

CITY OF LAKEWOOD, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

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

JUNE 30, 2004



**Prepared by
Department of Finance**

**Larry Schroeder
Director of Finance**



CITY OF LAKEWOOD
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Wayne E. Percy
Vice Mayor

Joseph Esquivel
Council Member



Todd Rogers
Mayor

Larry Van Nostran
Council Member

Robert G. Wagner
Council Member

December 9, 2004

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

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, 2004.

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

The City of Lakewood's financial statements have been audited by Diehl, Evans and Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Lakewood for the fiscal year ended June 30, 2004, 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 statement 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, 2004, 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

Lakewood

designed to complement MD&A and should be read in conjunction with it. The City of Lakewood's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Lakewood, incorporated in 1954, is located in southern Los Angeles County, 20 miles south of the City of Los Angeles. Lakewood enjoys the benefits of the diversified economy of Southern California. The City is primarily a bedroom community providing housing for the Southern California subregion. The City of Lakewood occupies a land area of 9.5 square miles and serves a population of 83,100 as of January 1, 2004.

The City of Lakewood has operated under the council-manager form of government since its incorporation. The City of Lakewood is a "contract city," having been the first in the country to adopt this form of government. Policy-making and legislative authority are vested in a governing council consisting of five council members. The governing council is responsible, among other things, for 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 special capacity for a one-year-term.

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

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

Major Initiatives

For Fiscal Year 2003-2004. The focus areas were identified in the operating budget. These priorities included intergovernmental relations, economic development, street maintenance, water quality, public safety, West San Gabriel Open Space Project, improving education in Lakewood schools, park projects, information technology (IT) upgrades, and the 50th Anniversary.

The City's number one objective continues to be INTERGOVERNMENTAL RELATIONS. State interventions in areas that have been historically matters of municipal authority have accelerated in the past three years. State regulatory agencies have assumed new powers to micro-manage city programs and services. The state legislature is continuing its two-decades-old grab of local revenues, including new efforts to redistribute and/or replace sales tax revenues among cities and counties. Actions were taken which cut the State vehicle license fees revenue and backfilling with vulnerable ERAF (Educational Revenue Augmentation Fund) revenues. A bond issue to cover the State budget deficit bond was issued making municipal sales tax revenue more vulnerable. City Council members and staff continued to engage our legislators and members of the Governor's staff to insure minimal impact on cities and our residents.

Only 6 percent of Lakewood is zoned for commercial development, and of this area, only 19.9 acres are currently vacant and available for new retail development. To compound matters, the land that is available has many challenges associated with it. The ECONOMIC DEVELOPMENT Committee encouraged the use of these remaining parcels of land for the economic interests of Lakewood.

Providing well-maintained local streets for Lakewood residents will always be a local government priority. By reserving money in economically good years and wisely using Community Development Block Grant (CDBG) funds, Lakewood continued its program of local STREET MAINTENANCE at a steady pace.

Lakewood continues its commitment to excellent WATER QUALITY. In fiscal year 2003-2004, engineering was completed for a new water well at Candlewood and Palo Verde replacing well #13. Construction of this well will take place in fiscal year 2004-2005.

In 2003-2004 plans began for the renovation of the Sheriff's station. This includes technology updates for dispatch and re-organized internal division space to increase response time to emergency calls. Outdated electrical and mechanical equipment would also be replaced. The funding for the PUBLIC SAFETY project will come predominately from the County of Los Angeles. The City of Lakewood will coordinate the actual construction project.

In 2002-2003, work began on the WEST SAN GABRIEL RIVER OPEN SPACE PROJECT adjacent to Monte Verde Park. This project was funded through the State Water Bond Act of 2000 at \$1 million. Completed in fiscal year 2003-2004, this project provides a beautifully landscaped buffer along the river and a walking path. These three acres create a passive open space experience with walking trails and connections to the existing bike trails. Funding was provided by grants through the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy.

The Lakewood City Council and staff worked with education experts from Management, Analysis and Planning Inc., to IMPROVE EDUCATION IN LAKEWOOD SCHOOLS. The focus was on ways to achieve unification of the schools in the City of Lakewood through a long-term solution and transition process. Discussions focused on short-term improvements to neighborhood schools and their education delivery systems, and ways to mitigate any observed inequality in educational opportunity and to ensure the adequacy of Lakewood schools compared to schools in similar communities.

The Skyknight jet located atop the concrete pedestal in Del Valle Park is a community icon. It has been on the pedestal since 1963 and exposed to the elements for nearly 50 years. A complete renovation, including repair and recoating of the exterior, was done on the Skyknight jet to preserve it for generations to come.

Another PARK IMPROVEMENT included in the 2003-2004 budget was removal and replacement of the existing restroom building on the south side of Mac Boyer Park. The new restroom building is now ADA accessible and includes a storage facility for the park utility vehicle. The A-frame picnic shelter and tot lot shelter was removed and replaced with Polygon craftsman-style, low-maintenance structures. Also, trash receptacles and a drinking fountain were replaced, two bleacher pads added, the roof of the existing activity building was repaired, and portions of the chain-link fence around the park were replaced.

Several INFORMATION TECHNOLOGY (IT) UPGRADES were completed in 2003-2004 to insure its continued efficient functioning. They included an upgrade to the LaserFiche System, which is used for records storage and retrieval, implementation of several e-Government initiatives, and implementation of year one of the Strategic Information Technology Plan revised May 2003.

The City continues exploring the replacement of its Financial Management Information System (FMIS). This system is now 21 years old and is written in a now seldom used programming code called PIC. FMIS includes general ledger, payroll, accounts payable, and a host of other core programs.

On April 16, 2004, the City of Lakewood celebrated its 50th ANNIVERSARY of incorporation. The year was marked by several special events, including a series of community "open houses" during the City's 2004 anniversary year.

For the Future. In 2004-2005, a one-year budget was again adopted due to economic uncertainty, the threat of State takeaways, and the perilous state of world affairs. The priorities for the coming year are as follows:

INTERGOVERNMENTAL RELATIONS will be the top priority in 2004-2005. There will be a concentrated effort aimed at Sacramento to assure that local revenues will be protected and State takeaways will stop. City Council members and City Staff will need to continue to engage our legislators and members of the Governor's staff to insure minimal impact on cities and our residents.

Lakewood is constantly improving its PUBLIC SAFETY to meet the needs of our citizens. This year's budget continues funding a host of law enforcement field services including patrol deputies, community service officers, Sky Knight, detectives, and special support teams for narcotics and gang suppression, as well as support personnel and the City Community Safety Center located at the Lakewood Mall.

Work on the Lakewood SHERIFF'S STATION RENOVATION will begin in 2004-2005. The expansion and modernization of the Sheriff's Station is great news for Lakewood and the four other cities served by the station. The station was originally built in 1959 for deputies patrolling Lakewood and five other communities. Nearly 300 sheriff's personnel work out of the Lakewood Station. Although enlarged and modernized in 1985, the station's basic facilities haven't changed that much and they haven't kept up with the rapid transformation of law enforcement into a highly computerized field. The centerpiece of the project is a new, two-story structure that will tie the station's two buildings into a single, more efficient unit. The detective annex and main building will be combined under one roof to create a new, larger lobby and additional working space for detectives and deputies.

Lakewood continues its program of local STREET MAINTENANCE by use of CDBG funds, and reserves, which were set-aside in economically good years. Providing well-maintained local streets for Lakewood residents will always be a local government priority.

INFORMATION TECHNOLOGY has become an indispensable tool in today's society. The City is preparing for the replacement of its Financial Management Information System (FMIS). This is a system of computer programs that support the City's accounting, accounts payable, payroll, and utility billing functions. The City's current system is over twenty-one years old, has been modified countless times, and is written in a now seldom used programming code called PIC.

The City continues its collaboration with the community to encourage commercial development in Lakewood to provide our citizens with both convenient shopping and employment opportunities. Besides the 19.9 acres of commercially zoned vacant land throughout the City, the City's ECONOMIC DEVELOPMENT Committee also looks at opportunities to rejuvenate existing businesses in Lakewood.

Lakewood continues its commitment to excellent WATER quality. During 2004-2005, the City will construct the next 2.5 miles of the water main replacement program and install a water treatment facility at well #22 for the

removal of hydrogen sulfide and manganese. Also planned is the completion of a rehabilitation project to prolong the life of two 1.5 million gallon steel tanks.

Lakewood continues to focus on the preservation of its homes, most of which are now more than fifty years old. The City's goal for 2004-2005 is to fund forty single-family rehabilitation loans and forty fix-up/paint-up grants designed to assist low and moderate-income families maintain their homes up to Lakewood standards. Now having reached its 50th birthday, NEIGHBORHOOD PRESERVATION is an important focus area for Lakewood.

The City of Lakewood is committed to the enhancement of the educational delivery system serving Lakewood. To that end, a new budget division of Education Consultation has been initiated. The funding for this division is to provide liaison service between the City and schools serving Lakewood, as well as providing consulting service to the City on school district formation issues. IMPROVING EDUCATION IN LAKEWOOD SCHOOLS is a commitment of the Lakewood City Council.

Lakewood's parks add a great deal to the quality of life in our community. To preserve these recreation areas, two PARK IMPROVEMENTS are proposed for 2004-2005. The first is a renovation of the picnic shelters at Rynerson Park. The second is the design phase for a replacement activity building at Boyar Park.

Factor Affecting Financial 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.

Local economy. The State of California continues to face many fiscal challenges in the years ahead. Last year's \$15 million bond issue only put off California's financial crisis for one year. The State's Legislative Analyst Office projects a "...shortfall of \$6.7 billion in 2005-06. Over the longer term, absent corrective actions, the state faces persistent annual current-law operating deficits that peak at nearly \$10 billion in 2006-07, before narrowing somewhat in subsequent years." In order to balance California's budget, the State now faces budget cuts or tax increases. However, the passage of Proposition 1-A gave some assurance that the State will not be taking money from cities on an annual basis.

The economic base of the City is primarily commercial/retail. Almost 3,000 businesses are located in Lakewood and generated approximately \$994 million in taxable sales in fiscal year 2003-2004. Lakewood Center Mall, a regional shopping center, ranks among the top five Southern California shopping centers and contributes approximately 41 percent of the retail sales in the City. Projected increases in interest rates could mean a decrease in retail sales, especially in the automobile market. This would mean a downturn in Lakewood's local economy.

Long-term financial planning. Capital improvements are considered apart from the operating budget of the city. Capital improvement projects typically involve large outlays and cover multiple years. The Legacy Capital Improvement Plan is the City of Lakewood's five-year capital improvement plan. It is updated every two years.

Cash management policies and practices. Cash temporarily idle during the year was invested in government agencies and the States Local Agency Investment Fund (LAIF). The maturities of the investments range from one to three years, with an average maturity of 19 months. The average yield on investments was 3.62 percent. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Risk management. The City of Lakewood is a member of the California Joint Powers Insurance Authority (CJPIA). With 107 city and public entity members, it is the largest joint powers insurance authority in California. Through the CJPIA, the City is self-insured against liability and workers' compensation claims. As protection against catastrophic

loss, members fund a pool to finance large settlements. During 2003-2004, Lakewood continues its proactive liability risk management role through careful monitoring of losses, working closely with the CJPIA's third-party claims adjuster, and designing and implementing programs to minimize risks and reduce losses. In addition, the City's Safety Committee analyzes workers' compensation issues by monitoring work conditions and organizing and implementing safety training programs to reduce employee exposure to hazards. Additional information of the City of Lakewood's risk management activity can be found in Note 10 of the notes to the basic financial statements.

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

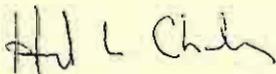
Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakewood for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. This was the 23rd consecutive year that the City 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.

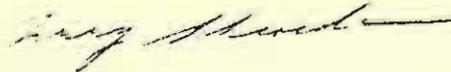
The California Society of Municipal Finance Officers awarded a Certificate of Award for Outstanding Financial Reporting to the City of Lakewood for its CAFR for the fiscal year ended June 30, 2003. The certificate is issued in recognition of meeting professional standards and criteria in reporting, which reflect a high level of quality in the annual financial statements.

Preparation of this report was accomplished by the combined efforts of the Finance Department staff. We appreciate the high level of professionalism and dedication that these staff members bring to the City. The contributions made by Carol Moon, Senior Accountant; Pamala Lau, Assistant Accountant; Ronnie Campbell, Assistant Director of Finance; Toni Mikrut, Administrative Secretary; and Doug Butler, Deputy Treasurer, deserve special recognition. We would also like to thank the members of the City Council for their interest and support in the development of this report.

