

CITY OF LAKEWOOD, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

**Prepared by
Department of Administrative Services**

**Diane Perkin
Director of Administrative Services**

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INTRODUCTORY SECTION

Joseph Esquivel
Vice Mayor

Larry Van Nostran
Council Member



Diane DuBois
Council Member

Steve Croft
Council Member

Todd Rogers
Mayor

December 14, 2009

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

TRANSMITTAL

State law requires that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lakewood for the fiscal year ended June 30, 2009.

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

The City of Lakewood's financial statements have been audited by Diehl, Evans and Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lakewood for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lakewood's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

The City of Lakewood, incorporated in 1954, is located in Southern Los Angeles County, 20 miles south of the City of Los Angeles. Lakewood enjoys the benefits of the diversified economy of Southern California. The City is primarily a bedroom community providing housing for the Southern California subregion. The City of Lakewood occupies a land area of 9.5 square miles and serves a population of 83,508 as of January 1, 2009.

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

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

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

FISCAL YEAR 2008-2009 HIGHLIGHTS

Law enforcement:

- Overall, serious crime in Lakewood declined 8.4 percent from levels in 2008 that were already low. Robberies dropped nearly 34 percent. Burglaries from both homes and businesses declined nearly 8 percent. Car thefts dropped almost 3 percent.
- Although "safe and sane" fireworks were spared by Lakewood voters in 2006, the city council has aggressively enforced new regulations that limit how and when "safe and sane" fireworks can be sold and used.
- The city's Neighborhood Business Watch program continues to impact crime in neighborhoods. The volunteers who participate in Lakewood Business Watch and the LAND (Lakewood Apartments Nuisance Deterrent) program for rental property managers learn strategies that help small businesses and apartments less vulnerable to crime.

- In 2009, the fingerprint identification unit conducted 299 criminal investigations and obtained usable evidence in 202 of them. Lakewood is one of the few cities where law enforcement routinely lifts prints from non-violent crime scenes.
- Lakewood began installation of high-definition digital video surveillance cameras in a pilot program that allows deputies at the Lakewood Sheriff's Station to monitor commercial locations.
- The Lakewood Sheriff's Community Safety Center hosted nearly 2,700 attendees in sheriff- and city-sponsored programs and training sessions. Classes are offered year round at the Lakewood Sheriff's Community Safety Center, which also serves as a resource for residents seeking information about crime prevention programs.

Disaster readiness:

- In cooperation with the Los Angeles County Fire Department, the City of Lakewood provided training and certification to 66 community members who completed the new Community Emergency Response Team (CERT) training program.
- The city conducted a comprehensive review of the Emergency Operations Center (EOC) procedures and inventory of all supplies. All city staff members have training in the National Incident Management System (NIMS). City recreation and park maintenance staff are also Red Cross trained on emergency shelters, and thirteen members of the City emergency management team completed amateur (ham) radio training and passed an exam to receive a license to operate amateur radios. These employees will enhance city communications in times of emergency.

Culture & leisure:

- The Patriot Day Concert and Memorial Program were held on September 11th at Del Valle Park.
- Approximately 11,000 children and adults enjoyed the 52nd annual Halloween Carnivals at eight Lakewood parks.
- The annual Civic Center Block Party attracted over 18,000 participants in celebrating a showcase of 20 Lakewood restaurants participating in the Taste of Lakewood fundraiser organized by the Friends of the Lakewood Libraries.
- The Concert in the Park series continued with generous support from concert attendees and community businesses, approximately 10,000 concertgoers enjoyed eight summer concerts.
- The Pan American Fiesta brought 19,000 participants to Mayfair Park in May. The annual event is the city's oldest community celebration, dating back to 1949. The event is conducted by cooperative effort of the Pan American Association and city staff.
- DASH provided curb to curb transportation for over 13,000 senior and handicapped Lakewood residents.

The environment:

- Two "bioretention wells" were installed as part of street improvements on Paramount Boulevard. Nearly all of a "bioretention well" is below ground, in the form of a concrete basin and plumbing that connects the well to the existing storm drain system. Filtration material, organic mulch, and the roots of the tree planted in the well trap litter (which is removed by periodic cleaning) and filter dissolved toxins, and harmful solids suspended in the runoff. The filtered storm water reaches the ocean environment without a load of toxins, trash, or harmful organic waste. The Paramount Boulevard project also overlaid the street with rubberized asphalt (which recycled 25,000 used tires into the new paving) and put up six solar-powered bus shelters. Funding for a major part of the project was made possible under a federal grant secured by Congresswoman Linda Sánchez. The two "bioretention wells" also came at the Congresswoman's suggestion. The County Department of Public Works, through the efforts of Supervisor Don Knabe, provided engineering and design services.
- The new solar system at the City's water facility provided an average of 1,000 kilowatt hours of electrical energy a day to power water system pumps. The solar panels will eliminate the equivalent of 13 million pounds of carbon dioxide from the environment over the system's 30-year life.
- City streets were shaded by 285 replacement parkway trees, and 6,850 of the city's 26,000 trees were trimmed. The National Arbor Day Foundation has named Lakewood a "Tree City USA" every year since 1982. Nearly 95 percent of city streets have been repaved since 2000 using rubberized asphalt made with recycle tires keeping nearly 900,000 old tires out of landfills. The City has incorporated "green building" features – the use of sustainable materials, energy efficiency, and the recycling of demolition debris – in all its construction plans, and operates a fleet of 25 cars, vans, and trucks that run on clean-burning natural gas and hybrid gas-electric technology.
- Lakewood's enforcement of citywide "no parking during street sweeping" regulations kept over 2,100 tons of litter from Lakewood's storm drains in 2009. Lakewood's Certified Collection Centers recycled over 9,500 gallons of used oil, and more than 1,200 used oil filters were collected from do-it-yourselfers. The City distributed over 230 battery containers, 298 used oil recycling kits and 205 sharp containers, and sold approximately 41 composting bins to residents, and over 43 tons of greenwaste were recycled at collection events at the City's Maintenance Yard.

- An estimated 500 parents and kids participated in the Earth Walk with their Passport to Planet Earth and learned how to do their part in keeping the earth environmentally safe. There were crafts and activities for kids, including a special visit from Woody the Talking Tree and information resources for parents.
- Lakewood residents were asked to conserve water voluntarily under the City's conservation ordinance, and residents responded by cutting water usage by 14 percent since 2007. The irrigation system at West San Gabriel River Parkway Nature Train was converted to use recycled water saving approximately 80 acre-feet of drinking water. Updated water conservation standards for homeowners and businesses were adopted in the fall of 2009.

Neighborhood preservation:

- The City's Nuisance Property Abatement Team (which includes the city prosecutor) addresses severe code violations as well as locations where property violations are accompanied by criminal activity. Since 1999, the abatement team has investigated more than 1,100 cases.
- The Fix Up Paint Up program offers grants of up to \$3,000 in exterior repairs for elderly and disabled residents who can't cope with property upkeep. The program issued 36 grants in 2009.
- The Home Improvement Loan program makes major repairs possible by lending up to \$18,000 for home improvements to eligible homeowners. The program funded 14 loans in 2009.
- The City's neighborhood improvement program acquires troubled properties needing renovation and uses "set aside" housing funds to make these sites available for the construction of new market-rate and affordable housing. To date, nine distressed properties have been purchased and made available for housing.

Community improvement projects:

- The city invested \$4.8 million in street repairs. The improvements resurfaced five miles of major streets and six miles of residential streets. Also constructed were over two miles of sidewalks, almost three miles of curb and gutter and 24 curb ramps to assist the elderly and disabled.
- Eighteen new bus passenger shelters were installed at bus stops and 35 benches at other locations. Beginning in 2005, using county, federal and city transportation funds, Lakewood has installed more than 120 shelters and bus benches along the city's transit corridors. The solar powered shelters also offer security lighting for nighttime bus patrons.
- The picnic shelters at Del Valle Park were replaced with three Craftsman-style structures with new food prep tables, trash receptacles, BBQs and picnic tables. Each of the new shelters offers accessibility for the disabled.
- The Weingart Senior Center received several improvements due to a generous grant from the Weingart Foundation.

Economic development:

- Lakewood continued its "business friendly" tradition in 2009, earning the distinction as a Business Friendly City finalist in the LAEDC Eddy Awards. The City honored Toibb Enterprises for the Lakewood Marketplace remodel, and assisted local auto dealerships in a Cherry Avenue Auto Row campaign. Nearly 200 commercial building permits with a valuation of more than \$31 million were issued in the year.
- Costco opened in February 2009. The 160,000-square-foot, single-story Costco store at Lakewood Center is detached from the enclosed mall. The open space between has been filled by an outdoor plaza, landscaping, café seating, and a new skylighted entrance to the mall. Combining Costco and a traditional shopping mall makes Lakewood "a very powerful retail magnet," according to Jack Kyser, chief economist of the Economic Development Corporation of Los Angeles County. The Costco building uses energy saving design concepts. Costco uses skylights and photocell based day-lighting controls as a standard feature. Each store's Energy Management System (EMS) is controlled remotely to save on energy consumption and costs.
- Denny's, Citibank, and the Harbor Hyundai showroom all opened in 2009, and George's Greek Café opened soon after the close of the fiscal year.
- Forever 21 expanded utilizing the vacant Mervyn's building in March 2009. A Nordstrom Rack is scheduled to open in the fall of 2010.
- The Bellflower and South retail center began improvements to the former grocery store's exterior and the center's parking lot make a better visual impression.

FISCAL YEAR 2009-2010 BUDGET INITIATIVES

The City continues its tradition of investing in the community. Keeping Lakewood safe, growing the Lakewood economy, preserving Lakewood's infrastructure, meeting housing needs, fostering a sense of community and preserving the neighborhood quality of life, and protecting the environment remain the city's budgetary focus.

The Council adopted the three following Focus Areas specific to the economic downturn and the State budget woes:

MANAGING IN A (REALLY, REALLY) UNSTABLE ECONOMY: The City of Lakewood has remained focused on what is truly important – the core functions of operating a city – promoting a healthy community for residents and businesses. By keeping this focus, the City has built a large capital base that includes the entire inventory of municipal assets: streets, sidewalks, water, 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.

At a time when some California cities are facing bankruptcy, Lakewood's investments in capital infrastructure, community resources, and business friendly environment will enable Lakewood to weather the storm.

SECURING FISCAL RESOURCES: LOCAL, STATE AND FEDERAL: The updated utility users tax ordinance approved by voters in the November 4, 2008 election secured a reliable source of funds to maintain city services. The modernized language of the 1992 ordinance provides that all taxpayers will be treated equally regardless of the technology used for telephone services. Of the four principle sources of city funds, only the utility users' tax (UUT) has historic reliability. Revenue from Lakewood's UUT goes directly into the city's general fund as an unrestricted source of revenue that pays for law enforcement, city-sponsored after-school programs, programs for seniors, those in need, and other city services.

The City is aggressively pursuing economic stimulus funds as they become available. Currently, we have identified \$16 million from various sources and applied for the following stimulus grants:

- American Recovery & Reinvestment Act, \$3,503,000
- Highway Safety Improvement Program, \$532,312
- Energy Efficiency & Conservation Block Grant, \$695,200
- Transportation, Community & Systems Preservation, \$475,000
- Truck Impacted Intersections Project Phase II, \$160,000
- CDBG-Recovery, \$194,777
- Justice Assistance Grant, \$195,725
- COPS Hiring Grant, \$139,920
- Neighborhood Stabilization Program, \$479,587

Of particular interest are stimulus funds that promote drought-tolerant landscaping and reclaimed water projects to assist in water conservation measures.

HOLDING ON TO LOCAL AUTHORITY: Local authority is regularly under attack in the legislative processes, especially at the state level. Each year bills are introduced on a variety of topics that affect what cities do — what they must do, what they cannot do, and what they should do.

State legislators, in a short-sighted effort to rectify budget or cash flow problems, repeatedly author laws that shift municipal revenue streams to the state. Property tax is often the local revenue that is shifted and easiest to justify by the state legislature given the impacts of the 1973 Proposition 13 and the 1988 Proposition 98 on state revenues. In Fiscal Year 2009-2010 the state intends to "borrow" eight percent of cities' property tax revenue. The 2004 Proposition 1A provides for the state to borrow from local revenue, with the condition that the state repays the "loan" within three years, and cannot borrow more than twice in a ten-year period — and only if the governor has declared a state of fiscal emergency.

Redevelopment funds serve the city in fostering local economic development and correcting blight. Redevelopment property tax increment is another local revenue often targeted by the state. A recent court case decision protects redevelopment funds, but this victory has not prevented the State from approving a State budget that depends on the taking of redevelopment funds from counties and cities. The California Redevelopment Agency will once again litigate the States actions.

At various times the state has borrowed, taken, or raised revenue on the shoulders of local governments to backfill the state's structural deficit. Local government transportation funding, public safety grants, vehicle license fees, and reimbursements from mandated claims are likely funds to be redirected to the state's coffers. Lately, in a push to raise revenues, the state began diligently tacking on new fees and service charges for administering certain local law enforcement and court services, as well as adding extraordinary state administered mandates related to storm water and solid waste disposal.

The City of Lakewood prides itself in the neighborly and family oriented character of the city. So we find it alarming that over the past decade many bills passed into laws that prevent cities from controlling development within their own borders.

The rationale used to promote "smart growth" principles of land use is that it will reduce California's carbon footprint. Senate Bill SB 375 supports the goal of many urban planners and developers who believe that the best way to handle growth within cities is through density –or "smart growth." Reasons for designing or redesigning high density communities along transportation corridors range from population increases and the shortage of housing, to a belief that high density directly incentivizes people to stop driving personal vehicles and perhaps lower greenhouse gas emissions. As a result of the passage of SB 375, state law now requires cities to update their General Plan Housing Elements and make zoning changes to permit high density growth throughout more of the community.

Lakewood has a strong tradition of making practical and positive changes to preserve the quality of life of our community that also benefits the state. Retaining the City's right to make local land use decisions allows the City to act in a manner that is both compatible with state goals and complementary to our community's character.

The City remains very active in the legislative process at Sacramento to protect local jobs, land use and redevelopment authority, and assure that local revenues are protected and state takeaways stopped. City council members and city staff will continue to engage our legislators and members of the Governor's staff to insure minimal impact on cities and our residents.

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

ASSESSING THE CITY'S ECONOMIC CONDITION

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

ECONOMIC CLIMATE: At the time of the adoption of the City of Lakewood Fiscal Year 2008-2009 Budget, the economy was still reeling from the tightening credit market that resulted in the worst financial crisis since the Great Depression. The carnage experienced by the financial markets ignited a global financial panic and shutting down the entire global economy, and the United States economy plunged at the fastest pace since 1958. The U.S. Treasury and Federal Reserve used every available tool to mitigate the downward economic spiral from tempting the fate of moral hazards by buying securities of companies "too big to fail," to slashing the Federal Funds rate to 0-0.25 percent; and hope of recovery hinged on the huge stimulus program from the newly elected president and administration to stabilize the economy, create jobs, and bolster consumer confidence and spending.

The Gross Domestic Product (GDP) took a steep dive into negative territory in the fourth quarter of 2008. In the first quarter 2009, the economy contracted at a 5.7 percent pace, following a staggering 6.3 percent drop in the fourth quarter of 2008 — the biggest in a quarter-century. GDP for 2009 is estimated to be a negative 2.4 percent. During this time, the stock market fell 47 percent, and property values plunged to new lows and with the sub-prime lending created rampant home foreclosures across the nation. Consumers faced an unprecedented decline in household wealth from 2006 through 2008. The real value of homes fell \$3.5 trillion, and households' real holdings of stocks fell by \$2.1 trillion - overall a \$5.6 trillion loss in total wealth. Across the broad array of confidence indicators, from consumers to small businesses to the heads of the largest companies in the country, confidence fell to all time lows. The consumer confidence index fell to new record lows in October, December, and finally hit bottom in February 2009 at a historic low of 25.3. The Index as of October 2009 stands at 47.7.

GM, once an emblem of America's industrial might, (at one time sold half the cars in America and employed as many people as the combined populations of Nevada and Delaware), on June 1, 2009 filed for bankruptcy with debts of \$172 billion —the country's biggest-ever industrial failure. For the first time since the advent of the automobile, more cars were taken off the streets than put on the streets. Occupied commercial real estate fell by 8.7 million square feet in the first quarter of 2009, more than in all of 2008 or any prior single quarter on record. Record commercial vacancies drove General Growth Properties, which owns more than 200 malls, into bankruptcy protection as it tries to rejig \$27 billion in debt. Responding to a surge of over-supply and excess inventories, consumer prices dropped by 0.4 percent in the year ending March 2009, the first time prices have fallen at an annual rate since 1955 – sparking fears of deflation, as well as halting production. Industrial production has fallen repeatedly; the amount of industrial

capacity in use dropped to 68 percent in May 2009, the lowest ever recorded. Even global electricity demand is expected to fall for the first time since 1945. World electricity demand grew by almost 25 percent between 2000 and 2006. In 2007, it rose 4.7 percent, and in 2008, the year the crisis set in, it grew 2.5 percent- illustrating the depth of this recession.

Despite unprecedented actions by Congress, the Federal Reserve, the U.S. Treasury and FDIC, the housing market remains mired in a depression of a proportion not seen since the 1930s. In the first quarter of 2009: more than 800,000 homes received a foreclosure filing, a record high; and home prices tumbled at the sharpest rate ever at 19.1 percent, the largest drop in its 21-year history. Currently, one in every 398 U.S. homes is in foreclosure; and since 2006, home prices have fallen 32.2 percent, housing starts fell over 70 percent, and new home sales are down 73 percent. A historic level of excess unsold housing inventory, low credit scores, growing unemployment, negative economic growth, and banks' unwillingness to lend present such a strong malady that it may take years for the housing market to recover.

The labor market experienced a long downward acceleration. This is now the worst recession in post-World War II history in terms of total jobs losses, the total number of unemployed workers, and the rapid pace of the contraction. The unemployment rate continues to rise reaching levels not seen since the recession of the 1980s. In October 2009, the Nation's unemployment rate reached 10.2 percent. As employment is a lagging index, all expectations are that the unemployment rate will continue to climb through the first quarter of 2010, then decline in the spring of 2010 as companies prepare to hire more workers.

California suffered the same plight felt across the nation. The dramatic slowing of the economy in 2009 resulted in a loss of jobs and rising unemployment. Unemployment for California, which had remained fairly steady at 4.8 percent since July 2006, reached 12.5 percent in October 2009 at 12.5. Personal income growth in California fell for the first time since 1938, and expected to remain weak through 2010.

California median home prices continue to drop to accommodate a flood of distressed sales. Price depreciation and a shift of more homes selling at the lower end of the market pushed down the median price of an existing California single family detached home to \$257,000 in October 2009, a 53.4 percent decrease from \$480,820 in December 2007. Housing prices continue to decline, but the recent increase in home sales indicates the housing market is beginning to stabilize in the second half of 2009. Over 58 percent of the existing homes sold in February 2009 were foreclosure properties; in October 2009 this had decreased to 41.2 percent. Foreclosure activity has declined somewhat but remains high by historical standards.

State sales tax receipts fell 16.45 percent in the first quarter of 2009; the largest quarterly decline in over 25 years. Although October 2009 showed signs that consumer activity is stabilizing with an increase in retail sales tax receipts of 4.4 percent as compared to a year ago, year-to-date collections for the State's three major taxes (sales, personal income, and corporate) were down \$2.2 billion equivalent to a 9 percent decline from October 2008.

In February 2009, the Legislature and the Governor agreed to major spending reductions and temporary tax increases to address California's budget deficit. The continuing burden of a global recession and voters' rejection of special election ballot measures resulted in the need for over \$24 billion in new cuts. Proposed State budget cuts include \$6 billion in education, \$1.1 billion for colleges, \$3 billion in state welfare, health and Medi-Cal programs, \$1.1 billion in corrections, over \$620 million in state employee costs, and the closure of 220 state parks at a savings of \$70 million. By November 2009 it was evident that these budget solutions could not be implemented by the State resulting in a \$20 billion deficit (\$6.3 billion shortfall in 2009-2010, and \$14.4 billion gap in 2010-2011). The State budget also includes the borrowing of \$2 billion from cities and counties, the sale of state landmarks for \$1 billion.

California is not the only state in the Union with a budget deficit; however, California does have the distinction as having the largest, accounting for 25 percent of all 47 state budget deficits combined. If the state were a business, it would likely declare bankruptcy – but states do not have that option.

The Los Angeles, Riverside, and Orange County region Consumer Price Index was 3.5 percent in 2008. CPI in the first half of 2009 was -1.1 percent, largely due to the steep drop in gasoline prices experienced in the summer of 2008.

The total assessed valuation of real property in Lakewood was \$7.27 billion for Fiscal Year 2008-2009, a 4.2 percent increase from the previous year, as compared to the countywide increase of 7.0 percent. The number of homes sold declined 38 percent in the past three years, and the median home price fell 27 percent, triggering \$111 million in 1978 Proposition 8 reductions where the lesser of the adjusted base year value or market value is used for taxation. With

these reductions, assessed property values are expected to increase 4 percent in Fiscal Year 2009-2010. As properties are sold and reassessed at a lower value, corresponding property tax receipts are projected to decline over the next few years. Additionally, with the negative CPI tax assessors will be required to decrease assessed values and subsequently lower property tax collections.

Sales tax revenues account for 25 percent of Lakewood's General Fund Revenues. Over 3,000 businesses (including home occupations) are located in Lakewood generating a projected \$10 million in sales tax for the city, down 11 percent from a high reached in Fiscal Year 2004-2005 at \$12.2 million. Sales tax receipts dropped 13.4 percent in the fourth quarter of 2008, and further dropped by 4.3 and 9.1 percent in the first and second quarters of 2009. The economic base of Lakewood is primarily retail businesses and the city's "top twenty" retail businesses, as a group, produce 60 percent of the city's sales tax revenues.

