

**CITY OF LAKEWOOD, CALIFORNIA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

**Prepared by**  
Department of Administrative Services

**Diane Perkin**  
Director of Administrative Services



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Steve Croft  
*Vice Mayor*

Todd Rogers  
*Council Member*



Jeff Wood  
*Council Member*

Ron Piazza  
*Council Member*

Diane DuBois  
*Mayor*

January 23, 2013

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, 2012.

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 White Nelson Diehl Evans 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, 2012, 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, 2012, 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 80,378 as of January 1, 2012.

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. John Stanford Todd's contributions to Lakewood and city government are now honored by two John Sanford Todd Memorial Highway signs located near the northern and southern borders of Lakewood along the 605 freeway. Support for the memorial highway project came from the California Contract Cities Association, which Todd helped to found in 1957, and California Assembly Member Warren T. Furutani. 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.

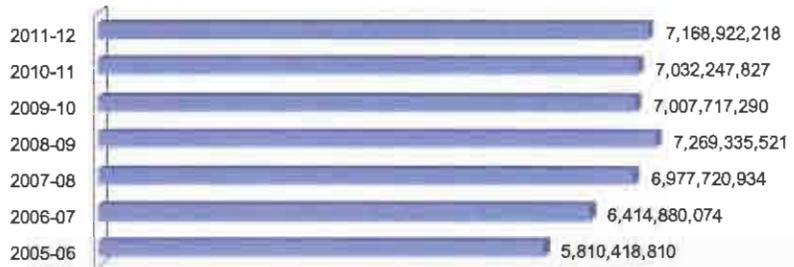
In addition to the services mentioned, the City provides services through three “component units”: the Lakewood Successor Agency, the Lakewood Housing Successor Agency, and the Lakewood Public Financing Authority. Therefore, the activities of these component units are included in the reporting entity. 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.

**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.

The City of Lakewood is a bedroom community in Los Angeles County with only six percent of the city zoned for commercial use. The city is a low property tax city, which means the city assessed a small municipal property tax prior to 1978-79 that has been folded into the tax base under Prop 13. Today, the city relies on a small 5.84 percent share of the county collections – one of the lowest in the county. The total assessed valuation of real property in the city was \$7.17 billion for Fiscal Year 2010-2011, a 1.9 percent increase from the previous year. The growth in the city’s assessed value of 1.9 percent slightly outpaced the county which increased by 1.4 percent.



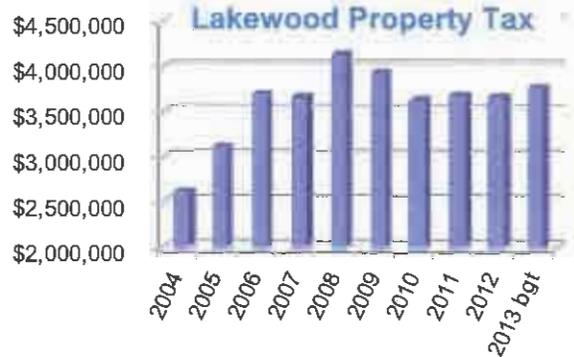
Assessed Property Values							
	2006	2007	2008	2009	2010	2011	2012
Lakewood	10.6%	10.4%	8.8%	4.2%	-3.6%	0.4%	1.9%
LA County	9.7%	10.6%	9.0%	7.0%	-0.6%	-1.7%	1.4%

The County Assessor increased Lakewood properties' tax assessments by a CPI of 0.753 percent from 2010-2011 to 2011-2012. However, the decline in property values in the last recession triggered the 1978 Proposition 8 reductions where the lesser of the adjusted base year value or market value is used for taxation. Prop 8 reductions almost completely offset the assessment increase by reducing the assessed valuations on 16 percent of the parcels in the city.

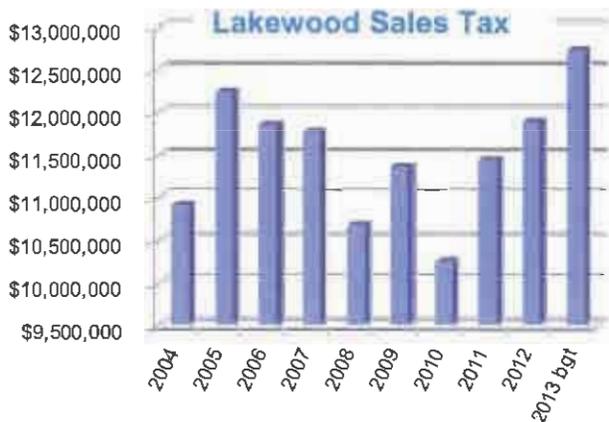
Fortunately, transfer of ownership along with other assessed valuation changes, increases the overall taxable value by \$136,674,391. The main driver of the increase was residential properties of \$108,749,755, followed by commercial and industrial of \$26,096,795. In calendar year 2012, the median single family Lakewood home sales and prices are showing signs of stabilizing.



Property tax revenues increased by \$1.5 million from 2004 to 2008. Since 2008, property tax revenues have declined and in Fiscal Year 2012-2013 remain \$367,838 below the 2008 peak. Slow growth is expected over the next decade, and it will likely be six years to match the property tax receipts of Fiscal Year 2007-2008.



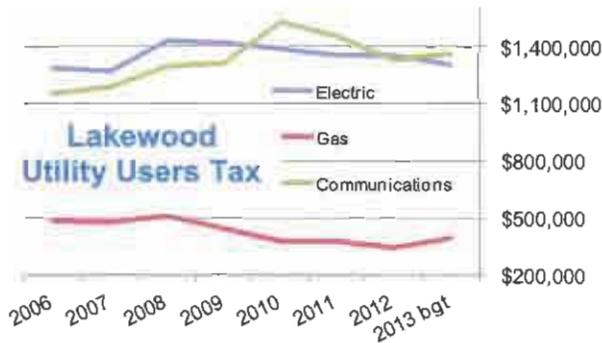
Since the approval of the 2004 Prop 1A and subsequent implementation of the “triple-flip,” decreases in property tax valuation have a greater impact. Under the “triple-flip,” vehicle license fee revenue growth is tied to property tax growth. Property tax in-lieu of vehicle license fees accounts for an additional 15.6 percent of general fund revenues. Overall, property tax related revenues remain lower from that received in Fiscal Year 2007-2008.



Sales tax revenues account for 29.8 percent of General Fund Revenues. Over 3,000 businesses (including home occupations) are located in Lakewood generating a projected \$12.7 million in sales tax for the city. The economic base of Lakewood is primarily retail and the city’s “top twenty-five” retail businesses, as a group, produce 60 percent of the city’s sales tax revenues. Fiscal year 2012-2013 is the first year where sales tax is budgeted to exceed the level reached in Fiscal Year 2004-2005.

Other cities in the area are enjoying up to 14 percent increases in sales tax. Since Lakewood did not have the downward loss in sales in the recession as many area cities did, the bounce back up is also less dramatic.

City revenues are also affected by changes in the commodity markets. The city’s assessed utility users tax represents 8 percent of general fund revenues. The tax is assessed on communications,



electricity, natural gas and water use. Natural gas prices continue to decline dramatically resulting in \$114,000 less natural gas utility users tax revenues from what was received in Fiscal Year 2007-2008. The decline in natural gas prices has also affected the city’s franchise fee collections. Natural gas franchise fees are down \$60,000 from revenues received in Fiscal Year 2006-2007.

Lakewood’s employment rate depends on the regional job situation. A major employer in the region is the Boeing C-17 cargo jet plant with approximately 5,000 employees — the last large fixed-wing aircraft production plant in California. The \$250 million C-17 is used by militaries to haul vehicles, troops and supplies, and in relief efforts to ferry medical supplies, food, water and other relief items to disaster zones. Although the Pentagon has stopped new orders of the C-17, Boeing has foreign orders, which extends production beyond 2016 keeping the plant open providing aircraft support.

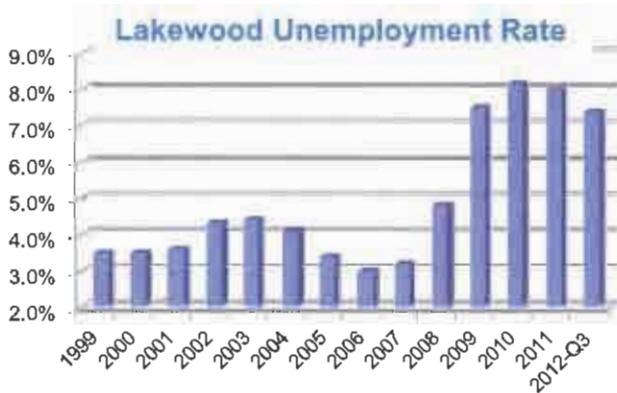
The Port of Long Beach is a vast provider of employment opportunities throughout the county and state. In the local area, the port operations support 30,000 jobs. The more than \$100 billion worth of cargo that moves through the port every year creates jobs, supports retail and manufacturing businesses, and generates tax revenues. After a 30 percent decline from 2007 through 2009, trade volumes through the Port of Long Beach quickly regained half of this loss in 2010 indicating that international trade, a major source of jobs for our region, could recover better than initially expected. In 2011 and 2012, container traffic fell slightly at the Long Beach port, but was almost entirely offset by increased traffic at the Los Angeles port. The slowing Chinese economy and doubts over the strength of the US recovery are to blame for the recent slow growth. Specific to the Port of Long Beach, the recent decline in traffic has been attributed to the elimination of several niche service lines that had called at the port last year. The Port of Long Beach has announced that three new lines of vessels will begin calling at the port from Asia later this month.



The Port of Long Beach is also investing \$1.2 billion to develop the new 300-acre-plus Middle Harbor terminal, while Orient Overseas Container Line and Long Beach Container Terminal (OOCL and LBCT) will invest approximately \$500 million in the latest cargo-handling equipment. The project is projected to generate more than 14,000 new, permanent jobs throughout Southern California by 2020.

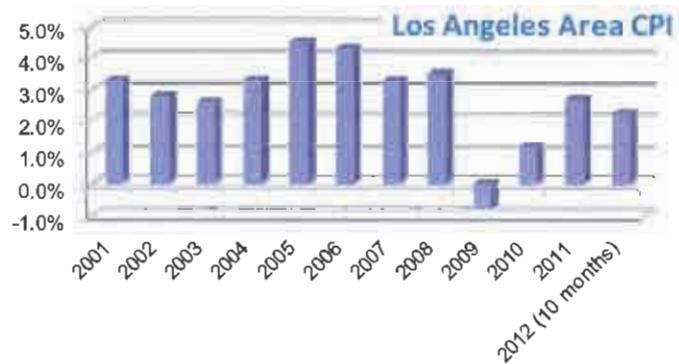
In 2009, the Legislature passed a \$500 million five-year program to counteract the financial incentives offered by other states to lure film production away from the Los Angeles County region by offering tax credits to a limited range of qualifying productions. Per the Los Angeles Economic Development Corporation (LAEDC), the California Film and Television Tax Credit Program enacted in 2009, has already generated more than \$3.8 billion in economic output, kept over 20,000 jobs in California, and returned to the state and local governments \$201 million in tax receipts. There is a possibility this program could extend beyond 2014. The Assembly Revenue and Taxation Committee unanimously voted to support AB 1069 that would extend funding to California's film tax credit through July 1, 2018.

Hospitals are hubs of employment, purchasers of goods and services, and generators of tax revenue. The estimated total economic output of hospitals and related services in the Southern California region accounts for about 12 percent of the region's economy and provides over 640,000 jobs. Health Services employment in Los Angeles County has had consecutive year-to-year increases since May 2005, increasing annually over 2 percent in health care services, pharmaceutical and medicine manufacturing. Supporting this growth are 63 reputable education centers for health services and bio-medical degrees and certifications located in Los Angeles County.



Lakewood's unemployment rate was 7.4 percent through the third quarter of 2012; far better than the state as a whole, but double the average rate Lakewood has enjoyed in the past. Major employers located within city limits are Long Beach Unified School District, County of Los Angeles, Lakewood Regional Medical Center, and various retail, automotive and home improvement businesses, as well as the city itself.

The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside, and Orange County region, which is the basis for many of the city's contract increases, was 1.5 percent in 2012. The CPI for the first ten months of 2012 was 2.2 percent and is expected to remain relatively low.



## Economic Outlook

In 2012, the economy showed steady although moderate improvement. For the city, sales and property tax receipts are increasing, and the local economy overall is showing signs of improvement. The single largest fiscal impact on the city was not the economy, but the State's action leading to the dissolution of redevelopment agencies.

California enacted legislation that required the dissolution of all redevelopment agencies. AB x1 26 dissolved redevelopment agencies as of February 1, 2012, and provided for the designation of successor agencies and required these successor agencies to wind down the affairs of the dissolved redevelopment agencies and to make payments due for enforceable obligations, dispose of all assets of the former redevelopment agency, and to remit unencumbered balances of redevelopment agency funds, including housing funds, to the county auditor-controller for distribution to taxing entities.

AB 1x 26 and subsequently AB 1484 required three agreed upon procedure reviews, several additional reporting requirements, and three new governing bodies to oversee the winding down process. Below are the major points of the legislation as it pertains to the city's financial statements:

- AB x1 26 required that each county auditor controller (CAC) conduct agreed upon procedures (AUP) review of the process of the dissolution of the redevelopment agencies and the formation of successor agencies and housing successor agencies. The AUP review was designed to establish the redevelopment agency's assets and liabilities at the time of dissolution, as well as the agency's pass-through obligations, and any indebtedness incurred. The CACs were required to report their findings to the State Controller's Office (SCO) by July 1, 2012, under AB 1484, the deadline was extended to October 1, 2012.
- AB x1 26 required each former redevelopment agency, now called Successor Agency, to identify its outstanding financial obligations to other agencies and businesses, and adopt a listing of all recognized obligations and corresponding payment schedules in a six-month format.
- AB 1484 changed the Recognized Obligation Payment Schedule (ROPS) for the period of January 1, 2013 to June 30, 2013, to be submitted by the Successor Agency, after approval by the Oversight Board, before September 1, 2012 to the Department of Finance (DOF) and the CAC. Subsequent Oversight Board approved ROPS must be submitted to the DOF and to the CAC no fewer than 90 days before the date of property tax distribution. AB 1484 also gave the DOF significant authority to approve or reject payment of obligations, transfer of assets, and findings and conclusions of the agreed upon procedures performed.

- AB 1484 modified existing law by adding provisions relating to the transfer of housing responsibilities associated with dissolved redevelopment agencies and defined the term "housing asset" for these purposes. The Housing Successor Agency submitted to the Department of Finance (DOF) before August 1, 2012, a list of all housing assets transferred to it by the dissolved Lakewood Redevelopment Agency, with an explanation of how the listed assets meet the criteria set forth in AB 1484.
- AB 1484 required each Successor Agency to hire a CAC approved licensed accountant with experience in local governmental accounting to perform a Due Diligence Review/AUP of the unobligated balances available for transfer to other taxing entities. The Due Diligence Review (DDR) of the Low-Moderate income Housing Fund (LMIHF) was completed by October 1, 2012, and the DDR of the Non-Housing Redevelopment Agency Fund (Non-Housing RDA) was completed December 14, 2012. Upon completion of each DDR, it was submitted to the Oversight Board for review and approval. At the same time, the Successor Agency submitted a copy of the DDR to the CAC and the DOF.

Under AB x1 26, the dissolution of redevelopment included the determination that all contracts and agreements between the City and the Lakewood Redevelopment Agency were null and void, with the legislated exception of the initial loan from the City to the Agency to establish the plan area. Subsequently, AB 1484 provided for a small level of funding for housing operations that will resume in 2014 through repayment of deferred housing transfers due to payments for ERAF, SERAF, and other postponements; all other agreements between the City and Agency such as housing operations remain voided, however. AB 1484 also allows for the repayment of all outstanding loans made by the City to the Agency as recalculated using the LAIF rate over the life of the loan; loan payments can resume once the housing deferrals have been fully repaid. The final DOF approval as to the amount allowable to be repaid to the City will not be known until late 2013. What is known is that the amount the City will receive will be negligible compared to the \$2 million in redevelopment tax increment funding that was annually allocated to mitigate blight in Lakewood's housing stock and assist homeowners with home repairs.

### **LONG-TERM FINANCIAL PLANNING**

Long-term financial planning involves the management of the City's assets. Assets include cash and investments, as well as the City's entire infrastructure of streets, street lighting, signals, medians, signage, parks, recreation facilities, water mains, trees sidewalks and bus stops, etc. Long-term debt, pension and post-employment benefits, and the depreciation and deterioration of the above named tangible assets, are also included in the long-term financial plan.

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

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

Street and traffic signal improvements included:

The city invested another \$5 million in street resurfacing in 2012. Twelve miles of streets were repaved; 4.5 miles of curbs and gutters and 3.5 miles of sidewalks were repaired; and 58 curb ramps were added or modified. Since 2000, 100 percent of all residential streets in Lakewood -- over 143 miles -- have been resurfaced with rubberized asphalt, which recycled over 600,000 old tires and kept them out of landfills.

The Seven Segments project repaved 5.7 miles of seven major Lakewood arterial and collector roadways, and repaired curbs, gutters and sidewalks along those streets. Included were Arbor Road, Ashworth Street, Carson Street, Del Amo Boulevard, Downey Avenue, Palo Verde Avenue, and South Street. The project cost \$2.8 million, underwritten largely with federal and county transportation funds, including Proposition A and C sales tax funds approved by voters.

Residential streets north of Lakewood High School between Centralia Street and Arbor Road were repaved and curbs, gutters and sidewalks were repaired.

Parks and community facilities projects included:

Mayfair Park's school-age playground was renovated with new play equipment as Lakewood's first "inclusive" playground designed for children with a wide variety of physical and mental abilities. The \$200,000 project was funded with a grant from Tire Pros national network of tire retailers through Boundless Playgrounds and a grant from the L.A. County Regional Park and Open Space District sponsored by Supervisor Don Knabe. The old Mayfair equipment was donated to Kids Around The World for reuse in a needy area of the world.

Bloomfield Park received a new tot lot playground for pre-school-age children in December, along with a new picnic shelter, barbeques and landscaping and irrigation improvements coming by March 2013. The total \$477,591 project was funded with Community Development Block Grant dollars from the federal government.

Hardscape improvements and minor building repairs were made at several parks, including Biscailuz, Bolivar, Mayfair and Monte Verde.

Refurbishments were made to The Centre at Sycamore Plaza to maintain it as Lakewood's premier community facility for meetings and celebrations. New roofs were installed at several Lakewood community buildings, including the Youth Center at Del Valle Park, Biscailuz Activity Building, Nye Library at Mae Boyar Park, and a portion of the city's Nixon service yard buildings. Solar panels were installed on the roof of the Arbor Yard garage, office and shop building. The solar panels will generate enough electricity to run the Arbor Yard offices and operational buildings.

Renovation of the Mayfair Pool was begun, with designs and planning done in late 2012. Construction work will follow in early 2013, with completion expected by summertime 2013.

**Water system improvements included:**

The city installed almost two miles of new water main in 2012 to replace aging 4-inch lines with modern 8-inch lines. Since 1990, the city has replaced almost 37 miles of aging water lines. Ten large underground water valves were replaced in early 2012. The valves are part of the backbone of transmission mains that move large volumes of water from one end of the city to the other. The valves were installed in the early 1960's and ranged in size from 12 to 27 inches in diameter.