Respectfully submitted,



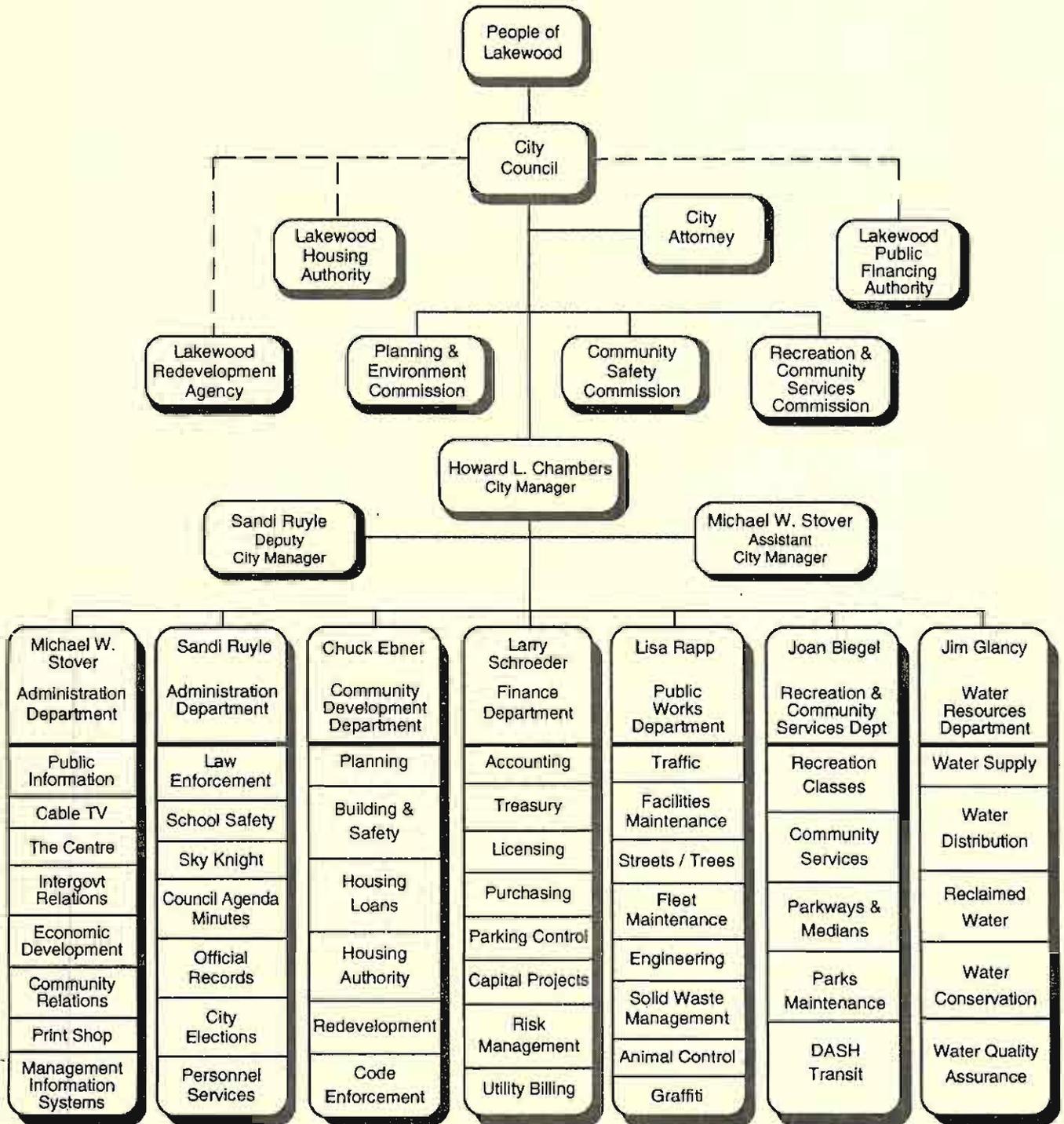
Howard L. Chambers
City Manager



Larry Schroeder
Director of Finance

Times change. Values don't.
Lakewood@50
1954 | 2004

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CITY COUNCIL

TODD ROGERS
Mayor

WAYNE E. PIERCY
Vice Mayor

JOSEPH ESQUIVEL
Council Member

LARRY VAN NOSTRAN
Council Member

ROBERT G. WAGNER
Council Member

ADMINISTRATION AND DEPARTMENT DIRECTORS

HOWARD L. CHAMBERS
City Manager

JOHN S. TODD
City Attorney

MICHAEL W. STOVER
Assistant City Manager

LARRY SCHROEDER
Director of Finance

SANDRA L. RUYLE
Deputy City Manager

LISA A. RAPP
Director of Public Works

JOAN BIEGEL
Director of Recreation
and Community Services

CHARLES K. EBNER
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, 2003

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.



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2002-2003

Presented to the

City of Lakewood

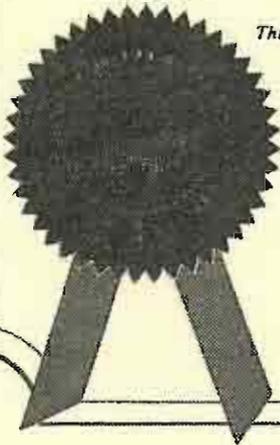
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

March 1, 2004

Bret M. Plumlee

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management





DIEHL, EVANS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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KENNETH R. AMES, CPA

*A PROFESSIONAL CORPORATION

November 2, 2004

INDEPENDENT AUDITORS' REPORT

City Council
City of Lakewood
Lakewood, California

We have audited the accompany financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, California, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lakewood's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Lakewood, California, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

- 1 -

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In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2004 on our consideration of the City of Lakewood's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Diehl, Evans and Company, LLP

JUNE 30, 2004

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, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- The assets of the City (*which include the value of streets, sidewalks and other infrastructure*) exceeded its liabilities at June 30, 2004, by \$131,380,723 (*net assets*). Of this amount, \$33,894,634 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors, but is subject to designation for specific programs.
- The government's total net assets increased by \$5,396,850 during the fiscal year ended June 30, 2004. Much of this increase is attributable to an increase of revenue in Governmental Activities related to property tax, sales tax, utility users tax and capital grants and contributions combined with an increase of revenue in Business-type activities related to user charges.
- As of June 30, 2004, the City's governmental funds reported combined ending fund balances of \$40,601,946, an increase of \$242,329 in comparison with the prior year. Approximately 23% of this total amount, \$9,491,215, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of June 30, 2004, unreserved fund balance of the general fund was \$28,715,548 or 88% of total general fund expenditures. The majority of these funds are designated for specific purposes such as self-insurance, capital improvements, equipment replacement and infrastructure improvements.
- The City of Lakewood's total debt (non-current liabilities) decreased by \$1,303,871, approximately (6.6%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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, economic development, and culture and leisure.

See independent auditors' report.

Government-wide financial statements (Continued)

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

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

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

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

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

The City of Lakewood maintains eleven 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 and debt service fund, both of which are considered to be major funds. Data from the other eight governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

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

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

See independent auditors' report.

Fund financial statements (Continued)

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

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 - 52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Lakewood's general fund budgetary comparison schedule. Required supplementary information can be found on page 54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental fund and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 55 - 77 of this report.

Government-wide Financial Analysis

In accordance with GASB Statement No. 34, the City is not required to restate financial information from prior periods for the purpose of providing comparative information for this analysis. In future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

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 \$131,380,723 at the close of the most recent fiscal year.

City of Lakewood's
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 59,222,990	\$ 55,305,982	\$ 6,631,299	\$ 5,671,307	\$ 65,854,289	\$ 60,977,289
Capital assets	73,743,565	76,305,577	17,464,463	16,703,444	91,208,028	93,009,021
Total Assets	132,966,555	131,611,559	24,095,762	22,374,751	157,062,317	153,986,310
Long-term liabilities outstanding	14,330,713	14,833,281	4,173,200	4,499,087	18,503,913	19,332,368
Other liabilities	6,219,389	5,592,732	958,292	938,649	7,177,681	6,531,381
Total Liabilities	20,550,102	20,426,013	5,131,492	5,437,736	25,681,594	25,863,749
Net assets:						
Invested in Capital Assets						
Net of Related Debt	73,743,565	74,166,889	12,498,286	11,892,836	86,241,851	86,059,725
Restricted	11,244,238	11,941,950	-	-	11,244,238	11,941,950
Unrestricted	27,428,650	22,938,019	6,465,984	5,044,179	33,894,634	27,982,198
Total Net Assets	\$ 112,416,453	\$ 109,046,858	\$ 18,964,270	\$ 16,937,015	\$ 131,380,723	\$ 125,983,873

By far the largest portion of the City of Lakewood's net assets (66%) reflects its investment in capital assets (i.e. land, buildings, machinery and equipment). The City of Lakewood uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lakewood's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Lakewood's net assets (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$33,894,634) may be used to meet the government's ongoing obligation to citizens and creditors.

See independent auditors' report.

Government-wide Financial Analysis (Continued)

At the end of the current fiscal year, the City of Lakewood is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business type activities. At year-end, there was 70% of the City of Lakewood's business-type activities' net assets invested in capital assets.

- The City of Lakewood's net assets increased by \$5,396,850 during the current fiscal year. As mentioned, Much of this increase is attributable to an increase of revenue in Governmental Activities related to property tax, sales tax, utility users tax and capital grants and contributions combined with an increase of revenue in Business-type activities related to user charges.

City of Lakewood
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 8,040,212	\$ 7,987,348	\$ 6,977,418	\$ 6,253,378	\$ 15,017,630	\$ 14,240,726
Operating grants and contributions	7,685,891	7,044,959	-	-	7,685,891	7,044,959
Capital grants and contributions	932,599	2,228,881	-	-	932,599	2,228,861
General revenues:						
Property taxes	8,024,746	6,850,543	-	-	8,024,746	6,850,543
Other taxes	15,734,680	14,767,467	-	-	15,734,660	14,767,467
Grants and contributions not restricted to specific programs	2,075,274	655,455	-	-	2,075,274	655,455
Other	7,489,747	8,449,534	243,019	146,031	7,732,766	8,595,565
Total Revenues	49,983,129	47,984,187	7,220,437	8,399,409	57,203,566	54,383,596
Expenses:						
General government	6,469,268	6,483,636	-	-	6,469,268	6,483,636
Public safety	9,837,380	9,642,211	-	-	9,837,380	9,642,211
Transportation	5,874,797	7,087,270	-	-	5,874,797	7,087,270
Community development	9,395,361	6,886,063	-	-	9,395,361	6,886,063
Health and sanitation	3,500,490	4,130,482	-	-	3,500,490	4,130,482
Culture and leisure	7,354,906	8,318,769	-	-	7,354,906	8,318,769
Unallocated infrastructure depreciation	1,577,783	1,519,198	-	-	1,577,783	1,519,198
Interest on long term debt	2,603,529	2,563,185	-	-	2,603,529	2,563,185
Water	-	-	5,193,182	5,435,676	5,193,182	5,435,676
Total expenses	46,613,534	46,630,814	5,193,182	5,435,676	51,806,716	52,066,490
Increase in net assets	3,369,595	1,353,373	2,027,255	963,733	5,396,850	2,317,106
Net assets - at beginning of year (as restated)	109,046,858	107,693,485	16,937,015	15,973,282	125,983,873	123,666,767
Net assets - at end of year	\$ 112,416,453	\$ 109,046,858	\$ 18,964,270	\$ 16,937,015	\$ 131,380,723	\$ 125,983,873

Governmental activities. Governmental activities increased the City of Lakewood's net assets by \$3,369,595, thereby accounting for 62% of the total increase in net assets of the City of Lakewood. Key elements of this increase are as follows:

- Sales tax increased by almost \$550,000 during the fiscal year. This is due mainly to increased sales tax receipts being driven by the newly opened Kohl's, Target, two new restaurants at Lakewood Center, increased auto sales and a strong economy.
- Property taxes increased by \$1,174,000 during the fiscal year. Most of this is being driven by low interest rates sparking home sales.
- Utility users taxes increased by \$280,000 during the fiscal year. The largest increase was in UUT collected from telephone providers located within the boundaries of the City of Lakewood.
- Operating grants for governmental activities not restricted to specific programs in fiscal year 03-04 totaled approximately \$1,606,000. These grants, (which include State COPS, CLEEPS, Prop A Park Maintenance, CCAP and EDA) provided resources to support the City of Lakewood's functions within various program areas of the city.

Business-type activities. Business-type activities increased the City of Lakewood's net assets by \$2,027,255, accounting for 38% of the total increase in net assets. Most of this is attributable to an increase in revenues related to metered water sales, reclaimed water sales and the sale of excess pumping rights. This increase in "retained earnings" is necessary with an estimated \$5.3 million in capital improvements required over the next three years, as recommended by the Water Resources Committee.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Lakewood's governmental fund reported combined ending fund balances of \$40,601,946, an increase of \$242,329 in comparison with the prior year. Approximately 23% of this amount (\$9,491,215) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchasers of the prior period (\$1,521,712), 2) to pay debt service (\$1,500,577), 3) for a variety of other restricted purposes (\$28,088,442).

The general fund is the chief operating fund of the City of Lakewood. At the end of the current fiscal year, unreserved fund balance of the general fund was \$28,715,548, while total fund balance reached \$50,646,369. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 88% of the total general fund expenditure, while total fund balance represents 155% of that same amount.

The fund balance of the City of Lakewood's general fund increased by \$3,315,095 during the current fiscal year. Key factors in this increase are as follows:

- Fiscal year 03-04 sales tax receipts were 5.3% higher than the previous year, being driven by increased auto sales, newly opened Kohl's, Target, two new restaurants at Lakewood Center, and a stronger local economy.
- Increase in property tax receipts is being driven by record low interest rates resulting in continued home sales.

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 \$6,639,234. The total growth in net assets was \$2,115,268. A portion of these funds will be used to fund future capital improvements. Other factors concerning the finance of this fund have already been addressed in the discussion of the City of Lakewood's business-type activities.

General Fund Budgetary Highlights

Differences between the general fund original budget and the final amended budget were approximately \$1,771,000 and can be briefly summarized as follows:

- A \$1,126,370 increase in general government for settlement of two legal cases, paid from reserves for claims, dating back to the early 1990's, along with replacement of the city's outdated parking control system.
- A \$283,880 increase in public safety for federal and state law enforcement grants.

Redevelopment Agency Debt Service Fund Highlights

- The Lakewood Redevelopment Agency issued Redevelopment Project Area No. 1 Taxable Allocation Parity Refunding Bonds 2003 Series A and B, \$5,565,000 and \$2,805,000 respectively, to refinance the outstanding 1992A and B Bonds.
- The advance refunding of the 1992 A & B Bonds resulted in a reduction of total combined debt service of \$1,864,557 over the next 14 years and an economic gain (the difference between the present values of the old and new debt service payments) of \$1,187,071.

See independent auditors' report.

Redevelopment Agency Capital Projects Fund Highlights

- Lease agreement with Gateway Bank was terminated and resulted in decreased revenue in FY03-04.
- Approval was granted by the Agency Board in June 2004 to prepare an Owner Participation Agreement as a public partner, to loan LINC Housing \$250,000 from the Housing Set Aside funds for the rehabilitation of units within The Seasons senior apartment complex. At present, the details of the agreement are still being resolved.

