



City of Lawndale
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Fiscal Year Ending June 30, 2011

City of Lawndale
Basic Financial Statements
For the year ended June 30, 2011

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CITY OF LAWDALE

February 14, 2012

Honorable Mayor,
Members of the City Council

The Comprehensive Annual Financial Report (CAFR) of the City of Lawndale, California for the fiscal year ended June 30, 2011 (FY11) is submitted herewith.

The report was prepared by the City's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all the disclosures, rests with the City. We believe the data presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the City's financial position and the results of its operations as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a good understanding of the City's financial activity, are included.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, i.e. overview and analysis, to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The General Purpose Financial Statements included in the CAFR have been prepared in accordance with GAAP as promulgated by the Governmental Accounting Standards Board (GASB) and includes the report of the City's independent certified public accountants, Caporicci & Larson, LLP.

In addition, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governmental Units and Non-Profit Organizations, and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Information related to the single audit, including the schedule of expenditures of federal awards, auditors' reports on compliance and internal control over financial reporting and compliance with applicable laws and regulations, are included in the single audit report, which is separately issued and available at City Hall in the Finance Department.

THE REPORTING ENTITY AND ITS SERVICES

The City of Lawndale, known as the Heart of the South Bay, is a general law city incorporated in 1959 under the laws of the State of California. It uses the Council/Manager form of government. The City Council is presided over by the Mayor, who is elected every two years. The four Council members are elected every four years via citywide vote. Among its primary duties, the City Council makes laws, sets policies, adopts budgets and oversees an array of agenda items for the community. The City Manager is appointed by the City Council and leads the administrative branch of city government and directs all City operations, projects and programs. The City is located in the County of Los Angeles, California and is approximately 13 miles southwest of Los Angeles and 3 miles east of Manhattan Beach. It is situated in the southwest part of the county and occupies approximately 2 square miles. The City population is estimated by the California State Department of Finance at approximately 35,000.

ECONOMIC ENVIRONMENT

The General Fund's main revenue sources have collectively stagnated due to the national economic recession. Led by Motor Vehicle In-Lieu of \$2.9 million, Sales Tax of \$2.3 million and Utility User's Tax of \$2.1 million, this balanced trio enabled the General Fund to continue to maintain solid operational revenues.

From a non-operational standpoint, the City undertook some rather large transactions during the fiscal year. First of all, during the year, it came to the attention of city leaders that two rather large adjacent parcels of property were becoming available. Despite national economic downturn, the City felt that such an open space opportunity is rare in a built-out city such as Lawndale. The City Council voted to purchase both properties from General Fund reserves for a total of approximately \$3,000,000. The City will use that site as a temporary dog park until such time that grant funds for a city park are identified and secured.

The second large transaction that took place during the year was the repayment of redevelopment agency debt to the City in the amount of \$6,000,000. This represented only a portion of the amount owed from the agency to both the City and the Urban Development Action Grant Fund. All debts owed by the agency have long been documented on the Statement of Indebtedness and in recent years have been clarified in the financial statements. It should be noted that the State of California and/or Los Angeles County may try to invalidate this repayment by declaring it not consistent with ABx26 (see below).

The final significant transaction also took place between the City and the Agency as the Agency transferred land on the corner of Hawthorne Boulevard and Manhattan Beach Boulevard. This land is valued at \$3.4 million and the City currently holds title to the land and records it in its asset listing. It should also be noted that the State of California and/or Los Angeles County may try to invalidate this repayment by declaring it not consistent with ABx26 (see below).

Despite the gloomy economic conditions and the significant items mentioned above, all activity pales in comparison to what took place with the passage of ABx26 - the discontinuance of redevelopment. Effective February 1, 2012, the Lawndale Redevelopment Agency was discontinued in conformity with AB26x1 as a purported measure to improve the State of California's budget situation. Going forward, the City of Lawndale was appointed as a successor agency to carry out the remaining obligations of the Agency while the Lawndale Housing Authority was named the successor agency to the Housing Agency. This will be quite problematic from a citywide standpoint as the Agency had \$6.2 million in redevelopment projects slated to be completed over the next few years. At this point in time, those funds remain with the trustee and it has not been declared as to whether the successor agency will be able to see those projects to completion or have to return the bond proceeds and cancel all projects. Furthermore, the Agency carried about \$1 million in staff salaries/benefits which were used to carry out projects. At this time, it is further unclear how much the State will allow agencies to continue spending on administration of projects. The only amount that has a degree of certainty is a \$250,000 stipend per agency. The City and successor agency will continue to monitor this statewide issue.

INTERNAL ACCOUNTING CONTROLS AND BUDGETARY CONTROL

The management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits require estimates and judgments by management. All internal control evaluations occur within the above framework. City management believes the City's internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions have been properly recorded.

As part of the City's internal controls, it maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the City funds are included in the annual appropriated budget. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the fund category level. The City Manager may transfer appropriations from one program to another within a department within the same fund without approval from the City Council. All other transfers must be approved by the City Council. The City also maintains an encumbrance accounting system as one technique for accomplishing budgetary control. Encumbrances outstanding at year-end are reported as reservations of fund equity since they do not constitute expenditures or liabilities under the Generally Accepted Accounting Principles.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when received in cash, except for revenues susceptible to accrual and revenues of a material amount that have not been received at the normal time. Revenues considered susceptible to accrual are those that are measurable and available to finance the government operation during the year. Expenditures, other than accrued interest on general long-term debt, are recorded at the time liabilities are incurred.

In addition, as a recipient of federal financial assistance, the City is responsible for establishing and maintaining adequate internal controls to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by management and the City's independent certified public accountants. As part of the City's single audit, tests are made to determine the adequacy of internal controls, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for fiscal year 2011 were published in a separately issued report.

CASH MANAGEMENT

Funds that are temporarily idle during the year are invested in various instruments, with the majority of maturities being less than one year. The City's investment policy is to maximize return while minimizing risks to the principal and assuring that cash is available to meet anticipated needs. Cash is commingled for investment purposes in order to maximize interest earnings, except where legally restricted. Interest earnings on commingled cash are allocated to the participating funds based on average cash balances during the year.

Interest earnings on all invested funds of the City for the year ending June 30, 2011 totaled \$129,713.

RISK MANAGEMENT

The City is a member of the Southern California Joint Powers Insurance Authority and is provided the following insurance coverages as part of the Authority:

- General Liability - 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 delineated in note 5.
- 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 Lawndale is charged for the first \$50,000 of each claim. Costs are pooled above that level as delineated in note 5.
- Property Insurance - The City of Lawndale participates in the all-risk property protections program of the Authority. City property is currently insured according to a schedule of covered property submitted by the City of Lawndale to the Authority. Total all-risk property insurance coverage is \$5 million per

occurrence. 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 of Lawndale 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. The City currently has earthquake protection in the amount of \$10 million per occurrence. There is a deductible of 5 percent of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

PENSION FUND OPERATIONS

The City of Lawndale's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The employees are covered by the California Public Employees' Retirement System (PERS) which is a cost sharing multiple-employer benefit plan. The plan is currently 70.1% funded and less subject to volatility as recent legislation recommends that when there are fewer than 100 active members, an organization shall be grouped with like-organizations in order to spread the risk and stabilize rate changes.

The Central Management Team (CMT) also receives a supplemental retirement benefit (1% at 55 formula) through the Public Agency Retirement System (PARS). The City makes contributions on behalf of the CMT.

INDEPENDENT AUDIT

The City and State of California statutes require the City to have an annual audit by independent certified public accountants. The accounting firm of Caporicci & Larson, LLP was selected by the City Council for this purpose. In addition to meeting the requirements set forth in the State statutes, the audit is designed to meet the requirements of the federal Single Audit Act of 1984, as amended in 1996, and related OMB Circular A-133. The auditor's report on the basic general purpose financial statements and the supplementary combining statements and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in a separately issued single audit document.

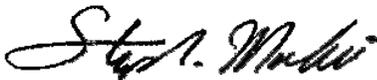
AWARDS

The Government Finance Officer's Association (GFOA) awards certificates of achievement to those entities whose annual financial reports are judged to conform substantially to high standards of public financial reporting. The City of Lawndale has been awarded the Certificate of Achievement for Excellence in Financial Reporting from the GFOA in recent years and has continued its rigid requirements. This national award is a noteworthy accomplishment and strengthens the credibility of our city.

ACKNOWLEDGMENTS

Preparation of a financial report of this scope would not be possible without the support of the City Council and City Manager, the cooperation of the various departments and the efforts of the entire staff of the Finance Department. Special thanks must go to Wayne Schaller, Accounting Manager, for his invaluable assistance with the annual audit and all related year-end schedules.

Respectfully submitted,



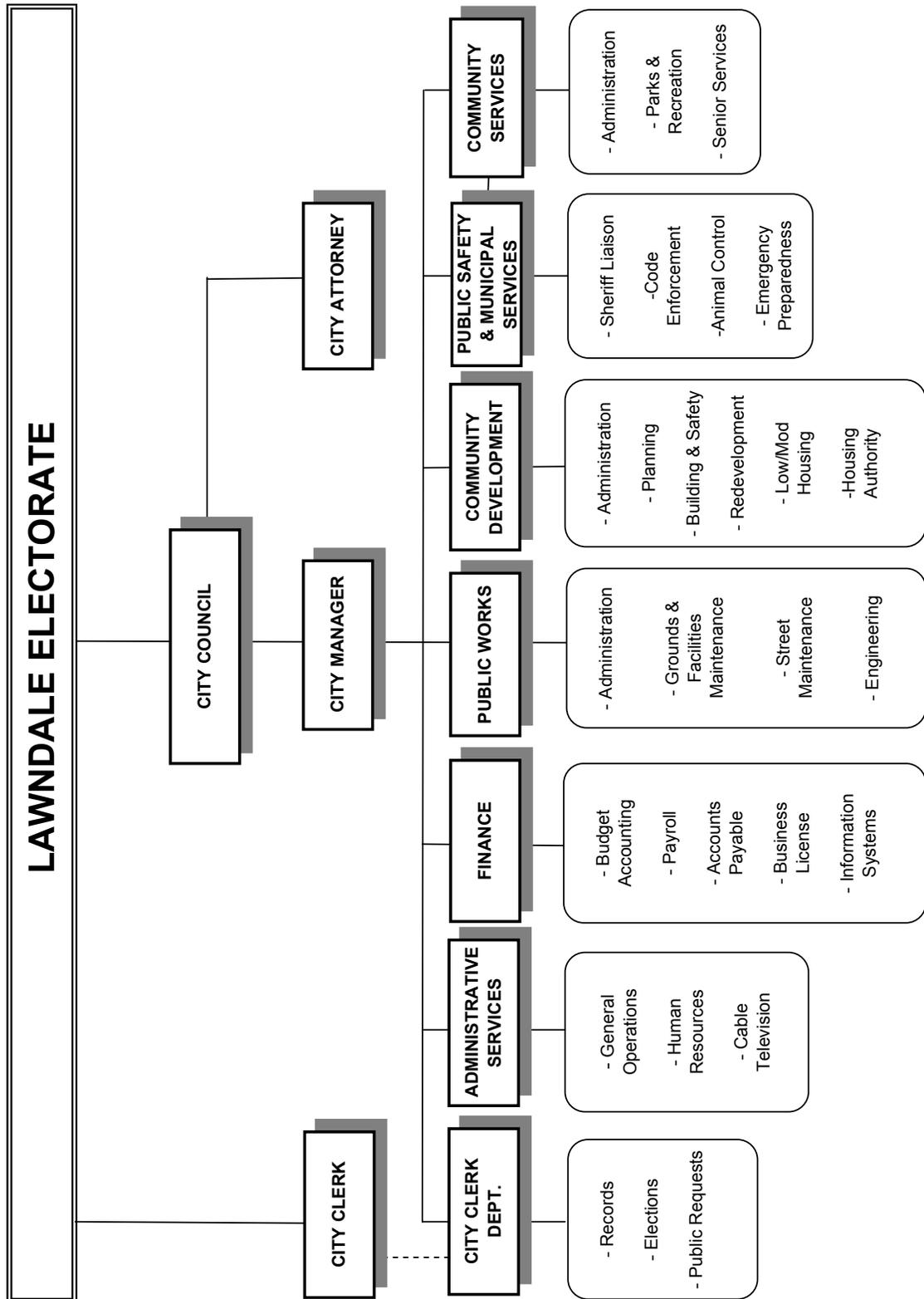
Stephen N. Mandoki
City Manager



Ken Louie
Finance Director/City Treasurer

CITY OF LAWNSDALE

City-Wide Organizational Chart



■ CITY ELECTED OFFICIALS



**Mayor
Harold Hofmann**

Elected: April 2010



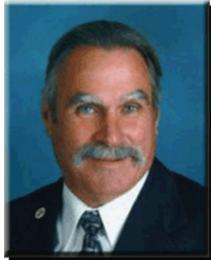
**Mayor Pro Tem
Jim Osborne**

Elected: April 2008



**Councilmember
Larry Rudolph**

Elected: April 2010



**Councilmember
Pat Kearney**

Elected: April 2010



**Councilmember
Robert Pullen-Miles**

Elected: April 2008

City Clerk Paula Hartwill

Elected: April 2010

■ CENTRAL MANAGEMENT TEAM

City Manager: Stephen N. Mandoki

Deputy City Manager: Otis Ginoza

Director of Finance: Ken Louie

Director of Public Works: Marlene Miyoshi

Assistant City Clerk: Pam Giamario



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lawndale, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, 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.

The accompanying financial statements have been prepared assuming that the Redevelopment Agency, a component unit of the City, will continue as a going concern. As discussed in note 7 to the financial statements, on December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolution of California redevelopment agencies. The full impact of this most recent development is not known at this time. These recent legislative and judicial actions raise substantial doubt about the ability of the Redevelopment Agency and all redevelopment agencies in the State of California to continue as going concerns. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

As described in Note 8 to the financial statements, the City has recorded prior period adjustments to its 2010 financial statements to correct an error.

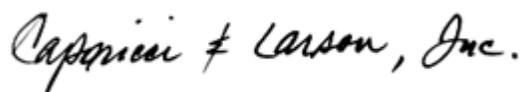
The City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

To the Honorable Mayor and Members of the City Council
of the City of Lawndale
Lawndale, California
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund budgetary comparison schedule, and schedules of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
March 26, 2012

CITY OF LAWNSDALE, CALIFORNIA

Management's Discussion and Analysis

As management of the City of Lawnsdale, we offer readers of the City's financial statements this narrative discussion and analysis of the financial activities for fiscal year ended June 30, 2011. 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 on pages i- iv of this report.

Financial Highlights

- The assets of the City of Lawnsdale exceed its liabilities, at the close of the fiscal year ended June 30, 2011, by \$53,164,954 (*total net assets*). Of this amount, \$10,354,179 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$287,032. The increase is due to the net of program and general revenues in the governmental activities.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$41,711,726 (page 23) a decrease of \$8,223,000 in comparison with the prior year. The decrease in combined ending fund balances is primarily attributable to a major land purchase on Larch Avenue for a future park site as well as funds advanced and to be reimbursed by various grants. The Redevelopment Agency – Capital Projects account decreased by \$7,408,571 due to the construction costs of the new community center and finally a net change of negative \$137,000 was seen in the Redevelopment – Debt Service fund due to the paying down of debt during 2010-2011.
- As of June 30, 2011, unassigned fund balance for the General Fund was \$11,560,364 (page 20) or 97%, of total General Fund current operating expenditures. In recent years, the percentage has been considerably higher but the City has opted to have strong General Fund participation in the CIP plan which has reduced the reserves.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised 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's finances, in a manner similar to a private-sector business.

CITY OF LAWNSDALE, CALIFORNIA

Management's Discussion and Analysis

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lawndale 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 the 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 and sick leave).

Both the government-wide financial statements distinguish functions of the City 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 include its general government, public safety, municipal services, planning and community development, recreation and community services. The city does not have any business type activities.

The government-wide financial statements include not only the City of Lawndale itself (known as the *primary government*), but also a legally separate Redevelopment Agency and the Lawndale Cable Corporation for which the City of Lawndale is financially accountable. Financial information for this *component unit* has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lawndale, 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 are presented in one category: governmental 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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF LAWNSDALE, CALIFORNIA

Management's Discussion and Analysis

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 governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Lawndale maintains 42 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Restricted Urban Development Special Revenue Fund, the Redevelopment Agency Capital Projects Fund and the Redevelopment Agency Debt Service Fund, all of which are considered to be major funds. Data from the other 38 governmental funds are 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 Lawndale adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-28 of this report.

Notes to the 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 31-62 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's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 64-67 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 77-130 of this report.

CITY OF LAWDALE, CALIFORNIA

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lawndale, assets exceeded liabilities by \$53,162,954 at June 30, 2011. A large portion of the City's total net assets (58 percent) reflects its investment in capital assets (e.g. land, buildings, facilities, vehicles, equipment, and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of unrestricted total net assets (\$10,354,179 or 19 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Lawndale Net Assets Governmental Activities	Fiscal Year 2010-2011	Fiscal Year 2009-2010	Variance Increase (Decrease)	Percentage Increase (Decrease)
Current and other assets	\$43,460,464	\$50,766,180	(\$7,305,716)	(16.81%)
Capital assets	38,408,324	29,700,224	8,708,100	29.32%
Total assets	81,868,788	80,466,404	1,402,384	1.74%
Long-term liabilities outstanding	24,284,810	24,301,480	(16,670)	(0.06%)
Other liabilities	4,419,024	3,287,002	1,132,022	34.44%
Total liabilities	28,703,834	27,588,482	1,115,352	4.05%
Invested in capital assets, net of related debt	30,670,798	26,057,678	4,613,120	15.04%
Restricted	12,139,977	7,351,260	4,788,717	39.44%
Unrestricted	10,354,179	19,468,984	(9,114,805)	(88.07%)
Total Net Assets	\$53,164,954	\$52,877,922	\$287,032	0.54%

Governmental activities. Governmental activities increased the City's net assets by \$287,032.

