

City of Lakewood • California



**Comprehensive Annual Financial Report
Year Ended June 30, 2017**

CITY OF LAKEWOOD, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

**FOR THE YEAR ENDED
JUNE 30, 2017**

Prepared by:
Administrative Services Department

Diane Perkin
Director of Administrative Services



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Steve Croft
Vice Mayor

Ron Piazza
Council Member



Todd Rogers
Council Member

Jeff Wood
Council Member

Diane DuBois
Mayor

December 12, 2017

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

TRANSMITTAL LETTER

State law requires that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted government auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lakewood for the fiscal year ended June 30, 2017.

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

The City of Lakewood's financial statements have been audited by The Pun Group, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lakewood for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the City of

Lakewood's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The "Single Audit" is a single organization-wide financial and compliance audit designed to promote sound financial management and effective internal controls with respect to federal awards administered by the City of Lakewood and focuses on compliance with laws and regulations governing federal awards. Internal controls encompass a system of accounting and administrative controls. Compliance refers to how well the City complies with the requirements in federal law, regulations, contracts, and grants applicable to each of its federal programs. These reports are available in the City of Lakewood's separately issued Single Audit Report.

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

PROFILE OF THE GOVERNMENT

The City of Lakewood, incorporated in 1954, is located in Southern Los Angeles County, 20 miles south of the City of Los Angeles. Lakewood enjoys the benefits of the diversified economy of Southern California. The City is primarily a bedroom community providing housing for the Southern California subregion. The City of Lakewood occupies a land area of 9.5 square miles and serves a population of 79,272 as of January 1, 2017.

The City of Lakewood has operated under the council-manager form of government since its incorporation. The City is a "contract city," having been the first in the country to adopt this form of government. John Stanford Todd's contributions to Lakewood and city government are now honored by two John Sanford Todd Memorial Highway signs located near the northern and southern borders of Lakewood along the 605 freeway. Policy-making and legislative authority are vested in a governing council consisting of five members. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year overlapping terms. The mayor is selected by the council from among its members and serves in that capacity for a one-year term.

The City of Lakewood provides a full range of services, including police protection, solid waste collection, construction and maintenance of highways, streets and infrastructure, planning and zoning activities, utilities (water), recreational activities, cultural events, housing and general administrative services. The City of Lakewood is a "contract" city, meaning that some of these services are provided by contract with other agencies (both public and private) and some services are delivered by the City's own employees. Library services, fire protection services, and sewer services are provided by special districts of the County of Los Angeles. The City has excluded the

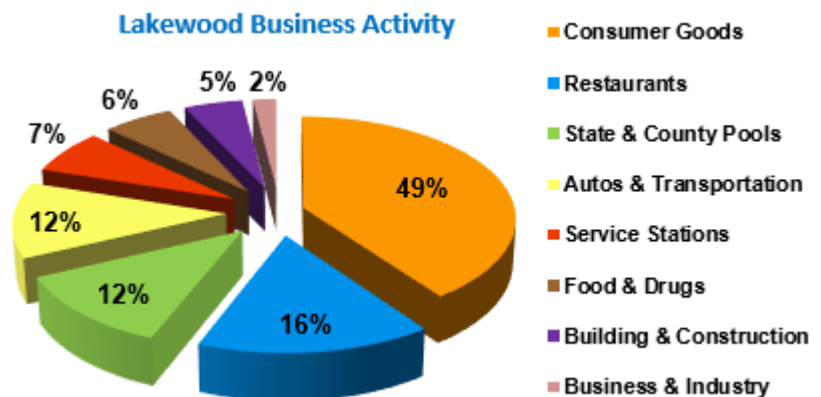
County of Los Angeles, as well as the State of California and various school districts, because they do not meet the established criteria for inclusion in the report.

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

ASSESSING THE CITY'S ECONOMIC CONDITION AND OUTLOOK

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

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



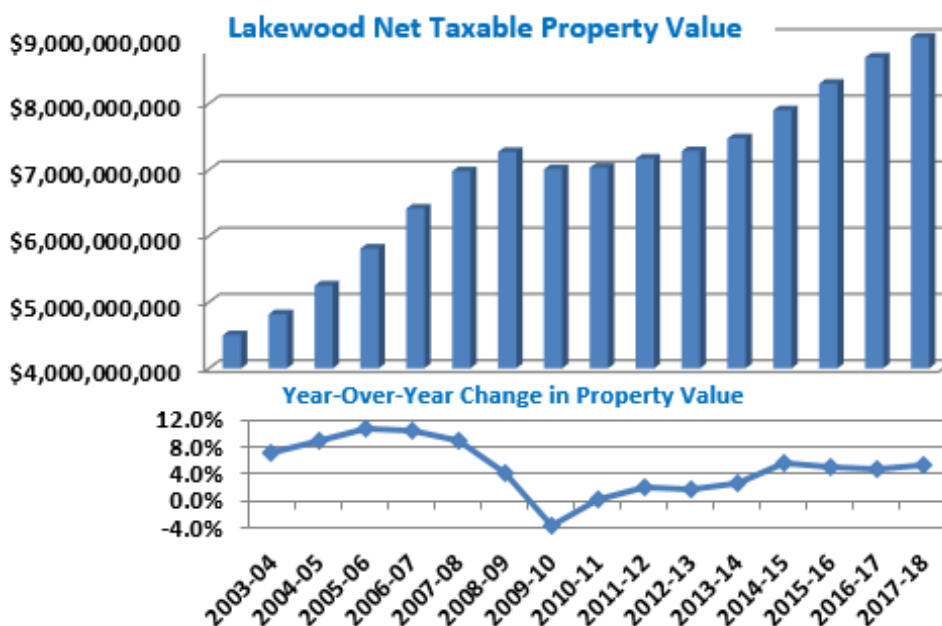
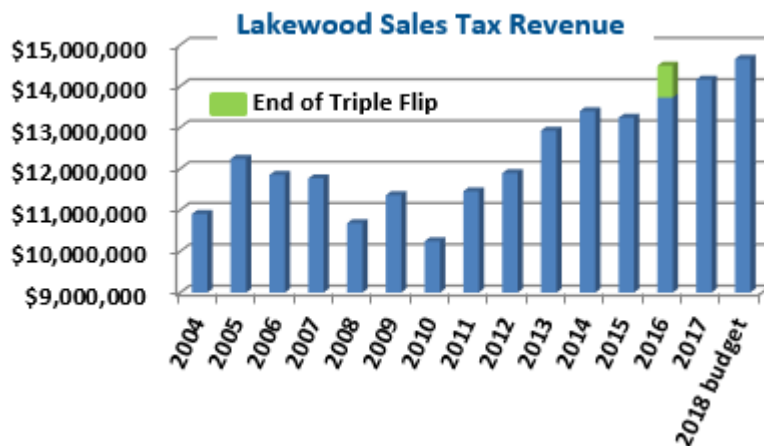
For the City of Lakewood, retail sales is the economic indicator that best heralds the City's financial situation. Sales tax revenues account for 30 percent of General Fund revenues. There are over 3,000 businesses (including home occupations) located in Lakewood generating \$14.2 million in sales tax for the City in Fiscal Year 2016-2017. The economic base of Lakewood is largely retail and the City's "top twenty-five" retail businesses as a group produce 54 percent of the City's sales tax revenues. Increasingly, state and county pools have provided a greater share of sales tax revenues to the City as online sales have grown. Sales tax collected from online sales are disbursed to cities through state and county pools based on each city's percent of total brick-and-mortar sales and may not bring the same value as the city's brick-and-mortar point-of-sale tax.

The City is expecting to see a slowing of sales tax revenue increases stemming from the continued migration of consumers away from traditional brick-and-mortar to online shopping. The recently amended budget for Fiscal Year 2017-2018 takes this change in consumers shopping habits into consideration and the budgeted increase in sales tax revenue is projected at 3.5 percent over the prior fiscal year. Lakewood will

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

Economic development in the City added several retailers in the past year, expanding opportunities for shopping and dining, as well as adding over 750 jobs from over 150 new Lakewood businesses in Lakewood. This built on the more than 5,000 jobs that new businesses brought to Lakewood the past seven years. Among the new businesses are Hobby Lobby, National Polytechnic College, DaVita Kidney Care, Piggies Adobo Taco, Bergerim, Starlet Salon, Mercy Eye Care, America's Best Contacts and Eyeglasses, Paseo Jewelers, and the return of Tokyo Hibachi restaurant. McDonald's, J.C.Penney and H-Mart all underwent major remodels.

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

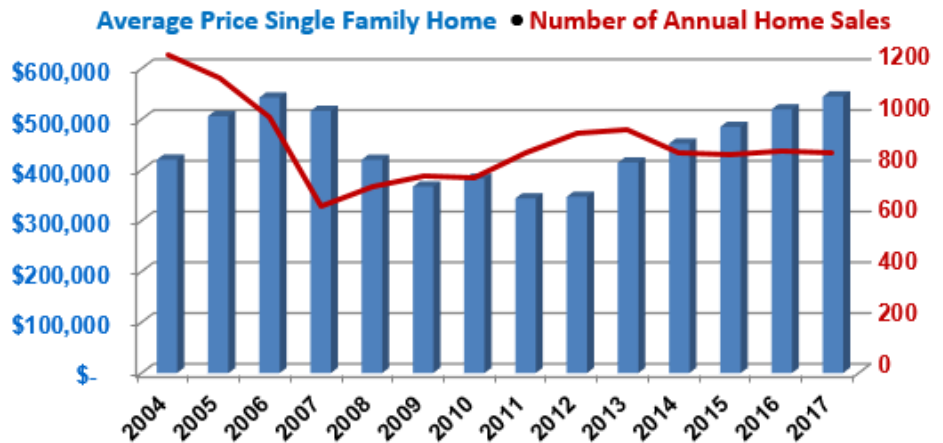


The County Assessor increased property tax assessments by a CPI of two percent from 2016-17 to 2017-18.

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

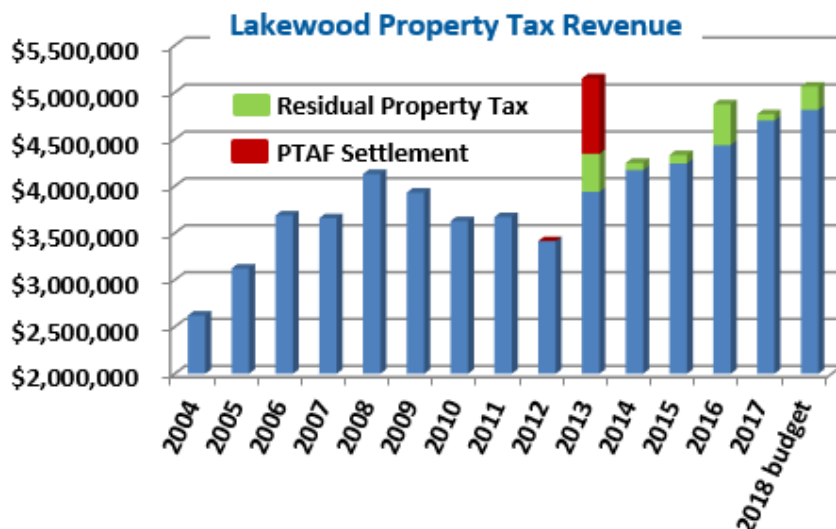
Prop 8 reductions still offset the year-over-year increase by reducing the assessed valuation by \$135 million on 4.9 percent of the parcels in the city. However, the recapture of value on designated Prop 8 parcels was the third largest factor in increasing property values by \$53 million for 2017-2018. The top two factors, transfer of ownership of \$185 million, CPI increase of \$145 million, and other charges of \$53 million, along with the recapture of Prop 8 valuations largely accounted for the overall taxable value increase of \$467 million. The main driver of the increase was residential properties at \$429 million, followed by commercial/industrial at \$44 million.

The total assessed value of real property in the city was \$9.2 billion for Fiscal Year 2017-2018, a 5.4 percent increase from the previous year. The growth in the City's assessed value of 5.4 percent was outpaced by the County which increased by six percent. In calendar year 2017, the median single family



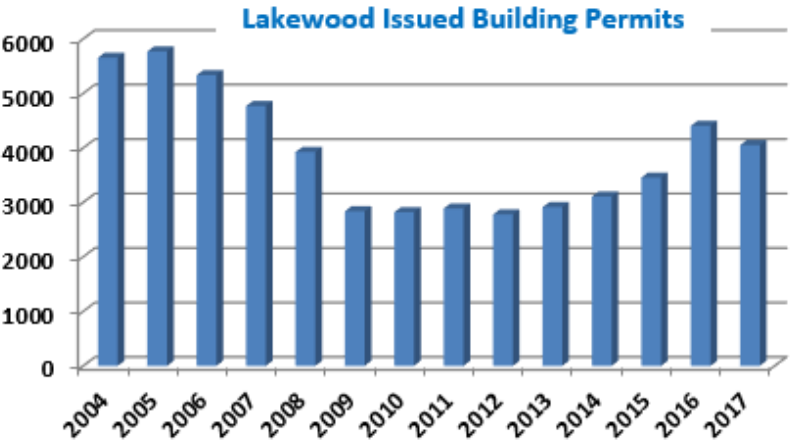
Lakewood home is selling for \$545,000, a 5.83 percent increase from 2016 - finally surpassing the peak reached in 2006. Home sales remained flat over the past year.

In Fiscal Year 2012-2013, the City began to receive residual property tax from the dissolution of the Lakewood Redevelopment Agency. In that year, all property tax increment held by the Lakewood Redevelopment Agency was shifted to the County and disbursed to local taxing agencies - the City's share of this disbursement was \$404,967. The \$436,749 residual disbursement received in Fiscal Year 2015-2016 is primarily the City's share of the \$9.4 million payment made that year to the County by the Successor Agency of the former Lakewood Redevelopment Agency. Annual residual property tax is expected to increase to \$250,000 in Fiscal Year 2017-2018 due to former LRA bonds being fully paid.



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

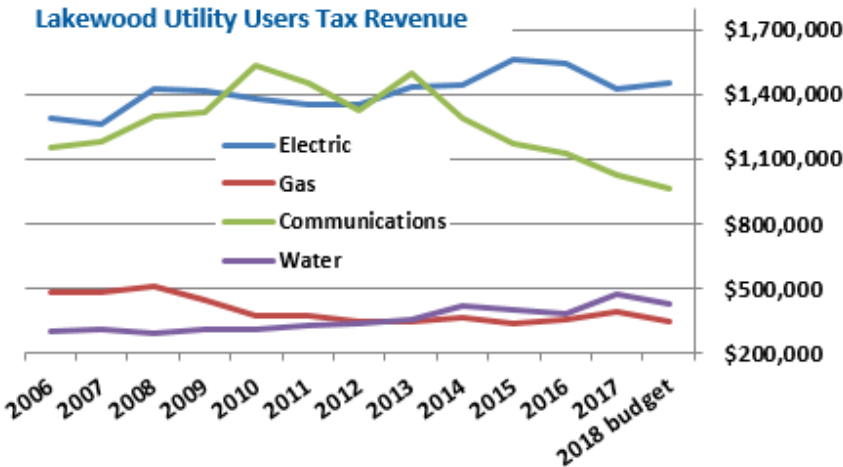
Property tax revenue in Fiscal Year 2016-2017 increased by 5.9 percent over the prior year, exceeding expectations by 2.9 percent, and is expected to further increase by 2.4 percent in Fiscal Year 2017-2018. Property tax revenue accounts for 10.1 percent of General Fund revenues. Since the approval of the 2004 Prop 1A and subsequent implementation of the “triple-flip,” changes in property tax valuation have a greater impact. Under the “triple-flip,” vehicle license fee revenue growth is tied to property tax growth. Property tax in-lieu of vehicle license fees accounts for an additional 17.4 percent of General Fund revenues.



The number of building permits issued by the City remains 30 percent below the peak reached in Fiscal Year 2004-2005. During Fiscal Year 2016-2017, 4,051 construction and remodeling permits were issued, which continued the recent multi-year upward trend of building activity. The City of Lakewood was named by the Los Angeles County Economic Development Corp. as one of ten finalists for the Most Business-Friendly City in Los Angeles County award in 2017.

City revenues are also affected by changes in the commodity markets. The City’s assessed utility users tax represents seven percent of General Fund revenues. The three percent tax is assessed on communications, electricity, natural gas and water use. Natural gas prices continue to be at low levels resulting in \$175,876 less natural gas utility users tax revenues in Fiscal Year 2016-2017 from what was received in Fiscal Year 2007-2008. The decline in natural gas prices has also affected the City’s franchise fee collections. Natural gas franchise fees received in Fiscal Year 2016-2017 remain below revenues received in Fiscal Year 2006-2007 by \$162,873.

The utility users tax for electricity shows a decline in Fiscal Year 2016-2017, \$107,572 less than the peak in Fiscal Year 2014-2015. This likely due to a mild weather year and the impact solar panel installations.



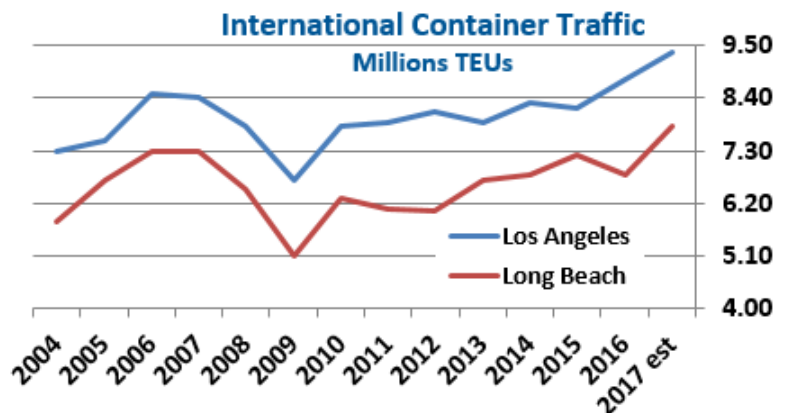
The use of alternative forms of cellular communication to the traditional phone plan has also reduced the amount of utility users tax collected. Prepaid wireless service has become commonplace resulting in \$484,274 less communications utility users tax revenues in Fiscal Year 2016-2017 from what was received in Fiscal Year 2009-2010. The implementation of AB 1717 should mitigate this trend by requiring merchants to collect the utility tax at the point of sale.

Lakewood’s employment rate depends on the regional job situation. In September 2015, the U.S. Department of Defense granted \$3.9 million to help the City of Long Beach develop an economic transition plan following the closure of Boeing’s C-17 facilities, which had employed several thousand people. The area that was home to Douglas Aircraft and its DC jets, and later Boeing Co., is slowly transforming into a multi-used development with businesses such as: Virgin Orbit’s headquarters; Mercedes-Benz training, performance and vehicle preparation center; Universal Technical Institute’s mechanics campus for about 900 students; Shimadzu Precision Instruments a precision aircraft manufacturer; and two Class A medical buildings. In 2017, developer Sares-Regis Group, plans to build four new industrial buildings, the proposed buildings range in size from 70,000 to 134,000 square feet. The former Long Beach Boeing site once completed will include office, retail, fitness, hospitality and industrial businesses. These businesses will provide opportunities for skilled employment in the local region.

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

The Port of Long Beach October 2017 container volumes were up 9.5 percent compared to the same month last year – more than making up for the 6.2 percent decline in the prior year attributable to the Hanjin bankruptcy. In 2015, Hanjin Shipping containers accounted for 12.3 percent of the Port’s total volume and the Port has had to clear a backlog of empty containers related to the Hanjin bankruptcy that were congesting flow of cargo through the Port’s supply chain. For the calendar year through October 2017, Port TEUs surpassed 2016 by 15 percent.

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

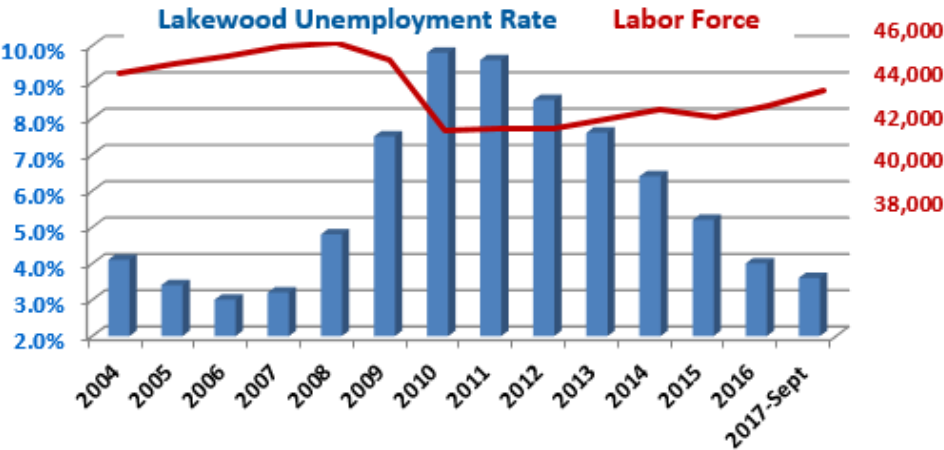


In 2009, the Legislature passed program to counteract the financial incentives offered by other states to lure film production away from the Los Angeles County region by offering tax credits to a limited range of qualifying productions. In 2014, Governor Jerry Brown signed the *California Film & Television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

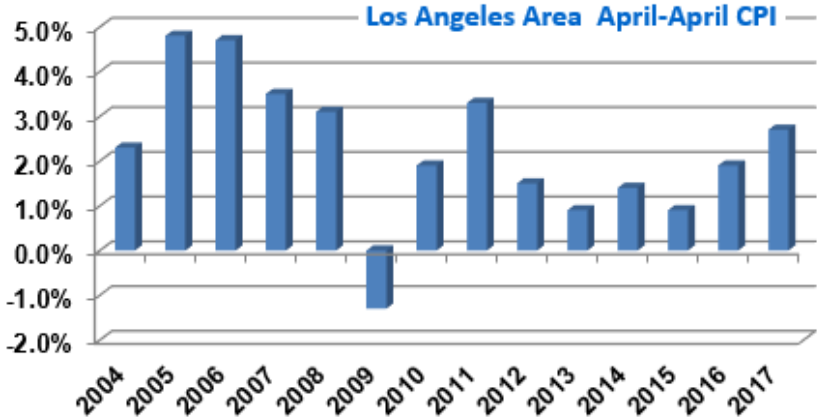
per year and granting an extension of the film and television tax credit program through July 2020. The bill had the support of the business and labor community across California because of its focus on high-wage jobs for below-the-line workers. The Southern California Association of Governments (SCAG)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

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

The unemployment rate in Lakewood fell to 3.6 percent in September 2017, back to the rate the City enjoyed prior to the recession; and better than the state as a whole. The labor force participation has also rebounded 4.4 percent after declining by nine percent during the recession.



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



The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside and Orange County region, which is the basis for many of the City’s contract increases, was 2.7 percent in 2017. The CPI for the Nation, as well as for the region, is expected to remain relatively low in the coming years.

Economic Outlook

Beacon Economics provides market insights and forecasts for California Communities. In their latest analysis Beacon expects the, “U.S. economy to continue its expansion, growing at a slightly faster rate in 2017 than it has over the past two years – and short of some major change or upset in government policy, the outlook for 2018 is remarkably similar.” Beacon Economics went on to report that the, “U.S. GDP growth came in at three percent in the second quarter of 2017, the best growth rate since the first quarter of 2015 and making up for a weak first quarter. The newly released outlook estimates national growth for the rest of 2017 to be in the 2.5 percent range. There are some key trends emerging however that have important implications, not the least of which is a growing labor force shortage and the effect that has on both business profits and worker wages. Other trends to watch include the improving global economy, which is driving U.S. export activity, the Fed’s continued tightening, and the slowdown in bank lending. However, the hand wringing about the length of the current economic expansion (in its ninth year) is a red herring. Other than an unforeseen policy twist, the new analysis does not identify anything on the horizon that could significantly alter the positive growth forecast in the near term.”