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, 2004, amounts to \$91,208,028 (net of accumulated depreciation). This investment in capital assets includes land, building and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Phase #1 of the Mae Boyar Park Renovation Project - \$163,767
- Traffic Improvements, signal & striping on Candlewood - \$151,164
- Replacement of broken / non-repairable machinery and equipment - \$429,327

City of Lakewood
Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 18,394,023	\$ 18,394,023	\$ 381,023	\$ 381,023	\$ 18,775,046	\$ 18,775,046
Construction in progress	1,822,267	3,565,164	1,094,990	1,064,110	2,917,257	4,629,274
Water rights	-	-	1,791,836	1,791,836	1,791,836	1,791,836
Infrastructure	32,590,530	32,852,061	-	-	32,590,530	32,852,061
Structures and improvements	19,476,237	19,511,256	13,718,879	12,916,294	33,195,116	32,427,550
Equipment	1,460,508	1,983,073	477,735	550,181	1,938,243	2,533,254
Total	\$ 73,743,565	\$ 76,305,577	\$ 17,464,463	\$ 16,703,444	\$ 91,208,028	\$ 93,009,021

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

Long-term debt. At the end of the current fiscal year, the City of Lakewood had total long-term debt outstanding of \$20,145,562. Most of this debt (79%) is backed by the full faith and credit of the government is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Lakewood's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Lakewood
Summary of outstanding debt

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Tax allocation bonds	\$ 14,651,009	\$ 14,880,000	\$ -	\$ -	\$ 14,651,009	\$ 14,880,000
Compensated absences	995,466	978,697	-	-	995,466	978,697
Reclaimed water loan	-	-	221,098	277,619	221,098	277,619
Revenue bonds	-	-	4,330,891	4,532,989	4,330,891	4,532,989
Total	\$ 15,646,475	\$ 15,858,697	\$ 4,551,989	\$ 4,810,608	\$ 20,198,464	\$ 20,669,305

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

See independent auditors' report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Los Angeles County, of which the City of Lakewood is a part, is currently 6.0%, (*October 2004*) which is a decrease from a rate of 7.2% this same time period a year ago. This compares unfavorably to the state's average unemployment rate of 5.7% and the national average rate of 5.4%.
- The economic base of Lakewood is primarily commercial/retail. Almost 2,400 businesses (including home occupations) are located in Lakewood.

These factors were considered in preparing the City of Lakewood's budget for the fiscal year 04-05 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$28,715,548. The City of Lakewood has appropriated \$585,000 of this amount for spending in the fiscal year 04-05 budget on designated Capital Projects. In January 2005 the City of Lakewood will also begin the bi-annual review of the City's infrastructure needs through the Legacy process. This plan will provide non-binding recommendations for improvements to Lakewood's infrastructure over a rolling 5-year period, the fiscal years 2005-2010.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF LAKEWOOD

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 46,955,530	\$ 5,335,328	\$ 52,290,858
Receivables:			
Taxes	2,439,476	-	2,439,476
Accounts	4,114,313	521,368	4,635,681
Loans	2,927,101	-	2,927,101
Accrued revenue	278,589	684,266	962,855
Internal balances	173,250	(173,250)	-
Prepaid items	3,000	-	3,000
Inventories	97,214	64,071	161,285
Deferred charges	349,093	159,099	508,192
Land held for resale	384,847	-	384,847
Temporarily restricted assets:			
Cash and investments	-	33,383	33,383
Cash and investments with fiscal agent	1,500,577	7,034	1,507,611
Capital assets:			
Land	18,394,023	381,023	18,775,046
Water rights	-	1,791,836	1,791,836
Construction in progress	1,822,267	1,094,990	2,917,257
Depreciable infrastructure, net	32,590,530	-	32,590,530
Depreciable structures and improvements, net	19,476,237	13,718,879	33,195,116
Depreciable equipment, net	1,460,508	477,735	1,938,243
TOTAL ASSETS	<u>132,966,555</u>	<u>24,095,762</u>	<u>157,062,317</u>
LIABILITIES:			
Accounts payable and other current liabilities	4,043,771	512,954	4,556,725
Accrued interest payable	211,803	33,166	244,969
Unearned revenue	648,053	-	648,053
Liabilities payable from restricted assets	-	33,383	33,383
Noncurrent liabilities:			
Due within one year	1,315,762	378,789	1,694,551
Due in more than one year	14,330,713	4,173,200	18,503,913
TOTAL LIABILITIES	<u>20,550,102</u>	<u>5,131,492</u>	<u>25,681,594</u>
NET ASSETS:			
Invested in capital assets, net of related debt	73,743,565	12,498,286	86,241,851
Restricted for:			
Debt service	1,288,774	-	1,288,774
Transportation	2,934,533	-	2,934,533
Community development	6,711,448	-	6,711,448
Other purposes	309,483	-	309,483
Unrestricted	27,428,650	6,465,984	33,894,634
TOTAL NET ASSETS	<u>\$ 112,416,453</u>	<u>\$ 18,964,270</u>	<u>\$ 131,380,723</u>

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

CITY OF LAKEWOOD

STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

Functions/programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 6,469,288	\$ 54,431	\$ 55,701	\$ -
Public safety	9,837,380	1,621,435	414,672	-
Transportation	5,874,797	-	3,967,532	565,009
Community development	9,395,361	1,267,453	2,874,687	-
Health and sanitation	3,500,490	3,815,916	58,666	-
Culture and Leisure	7,354,906	1,280,977	314,633	367,590
Unallocated infrastructure depreciation	1,577,783	-	-	-
Interest on long term debt	2,603,529	-	-	-
Total governmental activities	46,613,534	8,040,212	7,685,891	932,599
Business-type activity:				
Water	5,193,182	6,977,418	-	-
Total	\$ 51,806,716	\$ 15,017,630	\$ 7,685,891	\$ 932,599

General revenues:

Taxes:

- Sales taxes
- Property taxes
- Franchise taxes
- Business operation taxes
- Utility users taxes
- Other taxes
- Total taxes

Motor vehicle in lieu

Grants and contributions not restricted to specific programs

Gain on sale of capital assets

Investment income, rents and concessions

Total general revenues

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (6,359,156)	\$ -	\$ (6,359,156)
(7,801,273)	-	(7,801,273)
(1,342,256)	-	(1,342,256)
(5,253,221)	-	(5,253,221)
374,092	-	374,092
(5,391,706)	-	(5,391,706)
(1,577,783)	-	(1,577,783)
(2,603,529)	-	(2,603,529)
<u>(29,954.832)</u>	<u>-</u>	<u>(29,954.832)</u>
-	1,784,236	1,784,236
<u>(29,954.832)</u>	<u>1,784,236</u>	<u>(28,170,596)</u>
10,903,733	-	10,903,733
8,024,746	-	8,024,746
1,078,926	-	1,078,926
511,999	-	511,999
2,868,671	-	2,868,671
371,331	-	371,331
<u>23,759,406</u>	<u>-</u>	<u>23,759,406</u>
5,037,029	-	5,037,029
2,075,274	-	2,075,274
-	135,005	135,005
<u>2,452,718</u>	<u>108,014</u>	<u>2,560,732</u>
<u>33,324,427</u>	<u>243,019</u>	<u>33,567,446</u>
3,369,595	2,027,255	5,396,850
<u>109,046,858</u>	<u>16,937,015</u>	<u>125,983,873</u>
<u>\$ 112,416,453</u>	<u>\$ 18,964,270</u>	<u>\$ 131,380,723</u>

CITY OF LAKEWOOD

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

	General Fund	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund
ASSETS			
Cash and investments	\$ 34,331,470	\$ 6,144,325	\$ 2,566,078
Cash and investments with fiscal agent	-	1,500,577	-
Taxes receivable	2,381,824	57,652	-
Accounts receivable	3,614,880	-	1,146
Loans receivable	714,581	-	1,232,874
Accrued revenue	252,758	25,831	-
Prepaid items	-	-	3,000
Due from other funds	76,608	-	547,200
Advances to other funds	23,406,401	-	-
Land held for resale	-	-	384,847
TOTAL ASSETS	\$ 64,778,522	\$ 7,728,385	\$ 4,735,145
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 1,974,764	\$ 999,198	\$ 8,624
Accrued liabilities	383,384	-	-
Due to other funds	185,820	-	-
Deferred revenue	11,588,185	-	1,232,874
Advances from other funds	-	23,406,401	-
TOTAL LIABILITIES	14,132,153	24,405,599	1,241,498
FUND BALANCES (DEFICIT):			
Reserved:			
Encumbrances	1,460,851	-	38,274
Continuing appropriations	530,725	-	-
Personnel benefits	4,135,737	-	-
Debt service	-	1,500,577	-
Land held for resale	-	-	384,847
Low and moderate housing	-	-	4,114,068
Prepaid items	-	-	3,000
Advances	15,290,394	-	-
Special revenue purposes	-	-	-
Other reserves	513,114	-	-
Unreserved, reported in:			
General fund	28,715,548	-	-
Debt service fund	-	(18,177,791)	-
Capital projects fund	-	-	(1,046,542)
TOTAL FUND BALANCES (DEFICIT)	50,646,369	(16,677,214)	3,493,647
TOTAL LIABILITIES AND FUND BALANCES	\$ 64,778,522	\$ 7,728,385	\$ 4,735,145

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

Other Governmental Funds	Total Governmental Funds
\$ 3,866,721	\$ 46,908,594
-	1,500,577
-	2,439,476
498,287	4,114,313
979,646	2,927,101
-	278,589
-	3,000
185,820	809,628
-	23,406,401
-	384,847
<u>\$ 5,530,474</u>	<u>\$ 82,772,526</u>
\$ 641,858	\$ 3,624,444
15,737	399,121
547,200	733,020
1,186,535	14,007,594
-	23,406,401
<u>2,391,330</u>	<u>42,170,580</u>
22,587	1,521,712
2,000,587	2,531,312
-	4,135,737
-	1,500,577
-	384,847
-	4,114,068
-	3,000
-	15,290,394
1,115,970	1,115,970
-	513,114
-	28,715,548
-	(18,177,791)
-	(1,046,542)
<u>3,139,144</u>	<u>40,601,946</u>
<u>\$ 5,530,474</u>	<u>\$ 82,772,526</u>

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CITY OF LAKEWOOD

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

June 30, 2004

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds		\$ 40,601,946
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	\$ 18,394,023	
Construction in progress	1,822,267	
Infrastructure net of \$76,998,002 accumulated depreciation	32,590,530	
Structures and improvements, net of \$13,198,283 accumulated depreciation	19,476,237	
Equipment, net of \$8,165,541 accumulated depreciation	<u>1,195,980</u>	
		73,479,037
Some of the City's receivables for loans, operating and capital grant reimbursements, taxes and investment income will be collected after year end, but are not available soon enough to pay for current-period expenditures, and therefore are reported as deferred revenues in the funds. Balances at June 30, 2004 totaled:		13,359,541
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 activities. Internal Service funds net assets are:		485,114
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the Statement of Net Assets. Balances at June 30, 2004 are:		
Accrued interest on bonds		(211,803)
Tax allocation bonds	\$ 14,710,000	
Less: Deferred amount on refunding, net of accumulated amortization	(122,683)	
Less: Deferred charges, net of accumulated amortization	(349,093)	
Plus: Bond issuance premium, net of accumulated amortization	63,692	
Compensated absences	<u>995,466</u>	
		<u>(15,297,382)</u>
Net assets of governmental activities		<u>\$ 112,416,453</u>

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, 2004

	General	Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund
REVENUES:			
Taxes	\$ 18,447,268	\$ 5,276,774	\$ -
Licenses and permits	722,841	-	-
Fines and forfeitures	563,936	-	-
Investment income, rents and concessions	1,594,153	109,874	93,303
From other agencies	5,875,183	-	-
Current service charges	6,462,339	-	-
Other	2,401,221	-	368,366
TOTAL REVENUES	<u>36,066,941</u>	<u>5,386,648</u>	<u>461,669</u>
EXPENDITURES:			
Current:			
General government	6,368,463	-	-
Public safety	9,747,244	-	-
Transportation	2,782,609	-	-
Community development	3,829,830	1,180,560	450,223
Health and sanitation	3,515,646	-	-
Culture and leisure	6,432,300	-	-
Capital outlay:			
Public safety	-	-	-
Transportation	-	-	-
Community development	-	-	-
Culture and leisure	-	-	-
Debt service:			
Owner participation agreement payments	-	1,012,281	-
Advance refunding escrow	-	994,037	-
Bond issuance costs	-	364,559	-
Principal retirement	-	550,000	-
Interest and fiscal charges	-	2,553,708	-
TOTAL EXPENDITURES	<u>32,676,092</u>	<u>6,655,145</u>	<u>450,223</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,390,849</u>	<u>(1,268,497)</u>	<u>11,446</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,648,987	-	1,447,351
Transfers out	(1,724,741)	(1,447,351)	(2,057,420)
Refunding bonds issued	-	8,370,000	-
Bond premium	-	66,514	-
Payment to refunded bond escrow agent	-	(7,248,938)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(75,754)</u>	<u>(259,775)</u>	<u>(610,069)</u>
NET CHANGE IN FUND BALANCES	3,315,095	(1,528,272)	(598,623)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>47,331,274</u>	<u>(15,148,942)</u>	<u>4,092,270</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 50,646,369</u>	<u>\$ (16,677,214)</u>	<u>\$ 3,493,647</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 2,069,153	\$ 25,793,195
129,605	852,446
-	563,936
108,313	1,905,643
4,141,091	10,016,274
-	6,462,339
143,256	2,912,843
<u>6,591,418</u>	<u>48,506,676</u>
-	6,368,463
-	9,747,244
2,882,048	5,664,657
4,011,494	9,472,107
-	3,515,646
68,190	6,500,490
273,949	273,949
1,757,205	1,757,205
2,200	2,200
282,749	282,749
-	1,012,281
-	994,037
-	364,559
-	550,000
-	2,553,708
<u>9,277,835</u>	<u>49,059,295</u>
<u>(2,686,417)</u>	<u>(552,619)</u>
3,669,940	6,766,278
(1,929,394)	(7,158,906)
-	8,370,000
-	66,514
-	(7,248,938)
<u>1,740,546</u>	<u>794,948</u>
(945,871)	242,329
<u>4,085,015</u>	<u>40,359,617</u>
<u>\$ 3,139,144</u>	<u>\$ 40,601,946</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, 2004

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

Net change in fund balances - total governmental funds	\$	242,329
<p>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 expense (\$2,745,430) exceeded depreciation (\$2,693,820) the current period.</p>		
		51,610
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.</p>		
		(365,538)
<p>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:</p>		
Total amount of loans made	\$	1,337,000
Total amount of loans repaid		<u>(363,592)</u>
		973,408
<p>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. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long term liabilities and related items are as follows:</p>		
Principal payments	\$	550,000
Deferred charges (issuance costs)		364,559
Advance refunding escrow payments		8,242,975
Less: Accrued interest to refunding date included in escrow payment		(124,857)
Refunding bonds issued		<u>(8,370,000)</u>
Premium on bonds		(66,514)
		596,163
<p>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.</p>		
		1,840,045
<p>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:</p>		
Accrued interest	\$	93,115
Amortization of deferred amount on refunding, deferred charges and bond premium		(18,079)
Change in compensated absences		<u>(16,769)</u>
		58,267
<p>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.</p>		
		<u>(26,689)</u>
Change in net assets of governmental activities	\$	<u><u>3,369,595</u></u>

