,955</u>	<u>3,840,387</u>	<u>(1,602,656)</u>	<u>6,065,686</u>
Total capital assets, not being depreciated	<u>6,000,814</u>	<u>3,840,387</u>	<u>(1,602,656)</u>	<u>8,238,545</u>
Capital assets, being depreciated:				
Source of supply	2,452,316	1,524,581	-	3,976,897
Pumping plant	532,694	-	-	532,694
Water treatment	67,903	-	-	67,903
Transmission/distribution	26,426,910	-	-	26,426,910
General plant	<u>3,129,351</u>	<u>78,075</u>	<u>-</u>	<u>3,207,426</u>
Total capital assets, being depreciated	<u>32,609,174</u>	<u>1,602,656</u>	<u>-</u>	<u>34,211,830</u>
Less accumulated depreciation for:				
Source of supply	(1,795,997)	(232,134)	-	(2,028,131)
Pumping plant	(483,966)	(4,258)	-	(488,224)
Water treatment	(45,017)	(4,903)	-	(49,920)
Transmission/distribution	(11,165,712)	(661,934)	-	(11,827,646)
General plant	<u>(2,746,655)</u>	<u>(82,009)</u>	<u>-</u>	<u>(2,828,664)</u>
Total accumulated depreciation	<u>(16,237,347)</u>	<u>(985,238)</u>	<u>-</u>	<u>(17,222,585)</u>
Total capital assets, being depreciated, net	<u>16,371,827</u>	<u>617,418</u>	<u>-</u>	<u>16,989,245</u>
Total business-type activity, capital assets, net	<u>\$ 22,372,641</u>	<u>\$ 4,457,805</u>	<u>\$ (1,602,656)</u>	<u>\$ 25,227,790</u>

Depreciation expense:

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

Governmental activities:

General government	\$ 233,538
Public safety	82,058
Transportation	52,435
Community development	161,866
Health and sanitation	2,012
Culture and leisure	588,225
Internal service funds depreciation charged to programs	108,653
Unallocated infrastructure depreciation	<u>1,979,819</u>

Total depreciation expense - governmental activities \$ 3,208,606

Business type activity:

Water \$ 985,238

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2008:

Governmental Activities:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008	Due Within One Year
Agency Tax Allocation Bonds:					
1999 Series A	\$ 5,385,000	\$ -	\$ (375,000)	\$ 5,010,000	\$ 390,000
2003 Series A	4,535,000	-	(345,000)	4,190,000	360,000
2003 Series B	2,320,000	-	(165,000)	2,155,000	170,000
Plus (less) deferred amounts:					
For issuance premium	49,180	-	(4,837)	44,343	-
On refunding	(94,729)	-	9,317	(85,412)	-
Total Agency Tax Allocation Bonds	12,194,451	-	(880,520)	11,313,931	920,000
Compensated absences	1,090,964	1,029,709	(1,079,305)	1,041,368	653,194
Total Governmental Activities	13,285,415	1,029,709	(1,959,825)	12,355,299	1,573,194
Business-type Activity:					
Water Revenue Bonds:					
2004 Bonds	3,650,000	-	(355,000)	3,295,000	370,000
2008 Bonds	-	3,450,000	-	3,450,000	-
Plus (less) deferred amounts:					
For issuance premiums	76,028	-	(8,689)	67,339	-
On refunding	(302,492)	-	34,570	(267,922)	-
Total Water Revenue Bonds	3,423,536	3,450,000	(329,119)	6,544,417	370,000
Loan payable to State of California	37,561	-	(37,561)	-	-
Total Business-type Activity	3,461,097	3,450,000	(366,680)	6,544,417	370,000
City Total	\$ 16,746,512	\$ 4,479,709	\$ (2,326,505)	\$ 18,899,716	\$ 1,943,194

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

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

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

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

Total debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 390,000	\$ 247,583	\$ 637,583
2010	410,000	228,777	638,777
2011	430,000	208,613	638,613
2012	450,000	186,935	636,935
2013	475,000	163,573	638,573
2014 - 2018	<u>2,855,000</u>	<u>396,880</u>	<u>3,251,880</u>
Total	<u>\$ 5,010,000</u>	<u>\$ 1,432,361</u>	<u>\$ 6,442,361</u>

Series 2003A

On October 28, 2003, the Agency issued \$5,565,000 Redevelopment Project No. 1 Tax Allocation Parity Refunding Bonds, 2003 Series A, to refinance the outstanding 1992A Bonds. The Series 2003A Bonds were issued at a premium of \$66,514. This premium is being amortized on a straight-line basis as an adjustment to interest expense on the statement of activities through the year 2017. The 2003A Bonds are secured by a pledge of tax increment revenue from Project Area No. 1 on a parity with the remaining 1999A Bonds.

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

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

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

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 360,000	\$ 149,593	\$ 509,593
2010	370,000	138,180	508,180
2011	380,000	125,518	505,518
2012	395,000	111,955	506,955
2013	405,000	97,449	502,449
2014 - 2018	<u>2,280,000</u>	<u>235,258</u>	<u>2,515,258</u>
Total	<u>\$ 4,190,000</u>	<u>\$ 857,953</u>	<u>\$ 5,047,953</u>

Series 2003B

On October 28, 2003, the Agency issued \$2,085,000 Redevelopment Project No. 1 Taxable Tax Allocation Parity Refunding Bonds, 2003 Series B, to refinance the outstanding 1992B Bonds. The 2003B Bonds are secured by a pledge of tax increment revenue from Project Area No. 1 on a parity with the remaining 1999A Bonds.

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

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 170,000	\$ 109,813	\$ 279,813
2010	180,000	101,880	281,880
2011	190,000	92,372	282,372
2012	195,000	82,477	277,477
2013	205,000	72,197	277,197
2014 - 2018	<u>1,215,000</u>	<u>176,289</u>	<u>1,391,289</u>
Total	<u>\$ 2,155,000</u>	<u>\$ 635,028</u>	<u>\$ 2,790,028</u>

B. Compensated Absences

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

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

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

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

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

The annual requirements to amortize the bonds outstanding at June 30, 2008, are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 370,000	\$ 105,438	\$ 475,438
2010	380,000	94,338	474,338
2011	390,000	82,938	472,938
2012	405,000	71,238	476,238
2013	415,000	58,581	473,581
2014 - 2016	<u>1,335,000</u>	<u>92,313</u>	<u>1,427,313</u>
Total	<u>\$ 3,295,000</u>	<u>\$ 504,846</u>	<u>\$ 3,799,846</u>

2008 Bonds

On May 7, 2008 the City issued \$3,450,000 in non-taxable water revenues bonds to finance the construction of a photovoltaic system. The bonds were sold through a negotiated sale and bears interest at a rate of 4.75%. The 2008 Bonds are secured by a charge and lien on the net revenue of the water enterprise. Principal payments on the capital lease are due annually each April 1, commencing April 1, 2010. Interest payments are payable semi-annually on April 1 and October 1. At June 30, 2008, the assets being constructed pursuant to the lease totaled \$1,885,355. Since construction has not been completed, this amount is included in construction in progress.

The future annual required lease payments at June 30, 2008, are as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ -	\$ 147,488	\$ 147,488
2010	180,000	163,875	343,875
2011	190,000	155,325	345,325
2012	195,000	146,300	341,300
2013	205,000	137,038	342,038
2014 - 2018	1,185,000	529,388	1,714,388
2019 - 2023	<u>1,495,000</u>	<u>219,688</u>	<u>1,714,688</u>
Total	<u>\$ 3,450,000</u>	<u>\$ 1,499,102</u>	<u>\$ 4,949,102</u>

D. Loan Payable to State of California

The water utility constructed a six-mile reclaimed waterline funded in part by a loan from the State of California Water Resources Control Board. A loan of \$864,831 was received in February, 1989. The term of the loan is 18-1/2 years at an interest rate of 4.01%. Principal and interest payments are due on May 31 of each year, beginning May 31, 1990. The final payment was made during the year.

See independent auditors' report.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances were as follows at June 30, 2008:

Due To / From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,228,340
	Internal Service Funds	540,532
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	445,652
		<u>\$ 2,214,524</u>

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

Advances From / To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$ 31,093,121
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Debt Service Fund	158,361
		<u>\$ 31,251,482</u>

The City provides advances to the Redevelopment Agency to assist the Agency with its operating budget and redevelopment activities. The interest rate on the advances is 12% per annum compounded annually on the outstanding principal portion only. Accrued unpaid interest totaling \$9,621,386 at June 30, 2008 is included in the advance balance. Since the accrued unpaid interest due to the City is not available as a resource to meet expenditures of the current year, it has been recorded as deferred revenue in the General Fund.

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

Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,029,352
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	3,304,446
Lakewood Capital Improvements Capital Projects Fund	General Fund	1,872,915
Other Governmental Funds	General Fund	894,269
Internal Service Funds	General Fund	773,809
		<u>\$ 8,874,791</u>

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

See independent auditors' report.

