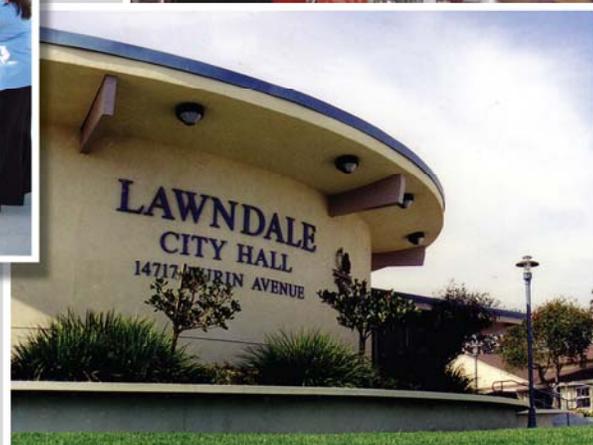




City of Lawndale Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2008



CITY OF LAWNSDALE, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2008

Prepared By:

Finance Department

CITY OF LAWNSDALE
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

Table of Contents

| | <i>Page(s)</i> |
|--|----------------|
| INTRODUCTORY SECTION | |
| Letter of Transmittal | i |
| Certificate of Achievement for Excellence in Financial Reporting – Government Finance Officers’ Association..... | vi |
| Organization Chart | vii |
| City Officials | viii |
| FINANCIAL SECTION | |
| Independent Auditor’s Report..... | 1 |
| Management’s Discussion and Analysis (Unaudited)..... | 3 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 15 |
| Statement of Activities..... | 16 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds..... | 20 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets | 23 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .. | 24 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 27 |
| Statement of Fiduciary Assets and Liabilities– Fiduciary Funds..... | 28 |
| Notes to Financial Statements | 31 |
| Required Supplementary Information (Unaudited): | |
| Budgetary Comparison Schedules – | |
| General Fund..... | 56 |
| Restricted Urban Development – Special Revenue Fund | 57 |
| Community Development Block Grant – Special Revenue Fund | 58 |
| Note to Required Supplementary Information | 59 |
| Public Agency Retirement System (PARS), Retirement Enhancement- Schedule of Funding Progress | 60 |

CITY OF LAWNSDALE
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

Table of Contents (Continued)

| | <i>Page(s)</i> |
|--|----------------|
| Supplementary Information: | |
| Major Fund Budgetary Comparison Schedules – | |
| Redevelopment Agency Capital Projects Fund..... | 62 |
| Redevelopment Agency Debt Service Fund..... | 63 |
| Description of Nonmajor Governmental Funds | 64 |
| Combining Balance Sheet – Nonmajor Governmental Funds | 66 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – | |
| Nonmajor Governmental Funds | 78 |
| Budgetary Comparison Schedules – | |
| Special Revenue Funds: | |
| Gas Tax Fund | 78 |
| Air Quality Fund | 79 |
| Traffic Congestion Relief AB2928 Fund..... | 80 |
| Sewer Reconstruction Fund | 81 |
| Proposition A – Local Transit Assistance Fund | 82 |
| Proposition C – Local Transit Assistance Fund..... | 83 |
| State Transit Program (Local) Fund | 84 |
| Narcotics Forfeiture Fund | 85 |
| State COPS Grant Fund | 86 |
| California Law Enforcement Equipment Program | 87 |
| Used Oil Recycling Grant Fund..... | 88 |
| Lawndale Cable Usage Corporation Fund..... | 89 |
| Hawthorne Boulevard Maintenance Fund | 90 |
| Urban Parks Grant Fund | 91 |
| Office of Traffic and Safety Grant Fund..... | 92 |
| Department of Conservation Grant..... | 93 |
| County Specified Grant Fund | 94 |
| Low-Moderate Income Housing Fund | 95 |
| State of California Bond Act 2000/2002 Fund | 96 |
| Justice Assisted Grant Fund..... | 97 |
| Department of Homeland Security Grant Fund..... | 98 |
| Park Development Fund | 99 |
| State Urban Park Grant | 100 |
| Economic Development Initiative Fund | 101 |
| Prop 1B..... | 102 |
| Fiduciary Funds..... | 103 |
| Statement of Changes in Assets and Liabilities – Agency Funds | 104 |

CITY OF LAWNSDALE
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

Table of Contents (Continued)

Page(s)

STATISTICAL SECTION (Unaudited)

| | |
|---|-----|
| Statistical Section Table of Contents..... | 107 |
| Net Assets by Component | 108 |
| Changes in Net Assets..... | 109 |
| Fund Balances of Governmental Funds | 110 |
| Changes in Fund Balances of Governmental Funds..... | 111 |
| Assessed Value and Estimated Actual Value of Taxable Property | 112 |
| Direct and Overlapping Property Tax Rates | 113 |
| Principal Property Tax Payers | 114 |
| Property Tax Levies and Collections | 115 |
| Ratios of Outstanding Debt by Type | 116 |
| Direct and Overlapping Debt..... | 117 |
| Legal Debt Margin Information..... | 118 |
| Pledged – Revenue Coverage | 120 |
| Demographic and Economic Statistics..... | 121 |
| Principal Employers | 122 |
| Full-Time and Part-Time City Employees by Function..... | 123 |
| Operating Indicators by Function | 124 |
| Capital Asset Statistics by Function | 126 |

INTRODUCTORY SECTION

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January 2, 2009

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, 2008 (FY08) 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, Macias Gini & O'Connell 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 FY08, 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. As of January 1, 2008 the City population was estimated by the California State Department of Finance at approximately 35,000.

ECONOMIC ENVIRONMENT

The General Fund's main revenue sources remained solid in FY08. Led by Sales Tax of \$2.9 million, Motor Vehicle In-Lieu of \$2.9 million, and Utility User's Tax of \$2.1 million, this balanced trio enabled the General Fund to finish with a positive change to fund balance of \$478,950. With the nation in an apparent economic downturn and, by definition, officially in a recession, we consider ourselves fortunate to have achieved stable General Fund revenues through the close of the fiscal year.

Fiscal year 2008 was the first 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 will go toward the construction of a new park, park improvements, street and sidewalk improvements and traffic signal improvements. In April of 2008, 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.

With the national and local economy in apparent disarray, Lawndale will exercise a greater level of caution as it seeks to continue carrying out the CIP.