Lakewood's unemployment rate has increased to 8.3 percent by September 2009; double the rate Lakewood has enjoyed over the past ten years.

The current State's budget includes revenue shifts from cities to the state. In Fiscal Year 2009-2010 the state intends to "borrow" 8 percent of cities' property tax revenue. (Proposition 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenues remain with local government thereby safeguarding funding for public safety, health, libraries, parks, and other local services. Provisions can only be suspended if the Governor declares a fiscal necessity and two-thirds of the Legislature concur). The emergency suspension of Proposition 1A was passed by the Legislature and signed by the Governor as part of the 2009-10 budget package on July 28, 2009. Under the provision, the State will borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts. Lakewood's share of the 8 percent is equivalent to \$1,079,088. The state will be required to repay those obligations plus interest by June 30, 2013. Lakewood chose to participate in the Securitization Program through California Communities where California Communities will simultaneously purchase the Proposition 1A Receivables, issue bonds ("Prop 1A Bonds"), and provide each local agency with the cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010 to coincide with the dates that the State will be shifting property tax from local agencies (this timing is required for the bonds to be non-taxable). The purchase price paid to the local agencies will equal 100% of the amount of the property tax reduction. All transaction costs of issuance and interest will be paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State.

Redevelopment funds serve the city in fostering local economic growth and correcting blight. Although recent court case decision protecting redevelopment funds will stand, as the State declined to file an appeal, the State is once again raiding local redevelopment coffers. The California Redevelopment Association (CRA) has again filed a lawsuit challenging the constitutionality of State budget raids of redevelopment funds. CRA filed its second lawsuit in Sacramento Superior Court on October 20, 2009 challenging the constitutionality of the State budget trailer bill authorizing the \$2.05 billion raid of local redevelopment funds, including \$1.7 billion in Fiscal Year 2009-10 and another \$350 million in Fiscal Year 2010-11. The State raid of tax increment from the Lakewood Redevelopment Agency is \$3,212,859 in Fiscal Year 2009-10, and \$661,471 in Fiscal Year 2010-11, totaling \$3,874,330.

Cities remain skeptical of the state and its practice of shifting services to counties and repercussions to cities; and the caveat remains that any state deficit creates the potential for a revenue shift from cities to the state in the current year, as well as future years. Lakewood has joined a coalition of governmental agencies, which includes the League, local government, transportation and public transit leaders in the filing a ballot measure initiative - the Local Taxpayer, Public Safety and Transportation Protection Act - with the California Attorney General's office. The coalition is working to have this measure placed on the statewide ballot for November 2010. The measure, if passed by voters, would close loopholes and prevent the state from borrowing, raiding or otherwise redirecting local government (local taxes, property taxes, redevelopment), transportation (HUTA and Prop. 42 funds) and public transit funds.

FINANCIAL MANAGEMENT POLICIES AND PRACTICES

The City implemented GASB 43 and 45 to account for the retiree health benefits, or other post employee benefits (OPEB) The City provides limited supplemental payment for post-retirement health care benefits for full-time employees who have completed 20 years of service and have reached the age of 55, or who have completed 15 years and reached the age of 60, and who are retiring under PERS. The past service (accrued) liability of the retiree health benefit (OPEB) is 86 percent funded and held in a separate trust with Union Bank. The difference in the amount held in trust and the year-end accrued liability is reserved to be transferred at the completion of the next triennial actuarial, which is June 30, 2010.

GASB STATEMENT 43: Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans (OPEB) was issued in May 2004 to regulate non-pension post-employment benefits. GASB Statement 43 applies to the Union Bank Trust established by the City to fund OPEB benefits. Statement 43 addresses financial statement and disclosure requirements for reporting by administrators and trustees of the OPEB plan assets.

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

Information about the OPEB plan

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

Actuarial Information

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

Reporting of the liability

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

The City has not experienced any of the five obligating events that trigger the implementation of GASB Statement 49.

GASB STATEMENT 49: Accounting and financial reporting standards for pollution remediation obligations of current or potential detrimental effects of *existing* pollution remediation activities. Once any one of five specified obligating events occurs, the City is required to estimate pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or capitalized. Obligating events include the following:

- The government is compelled to take pollution remediation action because of an imminent endangerment.
- The government violates a pollution prevention-related permit or license.
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a government responsible for sharing costs.
- The government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The government commences or legally obligates itself to commence pollution remediation.

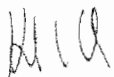
AWARDS AND ACKNOWLEDGEMENTS

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, 2008. This was the 28th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

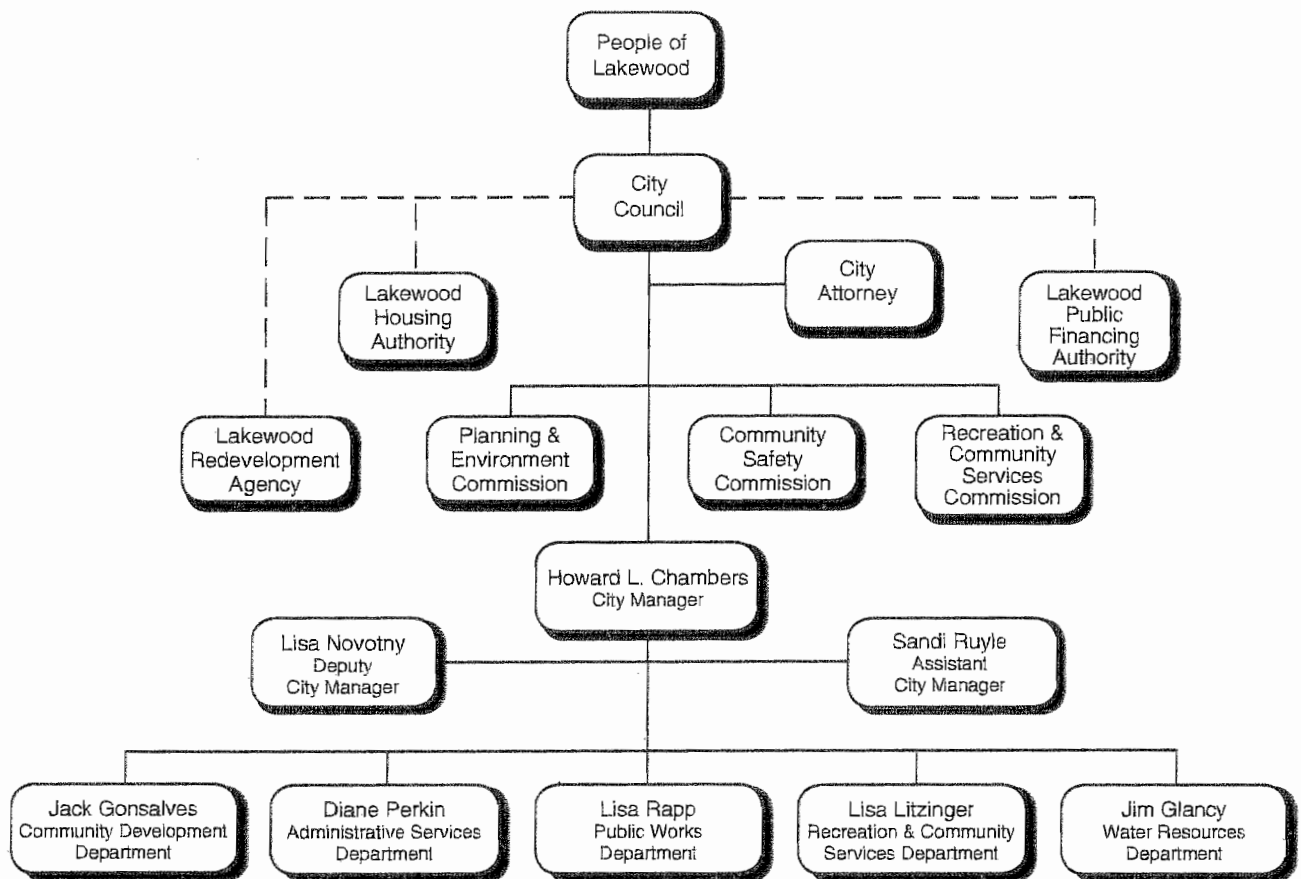
Respectfully submitted,



Howard L. Chambers
City Manager



Diane Perkin
Director of Administrative Services



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Mayor

JOSEPH ESQUIVEL
Vice Mayor

DIANE DUBOIS
Council Member

LARRY VAN NOSTRAN
Council Member

STEVE CROFT
Council Member

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City Manager

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Assistant City Manager

DIANE PERKIN
Director of Administrative Services

LISA NOVOTNY
Deputy City Manager

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Director of Public Works

LISA LITZINGER
Director of Recreation
and Community Services

JACK GONSALVES
Director of Community
Development

JAMES B. GLANCY
Director of Water Resources

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lakewood
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



President

Executive Director

FINANCIAL SECTION



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*A PROFESSIONAL CORPORATION

December 9, 2009

INDEPENDENT AUDITORS' REPORT

City Council
City of Lakewood
Lakewood, California

We have audited the accompany financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, California, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lakewood's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 12 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions", for the year ended June 30, 2009.

- 1 -

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In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2009 on our consideration of the City of Lakewood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

Diehl, Evans and Company, LLP

JUNE 30, 2009

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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- The assets of the City (*which include the value of streets, sidewalks and other infrastructure*) exceeded its liabilities at June 30, 2009, by \$168,882,373 (*net assets*). Of this amount, \$42,822,040 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific programs.
- The government's total net assets increased by \$8,425,011 during the fiscal year ended June 30, 2009. Much of this increase is attributable to an increase in revenue in Governmental Activities related to general government program revenues, and a decline in capital expenditures.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$44,904,051 a decrease of \$5,081,957 in comparison with the prior year.
- At June 30, 2009, unreserved fund balance of the general fund was \$27,795,309 or 63 percent of total general fund expenditures. The majority of these funds are designated for specific purposes such as self-insurance, capital improvements, equipment replacement and infrastructure improvements.
- The City of Lakewood's total debt (noncurrent liabilities) decreased by \$1,234,449 approximately 6.5% during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

See independent auditors' report.

Government-wide financial statements (Continued)

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

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

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

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

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

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

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

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

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

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

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

See independent auditors' report.

Fund financial statements (Continued)

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Lakewood's general fund budgetary comparison schedule, pension and other post-employment funding progress schedules. Required supplementary information can be found on pages 56 - 57 of this report.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lakewood, assets exceeded liabilities by \$168,882,373 at the close of the most recent fiscal year.

City of Lakewood's
Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2009 | 2008 Restated | 2009 | 2008 Restated | 2009 | 2008 Restated |
| Current and other assets | \$ 71,676,321 | \$ 69,389,254 | \$ 10,196,208 | \$ 10,572,076 | \$ 81,872,529 | \$ 79,961,330 |
| Capital assets | 84,047,863 | 80,655,513 | 27,414,903 | 25,227,790 | 111,462,766 | 105,883,303 |
| Total Assets | 155,724,184 | 150,044,767 | 37,611,111 | 35,799,866 | 193,335,295 | 185,844,633 |
| Long-term liabilities outstanding | 9,805,746 | 10,782,105 | 5,640,299 | 6,174,417 | 15,446,045 | 16,956,522 |
| Other liabilities | 7,688,734 | 7,106,845 | 1,318,143 | 1,323,904 | 9,006,877 | 8,430,749 |
| Total Liabilities | 17,494,480 | 17,888,950 | 6,958,442 | 7,498,321 | 24,452,922 | 25,387,271 |
| Net assets: | | | | | | |
| Invested in Capital Assets | | | | | | |
| Net of Related Debt | 84,047,863 | 80,655,513 | 21,214,604 | 18,683,373 | 105,262,467 | 99,338,886 |
| Restricted | 20,797,866 | 17,437,186 | - | - | 20,797,866 | 17,437,186 |
| Unrestricted | 33,383,975 | 34,063,118 | 9,438,065 | 9,618,172 | 42,822,040 | 43,681,290 |
| Total Net Assets | \$ 138,229,704 | \$ 132,155,817 | \$ 30,652,669 | \$ 28,301,545 | \$ 168,882,373 | \$ 160,457,362 |

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

An additional portion of the City of Lakewood's net assets, (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$42,822,040) may be used to meet the government's ongoing obligation to citizens and creditors.

See independent auditors' report.

Government-wide Financial Analysis (Continued)

At the end of the current fiscal year, the City of Lakewood is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. At year-end, 69 percent of the City of Lakewood's business-type activities' net assets were invested in capital assets.

- The City of Lakewood's net assets increased by \$8,275,469 during the current fiscal year. Much of this increase is attributable to an increase in program revenues and a decline in capital expenditures related to transportation.

City of Lakewood
Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 9,605,435 | \$ 9,843,459 | \$ 8,499,939 | \$ 8,916,030 | \$ 18,105,374 | \$ 18,759,489 |
| Operating grants and contributions | 9,855,674 | 8,182,326 | - | - | 9,855,674 | 8,182,326 |
| Capital grants and contributions | 790,799 | 1,263,382 | - | - | 790,799 | 1,263,382 |
| General revenues: | | | | | | |
| Property taxes | 19,537,963 | 18,955,132 | - | - | 19,537,963 | 18,955,132 |
| Other taxes | 17,073,673 | 16,528,332 | - | - | 17,073,673 | 16,528,332 |
| Grants and contributions not restricted to specific programs | 555,376 | 433,593 | - | - | 555,376 | 433,593 |
| Other | 4,023,053 | 4,689,711 | 462,016 | 342,341 | 4,485,069 | 5,032,052 |
| Total Revenues | 61,441,973 | 59,895,935 | 8,961,955 | 9,258,371 | 70,403,928 | 69,154,306 |
| Expenses: | | | | | | |
| General government | 7,835,015 | 8,128,441 | - | - | 7,835,015 | 8,128,441 |
| Public safety | 12,620,187 | 12,455,676 | - | - | 12,620,187 | 12,455,676 |
| Transportation | 5,674,897 | 5,649,724 | - | - | 5,674,897 | 5,649,724 |
| Community development | 10,336,150 | 10,717,032 | - | - | 10,336,150 | 10,717,032 |
| Health and sanitation | 4,238,617 | 4,449,649 | - | - | 4,238,617 | 4,449,649 |
| Culture and leisure | 9,368,215 | 9,141,664 | - | - | 9,368,215 | 9,141,664 |
| Unallocated infrastructure depreciation | 2,180,932 | 1,979,819 | - | - | 2,180,932 | 1,979,819 |
| Interest on long term debt | 3,114,073 | 3,077,480 | - | - | 3,114,073 | 3,077,480 |
| Water | - | - | 6,610,831 | 6,880,787 | 6,610,831 | 6,880,787 |
| Total expenses | 55,368,086 | 55,599,485 | 6,610,831 | 6,880,787 | 61,978,917 | 62,480,272 |
| Increase in net assets | 6,073,887 | 4,296,450 | 2,351,124 | 2,377,584 | 8,425,011 | 6,674,034 |
| Net assets - at beginning of year (as restated) | 132,155,817 | 127,859,367 | 28,301,545 | 25,923,961 | 160,457,362 | 153,783,328 |
| Net assets - at end of year | \$ 138,229,704 | \$ 132,155,817 | \$ 30,652,669 | \$ 28,301,545 | \$ 168,882,373 | \$ 160,457,362 |

Governmental activities. Governmental activities increased the City of Lakewood's net assets by \$6,073,887, thereby accounting for 72 percent of the total increase in net assets of the City of Lakewood. Key elements of the change are as follows:

- Prop 1B grant of \$1,243,435 was received during the fiscal year for local streets improvement projects.
- Four State Park grants were received for park improvement projects: \$220,420 (Prop 40) and \$316,000 (Prop 40 CA) for the Boyar Park, and \$97,062 (AER) and \$235,843 (Prop 12) for Del Valle Park.
- Property tax increased overall by \$582,831. Property tax allocated to the general fund, which includes the motor vehicle license fee in-lieu, increased by \$275,522.
- Sales tax increased slightly by \$517,556 during the fiscal year attributable to the opening of the new retail and warehouse stores.
- Federal Transit Administration and State Tire Recycling grants for \$396,000 and \$131,744 respectively were received for the City's various streets and median projects.
- Overall decrease in total expenses by \$231,399 helped contribute to the increase in net assets.
- Other categories increased, such as: fines & forfeitures for \$448,633, and franchise fee for \$204,231.

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

See independent auditors' report.

Business-type activities. Business-type activities increased the City of Lakewood's net assets by \$2,351,124 accounting for 28 percent of the total increase in net assets. This increase in "retained earnings" is necessary with an estimated \$5.2 million in capital improvements required over the next two years, as recommended by the Water Resources Committee. Such projects on the horizon include \$1.3 million in Phase 5 of Water Main Replacements, \$2 million in Water Treatment for Plant #22.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Lakewood's governmental funds reported combined ending fund balances of \$44,904,051, a decrease of \$5,081,957, in comparison with the prior year. Approximately 3.2 percent of the total amount, \$1,455,701, constitutes unreserved fund balances, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of restricted purposes.

The general fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$27,795,309, while total fund balance reached \$53,055,544. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 63 percent of the total general fund expenditures, while total fund balance represents 120 percent of that same amount.

The fund balance of the City of Lakewood's general fund decreased by \$4,188,161 during the current fiscal year. Key factors in this decrease are as follows:

- Major increase in OPEB payments of \$4,464,565 towards the unfunded accrued liability.
- Plan check fees and construction permits decreased by \$278,803 due to the decline in home improvement projects.
- Parking fines and administrative citations increased by \$448,633 due to an aggressive collection process of unpaid citations.

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 \$10,055,593. The total increase in net assets was \$2,362,098. These funds will be used to fund planned capital improvements. Other factors concerning the finance of this fund have already been addressed in the discussion of the City of Lakewood's business-type activities.

General Fund Budgetary Highlights

Differences between the general fund original budget and the final amended budget were \$4,015,659 and can be briefly summarized as follows:

- Additional appropriation of \$4,464,565 was approved by the city council to fund the City's OPEB accrued liability.
- Additional appropriation of \$210,918 for Information Technology division to finance the purchase of a new parking control system and new computers to replace aging units no longer supported by HP platform.

See independent auditors' report.

Differences between the general fund final amended budget and the actual were \$4,478,243 and can be briefly summarized as follows:

- Public Safety budgets for contingencies and possible additional services during the fiscal year. This year's actual expenditure was less than the final budget by \$1,287,558 due to the unused portion of the aforementioned items.
- Culture and leisure's actual expenditure was less than the final budget by \$717,412, due to park maintenance staffing vacancies, reduced utility costs and overall decrease in the cost of recreation classes and events.
- Due to interfund overhead allocation, the general government's actual is approximately \$1,600,000 different from the final budget.

Redevelopment Agency Debt Service Fund Highlights

- The Agency reduced the total outstanding principal on bonds by \$920,000.

Capital Asset and Debt Administration

Capital assets. The City of Lakewood's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$111,462,766 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Capitalization of \$5,818,804 completed projects to different asset classifications.

City of Lakewood Capital Assets (Net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Land | \$ 17,444,023 | \$ 17,444,023 | \$ 381,023 | \$ 381,023 | \$ 17,825,046 | \$ 17,825,046 |
| Construction in progress | 6,473,750 | 1,636,008 | 5,244,400 | 6,065,686 | 11,718,150 | 7,701,694 |
| Water rights | - | - | 1,834,586 | 1,791,836 | 1,834,586 | 1,791,836 |
| Infrastructure | 36,053,389 | 38,186,072 | - | - | 36,053,389 | 38,186,072 |
| Structures and improvements | 22,275,826 | 21,239,564 | 19,498,171 | 16,610,483 | 41,773,997 | 37,850,047 |
| Equipment | 1,800,875 | 2,149,846 | 456,723 | 378,762 | 2,257,598 | 2,528,608 |
| Total | <u>\$ 84,047,863</u> | <u>\$ 80,655,513</u> | <u>\$ 27,414,903</u> | <u>\$ 25,227,790</u> | <u>\$ 111,462,766</u> | <u>\$ 105,883,303</u> |

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

Long-term debt. At the end of the current fiscal year, the City of Lakewood had total long-term debt outstanding of \$17,665,267. Fifty nine percent relates to Redevelopment Agency tax allocation bonds to be repaid by future tax increment revenue. Another 35 percent is revenue bonds to be paid out of revenues of the water utility.

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

City of Lakewood Summary of outstanding debt

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Tax allocation bonds | \$ 10,398,411 | \$ 11,313,931 | \$ - | \$ - | \$ 10,398,411 | \$ 11,313,931 |
| Compensated absences | 1,066,557 | 1,041,368 | - | - | 1,066,557 | 1,041,368 |
| Revenue bonds | - | - | 6,200,299 | 6,544,417 | 6,200,299 | 6,544,417 |
| Total | <u>\$ 11,464,968</u> | <u>\$ 12,355,299</u> | <u>\$ 6,200,299</u> | <u>\$ 6,544,417</u> | <u>\$ 17,665,267</u> | <u>\$ 18,899,716</u> |

See independent auditors' report.

Economic Factors and Next Year's Budgets and Rates

The Los Angeles, Riverside, and Orange County region that includes Lakewood had a CPI increase of 3.5 percent in 2008, and experienced a significant decrease in the CPI in the first half of 2009 to -1.1 percent.

Due to the housing market bust, the regional housing market is not expected to rebound as quickly as anticipated a year ago. At this time last year, it was projected that the housing market may remain sluggish through 2009; now, after record foreclosure and price declines, it is believed the downward spiral of the housing market of 2008 has begun to slow down and will continue through 2010.