NOTE 6 - NOTES RECEIVABLE

- A. As consideration for the sale of land on November 3, 2006, the Agency took a \$689,520 note from the buyer. The term of the note is ten years. Interest accrues on the note at a rate of 5.5% per annum. Principal and interest is payable quarterly. The quarterly payments are fixed at \$14,298 with a balloon payment of \$434,883 due on November 1, 2016. The note balance at June 30, 2008 is \$659,603 and is included in the Redevelopment Agency Capital Projects Fund.
- B. The Agency makes deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal year 1996-97, the Agency began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. The rehabilitation loans made from Redevelopment Agency low and moderate housing 20% set-aside funds are reported in the Lakewood Redevelopment Agency Capital Projects Fund. Due to the long-term nature of the loans, the Agency has deferred recognition of revenues until receipt in the governmental fund financial statements. The balance of these loans totaled \$2,801,059 at June 30, 2008.
- C. The Gateway Cities Council of Governments has received grant funds for economic development from the Economic Development Administration (EDA). On August 24, 1999, the City of Lakewood approved an agreement with the Gateway Cities Council of Governments, of which the City of Lakewood is a member, to receive \$666,725 of these funds as a sub-grantee. These funds were used to establish a commercial revolving loan fund to provide for business expansion, economic development, and job creation in Lakewood. The revolving loan fund particularly targets industrial, manufacturing, and commercial businesses adjacent to the Boeing plant and Long Beach Airport and at the 19-acre former Rockwell site in Lakewood. This is a matching grant program. The funds received from the EDA have been matched with \$85,000 from a California Trade and Commerce Agency Defense Adjustment Matching Grant and \$168,245 in Community Development Block Grant (CDBG) funds. The outstanding balance, which is reported in the Other Governmental Funds, as of June 30, 2008 was \$278,275.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

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

Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.617% for local miscellaneous members. The contribution requirements of the plan members are established by State statute and the employer contribution rates were established and may be amended by CalPERS.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Annual Pension Cost

For fiscal year 2007-08, the City's actual and contributed pension cost was \$1,244,453. The required contribution for fiscal year 2007-08 was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by age, length of service and type of employment from 3.25 % to 14.45%, (c) a 3.0% inflation rate; (d) a 3.25% payroll growth rate; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over a rolling period which results in an amortization of 10% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of Plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Three-Year Trend Information for the Miscellaneous Plan:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$ 2,149,780	100%	\$ -
6/30/07	1,216,460	100%	-
6/30/08	1,244,453	100%	-

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was 107.7% funded. The actuarial accrued liability for benefits was \$71,522,076, and the actuarial value of assets was \$77,021,982, resulting in excess assets of \$5,499,906. The covered payroll (annual payroll of active employees covered by the plan) was \$13,038,258, and the ratio of the UAAL to the covered payroll was (42.2%).

The schedule of funding progress presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress for PERS

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/05	\$ 61,504,528	\$ 57,878,480	\$ 3,626,048	94.1%	\$11,913,171	30.4 %
6/30/06	66,156,146	64,665,136	1,491,010	97.7%	12,588,101	11.8 %
6/30/07	71,522,076	77,021,982	(5,499,906)	107.7%	13,038,258	(42.2)%

NOTE 8 - DEFERRED COMPENSATION PLAN

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

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

NOTE 9 - RESERVES AND DESIGNATIONS OF FUND BALANCES

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

The City's reserves and designations at June 30, 2008, are tabulated below, followed by explanations as to the nature and purpose of each reserve and designation.

Reserves	General Fund	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	Other Governmental Funds
Continuing appropriations	\$ 2,538,337	\$ -	\$ -	\$ 3,058,267
Personnel benefits	4,464,565	-	-	-
Debt service	-	1,594,462	-	-
Land held for resale	-	-	1,480,056	-
Low and moderate housing	-	-	6,466,558	-
Notes receivable	-	-	659,603	-
Prepaid items	85,988	-	-	-
Inventories	24,213	-	-	-
Advances	21,471,735	-	158,361	-
Special revenue purposes	-	-	-	4,081,263
Encumbrances	442,905	-	-	-
Other reserves	301,237	-	-	-
Total reserves	<u>\$ 29,328,980</u>	<u>\$ 1,594,462</u>	<u>\$ 8,764,578</u>	<u>\$ 7,139,530</u>

Designations	General Fund
Self-Insurance	\$ 4,000,000
Capital improvements	1,902,700
Facilities replacement	1,619,560
Equipment replacement	2,256,325
General contingencies	5,000,000
Infrastructure improvements	1,867,800
Refuse disposal rate stabilization	1,834,277
Civic Center improvements	1,000,000
Economic uncertainties	8,400,000
Total designations	<u>\$ 27,880,662</u>

See independent auditors' report.

NOTE 9 - RESERVES AND DESIGNATIONS OF FUND BALANCES (CONTINUED)

A. Reserve for Continuing Appropriations

Appropriations for capital projects which are unexpended as of June 30, 2008, will carry forward as continuing appropriations to be expended in 2008-09.

B. Reserve for Personnel Benefits

This reserve provides for OPEB (Other Post Retirement additional negotiated personnel Benefits), as provided in the memorandum of understanding effective July 1, 2008.

C. Reserve for Debt Service

The Tax Increment Bond Resolutions require that reserves be established.

D. Reserve for Land Held for Resale

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

E. Reserve for Low and Moderate Housing

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

F. Reserve for Notes Receivable

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

G. Reserve for Prepaid Items

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

H. Reserve for Inventories:

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

I. Reserve for Advances

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

J. Reserve for Special Revenue Purposes

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

K. Reserve for Encumbrances

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

L. Other Reserves

Other reserves have been established for economic development loans funded by grants.

See independent auditors' report.

NOTE 9 - RESERVES AND DESIGNATIONS OF FUND BALANCES (CONTINUED)

M. Designated for Self-Insurance

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

N. Designated for Capital Improvements

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

O. Designated for Facilities Replacement

These funds are designated to provide primarily for the replacement of existing buildings which are expected to require reconstruction or major renovation in the future.

P. Designated for Equipment Replacement

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

Q. Designated for General Contingencies

The remainder of the unreserved fund balance at June 30, 2008, in the General Fund has been designated for general contingencies.

R. Designated for Infrastructure Improvements

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

S. Designated for Refuse Disposal Rate Stabilization

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

T. Designated for Civic Center Improvements

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

U. Designated for Economic Uncertainties:

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

NOTE 10 - HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAMS

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

See independent auditors' report.

NOTE 11 - LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION

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

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Insurance Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

B. Self-insurance Programs of the Authority

General Liability Insurance. Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Insurance Authority's investment earnings.

Workers' Compensation. The City also participates in the workers' compensation pool administered by the Insurance Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and employer's liability losses from \$5,000,000 to \$10,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$300,000,000 are transferred to reinsurance carriers. Costs in excess of \$300,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Insurance Authority's investment earnings.

C. Purchased Insurance

Environmental Insurance. The City participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2005 through July 1, 2008. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance. The City participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Insurance Authority. Total all-risk property insurance coverage is \$43,762,132. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance. The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Insurance Authority. City property currently has earthquake protection in the amount of \$28,594,861. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

C. Purchased Insurance (Continued)

Crime Insurance. The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Insurance Authority. Premiums are paid annually and are not subject to retroactive adjustments.

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

D. Adequacy of Protection

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

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

NOTE 12 - POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the City provides a post-retirement medical care benefit under the terms of a Memorandum of Understanding (MOU) between the City and its employees. The benefit is in the form of a monthly supplemental payment to assist qualified retirees with premium payment on medical insurance. Effective July 1, 1989, this benefit is available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after attaining age 60 and who have completed at least 15 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. Effective July 1, 2001, this benefit was modified and is also available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after age 55 and who have completed at least 20 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. The benefit is a "defined dollar benefit" set at \$302 per month on July 1, 2004, continuing until the retiree has met the insured status requirements for Medicare. Thereafter, the payment is decreased to \$266 per month. The benefit is increased annually according to the terms of the MOU. The maximum term of benefits paid a qualifying employee is equal to the number of months of continuous Lakewood City service.

Expenditures for this post-retirement benefit are recognized as retirees file claims. During the year, expenditures of \$121,839 were recognized. Thirty-six employees were covered by the plan.

NOTE 13 - CONTINGENT LIABILITIES

- A. Numerous claims and suits have been filed against the City in the normal course of business. Based upon information received from the City Attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by self-insurance designations and insurance coverage.
- B. The City contracts for policing services through the Los Angeles County Sheriff's Department. As part of the agreement for services, the City is required to pay an additional 6% premium over the contract price to the Sheriff's Department for liability insurance. This amount is held by the County in a Liability Trust Fund and provides for the payment of claims brought against the Sheriff's Department.