Despite the gloomy national economic conditions, there is a positive feeling around the City as the new County Library nears completion. A true showpiece, this 17,500 square foot building will help to transform the look of the civic center and will be the first of two City icons as the City begins planning for the new Community Center, which is projected to open in 2011. The City Manager has created an internal and external planning group to discuss both the building and financial structure of this large-scale project.

Though the feeling is growth and productivity, the City will continue to possess a "guarded optimism" as external factors could always impair the City's current progress. Some of those external factors include:

- Volatile fuel and utility costs
- Future increases in the Los Angeles Sheriff's Contract
- Long-term Economic downturn
- Legislative enactments that could reduce/eliminate revenue
- State budget shortfalls which could redirect local revenue

External factors are always of concern as they are not within the control of management or the City Council. Management must remain diligent and foresee potential upcoming situations that could adversely affect the organization.

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 the year ended June 30, 2007, published in a separately issued report, indicated that there were no material weaknesses in internal controls.

CASH MANAGEMENT

Funds which 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, 2008 totaled \$1,772,108.

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. This insurance protection is underwritten by several insurance companies. The City of Lawndale 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 \$16,042,352. There is a \$5,000 per occurrence except for non-emergency vehicle insurance which has a \$1,000 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 of Lawndale property 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 105.6% 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.

Effective July 1, 2007, the City enrolled the City Manager in a 3% at 65 plan and the Central Management Team in a 3% at 55 plan through the Public Agency Retirement System (PARS). This will serve as a retirement supplement to the current PERS system and in like-fashion the City will make contributions on behalf of its members.

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 Macias Gini & O'Connell, LLP (formerly, Moreland & Associates, 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 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,



Keith Breskin
City Manager



Ken Louie
Finance Director/City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lawndale
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Charles S. Cox

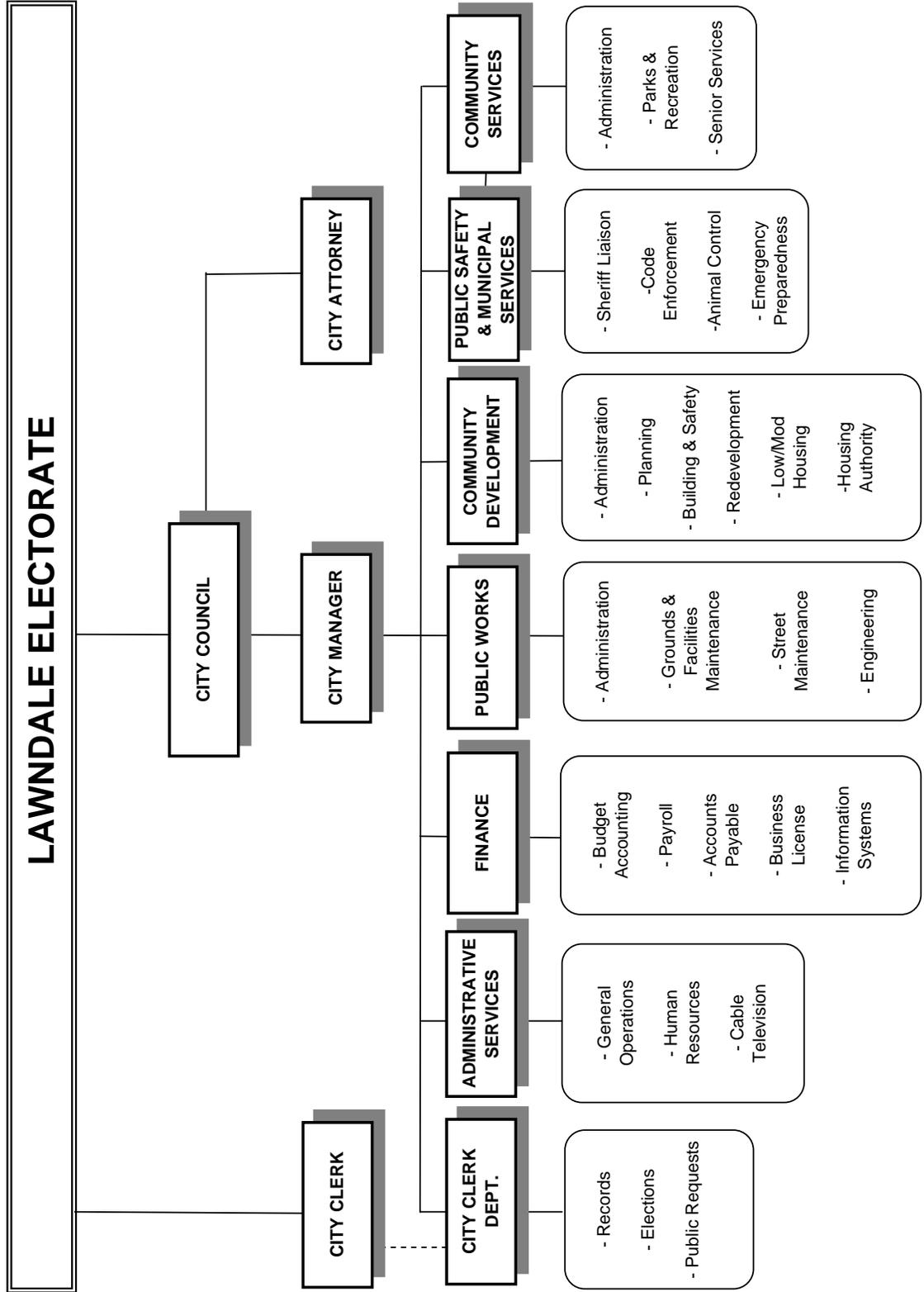
President

Jeffrey R. Emer

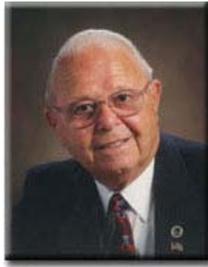
Executive Director

CITY OF LAWNDALE

City-Wide Organizational Chart



■ **CITY ELECTED OFFICIALS**



**Mayor
Harold Hofmann**

Elected: April 2008



**Mayor Pro Tem
Jim Ramsey**

Elected: April 2006



**Councilmember
Larry Rudolph**

Elected: April 2006



**Councilmember
Robert Pullen-Miles**

Elected: April 2008



**Councilmember
Jim Osborne**

Elected: April 2008

City Clerk Paula Hartwill
Elected: April 2006

■ **CENTRAL MANAGEMENT TEAM**

City Manager: Keith Breskin
Director of Finance/City Treasurer: Ken Louie
Director of Public Works: Marlene Miyoshi
Assistant City Clerk: Pam Giamario
Community Development Director: Otis Ginoza
Director of Community Services: Mike Estes