The total assessed valuation of real property in the city was \$7.3 billion for Fiscal Year 2008-2009, a 4.2 percent increase from the previous year, as compared to the countywide increase of 7.0 percent. Historically, Lakewood's increases in property values have exceeded the county. The city's increase in property values is expected to slow down to 4.0 percent in Fiscal Year 2009-2010.

We expect to see development of various properties throughout the city, but nothing like the expansion that had taken place in the recent past. Sales tax revenues increased slightly in fiscal year 2008-2009, and it's expected to decrease by 9% in fiscal year 2009-10. Reduction is expected due to the nationwide economic downturn. Lakewood Center Mall continues to play a large role in keeping Lakewood's economy stable and strong in bringing sales tax revenue up in the coming years.

Lakewood's unemployment rate remains below the national (9.5%) and state (11.6%) levels. Recently, unemployment in the Lakewood area followed the pattern across the nation and increased to 7.2 percent after years of remaining at a steady rate of 3.2 percent.

These factors were considered in preparing the City of Lakewood's amended budget for the 2009-2010 fiscal year.

During the reported fiscal year, unreserved fund balance in the general fund decreased slightly to \$27,645,767. In January 2010 the City of Lakewood will begin preparation of its 2011 Fiscal Year Budget. As a part of this budgeting process, careful attention will also be given to the City's infrastructure needs as detailed and addressed in the Capital planning process. These two processes will blend into one budgetary presentation to City Council for consideration and adoption.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF LAKEWOOD
STATEMENT OF NET ASSETS

June 30, 2009

| | Governmental Activities | Business-type Activity | Total |
|---|----------------------------|---------------------------|-----------------------|
| ASSETS: | | | |
| Cash and investments | \$ 51,988,247 | \$ 8,970,618 | \$ 60,958,865 |
| Receivables: | | | |
| Accounts | 6,600,140 | 548,459 | 7,148,599 |
| Notes | 3,729,112 | - | 3,729,112 |
| Accrued revenue | - | 698,638 | 698,638 |
| Internal balances | 617,528 | (617,528) | - |
| Prepaid items | 9,669 | - | 9,669 |
| Inventories | 29,969 | 7,442 | 37,411 |
| Deferred charges | 216,527 | 210,015 | 426,542 |
| Land held for resale | 2,583,056 | - | 2,583,056 |
| Net OPEB asset | 4,329,040 | - | 4,329,040 |
| Temporarily restricted assets: | | | |
| Cash and investments | - | 33,507 | 33,507 |
| Cash and investments held by bond trustees | 1,573,033 | 345,057 | 1,918,090 |
| Capital assets: | | | |
| Land | 17,444,023 | 381,023 | 17,825,046 |
| Water rights | - | 1,834,586 | 1,834,586 |
| Construction in progress | 6,473,750 | 5,244,400 | 11,718,150 |
| Depreciable infrastructure, net | 36,053,389 | - | 36,053,389 |
| Depreciable structures and improvements, net | 22,275,826 | 19,498,171 | 41,773,997 |
| Depreciable equipment, net | 1,800,875 | 456,723 | 2,257,598 |
| TOTAL ASSETS | 155,724,184 | 37,611,111 | 193,335,295 |
| LIABILITIES: | | | |
| Accounts payable and other current liabilities | 5,585,962 | 660,083 | 6,246,045 |
| Accrued interest payable | 160,856 | 64,553 | 225,409 |
| Unearned revenue | 282,694 | - | 282,694 |
| Liabilities payable from restricted assets: | | | |
| Customer deposits | - | 33,507 | 33,507 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,659,222 | 560,000 | 2,219,222 |
| Due in more than one year | 9,805,746 | 5,640,299 | 15,446,045 |
| TOTAL LIABILITIES | 17,494,480 | 6,958,442 | 24,452,922 |
| NET ASSETS: | | | |
| Invested in capital assets, net of related debt | 84,047,863 | 21,214,604 | 105,262,467 |
| Restricted for: | | | |
| Debt service | 1,412,177 | - | 1,412,177 |
| Transportation | 3,843,136 | - | 3,843,136 |
| Parks and recreation | 360,320 | - | 360,320 |
| Community development | 10,640,567 | - | 10,640,567 |
| Net OPEB asset | 4,329,040 | - | 4,329,040 |
| Other purposes | 212,626 | - | 212,626 |
| Unrestricted | 33,383,975 | 9,438,065 | 42,822,040 |
| TOTAL NET ASSETS | \$ 138,229,704 | \$ 30,652,669 | \$ 168,882,373 |

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

CITY OF LAKEWOOD

STATEMENT OF ACTIVITIES

For the year ended June 30, 2009

| Functions/programs | Expenses | Program Revenue | | |
|---|---------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 7,835,015 | \$ 1,332,148 | \$ - | \$ - |
| Public safety | 12,620,187 | 1,512,415 | 606,758 | 136,480 |
| Transportation | 5,674,897 | - | 6,066,088 | 654,319 |
| Community development | 10,336,150 | 710,503 | 1,736,307 | - |
| Health and sanitation | 4,238,617 | 4,563,049 | 385,720 | - |
| Culture and leisure | 9,368,215 | 1,487,320 | 1,060,801 | - |
| Unallocated infrastructure depreciation | 2,180,932 | - | - | - |
| Interest on long term debt | 3,114,073 | - | - | - |
| Total governmental activities | 55,368,086 | 9,605,435 | 9,855,674 | 790,799 |
| Business-type activity: | | | | |
| Water | 6,610,831 | 8,499,939 | - | - |
| Total | \$ 61,978,917 | \$ 18,105,374 | \$ 9,855,674 | \$ 790,799 |

General revenues:

Taxes:

Sales taxes

Property taxes

Franchise taxes

Business operation taxes

Utility users taxes

Other taxes

Total taxes

Unrestricted motor vehicle in lieu

Grants and contributions not restricted to specific programs

Investment income

Total general revenues

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

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

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|---------------------------|-----------------------|
| Governmental Activities | Business-type Activity | Total |
| \$ (6,502,867) | \$ - | \$ (6,502,867) |
| (10,364,534) | - | (10,364,534) |
| 1,045,510 | - | 1,045,510 |
| (7,889,340) | - | (7,889,340) |
| 710,152 | - | 710,152 |
| (6,820,094) | - | (6,820,094) |
| (2,180,932) | - | (2,180,932) |
| (3,114,073) | - | (3,114,073) |
| (35,116,178) | - | (35,116,178) |
| - | 1,889,108 | 1,889,108 |
| (35,116,178) | 1,889,108 | (33,227,070) |
| 11,198,871 | - | 11,198,871 |
| 19,537,963 | - | 19,537,963 |
| 1,453,817 | - | 1,453,817 |
| 462,403 | - | 462,403 |
| 3,490,921 | - | 3,490,921 |
| 467,661 | - | 467,661 |
| 36,611,636 | - | 36,611,636 |
| 35,089 | - | 35,089 |
| 555,376 | - | 555,376 |
| 3,987,964 | 462,016 | 4,449,980 |
| 41,190,065 | 462,016 | 41,652,081 |
| 6,073,887 | 2,351,124 | 8,425,011 |
| 132,155,817 | 28,301,545 | 160,457,362 |
| <u>\$ 138,229,704</u> | <u>\$ 30,652,669</u> | <u>\$ 168,882,373</u> |

CITY OF LAKEWOOD

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

| | General Fund | Redevelopment Agency Debt Service Fund |
|--|----------------------|---|
| ASSETS | | |
| Cash and investments | \$ 31,679,828 | \$ 7,451,208 |
| Cash and investments held by bond trustees | - | 1,573,033 |
| Accounts receivable | 4,111,030 | 635,263 |
| Prepaid items | 9,119 | - |
| Inventories | 12,472 | - |
| Due from other funds | 574,520 | 2,257,433 |
| Advances to other funds | 32,830,954 | - |
| Notes receivable | - | - |
| Land held for resale | - | - |
| TOTAL ASSETS | \$ 69,217,923 | \$ 11,916,937 |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES: | | |
| Accounts payable | \$ 2,572,398 | \$ 1,191,169 |
| Accrued liabilities | 896,290 | - |
| Due to other funds | - | 28,177 |
| Deferred revenue | 12,693,691 | - |
| Advances from other funds | - | 32,966,692 |
| TOTAL LIABILITIES | 16,162,379 | 34,186,038 |
| FUND BALANCES (DEFICIT): | | |
| Reserved: | | |
| Continuing appropriations | 1,944,365 | - |
| Personnel benefits | 642,377 | - |
| Debt service | - | 1,573,033 |
| Land held for resale | - | - |
| Low and moderate housing | - | - |
| Notes receivable | - | - |
| Prepaid items | 9,119 | - |
| Inventories | 12,472 | - |
| Advances | 21,471,735 | - |
| Special revenue purposes | - | - |
| Encumbrances | 376,771 | - |
| Other reserves | 803,396 | - |
| Unreserved, reported in: | | |
| General fund | 27,795,309 | - |
| Special revenue funds | - | - |
| Debt service fund | - | (23,842,134) |
| Capital projects fund | - | - |
| TOTAL FUND BALANCES (DEFICIT) | 53,055,544 | (22,269,101) |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 69,217,923 | \$ 11,916,937 |

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

| Capital Projects | | | |
|-------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Redevelopment Agency | Lakewood Capital Improvements | Other Governmental Funds | Total Governmental Funds |
| \$ 6,456,315 | \$ - | \$ 6,388,505 | \$ 51,975,856 |
| - | - | - | 1,573,033 |
| 19,638 | - | 1,834,209 | 6,600,140 |
| - | - | - | 9,119 |
| - | - | - | 12,472 |
| 28,177 | - | - | 2,860,130 |
| 135,738 | - | - | 32,966,692 |
| 3,534,183 | - | 194,929 | 3,729,112 |
| 2,583,056 | - | - | 2,583,056 |
| <u>\$ 12,757,107</u> | <u>\$ -</u> | <u>\$ 8,417,643</u> | <u>\$ 102,309,610</u> |
| | | | |
| \$ 94,361 | \$ - | \$ 721,110 | \$ 4,579,038 |
| - | - | 65,566 | 961,856 |
| 2,257,433 | - | 574,520 | 2,860,130 |
| 2,895,931 | - | 448,221 | 16,037,843 |
| - | - | - | 32,966,692 |
| <u>5,247,725</u> | <u>-</u> | <u>1,809,417</u> | <u>57,405,559</u> |
| | | | |
| - | - | 2,158,370 | 4,102,735 |
| - | - | - | 642,377 |
| - | - | - | 1,573,033 |
| 2,583,056 | - | - | 2,583,056 |
| 6,434,669 | - | - | 6,434,669 |
| 638,252 | - | - | 638,252 |
| - | - | - | 9,119 |
| - | - | - | 12,472 |
| 135,738 | - | - | 21,607,473 |
| - | - | 4,578,291 | 4,578,291 |
| - | - | 86,706 | 463,477 |
| - | - | - | 803,396 |
| - | - | - | 27,795,309 |
| - | - | (215,141) | (215,141) |
| - | - | - | (23,842,134) |
| (2,282,333) | - | - | (2,282,333) |
| <u>7,509,382</u> | <u>-</u> | <u>6,608,226</u> | <u>44,904,051</u> |
| <u>\$ 12,757,107</u> | <u>\$ -</u> | <u>\$ 8,417,643</u> | <u>\$ 102,309,610</u> |

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CITY OF LAKEWOOD

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

June 30, 2009

Fund balances - total governmental funds \$ 44,904,051

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

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

| | | |
|---|------------------|------------|
| Land | \$ 17,444,023 | |
| Construction in progress | 6,473,750 | |
| Infrastructure net of \$86,286,536 accumulated depreciation | 36,053,389 | |
| Structures and improvements, net of \$16,450,834 accumulated depreciation | 22,275,826 | |
| Equipment, net of \$3,162,988 accumulated depreciation | <u>1,732,998</u> | |
| | | 83,979,986 |

Some of the City's receivables for loans, operating and capital grant reimbursements, taxes and investment income will be collected after year end, but are not available soon enough to pay for current-period expenditures, and therefore are reported as deferred revenues in the funds. Balances at June 30, 2009 totaled:

15,755,149

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

4,329,040

Internal service funds are used by the City to charge the cost of materials and supplies, maintenance and repair of vehicles and equipment and printing services provided to the various departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. Internal Service funds net assets are:

670,775

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the Statement of Net Assets. Balances at June 30, 2009 are:

| | | |
|---|------------------|---------------------|
| Accrued interest on bonds | | (160,856) |
| Tax allocation bonds | \$ 10,435,000 | |
| Less: Deferred amount on refunding, net of accumulated amortization | (76,094) | |
| Less: Deferred charges, net of accumulated amortization | (216,527) | |
| Plus: Bond issuance premium, net of accumulated amortization | 39,505 | |
| Compensated absences | <u>1,066,557</u> | |
| | | <u>(11,248,441)</u> |

Net assets of governmental activities \$ 138,229,704

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

CITY OF LAKEWOOD

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

For the year ended June 30, 2009

| | General | Redevelopment Agency Debt Service Fund |
|---|----------------------|---|
| REVENUES: | | |
| Taxes | \$ 20,713,399 | \$ 8,638,071 |
| Licenses and permits | 592,929 | - |
| Fines and forfeitures | 1,208,896 | - |
| Investment income, rents and concessions | 2,059,892 | 200,828 |
| From other agencies | 8,310,727 | - |
| Current service charges | 7,532,352 | - |
| Other | 472,799 | - |
| TOTAL REVENUES | <u>40,890,994</u> | <u>8,838,899</u> |
| EXPENDITURES: | | |
| Current: | | |
| General government | 11,806,571 | - |
| Public safety | 12,397,982 | - |
| Transportation | 3,925,892 | - |
| Community development | 3,223,477 | 1,792,437 |
| Health and sanitation | 4,209,922 | - |
| Culture and leisure | 8,554,827 | - |
| Capital outlay: | | |
| General government | - | - |
| Public safety | - | - |
| Transportation | - | - |
| Community development | - | - |
| Culture and leisure | - | - |
| Debt service: | | |
| Owner participation agreement payments | - | 761,781 |
| Principal retirement | - | 920,000 |
| Interest and fiscal charges | - | 3,094,768 |
| TOTAL EXPENDITURES | <u>44,118,671</u> | <u>6,568,986</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(3,227,677)</u> | <u>2,269,913</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers in | 2,082,654 | - |
| Transfers out | (3,043,138) | (1,883,156) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(960,484)</u> | <u>(1,883,156)</u> |
| NET CHANGE IN FUND BALANCES | (4,188,161) | 386,757 |
| FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED | <u>57,243,705</u> | <u>(22,655,858)</u> |
| FUND BALANCES (DEFICIT) AT END OF YEAR | <u>\$ 53,055,544</u> | <u>\$ (22,269,101)</u> |

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

| Capital Projects | | | |
|-------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Redevelopment Agency | Lakewood Capital Improvements | Other Governmental Funds | Total Governmental Funds |
| \$ - | \$ - | \$ 2,239,169 | \$ 31,590,639 |
| - | - | - | 592,929 |
| - | - | - | 1,208,896 |
| 206,995 | - | 315,054 | 2,782,769 |
| - | - | 6,943,012 | 15,253,739 |
| - | - | - | 7,532,352 |
| 121,128 | - | 83,345 | 677,272 |
| <u>328,123</u> | <u>-</u> | <u>9,580,580</u> | <u>59,638,596</u> |
| - | - | 119,780 | 11,926,351 |
| - | - | 150,084 | 12,548,066 |
| - | - | 1,660,539 | 5,586,431 |
| 2,969,308 | - | 1,644,886 | 9,630,108 |
| - | - | 27,001 | 4,236,923 |
| - | - | 258,316 | 8,813,143 |
| - | 6,259 | - | 6,259 |
| - | 6,032 | - | 6,032 |
| - | 1,292,617 | 3,283,415 | 4,576,032 |
| - | 71,327 | - | 71,327 |
| - | 785,167 | 1,227,962 | 2,013,129 |
| - | - | - | 761,781 |
| - | - | - | 920,000 |
| - | - | - | 3,094,768 |
| <u>2,969,308</u> | <u>2,161,402</u> | <u>8,371,983</u> | <u>64,190,350</u> |
| <u>(2,641,185)</u> | <u>(2,161,402)</u> | <u>1,208,597</u> | <u>(4,551,754)</u> |
| 1,883,156 | 2,161,402 | 351,533 | 6,478,745 |
| - | - | (2,082,654) | (7,008,948) |
| <u>1,883,156</u> | <u>2,161,402</u> | <u>(1,731,121)</u> | <u>(530,203)</u> |
| (758,029) | - | (522,524) | (5,081,957) |
| <u>8,267,411</u> | <u>-</u> | <u>7,130,750</u> | <u>49,986,008</u> |
| <u>\$ 7,509,382</u> | <u>\$ -</u> | <u>\$ 6,608,226</u> | <u>\$ 44,904,051</u> |

CITY OF LAKEWOOD

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

For the year ended June 30, 2009

Net change in fund balances - total governmental funds \$ (5,081,957)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital expenses (\$6,735,804) exceeded depreciation (\$3,275,985) in the current period. 3,459,819

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

| | | |
|------------------------------|------------|--------|
| Total amount of loans made | \$ 216,000 | |
| Total amount of loans repaid | (204,473) | 11,527 |

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

| | |
|--------------------|---------|
| Principal payments | 920,000 |
|--------------------|---------|

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. 2,007,850

Governmental funds do not report the changes in net OPEB asset, since it does not provide or require the use of current financial resources 4,329,040

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

| | | |
|---|-----------|----------|
| Accrued interest | \$ 11,688 | |
| Amortization of deferred amount on refunding, deferred charges and bond premium | (30,993) | |
| Change in compensated absences | (25,189) | (44,494) |

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. 472,102

| | |
|---|--------------|
| Change in net assets of governmental activities | \$ 6,073,887 |
|---|--------------|

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

CITY OF LAKEWOOD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2009

| | Business-type Activity- Water Enterprise Fund | Governmental Activities- Internal Service Funds |
|---|--|--|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and investments | \$ 8,970,618 | \$ 12,391 |
| Restricted cash and investments: | | |
| Customer deposits | 33,507 | - |
| Held by bond trustees | 345,057 | - |
| Accounts receivable | 548,459 | - |
| Accrued revenue | 698,638 | - |
| Inventories | 7,442 | 17,497 |
| Prepaid items | - | 550 |
| TOTAL CURRENT ASSETS | 10,603,721 | 30,438 |
| NONCURRENT ASSETS: | | |
| Deferred charges, net of accumulated amortization | 210,015 | - |
| Capital assets, not being depreciated: | | |
| Land | 381,023 | - |
| Construction in progress | 5,244,400 | - |
| Capital assets, being depreciated: | | |
| Water rights | 1,834,586 | - |
| Source of supply | 4,770,755 | - |
| Pumping plant | 532,694 | - |
| Water treatment | 67,903 | - |
| Transmission/distribution | 29,510,175 | - |
| General plant | 3,375,002 | - |
| Equipment | - | 1,293,124 |
| Less: accumulated depreciation | (18,301,635) | (1,225,247) |
| Total capital assets (net of accumulated depreciation) | 27,414,903 | 67,877 |
| TOTAL NONCURRENT ASSETS | 27,624,918 | 67,877 |
| TOTAL ASSETS | 38,228,639 | 98,315 |

(Continued)

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

CITY OF LAKEWOOD

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
(CONTINUED)

June 30, 2009

| | Business-type Activity- Water Enterprise Fund | Governmental Activities- Internal Service Funds |
|--|--|--|
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 463,570 | \$ 12,647 |
| Accrued liabilities | 196,513 | 32,421 |
| Accrued revenue bond interest | 64,553 | - |
| Customer deposits | 33,507 | - |
| Current portion of revenue bonds | <u>560,000</u> | <u>-</u> |
| TOTAL CURRENT LIABILITIES | 1,318,143 | 45,068 |
| NONCURRENT LIABILITIES: | | |
| Revenue bonds | <u>5,640,299</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>6,958,442</u> | <u>45,068</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 21,214,604 | 67,877 |
| Unrestricted | <u>10,055,593</u> | <u>(14,630)</u> |
| TOTAL NET ASSETS | 31,270,197 | <u>\$ 53,247</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to the water enterprise fund | <u>(617,528)</u> | |
| Net assets of business-type activity | <u>\$ 30,652,669</u> | |

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

CITY OF LAKEWOOD

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

For the year ended June 30, 2009

| | Business-type Activity- Water Enterprise Fund | Governmental Activities- Internal Service Funds |
|---|--|--|
| OPERATING REVENUES: | | |
| Metered water sales | \$ 7,591,805 | \$ - |
| Reclaimed water sales | 197,808 | - |
| Fire protection | 25,146 | - |
| Service initiation and restoration charges | 43,120 | - |
| Installation charges | 160 | - |
| Billings to departments | - | 1,215,560 |
| Other revenues | 641,900 | - |
| | <u>8,499,939</u> | <u>1,215,560</u> |
| TOTAL OPERATING REVENUES | | |
| OPERATING EXPENSES: | | |
| Operations: | | |
| Supply, transmission and distribution | 4,098,626 | - |
| Customer service | 699,094 | - |
| Administration | 392,245 | - |
| Cost of goods sold | - | 1,217,168 |
| Bad debt expense | 16,311 | - |
| Depreciation | 1,079,050 | 67,467 |
| | <u>6,285,326</u> | <u>1,284,635</u> |
| TOTAL OPERATING EXPENSES | | |
| OPERATING INCOME (LOSS) | <u>2,214,613</u> | <u>(69,075)</u> |
| NONOPERATING REVENUES (EXPENSES): | | |
| Investment income | 462,016 | - |
| Interest expense on long-term debt | (292,364) | - |
| Amortization of deferred charges | (22,167) | - |
| | <u>147,485</u> | <u>-</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | | |
| INCOME (LOSS) BEFORE TRANSFERS | 2,362,098 | (69,075) |
| TRANSFERS IN | <u>-</u> | <u>530,203</u> |
| CHANGE IN NET ASSETS | 2,362,098 | 461,128 |
| NET ASSETS (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED | <u>28,908,099</u> | <u>(407,881)</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 31,270,197</u> | <u>\$ 53,247</u> |
| Change in net assets - Water Enterprise Fund | \$ 2,362,098 | |
| Adjustment to reflect the consolidation of the internal service fund activities related to the Water Enterprise Fund | (10,974) | |
| Change in net assets of business-type activity | <u>\$ 2,351,124</u> | |