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

CITY OF LAKEWOOD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2004

	Business-type Activity- Water Enterprise Fund		Governmental Activities- Internal Service Funds
ASSETS	Current Year	Prior Year	
CURRENT ASSETS:			
Cash and investments	\$ 5,335,328	\$ 4,546,134	\$ 46,936
Accounts receivable	521,368	402,781	-
Accrued revenue	684,266	540,292	-
Prepaid items	-	9,417	-
Inventory	64,071	68,156	97,214
TOTAL CURRENT ASSETS	6,605,033	5,566,780	144,150
NONCURRENT ASSETS:			
Restricted cash - customer deposits	33,383	42,496	-
Restricted cash and investments with revenue bond fiscal agent	7,034	168	-
Deferred charges, net of accumulated amortization	159,099	147,100	-
Capital assets:			
Land	381,023	381,023	-
Water rights	1,791,836	1,791,836	-
Source of supply	2,452,316	2,313,195	-
Pumping plant	547,139	542,917	-
Water treatment	94,896	94,881	-
Transmission/distribution	21,816,936	20,443,294	-
General plant	3,034,389	3,034,477	-
Equipment	-	-	1,323,370
Construction in progress	1,094,990	1,064,110	-
Less: accumulated depreciation	(13,749,062)	(12,962,289)	(1,058,842)
Total capital assets (net of accumulated depreciation)	17,464,463	16,703,444	264,528
TOTAL NONCURRENT ASSETS	17,663,979	16,893,208	264,528
TOTAL ASSETS	24,269,012	22,459,988	408,678

(Continued)

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

CITY OF LAKEWOOD

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (CONTINUED)

June 30, 2004

	Business-type Activity - Water Enterprise Fund		Governmental Activities- Internal Service Funds
	Current Year	Prior Year	
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable and compensated absences payable	\$ 512,954	\$ 522,949	\$ 7,214
Accrued liabilities	-	-	12,992
Due to the General Fund	-	-	76,608
Accrued revenue bond interest	33,166	61,683	-
Current portion of revenue bonds	320,000	255,000	-
Current portion of reclaimed water loan	58,789	56,521	-
TOTAL CURRENT LIABILITIES	924,909	896,153	96,814
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:			
Customer deposits	33,383	42,496	-
NONCURRENT LIABILITIES:			
Reclaimed water loan	162,309	221,098	-
Revenue bonds	4,010,891	4,277,989	-
TOTAL NONCURRENT LIABILITIES	4,173,200	4,499,087	-
TOTAL LIABILITIES	5,131,492	5,437,736	96,814
NET ASSETS			
Invested in capital assets, net of related debt	12,498,286	11,892,836	264,528
Unrestricted	6,639,234	5,129,416	47,336
TOTAL NET ASSETS	19,137,520	\$ 17,022,252	\$ 311,864
Adjustment to reflect the consolidation of internal service fund activities related to the water enterprise fund	(173,250)		
Net assets of business-type activity	\$ 18,964,270		

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, 2004

	Business-type Activity - Water Enterprise Fund		Governmental Activities- Internal Service Funds
	Current Year	Prior Year	
OPERATING REVENUES:			
Metered water sales	\$ 6,602,442	\$ 5,807,740	\$ -
Reclaimed water sales	180,684	168,866	-
Fire protection	22,976	22,102	-
Service initiation and restoration charges	30,995	31,875	-
Installation charges	160	400	-
Billings to departments	-	-	615,460
Other revenues	140,161	222,395	21,499
TOTAL OPERATING REVENUES	6,977,418	6,253,378	636,959
OPERATING EXPENSES:			
Operations:			
Supply, transmission and distribution	3,344,011	3,432,422	-
Customer service	457,583	494,030	-
Administration	247,647	351,741	-
Cost of goods sold	-	-	1,021,880
Depreciation	786,956	757,543	122,409
TOTAL OPERATING EXPENSES	4,836,197	5,035,736	1,144,289
OPERATING INCOME (LOSS)	2,141,221	1,217,642	(507,330)
NONOPERATING REVENUES (EXPENSES):			
Sales of pumping rights	135,005	-	-
Investment income	108,014	146,031	-
Interest expense on long-term debt	(251,276)	(268,411)	-
Amortization of deferred charges	(11,954)	(12,871)	-
Loss on disposal of assets	(5,742)	(33,421)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(25,953)	(168,672)	-
INCOME (LOSS) BEFORE TRANSFERS	2,115,268	1,048,970	(507,330)
TRANSFERS IN	-	-	392,628
CHANGE IN NET ASSETS	2,115,268	1,048,970	(114,702)
NET ASSETS AT BEGINNING OF YEAR	17,022,252	15,973,282	426,566
NET ASSETS AT END OF YEAR	\$ 19,137,520	\$ 17,022,252	\$ 311,864
Change in net assets - water enterprise fund	\$ 2,115,268		
Adjustment to reflect the consolidation of internal service fund activities related to the water enterprise fund	(88,013)		
Change in net assets of business-type activity	\$ 2,027,255		

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, 2004

	Business-type Activity - Water Enterprise Fund		Governmental Activities- Internal Service Funds
	Current Year	Prior Year	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 6,574,696	\$ 6,217,423	\$ -
Receipts from interfund services provided	-	-	625,871
Other operating receipts	140,161	222,395	-
Payments to suppliers	(2,817,482)	(2,964,756)	(659,027)
Payments to employees	(1,237,364)	(1,281,256)	(358,029)
Payments for interfund services used	-	-	21,499
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,660,011	2,193,806	(369,686)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	392,628
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of pumping rights	135,005	-	-
Proceeds from issuance of refunding bonds	4,635,000	-	-
Receipt of bond premium	103,906	-	-
Payment to advance refunding escrow agent	(4,554,486)	-	-
Acquisition of capital assets	(1,560,217)	(1,427,187)	(13,013)
Principal paid on revenue bonds and state loan	(311,521)	(299,340)	-
Interest paid on revenue bonds and state loan	(266,845)	(268,411)	-
Bond issuance costs	(161,920)	-	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,981,078)	(1,994,938)	(13,013)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	108,014	146,031	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	786,947	344,899	9,929
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,588,798	4,243,899	37,007
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,375,745	\$ 4,588,798	\$ 46,936

(Continued)

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

CITY OF LAKEWOOD

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2004

	Business-type Activity - Water Enterprise Fund		Governmental Activities- Internal Service Funds
	Current Year	Prior Year	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 2,141,221	\$ 1,217,642	\$ (507,330)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	786,956	757,543	122,409
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivables	(118,587)	27,203	-
(Increase) decrease accrued revenue	(143,974)	153,345	-
(Increase) decrease in inventories	4,085	865	10,411
(Increase) decrease in prepaid items	9,417	(9,417)	-
Increase (decrease) in accounts payable	(9,994)	40,733	1,314
Increase (decrease) in accrued liabilities	-	-	3,510
Increase (decrease) in customer deposits	(9,113)	5,892	-
Total adjustments	518,790	976,164	137,644
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,660,011	\$ 2,193,806	\$ (369,686)

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

CITY OF LAKEWOOD

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2004

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	\$ 1,198,020
Loans receivable	<u>1,441,209</u>
TOTAL ASSETS	<u>\$ 2,639,229</u>
LIABILITIES:	
Deposits	\$ 989,788
Due to HUD	<u>1,649,441</u>
TOTAL LIABILITIES	<u>\$ 2,639,229</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. 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 are the proprietary fund and fiduciary fund financial statements. Under the economic resources measurement focus, all assets and liabilities (current and long-term) are reported. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements imposed by the provider have been met.

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

General Fund

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

Redevelopment Agency Debt Service Fund

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

Redevelopment Agency Capital Projects Fund

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

The City reports the following major enterprise fund:

Water Enterprise Fund

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

Additionally, the City reports the following fund types:

Special Revenue Funds

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

Capital Projects Fund

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

Internal Service Funds

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments

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

E. Cash and Cash Equivalents

A high level of funds are in short-term obligations of less than 30 days, including \$15,131,280 on deposit with the California Local Agency Investment Fund. For purposes of the statements of cash flows, all cash and investments held by the enterprise and internal service funds (including restricted cash and investments) are considered to be short term and, accordingly, are classified as cash and cash equivalents.

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 \$100 (\$25,000 for infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

G. Inventories

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

H. Land Held for Resale

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

I. 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. Amounts expected to be liquidated in the current period with expendable available resources are reported in the governmental funds that will pay it (primarily the General Fund).

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

See independent auditors' report.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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

K. Claims and Judgments

When it is probable that a claim liability has been incurred at year-end and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2004, the City Attorney estimated no additional claim liability. Small dollar claims and judgments are recorded as expenditures when paid.

The City's self-insurance program is administered through a Joint Powers Authority (the Authority), which is described at Note 10. 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 (\$293,703 in 2003-04). These deposits are subject to retrospective adjustment. Favorable claims experience in prior years results in a refund of deposits from the Authority and such refunds, if any, are recorded as a reduction of insurance expenditures (\$119,375 in 2003-04). Adverse claims experience in prior years results in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when paid.

A designation for self-insurance totaling \$3,917,000 is recorded in the General Fund. (See Note 8).

L. Deferred Charges

Deferred charges (bond issuance costs) are being amortized over the life of the issue on a straight-line basis.

M. 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

Authorized Investments

Under provisions of the City's Investment Policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments subject to limitations on the percentage of portfolio and length of maturity:

U.S. Treasury Bills, Notes or Bonds	Mutual Funds
Bankers Acceptances	Commercial Paper
Negotiable Certificates of Deposit	California Local Agency Investment Fund (LAIF)
Repurchase Agreements	Los Angeles County Pooled Fund
Medium-Term Corporate Notes	Certificates of Deposit

Federal Agency Obligations:

- Federal Home Loan Bank Notes and Bonds (FHLB's)
- Federal National Mortgage Association (FNMA's)
- Federal Farm Credit Bank Bonds (FFCB's)
- Federal Home Loan Mortgage Corp. (FHLMC's)
- Student Loan Association Notes (SALLIE MAE's)

Repurchase Agreements

The City had no investments in Repurchase Agreements during fiscal year 2003-04.

California Local Agency Investment Fund (LAIF)

The City is a voluntary participant in the California 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. Each City may invest up to \$40,000,000 and may also invest without limitation in special bond proceeds accounts. Investments in LAIF are highly liquid, and deposits may be converted to cash within twenty-four hours without loss of interest. At June 30, 2004, the total fair value of LAIF was \$57,536,996,461. The fair value of the City's proportionate share in LAIF (\$15,131,280) is the same as the value of the City's pool shares. Included in LAIF's investment portfolio are asset-backed securities totaling \$923,459,000. LAIF's, and the City's, exposure to credit, market, or legal risk is not currently available.

California Asset Management Program (CAMP) Cash Reserve Portfolio

The fiscal agent for the Lakewood Redevelopment Agency invests reserve bond funds in the CAMP cash reserve portfolio which is an investment trust similar to a mutual money market fund. This fund invests primarily in certificates of deposit, commercial paper, and U. S. Government and Agency obligations.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to (1) those funds which are required by law or administrative action to receive interest, and (2) the Proprietary Funds. Interest is allocated on a quarterly basis based on the weighted average cash balances in each fund receiving interest.

See independent auditors' report.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Classification of Deposits and Investments By Credit Risk

Deposits and investments are classified into three categories of credit risk. These categories are as follows:

Deposits:

- Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's Trust Department or agent in the City's name.
- Category 3 - Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its Trust Department or agent, but not in the City's name.

Investments:

- Category 1 - Investments which are insured or registered, or held by the City or its agent in the City's name.
- Category 2 - Investments which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 - Investments which are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Deposits and investments were categorized at June 30, 2004:

Deposits:	Category			Bank Balances	Carrying Amount
	1	2	3		
Banks:					
Demand accounts	\$ 100,000	\$ 1,367,038	\$ -	\$ 1,467,038	\$ 3,349,706
Savings accounts	100,000	2,421,805	-	2,521,805	271,254
Total deposits	<u>\$ 200,000</u>	<u>\$ 3,788,843</u>	<u>\$ -</u>	<u>\$ 3,988,843</u>	<u>3,620,960</u>
				Not Required to be Categorized	
Investments:	1	2	3		
Federal obligations:					
Federal Home Loan Bank	\$ 18,820,188	\$ -	\$ -	\$ -	18,820,188
Federal National Mortgage Association	4,985,000	-	-	-	4,985,000
Federal Home Loan Mortgage Corp.	9,978,270	-	-	-	9,978,270
Federal Farm Credit Bonds	986,562	-	-	-	986,562
California Local Agency Investment Fund	-	-	-	15,131,280	15,131,280
Fiscal Agent:					
Mutnal Funds	-	-	-	669,503	669,503
First American Treasury	24,580	-	-	-	24,580
US Treasury	792,760	-	-	-	792,760
Miscellaneous	20,769	-	-	-	20,769
Total investments	<u>\$ 35,608,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,800,783</u>	<u>51,408,912</u>
Total carrying amount (book balances)					<u>\$ 55,029,872</u>

See independent auditors' report.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The City's cash and investments are reported as follows:

Cash and investments	\$ 52,290,858
Temporarily restricted:	
Cash and investments	33,383
Cash and investments with fiscal agent	1,507,611
Cash and investments - Fiduciary Funds	<u>1,198,020</u>
Total	<u>\$ 55,029,872</u>

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

Governmental Activities:

	Balance at July 1, 2003 (Restated)	Additions	Deletions	Balance at June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 18,394,023	\$ -	\$ -	\$ 18,394,023
Construction in progress	<u>1,426,476</u>	<u>1,712,043</u>	<u>(1,316,252)</u>	<u>1,822,267</u>
Total capital assets, not being depreciated	<u>19,820,499</u>	<u>1,712,043</u>	<u>(1,316,252)</u>	<u>20,216,290</u>
Capital assets, being depreciated:				
Structures and improvements	32,070,460	604,060	-	32,674,520
Equipment	9,575,863	442,340	(392,154)	9,626,049
Infrastructure	<u>108,272,280</u>	<u>1,316,252</u>	<u>-</u>	<u>109,588,532</u>
Total capital assets, being depreciated	<u>149,918,603</u>	<u>2,362,652</u>	<u>(392,154)</u>	<u>151,889,101</u>
Less accumulated depreciation for:				
Structures and improvements	(12,559,204)	(639,079)	-	(13,198,283)
Equipment	(7,592,790)	(599,367)	26,616	(8,165,541)
Infrastructure	<u>(75,420,219)</u>	<u>(1,577,783)</u>	<u>-</u>	<u>(76,998,002)</u>
Total accumulated depreciation	<u>(95,572,213)</u>	<u>(2,816,229)</u>	<u>26,616</u>	<u>(98,361,826)</u>
Total capital assets, being depreciated, net	<u>54,346,390</u>	<u>(453,577)</u>	<u>(365,538)</u>	<u>53,527,275</u>
Total governmental activities capital, net	<u>\$ 74,166,889</u>	<u>\$ 1,258,466</u>	<u>\$ (1,681,790)</u>	<u>\$ 73,743,565</u>

The beginning balance of construction in progress has been decreased by \$2,138,688 of costs associated with the construction of infrastructure assets that had been completed and already included in the infrastructure asset category. The governmental activities net assets at the beginning of the year have also been restated on the statement of activities.