**Residential housing projects included:**

The elimination of the redevelopment agencies within the State drove a need to revise the funding source to Federal Community Development Block Grant funding for both the Home Improvement Loan program and the Fix Up Paint Up program. The no-interest loan program can lend up to \$18,000 for home improvements to eligible homeowners and the Fix Up Paint Up program offers grants of up to \$3,000 to complete exterior repairs for eligible homeowners, many who are elderly and disabled residents who can't cope with property upkeep. Both of these programs will remain available to the residents of Lakewood during 2013.

The city selected a developer's proposal for the development of three affordable housing units on a previously blighted property which the city purchased using Neighborhood Stabilization Program funds. Construction began during 2012 and is expected to be completed in 2013.

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

The City participates in the California Public Employee Retirement System (PERS) and provides a PARS Retirement Enhancement Plan of 0.5 percent at 60. The PARS Plan employer contribution rate is determined annually. For Fiscal Year 2012, the rate was 4.55 percent based on a 14-year amortization (20 years from July 1, 2005, the Plan implementation date); the employee contribution rate is 3 percent, more detailed information regarding the City's PERS and PARS plans is presented in the following financial statements. The City offers post-employment health benefits (OPEB) to eligible retirees. The actuarial performed as of June 30, 2011, determined that the OPEB accrued liability is \$6,656,794. As of June 30, 2012, the City held \$6,712,144 in an irrevocable trust to cover the OPEB accrued liability. The OPEB accrued liability is approximately 100% funded.

**FINANCIAL MANAGEMENT POLICIES AND PRACTICES**

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 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 healthcare 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.

GASB STATEMENT 49: Accounting and financial reporting standards for pollution remediation obligations of current or potential detrimental effect 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.

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

GASB STATEMENT 51: Accounting and Financial Reporting for Intangible Assets. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software.

The requirements of Statement 51 are effective for financial periods beginning after June 15, 2009 and are included in these statements.

GASB STATEMENT 54: Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The requirements of Statement 54 are effective for financial periods beginning after June 15, 2010 and are included in these statements.

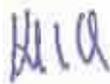
**AWARDS AND ACKNOWLEDGEMENTS**

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, 2011. This was the 30<sup>th</sup> consecutive year that Lakewood has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

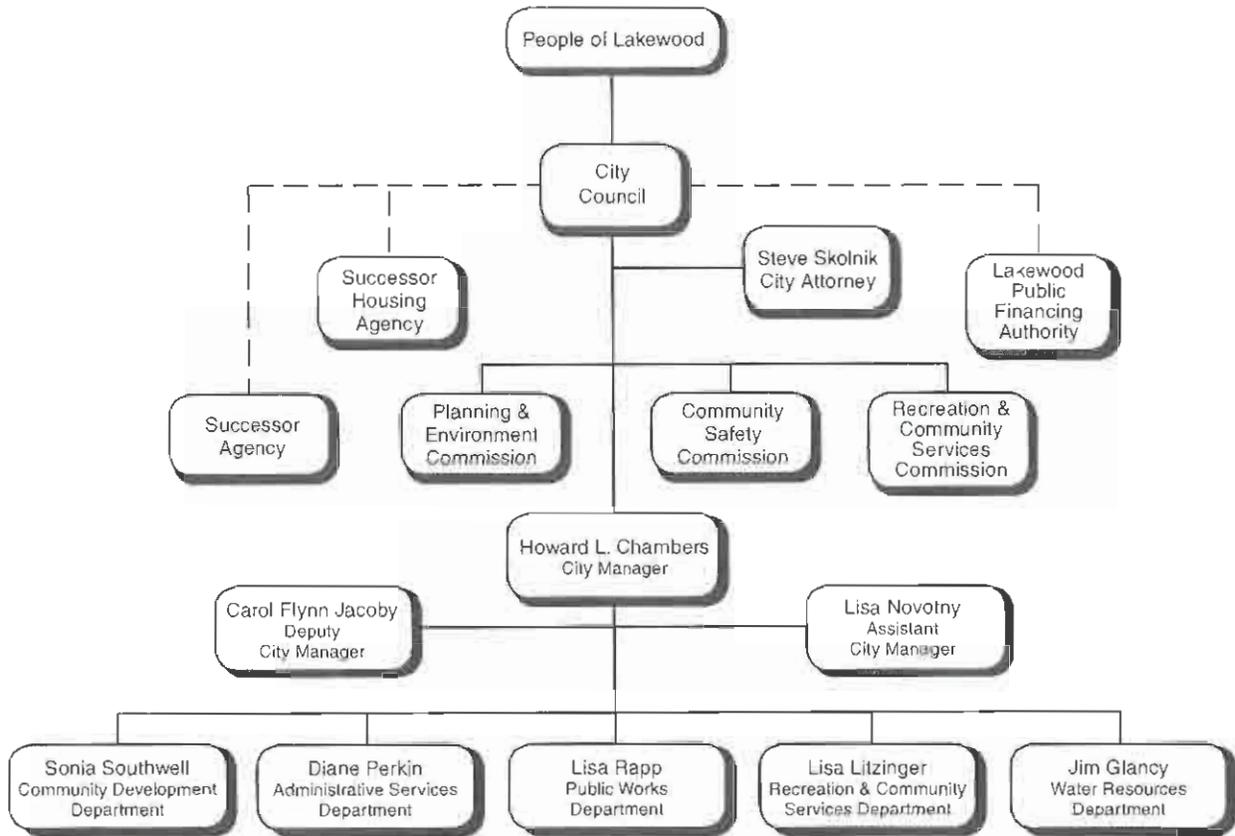
Respectfully submitted,



Howard L. Chambers  
City Manager



Diane Perkin  
Director of Administrative Services





CITY COUNCIL

DIANE DUBOIS  
Mayor

STEVE CROFT  
Vice Mayor

TODD ROGERS  
Council Member

JEFF WOOD  
Council Member

RON PIAZZA  
Council Member

ADMINISTRATION AND DEPARTMENT DIRECTORS

HOWARD L. CHAMBERS  
City Manager

STEVE SKOLNIK  
City Attorney

LISA NOVOTNY  
Assistant City Manager

DIANE PERKIN  
Director of Administrative Services

CAROL FLYNN-JACOBY  
Deputy City Manager

LISA A. RAPP  
Director of Public Works

LISA LITZINGER  
Director of Recreation  
and Community Services

SONIA SOUTHWELL  
Director of Community  
Development

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, 2011

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.



*Linda C. Davidson*

President

*Jeffrey R. Emer*

Executive Director

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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 (the City) as of and for the year ended June 30, 2012, 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, California'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the Lakewood Redevelopment Agency, a blended component unit of the City, was dissolved effective February 1, 2012 as a result of legislation enacted by the State of California.

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2013 on our consideration of the City of Lakewood, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress and budgetary comparison schedules, identified as required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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's basic financial statements. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*White Nelson Alford Evans LLP*

Irvine, California  
January 23, 2013

JUNE 30, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

### Financial Highlights

- Net Assets: The assets of the City (*which include the value of streets, sidewalks and other infrastructure*) exceeded its liabilities at June 30, 2012, by \$217,561,509 (*net assets*). Of this amount, \$85,752,081 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific City programs.
- Changes in Net Assets: The government's total net assets increased by \$42,872,657 during the fiscal year ended June 30, 2012. The increase in net assets is attributable to an extraordinary gain of \$40,679,641 due to the dissolution of the Lakewood Redevelopment Agency. The City assumed the successor agency role to its former Redevelopment Agency. The assets and liabilities reported in the governmental activities as of January 31, 2012 were transferred to a fiduciary fund that accounts for activities of the Successor Agency. Additional information on the dissolution of the redevelopment agency can be found under Note 15 of the Notes to the Basic Financial Statements section of this report.
- Governmental Funds: As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$73,695,381 an increase of \$32,702,999 in comparison with the prior year. Approximately 65 percent of this total amount, \$47,806,381, is available for spending at the government's discretion (committed, assigned, and unassigned fund balance) within the guidelines of the funding sources.
- The governmental funds had an extraordinary gain of \$33,268,113 due to the dissolution of the Lakewood Redevelopment Agency as of January 31, 2012. All assets and liabilities of the former redevelopment agency were transferred to the fiduciary funds. Additional information on the dissolution of the redevelopment agency can be found under Note 15 of the Notes to the Basic Financial Statements section of this report.
- Long Term Liabilities: The City of Lakewood's total debt (noncurrent liabilities) decreased by \$9,217,453, largely due to the former Redevelopment Agency's debt being transferred to the Successor Agency Trust fund in the amount of \$7,409,986. Debt by the business type activities decreased by \$771,598 as a result of normal scheduled debt service payments.
- General Fund: At June 30, 2012, unrestricted fund balance of the general fund was \$40,949,986. This represents an increase of \$2,946,741 or 7.8 percent from prior year. All but \$2,564,755 of these funds are committed or assigned for specific purposes such as pension and personnel obligations, economic uncertainties, self-insurance and capital replacement and repairs.

See independent auditors' report.

## 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.

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 15 - 17 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 3 capital projects funds, all of which are considered to be major funds. Data from the other eighteen 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 18 - 19 and 22 - 23 of this report.

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

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

The proprietary fund financial statements can be found on pages 25 - 29 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Lakewood's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statement can be found on pages 30 - 31 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 33 - 63 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 65 - 68 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 69 - 104 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 \$217,561,509 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 101,657,844	\$ 68,977,458	\$ 8,899,339	\$ 9,459,928	\$ 110,557,183	\$ 78,437,386
Capital assets	89,515,476	88,276,871	30,307,596	30,214,103	119,823,072	118,490,974
<b>Total Assets</b>	<b>191,173,320</b>	<b>157,254,329</b>	<b>39,206,935</b>	<b>39,674,031</b>	<b>230,380,255</b>	<b>196,928,360</b>
Long-term liabilities outstanding	265,027	7,706,492	5,300,305	6,091,903	5,565,332	13,798,395
Other liabilities	5,600,586	6,633,782	1,652,828	1,807,331	7,253,414	8,441,113
<b>Total Liabilities</b>	<b>5,865,613</b>	<b>14,340,274</b>	<b>6,953,133</b>	<b>7,899,234</b>	<b>12,818,746</b>	<b>22,239,508</b>
<b>Net assets:</b>						
Invested in Capital Assets						
Net of Related Debt	89,515,476	88,276,871	24,189,811	23,324,720	113,705,287	111,601,591
Restricted	18,104,141	14,470,603	-	-	18,104,141	14,470,603
Unrestricted	77,688,090	40,166,581	8,063,991	8,450,077	85,752,081	48,616,658
<b>Total Net Assets</b>	<b>\$ 185,307,707</b>	<b>\$ 142,914,055</b>	<b>\$ 32,253,802</b>	<b>\$ 31,774,797</b>	<b>\$ 217,561,509</b>	<b>\$ 174,688,852</b>

By far the largest portion of the City of Lakewood's net assets, 52.3 percent 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.

See independent auditors' report.

Additional portion of the City of Lakewood's net assets, 8.3 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$85,752,081 may be used to meet the government's ongoing obligation to citizens and creditors, but is subject to designation for specific City programs.

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

	City of Lakewood Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 9,221,485	\$ 9,330,386	\$ 9,096,414	\$ 8,124,574	\$ 18,317,899	\$ 17,454,960
Operating grants and contributions	3,238,589	8,037,655	-	-	3,238,589	8,037,655
Capital grants and contributions	3,077,293	2,760,832	-	-	3,077,293	2,760,832
General revenues:						
Property taxes	14,444,518	19,062,606	-	-	14,444,518	19,062,606
Other taxes	19,922,374	16,942,092	-	-	19,922,374	16,942,092
Grants and contributions not restricted to specific programs	1,026,041	1,147,814	-	-	1,026,041	1,147,814
Other	741,146	949,486	85,797	171,015	826,943	1,120,501
Total Revenues	<u>51,671,446</u>	<u>58,230,871</u>	<u>9,182,211</u>	<u>8,295,589</u>	<u>60,853,657</u>	<u>66,526,460</u>
Expenses:						
General government	7,333,030	7,202,986	-	-	7,333,030	7,202,986
Public safety	12,277,420	12,715,680	-	-	12,277,420	12,715,680
Transportation	6,068,549	5,247,578	-	-	6,068,549	5,247,578
Community development	6,973,684	11,240,548	-	-	6,973,684	11,240,548
Health and sanitation	4,612,935	4,451,021	-	-	4,612,935	4,451,021
Culture and leisure	9,548,824	10,037,245	-	-	9,548,824	10,037,245
Unallocated infrastructure depreciation	2,492,155	2,325,713	-	-	2,492,155	2,325,713
Interest on long term debt	650,838	454,054	-	-	650,838	454,054
Water	-	-	8,703,206	8,113,079	8,703,206	8,113,079
Total expenses	<u>49,957,435</u>	<u>53,674,825</u>	<u>8,703,206</u>	<u>8,113,079</u>	<u>58,660,641</u>	<u>61,787,904</u>
Excess (Deficiency of Revenues Over (Under) Expenditures Before Extraordinary Items	1,714,011	4,556,046	479,005	182,510	2,193,016	4,738,556
Extraordinary Gain (Loss)	40,679,641	-	-	-	40,679,641	-
Change in Net Assets	<u>42,393,652</u>	<u>4,556,046</u>	<u>479,005</u>	<u>182,510</u>	<u>42,872,657</u>	<u>4,738,556</u>
Net assets - at beginning of year	142,914,055	138,358,009	31,774,797	31,592,287	174,688,852	169,950,296
Net assets - at end of year	<u>\$ 185,307,707</u>	<u>\$ 142,914,055</u>	<u>\$ 32,253,802</u>	<u>\$ 31,774,797</u>	<u>\$ 217,561,509</u>	<u>\$ 174,688,852</u>

**Governmental activities.** Overall, Citywide revenues decreased by \$6,559,425 or 11.3 percent and expenditures decreased by \$3,717,390 or 6.9 percent from prior year. Key elements of the change are as follows:

- The amount of revenue received from other governments and organizations that subsidized the City's operating and program activities decreased by \$4,799,066 from the previous year.
- Property taxes decreased by \$4,618,088 primarily due to the dissolution of the Redevelopment agency. Property taxes distributed to the Successor Agency was reported in the Trust Fund account effective February 1, 2012 and is no longer part of the City's tax revenue.

See independent auditors' report.

- The reduction in grant funding and property tax was offset by the increase of other tax revenues including sales and use tax by \$2,980,282 or 17.6 percent from prior year.
- The Prop A fund exchange between City of Lakewood and Cities of West Hollywood and Manhattan Beach resulted in an increase in other revenues.

Additional information on the change in net assets can be found on pages 16 - 17 of this report

**Business-type activities.** Business-type activities increased the City of Lakewood's net assets by \$479,005 accounting for 21.8 percent of the total increase in net assets. This increase in "retained earnings" is necessary with an estimated \$5.1 million in capital improvements required over the next two years, as recommended by the Water Resources Committee. Such projects on the horizon include \$2.4 million in Well #22 Water Treatment Facility, \$1.3 million for Plant #13 Rehabilitation and \$1.2 million for ongoing Water Main Replacement projects.

### **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 \$73,695,381, an increase of \$32,702,999 in comparison with the prior year. This increase is attributed to the dissolution of the Lakewood Redevelopment Agency. All assets and liabilities of the former redevelopment agency were transferred to the fiduciary funds.

The general fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$40,949,986, while total fund balance reached \$58,824,823. As a measure of the general fund's liquidity, it may be useful to compare only the unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 96.36 percent of the total general fund expenditures, of which most is committed or assigned to meet the City's long-term obligations.

The fund balance of the City of Lakewood's general fund increased by \$3,710,006 during the current fiscal year. Key factors in this increase are as follows:

- City received \$3,260,004 in notes interest revenue from Lakewood Redevelopment Agency.
- Sales Tax revenue increased by \$596,889 or 7.1 percent from the previous year, due to the improvement in the economic condition experienced in Fiscal Year 2012.

See independent auditors' report.

**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 \$8,688,436. The total increase in net assets was \$479,957. 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**

Difference between the general fund's expenditures original budget and the final amended budget was \$99,709. Difference between the general fund's expenditures final amended budget and the actual was \$1,774,734 and can be briefly summarized as follows:

- General government's expense was lower than budgeted amount by \$69,680 due to reduced liability insurance premiums, personnel costs, and software maintenance agreement.
- 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 \$592,340 due to the unused portion of the aforementioned items.
- Capital project accounts actual expenditure was \$607,488 less than final budget. Most projects are still on-going and unspent balance will be carried over to the following fiscal year.

**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, 2012, amounts to \$119,823,072 (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 \$3,893,179 completed projects in governmental and \$4,046,365 in business-type to different asset classifications.

City of Lakewood  
Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 17,444,023	\$ 17,444,023	\$ 381,023	\$ 381,023	\$ 17,825,046	\$ 17,825,046
Construction in progress	5,569,295	5,049,963	2,192,022	4,808,835	7,761,317	9,858,798
Water rights	-	-	1,834,586	1,834,586	1,834,586	1,834,586
Infrastructure	40,470,672	39,341,000	-	-	40,470,672	39,341,000
Structures and improvements	24,783,204	25,416,144	23,008,491	20,049,536	47,791,695	45,465,680
Equipment	1,248,282	1,025,741	2,891,474	3,140,123	4,139,756	4,165,864
Total	<u>\$ 89,515,476</u>	<u>\$ 88,276,871</u>	<u>\$ 30,307,596</u>	<u>\$ 30,214,103</u>	<u>\$ 119,823,072</u>	<u>\$ 118,490,974</u>

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

See independent auditors' report.

**Capital Asset and Debt Administration (Continued)**

**Long-term debt.** At the end of the current fiscal year, the City of Lakewood's total long-term debt outstanding decreased by \$9,217,453 or 56.2 percent from the prior year. Lakewood Redevelopment Agency's debt of \$7,409,986 was transferred to the Successor Agency Trust fund. Revenue bonds and loan payable of \$6,117,785 to be paid out of water utility revenues.

City of Lakewood  
Summary of outstanding debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Tax allocation bonds	\$ -	\$ 8,447,372	\$ -	\$ -	\$ -	\$ 8,447,372
Compensated absences	1,070,342	1,068,825	-	-	1,070,342	1,068,825
Revenue bonds	-	-	4,537,944	5,112,062	4,537,944	5,112,062
Loan Payable	-	-	1,579,841	1,777,321	1,579,841	1,777,321
Total	<u>\$ 1,070,342</u>	<u>\$ 9,516,197</u>	<u>\$ 6,117,785</u>	<u>\$ 6,889,383</u>	<u>\$ 7,188,127</u>	<u>\$ 16,405,580</u>

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

**Economic Factors and Next Year's Budgets and Rates**

The April to April Consumer Price Index (CPI) for the Los Angeles, Riverside, and Orange County region, which is the basis for many of the city's contract increases, was 1.5 percent in 2012. The CPI for the first ten months of 2012 was 2.2 percent and is expected to remain relatively low. The City's water, refuse and building and safety fees also include the local CPI as a factor in determining rate increases.