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

CITY OF LAKEWOOD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2009

| | Business-type Activity- Water Enterprise Fund | Governmental Activities- Internal Service Funds |
|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers and users | \$ 7,698,123 | \$ - |
| Receipts from interfund services provided | - | 1,213,794 |
| Other operating receipts | 641,900 | - |
| Payments to suppliers | (2,684,887) | (559,025) |
| Payments to employees | (2,000,455) | (642,081) |
| Payments for interfund services used | (725,000) | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>2,929,681</u> | <u>12,688</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Receipts from other funds | - | 530,203 |
| Payments to other funds | - | (540,532) |
| NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES | <u>-</u> | <u>(10,329)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition of capital assets | (3,266,163) | - |
| Principal paid on revenue bonds | (370,000) | - |
| Interest paid on revenue bonds | (252,925) | - |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(3,889,088)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment income | <u>462,016</u> | <u>-</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (497,391) | 2,359 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>9,846,573</u> | <u>10,032</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 9,349,182</u></u> | <u><u>\$ 12,391</u></u> |

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

(Continued)

CITY OF LAKEWOOD

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)

For the year ended June 30, 2009

| | Business-type Activity- Water <u>Enterprise Fund</u> | Governmental Activities- Internal Service <u>Funds</u> |
|---|---|---|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ 2,214,613 | \$ (69,075) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Depreciation | 1,079,050 | 67,467 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivables | (143,330) | - |
| (Increase) decrease accrued revenue | (16,587) | - |
| (Increase) decrease in inventories | 5,254 | 44,460 |
| (Increase) decrease in prepaid | - | (550) |
| Increase (decrease) in accounts payable | (95,769) | (31,534) |
| Increase (decrease) in accrued liabilities | (138,938) | 1,920 |
| Increase (decrease) in customer deposits | 25,388 | - |
| Total adjustments | 715,068 | 81,763 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 2,929,681</u> | <u>\$ 12,688</u> |

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

CITY OF LAKEWOOD

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2009

| | Agency Funds |
|----------------------|----------------------------|
| ASSETS: | |
| Cash and investments | \$ 1,466,026 |
| Loans receivable | <u>979,553</u> |
| TOTAL ASSETS | <u><u>\$ 2,445,579</u></u> |
| LIABILITIES: | |
| Accounts payable | \$ 3,574 |
| Deposits | 1,449,001 |
| Due to HUD | <u>993,004</u> |
| TOTAL LIABILITIES | <u><u>\$ 2,445,579</u></u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

General Fund

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

Redevelopment Agency Debt Service Fund

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

Redevelopment Agency Capital Projects Fund

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

Lakewood Capital Improvements Capital Projects Fund

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

The City reports the following major enterprise fund:

Water Enterprise Fund

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

Additionally, the City reports the following fund types:

Special Revenue Funds

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

Capital Projects Fund

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

Internal Service Funds

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

Agency Funds

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

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Cash and Investments

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

E. Cash and Cash Equivalents

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

F. Capital Assets

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

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

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

G. Inventories

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

H. Prepaid Items

Prepaid items are recorded as expenditures when consumed.

I. Land Held for Resale

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

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

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

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

K. Property Taxes

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

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

L. Claims and Judgments

When it is probable that a claim liability has been incurred at year-end and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2009, the City Attorney estimated no additional claim liability. Small dollar claims and judgments are recorded as expenditures when paid.

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

M. Deferred Amounts

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

N. Estimates

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

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2009 are classified in the accompanying financial statements as follows:

| | Government- Wide Statement of Net Assets | Fiduciary Fund Statement of Assets and Liabilities | Total |
|--|---|--|----------------------|
| Unrestricted assets: | | | |
| Cash and investments | \$ 60,958,865 | \$ 1,466,026 | \$ 62,424,891 |
| Temporarily restricted assets: | | | |
| Cash and investments | 33,507 | - | 33,507 |
| Cash and investments held by bond trustees | 1,918,090 | - | 1,918,090 |
| Total Cash and Investments | <u>\$ 62,910,462</u> | <u>\$ 1,466,026</u> | <u>\$ 64,376,488</u> |

Cash and investments at June 30, 2009 consisted of the following:

| | |
|--------------------------------------|----------------------|
| Cash on hand | \$ 2,700 |
| Deposits with financial institutions | 3,582,874 |
| Investments | <u>60,790,914</u> |
| Total Cash and Investments | <u>\$ 64,376,488</u> |

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

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Allowed | Maximum Investment in One Issuer |
|---|---------------------|----------------------------------|--|
| United States Treasury Bills, Bonds and Notes | 5 years | None | None |
| United States Government Sponsored Enterprise Securities | 5 years | None | None |
| Municipal obligations | 5 years | None | None |
| Negotiable Certificates of Deposits | 5 years | 30% | 10% |
| Time Certificates of Deposit | 1 year | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Government Pooled Fund | N/A | None | None |
| Los Angeles County Pooled Fund | N/A | None | None |

N/A - Not Applicable

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

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

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

| Investment Type | Remaining Maturity (in Months) | | | |
|--|--------------------------------|---------------------|----------------------|----------------------|
| | 12 Months or Less | 13 - 24 Months | 25 - 60 Months | Total |
| Local Agency Investment Fund | \$ 23,987,356 | \$ - | \$ - | \$ 23,987,356 |
| United States Treasury Notes | - | 2,492,675 | 3,646,997 | 6,139,672 |
| United States Government Sponsored Enterprise Securities: | | | | |
| Federal Home Loan Mortgage Corporation (FHLMC) | - | 2,379,986 | 3,661,358 | 6,041,344 |
| Federal Home Loan Bank (FHLB) | - | - | 19,420,265 | 19,420,265 |
| Federal National Mortgage Association (FNMA) | - | 1,017,393 | 2,044,331 | 3,061,724 |
| Money Market Mutual Funds | 222,463 | - | - | 222,463 |
| Held by Bond Trustee: | | | | |
| Money Market Mutual Funds | 1,918,090 | - | - | 1,918,090 |
| | <u>\$ 26,127,909</u> | <u>\$ 5,890,054</u> | <u>\$ 28,772,951</u> | <u>\$ 60,790,914</u> |

Disclosures Relating to Credit Risk

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

| Investment Type | Total as of June 30, 2009 | Minimum Legal Rating | AAA | Not Rated | Not Required to be Rated |
|---|---------------------------------|----------------------------|----------------------|----------------------|--------------------------------|
| Local Agency Investment Fund | \$ 23,987,356 | N/A | \$ - | \$ 23,987,356 | \$ - |
| United States Treasury Notes | 6,139,672 | N/A | - | - | 6,139,672 |
| United States Government Sponsored Enterprise Securities | 28,523,333 | N/A | 28,523,333 | - | - |
| Money Market Mutual Funds | 222,463 | A | 222,463 | - | - |
| Held by Bond Trustee: | | | | | |
| Money Market Mutual Funds | 1,918,090 | A | 1,918,090 | - | - |
| | <u>\$ 60,790,914</u> | | <u>\$ 30,663,886</u> | <u>\$ 23,987,356</u> | <u>\$ 6,139,672</u> |

N/A - Not Applicable

See independent auditors' report.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

| <u>Issuer</u> | <u>Investment Type</u> | <u>Reported Amount</u> |
|--|--|------------------------|
| Federal Home Loan Mortgage Corporation | United States Government Sponsored Enterprise Securities | \$ 6,041,344 |
| Federal Home Loan Bank | United States Government Sponsored Enterprise Securities | \$ 19,420,265 |
| Federal National Mortgage Association | United States Government Sponsored Enterprise Securities | \$ 3,061,724 |

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The financial institution used by the City has indicated that there are times during the course of a year where they may not have met the collateral requirements. In addition, due to existing financial market conditions, there is a risk that the City may not be able to recover its deposits in excess of FDIC insurance coverage if a financial institution fails and the market value of the collateral is not sufficient to cover all deposits. At June 30, 2009, the City's cash on deposit exceeded federally insured limits by \$3,249,904.

Investment in State Investment Pool

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

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

Governmental Activities:

| | Balance at July 1, 2008 | Additions | Deletions | Balance at June 30, 2009 |
|---|----------------------------|---------------------|-----------------------|-----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,444,023 | \$ - | \$ - | \$ 17,444,023 |
| Construction in progress | <u>1,636,008</u> | <u>6,611,847</u> | <u>(1,774,105)</u> | <u>6,473,750</u> |
| Total capital assets, not being depreciated | <u>19,080,031</u> | <u>6,611,847</u> | <u>(1,774,105)</u> | <u>23,917,773</u> |
| Capital assets, being depreciated: | | | | |
| Structures and improvements | 37,000,804 | 1,725,856 | - | 38,726,660 |
| Equipment | 6,073,326 | 123,955 | (8,171) | 6,189,110 |
| Infrastructure | <u>122,291,676</u> | <u>48,249</u> | <u>-</u> | <u>122,339,925</u> |
| Total capital assets, being depreciated | <u>165,365,806</u> | <u>1,898,060</u> | <u>(8,171)</u> | <u>167,255,695</u> |
| Less accumulated depreciation for: | | | | |
| Structures and improvements | (15,761,240) | (689,594) | - | (16,450,834) |
| Equipment | (3,923,480) | (472,926) | 8,171 | (4,388,235) |
| Infrastructure | <u>(84,105,604)</u> | <u>(2,180,932)</u> | <u>-</u> | <u>(86,286,536)</u> |
| Total accumulated depreciation | <u>(103,790,324)</u> | <u>(3,343,452)</u> | <u>8,171</u> | <u>(107,125,605)</u> |
| Total capital assets, being depreciated, net | <u>61,575,482</u> | <u>(1,445,392)</u> | <u>-</u> | <u>60,130,090</u> |
| Total governmental activities capital, net | <u>\$ 80,655,513</u> | <u>\$ 5,166,455</u> | <u>\$ (1,774,105)</u> | <u>\$ 84,047,863</u> |

See independent auditors' report.

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Business-type Activity:

| | Balance at July 1, 2008 | Additions | Deletions | Balance at June 30, 2009 |
|--|----------------------------|--------------|----------------|-----------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 381,023 | \$ - | \$ - | \$ 381,023 |
| Water rights | 1,791,836 | 42,750 | - | 1,834,586 |
| Construction in progress | 6,065,686 | 3,223,413 | (4,044,699) | 5,244,400 |
| Total capital assets, not being depreciated | 8,238,545 | 3,266,163 | (4,044,699) | 7,460,009 |
| Capital assets, being depreciated: | | | | |
| Source of supply | 3,976,897 | 793,858 | - | 4,770,755 |
| Pumping plant | 532,694 | - | - | 532,694 |
| Water treatment | 67,903 | - | - | 67,903 |
| Transmission/distribution | 26,426,910 | 3,083,265 | - | 29,510,175 |
| General plant | 3,207,426 | 167,576 | - | 3,375,002 |
| Total capital assets, being depreciated | 34,211,830 | 4,044,699 | - | 38,256,529 |
| Less accumulated depreciation for: | | | | |
| Source of supply | (2,028,131) | (270,736) | - | (2,298,867) |
| Pumping plant | (488,224) | (3,453) | - | (491,677) |
| Water treatment | (49,920) | (4,545) | - | (54,465) |
| Transmission/distribution | (11,827,646) | (710,701) | - | (12,538,347) |
| General plant | (2,828,664) | (89,615) | - | (2,918,279) |
| Total accumulated depreciation | (17,222,585) | (1,079,050) | - | (18,301,635) |
| Total capital assets, being depreciated, net | 16,989,245 | 2,965,649 | - | 19,954,894 |
| Total business-type activity, capital assets, net | \$ 25,227,790 | \$ 6,231,812 | \$ (4,044,699) | \$ 27,414,903 |

Depreciation expense:

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

Governmental activities:

| | |
|---|------------|
| General government | \$ 208,398 |
| Public safety | 69,718 |
| Transportation | 47,226 |
| Community development | 157,603 |
| Health and sanitation | 1,709 |
| Culture and leisure | 610,399 |
| Internal service funds depreciation charged to programs | 67,467 |
| Unallocated infrastructure depreciation | 2,180,932 |

Total depreciation expense - governmental activities \$ 3,343,452

Business type activity:

Water \$ 1,079,050

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2009:

Governmental Activities

| | Balance at July 1, 2008 | Additions | Deletions | Balance at June 30, 2009 | Due Within One Year |
|--|----------------------------|---------------------|-----------------------|-----------------------------|------------------------|
| Agency Tax Allocation Bonds: | | | | | |
| 1999 Series A | \$ 5,010,000 | \$ - | \$ (390,000) | \$ 4,620,000 | \$ 410,000 |
| 2003 Series A | 4,190,000 | - | (360,000) | 3,830,000 | 370,000 |
| 2003 Series B | 2,155,000 | - | (170,000) | 1,985,000 | 180,000 |
| Plus (less) deferred amounts: | | | | | |
| For issuance premium | 44,343 | - | (4,838) | 39,505 | - |
| On refunding | (85,412) | - | 9,318 | (76,094) | - |
| Total Agency Tax Allocation Bonds | 11,313,931 | - | (915,520) | 10,398,411 | 960,000 |
| Compensated absences | 1,041,368 | 1,087,221 | (1,062,032) | 1,066,557 | 669,222 |
| Total Governmental Activities | 12,355,299 | 1,087,221 | (1,977,552) | 11,464,968 | 1,659,222 |
| Business-type Activity | | | | | |
| Water Revenue Bonds: | | | | | |
| 2004 Bonds | 3,295,000 | - | (370,000) | 2,925,000 | 380,000 |
| 2008 Bonds | 3,450,000 | - | - | 3,450,000 | 180,000 |
| Plus (less) deferred amounts: | | | | | |
| For issuance premiums | 67,339 | - | (8,688) | 58,651 | - |
| On refunding | (267,922) | - | 34,570 | (233,352) | - |
| Total Business-type Activity | 6,544,417 | - | (344,118) | 6,200,299 | 560,000 |
| City Total | \$ 18,899,716 | \$ 1,087,221 | \$ (2,321,670) | \$ 17,665,267 | \$ 2,219,222 |

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

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

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

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

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

Total debt service requirements to maturity are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|---------------------|---------------------|
| 2010 | \$ 410,000 | \$ 228,777 | \$ 638,777 |
| 2011 | 430,000 | 208,613 | 638,613 |
| 2012 | 450,000 | 186,935 | 636,935 |
| 2013 | 475,000 | 163,573 | 638,573 |
| 2014 | 515,000 | 138,070 | 653,070 |
| 2015 - 2018 | <u>2,340,000</u> | <u>258,810</u> | <u>2,598,810</u> |
| Total | <u>\$ 4,620,000</u> | <u>\$ 1,184,778</u> | <u>\$ 5,804,778</u> |

Series 2003A

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

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

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2010 | \$ 370,000 | \$ 138,180 | \$ 508,180 |
| 2011 | 380,000 | 125,518 | 505,518 |
| 2012 | 395,000 | 111,955 | 506,955 |
| 2013 | 405,000 | 97,449 | 502,449 |
| 2014 | 420,000 | 81,718 | 501,718 |
| 2015 - 2018 | <u>1,860,000</u> | <u>153,540</u> | <u>2,013,540</u> |
| Total | <u>\$ 3,830,000</u> | <u>\$ 708,360</u> | <u>\$ 4,538,360</u> |

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)Series 2003B

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

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

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2010 | \$ 180,000 | \$ 101,880 | \$ 281,880 |
| 2011 | 190,000 | 92,372 | 282,372 |
| 2012 | 195,000 | 82,477 | 277,477 |
| 2013 | 205,000 | 72,197 | 277,197 |
| 2014 | 220,000 | 61,275 | 281,275 |
| 2015 - 2018 | 995,000 | 115,014 | 1,110,014 |
| Total | \$ 1,985,000 | \$ 525,215 | \$ 2,510,215 |

B. Compensated Absences

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

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

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

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

The annual requirements to amortize the bonds outstanding at June 30, 2009, are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2010 | \$ 380,000 | \$ 94,338 | \$ 474,338 |
| 2011 | 390,000 | 82,938 | 472,938 |
| 2012 | 405,000 | 71,238 | 476,238 |
| 2013 | 415,000 | 58,581 | 473,581 |
| 2014 | 430,000 | 45,094 | 475,094 |
| 2015 - 2016 | 905,000 | 47,219 | 952,219 |
| Total | \$ 2,925,000 | \$ 399,408 | \$ 3,324,408 |

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity (Continued)

C. Water Revenue Bonds Payable (Continued)

2008 Bonds

On May 7, 2008 the City issued \$3,450,000 in non-taxable water revenues bonds to finance the construction of a photovoltaic system. The bonds were sold through a negotiated sale and bears interest at a rate of 4.75%. The 2008 Bonds are secured by a charge and lien on the net revenue of the water enterprise. Principal payments on the capital lease are due annually each April 1, commencing April 1, 2010. Interest payments are payable semi-annually on April 1 and October 1. At June 30, 2009, the assets being constructed pursuant to the lease totaled \$2,844,861. Since construction has not been completed, this amount is included in construction in progress.

The future annual required lease payments at June 30, 2009, are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|---------------------|---------------------|
| 2010 | \$ 180,000 | \$ 163,875 | \$ 343,875 |
| 2011 | 190,000 | 155,325 | 345,325 |
| 2012 | 195,000 | 146,300 | 341,300 |
| 2013 | 205,000 | 137,038 | 342,038 |
| 2014 | 215,000 | 127,300 | 342,300 |
| 2015 - 2018 | 1,240,000 | 473,100 | 1,713,100 |
| 2019 - 2023 | 1,225,000 | 148,675 | 1,373,675 |
| Total | <u>\$ 3,450,000</u> | <u>\$ 1,351,613</u> | <u>\$ 4,801,613</u> |

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances were as follows at June 30, 2009:

Due To / From Other Funds

| Receivable Fund | Payable Fund | Amount |
|--|--|---------------------|
| General Fund | Other Governmental Funds | \$ 574,520 |
| Redevelopment Agency Debt Service Fund | Redevelopment Agency Capital Projects Fund | 2,257,433 |
| Redevelopment Agency Capital Projects Fund | Redevelopment Agency Debt Service Fund | 28,177 |
| | | <u>\$ 2,860,130</u> |

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

Advances From / To Other Funds

| Receivable Fund | Payable Fund | Amount |
|--|---|----------------------|
| General Fund | Redevelopment Agency Debt Service Fund | \$ 32,830,954 |
| Redevelopment Agency Capital Projects Fund | Redevelopment Agency Debt Debt Service Fund | 135,738 |
| | | <u>\$ 32,966,692</u> |

See independent auditors' report.

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

Advances From / To Other Funds (Continued)

The City provides advances to the Redevelopment Agency to assist the Agency with its operating budget and redevelopment activities. The interest rate on the advances is 12% per annum compounded annually on the outstanding principal portion only. Accrued unpaid interest totaling \$11,423,923 at June 30, 2009 is included in the advance balance. Since the accrued unpaid interest due to the City is not available as a resource to meet expenditures of the current year, it has been recorded as deferred revenue in the General Fund.

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

Transfers

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|---|--|---------------------|
| General Fund | Other Governmental Funds | \$ 2,082,654 |
| Redevelopment Agency Capital Projects Fund | Redevelopment Agency Debt Service Fund | 1,883,156 |
| Lakewood Capital Improvements Capital Projects Fund | General Fund | 2,161,402 |
| Other Governmental Funds | General Fund | 351,533 |
| Internal Service Funds | General Fund | <u>530,203</u> |
| | | <u>\$ 7,008,948</u> |

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

NOTE 6 - NOTES RECEIVABLE

- A. As consideration for the sale of land on November 3, 2006, the Agency took a \$689,520 note from the buyer. The term of the note is ten years. Interest accrues on the note at a rate of 5.5% per annum. Principal and interest is payable quarterly. The quarterly payments are fixed at \$14,298 with a balloon payment of \$434,883 due on November 1, 2016. The note balance at June 30, 2009 is \$638,252 and is included in the Redevelopment Agency Capital Projects Fund.
- B. The Agency makes deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal year 1996-97, the Agency began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. The rehabilitation loans made from Redevelopment Agency low and moderate housing 20% set-aside funds are reported in the Lakewood Redevelopment Agency Capital Projects Fund. Due to the long-term nature of the loans, the Agency has deferred recognition of revenues until receipt in the governmental fund financial statements. The balance of these loans totaled \$2,895,931 at June 30, 2009.
- C. The Gateway Cities Council of Governments has received grant funds for economic development from the Economic Development Administration (EDA). On August 24, 1999, the City of Lakewood approved an agreement with the Gateway Cities Council of Governments, of which the City of Lakewood is a member, to receive \$666,725 of these funds as a sub-grantee. These funds were used to establish a commercial revolving loan fund to provide for business expansion, economic development, and job creation in Lakewood. The revolving loan fund particularly targets industrial, manufacturing, and commercial businesses adjacent to the Boeing plant and Long Beach Airport and at the 19-acre former Rockwell site in Lakewood. This is a matching grant program. The funds received from the EDA have been matched with \$85,000 from a California Trade and Commerce Agency Defense Adjustment Matching Grant and \$168,245 in Community Development Block Grant (CDBG) funds. The outstanding balance, which is reported in the Other Governmental Funds, as of June 30, 2009 was \$194,929.