CITY OF LAWDALE, CALIFORNIA

Management's Discussion and Analysis

	Fiscal Year 2010-2011	Fiscal Year 2009-2010	Variance Increase (Decrease)	Percentage Increase (Decrease)
Governmental Activities				
Program revenues:				
Charges for services	\$1,958,121	\$1,911,110	\$47,011	2.46%
Operating contributions and grants	100,000	137,704	(37,704)	(37.70)%
Capital contributions and grants	2,692,869	2,230,720	462,149	20.72%
General revenues:				
Property taxes	5,672,593	5,636,709	35,884	0.64%
Other taxes	9,816,736	9,551,906	264,830	2.77%
Other general revenues	765,937	1,571,797	(805,860)	(105.21)%
Total revenues	21,006,256	21,039,946	(33,690)	(0.16%)
Expenses:				
General government	3,204,153	3,549,207	(345,054)	(10.77%)
Public safety	4,567,840	4,757,922	(190,082)	(4.16%)
Municipal services	5,121,295	5,295,282	(173,987)	(3.40%)
Planning and community development	4,666,135	7,091,597	(2,425,462)	(51.98%)
Recreation and community services	1,642,338	1,777,022	(134,684)	(8.20%)
Interest and fiscal charges	1,517,463	817,409	700,054	85.64%
Total expenses	20,719,224	23,288,439	(2,569,215)	(11.03%)
Increase (Decrease) in Net Assets	287,032	(2,248,493)	(1,963,461)	688.86%
Net Assets – Beginning of Year, as Restated	52,877,922	55,126,415	(2,248,493)	(4.25%)
Net Assets –End of Year	\$53,164,954	\$52,877,922	\$287,032	0.54%

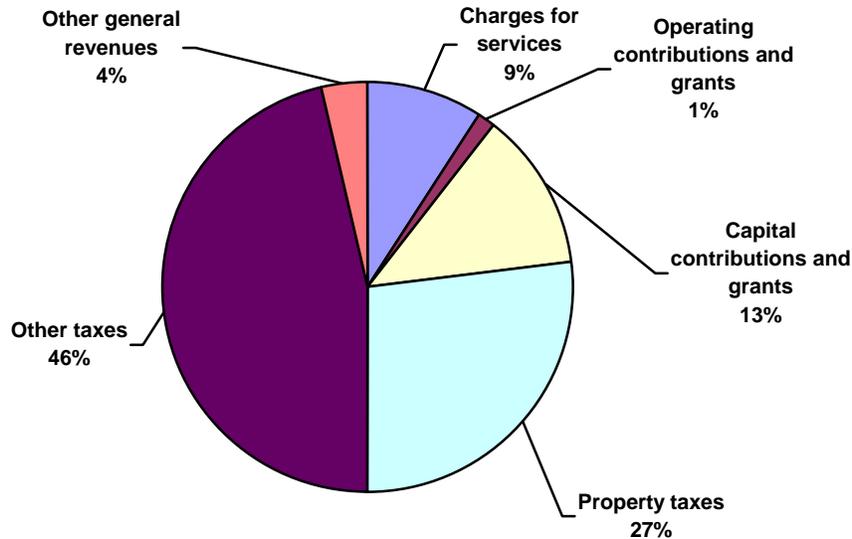
Key elements of this increase in total net assets from all activities are as follows:

- The City had similar revenues when compared to last year but the planning and community development expenses were \$2,569,215 lower.

CITY OF LAWNSDALE, CALIFORNIA

Management's Discussion and Analysis

Revenues by Source – Governmental Activities



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$41,711,726 a decrease of \$8,223,000 in comparison with the prior year.

The General Fund is the chief operating fund of the City of Lawndale. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,560,364 while total fund balance reached \$23,275,550. As a measure of the fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 74 percent of total General Fund expenditures, while total fund balance represents 151 percent of that same amount.

During the current fiscal year, the fund balance of the City's General fund decreased by \$1,380,281. The decrease in fund balance is attributable to the national economic recession as well as the City's commitment to assist in the funding of capital improvement projects.

The Debt Service Fund has a fund balance of \$12,139,286. Although the Redevelopment Agency is currently experiencing positive cash flow, it still bears a deficit Fund Balance (equity) as it has three sizable long-term debt instruments outstanding. Two of the instruments are intra-city and can be discretionarily paid and the third is to a California Infrastructure Economic Bank (CIEDB). The Agency has been making debt service payments to the CIEDB and in fiscal year 2005-06, began paying-down its internal loans.

It is important to note that the Agency issued \$20,545,000 in Tax Allocation Bonds in November 2010. The proceeds were primarily used for the design and construction of the new Community Center as well as other CIP projects. The debt will be paid from tax increment revenue received in the Debt Service Fund.

CITY OF LAWNSDALE, CALIFORNIA

Management's Discussion and Analysis

It is important to note that the Agency issued \$20,545,000 in Tax Allocation Bonds in November 2010. The proceeds were primarily used for the design and construction of the new Community Center as well as other CIP projects. The debt will be paid from tax increment revenue received in the Debt Service Fund.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$34,788,101 (net of accumulated depreciation). The investment in capital assets includes land, buildings and structures, improvements other than buildings, machinery and equipment and current year additions to infrastructure. During the current fiscal year, the City's investment in capital assets increased from fiscal year 2010-11 by \$8,730,513.

City of Lawndale Capital Assets (Net of Depreciation) Governmental Activities	Fiscal Year 2010-2011	Fiscal Year 2009-2010	Variance Increase (Decrease)	Percentage Increase (Decrease)
Land	\$5,215,937	\$1,879,011	\$3,336,926	177.59%
Buildings and structures	4,853,222	4,999,787	(146,565)	(2.93%)
Machinery and equipment	685,116	677,590	7,526	1.11%
Improvements other than buildings	222,205	235,888	(13,683)	(5.80%)
Infrastructure	17,123,388	16,933,790	189,598	1.12%
Construction in progress	6,688,233	1,331,522	5,356,711	402.30%
<i>Total</i>	34,788,101	26,057,588	\$8,730,513	33.50%

Additional information regarding the City's capital assets can be found in Note 3D on page 47.

CITY OF LAWNSDALE, CALIFORNIA

Management's Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City of Lawnsdale had total debt outstanding of \$23,720,613.

City of Lawnsdale Outstanding Debt Governmental Activities	Fiscal Year 210-2011	Fiscal Year 2009-2010	Variance Increase (Decrease)	Percentage Increase (Decrease)
2009 Tax Allocation Bonds	\$20,545,000	\$20,545,000		
Notes Payable	2,470,265	2,552,438	(82,173)	(3.33%)
Compensated absences	705,348	615,409	89,939	14.61%
Total	\$23,720,613	\$23,712,847	\$7,766	0.03%

The City's total debt increased by \$7,766 (.03 percent) during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the City of Lawnsdale is \$274,744,551. With no general obligation debt, the City operates well within the legal limit imposed by the State.

Additional information on the City's long-term debt can be found in Note 3E on page 48 of this report.

Current Economic Factors and Future Outlook

The General Fund's main revenue sources although basically steady, have begun to stagnate due to the national economic recession. Led by Motor Vehicle In-Lieu of \$2.9 million, Sales Tax of \$2.3 million, and Utility User's Tax of \$2.1 million, this balanced trio continues to be the lion's share of the revenue.

Fiscal year 2011 was the fourth full year of implementation of our 5-Year Capital Improvement Plan (CIP). The \$34 million plan was approved as part of the normal budget process and represented a culmination of revenues and resources from not only the General Fund, but a multitude of special funds and grant funds. Such funds have gone toward the construction of a new park, park improvements, street and sidewalk improvements and traffic signal improvements. In April of 2010, the voters resoundingly approved the expenditure of funds for a new community center. This vote was required because the City has an ordinance which states that any expenditure in excess of \$1 million for a capital project requires the vote of the people. In an effort to fund this celebrated venture, in November 2010, the Lawnsdale Redevelopment Agency issued tax allocation bonds (as mentioned above).

With the national and local economy barely starting to show signs of coming out of the recession, Lawnsdale will continue to exercise a greater level of caution as it seeks to

CITY OF LAWNSDALE, CALIFORNIA

Management's Discussion and Analysis

Despite the gloomy national economic conditions, there is a positive feeling around the City as the mid-century modern County Library was completed and now the Community Center has officially been completed and opened in January 2012. A true showpiece, this building solidifies the new look of civic center and appropriately sits only a short pathway from the new Lucille Smith elementary school.

Though we seek growth in lean times, the City will continue to plan for adverse conditions as there are many external factors that have impaired our ability to function at full capacity. The major detrimental factor to the City's livelihood is the continual State takeaways. The most recent is the most significant: the discontinuance of redevelopment.

The Effects of ABx26

On December 29, 2011, the California Supreme Court issued its opinion in *CRA v. Matosantos* and upheld the validity of AB1x26, the bill that dissolves all the redevelopment agencies in the State, and invalidated AB1x27, the bill that would have allowed redevelopment agencies to remain in operation by making a payment to assist the state budget. As a result of the Court's ruling, the dissolution of redevelopment agencies became effective February 1, 2012. With this expiration of redevelopment came a large void in the tool chest of cities to make community improvements and revenue-generating centers such as shopping centers or car malls. Also with the expiration came the uncertainty as to the status of pending projects. At the time of this writing, the successor agency now has millions of dollars in Lawndale projects in the pipeline that are in limbo awaiting State clarification as to their future status. Furthermore, the now defunct Agency had \$6,000,000 in bond proceeds that are with the trustee. The use and future of those funds remain in question as well.

The Lawndale Redevelopment Agency carried about \$1.1 million in salaries and benefits. With the removal of project funding and tax increment, that burden will largely be shifted to the General Fund for the remainder of the 2011-2012 fiscal year. However, for the 2012-13 fiscal year, drastic cuts in programs, positions and salaries are anticipated for all funds. The final effect of ABx26 will not truly be known until all legislation and rulings have come to fruition.

For now, the General Fund remains healthy as it boasts 100% in reserves and continues to comply with its self-imposed "a year in reserves" motto and policy.

Requests for Information

This financial report is designed to provide a general overview of the financial position of the City of Lawndale. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance at 14717 Burin Avenue, Lawndale, CA 90260.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Lawndale
Statement of Net Assets
June 30, 2011

ASSETS	Governmental Activities
Current assets:	
Cash and investments	\$ 24,457,000
Restricted assets:	
Cash and investments	1,463,962
Cash and investments with fiscal agents	14,705,549
Receivables:	
Accounts, net	1,232,868
Interest	24,552
Loans	1,177,671
Prepaid items	398,862
Total current assets	43,460,464
Noncurrent assets:	
Land held for development	2,883,552
Deferred bond issuance costs	736,671
Capital assets:	
Nondepreciable assets	11,904,170
Depreciable assets, net	22,883,931
Total capital assets	34,788,101
Total noncurrent assets	38,408,324
Total assets	81,868,788
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	3,436,645
Interest payable	767,679
Deposits	214,700
Total current liabilities	4,419,024
Noncurrent liabilities:	
Due within one year	413,049
Due in more than one year	22,979,626
Liability insurance payable	361,251
Postemployment benefit liability	530,884
Total noncurrent liabilities	24,284,810
Total liabilities	28,703,834
NET ASSETS	
Investments in capital assets, net of related debt	30,670,798
Restricted:	
Community development	8,655,758
Municipal services	3,348,477
Other purposes	135,742
Unrestricted	10,354,179
Total net assets	\$ 53,164,954

See accompanying Notes to Basic Financial Statements.

City of Lawndale
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Total Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
General government	\$ 3,204,153	\$ 836,409	\$ -	\$ -	\$ 836,409	\$ (2,367,744)
Public safety	4,567,840	562,262	100,000	27,596	689,858	(3,877,982)
Municipal services	5,121,295	120,752	-	1,747,997	1,868,749	(3,252,546)
Planning and community development	4,666,135	354,930	-	36,969	391,899	(4,274,236)
Recreation and community services	1,642,338	83,768	-	880,307	964,075	(678,263)
Interest and fiscal charges	1,517,463	-	-	-	-	(1,517,463)
Total governmental activities	\$ 20,719,224	\$ 1,958,121	\$ 100,000	\$ 2,692,869	\$ 4,750,990	(15,968,234)

General revenues:

Taxes:

Property tax - City	860,017
Property tax - Redevelopment Agency	4,812,576
Transient occupancy tax	407,273
Franchise tax	504,479
Sales tax	3,905,301
Motor vehicle in-lieu tax	2,892,525
Utility users tax	2,107,158
Investment income	333,253
Other	432,684

Total general revenues 16,255,266

Change in net assets 287,032

Net assets - beginning of year 52,877,922

Net assets - end of year \$ 53,164,954

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Fiduciary Fund Financial Statements

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**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

City of Lawndale
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue Fund Restricted Urban Development	Capital Projects Redevelopment Agency	Debt Service Redevelopment Agency
ASSETS				
Cash and investments	\$ 14,957,232	\$ 813,967	\$ -	\$ -
Restricted assets:				
Cash and investments	-	-	-	1,463,962
Cash and investments with fiscal agents	-	-	-	14,705,549
Receivables:				
Accounts, net	942,640	-	-	172,537
Interest	15,416	830	-	-
Loans	-	-	196,726	-
Prepaid items	398,862	-	-	-
Due from other funds	1,624,896	-	-	12,481,484
Advance to other funds	4,512,306	11,501,884	-	-
Land held for development	2,391,469	-	-	-
Total assets	\$ 24,842,821	\$ 12,316,681	\$ 196,726	\$ 28,823,532
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,194,054	\$ -	\$ 1,671,716	\$ -
Accrued wages	132,905	-	34,304	-
Due to other funds	40,149	-	12,481,484	670,056
Retentions payable	463	-	36,687	-
Deferred revenue	-	-	-	-
Deposits	199,700	-	15,000	-
Advances from other funds	-	-	-	16,014,190
Total liabilities	1,567,271	-	14,239,191	16,684,246
Fund Balances:				
Nonspendable	7,303,787	-	-	-
Restricted	6,746	-	-	12,139,286
Committed	4,012,785	12,316,681	-	-
Assigned	391,868	-	-	-
Unassigned	11,560,364	-	(14,042,465)	-
Total fund balances	23,275,550	12,316,681	(14,042,465)	12,139,286
Total liabilities and fund balances	\$ 24,842,821	\$ 12,316,681	\$ 196,726	\$ 28,823,532

See accompanying Notes to Basic Financial Statements.

Non-major Governmental Funds		Total
\$ 8,685,801	\$ 24,457,000	
-	1,463,962	
-	14,705,549	
117,691	1,232,868	
8,306	24,552	
980,945	1,177,671	
-	398,862	
-	14,106,380	
-	16,014,190	
492,083	2,883,552	
<u>\$ 10,284,826</u>	<u>\$ 76,464,586</u>	

\$ 298,689	\$ 3,164,459
32,894	200,103
914,691	14,106,380
34,933	72,083
980,945	980,945
-	214,700
-	16,014,190
<u>2,262,152</u>	<u>34,752,860</u>

-	7,303,787
9,014,063	21,160,095
-	16,329,466
-	391,868
(991,389)	(3,473,490)
<u>8,022,674</u>	<u>41,711,726</u>
<u>\$ 10,284,826</u>	<u>\$ 76,464,586</u>

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City of Lawndale
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2011

Total Fund Balances - Total Governmental Funds	\$ 41,711,726
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	42,057,246
Accumulated depreciation	(7,269,145)

Long-term notes receivable are not current financial resources and, therefore, are reported as deferred revenue in the governmental funds.	980,945
--	---------

Interest expenditures are recognized when due and, therefore, interest payable is not recorded in the governmental funds.	(767,679)
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Liability insurance payable is not due and payable in the current period and therefore is not reported in the funds.	(361,251)
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Postemployment benefit liability other than pensions is not due and payable in the current period and therefore is not reported in the funds.	(530,884)
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Deferred bond issuance costs are not due and payable in the current period, and therefore, are not reported in the funds.	736,671
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Long-term liabilities, including notes, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable, net of discount	(20,227,062)
Notes payable	(2,470,265)
Compensated absences	(705,348)

Net Assets of Governmental Activities	\$ 53,154,954
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See accompanying Notes to Basic Financial Statements.

City of Lawndale
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	General Fund	Special Revenue Fund Restricted Urban Development	Capital Projects Redevelopment Agency	Debt Service Redevelopment Agency
REVENUES:				
Sales and use taxes	\$ 2,314,474	\$ -	\$ -	\$ -
Property tax	860,018	-	-	3,850,060
Utility user tax	2,107,158	-	-	-
Other taxes	911,752	-	-	-
Motor vehicle in-lieu tax	2,892,525	-	-	-
Licenses and permits	573,811	-	-	-
Fines and forfeitures	562,262	-	-	-
Subventions and grants	-	-	-	-
Use of money and property	147,391	31,438	51,878	137,229
Charges for services	678,490	-	-	-
Other	265,453	-	2,827	-
Total revenues	11,313,334	31,438	54,705	3,987,289
EXPENDITURES:				
Current:				
General government	3,027,724	-	34,181	-
Public safety	4,445,992	-	-	-
Municipal Services	2,742,611	-	-	-
Planning and community development	617,134	-	2,023,460	1,457,356
Recreation and community services	1,108,204	-	-	-
Capital outlay	3,495,781	-	4,397,681	-
Debt service:				
Principal retirement	-	-	-	82,173
Interest and fiscal charges	-	-	-	1,201,245
Total expenditures	15,437,446	-	6,455,322	2,740,774
REVENUES OVER (UNDER) EXPENDITURES	(4,124,112)	31,438	(6,400,617)	1,246,515
OTHER FINANCING SOURCES (USES):				
Transfers in	2,818,002	-	1,383,515	-
Transfers out	(74,171)	-	(2,391,469)	(1,383,515)
Total other financing sources (uses)	2,743,831	-	(1,007,954)	(1,383,515)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,380,281)	31,438	(7,408,571)	(137,000)
FUND BALANCES:				
Beginning of year (as restated)	24,655,831	12,285,243	(6,633,894)	12,276,286
End of year	\$ 23,275,550	\$ 12,316,681	\$ (14,042,465)	\$ 12,139,286

See accompanying Notes to Basic Financial Statements.