“California’s gross state product increased by 3.1 percent from the first quarter of 2016 to the first quarter of 2017 [however] California’s economy is beginning to feel limits to its robust growth. Having been one of the fastest growing of the 50 states throughout the post-recessionary period, the state is effectively at ‘full employment’ which has led to a recent slowdown in labor market growth. As the end of 2017 draws near,” Beacon Economics reported, “California’s jobs growth has continued to slightly outpace the nation. California added 31,700 jobs in October 2017, and year-over-year jobs growth in California now stands at 1.5 percent compared to 1.4 percent growth in the nation overall. California’s unemployment rate also fell to 4.9 percent in October, and growth in the state’s labor force has accelerated over the last two months. October’s one percent pace of growth, year-over-year, represents the fastest annual growth in the labor force so far in 2017. The state and its regions should experience continued growth in economic activity and jobs throughout 2017 and into 2018. Most of the job gains will occur in Health Care, Leisure and Hospitality, and Construction. But California will fall short of its potential until it crafts long-term supply-oriented solutions to the chronic problem of high housing costs and low housing affordability.”

This time last year Beacon Economics posted the following caveat, “The election of Donald Trump has caused Beacon Economics to change its U.S. outlook from one of steady, if mediocre, economic expansion to one with the very real possibility of a coming recession.” This year Beacon Economics reported in their Fall issue of *Beaconomics*, “This brings us to Federal policy, or perhaps the lack thereof. When President Trump entered office he promised radical shifts in government policy. Some of those policies could have been modestly stimulating to economic growth, while others could have put the nation on a path straight into recession. This uncertainty has been a concern for Beacon Economics—if not the stock markets, which have continued their climb into the stratosphere. But despite our unease, nothing has happened at the Federal level except the most basic functions of state. In many ways, the stasis currently gripping Washington DC looks to be a lot like what occurred under the Obama administration, with the exception that it is incompetence rather than partisanship that is now freezing the wheels of government. At this point, Beacon Economics believes the chance of a major change in policy (positive or negative) occurring is small but real. In the meantime, we’re sitting back and taking in this year’s must-watch TV—Survivor: White House.” As with last year, other economists are not so pessimistic.

LONG-TERM FINANCIAL PLANNING

Long-term financial planning involves the management of the City's programs and assets. Programs include the services the City provides through its employees and contracts. Assets include cash and investments, as well as the City's entire infrastructure of streets, street lighting, signals, medians, signage, parks, recreation facilities, water mains, trees sidewalks and bus stops, etc. Long-term debt, pension and post-employment benefits, and the depreciation and deterioration of the above named tangible assets, are also included in the long-term financial plan. The City's policies provide parameters that reflect the City's management and fiscal philosophy.

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

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

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

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

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

Street and traffic signal improvements:

- In January 2013, the City of Lakewood hit the milestone of repaving 100 percent of all residential streets in Lakewood since 2000. Over 143 miles of residential streets have been resurfaced with rubberized asphalt, which recycled over 600,000 old tires and kept them out of landfills. Woodruff Avenue is lined up for repaving in Fiscal year 2017-2018.
- The City installed new energy-efficient LED lights on over 4,000 overhead street lights throughout the city. The City took advantage of rebates from Southern California Edison and energy cost savings that will fully offset the installation costs within six years. After that time,

the city will save over \$160,000 a year in permanently reduced energy cost and reduced greenhouse gas emissions.

- In coordination with Los Angeles County Metro, construction will begin in Fiscal Year 2016-2017 on a traffic-flow improvement project at the Del Amo and Lakewood Boulevard intersection. The project involves constructing dual-left turn lanes in all directions and a roadway expansion over the nearby flood control channel and is fully funded by LA County Los Angeles County Metro as part of its “hot spot relief” program.
- Lakewood also continued its sidewalk work in Fiscal Year 2016-2017, repairing 2.5 miles of walkways.

Storm water/water recapture/recycled water projects:

- The City received two CalTrans grants totaling \$26 million for the construction of two separate water recapture systems at Bolivar Park and Mayfair Park. The construction of the Bolivar Park water recapture system began in Fiscal Year 2015-2016 and will be completed in Fiscal Year 2017-2018. After which, the recapture system at Mayfair Park will commence. These systems will reduce pollutants in the local waterways and ocean, and will also provide a source of local recycled water to be used in parks and medians.
- The City secured a state grant to help pay for converting the parkways along Paramount Boulevard into drought-tolerant landscaping that will capture and clean runoff along the roadway. This project is scheduled to start in Fiscal Year 2017-2018.

Parks and community facilities projects:

- The City began a major upgrade to the 40 year-old Burns Community Center, used by many Lakewood older adults and others. Burns will receive a new elevator added to the outside of the building, expanded interior space for building users, and renovated restrooms. The work is expected to be completed by May in 2018. New irrigation and landscape will be installed to compliment the renovation. The nearly \$3 million project is being paid for with help from \$1 million in federal Community Development Block Grant funds.
- Other facilities improvements include:
 - Restroom renovations in Mayfair Park.
 - Resurfacing of Mayfair Park’s tot lot playground.
 - Bloomfield Park Activity Room renovation including flooring and new paint.
 - Added Wi-Fi access at Bloomfield Park for teen programming.
 - Renovation of the ballfields at Palms and Boyar Parks.
 - Renovated concrete slab in patio area outside of the Palms Park Activity Building.
 - New restrooms and office at Lakewood Equestrian Center
- The City continued annual improvements to The Centre at Sycamore Plaza to keep it looking sharp and working well as Lakewood’s premier meeting and banquet location. Improvements in Fiscal Year 2016-2017 included a new carpeting, tile, wall coverings and exterior lighting.

Water system improvements:

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

- Completed the first Asset Management Plan for water pumping facilities. The plan will assist us in prioritizing maintenance activities that optimize an assets useful life thereby mitigating capital replacement programs costs.

- Completed Water System Master Plan. The plan is a 20-year blue print of the city's water system to provide reliable, sustainable, and cost-effective water services to its customers.
- An improved utility bill-pay system was implemented for water and trash customers. The new system provides more information to customers to help them better manage their water use, more payment options, and faster response times on customer service calls.
- The city, with its contract partner Fathom, began the six-month process of installing new "smart water meters" for every residential and business customer. The new meters will provide hour-by-hour information to Lakewood customers enabling them to better manage their water use and keep their costs down. The new meters will also provide valuable system-wide information to the city's water planners enabling them to make the cost-effective decisions possible on what infrastructure needs to be replaced throughout the Lakewood water system.
- Improvements at Plant #13 and Well #22 were completed. Both projects will improve efficiency and insure future reliability.
- Firefighting capabilities were increased by upgrading ten fire hydrants at various locations around the city.
- Upgraded the city's connection to the Metropolitan Water District. The city depends on this connection should an emergency fire flow demand event occur.
- Replaced Booster Pump #8 at Arbor Yard, which is the largest booster pump (2500 gpm) in the system.
- Finished the project of installing 4"- 8" isolation valves at eight school sites to prevent water supply disruption in the event of water main break in school site areas.

Residential housing projects:

- The Home Improvement Loans and Fix Up Paint Up Program can lend up to \$18,000 for home improvements to eligible homeowners, and the Fix Up Paint Up program offers grants of up to \$3,000 to complete exterior repairs for eligible homeowners many who are elderly and disabled residents who cannot cope with property upkeep. Both of these programs will remain available to the residents of Lakewood through the Successor Housing Agency.
- Housing Development currently under construction in FY 2017-2018 includes:
 - Villa Madrid is a three-story 22-unit apartment complex that has almost completed construction at Bloomfield Avenue and Centralia Street will be available for lease in January 2018.
 - Seine Villa Apartments is a two-story 16-unit apartment complex that has just framed the second story and should be available for rent in late spring/early summer of 2018 located on Seine Avenue.
 - Buena Vida LLC. purchased four former water well sites owned by the City's Water Resources Department and is currently building new homes on each of these lots. These home should be completed by Spring 2018.
- Housing Development planned for Fiscal Year 2018-2019 includes
 - Elaine Apartments is a three-story 24-unit apartment complex that will be located on Elaine Avenue and is currently processing through the approval process.
 - On Walcroft Street a 2-unit and a 3-unit rental projects are being built.

Redevelopment:

In 2011, California enacted legislation that required the dissolution of all redevelopment agencies. AB x1 26 dissolved redevelopment agencies as of February 1, 2012, and provided for the designation of successor agencies which were tasked to wind down the affairs of the dissolved

redevelopment agencies. Under AB x1 26, the dissolution of redevelopment included the determination that all contracts and agreements between the City and the Lakewood Redevelopment Agency were null and void. Subsequently, AB 1484 provided for a small level of funding for housing operations that resumed in Fiscal Year 2013-2014 using housing loan payments, and SB 107 in 2015 allowed for the payment of all outstanding loans made by the City to the Agency as recalculated using four percent rate over the life of the loan. Once the Finding of Completion is issued by the Department of Finance (DOF) additional funds will be available to fund the city's housing capital programs through reimbursement of deferred housing transfers to pay for ERAF, SERAF transfers to the State, and other postponements. City Loan debt service payments can resume once the housing deferrals have been fully paid; 20 percent of the debt service payments are required to fund housing operations and capital.

Long-term Debt:

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

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

Pension and Other Post Employment Benefit Liabilities:

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

- California Public Employee Retirement System (CalPERS) is a two percent at 55 pension plan for "classic" CalPERS members, and two percent at 62 pension plan for new members as defined by the Public Employees Pension Reform Act (PEPRA), who are employees that have never been a member of CalPERS or who had a break in service of six months or greater. This Plan utilizes a 7.375 percent discount rate (will decrease to seven percent by fiscal year 2021) and is 76.5 percent funded as of June 30, 2016, per the CalPERS GASB 68 Accounting Valuation Report and the market value of assets.
- PARS Retirement Enhancement Plan is a 0.5 percent at 60 pension plan. The PARS Plan was established in 2004 and is only available to full-time/permanent employees. The PARS Plan was closed to new employees on January 1, 2013 as restricted by the Public Employees Pension Reform Act (PEPRA). This Plan utilizes a six percent discount rate and is 74.39 percent funded as of June 30, 2017, based on the assumptions of the GASB 67 and 68 Disclosure Document and the market value of assets.
- The City offers other post-employment benefits (OPEB), a Career Employee Medical Retirement Benefit Plan, to eligible retirees. The plan is constructed to keep costs in check by limiting eligibility and length of benefit. The City provides limited supplemental payment for post-retirement healthcare benefits for full-time/permanent employees who have completed 20

years of service and have reached the age of 55, or who have completed 15 years and reached the age of 60, and who are retiring under CalPERS. The benefit is also limited by the retiree's years of service. This Plan utilizes a six percent discount rate and is over 100 percent funded as of June 30, 2017, based on the assumptions of the latest actuarial and the market value of assets.

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

FINANCIAL MANAGEMENT POLICIES AND PRACTICES

GASB Statement No. 77, *Tax Abatement Disclosure*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. 2) The gross dollar amount of taxes abated during the period 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB Statement No. 82, *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and*

Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

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, 2016. This was the 35th consecutive year that Lakewood has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Thaddeus McCormack
City Manager



Diane Perkin
Director of Administrative Services

CITY COUNCIL

DIANE DUBOIS
Mayor

STEVE CROFT
Vice Mayor

JEFF WOOD
Council Member

RON PIAZZA
Council Member

TODD ROGERS
Council Member

ADMINISTRATION AND DEPARTMENT DIRECTORS

THADDEUS McCORMACK
City Manager

STEVE SKOLNIK
City Attorney

CAROL FLYNN-JACOBY
Assistant City Manager

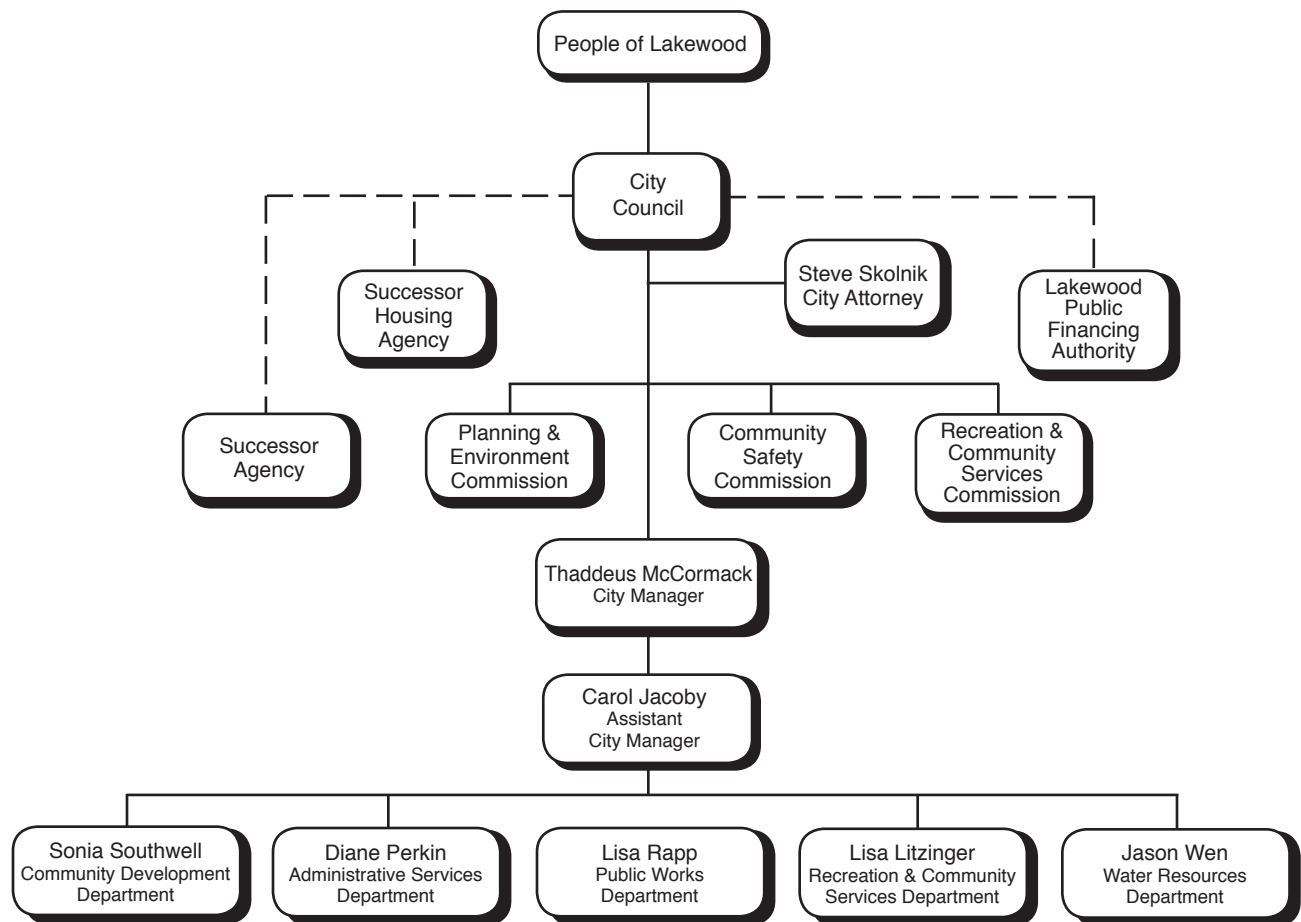
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Director of Administrative Services

JASON WEN
Director of Water Resources

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Director of Public Works

LISA LITZINGER
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and Community Services

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Director of Community
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City of Lakewood
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lakewood, California (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions and the Schedules of Funding Progress on pages 7 to 15 and 101 to 107 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

To the Honorable Mayor and the Members of the City Council
of the City of Lakewood
Lakewood, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
November 29, 2017



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakewood, California (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

The PwC Group, LLP

Santa Ana, California
November 29, 2017

City of Lakewood
Management's Discussion and Analysis
For The Year Ended June 30, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- **Net Position:** The assets and deferred outflows of resources of the City (*which include the value of streets, sidewalks and other infrastructure*) exceeded liabilities and deferred inflows of resources at June 30, 2017, by \$177,539,929. Of this amount, \$39,873,610 may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific City programs.
- **Changes in Net Position:** The government's total net position increased by \$9,886,316. The governmental activities increased by \$7,163,586 and business-type activities by \$2,722,730 at the end of fiscal year June 30, 2017.
- **Long Term Debt:** The City of Lakewood's total debt increased by \$8,499,377, because of a newly acquired loan for Master Equipment Lease/Purchase Agreement for the citywide installation of new water meters, this is offset by normal scheduled debt service payments.
- **Governmental Funds:** As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$59,095,061 a decrease of \$851,396 in comparison with the prior year due to funding arrangement of capital projects which requires the initial use of City's funds and then reimbursed by State grants. Approximately 52.0 percent of the ending fund balance, \$30,748,451, is available for spending at the government's discretion as either a committed, assigned, and unassigned fund balance within the guidelines of the funding sources.
- **General Fund:** At June 30, 2017, committed, assigned and unassigned fund balance of the general fund was \$33,971,985. All but \$2,312,438 of these funds are committed or assigned for specific purposes in accordance with City policies and budgetary guidelines.

Overview of the Financial Statements

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

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

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

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

City of Lakewood
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2017

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

The government-wide financial statements include the City of Lakewood and a component unit the Lakewood Public Financing Authority. Financial information for this component unit is reported within the funds of the City. The Water Utility, although also legally separate, functions for all practical purposes as a department of the City of Lakewood, and therefore has been included as an integral part of the government.

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

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

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

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

The City of Lakewood maintains twenty governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other seventeen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of *combining statements* in the supplementary information.

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

The governmental fund financial statements can be found on pages 27 - 34 of this report.

City of Lakewood
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2017

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

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

The proprietary fund financial statements can be found on pages 35 - 41 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Lakewood's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statement can be found on pages 43 - 46 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 47 - 97 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Lakewood's General Fund budgetary comparison schedule, pension and changes in net pension liabilities and related ratio schedules, pension contribution schedules, and other post-employment funding progress schedule. Required supplementary information can be found on pages 99 - 107 of this report.

The combining statements referred to earlier in connection with other governmental funds, internal service funds and agency funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 116 - 144 of this report.

City of Lakewood
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2017

Government-wide Financial Analysis

As noted earlier, net positions may serve over time as a useful indicator of a government's financial position. In the case of the City of Lakewood, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$177,539,929 at the close of the most recent fiscal year.

City of Lakewood Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 74,362,262	\$ 71,041,814	\$ 22,118,873	\$ 9,962,279	\$ 96,481,135	\$ 81,004,093
Capital assets	95,129,794	90,346,933	30,168,468	31,079,983	125,298,262	121,426,916
Total Assets	169,492,056	161,388,747	52,287,341	41,042,262	221,779,397	202,431,009
Deferred Outflow of Resources	8,599,955	5,390,679	980,611	635,735	9,580,566	6,026,414
Long-term liabilities outstanding	27,736,170	24,298,395	13,628,503	4,854,484	41,364,673	29,152,879
Other liabilities	6,946,991	5,581,956	1,720,115	1,553,738	8,667,106	7,135,694
Total Liabilities	34,683,161	29,880,351	15,348,618	6,408,222	50,031,779	36,288,573
Deferred Inflow of Resources	3,406,918	4,060,729	381,337	454,508	3,788,255	4,515,237
Net positions:						
Net Investment in Capital Assets	94,918,550	90,100,125	27,587,388	28,527,530	122,505,938	118,627,655
Restricted	15,160,381	10,805,986	-	-	15,160,381	10,805,986
Unrestricted	29,923,001	31,932,235	9,950,609	6,287,737	39,873,610	38,219,972
Total Net Position	\$ 140,001,932	\$ 132,838,346	\$ 37,537,997	\$ 34,815,267	\$ 177,539,929	\$ 167,653,613

By far, the largest portion of the City of Lakewood's net positions, 69.0 percent, reflects its net investment in capital assets (i.e. land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress). The City of Lakewood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lakewood's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Additional portion of the City of Lakewood's net position, 8.5 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$39,873,610 may be used to meet the government's ongoing obligation to citizens and creditors, but is subject to designation for specific City programs per the City's Governmental Fund Balance Policy.

At the end of the current fiscal year, the City of Lakewood is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. At year-end, 73.5 percent of the City of Lakewood's business-type activities' net assets were invested in capital assets.

City of Lakewood
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2017

City of Lakewood Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 11,499,488	\$ 11,311,240	\$ 10,873,311	\$ 10,930,852	\$ 22,372,799	\$ 22,242,092
Operating grants and contributions	6,100,046	3,585,692	-	-	6,100,046	3,585,692
Capital grants and contributions	8,542,663	3,365,208	-	-	8,542,663	3,365,208
General revenues:						
Property taxes	13,039,739	12,747,876	-	-	13,039,739	12,747,876
Sales taxes-Bradley Burns	14,133,828	13,277,900	-	-	14,133,828	13,277,900
Sales taxes-others	-	2,683,452	-	-	-	2,683,452
Franchise taxes	1,430,601	1,699,343	-	-	1,430,601	1,699,343
Business operation taxes	674,880	1,016,140	-	-	674,880	1,016,140
Utility user taxes	3,314,095	3,398,962	-	-	3,314,095	3,398,962
Other taxes	442,393	378,213	-	-	442,393	378,213
Investment Income	459,477	482,676	131,040	100,188	590,517	582,864
Gain on sale of property	114,000	-	1,035,021	-	1,149,021	-
Total Revenues	59,751,210	53,946,702	12,039,372	11,031,040	71,790,582	64,977,742
Expenses:						
General government	7,618,899	7,187,053	-	-	7,618,899	7,187,053
Public safety	14,266,703	14,271,008	-	-	14,266,703	14,271,008
Transportation	4,915,779	4,740,336	-	-	4,915,779	4,740,336
Community development	5,216,400	4,759,414	-	-	5,216,400	4,759,414
Health and sanitation	5,066,047	4,901,125	-	-	5,066,047	4,901,125
Culture and leisure	12,757,229	11,770,595	-	-	12,757,229	11,770,595
Unallocated infrastructure depreciation	2,732,259	2,721,461	-	-	2,732,259	2,721,461
Interest on long term debt	14,308	15,143	-	-	14,308	15,143
Water	-	-	9,316,642	9,628,369	9,316,642	9,628,369
Total expenses	52,587,624	50,366,135	9,316,642	9,628,369	61,904,266	59,994,504
Excess (Deficiency of Revenues Over (Under)						
Expenditures Before Special Item	7,163,586	3,580,567	2,722,730	1,402,671	9,886,316	4,983,238
Special Item	-	(1,636,193)	-	-	-	(1,636,193)
Change in Net Position	7,163,586	1,944,374	2,722,730	1,402,671	9,886,316	3,347,045
Net position at beginning of year	132,838,346	130,893,972	34,815,267	33,412,596	167,653,613	164,306,568
Net position at end of year	\$ 140,001,932	\$ 132,838,346	\$ 37,537,997	\$ 34,815,267	\$ 177,539,929	\$ 167,653,613

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

Governmental activities. Overall, governmental revenues increased by \$5,804,508 or 10.8 percent and expenditures increased by \$2,221,489 or 4.4 percent from prior year. Key elements of the change are as follows:

- Operating grants increased by \$2,514,354 mainly due to the reclassification of the Metro Prop A and Prop C revenue.
- Metro Prop A and Prop C were reclassified from Sales Tax-Others to Program-operating grants revenue in fiscal year 2016-2017.
- Capital grants and contributions increased by \$5,177,455 mainly due to the \$3,798,374 increase in State grants to fund the Stormwater and Runoff Capture project at Bolivar Park, an increase of \$516,185 in Measure R to fund two Lakewood Boulevard capital projects, and \$209,260 increase in Prop A Maintenance revenue due to deferred reimbursements from LA County to the City.
- Sales tax increase by \$855,928 due to the “triple flip” cessation. Sales in the city remains strong in fiscal year 2016-2017 increasing by 16.0 percent or \$225,549 in auto sales, \$92,294 or 5.0 percent, in restaurants and hotels proceeds.
- The 2.3 percent increase in property tax revenue of \$291,863 is mainly due to the increase in ERAF in lieu of VLF.
- The decline in Franchise tax of \$268,742 was offset by increases in Charges for Services of \$188,248 and Documentary Transfer Tax of \$56,501.

City of Lakewood
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2017

- Business operations taxes decreased by \$341,260 compared to prior year, due to the decline in new housing developments which drives the receipts of said revenue.
- Overall, expenses increased by \$2,221,489, or 4.4 percent compared to prior year. Major increase was in Culture and leisure due to ongoing capital improvement projects in numerous city parks and facilities.