FINANCIAL SECTION

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

NEWPORT BEACH
1201 Dove Street, Suite 680
Newport Beach, CA 92660
949.221.0025

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

The Honorable City Council of
the City of Lawndale, California

Independent Auditor's Report

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lawndale's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lawndale, California, as of June 30, 2008 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2009 on our consideration of the City of Lawndale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Macias Jini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

March 23, 2009

CITY OF LAWDALE, CALIFORNIA

Management's Discussion and Analysis

As management of the City of Lawndale, we offer readers of the City's financial statements this narrative discussion and analysis of the financial activities for fiscal year ended June 30, 2008. 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- viii of this report.

Financial Highlights

- The assets of the City of Lawndale exceed its liabilities, at the close of the fiscal year ended June 30, 2008, by \$52,430,471 (*total net assets*). Of this amount, \$23,639,533 (*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 \$3,001,508. The main increase is attributable to the increase in governmental funds fund balances.
- As of June 30, 2008, the City's governmental funds reported combined ending fund balances of \$33,192,548 an increase of \$2,897,063 in comparison with the prior year. The increase in combined ending fund balances is primarily attributable to an increase in grants received in relation to both the CDBG program and Community Center-related grants. Approximately \$13,593,896 (*unreserved fund balance*) is available for spending at the government's discretion.
- As of June 30, 2008, unreserved fund balance for the General Fund was \$14,840,892 or 113%, 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 15-17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of 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 Lawnsdale maintains 30 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 Community Development Block Grant 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 25 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 Lawnsdale 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 19-27 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 29-53 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* which is comprised of budgetary comparison schedule for the General Fund and the Major Special Revenue Funds.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the other required supplementary information referred to in the preceding paragraph. Combining and individual fund statements and schedules can be found on pages 60-110 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 \$52,430,471 at June 30, 2008. A large portion of the City's total net assets (40 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 (\$23,639,533 or 45 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

| City of Lawndale Net Assets Governmental Activities | Fiscal Year 2007-2008 | Fiscal Year 2006-2007 | Variance Increase (Decrease) | Percentage Increase (Decrease) |
|--|----------------------------------|----------------------------------|---|---|
| Current and other assets | \$36,311,469 | \$32,330,949 | \$3,980,520 | 12.31% |
| Capital assets | 20,933,963 | 20,805,403 | 128,560 | .62% |
| Total assets | 57,245,432 | 53,136,352 | 4,109,080 | 7.73% |
| Long-term liabilities outstanding | 2,312,021 | 2,282,058 | 29,963 | 1.32% |
| Other liabilities | 2,502,940 | 2,673,233 | (170,293) | (6.37%) |
| Total liabilities | 4,814,961 | 4,955,291 | (140,330) | (2.80%) |
| Invested in capital assets, net of related debt | 20,933,963 | 18,904,353 | 2,029,610 | 10.74% |
| Restricted | 7,856,975 | 7,726,436 | 130,539 | 1.69% |
| Unrestricted | 23,639,533 | 22,798,174 | 841,359 | 3.69% |
| Total Net Assets | \$52,430,471 | \$49,428,963 | \$3,001,508 | 6.07% |

Governmental activities. Governmental activities increased the City's net assets by \$3,001,508.

CITY OF LAWDALE, CALIFORNIA

Management's Discussion and Analysis

| City of Lawndale Changes in Net Assets Governmental Activities | Fiscal Year 2007-2008 | Fiscal Year 2006-2007 | Variance Increase (Decrease) | Percentage Increase (Decrease) |
|---|----------------------------------|----------------------------------|---|---|
| Program revenues: | | | | |
| Charges for services | \$1,984,589 | \$ 2,235,336 | \$(250,747) | (12.63%) |
| Operating contributions and grants | 108,086 | 100,000 | 8,086 | 8.09% |
| Capital contributions and grants | 2,281,805 | 1,790,309 | 491,496 | 27.45% |
| General revenues: | | | | |
| Property taxes | 5,698,919 | 5,107,768 | 591,151 | 11.57% |
| Other taxes | 10,703,862 | 11,212,620 | (508,758) | (4.75%) |
| Other general revenues | 1,916,278 | 1,791,924 | 124,354 | 6.94% |
| Total revenues | 22,693,539 | 22,237,957 | 455,582 | |
| Expenses: | | | | |
| General government | 3,485,632 | 2,879,316 | 606,316 | 21.06% |
| Public safety | 4,765,368 | 4,254,862 | 510,506 | 12.00% |
| Municipal services | 3,865,148 | 4,823,633 | (958,485) | (24.80%) |
| Planning and community development | 5,351,549 | 2,774,214 | 2,577,335 | 92.90% |
| Recreation and community services | 1,635,332 | 1,473,821 | 161,511 | 10.96% |
| Interest and fiscal charges | 589,002 | 639,643 | (50,641) | 7.92% |
| Total expenses | 19,692,031 | 16,845,489 | 2,846,542 | 16.90% |
| Increase in Net Assets | 3,001,508 | 5,392,468 | (2,390,960) | (79.58%) |
| Net Assets – Beginning of Year, as Restated | \$49,428,963 | \$42,788,593 | 6,640,370 | 15.52% |
| Restatement to Beginning Net Assets | | 1,247,902 | | |
| Restated Beginning Net Assets | | 44,036,495 | | |
| Net Assets –End of Year | \$52,430,471 | \$49,428,963 | \$3,001,508 | 6.07% |

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

- The difference in the method of accounting for capital assets in the governmental funds versus the statement of activities accounts. Governmental funds fully expend capital asset costs in the period they are acquired.