Non-major Governmental Funds		Total
\$ 1,590,827.00	\$ 3,905,301	
962,515	5,672,593	
-	2,107,158	
-	911,752	
-	2,892,525	
-	573,811	
-	562,262	
2,772,006	2,772,006	
59,363	427,299	
34,530	713,020	
200,249	468,529	
<u>5,619,490</u>	<u>21,006,256</u>	
49,145	3,111,050	
160,131	4,606,123	
1,101,362	3,843,973	
455,110	4,553,060	
505,507	1,613,711	
2,324,459	10,217,921	
-	82,173	
-	1,201,245	
<u>4,595,714</u>	<u>29,229,256</u>	
<u>1,023,776</u>	<u>(8,223,000)</u>	
4,641,423	8,842,940	
(4,993,785)	(8,842,940)	
<u>(352,362)</u>	<u>-</u>	
671,414	(8,223,000)	
7,351,260	49,934,726	
<u>\$ 8,022,674</u>	<u>\$ 41,711,726</u>	

City of Lawndale

Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (8,223,000)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 10,217,921	
Less: Capital outlays related to repair and maintenance	<u>(481,731)</u>	
		9,736,190
Depreciation		(1,005,767)

Governmental funds report repayments of long-term notes receivable as revenue and new loans funded as expenditures. Neither the repayment nor the new loans funded are reported as revenues or expenses on the statement of activities. The changes in notes receivable were as follow:

Loan repayments received		(19,558)
New loans funded		89,080

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

Principal repayment		82,173
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Amortization expense was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds:

Amortization of cost of issuance		(22,323)
Amortization of bond discount		(9,635)

The fund basic financial statements record interest expenditures on the current financial resources measurement focus whereas the Government-Wide financial statements recognize interest expense on the accrual basis. This amount represents the year to year difference of accrued interest.

Compensated absences expenses reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.		(89,939)
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Change in liability insurance payable.		206,478
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Change in postemployment benefits liability.		<u>(172,407)</u>
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Change in Net Assets of Governmental Activities \$ 287,032

FIDUCIARY FUND FINANCIAL STATEMENTS

City of Lawndale
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

	Agency Fund
ASSETS	
Cash and investments	\$ 644,666
Accounts receivable, net	6,398
Total assets	\$ 651,064
LIABILITIES	
Due to other governments	\$ 651,064
Total liabilities	\$ 651,064

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Lawndale (City) is a municipal corporation, operating as a general law city, and governed by a city council of five members. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

As required by generally accepted accounting principles (GAAP), the accompanying financial statements present the City and its component units. Component units are legally separate entities that meet any one of the following tests:

- The City appoints the voting majority of the board of the potential component unit and:
 - is able to impose its will on the component unit and/or
 - is in a relationship of financial benefit or burden with the potential component unit.
- The potential component unit is fiscally dependent upon the City.
- The financial statements of the City would be misleading if data from the potential component units were omitted.

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

City of Lawndale Redevelopment Agency - The City of Lawndale Redevelopment Agency (Agency) was established on May 17, 1996. The Agency was created for the purpose of redevelopment, rehabilitation, and revitalization of the redevelopment area. The City Council acts as the Agency's governing board and exerts significant influence over its operations. The funds of the Agency have been included in the governmental activities of the financial statements.

Lawndale Cable Corporation - The Lawndale Cable Corporation (Corporation) was established on September 30, 1986. The Corporation was created for the purpose of supporting community television for the citizens of Lawndale. The City Council acts as the Corporation's governing board and exerts significant influence over its operations. The funds of the Corporation have been included in the governmental activities of the financial statements.

Lawndale Housing Authority - The Lawndale Housing Authority (Authority) was established on October 15, 1984. The Authority was created for the purpose of providing housing assistance for low income families and elderly and disabled persons. The City Council acts as the Authority's governing board and exerts significant influence over its operations. The activities of the Housing Authority are related to Section 8 Rental Assistance Program which is reported as an Agency Fund and as of March 2011 the Housing Authority has also assisted in providing LowMod Housing to eligible residents.

B. Government-Wide and Fund Financial Statements

The Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Government-Wide and Fund Financial Statements, Continued

component units. As a general rule, the effect of interfund activity has been eliminated from the Government-Wide Financial Statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

The fund financial statements provide information about the City's funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The fiduciary fund financial statements include a statement of fiduciary assets and liabilities. The City's fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The Agency funds are accounted for on the accrual basis of accounting.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year for which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except for principal and interest on long-term liabilities, claims and judgments and compensated absences, which are recognized as expenditures when they are due.

Property taxes, charges for services, grant revenue, 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

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

fiscal period. Other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The Restricted Urban Development Special Revenue Fund is used to account for funds derived from the Urban Development Action Grant.

The Redevelopment Agency Capital Projects Fund is used to account for all project expenditures, including acquisition of properties, costs of site improvements, and other costs within the redevelopment project area.

The Redevelopment Agency Debt Service Fund is used to account for the accumulation of resources for and the payment of principal and interest on the Redevelopment Agency's debt and other long-term obligations.

Additionally, the City reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the revenues derived from specific revenue sources which are restricted by law or administrative regulation for specified purposes.

Fiduciary Fund - The City reports the following fiduciary fund which is excluded from the government-wide financial statements:

The Section 8 Rental Assistance Program Fund is used to account for the deposit of monies from the U.S. Department of Housing and Urban Development for the City's Housing Assistance Payment Program. The Program is administered by the Housing Authority of the County of Los Angeles, California.

Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Assets or Equity

Investments

Investments are reported at fair value, the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes, interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity or sale of investments.

The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income, earned by the pooled investments, is allocated to the various funds based on each fund's average daily cash and investment balance.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Capital Assets and Depreciation

Capital assets, which include buildings, machinery and equipment, and infrastructure are reported in the applicable governmental activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 to \$10,000, depending on the class of asset, and an estimated useful life in excess of one year. Such capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair market value on the date donated. 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 over their estimated useful lives using the straight-line method. The purpose of depreciation is to spread the cost of capital assets over the useful life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation of all exhaustible capital assets is charged as an expense against operations.

The estimated useful lives and capitalization thresholds are as follows:

<u>Capital Asset Type</u>	<u>Useful Lives</u>	<u>Capitalization Threshold</u>
Buildings and Structures	30 years	\$10,000
Improvements Other than Buildings	30 years	10,000
Vehicles, Machinery and Equipment	5-30 years	5,000
Infrastructure	30 years	10,000

Infrastructure assets include roads, bridges, sidewalks, curbs and gutters, park improvements and traffic signals.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Assets or Equity, Continued

Land Held for Development

The Lawndale Redevelopment Agency has purchased properties for the purpose of making them available for sale to developers who have the ability to complete various projects consistent with the mission and activities of the Agency. Land held for development is valued at the lower of cost or estimated net realizable value determined upon the execution of a disposition and development agreement. If resale of land is not anticipated in the near future, a corresponding portion of the fund balance, which is not available for current expenditure, is reserved in the governmental fund financial statements.

Employee Compensated Absences

Vacation and sick leave benefits are accrued as earned by employees. The cost of earned but unused vacation and sick leave, for which the City has a future obligation to pay, is recognized in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have become due and payable as a result of employee resignations or retirements.

Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

Fund Balance

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

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

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

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Assets or Equity, Continued

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

Assigned - Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the Administrative Services Director for that purpose.

Unassigned - This category is for any balances that have no restrictions placed upon them.

Spending Policy

Government-Wide Financial Statements

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, the City's policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance:

- Restricted
- Committed
- Assigned
- Unassigned

Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1 percent 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 accrues only those taxes, that are received from the county within sixty days after year-end.

Lien date	January 1
Levy date	July 1
Due date	November 1 and February 1
Delinquent	December 11 and April 11

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities, and Net Assets or Equity, Continued

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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Control and Accounting

Procedures for establishing the budgetary data reflected in the budgetary comparison schedules are as follows:

- The annual budget adopted by the City Council provides for the general operation of the City. It includes a forecast of revenues for the fiscal year and proposed expenditures.
- The City Council approves total budgeted appropriations and any amendments to appropriations during the year for all governmental funds. This “appropriated budget” covers substantially all City expenditures, with the exception of debt service on bond issues where expenditures constitute legally authorized “nonappropriated budget amounts.” Actual expenditures may not exceed budgeted appropriations at the fund level. All appropriations lapse at year-end unless a carryover is authorized by the City Manager.
- Purchase commitments are recorded as encumbrances when purchase orders or contracts are issued. These encumbrances represent an allocation of fund balance. When the related goods or services are received, the encumbrance is liquidated and an expenditure and liability for payment to the vendor are recorded.
- Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, Continued

B. Deficit Fund Balance

The following funds had deficit fund balances at June 30, 2011:

	Deficit Balance
Redevelopment Agency Capital Projects Fund	\$ (14,042,465)
Non-major Special Revenue Funds:	
Gas Tax	(251,627)
Used Oil Recycling Grant	(5,339)
State of California Bond Act of 2000 / 2002	(3,531)
Prop A Grant	(32,205)
ARRA	(34,779)
Highway Safety Improvement	(41,705)
Prop C25 Grant	(42,589)
Appropriations Act	(175,219)
1996 LA County Specified	(400,000)
Energy Efficiency Conservation Grant	(4,395)

The deficits in the capital projects and special revenue funds will be financed through future revenues of the funds and transfers in from other funds.

C. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds for the year ended June 30, 2011:

Fund	Amount Over Budget
Non-major Special Revenue Funds:	
Hawthorne Boulevard Maintenance	\$ 19,680
State of CA Bond Act of 2000 / 2002	4,972
Justice Assistance Grant	531
Cons Appr Act of 05 Grant	10,120

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Cash and investments:	
Governmental funds	\$ 24,457,000
Restricted cash and investments	16,169,511
Fiduciary fund	644,666
Total cash and investments	<u>\$ 41,271,177</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 1,150
Cash held by County of Los Angeles	644,666
Deposits with financial institutions	4,658,481
Investments (Local Agency Investment Fund)	<u>19,797,369</u>
Restricted cash and investments	1,463,962
Cash and investments with fiscal agents	<u>14,705,549</u>
Total cash and investments	<u>\$ 41,271,177</u>

Investments Authorized by the City's Investment Policy

The City's Investment Policy is reviewed and adopted by the City Council each year. The investment policy is more conservative and restrictive than the investment vehicles authorized by section 53601 of the California Government Code. Investment vehicles not specifically mentioned in the City's investment policy are not authorized unless the policy is amended by the City Council or are approved as part of the provisions of bond indentures. Investments are limited to:

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

A. Cash and Investments, Continued

Investments Authorized by the City's Investment Policy, Continued

Authorized Investment Type	Maximum Maturity	Maximum Percentage or Amount of Portfolio *	Maximum Investment in One Issuer
U.S. Treasury Bills	1 year	None	None
U.S. Treasury Notes	10 years	None	None
Federal Agency Issues	N/A	None	None
Certificates of Deposit	5 years	10%	\$100,000
Bankers' Acceptances	180 days	None	None
County Pool Investment Funds	N/A	5%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
U.S. Treasury Bonds	30 years	None	None
Mutual Funds	N/A	None	None

* Excluding amounts held by bond trustees that are not subject to California Government Code restrictions

The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The average life-month end (in days) of the investments contained in the LAIF investment pool is 237 days at June 30, 2011.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF and the County Pool do not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

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

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

A. Cash and Investments, Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool

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

The total amount invested by all public agencies in LAIF as of June 30, 2011, was \$24.0 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011, had a balance of \$66.3 billion. Of that amount, 5.01% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 237 days as of June 30, 2011.

Investments in County of Los Angeles Pool

The City's investment in the County of Los Angeles Pool is stated at fair value. The method used to determine the value of participant's equity withdrawn is based on the book value which is amortized

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

A. Cash and Investments, Continued

cost of the participant's percentage participation on the date of such withdrawals. The investments are managed by the County Treasury who reports investment activity to the Board on a monthly basis.

B. Long-Term Loans Receivable

The Low/Moderate Income Housing and Community Development Block Grant Special Revenue Funds, and Redevelopment Agency Capital Projects Fund operate a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership. During the fiscal year ended June 30, 2011, \$23,155 of loan repayments were received, and the City funded 6 new loans totaling \$89,080. The balance of the loans receivable outstanding at June 30, 2011 was \$1,177,671.

C. Interfund Receivables, Payables and Transfers

Individual interfund balances were as follows at June 30, 2011:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 1,624,896	\$ 40,149
Redevelopment Agency Capital Projects Fund	-	12,481,484
Redevelopment Agency Debt Service Fund	12,481,484	670,056
Nonmajor Special Revenue Funds	-	914,691
Total	\$ 14,106,380	\$ 14,106,380

The balances owed to the General Fund and Redevelopment Agency Debt Service Fund are related to deficit cash balances of the Redevelopment Agency Capital Projects Fund and each of the Nonmajor Special Revenue Funds at June 30, 2011. Each fund will repay the balances in fiscal year 2010-11 when revenues are received by the funds, or through transfers from other funds.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

C. Interfund Receivables, Payables and Transfers, Continued

Interfund Transfers

Transfer Out	Transfer In			Total
	General Fund	Redevelopment Agency Capital Projects Fund	Nonmajor Special Revenue Funds	
General Fund	\$ -	\$ -	\$ 74,171	\$ 74,171 (1)
Redevelopment Agency Capital Projects Fund	2,391,469	-	-	2,391,469 (2)
Redevelopment Agency Debt Service Fund	-	1,383,515	-	1,383,515 (3)
Nonmajor Special Revenue Fund	426,533	-	4,567,252	4,993,785 (4)
Total	\$ 2,818,002	\$ 1,383,515	\$ 4,641,423	\$ 8,842,940

(1) General fund reimbursements to nonmajor Special Revenue Grant Funds to cover negative fund deficits.

(2) Transfer of Redevelopment Agency Property to City.

(3) Reimburse Redevelopment Agency Capital Project Fund for 2009 Tax Allocation Bond projects.

(4) Reimburse General Fund for various projects and transfer of assets to the Lawndale Housing Authority from the Agency Low Mod Fund.

Advances To/From Other Funds

In April 1991, the City, through its Restricted Urban Development Special Revenue Fund, entered into an agreement with the Lawndale Redevelopment Agency (Agency) to fund certain costs for the preparation of redevelopment project area designations and plans. The Redevelopment Agency's reimbursement to the City is payable solely from incremental property tax revenues, if any, arising from future property tax levies in designated project areas. On April 1, 1996, the City renewed the loan agreement with the Agency with deferred interest at an annual rate of 7%, compounded quarterly and secured with tax increment funds allocated to the Agency. For the current year the total interest paid was \$0 and tax increment revenues were \$4,812,575. At June 30, 2011, the balance of \$741,745 represents accrued interest.

In 1998, the City entered into an agreement with the Agency to fund \$131,238 for various costs. The advance was to be paid back with future tax increments at a rate of 0% interest. In March, 2011 the advance was paid back in full.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

C. Interfund Receivables, Payables and Transfers, Continued

On July 10, 2000, the City loaned the Agency the principal amount of \$7,000,000 from the City's Restricted Urban Development Special Revenue Fund. Interest has accrued on the outstanding loan principal from the time of inception at the rate of 8%. However, as of February 17 2004, the City Council approved a change in the interest rate from 8% to 1.63%. The rate was changed to reflect the rate of return that the City would have received on its investment if the City had not invested its monies in the Agency. The interest rate on the loan is subject to change on a quarterly basis based on changes of interest rate fluctuations per the LAIF, which is the City's only investment. The effective rate at June 30, 2011 was 0.38%. The loan principal and any accrued interest shall be repaid by the Agency out of tax increment funds allocated to and received by the Agency. The Agency shall make such repayments to the extent that excess tax increment funds are available at June 30 of each year. At June 30, 2011, the outstanding balance was \$10,760,140 of which \$3,760,140 represents accrued interest. An interest rate based on LAIF plus 2% adjusted quarterly will be effective as of July 1, 2012 per City Council action taken on March 7, 2011.

In December 2009, the City entered into an agreement with the Agency to fund \$980,000 for the purchase of a mobile home on Manhattan Beach Boulevard. The annual interest rate on the advance is 5%. In March 2011 the advance was paid back in full of which \$1,008,583 was principal and \$33,619 was accrued interest.

On December 7, 2009, the Agency and the City entered into a purchase and sale agreement of real property owned by the City, for a total purchase price of \$1,345,000, which approximated the fair value of the property. Per the agreement, the City received \$433,000 from the Agency's 2009 Tax Allocation Bond proceeds. The remaining \$912,000 was established as an interagency loan between the Agency and the City at the interest rate of 5.65% per annum. The principal and interest was to be repaid by the Agency out of excess tax increment funds. In March 2011 the interagency loan was paid back in full of which \$942,058 was principle and \$35,484 was accrued interest.

In March 2011, the City began to review all advance agreements between the City and the Agency. This detailed review by the City was prompted by the recent changes in legislation affecting California redevelopment agencies, as further described in note 7. During such review the City became aware that the interest rate for the April 1991 advances between the City and the Agency was adjusted to correspond to LAIF; this interest rate adjustment was authorized by a City Council action on September 05, 2006. This change in the interest rate resulted in the need for the City to record a prior period adjustment to reduce accrued interest in the amount of \$243,215, with a corresponding entry reducing fund balance by the same amount in the Restricted Urban Development Fund. The City also recorded a prior period adjustment in The Redevelopment Agency Debt Service Fund to reduce advances from other funds with a corresponding entry to increase fund balance for the same amount. Additionally, the interest rate was further adjusted by the City, as approved by City Council action taken on March 7, 2011, where such interest rate change is to be effective as of July 1, 2011 to an interest rate of LAIF plus 2%.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

C. Interfund Receivables, Payables and Transfers, Continued

Additionally, during such review of advances made by the City to the Agency, it was also noted by the City that a certain cooperation and loan agreement dated July 10, 2000 existed, whereby the City agreed to advance funds to the Agency for administrative expenses and certain public capital improvement projects; however, it was also noted by the City that such advances had not been recorded within the basic financial statements of the City or of the basic financial statements of the Agency. The amount of these advances from the City to the Agency totaled \$8,361,324. This resulted in the need for the City to record a prior period adjustment to increase advances to other funds in the amount of \$8,361,324, with a corresponding entry increasing fund balance by the same amount in the General Fund. The City also recorded a prior period adjustment in The Redevelopment Agency Debt Service Fund to increase advances from other funds with a corresponding entry to decrease fund balance for the same amount. Additionally, an interest rate was added by the City, as approved by City Council action taken on March 7, 2011, where such interest rate change is to be effective as of July 1, 2012 to an interest rate of LAIF plus 2%. During the fiscal year ended June 30, 2011 the Agency made a principle payment of \$3,849,018 to the City. At June 30, 2011, the outstanding balance on the advance was \$4,512,305.