Additional information on activities and change in net position can be found on pages 22 - 23 of this report.

Business-type activities. The business-type activities reflect the City's water system which includes water operation, water treatment and water production and distribution. Prior year's State mandated drought conservation efforts resulted in lower consumption year after year which explains the small decrease in water sales revenue in fiscal year 2017. The impact of reduced demand for water resulted in a slight decrease in the total expenses amounting to \$311,727. For the year ended June 30, 2017, the City's business-type activities' change in net position was \$2,722,730, an increase of 7.8 percent compared to last year. The large increase is mostly due to the gain on sale of five well site properties that were no longer used in operation.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Lakewood's governmental funds reported combined ending fund balances of \$59,095,061, a decrease of \$851,396 in comparison with the prior year. The decrease is due to funding arrangement of capital projects which requires the initial use of City's funds, and then reimbursed of all expenditures through State grants. \$30,748,451 of the City's governmental funds ending fund balances or 52.0 percent constitute committed, assigned and unassigned fund balance, which is available for spending at the government's discretion within the guidelines of the funding sources. The remainder of fund balance, \$28,346,610, is either nonspendable or restricted for purposes imposed by creditors, grantors, contributors, laws or regulations of other governments or through enabling legislation.

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

Unrestricted net assets of the Water Enterprise at the end of the year amounted to \$10,557,578, an increase of \$2,724,211 from the prior year. These funds will be used to fund water operations and planned capital improvements. Other factors concerning the finance of this fund have already been addressed in the discussion of the City of Lakewood's business-type activities.

General Fund Financial Highlights

The General Fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, committed, assigned and unassigned fund balance of the general fund was \$33,971,985, while total fund balance was \$43,214,118. The general fund's ending fund balance increased by \$131,292 in comparison with the prior year. As a measure of the General Fund's liquidity, it may be useful to compare only the committed, assigned and unassigned fund balance to total fund expenditures. Committed, assigned and unassigned fund balance represents 72.3 percent of the total general fund expenditures, most of which is committed or assigned to meet the City's long-term obligations.

City of Lakewood
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2017

Overall, General Fund revenues (including transfers in) decreased year-over-year by \$1,125,169 and expenses (including transfers out) decreased by \$915,794. Tax related revenue decreased by \$754,296, due to the one-time property residual tax payment from the county of \$346,565 received last fiscal year. Franchise tax was down \$268,742 and Utility Users Tax experienced an overall decline of \$84,867. Charges for services decreased by \$147,377 due to the one-time helicopter reimbursement of \$136,732 received last fiscal year. The overall decrease in expenses is attributed to the completion of capital improvement projects in the prior fiscal year.

General Fund Budgetary Highlights

For the fiscal year ended June 30, 2017, General Fund's final amended budget increased over the original budget by \$4,166,033 and actual expenditures were \$5,759,630 lower than the final amended budget. These can be briefly summarized as follows:

- Additional appropriation of \$1,849,613 was approved to complete the Burns Center improvement project.
- Incremental funding for minor projects totaling \$304,440 was approved to complete multiple park and civic center projects including the Lakewood Catch Basin at Bolivar park, San Martin electrical project, security, fencing and park restrooms improvements, were approved during the fiscal year 2016-2017.
- Additional appropriation for \$112,929 was approved for multi-year street and median improvement projects.
- Multi-year capital projects were at different stages of completion, therefore had a remaining balance of \$2,097,304 by the end of the year.
- Public Safety contract for services had a remaining balance of \$258,528 at the end of the year.
- Community Development's update on the City's General Plan and assistance for the preparation of the Environmental Impact Report budgeted for \$400,000 in fiscal year 2016-2017 will be carried over into FY 2017-2018.
- The Information Technology division had a residual budget of \$66,569 due to the reduction in contract labor, savings in maintenance agreement and transaction costs, and carry-forward of capital equipment into FY 2017-2018.

Capital Asset and Debt Administration

Capital assets. The City of Lakewood's net investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$125,298,262, an increase of \$3,871,100 or 3.2 percent of total capital assets over prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

City of Lakewood						
Capital Assets (Net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 17,041,023	\$ 17,041,023	\$ 238,755	\$ 381,023	\$ 17,279,778	\$ 17,422,046
Construction in progress	16,104,200	9,572,835	2,776,791	1,716,465	18,880,991	11,289,300
Water rights	-	-	1,834,586	1,834,586	1,834,586	1,834,586
Infrastructure	32,749,768	35,482,027	-	-	32,749,768	35,482,027
Structures and improvements	27,336,845	26,184,832	22,502,786	23,495,187	49,839,631	49,680,019
Equipment	1,897,958	2,066,216	2,815,550	3,652,722	4,713,508	5,718,938
Total	\$ 95,129,794	\$ 90,346,933	\$ 30,168,468	\$ 31,079,983	\$ 125,298,262	\$ 121,426,916

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

City of Lakewood
Management's Discussion and Analysis (Continued)
For The Year Ended June 30, 2017

Long-term debt. At the end of the current fiscal year, the City of Lakewood's total long-term debt outstanding rose to \$11,298,639 an increase of \$8,499,378 attributable to a new loan of \$8,965,667 to fund the water utility's Master Equipment Lease/Purchase Agreement also offset by the normal scheduled debt service payments. Revenue bonds and loan payable of \$11,087,395 are to be paid out of water utility revenues.

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

Summary of outstanding debt						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$ -	\$ -	\$ 1,529,287	\$ 1,762,532	\$ 1,529,287	\$ 1,762,532
Loan Payable	-	-	592,441	789,921	592,441	789,921
Loan Payable-MELPA			8,965,667	-	8,965,667	-
Lease Payable	211,244	246,808	-	-	211,244	246,808
Total	\$ 211,244	\$ 246,808	\$ 11,087,395	\$ 2,552,453	\$ 11,298,639	\$ 2,799,261

Economic Factors and Next Year's Budgets and Rates

The City prudently anticipates and conservatively budgets for general fund revenues to annually increase on average by two percent over the next five years. This increase includes a slight increase in property tax revenues as a result of the dissolution of redevelopment, a very conservative growth in sales tax, and slow recovery in building permits. Interest earnings are expected to remain far below historical levels, and gas tax and fines are both expected to remain flat through 2023. Unless repealed by the voters, the new gas tax will bring in additional funds of approximately \$460,000 in Fiscal year 2018 and \$1.3 million each subsequent year.

The City's general fund operational expenditures are also expected to increase annually over the next five years by about two percent; in Fiscal Year 2017-2018 general fund expenditures increased by 1.5 percent. Employee services costs increased by 4.2 percent in Fiscal Year 2016-2017 over that of the prior year, this increase includes savings realized from the recent pension reform. We expect employee service costs to increase closer to an average of two to three percent per year through 2023. The City is a contract-city where only 38 percent of the cost of operations is employee service related. In Fiscal Year 2016-2017 contract services made up 46.3 percent of the City's general fund operational costs. The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside, and Orange County region, which is the basis for many of the City's contract increases, was two percent in 2016 (this is the rate the City utilized as authorized increases in many of its contract service agreements for the 2016-2017 fiscal year). Overall, contract services increased by 0.6 percent in Fiscal Year 2016-2017. The CPI is expected to remain relatively low over the coming years. The City's water, refuse and building and safety fees also include the local CPI as a factor in determining rate increases.

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

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

Requests for Information

City of Lakewood
Management's Discussion and Analysis (Continue)
For The Year Ended June 30, 2017

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



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Lakewood
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 39,695,638	\$ 12,064,908	\$ 51,760,546
Receivables:			
Accounts	8,640,787	992,874	9,633,661
Accrued revenue	-	916,931	916,931
Internal balances	606,969	(606,969)	-
Prepaid items	50,709	-	50,709
Inventories	103,909	150,370	254,279
Total current assets	49,098,012	13,518,114	62,616,126
Noncurrent assets:			
Restricted cash and investments:			
Cash with fiscal agent	-	8,578,486	8,578,486
Held by City	-	22,273	22,273
Notes receivable	2,041,323	-	2,041,323
Receivable from Successor Agency	16,440,845	-	16,440,845
Land held for resale	2,960,302	-	2,960,302
Net OPEB assets	3,821,780	-	3,821,780
Capital assets:			
Nondepreciable	33,145,223	4,850,132	37,995,355
Depreciable, net	61,984,571	25,318,336	87,302,907
Total capital assets	95,129,794	30,168,468	125,298,262
Total noncurrent assets	120,394,044	38,769,227	159,163,271
Total assets	169,492,056	52,287,341	221,779,397
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	8,599,955	980,611	9,580,566
Total deferred outflows of resources	8,599,955	980,611	9,580,566

City of Lakewood
Statement of Net Position (Continued)
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	4,735,521	897,668	5,633,189
Retention payable	-	72,171	72,171
Accrued liabilities	973,653	96,400	1,070,053
Accrued interest payable	2,408	22,166	24,574
Unearned revenue	401,934	-	401,934
Long-term liabilities - due within one year	833,475	631,710	1,465,185
Total current liabilities	6,946,991	1,720,115	8,667,106
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Customer deposits	98,318	22,273	120,591
Long-term liabilities - due in more than one year	801,296	10,569,700	11,370,996
Aggregate net pension liabilities	26,836,556	3,036,530	29,873,086
Total noncurrent liabilities	27,736,170	13,628,503	41,364,673
Total liabilities	34,683,161	15,348,618	50,031,779
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	3,406,918	381,337	3,788,255
Total deferred inflows of resources	3,406,918	381,337	3,788,255
NET POSITION			
Net investment in capital assets	94,918,550	27,587,388	122,505,938
Restricted for:			
Transportation	8,971,709	-	8,971,709
Public safety	330,458	-	330,458
Community development	5,481,981	-	5,481,981
Health and sanitation	293,942	-	293,942
Culture and leisure	82,291	-	82,291
Unrestricted	29,923,001	9,950,609	39,873,610
Total net position	\$ 140,001,932	\$ 37,537,997	\$ 177,539,929

City of Lakewood
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,618,899	\$ 1,961,794	\$ 1,473,183	\$ 22,425
Public safety	14,266,703	828,408	177,138	-
Transportation	4,915,779	-	4,425,652	8,220,238
Community development	5,216,400	1,687,297	-	-
Health and sanitation	5,066,047	5,430,005	24,073	-
Culture and leisure	12,757,229	1,591,984	-	300,000
Unallocated infrastructure depreciation	2,732,259	-	-	-
Interest and fiscal charges	14,308	-	-	-
Total governmental activities	<u>52,587,624</u>	<u>11,499,488</u>	<u>6,100,046</u>	<u>8,542,663</u>
Business-type Activities:				
Water	9,316,642	10,873,311	-	-
Total business-type activities	<u>9,316,642</u>	<u>10,873,311</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 61,904,266</u>	<u>\$ 22,372,799</u>	<u>\$ 6,100,046</u>	<u>\$ 8,542,663</u>

City of Lakewood
Statement of Activities (Continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Governmental Activities:			
General government	\$ (4,161,497)	\$ -	\$ (4,161,497)
Public safety	(13,261,157)	-	(13,261,157)
Transportation	7,730,111	-	7,730,111
Community development	(3,529,103)	-	(3,529,103)
Health and sanitation	388,031	-	388,031
Culture and leisure	(10,865,245)	-	(10,865,245)
Unallocated infrastructure depreciation	(2,732,259)	-	(2,732,259)
Interest and fiscal charges	(14,308)	-	(14,308)
Total governmental activities	(26,445,427)	-	(26,445,427)
Business-type Activities:			
Water	-	1,556,669	1,556,669
Total business-type activities	-	1,556,669	1,556,669
Total primary government	(26,445,427)	1,556,669	(24,888,758)
General revenues:			
Taxes:			
Sales taxes - Bradley Burns	14,133,828	-	14,133,828
Property taxes	13,039,739	-	13,039,739
Franchise taxes	1,430,601	-	1,430,601
Business operation taxes	674,880	-	674,880
Utility user taxes	3,314,095	-	3,314,095
Other taxes	442,393	-	442,393
Total taxes	33,035,536	-	33,035,536
Gain on sale of property	114,000	1,035,021	1,149,021
Investment income	459,477	131,040	590,517
Total general revenues	33,609,013	1,166,061	34,775,074
Changes in net position	7,163,586	2,722,730	9,886,316
Net position - beginning of year	132,838,346	34,815,267	167,653,613
Net position - end of year	\$ 140,001,932	\$ 37,537,997	\$ 177,539,929



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Lakewood
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds		
	General Fund	Housing Admin and Program Capital Projects Fund	Capital Projects Fund
ASSETS			
Cash and investments	\$ 32,693,340	\$ 484,141	\$ -
Accounts receivable	4,564,375	-	3,513,406
Prepaid items	50,709	-	-
Inventories	43,636	-	-
Due from other funds	2,003,947	-	-
Receivable from Successor Agency	9,147,788	7,293,057	-
Notes receivable	-	2,041,323	-
Land held for resale	-	2,960,302	-
Total assets	\$ 48,503,795	\$ 12,778,823	\$ 3,513,406
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,033,982	\$ 3,431	\$ 1,240,641
Accrued liabilities	917,863	-	-
Retention payable	-	-	295,691
Interest payable	2,408	-	-
Deposit payable	97,964	354	-
Due to other funds	-	-	1,408,697
Unearned revenue	358,424	-	-
Total Liabilities	4,410,641	3,785	2,945,030
Deferred inflows of resources:			
Unavailable revenue	879,036	-	3,348,961
Total deferred inflows of resources	879,036	-	3,348,961
Fund balances:			
Nonspendable			
Prepaid items	50,709	-	-
Inventories	43,636	-	-
Receivables from Successor Agency	9,147,788	7,293,057	-
Restricted			
Public safety	-	-	-
Transportation projects and street maintenance	-	-	-
Community development	-	5,481,981	-
Health and sanitation	-	-	-
Culture and leisure	-	-	-
Committed			
Self insurance	4,000,000	-	-
Pension and personnel obligations	4,423,756	-	-
Capital projects	3,229,570	-	-
Refuse stabilization	1,964,966	-	-
Economic uncertainties	10,099,270	-	-
Assigned			
Capital replacement and repairs	6,380,960	-	-
Contract emergency services	1,561,025	-	-
Unassigned (deficit)	2,312,438	-	(2,780,585)
Total fund balances	43,214,118	12,775,038	(2,780,585)
Total liabilities, deferred inflows of resources, and fund balances	\$ 48,503,795	\$ 12,778,823	\$ 3,513,406

City of Lakewood
Balance Sheet (Continued)
Governmental Funds
June 30, 2017

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 6,495,723	\$ 39,673,204
Accounts receivable	563,006	8,640,787
Prepaid items	-	50,709
Inventories	-	43,636
Due from other funds	-	2,003,947
Receivable from Successor Agency	-	16,440,845
Notes receivable	-	2,041,323
Land held for resale	-	2,960,302
Total assets	\$ 7,058,729	\$ 71,854,753
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 136,498	\$ 4,414,552
Accrued liabilities	27,165	945,028
Retention payable	-	295,691
Interest payable	-	2,408
Deposit payable	-	98,318
Due to other funds	595,250	2,003,947
Unearned revenue	43,510	401,934
Total Liabilities	802,423	8,161,879
Deferred inflows of resources:		
Unavailable revenue	369,816	4,597,813
Total deferred inflows of resources	369,816	4,597,813
Fund balances:		
Nonspendable		
Prepaid items	-	50,709
Inventories	-	43,636
Receivables from Successor Agency	-	16,440,845
Restricted		
Public safety	330,458	330,458
Transportation projects and street maintenance	5,622,748	5,622,748
Community development	-	5,481,981
Health and sanitation	293,942	293,942
Culture and leisure	82,291	82,291
Committed		
Self insurance	-	4,000,000
Pension and personnel obligations	-	4,423,756
Capital projects	-	3,229,570
Refuse stabilization	-	1,964,966
Economic uncertainties	-	10,099,270
Assigned		
Capital replacement and repairs	-	6,380,960
Contract emergency services	-	1,561,025
Unassigned (deficit)	(442,949)	(911,096)
Total fund balances	5,886,490	59,095,061
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,058,729	\$ 71,854,753



City of Lakewood
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balances - Total Governmental Funds	\$ 59,095,061
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Amounts reported for governmental activities in the statement of net position are different because:

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

Amount reported in government-wide statement of position:

Nondepreciable assets	\$	33,145,223
Depreciable assets, net of \$137,146,043 accumulated depreciation		61,984,571
Less: Amount reported in Internal Service Fund		
Depreciable assets, net of \$1,192,054 accumulated depreciation		(127,949)

95,001,845

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

4,597,813

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

3,821,780

Internal service funds are used by the City to charge the cost of materials and supplies, maintenance and repair of vehicles and equipment and printing services provided to the various departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. Internal Service funds net position, net of the deficit in the amount of \$(606,969) reported in Business-type activities.

763,723

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Position. Balances at June 30, 2017 are:

Lease payable		(211,244)
Aggregate net pension liabilities		(26,836,556)
Compensated absences		(1,423,527)
Deferred outflows of resources related to pension		8,599,955
Deferred inflows of resources related to pension		(3,406,918)

Net position of governmental activities

\$ 140,001,932

City of Lakewood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds		
	General	Housing Admin and Program Capital Projects Fund	Capital Projects Fund
	Fund		
REVENUES:			
Taxes	\$ 24,679,682	\$ -	\$ -
Licenses and permits	1,237,634	-	-
Fines and forfeitures	726,158	-	-
Investment income, rents and concession	1,461,692	95,822	-
Intergovernmental revenues	8,594,733	-	4,755,074
Current service charges	7,676,870	-	-
Other	1,133,427	162,000	-
Total revenues	45,510,196	257,822	4,755,074
EXPENDITURES:			
Current:			
General government	7,546,921	-	-
Public safety	13,741,053	-	-
Transportation	2,782,755	-	-
Community development	4,761,678	181,200	-
Health and sanitation	5,042,374	-	-
Culture and leisure	11,753,989	-	-
Capital outlay			
General government	49,174	-	-
Transportation	286,112	-	7,286,202
Community development	30,256	-	-
Culture and leisure	918,028	-	-
Debt service:			
Principal retirement	35,564	-	-
Interest payment	14,308	-	-
Total expenditures	46,962,212	181,200	7,286,202
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,452,016)	76,622	(2,531,128)
OTHER FINANCING SOURCES (USES):			
Transfers in	1,517,137	-	-
Transfers out	(47,829)	-	-
Proceed from sale of assets	114,000	-	-
Total other financing sources (uses)	1,583,308	-	-
NET CHANGE IN FUND BALANCES	131,292	76,622	(2,531,128)
FUND BALANCES:			
Beginning of Year	43,082,826	12,698,416	(249,457)
End of Year	\$ 43,214,118	\$ 12,775,038	\$ (2,780,585)

City of Lakewood
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2017

	Other Governmental Funds	Total Governmental Funds
REVENUES:		
Taxes	\$ 2,748,699	\$ 27,428,381
Licenses and permits	34,077	1,271,711
Fines and forfeitures	-	726,158
Investment income, rents and concession	71,122	1,628,636
Intergovernmental revenues	3,451,715	16,801,522
Current service charges	-	7,676,870
Other	37,065	1,332,492
Total revenues	6,342,678	56,865,770
EXPENDITURES:		
Current:		
General government	51,817	7,598,738
Public safety	216,082	13,957,135
Transportation	2,011,904	4,794,659
Community development	323,710	5,266,588
Health and sanitation	22,528	5,064,902
Culture and leisure	91,767	11,845,756
Capital outlay		
General government	21,989	71,163
Transportation	266,124	7,838,438
Community development	-	30,256
Culture and leisure	395,631	1,313,659
Debt service:		
Principal retirement	-	35,564
Interest payment	-	14,308
Total expenditures	3,401,552	57,831,166
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,941,126	(965,396)
OTHER FINANCING SOURCES (USES):		
Transfers in	47,829	1,564,966
Transfers out	(1,517,137)	(1,564,966)
Proceed from sale of assets	-	114,000
Total other financing sources (uses)	(1,469,308)	114,000
NET CHANGE IN FUND BALANCES	1,471,818	(851,396)
FUND BALANCES:		
Beginning of Year	4,414,672	59,946,457
End of Year	<u>\$ 5,886,490</u>	<u>\$ 59,095,061</u>

City of Lakewood
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds: \$ (851,396)

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

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

Capital outlay expenditures	\$	9,253,516	
Non-capital expenditures reclassified to functional expense		(157,140)	
Depreciation expense, net of \$27,584 reported in Internal Service Funds		(4,285,931)	
			4,810,445

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.			2,771,440
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Governmental funds do not report the changes in net OPEB asset, since it does not provide or require the use of current financial resources.			(54,541)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:			
Change in compensated absences			(67,505)
Pension expense, net of pension contribution made after measurement date in the amount of \$2,110,136			512,811
Lease payment			35,564

Internal service funds are used by management to charge the costs of certain activities, such as fleet repair and maintenance, central stores and printing services to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities (net of \$1,481 allocated to business-type activities).			6,768
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Change in net position of governmental activities		\$	7,163,586
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PROPRIETARY FUND FINANCIAL STATEMENTS

City of Lakewood
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activity - Water Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments	\$ 12,064,908	\$ 22,434
Restricted cash and investments:		
Cash with fiscal agent	8,578,486	
Customer deposits	22,273	-
Accounts receivable	992,874	-
Accrued revenue	916,931	-
Inventories	150,370	60,273
Total current assets	22,725,842	82,707
Noncurrent assets:		
Capital assets:		
Capital assets, not being depreciated:		
Land	238,755	-
Water Rights	1,834,586	-
Construction in progress	2,776,791	-
Capital assets, being depreciated:		
Source of supply	4,770,755	-
Pumping plant	832,338	-
Water treatment	4,726,040	-
Transmission/distribution	35,276,664	-
General plant	4,889,909	-
Equipment	4,882,532	1,320,003
Less: accumulated depreciation	(30,059,902)	(1,192,054)
Total capital assets	30,168,468	127,949
Total noncurrent assets	30,168,468	127,949
Total assets	52,894,310	210,656
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources related to pension	980,611	-
Total deferred outflows of resources	980,611	-

(Continued)

City of Lakewood
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017

	Business-type Activity - Water Enterprise Fund	Governmental Activities - Internal Service Funds
LIABILITIES		
Current liabilities:		
Accounts payable	897,668	25,277
Accrued liabilities	96,400	28,625
Accrued interest payable	22,166	-
Retention payable	72,171	-
Customer deposit	22,273	-
Compensated absences, due within one year	78,623	-
Loan payable, due within one year	197,480	-
Lease payable, due within one year	116,437	-
Revenue bonds payable, due within one year	239,170	-
Total current liabilities	1,742,388	53,902
Noncurrent liabilities:		
Compensated absences, due in more than one year	35,392	-
Loan payable, due in more than one year	394,961	-
Lease payable, due in more than one year	8,849,230	-
Revenue bonds payable, due in more than one year	1,290,117	-
Aggregate net pension liabilities	3,036,530	-
Total noncurrent liabilities	13,606,230	-
Total liabilities	15,348,618	53,902
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	381,337	-
Total deferred inflows of resources	381,337	-
NET POSITION		
Net investment in capital assets	27,587,388	127,949
Unrestricted	10,557,578	28,805
Total net position	38,144,966	\$ 156,754
Adjustment to reflect the consolidation of internal service fund activities to the water enterprise fund	(606,969)	
Net position of business-type activities	\$ 37,537,997	

(Concluded)



City of Lakewood
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activity- Water Enterprise Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Metered water sales	\$ 10,252,294	\$ -
Reclaimed water sales	392,005	-
Fire protection	76,896	-
Service initiation and restoration charges	108,810	-
Billing to departments	-	1,277,201
Other revenues	43,306	-
Total operating revenues	10,873,311	1,277,201
OPERATING EXPENSES:		
Operations:		
Supply, transmission and distribution	5,623,003	-
Customer service	223,534	-
Administration	1,433,897	-
Cost of goods sold	-	1,244,330
Depreciation	1,854,599	27,584
Total operating expenses	9,135,033	1,271,914
OPERATING INCOME	1,738,278	5,287
NONOPERATING REVENUES (EXPENSES):		
Investment income/(loss)	131,040	-
Interest expense on long-term debt	(180,128)	-
Gain on sale of capital assets	1,035,021	-
Total nonoperating revenues (expenses)	985,933	-
CHANGES IN NET POSITION	2,724,211	5,287
NET POSITION:		
Beginning of the year	35,420,755	151,467
End of the year	\$ 38,144,966	\$ 156,754
Changes in net position - Water Enterprise Fund	\$ 2,724,211	
Adjustment to reflect the consolidation of the internal service fund activities related to the Water Enterprise Fund	(1,481)	
Changes in net position of business-type activities	\$ 2,722,730	