NOTE 14 - OTHER AGREEMENTS

- A. California Health and Safety Code Section 33334.6 requires that Redevelopment Agencies set aside 20% of the annual tax increment proceeds for the benefit of low- and moderate-income housing. However, an Agency may defer the set-aside of 20% if it determines that the tax increment required to be deposited is necessary for the orderly and timely completion of programs approved by the Agency prior to January 1, 1986. The Agency made such a determination to defer the deposit of \$1,383,310 of tax increment into the Housing Set-Aside Fund. The Agency has adopted a plan for repayment of this Housing Set-Aside Fund deficit. The Agency made a payment of \$30,000 towards this deficit during the year ended June 30, 2008. At June 30, 2008, the remaining deficit totaled \$1,194,310. Given the presently anticipated revenues and activities of the Agency, the deficit is expected to be eliminated by fiscal 2021-2022.
- B. On December 16, 1998, the Agency entered into a participation agreement with Golden State Health Centers, Inc., which reimburses all tax increment revenues which the Agency receives from the redevelopment of the site located at 11695 Del Amo Boulevard, excluding: (1) the property taxes levied and assessed against the site as of January 1, 1998; (2) the amount required to be set aside for the low-and moderate-income housing fund equal to 20%; and (3) that amount of tax increment the Agency is required to pay to other taxing agencies which is currently approximately 20% of such tax increment. Such payments shall be made to the owner in semi-annual installments within 60 days after the Agency's receipt of its tax increment for the Redevelopment Project from the County tax collector. The owner shall submit a written statement each year to the Agency requesting such payment together with a copy of its property tax bill(s) for all real property within the site, whether billed to the owner of any tenant. For the year ended June 30, 2008, the Agency paid \$10,974 pursuant to this agreement.
- C. On June 13, 1989, the Agency entered into an agreement for the allocation of tax increment revenue generated from Project Area No. 2. As part of the agreement, the Agency is required to reimburse the Consolidated Fire Protection District of Los Angeles County 17.26% of tax increment revenues and Los Angeles County 54.59% of tax increment revenue. The Los Angeles County portion may be deferred in any year under certain terms of the agreement until total tax increment of the Agency reaches a cumulative total of \$60,000,000. After the total reaches \$60,000,000, the Agency is required to reimburse Los Angeles County 100% of tax increment revenue (net of the allocation to the Consolidated Fire Protection District of Los Angeles County) until the deferred sums have been repaid. Interest on any deferral amounts was prepaid in a lump sum of \$842,000 in Fiscal Year 1990-91. At June 30, 2008, the Agency's outstanding deferral balance is \$552,498.
- D. On September 14, 1999, the Agency also approved an agreement to lease 1,900 parking stalls from the Lakewood Mall Business Company to provide public parking. Rent is comprised of basic rent and additional rent. The basic rent is \$450,000 per year. The additional rent is based on the amount of additional tax increment received above a base year amount and is capped at \$300,000 per year. The agreement also allows for catch up payments in the event that additional rent is less than the cap in the first three years of the lease. Catch up payments are only due when additional rent exceeds the \$300,000 annual cap in future years. The Agency also entered into a sublease with the developer in order for the developer to operate and maintain the premises as public facilities. The annual lease payments will be paid with tax increment revenues generated by the Mall. For the fiscal year ended June 30, 2008, the Agency's obligation under this agreement totaled \$750,000.
- E. On August 27, 2002, the Lakewood Redevelopment Agency entered into a twelve-year agreement with Pacific Ford, Inc., and HJCH II for a rehabilitation reimbursement in the amount not to exceed \$1,890,000 to be paid quarterly based on a tax revenue generated by the Ford dealership and any other dealership on the property acquired and to be acquired by HJCH II. Pacific Ford and HJCH II guarantee for the term of the agreement a minimum amount of sales per year subject to California sales tax. In the event the minimum is not achieved in the aggregate for the term of the agreement, the participant shall reimburse the City of Lakewood for the amount of sales tax revenue not generated. For the year ended June 30, 2008, the Agency made no payments in relation to this agreement.
- F. The Agency's Housing SetAside Fund has accumulated excess surplus fund balance as defined by the California Health and Safety Code. The Agency is required to develop a plan to eliminate the excess surplus within the time frame allowed by the Health and Safety Code. On September 30, 2008, the Agency adopted an excess surplus expenditure plan. If the Agency does not eliminate the excess surplus in the required time frame significant penalties could be assessed, including transferring such excess surplus to the County Housing Authority and/or the California Department of Housing and Community Development.

NOTE 15 - RESTATEMENT OF NET ASSETS/FUND BALANCES

- A. Beginning governmental activities capital asset balances have been restated as a result of the performance of a physical inventory and a change in the capitalization threshold from \$100 to \$5,000 for non-infrastructure assets. Beginning balances of capital assets have been adjusted as follows:

Governmental Activities:

	Balance at July 1, 2007, As Originally Reported	Physical Inventory Adjustments	Capitalization Threshold Adjustments	Balance at July 1, 2007, As Restated
Capital assets, not being depreciated:				
Land	\$ 17,444,023	\$ -	\$ -	\$ 17,444,023
Construction in progress	10,654,706	119,392	(605,171)	10,168,927
Total capital assets, not being depreciated	28,098,729	119,392	(605,171)	27,612,950
Capital assets, being depreciated:				
Structures and improvements	33,601,091	-	-	33,601,091
Equipment (1)	11,984,007	(1,042,725)	(5,193,273)	5,748,009
Infrastructure	113,477,773	-	-	113,477,773
Total capital assets, being depreciated	159,062,871	(1,042,725)	(5,193,273)	152,826,873
Less accumulated depreciation for:				
Structures and improvements	(15,118,514)	-	-	(15,118,514)
Equipment	(9,636,799)	1,109,027	5,190,353	(3,337,419)
Infrastructure	(82,125,785)	-	-	(82,125,785)
Total accumulated depreciation	(106,881,098)	1,109,027	5,190,353	(100,581,718)
Total capital assets, being depreciated, net	52,181,773	66,302	(2,920)	52,245,155
Total governmental activities capital, net	\$ 80,280,502	\$ 185,694	\$ (608,091)	\$ 79,858,105

- (1) Included in the adjustments to equipment is an adjustment of \$133,991 made to reduce the basis of certain equipment recorded in the central garage internal service fund to their appraised value. As a result, beginning net assets of the central garage internal service fund have been decreased by this amount as well.

NOTE 15 - RESTATEMENT OF NET ASSETS/FUND BALANCES (CONTINUED)

- B. Beginning business-type activity capital asset balances have been restated as a result of a change in the capitalization threshold from \$100 to \$5,000. Beginning balances of capital assets have been adjusted as follows:

	Balance at July 1, 2007, As Originally Reported	Capitalization Threshold Adjustments	Balance at July 1, 2007, As Restated
Business-type Activity:			
Capital assets, not being depreciated			
Land	\$ 381,023	\$ -	\$ 381,023
Water rights	1,791,836	-	1,791,836
Construction in progress	3,828,955	(1,000)	3,827,955
Total capital assets, not being depreciated	6,001,814	(1,000)	6,000,814
Capital assets, being depreciated:			
Source of supply	2,452,316	-	2,452,316
Pumping plant	549,304	(16,610)	532,694
Water treatment	100,129	(32,226)	67,903
Transmission/distribution	26,467,862	(40,952)	26,426,910
General plant	3,163,965	(34,614)	3,129,351
Total capital assets, being depreciated	32,733,576	(124,402)	32,609,174
Less accumulated depreciation for:			
Source of supply	(1,795,997)	-	(1,795,997)
Pumping plant	(491,296)	7,330	(483,966)
Water treatment	(75,923)	30,906	(45,017)
Transmission/distribution	(11,189,947)	24,235	(11,165,712)
General plant	(2,774,152)	27,497	(2,746,655)
Total accumulated depreciation	(16,327,315)	89,968	(16,237,347)
Total capital assets, being depreciated, net	16,406,261	(34,434)	16,371,827
Total business-type activity, capital assets, net	\$ 22,408,075	\$ (35,434)	\$ 22,372,641

- C. Beginning net assets of the governmental activities and the General Fund have been increased by \$204,558 to recognize certain revenue that was inadvertently reported as unearned (deferred) as of July 1, 2007.

NOTE 16 - INDIVIDUAL FUND DISCLOSURES:

- A. Funds with a deficit fund balance at June 30, 2008, are as follows:

Major Fund - Redevelopment Agency Debt Service	\$ 22,655,858
Other Governmental Funds:	
CDBG Special Revenue Fund	295,516
State COPS Grants Special Revenue Fund	12,849
Litter Reduction Grant Special Revenue Fund	14,374
Used Oil Grant Special Revenue Fund	47,886
State Resources Agency River Parkway Grant Special Revenue Fund	2,265

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

- B. For the year ended June 30, 2008, expenditures exceeded appropriations at the fund level (the legal level of budgetary control) in the AB 2766 Special Revenue Fund by \$6,429.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKEWOOD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 22,705,170	\$ 22,705,170	\$ 20,305,698	\$ (2,399,472)
Licenses and permits	835,975	835,975	690,948	(145,027)
Fines and forfeitures	747,475	753,550	824,290	70,740
Investment income, rents and concessions	2,020,777	2,012,777	2,496,515	483,738
From other agencies	8,492,932	8,492,932	10,519,883	2,026,951
Current service charges	7,664,971	7,579,444	7,863,790	284,346
Other	470,000	470,000	478,407	8,407
TOTAL REVENUES	42,937,300	42,849,848	43,179,531	329,683
EXPENDITURES:				
Current:				
General government	8,912,091	9,143,431	8,489,188	654,243
Public safety	12,782,464	12,814,875	11,927,864	887,011
Transportation	3,624,747	3,735,056	3,782,907	(47,851)
Community development	4,246,232	4,090,564	3,409,621	680,943
Health and sanitation	4,628,007	4,623,631	4,401,637	221,994
Culture and leisure	8,485,597	8,398,543	8,109,872	288,671
TOTAL EXPENDITURES	42,679,138	42,806,100	40,121,089	2,685,011
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	258,162	43,748	3,058,442	3,014,694
OTHER FINANCING SOURCES (USES):				
Transfers in	2,875,180	2,835,145	2,029,352	(805,793)
Transfers out	(4,428,612)	(7,941,609)	(3,540,993)	4,400,616
TOTAL OTHER FINANCING SOURCES (USES)	(1,553,432)	(5,106,464)	(1,511,641)	3,594,823
NET CHANGE IN FUND BALANCE	(1,295,270)	(5,062,716)	1,546,801	6,609,517
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	55,662,841	55,662,841	55,662,841	-
FUND BALANCE AT END OF YEAR	\$ 54,367,571	\$ 50,600,125	\$ 57,209,642	\$ 6,609,517

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

NOTE 1 - BUDGETARY ACCOUNTING

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

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers substantially all City expenditures, with the exception of debt service on bond issues and capital improvement projects, which expenditures constitute legally-authorized "non-appropriated budget." There were no significant non-budgeted financial activities. Actual expenditures may not exceed budgeted appropriations at the fund level. However, the City Manager is authorized to transfer budgeted amounts between funds and between functional categories.
3. Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are encumbered at year end lapse, and then are added to the following year's budgeted appropriations. However, encumbrances at year end are reported as reservations of fund balance.
4. Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparison is presented for the Redevelopment Agency Debt Service Fund since no budget is adopted for this fund. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
5. Capital project budgets are long term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2008, 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 2007-08, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds.