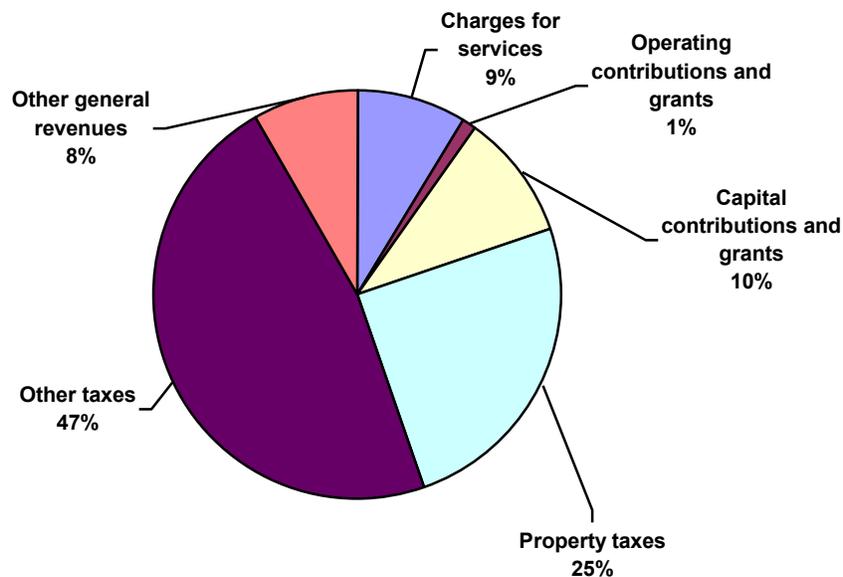
CITY OF LAWNSDALE, CALIFORNIA

Management's Discussion and Analysis

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives.

- General and Capital Projects Fund balances were depleted for additional necessary capital improvements in the current fiscal year, including the completion of the Hawthorne Blvd. Project and the Manhattan Beach Blvd Project.

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 \$33,192,548 an increase of \$2,897,063 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, unreserved fund balance of the General Fund was \$14,840,892, while total fund balance reached \$17,993,130. As a measure of the fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 113 percent of total General Fund expenditures, while total fund balance represents 137 percent of that same amount.

During the current fiscal year, the fund balance of the City's General fund increased by \$478,950. Fiscal year 2006-07 also saw an increase of \$2,361,255. The continued increases in fund balance are attributable to solid returns in Sales Tax and Property

CITY OF LAWNDALE, CALIFORNIA

Management's Discussion and Analysis

Tax Revenue. General Fund expenditures reflected an increase of \$2,245,807 from fiscal year 2006-07.

The Debt Service Fund has a deficit fund balance of \$1,226,749. Although the Redevelopment Agency is currently experiencing a positive cash flow scenario, 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. Advances increased \$417,578 during 2007-08.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$20,933,963 (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 the fiscal year 2006-07 amount by \$128,560.

| City of Lawndale Capital Assets (Net of Depreciation) Governmental Activities | Fiscal Year 2007-2008 | Fiscal Year 2006-2007 | Variance Increase (Decrease) | Percentage Increase (Decrease) |
|--|----------------------------------|----------------------------------|---|---|
| Land | \$966,000 | \$966,000 | | |
| Buildings and structures | 4,574,625 | 3,043,092 | 1,531,533 | 50.33% |
| Machinery and equipment | 716,628 | 520,803 | 195,825 | 37.60% |
| Improvements other than buildings | 131,307 | 138,580 | (7,273) | (5.54%) |
| Infrastructure | 14,422,624 | 14,533,744 | (111,120) | (.77%) |
| Construction in progress | 122,779 | 1,603,184 | (1,480,405) | (1,305.75) |
| <i>Total</i> | \$20,933,963 | \$20,805,403 | \$128,560 | .62% |

Additional information regarding the City's capital assets can be found in Note 3d on pages 43-44.

CITY OF LAWNSDALE, CALIFORNIA

Management's Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City of Lawndale had total debt outstanding of \$2,312,021. The City has no bonded debt or certificates of participation debt.

| City of Lawndale Outstanding Debt Governmental Activities | Fiscal Year 2007-2008 | Fiscal Year 2006-2007 | Variance Increase (Decrease) | Percentage Increase (Decrease) |
|--|----------------------------------|----------------------------------|---|---|
| Notes Payable | \$1,821,601 | \$1,868,627 | \$(47,026) | (2.58%) |
| Capital Leases | | 32,423 | (32,423) | (100.00%) |
| Compensated absences | 490,420 | 381,008 | 109,412 | 28.72% |
| Total | \$2,312,021 | \$2,282,058 | \$29,963 | 1.31% |

The City's total debt increased by \$29,963 (1.31 percent) during the current fiscal year, due to Notes Payable and Compensated Absences.

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 Lawndale 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 3.E. on page 44 of this report.

Current Economic Factors and Future Outlook

The General Fund's main revenue sources remained solid in FY08. Led by Sales Tax of \$2.9 million, Motor Vehicle In-Lieu of \$2.9 million, and Utility User's Tax of \$2.1 million, this balanced trio enabled the General Fund to finish with a positive change to fund balance of \$478,950. With the nation in an apparent economic downturn and, by definition, officially in a recession, we consider ourselves fortunate to have achieved stable General Fund revenues through the close of the fiscal year.

Fiscal year 2008 was the first 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 will go toward the construction of a new park, park improvements, street and sidewalk improvements and traffic signal improvements. In April of 2008, the voters resoundingly approved the expenditure of funds for a new community center. This

CITY OF LAWNSDALE, CALIFORNIA

Management's Discussion and Analysis

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.

With the national and local economy in apparent disarray, Lawndale will exercise a greater level of caution as it seeks to continue carrying out the CIP. The City will further continue to seek grant funding for new projects in the interest of protecting its General Fund reserves.

Despite the gloomy national economic conditions, there is a positive feeling around the City as the mid-century modern County Library was recently completed. A true showpiece, this building has transformed the look of civic center and will likely be the first of two City icons as the City begins planning for the new Community Center which will sit adjacent to the Library. The City Manager has created an internal and external planning group to discuss both the building and financial structure of this large-scale project.

Though the feeling is growth and productivity, the City will continue to possess a "guarded optimism" as external factors could always impair the City's current progress. Some of those external factors include:

- Volatile fuel and utility costs
- Future increases in the Los Angeles Sheriff's contract
- Long-term economic downturn
- Legislative enactments that could reduce/eliminate revenue
- State budget shortfalls which could redirect local revenue

External factors are always of concern as they are not within the control of management or the City Council. Management must remain diligent and foresee potential upcoming situations that could adversely affect the organization.