See independent auditors' report.

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Business-type Activity:

	Balance at July 1, 2003	Additions	Deletions	Balance at June 30, 2004
Capital assets, not being depreciated				
Land	\$ 381,023	\$ -	\$ -	\$ 381,023
Water rights	1,791,836	-	-	1,791,836
Construction in progress	1,064,110	1,535,706	(1,504,826)	1,094,990
Total capital assets, not being depreciated	<u>3,236,969</u>	<u>1,535,706</u>	<u>(1,504,826)</u>	<u>3,267,849</u>
Capital assets, being depreciated:				
Source of supply	2,313,195	139,121	-	2,452,316
Pumping plant	542,917	4,222	-	547,139
Water treatment	94,881	2,072	(2,057)	94,896
Transmission/distribution	20,443,294	1,377,101	(3,459)	21,816,936
General plant	3,034,477	129	(217)	3,034,389
Total capital assets, being depreciated	<u>26,428,764</u>	<u>1,522,645</u>	<u>(5,733)</u>	<u>27,945,676</u>
Less accumulated depreciation for:				
Source of supply	(967,960)	(202,346)	-	(1,170,306)
Pumping plant	(474,446)	(4,115)	-	(478,561)
Water treatment	(55,060)	(5,059)	103	(60,016)
Transmission/distribution	(8,980,527)	(503,072)	74	(9,483,525)
General plant	(2,484,296)	(72,364)	6	(2,556,654)
Total accumulated depreciation	<u>(12,962,289)</u>	<u>(786,956)</u>	<u>183</u>	<u>(13,749,062)</u>
Total capital assets, being depreciated, net	<u>13,466,475</u>	<u>735,689</u>	<u>(5,550)</u>	<u>14,196,614</u>
Total business-type activity, capital assets, net	<u>\$ 16,703,444</u>	<u>\$ 2,271,395</u>	<u>\$ (1,510,376)</u>	<u>\$ 17,464,463</u>

Depreciation expense:

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

Governmental activities:

General government	\$ 233,105
Public safety	81,979
Transportation	52,329
Community development	161,287
Health and sanitation	2,010
Culture and leisure	585,327
Internal service funds depreciation charged to programs	<u>122,409</u>
Allocated depreciation	1,238,446
Unallocated infrastructure depreciation	<u>1,577,783</u>
Total depreciation expense - governmental activities	<u>\$ 2,816,229</u>

Business type activity:

Water	<u>\$ 786,956</u>
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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, 2004:

Governmental Activities:

	Balance at July 1, 2003	Additions	Deletions	Balance at June 30, 2004	Due Within One Year
Agency Tax Allocation Bonds:					
1992 Series A	\$ 5,605,000	\$ -	\$ (5,605,000)	\$ -	\$ -
1992 Series B	2,710,000	-	(2,710,000)	-	-
1999 Series A	6,565,000	-	(225,000)	6,340,000	285,000
2003 Series A	-	5,565,000	-	5,565,000	360,000
2003 Series B	-	2,805,000	-	2,805,000	175,000
Plus deferred amount for bond issuance premium	-	66,514	(2,822)	63,692	-
Less deferred amount on refunding	-	(128,118)	5,435	(122,683)	-
Total Agency Tax Allocation Bonds	14,880,000	8,308,396	(8,537,387)	14,651,009	820,000
Compensated absences	978,697	529,884	(513,115)	995,466	495,762
Total Governmental Activities	15,858,697	8,838,280	(9,050,502)	15,646,475	1,315,762
Business-type Activity:					
Water Revenue Bonds:					
1996 Bonds	4,550,000	-	(4,550,000)	-	-
2004 Bonds	-	4,635,000	-	4,635,000	320,000
Plus (less) deferred amounts:					
For issuance discounts	(17,011)	-	17,011	-	-
For issuance premiums	-	103,906	(1,810)	102,096	-
On refunding	-	(413,407)	7,202	(406,205)	-
Total Water Revenue Bonds	4,532,989	4,325,499	(4,527,597)	4,330,891	320,000
Loan payable to State of California	277,619	-	(56,521)	221,098	58,789
Total Business-type Activity	4,810,608	4,325,499	(4,584,118)	4,551,989	378,789
City Total	\$ 20,669,305	\$ 13,163,779	\$(13,634,620)	\$ 20,198,464	\$ 1,694,551

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities

A. Agency Tax Allocation Bonds - Series 1992A, Series 1992B, Series 1999A, Series 2003A and Series 2003B

Series 1992A and Series 1992B

On November 10, 1992, the Lakewood Redevelopment Agency issued the Redevelopment Project No. 1 Refunding Tax Allocation Bonds, Series 1992A in the amount of \$16,655,000 and Series 1992B (taxable) in the amount of \$3,355,000, to refinance certain prior obligations of the Agency and to refinance certain improvements within Project Area No. 1. The bonds are secured by a pledge of tax increment revenue from Project Area No. 1 and by interest earned from the investment proceeds of bonds issuance.

After the refinancing in 1999, \$6,600,000 of the Series 1992A Bonds remained. The balance of the Series 1992A Bonds were defeased with proceeds from the Series 2003A Bonds issued on October 28, 2003.

The Series 1992B Bonds mature September 1, 2017. These bonds are subject to redemption in part, by lot, on September 1 in each year commencing September 1, 1993, at a redemption price equal to the principal amount thereof to be redeemed, without premium. The balance of the Series 1992B Bonds were defeased with proceeds from the Series 2003B Bonds issued on October 28, 2003.

Series 1999A

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

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

As of June 30, 2004, the balance of the Series 1999A Bonds is \$6,340,000.

Total debt service requirements to maturity are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 285,000✓	\$ 308,680	\$ 593,680
2006	310,000✓	296,030	606,030
2007	360,000✓	281,445	641,445
2008	375,000	265,088	640,088
2009	390,000	247,583	637,583
2010 - 2014	2,280,000	925,968	3,205,968
2015 - 2018	<u>2,340,000</u>	<u>258,810</u>	<u>2,598,810</u>
Total	<u>\$ 6,340,000</u>	<u>\$ 2,583,604</u>	<u>\$ 8,923,604</u>

See independent auditors' report.

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

A. Agency Tax Allocation Bonds - Series 1992A, Series 1992B, Series 1999A, Series 2003A and Series 2003B (Continued)

Series 2003A

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

The 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 on the statement of activities through the year 2017. The Agency completed the advance refunding to reduce its total debt service over the next 14 years by \$1,175,505 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$768,185.

The 2003A Bonds are serial bonds maturing annually each September 1 through the calendar year 2017, in amounts ranging from \$360,000 to \$490,000, and bear 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.

As of June 30, 2004, the balance of the Series 2003A Bonds is \$5,565,000.

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

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 360,000✓	\$ 186,593	\$ 546,593
2006	330,000✓	177,967	507,967
2007	340,000✓	169,592	509,592
2008	345,000	160,167	505,167
2009	360,000	149,593	509,593
2010 - 2014	1,970,000	554,819	2,524,819
2015 - 2018	<u>1,860,000</u>	<u>153,540</u>	<u>2,013,540</u>
Total	<u>\$ 5,565,000</u>	<u>\$ 1,552,271</u>	<u>\$ 7,117,271</u>

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

A. Agency Tax Allocation Bonds - Series 1992A, Series 1992B, Series 1999A, Series 2003A and Series 2003B (Continued)

Series 2003B

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

The 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 on the statement of activities through the year 2017. The Agency completed the advance refunding to reduce its total debt service over the next 14 years by \$689,052 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$418,886.

The 2003B Bonds are serial bonds maturing annually each September 1 through the calendar year 2017, in amounts ranging from \$175,000 to \$270,000, and bear 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.

As of June 30, 2004, the balance of the Series 2003B Bonds is \$2,805,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 175,000✓	\$ 135,001	\$ 310,001
2006	150,000✓	128,679	278,679
2007	160,000✓	122,650	282,650
2008	165,000	116,329	281,329
2009	170,000	109,813	279,813
2010 - 2014	990,000	410,201	1,400,201
2015 - 2018	<u>995,000</u>	<u>115,014</u>	<u>1,110,014</u>
Total	<u>\$ 2,805,000</u>	<u>\$ 1,137,687</u>	<u>\$ 3,942,687</u>

B. Compensated Absences

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

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity:

C. Water Revenue Bonds Payable

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, in amounts ranging from \$320,000 to \$460,000, and bear 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, 2004, are as follows:

Year Ending June 30.	Principal	Interest	Total
2004 - 2005	\$ 320,000✓	\$ 152,084✓	\$ 472,084
2005 - 2006	325,000✓	146,238✓	471,238
2006 - 2007	340,000✓	133,238✓	473,238
2007 - 2008	355,000	119,638	474,638
2008 - 2009	370,000	105,438	475,438
2010 - 2014	2,020,000	353,088	2,373,088
2015 - 2016	905,000	47,219	952,219
Total	<u>\$ 4,635,000</u>	<u>\$ 1,056,943</u>	<u>\$ 5,691,943</u>

D. Loan Payable to State of California

The water utility constructed a six-mile reclaimed waterline funded in part by a loan from the State of California Water Resources Control Board. A loan of \$864,831 was received in February, 1989. The term of the loan is 18-1/2 years at an interest rate of 4.01%. Principal and interest payments are due on May 31 of each year, beginning May 31, 1990. The final payment is due December 22, 2007.

The annual requirements to amortize the loan outstanding at June 30, 2004, are as follows:

Year Ending June 30.	Principal	Interest	Total
2005	\$ 58,789✓	\$ 8,872✓	\$ 67,661
2006	61,148✓	6,513✓	67,661
2007	63,601✓	3,999✓	67,600
2008	37,560	845	38,405
Total	<u>\$ 221,098</u>	<u>\$ 20,229</u>	<u>\$ 241,327</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances were as follows at June 30, 2004:

Due To / From Other Funds

<u>Receivable Fund</u>	<u>Pavable Fund</u>	<u>Amount</u>
General	Central Stores Internal Service Fund	\$ 76,608
Redevelopment Agency Capital Projects	Other Governmental Funds	547,200
Other Governmental	General	<u>185,820</u>
		<u>\$ 809,628</u>

The interfund payable balances in the Central Stores Internal Service Fund and General Fund represent routine cash flow assistance from the General Fund and Other Governmental Funds, respectively. The interfund payable in the Other Governmental Funds represents a net amount owed to the Redevelopment Agency from the City. The Agency has a prepaid balance of \$2,783,211 for housing administration services to be provided by the City and the Agency owes the City \$2,236,011 for administrative charges incurred for FY 02/03 and 03/04.

Advances From / To Other Funds

<u>Receivable Fund</u>	<u>Pavable Fund</u>	<u>Amount</u>
General	Redevelopment Agency Debt Service	<u>\$ 23,406,401</u>

The City provides advances to the Redevelopment Agency to assist the Agency with its operating budget and redevelopment activities. The interest rate on the advances is 12% per annum compounded annually on the outstanding principal portion only. Accrued unpaid interest totaling \$8,116,007 at June 30, 2004 is included in the advance balance. Since the accrued unpaid interest due to the City is not available as a resource to meet expenditures of the current year, it has been recorded as deferred revenue in the General Fund.

Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,648,987
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	1,447,351
Other Governmental Funds	General Fund	1,332,113
	Redevelopment Agency Capital Projects Fund	2,057,420
	Other Governmental Funds	280,407
Central Garage Internal Service Fund	General Fund	244,494
Print Shop Internal Service Fund	General Fund	<u>148,134</u>
		<u>\$ 7,158,906</u>

Transfers provided funding for capital projects, capital acquisitions, debt service, central garage service and print shop services.

See independent auditors' report.

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

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

Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2003-04 was 0.0% 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 2003-04, the City's actual and contributed pension cost was \$780,780. The required contribution for fiscal year 2003-04 was determined as part of the June 30, 2001, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) an 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by age, length of service and type of employment from 3.75% to 14.2%; (c) a 3.5% inflation rate; (d) a 3.75% payroll growth rate; and (e) a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%. The actuarial value of the Plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over a rolling period which results in an amortization of 10% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of Plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Funding Status and Progress

Three-Year Trend Information for the Miscellaneous Plan:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Employees</u>			
6/30/02	\$ 692,980	100%	\$ -
6/30/03	736,338	100%	-
6/30/04	780,780	100%	-

See independent auditors' report.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Schedule of Funding Progress for PERS

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/01	\$ 41,807,989	\$ 54,410,994	\$ (12,603,005)	130.1%	\$ 9,636,102	(130.8%)
6/30/02	45,183,199	50,746,094	(5,562,895)	112.3%	10,123,577	(54.9%)
6/30/03	52,848,559	50,547,536	2,301,023	95.6%	10,913,894	21.1%

NOTE 7 - 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 Agency fund in which they were previously recorded. 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 be recorded in an expendable trust fund.