The total assessed valuation of real property in the city totaled \$7.17 billion for Fiscal Year 2012-2013, a 1.9 percent increase from the previous year, comparable to the countywide increase of 1.4 percent. Historically, Lakewood's increases in property values have exceeded the county. Only small increases in the City's assessed valuation are expected over the next several years as the housing market slowly reaches equilibrium in number of homes and price. We do however expect to see continued development of various properties throughout the city, but nothing like the expansion that had taken place in the past. The City does not levy a local property tax, however increases in assessed valuation increase the property tax collected by the Los Angeles County, of which Lakewood receives 5.84 percent.

Sales tax, the largest revenue stream for the City's General Fund grew by four percent in Fiscal Year 2011-2012 compared to Fiscal Year 2010-2011, yet still falls short of the peak sales tax revenue received in Fiscal Year 2004-2005. Sales tax is expected to continue to increase in Fiscal Year 2012-2013, and this increase is included in the adopted budget. 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.

See independent auditors' report.

These factors were considered in preparing the City of Lakewood's budget for the 2012-2013 fiscal year, and will be considered in the development of the 2013-2014 fiscal year budget.

In general terms the City was hit hard by the dissolution of redevelopment - a \$1.2 million loss in general funds – but remains in good fiscal condition. The year over year General Fund revenues saw a slightly larger than expected bounce in sales tax of \$443,000 and gas taxes of \$245,000, while other on-going revenues on a year over year comparison declined. The UUT declined by \$148,000, building permits and fees by \$286,000, fines \$64,000, rents and concessions \$152,000; additionally, \$150,000 in tire recycling funds was not received in the 2011-2012 fiscal year. However, one-time general fund revenues generated by the sale of Prop A funds brought in \$745,000, and an increase in the water utility transfer of \$220,000 helped boost revenues. Year over year change in General Fund expenses showed a decline in general fund operational non-employee services expenses of one percent, while employee services expenses increased by four percent largely due to the loss of redevelopment and the General Fund absorbing those costs. The overall year over year increase in General Fund operations was \$364,000, or one percent. Capital expenses declined by over \$1 million. General Fund revenues exceeded expenditures as presented on page 22 of this document. The fund balance as now presented on page 18 of this document shows that all the City's long-term obligations are manageable with multi-year capital projects fully funded, pension obligations met, and no outstanding General Fund debt.

### **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, 2012

	Governmental Activities	Business-type Activity	Total
<b>ASSETS:</b>			
Cash and investments	\$ 48,636,202	\$ 7,467,477	\$ 56,103,679
Receivables:			
Accounts	5,440,404	642,533	6,082,937
Notes	2,559,729	-	2,559,729
Accrued revenue	-	881,578	881,578
Internal balances	624,445	(624,445)	-
Prepaid items	1,168,907	-	1,168,907
Inventories	52,626	14,602	67,228
Deferred charges	-	143,514	143,514
Land held for resale	2,960,302	-	2,960,302
Net OPEB asset	4,071,215	-	4,071,215
Receivable from Successor Agency	36,004,386	-	36,004,386
Temporarily restricted assets:			
Cash and investments	139,628	29,080	168,708
Cash and investments held by bond trustees	-	345,000	345,000
Capital assets:			
Land	17,444,023	381,023	17,825,046
Water rights	-	1,834,586	1,834,586
Construction in progress	5,569,295	2,192,022	7,761,317
Depreciable infrastructure, net	40,470,672	-	40,470,672
Depreciable structures and improvements, net	24,783,204	23,008,491	47,791,695
Depreciable equipment, net	1,248,282	2,891,474	4,139,756
<b>TOTAL ASSETS</b>	<u>191,173,320</u>	<u>39,206,935</u>	<u>230,380,255</u>
<b>LIABILITIES:</b>			
Accounts payable and other current liabilities	2,998,404	757,363	3,755,767
Accrued interest payable	-	48,905	48,905
Retainage payable	139,628	-	139,628
Payable to Successor Agency	1,209,117	-	1,209,117
Unearned revenue	448,122	-	448,122
Liabilities payable from restricted assets:			
Customer deposits	-	29,080	29,080
Noncurrent liabilities:			
Due within one year	805,315	817,480	1,622,795
Due in more than one year	265,027	5,300,305	5,565,332
<b>TOTAL LIABILITIES</b>	<u>5,865,613</u>	<u>6,953,133</u>	<u>12,818,746</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	89,515,476	24,189,811	113,705,287
Restricted for:			
Debt service	-	-	-
Transportation	2,919,913	-	2,919,913
Parks and recreation	97,825	-	97,825
Community development	14,507,933	-	14,507,933
Other purposes	578,470	-	578,470
Unrestricted	77,688,090	8,063,991	85,752,081
<b>TOTAL NET ASSETS</b>	<u>\$ 185,307,707</u>	<u>\$ 32,253,802</u>	<u>\$ 217,561,509</u>

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

CITY OF LAKEWOOD  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2012

Functions/programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 7,333,030	\$ 1,177,789	\$ 593,268	\$ -
Public safety	12,277,420	904,654	234,112	-
Transportation	6,068,549	-	2,264,377	2,981,319
Community development	6,973,684	787,552	-	-
Health and sanitation	4,612,935	4,838,762	146,832	-
Culture and leisure	9,548,824	1,512,728	-	95,974
Unallocated infrastructure depreciation	2,492,155	-	-	-
Interest on long term debt	650,838	-	-	-
<b>Total governmental activities</b>	<b>49,957,435</b>	<b>9,221,485</b>	<b>3,238,589</b>	<b>3,077,293</b>
<b>Business-type activity:</b>				
Water	8,703,206	9,096,414	-	-
<b>Total</b>	<b>\$ 58,660,641</b>	<b>\$ 18,317,899</b>	<b>\$ 3,238,589</b>	<b>\$ 3,077,293</b>

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, before extraordinary item

Extraordinary item - Gain on dissolution of redevelopment agency (Note 15)

Change in net assets

Net assets at beginning of year

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
\$ (5,561,973)	\$ -	\$ (5,561,973)
(11,138,654)	-	(11,138,654)
(822,853)	-	(822,853)
(6,186,132)	-	(6,186,132)
372,659	-	372,659
(7,940,122)	-	(7,940,122)
(2,492,155)	-	(2,492,155)
(650,838)	-	(650,838)
<u>(34,420,068)</u>	<u>-</u>	<u>(34,420,068)</u>
-	393,208	393,208
<u>(34,420,068)</u>	<u>393,208</u>	<u>(34,026,860)</u>
14,217,422	-	14,217,422
14,444,518	-	14,444,518
1,538,068	-	1,538,068
546,279	-	546,279
3,360,149	-	3,360,149
260,456	-	260,456
<u>34,366,892</u>	<u>-</u>	<u>34,366,892</u>
41,395	-	41,395
1,026,041	-	1,026,041
699,751	85,797	785,548
<u>36,134,079</u>	<u>85,797</u>	<u>36,219,876</u>
1,714,011	479,005	2,193,016
<u>40,679,641</u>	<u>-</u>	<u>40,679,641</u>
42,393,652	479,005	42,872,657
<u>142,914,055</u>	<u>31,774,797</u>	<u>174,688,852</u>
<u>\$ 185,307,707</u>	<u>\$ 32,253,802</u>	<u>\$ 217,561,509</u>

CITY OF LAKEWOOD

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Redevelopment Agency Debt Service Fund
ASSETS		
Cash and investments	\$ 40,282,606	\$ -
Restricted cash and investments	-	-
Accounts receivable	3,282,540	-
Prepaid items	1,168,907	-
Inventories	10,273	-
Due from other funds	1,214,555	-
Receivable from Successor Agency	30,950,525	-
Notes receivable	-	-
Land held for resale	-	-
TOTAL ASSETS	<u>\$ 76,909,406</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable	\$ 2,282,231	\$ -
Accrued liabilities	595,243	-
Retainage payable	-	-
Due to other funds	-	-
Payable to Successor Agency	-	-
Deferred revenue	15,207,109	-
TOTAL LIABILITIES	<u>18,084,583</u>	<u>-</u>
FUND BALANCES (DEFICIT):		
Nonspendable:		
Prepaid items	1,168,907	-
Inventories	10,273	-
Receivable from Successor Agency	16,695,657	-
Land held for resale	-	-
Restricted:		
Public safety	-	-
Transportation	-	-
Community development	-	-
Health and sanitation	-	-
Culture and leisure	-	-
Committed:		
Self insurance	4,000,000	-
Pension and personnel obligations	15,260,655	-
Capital projects	510,417	-
Refuse stabilization	1,964,966	-
Economic uncertainties	8,300,000	-
Assigned:		
Capital replacement and repairs	6,944,212	-
Contract emergency services	1,404,981	-
Unassigned	2,564,755	-
TOTAL FUND BALANCES (DEFICIT)	<u>58,824,823</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 76,909,406</u>	<u>\$ -</u>

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

Redevelopment Agency	Capital Projects		Other Governmental Funds	Total Governmental Funds
	Lakewood Capital Improvements	Housing Admin & Program		
\$ -	\$ -	\$ 4,458,808	\$ 3,894,788	\$ 48,636,202
-	-	-	139,628	139,628
-	47,706	-	1,076,771	4,407,017
-	-	-	-	1,168,907
-	-	-	-	10,273
-	-	-	-	1,214,555
-	-	5,053,861	-	36,004,386
-	-	2,559,729	-	2,559,729
-	-	2,960,302	-	2,960,302
<u>\$ -</u>	<u>\$ 47,706</u>	<u>\$ 15,032,700</u>	<u>\$ 5,111,187</u>	<u>\$ 97,100,999</u>
\$ -	\$ 195	\$ 3,418	\$ 73,329	\$ 2,359,173
-	-	-	14,993	610,236
-	-	-	139,628	139,628
-	53,135	-	1,161,420	1,214,555
-	-	1,209,117	-	1,209,117
-	-	2,559,729	106,071	17,872,909
<u>-</u>	<u>53,330</u>	<u>3,772,264</u>	<u>1,495,441</u>	<u>23,405,618</u>
-	-	-	-	1,168,907
-	-	-	-	10,273
-	-	5,053,861	-	21,749,518
-	-	2,960,302	-	2,960,302
-	-	-	324,029	324,029
-	-	-	2,919,913	2,919,913
-	-	3,246,273	125,965	3,372,238
-	-	-	62,852	62,852
-	-	-	276,210	276,210
-	-	-	-	4,000,000
-	-	-	-	15,260,655
-	-	-	-	510,417
-	-	-	-	1,964,966
-	-	-	-	8,300,000
-	-	-	-	6,944,212
-	-	-	-	1,404,981
-	(5,624)	-	(93,223)	2,465,908
<u>-</u>	<u>(5,624)</u>	<u>11,260,436</u>	<u>3,615,746</u>	<u>73,695,381</u>
<u>\$ -</u>	<u>\$ 47,706</u>	<u>\$ 15,032,700</u>	<u>\$ 5,111,187</u>	<u>\$ 97,100,999</u>

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CITY OF LAKEWOOD

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

June 30, 2012

Fund balances - total governmental funds \$ 73,695,381

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	5,569,295	
Infrastructure net of \$93,351,422 accumulated depreciation	40,470,672	
Structures and improvements, net of \$18,922,309 accumulated depreciation	24,783,204	
Equipment, net of \$5,853,116 accumulated depreciation	1,248,282	
	<u>                    </u>	89,515,476

Some of the City's receivables for loans, operating and capital grant reimbursements, taxes and investment income will be collected after year end, but are not available soon enough to pay for current-period expenditures, and therefore, are either not reported or are reported with an offset to deferred revenues in the funds. Balances at June 30, 2012 are:

Receivables not reported in governmental funds	\$ 1,033,386	
Receivables offset by deferred revenues	17,424,787	
	<u>                    </u>	18,458,173

The net OPEB pension asset is not an available current financial resources and therefore is not reported in the governmental funds: 4,071,215

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: 637,804

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Assets. Balances at June 30, 2012 are:

Compensated absences		<u>(1,070,342)</u>
----------------------	--	--------------------

Net assets of governmental activities \$ 185,307,707

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, 2012

	General	Redevelopment Agency Debt Service Fund
	<u>General</u>	<u>Fund</u>
REVENUES:		
Taxes	\$ 21,178,208	\$ 4,010,120
Licenses and permits	635,098	-
Fines and forfeitures	817,092	-
Investment income, rents and concessions	3,556,130	(9,859)
From other agencies	7,622,461	-
Current service charges	8,015,864	-
Other	-	-
TOTAL REVENUES	<u>41,824,853</u>	<u>4,000,261</u>
EXPENDITURES:		
Current:		
General government	6,780,482	-
Public safety	12,118,551	-
Transportation	3,914,598	-
Community development	3,605,062	700,745
Health and sanitation	4,497,425	-
Culture and leisure	8,543,106	-
Capital outlay:		
General government	-	-
Public safety	-	-
Transportation	-	-
Culture and leisure	-	-
Debt service:		
Principal retirement	-	1,040,000
Interest	-	3,876,203
TOTAL EXPENDITURES	<u>39,459,224</u>	<u>5,616,948</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,365,629</u>	<u>(1,616,687)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	2,324,619	-
Transfers out	(980,242)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,344,377</u>	<u>-</u>
NET CHANGE IN FUND BALANCES, BEFORE SPECIAL AND EXTRAORDINARY ITEMS	3,710,006	(1,616,687)
SPECIAL ITEM:		
Transfer to HACoLA (Note 1A)	-	-
EXTRAORDINARY ITEM:		
Gain (loss) dissolution of Redevelopment Agency (Note 15)	-	27,346,196
NET CHANGE IN FUND BALANCES	3,710,006	25,729,509
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	<u>55,114,817</u>	<u>(25,729,509)</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 58,824,823</u>	<u>\$ -</u>

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

Redevelopment Agency	Capital Projects		Other Governmental Funds	Total Governmental Funds
	Lakewood Capital Improvements	Housing Admin & Program		
\$ -	\$ -	\$ -	\$ 2,278,794	\$ 27,467,122
-	-	-	-	635,098
-	-	-	-	817,092
31,660	-	2,259	55,359	3,635,549
-	593,357	-	5,782,869	13,998,687
-	-	-	-	8,015,864
89,201	-	49,463	-	138,664
<u>120,861</u>	<u>593,357</u>	<u>51,722</u>	<u>8,117,022</u>	<u>54,708,076</u>
-	-	-	195,457	6,975,939
-	-	-	99,156	12,217,707
-	-	-	2,103,442	6,018,040
1,381,403	-	11,848	174,550	5,873,608
-	-	-	115,379	4,612,804
-	-	-	270,156	8,813,262
-	33,803	-	-	33,803
-	41,530	-	-	41,530
-	380,402	-	3,529,191	3,909,593
-	753,188	-	180,798	933,986
-	-	-	-	1,040,000
-	-	-	-	3,876,203
<u>1,381,403</u>	<u>1,208,923</u>	<u>11,848</u>	<u>6,668,129</u>	<u>54,346,475</u>
<u>(1,260,542)</u>	<u>(615,566)</u>	<u>39,874</u>	<u>1,448,893</u>	<u>361,601</u>
-	980,242	-	5,051	3,309,912
-	-	-	(2,329,670)	(3,309,912)
-	<u>980,242</u>	-	<u>(2,324,619)</u>	-
(1,260,542)	364,676	39,874	(875,726)	361,601
-	-	-	(926,715)	(926,715)
(5,298,645)	-	11,220,562	-	33,268,113
(6,559,187)	364,676	11,260,436	(1,802,441)	32,702,999
6,559,187	(370,300)	-	5,418,187	40,992,382
<u>\$ -</u>	<u>\$ (5,624)</u>	<u>\$ 11,260,436</u>	<u>\$ 3,615,746</u>	<u>\$ 73,695,381</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, 2012

Net change in fund balances - total governmental funds \$ 32,702,999

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital expenses (\$4,945,538) exceeded depreciation (\$3,706,930) in the current period. 1,238,608

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 repaid (138,665)

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 1,040,000

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. 362,036

Governmental funds do not report the changes in net OPEB asset, since it does not provide or require the use of current financial resources (185,078)

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 \$ (16,560)  
Amortization of deferred amount on refunding, deferred charges and bond premium (18,080)  
Change in compensated absences (1,517) (36,157)

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. (1,619)

The City of Lakewood Redevelopment Agency was dissolved as of February 1, 2012 pursuant to Assembly Bill 1x26 and 1484. Assets and liabilities of the dissolved Agency as of February 1, 2012 were transferred to the Successor Agency:  
Transfer of unamortized deferred amount on refunding and issuance premium (25,014)  
Transfer of unamortized bond deferred charges (148,033)  
Transfer of long-term debt to the Successor Agency 7,435,000  
Transfer of accrued interest to the Successor Agency 149,575

Change in net assets of governmental activities \$ 42,393,652

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

CITY OF LAKEWOOD  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2012

	<u>Business-type Activity- Water Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 7,467,477	\$ -
Restricted cash and investments:		
Customer deposits	29,080	-
Held by bond trustees	345,000	-
Accounts receivable	642,533	-
Accrued revenue	881,578	-
Inventories	14,602	42,353
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	9,380,270	42,353
	<hr/>	<hr/>
NONCURRENT ASSETS:		
Deferred charges, net of accumulated amortization	143,514	-
	<hr/>	<hr/>
Capital assets, not being depreciated:		
Land	381,023	-
Water rights	1,834,586	-
Construction in progress	2,192,022	-
Capital assets, being depreciated:		
Source of supply	4,770,755	-
Pumping plant	807,312	-
Water treatment	2,482,330	-
Transmission/distribution	31,081,340	-
General plant	4,523,839	-
Equipment	4,330,315	1,293,124
Less: accumulated depreciation	(22,095,926)	(1,293,124)
	<hr/>	<hr/>
Total capital assets (net of accumulated depreciation)	30,307,596	-
	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	30,451,110	-
	<hr/>	<hr/>
TOTAL ASSETS	39,831,380	42,353
	<hr/>	<hr/>

(Continued)

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

CITY OF LAKEWOOD

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 (CONTINUED)

June 30, 2012

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 600,368	\$ 16,375
Accrued liabilities	156,995	12,620
Accrued interest payable	48,905	-
Customer deposits	29,080	-
Current portion of long-term debt	817,480	-
	<u>1,652,828</u>	<u>28,995</u>
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES:		
Loan payable	1,382,361	-
Revenue bonds	3,917,944	-
	<u>5,300,305</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES		
	<u>6,953,133</u>	<u>28,995</u>
TOTAL LIABILITIES		
NET ASSETS		
Invested in capital assets, net of related debt	24,189,811	-
Unrestricted	8,688,436	13,358
	<u>32,878,247</u>	<u>\$ 13,358</u>
TOTAL NET ASSETS		
Adjustment to reflect the consolidation of internal service fund activities related to the water enterprise fund	<u>(624,445)</u>	
Net assets of business-type activity	<u>\$ 32,253,802</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, 2012