See independent auditors' report.

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SUPPLEMENTARY INFORMATION

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

Federal COPS Grants Fund - To account for federal grant receipts for community-oriented policing programs and activities.

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OTHER GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (CONTINUED)

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

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

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

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

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

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

State Resources Agency River Parkway Grant Fund - To account for funds received under the Los Angeles River Parkway and the San Gabriel River Watershed Grants to be used for acquisition, enhancement and restoration of riparian habitat.

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

Prop 1B Fund - To account for State grant to be used for local street and road improvement projects.

CITY OF LAKEWOOD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2008

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
ASSETS				
Cash and investments	\$ 38,892	\$ 301,748	\$ 86,719	\$ 1,318,644
Accounts receivable	481,234	-	-	92,953
Notes receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 520,126</u>	<u>\$ 301,748</u>	<u>\$ 86,719</u>	<u>\$ 1,411,597</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 4,931
Accrued liabilities	-	-	-	9,069
Due to other funds	481,234	-	-	3,089
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	<u>481,234</u>	<u>-</u>	<u>-</u>	<u>17,089</u>
FUND BALANCES (DEFICITS):				
Reserved:				
Continuing appropriations	-	377,525	-	13,843
Special revenue purposes	38,892	-	86,719	1,380,665
Unreserved; undesignated	-	(75,777)	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>38,892</u>	<u>301,748</u>	<u>86,719</u>	<u>1,394,508</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 520,126</u>	<u>\$ 301,748</u>	<u>\$ 86,719</u>	<u>\$ 1,411,597</u>

See independent auditors' report.

Special Revenue Funds (Continued)

<u>Housing Authority</u>	<u>Prop C Transportation</u>	<u>AB 2766</u>	<u>CDBG</u>	<u>State COPS Grants</u>	<u>Federal COPS Grants</u>	<u>JAG Grants</u>
\$ 1,464,356	\$ 3,115,795	\$ 50,229	\$ -	\$ 131,347	\$ -	\$ -
122,299	99,404	26,105	300,000	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,586,655</u>	<u>\$ 3,215,199</u>	<u>\$ 76,334</u>	<u>\$ 300,000</u>	<u>\$ 131,347</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 372,707	\$ 19,563	\$ -	\$ 6,514	\$ 13,190	\$ -	\$ -
-	24,290	2,465	18,249	-	-	-
-	598	318	570,753	12,850	-	-
1,213,948	-	-	-	118,156	-	-
<u>1,586,655</u>	<u>44,451</u>	<u>2,783</u>	<u>595,516</u>	<u>144,196</u>	<u>-</u>	<u>-</u>
-	1,729,992	-	-	-	-	-
-	1,440,756	73,551	-	-	-	-
-	-	-	(295,516)	(12,849)	-	-
<u>-</u>	<u>3,170,748</u>	<u>73,551</u>	<u>(295,516)</u>	<u>(12,849)</u>	<u>-</u>	<u>-</u>
<u>\$ 1,586,655</u>	<u>\$ 3,215,199</u>	<u>\$ 76,334</u>	<u>\$ 300,000</u>	<u>\$ 131,347</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF LAKEWOOD

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2008

	Special Revenue Funds (Continued)			
	Litter Reduction Grant	TDA Article Grant	Used Oil Grant	Prop A Recreation
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 220,592
Accounts receivable	-	-	-	149,652
Notes receivable	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,244</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 2,508	\$ -	\$ 1,913	\$ 485
Accrued liabilities	491	-	646	3,933
Due to other funds	11,375	-	45,327	531
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	<u>14,374</u>	<u>-</u>	<u>47,886</u>	<u>4,949</u>
FUND BALANCES (DEFICITS):				
Reserved:				
Continuing appropriations	-	-	-	97,062
Special revenue purposes	-	-	-	268,233
Unreserved; undesignated	(14,374)	-	(47,886)	-
TOTAL FUND BALANCES (DEFICITS)	<u>(14,374)</u>	<u>-</u>	<u>(47,886)</u>	<u>365,295</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,244</u>

See independent auditors' report.

Special Revenue Funds (Continued)				
State Parks Grants and Bonds	State Resources Agency River Parkway Grant	Lakewood Business Development	Prop 1B	Total Other Governmental Funds
\$ 52,592	\$ -	\$ 793,435	\$ 211,202	\$ 7,785,551
100,000	-	-	-	1,371,647
-	-	278,275	-	278,275
<u>\$ 152,592</u>	<u>\$ -</u>	<u>\$ 1,071,710</u>	<u>\$ 211,202</u>	<u>\$ 9,435,473</u>
\$ -	\$ -	\$ 988	\$ 15,230	\$ 438,029
-	-	-	-	59,143
100,000	2,265	-	-	1,228,340
-	-	278,275	195,972	1,806,351
<u>100,000</u>	<u>2,265</u>	<u>279,263</u>	<u>211,202</u>	<u>3,531,863</u>
771,688	-	-	68,157	3,058,267
-	-	792,447	-	4,081,263
<u>(719,096)</u>	<u>(2,265)</u>	<u>-</u>	<u>(68,157)</u>	<u>(1,235,920)</u>
<u>52,592</u>	<u>(2,265)</u>	<u>792,447</u>	<u>-</u>	<u>5,903,610</u>
<u>\$ 152,592</u>	<u>\$ -</u>	<u>\$ 1,071,710</u>	<u>\$ 211,202</u>	<u>\$ 9,435,473</u>

CITY OF LAKEWOOD

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

For the year ended June 30, 2008

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 1,303,614
Licenses and permits	-	232,138	-	-
Investment income, rents and concessions	25,672	-	-	37,432
From other agencies	1,453,476	-	-	-
Other	-	-	-	-
TOTAL REVENUES	1,479,148	232,138	-	1,341,046
EXPENDITURES:				
Current:				
General government	-	-	-	18,465
Public safety	-	-	-	-
Transportation	-	-	-	732,646
Community development	-	-	-	50,544
Health and sanitation	-	-	-	-
Culture and leisure	-	-	-	-
Capital outlay:				
Transportation	-	-	-	-
Culture and leisure	-	-	-	-
TOTAL EXPENDITURES	-	-	-	801,655
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,479,148	232,138	-	539,391
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,599,769)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,599,769)	-	-	-
NET CHANGE IN FUND BALANCES	(120,621)	232,138	-	539,391
FUND BALANCES				
AT BEGINNING OF YEAR	159,513	69,610	86,719	855,117
FUND BALANCES (DEFICITS)				
AT END OF YEAR	\$ 38,892	\$ 301,748	\$ 86,719	\$ 1,394,508

See independent auditors' report.

Special Revenue Funds (Continued)

Housing Authority	Prop C Transportation	AB 2766	CDBG	State COPS Grants	Federal COPS Grants	JAG Grants
\$ -	\$ 1,107,736	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
56,386	127,574	1,559	-	5,862	-	-
1,385,966	-	100,775	898,849	161,360	197,311	38,702
-	-	-	-	-	-	-
<u>1,442,352</u>	<u>1,235,310</u>	<u>102,334</u>	<u>898,849</u>	<u>167,222</u>	<u>197,311</u>	<u>38,702</u>
-	-	4,718	97,633	-	-	-
-	-	-	-	167,221	197,311	38,702
-	762,952	72,260	-	-	-	-
1,442,352	-	-	152,199	-	-	-
-	-	-	-	-	-	-
-	-	-	95,444	-	-	-
-	-	-	305,726	-	-	-
-	-	-	538,110	-	-	-
<u>1,442,352</u>	<u>762,952</u>	<u>76,978</u>	<u>1,189,112</u>	<u>167,221</u>	<u>197,311</u>	<u>38,702</u>
-	472,358	25,356	(290,263)	1	-	-
-	-	-	-	-	-	-
-	-	-	(5,253)	(12,850)	-	-
-	-	-	(5,253)	(12,850)	-	-
-	472,358	25,356	(295,516)	(12,849)	-	-
-	2,698,390	48,195	-	-	-	-
<u>\$ -</u>	<u>\$ 3,170,748</u>	<u>\$ 73,551</u>	<u>\$ (295,516)</u>	<u>\$ (12,849)</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF LAKEWOOD

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

For the year ended June 30, 2008

	Special Revenue Funds (Continued)			
	Litter Reduction Grant	TDA Artiele Grant	Used Oil Grant	Prop A Recreation
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Investment income, rents and concessions	-	-	-	-
From other agencies	22,135	50,999	24,019	276,913
Other	-	-	-	-
TOTAL REVENUES	22,135	50,999	24,019	276,913
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Community development	-	-	-	-
Health and sanitation	22,862	-	21,111	-
Culture and leisure	-	-	-	118,314
Capital outlay:				
Transportation	-	50,999	-	-
Culture and leisure	-	-	-	-
TOTAL EXPENDITURES	22,862	50,999	21,111	118,314
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(727)	-	2,908	158,599
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	206,696
Transfers out	(13,647)	-	(50,794)	-
TOTAL OTHER FINANCING SOURCES (USES)	(13,647)	-	(50,794)	206,696
NET CHANGE IN FUND BALANCES	(14,374)	-	(47,886)	365,295
FUND BALANCES				
AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCES (DEFICITS)				
AT END OF YEAR	<u>\$ (14,374)</u>	<u>\$ -</u>	<u>\$ (47,886)</u>	<u>\$ 365,295</u>

See independent auditors' report.