NOTE 8 - RESERVES AND DESIGNATIONS OF FUND EQUITY

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

The City's reserves and designations at June 30, 2004, are tabulated below, followed by explanations as to the nature and purpose of each reserve and designation.

Reserves	General Fund	Redevelopment	Redevelopment	Other Governmental Funds
		Agency Debt Service Fund	Agency Capital Projects Fund	
Encumbrances	\$ 1,460,851	\$ -	\$ 38,274	\$ 22,587
Continuing appropriations	530,725	-	-	2,000,587
Personnel benefits	4,135,737	-	-	-
Debt service	-	1,500,577	-	-
Land held for resale	-	-	384,847	-
Low and moderate housing	-	-	4,114,068	-
Prepaid items	-	-	3,000	-
Advances	15,290,394	-	-	-
Special revenue purposes	-	-	-	1,115,970
Other reserves	513,114	-	-	-
Total reserves	\$ 21,930,821	\$ 1,500,577	\$ 4,540,189	\$ 3,139,144

See independent auditors' report.

NOTE 8 - RESERVES AND DESIGNATIONS OF FUND EQUITY (CONTINUED)

<u>Designations</u>	<u>General Fund</u>
Self-Insurance	\$ 3,917,000
Capital improvements	5,295,907
Facilities replacement	4,614,842
Equipment replacement	4,262,420
General contingencies	4,925,289
Infrastructure improvements	4,000,000
Refuse disposal rate stabilization	526,468
Economic uncertainty	<u>1,173,622</u>
Total designations	<u>\$ 28,715,548</u>

A. Reserve for Encumbrances

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

B. Reserve for Continuing Appropriations

Appropriations for capital projects which are unexpended as of June 30, 2004, will carry forward as continuing appropriations to be expended in 2004-05.

C. Reserve for Personnel Benefits

This reserve provides for additional negotiated personnel benefits, as provided in the memorandum of understanding effective July 1, 2001.

D. Reserve for Debt Service

The Tax Increment Bond Resolutions require that reserves be established.

E. Reserve for Land Held for Resale

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

F. Reserve for Low and Moderate Housing

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

G. Reserve for Prepaid Items

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

H. Reserve for Advances

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

See independent auditors' report.

NOTE 8 - RESERVES AND DESIGNATIONS OF FUND EQUITY (CONTINUED)

I. Reserve for Special Revenue Purposes

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

J. Other reserves

Other reserves have been established for law enforcement projects.

K. Designated for Self-Insurance

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

L. Designated for Capital Improvements

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

M. Designated for Facilities Replacement

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

N. Designated for Equipment Replacement

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

O. Designated for General Contingencies

The remainder of the unreserved fund balance at June 30, 2004, in the General Fund has been designated for general contingencies.

P. Designated for Infrastructure Improvements

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

Q. Designated for Refuse Disposal Rate Stabilization

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

R. Designated for Economic Uncertainty

These funds are designated to provide for economic uncertainty in light of the State budget crises and its potential impact on local revenues.

NOTE 9 - HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAM

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

NOTE 10 - 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 (Authority). The Authority is comprised of 106 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500, et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has a representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Self-insurance Programs of the Authority

General liability insurance. Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the City; costs from \$30,001 to \$750,000 are pooled based on a member's share of costs under \$30,000; costs from \$750,001 to \$15,000,000 are pooled based on payroll. Costs of covered claims above \$15,000,000 are currently paid by reinsurance. The protection for the City is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

Workers' Compensation. The City also participates in the workers compensation pool administered by the Authority. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability pool. The City of Lakewood is charged for the first \$50,000 of each claim. Costs from \$50,001 to \$100,000 per claim are pooled based on the City's losses under its retention level. Costs between \$100,001 and \$500,000 per claim are pooled based on payroll. Costs in excess of \$500,000 are paid by excess insurance purchased by the Authority. The excess insurance provides coverage to statutory limits.

C. Insurance Coverage

Property Insurance. The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$35,036,778. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance. The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$25,365,564. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Fidelity Bonds. The City purchases blanket fidelity bond coverage in the amount of \$5,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

NOTE 10 - LIABILITY, PROPERTY AND WORKERS COMPENSATION PROTECTION (CONTINUED)

C. Insurance Coverage (Continued)

Environmental Insurance. The City of Lakewood participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owed by the City of Lakewood. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$120,000,000 for the 3-year period from July 1, 2002 through June 30, 2005. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

D. Adequacy of Protection

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

NOTE 11 - POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the City provides a post-retirement medical care benefit under the terms of a Memorandum of Understanding (MOU) between the City and its employees. The benefit is in the form of a monthly supplemental payment to assist qualified retirees with premium payment on medical insurance. Effective July 1, 1989, this benefit is available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after attaining age 60 and who have completed at least 15 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. Effective July 1, 2001, this benefit was modified and is also available to all employees retiring under the Public Employees Retirement System directly from Lakewood City service on or after age 55 and who have completed at least 20 years of continuous service to the City as a full-time, regular employee immediately prior to retiring. The benefit is a "defined dollar benefit" set at \$220.89 per month on July 1, 2003, continuing until the retiree has met the insured status requirements for Medicare. Thereafter, the payment is decreased to \$101.18 per month. The benefit is increased annually according to the terms of the MOU. The maximum term of benefits paid a qualifying employee is equal to the number of months of continuous Lakewood City service.

Expenditures for this post-retirement benefit are recognized as retirees file claims. During the year, expenditures of \$36,029 were recognized. 24 employees were covered by the plan. This represents .2% of the current year's payroll for active employees.

NOTE 12 - CONTINGENT LIABILITIES

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

NOTE 13 - EDA REVOLVING LOAN FUND GRANT

The Gateway Cities Council of Governments has received grant funds for economic development from the Economic Development Administration (EDA). On August 24, 1999, the City of Lakewood approved an agreement with the Gateway Cities Council of Governments, of which the City of Lakewood is a member, to receive \$666,725 of these funds as a sub-grantee. These funds will be used to establish a commercial revolving loan fund to provide for business expansion, economic development, and job creation in Lakewood. The revolving loan fund will particularly target industrial, manufacturing, and commercial businesses adjacent to the Boeing plant and Long Beach Airport and at the 19-acre former Rockwell site in Lakewood. This is a matching grant program. The funds received from the EDA are matched with \$85,000 from a California Trade and Commerce Agency Defense Adjustment Matching Grant and \$168,245 in Community Development Block Grant (CDBG) funds. The outstanding balance, which is reported in the General Fund, as of June 30, 2004 was \$714,581.

See independent auditors' report.

NOTE 14 - HOUSING REHABILITATION LOAN PROGRAM

The Agency makes deferred loans to senior citizens, the physically handicapped, and low- and moderate-income residents which are not repaid until the title to the property changes. In Fiscal Year 1996-97, the Agency began to use Redevelopment Agency low and moderate housing 20% set-aside funds to provide housing rehabilitation loans to eligible applicants. The rehabilitation loans made from Redevelopment Agency low and moderate housing 20% set-aside funds are reported in the Lakewood Redevelopment Agency Capital Projects Fund. Due to the long-term nature of the loans, the Agency has deferred recognition of revenues until receipt. As of June 30, 2004, outstanding loans under this program totaled \$1,232,874 in the Redevelopment Agency Capital Projects Fund and \$979,646 in the Other Governmental Funds.

NOTE 15 - OTHER AGREEMENTS

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, 2004, the Agency's outstanding deferral balance is \$430,029.

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 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, 2004, the Agency's obligation under this agreement totaled \$999,198. The payment consisted of base rent in the amount of \$450,000, plus the amount based on the increase in assessed valuation, \$549,198.

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. In addition, the Agency extended its existing lease of a parcel on Cherry Avenue to Pacific Ford and renewed the option to purchase that parcel. For the year ended June 30, 2004, the Agency made no payments in relation to this agreement.

On December 16, 1998, the Agency entered into a participation agreement with Golden State Health Centers, Inc., which reimburses all tax increment revenues which the Agency receives from the redevelopment of the site located at 11695 Del Amo Boulevard, excluding: (1) the property taxes levied and assessed against the site as of January 1, 1998; (2) the amount required to be set aside for the low-and moderate-income housing fund equal to 20%; and (3) that amount of tax increment the Agency is required to pay to other taxing agencies which is currently approximately 20% of such tax increment. Such payments shall be made to the owner in semi-annual installments within 60 days after the Agency's receipt of its tax increment for the Redevelopment Project from the County tax collector. The owner shall submit a written statement each year to the Agency requesting such payment together with a copy of its property tax bill(s) for all real property within the site, whether billed to the owner or any tenant. For the year ended June 30, 2004, the Agency paid \$13,083 pursuant to this agreement.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKEWOOD

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 17,889,070	\$ 17,889,070	\$ 18,447,268	\$ 558,198
Licenses and permits	372,350	372,350	722,841	350,491
Fines and forfeitures	575,000	575,000	563,936	(11,064)
Investment income, rents and concessions	2,238,028	2,238,363	1,594,153	(644,210)
From other agencies	7,739,826	7,377,843	5,875,183	(1,502,660)
Current service charges	5,985,350	5,985,350	6,462,339	476,989
Other	1,595,308	2,164,724	2,401,221	236,497
TOTAL REVENUES	36,394,932	36,602,700	36,066,941	(535,759)
EXPENDITURES:				
General government	7,657,713	7,356,575	6,368,463	988,112
Public safety	10,787,775	11,071,655	9,747,244	1,324,411
Transportation	3,021,715	3,023,708	2,782,609	241,099
Community development	3,857,931	4,078,120	3,829,830	248,290
Health and sanitation	4,150,533	4,216,854	3,515,646	701,208
Culture and leisure	6,760,880	6,833,053	6,432,300	400,753
TOTAL EXPENDITURES	36,236,547	36,579,965	32,676,092	3,903,873
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	158,385	22,735	3,390,849	3,368,114
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,666,925	1,648,987	(17,938)
Transfers out	-	(3,977,513)	(1,724,741)	2,252,772
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,310,588)	(75,754)	2,234,834
NET CHANGE IN FUND BALANCE	158,385	(2,287,853)	3,315,095	5,602,948
FUND BALANCE AT BEGINNING OF YEAR	47,331,274	47,331,274	47,331,274	-
FUND BALANCE AT END OF YEAR	\$ 47,489,659	\$ 45,043,421	\$ 50,646,369	\$ 5,602,948

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 generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the Redevelopment Agency Debt Service Fund since no budget is adopted for this fund. No budgetary comparisons are presented for Proprietary Funds as the City is not legally required to adopt a budget for these types of funds.
5. Capital project budgets are long term in nature and, accordingly, no budgetary comparisons are reflected in the accompanying financial statements.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2004, 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 2003-04, the City Council passed a resolution setting aside all unappropriated fund balances in the General Fund as contingency funds.

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NONMAJOR 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.

Housing Administration Fund - To account for revenues and expenditures for administrative support services to the Lakewood Redevelopment Agency's housing and rehabilitation programs.

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.

CAPITAL PROJECTS FUND

Lakewood Capital Improvements Fund - 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 Fund, and federal and state grants.

CITY OF LAKEWOOD

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
ASSETS				
Cash and investments	\$ -	\$ 131,666	\$ 98,736	\$ 259,253
Accounts receivable	148,782	-	-	105,694
Loans receivable	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 148,782</u>	<u>\$ 131,666</u>	<u>\$ 98,736</u>	<u>\$ 364,947</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 20,748
Accrued liabilities	-	-	-	12,652
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	104,872
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,272</u>
FUND BALANCES:				
Reserved:				
Encumbrances	-	1,246	7,341	-
Continuing appropriations	-	2,639	-	70,251
Special revenue purposes	148,782	127,781	91,395	156,424
TOTAL FUND BALANCES	<u>148,782</u>	<u>131,666</u>	<u>98,736</u>	<u>226,675</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 148,782</u>	<u>\$ 131,666</u>	<u>\$ 98,736</u>	<u>\$ 364,947</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Special Revenue Funds (Continued)				Total Special Revenue Funds	Capital Projects Fund Lakewood Capital Improvements	Total Nonmajor Governmental Funds
Housing Authority	Housing Administration	Prop C Transportation	AB 2766			
\$ 329,924	\$ 547,745	\$ 2,445,267	\$ 54,130	\$ 3,866,721	\$ -	\$ 3,866,721
204,101	2,531	10,957	26,222	498,287	-	498,287
-	979,646	-	-	979,646	-	979,646
-	-	-	-	-	185,820	185,820
<u>\$ 534,025</u>	<u>\$ 1,529,922</u>	<u>\$ 2,456,224</u>	<u>\$ 80,352</u>	<u>\$ 5,344,654</u>	<u>\$ 185,820</u>	<u>\$ 5,530,474</u>
\$ 432,008	\$ 3,076	\$ -	\$ 206	\$ 456,038	\$ 185,820	\$ 641,858
-	-	2,020	1,065	15,737	-	15,737
-	547,200	-	-	547,200	-	547,200
102,017	979,646	-	-	1,186,535	-	1,186,535
<u>534,025</u>	<u>1,529,922</u>	<u>2,020</u>	<u>1,271</u>	<u>2,205,510</u>	<u>185,820</u>	<u>2,391,330</u>
-	-	14,000	-	22,587	-	22,587
-	-	1,927,697	-	2,000,587	-	2,000,587
-	-	512,507	79,081	1,115,970	-	1,115,970
-	-	2,454,204	79,081	3,139,144	-	3,139,144
<u>\$ 534,025</u>	<u>\$ 1,529,922</u>	<u>\$ 2,456,224</u>	<u>\$ 80,352</u>	<u>\$ 5,344,654</u>	<u>\$ 185,820</u>	<u>\$ 5,530,474</u>

CITY OF LAKEWOOD

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

For the year ended June 30, 2004

	Special Revenue Funds			
	State Gasoline Tax	Park Dedication	Sewer Reconstruction	Prop A Transit
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 1,129,088
Licenses and permits	-	129,201	404	-
Investment income, rents and concessions	15,884	-	-	13,106
From other agencies	1,567,904	-	-	-
Other	-	-	-	18,030
TOTAL REVENUES	1,583,788	129,201	404	1,160,224
EXPENDITURES:				
Current:				
Transportation	-	-	-	2,686,807
Community development	-	-	70,659	-
Culture and leisure	-	68,190	-	-
Capital outlay:				
Public safety	-	-	-	-
Transportation	-	-	-	-
Community development	-	-	-	-
Culture and leisure	-	-	-	-
TOTAL EXPENDITURES	-	68,190	70,659	2,686,807
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,583,788	61,011	(70,255)	(1,526,583)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,648,989)	(361)	-	(27,296)
TOTAL OTHER FINANCING SOURCES (USES)	(1,648,989)	(361)	-	(27,296)
NET CHANGE IN FUND BALANCES	(65,201)	60,650	(70,255)	(1,553,879)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	213,983	71,016	168,991	1,780,554
FUND BALANCES AT END OF YEAR	\$ 148,782	\$ 131,666	\$ 98,736	\$ 226,675

See independent auditors' report.