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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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF LAWDALE
Statement of Net Assets
June 30, 2008

| | Governmental Activities |
|---------------------------------------|------------------------------------|
| Assets: | |
| Cash and investments | \$ 31,830,404 |
| Receivables: | |
| Accounts, net | 1,913,310 |
| Interest | 231,171 |
| Loans | 643,684 |
| Land held for development | 1,692,900 |
| Capital assets, not being depreciated | 1,088,779 |
| Capital assets being depreciated, net | 19,845,184 |
| Total assets | 57,245,432 |
| Liabilities: | |
| Accounts payable and accrued expenses | 2,337,526 |
| Interest payable | 27,703 |
| Deposits | 137,711 |
| Long-term liabilities: | |
| Due within one year | 99,742 |
| Due in more than one year | 2,212,279 |
| Total liabilities | 4,814,961 |
| Net assets: | |
| Invested in capital assets | 20,933,963 |
| Restricted: | |
| Community development | 3,328,026 |
| Municipal services | 4,369,424 |
| Other purposes | 159,525 |
| Unrestricted | 23,639,533 |
| Total net assets | \$ 52,430,471 |

See Accompanying Notes to Financial Statements.

CITY OF LAWDALE
Statement of Activities
For the Year Ended June 30, 2008

| <u>Fuctions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | |
|------------------------------------|----------------------|-----------------------------|---|
| | | <u>Charges for Services</u> | <u>Operating Contributions and Grants</u> |
| Governmental activities: | | | |
| General government | \$ 3,485,632 | \$ 787,712 | \$ 8,086 |
| Public safety | 4,765,368 | 776,842 | 100,000 |
| Municipal services | 3,865,148 | 87,078 | |
| Planning and community development | 5,351,549 | 271,779 | |
| Recreation and community services | 1,635,332 | 61,178 | |
| Interest and fiscal charges | 589,002 | | |
| | <u>589,002</u> | <u> </u> | <u> </u> |
| Total governmental activities | <u>\$ 19,692,031</u> | <u>\$ 1,984,589</u> | <u>\$ 108,086</u> |

General revenues:

Taxes:

Property tax, levied for general purpose

Property tax, Redevelopment Agency tax increment

Transient occupancy tax

Franchise tax

Sales tax

Motor vehicle in-lieu tax

Utility users tax

Investment income

Other

Total general revenues

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

See Accompanying Notes to Financial Statements.

| Program Revenues | Net (Expense) Revenue and Changes In Net Assets |
|---|--|
| Capital Contributions and Grants | Net Governmental Activities |
| \$ | \$ (2,689,834) |
| 47,464 | (3,841,062) |
| 2,194,244 | (1,583,826) |
| | (5,079,770) |
| 40,097 | (1,534,057) |
| | (589,002) |
| <u>\$ 2,281,805</u> | <u>(15,317,551)</u> |

1,040,634
4,658,285
557,274
797,021
4,326,972
2,887,207
2,135,388
1,746,387
169,891

18,319,059

3,001,508

49,428,963

\$ 52,430,471

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FUND FINANCIAL STATEMENTS

CITY OF LAWNSDALE
Governmental Funds
Balance Sheet
June 30, 2008

| | <u>General</u> | <u>Special Revenue Funds</u> | |
|---------------------------------------|----------------------|---|--|
| | | <u>Restricted Urban Development</u> | <u>Community Development Block Grant</u> |
| Assets: | | | |
| Cash and investments | \$ 12,737,089 | \$ 783,555 | \$ - |
| Receivables: | | | |
| Accounts | 1,053,397 | - | 680,679 |
| Interest | 126,422 | 5,746 | - |
| Loans | - | - | 347,105 |
| Due from other funds | 5,862,995 | - | - |
| Advances to other funds | 131,238 | 11,638,625 | - |
| Land held for development | - | - | - |
| Total assets | <u>\$ 19,911,141</u> | <u>\$ 12,427,926</u> | <u>\$ 1,027,784</u> |
| Liabilities and fund balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,715,842 | \$ - | \$ 70,608 |
| Accrued wages | 79,131 | - | - |
| Sales tax payable | 327 | - | - |
| Due to other funds | - | - | 610,071 |
| Retentions payable | - | - | - |
| Deferred revenue | - | - | 347,105 |
| Deposits | 122,711 | - | - |
| Advances from other funds | - | - | - |
| Total liabilities | <u>1,918,011</u> | <u>-</u> | <u>1,027,784</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| UDAG unrestricted principal | 2,840,000 | - | - |
| MOU costs | 181,000 | - | - |
| Advances to other funds | 131,238 | 11,638,625 | - |
| Land held for development | - | - | - |
| Housing fund | - | - | - |
| Unreserved, undesignated: | | | |
| General fund | 14,840,892 | - | - |
| Special revenue funds | - | 789,301 | - |
| Capital projects fund | - | - | - |
| Debt service fund | - | - | - |
| Total fund balances | <u>17,993,130</u> | <u>12,427,926</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 19,911,141</u> | <u>\$ 12,427,926</u> | <u>\$ 1,027,784</u> |

See Accompanying Notes to Financial Statements.

| Capital Projects | Debt Service | Nonmajor Governmental Funds | Totals |
|---------------------------------|---------------------------------|--|----------------------|
| Redevelopment Agency | Redevelopment Agency | | |
| \$ - | \$ 10,386,422 | \$ 7,923,338 | \$ 31,830,404 |
| - | 112,712 | 66,522 | 1,913,310 |
| - | 43,980 | 55,023 | 231,171 |
| - | - | 296,579 | 643,684 |
| - | - | - | 5,862,995 |
| - | - | - | 11,769,863 |
| 1,692,900 | - | - | 1,692,900 |
| <u>\$ 1,692,900</u> | <u>\$ 10,543,114</u> | <u>\$ 8,341,462</u> | <u>\$ 53,944,327</u> |
| \$ 152,385 | \$ - | \$ 245,534 | \$ 2,184,369 |
| 14,925 | - | 11,436 | 105,492 |
| - | - | - | 327 |
| 4,678,302 | - | 574,622 | 5,862,995 |
| 47,338 | - | - | 47,338 |
| - | - | 296,579 | 643,684 |
| 15,000 | - | - | 137,711 |
| - | 11,769,863 | - | 11,769,863 |
| <u>4,907,950</u> | <u>11,769,863</u> | <u>1,128,171</u> | <u>20,751,779</u> |
| - | - | - | 2,840,000 |
| 11,600 | - | 29,500 | 222,100 |
| - | - | - | 11,769,863 |
| 1,692,900 | - | - | 1,692,900 |
| - | - | 3,073,789 | 3,073,789 |
| - | - | - | 14,840,892 |
| - | - | 4,110,002 | 4,899,303 |
| (4,919,550) | - | - | (4,919,550) |
| - | (1,226,749) | - | (1,226,749) |
| <u>(3,215,050)</u> | <u>(1,226,749)</u> | <u>7,213,291</u> | <u>33,192,548</u> |
| <u>\$ 1,692,900</u> | <u>\$ 10,543,114</u> | <u>\$ 8,341,462</u> | <u>\$ 53,944,327</u> |