See independent auditors' report.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

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

Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-09 was 9.545% for local miscellaneous members. The contribution requirements of the plan members are established by State statute and the employer contribution rates were established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2008-09, the City's actual and contributed pension cost was \$1,306,480. The required contribution for fiscal year 2008-09 was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by age, length of service and type of employment from 3.25 % to 14.45%, (c) a 3.0% inflation rate; (d) a 3.25% payroll growth rate; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over a rolling period which results in an amortization of 10% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of Plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Three-Year Trend Information for the Miscellaneous Plan:

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------------|----------------------------------|---------------------------|
| 6/30/07 | \$ 1,216,460 | 100% | \$ - |
| 6/30/08 | 1,244,453 | 100% | - |
| 6/30/09 | 1,306,480 | 100% | - |

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 93.75% funded. The actuarial accrued liability for benefits was \$77,501,716, and the actuarial value of assets was \$72,660,406, resulting in excess liability of \$4,841,310. The covered payroll (annual payroll of active employees covered by the plan) was \$13,191,916, and the ratio of the UAAL to the covered payroll was 36.70%.

See independent auditors' report.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funded Status and Funding Progress (Continued)

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

NOTE 8 - DEFERRED COMPENSATION PLAN

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

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

NOTE 9 - RESERVES AND DESIGNATIONS OF FUND BALANCES

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

The City's reserves and designations at June 30, 2009, are tabulated below, followed by explanations as to the nature and purpose of each reserve and designation.

| Reserves | General Fund | Redevelopment Agency Debt Service Fund | Redevelopment Agency Capital Projects Fund | Other Governmental Funds |
|---------------------------|----------------------|--|--|--------------------------------|
| Continuing appropriations | \$ 1,944,365 | \$ - | \$ - | \$ 2,158,370 |
| Personnel benefits | 642,377 | - | - | - |
| Debt service | - | 1,573,033 | - | - |
| Land held for resale | - | - | 2,583,056 | - |
| Low and moderate housing | - | - | 6,434,669 | - |
| Notes receivable | - | - | 638,252 | - |
| Prepaid items | 9,119 | - | - | - |
| Inventories | 12,472 | - | - | - |
| Advances | 21,471,735 | - | 135,738 | - |
| Special revenue purposes | - | - | - | 4,578,291 |
| Encumbrances | 376,771 | - | - | 86,706 |
| Other reserves | 803,396 | - | - | - |
| Total reserves | <u>\$ 25,260,235</u> | <u>\$ 1,573,033</u> | <u>\$ 9,791,715</u> | <u>\$ 6,823,367</u> |

See independent auditors' report.

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

| <u>Designations</u> | <u>General Fund</u> |
|---|--------------------------|
| Self-Insurance | \$ 4,000,000 |
| Infrastructure and capital improvements | 3,546,320 |
| Equipment replacement | 3,184,545 |
| General contingencies | 5,222,854 |
| Refuse disposal rate stabilization | 1,802,240 |
| Civic Center improvements | 989,350 |
| Economic uncertainties | <u>9,050,000</u> |
| Total designations | <u>\$ 27,795,309</u> |

A. Reserve for Continuing Appropriations

Appropriations for capital projects which are unexpended as of June 30, 2009, will carry forward as continuing appropriations to be expended in 2009-10.

B. Reserve for Personnel Benefits

This reserve provides for OPEB (Other Post Retirement additional negotiated personnel Benefits), as provided in the memorandum of understanding effective July 1, 2009.

C. Reserve for Debt Service

The Tax Increment Bond Resolutions require that reserves be established.

D. Reserve for Land Held for Resale

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

E. Reserve for Low and Moderate Housing

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

F. Reserve for Notes Receivable

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

G. Reserve for Prepaid Items

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

H. Reserve for Inventories:

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

I. Reserve for Advances

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

See independent auditors' report.

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

J. Reserve for Special Revenue Purposes

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

K. Reserve for Encumbrances

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

L. Other Reserves

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

M. Designated for Self-Insurance

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

N. Designated for Infrastructure and Capital Improvements

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

O. Designated for Equipment Replacement

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

P. Designated for General Contingencies

The remainder of the unreserved fund balance at June 30, 2009, in the General Fund has been designated for general contingencies.

Q. Designated for Refuse Disposal Rate Stabilization

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

R. Designated for Civic Center Improvements

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

S. Designated for Economic Uncertainties:

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

NOTE 10 - HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAMS

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

NOTE 11 - LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION

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

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Insurance Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

B. Self-insurance Programs of the Authority

General Liability Insurance. Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$2,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$2,000,000 to \$50,000,000 are paid under reinsurance and excess insurance policies; (4b) subject to a \$3,000,000 annual aggregate deductible; (4c) and a quota-sharing agreement whereby the Insurance Authority is financially responsible for 40% of losses occurring within the \$2,000,000 to \$10,000,000 layer. The costs associated with 4a-c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence. Costs of covered claims for subsidence losses are paid by excess insurance with the following sub-limits per member: \$25,000,000 per occurrence with a \$15,000,000 annual aggregate.

Workers' Compensation. The City also participates in the workers compensation pool administered by the Insurance Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

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

C. Purchased Insurance

Environmental Insurance. The City participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

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

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

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

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

D. Adequacy of Protection

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

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

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

See independent auditors' report.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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, 2009, the City elected to fund \$4,597,784 towards the unfunded accrued liability related to this benefit.

Annual OPEB Cost and Net OPEB Obligation (Asset)

The City's annual OPEB cost(expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC for fiscal year 2008-09 was \$268,744.

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) | \$ 268,744 |
| Interest on Net OPEB obligation | - |
| Adjustment to ARC | - |
| Annual OPEB cost | 268,744 |
| Contribution made | (4,597,784) |
| Increase in Net OPEB obligation | (4,329,040) |
| Net OPEB asset – beginning of year | - |
| Net OPEB asset – end of year | <u>\$ (4,329,040)</u> |

Three-Year Trend Information

For fiscal year 2009, the City's annual OPEB cost (expense) of \$268,744 was equal to the ARC. Since this fiscal year is the transition year, information on the annual OPEB cost, percentage of Annual OPEB Cost contributed, and Net OPEB Obligation is only available for the current fiscal year, as presented below:

| Fiscal Year Ended | Annual OPEB Cost | Actual Contribution (Net of Adjustments) | Percentage of Annual OPEB Cost Contributed | Net OPEB Asset |
|-------------------------|------------------------|---|---|-------------------|
| 6/30/2009 | \$ 268,744 | \$ 4,597,784 | 1710.84% | \$ (4,329,040) |

Funded Status and Funding Progress

As of July 1, 2007, the first actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$4,464,565, and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$4,464,565. The covered payroll (annual payroll of active employees covered by the plan) was \$11,108,547 and the ratio of the UAL to the covered payroll was 40.19%.

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.

See independent auditors' report.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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, 2007, 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 5.0% per annum and a healthcare cost trend rate of 9.0% initially, reduced by annual decrements of 1.0% to an ultimate rate of 5.0% after four years. The City's unfunded actuarial accrued liability is being amortized by level dollar contributions over thirty years as a level dollar amount.

NOTE 13 - CONTINGENT LIABILITIES

- A. Numerous claims and suits have been filed against the City in the normal course of business. Based upon information received from the City Attorney and the self-insurance administrator, the estimated liability under such claims would be adequately covered by self-insurance designations and insurance coverage.
- B. The City contracts for policing services through the Los Angeles County Sheriff's Department. As part of the agreement for services, the City is required to pay an additional 6% premium over the contract price to the Sheriff's Department for liability insurance. This amount is held by the County in a Liability Trust Fund and provides for the payment of claims brought against the Sheriff's Department.
- C. Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies will be required to make Supplemental Education Revenue Augmentation Fund (SERAF) contributions totaling \$ 1.7 billion for the fiscal year 2009-2010 and \$ 350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the California Redevelopment Association filed a class action lawsuit on behalf of all California redevelopment agencies, challenging the SERAF obligations as unconstitutional.

The Agency's proposed SERAF contributions under AB 26 4x are \$3,215,951 for the fiscal year 2009-2010 and \$661,471 for the fiscal year 2010-2011. It is the position of Agency officials that the SERAF contributions required by AB 26 4x are unconstitutional, and that the Agency is not obligated to make these contributions. However, if the class action lawsuit is unsuccessful, and if the Agency were required to make these SERAF contributions, Agency officials have estimated that the Agency would have sufficient funds to make the required contributions.

NOTE 14 - OTHER AGREEMENTS

- A. California Health and Safety Code Section 33334.6 requires that Redevelopment Agencies set aside 20% of the annual tax increment proceeds for the benefit of low- and moderate-income housing. However, an Agency may defer the set-aside of 20% if it determines that the tax increment required to be deposited is necessary for the orderly and timely completion of programs approved by the Agency prior to January 1, 1986. The Agency made such a determination to defer the deposit of \$1,383,310 of tax increment into the Housing Set-Aside Fund. The Agency has adopted a plan for repayment of this Housing Set-Aside Fund deficit. The Agency made a payment of \$33,000 towards this deficit during the year ended June 30, 2009. At June 30, 2009, the remaining deficit totaled \$1,161,310. Given the presently anticipated revenues and activities of the Agency, the deficit is expected to be eliminated by fiscal 2021-2022.
- B. In November 2008, the City entered into a loan agreement with the Water Replenishment District of Southern California (WRD). Pursuant to the agreement, WRD is to loan the City up to \$2,200,000 which is to be used towards the design, construction and installation of wellhead treatment systems at the City's Well 27 site. As of June 30, 2009, the City had not requested any funds 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 one year 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.

See independent auditors' report.

NOTE 14 - OTHER AGREEMENTS (CONTINUED)

- C. On August 27, 2002, the Lakewood Redevelopment Agency entered into a twelve-year agreement with Pacific Ford, Inc., and HJCH II for a rehabilitation reimbursement in the amount not to exceed \$1,890,000 to be paid quarterly based on a tax revenue generated by the Ford dealership and any other dealership on the property acquired and to be acquired by HJCH II. Pacific Ford and HJCH II guarantee for the term of the agreement a minimum amount of sales per year subject to California sales tax. In the event the minimum is not achieved in the aggregate for the term of the agreement, the participant shall reimburse the City of Lakewood for the amount of sales tax revenue not generated. For the year ended June 30, 2009, the Agency made no payments in relation to this agreement.
- D. On September 14, 1999, the Agency also approved an agreement to lease 1,900 parking stalls from the Lakewood Mall Business Company to provide public parking. Rent is comprised of basic rent and additional rent. The basic rent is \$450,000 per year. The additional rent is based on the amount of additional tax increment received above a base year amount and is capped at \$300,000 per year. The agreement also allows for catch up payments in the event that additional rent is less than the cap in the first three years of the lease. Catch up payments are only due when additional rent exceeds the \$300,000 annual cap in future years. The Agency also entered into a sublease with the developer in order for the developer to operate and maintain the premises as public facilities. The annual lease payments will be paid with tax increment revenues generated by the Mall. For the fiscal year ended June 30, 2009, the Agency's obligation under this agreement totaled \$750,000.
- E. On December 16, 1998, the Agency entered into a participation agreement with Golden State Health Centers, Inc., which reimburses all tax increment revenues which the Agency receives from the redevelopment of the site located at 11695 Del Amo Boulevard, excluding: (1) the property taxes levied and assessed against the site as of January 1, 1998; (2) the amount required to be set aside for the low-and moderate-income housing fund equal to 20%; and (3) that amount of tax increment the Agency is required to pay to other taxing agencies which is currently approximately 20% of such tax increment. Such payments shall be made to the owner in semi-annual installments within 60 days after the Agency's receipt of its tax increment for the Redevelopment Project from the County tax collector. The owner shall submit a written statement each year to the Agency requesting such payment together with a copy of its property tax bill(s) for all real property within the site, whether billed to the owner of any tenant. For the year ended June 30, 2009, the Agency paid \$11,781 pursuant to this agreement.
- F. On June 13, 1989, the Agency entered into an agreement for the allocation of tax increment revenue generated from Project Area No. 2. As part of the agreement, the Agency is required to reimburse the Consolidated Fire Protection District of Los Angeles County 17.26% of tax increment revenues and Los Angeles County 54.59% of tax increment revenue. The Los Angeles County portion may be deferred in any year under certain terms of the agreement until total tax increment of the Agency reaches a cumulative total of \$60,000,000. After the total reaches \$60,000,000, the Agency is required to reimburse Los Angeles County 100% of tax increment revenue (net of the allocation to the Consolidated Fire Protection District of Los Angeles County) until the deferred sums have been repaid. Interest on any deferral amounts was prepaid in a lump sum of \$842,000 in Fiscal Year 1990-91. At June 30, 2009, the Agency's outstanding deferral balance is \$552,498.

NOTE 15 - RESTATEMENT OF NET ASSETS/FUND BALANCES

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

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

| | <u>Governmental Activities</u> | <u>Business-Type Activity</u> |
|-----------------------------------|------------------------------------|-----------------------------------|
| Net assets as previously reported | \$ 130,902,860 | \$ 28,312,509 |
| Adjustments (see schedules below) | <u>1,252,957</u> | <u>(10,964)</u> |
| Net assets as restated | <u>\$ 132,155,817</u> | <u>\$ 28,301,545</u> |

See independent auditors' report.

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

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

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

| | General Fund | Redevelopment Agency Capital Projects Fund | Other Governmental Funds |
|---|----------------------|---|--------------------------------|
| Fund balances as previously reported | \$ 57,209,642 | \$ 8,271,759 | \$ 5,903,610 |
| To correct payroll and other miscellaneous liabilities balances as of the beginning of the year | (3,417) | (4,348) | 1,022 |
| To correct a deferred revenue balance that should have been recognized as revenue in prior year | - | - | 1,213,948 |
| To reclassify certain activities recorded in incorrect funds | 37,480 | - | (37,480) |
| To reclassify deferred revenue that should have been recognized as revenue in a prior year | - | - | 49,650 |
| Fund balances as restated | <u>\$ 57,243,705</u> | <u>\$ 8,267,411</u> | <u>\$ 7,130,750</u> |

C. Restatement of Net Assets - Proprietary Fund Financial Statements:

Net assets at the beginning of the year in the proprietary fund financial statements have been restated as follows:

| | Water Enterprise Fund | Internal Service Funds |
|---|-----------------------------|------------------------------|
| Net assets (deficit) as previously reported | \$ 28,919,063 | \$ (403,984) |
| To correct payroll and other miscellaneous liabilities balances as of the beginning of the year | (10,964) | (3,897) |
| Net assets (deficit) as restated | <u>\$ 28,908,099</u> | <u>\$ (407,881)</u> |

NOTE 16 - INDIVIDUAL FUND DISCLOSURES:

A. Funds with a deficit fund balance at June 30, 2009, are as follows:

| | |
|--|---------------|
| Major Fund - Redevelopment Agency Debt Service | \$ 22,269,101 |
| Other Governmental Funds: | |
| Litter Reduction Grant Special Revenue Fund | 682 |
| State Park Grants and Bonds Special Revenue Fund | 63,200 |

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

B. For the year ended June 30, 2009, expenditures exceeded appropriations at the fund level (the legal level of budgetary control) in the JAG Grants Special Revenue Fund by \$13,604, the Beverage Container Grant Special Revenue Fund by \$181.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKEWOOD

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2009

CalPERS DEFINED BENEFIT PENSION PLAN**Note 7**

| Actuarial Valuation Date | Entry Age Actuarial Accrued Liability (AAL) (a) | Actuarial Value of Assets (AVA) (b) | Unfunded AAL (UAAL) (a) - (b) | Funded Ratio AVA (b)/(a) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll [(a)-(b)]/(c) |
|--------------------------------|--|---|--|-----------------------------------|-------------------------------------|--|
| 06/30/06 | \$ 66,156,146 | \$ 61,164,178 | \$ 4,991,968 | 92.45% | \$ 12,588,101 | 39.66% |
| 06/30/07 | 71,522,076 | 66,743,647 | 4,778,429 | 93.32% | 13,038,258 | 36.65% |
| 06/30/08 | 77,501,716 | 71,496,367 | 6,005,349 | 92.25% | 13,191,916 | 45.52% |

OTHER POST-EMPLOYMENT BENEFITS PLAN**Note 12**

| Actuarial Valuation Date | Actuarial Accrued Liability (AAL) (a) | Actuarial Value of Assets (AVA) (b) | Unfunded AAL (UAAL) (a) - (b) | Funded Ratio (b)/(a) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll [(a)-(b)]/(c) |
|--------------------------------|---|---|--|----------------------------|-------------------------------------|--|
| 7/1/2007 | \$ 4,464,565 | \$ - | \$ 4,464,565 | 0.00% | \$ 11,108,547 | 40.19% |

See independent auditors' report and notes to financial statements.

CITY OF LAKEWOOD

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2009

| | Budgeted Amounts | | Actual | Variance Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes | \$ 21,585,692 | \$ 21,585,692 | \$ 20,713,399 | \$ (872,293) |
| Licenses and permits | 641,130 | 641,130 | 592,929 | (48,201) |
| Fines and forfeitures | 1,005,000 | 1,005,000 | 1,208,896 | 203,896 |
| Investment income, rents and concessions | 1,766,586 | 1,761,586 | 2,059,892 | 298,306 |
| From other agencies | 9,099,587 | 8,514,587 | 8,310,727 | (203,860) |
| Current service charges | 8,022,902 | 7,930,880 | 7,532,352 | (398,528) |
| Other | 475,000 | 475,000 | 472,799 | (2,201) |
| TOTAL REVENUES | 42,595,897 | 41,913,875 | 40,890,994 | (1,022,881) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 8,937,306 | 13,538,159 | 11,806,571 | 1,731,588 |
| Public safety | 13,685,040 | 13,685,540 | 12,397,982 | 1,287,558 |
| Transportation | 3,942,149 | 3,942,149 | 3,925,892 | 16,257 |
| Community development | 4,199,004 | 3,625,341 | 3,223,477 | 401,864 |
| Health and sanitation | 4,528,486 | 4,533,486 | 4,209,922 | 323,564 |
| Culture and leisure | 9,289,270 | 9,272,239 | 8,554,827 | 717,412 |
| TOTAL EXPENDITURES | 44,581,255 | 48,596,914 | 44,118,671 | 4,478,243 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,985,358) | (6,683,039) | (3,227,677) | 3,455,362 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 1,511,500 | 1,511,500 | 2,082,654 | 571,154 |
| Transfers out | (524,305) | (4,646,275) | (3,043,138) | 1,603,137 |
| TOTAL OTHER FINANCING SOURCES (USES) | 987,195 | (3,134,775) | (960,484) | 2,174,291 |
| NET CHANGE IN FUND BALANCE | (998,163) | (9,817,814) | (4,188,161) | 5,629,653 |
| FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED | 57,243,705 | 57,243,705 | 57,243,705 | - |
| FUND BALANCE AT END OF YEAR | \$ 56,245,542 | \$ 47,425,891 | \$ 53,055,544 | \$ 5,629,653 |

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

NOTE 1 - BUDGETARY ACCOUNTING

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

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers substantially all City expenditures, with the exception of debt service on bond issues and capital improvement projects, which expenditures constitute legally-authorized "non-appropriated budget." There were no significant non-budgeted financial activities. Actual expenditures may not exceed budgeted appropriations at the fund level. However, the City Manager is authorized to transfer budgeted amounts between funds and between functional categories.
3. Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are encumbered at year end lapse, and then are added to the following year's budgeted appropriations. However, encumbrances at year end are reported as reservations of fund balance.
4. Budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparison is presented for the Redevelopment Agency Debt Service Fund since no budget is adopted for this fund. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
5. Capital project budgets are long term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements.
6. Under Article XIIB 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, 2009, based on calculations by City Management, proceeds of taxes did not exceed related appropriations. Further, Section 5 of Article XIIB allows the City to designate a portion of fund balance for general contingencies, to be used in future years without limitation. In 2008-09, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds.

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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OTHER GOVERNMENTAL FUNDS (CONTINUED)

SPECIAL REVENUE FUNDS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

Weingart Foundation Grant Fund - To account for funding received from the Weingart Foundation for the purpose of maintaining the Weingart facility.

CITY OF LAKEWOOD

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2009

| | Special Revenue Funds | | | |
|--|--------------------------|--------------------|-------------------------|---------------------|
| | State Gasoline Tax | Park Dedication | Sewer Reconstruction | Prop A Transit |
| ASSETS | | | | |
| Cash and investments | \$ 38,892 | \$ 33,616 | \$ 86,719 | \$ 1,007,448 |
| Accounts receivable | 274,984 | - | - | - |
| Notes receivable | - | - | - | - |
| TOTAL ASSETS | <u>\$ 313,876</u> | <u>\$ 33,616</u> | <u>\$ 86,719</u> | <u>\$ 1,007,448</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ - | \$ 29,793 | \$ - | \$ 28,513 |
| Accrued liabilities | - | - | - | 30,665 |
| Due to other funds | 274,984 | - | - | - |
| Deferred revenue | - | - | - | - |
| TOTAL LIABILITIES | <u>274,984</u> | <u>29,793</u> | <u>-</u> | <u>59,178</u> |
| FUND BALANCES (DEFICITS): | | | | |
| Reserved: | | | | |
| Continuing appropriations | - | 79,600 | - | 40,983 |
| Encumbrances | - | - | - | - |
| Special revenue purposes | 38,892 | - | 86,719 | 907,287 |
| Unreserved; undesignated | - | (75,777) | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>38,892</u> | <u>3,823</u> | <u>86,719</u> | <u>948,270</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 313,876</u> | <u>\$ 33,616</u> | <u>\$ 86,719</u> | <u>\$ 1,007,448</u> |

See independent auditors' report.