Special Revenue Funds (Continued)

Special Revenue Funds (Continued)				Total Special Revenue Funds	Capital Projects Fund Lakewood Capital Improvements	Total Nonmajor Governmental Funds
Housing Authority	Housing Administration	Prop C Transportation	AB 2766			
\$ -	\$ -	\$ 940,065	\$ -	\$ 2,069,153	\$ -	\$ 2,069,153
-	-	-	-	129,605	-	129,605
5,666	23,903	48,076	1,678	108,313	-	108,313
1,748,815	-	-	120,789	3,437,508	703,583	4,141,091
-	119,395	3,951	1,880	143,256	-	143,256
<u>1,754,481</u>	<u>143,298</u>	<u>992,092</u>	<u>124,347</u>	<u>5,887,835</u>	<u>703,583</u>	<u>6,591,418</u>
-	-	71,734	123,507	2,882,048	-	2,882,048
1,740,117	2,200,718	-	-	4,011,494	-	4,011,494
-	-	-	-	68,190	-	68,190
-	-	-	-	-	273,949	273,949
-	-	-	-	-	1,757,205	1,757,205
-	-	-	-	-	2,200	2,200
-	-	-	-	-	282,749	282,749
<u>1,740,117</u>	<u>2,200,718</u>	<u>71,734</u>	<u>123,507</u>	<u>6,961,732</u>	<u>2,316,103</u>	<u>9,277,835</u>
<u>14,364</u>	<u>(2,057,420)</u>	<u>920,358</u>	<u>840</u>	<u>(1,073,897)</u>	<u>(1,612,520)</u>	<u>(2,686,417)</u>
-	2,057,420	-	-	2,057,420	1,612,520	3,669,940
-	-	(248,940)	(3,808)	(1,929,394)	-	(1,929,394)
-	2,057,420	(248,940)	(3,808)	128,026	1,612,520	1,740,546
14,364	-	671,418	(2,968)	(945,871)	-	(945,871)
<u>(14,364)</u>	<u>-</u>	<u>1,782,786</u>	<u>82,049</u>	<u>4,085,015</u>	<u>-</u>	<u>4,085,015</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,454,204</u>	<u>\$ 79,081</u>	<u>\$ 3,139,144</u>	<u>\$ -</u>	<u>\$ 3,139,144</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, 2004

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 20,000	\$ 15,884	\$ (4,116)
From other agencies	<u>1,646,925</u>	<u>1,567,904</u>	<u>(79,021)</u>
TOTAL REVENUES	1,666,925	1,583,788	(83,137)
OTHER FINANCING USES:			
Transfers out	<u>(1,666,925)</u>	<u>(1,648,989)</u>	<u>17,936</u>
NET CHANGE IN FUND BALANCE	-	(65,201)	(65,201)
FUND BALANCE AT BEGINNING OF YEAR	<u>213,983</u>	<u>213,983</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 213,983</u></u>	<u><u>\$ 148,782</u></u>	<u><u>\$ (65,201)</u></u>

See independent auditors' report.

CITY OF LAKEWOOD

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

PARK DEDICATION SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Licenses and permits	\$ 50,000	\$ 129,201	\$ 79,201
EXPENDITURES:			
Current:			
Culture and leisure	<u>61,048</u>	<u>68,190</u>	<u>(7,142)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,048)	61,011	72,059
OTHER FINANCING USES:			
Transfers out	<u>(84,799)</u>	<u>(361)</u>	<u>84,438</u>
NET CHANGE IN FUND BALANCE	(95,847)	60,650	156,497
FUND BALANCE AT BEGINNING OF YEAR	<u>71,016</u>	<u>71,016</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ (24,831)</u>	<u>\$ 131,666</u>	<u>\$ 156,497</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

SEWER RECONSTRUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Licenses and permits	\$ 500	\$ 404	\$ (96)
EXPENDITURES:			
Current:			
Community development	78,000	70,659	7,341
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(77,500)	(70,255)	7,245
FUND BALANCE AT BEGINNING OF YEAR	168,991	168,991	-
FUND BALANCE AT END OF YEAR	<u>\$ 91,491</u>	<u>\$ 98,736</u>	<u>\$ 7,245</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, 2004

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 1,000,000	\$ 1,129,088	\$ 129,088
Investment income, rents and concessions	30,000	13,106	(16,894)
Other	11,269	18,030	6,761
TOTAL REVENUES	1,041,269	1,160,224	118,955
EXPENDITURES:			
Current:			
Transportation	2,814,327	2,686,807	127,520
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,773,058)	(1,526,583)	246,475
OTHER FINANCING USES:			
Transfers out	(97,547)	(27,296)	70,251
NET CHANGE IN FUND BALANCE	(1,870,605)	(1,553,879)	316,726
FUND BALANCE AT BEGINNING OF YEAR	1,780,554	1,780,554	-
FUND BALANCE AT END OF YEAR	\$ (90,051)	\$ 226,675	\$ 316,726

See independent auditors' report.

CITY OF LAKEWOOD

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

HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 10,000	\$ 5,666	\$ (4,334)
From other agencies	<u>1,429,029</u>	<u>1,748,815</u>	<u>319,786</u>
TOTAL REVENUES	1,439,029	1,754,481	315,452
EXPENDITURES:			
Current:			
Community development	<u>1,439,029</u>	<u>1,740,117</u>	<u>(301,088)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	14,364	14,364
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(14,364)</u>	<u>(14,364)</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ (14,364)</u>	<u>\$ -</u>	<u>\$ 14,364</u>

See independent auditors' report.

CITY OF LAKEWOOD

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

HOUSING ADMINISTRATION SPECIAL REVENUE FUND

For the year ended June 30, 2004

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 70,000	\$ 23,903	\$ (46,097)
Other	42,614	119,395	76,781
TOTAL REVENUES	112,614	143,298	30,684
EXPENDITURES:			
Current:			
Community development	2,569,767	2,200,718	369,049
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,457,153)	(2,057,420)	399,733
OTHER FINANCING SOURCES:			
Transfers in	2,057,420	2,057,420	-
NET CHANGE IN FUND BALANCE	(399,733)	-	399,733
FUND BALANCE AT BEGINNING OF YEAR	-	-	-
FUND BALANCE AT END OF YEAR	\$ (399,733)	\$ -	\$ 399,733

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, 2004

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Taxes	\$ 800,000	\$ 940,065	\$ 140,065
Investment income, rents and concessions	52,000	48,076	(3,924)
Other	3,834	3,951	117
TOTAL REVENUES	855,834	992,092	136,258
EXPENDITURES:			
Current:			
Transportation	65,545	71,734	(6,189)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	790,289	920,358	130,069
OTHER FINANCING USES:			
Transfers out	(2,190,638)	(248,940)	1,941,698
NET CHANGE IN FUND BALANCE	(1,400,349)	671,418	2,071,767
FUND BALANCE AT BEGINNING OF YEAR	1,782,786	1,782,786	-
FUND BALANCE AT END OF YEAR	<u>\$ 382,437</u>	<u>\$ 2,454,204</u>	<u>\$ 2,071,767</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, 2004

	Final Budgeted Amounts	Actual	Variance Final Budget Positive (Negative)
REVENUES:			
Investment income, rents and concessions	\$ 2,200	\$ 1,678	\$ (522)
From other agencies	88,000	120,789	32,789
Other	<u>2,028</u>	<u>1,880</u>	<u>(148)</u>
TOTAL REVENUES	92,228	124,347	32,119
EXPENDITURES:			
Current:			
Transportation	<u>126,356</u>	<u>123,507</u>	<u>2,849</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34,128)	840	34,968
OTHER FINANCING USES:			
Transfers out	<u>(3,808)</u>	<u>(3,808)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(37,936)	(2,968)	34,968
FUND BALANCE AT BEGINNING OF YEAR	<u>82,049</u>	<u>82,049</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 44,113</u>	<u>\$ 79,081</u>	<u>\$ 34,968</u>

See independent auditors' report.

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INTERNAL SERVICE FUNDS

Central Stores Fund - To account for the financing of materials and supplies provided to various departments of the City. Costs of the material and supplies are billed to the various department at actual cost at the time the material is used.

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, 2004

ASSETS	Central Stores	Central Garage	Print Shop	Totals
CURRENT ASSETS:				
Cash and investments	\$ 36,510	\$ 4,070	\$ 6,356	\$ 46,936
Inventory	76,872	20,342	-	97,214
TOTAL CURRENT ASSETS	113,382	24,412	6,356	144,150
NONCURRENT ASSETS				
Capital assets:				
Equipment	-	1,323,370	-	1,323,370
Less: accumulated depreciation	-	(1,058,842)	-	(1,058,842)
Total capital assets (net of accumulated depreciation)	-	264,528	-	264,528
TOTAL ASSETS	113,382	288,940	6,356	408,678
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	2,488	4,646	80	7,214
Accrued liabilities	-	7,494	5,498	12,992
Due to the General Fund	76,608	-	-	76,608
TOTAL CURRENT LIABILITIES	79,096	12,140	5,578	96,814
NET ASSETS				
Invested in capital assets, net of related debt	-	264,528	-	264,528
Unrestricted	34,286	12,272	778	47,336
TOTAL NET ASSETS	\$ 34,286	\$ 276,800	\$ 778	\$ 311,864

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, 2004

	Central Stores	Central Garage	Print Shop	Totals
OPERATING REVENUES:				
Billings to departments	\$ 150,759	\$ 361,313	\$ 103,388	\$ 615,460
Other revenues	249	11,274	9,976	21,499
TOTAL OPERATING REVENUES	<u>151,008</u>	<u>372,587</u>	<u>113,364</u>	<u>636,959</u>
OPERATING EXPENSES:				
Operations:				
Cost of goods sold	154,005	607,155	260,720	1,021,880
Depreciation	-	122,409	-	122,409
TOTAL OPERATING EXPENSES	<u>154,005</u>	<u>729,564</u>	<u>260,720</u>	<u>1,144,289</u>
LOSS BEFORE TRANSFERS	(2,997)	(356,977)	(147,356)	(507,330)
TRANSFERS IN	-	244,494	148,134	392,628
CHANGES IN NET ASSETS	(2,997)	(112,483)	778	(114,702)
NET ASSETS AT BEGINNING OF YEAR	<u>37,283</u>	<u>389,283</u>	<u>-</u>	<u>426,566</u>
NET ASSETS AT END OF YEAR	<u>\$ 34,286</u>	<u>\$ 276,800</u>	<u>\$ 778</u>	<u>\$ 311,864</u>

See independent auditors' report.

CITY OF LAKEWOOD

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2004

	Central Stores	Central Garage	Print Shop	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund services provided	\$ 166,153	\$ 356,330	\$ 103,388	\$ 625,871
Payments to suppliers	(155,663)	(408,994)	(94,370)	(659,027)
Payments to employees	-	(192,800)	(165,229)	(358,029)
Payments for interfund services used	249	11,274	9,976	21,499
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	10,739	(234,190)	(146,235)	(369,686)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	244,494	148,134	392,628
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	-	(13,013)	-	(13,013)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,739	(2,709)	1,899	9,929
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25,771	6,779	4,457	37,007
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 36,510	\$ 4,070	\$ 6,356	\$ 46,936
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating loss	\$ (2,997)	\$ (356,977)	\$ (147,356)	\$ (507,330)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	-	122,409	-	122,409
Changes in operating assets and liabilities:				
(Increase) decrease in inventories	15,394	(4,983)	-	10,411
Increase (decrease) in accounts payable	(1,658)	3,545	(573)	1,314
Increase (decrease) in accrued liabilities	-	1,816	1,694	3,510
TOTAL ADJUSTMENTS	13,736	122,787	1,121	137,644
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 10,739	\$ (234,190)	\$ (146,235)	\$ (369,686)

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.

CITY OF LAKEWOOD

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2004

	Agency Funds		
	Deposit	Housing Rehabilitation	Totals
ASSETS:			
Cash and investments	\$ 555,474	\$ 642,546	\$ 1,198,020
Loans receivable	-	1,441,209	1,441,209
TOTAL ASSETS	\$ 555,474	\$ 2,083,755	\$ 2,639,229
LIABILITIES:			
Deposits	\$ 555,474	\$ 434,314	\$ 989,788
Due to HUD	-	1,649,441	1,649,441
TOTAL LIABILITIES	\$ 555,474	\$ 2,083,755	\$ 2,639,229

See independent auditors' report.

CITY OF LAKEWOOD

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
DEPOSIT FUND				
ASSETS:				
Cash and investments	\$ 454,190	\$ 551,892	\$ 450,608	\$ 555,474
LIABILITIES:				
Deposits	\$ 454,190	\$ 915,027	\$ 813,743	\$ 555,474
HOUSING REHABILITATION FUND				
ASSETS:				
Cash and investments	\$ 412,646	\$ 1,138,767	\$ 908,867	\$ 642,546
Loans receivable	1,667,297	-	226,088	1,441,209
TOTAL ASSETS	\$ 2,079,943	\$ 1,138,767	\$ 1,134,955	\$ 2,083,755
LIABILITIES				
Deposits	\$ 318,909	\$ 1,578,008	\$ 1,462,603	\$ 434,314
Due to HUD	1,761,034	271,260	382,853	1,649,441
TOTAL LIABILITIES	\$ 2,079,943	\$ 1,849,268	\$ 1,845,456	\$ 2,083,755
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 866,836	\$ 1,690,659	\$ 1,359,475	\$ 1,198,020
Loans receivable	1,667,297	-	226,088	1,441,209
TOTAL ASSETS	\$ 2,534,133	\$ 1,690,659	\$ 1,585,563	\$ 2,639,229
LIABILITIES:				
Deposits	\$ 773,099	\$ 2,493,035	\$ 2,276,346	\$ 989,788
Due to HUD	1,761,034	271,260	382,853	1,649,441
TOTAL LIABILITIES	\$ 2,534,133	\$ 2,764,295	\$ 2,659,199	\$ 2,639,229

See independent auditors' report.