Special Revenue Funds (Continued)				
State Parks Grants and Bonds	State Resources Agency River Parkway Grant	Lakewood Business Development	Prop 1B	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,411,350
-	-	-	-	232,138
-	-	18,605	-	273,090
110,553	344,774	-	1,149,337	6,215,169
-	-	181,474	-	181,474
<u>110,553</u>	<u>344,774</u>	<u>200,079</u>	<u>1,149,337</u>	<u>9,313,221</u>
-	-	-	-	120,816
-	-	-	-	403,234
-	-	-	-	1,567,858
-	-	-	-	1,645,095
-	-	-	-	43,973
-	-	-	-	213,758
-	-	-	1,149,337	1,506,062
<u>153,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>691,276</u>
<u>153,166</u>	<u>-</u>	<u>-</u>	<u>1,149,337</u>	<u>6,192,072</u>
<u>(42,613)</u>	<u>344,774</u>	<u>200,079</u>	<u>-</u>	<u>3,121,149</u>
95,205	-	592,368	-	894,269
<u>-</u>	<u>(347,039)</u>	<u>-</u>	<u>-</u>	<u>(2,029,352)</u>
<u>95,205</u>	<u>(347,039)</u>	<u>592,368</u>	<u>-</u>	<u>(1,135,083)</u>
52,592	(2,265)	792,447	-	1,986,066
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,917,544</u>
<u>\$ 52,592</u>	<u>\$ (2,265)</u>	<u>\$ 792,447</u>	<u>\$ -</u>	<u>\$ 5,903,610</u>

CITY OF LAKEWOOD

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

STATE GASOLINE TAX SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 20,000	\$ 25,672	\$ 5,672
From other agencies	1,491,500	1,453,476	(38,024)
TOTAL REVENUES	1,511,500	1,479,148	(32,352)
OTHER FINANCING USES:			
Transfers out	(1,511,500)	(1,599,769)	(88,269)
NET CHANGE IN FUND BALANCE	-	(120,621)	(120,621)
FUND BALANCE AT BEGINNING OF YEAR	159,513	159,513	-
FUND BALANCE AT END OF YEAR	\$ 159,513	\$ 38,892	\$ (120,621)

See independent auditors' report.

CITY OF LAKEWOOD

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

PARK DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Licenses and permits	\$ 50,000	\$ 232,138	\$ 182,138
EXPENDITURES:			
Culture and leisure	396,583	-	396,583
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(346,583)	232,138	578,721
FUND BALANCE AT BEGINNING OF YEAR	69,610	69,610	-
FUND BALANCE AT END OF YEAR	\$ (276,973)	\$ 301,748	\$ 578,721

See independent auditors' report.

CITY OF LAKEWOOD

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

SEWER RECONSTRUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Licenses and permits	\$ 500	\$ -	\$ (500)
EXPENDITURES:			
Current:			
Community development	10,000	-	10,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,500)	-	9,500
FUND BALANCE AT BEGINNING OF YEAR	86,719	86,719	-
FUND BALANCE AT END OF YEAR	\$ 77,219	\$ 86,719	\$ 9,500

See independent auditors' report.

CITY OF LAKEWOOD

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

PROP A TRANSIT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 1,200,000	\$ 1,303,614	\$ 103,614
Investment income, rents and concessions	10,000	37,432	27,432
TOTAL REVENUES	<u>1,210,000</u>	<u>1,341,046</u>	<u>131,046</u>
EXPENDITURES:			
Current:			
General government	28,264	18,465	9,799
Transportation	763,120	732,646	30,474
Community development	<u>42,050</u>	<u>50,544</u>	<u>(8,494)</u>
TOTAL EXPENDITURES	<u>833,434</u>	<u>801,655</u>	<u>31,779</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	376,566	539,391	162,825
FUND BALANCE AT BEGINNING OF YEAR	<u>855,117</u>	<u>855,117</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,231,683</u>	<u>\$ 1,394,508</u>	<u>\$ 162,825</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 10,000	\$ 56,386	\$ 46,386
From other agencies	1,794,108	1,385,966	(408,142)
TOTAL REVENUES	1,804,108	1,442,352	(361,756)
EXPENDITURES:			
Current:			
Community development	1,804,108	1,442,352	361,756
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -

See independent auditors' report.

CITY OF LAKEWOOD

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

PROP C TRANSPORTATION SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 1,000,000	\$ 1,107,736	\$ 107,736
Investment income, rents and concessions	60,000	127,574	67,574
TOTAL REVENUES	1,060,000	1,235,310	175,310
EXPENDITURES:			
Current:			
Transportation	3,349,725	762,952	2,586,773
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,289,725)	472,358	2,762,083
FUND BALANCE AT BEGINNING OF YEAR	2,698,390	2,698,390	-
FUND BALANCE AT END OF YEAR	\$ 408,665	\$ 3,170,748	\$ 2,762,083

See independent auditors' report.

CITY OF LAKEWOOD

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

AB 2766 SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 1,500	\$ 1,559	\$ 59
From other agencies	92,000	100,775	8,775
TOTAL REVENUES	93,500	102,334	8,834
EXPENDITURES:			
Current:			
General government	4,400	4,718	(318)
Transportation	66,149	72,260	(6,111)
TOTAL EXPENDITURES	70,549	76,978	(6,429)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,951	25,356	2,405
FUND BALANCE AT BEGINNING OF YEAR	48,195	48,195	-
FUND BALANCE AT END OF YEAR	\$ 71,146	\$ 73,551	\$ 2,405

See independent auditors' report.

CITY OF LAKEWOOD

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

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 751,951	\$ 898,849	\$ 146,898
EXPENDITURES:			
Current:			
General government	144,148	97,633	46,515
Community development	163,077	152,199	10,878
Culture and leisure	92,514	95,444	(2,930)
Capital outlay:			
Transportation	304,862	305,726	(864)
Culture and leisure	538,110	538,110	-
TOTAL EXPENDITURES	1,242,711	1,189,112	53,599
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(490,760)	(290,263)	200,497
OTHER FINANCING SOURCES (USES):			
Transfers in	60,360	-	(60,360)
Transfers out	(5,253)	(5,253)	-
TOTAL OTHER FINANCING SOURCES (USES)	55,107	(5,253)	(60,360)
NET CHANGE IN FUND BALANCES	(435,653)	(295,516)	140,137
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (435,653)	\$ (295,516)	\$ 140,137

See independent auditors' report.

CITY OF LAKEWOOD

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

STATE COPS GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 5,862	\$ 5,862
From other agencies	292,516	161,360	(131,156)
TOTAL REVENUES	292,516	167,222	(125,294)
EXPENDITURES:			
Current:			
Public safety	279,516	167,221	112,295
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,000	1	(12,999)
OTHER FINANCING USES:			
Transfers out	(12,850)	(12,850)	-
NET CHANGE IN FUND BALANCES	150	(12,849)	(12,999)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 150	\$ (12,849)	\$ (12,999)

See independent auditors' report.

CITY OF LAKEWOOD

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

FEDERAL COPS GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 197,329	\$ 197,311	\$ (18)
EXPENDITURES:			
Current:			
Public safety	197,329	197,311	18
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -

See independent auditors' report.

CITY OF LAKEWOOD

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

JAG GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 38,702	\$ 38,702	\$ -
EXPENDITURES:			
Current:			
Public safety	<u>38,702</u>	<u>38,702</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditors' report.

CITY OF LAKEWOOD

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

LITTER REDUCTION GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 23,000	\$ 22,135	\$ (865)
EXPENDITURES:			
Current:			
Health and sanitation	23,512	22,862	650
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(512)	(727)	(215)
OTHER FINANCING USES:			
Transfers out	(13,647)	(13,647)	-
NET CHANGE IN FUND BALANCES	(14,159)	(14,374)	(215)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (14,159)	\$ (14,374)	\$ (215)

See independent auditors' report.

CITY OF LAKEWOOD

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

TDA ARTICLE GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 50,999	\$ 50,999	\$ -
EXPENDITURES:			
Capital outlay:			
Transportation	50,999	50,999	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -

See independent auditors' report.

CITY OF LAKEWOOD

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

USED OIL GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 38,000	\$ 24,019	\$ (13,981)
EXPENDITURES:			
Current:			
Health and sanitation	38,884	21,111	17,773
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(884)	2,908	3,792
OTHER FINANCING USES:			
Transfers out	(50,794)	(50,794)	-
NET CHANGE IN FUND BALANCES	(51,678)	(47,886)	3,792
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (51,678)	\$ (47,886)	\$ 3,792

See independent auditors' report.

CITY OF LAKEWOOD

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

PROP A RECREATION SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 96,027	\$ 276,913	\$ 180,886
EXPENDITURES:			
Current:			
Culture and leisure	216,302	118,314	97,988
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(120,275)	158,599	278,874
OTHER FINANCING SOURCES:			
Transfers in	206,696	206,696	-
NET CHANGE IN FUND BALANCES	86,421	365,295	278,874
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ 86,421	\$ 365,295	\$ 278,874

See independent auditors' report.

CITY OF LAKEWOOD

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

STATE PARKS GRANTS AND BONDS SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ -	\$ 110,553	\$ 110,553
EXPENDITURES:			
Capital outlay:			
Culture and leisure	924,855	153,166	771,689
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(924,855)	(42,613)	882,242
OTHER FINANCING SOURCES:			
Transfers in	-	95,205	95,205
NET CHANGE IN FUND BALANCES	(924,855)	52,592	977,447
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ (924,855)	\$ 52,592	\$ 977,447

See independent auditors' report.