	Business-type Activity- Water Enterprise Fund	Governmental Activities- Internal Service Funds
OPERATING REVENUES:		
Metered water sales	\$ 8,289,641	\$ -
Reclaimed water sales	223,423	-
Fire protection	27,118	-
Service initiation and restoration charges	213,641	-
Billings to departments	-	1,238,364
Other revenues	342,591	-
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	9,096,414	1,238,364
OPERATING EXPENSES:		
Operations:		
Supply, transmission and distribution	5,571,065	-
Customer service	850,286	-
Administration	663,748	-
Cost of goods sold	-	1,240,936
Improvements	4,878	-
Depreciation	1,352,170	-
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	8,442,147	1,240,936
OPERATING INCOME (LOSS)	<hr/>	<hr/>
	654,267	(2,572)
NONOPERATING REVENUES (EXPENSES):		
Investment income	85,797	-
Interest expense on long-term debt	(237,940)	-
Amortization of deferred charges	(22,167)	-
	<hr/>	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	(174,310)	-
CHANGE IN NET ASSETS	479,957	(2,572)
NET ASSETS AT BEGINNING OF YEAR	<hr/>	<hr/>
	32,398,290	15,930
NET ASSETS AT END OF YEAR	<hr/>	<hr/>
	\$ 32,878,247	\$ 13,358
Change in net assets - Water Enterprise Fund	\$ 479,957	
Adjustment to reflect the consolidation of the internal service fund activities related to the Water Enterprise Fund	(952)	
Change in net assets of business-type activity	<hr/>	
	\$ 479,005	

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, 2012

	<u>Business-type Activity- Water Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 8,021,008	\$ -
Receipts from interfund services provided	-	1,238,501
Other operating receipts	806,772	-
Payments to suppliers	(3,717,421)	(621,397)
Payments to employees	(2,215,778)	(628,771)
Payments for interfund services used	(1,320,000)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,574,581</u>	<u>(11,667)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(1,445,663)	-
Principal paid on revenue bonds and loan	(797,480)	-
Interest paid on revenue bonds	(217,537)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,460,680)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	85,797	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(800,302)	(11,667)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,641,859</u>	<u>11,667</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,841,557</u>	<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, 2012

	<u>Business-type Activity- Water Enterprise Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 654,267	\$ (2,572)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,352,170	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables	(127,588)	-
(Increase) decrease accrued revenue	(132,447)	-
(Increase) decrease in inventories	(2,798)	(15,452)
Increase (decrease) in accounts payable	(176,739)	3,232
Increase (decrease) in accrued liabilities	16,316	3,125
Increase (decrease) in customer deposits	(8,600)	-
Total adjustments	<u>920,314</u>	<u>(9,095)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,574,581</u>	<u>\$ (11,667)</u>

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

CITY OF LAKEWOOD

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

June 30, 2012

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust Fund	Agency Funds
<b>ASSETS:</b>		
Cash and investments	\$ 1,084,274	\$ 1,547,471
Cash and investments with fiscal agent	1,457,952	-
Receivable from the City of Lakewood	1,209,117	-
Notes receivable	566,733	1,145,284
Deferred charges	136,986	-
	<u>4,455,062</u>	<u>\$ 2,692,755</u>
<b>LIABILITIES:</b>		
Accounts payable	-	\$ 3,159
Interest payable	117,775	-
Deposits	1,825,398	721,456
Due to EDA	-	1,081,162
Due to HUD	-	886,978
Payable to City of Lakewood	36,004,386	-
Long-term liabilities:		
Due within one year	1,085,000	-
Due in more than one year	6,326,854	-
	<u>45,359,413</u>	<u>\$ 2,692,755</u>
<b>NET ASSETS (DEFICIT) HELD IN TRUST</b>	<u>\$ (40,904,351)</u>	

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

CITY OF LAKEWOOD  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

For the period February 1, 2012 to June 30, 2012

	Successor Agency to the City of Lakewood Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Investment income	<u>\$ 8,565</u>
DEDUCTIONS:	
Contract services	12,903
Legal services	12,520
Meeting expense	390
Payment to developer	47,250
Interest	160,212
TOTAL DEDUCTIONS	<u>233,275</u>
CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM	(224,710)
EXTRAORDINARY ITEM:	
Loss on dissolution of former Redevelopment Agency (Note 15)	<u>(40,679,641)</u>
CHANGE IN NET ASSETS	(40,904,351)
NET ASSETS - FEBRUARY 1, 2012	<u>-</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u><u>\$ (40,904,351)</u></u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

## 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. Effective February 1, 2012, the Agency was dissolved as a result of California Assembly Bill 1X26 (the Dissolution Act). See Note 15 for additional information. The Agency' financial transactions for the seven-month period from July 1, 2011 through January 31, 2012 are included within the debt service and capital projects fund types.

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 City decided to cease operations of the Housing Authority's sole activity effective July 1, 2011. All rights and responsibilities of the Authority's rental assistance program and the residual cash of \$926,715 were transferred to the Housing Authority of the County of Los Angeles (HACoLA) as approved by the United States Department of Housing and Urban Development. Since this event is considered to be infrequent in occurrence and within the control of management, it has been reported as a special item in the governmental fund financial statements due to its significance.

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 Euterprise 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 Agency, and the Financing Authority.
2. The City and the Agency are financially interdependent. The Agency's role is to wind down the fiscal affairs of the former RDA, which will be absorbed by the County in 2016.
3. The Agency, the Housing Agency, 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 Agency 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.

No individual financial statements are prepared for the 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 and the fiduciary private purpose trust fund. 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 agency funds are reported using no measurement focus but utilize the accrual basis of accounting.

See independent auditors' report.

## 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. The Agency was dissolved effective February 1, 2012.

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. The Agency was dissolved effective February 1, 2012.

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.

Housing Admin & Program Capital Projects Fund

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

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.

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.

Fiduciary Funds

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

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiduciary Funds (Continued)

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

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.

The City’s current capitalization policy requires capital assets to be depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building improvement	30 years
Water and sewer lines	50 years
Roads	30 years
Vehicles	7 years
Office equipment	7 years
Computer equipment/software	5 years
Other equipment	7 years

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.

See independent auditors’ report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Land Held for Resale

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

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. 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 prepaid items in the General Fund since they will be used to offset future deposit requirements. Included in prepaid items as of June 30, 2012 are refunds totaling \$571,976 related to the workers’ compensation coverage program. Adverse claims experience in prior years results in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when incurred. In addition, there is prepaid balance in the General Fund totaling \$596,931 related to the general liability program.

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. Fund Balances

The fund balances reported in the fund statements are classified as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

See independent auditors’ report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balances (Continued)

Restricted Fund Balance - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by the City Council through the adoption of an ordinance or a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Assigned Fund Balance - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as committed. City Council has by resolution authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily.

Unassigned Fund Balance - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is applied first, followed by assigned fund balance, and then finally unassigned fund balance.

O. 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, 2012 are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Unrestricted assets:			
Cash and investments	\$ 56,103,679	\$ 2,631,745	\$ 58,735,424
Cash and investments with fiscal agent	-	1,457,952	1,457,952
Temporarily restricted assets:			
Cash and Investments	168,708	-	168,708
Cash and investments held by bond trustees	345,000	-	345,000
Total Cash and Investments	<u>\$ 56,617,387</u>	<u>\$ 4,089,697</u>	<u>\$ 60,707,084</u>

Cash and investments at June 30, 2012 consisted of the following:

Cash on hand	\$ 2,700
Deposits with financial institutions	7,506,799
Investments	53,197,585
Total Cash and Investments	<u>\$ 60,707,084</u>

See independent auditors' report.

## NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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 Agency 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
Corporate Notes	5 years	30%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None
Money Market Funds	N/A	20%	10%
Government Pools	N/A	None	None
Los Angeles County Pooled Fund	N/A	None	None

N/A - Not Applicable

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 Agency Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Banker's Acceptance, Money Market Mutual Funds, Investment Agreements, Repurchase Agreements, Local Agency Investment Fund of the State of California and any other investments permitted in writing by bond insurer. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment.

See independent auditors' report.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Local Agency Investment Fund	\$ 14,838,007	\$ -	\$ -	\$ 14,838,007
United States Treasury Notes	-	1,437,523	8,148,985	9,586,508
United States Government Sponsored Agency Securities	222,356	14,102,828	4,429,883	18,755,067
Municipal Bonds	-	163,632	676,082	839,714
CAMP Cash Reserve Portfolio	42,966	-	-	42,966
Money Market Mutual Funds	54,796	-	-	54,796
Negotiable Certificates of Deposit	826,378	2,504,316	-	3,330,694
Corporate Medium Notes	-	-	3,947,394	3,947,394
Held by Bond Trustee:				
CAMP Cash Reserve Portfolio	667,353	-	-	667,353
Money Market Mutual Funds	1,135,086	-	-	1,135,086
	<u>\$ 17,786,942</u>	<u>\$ 18,208,299</u>	<u>\$ 17,202,344</u>	<u>\$ 53,197,585</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 June 30, 2012 for each investment type:

Investment Type	Total as of June 30, 2012	Minimum Legal Rating	AAA		Not Rated		Not Required to be Rated
			AAA	Other	Not Rated	Not Rated	
Local Agency Investment Fund	\$ 14,838,007	N/A	\$ -	\$ -	\$ 14,838,007	\$ -	-
United States Treasury Notes	9,586,508	N/A	-	-	-	-	9,586,508
United States Government Sponsored Agency Securities	18,755,067	N/A	-	18,755,067	-	-	-
Municipal Bonds	839,714	A	449,694	390,020	-	-	-
CAMP Cash Reserve Portfolio	42,966	A	42,966	-	-	-	-
Money Market Mutual Funds	54,796	A	54,796	-	-	-	-
Negotiable Certificates of Deposit	3,330,694	N/A	-	-	3,330,694	-	-
Corporate Medium Notes	3,947,394	A	-	3,947,394	-	-	-
Held by Bond Trustee:							
CAMP Cash Reserve Portfolio	667,353	A	667,353	-	-	-	-
Money Market Mutual Funds	1,135,086	A	1,135,086	-	-	-	-
	<u>\$ 53,197,585</u>		<u>\$ 2,349,895</u>	<u>\$ 23,092,481</u>	<u>\$ 18,168,701</u>	<u>\$ 9,586,508</u>	

N/A - Not Applicable

See independent auditors' report.

## NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A+</u>	<u>A</u>	<u>Total</u>
United States Government Sponsored Agency Securities	\$ 18,755,067	\$ -	\$ -	\$ -	\$ -	\$ 18,755,067
Municipal Bonds	-	390,020	-	-	-	390,020
Corporate Medium Notes	889,744	-	673,974	226,217	2,157,459	3,947,394
	<u>\$ 19,644,811</u>	<u>\$ 390,020</u>	<u>\$ 673,974</u>	<u>\$ 226,217</u>	<u>\$ 2,157,459</u>	<u>\$ 23,092,481</u>

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 Agency Securities	\$ 6,385,046
Federal Home Loan Bank	United States Government Sponsored Agency Securities	\$ 3,205,551
Federal National Mortgage Association	United States Government Sponsored Agency Securities	\$ 9,164,470

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, 2012, the City's cash on deposit exceeded federally insured limits by \$372,849.

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.

See independent auditors' report.

## NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investment in Government Pooled Fund

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

## NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

**Governmental Activities:**

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 17,444,023	\$ -	\$ -	\$ 17,444,023
Construction in progress	<u>5,049,963</u>	<u>4,412,511</u>	<u>(3,893,179)</u>	<u>5,569,295</u>
Total capital assets, not being depreciated	<u>22,493,986</u>	<u>4,412,511</u>	<u>(3,893,179)</u>	<u>23,013,318</u>
Capital assets, being depreciated:				
Structures and improvements	43,472,199	233,314	-	43,705,513
Equipment	6,556,960	571,062	(26,625)	7,101,397
Infrastructure	<u>130,200,267</u>	<u>3,621,827</u>	<u>-</u>	<u>133,822,094</u>
Total capital assets, being depreciated	<u>180,229,426</u>	<u>4,426,203</u>	<u>(26,625)</u>	<u>184,629,004</u>
Less accumulated depreciation for:				
Structures and improvements	(18,056,055)	(866,254)	-	(18,922,309)
Equipment	(5,531,219)	(348,521)	26,625	(5,853,115)
Infrastructure	<u>(90,859,267)</u>	<u>(2,492,155)</u>	<u>-</u>	<u>(93,351,422)</u>
Total accumulated depreciation	<u>(114,446,541)</u>	<u>(3,706,930)</u>	<u>26,625</u>	<u>(118,126,846)</u>
Total capital assets, being depreciated, net	<u>65,782,885</u>	<u>719,273</u>	<u>-</u>	<u>66,502,158</u>
Total governmental activities capital assets, net	<u>\$ 88,276,871</u>	<u>\$ 5,131,784</u>	<u>\$ (3,893,179)</u>	<u>\$ 89,515,476</u>

See independent auditors' report.

## NOTE 3 - CAPITAL ASSETS (CONTINUED)

**Business-type Activity:**

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 381,023	\$ -	\$ -	\$ 381,023
Water rights	1,834,586	-	-	1,834,586
Construction in progress	<u>4,808,835</u>	<u>1,424,675</u>	<u>(4,041,488)</u>	<u>2,192,022</u>
Total capital assets, not being depreciated	<u>7,024,444</u>	<u>1,424,675</u>	<u>(4,041,488)</u>	<u>4,407,631</u>
Capital assets, being depreciated:				
Source of supply	4,770,755	-	-	4,770,755
Pumping plant	807,312	-	-	807,312
Water treatment	2,482,330	-	-	2,482,330
Transmission/distribution	29,538,090	1,543,250	-	31,081,340
General plant and equipment	<u>6,334,928</u>	<u>2,519,226</u>	<u>-</u>	<u>8,854,154</u>
Total capital assets, being depreciated	<u>43,933,415</u>	<u>4,062,476</u>	<u>-</u>	<u>47,995,891</u>
Less accumulated depreciation for:				
Source of supply	(2,625,339)	(110,475)	-	(2,735,814)
Pumping plant	(503,141)	(12,591)	-	(515,732)
Water treatment	(425,718)	(244,024)	-	(669,742)
Transmission/distribution	(13,994,426)	(754,101)	-	(14,748,527)
General plant and equipment	<u>(3,195,132)</u>	<u>(230,979)</u>	<u>-</u>	<u>(3,426,111)</u>
Total accumulated depreciation	<u>(20,743,756)</u>	<u>(1,352,170)</u>	<u>-</u>	<u>(22,095,926)</u>
Total capital assets, being depreciated, net	<u>23,189,659</u>	<u>2,710,306</u>	<u>-</u>	<u>25,899,965</u>
Total business-type activity, capital assets, net	<u>\$ 30,214,103</u>	<u>\$ 4,134,981</u>	<u>\$ (4,041,488)</u>	<u>\$ 30,307,596</u>

## Depreciation expense:

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

## Governmental activities:

General government	\$ 198,265
Public safety	59,979
Transportation	45,718
Community development	173,782
Health and sanitation	1,469
Culture and leisure	735,562
Unallocated infrastructure depreciation	<u>2,492,155</u>

Total depreciation expense - governmental activities \$ 3,706,930

## Business type activity:

Water \$ 1,352,170

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, 2012:

**Governmental Activities**

	Balance at July 1, 2011	Additions	Deletions	Transfers (a)	Balance at June 30, 2012	Due Within One Year
Agency Tax Allocation Bonds:						
1999 Series A	\$ 3,780,000	\$ -	\$ (450,000)	\$ (3,330,000)	\$ -	\$ -
2003 Series A	3,080,000	-	(395,000)	(2,685,000)	-	-
2003 Series B	1,615,000	-	(195,000)	(1,420,000)	-	-
Plus (less) deferred amounts:						
For issuance premium	29,831	-	(2,822)	(27,009)	-	-
On refunding	(57,459)	-	5,436	52,023	-	-
Total Agency Tax Allocation Bonds	8,447,372	-	(1,037,386)	(7,409,986)	-	-
Compensated absences	1,068,825	1,155,835	(1,154,318)	-	1,070,342	805,315
Total Governmental Activities	9,516,197	1,155,835	(2,191,704)	(7,409,986)	1,070,342	805,315
<b>Business-type Activity</b>						
Water Revenue Bonds:						
2004 Bonds	2,155,000	-	(405,000)	-	1,750,000	415,000
2008 Bonds	3,080,000	-	(195,000)	-	2,885,000	205,000
Plus (less) deferred amounts:						
For issuance premiums	41,273	-	(8,689)	-	32,584	-
On refunding	(164,211)	-	34,571	-	(129,640)	-
Total Water Revenue Bonds	5,112,062	-	(574,118)	-	4,537,944	620,000
Loan payable	1,777,321	-	(197,480)	-	1,579,841	197,480
Total Business-type Activity	6,889,383	-	(771,598)	-	6,117,785	817,480
<b>City Total</b>	<u>\$16,405,580</u>	<u>\$ 1,155,835</u>	<u>\$ (2,963,302)</u>	<u>\$ (7,409,986)</u>	<u>\$ 7,188,127</u>	<u>\$ 1,622,795</u>

(a) On February 1, 2012, all long-term liabilities of the former redevelopment agency were transferred to the Successor Agency as a result of dissolution. See Notes 14 and 15 for additional information.

**Governmental Activities****A. Compensated Absences**

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

See independent auditors' report.

## NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

**Business-type Activity**

## B. 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, 2012, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 415,000	\$ 58,581	\$ 473,581
2014	430,000	45,094	475,094
2015	445,000	31,119	476,119
2016	<u>460,000</u>	<u>16,100</u>	<u>476,100</u>
Total	<u>\$ 1,750,000</u>	<u>\$ 150,894</u>	<u>\$ 1,900,894</u>

2008 Bonds

On May 7, 2008 the City issued \$3,450,000 in non-taxable water revenues bonds to finance the construction of a photovoltaic system. The bonds were sold through a negotiated sale and bears interest at a rate of 4.75%. The 2008 Bonds are secured by a charge and lien on the net revenue of the water enterprise. Principal payments on the capital lease are due annually each April 1, commencing April 1, 2011. Interest payments are payable semi-annually on April 1 and October 1.

The future annual required lease payments at June 30, 2012, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 205,000	\$ 137,038	\$ 342,038
2014	215,000	127,300	342,300
2015	225,000	117,088	342,088
2016	235,000	106,400	341,400
2017	250,000	95,238	345,238
2018 - 2022	1,430,000	287,613	1,717,613
2023 - 2024	<u>325,000</u>	<u>15,838</u>	<u>340,838</u>
Total	<u>\$ 2,885,000</u>	<u>\$ 886,515</u>	<u>\$ 3,771,515</u>

## C. Loan Payable

In November 2008, the City entered into a loan agreement with the Water Replenishment District of Southern California (WRD). Pursuant to the agreement, WRD is to loan the City up to \$2,200,000 which is to be used towards the design, construction and installation of wellhead treatment systems at the City's Well 27 site. As of June 30, 2012, the City had requested and received \$1,974,801 from WRD. The loan is unsecured and does not bear interest. The term of the loan is ten years from the initial loan disbursement date which occurred on September 24, 2009. Principal payments are due annually commencing two years from the date of the initial loan disbursement in an amount equal to the lesser of (i) 10% of the total cumulative amount of loan disbursements made by WRD during the immediately preceding twelve month period or (ii) \$220,000.

See independent auditors' report.

## NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

**Business-type Activity (Continued)**

## C. Loan Payable (Continued)

The debt service schedule to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2013	\$ 197,480	\$ -	\$ 197,480
2014	197,480	-	197,480
2015	197,480	-	197,480
2016	197,480	-	197,480
2017	197,480	-	197,480
2018 - 2020	<u>592,441</u>	-	<u>592,441</u>
Total	<u>\$ 1,579,841</u>	<u>\$ -</u>	<u>\$ 1,579,841</u>

## NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances were as follows at June 30, 2012:

Due To / From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Lakewood Capital Improvements Capital Project Fund Other Governmental Funds	\$ 53,135 <u>1,161,420</u>
		<u>\$ 1,214,555</u>

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

Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,324,619
Lakewood Capital Improvements Capital Projects Fund	General Fund	980,242
Other Governmental Funds	Other Governmental Funds	<u>5,051</u>
		<u>\$ 3,309,912</u>

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

See independent auditors' report.

## NOTE 6 - NOTES RECEIVABLE

- A. On June 30, 2011, the amount due by the Lakewood Redevelopment Agency to the City was \$34,290,046. In January 2012, the Agency made principal and interest payments to the city totaling \$3,339,521. Under AB 1X26, the Successor Agency was only able to list as enforceable obligation the amount of the *initial* City Loan for the plan area, which was \$382,000.00. Subsequent legislation, AB1484, allowed for the listing of City Loans recalculated at the LAIF rate for the life of the loan, the outstanding city Loan amount using the LAIF interest rate calculation is \$2,604,877. AB1484 also called for a Due Diligence Review of the former Redevelopment Agency's non-housing funds, which was due to the Department of Finance on December 15, 2012, with a final submission on January 15, 2013. This Due Diligence Review takes into consideration all City Loan Payments from January 1, 2011 through January 31, 2012. Both the city loan recalculations and due diligence reviews have not been analyzed by the Department of Finance at the time of publication of this report, and because of that, the balance of the amount due by the former Redevelopment Agency to the City is based on the amount due at June 30, 2011 less the payments made in January 2012. The balance of \$30,950,525 is the amount due by the former Redevelopment Agency on the date of dissolution, February 1, 2012.
- B. On April 14, 2005, the Agency Board approved a 10-year interfund loan from the Capital Projects Fund to the Debt Service Fund to provide partial funding for the required payment to the County of Los Angeles' Educational Revenue Augmentation Fund for the year ended June 30, 2005. No interest accrues on this loan and annual installments of \$22,623 commenced May 10, 2006. The loan balance at June 30, 2012 is \$90,492. The loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1x26.
- C. On February 9, 2011, the Agency Board approved a 5-year loan from the Capital Projects Fund to the Debt Service Fund to provide funding for the required payment to the County of Los Angeles' Supplemental Educational Revenue Augmentation Fund. On January 25, 2012, the Agency Board approved a second 5-year loan from the Capital Projects Fund to the Debt Service Fund for similar purposes. No interest accrues on these loans and the loans must be repaid on or before June 30, 2015 and 2016, respectively. The total loan balance at June 30, 2012 is \$3,878,059. The liability side of this loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1x26.
- D. California Health and Safety Code Section 33334.6 requires that Redevelopment Agencies set aside 20% of the annual tax increment proceeds for the benefit of low- and moderate-income housing. However, an Agency may defer the set-aside of 20% if it determines that the tax increment required to be deposited is necessary for the orderly and timely completion of programs approved by the Agency prior to January 1, 1986. The Agency made such a determination to defer the deposit of \$1,383,310 of tax increment into the Housing Set-Aside Fund. The Agency has adopted a plan for repayment of this Housing Set-Aside Fund deficit. The Agency did not make a payment towards this deficit during the year ended June 30, 2012, as this deficit was not considered an enforceable obligation under Assembly Bill 1x26, the deficit total remains at \$1,085,310; however, under subsequent legislation, AB1484, this deficit is now considered an enforceable obligation and payments from the Successor Agency are allowed to commence in fiscal year 2013-14 to the City's Housing Admin & Program Capital Projects Fund. See Notes 14 and 15.
- E. The former Redevelopment Agency made deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal year 1996-97, the former Redevelopment Agency began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. The rehabilitation loans were made from the former Redevelopment Agency's low and moderate housing 20% set-aside funds. The loans were transferred to the Housing Admin & Program Special Revenue Fund on February 1, 2012, the effective date of the former Redevelopment Agency dissolution, since the City had accepted the role of being the Successor Housing Agency. Due to the long-term nature of the loans, the City has deferred recognition of revenues until receipt in the governmental fund financial statements. The balance of these loans totaled \$2,559,729 at June 30, 2012.

See independent auditors' report.

## NOTE 7 - DEFINED BENEFIT PENSION PLANS

## A. CalPERS 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 2011-12 was 11.957% 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 2011-12, the City's actual and contributed pension cost was \$1,849,473. The required contribution for fiscal year 2011-12 was determined as part of the June 30, 2009, actuarial valuation using the entry age 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 fifteen-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 30 year rolling period which results in an amortization of about 6% 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 Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$ 1,353,997	100%	\$ -
6/30/11	1,499,038	100%	-
6/30/12	1,849,473	100%	-

See independent auditors' report.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. CalPERS Plan (Continued)

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 86.5% funded. The actuarial accrued liability for benefits was \$96,686,489, and the actuarial value of assets was \$83,591,596, resulting in an unfunded liability of \$13,094,893. The covered payroll (annual payroll of active employees covered by the plan) was \$14,567,621, and the ratio of the UAAL to the covered payroll was 89.9%.

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.

B. Retirement Enhancement Plan

Plan Description

The City provides a 401a defined benefit retirement enhancement plan under the terms of a Memorandum of Understanding (MOU) between the City and its employees. The Plan is part of an agent multiple employer plan administered by the Public Agency Retirement Service (PARS). The benefit is equal to 0.5% of final average compensation for all future years of City service (on or after July 1, 2005) and for 75% of past years of City service (before July 1, 2005). Eligibility for an immediate benefit is defined as reaching age 60, completing two years of full-time continuous Lakewood service, and retiring concurrently from both the City and CalPERS after leaving City employment on or after July 1, 2006. Employees terminating from the City with two years of service and concurrent retirement with CalPERS but prior to age 60 may choose to receive either a deferred retirement benefit to begin at age 60 or a refund of their employee contributions with 3% interest compounded annually. All other terminating employees will receive a refund of their employee contributions with 3% interest. A separate audited GAAP-basis post-employment benefit plan report is not available for this Plan.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City, City Council, and/or the employee associations and the employer contribution rates are established and may be amended by PARS. Currently, plan members are required to contribute 3% of compensation of which the City picks-up 0.13%. The required employer contribution for the fiscal year 2011-12 was 5.75%.

Annual Pension Cost

For fiscal year 2011-12, the City's actual and contributed pension cost was \$606,833. This required contribution was determined as part of the July 1, 2011, actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) a 7.00% investment rate of return; (b) projected salary increases that vary by age, length of service and type of employment from 3.85 % to 12.65%, (c) a 3.0% inflation rate; and (d) a 2.00% cost of living adjustment compounded annually. Initial unfunded liabilities are amortized over a closed 20-year period that began on July 1, 2005 using a level percentage of projected payroll.

Three-Year Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$ 489,730	100%	\$ -
6/30/11	631,475	100%	-
6/30/12	606,833	100%	-

See independent auditors' report.

## NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

## B. Retirement Enhancement Plan (Continued)

Funded Status and Funding Progress

As of July 1, 2011, the latest actuarial valuation date, the plan was 44.42% percent funded. The actuarial accrued liability for benefits was \$11,171,066, and the actuarial value of assets was \$4,962,691 resulting in an unfunded actuarial accrued liability (UAAL) of \$6,208,375. The covered payroll (annual payroll of active employees covered by the plan) was \$13,050,477 and the ratio of the UAL to the covered payroll was 47.57%.

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 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.

## NOTE 8 - DEFINED CONTRIBUTION PLAN

The City provides a tax qualified retirement savings plan under Section 401(a) of the Internal Revenue Code to its full-time employees. The Plan is a defined contribution plan and benefits depend solely on amounts contributed to the plan and investment earnings. The Plan is administered by the Public Agency Retirement System (PARS) and the City Council has the authority for establishing and amending the plan provisions. Employer contributions are based on an employee's tier of eligibility. Depending on the limits and requirements of the eligible tier, the City will contribute certain amounts equivalent to an employee's eligible unused accrued vacation time, compensatory time, floating holidays, sick leave and administrative leave. Employee contributions are mandatory and are also based on an employee's tier of eligibility. The amount of the mandatory employee contribution will depend on the limits and requirements of the tier which take into consideration an employee's longevity, merit adjustments and prescribed plan percentages. For the year ended June 30, 2012, employee contributions totaled \$248,518 and employer contributions totaled \$197,451.

## NOTE 9 - 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 10 - HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAMS

- A. 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 the former Redevelopment Agency's low and moderate housing 20% set-aside funds are reported in the Housing Admin & Program Capital Projects Fund. Due to the long-term nature of the loans, the City has deferred recognition of revenues until receipt. The rehabilitation loans made from CDBG funds and all HUD cash held for rehabilitation loans are reflected in the Housing Rehabilitation Agency Fund. Since the Department of Housing and Urban Development has a claim to any funds remaining when the program is terminated, these funds are reported as "Due to HUD" in the Agency Fund.
- B. The Gateway Cities Council of Governments has received loan funds for economic development from the Economic Development Administration (EDA). On August 24, 1999, the City of Lakewood approved an agreement with the Gateway Cities Council of Governments, of which the City of Lakewood is a member, to receive \$666,725 of these funds as a sub-grantee. These funds were used to establish a commercial revolving loan fund to provide for business expansion, economic development, and job creation in Lakewood. The revolving loan fund particularly targets industrial, manufacturing, and commercial businesses adjacent to the Boeing plant and Long Beach Airport and at the 19-acre former Rockwell site in Lakewood. This is a matching loan program. The funds received from the EDA have been matched with \$85,000 from a California Trade and Commerce Agency Defense Adjustment Matching Grant and \$168,245 in Community Development Block Grant (CDBG) funds. The revolving loans and all EDA cash held for revolving loans are reflected in the Lakewood Business Development Loans Agency Fund. Since the Economic Development Administration (EDA) has a claim to any funds remaining when the program is terminated, these funds are reported as "Due to EDA" in the Agency Fund.

## 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 123 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 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

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

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

## B. Self-insurance Programs of the Authority (Continued)

General Liability Insurance. In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers' Compensation. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

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

## C. Purchased Insurance

Pollution Legal Liability Insurance. The City participates in the pollution legal liability insurance program (formerly called environmental 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, 2011 through July 1, 2014. Each member of the Insurance Authority has a \$10,000,000 sub-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 \$50,678,669. 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.

See independent auditors' report.

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

## C. Purchased Insurance (Continued)

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 \$30,111,888. There is a deductible of 5% of per unit 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 experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2011-2012.

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

The City provides a post-retirement medical care benefit under the terms of a Memorandum of Understanding (MOU) between the City and its employees. The Plan is part of an agent multiple employer plan administered by the Public Agency Retirement Service (PARS). The benefit is in the form of a monthly supplemental payment to assist qualified retirees with premium payment on medical insurance. Effective July 1, 1989, this benefit is available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after attaining age 60 and who have completed at least 15 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. Effective July 1, 2001, this benefit was modified and is also available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after age 55 and who have completed at least 20 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. The benefit is a "defined dollar benefit" set at \$466 per month on January 1, 2012, continuing until the retiree has met Medicare age. Thereafter, the payment is decreased to \$278 per month. The benefit is increased annually according to the terms of the MOU. The maximum term of benefits paid a qualifying employee is equal to the number of months of continuous Lakewood City service. A separate audited GAAP-basis post-employment benefit plan report is not available for this Plan.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or the employee associations. Currently, contributions are not required from plan members. During the fiscal year ended June 30, 2012, the City made contributions of \$146,313 on a pay-as-you-go basis.

See independent auditors' report.

## NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 2011-12 was \$277,084 and was determined as part of an actuarial valuation dated July 1, 2011.

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)	\$ 277,084
Interest adjustment on Net OPEB asset	(257,605)
Amortization adjustment to ARC	<u>311,912</u>
Annual OPEB cost	331,391
Contribution made	<u>(146,313)</u>
Decrease in Net OPEB asset	185,078
Net OPEB asset - beginning of year	<u>(4,256,293)</u>
Net OPEB asset - end of year	<u>\$ (4,071,215)</u>

Three-Year Trend Information

For fiscal year 2012, the City's annual OPEB cost (expense) of \$331,391 was greater than the ARC. Information on the annual OPEB cost, percentage of Annual OPEB Cost contributed, and Net OPEB Obligation is presented below:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2010	\$ 416,110	\$ 624,358	150.05%	\$ (4,537,288)
6/30/2011	416,110	135,115	32.47%	(4,256,293)
6/30/2012	331,391	146,313	44.15%	(4,071,215)

Funded Status and Funding Progress

As of July 1, 2011, the latest actuarial valuation date, the plan was 99.32%. The actuarial accrued liability for benefits was \$6,656,794 and the actuarial value of assets was \$6,611,297 resulting in an unfunded actuarial liability (UAAL) of \$45,497. The covered payroll (annual payroll of active employees covered by the plan) was \$12,749,552 and the ratio of the UAAL to the covered payroll was 0.36%.

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, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a discount rate of 6.0% per annum, a rate of return on assets of 6.0% per annum and a healthcare cost trend rate of 8.0% initially, reduced by annual decrements of 1.0% to an ultimate rate of 5.0% after three years. The City's unfunded actuarial accrued liability is being amortized by level dollar contributions over a thirty-year open period.

## 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 4% premium over the contract price to the Sheriff's Department for liability insurance. This amount is held by the County in a Liability Trust Fund and provides for the payment of claims brought against the Sheriff's Department.

## NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES

The assets and liabilities of the former Redevelopment Agency were transferred to the City of Lakewood as Successor Agency on February 1, 2012, as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to long-term assets and liabilities are as follows:

## A. Receivable from City of Lakewood

The unencumbered cash of \$1,209,117 related to the former redevelopment agency's low and moderate income housing activities had yet to be transferred from the Housing Admin & Program Capital Projects Fund to the Successor Agency as required by AB 1484 as of year end. The transfer occurred on July 1, 2012.

## B. Note Receivable

As consideration for the sale of land on November 3, 2006, the former Redevelopment Agency took a \$689,520 note from the buyer. The term of the note is ten years. Interest accrues on the note at a rate of 5.5% per annum. Principal and interest is payable quarterly. The quarterly payments are fixed at \$14,298 with a balloon payment of \$434,883 due on November 1, 2016. On February 1, 2012, as part of the dissolution process, this note was transferred to the Successor Agency to the City of Lakewood Redevelopment Agency Private-Purpose Trust Fund. The note balance at June 30, 2012 is \$566,733.

## C. Long-Term Assets

The following is a summary of long-term asset transactions for the five-months ended June 30, 2012:

	Balance at February 1, 2012	Transfers	Additions	Deletions	Balance at June 30, 2012
Deferred charges	\$ -	\$ 148,033	\$ -	\$ (11,047)	\$ 136,986

See independent auditors' report.

## NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED)

## D. Payable to the City of Lakewood

1. On June 30, 2011, the amount due by the Lakewood Redevelopment Agency to the City was \$34,290,046. In January 2012, the Agency made principal and interest payments to the city totaling \$3,339,521. Under AB 1X26, the Successor Agency was only able to list as enforceable obligation the amount of the *initial* City Loan for the plan area, which was \$382,000.00. Subsequent legislation, AB1484, allowed for the listing of City Loans recalculated at the LAIF rate for the life of the loan, the outstanding city Loan amount using the LAIF interest rate calculation is \$2,604,877. AB1484 also called for a Due Diligence Review of the former Redevelopment Agency's non-housing funds, which was due to the Department of Finance on December 15, 2012, with a final submission on January 15, 2013. This Due Diligence Review takes into consideration all City Loan Payments from January 1, 2011 through January 31, 2012. Both the city loan recalculations and due diligence reviews have not been analyzed by the Department of Finance at the time of publication of this report, and because of that, the balance of the amount due by the former Redevelopment Agency to the City is based on the amount due at June 30, 2011 less the payments made in January 2012. The balance of \$30,950,525 is the amount due by the former Redevelopment Agency on the date of dissolution, February 1, 2012.
2. On April 14, 2005, the Agency Board approved a 10-year interfund loan from the Capital Projects Fund to the Debt Service Fund to provide partial funding for the required payment to the County of Los Angeles' Educational Revenue Augmentation Fund for the year ended June 30, 2005. No interest accrues on this loan and annual installments of \$22,623 commenced May 10, 2006. The loan balance at June 30, 2012 is \$90,492. The loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1x26.
3. On February 9, 2011, the Agency Board approved a 5-year loan from the Capital Projects Fund to the Debt Service Fund to provide funding for the required payment to the County of Los Angeles' Supplemental Educational Revenue Augmentation Fund. On January 25, 2012, the Agency Board approved a second 5-year loan from the Capital Projects Fund to the Debt Service Fund for similar purposes. No interest accrues on these loans and the loans must be repaid on or before June 30, 2015 and 2016, respectively. The total loan balance at June 30, 2012 is \$3,878,059. The liability side of this loan was transferred to the Successor Agency and the asset side was transferred to the Housing Admin & Program Capital Projects Fund as of the date of the dissolution of the Agency in accordance with Assembly Bill 1x26.
4. California Health and Safety Code Section 33334.6 requires that Redevelopment Agencies set aside 20% of the annual tax increment proceeds for the benefit of low- and moderate-income housing. However, an Agency may defer the set-aside of 20% if it determines that the tax increment required to be deposited is necessary for the orderly and timely completion of programs approved by the Agency prior to January 1, 1986. The Agency made such a determination to defer the deposit of \$1,383,310 of tax increment into the Housing Set-Aside Fund. The Agency has adopted a plan for repayment of this Housing Set-Aside Fund deficit. The Agency did not make a payment towards this deficit during the year ended June 30, 2012, as this deficit was not considered an enforceable obligation under Assembly Bill 1x26, the deficit total remains at \$1,085,310; however, under subsequent legislation, AB1484, this deficit is now considered an enforceable obligation and payments from the Successor Agency are allowed to commence in fiscal year 2013-14 to the City's Housing Admin & Program Capital Projects Fund. See Notes 14 and 15.

See independent auditors' report.

NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED)

E. Long-Term Liabilities

The following is a summary of long-term liability transactions for the five-months ended June 30, 2012:

	Balance at February 1, 2012	Transfers	Additions	Deletions	Balance at June 30, 2012	Due Within One Year
Agency Tax Allocation Bonds:						
1999 Series A	\$ -	\$ 3,330,000	\$ -	\$ -	\$ 3,330,000	\$ 475,000
2003 Series A	-	2,685,000	-	-	2,685,000	405,000
2003 Series B	-	1,420,000	-	-	1,420,000	205,000
Plus (less) deferred amounts:						
For issuance premium	-	27,009	-	(2,015)	24,994	-
On refunding	-	(52,023)	-	3,883	(48,140)	-
Total Agency Tax Allocation Bonds	\$ -	\$ 7,409,986	\$ -	\$ 1,868	\$ 7,411,854	\$ 1,085,000

Tax Allocation Bond Series 1999A

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

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

Total debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 475,000	\$ 163,573	\$ 638,573
2014	515,000	138,070	653,070
2015	540,000	110,505	650,505
2016	570,000	81,224	651,224
2017	600,000	50,070	650,070
2018	630,000	17,080	647,080
Total	\$ 3,330,000	\$ 560,522	\$ 3,890,522

See independent auditors' report.

## NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED)

## E. Long-Term Liabilities (Continued)

Tax Allocation Bond Series 2003A

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

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

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

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 405,000	\$ 97,449	\$ 502,449
2014	420,000	81,718	501,718
2015	440,000	65,330	505,330
2016	455,000	48,208	503,208
2017	475,000	29,835	504,835
2018	490,000	10,168	500,168
Total	<u>\$ 2,685,000</u>	<u>\$ 332,708</u>	<u>\$ 3,017,708</u>

See independent auditors' report.

NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED)

E. Long-Term Liabilities (Continued)

Tax Allocation Bond Series 2003B

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

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

The 2003B Bonds are serial bonds maturing annually each September 1 through the calendar year 2017, and bearing interest 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
2013	\$ 205,000	\$ 72,197	\$ 277,197
2014	220,000	61,275	281,275
2015	230,000	49,192	279,192
2016	240,000	36,055	276,055
2017	255,000	22,220	277,220
2018	270,000	7,547	277,547
Total	<u>\$ 1,420,000</u>	<u>\$ 248,486</u>	<u>\$ 1,668,486</u>

F. Agreements

- 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, 2012, the Agency made payments of \$189,000 in relation to this agreement.
- 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, 2012, the Agency's obligation under this agreement totaled \$750,000.

See independent auditors' report.

## NOTE 14 - SUCCESSOR AGENCY FIDUCIARY DISCLOSURES (CONTINUED)

## F. Agreements (Continued)

3. 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, 2012, the Agency's outstanding deferral balance is \$843,589.

## NOTE 15 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCY

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package. The Dissolution Act required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for impending dissolution. Assembly Bill 1x 27 provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn the Dissolution Act and Assembly Bill 1x 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and struck down Assembly Bill 1x 27.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a "Dissolved RDA") was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On February 1, 2012, the City elected to serve as the Successor Agency of the Lakewood Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The City elected on February 1, 2012 to serve as the housing successor agency.

Prior to February 1, 2012, the final seven months of activity of the Dissolved RDA are reported in the governmental funds of the City. After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a Housing Admin & Program fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

See independent auditors' report.

## NOTE 15 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCY (CONTINUED)

The transfer of the assets and liabilities of the Dissolved RDA as of February 1, 2012 (except for certain assets of the former Low and Moderate Income Housing Fund, which were transferred to the Housing Admin & Program fund) (effectively the same date as January 31, 2012) from the governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was also reported in the fiduciary fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the fiduciary private-purpose trust fund (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain of former Agency reported in governmental funds	\$ (33,268,113)
Deferred bond charges reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	148,033
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(7,409,986)
Interest payable reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>(149,575)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (40,679,641)</u>

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months. The Successor Agency received \$1,818,980 from the County Auditor-Controller in June 2012 for the ROPS for the period July 1, 2012 to December 31, 2012.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency.

See independent auditors' report.

## NOTE 15 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCY (CONTINUED)

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

## NOTE 16 - INDIVIDUAL FUND DISCLOSURES:

## A. Funds with a deficit fund balance at June 30, 2012, are as follows:

## Major Funds:

Lakewood Capital Improvements Capital Projects Fund	\$	5,624
Other Governmental Funds:		
STPL TEA-LU Special Revenue Fund		82,559
River Park Grant Special Revenue Fund		10,664
Internal Service Fund:		
Print Shop		4,236

The City plans to eliminate the \$4,236 deficit in Print Shop through a transfer from the General Fund and the remaining deficits through pending grant funding.

## B. For the year ended June 30, 2012, expenditures exceeded appropriations at the fund level (the legal level of budgetary control) for the following funds:

JAG Grants Special Revenue Fund	\$	2,473
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Appropriation was approved by the Council for the Prop A Transit Special Revenue Fund; on 2-14-12 the Council approved the transfer of Prop A funds to Manhattan Beach in the amount of \$100,000.00, and on 2-28-12 the Council approved the transfer of Prop A funds to West Hollywood in the amount of \$900,000.00. Although these appropriations did not get entered into MUNIS, the appropriation was approved by Council. Also, appropriations were approved for the purchase of vehicles on 9-13-11 and 1-24-12, using AB2766 Funds; again these appropriations did not get entered into MUNIS, however, the appropriation were approved by Council. So, per Council approval expenditures did not exceed appropriations in the Prop A and AB 2766 funds.

## NOTE 17 - SUBSEQUENT EVENT:

Events occurring after June 30, 2012, have been evaluated for possible adjustment to the financial statements or disclosure as of January 23, 2013, which is the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKEWOOD

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2012

**CalPERS DEFINED BENEFIT PENSION PLAN**

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)
06/30/09	\$ 85,776,801	\$ 74,859,464	\$ 10,917,337	87.27%	\$ 14,052,480	77.69%
06/30/10	90,988,219	78,965,253	12,022,966	86.79%	14,824,292	81.10%
06/30/11	96,686,489	83,591,596	13,094,893	86.46%	14,567,621	89.89%

**RETIREE ENHANCEMENT DEFINED BENEFIT PLAN**

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)
07/01/07	\$ 5,745,565	\$ 1,569,624	\$ 4,175,941	27.32%	\$ 11,671,485	35.78%
07/01/09	8,040,975	2,493,670	5,547,305	31.01%	13,027,092	42.58%
7/1/2011	11,171,066	4,962,691	6,208,375	44.42%	13,050,447	47.57%

**OTHER POST-EMPLOYMENT BENEFITS PLAN**

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)
07/01/07	\$ 4,464,565	\$ -	\$ 4,464,565	0.00%	\$ 11,108,547	40.19%
07/01/09	5,950,911	4,543,540	1,407,371	76.35%	12,590,469	11.18%
07/01/11	6,656,794	6,611,297	45,497	99.32%	12,749,552	0.36%

See independent auditors' report.

CITY OF LAKEWOOD  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 20,996,836	\$ 20,996,836	\$ 21,178,208	\$ 181,372
Licenses and permits	668,790	668,790	635,098	(33,692)
Fines and forfeitures	1,047,500	1,047,500	817,092	(230,408)
Investment income, rents and concessions	1,324,396	1,324,396	4,301,130	2,976,734
From other agencies	7,011,949	7,011,949	6,877,461	(134,488)
Current service charges	7,529,652	7,529,652	8,015,864	486,212
<b>TOTAL REVENUES</b>	<b>38,579,123</b>	<b>38,579,123</b>	<b>41,824,853</b>	<b>3,245,730</b>
<b>EXPENDITURES:</b>				
Current:				
General government	6,301,355	6,850,162	6,780,482	69,680
Public safety	13,079,456	12,710,891	12,118,551	592,340
Transportation	4,405,807	4,211,869	3,914,598	297,271
Community development	3,521,747	3,576,920	3,605,062	(28,142)
Health and sanitation	4,573,766	4,573,766	4,497,425	76,341
Culture and leisure	9,252,118	9,310,350	8,543,106	767,244
<b>TOTAL EXPENDITURES</b>	<b>41,134,249</b>	<b>41,233,958</b>	<b>39,459,224</b>	<b>1,774,734</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,555,126)</b>	<b>(2,654,835)</b>	<b>2,365,629</b>	<b>5,020,464</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,324,619	2,164,937	2,324,619	159,682
Transfers out	(1,735,548)	(1,652,683)	(980,242)	672,441
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>589,071</b>	<b>512,254</b>	<b>1,344,377</b>	<b>832,123</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,966,055)</b>	<b>(2,142,581)</b>	<b>3,710,006</b>	<b>5,852,587</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>55,114,817</b>	<b>55,114,817</b>	<b>55,114,817</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 53,148,762</b>	<b>\$ 52,972,236</b>	<b>\$ 58,824,823</b>	<b>\$ 5,852,587</b>

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 Sewer Reconstruction Special Revenue Fund, the Housing Authority Special Revenue Fund and the Redevelopment Agency Debt Service Fund since no budget is adopted for these funds. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
5. Capital project budgets are long term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2012, based on calculations by City Management, proceeds of taxes did not exceed related appropriations. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies, to be used in future years without limitation. In 2009-10, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds.

See independent auditors' report.

**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.

STPL TEA-LU Fund - To account for highway safety improvement expenditures funded by the Surface Transportation Program Local Transportation Equity Act -- a Legacy for Users (STPL TEA-LU).

Measure R Fund - To account for Los Angeles County special ½ cent transportation sales tax which became effective July 1, 2009. These funds may be used only for certain transportation purposes.

River Park Grant Fund - To account for funding received from California State Resources Agency for the purpose of providing pre-construction costs for the West San Gabriel Parkway - Phase 3.

CITY OF LAKEWOOD  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS

June 30, 2012

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
ASSETS				
Cash and investments	\$ 194,173	\$ 85,673	\$ 86,719	\$ 324,605
Restricted cash and investments	-	-	-	-
Accounts receivable	231,412	-	-	-
TOTAL ASSETS	\$ 425,585	\$ 85,673	\$ 86,719	\$ 324,605
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 25,477
Accrued liabilities	-	-	-	9,463
Retainage payable	-	-	-	-
Due to other funds	425,585	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	425,585	-	-	34,940
FUND BALANCES (DEFICITS):				
Restricted for:				
Public safety	-	-	-	-
Transportation	-	-	-	289,665
Community development	-	-	86,719	-
Health and sanitation	-	-	-	-
Culture and leisure	-	85,673	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	-	85,673	86,719	289,665
TOTAL LIABILITIES AND FUND BALANCES	\$ 425,585	\$ 85,673	\$ 86,719	\$ 324,605

See independent auditors' report.

Special Revenue Funds (Continued)

Housing Authority	Prop C Transportation	AB 2766	CDBG	State COPS Grants	JAG Grants	Litter Reduction Grant
\$ -	\$ 1,855,316	\$ 142,954	\$ 22,075	\$ 253,293	\$ -	\$ 50,911
-	40,793	-	-	-	-	-
-	-	24,852	20,931	74,406	-	-
<u>\$ -</u>	<u>\$ 1,896,109</u>	<u>\$ 167,806</u>	<u>\$ 43,006</u>	<u>\$ 327,699</u>	<u>\$ -</u>	<u>\$ 50,911</u>
\$ -	\$ 25,791	\$ -	\$ 3,760	\$ 3,670	\$ -	\$ -
-	2,694	86	-	-	-	-
-	40,793	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	69,278	86	3,760	3,670	-	-
-	-	-	-	324,029	-	-
-	1,826,831	-	-	-	-	-
-	-	-	39,246	-	-	-
-	-	-	-	-	-	50,911
-	-	167,720	-	-	-	-
-	-	-	-	-	-	-
-	1,826,831	167,720	39,246	324,029	-	50,911
<u>\$ -</u>	<u>\$ 1,896,109</u>	<u>\$ 167,806</u>	<u>\$ 43,006</u>	<u>\$ 327,699</u>	<u>\$ -</u>	<u>\$ 50,911</u>

(Continued)

CITY OF LAKEWOOD

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
(CONTINUED)

June 30, 2012

	Special Revenue Funds (Continued)			
	TDA Article Grant	Used Oil Grant	Beverage Container Grant	Prop A Recreation
ASSETS				
Cash and investments	\$ -	\$ 39,752	\$ -	\$ 25,567
Restricted cash and investments	-	-	-	-
Accounts receivable	3,358	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,358</b>	<b>\$ 39,752</b>	<b>\$ -</b>	<b>\$ 25,567</b>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ 4,299	\$ -	\$ -
Accrued liabilities	-	-	-	2,750
Retainage payable	-	-	-	-
Due to other funds	3,358	-	-	-
Deferred revenue	-	23,512	-	-
<b>TOTAL LIABILITIES</b>	<b>3,358</b>	<b>27,811</b>	<b>-</b>	<b>2,750</b>
FUND BALANCES (DEFICITS):				
Restricted for:				
Public safety	-	-	-	-
Transportation	-	-	-	-
Community development	-	-	-	-
Health and sanitation	-	11,941	-	-
Culture and leisure	-	-	-	22,817
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>-</b>	<b>11,941</b>	<b>-</b>	<b>22,817</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,358</b>	<b>\$ 39,752</b>	<b>\$ -</b>	<b>\$ 25,567</b>

See independent auditors' report.

Special Revenue Funds (Continued)			
STPL TEA-LU	Measure R	River Park Grant	Total Other Governmental Funds
\$ -	\$ 813,749	\$ -	\$ 3,894,787
81,352	17,483	-	139,628
705,574	-	16,239	1,076,772
<u>\$ 786,926</u>	<u>\$ 831,232</u>	<u>\$ 16,239</u>	<u>\$ 5,111,187</u>
\$ -	\$ 10,332	\$ -	\$ 73,329
-	-	-	14,993
81,352	17,483	-	139,628
705,574	-	26,903	1,161,420
82,559	-	-	106,071
<u>869,485</u>	<u>27,815</u>	<u>26,903</u>	<u>1,495,441</u>
-	-	-	324,029
-	803,417	-	2,919,913
-	-	-	125,965
-	-	-	62,852
-	-	-	276,210
<u>(82,559)</u>	<u>-</u>	<u>(10,664)</u>	<u>(93,223)</u>
<u>(82,559)</u>	<u>803,417</u>	<u>(10,664)</u>	<u>3,615,746</u>
<u>\$ 786,926</u>	<u>\$ 831,232</u>	<u>\$ 16,239</u>	<u>\$ 5,111,187</u>

CITY OF LAKEWOOD

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

For the year ended June 30, 2012

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
REVENUES:				
Taxes	\$ -	\$ 40,760	\$ -	\$ 1,222,169
Investment income, rents and concessions	13,423	-	-	7,601
From other agencies	2,311,196	-	-	-
TOTAL REVENUES	2,324,619	40,760	-	1,229,770
EXPENDITURES:				
Current:				
General government	-	-	-	30,399
Public safety	-	-	-	-
Transportation	-	-	-	1,896,373
Community development	-	-	-	49,047
Health and sanitation	-	-	-	-
Culture and leisure	-	-	-	-
Capital outlay:				
Transportation	-	-	-	-
Culture and leisure	-	-	-	-
TOTAL EXPENDITURES	-	-	-	1,975,819
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,324,619	40,760	-	(746,049)
OTHER FINANCING USES:				
Transfers in	-	-	-	-
Transfers out	(2,324,619)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,324,619)	-	-	-
SPECIAL ITEM:				
Transfer to HACoLA	-	-	-	-
NET CHANGE IN FUND BALANCES	-	40,760	-	(746,049)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	-	44,913	86,719	1,035,714
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ -	\$ 85,673	\$ 86,719	\$ 289,665

See independent auditors' report.

Special Revenue Funds (Continued)

Housing Authority	Prop C Transportation	AB 2766	CDBG	State COPS Grants	JAG Grants	Litter Reduction Grant
\$ -	\$ 1,015,865	\$ -	\$ -	\$ -	\$ -	\$ -
-	21,563	1,502	-	2,105	-	357
-	-	100,675	400,720	197,997	36,115	43,895
-	1,037,428	102,177	400,720	200,102	36,115	44,252
-	-	110,619	52,124	-	-	-
-	-	-	-	60,568	38,588	-
-	168,989	15,347	-	-	-	-
-	-	-	125,503	-	-	-
-	-	-	-	-	-	-
-	-	-	81,703	-	-	-
-	1,403,182	-	-	-	-	-
-	-	-	87,085	-	-	-
-	1,572,171	125,966	346,415	60,568	38,588	-
-	(534,743)	(23,789)	54,305	139,534	(2,473)	44,252
-	-	-	-	-	-	-
-	(5,051)	-	-	-	-	-
-	(5,051)	-	-	-	-	-
(926,715)	-	-	-	-	-	-
(926,715)	(539,794)	(23,789)	54,305	139,534	(2,473)	44,252
926,715	2,366,625	191,509	(15,059)	184,495	2,473	6,659
\$ -	\$ 1,826,831	\$ 167,720	\$ 39,246	\$ 324,029	\$ -	\$ 50,911

(Continued)

CITY OF LAKEWOOD

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

For the year ended June 30, 2012

	Special Revenue Funds (Continued)			
	TDA Article Grant	Used Oil Grant	Beverage Container Grant	Prop A Recreation
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment income, rents and concessions	-	276	-	829
From other agencies	40,292	16,064	86,596	73,443
<b>TOTAL REVENUES</b>	<b>40,292</b>	<b>16,340</b>	<b>86,596</b>	<b>74,272</b>
EXPENDITURES:				
Current:				
General government	-	2,315	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Community development	-	-	-	-
Health and sanitation	-	31,071	84,308	-
Culture and leisure	-	-	-	188,453
Capital outlay:				
Transportation	40,292	-	-	-
Culture and leisure	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>40,292</b>	<b>33,386</b>	<b>84,308</b>	<b>188,453</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(17,046)</b>	<b>2,288</b>	<b>(114,181)</b>
OTHER FINANCING USES:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
SPECIAL ITEM:				
Transfer to HACoLA	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(17,046)</b>	<b>2,288</b>	<b>(114,181)</b>
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	-	28,987	(2,288)	136,998
FUND BALANCES (DEFICITS) AT END OF YEAR	<u>\$ -</u>	<u>\$ 11,941</u>	<u>\$ -</u>	<u>\$ 22,817</u>

See independent auditors' report.