The balance of advances from the City at June 30, 2011 was \$16,014,190.

	Balance July 1, 2010	Prior Period Adjustments	Balance July 1, 2010 as restated	Additions	Deletions	Balance June 30, 2011
Long-term advances	\$ 13,799,153	\$ 8,118,109	\$ 21,917,262	\$ 27,825	\$ (5,930,897)	\$ 16,014,190

The following schedule summarizes the balance of advances by fund at June 30, 2011:

	Advances to Other Funds	Advances From Other Funds
General Fund	\$ 4,512,306	\$ -
Restricted Urban Development Special Revenue Fund	11,501,884	-
Redevelopment Agency Debt Service Fund	-	16,014,190
Total	<u>16,014,190</u>	<u>16,014,190</u>

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

D. Capital Assets

A summary of changes in the capital assets activity for the year ended June 30, 2011 is as follows:

	Governmental Activities				Balance June 30, 2011
	Balance July 1, 2010	Additions	Deletions	Transfers	
Capital assets, not being depreciated:					
Land	\$ 1,879,011	\$ 3,336,926	\$ -	\$ -	\$ 5,215,937
Construction-in-progress	1,331,522	5,356,711	-	-	6,688,233
Total capital assets, not being depreciated	3,210,533	8,693,637	-	-	11,904,170
Capital assets, being depreciated:					
Buildings and structures	6,321,791	-	-	-	6,321,791
Improvements other than buildings	437,904	-	-	-	437,904
Vehicles, machinery and equipment	1,808,351	134,077	(57,775)	-	1,884,653
Infrastructure	20,600,252	908,476	-	-	21,508,728
Total capital assets, being depreciated	29,168,298	1,042,553	(57,775)	-	30,153,076
Less accumulated depreciation for:					
Buildings and structures	(1,322,004)	(146,565)	-	-	(1,468,569)
Improvements other than buildings	(202,016)	(13,683)	-	-	(215,699)
Vehicles, machinery and equipment	(1,130,671)	(126,641)	57,775	-	(1,199,537)
Infrastructure	(3,666,462)	(718,878)	-	-	(4,385,340)
Total accumulated depreciation	(6,321,153)	(1,005,767)	57,775	-	(7,269,145)
Total depreciable assets, net	22,847,145	36,786	-	-	22,883,931
Governmental activities capital assets, net	\$ 26,057,678	\$ 8,730,423	\$ -	\$ -	\$ 34,788,101

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2011 as follows:

Governmental Activities	
General government	\$ 33,394
Public safety	16,888
Municipal services	771,738
Planning and community development	173,227
Recreation and community services	10,520
Total depreciation expense - governmental activities	<u>\$ 1,005,767</u>

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

E. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Classification	
					Due Within One Year	Due More Than One Year
Governmental Activities:						
2009 Tax allocation bonds	\$ 20,545,000	\$ -	\$ -	\$ 20,545,000	\$ 240,000	\$ 20,305,000
Bond discount	(327,573)	-	9,635	(317,938)	(9,635)	(308,303)
Notes payable	2,552,438	-	(82,173)	2,470,265	85,084	2,385,181
Compensated absences	615,409	315,314	(225,375)	705,348	97,600	607,748
Claims payable - general liability	567,729	-	(206,478)	361,251	-	361,251
Other post employment benefits payable	358,477	249,805	(77,398)	530,884	-	530,884
Total	\$ 24,311,480	\$ 565,119	\$ (581,789)	\$ 24,294,810	\$ 413,049	\$ 23,881,761

F. Bonds Payable

On November 1, 2009, the Lawndale Redevelopment Agency issued \$20,545,000 of Tax Allocation Bonds, Series 2009 to finance public improvements and redevelopment projects benefitting the Project Areas. Interest rates range from 2% to 5.6% with interest payable semiannually on February 1 and August 1 and principal maturing annually on August 1. The loan is secured solely by future tax increment revenues allocated to the Agency. As of June 30, 2011, principal and interest remaining was \$45,411,577. For the current year, principal and interest paid and total tax increment revenue were \$1,064,550 and \$4,812,575 respectively. The bond was issued at a discount which is amortized over the life of the bond on the straight line method. The annual discount amortization is \$9,635. The debt service schedule for the notes payable, at June 30, 2011, interest rate range from 2% to 5.6%, is as follows:

Year Ending June 30,	Principal	Interest	Total
2012	240,000	1,062,150	1,302,150
2013	245,000	1,056,994	1,301,994
2014	250,000	1,050,487	1,300,487
2015	255,000	1,042,913	1,297,913
2016	265,000	1,034,450	1,299,450
2017-2021	1,485,000	5,006,694	6,491,694
2022-2026	1,845,000	4,635,338	6,480,338
2027-2031	2,405,000	4,072,613	6,477,613
2032-2036	3,650,000	3,259,850	6,909,850
3037-2041	4,910,000	2,077,350	6,987,350
2042-2045	4,995,000	567,738	5,562,738
Total	\$ 20,545,000	\$ 24,866,577	\$ 45,411,577

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

G. Notes Payable

Tax Allocation Loan Agreement Note

On April 30, 2002, the Lawndale Redevelopment Agency entered into a Tax Allocation Loan Agreement with the California Infrastructure and Economic Development Bank (CIEDB). The CIEDB agreed to loan the Agency an amount, up to \$2,000,000, to be used by the Agency for the Hawthorne Boulevard Revitalization Project. The loan is secured by future tax increment revenues and bears interest at a rate of 3.65% per annum. As of June 30, 2007, the \$2,000,000 loan proceeds have been disbursed under the loan agreement. As of June 30, 2011, principal and interest remaining was \$2,389,365. For the current year, principal and interest paid and total tax increment revenue were \$114,275 and \$4,812,575, respectively. The debt service schedule for the notes payable, assuming the June 30, 2011, interest rate of 3.65%, is as follows:

Year Ending June 30,	Principal	Interest	Total
2012	54,277	59,964	114,241
2013	56,258	57,946	114,204
2014	58,311	55,855	114,166
2015	60,439	53,688	114,127
2016	62,645	51,442	114,087
2017-2021	349,241	220,538	569,779
2022-2026	417,803	150,725	568,528
2027-2031	499,826	67,205	567,031
2032	111,173	2,029	113,202
Total	\$ 1,669,973	\$ 719,392	\$ 2,389,365

Facility Lease and Site Lease Note

On February 1, 2010, the City of Lawndale entered into a Facility and Site Lease Agreement with the California Infrastructure and Economic Development Bank (CIEDB). The CIEDB agreed to loan the City an amount, \$830,100, to be used by the City for the lease of the maintenance office building and a portion of the land located at 4722 Manhattan Beach Blvd., Lawndale, California. As of June 30, 2011, principal and interest remaining was \$1,083,326. For the current year, principal and interest paid and total tax increment revenue were \$57,118 and \$4,812,575, respectively. The debt service schedule for the note payable, assuming the June 30, 2011, interest rate of 3.35%, is as follows:

Year Ending June 30,	Principal	Interest	Total
2012	30,807	26,294	57,101
2013	31,839	25,244	57,083
2014	32,906	24,159	57,065
2015	34,008	23,039	57,047
2016	35,147	23,893	59,040
2017-2021	194,207	90,625	284,832
2022-2026	228,991	55,258	284,249
2027-2030	212,387	14,522	226,909
Total	\$ 800,292	\$ 283,034	\$ 1,083,326

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

H. *Compensated Absences*

Vacation time may be accumulated up to two years entitlement plus the current year's leave allowance. Cash compensation for accrued vacations is generally not payable until the employee terminates employment with the City. Cash compensation for unused sick leave is payable to an employee only upon termination of employment with the City and the employee is compensated at the rate of 50 percent of their sick leave daily rate, as long as it does not exceed threshold of 391 hours of combined vacation and sick leave.

Cash compensation for vacation, sick leave, and compensatory time paid to employees within any one year is not expected to be material. The amount recorded does not exceed a normal year's accumulation. This liability will be paid in future years from future resources primarily from the general fund. In prior years, compensated absences have been liquidated primarily by the general fund. At June 30, 2011, the outstanding balance is \$705,348.

I. *City Employees Retirement Plan*

Plan Description

The City's defined benefit pension plan, (Miscellaneous Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension 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 are 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 or resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California, 95814.

Funding Policy

Active plan members in the Miscellaneous Plan are required to contribute 7% of their annual covered salary. 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 2010-2011 was 10.663% for miscellaneous employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

I. City Employees Retirement Plan, Continued

Annual Pension Cost

For Fiscal Year 2010-2011, the City's annual pension cost was \$380,363 and was equal to the City's required and actual contributions.

**MISCELLANEOUS PLAN
THREE-YEAR TREND INFORMATION**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	409,102	100%	-
6/30/2010	398,066	100%	-
6/30/2011	380,363	100%	-

Funding Status as of the Most Recent Actuarial Date

In fiscal year ended June 30, 2004, CalPERS established a risk pool for cities and other government entities that have fewer than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City's miscellaneous employees is no longer available. Further information on the risk pool funding status can be obtained from the CalPERS audited financial statements.

J. Public Agency Retirement System, Retirement Enhancement Plan (PARS-REP)

Plan Description

The City established a Public Agency Retirement System Retirement Enhancement Plan (PARS-REP) for its Central Management Team (CMT) effective July 1, 2007. PARS-REP is a defined benefit 401 (a) tax-qualified multiple agency trust. It meets the requirements of a pension trust under California Government code. The plan provides supplemental retirement benefits in addition to CalPERS. Created in 1991 and amended in 1999, the PARS-REP plan has a master agreement between Phase II Systems – the Plan Administrator, Union Bank of California – the Custodian of funds and various participating agencies. The plan provides supplemental retirement benefits in addition to CalPERS. The Director of Finance/City Treasurer is the internal plan administrator, and bears the responsibility of completing and executing all plan documents, logistical payroll set-up, providing information on new participants and continuing disclosure in future years. Upon meeting the eligibility requirements the plan provides a supplemental retirement benefit equal to the "3.0% at 55" plan factor (formula is a static 3.0% at age 55 and older), less the CalPERS "2% at 55" plan factors for years of City services as a CMT member. Employees will be eligible for the benefit upon attaining age 50 with two years of City service as a CMT member and concurrent CalPERS retirement. The plan was designed to reduce the high-level of turnover in top management and support the City's goal of retaining quality employees to ensure good public service. The City later added the City Manager to the PARS-REP plan under a different tier in 2008. The latter individual received a "1% at 65" plan through PARS-REP. The City has full discretionary authority to control, amend, modify or terminate this plan at any time.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

J. Public Agency Retirement System, Retirement Enhancement Plan (PARS-REP), Continued

Funding Policy

The City contributed 8.7% of eligible employees' gross wages to fund the benefits available under this plan. No employee contributions are required. The final average compensation is equal to the highest twelve months of compensation (including 7% Employer paid Member Contributions) with the City subject to IRC 401(a) (17) limitations. For fiscal year 2010-2011, the City's annual pension cost (APC) of \$60,858, for PARS-REP was equal to the City's required actual contribution (ARC). The City's payroll for employees covered by PARS-REP for the year ended June 30, 2011 was \$393,722. The required contribution was determined as part of the July 1, 2007, actuarial assumptions and retain the entry age actuarial cost method. The valuation was made using an interest assumption of 7% per annum and an overall payroll growth assumption of 3.25%. Currently, five employees participate in PARS-REP.

PARS-REP issues a separate comprehensive annual financial report. Copies of PARS-REP annual financial report may be obtained from the PARS-REP Executive Office, 3961 MacArthur Boulevard, Suite 200, Newport Beach, CA 92660.

PARS-REP uses an entry age normal actuarial cost method, which is a projected benefit cost method. The chief characteristics of project benefits methods is that the actuarial present value of all plan benefits is determined as of the valuation date and then allocated between the period before and after the valuation date. The present value of plan benefits earned prior to the valuation date is called the actuarial liability. The present value of plan benefits to be earned after the valuation date is called the present value of future normal costs.

PARS-REP PLAN
TWO-YEAR TREND INFORMATION

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	60,371	100%	-
6/30/2011	60,858	100%	-

The funded status based on the July 1, 2009 actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Payroll
7/1/2009	\$ 123,476	\$ 220,468	\$ (96,992)	56.0%	\$ 393,722	-24.6%

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

K. Other Post-Retirement Health Care Benefits

Plan Description

The City provides retiree medical benefits under the CalPERS health plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a CalPERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 57 eligible active employees and 16 enrolled eligible retirees at June 30, 2011. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The contribution is based on projected pay-as-you-go financing requirements. Effective January 1, 2011, the City's contribution rate was \$4,837 (100%) per each retiree. For the year ended June 30, 2010, the City contributed \$77,398 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

The Annual Required Contribution (ARC) as of June 30, 2011, was \$249,805. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	<u>June 30, 2011</u>
Annual required contribution	\$ 249,805
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>249,805</u>
Contributions made	<u>(77,398)</u>
Increase in net OPEB obligation	172,407
Net OPEB obligation - beginning of year	358,477
Net OPEB obligation - end of year	<u><u>\$ 530,884</u></u>

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. DETAILED NOTES ON ALL FUNDS, Continued

K. Other Post-Retirement Health Care Benefits, Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of the year ended June 30, 2011, as follows:

Fiscal Year Ended	Annual OPEB Costs	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 249,805	\$ 68,157	27%	\$ 358,477
6/30/2011	249,805	77,398	31%	530,884

Funding Status and Progress

As of June 1, 2008, the most recent valuation date, the actuarial accrued liability for benefits was \$2.13 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.13 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0 percent.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 5 percent investment rate of return, which is based on assumed long-term investment returns on plan assets and on the City's assets, as appropriate, and an annual healthcare cost trend rate of 4 percent. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years, on a closed amortization period. It is assumed the City's payroll will increase 3% per year.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. RISK MANAGEMENT

The City is a member of the Southern California Joint Powers Insurance Authority (Authority). The following disclosures are made in reference to the joint undertaking:

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 composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the 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 an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

B. Self-Insurance Programs of the Authority

General Liability

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,001 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,001; (3) losses from \$750,001 to \$2,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$2,000,001 to \$50,000,000 are paid under reinsurance and excess insurance policies (4b) subject to a \$3,000,000 annual aggregate deductible (4c) and a quota-sharing agreement whereby the Authority is financially responsible for 40% of losses occurring within the \$2,000,001 to \$50,000,000 layer. The costs associated with 4a-c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

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

Workers' Compensation

The City also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,001 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,001; (3) losses from \$100,001 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,001 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. RISK MANAGEMENT, Continued

B. Self-Insurance Programs of the Authority, Continued

Employer's Liability

Losses are pooled among members to \$2,000,000, coverage from \$2,000,001 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,001 to \$10,000,000 are pooled among members.

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 City. The City's property currently has earthquake protection in the amount of \$10,000,000. 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.

Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$16,042,352. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance

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

C. Adequacy of Protection

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

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. RISK MANAGEMENT, Continued

E. Retrospective Deposit

The City opted not to participate in the incentive program to pay in full the retrospective deposit balance at a discounted rate this year and elected instead to carry the balance forward to the following year for claims liabilities.

Following is a summary of retroactive deposit balance activity for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due within One Year
Claims Payable - General Liability	<u>\$ 567,729</u>	<u>\$ -</u>	<u>\$ (206,478)</u>	<u>\$ 361,251</u>	<u>\$ -</u>

5. COMMITMENTS AND CONTINGENCIES

On June 28, 2010, the City Council awarded a bid for the Community Center Project Construction in the amount of \$8,893,721. As of June 30, 2011 there was \$6,063,220 of commitments for the project.

As of June 30, 2011, in the opinion of City Management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. CLASSIFICATION OF FUND BALANCES

The City has adopted the provisions of GASB Statement No. 54 Fund Balance and Governmental Fund Type Definitions. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification.

	Major Funds		
	General Fund	Restricted Urban Development	Redevelopment Agency Capital Projects Fund
Nonspendable:			
Prepaid costs	\$ 398,862	\$ -	\$ -
Petty cash	1,150	-	-
Land held for resale	2,391,469	-	-
Advances to other funds	4,512,306	-	-
Total nonspendable	<u>7,303,787</u>	<u>-</u>	<u>-</u>
Restricted for:			
Recreation and community services	6,746	-	-
Total restricted	<u>6,746</u>	<u>-</u>	<u>-</u>
Committed to:			
UDAG unrestricted principal	2,840,000	12,316,681	-
Planning and community development	958,267	-	-
General Government	214,518	-	-
Total committed	<u>4,012,785</u>	<u>12,316,681</u>	<u>-</u>
Assigned to:			
General Government	27,533	-	-
Public safety	1,349	-	-
Municipal services	314,333	-	-
Planning and community development	20,268	-	-
Recreation and community services	55,918	-	-
Total assigned	<u>391,868</u>	<u>-</u>	<u>-</u>
Unassigned:	<u>11,560,364</u>	<u>-</u>	<u>(14,042,465)</u>
Total fund balances	<u>\$ 23,275,550</u>	<u>\$ 12,316,681</u>	<u>\$ (14,042,465)</u>

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. CLASSIFICATION OF FUND BALANCES, Continued

	<u>Major Fund</u>		
	Redevelopment		
	Agency	Non-major	
	Debt Service	Governmental	
	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
Nonspendable:			
Prepaid costs	\$ -	\$ -	\$ 398,862
Petty cash	-	-	1,150
Land held for resale			2,391,469
Advances to other funds	-	-	4,512,306
Total nonspendable	<u>-</u>	<u>-</u>	<u>7,303,787</u>
Restricted for:			
Public safety	-	135,743	135,743
Municipal services	-	3,510,128	3,510,128
Planning and community development		4,517,384	4,517,384
Recreation and community services	-	850,808	857,554
Debt service	12,139,286	-	12,139,286
Total restricted	<u>12,139,286</u>	<u>9,014,063</u>	<u>21,160,095</u>
Committed to:			
UDAG unrestricted principal	-	-	15,156,681
Planning and community development	-	-	958,267
General Government	-	-	214,518
Total committed	<u>-</u>	<u>-</u>	<u>16,329,466</u>
Assigned to:			
General Government			
Public safety	-	-	1,349
Municipal services	-	-	314,333
Planning and community development	-	-	20,268
Recreation and community services	-	-	55,918
Total assigned	<u>-</u>	<u>-</u>	<u>391,868</u>
Unassigned:		<u>(991,389)</u>	<u>(3,473,490)</u>
 Total fund balances	 <u>\$ 12,139,286</u>	 <u>\$ 8,022,674</u>	 <u>\$ 41,711,726</u>

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolution of California redevelopment agencies (Assembly Bill X1 26), but stuck down the Assembly Bill X1 27, which provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

Assembly Bill X1 26, signed into law as part of the State's budget package on June 29, 2011, requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Enforceable Obligation Payment Schedule will be allocated to the successor agencies.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency as defined in Assembly Bill X1 26.