Special Revenue Funds (Continued)

| Housing Authority | Prop C Transportation | AB 2766 | CDBG | State COPS Grants | JAG Grants | Litter Reduction Grant |
|----------------------|--------------------------|-------------------|-------------------|-------------------------|---------------|------------------------------|
| \$ 1,544,891 | \$ 2,220,228 | \$ 102,597 | \$ 124,866 | \$ 103,165 | \$ - | \$ - |
| 125,942 | 676,172 | 26,100 | 2,817 | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 1,670,833</u> | <u>\$ 2,896,400</u> | <u>\$ 128,697</u> | <u>\$ 127,683</u> | <u>\$ 103,165</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | | |
| \$ 360,866 | \$ 34,547 | \$ - | \$ 5,899 | \$ 16,762 | \$ - | \$ 444 |
| - | 5,879 | 2,790 | 18,095 | - | - | 238 |
| - | - | - | - | - | - | - |
| - | - | - | 103,689 | 86,403 | - | - |
| <u>360,866</u> | <u>40,426</u> | <u>2,790</u> | <u>127,683</u> | <u>103,165</u> | <u>-</u> | <u>682</u> |
| | | | | | | |
| - | 1,942,788 | - | 75,482 | - | - | - |
| - | 84,783 | - | - | - | - | - |
| 1,309,967 | 828,403 | 125,907 | - | - | - | - |
| - | - | - | (75,482) | - | - | (682) |
| <u>1,309,967</u> | <u>2,855,974</u> | <u>125,907</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(682)</u> |
| <u>\$ 1,670,833</u> | <u>\$ 2,896,400</u> | <u>\$ 128,697</u> | <u>\$ 127,683</u> | <u>\$ 103,165</u> | <u>\$ -</u> | <u>\$ -</u> |

(Continued)

CITY OF LAKEWOOD

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2009

| | Special Revenue Funds (Continued) | | | |
|--|-----------------------------------|----------------------|--------------------------------|----------------------|
| | TDA Article Grant | Used Oil Grant | Beverage Container Grant | Prop A Recreation |
| ASSETS | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ 201,052 |
| Accounts receivable | - | 21,363 | 7,681 | 163,304 |
| Notes receivable | - | - | - | - |
| TOTAL ASSETS | <u>\$ -</u> | <u>\$ 21,363</u> | <u>\$ 7,681</u> | <u>\$ 364,356</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ - | \$ 72 | \$ - | \$ - |
| Accrued liabilities | - | 40 | - | 7,859 |
| Due to other funds | - | - | 7,681 | - |
| Deferred revenue | - | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>112</u> | <u>7,681</u> | <u>7,859</u> |
| FUND BALANCES (DEFICITS): | | | | |
| Reserved: | | | | |
| Continuing appropriations | - | - | - | - |
| Encumbrances | - | - | - | - |
| Special revenue purposes | - | 21,251 | - | 356,497 |
| Unreserved; undesignated | - | - | - | - |
| TOTAL FUND BALANCES (DEFICITS) | <u>-</u> | <u>21,251</u> | <u>-</u> | <u>356,497</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ -</u> | <u>\$ 21,363</u> | <u>\$ 7,681</u> | <u>\$ 364,356</u> |

See independent auditors' report.

| Special Revenue Funds (Continued) | | | | | |
|---------------------------------------|---|-------------------------------------|-------------|---------------------------------|---|
| State Parks Grants and Bonds | State Resources Agency River Parkway Grant | Lakewood Business Development | Prop 1B | Weingart Foundation Grant | Total Other Governmental Funds |
| \$ - | \$ - | \$ 901,668 | \$ - | \$ 23,363 | \$ 6,388,505 |
| 535,846 | - | - | - | - | 1,834,209 |
| - | - | 194,929 | - | - | 194,929 |
| <u>\$ 535,846</u> | <u>\$ -</u> | <u>\$ 1,096,597</u> | <u>\$ -</u> | <u>\$ 23,363</u> | <u>\$ 8,417,643</u> |
| | | | | | |
| \$ 243,991 | \$ - | \$ 223 | \$ - | \$ - | \$ 721,110 |
| - | - | - | - | - | 65,566 |
| 291,855 | - | - | - | - | 574,520 |
| 63,200 | - | 194,929 | - | - | 448,221 |
| <u>599,046</u> | <u>-</u> | <u>195,152</u> | <u>-</u> | <u>-</u> | <u>1,809,417</u> |
| | | | | | |
| - | - | - | - | 19,517 | 2,158,370 |
| - | - | - | - | 1,923 | 86,706 |
| - | - | 901,445 | - | 1,923 | 4,578,291 |
| <u>(63,200)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(215,141)</u> |
| <u>(63,200)</u> | <u>-</u> | <u>901,445</u> | <u>-</u> | <u>23,363</u> | <u>6,608,226</u> |
| | | | | | |
| <u>\$ 535,846</u> | <u>\$ -</u> | <u>\$ 1,096,597</u> | <u>\$ -</u> | <u>\$ 23,363</u> | <u>\$ 8,417,643</u> |

CITY OF LAKEWOOD

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

For the year ended June 30, 2009

| | Special Revenue Funds | | | |
|---|--------------------------|--------------------|-------------------------|-------------------|
| | State Gasoline Tax | Park Dedication | Sewer Reconstruction | Prop A Transit |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 1,233,191 |
| Investment income, rents and concessions | 56,983 | - | - | 48,139 |
| From other agencies | 2,025,671 | - | - | - |
| Other | - | - | - | - |
| TOTAL REVENUES | 2,082,654 | - | - | 1,281,330 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | 26,730 |
| Public safety | - | - | - | - |
| Transportation | - | - | - | 1,427,461 |
| Community development | - | - | - | 50,517 |
| Health and sanitation | - | - | - | - |
| Culture and leisure | - | - | - | - |
| Capital outlay: | | | | |
| Transportation | - | - | - | 222,860 |
| Culture and leisure | - | 297,925 | - | - |
| TOTAL EXPENDITURES | - | 297,925 | - | 1,727,568 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 2,082,654 | (297,925) | - | (446,238) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (2,082,654) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (2,082,654) | - | - | - |
| NET CHANGE IN FUND BALANCES | - | (297,925) | - | (446,238) |
| FUND BALANCES (DEFICITS) | | | | |
| AT BEGINNING OF YEAR AS RESTATED | 38,892 | 301,748 | 86,719 | 1,394,508 |
| FUND BALANCES (DEFICITS) | | | | |
| AT END OF YEAR | <u>\$ 38,892</u> | <u>\$ 3,823</u> | <u>\$ 86,719</u> | <u>\$ 948,270</u> |

See independent auditors' report.

Special Revenue Funds (Continued)

| Housing Authority | Prop C Transportation | AB 2766 | CDBG | State COPS Grants | JAG Grants | Litter Reduction Grant |
|----------------------|--------------------------|-------------------|------------------|-------------------------|---------------|------------------------------|
| \$ - | \$ 1,005,978 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 71,691 | 102,724 | 3,687 | - | 4,726 | - | - |
| 1,466,359 | - | 97,514 | 654,319 | 131,754 | 13,604 | 21,942 |
| - | - | - | - | - | - | - |
| <u>1,538,050</u> | <u>1,108,702</u> | <u>101,201</u> | <u>654,319</u> | <u>136,480</u> | <u>13,604</u> | <u>21,942</u> |
| - | - | 4,718 | 88,332 | - | - | - |
| - | - | - | - | 136,480 | 13,604 | - |
| - | 173,839 | 59,239 | - | - | - | - |
| 1,442,031 | - | - | 150,887 | - | - | - |
| - | - | - | - | - | - | 7,750 |
| - | - | - | 91,730 | - | - | - |
| - | 1,249,637 | - | 323,261 | - | - | - |
| - | - | - | - | - | - | - |
| <u>1,442,031</u> | <u>1,423,476</u> | <u>63,957</u> | <u>654,210</u> | <u>136,480</u> | <u>13,604</u> | <u>7,750</u> |
| <u>96,019</u> | <u>(314,774)</u> | <u>37,244</u> | <u>109</u> | <u>-</u> | <u>-</u> | <u>14,192</u> |
| - | - | - | 295,516 | 12,849 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 295,516 | 12,849 | - | - |
| 96,019 | (314,774) | 37,244 | 295,625 | 12,849 | - | 14,192 |
| <u>1,213,948</u> | <u>3,170,748</u> | <u>88,663</u> | <u>(295,625)</u> | <u>(12,849)</u> | <u>-</u> | <u>(14,874)</u> |
| <u>\$ 1,309,967</u> | <u>\$ 2,855,974</u> | <u>\$ 125,907</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (682)</u> |

(Continued)

CITY OF LAKEWOOD

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

For the year ended June 30, 2009

| | Special Revenue Funds (Continued) | | | |
|--|-----------------------------------|----------------------|--------------------------------|----------------------|
| | TDA Article Grant | Used Oil Grant | Beverage Container Grant | Prop A Recreation |
| REVENUES: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Investment income, rents and concessions | - | - | - | - |
| From other agencies | 48,249 | 38,173 | 7,681 | 289,850 |
| Other | - | - | - | - |
| TOTAL REVENUES | 48,249 | 38,173 | 7,681 | 289,850 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Transportation | - | - | - | - |
| Community development | - | - | - | - |
| Health and sanitation | - | 11,570 | 7,681 | - |
| Culture and leisure | - | - | - | 166,586 |
| Capital outlay: | | | | |
| Transportation | 48,249 | - | - | - |
| Culture and leisure | - | - | - | 132,062 |
| TOTAL EXPENDITURES | 48,249 | 11,570 | 7,681 | 298,648 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | 26,603 | - | (8,798) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 40,903 | - | - |
| Transfers out | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 40,903 | - | - |
| NET CHANGE IN FUND BALANCES | - | 67,506 | - | (8,798) |
| FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR AS RESTATED | - | (46,255) | - | 365,295 |
| FUND BALANCES (DEFICITS) AT END OF YEAR | \$ - | \$ 21,251 | \$ - | \$ 356,497 |

See independent auditors' report.

Special Revenue Funds (Continued)

| State Parks Grants and Bonds | State Resources Agency River Parkway Grant | Lakewood Business Development | Prop 1B | Weingart Foundation Grant | Total Other Governmental Funds |
|---------------------------------------|---|-------------------------------------|-------------|---------------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,239,169 |
| - | - | 27,104 | - | - | 315,054 |
| 708,488 | - | - | 1,439,408 | - | 6,943,012 |
| - | - | 83,345 | - | - | 83,345 |
| 708,488 | - | 110,449 | 1,439,408 | - | 9,580,580 |
| - | - | - | - | - | 119,780 |
| - | - | - | - | - | 150,084 |
| - | - | - | - | - | 1,660,539 |
| - | - | 1,451 | - | - | 1,644,886 |
| - | - | - | - | - | 27,001 |
| - | - | - | - | - | 258,316 |
| - | - | - | 1,439,408 | - | 3,283,415 |
| 771,688 | - | - | - | 26,287 | 1,227,962 |
| 771,688 | - | 1,451 | 1,439,408 | 26,287 | 8,371,983 |
| (63,200) | - | 108,998 | - | (26,287) | 1,208,597 |
| - | 2,265 | - | - | - | 351,533 |
| - | - | - | - | - | (2,082,654) |
| - | 2,265 | - | - | - | (1,731,121) |
| (63,200) | 2,265 | 108,998 | - | (26,287) | (522,524) |
| - | (2,265) | 792,447 | - | 49,650 | 7,130,750 |
| <u>\$ (63,200)</u> | <u>\$ -</u> | <u>\$ 901,445</u> | <u>\$ -</u> | <u>\$ 23,363</u> | <u>\$ 6,608,226</u> |

CITY OF LAKEWOOD

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

STATE GASOLINE TAX SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|--|------------------------------|------------------|--|
| REVENUES: | | | |
| Investment income, rents and concessions | \$ 20,000 | \$ 56,983 | \$ 36,983 |
| From other agencies | 1,491,500 | 2,025,671 | 534,171 |
| TOTAL REVENUES | 1,511,500 | 2,082,654 | 571,154 |
| OTHER FINANCING USES: | | | |
| Transfers out | (1,511,500) | (2,082,654) | (571,154) |
| NET CHANGE IN FUND BALANCE | - | - | - |
| FUND BALANCE AT BEGINNING OF YEAR | 38,892 | 38,892 | - |
| FUND BALANCE AT END OF YEAR | <u>\$ 38,892</u> | <u>\$ 38,892</u> | <u>\$ -</u> |

See independent auditors' report.

CITY OF LAKEWOOD

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

PARK DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|-----------------|--|
| REVENUES: | | | |
| Other taxes | \$ 25,000 | \$ - | \$ (25,000) |
| EXPENDITURES: | | | |
| Capital outlay: | | | |
| Culture and leisure | 377,525 | 297,925 | 79,600 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (352,525) | (297,925) | 54,600 |
| FUND BALANCE AT BEGINNING OF YEAR | 301,748 | 301,748 | - |
| FUND BALANCE AT END OF YEAR | <u>\$ (50,777)</u> | <u>\$ 3,823</u> | <u>\$ 54,600</u> |

See independent auditors' report.

CITY OF LAKEWOOD

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

SEWER RECONSTRUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|------------------|--|
| REVENUES: | | | |
| Licenses and permits | \$ 10,000 | \$ - | \$ (10,000) |
| EXPENDITURES: | | | |
| Current: | | | |
| Community development | 11,577 | - | 11,577 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,577) | - | 1,577 |
| FUND BALANCE AT BEGINNING OF YEAR | 86,719 | 86,719 | - |
| FUND BALANCE AT END OF YEAR | <u>\$ 85,142</u> | <u>\$ 86,719</u> | <u>\$ 1,577</u> |

See independent auditors' report.

CITY OF LAKEWOOD

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

PROP A TRANSIT SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|-------------------|--|
| REVENUES: | | | |
| Taxes | \$ 1,200,000 | \$ 1,233,191 | \$ 33,191 |
| Investment income, rents and concessions | 25,000 | 48,139 | 23,139 |
| TOTAL REVENUES | <u>1,225,000</u> | <u>1,281,330</u> | <u>56,330</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 38,260 | 26,730 | 11,530 |
| Transportation | 1,504,551 | 1,427,461 | 77,090 |
| Community development | 51,467 | 50,517 | 950 |
| Capital outlay: | | | |
| Transportation | <u>263,843</u> | <u>222,860</u> | <u>40,983</u> |
| TOTAL EXPENDITURES | <u>1,858,121</u> | <u>1,727,568</u> | <u>130,553</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (633,121) | (446,238) | 186,883 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>1,394,508</u> | <u>1,394,508</u> | <u>-</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 761,387</u> | <u>\$ 948,270</u> | <u>\$ 186,883</u> |

See independent auditors' report.

CITY OF LAKEWOOD

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

HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|--------------|--|
| REVENUES: | | | |
| Investment income, rents and concessions | \$ 40,000 | \$ 71,691 | \$ 31,691 |
| From other agencies | 1,764,108 | 1,466,359 | (297,749) |
| TOTAL REVENUES | 1,804,108 | 1,538,050 | (266,058) |
| EXPENDITURES: | | | |
| Current: | | | |
| Community development | 1,804,108 | 1,442,031 | 362,077 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | 96,019 | 96,019 |
| FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED | 1,213,948 | 1,213,948 | - |
| FUND BALANCE AT END OF YEAR | \$ 1,213,948 | \$ 1,309,967 | \$ 96,019 |

See independent auditors' report.

CITY OF LAKEWOOD

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

PROP C TRANSPORTATION SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|---------------------|--|
| REVENUES: | | | |
| Taxes | \$ 1,000,000 | \$ 1,005,978 | \$ 5,978 |
| Investment income, rents and concessions | 60,000 | 102,724 | 42,724 |
| TOTAL REVENUES | <u>1,060,000</u> | <u>1,108,702</u> | <u>48,702</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Transportation | 130,863 | 173,839 | (42,976) |
| Capital outlay: | | | |
| Transportation | <u>3,361,992</u> | <u>1,249,637</u> | <u>2,112,355</u> |
| TOTAL EXPENDITURES | <u>3,492,855</u> | <u>1,423,476</u> | <u>2,069,379</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (2,432,855) | (314,774) | 2,118,081 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>3,170,748</u> | <u>3,170,748</u> | <u>-</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ 737,893</u> | <u>\$ 2,855,974</u> | <u>\$ 2,118,081</u> |

See independent auditors' report.

CITY OF LAKEWOOD

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

AB 2766 SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|------------|--|
| REVENUES: | | | |
| Investment income, rents and concessions | \$ 1,500 | \$ 3,687 | \$ 2,187 |
| From other agencies | 62,899 | 97,514 | 34,615 |
| TOTAL REVENUES | 64,399 | 101,201 | 36,802 |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 4,800 | 4,718 | 82 |
| Transportation | 59,599 | 59,239 | 360 |
| TOTAL EXPENDITURES | 64,399 | 63,957 | 442 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | 37,244 | 37,244 |
| FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED | 88,663 | 88,663 | - |
| FUND BALANCE AT END OF YEAR | \$ 88,663 | \$ 125,907 | \$ 37,244 |

See independent auditors' report.

CITY OF LAKEWOOD

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

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|------------|--|
| REVENUES: | | | |
| From other agencies | \$ 722,690 | \$ 654,319 | \$ (68,371) |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 108,756 | 88,332 | 20,424 |
| Community development | 169,754 | 150,887 | 18,867 |
| Culture and leisure | 84,857 | 91,730 | (6,873) |
| Capital outlay: | | | |
| Transportation | 398,743 | 323,261 | 75,482 |
| TOTAL EXPENDITURES | 762,110 | 654,210 | 107,900 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (39,420) | 109 | 39,529 |
| OTHER FINANCING SOURCES: | | | |
| Transfers in | - | 295,516 | 295,516 |
| NET CHANGE IN FUND BALANCES | (39,420) | 295,625 | 335,045 |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED | (295,625) | (295,625) | - |
| FUND BALANCE AT END OF YEAR | \$ (335,045) | \$ - | \$ 335,045 |

See independent auditors' report.

CITY OF LAKEWOOD

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

STATE COPS GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|-------------|--|
| REVENUES: | | | |
| Investment income, rents and concessions | \$ - | \$ 4,726 | \$ 4,726 |
| From other agencies | 217,700 | 131,754 | (85,946) |
| TOTAL REVENUES | 217,700 | 136,480 | (81,220) |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | 217,700 | 136,480 | 81,220 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | - |
| OTHER FINANCING SOURCES: | | | |
| Transfers in | - | 12,849 | 12,849 |
| NET CHANGE IN FUND BALANCES | - | 12,849 | 12,849 |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | (12,849) | (12,849) | - |
| FUND BALANCE AT END OF YEAR | <u>\$ (12,849)</u> | <u>\$ -</u> | <u>\$ 12,849</u> |

See independent auditors' report.

CITY OF LAKEWOOD

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

JAG GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|-----------|--|
| REVENUES: | | | |
| From other agencies | \$ - | \$ 13,604 | \$ 13,604 |
| EXPENDITURES: | | | |
| Current: | | | |
| Public safety | - | 13,604 | (13,604) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | - |
| FUND BALANCE AT BEGINNING OF YEAR | - | - | - |
| FUND BALANCE AT END OF YEAR | \$ - | \$ - | \$ - |

See independent auditors' report.

CITY OF LAKEWOOD

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

LITTER REDUCTION GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|------------------------|--|
| REVENUES: | | | |
| From other agencies | \$ 23,500 | \$ 21,942 | \$ (1,558) |
| EXPENDITURES: | | | |
| Current: | | | |
| Health and sanitation | <u>23,500</u> | <u>7,750</u> | <u>15,750</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | 14,192 | 14,192 |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED | <u>(14,874)</u> | <u>(14,874)</u> | <u>-</u> |
| FUND BALANCE (DEFICIT) AT END OF YEAR | <u><u>\$ (14,874)</u></u> | <u><u>\$ (682)</u></u> | <u><u>\$ 14,192</u></u> |

See independent auditors' report.

CITY OF LAKEWOOD

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

TDA ARTICLE GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|-----------|--|
| REVENUES: | | | |
| From other agencies | \$ 50,000 | \$ 48,249 | \$ (1,751) |
| EXPENDITURES: | | | |
| Capital outlay: | | | |
| Transportation | 50,000 | 48,249 | 1,751 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | - |
| FUND BALANCE AT BEGINNING OF YEAR | - | - | - |
| FUND BALANCE AT END OF YEAR | \$ - | \$ - | \$ - |

See independent auditors' report.

CITY OF LAKEWOOD

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

USED OIL GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|-----------|--|
| REVENUES: | | | |
| From other agencies | \$ 21,323 | \$ 38,173 | \$ 16,850 |
| EXPENDITURES: | | | |
| Current: | | | |
| Health and sanitation | 21,323 | 11,570 | 9,753 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | 26,603 | 26,603 |
| OTHER FINANCING SOURCES: | | | |
| Transfers in | - | 40,903 | 40,903 |
| NET CHANGE IN FUND BALANCES | - | 67,506 | 67,506 |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR, AS RESTATED | (46,255) | (46,255) | - |
| FUND BALANCE AT END OF YEAR | \$ (46,255) | \$ 21,251 | \$ 67,506 |

See independent auditors' report.