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GOVERNMENT-WIDE EXPENSES BY PROGRAM

LAST TWO FISCAL YEARS

Fiscal Year	General Government	Public Safety	Transportation	Community Development	Health and Sanitation	Culture and Leisure	Unallocated Infrastructure Depreciation	Interest on Long-term Debt	Water	Total
2003	\$ 6,483,636	\$9,642,211	\$ 5,984,110	\$ 6,886,063	\$4,130,482	\$ 8,318,769	\$ 1,519,198	\$2,563,185	\$5,435,676	\$ 50,963,330
2004	6,469,288	9,837,380	5,874,797	9,395,361	3,500,490	7,354,906	1,577,783	2,603,529	5,193,182	51,806,716

Fiscal year 2002-2003 was the first year of implementation of the government-wide expenses by program. Current year totals will continue to be added to this schedule until a total of ten years are listed.

GOVERNMENT-WIDE REVENUES BY SOURCE

LAST TWO FISCAL YEARS

Fiscal Year	Program Revenues			General Revenues				Total
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Grants and Contributions	Investment Income, Rents and Concessions	Other	
2003	\$ 14,240,726	\$ 7,044,959	\$ 2,228,881	\$ 27,094,133	\$ 655,455	\$ 3,119,442	\$ -	\$ 54,383,596
2004	15,017,630	7,685,891	932,599	23,759,406	2,075,274	2,560,732	5,172,034	57,203,566

Fiscal year 2002-2003 was the first year of implementation of the government-wide revenues by source. Current year totals will continue to be added to this schedule until a total of ten years are listed.

SCHEDULE OF EXPENDITURES BY FUNCTION
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Transportation	Community Development	Health and Sanitation	Culture and Leisure	Debt Service	Totals
1995	\$ 4,119,624	\$ 6,680,922	\$ 4,573,304	\$ 3,967,568	\$ 3,258,562	\$ 5,027,015	\$ 1,762,980	\$ 29,389,975
1996	3,745,576	6,932,904	3,999,971	5,945,466	3,296,820	6,682,610	1,676,010	32,279,357
1997	3,774,221	7,721,587	3,789,473	3,440,603	2,576,747	5,846,130	2,272,962	29,421,723
1998	4,229,139	7,129,465	4,822,732	3,409,227	2,674,087	6,847,142	2,737,152	31,848,944
1999	4,325,022	7,725,532	5,848,531	4,354,156	2,749,368	6,462,939	1,821,432	33,286,980
2000	4,552,614	8,099,747	6,449,338	6,669,160	3,022,062	6,976,482	1,622,977	37,392,380
2001	4,470,503	8,116,686	10,208,999	6,283,594	3,684,626	8,268,587	3,277,683	44,310,678
2002	5,339,402	8,949,285	6,004,543	6,586,268	3,820,330	6,866,207	1,995,497	39,561,532
2003	6,172,088	9,683,678	7,056,720	6,807,075	4,147,217	8,039,025	3,605,520	45,511,323
2004	6,368,463	10,021,193	7,421,862	9,474,307	3,515,646	6,783,239	5,474,585	49,059,295

The above amounts include capital outlay, which is set forth separately on the Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds.

SCHEDULE OF REVENUES BY SOURCE
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Licenses and Permits	Fines and Forfeits	Investment Income, Rents and Concessions	From Other Agencies	Current Service Charges	Other	Totals
1995	\$ 14,415,060	\$ 818,742	\$ 332,178	\$ 2,254,860	\$ 5,901,426	\$ 4,947,511	\$ 916,337	\$ 29,586,114
1996	15,546,495	426,101	335,803	2,347,158	7,084,146	4,943,109	2,425,262	33,108,074
1997	19,179,682	319,125	267,687	2,910,207	6,970,687	5,086,796	1,328,389	36,062,573
1998	17,589,765	280,229	283,269	3,976,539	7,280,173	5,026,317	925,606	35,361,898
1999	18,204,807	371,854	441,935	3,093,155	7,578,543	5,244,734	850,409	35,785,437
2000	19,673,989	534,804	489,584	2,858,296	9,156,337	5,510,190	585,043	38,808,243
2001	21,799,842	449,204	502,205	4,143,179	12,453,303	5,403,063	1,201,060	45,951,856
2002	22,287,162	427,608	538,870	3,073,309	9,327,314	5,698,497	1,040,113	42,392,873
2003	23,805,100	659,201	612,967	2,876,540	11,543,865	6,069,882	1,013,740	46,581,295
2004	25,793,195	852,446	563,936	1,905,643	10,016,274	6,462,339	2,912,843	48,506,676

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Levy
1995	\$ 1,626,220	\$ 1,617,905	99.49%	\$ 6,544	\$ 1,624,449	99.89%
1996	1,918,865	1,966,017	102.46%	3,712	1,969,729	102.65%
1997	2,030,556	1,814,736	89.37%	25,703	1,840,439	90.64%
1998	1,995,892	1,937,757	97.09%	42,694	1,980,451	99.23%
1999	2,054,891	2,045,061	99.52%	9,204	2,054,265	99.97%
2000	2,114,842	2,268,538	107.27%	33,183	2,301,721	108.84%
2001	2,242,359	2,479,668	110.58%	3,108	2,482,776	110.72%
2002	2,359,786	2,378,123	100.78%	9,626	2,387,749	101.18%
2003	2,478,507	2,612,402	105.40%	30,440	2,642,842	106.63%
2004	2,642,717	2,606,161	98.62%	15,717	2,621,878	99.21%

ASSESSSED AND ESTIMATED VALUE OF ALL TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(In 000's)

Fiscal Year	Land	Improvements	Personal Property	Total	Less Exemptions	Net Assessed Value	Estimated Actual Value
1995	\$ 1,648,900	\$ 1,704,997	\$ 74,650	\$ 3,428,547	\$ 25,999	\$ 3,402,548	\$ 3,428,547
1996	1,693,444	1,720,734	72,780	3,486,958	29,743	3,457,215	3,486,958
1997	1,756,179	1,806,798	77,232	3,640,209	20,779	3,619,430	3,640,209
1998	1,775,364	1,789,388	70,429	3,635,181	33,767	3,601,414	3,635,181
1999	1,813,549	1,827,061	76,691	3,717,301	38,838	3,678,463	3,717,301
2000	1,888,855	1,882,440	75,534	3,846,829	38,450	3,808,379	3,846,829
2001	2,028,644	1,947,875	79,905	4,056,424	36,070	4,020,354	4,056,424
2002	2,184,459	2,029,550	93,247	4,307,256	30,778	4,276,478	4,307,256
2003	2,349,057	2,107,286	84,217	4,540,560	39,015	4,501,545	4,540,560
2004	2,580,909	2,192,844	75,576	4,849,329	31,772	4,817,557	4,849,329

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS

(RATE PER \$100 OF ASSESSED VALUATION)

LAST TEN FISCAL YEARS

Fiscal Year	General City	Los Angeles County	School Districts	Sanitation and Water	Water Districts	Other	Total
1995	-	0.0020	0.0084	0.0075	0.0089	1.0000	1.0268
1996	-	0.0018	0.0032	0.0027	0.0089	1.0000	1.0166
1997	-	0.0016	0.0046	0.0021	0.0089	1.0000	1.0172
1998	-	0.0016	0.0307	0.0228	0.0089	1.0000	1.0640
1999	-	0.0015	0.0914	0.0015	0.0089	1.0000	1.1033
2000	-	0.0014	0.0971	0.0016	0.0089	1.0000	1.1090
2001	-	0.0013	0.0985	0.0013	0.0088	1.0000	1.1099
2002	-	0.0011	0.1094	0.0010	0.0077	1.0000	1.1192
2003	-	0.0010	0.1186	-	0.0067	1.0000	1.1263
2004	-	0.0009	0.1236	-	0.0061	1.0000	1.1306

SCHEDULE OF LEGAL DEBT MARGIN

JUNE 30, 2004

Net assessed value of all taxable property	<u>\$4,817,556,614</u>
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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.

Note: The Norwalk Redevelopment Agency and Norwalk Community Facilities Financing Authority are not included in the above computation.

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

JUNE 30, 2004

	Gross Bonded Debt Balance	Percent Applicable to City of Lakewood	City of Lakewood Share of Debt
DIRECT AND OVERLAPPING BONDED DEBT:			
LA County Detention Facilities 1987 Debt Service	\$ 23,470,000	0.689%	\$ 161,801
LA County Flood Control Storm Drain Bonds No. 4 Debt Service	5,600,000	0.698%	39,084
LA County Flood Control Ref Bonds 1993 Debt Service	555,000	0.698%	3,873
*Central Basin Municipal Water District	447,475,000	0.735%	3,288,858
Compton Community College District 2002 Series A	41,000,000	2.821%	1,156,765
Long Beach Community College District 2002 Series A, 2003 Debt Service	38,500,000	8.949%	3,445,178
ABC Unified School District 2003 Ref Series A Debt Service	34,499,966	15.180%	5,237,057
ABC Unified School District 1997 Series B Debt Service	18,315,000	15.180%	2,780,197
Long Beach Unified School District 1999 Series E Debt Service	60,000,000	8.945%	5,367,271
Long Beach Unified School District 1999 Series F Debt Service	50,000,000	8.945%	4,472,726
Long Beach Unified School District 1999 Series A Debt Service	23,560,000	8.945%	2,107,548
Long Beach Unified School District 1999 Series B Debt Service	28,740,000	8.945%	2,570,923
Long Beach Unified School District 1999 Series C Debt Service	58,050,000	8.945%	5,192,835
Long Beach Unified School District 1999 Series D Debt Service	39,775,000	8.945%	3,558,054
Paramount Unified School District 1998 Series A Debt Service	33,624,976	10.949%	3,681,547
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT	\$ 903,164,942		\$ 43,063,717

2003 - 2004 Assessed Valuation: \$4,311,644,590 (after deducting \$505,912,024 redevelopment incremental valuation)

DEBT TO ASSESSED VALUATION RATIOS:

Direct Debt.....	0.00%
Overlapping Debt.....	1.00%
Total Debt.....	1.00%

* - This fund is a portion of a larger agency, and is responsible for debt in areas outside the city.

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>School Enrollment</u>
1995	76,007	12,962
1996	77,149	13,317
1997	78,323	14,024
1998	79,005	14,381
1999	80,100	14,747
2000	80,952	15,115
2001	81,100 *	15,523
2002	81,400	15,786
2003	82,300	16,147
2004	83,111	16,256

* - Census 2000 reduced this figure to 79345

Sources: Population - State Department of Finance
School Enrollment - Department of Community Development, City of Lakewood

PRINCIPAL TAXPAYERS

JUNE 30, 2004

<u>BUSINESS NAME</u>	<u>BUSINESS CATEGORY</u>
Bahour Oil	Service Stations
Best Buy	Radio/Appliance Stores
Chevron	Service Stations
Circuit City	Radio/Appliance Stores
Corner Market	Service Stations
Harbor Chevrolet	New Motor Vehicle Dealers
Home Depot	Lumber/Building Materials
J.C. Penney	Department Stores
Kinney Shoe Corporation	Shoe Stores
Kohl's	Department Stores
Lakewood AmPm	Service Stations
Lakewood Arco	Service Stations
Long Beach Lincoln Mercury	New Motor Vehicle Dealers
Macys	Department Stores
Marshalls	Family Apparel
McDonalds	Fast Foot
Mervyns	Department Stores
Pacific Ford	New Motor Vehicle Dealers
Red Lobster	Restaurants Liquor
Robinsons May	Department Stores
Ross	Family Apparel
Sav-On	Drug Stores
Target	Discount Department Stores
Vons	Grocery Stores Liquor
Wal Mart	Discount Department Stores

Percent of City fiscal year total paid by Top 25 Accounts = 62.77%

Amounts paid by taxpayers are confidential. Taxpayers are listed in alphabetical order.

CONSTRUCTION, PROPERTY VALUE AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Fiscal Year	Total Number of Residential Permits	Total Number of Commercial Permits	Total Number of Permits	Total Valuation (in 000's)	Bank Deposits (in 000's)	Total Assessed Valuations (in 000's)
1995	1,246	164	1,410	\$ 21,697	\$ 1,234,769	\$ 3,428,547
1996	1,267	211	1,478	23,250	1,203,904	3,486,958
1997	1,180	227	1,407	15,749	1,156,933	3,640,209
1998	1,254	167	1,421	15,216	1,138,443	3,635,181
1999	1,248	163	1,411	25,933	1,084,401	3,717,301
2000	1,195	213	1,408	73,750	1,012,534	3,846,829
2001	1,265	294	1,559	30,429	1,013,803	4,056,424
2002	1,400	219	1,619	23,668	1,050,189	4,307,256
2003	1,664	248	1,912	52,763	1,058,039	4,540,560
2004	1,735	215	1,950	43,432	1,103,747	4,849,329

Source: Department of Community Development and Department of Finance, City of Lakewood

MISCELLANEOUS STATISTICS

JUNE 30, 2004

Date of incorporation	April 16, 1954	
Form of government	Council-City Administrator (General Law)	
Area	9.5 square miles	
Miles of streets	196 miles	
Number of street lights	6,654	
Fire protection:	The City of Lakewood is part of the Los Angeles County Consolidated Fire Protection District.	
	Number of stations	3
	Number of firemen and officers	51
Police protection:	The City of Lakewood contracts with the County of Los Angeles for police protection. The Lakewood Sheriff Station serves six cities.	
	Number of stations	1
	Number of sworn personnel	256
Municipal water department:	Number of consumers	20,313
	Average daily consumption	8,474,660 gallons
	Miles of water mains	195 miles
Sewers		167 miles
Building permits issued		1,950
Culture and leisure:	Number of recreation facilities	13
	Acres of facilities	151.6
	Number of pools	2
	Number of libraries	2
	Number of volumes	314,285
	The City of Lakewood is part of the Los Angeles County Library District	
Employees:	Full time	174
	Part time	197

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