CITY OF LAKEWOOD

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

STATE RESOURCES AGENCY RIVER PARKWAY GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 342,000	\$ 344,774	\$ 2,774
OTHER FINANCING USES:			
Transfers out	(347,039)	(347,039)	-
NET CHANGE IN FUND BALANCES	(5,039)	(2,265)	2,774
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ (5,039)	\$ (2,265)	\$ 2,774

See independent auditors' report.

CITY OF LAKEWOOD

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

LAKEWOOD BUSINESS DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 34,267	\$ 18,605	\$ (15,662)
From other agencies	190,207	181,474	(8,733)
TOTAL REVENUES	224,474	200,079	(24,395)
EXPENDITURES:			
Current:			
Community development	106,500	-	106,500
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	117,974	200,079	82,105
OTHER FINANCING SOURCES:			
Transfers in	592,368	592,368	-
NET CHANGE IN FUND BALANCES	710,342	792,447	82,105
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ 710,342	\$ 792,447	\$ 82,105

See independent auditors' report.

CITY OF LAKEWOOD

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

PROP 1B SPECIAL REVENUE FUND

For the year ended June 30, 2008

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 1,345,309	\$ 1,149,337	\$ (195,972)
EXPENDITURES:			
Capital outlay:			
Transportation	1,345,309	1,149,337	195,972
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -

See independent auditors' report.

INTERNAL SERVICE FUNDS

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

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

CITY OF LAKEWOOD

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2008

	Central Garage	Print Shop	Totals
ASSETS			
CURRENT ASSETS:			
Cash and investments	\$ -	\$ 10,032	\$ 10,032
Inventories	61,956	-	61,956
TOTAL CURRENT ASSETS	61,956	10,032	71,988
NONCURRENT ASSETS			
Capital assets:			
Equipment	1,293,124	-	1,293,124
Less: accumulated depreciation	(1,157,779)	-	(1,157,779)
Total capital assets (net of accumulated depreciation)	135,345	-	135,345
TOTAL ASSETS	197,301	10,032	207,333
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	40,423	3,758	44,181
Accrued liabilities	16,900	9,704	26,604
Due to other funds	539,050	1,482	540,532
TOTAL CURRENT LIABILITIES	596,373	14,944	611,317
NET ASSETS			
Invested in capital assets	135,345	-	135,345
Unrestricted	(534,417)	(4,912)	(539,329)
TOTAL NET ASSETS (DEFICITS)	\$ (399,072)	\$ (4,912)	\$ (403,984)

See independent auditors' report.

CITY OF LAKEWOOD

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

For the year ended June 30, 2008

	Central Garage	Print Shop	Totals
OPERATING REVENUES:			
Billings to departments	\$ 494,491	\$ 74,051	\$ 568,542
OPERATING EXPENSES:			
Operations:			
Cost of goods sold	985,391	321,152	1,306,543
Depreciation	108,653	-	108,653
TOTAL OPERATING EXPENSES	1,094,044	321,152	1,415,196
OPERATING LOSS BEFORE TRANSFERS	(599,553)	(247,101)	(846,654)
TRANSFERS IN	531,620	242,189	773,809
CHANGE IN NET ASSETS	(67,933)	(4,912)	(72,845)
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED	(331,139)	-	(331,139)
NET ASSETS (DEFICITS) AT END OF YEAR	\$ (399,072)	\$ (4,912)	\$ (403,984)

See independent auditors' report.

CITY OF LAKEWOOD

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2008

	Central Garage	Print Shop	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 450,951	\$ 74,051	\$ 525,002
Payments to suppliers	(576,593)	(87,403)	(663,996)
Payments to employees	(371,055)	(232,414)	(603,469)
NET CASH USED BY OPERATING ACTIVITIES	(496,697)	(245,766)	(742,463)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	496,697	242,189	738,886
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(3,577)	(3,577)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	13,609	13,609
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ -	\$ 10,032	\$ 10,032
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	\$ (599,553)	\$ (247,101)	\$ (846,654)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	108,653	-	108,653
Changes in operating assets and liabilities:			
(Increase) decrease in inventories	(43,540)	-	(43,540)
Increase (decrease) in accounts payable	35,373	352	35,725
Increase (decrease) in accrued liabilities	2,370	983	3,353
TOTAL ADJUSTMENTS	102,856	1,335	104,191
NET CASH USED BY OPERATING ACTIVITIES	\$ (496,697)	\$ (245,766)	\$ (742,463)

See independent auditors' report.

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

CITY OF LAKEWOOD

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2008

	Agency Funds			Totals
	Deposit	Housing Rehabilitation	Sheriff Station Renovation	
ASSETS:				
Cash and investments	\$ 683,256	\$ 293,610	\$ 1,430,697	\$ 2,407,563
Accounts receivable	-	-	10,627	10,627
Loans receivable	-	1,048,553	-	1,048,553
TOTAL ASSETS	\$ 683,256	\$ 1,342,163	\$ 1,441,324	\$ 3,466,743
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ 909,296	\$ 909,296
Deposits	683,256	284,914	532,028	1,500,198
Due to HUD	-	1,057,249	-	1,057,249
TOTAL LIABILITIES	\$ 683,256	\$ 1,342,163	\$ 1,441,324	\$ 3,466,743

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
DEPOSIT FUND				
ASSETS:				
Cash and investments	\$ 669,771	\$ 258,592	\$ 245,107	\$ 683,256
LIABILITIES:				
Deposits	\$ 669,771	\$ 219,983	\$ 206,498	\$ 683,256
HOUSING REHABILITATION FUND				
ASSETS:				
Cash and investments	\$ 206,973	\$ 489,440	\$ 402,803	\$ 293,610
Accounts receivable	145	-	145	-
Loans receivable	1,110,867	22,369	84,683	1,048,553
TOTAL ASSETS	\$ 1,317,985	\$ 511,809	\$ 487,631	\$ 1,342,163
LIABILITIES:				
Deposits	\$ 195,604	\$ 635,223	\$ 545,913	\$ 284,914
Due to HUD	1,122,381	301,558	366,690	1,057,249
TOTAL LIABILITIES	\$ 1,317,985	\$ 936,781	\$ 912,603	\$ 1,342,163
SHERIFF STATION RENOVATION				
ASSETS:				
Cash and investments	\$ 6,128,193	\$ 293,421	\$ 4,990,916	\$ 1,430,697
Accounts receivable	52,082	10,626	52,081	10,627
TOTAL ASSETS	\$ 6,180,275	\$ 304,047	\$ 5,042,997	\$ 1,441,324
LIABILITIES:				
Accounts payable	\$ 1,888,805	\$ 4,734,772	\$ 5,714,281	\$ 909,296
Deposits	4,291,470	424,082	4,183,524	532,028
TOTAL LIABILITIES	\$ 6,180,275	\$ 5,158,854	\$ 9,897,805	\$ 1,441,324
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 7,004,937	\$ 1,041,453	\$ 5,638,826	\$ 2,407,563
Accounts receivable	52,227	10,626	52,226	10,627
Loans receivable	1,110,867	22,369	84,683	1,048,553
TOTAL ASSETS	\$ 8,168,031	\$ 1,074,448	\$ 5,775,735	\$ 3,466,743
LIABILITIES:				
Accounts payable	\$ 1,888,805	\$ 4,734,772	\$ 5,714,281	\$ 909,296
Deposits	5,156,845	1,279,288	4,935,935	1,500,198
Due to HUD	1,122,381	301,558	366,690	1,057,249
TOTAL LIABILITIES	\$ 8,168,031	\$ 6,315,618	\$ 11,016,906	\$ 3,466,743

See independent auditors' report.

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**STATISTICAL SECTION
(Unaudited)**

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2008

This part of the City of Lakewood's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:

Pages

<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	98 - 107
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	108 - 111
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	112 - 119
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	120 - 121
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	122 - 127

CITY OF LAKEWOOD

Net Assets by Component

Last Six Fiscal Years
(accrual basis of accounting)

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

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

Fiscal Year	
2007	2008
\$ 80,280,502	\$ 80,655,513
14,647,204	16,173,588
<u>31,896,543</u>	<u>34,073,759</u>
<u>\$ 126,824,249</u>	<u>\$ 130,902,860</u>
\$ 18,820,327	\$ 18,683,373
-	-
<u>7,150,032</u>	<u>9,629,136</u>
<u>\$ 25,970,359</u>	<u>\$ 28,312,509</u>
\$ 99,100,829	\$ 99,338,886
14,647,204	16,173,588
<u>39,046,575</u>	<u>43,702,895</u>
<u>\$ 152,794,608</u>	<u>\$ 159,215,369</u>

CITY OF LAKEWOOD

Changes in Net Assets - Expenses and Program Revenues

Last Six Fiscal Years
(accrual basis of accounting)

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

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

Source: Department of Finance, City of Lakewood

Fiscal Year	
2007	2008
\$ 8,510,064	\$ 8,128,441
11,356,267	12,455,676
4,824,504	5,649,724
10,309,543	10,717,032
4,250,787	4,449,649
9,019,931	9,141,664
1,776,204	1,979,819
2,795,304	3,077,480
<u>52,842,604</u>	<u>55,599,485</u>
<u>6,276,836</u>	<u>6,880,787</u>
<u>\$ 59,119,440</u>	<u>\$ 62,480,272</u>
\$ 859,860	\$ 1,187,144
1,351,445	1,423,814
1,133,876	1,169,018
4,346,022	4,489,476
1,561,244	1,574,007
7,988,389	8,182,326
822,247	1,263,382
<u>18,063,083</u>	<u>19,289,167</u>
<u>8,996,352</u>	<u>8,916,030</u>
<u>\$ 27,059,435</u>	<u>\$ 28,205,197</u>
\$ (34,779,521)	\$ (36,310,318)
<u>2,719,516</u>	<u>2,035,243</u>
<u>\$ (32,060,005)</u>	<u>\$ (34,275,075)</u>