Special Revenue Funds (Continued)

STPL TEA-LU	Measure R	River Park Grant	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 2,278,794
-	7,703	-	55,359
<u>1,624,503</u>	<u>755,399</u>	<u>95,974</u>	<u>5,782,869</u>
<u>1,624,503</u>	<u>763,102</u>	<u>95,974</u>	<u>8,117,022</u>
-	-	-	195,457
-	-	-	99,156
-	22,733	-	2,103,442
-	-	-	174,550
-	-	-	115,379
-	-	-	270,156
1,627,039	458,678	-	3,529,191
-	-	93,713	180,798
<u>1,627,039</u>	<u>481,411</u>	<u>93,713</u>	<u>6,668,129</u>
<u>(2,536)</u>	<u>281,691</u>	<u>2,261</u>	<u>1,448,893</u>
5,051	-	-	5,051
-	-	-	(2,329,670)
<u>5,051</u>	<u>-</u>	<u>-</u>	<u>(2,324,619)</u>
-	-	-	(926,715)
2,515	281,691	2,261	(1,802,441)
<u>(85,074)</u>	<u>521,726</u>	<u>(12,925)</u>	<u>5,418,187</u>
<u>\$ (82,559)</u>	<u>\$ 803,417</u>	<u>\$ (10,664)</u>	<u>\$ 3,615,746</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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 15,000	\$ 13,423	\$ (1,577)
From other agencies	2,227,204	2,311,196	83,992
TOTAL REVENUES	2,242,204	2,324,619	82,415
OTHER FINANCING USES:			
Transfers out	(2,242,204)	(2,324,619)	(82,415)
NET CHANGE IN FUND BALANCE	-	-	-
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

PARK DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ -	\$ 40,760	\$ 40,760
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	40,760	40,760
FUND BALANCE AT BEGINNING OF YEAR	44,913	44,913	-
FUND BALANCE AT END OF YEAR	<u>\$ 44,913</u>	<u>\$ 85,673</u>	<u>\$ 40,760</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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 1,122,066	\$ 1,222,169	\$ 100,103
Investment income, rents and concessions	30,000	7,601	(22,399)
TOTAL REVENUES	<u>1,152,066</u>	<u>1,229,770</u>	<u>77,704</u>
EXPENDITURES:			
Current:			
General government	35,980	30,399	5,581
Transportation	1,904,866	1,896,373	8,493
Community development	57,729	49,047	8,682
TOTAL EXPENDITURES	<u>1,998,575</u>	<u>1,975,819</u>	<u>22,756</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(846,509)	(746,049)	100,460
FUND BALANCE AT BEGINNING OF YEAR	<u>1,035,714</u>	<u>1,035,714</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 189,205</u>	<u>\$ 289,665</u>	<u>\$ 100,460</u>

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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 930,724	\$ 1,015,865	\$ 85,141
Investment income, rents and concessions	80,000	21,563	(58,437)
TOTAL REVENUES	<u>1,010,724</u>	<u>1,037,428</u>	<u>26,704</u>
EXPENDITURES:			
Current:			
Transportation	171,057	168,989	2,068
Capital outlay:			
Transportation	<u>1,741,312</u>	<u>1,403,182</u>	<u>338,130</u>
TOTAL EXPENDITURES	<u>1,912,369</u>	<u>1,572,171</u>	<u>340,198</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(901,645)	(534,743)	366,902
OTHER FINANCING USES:			
Transfers out	<u>-</u>	<u>(5,051)</u>	<u>(5,051)</u>
NET CHANGE IN FUND BALANCE	(901,645)	(539,794)	361,851
FUND BALANCE AT BEGINNING OF YEAR	<u>2,366,625</u>	<u>2,366,625</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,464,980</u>	<u>\$ 1,826,831</u>	<u>\$ 361,851</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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 2,500	\$ 1,502	\$ (998)
From other agencies	95,000	100,675	5,675
TOTAL REVENUES	<u>97,500</u>	<u>102,177</u>	<u>4,677</u>
EXPENDITURES:			
Current:			
General government	4,800	110,619	(105,819)
Transportation	15,433	15,347	86
TOTAL EXPENDITURES	<u>20,233</u>	<u>125,966</u>	<u>(105,733)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	77,267	(23,789)	(101,056)
FUND BALANCE AT BEGINNING OF YEAR	<u>191,509</u>	<u>191,509</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 268,776</u>	<u>\$ 167,720</u>	<u>\$ (101,056)</u>

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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 653,075	\$ 400,720	\$ (252,355)
EXPENDITURES:			
Current:			
General government	52,556	52,124	432
Community development	126,043	125,503	540
Culture and leisure	81,786	81,703	83
Capital outlay:			
Culture and leisure	561,951	87,085	474,866
TOTAL EXPENDITURES	822,336	346,415	475,921
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(169,261)	54,305	223,566
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(15,059)	(15,059)	-
FUND BALANCE AT END OF YEAR	\$ (184,320)	\$ 39,246	\$ 223,566

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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 2,105	\$ 2,105
From other agencies	-	197,997	197,997
TOTAL REVENUES	-	200,102	200,102
EXPENDITURES:			
Current:			
Public safety	306,413	60,568	245,845
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(306,413)	139,534	445,947
FUND BALANCE AT BEGINNING OF YEAR	184,495	184,495	-
FUND BALANCE AT END OF YEAR	<u>\$ (121,918)</u>	<u>\$ 324,029</u>	<u>\$ 445,947</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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 36,115	\$ 36,115	\$ -
EXPENDITURES:			
Current:			
Public safety	<u>36,115</u>	<u>38,588</u>	<u>(2,473)</u>
EXCESS OF REVENUES OVER (UUNDER) EXPENDITURES	-	(2,473)	(2,473)
FUND BALANCE AT BEGINNING OF YEAR	<u>2,473</u>	<u>2,473</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,473</u>	<u>\$ -</u>	<u>\$ (2,473)</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

LITTER REDUCTION GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 357	\$ 357
From other agencies	5,000	43,895	38,895
TOTAL REVENUES	5,000	44,252	39,252
EXPENDITURES:			
Current:			
Health and sanitation	5,000	-	5,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	44,252	44,252
FUND BALANCE AT BEGINNING OF YEAR	6,659	6,659	-
FUND BALANCE AT END OF YEAR	<u>\$ 6,659</u>	<u>\$ 50,911</u>	<u>\$ 44,252</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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 33,468	\$ 40,292	\$ 6,824
EXPENDITURES:			
Capital outlay:			
Transportation	40,292	40,292	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,824)	-	6,824
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	<u>\$ (6,824)</u>	<u>\$ -</u>	<u>\$ 6,824</u>

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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 276	\$ 276
From other agencies	35,137	16,064	(19,073)
TOTAL REVENUES	<u>35,137</u>	<u>16,340</u>	<u>(18,797)</u>
EXPENDITURES:			
Current:			
General government	-	2,315	(2,315)
Health and sanitation	35,137	31,071	4,066
TOTAL EXPENDITURES	<u>35,137</u>	<u>33,386</u>	<u>1,751</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(17,046)	(17,046)
FUND BALANCE AT BEGINNING OF YEAR	<u>28,987</u>	<u>28,987</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 28,987</u>	<u>\$ 11,941</u>	<u>\$ (17,046)</u>

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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ 175,168	\$ 86,596	\$ (88,572)
EXPENDITURES:			
Current:			
Health and sanitation	<u>175,168</u>	<u>84,308</u>	<u>90,860</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	2,288	2,288
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(2,288)</u>	<u>(2,288)</u>	-
FUND BALANCE AT END OF YEAR	<u><u>\$ (2,288)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,288</u></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, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ -	\$ 829	\$ 829
From other agencies	191,918	73,443	(118,475)
TOTAL REVENUES	191,918	74,272	(117,646)
EXPENDITURES:			
Current:			
Culture and leisure	191,918	188,453	3,465
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(114,181)	(114,181)
FUND BALANCE AT BEGINNING OF YEAR	136,998	136,998	-
FUND BALANCE AT END OF YEAR	<u>\$ 136,998</u>	<u>\$ 22,817</u>	<u>\$ (114,181)</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

STPL TEA-LU SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ -	\$ 1,624,503	\$ 1,624,503
EXPENDITURES:			
Capital outlay:			
Transportation	1,694,000	1,627,039	66,961
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,694,000)	(2,536)	1,691,464
OTHER FINANCING SOURCES:			
Transfers in	-	5,051	5,051
NET CHANGE IN FUND BALANCE	(1,694,000)	2,515	1,696,515
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(85,074)	(85,074)	-
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (1,779,074)</u>	<u>\$ (82,559)</u>	<u>\$ 1,696,515</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

MEASURE R SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income; rents and concessions	\$ 16,000	\$ 7,703	\$ (8,297)
From other agencies	698,050	755,399	57,349
TOTAL REVENUES	<u>714,050</u>	<u>763,102</u>	<u>49,052</u>
EXPENDITURES:			
Current:			
Transportation	-	22,733	(22,733)
Capital outlay:			
Transportation	1,474,931	458,678	1,016,253
TOTAL EXPENDITURES	<u>1,474,931</u>	<u>481,411</u>	<u>993,520</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(760,881)	281,691	1,042,572
FUND BALANCE AT BEGINNING OF YEAR	<u>521,726</u>	<u>521,726</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ (239,155)</u>	<u>\$ 803,417</u>	<u>\$ 1,042,572</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

RIVER PARK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
From other agencies	\$ -	\$ 95,974	\$ 95,974
EXPENDITURES:			
Capital outlay:			
Culture and leisure	<u>93,713</u>	<u>93,713</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(93,713)	2,261	95,974
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(12,925)</u>	<u>(12,925)</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (106,638)</u>	<u>\$ (10,664)</u>	<u>\$ 95,974</u>

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, 2012

	Central Garage	Print Shop	Totals
ASSETS			
CURRENT ASSETS:			
Inventories	\$ 41,041	\$ 1,312	\$ 42,353
NONCURRENT ASSETS			
Capital assets:			
Equipment	1,293,124	-	1,293,124
Less: accumulated depreciation	(1,293,124)	-	(1,293,124)
Total capital assets (net of accumulated depreciation)	-	-	-
TOTAL ASSETS	41,041	1,312	42,353
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	15,932	443	16,375
Accrued liabilities	7,515	5,105	12,620
TOTAL CURRENT LIABILITIES	23,447	5,548	28,995
NET ASSETS			
Invested in capital assets	-	-	-
Unrestricted	17,594	(4,236)	13,358
TOTAL NET ASSETS (DEFICIT)	\$ 17,594	\$ (4,236)	\$ 13,358

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, 2012

	<u>Central Garage</u>	<u>Print Shop</u>	<u>Totals</u>
OPERATING REVENUES:			
Billings to departments	\$ 841,896	\$ 396,468	\$ 1,238,364
OPERATING EXPENSES:			
Operations:			
Cost of goods sold	<u>849,580</u>	<u>391,356</u>	<u>1,240,936</u>
OPERATING INCOME/CHANGE IN NET ASSETS	(7,684)	5,112	(2,572)
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>25,278</u>	<u>(9,348)</u>	<u>15,930</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 17,594</u>	<u>\$ (4,236)</u>	<u>\$ 13,358</u>

See independent auditors' report.

CITY OF LAKEWOOD

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the year ended June 30, 2012

	Central Garage	Print Shop	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 842,033	\$ 396,468	\$ 1,238,501
Payments to suppliers	(489,488)	(131,909)	(621,397)
Payments to employees	(364,212)	(264,559)	(628,771)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(11,667)	-	(11,667)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,667	-	11,667
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (7,684)	\$ 5,112	\$ (2,572)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in operating assets and liabilities:			
(Increase) decrease in inventories	(16,196)	744	(15,452)
Increase (decrease) in accounts payable	10,177	(6,945)	3,232
Increase (decrease) in accrued liabilities	2,036	1,089	3,125
TOTAL ADJUSTMENTS	(3,983)	(5,112)	(9,095)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (11,667)	\$ -	\$ (11,667)

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.

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

CITY OF LAKEWOOD

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
ALL AGENCY FUNDS

June 30, 2012

	Agency Funds				Totals
	Deposit	Housing Rehabilitation	Sheriff Station Renovation	Lakewood Business Development	
ASSETS:					
Cash and investments	\$ 686,887	\$ 53,556	\$ 12,718	\$ 794,310	\$ 1,547,471
Loans receivable	-	856,308	-	288,976	1,145,284
<b>TOTAL ASSETS</b>	<b>\$ 686,887</b>	<b>\$ 909,864</b>	<b>\$ 12,718</b>	<b>\$ 1,083,286</b>	<b>\$ 2,692,755</b>
LIABILITIES:					
Accounts payable	\$ 100	\$ 935	\$ -	\$ 2,124	\$ 3,159
Deposits	686,787	21,951	12,718	-	721,456
Due to EDA	-	-	-	1,081,162	1,081,162
Due to HUD	-	886,978	-	-	886,978
<b>TOTAL LIABILITIES</b>	<b>\$ 686,887</b>	<b>\$ 909,864</b>	<b>\$ 12,718</b>	<b>\$ 1,083,286</b>	<b>\$ 2,692,755</b>

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
ALL AGENCY FUNDS

For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>DEPOSIT FUND</b>				
<b>ASSETS:</b>				
Cash and investments	\$ 671,961	\$ 99,518	\$ 84,592	\$ 686,887
<b>LIABILITIES:</b>				
Accounts payable	\$ 6,508	\$ 71,897	\$ 78,305	\$ 100
Deposits	665,453	129,104	107,770	686,787
<b>TOTAL LIABILITIES</b>	<b>\$ 671,961</b>	<b>\$ 201,001</b>	<b>\$ 186,075</b>	<b>\$ 686,887</b>
<b>HOUSING REHABILITATION FUND</b>				
<b>ASSETS:</b>				
Cash and investments	\$ 177,547	\$ 46,111	\$ 170,102	\$ 53,556
Loans receivable	883,582	-	27,274	856,308
<b>TOTAL ASSETS</b>	<b>\$ 1,061,129</b>	<b>\$ 46,111</b>	<b>\$ 197,376</b>	<b>\$ 909,864</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 3,210	\$ 139,910	\$ 142,185	\$ 935
Deposits	142,886	-	120,935	21,951
Due to HUD	915,033	-	28,055	886,978
<b>TOTAL LIABILITIES</b>	<b>\$ 1,061,129</b>	<b>\$ 139,910</b>	<b>\$ 291,175</b>	<b>\$ 909,864</b>
<b>SHERIFF STATION RENOVATION</b>				
<b>ASSETS:</b>				
Cash and investments	\$ 12,594	\$ 124	\$ -	\$ 12,718
<b>LIABILITIES:</b>				
Deposits	\$ 12,594	\$ 124	\$ -	\$ 12,718
<b>LAKESWOOD BUSINESS DEVELOPMENT</b>				
<b>ASSETS:</b>				
Cash and investments	\$ 726,308	\$ 79,102	\$ 11,100	\$ 794,310
Loans receivable	355,724	5,891	72,639	288,976
<b>TOTAL ASSETS</b>	<b>\$ 1,082,032</b>	<b>\$ 84,993</b>	<b>\$ 83,739</b>	<b>\$ 1,083,286</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,515	\$ 5,392	\$ 5,783	\$ 2,124
Due to EDA	1,079,517	198,798	197,153	1,081,162
<b>TOTAL LIABILITIES</b>	<b>\$ 1,082,032</b>	<b>\$ 204,190</b>	<b>\$ 202,936</b>	<b>\$ 1,083,286</b>

See independent auditors' report.

(Continued)

CITY OF LAKEWOOD

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 (CONTINUED)

For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS:</b>				
Cash and investments	\$ 1,588,410	\$ 224,855	\$ 265,794	\$ 1,547,471
Loans receivable	1,239,306	5,891	99,913	1,145,284
<b>TOTAL ASSETS</b>	<b>\$ 2,827,716</b>	<b>\$ 230,746</b>	<b>\$ 365,707</b>	<b>\$ 2,692,755</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 12,233	\$ 217,199	\$ 226,273	\$ 3,159
Deposits	820,933	129,228	228,705	721,456
Due to EDA	1,079,517	198,798	197,153	1,081,162
Due to HUD	915,033	-	28,055	886,978
<b>TOTAL LIABILITIES</b>	<b>\$ 2,827,716</b>	<b>\$ 545,225</b>	<b>\$ 680,186</b>	<b>\$ 2,692,755</b>

See independent auditors' report.

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2012

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.	106 - 115
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	116 - 119
<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.	120 - 127
<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.	128 - 129
<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.	130 - 135

CITY OF LAKEWOOD

Net Assets by Component

Last Ten 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>

Source: Department of Administrative Services, City of Lakewood

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 80,280,502	\$ 80,655,513	\$ 84,047,863	\$ 85,293,777	\$ 88,276,871	\$ 89,515,476
14,647,204	16,173,588	20,797,866	14,548,668	14,470,603	18,104,141
31,896,543	34,073,759	33,383,975	39,198,464	40,166,581	77,688,090
<u>\$ 126,824,249</u>	<u>\$ 130,902,860</u>	<u>\$ 138,229,704</u>	<u>\$ 139,040,909</u>	<u>\$ 142,914,055</u>	<u>\$ 185,307,707</u>
\$ 18,820,327	\$ 18,683,373	\$ 21,214,604	\$ 22,410,549	\$ 23,324,720	\$ 24,189,811
-	-	-	-	-	-
7,150,032	9,629,136	9,438,065	9,181,738	8,450,077	8,063,991
<u>\$ 25,970,359</u>	<u>\$ 28,312,509</u>	<u>\$ 30,652,669</u>	<u>\$ 31,592,287</u>	<u>\$ 31,774,797</u>	<u>\$ 32,253,802</u>
\$ 99,100,829	\$ 99,338,886	\$ 105,262,467	\$ 107,704,326	\$ 111,601,591	\$ 113,705,287
14,647,204	16,173,588	20,797,866	14,548,668	14,470,603	18,104,141
39,046,575	43,702,895	42,822,040	48,380,202	48,616,658	85,752,081
<u>\$ 152,794,608</u>	<u>\$ 159,215,369</u>	<u>\$ 168,882,373</u>	<u>\$ 170,633,196</u>	<u>\$ 174,688,852</u>	<u>\$ 217,561,509</u>

CITY OF LAKEWOOD

Changes in Net Assets - Expenses and Program Revenues

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses:</b>				
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>
<b>Program revenues:</b>				
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>
<b>Net revenues (expenses):</b>				
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>

Source: Department of Administrative Services, City of Lakewood

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 8,510,064	\$ 8,128,441	\$ 7,835,015	\$ 7,405,705	\$ 7,202,986	\$ 7,333,030
11,356,267	12,455,676	12,620,187	12,625,750	12,715,680	12,277,420
4,824,504	5,649,724	5,674,897	5,156,031	5,247,578	6,068,549
10,309,543	10,717,032	10,336,150	13,807,173	11,240,548	6,973,684
4,250,787	4,449,649	4,238,617	4,282,434	4,451,021	4,612,935
9,019,931	9,141,664	9,368,215	9,758,660	10,037,245	9,548,824
1,776,204	1,979,819	2,180,932	2,247,016	2,325,713	2,492,155
2,795,304	3,077,480	3,114,073	649,264	454,054	650,838
52,842,604	55,599,485	55,368,086	55,932,033	53,674,825	49,957,435
6,276,836	6,880,787	6,610,831	7,473,557	8,113,079	8,703,206
\$ 59,119,440	\$ 62,480,272	\$ 61,978,917	\$ 63,405,590	\$ 61,787,904	\$ 58,660,641
\$ 859,860	\$ 1,187,144	\$ 1,332,148	\$ 1,200,911	\$ 1,077,906	\$ 1,177,789
1,351,445	1,423,814	1,512,415	1,250,887	954,298	904,654
1,133,876	1,169,018	710,503	961,786	1,066,061	787,552
4,346,022	4,489,476	4,563,049	4,785,217	4,752,505	4,838,762
1,561,244	1,574,007	1,487,320	1,508,914	1,479,616	1,512,728
7,988,389	8,182,326	9,855,674	7,053,631	8,037,655	3,238,589
822,247	1,263,382	790,799	3,166,065	2,760,832	3,077,293
18,063,083	19,289,167	20,251,908	19,927,411	20,128,873	15,537,367
8,996,352	8,916,030	8,499,939	8,154,174	8,124,574	9,096,414
\$ 27,059,435	\$ 28,205,197	\$ 28,751,847	\$ 28,081,585	\$ 28,253,447	\$ 24,633,781
\$ (34,779,521)	\$ (36,310,318)	\$ (35,116,178)	\$ (36,004,622)	\$ (33,545,952)	\$ (34,420,068)
2,719,516	2,035,243	1,889,108	680,617	11,495	393,208
\$ (32,060,005)	\$ (34,275,075)	\$ (33,227,070)	\$ (35,324,005)	\$ (33,534,457)	\$ (34,026,860)