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CITY OF LAWNSDALE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

Fund Balances of governmental funds \$ 33,192,548

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 | \$ 25,563,727 | |
| Accumulated depreciation | <u>(4,629,764)</u> | 20,933,963 |

Long-term notes receivable are not current financial resources and, therefore,
are reported as deferred revenue in the governmental funds. 643,684

Interest expenditures are recognized when due and, therefore, interest payable
is not recorded in the governmental funds. (27,703)

Long-term liabilities, including notes, are not due and payable in the current
period and, therefore, are not reported in the funds. (2,312,021)

Net assets of governmental activities \$ 52,430,471

See Accompanying Notes to Financial Statements.

CITY OF LAWNSDALE
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2008

| | <u>General</u> | <u>Special Revenue Restricted Urban Development</u> | <u>Special Revenue Community Development Block Grant</u> |
|--|----------------------|---|--|
| Revenues: | | | |
| Sales and use taxes | \$ 2,900,483 | \$ - | \$ - |
| Utility user tax | 2,135,388 | - | - |
| Other taxes | 2,078,337 | - | - |
| Motor vehicle in-lieu | 2,887,207 | - | - |
| Licenses and permits | 615,866 | - | - |
| Fines and forfeitures | 776,842 | - | - |
| Subventions and grants | - | - | 1,526,064 |
| Use of money and property | 706,919 | 550,079 | - |
| Charges for services | 827,869 | - | - |
| Miscellaneous | 144,213 | - | - |
| Total revenues | <u>13,073,124</u> | <u>550,079</u> | <u>1,526,064</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 3,302,901 | - | - |
| Public safety | 4,593,418 | - | - |
| Municipal services | 2,710,983 | - | - |
| Planning and community development | 1,323,656 | - | 1,526,064 |
| Recreation and community services | 1,170,835 | - | - |
| Capital outlay | - | - | - |
| Debt service: | | | |
| Principal retirement | 32,423 | - | - |
| Interest and fiscal charges | - | - | - |
| Total expenditures | <u>13,134,216</u> | <u>-</u> | <u>1,526,064</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(61,092)</u> | <u>550,079</u> | <u>-</u> |
| Other financing sources (uses): | | | |
| Transfers in | 540,104 | - | - |
| Transfers out | (62) | (100,000) | - |
| Total other financing sources (uses) | <u>540,042</u> | <u>(100,000)</u> | <u>-</u> |
| Net change in fund balances | 478,950 | 450,079 | - |
| Fund balances, beginning of year, as restated | <u>17,514,180</u> | <u>11,977,847</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 17,993,130</u> | <u>\$ 12,427,926</u> | <u>\$ -</u> |

See Accompanying Notes to Financial Statements.

| <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Totals</u> |
|---------------------------------|---------------------------------|--|----------------------|
| <u>Redevelopment Agency</u> | <u>Redevelopment Agency</u> | | |
| \$ - | \$ - | \$ 1,426,489 | \$ 4,326,972 |
| - | - | - | 2,135,388 |
| - | 3,726,628 | 931,657 | 6,736,622 |
| - | - | - | 2,887,207 |
| - | - | - | 615,866 |
| - | - | - | 776,842 |
| - | - | 855,741 | 2,381,805 |
| 12,080 | 214,904 | 288,126 | 1,772,108 |
| - | - | 71,788 | 899,657 |
| - | - | 12,539 | 156,752 |
| <u>12,080</u> | <u>3,941,532</u> | <u>3,586,340</u> | <u>22,689,219</u> |
| 8,987 | - | 32,422 | 3,344,310 |
| - | - | 150,714 | 4,744,132 |
| 96,961 | - | 1,399,494 | 4,207,438 |
| 1,238,438 | 936,250 | 188,622 | 5,213,030 |
| - | - | 441,026 | 1,611,861 |
| 1,406 | - | - | 1,406 |
| - | 47,026 | - | 79,449 |
| - | 590,530 | - | 590,530 |
| <u>1,345,792</u> | <u>1,573,806</u> | <u>2,212,278</u> | <u>19,792,156</u> |
| <u>(1,333,712)</u> | <u>2,367,726</u> | <u>1,374,062</u> | <u>2,897,063</u> |
| - | - | 62 | 540,166 |
| (440,104) | - | - | (540,166) |
| <u>(440,104)</u> | <u>-</u> | <u>62</u> | <u>-</u> |
| (1,773,816) | 2,367,726 | 1,374,124 | 2,897,063 |
| (1,441,234) | (3,594,475) | 5,839,167 | 30,295,485 |
| <u>\$ (3,215,050)</u> | <u>\$ (1,226,749)</u> | <u>\$ 7,213,291</u> | <u>\$ 33,192,548</u> |

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CITY OF LAWNSDALE
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances – total governmental funds \$ 2,897,063

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

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

| | | |
|----------------------|------------------|---------|
| Capital assets | \$ 944,551 | |
| Depreciation expense | <u>(815,991)</u> | 128,560 |

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 | \$ (88,769) | |
| New loans funded | <u>93,089</u> | 4,320 |

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. This amount is the net effect of these differences in the treatment of long-term liabilities. 79,449

Interest expense, change in interest payable 1,528

Compensated absences expense 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. (109,412)

Change in net assets of governmental activities \$ 3,001,508

See Accompanying Notes to Financial Statements.