CITY OF LAKEWOOD

Changes in Net Assets - General Revenues

Last Six Fiscal Years
(accrual basis of accounting)

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

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

Fiscal Year	
2007	2008
\$ 11,766,140	\$ 10,681,315
18,479,238	18,955,132
1,236,819	1,249,586
396,078	476,926
3,239,797	3,517,707
358,325	602,798
446,043	35,099
740,072	433,593
4,540,996	4,654,612
41,203,508	40,606,768
36,000	-
371,213	342,341
407,213	342,341
\$ 41,610,721	\$ 40,949,109
\$ 6,423,987	\$ 4,296,450
3,126,729	2,377,584
\$ 9,550,716	\$ 6,674,034

CITY OF LAKEWOOD

Fund Balances of Governmental Funds

Last Six Fiscal Years
(modified accrual basis of accounting)

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

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

Fiscal Year	
2007	2008
\$ 28,796,772	\$ 29,328,980
<u>26,661,511</u>	<u>27,880,662</u>
<u>\$ 55,458,283</u>	<u>\$ 57,209,642</u>
\$ 13,523,632	\$ 17,498,570
-	(1,235,920)
(23,295,789)	(24,250,320)
<u>(143,399)</u>	<u>(492,819)</u>
<u>\$ (9,915,556)</u>	<u>\$ (8,480,489)</u>

CITY OF LAKEWOOD

Changes in Fund Balances of Governmental Funds

Last Six Fiscal Years
(modified accrual basis of accounting)

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

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

Source: Department of Finance, City of Lakewood

Fiscal Year	
2007	2008
\$ 31,784,445	\$ 31,000,225
738,038	923,086
716,319	824,290
2,561,550	3,484,410
14,710,260	15,883,025
7,651,476	7,863,790
607,189	826,595
<u>58,769,277</u>	<u>60,805,421</u>
8,107,339	7,757,977
11,681,352	12,331,098
4,553,872	5,350,765
9,452,465	10,066,888
4,238,095	4,445,610
8,260,888	8,323,630
132,630	149,824
412,453	212,983
6,190,273	1,711,708
109,297	59,865
1,641,415	1,935,873
760,698	760,974
-	-
-	-
860,000	885,000
<u>2,774,360</u>	<u>3,057,549</u>
<u>59,175,137</u>	<u>57,049,744</u>
<u>(405,860)</u>	<u>3,755,677</u>
14,223,245	8,100,982
(14,376,187)	(8,874,791)
-	-
-	-
-	-
689,520	-
<u>536,578</u>	<u>(773,809)</u>
<u>\$ 130,718</u>	<u>\$ 2,981,868</u>
8.78%	8.87%

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
1999	\$ 3,571,555	\$ 1,775	\$ 105,133	\$ 3,678,463	0.153%
2000	3,705,897	1,318	101,163	3,808,378	0.155%
2001	3,921,097	1,244	104,499	4,026,840	0.156%
2002	4,150,896	1,330	121,253	4,273,479	0.161%
2003	4,378,849	1,219	121,478	4,501,546	0.160%
2004	4,705,822	1,355	110,380	4,817,557	0.158%
2005	5,129,355	1,627	120,676	5,251,658	0.169%
2006	5,685,313	2,089	123,017	5,810,419	0.167%
2007	6,288,569	1,862	124,448	6,414,879	0.167%
2008	6,855,443	268	122,010	6,977,721	0.169%

NOTE:

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

CITY OF LAKEWOOD

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

Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
City Direct Rates:										
City basic rate	\$ 0.1533	\$ 0.1553	\$ 0.1558	\$ 0.1607	\$ 0.1600	\$ 0.1577	\$ 0.1688	\$ 0.1666	\$ 0.1676	\$ 0.1689
Overlapping Rates:										
Los Angeles County	0.0016	0.0014	0.0013	0.0011	0.0010	0.0009	0.0009	0.0008	0.0007	-
School Districts	0.0307	0.0971	0.0985	0.1094	0.1186	0.1236	0.1272	0.1186	0.1099	0.2049
Sanitation and Water	0.0228	0.0016	0.0013	0.0010	-	-	0.0002	-	-	-
Water Districts	0.0089	0.0089	0.0088	0.0077	0.0067	0.0061	0.0058	0.0052	0.2778	0.0045
Other	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Total Direct Rate	<u>\$ 1.2173</u>	<u>\$ 1.2643</u>	<u>\$ 1.2657</u>	<u>\$ 1.2799</u>	<u>\$ 1.2863</u>	<u>\$ 1.2883</u>	<u>\$ 1.3029</u>	<u>\$ 1.2912</u>	<u>\$ 1.5560</u>	<u>\$ 1.3783</u>

NOTE:

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

CITY OF LAKEWOOD

Principal Property Tax Payers

Current Fiscal Year and Nine Fiscal Years Ago

Taxpayer	2008		1999	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Macerich Lakewood LLC	\$ 261,593,373	20.39%	N/A	N/A
Lakewood Marketplace LLC	34,171,010	2.63%	N/A	N/A
May Department Stores Company Lessee	32,660,400	2.54%	N/A	N/A
Target Corporation	29,024,037	2.38%	N/A	N/A
Lakewood Associates LLC	26,827,903	2.08%	N/A	N/A
Advance Group 05-86	78,653,112	1.97%	N/A	N/A
PPR Lakewood Adjacent LLC	25,166,161	1.96%	N/A	N/A
Regency Center LLC	25,618,784	1.69%	N/A	N/A
South & Downey LLC	21,420,000	1.42%	N/A	N/A
Albertson's Inc.	16,513,800	1.41%	N/A	N/A
	<u>\$ 551,648,580</u>	<u>38.47%</u>	<u>\$ -</u>	<u>0.00%</u>

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

N/A - Not Available

Source: HdL

CITY OF LAKEWOOD

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1999	\$ 2,054,891	\$ 2,045,061	99.52%	\$ 9,204	\$ 2,054,265	99.97%
2000	2,114,842	2,268,538	107.27%	33,183	2,301,721	108.84%
2001	2,242,359	2,479,668	110.58%	3,108	2,482,776	110.72%
2002	2,359,786	2,378,123	100.78%	9,626	2,387,749	101.18%
2003	2,478,507	2,612,402	105.40%	30,440	2,642,842	106.63%
2004	2,642,717	2,606,161	98.62%	15,717	2,621,878	99.21%
2005	2,832,544	3,045,518	107.52%	38,056	3,083,574	108.86%
2006	2,925,491	3,449,685	117.92%	235,732	3,685,417	125.98%
2007	3,822,116 *	3,671,902	96.07%	35,719	3,707,621	97.00%
2008	3,876,613	3,654,888	94.28%	221,725	3,876,613	100.00%

NOTE:

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

* Sum of Property Tax 06-07 Current Year Secured and Unsecured Taxes and Prior Year's Taxpayer Refund internal

CITY OF LAKEWOOD

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			
	General Obligation Bonds	Tax Allocation Bonds	Loans	Total Governmental Activities
1999	\$ -	\$ 18,150,000	\$ 547,717	\$ 18,697,717
2000	-	15,940,000	500,000	16,440,000
2001	-	15,670,000	-	15,670,000
2002	-	15,380,000	-	15,380,000
2003	-	14,880,000	-	14,880,000
2004	-	14,710,000	-	14,710,000
2005	-	13,890,000	-	13,890,000
2006	-	13,100,000	-	13,100,000
2007	-	12,240,000	-	12,240,000
2008	-	11,355,000	-	11,355,000

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

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

Business-type Activities			Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹
Water Revenue Bonds	Loan Payable to State of California	Total Business-type Activities			
\$ 5,470,000	\$ 482,721	\$ 5,952,721	\$ 24,650,438	1.15%	312
5,255,000	434,431	5,689,431	22,129,431	0.99%	278
5,030,000	384,203	5,414,203	21,084,203	0.89%	260
4,795,000	331,959	5,126,959	20,506,959	0.84%	255
4,550,000	277,619	4,827,619	19,707,619	0.79%	242
4,635,000	221,098	4,856,098	19,566,098	0.76%	238
4,315,000	162,309	4,477,309	18,367,309	0.67%	221
3,990,000	101,162	4,091,162	17,191,162	0.80%	207
3,650,000	37,561	3,687,561	15,927,561	N/A	178
6,745,000	-	6,745,000	18,100,000	0.98%	217

CITY OF LAKEWOOD

Ratio of General Bonded Debt Outstanding

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

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
1999	\$ -	\$ 18,150	\$ 18,150	0.49%	\$ -
2000	-	15,940	15,940	0.42%	-
2001	-	15,670	15,670	0.39%	-
2002	-	15,380	15,380	0.36%	-
2003	-	14,880	14,880	0.33%	-
2004	-	14,710	14,710	0.31%	-
2005	-	13,890	13,890	0.26%	-
2006	-	13,100	13,100	0.23%	-
2007	-	12,240	12,240	0.19%	-
2008	-	11,355	11,355	0.16%	-