City of Lakewood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activity- Water Enterprise Fund	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and user	\$ 10,573,974	\$ -
Receipts from interfund services provided	-	1,275,604
Other operating receipts	13,815	-
Payments to suppliers	(4,869,516)	(818,072)
Payments to employees	(2,404,092)	(435,098)
Net cash provided by operating activities	<u>3,314,181</u>	<u>22,434</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Issuance of capital lease	8,965,667	-
Acquisition of capital assets	(1,215,887)	-
Proceed from sale of assets	1,177,289	-
Principal paid on revenue bonds and loan	(430,725)	-
Interest paid on revenue bonds	(181,791)	-
Net cash provided by capital and related financing activities	<u>8,314,553</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	131,040	-
Net cash provided by investing activities	<u>131,040</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	11,759,774	22,434
CASH AND CASH EQUIVALENTS:		
Beginning of year	8,905,893	-
End of year	<u>\$ 20,665,667</u>	<u>\$ 22,434</u>
CASH AND CASH EQUIVALENTS:		
Cash and investments	\$ 12,064,908	\$ 22,434
Cash with fiscal agent	8,578,486	-
Customer deposit	22,273	-
Total cash and cash equivalents	<u>\$ 20,665,667</u>	<u>\$ 22,434</u>
NON CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Reclassify Construction in Progress to Inventory	<u>\$ 161,192</u>	<u>\$ -</u>

City of Lakewood
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activity- Water Enterprise Fund	Governmental Activities - Internal Service Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 1,738,278	\$ 5,287
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,854,599	27,584
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(255,914)	-
(Increase) decrease in accrued revenue	(29,491)	-
(Increase) decrease in inventories	48,296	(21,218)
(Increase) decrease in deferred outflows of resources related to pension	153,184	-
Increase (decrease) in accounts payable	9,510	7,769
Increase (decrease) in accrued liabilities	(1,005)	4,609
Increase (decrease) in due to other funds	-	(1,597)
Increase (decrease) in customer deposits	(117)	-
Increase (decrease) in compensated absences	1,330	-
Increase (decrease) in net pension liabilities	366,742	-
Increase (decrease) in deferred inflows of resources related to pension	(571,231)	-
Total adjustment	1,575,903	17,147
Net cash provided by operating activities	\$ 3,314,181	\$ 22,434



FIDUCIARY FUND FINANCIAL STATEMENTS



City of Lakewood
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust fund	Agency Funds
ASSETS:		
Cash and investments	\$ 1,713,906	\$ 1,868,715
Cash and investments with fiscal agents	1,456,776	-
Notes receivable	428,790	723,770
Total assets	<u>3,599,472</u>	<u>\$ 2,592,485</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on refunding	<u>6,031</u>	
Total deferred outflows of resources	<u>6,031</u>	
LIABILITIES:		
Accounts payable	159	\$ 51,170
Interest payable	23,149	150
Deposit	-	601,750
Due to EDA	-	1,097,049
Due to HUD	-	842,366
Payable to City of Lakewood	16,440,845	-
Long-term debt, due within one year	<u>1,390,807</u>	<u>-</u>
Total liabilities	<u>17,854,960</u>	<u>\$ 2,592,485</u>
NET POSITION HELD IN TRUST	<u>\$ (14,249,457)</u>	

City of Lakewood
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust fund
<hr/>	
ADDITIONS:	
Redevelopment property tax trust fund	\$ 1,881,895
Investment losses	(370,537)
Total additions	<u>1,511,358</u>
DEDUCTIONS:	
Contract services	1,750
Legal services	2,434
Trustee fees	11,000
Owner participation	750,000
Overhead	247,566
Miscellaneous	480
Interest	<u>80,340</u>
Total deductions	<u>1,093,570</u>
CHANGE IN NET POSITION	417,788
NET POSITION (DEFICIT):	
Beginning of year	<u>(14,667,245)</u>
End of year	<u><u>\$ (14,249,457)</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS



City of Lakewood
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For the Year Ended June 30, 2017

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City of Lakewood
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Note 1 – Reporting Entity

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

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

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

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

Blended Component Unit

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

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

The Finance Authority

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

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

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

Government-Wide Financial Statements

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

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

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

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Government-Wide Financial Statements (Continued)

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

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

Government Fund Financial Statements

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

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

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

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences.

The City reports the following major Governmental Funds:

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

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Government Fund Financial Statements (Continued)

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.

Proprietary Fund Financial Statements

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

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

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

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

The City reports the following major proprietary funds:

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

Fiduciary Fund Financial Statements

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

The City reports the following fiduciary funds:

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Fiduciary Fund Financial Statements (Continued)

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

C. Cash, Cash Equivalents, and Investments

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

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The City reported its investments at fair value and the unrealized gain on investments amounted to \$148,941 for the fiscal year ended June 30, 2017.

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

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

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

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

D. Restricted Cash and Investments with Fiscal Agents

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

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

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

F. Receivables

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

G. Inventories

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

H. Prepaid Items

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

I. Interfund Transactions

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

J. Land Held for Resale

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Capital Assets

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

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

Buildings	50 years
Building Improvement	30 years
Water and Sewer Lines	50 years
Roads	30 years
Vehicles	7 years
Office Equipment	7 years
Computer Equipment/Software	5 years
Other Equipment	7 years

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

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

L. Compensated Absences

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

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

M. Pension

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Pension (Continued)

The following timeframes are used for pension reporting:

CalPERS

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

PARS

Valuation Date	June 30, 2015
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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

N. Long-Term Debt

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

O. Claims and Judgment

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Claims and Judgment (Continued)

The City's self-insurance program is administered through California Joint Powers Insurance Authority (the "Authority"), which is described in Note 14 to the financial statements. The Authority is a public entity risk pool. Claims losses recorded in the Authority include both current claims and incurred but not reported claims (IBNR). Deposits to the Authority are recorded by the City as insurance expenditures in the General Fund when paid. These deposits are subject to retrospective adjustment. Favorable claims experience in prior years results in a refund of deposits from the Authority and such refunds, if any, are recorded as prepaid items in the General Fund since they will be used to offset future deposit requirements. Adverse claims experience in prior years results in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when incurred.

P. Net Position

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

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

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

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

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

Q. Fund Balances

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

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

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

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Q. Fund Balances (Continued)

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

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

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

R. Property Taxes

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

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

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

No allowance for doubtful accounts was considered necessary.

S. Use of Estimates

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

T. Implementation of New GASB Pronouncements

GASB Statement No. 77, *Tax Abatement Disclosure*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. 2) The gross dollar amount of taxes abated during the period 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB Statement No. 82, *Pension Issues*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments

At June 30, 2017, cash and cash investments are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Fund Statement of Net Position	Total
Unrestricted assets:			
Cash and investments	\$ 51,760,546	\$ 3,582,621	\$ 55,343,167
Restricted assets:			
Cash and investments	22,273	-	22,273
Cash and investments with fiscal agents	8,578,486	1,456,776	10,035,262
Total cash and investments	\$ 60,361,305	\$ 5,039,397	\$ 65,400,702

At June 30, 2017, cash and investments consisted of the following:

Deposits with financial institution	\$ 13,360,621
Petty cash	2,700
Investments	52,037,381
Total cash and investments	\$ 65,400,702

A. Demand Deposits

The carrying amount of the City's cash deposits were \$13,360,621 at June 30, 2017. Bank balances before reconciling items were \$14,769,402 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments (Continued)

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investments in One Issuer
United States Treasury Bills, Bonds and Notes	5 Years	None	None
United States Government Sponsored Agency Securities	5 Years	None	None
Municipal Obligations	5 Years	None	None
Negotiable Certificates of Deposit	5 Years	30%	10%
Time Certificates of Deposit	1 Year	None	None
Corporate Notes	5 Years	30%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Money Market Funds	N/A	20%	10%
Government Pools	N/A	None	None
Los Angeles County Pooled Fund	N/A	None	None
Supranationals	5 Years	30%	None

N/A - Not Applicable

C. Investments Authorized by Debt Agreement

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Remaining Maturity (In Months)			Total
	12 Months or Less	13-24 Months	25-60 Months	
Local Agency Investment Fund	\$ 14,350,089	\$ -	\$ -	\$ 14,350,089
United States Treasury Notes	-	5,207,782	6,839,198	12,046,980
United States Government Sponsored Agency Securities	193,145	3,317,050	5,097,970	8,608,165
Supra-National Agency Notes	-	872,595	345,015	1,217,610
CAMP Cash Reserve Portfolio	43,569	-	-	43,569
Negotiable Certificates of Deposit	2,902,635	3,632,892	-	6,535,527
Corporate Medium Notes	2,077,215	2,214,534	3,486,916	7,778,665
Held by Bond Trustee:				
Money Market Mutual Funds	1,456,776	-	-	1,456,776
Total	\$ 21,023,429	\$ 15,244,853	\$ 15,769,099	\$ 52,037,381

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standard and Poor's, as of June 30, 2017 for each investment type:

Investment Type	Fair Value as of June 30, 2017	Minimum Legal Rating	AAA	Other	Not Rated	Not Required to be Rated
Local Agency Investment Fund	\$ 14,350,089	N/A	\$ -	\$ -	\$ 14,350,089	\$ -
United States Treasury Notes	12,046,980	N/A	-	-	-	12,046,980
United States Government Sponsored Agency Securities	8,608,165	N/A	-	8,608,165	-	-
Supra-National Agency Notes	1,217,610	AA	1,217,610	-	-	-
CAMP Cash Reserve Portfolio	43,569	A	43,569	-	-	-
Negotiable Certificates of Deposit	6,535,527	N/A	-	6,535,527	-	-
Corporate Medium Notes	7,778,665	A	392,695	7,385,970	-	-
Held by Bond Trustee:						
Money Market Mutual Funds	1,456,776	A	1,456,776	-	-	-
Total	\$ 52,037,381		\$ 3,110,650	\$ 22,529,662	\$ 14,350,089	\$ 12,046,980

N/A - Not Applicable

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

Investment Type	AA+	AA	AA-	A+	A	A-	BBB+	Total
United States Government Sponsored Agency Securities	\$ 8,608,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,608,165
Negotiable Certificates of Deposits	-	-	3,629,018	2,906,509	-	-	-	6,535,527
Corporate Medium Notes	346,261	488,444	1,350,105	1,514,351	1,558,853	1,431,180	696,776	7,385,970
Total	\$ 8,954,426	\$ 488,444	\$ 4,979,123	\$ 4,420,860	\$ 1,558,853	\$ 1,431,180	\$ 696,776	\$ 22,529,662

Disclosures Relating to Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Investments in any one issuers that represents 5% or more of total City's investments at June 30, 2017, are as follows:

Issuers	Investment Type	Reported Amount	Percentage
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	\$ 5,222,803	10.33%

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Custodial Credit Risk

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

E. Fair Value Measurement Disclosure

At June 30, 2017, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2017:

Investment Type	Measurement Input			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Uncategorized	
Local Agency Investment Fund	\$ -	\$ -	\$ 14,350,089	\$ 14,350,089
United States Treasury Notes	12,046,980	-	-	12,046,980
United States Government Sponsored Agency Securities	-	8,608,165	-	8,608,165
Supra-National Agency Notes	-	1,217,610	-	1,217,610
CAMP Cash Reserve Portfolio	-	-	43,569	43,569
Negotiable Certificates of Deposit	-	6,535,527	-	6,535,527
Corporate Medium Notes	-	7,778,665	-	7,778,665
Held by Bond Trustee: Money Market Mutual Funds	-	-	1,456,776	1,456,776
Total	\$ 12,046,980	\$ 24,139,967	\$ 15,850,434	\$ 52,037,381

F. Investment in Local Agency Investment Fund (LAIF)

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2017 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

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

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments (Continued)

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

As of June 30, 2017, the City had \$14,350,089 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. The credit quality rating of LAIF is unrated as of June 30, 2017.

G. Investment in California Asset Management Program

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

Note 4 – Notes Receivable

At June 30, 2017, notes receivable consisted of the followings:

	Government-Wide Financial Statements	Fiduciary Fund Financial Statements		
	Governmental Activities	Private Purpose Trust Fund	Agency Funds	Total
Home Improvement Loan Program	\$ 2,041,323	\$ -	\$ 704,324	\$ 2,745,647
HJCH II, Inc. Lakewood Redevelopment Agency	-	428,790	-	428,790
Revolving Loan Fund Program	-	-	19,446	19,446
Total notes receivable	\$ 2,041,323	\$ 428,790	\$ 723,770	\$ 3,193,883

A. Governmental Activities

The former Redevelopment Agency made deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal year 1996-97, the former Redevelopment Agency began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. The rehabilitation loans were made from the former Redevelopment Agency's low and moderate housing 20% set-aside funds. The loans were transferred to the Housing Admin & Program Capital Projects Fund on February 1, 2012, the effective date of the former Redevelopment Agency dissolution, since the City had accepted the role of being the Successor Housing Agency. The balance of these loans totaled \$2,041,323 at June 30, 2017.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Notes Receivable (Continued)

B. Private Purpose Trust Fund

As consideration for the sale of land on November 3, 2006, the former Redevelopment Agency took a \$689,520 note from the buyer. The term of the note is ten years. Interest accrues on the note at a rate of 5.5% per annum. Principal and interest is payable quarterly. The quarterly payments are fixed at \$14,298 with a balloon payment of \$434,883 due on November 1, 2016. The note balance at June 30, 2017 is \$428,790. The buyer did not make the balloon payment and the current status of this loan is in the process of negotiating with the Department of Finance, California to determine whether the loan can be forfeited due to the death of the buyer.

C. Agency Funds

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

The Gateway Cities Council of Governments has received loan funds for economic development from the Economic Development Administration (EDA). On August 24, 1999, the City of Lakewood approved an agreement with the Gateway Cities Council of Governments, of which the City of Lakewood is a member, to receive \$666,725 of these funds as a sub-grantee. These funds were used to establish a commercial revolving loan fund to provide for business expansion, economic development, and job creation in Lakewood. The revolving loan fund particularly targets industrial, manufacturing, and commercial businesses adjacent to the Boeing plant and Long Beach Airport and at the 19-acre former Rockwell site in Lakewood. This is a matching loan program. The funds received from the EDA have been matched with \$85,000 from a California Trade and Commerce Agency Defense Adjustment Matching Grant and \$168,245 in Community Development Block Grant (CDBG) funds. The revolving loans and all EDA cash held for revolving loans are reflected in the Lakewood Business Development Loans Agency Fund. Since the Economic Development Administration (EDA) has a claim to any funds remaining when the program is terminated, these funds are reported as "Due to EDA" in the Agency Fund.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2017, the City has the following due from and to other funds:

Due To Other Funds			
Governmental Funds			
Due From Other Funds	Capital Project	Nonmajor	Total
	Fund	Governmental Funds	
Governmental Funds:			
General Fund	\$ 1,408,697	595,250	\$ 2,003,947

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

B. Transfers In and Out

At June 30, 2017, the City had the following transfers in/out:

Transfers In			
Governmental Funds			
Transfers Out	General Fund	Nonmajor	Total
		Governmental Funds	
Governmental Funds:			
General Fund	\$ -	\$ 47,829	\$ 47,829
Nonmajor Governmental Funds	1,517,137	-	1,517,137
	\$ 1,517,137	\$ 47,829	\$ 1,564,966

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

Note 6 – Land Held for Resale

At June 30, 2017, land held for resale consisted of the followings:

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Receivable from Successor Agency

At June 30, 2017, the receivables from Successor Agency are as follows:

	General Fund	Housing Admin and Program Capital Projects Fund	Total
Initial Loan	\$ 191,000	\$ -	\$ 191,000
Inter-Agency Loan	8,956,788	2,239,197	11,195,985
10-Year Interfund Loan		90,491	90,491
5-Year Loan	-	3,878,059	3,878,059
Housing Set-Aside Fund	-	1,085,310	1,085,310
	<u>\$ 9,147,788</u>	<u>\$ 7,293,057</u>	<u>\$ 16,440,845</u>

On June 30, 2012, the amount due by the Lakewood Successor Agency to the City was \$30,950,525. Under AB 1X26, the Successor Agency was only able to list as enforceable obligation the amount of the *initial* City Loan for the plan area, which was \$382,000. This obligation is payable in 10 annual payments of \$38,200. At June 30, 2017, the total amount due to the City is \$191,000. Subsequent legislation, AB1484, allowed interest for the City loans to be recalculated at the LAIF rate over the life of the loan. The outstanding interest on the City loan using the LAIF interest rate calculation is \$2,612,099, of which, 80% are allocated to General Fund and 20% are allocated to the City's Housing Admin & Program Capital Projects Fund. Due to the Due Diligence Review called for under AB 1X26, the City reduced the amount receivable to the amount allowable, which resulted in the Successor Agency recognizing an extraordinary gain of \$27,956,419 on the statement of changes in fiduciary net position. Pursuant Health and Safety (HSC) Section 34179.7, the Oversight Board approves the Successor Agency's Finding of Completion on December 10, 2016; therefore, the City's General Fund loaned to the Successor Agency an additional \$9,400,000 to make its payment under Protest for Department of Finance Determination of Other Funds and Accounts Due Diligence Review. Pursuant to HSC Section 34191.6 (2), the Last and Final Recognized Obligation Payment Schedule shall include an interest rate of 4 percent. The City performed interest rate adjustment based on four percent interest rate and reallocated to General Fund and the City's Housing Admin & Program Capital Projects Fund. The recalculation resulted in an unrealized loss in the General Fund in the amount of \$3,271,563 and unrealized gain in the City's Housing Admin & Capital Projects Fund in the amount of \$1,635,370. These unrealized loss and gain are reported as a special item in the financial statements. At June 30, 2017, the total principal and interest due to the City General Fund and Housing Admin & Program Capital Projects Fund were in the amount of \$8,956,788 and \$2,239,197, respectively.

On April 14, 2005, the Agency Board approved a 10-year interfund loan from the Capital Projects Fund to the Debt Service Fund to provide partial funding for the required payment to the County of Los Angeles' Educational Revenue Augmentation Fund for the year ended June 30, 2005. No interest accrues on this loan and annual installments of \$22,623 commenced May 10, 2006. The loan balance at June 30, 2017 was \$90,491. The loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1X26.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Receivable from Successor Agency (Continued)

On February 9, 2011, the Agency Board approved a 5-year loan from the Capital Projects Fund to the Debt Service Fund to provide funding for the required payment to the County of Los Angeles' Supplemental Educational Revenue Augmentation Fund. On January 25, 2012, the Agency Board approved a second 5-year loan from the Capital Projects Fund to the Debt Service Fund for similar purposes. No interest accrues on these loans and the loans must be repaid on or before June 30, 2015 and 2016, respectively. The total loan balance at June 30, 2017 was \$3,878,059. The liability side of this loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1X26.

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets of the governmental activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Reclassification	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 17,041,023	\$ -	\$ -	\$ -	\$ 17,041,023
Construction in progress	9,572,835	8,696,598	-	(2,165,233)	16,104,200
Total capital assets, not being depreciated	26,613,858	8,696,598	-	(2,165,233)	33,145,223
Capital assets, being depreciated:					
Structures and improvements	48,771,859	41,153	-	2,165,233	50,978,245
Equipment	8,730,677	358,625	(471,122)	-	8,618,180
Infrastructure	139,534,189	-	-	-	139,534,189
Total capital assets, being depreciated	197,036,725	399,778	(471,122)	2,165,233	199,130,614
Less accumulated depreciation for:					
Structures and improvements	(22,587,027)	(1,054,373)	-	-	(23,641,400)
Equipment	(6,664,461)	(526,883)	471,122	-	(6,720,222)
Infrastructure	(104,052,162)	(2,732,259)	-	-	(106,784,421)
Total accumulated depreciation	(133,303,650)	(4,313,515)	471,122	-	(137,146,043)
Total capital assets, being depreciated, net	63,733,075	(3,913,737)	-	2,165,233	61,984,571
Governmental activities capital assets, net	\$ 90,346,933	\$ 4,782,861	\$ -	\$ -	\$ 95,129,794

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

General government	\$ 90,426
Public safety	301,812
Transportation	146,657
Community development	2,772
Culture and leisure	1,012,005
Unallocated depreciation for infrasture	2,732,259
Internal service funds depreciation charged to programs	27,584
Total depreciation expense - governmental activities	\$ 4,313,515

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in capital assets of the business-type activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Reclassification	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 381,023	\$ -	\$ (142,268)	\$ -	\$ 238,755
Water rights	1,834,586	-	-	-	1,834,586
Construction in progress	1,716,465	1,221,518	-	(161,192)	2,776,791
Total capital assets, not being depreciated	3,932,074	1,221,518	(142,268)	(161,192)	4,850,132
Capital assets, being depreciated:					
Source of supply	4,770,755	-	-	-	4,770,755
Pumping plant	807,312	-	-	-	807,312
Water treatment	4,726,040	-	-	-	4,726,040
Transmission/distribution	35,276,664	-	-	-	35,276,664
General plant and equipment	9,772,441	25,026	-	-	9,797,467
Total capital assets, being depreciated	55,353,212	25,026	-	-	55,378,238
Less accumulated depreciation for:					
Source of supply	(3,068,897)	(77,204)	-	-	(3,146,101)
Pumping plant	(564,157)	(12,984)	-	-	(577,141)
Water treatment	(1,749,465)	(465,814)	-	-	(2,215,279)
Transmission/distribution	(18,013,648)	(902,213)	-	-	(18,915,861)
General plant and equipment	(4,809,136)	(396,384)	-	-	(5,205,520)
Total accumulated depreciation	(28,205,303)	(1,854,599)	-	-	(30,059,902)
Total capital assets, being depreciated, net	27,147,909	(1,829,573)	-	-	25,318,336
Business-type activities capital assets, net	\$ 31,079,983	\$ (608,055)	\$ (142,268)	\$ (161,192)	\$ 30,168,468

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

Business-type activity:	
Water	\$ 1,854,599
Total depreciation expense - business-type activities	\$ 1,854,599

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities

A. Governmental Activities

Summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2017 is as follow:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year	Due in More Than One Year
Governmental Activities:						
Lease payable	\$ 246,808	\$ -	\$ (35,564)	\$ 211,244	\$ 35,564	\$ 175,680
Compensated absences	1,356,022	1,213,145	(1,145,640)	1,423,527	797,911	625,616
Total governmental activities	\$ 1,320,458	\$ 1,213,145	\$ (1,181,204)	\$ 1,634,771	\$ 833,475	\$ 801,296

Lease Payable

The City has lease agreement for the acquisition of helicopter. Total equipment acquired through capital leases amounted to \$278,121. The total principal balance of the lease at June 30, 2017 was \$211,244.