CITY OF LAKEWOOD

Changes in Net Assets - General Revenues

Last Ten 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, before extraordinary item				
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
Extraordinary item	-	-	-	-
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>

Source: Department of Administrative Services, City of Lakewood

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 11,766,140	\$ 10,681,315	\$ 11,198,871	\$ 10,658,959	\$ 11,262,520	\$ 14,217,422
18,479,238	18,955,132	19,537,963	19,558,410	19,062,606	14,444,518
1,236,819	1,249,586	1,453,817	1,374,501	1,455,300	1,538,068
396,078	476,926	462,403	456,269	469,595	546,279
3,239,797	3,517,707	3,490,921	3,591,722	3,508,512	3,360,149
358,325	602,798	467,661	252,997	246,165	260,456
446,043	35,099	35,089	245,415	383,059	41,395
740,072	433,593	555,376	556,774	1,147,814	1,026,041
4,540,996	4,654,612	3,987,964	949,717	566,427	699,751
41,203,508	40,606,768	41,190,065	37,644,764	38,101,998	36,134,079
36,000	-	-	-	-	-
371,213	342,341	462,016	259,001	171,015	85,797
407,213	342,341	462,016	259,001	171,015	85,797
\$ 41,610,721	\$ 40,949,109	\$ 41,652,081	\$ 37,903,765	\$ 38,273,013	\$ 36,219,876
\$ 6,423,987	\$ 4,296,450	\$ 6,073,887	\$ 1,640,142	\$ 4,556,046	\$ 1,714,011
3,126,729	2,377,584	2,351,124	939,618	182,510	479,005
-	-	-	-	-	40,679,641
\$ 6,423,987	\$ 4,296,450	\$ 6,073,887	\$ 1,640,142	\$ 4,556,046	\$ 42,393,652
3,126,729	2,377,584	2,351,124	939,618	182,510	479,005
\$ 9,550,716	\$ 6,674,034	\$ 8,425,011	\$ 2,579,760	\$ 4,738,556	\$ 42,872,657

CITY OF LAKEWOOD

Fund Balances of Governmental Funds

Last Ten 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>
General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Department of Administrative Services, City of Lakewood

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 28,796,772	\$ 29,328,980	\$ 25,260,235	\$ 24,638,651	\$ -	\$ -
26,661,511	27,880,662	27,795,309	26,616,473	-	-
<u>\$ 55,458,283</u>	<u>\$ 57,209,642</u>	<u>\$ 53,055,544</u>	<u>\$ 51,255,124</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 13,523,632	\$ 17,498,570	\$ 18,188,115	\$ 21,940,936	\$ -	\$ -
-	(1,235,920)	(215,141)	(780,506)	-	-
(23,295,789)	(24,250,320)	(23,842,134)	(26,278,253)	-	-
(143,399)	(492,819)	(2,282,333)	(5,983,071)	-	-
<u>\$ (9,915,556)</u>	<u>\$ (8,480,489)</u>	<u>\$ (8,151,493)</u>	<u>\$ (11,100,894)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 17,679,908	\$ 17,874,837
-	-	-	-	-	-
-	-	-	-	28,402,628	30,036,038
-	-	-	-	7,774,015	8,349,193
-	-	-	-	1,258,266	2,564,755
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,114,817</u>	<u>\$ 58,824,823</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,526,041	\$ 8,014,163
-	-	-	-	11,739,494	6,955,242
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(33,387,970)	(98,847)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,122,435)</u>	<u>\$ 14,870,558</u>

CITY OF LAKEWOOD

Changes in Fund Balances of Governmental Funds

Last Ten 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>
SPECIAL ITEMS:				
Transfer to HACoLA	-	-	-	-
Net change in fund balances, before extraordinary item	<u>647,470</u>	<u>242,329</u>	<u>3,875,350</u>	<u>934,713</u>
EXTRAORDINARY ITEM:				
Dissolution of Redevelopment Agency	-	-	-	-
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	7.06%	6.70%	7.31%	6.12%

Source: Department of Administrative Services, City of Lakewood

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 31,784,445	\$ 31,000,225	\$ 31,590,639	\$ 30,797,180	\$ 31,649,661	\$ 27,467,122
738,038	923,086	592,929	713,054	770,650	635,098
716,319	824,290	1,208,896	1,013,090	881,450	817,092
2,561,550	3,484,410	2,782,769	1,811,706	5,450,149	3,635,549
14,710,260	15,883,025	15,253,739	14,843,273	15,618,323	13,998,687
7,651,476	7,863,790	7,532,352	7,634,788	7,746,660	8,015,864
607,189	826,595	677,272	310,301	1,168,393	138,664
<u>58,769,277</u>	<u>60,805,421</u>	<u>59,638,596</u>	<u>57,123,392</u>	<u>63,285,286</u>	<u>54,708,076</u>
8,107,339	7,757,977	11,926,351	7,348,565	6,859,346	6,975,939
11,681,352	12,331,098	12,548,066	12,572,454	12,671,881	12,217,707
4,553,872	5,350,765	5,586,431	5,071,028	5,230,678	6,018,040
9,452,465	10,066,888	9,630,108	13,283,953	10,491,644	5,873,608
4,238,095	4,445,610	4,236,923	4,281,204	4,449,913	4,612,804
8,260,888	8,323,630	8,813,143	9,007,504	9,346,305	8,813,262
132,630	149,824	6,259	124,233	-	33,803
412,453	212,983	6,032	-	71,053	41,530
6,190,273	1,711,708	4,576,032	2,961,116	4,946,347	3,909,593
109,297	59,865	71,327	412,622	72,347	-
1,641,415	1,935,873	2,013,129	1,910,047	1,301,069	933,986
760,698	760,974	761,781	761,781	764,882	-
-	-	-	-	-	-
-	-	-	-	-	-
860,000	885,000	920,000	960,000	1,000,000	1,040,000
2,774,360	3,057,549	3,094,768	3,048,683	4,558,769	3,876,203
<u>59,175,137</u>	<u>57,049,744</u>	<u>64,190,350</u>	<u>61,743,190</u>	<u>61,764,234</u>	<u>54,346,475</u>
<u>(405,860)</u>	<u>3,755,677</u>	<u>(4,551,754)</u>	<u>(4,619,798)</u>	<u>1,521,052</u>	<u>361,601</u>
14,223,245	8,100,982	6,478,745	6,241,294	5,940,999	3,309,912
(14,376,187)	(8,874,791)	(7,008,948)	(6,241,294)	(5,940,999)	(3,309,912)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
689,520	-	-	-	-	-
<u>536,578</u>	<u>(773,809)</u>	<u>(530,203)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	(926,715)
130,718	2,981,868	(5,081,957)	(4,619,798)	1,521,052	(565,114)
-	-	-	-	-	33,268,113
<u>\$ 130,718</u>	<u>\$ 2,981,868</u>	<u>\$ (5,081,957)</u>	<u>\$ (4,619,798)</u>	<u>\$ 1,521,052</u>	<u>\$ 32,702,999</u>
7.26%	7.43%	6.99%	7.10%	10.04%	9.95%

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
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%
2010	6,877,477	268	129,973	7,007,718	0.180%
2011	6,899,318	268	132,663	7,032,249	0.180%
2012	7,028,289	258	140,375	7,168,922	0.181%

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Direct Rates:										
City basic rate	\$ 0.1600	\$ 0.1577	\$ 0.1688	\$ 0.1666	\$ 0.1676	\$ 0.1689	\$ 0.1706	\$ 0.1796	\$ 0.1799	\$ 0.1811
Overlapping Rates:										
Los Angeles County	0.0010	0.0009	0.0009	0.0008	0.0007	-	-	-	-	-
School Districts	0.1186	0.1236	0.1272	0.1186	0.1099	0.2049	0.2200	0.2824	0.2686	0.2830
Sanitation and Water	-	-	0.0002	-	-	-	-	-	-	-
Water Districts	0.0067	0.0061	0.0058	0.0052	0.2778	0.0045	0.0043	0.0043	0.0037	0.0037
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>\$ 1.2863</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>	<u>\$ 1.4663</u>	<u>\$ 1.4522</u>	<u>\$ 1.4678</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	2012		2003	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Macerich Lakewood LLC	\$ 276,860,867	3.86%	\$ 219,521,296	4.88%
Lakewood Manor Apartments LLC	82,226,295	1.15%	N/A	N/A
Lakewood Regional Medical Center	57,579,294	0.80%	N/A	N/A
Monterey Lakewood LLC	45,836,477	0.64%	N/A	N/A
May Company Department Stores	36,585,775	0.51%	N/A	N/A
Lakewood Marketplace LLC	35,734,273	0.50%	N/A	N/A
Lakewood Associates LLC	28,055,252	0.39%	N/A	N/A
Regency Center LLC	26,790,827	0.37%	19,477,100	0.43%
Target Corporation	26,092,516	0.36%	N/A	N/A
Carwood Center LLC	25,300,000	0.35%	N/A	N/A
	<u>\$ 641,061,576</u>	<u>8.94%</u>	<u>\$ 238,998,396</u>	<u>5.31%</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
2003	\$ 2,498,196	\$ 2,402,138	96.15%	\$ 56,894	\$ 2,459,032	98.43%
2004	2,669,827	2,571,785	96.33%	83,146	2,654,931	99.44%
2005	2,861,386	2,850,547	99.62%	10,839	2,861,386	100.00%
2006	3,157,994	3,070,473	97.23%	87,521	3,157,994	100.00%
2007	3,822,116 *	3,627,249	94.90%	123,686	3,750,935	98.14%
2008	3,876,613	3,758,953	96.96%	117,660	3,876,613	100.00%
2009	3,812,168	3,694,298	96.91%	117,870	3,812,168	100.00%
2010	3,556,539	3,481,743	97.90%	74,796	3,556,539	100.00%
2011	3,735,728	3,574,761	95.69%	120,220	3,694,981	98.91%
2012	3,811,051	3,593,697	94.30%	217,354	3,811,051	100.00%

Note:

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

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

CITY OF LAKEWOOD

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			
	General Obligation Bonds	Tax Allocation Bonds	Loans	Total Governmental Activities
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
2010	-	9,475,000	-	9,475,000
2011	-	8,475,000	-	8,475,000
2012	-	7,435,000	-	7,435,000

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

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

Water Revenue Bonds	Business-type Activities		Total Business-type Activities	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Debt Per Capita <sup>1</sup>
	Loan Payable to Water Replacement District	Loan Payable to State of California				
\$ 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
5,815,000	1,676,353	-	7,491,353	16,966,353	0.77%	204
5,235,000	1,777,321	-	7,012,321	15,487,321	0.70%	185
4,635,000	1,579,841	-	6,214,841	13,649,841	0.59%	170

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 <sup>1</sup>	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
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%	-
2010	-	9,475	9,475	0.14%	-
2011	-	8,475	8,475	0.12%	-
2012	-	7,435	7,435	0.10%	-

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

<sup>1</sup> 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, 2012

Total Assessed Valuation		<u>\$ 6,253,718,666</u>	
	Percentage Applicable <sup>1</sup>	Outstanding Debt 6/30/12	Estimated Share of Overlapping Debt
<b>Overlapping Debt:</b>			
Metropolitan Water District	0.724%	\$ 94,031,705	\$ 681,190
Cerritos Community College District 2004 Series 2004A	7.015%	2,675,000	187,642
Cerritos Community College District 2005 Refunding Bonds	7.015%	21,797,904	1,529,050
Cerritos Community College District 2004 Series 2006	7.015%	30,645,000	2,149,645
Cerritos Community College District 2004 Series 2009C	7.015%	134,130,515	9,408,809
Compton Community College District 2002 Series A	2.710%	34,920,000	946,505
Compton Community College District 2002 Series 2008A	2.710%	28,691,122	777,671
Long Beach Community College District 2002 Series A, 2003 Debt Service	8.549%	1,235,000	105,578
Long Beach Community College District 2002 Series B, 2005 Debt Service	8.549%	57,280,000	4,896,788
Long Beach Community College District Ref BD 2002 Series C, 2005	8.549%	10,989,898	939,511
Long Beach Community College District 2002 Series D, 2007 Debt Service	8.549%	70,999,987	6,069,691
Long Beach Community College District 2008 Series A, 2008 Debt Service	8.549%	48,047,022	4,107,474
ABC Unified School District 2003 Refunding Series A Debt Service	9.633%	44,396,700	4,276,561
ABC Unified School District 2010 Refunding Bonds Debt Service	9.633%	9,250,000	891,017
Long Beach Unified School District 1999 Series D Debt Service	8.547%	1,135,000	97,005
Long Beach Unified School District 1999 Series E Debt Service	8.547%	221,655,000	18,944,106
Long Beach Unified School District 1999 Series F Debt Service	8.547%	3,020,686	258,168
Long Beach Unified School District 1999 Series G	8.547%	72,406,000	6,188,297
Long Beach Unified School District 2008 Refunding Bonds	8.547%	37,590,000	3,212,691
Long Beach Unified School District 2008 Series A Debt Service	8.547%	29,995,606	2,563,623
Long Beach Unified School District Ref Bonds, Series B Debt Service	8.547%	26,150,000	2,234,952
Long Beach Unified School District 2010 & 2011 Ref Bonds, Debt Service	8.547%	51,720,000	4,420,334
Long Beach Unified School District 2011 & 2012 Ref Bonds	8.547%	92,980,000	7,946,687
Paramount Unified School District 1998 Series A	9.571%	2,739,256	262,177
Paramount Unified School District 1998 Series B Debt Service	9.669%	4,975,720	481,101
Paramount Unified School District 2006 Series 2007 & 2005	9.571%	46,995,000	4,497,941
Paramount Unified School District 2006 Series 2011 Bonds	9.571%	34,044,316	3,258,417
<b>Total overlapping debt</b>		<u>1,214,496,437</u>	<u>91,332,631</u>
<b>City Direct Debt:</b>			
Water Revenue Bonds	100.000%	4,537,944	4,537,944
<b>Total direct and overlapping debt</b>			<u><b>\$ 95,870,575</b></u>

Notes:

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

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

Source: HdL

CITY OF LAKEWOOD

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Assessed valuation (In thousands)	\$ 4,501,546	\$ 4,817,557	\$ 5,251,658	\$ 5,810,419
Debt limit percentage	15%	15%	15%	15%
Debt limit (In thousands)	675,232	722,634	787,749	871,563
Total net debt applicable to limit: General obligation bonds (In thousands)	-	-	-	-
Legal debt margin (In thousands)	<u>\$ 675,232</u>	<u>\$ 722,634</u>	<u>\$ 787,749</u>	<u>\$ 871,563</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					
2007	2008	2009	2010	2011	2012
\$ 6,414,879	\$ 6,977,721	\$ 7,269,336	\$ 7,007,717	\$ 7,032,248	\$ 7,168,922
15%	15%	15%	15%	15%	15%
962,232	1,046,658	1,090,400	1,051,158	1,054,837	1,075,338
-	-	-	-	-	-
<u>\$ 962,232</u>	<u>\$ 1,046,658</u>	<u>\$ 1,090,400</u>	<u>\$ 1,051,158</u>	<u>\$ 1,054,837</u>	<u>\$ 1,075,338</u>
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						Coverage
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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	
2010	8,154	6,008	2,146	560	258	2.62	
2011	8,132	6,556	1,576	580	238	1.93	
2012	9,096	7,090	2,006	600	218	2.45	

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				Coverage
	Tax Increment	Debt Service			
		Principal	Interest		
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	
2010	9,305	960	468	6.52	
2011	8,747	1,000	426	6.13	
2012	4,010	1,040	381	2.82	

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>
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%
2009	83,196	2,207,456	26,533	7.5%
2010	83,636	2,216,103	26,497	8.2%
2011	80,378	2,297,042	28,578	8.0%

Source: HdL

CITY OF LAKEWOOD

Principal Employers

Current Fiscal Year and Nine Fiscal Years Ago

Employer	2012		2003	
	Number of Employees	Percent of Total Employment*	Number of Employees	Percent of Total Employment
Long Beach Unified School District	935	5.50%	N/A	N/A
Lakewood Regional Medical Center	797	4.69%	N/A	N/A
City of Lakewood	613	3.61%	N/A	N/A
Department of Children and Family Services	494	2.91%	N/A	N/A
Bellflower Unified School District	406	2.39%	N/A	N/A
Los Angeles County Sheriff's Department	359	2.11%	N/A	N/A
Wal-Mart	346	2.04%	N/A	N/A
ABC Unified School District	335	1.97%	N/A	N/A
Albertson's	329	1.94%	N/A	N/A
Piazza McDonald's	221	1.30%	N/A	N/A

*Note: Information from nine years ago is not readily available*

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

CITY OF LAKEWOOD

Full-time and Part-time City Employees  
by Function

Last Ten Fiscal Years

Division	Fiscal Year			
	2003	2004	2005	2006
City Administration	N/A	N/A	N/A	30
City Clerk	N/A	N/A	N/A	5
Administrative Services	N/A	N/A	N/A	20
Community Development	N/A	N/A	N/A	15
Public Works	N/A	N/A	N/A	31
Recreation and Community Services	N/A	N/A	N/A	59
Water Resources	N/A	N/A	N/A	19
Total	<u>171</u>	<u>174</u>	<u>174</u>	<u>179</u>

*Note: Detailed information from prior years not readily available*

\* - Full-time employees only.

Fiscal Year					
2007	2008 (*)	2009	2010	2011	2012
31	32	32	32	32	32
2	2	2	2	2	2
21	21	21	21	21	21
15	15	15	15	15	15
31	31	31	31	31	31
59	59	59	59	59	59
19	19	19	19	19	19
<u>178</u>	<u>179</u>	<u>179</u>	<u>179</u>	<u>179</u>	<u>179</u>

CITY OF LAKEWOOD

Operating Indicators  
by Function

Last Ten Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Public works:				
Street resurfacing (miles)	N/A	N/A	N/A	13
Recreation and community services:				
Number of recreation classes	1,745	1,664	1,631	1,734
Number of facility rentals	7,207	7,725	7,258	7,559
Water:				
New connections	N/A	N/A	N/A	8
Number of consumers	20,412	20,313	20,101	20,125
Average daily consumption (thousands of gallons)	8,100	8,475	7,893	7,332
Community development:				
Number of building permits issued	1,912	1,950	2,104	2,001

\* - Includes both residential and commercial permits.

Fiscal Year					
2007	2008	2009	2010	2011	2012
24	7	9	4	8	6
1,709	1,945	1,993	1,945	2,230	1,805
7,532	6,900	6,390	4,845	5,486	6,871
11	14	10	7	12	27
21,449	20,403	20,079	20,396	20,421	20,440
8,900	8,506	7,747	7,323	6,920	7,200
3,405 *	1,646	1,066	2,825	2,889	2,781

CITY OF LAKEWOOD

Capital Asset Statistics  
by Function

Last Ten Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
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					
2007	2008	2009	2010	2011	2012
196	196	196	196	196	196
6,654	6,654	6,654	6,654	6,654	6,654
13	13	13	13	13	13
189 *	189	189	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