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

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

CITY OF LAKEWOOD

Direct and Overlapping Debt

June 30, 2008

Total Assessed Valuation		\$ 6,169,119,258	
	Percentage Applicable ¹	Outstanding Debt 6/30/08	Estimated Share of Overlapping Debt
Overlapping Debt:			
Metropolitan Water District	0.777%	\$ 150,054,336	1,166,658
Cerritos Community College District 2004 Series 2004A	72.050%	5,455,000	393,022
Cerritos Community College District 2005 Refunding Bonds	7.205%	24,265,994	1,748,315
Cerritos Community College District 2004 Series 2006	7.205%	30,645,000	2,207,910
Compton Community College District 2002 Series A	2.751%	37,420,000	1,029,279
Long Beach Community College District 2002 Series A, 2003 Debt Service	8.379%	5,695,000	477,162
Long Beach Community College District 2002 Series B, 2005 Debt Service	8.379%	60,415,000	506,194
Long Beach Community College District Ref BD 2002 Series C, 2005	8.379%	25,024,898	2,096,741
Long Beach Community College District 2002 Series D, 2007 Debt Service	8.379%	70,999,987	5,948,818
ABC Unified School District 2003 Refunding Series A Debt Service	10.344%	17,120,000	1,770,814
ABC Unified School District 1997 Series B Debt Service	10.344%	36,014,966	3,725,222
Long Beach Unified School District 1999 Series A Debt Service	8.376%	21,525,000	1,802,918
Long Beach Unified School District 1999 Series B Debt Service	8.376%	26,465,000	2,216,689
Long Beach Unified School District 1999 Series C Debt Service	8.376%	53,590,000	4,488,658
Long Beach Unified School District 1999 Series D Debt Service	8.376%	36,680,000	3,072,289
Long Beach Unified School District 1999 Series E Debt Service	8.376%	55,690,000	4,664,553
Long Beach Unified School District 1999 Series F Debt Service	8.376%	47,815,000	4,004,948
Paramount Unified School District 1998 Series A Debt Service	9.582%	24,275,000	2,326,046
Paramount Unified School District 2006 Series Debt Service 2007	9.582%	39,714,976	3,805,515
Total overlapping debt		768,865,157	52,007,500
City Direct Debt:			
Water Revenue Bonds		3,068,536	3,068,536
Total direct and overlapping debt			\$ 55,076,036

Notes:

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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

Source: HdL Coren & Cone, L. A. County Assessor and Auditor Combined 2007/08 Lien Data Tax Rolls

CITY OF LAKEWOOD

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year			
	1999	2000	2001	2002
Assessed valuation (In thousands)	\$ 3,678,463	\$ 3,808,378	\$ 4,026,840	\$ 4,273,479
Debt limit percentage	15%	15%	15%	15%
Debt limit (In thousands)	551,769	571,257	604,026	641,022
Total net debt applicable to limit: General obligation bonds (In thousands)	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 551,769</u>	<u>\$ 571,257</u>	<u>\$ 604,026</u>	<u>\$ 641,022</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

The City of Lakewood has no general bonded indebtedness.

Fiscal Year					
2003	2004	2005	2006	2007	2008
\$ 4,501,546	\$ 4,817,557	\$ 5,251,658	\$ 5,810,419	\$ 6,414,879	\$ 6,977,721
15%	15%	15%	15%	15%	15%
675,232	722,634	787,749	871,563	962,232	1,046,658
-	-	-	-	-	-
<u>\$ 675,232</u>	<u>\$ 722,634</u>	<u>\$ 787,749</u>	<u>\$ 871,563</u>	<u>\$ 962,232</u>	<u>\$ 1,046,658</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF LAKEWOOD

Pledged-Revenue Coverage

Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1999	\$ 5,320	\$ 4,548	\$ 772	\$ 205	\$ 294	\$ 1.55
2000	5,803	4,631	1,172	215	286	2.34
2001	5,357	4,495	862	225	277	1.72
2002	6,064	4,901	1,163	235	268	2.31
2003	6,253	5,036	1,217	245	258	2.42
2004	6,977	4,836	2,141	255	247	4.26
2005	6,867	5,041	1,826	265	235	3.65
2006	7,214	5,276	1,938	325	146	4.11
2007	8,996	5,265	3,731	340	133	7.89
2008	8,915	5,990	2,925	355	119	6.17

Note: 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.

Source: Department of Finance, City of Lakewood

CITY OF LAKEWOOD

Pledged-Revenue Coverage

Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	Tax Allocation Bonds				
	Tax Increment	Debt Service		Coverage	
		Principal	Interest		
1999	\$ 3,383	\$ 480	\$ 1,246	\$ 1.96	
2000	3,618	505	1,118	2.23	
2001	4,002	270	984	3.19	
2002	4,017	290	965	3.20	
2003	4,341	500	942	3.01	
2004	5,277	550	911	3.61	
2005	6,739	820	631	4.64	
2006	6,283	790	603	4.51	
2007	8,762	860	574	6.11	
2008	8,280	885	249	7.30	

Note: 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 (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
1998	78,900	\$ 2,147,658	\$ 27,220	N/A
1999	79,700	2,229,448	27,973	N/A
2000	81,000	2,367,792	29,232	3.2%
2001	80,347	2,450,825	30,503	3.4%
2002	81,415	2,509,862	30,828	4.1%
2003	82,341	2,589,789	31,452	4.2%
2004	82,988	2,753,459	33,179	3.9%
2005	83,175	2,152,497	24,106	3.2%
2006	89,293	N/A	N/A	N/A
2007	83,486	1,844,623	22,095	5.3%

Sources: (1) State Department of Finance
 (2) Office of Economic Development (data shown is for the County)
 (3) State of California Employment Development Department

CITY OF LAKEWOOD

Principal Employers

Current Fiscal Year and Nine Fiscal Years Ago

Employer	2008		1999	
	Number of Employees	Percent of Total Employment*	Number of Employees	Percent of Total Employment
Long Beach Unified School District	1,268	2.81%	N/A	N/A
County of Los Angeles	900	2.00%	N/A	N/A
Lakewood Regional Medical Center	708	1.57%	N/A	N/A
City of Lakewood	659	1.46%	N/A	N/A
Wal-Mart	328	0.73%	N/A	N/A
Pacific Ford	250	0.55%	N/A	N/A
Home Depot USA Inc	155	0.34%	N/A	N/A
CareMore Medical Group	150	0.33%	N/A	N/A
Piazza McDonald's	127	0.28%	N/A	N/A
California Pizza Kitchen	80	0.18%	N/A	N/A

Note: Information from nine years ago is not readily available

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

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

Sources: State of California Employment Development Department
Selectory Database

CITY OF LAKEWOOD

Full-time and Part-time City Employees
by Function

Last Ten Fiscal Years

Division	Fiscal Year			
	1999	2000	2001	2002
City Administration	N/A	N/A	N/A	N/A
City Clerk	N/A	N/A	N/A	N/A
Finance	N/A	N/A	N/A	N/A
Community Development	N/A	N/A	N/A	N/A
Public Works	N/A	N/A	N/A	N/A
Recreation and Community Services	N/A	N/A	N/A	N/A
Water Resources	N/A	N/A	N/A	N/A
Total	170	166	166	169

Note: Detailed information from prior years not readily available

* - Full-time employees only.

Source: Department of Finance, City of Lakewood

Fiscal Year					
2003	2004	2005	2006	2007	2008 (*)
N/A	N/A	N/A	30	31	32
N/A	N/A	N/A	5	2	2
N/A	N/A	N/A	20	21	21
N/A	N/A	N/A	15	15	15
N/A	N/A	N/A	31	31	31
N/A	N/A	N/A	59	59	59
N/A	N/A	N/A	19	19	19
171	174	174	179	178	179

CITY OF LAKEWOOD

Operating Indicators
by Function

Last Ten Fiscal Years

	Fiscal Year			
	1999	2000	2001	2002
Public works:				
Street resurfacing (miles)	N/A	N/A	N/A	N/A
Recreation and community services:				
Number of recreation classes	1,576	1,478	1,436	1,576
Number of facility rentals	N/A	7,745	7,206	7,546
Water:				
New connections	N/A	N/A	N/A	N/A
Number of consumers	19,873	19,897	19,873	20,415
Average daily consumption (thousands of gallons)	7,903	8,200	8,200	8,250
Community development:				
Number of building permits issued	1,411	1,408	1,559	1,619

* - Includes both residential and commercial permits.

Source: City of Lakewood

Fiscal Year					
2003	2004	2005	2006	2007	2008
N/A	N/A	N/A	13	24	7
1,745	1,664	1,631	1,734	1,709	1,945
7,207	7,725	7,258	7,559	7,532	6,900
N/A	N/A	N/A	8	11	14
20,412	20,313	20,101	20,125	21,449	20,403
8,100	8,475	7,893	7,332	8,900	8,506
1,912	1,950	2,104	2,001	3,405 *	1,646

CITY OF LAKEWOOD

Capital Asset Statistics
by Function

Last Ten Fiscal Years

	Fiscal Year			
	1999	2000	2001	2002
Public works:				
Streets (miles)	196	196	196	196
Streetlights	6,654	6,654	6,654	6,654
Recreation and community services:				
Number of recreation facilities	13	13	13	13
Acreage of facilities	152	152	152	152
Number of pools	2	2	2	2
Water:				
Water mains (miles)	195.00	195.00	195.00	195.00
Wastewater:				
Sewers (miles)	167.00	167.00	167.00	167.00

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

Fiscal Year					
2003	2004	2005	2006	2007	2008
196 6,654	196 6,654	196 6,654	196 6,654	196 6,654	196 6,654
13 152 2	13 152 2	13 152 2	13 152 2	13 189 * 2	13 189 * 2
195.00	195.00	195.00	195.00	195.00	195.00
167.00	167.00	167.00	167.00	167.00	167.00