The asset acquired through capital lease is as follow:

	Governmental Activities
Assets	
Equipment	\$ 278,121
Less: accumulated depreciation	(59,597)
Total	\$ 218,524

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

Year Ended June 30,	Governmental Activities
2018	\$ 49,872
2019	49,872
2020	49,872
2021	49,872
2022	49,872
Subtotal	249,360
Less amount representing interest	(38,116)
Present value of future minimum lease payments	\$ 211,244

Compensated Absences

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities (Continued)

B. Business-Type Activities

Summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2017 is as follow:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year	Due in More Than One Year
Business-type Activities						
2015 Photovoltaic system lease and sublease agreements	\$ 1,762,532	\$ -	\$ (233,245)	\$ 1,529,287	\$ 239,170	\$ 1,290,117
Loans payable	789,921	-	(197,480)	592,441	197,480	394,961
2017 Master equipment lease/ purchase agreement	-	8,965,667	-	8,965,667	116,437	8,849,230
Compensated absences	112,685	144,384	(143,054)	114,015	78,623	35,392
Total business-type activities	\$ 10,734,893	\$ 9,110,051	\$ (573,779)	\$ 11,201,410	\$ 631,710	\$ 10,569,700

2015 Photovoltaic System Lease and Sublease Agreements

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

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

The future annual required lease payments at June 30, 2017, are as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 239,170	\$ 38,844	\$ 278,014
2019	245,244	32,769	278,013
2020	251,474	26,540	278,014
2021	257,861	20,152	278,013
2022	264,411	13,603	556,028
2023	271,127	6,887	278,014
Total	\$ 1,529,287	\$ 138,795	\$ 1,946,096

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities (Continued)

B. Business-Type Activities (Continued)

Loans Payable

In November 2008, the City entered into a loan agreement with the Water Replenishment District of Southern California (WRD). Pursuant to the agreement, WRD is to loan the City up to \$2,200,000 which is to be used towards the design, construction and installation of wellhead treatment systems at the City's Well 27 site. Since June 30, 2011, the City had requested and received \$1,974,801 from WRD. The loan is unsecured and does not bear interest. The term of the loan is ten years from the initial loan disbursement date which occurred on September 24, 2009. Principal payments are due annually commencing two years from the date of the initial loan disbursement in an amount equal to the lesser of (i) 10% of the total cumulative amount of loan disbursements made by WRD during the immediately preceding twelve month period or (ii) \$220,000.

The debt service schedule to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 197,480	\$ -	\$ 197,480
2019	197,480	-	197,480
2020	197,481	-	197,481
Total	<u>\$ 592,441</u>	<u>\$ -</u>	<u>\$ 592,441</u>

2017 Master Equipment Lease/Purchase Agreement

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

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

The future annual required lease payments at June 30, 2017, are as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 116,437	\$ 273,717	\$ 390,154
2019	516,058	264,252	780,310
2020	531,813	248,497	780,310
2011	548,049	232,261	780,310
2022	564,781	215,529	780,310
2023-2027	3,093,309	808,237	3,901,546
2028-2032	3,595,220	306,326	3,901,546
Total	<u>\$ 8,965,667</u>	<u>\$ 2,348,819</u>	<u>\$ 11,314,486</u>

Compensated Absences

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements

Summary of changes in long-term debt for fiduciary fund financial statements for the year ended June 30, 2017 is as follow:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year
Fiduciary Fund Financial Statements					
Tax Allocation Bonds:					
1999 Series A	\$ 1,230,000	\$ -	\$ (600,000)	\$ 630,000	\$ 630,000
2003 Series A	965,000	-	(475,000)	490,000	490,000
2003 Series B	525,000	-	(255,000)	270,000	270,000
Bond premium	5,644	-	(4,837)	807	807
Total fiduciary fund financial statements	\$ 2,725,644	\$ -	\$ (1,334,837)	\$ 1,390,807	\$ 1,390,807

1999 Tax Allocation Bonds Series A

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

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

Total debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 630,000	\$ 17,010	\$ 647,010

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2003 Tax Allocation Bonds Series A

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

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

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

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 490,000	\$ 10,168	\$ 500,168

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Long-Term Liabilities (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2003 Tax Allocation Bonds Series B

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

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

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

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 270,000	\$ 7,547	\$ 277,547

Note 10 – Defined Contribution Plan

The City provides a tax qualified retirement savings plan under Section 401(a) of the Internal Revenue Code to all full-time employees. The Plan is a defined contribution plan and benefits depend solely on amounts contributed to the plan and investment earnings. The Plan is administered by the Public Agency Retirement System (“PARS”) and the City Council has the authority for establishing and amending the plan provisions. There were 188 employees covered by the Plan for the year ended June 30, 2017. Employer contributions are based on an employee's tier of eligibility. Depending on the limits and requirements of the eligible tier, the City will contribute certain amounts equivalent to an employee's eligible unused accrued vacation time, compensatory time, floating holidays, sick leave and administrative leave. Employee contributions are mandatory and are also based on an employee's tier of eligibility. The amount of the mandatory employee contribution will depend on the limits and requirements of the tier which take into consideration an employee's longevity, merit adjustments and prescribed plan percentages.

For the year ended June 30, 2017, employee contributions totaled \$320,483 and employer contributions totaled \$189,189.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan

Summary of changes in deferred outflows of resources related to pension, net pension liabilities, and deferred inflows of resources related to pension for both governmental activities and business-type activities for the year ended June 30, 2017 are as follow:

Governmental Activities	Governmental Activities	Business Type Activities	Total
Deferred outflows of resources:			
Pension contribution after measurement date:			
CalPERS	\$ 2,110,136	\$ 234,460	\$ 2,344,596
Difference in projected and actual earnings on pension investments:			-
CalPERS	4,482,530	498,060	4,980,590
PARS	230,928	28,541	259,469
Subtotal	4,713,458	526,601	5,240,059
Change in assumptions:			
PARS	1,776,361	219,550	1,995,911
Total deferred outflows of resources	\$ 8,599,955	\$ 980,611	\$ 9,580,566
Net pension liabilities:			
CalPERS	\$ 22,455,930	\$ 2,495,103	\$ 24,951,033
PARS	4,380,626	541,427	4,922,053
Total net pension liabilities	\$ 26,836,556	\$ 3,036,530	\$ 29,873,086
Deferred inflows of Resources:			
Difference between expected and actual experience			
CalPERS	2,433,976	270,442	2,704,418
PARS	223,463	27,619	251,082
Subtotal	2,657,439	298,061	2,955,500
Change in assumptions:			
CalPERS	749,479	83,276	832,755
Total deferred inflows of resources	\$ 3,406,918	\$ 381,337	\$ 3,788,255
Pension Expense:			
CalPERS	\$ 1,142,908	\$ 126,993	\$ 1,269,901
PARS	454,417	56,165	510,582
Total pension expense	1,597,325	183,158	1,780,483

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan

General Information about the Pension Plan

Plan Description

The City contributes to the California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Benefit Provided

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

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

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

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

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms

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

Active employees	274
Transferred and terminated employees	279
Retired Employees and Beneficiaries	228
Total	<u>781</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016, the classic active employee contribution rates was 7% of annual pay, the PEPRA active employee contribution rate was 5.50% of annual pay, and the required employer contribution rates were 14.024% of the annual payroll.

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

Net Pension Liability (Continued)

Discount Rate

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF’s asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C fund), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
	100.00%		

¹ An expected inflation of 2.5% used

² An expected inflation of 3.0% used

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2015 (Valuation Date)	\$ 114,428,322	\$ 93,690,326	\$ 20,737,996
Changes Recognized for the Measurement Period:			
Service Cost	2,109,082	-	2,109,082
Interest on the total pension liability	8,472,508	-	8,472,508
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	(2,102,094)	-	(2,102,094)
Contributions from the employer	-	2,717,060	(2,717,060)
Contributions from employees	-	1,051,966	(1,051,966)
Net investment income	-	554,532	(554,532)
Benefit payments, including refunds of employee contributions	(5,258,099)	(5,258,099)	-
Administrative Expense	-	(57,099)	57,099
Net Changes during July 1, 2015 to June 30, 2016	\$ 3,221,397	\$ (991,640)	\$ 4,213,037
Balance at June 30, 2016 (Measurement Date)	\$ 117,649,719	\$ 92,698,686	\$ 24,951,033

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

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
\$ 40,013,311	\$ 24,951,033	\$ 12,416,020

Pension Plan Fiduciary Net Position

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

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

For the measurement period ending June 30, 2016, the City incurred a pension expense of \$1,269,901.

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

	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ -	\$ 832,755
Difference between expected and actual experience	-	2,704,418
Contribution made after the measurement date	2,344,596	-
Net difference between projected and actual earning on pension plan investments	8,213,032	3,232,443
Total	<u>\$ 10,557,628</u>	<u>\$ 6,769,616</u>

The amounts above are net of outflows and inflows recognized in the 2015-16 measurement period expense.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years of 2,851 (the sum of remaining service lifetimes of the active employees) by 781 (the total number of participants: active, inactive, and retired).

The \$2,344,596 reported as deferred outflows of resources related to pension resulting from the City’s contributions subsequent to the measurement date during the year ended June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources Miscellaneous Plan
2018	\$ (1,218,413)
2019	(550,674)
2020	1,903,725
2021	1,308,778
2022	-
Thereafter	-
	<u>\$ 1,443,416</u>

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan (Continued)

A. CalPERS Plan (Continued)

CalPERS Discount Rate

At December 16, 2016, the CalPERS Board of Administration (the “Board”) approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent over the next three years. This will increase the City’s employer contribution costs beginning in fiscal year 2018-19. The phase in of the discount rate change approved by the board for the next three fiscal year is as follows:

<u>Valuation Date</u>	<u>Required Contribution Rate</u>	<u>Discount Rate</u>
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.250%
June 30, 2018	2020-21	7.000%

Lowering the discount rate means plans will see increases in both normal costs, the cost of pension benefits accruing in one year for active members and the accrued liabilities. These increases will result in higher required employer contribution.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan

General Information about the Pension Plan

Plan Description

The City provides a 401(a) defined benefit retirement enhancement plan under the terms of a Memorandum of Understanding (MOU) between the City and its employees. The Plan is part of an agent multiple employer plan administered by the Public Agency Retirement Service (PARS). A separate audited GAAP-basis post-employment benefit plan report is not available for this Plan. Due to PEPPRA legislation the Plan is closed to employees hired by the City after December 31, 2012.

Benefit Provided

The benefit is equal to 0.5% of final average compensation for all future years of City service (on or after July 1, 2005) and for 75% of past years of City service (before July 1, 2005). Eligibility for an immediate benefit is defined as reaching age 60, completing two years of full-time continuous Lakewood service, and retiring concurrently from both the City and CalPERS after leaving City employment on or after July 1, 2006. Employees terminating from the City with two years of service and concurrent retirement with CalPERS but prior to age 60 may choose to receive either a deferred retirement benefit to begin at age 60 or a refund of their employee contributions with 3% interest compounded annually. All other terminating employees will receive a refund of their employee contributions with 3% interest.

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

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

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

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

Employees Covered by Benefit Terms

At July 1, 2015, the valuation date, the following employees were covered by the benefit terms:

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

Contributions

Employees contribute 3.00% of compensation of which the City picks-up 0.13%. The employer contributed 5.10% of compensation during the year ended June 30, 2017.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2015 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

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

Discount Rate

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

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

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	3.26%	0.36%	0.35%
US Core Fixed Income	Barclays Aggregate	46.82%	2.17%	2.04%
US Equity Market	Russell 3000	35.97%	4.83%	3.57%
Foreign Developed Equity	MSCI EAFE	9.23%	5.76%	4.15%
Emerging Market Equities	MSCI Emerging Markets	3.22%	8.06%	4.84%
US REITs	FTSE NAREIT Equity REIT	1.50%	5.04%	3.27%
		<u>100.00%</u>		
Assumed Inflation - Mean			2.32%	2.30%
Assumed Inflation - Standard Deviation			1.85%	1.85%
Portfolio Real Mean Return			3.63%	3.25%
Portfolio Nominal Mean Return			5.95%	5.63%
Portfolio Standard Deviation				8.43%
Long-Term Expected Rate of Return				6.00%

Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016	\$ 18,071,900	\$ 12,653,828	\$ 5,418,072
Changes Recognized for the Measurement Period:			
Service Cost	538,102	-	538,102
Interest on the total pension liability	1,102,003	-	1,102,003
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions changes or inputs	-	-	-
Contributions from the employer	-	597,130	(597,130)
Contributions from employees	-	272,183	(272,183)
Net investment income	-	1,290,294	(1,290,294)
Benefit payments, including refunds	(493,769)	(493,769)	-
Administrative expense	-	(23,483)	23,483
Net Changes during July 1, 2016 to June 30, 2017	\$ 1,146,336	\$ 1,642,355	\$ (496,019)
Balance at June 30, 2017 (Measurement Date)	\$ 19,218,236	\$ 14,296,183	\$ 4,922,053

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Defined Benefits Plan (Continued)

B. Retirement Enhancement Plan (Continued)

Changes in Net Pension Liability (Continued)

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

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

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Plan's Net Pension Liability	\$ 7,640,244	\$ 4,922,053	\$ 2,666,901

Pension Plan Fiduciary Net Position

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

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

For the measurement period ended June 30, 2017, the City incurred a pension expense of \$1,107,712.

As of measurement date of June 30, 2017, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	-	(251,082)
Changes of assumptions	1,995,911	-
Net difference between projected and actual earning on pension plan investments	259,469	-
Total	\$ 2,255,380	\$ (251,082)

The amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2018	\$ 485,945
2019	485,944
2020	379,351
2021	225,081
2022	329,213
Thereafter	98,764
	\$ 2,004,298

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 12 – Other Post-Employment Benefits

Plan Description

The City provides a post-retirement medical care benefit under the terms of a Memorandum of Understanding ("MOU") between the City and its employees. The Plan is part of an agent multiple employer plan administered by PARS. The benefit is in the form of a monthly supplemental payment to assist qualified retirees with premium payment on medical insurance. Effective July 1, 1989, this benefit is available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after attaining age 60 and who have completed at least 15 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. Effective July 1, 2001, this benefit was modified and is also available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after age 55 and who have completed at least 20 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. The benefit is a "defined dollar benefit" set at \$542 per month on January 1, 2014, continuing until the retiree has met Medicare age. Thereafter, the payment is decreased to \$295 per month. The benefit is increased annually according to the terms of the MOU. The maximum term of benefits paid a qualifying employee is equal to the number of months of continuous Lakewood City service.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or the employee associations. Currently, contributions are not required from plan members. During the fiscal year ended June 30, 2017, the City made contributions of \$303,868 on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation (Asset)

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC for fiscal year 2016-17 was \$283,401 and was determined as part of an actuarial valuation as of July 1, 2015.

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

Annual Required Contribution (ARC)	\$	283,401
Interest Adjustment on Net OPEB Assets		(232,579)
Amortization Adjustment to ARC		307,587
Annual OPEB Cost		358,409
Contribution Made		(303,868)
Decrease in Net OPEB Assets		54,541
Net OPEB Assets:		
Beginning of Year		(3,876,321)
End of Year	\$	(3,821,780)

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 12 – Other Post-Employment Benefits (Continued)

Three-Year Trend Information

For the year ended June 30, 2017, the City's annual OPEB cost (expense) of \$358,409 was greater than the ARC. Information on the annual OPEB cost, percentage of Annual OPEB Cost contributed, and Net OPEB Obligation is presented below:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of APC Contributed	Net OPEB (Assets) Obligation
6/30/2015	\$ 197,245	\$ 257,874	130.69%	\$ (3,913,023)
6/30/2016	317,802	281,100	88.45%	(3,876,321)
6/30/2017	358,409	303,868	84.78%	(3,821,780)

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. In the July 1, 2015, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a discount rate of 6.0% per annum, a rate of return on assets of 6.0% per annum and a healthcare cost trend rate of 8.0% initially, reduced by annual decrements of 1.0% to an ultimate rate of 5.0% after three years. The City's unfunded actuarial accrued liability is being amortized by level dollar contributions over a twenty-year open period.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 13 – Deferred Compensation Plan

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

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

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

Note 14 – Liabilities, Property, and Workers' Compensation Protection

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

The City is a member of the California Joint Powers Insurance Authority (the "Authority"). The Authority is composed of 117 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Self-Insurance Programs of the Insurance Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

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

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2016-17 the Authority’s pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority’s reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million in excess of \$2 million layer, and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority. The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2016-17 the Authority’s pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers’ Compensation Law. Employer’s Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer’s Liability losses from \$5 million to \$10 million are pooled among members.

Pollution Legal Liability Insurance

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

C. Purchased Insurance

Property Insurance

The City of Lakewood participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Lakewood property is currently insured according to a schedule of covered property submitted by the City of Lakewood to the Authority. City of Lakewood property currently has all-risk property insurance protection in the amount of \$56,082,939. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City of Lakewood purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Lakewood property currently has earthquake protection in the amount of \$34,176,138. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

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

Special Event Tenant User Liability Insurance

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

D. Adequacy of Protection

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

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

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 15 – Commitments and Contingencies

A. Lawsuits

Numerous claims and suits have been filed against the City in the normal course of business. Based upon information received from the City Attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by self-insurance designations and insurance coverage.

B. Contract with Los Angeles County Sheriff's Department

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

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

In November 1997, the City entered into a lighting maintenance contract with City Light and Power Lakewood, Inc. The contract requires the City to pay a basic annual rent of \$544,250, with a portion of the basic rent adjusted annually using the current consumer price index. During the year ended June 30, 2017, the City paid \$57,433 per month for the maintenance contract. The contract expires in November 2022.

D. Lease Agreement with Lakewood Mall Business Company

On September 14, 1999, the former Lakewood Redevelopment Agency also approved an agreement to lease 1,900 parking stalls from the Lakewood Mall Business Company to provide public parking. Rent is comprised of basic rent and additional rent. The basic rent is \$450,000 per year. The additional rent is based on the amount of additional tax increment received above a base year amount and is capped at \$300,000 per year. The agreement also allows for catch up payments in the event that additional rent is less than the cap in the first three years of the lease. Catch up payments are only due when additional rent exceeds the \$300,000 annual cap in future years. The Agency also entered into a sublease with the developer in order for the developer to operate and maintain the premises as public facilities. The annual lease payments will be paid with tax increment revenues generated by the Mall. The obligation to pay Rent shall commence on the Commencement Date and shall end on the earlier of Rent Expiration Date (i) fifteenth (15th) anniversary of the First Rent Payment Date, or (ii) at such time as the Base Rent payments and Additional Rent payments made by Agency to Developer hereunder total the Maximum Aggregate Rent Obligation. The Lease Commencement Date was September 21, 2001 and the Maximum Aggregate Rent Obligation for fifteen years is \$11,250,000. Therefore, the Rent expiration date would be the earlier of September 20, 2016 or when cumulative Rent payments total \$11,250,000. For the fiscal year ended June 30, 2017, the Agency's last and final obligation under this agreement is \$163,674 to be paid in September 2017.

E. Agreement for Allocation of Tax Increment Revenue

On June 13, 1989, the former Lakewood Redevelopment Agency entered into an agreement for the allocation of tax increment revenue generated from Project Area No. 2. As part of the agreement, the Agency is required to reimburse the Consolidated Fire Protection District of Los Angeles County 17.26% of tax increment revenues and Los Angeles County 54.59% of tax increment revenue. The Los Angeles County portion may be deferred in any year under certain terms of the agreement until total tax increment of the Agency reaches a cumulative total of \$60,000,000. After the total reaches \$60,000,000, the Agency is required to reimburse Los Angeles County 100% of tax increment revenue (net of the allocation to the Consolidated Fire Protection District of Los Angeles County) until the deferred sums have been repaid. Interest on any deferral amounts was prepaid in a lump sum of \$842,000 in fiscal year 1990-91. At June 30, 2017, the Agency's outstanding deferral balance is \$843,589.

City of Lakewood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 16 – Individual Fund Disclosures

Funds with a deficit fund balance/net position at June 30, 2017, are as follows:

Governmental Funds:

Lakewood Capital Improvements	\$ (2,780,585)
CDBG Special Revenue Fund	(71,131)
Prop A Recreation Special Revenue Fund	(48,444)
Open Space Special Revenue Fund	(323,374)

Note 17 – Agreement with Paramount Petroleum

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

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



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



City of Lakewood
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 25,078,533	\$ 25,078,533	\$ 24,679,682	\$ (398,851)
Licenses and permits	1,119,379	1,119,379	1,237,634	118,255
Fines and forfeitures	828,200	828,200	726,158	(102,042)
Investment income, rents and concession	1,425,239	1,425,239	1,461,692	36,453
Intergovernmental revenues	8,469,641	8,469,641	8,594,733	125,092
Current service charges	7,850,961	7,850,961	7,676,870	(174,091)
Other	1,051,714	1,051,950	1,133,427	81,477
Total revenues	45,823,667	45,823,903	45,510,196	(313,707)
EXPENDITURES:				
Current:				
General government	7,596,296	8,198,053	7,546,921	651,132
Public safety	14,984,898	15,862,017	13,741,053	2,120,964
Transportation	2,714,553	2,721,993	2,782,755	(60,762)
Community development	4,967,064	4,966,420	4,761,678	204,742
Health and sanitation	5,023,420	5,023,420	5,042,374	(18,954)
Culture and leisure	11,735,137	11,756,284	11,753,989	2,295
Capital outlay				
General government	29,500	59,644	49,174	10,470
Transportation	251,200	360,206	286,112	74,094
Community development	40,000	40,000	30,256	9,744
Culture and leisure	1,213,741	3,733,805	918,028	2,815,777
Debt service:				
Principal retirement	-	-	35,564	(35,564)
Interest and fiscal charges	-	-	14,308	(14,308)
Total expenditures	48,555,809	52,721,842	46,962,212	5,759,630
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,732,142)	(6,897,939)	(1,452,016)	5,445,923
OTHER FINANCING SOURCES:				
Transfers in	1,675,919	1,675,919	1,517,137	(158,782)
Transfers out	336,950	336,950	(47,829)	(384,779)
Proceed from sale of assets	-	-	114,000	114,000
Total other financing sources	2,012,869	2,012,869	1,583,308	(429,561)
NET CHANGE IN FUND BALANCE	\$ (719,273)	\$ (4,885,070)	131,292	\$ 5,016,362
FUND BALANCE:				
Beginning of Year			43,082,826	
End of Year			<u>\$ 43,214,118</u>	

City of Lakewood
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2017

Budget and Budgetary Accounting

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

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers substantially all City expenditures, with the exception of debt service on bond issues and capital improvement projects, which expenditures constitute legally-authorized "non-appropriated budget". There were no significant non-budgeted financial activities. Actual expenditures may not exceed budgeted appropriations at the fund level. The City Manager is authorized to make transfers of budget appropriations between classifications and activities within a fund.
3. Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations, which are encumbered at year end, are added to the following year's budgeted appropriations. However, encumbrances at year end are reported as assigned fund balance.
4. Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparison is presented for the Park Dedication Special Revenue Fund, the Sewer Reconstruction Special Revenue Fund, Asset Forfeiture Grant Special Revenue Fund, and River Park Grant Special Revenue Fund since no budgets were adopted for these funds. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
5. Capital project budgets are long term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2016, based on calculations by City Management, proceeds of taxes did not exceed related appropriations. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies, to be used in future years without limitation. In 2009-10, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Pension Plan

Measurement period	2013-14	2014-15	2015-16 ¹
Total pension liability			
Service cost	\$ 2,144,455	\$ 2,028,208	\$ 2,109,082
Interest	8,019,215	8,236,636	8,472,508
Changes of benefit terms	-	-	-
Changes of assumptions	-	(1,943,097)	-
Differences between expected and actual experience	-	(2,731,071)	(2,102,094)
Benefit payments, including refunds of employee contributions	(4,389,897)	(4,981,710)	(5,258,099)
Net change in total pension liability	5,773,773	608,966	3,221,397
Total pension liability - beginning	108,045,583	113,819,356	114,428,322
Total pension liability - ending (a)	\$ 113,819,356	\$ 114,428,322	\$ 117,649,719
Pension fiduciary net position			
Contributions - employer	\$ 1,873,372	\$ 1,871,751	\$ 2,717,060
Contributions - employee	1,012,408	939,852	1,051,966
Net investment income	14,100,175	2,111,030	554,532
Benefit payments, including refunds of employee contributions	(4,389,897)	(4,981,710)	(5,258,099)
Administrative expense	-	(105,557)	(57,099)
Net change in plan fiduciary net position	12,596,058	(164,634)	(991,640)
Plan fiduciary net position - beginning	81,258,902	93,854,960	93,690,326
Plan fiduciary net position - ending (b)	\$ 93,854,960	\$ 93,690,326	\$ 92,698,686
Plan net pension liability - ending (a) - (b)	\$ 19,964,396	\$ 20,737,996	\$ 24,951,033
Plan fiduciary net position as a percentage of the total pension liability	82.46%	81.88%	78.79%
Covered payroll	\$ 15,265,197	\$ 15,213,079	\$ 16,033,770
Plan net pension liability as a percentage of covered-employee payroll	130.78%	136.32%	155.62%

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

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios (Continued)
June 30, 2017

Last Ten Fiscal Years

Public Agency Retirement System Defined Benefit Plan

Measurement period	2014-15	2015-16	2016-17 ¹
Total pension liability			
Service cost	\$ 501,866	\$ 522,429	\$ 538,102
Interest	972,653	898,895	1,102,003
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(345,830)	-
Changes of assumptions	-	2,749,085	-
Benefit payments, including refunds of employee contributions	(398,794)	(417,601)	(493,769)
Net change in total pension liability	1,075,725	3,406,978	1,146,336
Total pension liability - beginning	13,589,197	14,664,922	18,071,900
Total pension liability - ending (a)	<u>\$ 14,664,922</u>	<u>\$ 18,071,900</u>	<u>\$ 19,218,236</u>
Pension fiduciary net position			
Contributions - employer	\$ 3,884,844	\$ 54,800	\$ 597,130
Contributions - employee	293,815	281,187	272,183
Net investment income, net of investment expenses	212,179	(8,365)	1,290,294
Benefit payments, including refunds of employee contributions	(398,794)	(417,601)	(493,769)
Administrative expenses	(19,517)	(25,243)	(23,483)
Other	-	-	-
Net change in plan fiduciary net position	3,972,527	(115,222)	1,642,355
Plan fiduciary net position - beginning	8,796,523	12,769,050	12,653,828
Plan fiduciary net position - ending (b)	<u>\$ 12,769,050</u>	<u>\$ 12,653,828</u>	<u>\$ 14,296,183</u>
Plan net pension liability - ending (a) - (b)	<u>\$ 1,895,872</u>	<u>\$ 5,418,072</u>	<u>\$ 4,922,053</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87.07%</u>	<u>70.02%</u>	<u>74.39%</u>
Covered payroll	<u>\$ 10,819,843</u>	<u>\$ 11,643,566</u>	<u>\$ 11,992,873</u>
Net pension liability as a percentage of covered-employee payroll	<u>17.52%</u>	<u>46.53%</u>	<u>41.04%</u>

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

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions
June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System Defined Pension Plan

	2013-14	2014-15	2015-16	2016-17 ¹
Actuarially determined contribution	\$ 1,873,372	\$ 1,871,751	\$ 2,136,551	\$ 2,344,596
Contributions in relation to the actuarially determined contribution ²	(1,873,372)	(1,871,751)	(2,717,060)	(2,344,596)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (580,509)</u>	<u>\$ -</u>
Covered payroll ³	\$ 15,265,197	\$ 15,213,079	\$ 16,033,770	\$ 16,514,783
Contributions as a percentage of covered payroll ³	12.27%	12.30%	16.95%	14.20%

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

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

³ Includes one year's payroll growth using 3.00 percent payroll assumption from 2015-16 to 2016-17.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were derived from the June 30, 2014 funding valuation report.