The full impacts of this most recent development and its impact on other funds of the City are not known at this time. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

8. PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2011, the City recorded the following prior period adjustments in the basic financial statements:

	Restricted Urban Development Fund	
	2010	
Beginning Fund Balance, as Previously Reported	Prior Period Adjustment Advances to other Funds	Beginning Fund Balance as Restated
\$ 12,528,458	\$ (243,215)	\$ 12,285,243

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. PRIOR PERIOD ADJUSTMENTS, Continued

Beginning Fund Balance, as Previously Reported	General Fund		Beginning Fund Balance as Restated
	2010		
	Prior Period Adjustment	Advances to other Funds	
\$ 16,294,507	\$ 8,361,324		\$ 24,655,831

Beginning Fund Balance, as Previously Reported	Redevelopment Agency Debt Service Fund		Beginning Fund Balance as Restated
	2010		
	Prior Period Adjustment	Advances from other funds	
\$ 20,394,395	\$ (8,118,109)		\$ 12,276,286

In March 2011, the City began to review all advance agreements between the City and the Agency. This detailed review by the City was prompted by the recent changes in legislation affecting California redevelopment agencies, as further described in note 7. During such review the City became aware that the interest rate for the April 1991 advances between the City and the Agency was adjusted to correspond to LAIF; this interest rate adjustment was authorized by a City Council action on September 05, 2006. This change in the interest rate resulted in the need for the City to record a prior period adjustment to reduce accrued interest in the amount of \$243,215, with a corresponding entry reducing fund balance by the same amount in the Restricted Urban Development Fund. The City also recorded a prior period adjustment in The Redevelopment Agency Debt Service Fund to reduce advances from other funds with a corresponding entry to increase fund balance for the same amount.

Additionally, during such review of advances made by the City to the Agency, it was also noted by the City that a certain cooperation and loan agreement dated July 10, 2000 existed, whereby the City agreed to advance funds to the Agency for administrative expenses and certain public capital improvement projects; however, it was also noted by the City that such advances had not been recorded within the basic financial statements of the City or of the basic financial statements of the Agency. The amount of these advances from the City to the Agency totaled \$8,361,324. Based on this, such resulted in the need for the City to record a prior period adjustment to increase advances to other funds in the amount of \$8,361,324, with a corresponding entry increasing fund balance by the same amount in the General Fund. The City also recorded a prior period adjustment in The Redevelopment Agency Debt Service Fund to increase advances from other funds with a corresponding entry to decrease fund balance for the same amount.

These prior period adjustments did not create a restatement of beginning net assets of the Government-Wide Financial Statements as of July 1, 2010.

City of Lawndale
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. SUBSEQUENT EVENTS

Management has evaluated for other subsequent events to determine if events or transactions occurring through June 30, 2011, the date the consolidated financial statements were available to be issued, require adjustment to, or disclosure in the basic financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION (Unaudited)**

City of Lawndale
Required Supplementary Information (Unaudited)
For the year ended June 30, 2011

1. BUDGETARY INFORMATION

A. Stewardship, Compliance and Accountability

Procedures for establishing the budgetary data reflected in the budgetary comparison schedules are as follows:

- The annual budget adopted by the City Council provides for the general operation of the City. It includes a forecast of revenues for the fiscal year and proposed expenditures.
- The City Council approves total budgeted appropriations and any amendments to appropriations during the year for all governmental funds. This “appropriated budget” covers substantially all City expenditures, with the exception of debt service on bond issues which expenditures constitute legally authorized “nonappropriated budget.” Actual expenditures may not exceed budgeted appropriations at the fund level. All appropriations lapse at year-end unless a carryover is authorized by the City Manager.
- Purchase commitments are recorded as encumbrances when purchase orders or contracts are issued. These encumbrances represent an allocation of fund balances. When the related goods or services are received, the encumbrance is liquidated and an expenditure and liability for payment to the vendor are recorded
- Budgets for the General Fund, Special Revenue Funds, and the Capital Projects Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

City of Lawndale
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2011

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule - General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Sales and use taxes	\$ 2,150,000	\$ 2,150,000	\$ 2,314,474	\$ 164,474
Property tax	914,661	914,661	860,018	(54,643)
Utility user tax	2,232,000	2,232,000	2,107,158	(124,842)
Other taxes	1,000,000	900,000	911,752	11,752
Motor vehicle in-lieu tax	2,728,655	2,728,655	2,892,525	163,870
Licenses and permits	601,500	601,500	573,811	(27,689)
Fines and forfeitures	697,000	597,000	562,262	(34,738)
Use of money and property	189,000	158,100	147,391	(10,709)
Charges for services	720,865	820,865	678,490	(142,375)
Other	965,807	580,137	265,453	(314,684)
Total revenues	12,199,488	11,682,918	11,313,334	(369,584)
EXPENDITURES:				
Current:				
General government	2,839,710	3,220,538	3,027,724	192,814
Public safety	4,526,422	4,526,422	4,445,992	80,430
Municipal services	2,878,404	2,835,117	2,742,611	92,506
Planning and community development	655,581	655,581	617,134	38,447
Recreation and community services	1,181,164	1,181,164	1,108,204	72,960
Capital outlay	30,000	4,605,056	3,495,781	1,109,275
Total expenditures	12,111,281	17,023,878	15,437,446	1,586,432
REVENUES OVER UNDER EXPENDITURES	88,207	(5,340,960)	(4,124,112)	1,216,848
OTHER FINANCING SOURCES:				
Transfer in	-	2,777,140	2,818,002	40,862
Transfer out	-	-	(74,171)	(74,171)
Total other financing sources	-	2,777,140	2,743,831	(33,309)
Net change in fund balance	88,207	(2,563,820)	(1,380,281)	1,183,539
FUND BALANCE				
Beginning of year (as restated)	24,655,831	24,655,831	24,655,831	-
End of year	\$ 24,744,038	\$ 22,092,011	\$ 23,275,550	\$ 1,183,539

City of Lawndale
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2011

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule – Restricted Urban Development Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 340,000	\$ 340,000	\$ 31,438	\$ (308,562)
Total revenues	340,000	340,000	31,438	(308,562)
Net change in fund balance	340,000	340,000	31,438	(308,562)
FUND BALANCE				
Beginning of year	12,285,243	12,285,243	12,285,243	-
End of year	\$ 12,625,243	\$ 12,625,243	\$ 12,316,681	\$ (308,562)

City of Lawndale
Required Supplementary Information (Unaudited), Continued
For the year ended June 30, 2011

2. DEFINED BENEFIT PENSION PLAN

A. Funded Status of Plan - Miscellaneous Employees

In fiscal year ended June 30, 2004, CalPERS established a risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City's miscellaneous employees is no longer available. Further information on the risk pool funding status can be obtained from the CalPERS audited financial statements.

B. Funded Status of Plan - Public Agency Retirement System Retirement Enhancement Plan (PARS-REP)

SCHEDULE OF FUNDING PROGRESS
(Most recent information available)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Unfunded) Actuarial Liability as Percentage of Covered Payroll
7/1/2009	\$ 123,476	\$ 220,468	\$ (96,992)	56.0%	\$ 693,722	(14.0)%

3. OTHER POST EMPLOYMENT BENEFITS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	(Unfunded) Actuarial Liability as Percentage of Covered Payroll
6/1/2008	\$ -	\$ 2,126,923	\$ (2,126,923)	16.9%	\$ 3,699,556	(57.5)%

* Only plan year information available

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SUPPLEMENTARY INFORMATION

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City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Redevelopment Agency Capital Projects Fund

For the year ended June 30, 2011

	Final	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ -	\$ -	\$ -
Use of money and property	3,000	51,878	48,878
Other	-	2,827	2,827
Total revenues	3,000	54,705	51,705
EXPENDITURES:			
Current:			
General government	40,000	34,181	5,819
Planning and community development	5,381,372	2,023,460	3,357,912
Capital outlay	15,664,476	4,397,681	11,266,795
Total expenditures	21,085,848	6,455,322	14,630,526
REVENUES OVER (UNDER) EXPENDITURES	(21,082,848)	(6,400,617)	14,682,231
OTHER FINANCING SOURCES:			
Transfers in	11,145,000	1,383,515	(9,761,485)
Transfers out	2,391,470	(2,391,469)	(4,782,939)
Total other financing sources	13,536,470	(1,007,954)	(14,544,424)
Net change in fund balances	(7,546,378)	(7,408,571)	137,807
FUND BALANCE:			
Beginning of year	(6,633,894)	(6,633,894)	-
End of year	\$ (14,180,272)	\$ (14,042,465)	\$ 137,807

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Redevelopment Agency Debt Service Fund For the year ended June 30, 2011

	Final	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Property taxes	\$ 3,700,978	\$ 3,850,060	\$ 149,082
Use of money and property	41,000	137,229	96,229
Total revenues	3,741,978	3,987,289	245,311
EXPENDITURES:			
Current:			
Planning and community development	1,531,382	1,457,356	74,026
Debt service:			
Principal retirement	6,223,255	82,173	6,141,082
Interest and fiscal charges	1,131,627	1,201,245	(69,618)
Cost of bond issuance	-	-	-
Total expenditures	8,886,264	2,740,774	6,145,490
REVENUES OVER (UNDER) EXPENDITURES	(5,144,286)	1,246,515	6,390,801
OTHER FINANCING SOURCES:			
Transfers out	-	(1,383,515)	(1,383,515)
Long term debt issuance	-	-	-
Total other financing sources	-	(1,383,515)	(1,383,515)
Net change in fund balances	(5,144,286)	(137,000)	5,007,286
FUND BALANCE:			
Beginning of year (as restated)	12,276,286	12,276,286	-
End of year	<u>\$ 7,132,000</u>	<u>\$ 12,139,286</u>	<u>\$ 5,007,286</u>

NON-MAJOR GOVERNMENTAL FUNDS

The following Special Revenue Funds have been classified as non-major funds:

Gas Tax Fund

To account for receipts and expenditures of money apportioned under Streets and Highways for maintenance, rehabilitation or improvement of public streets.

Air Quality Fund

To account for funds provided by the State Transportation Act for the construction of pedestrian, bicycle and handicapped amenities.

TDA Article 3 Local Transportation Fund

To account for funds provided by the State Transportation Act for the construction of pedestrian, bicycle and handicapped amenities.

Traffic Congestion Relief AB2928 Fund

To account for monies received by the City under AB2928 for providing roadway pavement maintenance, rehabilitation and reconstruction.

Sewer Reconstruction Fund

To account for the revenues and expenditures in connection with the improvement of the City's drainage and sewer fund.

Proposition A & C Local Transit Assistance Funds

To account for the half-cent sales tax to improve local transit operations, reduce traffic congestion, and improve air quality.

State Transit Program (Local) Fund

To account for revenues and expenditures made available by the Los Angeles County Metropolitan Transportation Authority (STP-L).

Narcotics Forfeiture Fund

To account for resources used solely for investigation, detection and prosecution of criminal drug activities.

State COPS Grant Fund

To account for State funding under the Citizen Option for Public Safety Program for local crime prevention and community-oriented policing.

NON-MAJOR GOVERNMENTAL FUNDS

California Law Enforcement Equipment Program Fund

To account for State funds used for equipment utilized in the City's law enforcement program.

Community Development Block Grant Fund

To account for monies received and expended by the City as a participant in the Federal Community Block Grant programs

Used Oil Recycling Grant Fund

To account for funds related to the City's used oil recycling program.

Lawndale Cable Usage Corporation Fund

To track monies for the City's Cable Communication Program that provides audio visual services and local government TV access.

Hawthorne Boulevard Maintenance Fund

To account for funds received and expended on the Hawthorne Boulevard Maintenance projects.

Urban Parks Grant Fund

To account for the resources generated by a fee imposed on new dwelling construction and certain remodeling of dwellings.

Office of Traffic and Safety Grant Fund

To account for funds received in connection with conducting DUI checkpoints to reduce hit and run fatalities and injury collisions.

Department of Conservation Grant Fund

To account for funds received and expended for park renovation projects.

County Specified Grant Fund

To account for the resources generated by a fee imposed on new dwelling constructions and certain remodeling of dwellings.

Low-Moderate Income Housing Fund

To account for funds received and spent in housing assistance to low and moderate income families. Funds are provided from a portion of the Redevelopment Agency tax increment.

State of California Bond Act of 2000/2002

To account for funds received from the State for construction of a new community center.

NON-MAJOR GOVERNMENTAL FUNDS

Justice Assisted Grant

To account for federal funds in the City's law enforcement program.

Park Development Fund

To account for funds received from developers for park improvements.

Economic Development Initiative Fund

To account for funds for construction of a new community center.

Cons Appr Act of 05 Grant Fund

To account for state funds for road and street infrastructure improvements.

Robert Zberg Harris Fund

To account for funds for parks and recreation projects.

Prop 1B Fund

To account for state funds for road and street infrastructure improvements.

Safetea-LU Fund

To account for funds for road and street infrastructure improvements.

Prop A Grant Fund

To account for state funds for parks and open space.

Metro STP-L Fund

To account for funds for road and street infrastructure improvements.

Measure R Fund

To account for local funds for road and street infrastructure improvements.

ARRA Fund

To account for funds for road and street infrastructure improvements.

Highway Safety Improvement Program Fund

To account for funds for road and street infrastructure improvements.

Prop C25 Grant Fund

To account for funds for road and street infrastructure improvements.

NON-MAJOR GOVERNMENTAL FUNDS

CDBG-R Fund

To account for ARRA funds for road and street infrastructure improvements.

2009 HUD EDI Fund

To account for funds for construction of a new community center.

Appropriations Act Fund

To account for funds for road and street infrastructure improvements.

2005 HUD EDI Fund

To account for funds for construction of a new community center.

1996 LA County Specified Fund

To account for funds for construction of a new community center.

2010 HUD EDI Fund

To account for funds for the construction of a new community center.

Energy Efficiency & Conservation Block Grant Fund

To account for City Hall lighting upgrades

Lawndale Housing Authority

To provide Low Mod Housing.

City of Lawndale
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Gas Tax	Air Quality	TDA Article 3 Local Transportation	Traffic Congestion Relief AB2928	Sewer Reconstruction
ASSETS					
Cash and investments	\$ -	\$ 61,437	\$ -	\$ 32,848	\$ 90,603
Receivables:					
Accounts, net	-	8,018	-	-	-
Interest	-	56	-	48	-
Loans receivable	-	-	-	-	-
Land held for development	-	-	-	-	-
Total assets	\$ -	\$ 69,511	\$ -	\$ 32,896	\$ 90,603
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 97,990	\$ -	\$ -	\$ 29,369	\$ 3,395
Accrued wages	16,622	-	-	-	721
Due to other funds	137,015	-	-	-	-
Retentions payable	-	-	-	3,479	-
Deferred revenue	-	-	-	-	-
Total liabilities	251,627	-	-	32,848	4,116
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	69,511	-	48	86,487
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(251,627)	-	-	-	-
Total fund balances	(251,627)	69,511	-	48	86,487
Total liabilities and fund balances	\$ -	\$ 69,511	\$ -	\$ 32,896	\$ 90,603

Proposition A Local Transit Assistance	Proposition C Local Transit Assistance	State Transit Program (Local)	Narcotics Forfeiture	State COPS Grant	California Law Enforcement Equipment Program	Community Development Block Grant	Used Oil Recycling Grant
\$ 858,336	\$ 2,202,459	\$ 11,107	\$ 25,136	\$ 80,563	\$ 16,110	\$ 1,073	\$ -
-	-	-	-	12,706	-	3,499	-
875	2,169	11	26	89	-	-	-
-	-	-	-	-	-	317,397	-
-	-	-	-	-	-	-	-
<u>\$ 859,211</u>	<u>\$ 2,204,628</u>	<u>\$ 11,118</u>	<u>\$ 25,162</u>	<u>\$ 93,358</u>	<u>\$ 16,110</u>	<u>\$ 321,969</u>	<u>\$ -</u>
\$ 60,896	\$ 28,435	\$ -	\$ -	\$ 18,720	\$ -	\$ 4,572	\$ -
4,315	5,567	-	-	-	-	-	-
-	0	-	-	-	-	-	5,339
-	0	-	-	-	-	-	-
-	0	-	-	-	-	317,397	-
<u>65,211</u>	<u>34,002</u>	<u>-</u>	<u>-</u>	<u>18,720</u>	<u>-</u>	<u>321,969</u>	<u>5,339</u>
-	-	-	-	-	-	-	-
794,000	2,170,626	11,118	25,162	74,638	16,110	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(5,339)
<u>794,000</u>	<u>2,170,626</u>	<u>11,118</u>	<u>25,162</u>	<u>74,638</u>	<u>16,110</u>	<u>-</u>	<u>(5,339)</u>
<u>\$ 859,211</u>	<u>\$ 2,204,628</u>	<u>\$ 11,118</u>	<u>\$ 25,162</u>	<u>\$ 93,358</u>	<u>\$ 16,110</u>	<u>\$ 321,969</u>	<u>\$ -</u>