CITY OF LAWNSDALE
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds
June 30, 2008

| | <u>Agency Funds</u> |
|--------------------------|--------------------------|
| Assets: | |
| Cash and investments | \$ 587,625 |
| Accounts receivable | <u>536</u> |
| | |
| Total assets | <u><u>\$ 588,161</u></u> |
| | |
| Liabilities: | |
| Due to other governments | <u><u>\$ 588,161</u></u> |

See Accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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CITY OF LAWNSDALE
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The 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.

Blended Component Units

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.

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.

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 only activities of the Housing Authority are related to Section 8 Rental Assistance Program which is reported as an Agency Fund.

(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 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.

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

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 government 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 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.

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

The *Community Development Block Grant Special Revenue Fund* is used to account for monies received and expended by the City as a participant in the Federal Community Block Grant programs.

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 federal 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.

(d) *Assets, Liabilities, and Net Assets or Equity*

1. *Investments*

Investments are reported at fair value. 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, except for assets held by fiscal agents. 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 cash and investment balance.

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

2. *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). All other outstanding balances between funds are reported as “due to/from other funds.”

3. *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 two years. 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 Building Improvements | 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 LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

4. *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 resale 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.

5. *Employee Compensated Absences*

Vacation and sick leave benefits are accrued as earned by employees. Compensated absences, which are expected to be paid with available current resources, are accounted for as liabilities of the governmental funds. 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.

6. *Fund Balances*

Reserved fund balances generally represent those portions of fund balances that are associated with non-current or restricted assets and are not available for future appropriations. Designations of fund balance represent tentative management plans that are subject to change.

7. *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, which are received from the county within sixty days after year-end.

| | |
|------------|---------------------------|
| Lien date | January 1 |
| Levy date | June 30 |
| Due date | November 1 and February 1 |
| Delinquent | December 11 and April 11 |

8. *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.

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

(2) Stewardship, Compliance, and Accountability

(a) Deficit Fund Balance

The following funds had deficit fund balances at June 30, 2008:

| | Deficit Balance |
|--|----------------------------|
| Redevelopment Agency Capital Projects Fund | \$ (3,215,050) |
| Redevelopment Agency Debt Service Fund | (1,226,749) |
| Nonmajor Special Revenue Funds: | |
| Air Quality | (1,217) |
| State Transit Program(Local) | (67,650) |
| Used Oil Recycling Grant | (8,227) |
| Urban Parks Grant | (30,678) |
| Office of Traffic and Safety Grant | (6,607) |
| County Specified Grant | (272,100) |
| State of California Bond Act of 2000/2002 | (35,280) |
| Economic Development Initiative | (149,115) |

The deficits in the Capital Projects and Special Revenue Funds will be financed through future revenues of the funds. The Debt Service Fund deficit is expected to be repaid in the future with tax increment revenues generated by the Redevelopment Agency.

(b) Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds for the year ended June 30, 2008:

| Fund | Amount Over Budget |
|--|-----------------------------------|
| Redevelopment Agency Debt Service | \$ 486,616 |
| Nonmajor special revenue funds: | |
| Air Quality | 8,835 |
| Traffic Congestion Relief AB2928 | 187,023 |
| Hawthorne Boulevard Maintenance | 21,435 |

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

(3) Detailed Notes on All Funds

(a) Cash and Investments

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

| | |
|----------------------------|-----------------------------|
| Cash and investments: | |
| Governmental funds | \$ 31,830,404 |
| Fiduciary funds | <u>587,625</u> |
| Total cash and investments | <u><u>\$ 32,418,029</u></u> |

Cash and investments as of June 30, 2008 consist of the following:

| | |
|--|-----------------------------|
| Cash on hand | \$ 1,150 |
| Cash held by County of Los Angeles | 587,625 |
| Deposits with financial institutions | 964,344 |
| Investments (Local Agency Investment Fund) | <u>30,864,910</u> |
| Total cash and investments | <u><u>\$ 32,418,029</u></u> |

Investments Authorized by the City's Investment Policy

The City of Lawndale'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 the bond indentures. Investments are limited to:

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentages of Portfolio *</u> | <u>Maximum Investment in One Issuer</u> |
|-------------------------------------|-------------------------|---|---|
| U.S. Treasury Bills | 1 year | None | None |
| U.S. Treasury Notes | 10 years | None | None |
| Federal Agency Issues | N/A | None | None |
| Certificate 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 trustee 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 212 days at June 30, 2008. The weighted average maturity of the investment in the County Pool is 1.75 years.

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 LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

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.

LAIF management has indicated that as of June 30, 2008, the amortized cost of the pool was \$70,027,950,242 and the estimated fair value of the pool was \$70,024,464,150. Included in the LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$6,113.006 million and asset backed securities totaling \$4,188.272 million.

Investments in County of Los Angeles Pool

The City's investment in the County 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 cost, of the

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

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 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, 2008, \$88,769 of loan repayments were received, and the City funded 6 new loans totaling \$93,089. The balance of the loans receivable outstanding at June 30, 2008 was \$643,684.

(c) Interfund Receivables, Payables and Transfers

Individual interfund balances were as follows at June 30, 2008:

| | Due From Other Funds | Due to Other Funds |
|--|---------------------------------|-------------------------------|
| General Fund | \$ 5,862,995 | \$ - |
| Community Development Block Grant | - | 610,070 |
| Redevelopment Agency Capital Projects Fund | - | 4,678,302 |
| Nonmajor special revenue funds: | | |
| Air Quality | - | 7,713 |
| State Transit Program (Local) | - | 67,650 |
| Used Oil Recycling Grant | - | 6,875 |
| Urban Parks Grant | - | 30,678 |
| Office of Traffic and Safety Grant | - | 6,607 |
| County Specified Grant | - | 272,101 |
| State of CA Bond Act of 2000/2002 | - | 33,884 |
| Economic Development Initiative Fund | - | 149,115 |
| | \$ 5,862,995 | \$ 5,862,995 |
| Total | | |

The balances owed to the General Fund are related to deficit cash balances in each of these funds at June 30, 2008. The City expects each fund to repay the General Fund in fiscal year 2008-09 when revenues are received by the funds, and through a transfer from other fund.