Methods and assumptions used to determine contribution rates:

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

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Contributions (Continued)
June 30, 2017

Last Ten Fiscal Years

Public Agency Retirement System Defined Benefit Plan

	2013-14	2014-15	2015-16	2016-17 ¹
Actuarially determined contribution	\$ 799,971	\$ 871,044	\$ 874,736	\$ 594,125
Contributions in relation to the actuarially determined contribution	(723,539)	(3,884,844)	(54,800)	(597,130)
Contribution deficiency (excess)	<u>\$ 76,432</u>	<u>\$ (3,013,800)</u>	<u>\$ 819,936</u>	<u>\$ (3,005)</u>
Covered payroll	\$ 13,496,727	\$ 10,819,843	\$ 11,643,566	\$ 11,992,873
Contributions as a percentage of covered payroll	5.36%	35.90%	0.47%	4.98%

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

Notes to Schedule:

Valuation date: June 30, 2015

Methods and assumptions used to determine contribution rates:

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

City of Lakewood
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
For the Year Ended June 30, 2017

OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Entry Age Actuarial Accrued Liabilities (AAL) (a)	Actuarial Valuation of Assets (AVA) (b)	Unfunded AAL (UAAL) (a)-(b)	Funded Ratio AVA (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(a)-(b)]/(c)
7/1/2011	\$ 6,656,794	\$ 6,611,297	\$ 45,497	99.32%	\$ 12,749,552	0.36%
7/1/2013	6,147,829	7,333,693	(1,185,864)	119.29%	12,430,631	-9.54%
7/1/2015	8,159,602	8,258,175	(98,573)	101.21%	10,819,843	-0.91%



SUPPLEMENTARY INFORMATION



City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Housing Admin and Program Capital Projects Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income, rents and concession	\$ 5,000	\$ 5,000	\$ 95,822	\$ 90,822
Other income	199,000	199,000	162,000	(37,000)
Total revenues	<u>204,000</u>	<u>204,000</u>	<u>257,822</u>	<u>53,822</u>
EXPENDITURES:				
Community development	200,000	200,000	181,200	18,800
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>181,200</u>	<u>18,800</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,000</u>	<u>4,000</u>	<u>76,622</u>	<u>72,622</u>
NET CHANGES IN FUND BALANCES	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>76,622</u>	<u>\$ 72,622</u>
FUND BALANCE:				
Beginning of year			12,698,416	
End of year			<u>\$ 12,775,038</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Lakewood Capital Improvements Capital Projects Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 5,504,000	\$ 9,104,000	\$ 4,755,074	\$ (4,348,926)
Total revenues	<u>5,504,000</u>	<u>9,104,000</u>	<u>4,755,074</u>	<u>(4,348,926)</u>
EXPENDITURES:				
Capital outlay:				
Transportation	20,504,000	30,601,959	7,286,202	23,315,757
Total expenditures	<u>20,504,000</u>	<u>30,601,959</u>	<u>7,286,202</u>	<u>23,315,757</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(15,000,000)</u>	<u>(21,497,959)</u>	<u>(2,531,128)</u>	<u>18,966,831</u>
NET CHANGES IN FUND BALANCES	<u>\$ (15,000,000)</u>	<u>\$ (21,497,959)</u>	<u>(2,531,128)</u>	<u>\$ 18,966,831</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(249,457)	
End of year			<u>\$ (2,780,585)</u>	

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds:

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

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

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

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

Prop A Transit Fund - To account for Los Angeles County special 1/2 cent transportation sales tax which became effective July 1, 1982. These funds may be used only for certain transportation purposes.

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

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

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

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

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

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

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

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

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

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



NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds (Continued):

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

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

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

City of Lakewood
Combining Balance Sheet
Other Governmental Funds
June 30, 2017

	Special Revenue Funds				
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit	Prop C Transportation
ASSETS					
Cash and investments	\$ -	\$ 82,291	\$ 152,359	\$ 725,635	\$ 2,905,411
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 82,291</u>	<u>\$ 152,359</u>	<u>\$ 725,635</u>	<u>\$ 2,905,411</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 25,855	\$ 3,951
Accrued liabilities	-	-	-	4,292	22,873
Retention payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,147</u>	<u>26,824</u>
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	-	-	-
Transportation	-	-	-	695,488	2,878,587
Community development	-	-	-	-	-
Health and sanitation	-	-	152,359	-	-
Culture and leisure	-	82,291	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>82,291</u>	<u>152,359</u>	<u>695,488</u>	<u>2,878,587</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 82,291</u>	<u>\$ 152,359</u>	<u>\$ 725,635</u>	<u>\$ 2,905,411</u>

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Other Governmental Funds
June 30, 2017

	Special Revenue Funds				
	AB 2766	CDBG	State COPS Grant	JAG Grants	Asset Forfeiture Grant
ASSETS					
Cash and investments	\$ 223,414	\$ -	\$ 359,830	\$ -	\$ -
Accounts receivable	25,473	91,627	3,085	-	-
Total assets	\$ 248,887	\$ 91,627	\$ 362,915	\$ -	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 5,823	\$ 32,457	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Retention payable	-	-	-	-	-
Due to other funds	-	156,935	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	162,758	32,457	-	-
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	330,458	-	-
Transportation	248,887	-	-	-	-
Community development	-	-	-	-	-
Health and sanitation	-	-	-	-	-
Culture and leisure	-	-	-	-	-
Unassigned (deficit)	-	(71,131)	-	-	-
Total fund balances (deficit)	248,887	(71,131)	330,458	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ 248,887	\$ 91,627	\$ 362,915	\$ -	\$ -

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Other Governmental Funds
June 30, 2017

	Special Revenue Funds				
	Litter Reduction Grant	TDA Article Grant	Used Oil Grant	Prop A Recreation	Measure R
ASSETS					
Cash and investments	\$ 140,337	\$ 49,562	\$ 48,423	\$ -	\$ 1,808,461
Accounts receivable	-	4,506	-	114,941	-
Total assets	<u>\$ 140,337</u>	<u>\$ 54,068</u>	<u>\$ 48,423</u>	<u>\$ 114,941</u>	<u>\$ 1,808,461</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 54,068	\$ 3,667	\$ 2,002	\$ 8,675
Accrued liabilities	-	-	-	-	-
Retention payable	-	-	-	-	-
Due to other funds	-	-	-	114,941	-
Unearned revenue	20,868	-	22,642	-	-
Total liabilities	<u>20,868</u>	<u>54,068</u>	<u>26,309</u>	<u>116,943</u>	<u>8,675</u>
Deferred Inflows of Resources:					
Unavailable revenues	-	-	-	46,442	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,442</u>	<u>-</u>
Fund Balances (Deficit):					
Restricted for:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	1,799,786
Community development	-	-	-	-	-
Health and sanitation	119,469	-	22,114	-	-
Culture and leisure	-	-	-	-	-
Unassigned (deficit)	-	-	-	(48,444)	-
Total fund balances (deficit)	<u>119,469</u>	<u>-</u>	<u>22,114</u>	<u>(48,444)</u>	<u>1,799,786</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 140,337</u>	<u>\$ 54,068</u>	<u>\$ 48,423</u>	<u>\$ 114,941</u>	<u>\$ 1,808,461</u>

(Continued)

City of Lakewood
Combining Balance Sheet (Continued)
Other Governmental Funds
June 30, 2017

	Special Revenue Funds		Total Other Governmental Funds
	River Park Grant	Open Space	
ASSETS			
Cash and investments	\$ -	\$ -	\$ 6,495,723
Accounts receivable	-	323,374	563,006
Total assets	<u>\$ -</u>	<u>\$ 323,374</u>	<u>\$ 7,058,729</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 136,498
Accrued liabilities	-	-	27,165
Retention payable	-	-	-
Due to other funds	-	323,374	595,250
Unearned revenue	-	-	43,510
Total liabilities	<u>-</u>	<u>323,374</u>	<u>802,423</u>
Deferred Inflows of Resources:			
Unavailable revenues	-	323,374	369,816
Total deferred inflows of resources	<u>-</u>	<u>323,374</u>	<u>369,816</u>
Fund Balances (Deficit):			
Restricted for:			
Public safety	-	-	330,458
Transportation	-	-	5,622,748
Community development	-	-	-
Health and sanitation	-	-	293,942
Culture and leisure	-	-	82,291
Unassigned (deficit)	-	(323,374)	(442,949)
Total fund balances (deficit)	<u>-</u>	<u>(323,374)</u>	<u>5,886,490</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 323,374</u>	<u>\$ 7,058,729</u>

(Concluded)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit	Prop C Transportation
REVENUES:					
Taxes	\$ -	\$ 22,699	\$ -	\$ 1,489,003	\$ 1,236,997
Licenses and permits	-	-	34,077	-	-
Investment income, rents and concession	8,825	-	-	10,383	29,108
Intergovernmental revenues	1,508,312	-	-	-	-
Other revenues	-	-	-	-	37,065
Total revenues	<u>1,517,137</u>	<u>22,699</u>	<u>34,077</u>	<u>1,499,386</u>	<u>1,303,170</u>
EXPENDITURES:					
Current:					
General government	-	-	-	40,446	-
Public safety	-	-	-	-	-
Transportation	-	-	-	1,217,150	778,449
Community development	-	-	-	84,780	-
Health and sanitation	-	-	-	-	-
Culture and leisure	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Transportation	-	-	-	180,531	-
Culture and leisure	-	-	-	235	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,523,142</u>	<u>778,449</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,517,137</u>	<u>22,699</u>	<u>34,077</u>	<u>(23,756)</u>	<u>524,721</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(1,517,137)	-	-	-	-
Total other financing sources (uses)	<u>(1,517,137)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	-	22,699	34,077	(23,756)	524,721
FUND BALANCES (DEFICIT):					
Beginning of year	-	59,592	118,282	719,244	2,353,866
End of year	<u>\$ -</u>	<u>\$ 82,291</u>	<u>\$ 152,359</u>	<u>\$ 695,488</u>	<u>\$ 2,878,587</u>

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Other Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				
	AB2766	CDBG	State COPS Grants	JAG Grants	Asset Forfeiture Grant
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Investment income, rents and concession	1,814	-	4,335	-	-
Intergovernmental revenues	100,208	346,374	159,691	17,447	-
Other revenues	-	-	-	-	-
Total revenues	102,022	346,374	164,026	17,447	-
EXPENDITURES:					
Current:					
General government	-	11,371	-	-	-
Public safety	-	-	194,740	17,447	3,895
Transportation	10,000	-	-	-	-
Community development	-	238,930	-	-	-
Health and sanitation	-	-	-	-	-
Culture and leisure	-	34,000	-	-	-
Capital outlay:					
General government	21,989	-	-	-	-
Transportation	-	-	-	-	-
Culture and leisure	-	95,396	-	-	-
Total expenditures	31,989	379,697	194,740	17,447	3,895
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	70,033	(33,323)	(30,714)	-	(3,895)
OTHER FINANCING SOURCES (USES):					
Transfers in	6,427	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	6,427	-	-	-	-
NET CHANGES IN FUND BALANCES	76,460	(33,323)	(30,714)	-	(3,895)
FUND BALANCES (DEFICIT):					
Beginning of year	172,427	(37,808)	361,172	-	3,895
End of year	\$ 248,887	\$ (71,131)	\$ 330,458	\$ -	\$ -

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Other Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				
	Litter Reduction Grant	TDA Article Grant	Used Oil Grant	Prop A Recreation	Measure R
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Investment income, rents and concession	1,356	-	-	-	15,301
Intergovernmental revenues	-	54,068	24,073	209,260	926,540
Other revenues	-	-	-	-	-
Total revenues	1,356	54,068	24,073	209,260	941,841
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Transportation	-	-	-	-	6,305
Community development	-	-	-	-	-
Health and sanitation	-	-	22,528	-	-
Culture and leisure	-	-	-	57,767	-
Capital outlay:					
General government	-	-	-	-	-
Transportation	-	54,068	-	-	31,525
Culture and leisure	-	-	-	-	-
Total expenditures	-	54,068	22,528	57,767	37,830
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,356	-	1,545	151,493	904,011
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	41,402	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	41,402	-
NET CHANGES IN FUND BALANCES	1,356	-	1,545	192,895	904,011
FUND BALANCES (DEFICIT):					
Beginning of year	118,113	-	20,569	(241,339)	895,775
End of year	\$ 119,469	\$ -	\$ 22,114	\$ (48,444)	\$ 1,799,786

(Continued)

City of Lakewood
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Other Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds		Total Other Governmental Funds
	River Park Grant	Open Space	
REVENUES:			
Taxes	\$ -	\$ -	\$ 2,748,699
Licenses and permits	-	-	34,077
Investment income, rents and concession	-	-	71,122
Intergovernmental revenues	105,742	-	3,451,715
Other revenues	-	-	37,065
Total revenues	105,742	-	6,342,678
EXPENDITURES:			
Current:			
General government	-	-	51,817
Public safety	-	-	216,082
Transportation	-	-	2,011,904
Community development	-	-	323,710
Health and sanitation	-	-	22,528
Culture and leisure	-	-	91,767
Capital outlay:			
General government	-	-	21,989
Transportation	-	-	266,124
Culture and leisure	-	300,000	395,631
Total expenditures	-	300,000	3,401,552
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	105,742	(300,000)	2,941,126
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	47,829
Transfers out	-	-	(1,517,137)
Total other financing sources (uses)	-	-	(1,469,308)
NET CHANGES IN FUND BALANCES	105,742	(300,000)	1,471,818
FUND BALANCES (DEFICIT):			
Beginning of year	(105,742)	(23,374)	4,414,672
End of year	\$ -	\$ (323,374)	\$ 5,886,490

(Concluded)

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State Gasoline Tax Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income, rents and concession	\$ 5,000	\$ 5,000	\$ 8,825	\$ 3,825
Intergovernmental revenues	1,670,919	1,670,919	1,508,312	(162,607)
Total revenues	<u>1,675,919</u>	<u>1,675,919</u>	<u>1,517,137</u>	<u>(158,782)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,675,919	1,675,919	1,517,137	(158,782)
OTHER FINANCING USES:				
Transfers out	(2,108,737)	(2,108,737)	(1,517,137)	591,600
Total other financing uses	<u>(2,108,737)</u>	<u>(2,108,737)</u>	<u>(1,517,137)</u>	<u>591,600</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (432,818)</u></u>	<u><u>\$ (432,818)</u></u>	<u><u>-</u></u>	<u><u>\$ 432,818</u></u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u><u>\$ -</u></u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Prop A Transit Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 1,495,117	\$ 1,495,117	\$ 1,489,003	\$ (6,114)
Investment income, rents and concession	10,000	10,000	10,383	383
Total revenues	<u>1,505,117</u>	<u>1,505,117</u>	<u>1,499,386</u>	<u>(5,731)</u>
EXPENDITURES:				
Current:				
General government	44,547	44,547	40,446	4,101
Transportation	1,337,353	1,337,353	1,217,150	120,203
Community development	99,718	98,718	84,780	13,938
Capital outlay:				
Transportation	180,000	181,000	180,531	469
Culture and leisure	-	21,276	235	21,041
Total expenditures	<u>1,661,618</u>	<u>1,682,894</u>	<u>1,523,142</u>	<u>159,752</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(156,501)</u>	<u>(177,777)</u>	<u>(23,756)</u>	<u>154,021</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (156,501)</u></u>	<u><u>\$ (177,777)</u></u>	<u><u>(23,756)</u></u>	<u><u>\$ 154,021</u></u>
FUND BALANCE:				
Beginning of year			<u>719,244</u>	
End of year			<u><u>\$ 695,488</u></u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Prop C Transportation Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 1,240,161	\$ 1,240,161	\$ 1,236,997	\$ (3,164)
Investment income, rents and concession	15,000	15,000	29,108	14,108
Other revenues	-	-	37,065	37,065
Total revenues	<u>1,255,161</u>	<u>1,255,161</u>	<u>1,303,170</u>	<u>48,009</u>
EXPENDITURES:				
Current:				
Transportation	1,051,593	1,051,593	778,449	273,144
Total expenditures	<u>1,051,593</u>	<u>1,051,593</u>	<u>778,449</u>	<u>273,144</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>203,568</u>	<u>203,568</u>	<u>524,721</u>	<u>321,153</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ 203,568</u></u>	<u><u>\$ 203,568</u></u>	<u><u>524,721</u></u>	<u><u>\$ 321,153</u></u>
FUND BALANCE:				
Beginning of year			<u>2,353,866</u>	
End of year			<u><u>\$ 2,878,587</u></u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
AB2766 Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income, rents and concession	\$ 750	\$ 750	\$ 1,814	\$ 1,064
Intergovernmental revenues	100,000	100,000	100,208	208
Total revenues	<u>100,750</u>	<u>100,750</u>	<u>102,022</u>	<u>1,272</u>
EXPENDITURES:				
Current:				
General government	6,427	6,427	-	6,427
Transportation	15,695	15,695	10,000	5,695
Capital outlay:				
General government	24,000	24,000	21,989	2,011
Total expenditures	<u>46,122</u>	<u>46,122</u>	<u>31,989</u>	<u>14,133</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>54,628</u>	<u>54,628</u>	<u>70,033</u>	<u>15,405</u>
OTHER FINANCING SOURCES:				
Transfers in	-	-	6,427	6,427
NET CHANGE IN FUND BALANCE	<u>\$ 54,628</u>	<u>\$ 54,628</u>	<u>76,460</u>	<u>\$ 21,832</u>
FUND BALANCE:				
Beginning of year			<u>172,427</u>	
End of year			<u>\$ 248,887</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 529,085	\$ 529,085	\$ 346,374	\$ (182,711)
Total revenues	<u>529,085</u>	<u>529,085</u>	<u>346,374</u>	<u>(182,711)</u>
EXPENDITURES:				
Current:				
General government	11,162	11,162	11,371	(209)
Community development	234,282	234,282	238,930	(4,648)
Culture and leisure	34,000	34,000	34,000	-
Capital outlay:				
Culture and leisure	1,664,705	1,027,287	95,396	931,891
Total expenditures	<u>1,944,149</u>	<u>1,306,731</u>	<u>379,697</u>	<u>927,034</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,415,064)</u>	<u>(777,646)</u>	<u>(33,323)</u>	<u>744,323</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (1,415,064)</u></u>	<u><u>\$ (777,646)</u></u>	<u><u>(33,323)</u></u>	<u><u>\$ 744,323</u></u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(37,808)</u>	
End of year			<u><u>\$ (71,131)</u></u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State COPS Grant Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income, rents and concession	\$ 3,000	\$ 3,000	\$ 4,335	\$ 1,335
Intergovernmental revenues	135,000	135,000	159,691	24,691
Total revenues	<u>138,000</u>	<u>138,000</u>	<u>164,026</u>	<u>26,026</u>
EXPENDITURES:				
Current:				
Public safety	196,764	196,764	194,740	2,024
Total expenditures	<u>196,764</u>	<u>196,764</u>	<u>194,740</u>	<u>2,024</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(58,764)</u>	<u>(58,764)</u>	<u>(30,714)</u>	<u>28,050</u>
NET CHANGE IN FUND BALANCE	<u>\$ (58,764)</u>	<u>\$ (58,764)</u>	<u>(30,714)</u>	<u>\$ 28,050</u>
FUND BALANCE:				
Beginning of year			361,172	
End of year			<u>\$ 330,458</u>	

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 17,447	\$ 17,447	\$ 17,447	\$ -
Total revenues	<u>17,447</u>	<u>17,447</u>	<u>17,447</u>	<u>-</u>
EXPENDITURES:				
Current:				
Public safety	17,447	17,447	17,447	-
Total expenditures	<u>17,447</u>	<u>17,447</u>	<u>17,447</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Litter Reduction Grant Special Revenue Fund
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Investment income, rents and concession	\$ 800	\$ 800	\$ 1,356	\$ 556
Intergovernmental revenues	<u>21,580</u>	<u>21,580</u>	<u>-</u>	<u>(21,580)</u>
Total revenues	<u>22,380</u>	<u>22,380</u>	<u>1,356</u>	<u>(21,024)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>22,380</u>	<u>22,380</u>	<u>1,356</u>	<u>(21,024)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ 22,380</u></u>	<u><u>\$ 22,380</u></u>	<u>1,356</u>	<u><u>\$ (21,024)</u></u>
FUND BALANCE:				
Beginning of year			<u>118,113</u>	
End of year			<u><u>\$ 119,469</u></u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
TDA Article Grant Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 53,129	\$ 54,068	\$ 54,068	\$ -
Total revenues	<u>53,129</u>	<u>54,068</u>	<u>54,068</u>	<u>-</u>
EXPENDITURES:				
Capital outlay:				
Transportation	53,129	54,068	54,068	-
Total expenditures	<u>53,129</u>	<u>54,068</u>	<u>54,068</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