(Continued)

City of Lawndale
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Lawndale Cable Usage Corporation	Hawthorne Boulevard Maintenance	Urban Parks Grant	Office of Traffic and Safety Grant	Department of Conversation Grant
ASSETS					
Cash and investments	\$ -	\$ 505,389	\$ -	\$ -	\$ 40,860
Receivables:					
Accounts, net	8,155	-	-	-	9,083
Interest	-	533	-	-	-
Loans receivable	-	-	-	-	-
Land held for development	-	-	-	-	-
Total assets	\$ 8,155	\$ 505,922	\$ -	\$ -	\$ 49,943
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 27,462	\$ -	\$ -	\$ -
Accrued wages	1,628	-	-	-	-
Due to other funds	6,527	-	-	-	-
Retentions payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	8,155	27,462	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	478,460	-	-	49,943
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	-	478,460	-	-	49,943
Total liabilities and fund balances	\$ 8,155	\$ 505,922	\$ -	\$ -	\$ 49,943

County Specified Grant	Low - Moderate Income Housing	State of California Bond Act of 2000/2002	Justice Assisted Grant	Park Development	Economic Development Initiative	Cons Appr Act of 05 Grant	Robert Zberg Harris
\$ -	\$ -	\$ -	\$ 13,694	\$ 6,856	\$ -	\$ -	\$ 1,177
-	-	-	6,117	-	-	-	-
-	-	-	21	7	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,832</u>	<u>\$ 6,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,177</u>

\$ -	\$ -	\$ 3,531	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,177
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>3,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,177</u>
-	-	-	-	-	-	-	-
-	-	-	19,832	6,863	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(3,531)	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(3,531)</u>	<u>19,832</u>	<u>6,863</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,832</u>	<u>\$ 6,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,177</u>

(Continued)

City of Lawndale
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Prop 1 B	Safetea-Lu	Prop A Grant	Metro STP-L	Measure R
ASSETS					
Cash and investments	\$ 69,727	\$ 9,450	\$ -	\$ 190,820	\$ 429,440
Receivables:					
Accounts, net	-	-	-	-	-
Interest	63	6	-	130	289
Loans receivable	-	-	-	-	-
Land held for development	-	-	-	-	-
Total assets	\$ 69,790	\$ 9,456	\$ -	\$ 190,950	\$ 429,729
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued wages	-	-	-	-	-
Due to other funds	-	-	32,205	-	-
Retentions payable	6,045	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	6,045	-	32,205	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	63,745	9,456	-	190,950	429,729
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(32,205)	-	-
Total fund balances	63,745	9,456	(32,205)	190,950	429,729
Total liabilities and fund balances	\$ 69,790	\$ 9,456	\$ -	\$ 190,950	\$ 429,729

ARRA	Highway Safety Improvement	Prop C-25 Grant	CDBG - R	2009 HUD EDI	Appropriations Act	2005 HUD EDI	1996 LA County Specified
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,462	-	-	-	66,629	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 3,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>66,629</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 11,864	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
34,779	45,167	30,725	-	-	222,934	-	400,000
-	-	-	-	-	18,914	-	-
-	-	-	-	-	-	-	-
<u>34,779</u>	<u>45,167</u>	<u>42,589</u>	<u>-</u>	<u>-</u>	<u>241,848</u>	<u>-</u>	<u>400,000</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(34,779)	(41,705)	(42,589)	-	-	(175,219)	-	(400,000)
<u>(34,779)</u>	<u>(41,705)</u>	<u>(42,589)</u>	<u>-</u>	<u>-</u>	<u>(175,219)</u>	<u>-</u>	<u>(400,000)</u>
<u>\$ -</u>	<u>\$ 3,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>66,629</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

City of Lawndale
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	2010 HUD EDI	Energy Efficiency Conservation Grant	Lawndale Housing Authority	Total
ASSETS				
Cash and investments	\$ -	\$ -	\$ 4,038,716	\$ 8,685,801
Receivables:				
Accounts, net	-	-	22	117,691
Interest	-	-	3,983	8,306
Loans receivable	-	-	663,548	980,945
Land held for development	-	-	492,083	492,083
Total assets	\$ -	-	5,198,352	\$ 10,284,826
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 4,395	8,060	\$ 298,689
Accrued wages	-	-	4,041	32,894
Due to other funds	-	-	-	914,691
Retentions payable	-	-	5,318	34,933
Deferred revenue	-	-	663,548	980,945
Total liabilities	-	4,395	680,967	2,262,152
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	4,517,385	9,014,063
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(4,395)	-	(991,389)
Total fund balances	-	(4,395)	4,517,385	8,022,674
Total liabilities and fund balances	\$ -	\$ -	\$ 5,198,352	\$ 10,284,826

(Concluded)

City of Lawndale
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

	Gas Tax	Air Quality	TDA Article 3 Local Transportation	Traffic Congestion Relief AB2928	Sewer Reconstruction
REVENUES:					
Sales and use taxes	\$ 759,127	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-
Subventions and grants	-	36,884	-	-	-
Use of money and property	-	181	-	1,101	-
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	759,127	37,065	-	1,101	-
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal services	725,454	-	-	-	37,829
Planning and community development	-	-	-	-	-
Recreation and community services	-	-	-	-	-
Capital outlay	56,593	-	-	334,249	-
Total expenditures	782,047	-	-	334,249	37,829
REVENUES OVER (UNDER) EXPENDITURES	(22,920)	37,065	-	(333,148)	(37,829)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(22,920)	37,065	-	(333,148)	(37,829)
FUND BALANCES:					
Beginning of year	(228,707)	32,446	-	333,196	124,316
End of year	\$ (251,627)	\$ 69,511	\$ -	\$ 48	\$ 86,487

Proposition A Local Transit Assistance	Proposition C Local Transit Assistance	State Transit Program (Local)	Narcotics Forfeiture	State COPS Grant	California Law Enforcement Equipment Program	Community Development Block Grant	Used Oil Recycling Grant
\$ 454,337	\$ 377,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	100,000	-	392,837	-
3,919	9,195	49	112	404	-	-	-
252	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
458,508	386,558	49	112	100,404	-	392,837	-
-	-	-	-	-	-	-	-
-	-	-	-	108,000	-	-	-
-	121,666	-	-	4,320	-	-	-
-	-	-	-	-	-	108,907	-
505,507	-	-	-	-	-	-	-
-	70,640	-	-	-	-	281,501	-
505,507	192,306	-	-	112,320	-	390,408	-
(46,999)	194,252	49	112	(11,916)	-	2,429	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(2,429)	-
-	-	-	-	-	-	(2,429)	-
(46,999)	194,252	49	112	(11,916)	-	-	-
840,999	1,976,374	11,069	25,050	86,554	16,110	-	(5,339)
\$ 794,000	\$ 2,170,626	\$ 11,118	\$ 25,162	\$ 74,638	\$ 16,110	\$ -	\$ (5,339)

(Continued)

City of Lawndale

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2010

	Lawndale Cable Usage Corporation	Hawthorne Boulevard Maintenance	Urban Parks Grant	Office of Traffic and Safety Grant	Department of Conversation Grant
REVENUES:					
Sales and use taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-
Subventions and grants	-	-	-	-	9,083
Use of money and property	-	2,667	-	-	-
Charges for services	32,278	-	-	-	-
Miscellaneous	249	-	-	-	-
Total revenues	32,527	2,667	-	-	9,083
EXPENDITURES:					
Current:					
General government	49,145	-	-	-	-
Public safety	-	-	-	-	-
Municipal services	3,821	193,180	-	-	-
Planning and community development	-	-	-	-	-
Recreation and community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	52,966	193,180	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(20,439)	(190,513)	-	-	9,083
OTHER FINANCING SOURCES (USES):					
Transfers in	28,401	-	30,678	-	-
Transfers out	(7,962)	-	-	-	-
Total other financing sources (uses)	20,439	-	30,678	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	(190,513)	30,678	-	9,083
FUND BALANCES:					
Beginning of year	-	668,973	(30,678)	-	40,860
End of year	\$ -	\$ 478,460	\$ -	\$ -	\$ 49,943

County Specified Grant	Low - Moderate Income Housing	State of California Bond Act of 2000/2002	Justice Assisted Grant	Park Development	Economic Development Initiative	Cons Appr Act of 05 Grant	Robert Zberg Harris
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	962,515	-	-	-	-	-	-
-	-	36,969	27,595	-	-	-	-
-	-	-	155	26	-	-	-
-	-	-	-	2,000	-	-	-
-	-	-	-	-	-	-	-
-	962,515	36,969	27,750	2,026	-	-	-
-	-	-	-	-	-	-	-
-	-	-	52,131	-	-	-	-
-	-	4,972	-	-	-	10,120	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,531	-	-	-	-	-
-	-	8,503	52,131	-	-	10,120	-
-	962,515	28,466	(24,381)	2,026	-	(10,120)	-
-	-	4,972	-	-	-	10,120	-
-	(4,567,252)	(33,469)	-	-	-	-	-
-	(4,567,252)	(28,497)	-	-	-	10,120	-
-	(3,604,737)	(31)	(24,381)	2,026	-	-	-
-	3,604,737	(3,500)	44,213	4,837	-	-	-
\$ -	\$ -	\$ (3,531)	\$ 19,832	\$ 6,863	\$ -	\$ -	\$ -

(Continued)

City of Lawndale
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2010

	Prop 1 B	Safetea-Lu	Prop A Grant	Metro STP-L	Measure R
REVENUES:					
Sales and use taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-
Subventions and grants	-	-	-	-	281,693
Use of money and property	328	9,456	-	650	1,007
Charges for services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	328	9,456	-	650	282,700
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Municipal services	-	-	-	-	-
Planning and community development	-	-	-	-	66,278
Recreation and community services	-	-	-	-	-
Capital outlay	46,609	-	-	43,700	-
Total expenditures	46,609	-	-	43,700	66,278
REVENUES OVER (UNDER) EXPENDITURES	(46,281)	9,456	-	(43,050)	216,422
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(46,281)	9,456	-	(43,050)	216,422
FUND BALANCES:					
Beginning of year	110,026	-	(32,205)	234,000	213,307
End of year	\$ 63,745	\$ 9,456	\$ (32,205)	\$ 190,950	\$ 429,729

ARRA	Highway Safety Improvement	Prop C25 Grant	CDBG-R	2009 HUD EDI	Appropriations Act	2005 HUD EDI	1996 LA County Specified
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
313,734	25,160	-	10,534	475,000	666,293	96,224	-
-	-	-	-	-	55	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
313,734	25,160	-	10,534	475,000	666,348	96,224	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	42,589	10,534	92,327	841,567	96,224	400,000
-	-	42,589	10,534	92,327	841,567	96,224	400,000
313,734	25,160	(42,589)	-	382,673	(175,219)	-	(400,000)
-	-	-	-	-	-	-	-
-	-	-	-	(382,673)	-	-	-
-	-	-	-	(382,673)	-	-	-
313,734	25,160	(42,589)	-	-	(175,219)	-	(400,000)
(348,513)	(66,865)	-	-	-	-	-	-
\$ (34,779)	\$ (41,705)	\$ (42,589)	\$ -	\$ -	\$ (175,219)	\$ -	\$ (400,000)

(Continued)

City of Lawndale
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2010

	2010 HUD EDI	Energy Efficiency Conservation Grant	Lawndale Housing Authority	Total
REVENUES:				
Sales and use taxes	\$ -	\$ -	\$ -	\$ 1,590,827
Property taxes	-	-	-	962,515
Subventions and grants	300,000	-	-	2,772,006
Use of money and property	-	-	30,058	59,363
Charges for services	-	-	-	34,530
Miscellaneous	-	-	200,000	200,249
Total revenues	300,000	-	230,058	5,619,490
EXPENDITURES:				
Current:				
General government	-	-	-	49,145
Public safety	-	-	-	160,131
Municipal services	-	-	-	1,101,362
Planning and community development	-	-	279,925	455,110
Recreation and community services	-	-	-	505,507
Capital outlay	-	4,395	-	2,324,459
Total expenditures	-	4,395	279,925	4,595,714
REVENUES OVER (UNDER) EXPENDITURES	300,000	(4,395)	(49,867)	1,023,776
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	4,567,252	4,641,423
Transfers out	-	-	-	(4,993,785)
Total other financing sources (uses)	-	-	4,567,252	(352,362)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	300,000	(4,395)	4,517,385	671,414
FUND BALANCES:				
Beginning of year	(300,000)	-	-	7,351,260
End of year	\$ -	\$ (4,395)	\$ 4,517,385	\$ 8,022,674

(Concluded)

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Gas Tax

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Sales and use taxes	\$ 868,740	\$ 759,127	\$ (109,613)
Use of money and property	4,000	-	(4,000)
Other	-	-	-
Total revenues	872,740	759,127	(113,613)
EXPENDITURES:			
Current:			
Municipal services	973,209	725,454	247,755
Capital outlay	709,656	56,593	653,063
Total expenditures	1,682,865	782,047	900,818
Net change in fund balance	(810,125)	(22,920)	787,205
FUND BALANCES:			
Beginning of year	(228,707)	(228,707)	-
End of year	\$ (1,038,832)	\$ (251,627)	\$ 787,205

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Air Quality

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ 40,200	\$ 36,884	\$ (3,316)
Use of money and property	-	181	181
Total revenues	40,200	37,065	(3,135)
EXPENDITURES:			
Current:			
Municipal services	35,900	-	35,900
Total expenditures	35,900	-	35,900
Net change in fund balance	4,300	37,065	32,765
FUND BALANCE:			
Beginning of year	32,446	32,446	-
End of year	<u>\$ 36,746</u>	<u>\$ 69,511</u>	<u>\$ 32,765</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

TDA Article 3 Local Transportation

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ 13,526	\$ -	\$ (13,526)
Total revenues	13,526	-	(13,526)
Net change in fund balance	13,526	-	(13,526)
FUND BALANCE:			
Beginning of year	-	-	-
End of year	\$ 13,526	\$ -	\$ (13,526)

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Traffic Congestion Relief - AB2928

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Use of money and property	\$ -	\$ 1,101	\$ 1,101
Total revenues	-	1,101	1,101
EXPENDITURES:			
Capital outlay	413,992	334,249	79,743
Total expenditures	413,992	334,249	79,743
Net change in fund balance	(413,992)	(333,148)	80,844
FUND BALANCE:			
Beginning of year	333,196	333,196	-
End of year	<u>\$ (80,796)</u>	<u>\$ 48</u>	<u>\$ 80,844</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Sewer Reconstruction

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
EXPENDITURES:			
Current:			
Municipal services	\$ 41,959	\$ 37,829	\$ 4,130
Total expenditures	<u>41,959</u>	<u>37,829</u>	<u>4,130</u>
Net change in fund balance	(41,959)	(37,829)	4,130
FUND BALANCE:			
Beginning of year	<u>124,316</u>	<u>124,316</u>	<u>-</u>
End of year	<u>\$ 82,357</u>	<u>\$ 86,487</u>	<u>\$ 4,130</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Proposition A Local Transit Assistance

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Sales and use taxes	\$ 452,555	\$ 454,337	\$ 1,782
Use of money and property	9,250	3,919	(5,331)
Charges for services	-	252	252
Total revenues	461,805	458,508	(3,297)
EXPENDITURES:			
Current:			
Recreation and community services	594,074	505,507	88,567
Total expenditures	594,074	505,507	88,567
Net change in fund balance	(132,269)	(46,999)	85,270
FUND BALANCE:			
Beginning of year	840,999	840,999	-
End of year	\$ 708,730	\$ 794,000	\$ 85,270

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Proposition C Local Transit Assistance

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Sales and use taxes	\$ 375,555	\$ 377,363	\$ 1,808
Use of money and property	20,000	9,195	(10,805)
Total revenues	<u>395,555</u>	<u>386,558</u>	<u>(8,997)</u>
EXPENDITURES:			
Current:			
Municipal services	286,755	121,666	165,089
Capital outlay	918,344	70,640	847,704
Total expenditures	<u>1,205,099</u>	<u>192,306</u>	<u>1,012,793</u>
Net change in fund balance	(809,544)	194,252	1,003,796
FUND BALANCE:			
Beginning of year	<u>1,976,374</u>	<u>1,976,374</u>	-
End of year	<u>\$ 1,166,830</u>	<u>\$ 2,170,626</u>	<u>\$ 1,003,796</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

State Transit Program (Local)

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Use of money and property	\$ -	\$ 49	\$ 49
Total revenues	-	49	49
Net change in fund balance	-	49	49
FUND BALANCE:			
Beginning of year	11,069	11,069	-
End of year	\$ 11,069	\$ 11,118	\$ 49

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Narcotics Forfeiture

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Use of money and property	\$ 250	\$ 112	\$ (138)
Other	2,000	-	(2,000)
Total revenues	<u>2,250</u>	<u>112</u>	<u>(2,138)</u>
Net change in fund balance	2,250	112	(2,138)
FUND BALANCE:			
Beginning of year	<u>25,050</u>	<u>25,050</u>	<u>-</u>
End of year	<u>\$ 27,300</u>	<u>\$ 25,162</u>	<u>\$ (2,138)</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

COPS Grant

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ 100,000	\$ 100,000	\$ -
Use of money and property	900	404	(496)
Total revenues	<u>100,900</u>	<u>100,404</u>	<u>(496)</u>
EXPENDITURES:			
Current:			
Public safety	187,556	108,000	79,556
Municipal services	7,502	4,320	3,182
Total expenditures	<u>195,058</u>	<u>112,320</u>	<u>82,738</u>
Net change in fund balance	(94,158)	(11,916)	82,242
FUND BALANCE:			
Beginning of year	<u>86,554</u>	<u>86,554</u>	-
End of year	<u>\$ (7,604)</u>	<u>\$ 74,638</u>	<u>\$ 82,242</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

California Law Enforcement Equipment Program

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
FUND BALANCE:			
Beginning of year	<u>16,110</u>	<u>16,110</u>	<u>-</u>
End of year	<u>\$ 16,110</u>	<u>\$ 16,110</u>	<u>\$ -</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Community Development Block Grant