CITY OF LAKEWOOD

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

BEVERAGE CONTAINER GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|-------------|--|
| REVENUES: | | | |
| From other agencies | \$ - | \$ 7,681 | \$ 7,681 |
| EXPENDITURES: | | | |
| Current: | | | |
| Health and sanitation | 7,500 | 7,681 | (181) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (7,500) | - | 7,500 |
| FUND BALANCE AT BEGINNING OF YEAR | - | - | - |
| FUND BALANCE AT END OF YEAR | <u>\$ (7,500)</u> | <u>\$ -</u> | <u>\$ 7,500</u> |

See independent auditors' report.

CITY OF LAKEWOOD

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

PROP A RECREATION SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|------------|--|
| REVENUES: | | | |
| From other agencies | \$ 123,613 | \$ 289,850 | \$ 166,237 |
| EXPENDITURES: | | | |
| Current: | | | |
| Culture and leisure | 177,174 | 166,586 | 10,588 |
| Capital outlay: | | | |
| Culture and leisure | 132,062 | 132,062 | - |
| TOTAL EXPENDITURES | 309,236 | 298,648 | 10,588 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (185,623) | (8,798) | 176,825 |
| FUND BALANCE AT BEGINNING OF YEAR | 365,295 | 365,295 | - |
| FUND BALANCE AT END OF YEAR | \$ 179,672 | \$ 356,497 | \$ 176,825 |

See independent auditors' report.

CITY OF LAKEWOOD

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

STATE PARKS GRANTS AND BONDS SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|-------------|--|
| REVENUES: | | | |
| From other agencies | \$ - | \$ 708,488 | \$ 708,488 |
| EXPENDITURES: | | | |
| Capital outlay: | | | |
| Culture and leisure | 771,688 | 771,688 | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (771,688) | (63,200) | 708,488 |
| FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED | - | - | - |
| FUND BALANCE (DEFICIT) AT END OF YEAR | \$ (771,688) | \$ (63,200) | \$ 708,488 |

See independent auditors' report.

CITY OF LAKEWOOD

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

STATE RESOURCES AGENCY RIVER PARKWAY GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|-------------|--|
| OTHER FINANCING SOURCES: | | | |
| Transfers in | \$ - | \$ 2,265 | \$ 2,265 |
| NET CHANGE IN FUND BALANCES | - | 2,265 | 2,265 |
| FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR | (2,265) | (2,265) | - |
| FUND BALANCE AT END OF YEAR | <u>\$ (2,265)</u> | <u>\$ -</u> | <u>\$ 2,265</u> |

See independent auditors' report.

CITY OF LAKEWOOD

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

LAKEWOOD BUSINESS DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|------------|--|
| REVENUES: | | | |
| Investment income, rents and concessions | \$ 20,000 | \$ 27,104 | \$ 7,104 |
| From other agencies | 120,000 | - | (120,000) |
| Other | 200,000 | 83,345 | (116,655) |
| TOTAL REVENUES | 340,000 | 110,449 | (229,551) |
| EXPENDITURES: | | | |
| Current: | | | |
| Community development | 106,500 | 1,451 | 105,049 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 233,500 | 108,998 | (124,502) |
| FUND BALANCE AT BEGINNING OF YEAR | 792,447 | 792,447 | - |
| FUND BALANCE AT END OF YEAR | \$ 1,025,947 | \$ 901,445 | \$ (124,502) |

See independent auditors' report.

CITY OF LAKEWOOD

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

PROP 1B SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|--------------|--|
| REVENUES: | | | |
| From other agencies | \$ 1,245,309 | \$ 1,439,408 | \$ 194,099 |
| EXPENDITURES: | | | |
| Capital outlay: | | | |
| Transportation | 1,439,408 | 1,439,408 | - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (194,099) | - | 194,099 |
| FUND BALANCE AT BEGINNING OF YEAR | - | - | - |
| FUND BALANCE AT END OF YEAR | \$ (194,099) | \$ - | \$ 194,099 |

See independent auditors' report.

CITY OF LAKEWOOD

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

WEINGART FOUNDATION GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2009

| | Final Budgeted Amounts | Actual | Variance Final Budget Positive (Negative) |
|---|------------------------------|-----------|--|
| EXPENDITURES: | | | |
| Capital outlay: | | | |
| Culture and leisure | \$ 49,650 | \$ 26,287 | \$ 23,363 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (49,650) | (26,287) | 23,363 |
| FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED | 49,650 | 49,650 | - |
| FUND BALANCE AT END OF YEAR | \$ - | \$ 23,363 | \$ 23,363 |

See independent auditors' report.

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PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS

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

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

CITY OF LAKEWOOD

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2009

| | Central Garage | Print Shop | Totals |
|---|-------------------|-------------------|------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and investments | \$ - | \$ 12,391 | \$ 12,391 |
| Inventories | 15,731 | 1,766 | 17,497 |
| Prepaid items | 550 | - | 550 |
| TOTAL CURRENT ASSETS | 16,281 | 14,157 | 30,438 |
| NONCURRENT ASSETS | | | |
| Capital assets: | | | |
| Equipment | 1,293,124 | - | 1,293,124 |
| Less: accumulated depreciation | (1,225,247) | - | (1,225,247) |
| Total capital assets (net of accumulated depreciation) | 67,877 | - | 67,877 |
| TOTAL ASSETS | 84,158 | 14,157 | 98,315 |
| LIABILITIES | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | 4,715 | 7,932 | 12,647 |
| Accrued liabilities | 21,284 | 11,137 | 32,421 |
| TOTAL CURRENT LIABILITIES | 25,999 | 19,069 | 45,068 |
| NET ASSETS | | | |
| Invested in capital assets | 67,877 | - | 67,877 |
| Unrestricted | (9,718) | (4,912) | (14,630) |
| TOTAL NET ASSETS (DEFICIT) | \$ 58,159 | \$ (4,912) | \$ 53,247 |

See independent auditors' report.

CITY OF LAKEWOOD

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

For the year ended June 30, 2009

| | Central Garage | Print Shop | Totals |
|---|-------------------|---------------|--------------|
| OPERATING REVENUES: | | | |
| Billings to departments | \$ 854,459 | \$ 361,101 | \$ 1,215,560 |
| OPERATING EXPENSES: | | | |
| Operations: | | | |
| Cost of goods sold | 857,646 | 359,522 | 1,217,168 |
| Depreciation | 67,467 | - | 67,467 |
| TOTAL OPERATING EXPENSES | 925,113 | 359,522 | 1,284,635 |
| OPERATING INCOME (LOSS) BEFORE TRANSFERS | (70,654) | 1,579 | (69,075) |
| TRANSFERS IN | 530,203 | - | 530,203 |
| CHANGE IN NET ASSETS | 459,549 | 1,579 | 461,128 |
| NET ASSETS (DEFICITS) AT BEGINNING OF YEAR, AS RESTATED | (401,390) | (6,491) | (407,881) |
| NET ASSETS (DEFICIT) AT END OF YEAR | \$ 58,159 | \$ (4,912) | \$ 53,247 |

See independent auditors' report.

CITY OF LAKEWOOD

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2009

| | Central Garage | Print Shop | Totals |
|--|-------------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from interfund services provided | \$ 854,459 | \$ 359,335 | \$ 1,213,794 |
| Payments to suppliers | (447,685) | (111,340) | (559,025) |
| Payments to employees | (397,927) | (244,154) | (642,081) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>8,847</u> | <u>3,841</u> | <u>12,688</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Receipts from other funds | 530,203 | - | 530,203 |
| Payments to other funds | (539,050) | (1,482) | (540,532) |
| NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES | <u>(8,847)</u> | <u>(1,482)</u> | <u>(10,329)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | - | 2,359 | 2,359 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>-</u> | <u>10,032</u> | <u>10,032</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ -</u> | <u>\$ 12,391</u> | <u>\$ 12,391</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ (70,654) | \$ 1,579 | \$ (69,075) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation | 67,467 | - | 67,467 |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in inventories | 46,226 | (1,766) | 44,460 |
| (Increase) decrease in prepaid items | (550) | - | (550) |
| Increase (decrease) in accounts payable | (35,708) | 4,174 | (31,534) |
| Increase (decrease) in accrued liabilities | 2,066 | (146) | 1,920 |
| TOTAL ADJUSTMENTS | <u>79,501</u> | <u>2,262</u> | <u>81,763</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 8,847</u> | <u>\$ 3,841</u> | <u>\$ 12,688</u> |

See independent auditors' report.

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

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

CITY OF LAKEWOOD

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2009

| | Agency Funds | | | | Totals |
|--------------------------|-------------------|---------------------------|----------------------------------|---------------------------------|---------------------|
| | Deposit | Housing Rehabilitation | Sheriff Station Renovation | Southeast Water Coalition | |
| ASSETS: | | | | | |
| Cash and investments | \$ 732,418 | \$ 299,676 | \$ 360,716 | \$ 73,216 | \$ 1,466,026 |
| Loans receivable | - | 979,553 | - | - | 979,553 |
| TOTAL ASSETS | \$ 732,418 | \$ 1,279,229 | \$ 360,716 | \$ 73,216 | \$ 2,445,579 |
| LIABILITIES: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 3,574 | \$ 3,574 |
| Deposits | 732,418 | 286,225 | 360,716 | 69,642 | 1,449,001 |
| Due to HUD | - | 993,004 | - | - | 993,004 |
| TOTAL LIABILITIES | \$ 732,418 | \$ 1,279,229 | \$ 360,716 | \$ 73,216 | \$ 2,445,579 |

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2009

| | Balance July 1, 2008 | Additions | Deletions | Balance June 30, 2009 |
|------------------------------------|----------------------------|--------------|--------------|-----------------------------|
| DEPOSIT FUND | | | | |
| ASSETS: | | | | |
| Cash and investments | \$ 683,256 | \$ 226,132 | \$ 176,970 | \$ 732,418 |
| LIABILITIES: | | | | |
| Deposits | \$ 683,256 | \$ 471,058 | \$ 421,896 | \$ 732,418 |
| HOUSING REHABILITATION FUND | | | | |
| ASSETS: | | | | |
| Cash and investments | \$ 293,610 | \$ 377,927 | \$ 371,861 | \$ 299,676 |
| Loans receivable | 1,048,553 | 9,000 | 78,000 | 979,553 |
| TOTAL ASSETS | \$ 1,342,163 | \$ 386,927 | \$ 449,861 | \$ 1,279,229 |
| LIABILITIES: | | | | |
| Deposits | \$ 284,914 | \$ 522,026 | \$ 520,715 | \$ 286,225 |
| Due to HUD | 1,057,249 | 8,382 | 72,627 | 993,004 |
| TOTAL LIABILITIES | \$ 1,342,163 | \$ 530,408 | \$ 593,342 | \$ 1,279,229 |
| SHERIFF STATION RENOVATION | | | | |
| ASSETS: | | | | |
| Cash and investments | \$ 1,430,697 | \$ 32,722 | \$ 1,102,703 | \$ 360,716 |
| Accounts receivable | 10,627 | - | 10,627 | - |
| TOTAL ASSETS | \$ 1,441,324 | \$ 32,722 | \$ 1,113,330 | \$ 360,716 |
| LIABILITIES: | | | | |
| Accounts payable | \$ 909,296 | \$ 178,476 | \$ 1,087,772 | \$ - |
| Deposits | 532,028 | 205,802 | 377,114 | 360,716 |
| TOTAL LIABILITIES | \$ 1,441,324 | \$ 384,278 | \$ 1,464,886 | \$ 360,716 |
| SOUTHEAST WATER COALITION | | | | |
| ASSETS: | | | | |
| Cash and investments | \$ - | \$ 164,353 | \$ 91,137 | \$ 73,216 |
| Accounts receivable | - | 140,370 | 140,370 | - |
| TOTAL ASSETS | \$ - | \$ 304,723 | \$ 231,507 | \$ 73,216 |
| LIABILITIES: | | | | |
| Accounts payable | \$ - | \$ 98,710 | \$ 95,136 | \$ 3,574 |
| Deposits | - | 161,953 | 92,311 | 69,642 |
| TOTAL LIABILITIES | \$ - | \$ 260,663 | \$ 187,447 | \$ 73,216 |
| TOTAL - ALL AGENCY FUNDS | | | | |
| ASSETS: | | | | |
| Cash and investments | \$ 2,407,563 | \$ 801,134 | \$ 1,742,671 | \$ 1,466,026 |
| Accounts receivable | 10,627 | 140,370 | 150,997 | - |
| Loans receivable | 1,048,553 | 9,000 | 78,000 | 979,553 |
| TOTAL ASSETS | \$ 3,466,743 | \$ 950,504 | \$ 1,971,668 | \$ 2,445,579 |
| LIABILITIES: | | | | |
| Accounts payable | \$ 909,296 | \$ 277,186 | \$ 1,182,908 | \$ 3,574 |
| Deposits | 1,500,198 | 1,360,839 | 1,412,036 | 1,449,001 |
| Due to HUD | 1,057,249 | 8,382 | 72,627 | 993,004 |
| TOTAL LIABILITIES | \$ 3,466,743 | \$ 1,646,407 | \$ 2,667,571 | \$ 2,445,579 |

See independent auditors' report.

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2008

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

| Contents: | <u>Pages</u> |
|---|--------------|
| <u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 100 - 109 |
| <u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. | 110 - 113 |
| <u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 114 - 121 |
| <u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 122 - 123 |
| <u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 124 - 129 |

CITY OF LAKEWOOD

Net Assets by Component

Last Seven Fiscal Years
(accrual basis of accounting)

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

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

| Fiscal Year | | |
|-----------------------|-----------------------|-----------------------|
| 2007 | 2008 | 2009 |
| \$ 80,280,502 | \$ 80,655,513 | \$ 84,047,863 |
| 14,647,204 | 16,173,588 | 20,797,866 |
| 31,896,543 | 34,073,759 | 33,383,975 |
| <u>\$ 126,824,249</u> | <u>\$ 130,902,860</u> | <u>\$ 138,229,704</u> |
| | | |
| \$ 18,820,327 | \$ 18,683,373 | \$ 21,214,604 |
| - | - | - |
| 7,150,032 | 9,629,136 | 9,438,065 |
| <u>\$ 25,970,359</u> | <u>\$ 28,312,509</u> | <u>\$ 30,652,669</u> |
| | | |
| \$ 99,100,829 | \$ 99,338,886 | \$ 105,262,467 |
| 14,647,204 | 16,173,588 | 20,797,866 |
| 39,046,575 | 43,702,895 | 42,822,040 |
| <u>\$ 152,794,608</u> | <u>\$ 159,215,369</u> | <u>\$ 168,882,373</u> |

CITY OF LAKEWOOD

Changes in Net Assets - Expenses and Program Revenues

Last Seven Fiscal Years
(accrual basis of accounting)

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

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

Source: Department of Administrative Services, City of Lakewood

| Fiscal Year | | |
|------------------------|------------------------|------------------------|
| 2007 | 2008 | 2009 |
| \$ 8,510,064 | \$ 8,128,441 | \$ 7,835,015 |
| 11,356,267 | 12,455,676 | 12,620,187 |
| 4,824,504 | 5,649,724 | 5,674,897 |
| 10,309,543 | 10,717,032 | 10,336,150 |
| 4,250,787 | 4,449,649 | 4,238,617 |
| 9,019,931 | 9,141,664 | 9,368,215 |
| 1,776,204 | 1,979,819 | 2,180,932 |
| 2,795,304 | 3,077,480 | 3,114,073 |
| 52,842,604 | 55,599,485 | 55,368,086 |
| 6,276,836 | 6,880,787 | 6,610,831 |
| <u>\$ 59,119,440</u> | <u>\$ 62,480,272</u> | <u>\$ 61,978,917</u> |
| | | |
| \$ 859,860 | \$ 1,187,144 | \$ 1,332,148 |
| 1,351,445 | 1,423,814 | 1,512,415 |
| 1,133,876 | 1,169,018 | 710,503 |
| 4,346,022 | 4,489,476 | 4,563,049 |
| 1,561,244 | 1,574,007 | 1,487,320 |
| 7,988,389 | 8,182,326 | 9,855,674 |
| 822,247 | 1,263,382 | 790,799 |
| 18,063,083 | 19,289,167 | 20,251,908 |
| 8,996,352 | 8,916,030 | 8,499,939 |
| <u>\$ 27,059,435</u> | <u>\$ 28,205,197</u> | <u>\$ 28,751,847</u> |
| | | |
| \$ (34,779,521) | \$ (36,310,318) | \$ (35,116,178) |
| 2,719,516 | 2,035,243 | 1,889,108 |
| <u>\$ (32,060,005)</u> | <u>\$ (34,275,075)</u> | <u>\$ (33,227,070)</u> |

CITY OF LAKEWOOD

Changes in Net Assets - General Revenues

Last Seven Fiscal Years
(accrual basis of accounting)

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

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

| Fiscal Year | | |
|---------------|---------------|---------------|
| 2007 | 2008 | 2009 |
| \$ 11,766,140 | \$ 10,681,315 | \$ 11,198,871 |
| 18,479,238 | 18,955,132 | 19,537,963 |
| 1,236,819 | 1,249,586 | 1,453,817 |
| 396,078 | 476,926 | 462,403 |
| 3,239,797 | 3,517,707 | 3,490,921 |
| 358,325 | 602,798 | 467,661 |
| 446,043 | 35,099 | 35,089 |
| 740,072 | 433,593 | 555,376 |
| 4,540,996 | 4,654,612 | 3,987,964 |
| 41,203,508 | 40,606,768 | 41,190,065 |
| 36,000 | - | - |
| 371,213 | 342,341 | 462,016 |
| 407,213 | 342,341 | 462,016 |
| \$ 41,610,721 | \$ 40,949,109 | \$ 41,652,081 |
| \$ 6,423,987 | \$ 4,296,450 | \$ 6,073,887 |
| 3,126,729 | 2,377,584 | 2,351,124 |
| \$ 9,550,716 | \$ 6,674,034 | \$ 8,425,011 |

CITY OF LAKEWOOD

Fund Balances of Governmental Funds

Last Seven Fiscal Years
(modified accrual basis of accounting)

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

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

| Fiscal Year | | |
|-----------------------|-----------------------|-----------------------|
| 2007 | 2008 | 2009 |
| \$ 28,796,772 | \$ 29,328,980 | \$ 25,260,235 |
| 26,661,511 | 27,880,662 | 27,795,309 |
| <u>\$ 55,458,283</u> | <u>\$ 57,209,642</u> | <u>\$ 53,055,544</u> |
| | | |
| \$ 13,523,632 | \$ 17,498,570 | \$ 18,188,115 |
| - | (1,235,920) | (215,141) |
| (23,295,789) | (24,250,320) | (23,842,134) |
| (143,399) | (492,819) | (2,282,333) |
| <u>\$ (9,915,556)</u> | <u>\$ (8,480,489)</u> | <u>\$ (8,151,493)</u> |

CITY OF LAKEWOOD

Changes in Fund Balances of Governmental Funds

Last Seven Fiscal Years
(modified accrual basis of accounting)

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

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

Source: Department of Administrative Services, City of Lakewood

| Fiscal Year | | |
|---------------|---------------|----------------|
| 2007 | 2008 | 2009 |
| \$ 31,784,445 | \$ 31,000,225 | \$ 31,590,639 |
| 738,038 | 923,086 | 592,929 |
| 716,319 | 824,290 | 1,208,896 |
| 2,561,550 | 3,484,410 | 2,782,769 |
| 14,710,260 | 15,883,025 | 15,253,739 |
| 7,651,476 | 7,863,790 | 7,532,352 |
| 607,189 | 826,595 | 677,272 |
| 58,769,277 | 60,805,421 | 59,638,596 |
| 8,107,339 | 7,757,977 | 11,926,351 |
| 11,681,352 | 12,331,098 | 12,548,066 |
| 4,553,872 | 5,350,765 | 5,586,431 |
| 9,452,465 | 10,066,888 | 9,630,108 |
| 4,238,095 | 4,445,610 | 4,236,923 |
| 8,260,888 | 8,323,630 | 8,813,143 |
| 132,630 | 149,824 | 6,259 |
| 412,453 | 212,983 | 6,032 |
| 6,190,273 | 1,711,708 | 4,576,032 |
| 109,297 | 59,865 | 71,327 |
| 1,641,415 | 1,935,873 | 2,013,129 |
| 760,698 | 760,974 | 761,781 |
| - | - | - |
| - | - | - |
| 860,000 | 885,000 | 920,000 |
| 2,774,360 | 3,057,549 | 3,094,768 |
| 59,175,137 | 57,049,744 | 64,190,350 |
| (405,860) | 3,755,677 | (4,551,754) |
| 14,223,245 | 8,100,982 | 6,478,745 |
| (14,376,187) | (8,874,791) | (7,008,948) |
| - | - | - |
| - | - | - |
| - | - | - |
| 689,520 | - | - |
| 536,578 | (773,809) | (530,203) |
| \$ 130,718 | \$ 2,981,868 | \$ (5,081,957) |
| 8.78% | 8.87% | 8.31% |

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 |
|---------------------------------|--------------|------------|------------|------------------------------|-----------------------------|
| 2000 | \$ 3,705,897 | \$ 1,318 | \$ 101,163 | \$ 3,808,378 | 0.155% |
| 2001 | 3,921,097 | 1,244 | 104,499 | 4,026,840 | 0.156% |
| 2002 | 4,150,896 | 1,330 | 121,253 | 4,273,479 | 0.161% |
| 2003 | 4,378,849 | 1,219 | 121,478 | 4,501,546 | 0.160% |
| 2004 | 4,705,822 | 1,355 | 110,380 | 4,817,557 | 0.158% |
| 2005 | 5,129,355 | 1,627 | 120,676 | 5,251,658 | 0.169% |
| 2006 | 5,685,313 | 2,089 | 123,017 | 5,810,419 | 0.167% |
| 2007 | 6,288,569 | 1,862 | 124,448 | 6,414,879 | 0.167% |
| 2008 | 6,855,443 | 268 | 122,010 | 6,977,721 | 0.169% |
| 2009 | 7,134,053 | 268 | 135,015 | 7,269,336 | 0.171% |