City of Lakewood
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Used Oil Grant Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 22,528	\$ 22,528	\$ 24,073	\$ 1,545
Total revenues	<u>22,528</u>	<u>22,528</u>	<u>24,073</u>	<u>1,545</u>
EXPENDITURES:				
Current:				
Health and sanitation	22,528	22,528	22,528	-
Total expenditures	<u>22,528</u>	<u>22,528</u>	<u>22,528</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	1,545	1,545
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	1,545	<u><u>\$ 1,545</u></u>
FUND BALANCE:				
Beginning of year			<u>20,569</u>	
End of year			<u><u>\$ 22,114</u></u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Prop A Recreation Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenues	\$ 117,352	\$ 117,352	\$ 209,260	\$ 91,908
Total revenues	<u>117,352</u>	<u>117,352</u>	<u>209,260</u>	<u>91,908</u>
EXPENDITURES:				
Current:				
Culture and leisure	58,456	58,456	57,767	689
Total expenditures	<u>58,456</u>	<u>58,456</u>	<u>57,767</u>	<u>689</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>58,896</u>	<u>58,896</u>	<u>151,493</u>	<u>92,597</u>
OTHER FINANCING SOURCES:				
Transfers in			41,402	41,402
NET CHANGES IN FUND BALANCES	<u>\$ 58,896</u>	<u>\$ 58,896</u>	<u>192,895</u>	<u>\$ 133,999</u>
FUND BALANCE:				
Beginning of year			(241,339)	
End of year			<u>\$ (48,444)</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Measure R Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Investment income, rents, and concession	\$ 1,500	\$ 1,500	\$ 15,301	\$ 13,801
Intergovernmental revenues	930,052	930,052	926,540	(3,512)
Total revenues	<u>931,552</u>	<u>931,552</u>	<u>941,841</u>	<u>10,289</u>
EXPENDITURES:				
Current:				
Transportation	283,629	283,629	6,305	277,324
Capital outlay:				
Transportation	-	1,062,418	31,525	1,030,893
Total expenditures	<u>283,629</u>	<u>1,346,047</u>	<u>37,830</u>	<u>1,308,217</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>647,923</u>	<u>(414,495)</u>	<u>904,011</u>	<u>1,318,506</u>
NET CHANGES IN FUND BALANCES	<u>\$ 647,923</u>	<u>\$ (414,495)</u>	<u>904,011</u>	<u>\$ 1,318,506</u>
FUND BALANCE:				
Beginning of year			895,775	
End of year			<u>\$ 1,799,786</u>	

City of Lakewood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Open Space Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Capital outlay:				
Culture and leisure	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Total expenditures	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u><u>\$ (300,000)</u></u>	<u><u>\$ (300,000)</u></u>	<u><u>(300,000)</u></u>	<u><u>\$ -</u></u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(23,374)</u>	
End of year			<u><u>\$ (323,374)</u></u>	

Internal Service Funds

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

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

City of Lakewood
Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Central Garage	Print Shop	Totals
ASSETS			
Current Assets:			
Cash and investments	\$ -	\$ 22,434	\$ 22,434
Inventories	58,869	1,404	60,273
Total current assets	<u>58,869</u>	<u>23,838</u>	<u>82,707</u>
Noncurrent assets:			
Capital assets:			
Capital assets, being depreciated:			
Equipment	1,320,003	-	1,320,003
Less: accumulated depreciation	(1,192,054)	-	(1,192,054)
Total capital assets, net	<u>127,949</u>	<u>-</u>	<u>127,949</u>
Total noncurrent assets	<u>127,949</u>	<u>-</u>	<u>127,949</u>
Total assets	<u>186,818</u>	<u>23,838</u>	<u>210,656</u>
LIABILITIES			
Current liabilities:			
Accounts payable	11,777	13,500	25,277
Accrued liabilities	18,287	10,338	28,625
Total current liabilities	<u>30,064</u>	<u>23,838</u>	<u>53,902</u>
Total liabilities	<u>30,064</u>	<u>23,838</u>	<u>53,902</u>
NET POSITION			
Investment in capital assets	127,949	-	127,949
Unrestricted (deficit)	28,805	-	28,805
Total net position	<u>\$ 156,754</u>	<u>\$ -</u>	<u>\$ 156,754</u>

City of Lakewood
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2017

	Central Garage	Print Shop	Totals
OPERATING REVENUES:			
Billing to departments	\$ 860,953	\$ 416,248	\$ 1,277,201
Total operating revenues	<u>860,953</u>	<u>416,248</u>	<u>1,277,201</u>
OPERATING EXPENSES:			
Operations:			
Cost of goods sold	848,038	396,292	1,244,330
Depreciation	27,584	-	27,584
Total operating expenses	<u>875,622</u>	<u>396,292</u>	<u>1,271,914</u>
OPERATING INCOME (LOSS)	<u>(14,669)</u>	<u>19,956</u>	<u>5,287</u>
CHANGE IN NET POSITION	(14,669)	19,956	5,287
NET POSITION:			
Beginning of the year	171,423	(19,956)	151,467
End of the year	<u>\$ 156,754</u>	<u>\$ -</u>	<u>\$ 156,754</u>

City of Lakewood
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	Central Garage	Print Shop	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 859,356	\$ 416,248	\$ 1,275,604
Payments to suppliers	(424,258)	(393,814)	(818,072)
Payments to employees	(435,098)	-	(435,098)
Net cash provided by operating activities	-	22,434	22,434
Changes in cash and cash equivalents	-	22,434	22,434
CASH AND CASH EQUIVALENTS:			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ 22,434</u>	<u>\$ 22,434</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (14,669)	\$ 19,956	\$ 5,287
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	27,584	-	27,584
Change in assets and liabilities:			
(Increase) decrease in inventories	(20,453)	(765)	(21,218)
Increase (decrease) in accounts payable	4,337	3,432	7,769
Increase (decrease) in accrued liabilities	4,798	(189)	4,609
Increase (decrease) in due to other funds	(1,597)	-	(1,597)
Total adjustment	<u>14,669</u>	<u>2,478</u>	<u>17,147</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>	<u><u>\$ 22,434</u></u>	<u><u>\$ 22,434</u></u>

Agency Funds

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

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

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

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

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

	Deposits	Housing Rehabilitation	Sheriff Station Renovation	Lakewood Business Development	Total
ASSETS:					
Cash and investments	\$ 471,371	\$ 306,314	\$ 13,263	\$ 1,077,767	\$ 1,868,715
Loans receivable	-	704,324	-	19,446	723,770
Total assets	\$ 471,371	\$ 1,010,638	\$ 13,263	\$ 1,097,213	\$ 2,592,485
LIABILITIES:					
Accounts payable	\$ 25,996	\$ 25,010	\$ -	\$ 164	\$ 51,170
Deposits	445,375	143,262	13,113	-	601,750
Interest payable	-	-	150	-	150
Due to EDA	-	-	-	1,097,049	1,097,049
Due to HUD	-	842,366	-	-	842,366
Total liabilities	\$ 471,371	\$ 1,010,638	\$ 13,263	\$ 1,097,213	\$ 2,592,485

City of Lakewood
Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Deposits</u>				
ASSETS:				
Cash and investments	\$ 386,905	\$ 253,030	\$ (168,564)	\$ 471,371
Total assets	\$ 386,905	\$ 253,030	\$ (168,564)	\$ 471,371
LIABILITIES:				
Accounts payable	\$ 29,343	\$ 149,660	\$ (153,007)	\$ 25,996
Deposits	357,562	252,615	(164,802)	445,375
Total liabilities	\$ 386,905	\$ 402,275	\$ (317,809)	\$ 471,371
<u>Housing Rehabilitation</u>				
ASSETS:				
Cash and investments	\$ 204,200	\$ 241,639	\$ (139,525)	\$ 306,314
Loans receivable	778,431	-	(74,107)	704,324
Total assets	\$ 982,631	\$ 241,639	\$ (213,632)	\$ 1,010,638
LIABILITIES:				
Accounts payable	\$ 3,595	\$ 108,698	\$ (87,283)	\$ 25,010
Deposits	103,591	163,048	(123,377)	143,262
Due to HUD	875,445	76,732	(109,811)	842,366
Total liabilities	\$ 982,631	\$ 348,478	\$ (320,471)	\$ 1,010,638
<u>Sheriff Station Renovation</u>				
ASSETS:				
Cash and investments	\$ 13,113	\$ 150	\$ -	\$ 13,263
Total assets	\$ 13,113	\$ 150	\$ -	\$ 13,263
LIABILITIES:				
Deposits	\$ 13,113	\$ -	\$ -	\$ 13,113
Interest payable	-	150	-	150
Total liabilities	\$ 13,113	\$ 150	\$ -	\$ 13,263
<u>Lakewood Business Development</u>				
ASSETS:				
Cash and investments	\$ 1,058,234	\$ 21,605	\$ (2,072)	\$ 1,077,767
Loans receivable	34,203	-	(14,757)	19,446
Total assets	\$ 1,092,437	\$ 21,605	\$ (16,829)	\$ 1,097,213
LIABILITIES:				
Accounts payable	\$ 208	\$ 992	\$ (1,036)	\$ 164
Due to EDA	1,092,229	66,730	(61,910)	1,097,049
Total liabilities	\$ 1,092,437	\$ 67,722	\$ (62,946)	\$ 1,097,213

City of Lakewood
Statement of Changes in Fiduciary Assets and Liabilities (Continued)
All Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 1,662,452	\$ 516,424	\$ (310,161)	\$ 1,868,715
Loans receivable	812,634	-	(88,864)	723,770
Total assets	<u>\$ 2,475,086</u>	<u>\$ 516,424</u>	<u>\$ (399,025)</u>	<u>\$ 2,592,485</u>
LIABILITIES:				
Accounts payable	\$ 33,146	\$ 259,350	\$ (241,326)	\$ 51,170
Deposits	474,266	415,663	(288,179)	601,750
Interest payable	-	150	-	150
Due to EDA	1,092,229	66,730	(61,910)	1,097,049
Due to HUD	875,445	76,732	(109,811)	842,366
Total liabilities	<u>\$ 2,475,086</u>	<u>\$ 818,625</u>	<u>\$ (701,226)</u>	<u>\$ 2,592,485</u>

STATISTICAL SECTION



City of Lakewood
Description of Statistical Section Contents
June 30, 2017

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

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

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Government activities:					
Net investment in capital assets	\$ 80,655,513	\$ 84,047,863	\$ 85,293,777	\$ 88,276,871	\$ 89,515,476
Restricted	16,173,588	20,797,866	14,548,668	14,470,603	18,104,141
Unrestricted	34,073,759	33,383,975	39,198,464	40,166,581	77,688,090
Total governmental activities net position	<u>\$ 130,902,860</u>	<u>\$ 138,229,704</u>	<u>\$ 139,040,909</u>	<u>\$ 142,914,055</u>	<u>\$ 185,307,707</u>
Business-type activities:					
Net investment in capital assets	\$ 18,683,373	\$ 21,214,604	\$ 22,410,549	\$ 23,324,720	\$ 24,189,811
Restricted	-	-	-	-	-
Unrestricted	9,629,136	9,438,065	9,181,738	8,450,077	8,063,991
Total business-type activities net position	<u>\$ 28,312,509</u>	<u>\$ 30,652,669</u>	<u>\$ 31,592,287</u>	<u>\$ 31,774,797</u>	<u>\$ 32,253,802</u>
Primary government:					
Net investment in capital assets	\$ 99,338,886	\$ 105,262,467	\$ 107,704,326	\$ 111,601,591	\$ 113,705,287
Restricted	16,173,588	20,797,866	14,548,668	14,470,603	18,104,141
Unrestricted	43,702,895	42,822,040	48,380,202	48,616,658	85,752,081
Total primary government net position	<u>\$ 159,215,369</u>	<u>\$ 168,882,373</u>	<u>\$ 170,633,196</u>	<u>\$ 174,688,852</u>	<u>\$ 217,561,509</u>

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

	Fiscal Year				
	2013	2014*	2015	2016	2017
Government activities:					
Net investment in capital assets	\$ 90,407,845	\$ 89,075,037	\$ 88,511,175	\$ 90,100,125	\$ 94,918,550
Restricted	12,213,220	3,994,605	15,464,118	10,805,986	15,160,381
Unrestricted	52,582,291	39,712,067	26,918,679	31,932,235	29,923,001
Total governmental activities net position	<u>\$ 155,203,356</u>	<u>\$ 132,781,709</u>	<u>\$ 130,893,972</u>	<u>\$ 132,838,346</u>	<u>\$ 140,001,932</u>
Business-type activities:					
Net investment in capital assets	\$ 24,816,486	\$ 24,587,382	\$ 27,408,545	\$ 28,527,530	\$ 27,587,388
Restricted	-	-	-	-	-
Unrestricted	8,568,199	7,988,528	6,004,051	6,287,737	9,950,609
Total business-type activities net position	<u>\$ 33,384,685</u>	<u>\$ 32,575,910</u>	<u>\$ 33,412,596</u>	<u>\$ 34,815,267</u>	<u>\$ 37,537,997</u>
Primary government:					
Net investment in capital assets	\$ 115,224,331	\$ 113,662,419	\$ 115,919,720	\$ 118,627,655	\$ 122,505,938
Restricted	12,213,220	3,994,605	15,464,118	10,805,986	15,160,381
Unrestricted	61,150,490	47,700,595	32,922,730	38,219,972	39,873,610
Total primary government net position	<u>\$ 188,588,041</u>	<u>\$ 165,357,619</u>	<u>\$ 164,306,568</u>	<u>\$ 167,653,613</u>	<u>\$ 177,539,929</u>

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

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Expenses:					
Governmental Activities:					
General government	\$ 8,128,441	\$ 7,835,015	\$ 7,405,705	\$ 7,202,986	\$ 7,333,030
Public Safety	12,455,676	12,620,187	12,625,750	12,715,680	12,277,420
Transportation	5,649,724	5,674,897	5,156,031	5,247,578	6,068,549
Community development	10,717,032	10,336,150	13,807,173	11,240,548	6,973,684
Health and sanitation	4,449,649	4,238,617	4,282,434	4,451,021	4,612,935
Culture and leisure	9,141,664	9,368,215	9,758,660	10,037,245	9,548,824
Unallocated infrastructure depreciation	1,979,819	2,180,932	2,247,016	2,325,713	2,492,155
Interest on long-term debt	3,077,480	3,114,073	649,264	454,054	650,838
Total governmental activities expenses	55,599,485	55,368,086	55,932,033	53,674,825	49,957,435
Business-type activities:					
Water	6,880,787	6,610,831	7,473,557	8,113,079	8,703,206
Total primary government expenses	\$ 62,480,272	\$ 61,978,917	\$ 63,405,590	\$ 61,787,904	\$ 58,660,641
Program revenues:					
Governmental activities:					
Charges for services:					
General government	\$ 1,187,144	\$ 1,332,148	\$ 1,200,911	\$ 1,077,906	\$ 1,177,789
Public safety	1,423,814	1,512,415	1,250,887	954,298	904,654
Community development	1,169,018	710,503	961,786	1,066,061	787,552
Health and sanitation	4,489,476	4,563,049	4,785,217	4,752,505	4,838,762
Culture and leisure	1,574,007	1,487,320	1,508,914	1,479,616	1,512,728
Operating grants and contributions	8,182,326	9,855,674	7,053,631	8,037,655	3,238,589
Capital grants and contributions	1,263,382	790,799	3,166,065	2,760,832	3,077,293
Total governmental activities program revenues	19,289,167	20,251,908	19,927,411	20,128,873	15,537,367
Business-type activities:					
Charges for services:					
Water	8,916,030	8,499,939	8,154,174	8,124,574	9,096,414
Total primary government program revenues	\$ 28,205,197	\$ 28,751,847	\$ 28,081,585	\$ 28,253,447	\$ 24,633,781
Net revenues (expenses):					
Governmental activities	\$ (36,310,318)	\$ (35,116,178)	\$ (36,004,622)	\$ (33,545,952)	\$ (34,420,068)
Business-type activities	2,035,243	1,889,108	680,617	11,495	393,208
Total net revenues (expenses)	\$ (34,275,075)	\$ (33,227,070)	\$ (35,324,005)	\$ (33,534,457)	\$ (34,026,860)

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Expenses:					
Governmental Activities:					
General government	\$ 7,527,025	\$ 7,412,703	\$ 10,354,630	\$ 7,187,053	\$ 7,618,899
Public Safety	12,450,911	12,983,054	13,525,219	14,271,008	14,266,703
Transportation	6,137,250	4,587,061	4,772,202	4,740,336	4,915,779
Community development	4,548,531	4,967,510	4,622,036	4,759,414	5,216,400
Health and sanitation	4,692,717	4,925,697	4,888,091	4,901,125	5,066,047
Culture and leisure	10,205,926	11,386,411	12,090,213	11,770,595	12,757,229
Unallocated infrastructure depreciation	2,606,851	2,676,442	2,695,986	2,721,461	2,732,259
Interest on long-term debt	-	-	-	15,143	14,308
Total governmental activities expenses	48,169,211	48,938,878	52,948,377	50,366,135	52,587,624
Business-type activities:					
Water	9,358,616	9,990,086	9,554,985	9,628,369	9,316,642
Total primary government expenses	\$ 57,527,827	\$ 58,928,964	\$ 62,503,362	\$ 59,994,504	\$ 61,904,266
Program revenues:					
Governmental activities:					
Charges for services:					
General government	\$ 1,500,664	\$ 1,753,540	\$ 1,679,199	\$ 1,790,751	\$ 1,961,794
Public safety	827,333	863,286	866,028	912,841	828,408
Community development	887,126	1,199,667	1,647,432	1,754,359	1,687,297
Health and sanitation	4,965,890	5,111,702	5,242,204	5,309,601	5,430,005
Culture and leisure	1,522,022	1,562,310	1,577,319	1,543,688	1,591,984
Operating grants and contributions	3,553,814	4,810,026	4,176,696	3,585,692	6,100,046
Capital grants and contributions	1,538,183	866,959	1,726,390	3,365,208	8,542,663
Total governmental activities program revenues	14,795,032	16,167,490	16,915,268	18,262,140	26,142,197
Business-type activities:					
Charges for services:					
Water	10,573,733	11,711,839	10,311,109	10,930,852	10,873,311
Total primary government program revenues	\$ 25,368,765	\$ 27,879,329	\$ 27,226,377	\$ 29,192,992	\$ 37,015,508
Net revenues (expenses):					
Governmental activities	\$ (33,374,179)	\$ (32,771,388)	\$ (36,033,109)	\$ (32,103,995)	\$ (26,445,427)
Business-type activities	1,215,117	1,721,753	756,124	1,302,483	1,556,669
Total net revenues (expenses)	\$ (32,159,062)	\$ (31,049,635)	\$ (35,276,985)	\$ (30,801,512)	\$ (24,888,758)

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

	Fiscal Year				
	2008	2009	2010	2011	2012
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Sales taxes	\$ 10,681,315	\$ 11,198,871	\$ 10,658,959	\$ 11,262,520	\$ 14,217,422
Property taxes	18,955,132	19,537,963	19,558,410	19,062,606	14,444,518
Franchise taxes	1,249,586	1,453,817	1,374,501	1,455,300	1,538,068
Business operation taxes	476,926	462,403	456,269	469,595	546,279
Utility user taxes	3,517,707	3,490,921	3,591,722	3,508,512	3,360,149
Other taxes	602,798	467,661	252,997	246,165	260,456
Unrestricted, motor vehicle in lieu	35,099	35,089	245,415	383,059	41,395
Grants and contributions not restricted to specific programs	433,593	555,376	556,774	1,147,814	1,026,041
Gain on sale of property	-	-	-	-	-
Investment income	4,654,612	3,987,964	949,717	566,427	699,751
Total governmental activities	<u>40,606,768</u>	<u>41,190,065</u>	<u>37,644,764</u>	<u>38,101,998</u>	<u>36,134,079</u>
Business-type activities:					
Gain on sale of capital assets	-	-	-	-	-
Investment income	342,341	462,016	259,001	171,015	85,797
Total business-type activities	<u>342,341</u>	<u>462,016</u>	<u>259,001</u>	<u>171,015</u>	<u>85,797</u>
Total primary government	<u>\$ 40,949,109</u>	<u>\$ 41,652,081</u>	<u>\$ 37,903,765</u>	<u>\$ 38,273,013</u>	<u>\$ 36,219,876</u>
Changes in net assets, before special and extraordinary item					
Governmental activities	\$ 4,296,450	\$ 6,073,887	\$ 1,640,142	\$ 4,556,046	\$ 1,714,011
Business-type activities	<u>2,377,584</u>	<u>2,351,124</u>	<u>939,618</u>	<u>182,510</u>	<u>479,005</u>
Special item	-	-	-	-	-
Extraordinary item	-	-	-	-	40,679,641
Changes in net position					
Governmental activities	\$ 4,296,450	\$ 6,073,887	\$ 1,640,142	\$ 4,556,046	\$ 42,393,652
Business-type activities	<u>2,377,584</u>	<u>2,351,124</u>	<u>939,618</u>	<u>182,510</u>	<u>479,005</u>
Total primary government	<u>\$ 6,674,034</u>	<u>\$ 8,425,011</u>	<u>\$ 2,579,760</u>	<u>\$ 4,738,556</u>	<u>\$ 42,872,657</u>

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

	Fiscal Year				
	2013	2014	2015	2016	2017
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Sales taxes	\$ 15,461,092	\$ 15,792,115	\$ 15,890,678	\$ 15,961,352	\$ 14,133,828
Property taxes	12,030,119	11,310,210	11,831,561	12,747,876	13,039,739
Franchise taxes	1,607,535	1,697,405	1,757,264	1,699,343	1,430,601
Business operation taxes	508,100	542,110	565,441	1,016,140	674,880
Utility user taxes	3,626,639	3,520,414	3,464,047	3,398,962	3,314,095
Other taxes	308,522	322,834	372,276	378,213	442,393
Unrestricted, motor vehicle in lieu	42,894	35,499	-	-	-
Grants and contributions not restricted to specific programs	893,110	-	-	-	-
Gain on sale of property	108,469	-	-	-	114,000
Investment income	137,346	377,099	264,105	482,676	459,477
Total governmental activities	<u>34,723,826</u>	<u>33,597,686</u>	<u>34,145,372</u>	<u>35,684,562</u>	<u>33,609,013</u>
Business-type activities:					
Gain on sale of capital assets	-	-	-	-	1,035,021
Investment income	59,279	60,664	80,562	100,188	131,040
Total business-type activities	<u>59,279</u>	<u>60,664</u>	<u>80,562</u>	<u>100,188</u>	<u>1,166,061</u>
Total primary government	<u>\$ 34,783,105</u>	<u>\$ 33,658,350</u>	<u>\$ 34,225,934</u>	<u>\$ 35,784,750</u>	<u>\$ 34,775,074</u>
Changes in net assets, before special and extraordinary item					
Governmental activities	\$ 1,349,647	\$ 808,298	\$ (1,887,737)	\$ 3,580,567	\$ 7,163,586
Business-type activities	1,274,396	1,782,417	836,686	1,402,671	2,722,730
Special item	-	-	-	(1,636,193)	-
Extraordinary item	(31,453,996)	-	-	-	-
Changes in net position					
Governmental activities	\$ (30,104,349)	\$ 808,298	\$ (1,887,737)	\$ 1,944,374	\$ 7,163,586
Business-type activities	1,274,396	1,782,417	836,686	1,402,671	2,722,730
Total primary government	<u>\$ (28,829,953)</u>	<u>\$ 2,590,715</u>	<u>\$ (1,051,051)</u>	<u>\$ 3,347,045</u>	<u>\$ 9,886,316</u>

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

	Fiscal Year				
	2008	2009	2010 ^(b)	2011 ^(a)	2012
General Fund:					
Reserved	\$ 29,328,980	\$ 25,260,235	\$ 24,638,651	\$ -	\$ -
Unreserved	27,880,662	27,795,309	26,616,473	-	-
Total general fund	<u>\$ 57,209,642</u>	<u>\$ 53,055,544</u>	<u>\$ 51,255,124</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:					
Reserved	\$ 17,498,570	\$ 18,188,115	\$ 21,940,936	\$ -	\$ -
Unreserved, reported in:					
Special revenue fund	(1,235,920)	(215,141)	(780,506)	-	-
Debt service fund	(24,250,320)	(23,842,134)	(26,278,253)	-	-
Capital project fund	(492,819)	(2,282,333)	(5,983,071)	-	-
Total all other governmental funds	<u>\$ (8,480,489)</u>	<u>\$ (8,151,493)</u>	<u>\$ (11,100,894)</u>	<u>\$ -</u>	<u>\$ -</u>
General fund:					
Nonspendable	\$ -	\$ -	\$ -	\$ 17,679,908	\$ 17,874,837
Committed	-	-	-	28,402,628	30,036,038
Assigned	-	-	-	7,774,015	8,349,193
Unassigned	-	-	-	1,258,266	2,564,755
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,114,817</u>	<u>\$ 58,824,823</u>
All other governmental funds:					
Nonspendable	\$ -	\$ -	\$ -	\$ 7,526,041	\$ 8,014,163
Restricted	-	-	-	11,739,494	6,955,242
Unassigned	-	-	-	(33,387,970)	(98,847)
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,122,435)</u>	<u>\$ 14,870,558</u>