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ 557,694	\$ 392,837	\$ (164,857)
Total revenues	557,694	392,837	(164,857)
EXPENDITURES:			
Current:			
Planning and community development	112,296	108,907	3,389
Capital outlay	802,513	281,501	521,012
Total expenditures	914,809	390,408	524,401
REVENUES OVER (UNDER) EXPENDITURES	(357,115)	2,429	359,544
OTHER FINANCING SOURCES (USES):			
Transfers out	-	(2,429)	(2,429)
Total other financing sources (uses)	-	(2,429)	(2,429)
Net change in fund balance	(357,115)	-	357,115
FUND BALANCE:			
Beginning of year	-	-	-
End of year	\$ (357,115)	\$ -	\$ 357,115

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Used Oil Recycling Grant

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ (8,000)</u>
Total revenues	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
EXPENDITURES:			
Current:			
Municipal Services	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total expenditures	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Net change in fund balance	1,000	-	(1,000)
FUND BALANCE:			
Beginning of year	<u>(5,339)</u>	<u>(5,339)</u>	<u>-</u>
End of year	<u>\$ (4,339)</u>	<u>\$ (5,339)</u>	<u>\$ (1,000)</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Lawndale Cable Usage Corporation

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Charges for service	\$ 63,684	\$ 32,278	\$ (31,406)
Other	1,000	249	(751)
Total revenues	64,684	32,527	(32,157)
EXPENDITURES:			
Current:			
General government	48,680	49,145	(465)
Municipal services	17,300	3,821	13,479
Total expenditures	65,980	52,966	13,014
REVENUES OVER (UNDER) EXPENDITURES	(1,296)	(20,439)	(19,143)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	28,401	28,401
Transfers out	-	(7,962)	(7,962)
Total other financing sources (uses)	-	20,439	20,439
Net change in fund balance	(1,296)	-	1,296
FUND BALANCE:			
Beginning of year	-	-	-
End of year	\$ (1,296)	\$ -	\$ 1,296

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Hawthorne Boulevard Maintenance

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Use of money and property	\$ 7,230	\$ 2,667	\$ (4,563)
Total revenues	7,230	2,667	(4,563)
EXPENDITURES:			
Current:			
Municipal services	173,500	193,180	(19,680)
Total expenditures	173,500	193,180	(19,680)
Net change in fund balance	(166,270)	(190,513)	(24,243)
FUND BALANCE:			
Beginning of year	668,973	668,973	-
End of year	\$ 502,703	\$ 478,460	\$ (24,243)

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Urban Parks Grant

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
OTHER FINANCING SOURCES (USES):			
Transfers in	\$ -	\$ 30,678	\$ 30,678
Total other financing sources (uses)	<u>-</u>	<u>30,678</u>	<u>30,678</u>
Net change in fund balance	-	30,678	30,678
FUND BALANCE:			
Beginning of year	\$ (30,678)	\$ (30,678)	\$ -
End of year	<u>\$ (30,678)</u>	<u>\$ -</u>	<u>\$ 30,678</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Office of Traffic and Safety Grant

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
FUND BALANCE:			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Department of Conservation Grant

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	<u>\$ -</u>	<u>\$ 9,083</u>	<u>\$ 9,083</u>
Total revenues	<u>-</u>	<u>9,083</u>	<u>9,083</u>
Net change in fund balance	-	9,083	9,083
FUND BALANCE:			
Beginning of year	<u>40,860</u>	<u>40,860</u>	-
End of year	<u>\$ 40,860</u>	<u>\$ 49,943</u>	<u>\$ 9,083</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Low-Moderate Income Housing

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Property taxes	\$ 975,245	\$ 962,515	\$ (12,730)
Use of money and property	37,000	-	(37,000)
Miscellaneous	200,000	-	(200,000)
Total revenues	1,212,245	962,515	(249,730)
EXPENDITURES:			
Current:			
Planning and community development	3,350,480	-	3,350,480
Total expenditures	3,350,480	-	3,350,480
REVENUES OVER (UNDER) EXPENDITURES	(2,138,235)	962,515	3,100,750
OTHER FINANCING SOURCES (USES):			
Transfers out	(3,604,740)	(4,567,252)	(962,512)
Total other financing sources (uses)	(3,604,740)	(4,567,252)	(962,512)
Net change in fund balance	(5,742,975)	(3,604,737)	2,138,238
FUND BALANCE:			
Beginning of year	3,604,737	3,604,737	-
End of year	\$ (2,138,238)	\$ -	\$ 2,138,238

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

State of California Bond Act of 2000/2002

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ 36,969	\$ 36,969	\$ -
Total revenues	36,969	36,969	-
EXPENDITURES:			
Municipal services	\$ -	\$ 4,972	\$ (4,972)
Capital outlay	3,531	3,531	-
Total expenditures	3,531	8,503	(4,972)
REVENUES OVER (UNDER) EXPENDITURES	33,438	28,466	(4,972)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	4,972	4,972
Transfers out	-	(33,469)	(33,469)
Total other financing sources (uses)	-	(28,497)	(28,497)
Net change in fund balance	33,438	(31)	(33,469)
FUND BALANCE:			
Beginning of year	(3,500)	(3,500)	-
End of year	\$ 29,938	\$ (3,531)	\$ (33,469)

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Justice Assisted Grant

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ -	\$ 27,595	\$ 27,595
Use of money and property	300	155	(145)
Total revenues	300	27,750	27,450
EXPENDITURES:			
Current:			
Public safety	51,600	52,131	(531)
Total expenditures	51,600	52,131	(531)
Net change in fund balance	(51,300)	(24,381)	26,919
FUND BALANCE:			
Beginning of year	44,213	44,213	-
End of year	\$ (7,087)	\$ 19,832	\$ 26,919

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Park Development

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Use of money and property	\$ 50	\$ 26	\$ (24)
Charges for services	-	2,000	2,000
Total revenues	<u>50</u>	<u>2,026</u>	<u>1,976</u>
Net change in fund balance	50	2,026	1,976
FUND BALANCE:			
Beginning of year	<u>4,837</u>	<u>4,837</u>	-
End of year	<u>\$ 4,887</u>	<u>\$ 6,863</u>	<u>\$ 1,976</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Cons Appr Act of 05 Grant

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
EXPENDITURES:			
Municipal services	-	10,120	(10,120)
Total expenditures	-	10,120	(10,120)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	10,120	10,120
Total other financing sources (uses)	-	10,120	10,120
Net change in fund balance	-	-	-
FUND BALANCE:			
Beginning of year	-	-	-
End of year	\$ -	\$ -	\$ -

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Robert Zberg Harris

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
FUND BALANCE:			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Prop 1 B

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Use of money and property	<u>\$ 1,150</u>	<u>\$ 328</u>	<u>\$ (822)</u>
Total revenues	<u>1,150</u>	<u>328</u>	<u>(822)</u>
EXPENDITURES:			
Capital outlay	<u>46,609</u>	<u>46,609</u>	<u>-</u>
Total expenditures	<u>46,609</u>	<u>46,609</u>	<u>-</u>
Net change in fund balance	<u>(45,459)</u>	<u>(46,281)</u>	<u>(822)</u>
FUND BALANCE:			
Beginning of year	<u>110,026</u>	<u>110,026</u>	<u>-</u>
End of year	<u>\$ 64,567</u>	<u>\$ 63,745</u>	<u>\$ (822)</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Safetea-Lu

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Use of money and property	\$ -	\$ 9,456	\$ 9,456
Total revenues	<u>-</u>	<u>9,456</u>	<u>9,456</u>
EXPENDITURES:			
Capital outlay	1,796,000	-	1,796,000
Total expenditures	<u>1,796,000</u>	<u>-</u>	<u>1,796,000</u>
Net change in fund balance	(1,796,000)	9,456	1,805,456
FUND BALANCE:			
Beginning of year	-	-	-
End of year	<u>\$ (1,796,000)</u>	<u>\$ 9,456</u>	<u>\$ 1,805,456</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Prop A Grant

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
FUND BALANCE:			
Beginning of year	<u>(32,205)</u>	<u>(32,205)</u>	<u>-</u>
End of year	<u>\$ (32,205)</u>	<u>\$ (32,205)</u>	<u>\$ -</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Metro STP-L

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Use of money and property	\$ 4,000	\$ 650	\$ (3,350)
Total revenues	<u>4,000</u>	<u>650</u>	<u>(3,350)</u>
EXPENDITURES:			
Capital outlay	166,508	43,700	122,808
Total expenditures	<u>166,508</u>	<u>43,700</u>	<u>122,808</u>
Net change in fund balance	(162,508)	(43,050)	119,458
FUND BALANCE:			
Beginning of year	234,000	234,000	-
End of year	<u>\$ 71,492</u>	<u>\$ 190,950</u>	<u>\$ 119,458</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Measure R

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ 281,666	\$ 281,693	\$ 27
Use of money and property	-	1,007	1,007
Total revenues	281,666	282,700	1,034
EXPENDITURES:			
Current:			
Planning and community development	61,000	66,278	(5,278)
Capital outlay	301,733	-	301,733
Total expenditures	362,733	66,278	296,455
Net change in fund balance	(81,067)	216,422	297,489
FUND BALANCE:			
Beginning of year	213,307	213,307	-
End of year	<u>\$ 132,240</u>	<u>\$ 429,729</u>	<u>\$ 297,489</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

ARRA

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
REVENUES:			
Subventions and grants	\$ 313,734	\$ 313,734	\$ 313,734
Total revenues	<u>313,734</u>	<u>313,734</u>	<u>-</u>
Net change in fund balance	313,734	313,734	-
FUND BALANCE:			
Beginning of year	<u>(348,513)</u>	<u>(348,513)</u>	<u>-</u>
End of year	<u>\$ (34,779)</u>	<u>\$ (34,779)</u>	<u>\$ -</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Highway Safety Improvement

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
REVENUES:			
Subventions and grants	\$ -	\$ 25,160	\$ 25,160
Total revenues	<u>-</u>	<u>25,160</u>	<u>25,160</u>
Net change in fund balance	-	25,160	25,160
FUND BALANCE:			
Beginning of year	<u>(66,865)</u>	<u>(66,865)</u>	<u>-</u>
End of year	<u>\$ (66,865)</u>	<u>\$ (41,705)</u>	<u>\$ 25,160</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Prop C25 Grant

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
EXPENDITURES:			
Capital outlay	424,500	42,589	381,911
Total expenditures	<u>424,500</u>	<u>42,589</u>	<u>381,911</u>
Net change in fund balance	(424,500)	(42,589)	381,911
FUND BALANCE:			
Beginning of year	-	-	-
End of year	<u>\$ (424,500)</u>	<u>\$ (42,589)</u>	<u>\$ 381,911</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual CDBG-R

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
REVENUES:			
Subventions and grants	\$ -	\$ 10,534	\$ 10,534
Total revenues	<u>-</u>	<u>10,534</u>	<u>10,534</u>
EXPENDITURES:			
Capital outlay	37,200	10,534	26,666
Total expenditures	<u>37,200</u>	<u>10,534</u>	<u>26,666</u>
Net change in fund balance	(37,200)	-	37,200
FUND BALANCE:			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ (37,200)</u>	<u>\$ -</u>	<u>\$ 37,200</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

2009 HUD EDI

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ 475,000	475,000	-
Total revenues	475,000	475,000	-
EXPENDITURES:			
Current:			
Capital outlay	475,000	92,327	382,673
Total expenditures	475,000	92,327	382,673
REVENUES OVER (UNDER) EXPENDITURES	-	382,673	382,673
OTHER FINANCING SOURCES (USES):			
Transfers out	-	(382,673)	(382,673)
Total other financing sources (uses)	-	(382,673)	(382,673)
Net change in fund balance	-	-	-
FUND BALANCE:			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Appropriations Act

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ -	666,293	666,293
Use of money and property	-	55	55
Total revenues	<u>-</u>	<u>666,348</u>	<u>666,348</u>
EXPENDITURES:			
Current:			
Capital outlay	850,000	841,567	8,433
Total expenditures	<u>850,000</u>	<u>841,567</u>	<u>8,433</u>
Net change in fund balance	(850,000)	(175,219)	674,781
FUND BALANCE:			
Beginning of year	-	-	-
End of year	<u>\$ (850,000)</u>	<u>\$ (175,219)</u>	<u>\$ 674,781</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

2005 HUD EDI

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Subventions and grants	\$ 96,224	96,224	-
Total revenues	<u>96,224</u>	<u>96,224</u>	<u>-</u>
EXPENDITURES:			
Current:			
Capital outlay	96,224	96,224	-
Total expenditures	<u>96,224</u>	<u>96,224</u>	<u>-</u>
Net change in fund balance	-	-	-
FUND BALANCE:			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

1996 LA County Specified

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
EXPENDITURES:			
Current:			
Capital outlay	400,000	400,000	-
Total expenditures	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balance	400,000	(400,000)	-
FUND BALANCE:			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 400,000</u>	<u>\$ (400,000)</u>	<u>\$ (800,000)</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

2010 HUD EDI

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
REVENUES:			
Subventions and grants	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net change in fund balance	300,000	300,000	-
FUND BALANCE:			
Beginning of year	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Energy Efficiency Conservation Grant

For the year ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
REVENUES:			
Subventions and grants	\$ 175,000	-	(175,000)
Total revenues	<u>175,000</u>	<u>-</u>	<u>(175,000)</u>
EXPENDITURES:			
Current:			
Capital outlay	175,000	4,395	170,605
Total expenditures	<u>175,000</u>	<u>4,395</u>	<u>170,605</u>
Net change in fund balance	-	(4,395)	(4,395)
FUND BALANCE:			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ (4,395)</u>	<u>\$ (4,395)</u>

City of Lawndale

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Lawndale Housing Authority

For the year ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Property taxes	\$ 975,245	\$ -	\$ (975,245)
Use of money and property	37,000	30,058	(6,942)
Miscellaneous	200,000	200,000	-
Total revenues	1,212,245	230,058	(982,187)
EXPENDITURES:			
Current:			
Planning and community development	2,156,501	279,925	1,876,576
Total expenditures	2,156,501	279,925	1,876,576
REVENUES OVER (UNDER) EXPENDITURES	(944,256)	(49,867)	894,389
OTHER FINANCING SOURCES (USES):			
Transfers in	3,604,740	4,567,252	962,512
Total other financing sources (uses)	3,604,740	4,567,252	962,512
Net change in fund balance	2,660,484	4,517,385	1,856,901
FUND BALANCE:			
Beginning of year	-	-	-
End of year	\$ 2,660,484	\$ 4,517,385	\$ 1,856,901

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FIDUCIARY FUND

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The resources of fiduciary funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

AGENCY FUNDS

Section 8 Rental Assistance Program Fund

This fund is used to account for the deposit of monies from the Federal Department of Housing and Urban Development for the City's Housing Assistance Payment Program authorized under the United States Housing Act of 1937, with the objective of providing decent, safe, and sanitary housing for eligible families pursuant to Section 8 of the Act. The Program is administered by the Housing Authority of the County of Los Angeles, California.

City of Lawndale
Statement of Changes in Assets and Liabilities - Agency Funds
June 30, 2011

	Balance July 1, 2010	Addition	Deductions	Balance June 30, 2011
Assets:				
Cash and investments	\$ 761,437	\$ 1,737,465	\$ (1,854,236)	\$ 644,666
Accounts receivable, net	12,843	6,398	(12,843)	6,398
Total assets	\$ 774,280	\$ 1,743,863	\$ (1,867,079)	\$ 651,064
Liabilities:				
Due to other governments	\$ 774,280	\$ 651,064	\$ (774,280)	\$ 651,064
Total liabilities	\$ 774,280	\$ 651,064	\$ (774,280)	\$ 651,064

STATISTICAL SECTION

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

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These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	135
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These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	143
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	148
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	150

CITY OF LAWNSDALE
Net Assets by Component
Last Three Fiscal Years
(accrual basis of accounting)

	2009	2010	2011
Governmental activities:			
Invested in capital assets, net of related debt	\$ 22,816,674	\$ 26,057,678	\$ 30,670,798
Restricted	9,552,507	7,351,260	12,139,977
Unrestricted	22,757,234	19,468,984	10,354,179
Total primary government net assets	<u>\$ 55,126,415</u>	<u>\$ 52,877,922</u>	<u>\$ 53,164,954</u>

The City of Lawndale implemented GASB 34 for the fiscal year ended June 30, 2003

The City of Lawndale has elected to show only three years of data on this schedule.

CITY OF LAWNSDALE
Changes in Net Assets
Last Three Fiscal Years
(accrual basis of accounting)

	2009	2010	2011
Expenses:			
Governmental activities:			
General government	\$ 3,422,817	\$ 3,549,207	\$ 3,204,153
Public safety	4,841,606	4,757,922	4,567,840
Municipal services	5,734,422	5,295,282	5,121,295
Community development	4,482,731	7,091,597	4,666,135
Recreation and community services	1,563,899	1,777,022	1,642,338
Interest and fiscal charges	362,679	817,409	1,517,463
Total Primary Government Expenses	<u>20,408,154</u>	<u>23,288,439</u>	<u>20,719,224</u>
Program Revenues:			
Governmental activities:			
Charges for services:			
General government	800,969	839,116	836,409
Public safety	622,823	577,193	562,262
Planning and community development	494,481	292,793	354,930
Other activities	138,118	202,008	204,520
Operating grants and contributions	76,807	137,704	100,000
Capital grants and contributions	3,072,002	2,230,720	2,692,869
Total Primary Government Program Revenues	<u>5,205,200</u>	<u>4,279,534</u>	<u>4,750,990</u>
Total net revenues (expenses)	(15,202,954)	(19,008,905)	(15,968,234)
General Revenues and Other Changes in Net Assets:			
Governmental activities:			
Taxes:			
Property tax, levied for general purpose	1,052,038	553,060	860,017
Property tax, Redevelopment Agency tax increment	5,269,527	5,083,649	4,812,576
Transient occupancy taxes	474,874	374,111	407,273
Franchise tax	513,893	478,764	504,479
Sales tax	4,025,805	3,697,884	3,905,301
Motor vehicle in lieu tax	2,988,042	2,909,581	2,892,525
Utility users tax	2,260,924	2,091,566	2,107,158
Other taxes			
Investment income	955,121	399,901	333,253
Other	358,674	1,171,896	432,684
Total Primary Government	<u>17,898,898</u>	<u>16,760,412</u>	<u>16,255,266</u>
Primary Government Changes in Net Assets	<u>\$ 2,695,944</u>	<u>\$ (2,248,493)</u>	<u>\$ 287,032</u>

The City of Lawndale has elected to show only three years of data on this schedule.