NOTE:

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

CITY OF LAKEWOOD

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

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| City Direct Rates: | | | | | | | | | | |
| City basic rate | \$ 0.1553 | \$ 0.1558 | \$ 0.1607 | \$ 0.1600 | \$ 0.1577 | \$ 0.1688 | \$ 0.1666 | \$ 0.1676 | \$ 0.1689 | \$ 0.1706 |
| Overlapping Rates: | | | | | | | | | | |
| Los Angeles County | 0.0014 | 0.0013 | 0.0011 | 0.0010 | 0.0009 | 0.0009 | 0.0008 | 0.0007 | - | - |
| School Districts | 0.0971 | 0.0985 | 0.1094 | 0.1186 | 0.1236 | 0.1272 | 0.1186 | 0.1099 | 0.2049 | 0.2200 |
| Sanitation and Water | 0.0016 | 0.0013 | 0.0010 | - | - | 0.0002 | - | - | - | - |
| Water Districts | 0.0089 | 0.0088 | 0.0077 | 0.0067 | 0.0061 | 0.0058 | 0.0052 | 0.2778 | 0.0045 | 0.0043 |
| Other | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |
| Total Direct Rate | <u>\$ 1.2643</u> | <u>\$ 1.2657</u> | <u>\$ 1.2799</u> | <u>\$ 1.2863</u> | <u>\$ 1.2883</u> | <u>\$ 1.3029</u> | <u>\$ 1.2912</u> | <u>\$ 1.5560</u> | <u>\$ 1.3783</u> | <u>\$ 1.3949</u> |

NOTE:

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

CITY OF LAKEWOOD

Principal Property Tax Payers

Current Fiscal Year and Nine Fiscal Years Ago

| Taxpayer | 2009 | | 2000 | |
|----------------------------------|------------------------|--|------------------------|--|
| | Taxable Assessed Value | Percent of Total City Taxable Assessed Value | Taxable Assessed Value | Percent of Total City Taxable Assessed Value |
| Macerich Lakewood LLC | \$ 269,952,719 | 3.78% | N/A | N/A |
| Advance Group 05-86 | 80,215,201 | 1.12% | N/A | N/A |
| Lakewood Regional Medical Center | 65,371,432 | 0.92% | N/A | N/A |
| Monterey Lakewood LLC | 42,071,396 | 0.59% | N/A | N/A |
| Lakewood Marketplace LLC | 34,854,416 | 0.49% | N/A | N/A |
| May Department Stores Company | 33,313,608 | 0.47% | N/A | N/A |
| Target Corporation | 29,604,516 | 0.41% | N/A | N/A |
| Lakewood Associates LLC | 27,364,454 | 0.38% | N/A | N/A |
| EGF Oliverwood LLC | 26,802,680 | 0.38% | N/A | N/A |
| Regency Center LLC | 26,131,156 | 0.37% | N/A | N/A |
| | <u>\$ 635,681,578</u> | <u>8.91%</u> | <u>\$ ~</u> | <u>0.00%</u> |

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

N/A - Not Available

CITY OF LAKEWOOD

Property Tax Levies and Collections

Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---------------------------------|--|---|--------------------|---------------------------------------|---------------------------|--------------------|
| | | Amount | Percent of Levy | | Amount | Percent of Levy |
| 2000 | \$ 2,114,842 | \$ 2,268,538 | 107.27% | \$ 33,183 | \$ 2,301,721 | 108.84% |
| 2001 | 2,242,359 | 2,479,668 | 110.58% | 3,108 | 2,482,776 | 110.72% |
| 2002 | 2,359,786 | 2,378,123 | 100.78% | 9,626 | 2,387,749 | 101.18% |
| 2003 | 2,478,507 | 2,612,402 | 105.40% | 30,440 | 2,642,842 | 106.63% |
| 2004 | 2,642,717 | 2,606,161 | 98.62% | 15,717 | 2,621,878 | 99.21% |
| 2005 | 2,832,544 | 3,045,518 | 107.52% | 38,056 | 3,083,574 | 108.86% |
| 2006 | 2,925,491 | 3,449,685 | 117.92% | 235,732 | 3,685,417 | 125.98% |
| 2007 | 3,822,116 * | 3,671,902 | 96.07% | 35,719 | 3,707,621 | 97.00% |
| 2008 | 3,876,613 | 3,654,888 | 94.28% | 221,725 | 3,876,613 | 100.00% |
| 2009 | 3,812,168 | 3,567,629 | 93.59% | 244,539 | 3,812,168 | 100.00% |

NOTE:

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

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

CITY OF LAKEWOOD

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Governmental Activities | | | |
|---------------------------------|--------------------------------|----------------------------|------------|-------------------------------------|
| | General Obligation Bonds | Tax Allocation Bonds | Loans | Total Governmental Activities |
| 2000 | \$ - | \$ 15,940,000 | \$ 500,000 | \$ 16,440,000 |
| 2001 | - | 15,670,000 | - | 15,670,000 |
| 2002 | - | 15,380,000 | - | 15,380,000 |
| 2003 | - | 14,880,000 | - | 14,880,000 |
| 2004 | - | 14,710,000 | - | 14,710,000 |
| 2005 | - | 13,890,000 | - | 13,890,000 |
| 2006 | - | 13,100,000 | - | 13,100,000 |
| 2007 | - | 12,240,000 | - | 12,240,000 |
| 2008 | - | 11,355,000 | - | 11,355,000 |
| 2009 | - | 10,435,000 | - | 10,435,000 |

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

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

| Business-type Activities | | | Total Primary Government | Percentage of Personal Income ¹ | Debt Per Capita ¹ |
|---------------------------|---|--------------------------------------|--------------------------------|--|------------------------------------|
| Water Revenue Bonds | Loan Payable to State of California | Total Business-type Activities | | | |
| \$ 5,255,000 | \$ 434,431 | \$ 5,689,431 | \$ 22,129,431 | 0.99% | 278 |
| 5,030,000 | 384,203 | 5,414,203 | 21,084,203 | 0.89% | 260 |
| 4,795,000 | 331,959 | 5,126,959 | 20,506,959 | 0.84% | 255 |
| 4,550,000 | 277,619 | 4,827,619 | 19,707,619 | 0.79% | 242 |
| 4,635,000 | 221,098 | 4,856,098 | 19,566,098 | 0.76% | 238 |
| 4,315,000 | 162,309 | 4,477,309 | 18,367,309 | 0.67% | 221 |
| 3,990,000 | 101,162 | 4,091,162 | 17,191,162 | 0.80% | 207 |
| 3,650,000 | 37,561 | 3,687,561 | 15,927,561 | N/A | 178 |
| 6,745,000 | - | 6,745,000 | 18,100,000 | 0.98% | 217 |
| 6,375,000 | - | 6,375,000 | 16,810,000 | 0.72% | 201 |

CITY OF LAKEWOOD

Ratio of General Bonded Debt Outstanding

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

| Fiscal Year Ended June 30 | Outstanding General Bonded Debt | | | Percent of Assessed Value ¹ | Per Capita |
|---------------------------------|---------------------------------|----------------------------|-----------|--|---------------|
| | General Obligation Bonds | Tax Allocation Bonds | Total | | |
| 2000 | \$ - | \$ 15,940 | \$ 15,940 | 0.42% | - |
| 2001 | - | 15,670 | 15,670 | 0.39% | - |
| 2002 | - | 15,380 | 15,380 | 0.36% | - |
| 2003 | - | 14,880 | 14,880 | 0.33% | - |
| 2004 | - | 14,710 | 14,710 | 0.31% | - |
| 2005 | - | 13,890 | 13,890 | 0.26% | - |
| 2006 | - | 13,100 | 13,100 | 0.23% | - |
| 2007 | - | 12,240 | 12,240 | 0.19% | - |
| 2008 | - | 11,355 | 11,355 | 0.16% | - |
| 2009 | - | 10,435 | 10,435 | 0.14% | - |

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

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

CITY OF LAKEWOOD

Direct and Overlapping Debt

June 30, 2009

| | | | |
|--|---------------------------------------|-----------------------------|--|
| Total Assessed Valuation | | \$ 6,413,787,806 | |
| | Percentage Applicable ¹ | Outstanding Debt 6/30/09 | Estimated Share of Overlapping Debt |
| Overlapping Debt: | | | |
| Metropolitan Water District | 0.743% | \$ 137,096,151 | 1,019,251 |
| Cerritos Community College District 2004 Series 2004A | 7.104% | 4,135,000 | 293,759 |
| Cerritos Community College District 2005 Refunding Bonds | 7.104% | 23,730,994 | 1,685,898 |
| Cerritos Community College District 2004 Series 2006 | 7.104% | 85,645,000 | 6,084,394 |
| Compton Community College District 2002 Series A | 2.715% | 36,390,000 | 988,029 |
| Long Beach Community College District 2002 Series A, 2003 Debt Service | 8.142% | 4,645,000 | 378,209 |
| Long Beach Community College District 2002 Series B, 2005 Debt Service | 8.142% | 60,015,000 | 488,659 |
| Long Beach Community College District Ref BD 2002 Series C, 2005 | 8.142% | 22,054,898 | 1,795,774 |
| Long Beach Community College District 2002 Series D, 2007 Debt Service | 8.142% | 70,999,987 | 5,781,025 |
| Long Beach Community College District 2008 Series A, 2008 Debt Service | 8.142% | 48,373,681 | 3,938,750 |
| ABC Unified School District 2003 Refunding Series A Debt Service | 10.155% | 16,670,000 | 1,692,836 |
| ABC Unified School District 1997 Series B Debt Service | 10.155% | 35,119,966 | 3,566,427 |
| Long Beach Unified School District 1999 Series A Debt Service | 8.140% | 7,705,000 | 627,165 |
| Long Beach Unified School District 1999 Series B Debt Service | 8.140% | 690,000 | 56,164 |
| Long Beach Unified School District 1999 Series C Debt Service | 8.140% | 28,940,000 | 2,355,634 |
| Long Beach Unified School District 1999 Series D Debt Service | 8.140% | 29,705,000 | 2,417,903 |
| Long Beach Unified School District 1999 Series E Debt Service | 8.140% | 54,390,000 | 4,427,192 |
| Long Beach Unified School District 1999 Series F Debt Service | 8.140% | 48,860,000 | 3,977,065 |
| Paramount Unified School District 1998 Series A Debt Service | 9.564% | 23,190,000 | 2,217,928 |
| Paramount Unified School District 2006 Series Debt Service 2007 | 9.564% | 38,594,976 | 3,691,284 |
| Total overlapping debt | | 776,950,653 | 51,881,282 |
| Total direct and overlapping debt | | | \$ 51,881,282 |

Notes:

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

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

CITY OF LAKEWOOD

Legal Debt Margin Information

Last Ten Fiscal Years

| | Fiscal Year | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2000 | 2001 | 2002 | 2003 |
| Assessed valuation (In thousands) | \$ 3,808,378 | \$ 4,026,840 | \$ 4,273,479 | \$ 4,501,546 |
| Debt limit percentage | 15% | 15% | 15% | 15% |
| Debt limit (In thousands) | 571,257 | 604,026 | 641,022 | 675,232 |
| Total net debt applicable to limit: General obligation bonds (In thousands) | - | - | - | - |
| Legal debt margin (In thousands) | <u>\$ 571,257</u> | <u>\$ 604,026</u> | <u>\$ 641,022</u> | <u>\$ 675,232</u> |
| Total debt applicable to the limit as a percentage of debt limit | 0.0% | 0.0% | 0.0% | 0.0% |

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

The City of Lakewood has no general bonded indebtedness.

| Fiscal Year | | | | | |
|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| \$ 4,817,557 | \$ 5,251,658 | \$ 5,810,419 | \$ 6,414,879 | \$ 6,977,721 | \$ 7,269,336 |
| 15% | 15% | 15% | 15% | 15% | 15% |
| 722,634 | 787,749 | 871,563 | 962,232 | 1,046,658 | 1,090,400 |
| - | - | - | - | - | - |
| <u>\$ 722,634</u> | <u>\$ 787,749</u> | <u>\$ 871,563</u> | <u>\$ 962,232</u> | <u>\$ 1,046,658</u> | <u>\$ 1,090,400</u> |
| 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

CITY OF LAKEWOOD

Pledged-Revenue Coverage

Last Ten Fiscal Years
(In Thousands)

| Fiscal Year Ended June 30 | Water Revenue Bonds | | | | | |
|---------------------------------|---------------------|-------------------------------|-----------------------------|--------------|----------|----------|
| | Water Revenue | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Principal | Interest | |
| 2000 | \$ 5,803 | \$ 4,631 | \$ 1,172 | \$ 215 | \$ 286 | 2.34 |
| 2001 | 5,357 | 4,495 | 862 | 225 | 277 | 1.72 |
| 2002 | 6,064 | 4,901 | 1,163 | 235 | 268 | 2.31 |
| 2003 | 6,253 | 5,036 | 1,217 | 245 | 258 | 2.42 |
| 2004 | 6,977 | 4,836 | 2,141 | 255 | 247 | 4.26 |
| 2005 | 6,867 | 5,041 | 1,826 | 265 | 235 | 3.65 |
| 2006 | 7,214 | 5,276 | 1,938 | 325 | 146 | 4.11 |
| 2007 | 8,996 | 5,265 | 3,731 | 340 | 133 | 7.89 |
| 2008 | 8,915 | 5,990 | 2,925 | 355 | 119 | 6.17 |
| 2009 | 8,499 | 5,228 | 3,271 | 370 | 266 | 5.14 |

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

CITY OF LAKEWOOD

Pledged-Revenue Coverage

Last Ten Fiscal Years
(In Thousands)

| Fiscal Year Ended June 30 | Tax Allocation Bonds | | | | |
|---------------------------------|----------------------|--------------|----------|----------|--|
| | Tax Inerement | Debt Service | | Coverage | |
| | | Principal | Interest | | |
| 2000 | \$ 3,618 | \$ 505 | \$ 1,118 | 2.23 | |
| 2001 | 4,002 | 270 | 984 | 3.19 | |
| 2002 | 4,017 | 290 | 965 | 3.20 | |
| 2003 | 4,341 | 500 | 942 | 3.01 | |
| 2004 | 5,277 | 550 | 911 | 3.61 | |
| 2005 | 6,739 | 820 | 631 | 4.64 | |
| 2006 | 6,283 | 790 | 603 | 4.51 | |
| 2007 | 8,762 | 860 | 574 | 6.11 | |
| 2008 | 8,280 | 885 | 249 | 7.30 | |
| 2009 | 8,638 | 920 | 507 | 6.05 | |

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

CITY OF LAKEWOOD

Demographic and Economic Statistics

Last Ten Calendar Years

| <u>Calendar Year</u> | <u>Population (1)</u> | <u>Personal Income (in thousands) (2)</u> | <u>Per Capita Personal Income (2)</u> | <u>Unemployment Rate (3)</u> |
|--------------------------|---------------------------|---|---|--------------------------------------|
| 1999 | 79,700 | \$ 2,229,448 | \$ 27,973 | N/A |
| 2000 | 81,000 | 2,367,792 | 29,232 | 3.2% |
| 2001 | 80,347 | 2,450,825 | 30,503 | 3.4% |
| 2002 | 81,415 | 2,509,862 | 30,828 | 4.1% |
| 2003 | 82,341 | 2,589,789 | 31,452 | 4.2% |
| 2004 | 82,988 | 2,753,459 | 33,179 | 3.9% |
| 2005 | 83,175 | 2,152,497 | 24,106 | 3.2% |
| 2006 | 89,293 | N/A | N/A | N/A |
| 2007 | 83,486 | 1,844,623 | 22,095 | 5.3% |
| 2008 | 83,508 | 2,333,548 | 27,944 | 7.2% |

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

CITY OF LAKEWOOD

Principal Employers

Current Fiscal Year and Nine Fiscal Years Ago

| <u>Employer</u> | <u>2009</u> | | <u>2000</u> | |
|------------------------------------|--------------------------------|---|--------------------------------|--|
| | <u>Number of Employees</u> | <u>Percent of Total Employment*</u> | <u>Number of Employees</u> | <u>Percent of Total Employment</u> |
| Long Beach Unified School District | 1,246 | 2.70% | N/A | N/A |
| County of Los Angeles | 920 | 2.00% | N/A | N/A |
| Lakewood Regional Medical Center | 712 | 1.55% | N/A | N/A |
| City of Lakewood | 615 | 1.33% | N/A | N/A |
| Wal-Mart | 360 | 0.78% | N/A | N/A |
| Piazza McDonald's | 277 | 0.60% | N/A | N/A |
| Pacific Ford | 270 | 0.59% | N/A | N/A |
| Target | 231 | 0.50% | N/A | N/A |
| Costco | 225 | 0.49% | N/A | N/A |
| Home Depot | 149 | 0.32% | N/A | N/A |

Note: Information from nine years ago is not readily available

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

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

Sources: Lakewood Chamber of Commerce
U.S. Census Bureau

CITY OF LAKEWOOD

**Full-time and Part-time City Employees
by Function**

Last Ten Fiscal Years

| Division | Fiscal Year | | | |
|--------------------------------------|-------------|------|------|------|
| | 2000 | 2001 | 2002 | 2003 |
| City Administration | N/A | N/A | N/A | N/A |
| City Clerk | N/A | N/A | N/A | N/A |
| Finance | N/A | N/A | N/A | N/A |
| Community Development | N/A | N/A | N/A | N/A |
| Public Works | N/A | N/A | N/A | N/A |
| Recreation and Community Services | N/A | N/A | N/A | N/A |
| Water Resources | N/A | N/A | N/A | N/A |
| Total | 166 | 166 | 169 | 171 |

Note: Detailed information from prior years not readily available

* - Full-time employees only.

| Fiscal Year | | | | | |
|-------------|------|------|------|----------|------|
| 2004 | 2005 | 2006 | 2007 | 2008 (*) | 2009 |
| N/A | N/A | 30 | 31 | 32 | 32 |
| N/A | N/A | 5 | 2 | 2 | 2 |
| N/A | N/A | 20 | 21 | 21 | 21 |
| N/A | N/A | 15 | 15 | 15 | 15 |
| N/A | N/A | 31 | 31 | 31 | 31 |
| N/A | N/A | 59 | 59 | 59 | 59 |
| N/A | N/A | 19 | 19 | 19 | 19 |
| 174 | 174 | 179 | 178 | 179 | 179 |

CITY OF LAKEWOOD

Operating Indicators by Function

Last Ten Fiscal Years

| | Fiscal Year | | | |
|---|-------------|--------|--------|--------|
| | 2000 | 2001 | 2002 | 2003 |
| Public works: | | | | |
| Street resurfacing (miles) | N/A | N/A | N/A | N/A |
| Recreation and community services: | | | | |
| Number of recreation classes | 1,478 | 1,436 | 1,576 | 1,745 |
| Number of facility rentals | 7,745 | 7,206 | 7,546 | 7,207 |
| Water: | | | | |
| New connections | N/A | N/A | N/A | N/A |
| Number of consumers | 19,897 | 19,873 | 20,415 | 20,412 |
| Average daily consumption (thousands of gallons) | 8,200 | 8,200 | 8,250 | 8,100 |
| Community development: | | | | |
| Number of building permits issued | 1,408 | 1,559 | 1,619 | 1,912 |

* - Includes both residential and commercial permits.

Source: City of Lakewood

| Fiscal Year | | | | | |
|-------------|--------|--------|---------|--------|--------|
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| N/A | N/A | 13 | 24 | 7 | 9 |
| 1,664 | 1,631 | 1,734 | 1,709 | 1,945 | 1,993 |
| 7,725 | 7,258 | 7,559 | 7,532 | 6,900 | 6,390 |
| N/A | N/A | 8 | 11 | 14 | 10 |
| 20,313 | 20,101 | 20,125 | 21,449 | 20,403 | 20,079 |
| 8,475 | 7,893 | 7,332 | 8,900 | 8,506 | 7,747 |
| 1,950 | 2,104 | 2,001 | 3,405 * | 1,646 | 1,068 |

CITY OF LAKEWOOD

Capital Asset Statistics
by Function

Last Ten Fiscal Years

| | Fiscal Year | | | |
|------------------------------------|-------------|--------|--------|--------|
| | 2000 | 2001 | 2002 | 2003 |
| Public works: | | | | |
| Streets (miles) | 196 | 196 | 196 | 196 |
| Streetlights | 6,654 | 6,654 | 6,654 | 6,654 |
| Recreation and community services: | | | | |
| Number of recreation facilities | 13 | 13 | 13 | 13 |
| Acreage of facilities | 152 | 152 | 152 | 152 |
| Number of pools | 2 | 2 | 2 | 2 |
| Water: | | | | |
| Water mains (miles) | 195.00 | 195.00 | 195.00 | 195.00 |
| Wastewater: | | | | |
| Sewers (miles) | 167.00 | 167.00 | 167.00 | 167.00 |

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

| Fiscal Year | | | | | |
|-------------|--------|--------|--------|--------|--------|
| 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| 196 | 196 | 196 | 196 | 196 | 196 |
| 6,654 | 6,654 | 6,654 | 6,654 | 6,654 | 6,654 |
| 13 | 13 | 13 | 13 | 13 | 13 |
| 152 | 152 | 152 | 189 * | 189 * | 189 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 195.00 | 195.00 | 195.00 | 195.00 | 195.00 | 195.00 |
| 167.00 | 167.00 | 167.00 | 167.00 | 167.00 | 167.00 |