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

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

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

	Fiscal Year				
	2013	2014	2015	2016	2017
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Capital project fund	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General fund:					
Nonspendable	\$ 4,173,679	\$ 2,670,747	\$ 3,334,102	\$ 9,007,179	\$ 9,242,133
Committed	29,066,342	32,456,408	28,993,127	22,470,125	24,641,778
Assigned	8,589,044	8,738,457	8,784,875	9,060,489	7,941,985
Unassigned	3,796,234	3,640,285	4,737,497	2,545,033	1,388,222
Total general fund	<u>\$ 45,625,299</u>	<u>\$ 47,505,897</u>	<u>\$ 45,849,601</u>	<u>\$ 43,082,826</u>	<u>\$ 43,214,118</u>
All other governmental funds:					
Nonspendable	\$ 8,536,583	\$ 8,537,919	\$ 10,614,864	\$ 7,216,652	\$ 7,293,057
Restricted	3,679,754	4,256,020	4,807,418	10,304,699	11,811,420
Unassigned	(626,208)	(1,408,079)	(834,768)	(657,720)	(3,223,534)
Total all other governmental funds	<u>\$ 11,590,129</u>	<u>\$ 11,385,860</u>	<u>\$ 14,587,514</u>	<u>\$ 16,863,631</u>	<u>\$ 15,880,943</u>

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues:					
Taxes	\$ 31,000,225	\$ 31,590,639	\$ 30,797,180	\$ 31,649,661	\$ 27,467,122
Licenses and permits	923,086	592,929	713,054	770,650	635,098
Fines and forfeitures	824,290	1,208,896	1,013,090	881,450	817,092
Investment income, rents and concessions	3,484,410	2,782,769	1,811,706	5,450,149	3,635,549
From other agencies	15,883,025	15,253,739	14,843,273	15,618,323	13,998,687
Current service charges	7,863,790	7,532,352	7,634,788	7,746,660	8,015,864
Other	826,595	677,272	310,301	1,168,393	138,664
Total revenues	60,805,421	59,638,596	57,123,392	63,285,286	54,708,076
Expenditures:					
Current:					
General government	7,757,977	11,926,351	7,348,565	6,859,346	6,975,939
Public safety	12,331,098	12,548,066	12,572,454	12,671,881	12,217,707
Transportation	5,350,765	5,586,431	5,071,028	5,230,678	6,018,040
Community Development	10,066,888	9,630,108	13,283,953	10,491,644	5,873,608
Health and sanitation	4,445,610	4,236,923	4,281,204	4,449,913	4,612,804
Culture and leisure	8,323,630	8,813,143	9,007,504	9,346,305	8,813,262
Capital outlay:					
General government	149,824	6,259	124,233	-	33,803
Public safety	212,983	6,032	-	71,053	41,530
Transportation	1,711,708	4,576,032	2,961,116	4,946,347	3,909,593
Community Development	59,865	71,327	412,622	72,347	-
Culture and leisure	1,935,873	2,013,129	1,910,047	1,301,069	933,986
Debt service:					
Owner participation agreement payments	760,974	761,781	761,781	764,882	-
Principal retirement	885,000	920,000	960,000	1,000,000	1,040,000
Interest and fiscal charges	3,057,549	3,094,768	3,048,683	4,558,769	3,876,203
Total expenditures	57,049,744	64,190,350	61,743,190	61,764,234	54,346,475
Excess of revenues over (under) expenditures	3,755,677	(4,551,754)	(4,619,798)	1,521,052	361,601
Other financing sources (uses):					
Issuance of lease payable	-	-	-	-	-
Transfers in	8,100,982	6,478,745	6,241,294	5,940,999	3,309,912
Transfers out	(8,874,791)	(7,008,948)	(6,241,294)	(5,940,999)	(3,309,912)
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	(773,809)	(530,203)	-	-	-
SPECIAL ITEMS:					
Transfer to HACoLA	-	-	-	-	(926,715)
Gain(loss) on interest adjustment on the loans to the Successor Agency	-	-	-	-	-
Net change in fund balances, before extraordinary items	2,981,868	(5,081,957)	(4,619,798)	1,521,052	(565,114)
EXTRAORDINARY ITEM:					
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	33,268,113
Net change in fund balances	\$ 2,981,868	\$ 5,081,957	\$ (4,619,798)	\$ 1,521,052	\$ 32,702,999
Debt service as a percentage of noncapital expenditures	7.43%	6.99%	7.10%	10.04%	10.04%

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenues:					
Taxes	\$ 26,411,985	\$ 26,076,260	\$ 26,285,474	\$ 28,512,153	\$ 27,428,381
Licenses and permits	882,983	860,267	1,236,029	1,305,394	1,271,711
Fines and forfeitures	782,011	794,905	800,988	792,042	726,158
Investment income, rents and concessions	1,015,685	1,229,344	1,348,984	1,579,999	1,628,636
From other agencies	11,734,813	11,732,076	12,262,584	13,040,289	16,801,522
Current service charges	8,416,888	7,354,833	7,603,770	7,820,247	7,676,870
Other	250,038	1,209,438	3,883,093	1,319,267	1,332,492
Total revenues	49,494,403	49,257,123	53,420,922	54,369,391	56,865,770
Expenditures:					
Current:					
General government	7,080,629	7,198,445	10,121,711	7,469,038	7,598,738
Public safety	12,374,488	12,622,353	13,279,510	14,035,382	13,957,135
Transportation	6,108,720	4,454,458	4,529,295	4,848,633	4,794,659
Community Development	4,358,375	4,822,302	4,550,855	4,877,917	5,266,588
Health and sanitation	4,690,837	4,789,347	4,884,931	4,908,103	5,064,902
Culture and leisure	9,440,235	11,057,389	11,029,303	11,356,886	11,845,756
Capital outlay:					
General government	4,054	-	43,032	60,392	71,163
Public safety	543,434	-	-	894,527	-
Transportation	3,061,913	1,412,843	605,487	2,474,885	7,838,438
Community Development	-	-	55,238	85,996	30,256
Culture and leisure	1,653,418	1,194,657	2,776,202	2,443,762	1,313,659
Debt service:					
Owner participation agreement payments	-	-	-	-	-
Principal retirement	-	-	-	31,313	35,564
Interest and fiscal charges	-	-	-	15,143	14,308
Total expenditures	49,316,103	47,551,794	51,875,564	53,501,977	57,831,166
Excess of revenues over (under) expenditures	178,300	1,705,329	1,545,358	867,414	(965,396)
Other financing sources (uses):					
Issuance of lease payable	-	-	-	278,121	-
Transfers in	2,457,077	2,597,281	2,107,215	1,771,504	1,564,966
Transfers out	(2,457,077)	(2,597,281)	(2,107,215)	(1,771,504)	(1,564,966)
Sale of capital assets	511,875	-	-	-	114,000
Total other financing sources (uses)	511,875	-	-	278,121	114,000
SPECIAL ITEMS:					
Transfer to HACoLA	-	-	-	-	-
Gain(loss) on interest adjustment on the loans to the Successor Agency	-	-	-	(1,636,193)	-
Net change in fund balances, before extraordinary items	690,175	1,705,329	1,545,358	(490,658)	(851,396)
EXTRAORDINARY ITEM:					
Gain (loss) on dissolution of Redevelopment Agency	(17,199,128)	-	-	-	-
Net change in fund balances	\$ (16,508,953)	\$ 1,705,329	\$ 1,545,358	\$ (490,658)	\$ (851,396)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.10%	0.10%

City of Lakewood
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	Secured	Nonunitary	Unsecured	Taxable Assessed Value	Total Direct Tax Rate
2008	\$ 6,855,443	268	\$ 122,010	\$ 6,977,721	0.169%
2009	7,134,053	268	135,015	7,269,336	0.171%
2010	6,877,477	268	129,973	7,007,718	0.180%
2011	6,899,318	268	132,663	7,032,249	0.180%
2012	7,028,289	258	140,375	7,168,922	0.181%
2013	7,132,189	258	149,168	7,281,615	0.186%
2014	7,335,693	258	138,341	7,474,292	0.061%
2015	7,750,838	258	148,398	7,899,494	0.061%
2016	8,155,338	258	142,831	8,298,427	0.060%
2017	8,561,782	258	136,052	8,698,092	0.060%

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

City of Lakewood
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of assessed value)

	Fiscal Years									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City Direct Rates:										
City basic rate	\$ 0.1689	\$ 0.1706	\$ 0.1796	\$ 0.1799	\$ 0.1811	\$ 0.1855	\$ 0.0607	\$ 0.0606	\$ 0.0604	\$ 0.0603
Overlapping Rates:										
Los Angeles County	-	-	-	-	-	-	-	-	-	-
School Districts	0.2049	0.2200	0.2824	0.2686	0.2830	0.3200	0.3039	0.3681	0.3066	0.3980
Sanitation and Water	-	-	-	-	-	-	-	-	-	-
Water Districts	0.0045	0.0043	0.0043	0.0037	0.0037	0.0035	0.0035	0.0035	0.0035	0.0035
Other	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
Total Direct Rate	<u>\$ 1.3783</u>	<u>\$ 1.3949</u>	<u>\$ 1.4663</u>	<u>\$ 1.4522</u>	<u>\$ 1.4679</u>	<u>\$ 1.5090</u>	<u>\$ 1.3681</u>	<u>\$ 1.4322</u>	<u>\$ 1.3706</u>	<u>\$ 1.4619</u>

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

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

	2018		2008	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
<u>Taxpayer</u>				
Macerich Lakewood LLC	\$ 358,335,407	4.12%	\$ 262,722,425	3.77%
Towne Center Fee Owner LLC	93,932,907	1.08%	N/A	N/A
Lakewood Manor Apartments LLC	87,224,882	1.00%	N/A	N/A
Lakewood Regional Medical Center	55,646,246	0.64%	44,422,956	0.64%
Lakewood Marketplace LLC	38,748,022	0.45%	34,171,010	0.49%
May Company Department Stores	34,320,381	0.39%	32,660,400	0.47%
Carwood Center LLC	32,122,785	0.37%	N/A	N/A
Lakewood Associates LLC	30,363,091	0.35%	26,827,903	0.38%
Advanced Group	30,176,372	0.35%	78,653,112	1.13%
Regency Center LLC	29,570,056	0.34%	25,618,784	0.37%
Total	<u>\$ 790,440,149</u>	<u>9.1%</u>	<u>\$ 505,076,590</u>	<u>7.3%</u>

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

City of Lakewood
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$	3,876,613	\$ 3,758,953	96.96%	\$ 117,660	\$ 3,876,613	100.00%
2009		3,812,168	3,694,298	96.91%	117,870	3,812,168	100.00%
2010		3,556,539	3,481,743	97.90%	74,796	3,556,539	100.00%
2011		3,735,728	3,574,761	95.69%	120,220	3,694,981	98.91%
2012		3,811,051	3,593,697	94.30%	217,354	3,811,051	100.00%
2013		4,024,637	3,811,325	94.70%	213,311	4,024,636	100.00%
2014		4,109,676	4,017,643	97.76%	92,033	4,109,676	100.00%
2015		4,251,103	4,158,507	97.82%	92,596	4,251,103	100.00%
2016		4,553,569	4,452,399	97.78%	101,169	4,553,568	100.00%
2017		4,613,693	4,456,610	96.60%	157,083	4,613,693	100.00%

Note:

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

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

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

Governmental Activities					
Fiscal Year Ended June 30	General Obligation Bonds	Tax Allocation Bonds ¹	Lease Payable	Total Governmental Activities	
2008	\$ -	\$ 11,313,931	\$ -	\$	11,313,931
2009	-	10,398,411	-		10,398,411
2010	-	9,442,892	-		9,442,892
2011	-	8,447,372	-		8,447,372
2012	-	- ²	-		-
2013	-	- ²	-		-
2014	-	- ²	-		-
2015	-	- ²	-		-
2016	-	- ²	246,808		246,808
2017	-	- ²	211,244		211,244

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

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

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

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

Business-type Activities							
Water Revenue Bonds	Loan Payable to Water Replacement District	Loan Payable to State of California	Total Business-type Activities	Total Primary Government	Percentage of Personal Income ¹	Debt Per Capita ¹	
\$ 6,544,417	\$ -	\$ -	\$ 6,544,417	\$ 17,858,348	0.97%	214	
6,200,299	-	-	6,200,299	16,598,710	0.71%	199	
5,666,181	1,676,353	-	7,342,534	16,785,426	0.76%	202	
5,112,062	1,777,321	-	6,889,383	15,336,755	0.69%	183	
4,537,944	1,579,841	-	6,117,785	6,117,785	0.27%	76	
4,038,895	1,382,361	-	5,421,256	5,421,256	0.23%	67	
3,385,206	1,184,881	-	4,570,087	4,570,087	0.19%	56	
2,456,517	987,401	-	3,443,918	3,443,918	0.15%	42	
1,762,532	789,921	-	2,552,453	2,799,261	0.12%	36	
1,529,287	592,441	-	2,121,728	2,332,972	0.15%	44	

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

City of Lakewood
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In thousands, except per capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent Assessed Value ¹	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
2008	\$ -	\$ 11,355	\$ 11,355	0.16%	-
2009	-	10,435	10,435	0.14%	-
2010	-	9,475	9,475	0.14%	-
2011	-	-	-	0.12%	-
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017					

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

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

City of Lakewood
Direct and Overlapping Debt
As of June 30, 2017

Total Assessed Valuation		\$7,616,808,849	
	Percentage Applicable ¹	Outstanding Debt 6/30/16	Estimated Share of Overlapping Debt
Overlapping Debt:			
Metropolitan Water District	0.704%	\$ 36,281,674	\$ 255,592
Cerritos Community College District 2004 Series 2009C	7.159%	3,610,000	258,427
Cerritos Community College District 2004 Series 2012D	7.159%	81,752,021	5,852,327
Cerritos Community College District 2012 Series 2014A	7.159%	81,355,000	5,823,906
Cerritos Community College District 2014 Ref Bonds Series A	7.159%	78,350,000	5,608,789
Cerritos Community College District 2014 Ref Bonds Series B	7.159%	15,670,000	1,121,758
Compton Community College District 2002 Series 2008A	2.750%	855,000	23,513
Compton Community College District 2002 Series 2012C	2.750%	14,565,863	400,569
Compton Community College District 2012 Refunding Bonds	2.750%	12,140,000	333,857
Compton Community College District 2002 Series 2013D	2.750%	16,444,972	452,246
Compton Community College District 2014 REF	2.750%	16,570,000	455,684
Compton Community College District 2015 REF BONDS	2.750%	12,780,000	351,457
Long Beach Community College District DS 2002 Series D 2007	8.528%	22,583,138	1,925,874
Long Beach Community College District DS 2008 Series A	8.528%	16,586,797	1,414,510
Long Beach Community College District 2008 Series 2009B	8.528%	37,950,000	3,236,348
Long Beach Community College District Ref 02 12 Series A	8.528%	227,048,695	19,362,547
Long Beach Community College District DS Ref Bonds 2014 Series C	8.528%	9,630,000	821,239
Long Beach Community College District DS Ref Bonds 2014 Series E	8.528%	42,430,000	3,618,399
Long Beach Community College District DS Ref Bonds 2015 Series F	8.528%	30,750,000	2,622,338
Long Beach Community College District DS 2008 Series D	8.528%	3,210,000	273,746
Long Beach Community College District DS 2016 Series A	8.528%	9,000,000	767,513
Long Beach Community College District DS 2016 Series B	8.528%	72,790,000	6,207,478
ABC Unified School District 2003 Ref Bond Series A	10.030%	29,626,700	2,971,512
ABC Unified School District DS 1997 Series B	10.030%	9,140,000	916,728
Bellflower Unified School District, District 2012 Series A	27.604%	34,750,000	9,592,447
Bellflower Unified School District, District 2012 Series B	27.604%	42,000,000	11,593,748
Long Beach Unified School District DS 2008 Refunding Bonds	8.526%	33,665,606	2,870,321
Long Beach Unified School District DS 2008 Series A	8.526%	54,455,000	4,642,820
Long Beach Unified School District DS 2010 Ref Bonds Series A	8.526%	41,375,000	3,527,623
Long Beach Unified School District DS 2008 SR B-1 QSCB	8.526%	72,406,000	6,173,318
Long Beach Unified School District DS 2011 Refunding Bonds	8.526%	11,280,686	961,789
Long Beach Unified School District DS 2012 Refunding Bonds	8.526%	79,675,000	6,793,071
Long Beach Unified School District DS 2008 Series C	8.526%	34,010,000	2,899,684
Long Beach Unified School District DS 2008 Series D	8.526%	251,878,410	21,475,092
Long Beach Unified School District DS 2016 Refunding Bonds	8.526%	587,500,000	50,090,108
Paramount Unified School District DS 2006 Series 2007	9.611%	8,269,976	794,801
Paramount Unified School District 2006 Series 2011 Bonds	9.611%	33,825,310	3,250,841
Paramount Unified School District 2006 2013 Series C	9.611%	33,838,515	3,252,110
Paramount Unified School District Ref Bond Series 2015	9.611%	36,830,000	3,539,612
Total overlapping debt		\$ 2,236,879,363	\$ 196,533,742
City Direct Debt:			
Lease payable	100.000%	211,244	211,244
Total Direct and Overlapping Debt			\$ 196,744,986

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

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

Source: HdL

City of Lakewood
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Years				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed valuation (In thousands)	\$ 6,977,721	\$ 7,269,336	\$ 7,007,717	\$ 7,032,248	\$ 7,168,922
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit (In thousands)	1,046,658	1,090,400	1,051,158	1,054,837	1,075,338
Total net debt applicable to the limit:					
General obligation bonds (In thousands)	-	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 1,046,658</u>	<u>\$ 1,090,400</u>	<u>\$ 1,051,158</u>	<u>\$ 1,054,837</u>	<u>\$ 1,075,338</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

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

The City of Lakewood has no general bonded indebtedness.

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

	Fiscal Years				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed valuation (In thousands)	\$ 7,281,614	\$ 7,474,292	\$ 7,899,494	\$ 8,298,427	\$ 8,698,092
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit (In thousands)	1,092,242	1,121,144	1,184,924	1,244,764	1,304,714
Total net debt applicable to the limit:					
General obligation bonds (In thousands)	-	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 1,092,242</u>	<u>\$ 1,121,144</u>	<u>\$ 1,184,924</u>	<u>\$ 1,244,764</u>	<u>\$ 1,304,714</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%

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

The City of Lakewood has no general bonded indebtedness.

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

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ 8,915	\$ 5,990	\$ 2,925	\$ 355	\$ 119	6.17
2009	8,499	5,228	3,271	370	266	5.14
2010	8,154	6,008	2,146	560	258	2.62
2011	8,132	6,556	1,576	580	238	1.93
2012	9,096	7,090	2,006	600	218	2.45
2013	10,574	7,696	2,878	620	196	3.53
2014	11,712	6,927	4,785	645	172	5.86
2015	10,311	7,826	2,485	670	148	3.04
2015	10,311	7,826	2,485	670	148	3.04
2016	10,931	7,849	3,082	687	67	4.09
2017	10,873	7,280	3,593	233	45	12.92

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

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

Fiscal Year Ended June 30	Tax Allocation Bonds			
	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2008	8,280	885	541	5.81
2009	8,638	920	507	6.05
2010	9,305	960	468	6.52
2011	8,747	1,000	426	6.13
2012	4,010	1,040	381	2.82
2013	1,418	1,085	333	1.00
2014	1,436	1,155	281	1.00
2015	1,435	1,210	225	1.00
2016	1,430	1,265	165	1.00
2017	1,432	1,330	102	1.00

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

City of Lakewood
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2007	83,486	\$ 1,844,623	\$ 22,095	3.2%
2008	83,508	2,333,548	27,944	4.8%
2009	83,196	2,207,459	26,533	7.5%
2010	83,636	2,216,103	26,497	8.2%
2011	80,378	2,297,042	28,578	8.0%
2012	80,781	2,386,755	29,546	7.1%
2013	81,224	2,388,960	29,412	4.9%
2014	81,261	2,363,232	29,082	6.4%
2015	78,471	2,426,233	30,918	5.2%
2016	79,272	2,406,040	30,351	4.0%

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

<u>Employer</u>	2017		2008	
	<u>Number of Employees</u>	<u>Percentage of Total Employment*</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Long Beach Unified School District	891	2.25%	N/A	N/A
Lakewood Regional Medical Center	817	2.06%	N/A	N/A
City of Lakewood	560	1.41%	N/A	N/A
Dept. of Children & Family Services	515	1.30%	N/A	N/A
Bellflower Unified School District	460	1.16%	N/A	N/A
LA County Sheriff's Department	383	0.97%	N/A	N/A
Wal-Mart	350	0.88%	N/A	N/A
ABC Unified School District	329	0.83%	N/A	N/A
CostCo	287	0.72%	N/A	N/A
Albertson's	281	0.71%	N/A	N/A

* Based on updated estimated U.S. Census Bureau's Labor Force count (2017)



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

<u>Division</u>	<u>Fiscal Years</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
City Administration	32	32	32	32	32	32	31	30	30	30
City Clerk	2	2	2	2	2	2	2	2	2	2
Administrative Services	21	21	21	21	21	21	21	20	21	21
Community Development	15	15	15	15	15	15	15	14	14	14
Public Works	31	31	31	31	31	31	31	31	32	32
Recreation and Community Services	59	59	59	59	59	59	60	62	62	62
Water Resources	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>
Total	<u><u>179</u></u>	<u><u>179</u></u>	<u><u>179</u></u>	<u><u>179</u></u>	<u><u>179</u></u>	<u><u>179</u></u>	<u><u>179</u></u>	<u><u>178</u></u>	<u><u>180</u></u>	<u><u>180</u></u>

City of Lakewood
Operating Indicators by Function
Last Ten Fiscal Years

		Fiscal Years				
		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public works:						
Street resurfacing (miles)		7	9	4	8	6
Recreation and community services:						
Number of recreation classes		1,945	1,993	1,945	2,230	1,805
Number of facility rentals		6,900	6,390	4,845	5,486	6,871
Water						
New connections		14	10	7	12	27
Number of consumers		20,403	20,079	20,396	20,421	20,440
Average daily consumption (thousands of gallons)		8,506	7,747	7,323	6,920	7,200
Community development						
Number of building permits issued	*	1,646	1,066	2,825	2,889	2,781

*Includes both residential and commercial permits.

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

	Fiscal Years				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Public works:					
Street resurfacing (miles)	6	1	-	1	-
Recreation and community services:					
Number of recreation classes	1,786	1,812	1,615	1,931	1,711
Number of facility rentals	7,320	7,473	8,259	7,919	5,838
Water					
New connections	24	11	6	2	7
Number of consumers	20,453	20,469	20,489	20,481	20,180
Average daily consumption (thousands of gallons)	7,330	7,549	6,857	5,887	6,262
Community development					
Number of building permits issued	2,915	3,107	3,457	4,408	4,051

*Includes both residential and commercial permits.

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

	Fiscal Years				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public works:					
Streets (miles)	196	196	196	196	196
Streetlights	6,654	6,654	6,654	6,654	6,654
Recreation and community services:					
Number of recreation facilities	13	13	13	13	13
Acreage of facilities	189.0	189.0	189.0	189.0	189.0
Number of pools	2	2	2	2	2
Water					
Water mains (miles)	195.00	195.00	195.00	195.00	195.00
Wastewater					
Sewers (miles)	167.00	167.00	167.00	167.00	167.00

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

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

	Fiscal Years				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Public works:					
Streets (miles)	196	196	196	196	196
Streetlights	6,654	6,654	6,654	6,654	6,654
Recreation and community services:					
Number of recreation facilities	13	13	13	13	13
Acreage of facilities	189.0	189.0	189.0	189.0	189.0
Number of pools	2	2	2	2	2
Water					
Water mains (miles)	195.00	195.00	195.00	195.00	195.00
Wastewater					
Sewers (miles)	167.00	167.00	167.00	167.00	167.00