CITY OF LAWNSDALE
Fund Balances of Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund:			
Nonspendable	N/A	N/A	\$ 7,303,787
Restricted			6,746
Comminted			4,012,785
Assigned			391,868
Unassigned			11,560,364
Total General Fund	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$ 23,275,550</u></u>
All other governmental funds:			
Special revenue funds			
Restricted			\$ 9,014,063
Comminted			12,316,681
Unassigned			(991,389)
Capital projects funds			
Unassigned			(14,042,465)
Debt Services			
Restricted			12,139,286
Total All Other Governmental Funds	<u><u>\$</u></u>	<u><u> </u></u>	<u><u>\$ 18,436,176</u></u>

CITY OF LAWNDALE
Changes in Fund Balances of Governmental Funds
Last Three Fiscal Years
(modified accrual basis of accounting)

	2009	2010	2011
Revenues:			
Sales and use taxes	\$ 4,025,805	\$ 3,393,979	\$ 3,905,301
Utility user tax	2,260,924	2,091,566	2,107,158
Other taxes	7,310,332	6,489,584	6,584,345
Motor vehicle in-lieu	2,988,042	2,909,581	2,892,525
Licenses and permits	632,599	579,518	573,811
Fines and forfeitures	622,823	577,193	562,262
Subventions and grants	2,866,737	2,685,153	2,772,006
Use of money and property	955,121	413,836	427,299
Charges for services	800,969	702,375	713,020
Miscellaneous	469,334	1,197,161	468,529
Total revenues	<u>22,932,686</u>	<u>21,039,946</u>	<u>21,006,256</u>
Expenditures			
Current:			
General government	3,131,735	3,316,937	3,111,050
Public safety	4,825,791	4,641,060	4,606,123
Municipal services	4,146,429	4,210,610	3,843,973
Planning and community development	3,959,836	6,186,731	4,553,060
Recreation and community services	1,543,562	1,698,123	1,613,711
Capital outlay	4,056,611	4,967,927	10,217,921
Debt service:			
Principal retirement	48,742	50,521	80,173
Interest and fiscal charges	363,420	328,994	1,203,245
Cost of bond issuance		781,317	
Total expenditures	<u>22,076,126</u>	<u>26,182,220</u>	<u>29,229,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>856,560</u>	<u>(5,142,274)</u>	<u>(8,223,000)</u>
Other financing sources (uses):			
Proceeds from long-term debt		21,027,892	
Transfers in	1,307,887	2,812,407	8,842,940
Transfers out	(1,307,887)	(2,812,407)	(8,842,940)
Total other financing sources (uses)		<u>21,027,892</u>	
Net change in fund balances	<u>\$ 856,560</u>	<u>\$ 15,885,618</u>	<u>\$ (8,223,000)</u>
Debt service as a percentage of noncapital expenditures			
	2.0%	4.4%	7.2%

The City of Lawndale has elected to show only three years of data for this schedule.

CITY OF LAWNSDALE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	City			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		
2002	1,024,233,772	23,485,188	16,770,894	1,064,489,854	1.000%
2003	1,076,186,143	22,682,702	18,286,289	1,117,155,134	1.000%
2004	1,162,128,846	22,827,872	18,674,620	1,203,631,338	1.000%
2005	1,297,749,815	23,082,592	11,674,401	1,332,506,808	1.000%
2006	1,617,734,962	25,639,912	10,873,740	1,654,248,614	1.000%
2007	1,773,312,259	29,473,330	9,614,916	1,812,400,505	1.000%
2008	1,792,280,469	29,734,952	9,614,916	1,831,630,337	1.000%
2009	1,880,433,599	31,553,224	10,085,159	1,922,071,982	1.000%
2010	1,831,477,610	28,979,163	9,253,280	1,869,710,053	1.000%
2011	1,784,384,720	28,152,145	9,365,903	1,812,536,865	1.000%

NOTE:

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

Source: Los Angeles County Assessor's Office

CITY OF LAWNSDALE
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Two Fiscal Years

	<u>2010</u>	<u>2011</u>
City direct rates:		
City basic rate:	1.00000	1.00000
Overlapping rates:		
Elementary Schools	0.04760	0.05429
High Schools	0.10324	0.12555
Community College	0.01487	0.01614
Metro Water District	<u>0.00430</u>	<u>0.00370</u>
 Total Direct Rate	 <u><u>1.17001</u></u>	 <u><u>1.19968</u></u>

The City of Lawndale has elected to show only two years of data on this schedule.

NOTE:
 In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides within. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the elementary schools, high schools, community college, districts and/or County of Los Angeles.

Source: Los Angeles County Assessor's Office

CITY OF LAWNSDALE
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2010		2011	
	Taxable Assessed	Percent of Total City Taxable Assessed	Taxable Assessed	Percent of Total City Taxable Assessed
	Value	Value	Value	Value
Lawndale Market Place LLC	\$ 11,444,644	0.63%	N/A	N/A
SCP Limited Partnership	8,303,473	0.46%	N/A	N/A
Lawndale LLC	7,127,509	0.39%	N/A	N/A
Baytower Corporate Center	6,694,934	0.37%	6,189,072	0.59%
Rich Lawndale LLC	6,349,526	0.35%	N/A	N/A
Fariba Tabibi	6,142,280	0.34%	N/A	N/A
SBP Enterprises LLC	5,893,984	0.33%	5,049,000	0.48%
Satnaam Investments Inc	5,522,481	0.30%	4,654,922	0.44%
Mario and Maria Alvarez	5,517,950	0.30%	N/A	N/A
4457 Manhattan Beach LLC	5,283,084	0.29%	N/A	N/A
Totals	\$ 68,279,865	3.77%	N/A	N/A

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

Source: HdL Coren & Cone

CITY OF LAWNSDALE
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2000	\$ 550,891	\$ 580,310	105.34%	\$ 29,419	\$ 533,347	96.82%
2001	577,489	623,165	107.91%	45,676	577,489	100.00%
2002	657,777	659,693	100.29%	1,916	625,833	95.14%
2003	671,960	688,525	102.47%	16,565	649,620	96.68%
2004	670,011	692,397	103.34%	22,386	694,349	103.63%
2005	708,836	587,951	82.95%	(120,885)	730,619	103.07%
2006	763,620	733,412	96.04%	(30,208)	N/A	N/A
2007	840,552	967,088	115.05%	126,536	N/A	N/A
2008	909,030	991,339	109.05%	82,309	N/A	N/A
2009	1,033,020	1,052,038	101.84%	19,018	N/A	N/A
2010	911,615	511,174	56.07%	N/A	N/A	N/A
2011	914,661	860,018	94.03%	N/A	N/A	N/A

Source: Los Angeles County Auditor Controller's Office

CITY OF LAWNSDALE
Ratios of Outstanding Debt by Type
Last Four Fiscal Years

Fiscal Year Ended June 30	Governmental Activities		Total Governmental Activities	Percentage of Personal Income	Debt Per Capita ¹
	Notes Payable	Capital Leases			
2007	1,868,627	32,423	1,901,050	N/A	57
2008	1,821,601		1,821,601	N/A	54
2009	1,772,859		1,772,859	N/A	53
2010	23,097,438		23,097,438	N/A	687
2011	23,015,265		23,015,265	N/A	684

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

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

CITY OF LAWNSDALE
Direct and Overlapping Debt
June 30, 2011

City Assessed Valuation \$ 1,350,529,304

	Percentage Applicable ¹	Outstanding Debt 6/30/11	Estimated Share of Overlapping Debt
Direct and Overlapping Tax and Assessment Debt:			
CIEDB LOAN	100.000%	\$ 800,292	\$ 800,292
Centinela Vly Union HS Dist 2002 Ref Bd Ser A	12.901%	15,715,000	2,027,392
Centinela Vly Union HS Dist 2004 Ref Ser A	12.901%	32,950,000	4,250,880
Centinela Vly Union HS Dist 2000 Ref Ser D	12.901%	22,995,151	2,966,604
El Camino Com Col Dist 2002 S-2003A	2.290%	5,120,000	117,248
El Camino Com Col Dist 2005 Ref Bonds	2.290%	28,732,715	657,979
El Camino Com Col Dist 2002 Ser 2006B	2.290%	137,350,000	3,145,315
Hawthorne USD DS 1997 Series E	0.616%	7,365,000	45,368
Hawthorne S.D. DS 1997 Series B	0.616%	4,482,676	27,613
Hawthorne SD DS 1997 Series C	0.616%	3,124,844	19,249
Hawthorne Elem Sch Dist 1997 Ser D 2004 D DS	0.616%	1,337,115	8,237
Hawthorne SD 2004/2005 Series A	0.616%	7,410,061	45,646
Hawthorne S.D DS 2004 Series 2005B	0.616%	4,824,636	29,720
Hawthorne S.D 2004 Series C 2008	0.616%	8,971,559	55,265
Hawthorne S.D DS 2008, 2009 Series A	0.616%	6,665,001	41,056
Lawndale Elem Sch Dist 2010 Refunding Bonds	60.178%	13,170,000	7,925,443
Lawndale Elem Sch Dist 1998 Ser C Debt Svc	60.178%	3,000,000	1,805,340
Lawndale Elem Sch Dist 1998 Ser B Debt Svc	60.178%	5,505,000	3,312,799
Metropolitan Water District	0.159%	107,259,876	170,543
Total Overlapping Debt		<u>\$ 416,778,926</u>	<u>\$ 27,451,989</u>

Notes:

1 1

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

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

² The City has no direct debt.

Source: HdL Coren & Cone

CITY OF LAWNSDALE
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Assessed valuation	\$ 1,064,489,854	\$ 1,117,155,134	\$ 1,203,631,338	\$ 1,332,506,808
Debt limit percentage	15%	15%	15%	15%
Debt limit	159,673,478	167,573,270	180,544,701	199,876,021
Total net debt applicable to limit: General obligation bonds				
Legal debt margin	<u>\$ 159,673,478</u>	<u>\$ 167,573,270</u>	<u>\$ 180,544,701</u>	<u>\$ 199,876,021</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Lawndale CAFR Statistical Section-Computation of Legal Debt Margin

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 1,654,248,614	\$ 1,812,400,505	\$ 1,831,630,337	\$ 1,922,071,982	1,869,710,053	1,812,536,865	
15%	15%	15%	15%	# 15%	15%	
248,137,292	271,860,076	274,744,551	288,310,797	280,456,508	271,880,530	
<u>\$ 248,137,292</u>	<u>\$ 271,860,076</u>	<u>\$ 274,744,551</u>	<u>\$ 288,310,797</u>	<u>280,456,508</u>	<u>271,880,530</u>	
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF LAWNSDALE
Pledged-Revenue Coverage
Last Two Fiscal Years

Fiscal Year Ended June 30	Tax Allocation Loan Agreement ¹				Coverage Ratio
	Tax Increment	Debt Service			
		Principal	Interest		
2010	1,477,800	50,521	297,397	4.25	
2011	1,477,800	52,365	1,126,460	1.25	

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

Source: City Finance Department

CITY OF LAWNSDALE
Demographic and Economic Statistics
Last Ten Fiscal Years

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate ¹ (3)
2001	32,034	294,508	30,499	5.3%
2002	32,463	302,123	30,943	6.4%
2003	32,851	311,285	31,569	6.6%
2004	33,209	329,048	33,179	6.1%
2005	33,260	N/A	N/A	5.0%
2006	33,343	N/A	N/A	4.4%
2007	33,572	N/A	N/A	4.4%
2008	33,450	N/A	N/A	6.9%
2009	33,593	N/A	N/A	12.6%
2010	33,641	N/A	N/A	12.5%

Note: ¹ Unemployment Rate data for 1999 is shown for Los Angeles County.

Data for 2000-2006 is shown for the City.

Sources:

- (1) State Department of Finance
- (2) Office of Economic Development (data shown is for Los Angeles County)
- (3) State of California Employment Development Department

CITY OF LAWNDALE
Principal Employers
Current Year and Nine Years Ago

Employer	2011		2002	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
City of Lawndale	105	3.88%	N/A	N/A
Valu Plus Food Warehouse	72	2.66%	N/A	N/A
McDonalds of California	54	1.99%	N/A	N/A
American Drilling Company	52	1.92%	N/A	N/A
Big Saver Foods	51	1.88%	N/A	N/A
Advanced Veterinary Care Center	50	1.85%	N/A	N/A
Property Prep Inc.	45	1.66%	N/A	N/A
Smart & Fianal	43	1.59%	N/A	N/A
Guitar Center Stores, Inc.	41	1.51%	N/A	N/A
Carbro Corporation	40	1.48%	N/A	N/A
El Polla Inka	40	1.48%	N/A	N/A
Boston Market Corporation	38	1.40%	N/A	N/A
Wems Inc.	36	1.33%	N/A	N/A
Spires Restaurant	35	1.29%	N/A	N/A
Options for Life	34	1.26%	N/A	N/A

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

The City does not have data for 2002.

Source: State Department of Commerce
City of Lawndale

CITY OF LAWNSDALE
Full-time and Part-time City Employees
by Function
Last Ten Fiscal Years

<u>Function</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government	40	34	26	34	34	37	38	41	41	41
Public safety	11	13	11	12	14	12	14	14	13	13
Community development	6	6	5	5	6	6	7	7	7	7
Culture and leisure	34	36	18	29	31	42	43	43	44	44
Total	<u>91</u>	<u>89</u>	<u>60</u>	<u>80</u>	<u>85</u>	<u>97</u>	<u>102</u>	<u>105</u>	<u>105</u>	<u>105</u>

Source: City Budget Office

CITY OF LAWNSDALE
Operating Indicators
by Function
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Arrests	N/A	158	895	840	748	751	749	790	1,166	1,373
Parking citations issued	N/A	N/A	N/A	14,046	16,627	16,378	19,190	19,190	15,432	13,661
Parks and recreation:										
Number of recreation classes	N/A	8	8	8	8	15	15	15	15	15
Number of facility rentals	4	4	4	4	4	4	4	4	4	4

Source: City of Lawndale

CITY OF LAWNSDALE
Capital Asset Statistics
by Function
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Public works:										
Streets (miles)	67	67	67	67	67	67	67	67	67	67
Parks and recreation:										
Parks	4	4	4	4	4	4	4	5	5	5
Community centers	1	1	1	1	1	1	1	1	1	1

Source: City of Lawndale

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS**

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Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lawndale, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified deficiencies in internal control over financial reporting that we considered to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be a material weakness (2011-1) and (2011-2).

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

To the Honorable Mayor and Members of the City Council
of the City of Lawndale
Lawndale, California
Page 2

Compliance and Other Matters

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

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
March 26, 2012

SCHEDULE OF FINDINGS

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City of Lawndale
Schedule of Findings
June 30, 2011

2011-1 Prior Period Adjustments

Condition:

We have determined that processes utilized for closing and reporting of financial activity for the fiscal year ended June 30, 2011 resulted in an error on the prior year financial statements. The City did not record adjustments to interest rates of certain advances from the City to the Redevelopment Agency for \$243,215 and the principle balance of an advance from the City to the Redevelopment Agency for \$8,361,324.

Criteria:

An effective internal control system provides reasonable assurance, for the safeguarding of assets, the reliability of financial information and the compliance with laws and regulations.

Cause:

The City's policies and procedures for recording financial transactions were not effectively complied with in the prior years.

Effect:

The prior year financial statements of the City were restated for the following errors:

Advances to / from other funds - The City identified errors and recorded the following adjustments: increase advances to other funds and beginning fund balance for the General Fund for \$8,361,324, decrease advances to other funds and beginning fund balance for the Restricted Urban Development Fund for \$243,215, and a decrease in the advances from other funds and beginning fund balance for the Redevelopment Agency Debt Service Fund by \$8,118,109.

Recommendation:

We recommend that the City perform a more complete review of transactions for the year end general ledger accounts and closing process.

Management Response:

The processes for the closing and reporting of the financial activity for the fiscal year ended June 30, 2011 were not effectively complied with in the prior year. The City of Lawndale has a strong regard for the authoritative standards set forth by Governmental Accounting Standards Board (GASB) and will continue to be diligent in compliance with those standards.

**City of Lawndale
Schedule of Findings
June 30, 2011**

2011-2 Restatement of Schedule of Expenditures of Federal Awards

Condition:

When the City originally prepared the Schedule of Expenditures of Federal Awards (Schedule) for the year ended June 30, 2010, the City erroneously excluded certain federal expenditures in the Schedule. This error was identified by the City subsequent to the issuance of the Single Audit Reports for the year ended June 30, 2010.

Criteria:

In accordance with OMB A-133; Subpart C—Auditees; §___.310 “Financial statements.” (b) *Schedule of expenditures of Federal awards*; The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall: (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Cause:

The operational effectiveness of internal controls over preparation of the Schedule are ineffective. The information in the Schedule was not timely or appropriately reviewed for accuracy and completeness by individuals with sufficient knowledge of the grant programs involved.

Effect:

The Schedule was understated by \$382,624 for the Department of Housing and Urban Development, Economic Development Initiative Grant, CFDA # 14.251.

Recommendation:

We recommend that the City perform a more complete and timely review of the Schedule for the year by persons sufficiently familiar with the grant programs of the City and compare amounts to the general ledger. The City should also more thoroughly review all grant agreements for determination of all activities allowed or unallowed and allowable costs under each grant.

Management Response:

The expenditures that were not reported on the Schedule were costs that the City first thought were unallowable under the grant agreement. After further review it was determined that the costs were indeed allowable but the discovery came well after the 2010 single audit report was issued. The City of Lawndale will continue to be diligent in compliance with all reporting and single audit standards.