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

Interfund Transfers

| Transfers Out | Transfers In | | |
|--|---------------------|---|-------------------|
| | General Fund | Nonmajor Special Revenue Funds | Total |
| General Fund | \$ - | \$ 62 | \$ 62 |
| Restricted Urban Development Special Revenue Fund | 100,000 | - | 100,000 |
| Redevelopment Agency Capital Projects Fund | 440,104 | - | 440,104 |
| Total | \$ 540,104 | \$ 62 | \$ 540,166 |

Interfund transfers were primarily used to fund capital improvements.

Advances To/From Other Funds

In April 1991, the City entered into an agreement with the Lawndale Redevelopment Agency (Agency) to fund certain costs for the preparation of redevelopment project area designations and plans, not to exceed \$500,000. 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. The loan was renewed April 1, 1996, with deferred interest on the principal of 7% compounded quarterly.

On July 10, 2000, the City of Lawndale 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 Redevelopment Agency. The interest rate on the loan is subject to change on a quarterly basis based on changes of interest rate fluctuations per the Local Agency Investment Fund, which is the City's only investment. 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. The current year increase in the advance is due to accrued unpaid interest and a repayment of \$100,000 was made.

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|--------------------|--|------------------|------------------|------------------------------------|
| Long-Term Advances | \$ 11,352,285 | \$ 517,578 | \$ (100,000) | \$ 11,769,863 |

The following schedule summarizes the advances balances by fund at June 30, 2008:

| | Advances To Other Funds | Advances From Other Funds |
|---|------------------------------------|--------------------------------------|
| General Fund | \$ 131,238 | \$ |
| Restricted Urban Development Special Revenue Fund | 11,638,625 | |
| Redevelopment Agency Debt Service Fund | | 11,769,863 |
| Total | \$ 11,769,863 | \$ 11,769,863 |

CITY OF LAWDALE
Notes to Financial Statements (Continued)
June 30, 2008

(d) Capital Assets and Depreciation

The following table presents the capital assets and depreciation activity for the year ended June 30, 2008.

| | Beginning Balance July 1, 2007 | Increase | Decrease | Ending Balance June 30, 2008 |
|--|---|---------------------|-----------------------|---|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 966,000 | \$ - | \$ - | \$ 966,000 |
| Construction in progress | 1,603,184 | 122,779 | (1,603,184) | 122,779 |
| Total capital assets, not being depreciated | <u>2,569,184</u> | <u>122,779</u> | <u>(1,603,184)</u> | <u>1,088,779</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and structures | 3,957,986 | 1,663,623 | - | 5,621,609 |
| Improvements other than buildings | 309,696 | - | - | 309,696 |
| Machinery and equipment | 1,395,255 | 309,641 | (60,000) | 1,644,896 |
| Infrastructure | 16,447,055 | 451,692 | - | 16,898,747 |
| Total capital assets, being depreciated | <u>22,109,992</u> | <u>2,424,956</u> | <u>(60,000)</u> | <u>24,474,948</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | (914,894) | (132,090) | - | (1,046,984) |
| Improvements other than buildings | (171,116) | (7,273) | - | (178,389) |
| Machinery and equipment | (874,452) | (113,816) | 60,000 | (928,268) |
| Infrastructure | (1,913,311) | (562,812) | - | (2,476,123) |
| Total accumulated depreciation | <u>(3,873,773)</u> | <u>(815,991)</u> | <u>60,000</u> | <u>(4,629,764)</u> |
| Total capital assets, being depreciated, net | <u>18,236,219</u> | <u>1,608,965</u> | <u>-</u> | <u>19,845,184</u> |
| Governmental activities capital assets, net | <u>\$ 20,805,403</u> | <u>\$ 1,731,744</u> | <u>\$ (1,603,184)</u> | <u>\$ 20,933,963</u> |

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

| | | |
|---|----|-----------------------|
| General government | \$ | 31,910 |
| Public safety | | 21,236 |
| Municipal services | | 600,855 |
| Planning and community services | | 138,519 |
| Recreation and community services | | <u>23,471</u> |
| Total depreciation expense - governmental activities | \$ | <u><u>815,991</u></u> |

(e) Long-Term Liabilities

The following is a summary of long-term liability transactions for the year ended June 30, 2008:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Amount Due Within One Year |
|--|--|--------------------------|--------------------------|------------------------------------|---|
| Governmental activities | | | | | |
| leases and notes payable: | | | | | |
| Notes payable | \$ 1,868,627 | \$ - | \$ 47,026 | \$ 1,821,601 | \$ 48,742 |
| Capital leases | <u>32,423</u> | <u>-</u> | <u>32,423</u> | <u>-</u> | <u>-</u> |
| Total leases and notes payable | <u>1,901,050</u> | <u>-</u> | <u>79,449</u> | <u>1,821,601</u> | <u>48,742</u> |
| Other liabilities: | | | | | |
| Compensated absences | <u>381,008</u> | <u>157,962</u> | <u>48,550</u> | <u>490,420</u> | <u>51,000</u> |
| Total governmental activities long- term liabilities | <u><u>\$ 2,282,058</u></u> | <u><u>\$ 157,962</u></u> | <u><u>\$ 127,999</u></u> | <u><u>\$ 2,312,021</u></u> | <u><u>\$ 99,742</u></u> |

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

(f) Notes Payable

Tax Allocation Loan Agreement

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 has 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. The debt service schedule for the notes payable, assuming the June 30, 2008 interest rate of 3.65%, is as follows:

| <u>Year Ending June 30,</u> | <u>Notes Payable</u> | |
|---------------------------------|----------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2009 | 48,742 | 65,599 |
| 2010 | 50,521 | 63,787 |
| 2011 | 52,365 | 61,910 |
| 2012 | 54,276 | 59,963 |
| 2013 | 56,258 | 57,946 |
| 2014-2018 | 313,630 | 234,063 |
| 2019-2023 | 375,201 | 200,952 |
| 2024-2028 | 448,860 | 127,293 |
| 2029-2031 | 421,748 | 39,174 |
| Total | <u>\$ 1,821,601</u> | <u>\$ 910,687</u> |

(g) 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 daily rate.

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.

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

(h) City Employees Retirement Plan

Plan Description:

The City of Lawndale’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 of Lawndale 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 percent of their annual covered salary. The City of Lawndale 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 2007-2008 was 11.088 percent 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.

Annual Pension Cost:

For Fiscal Year 2007-2008, the City of Lawndale’s annual pension cost was \$335,378 and was equal to the City’s required and actual contributions.

Three-Year Trend Information for the Miscellaneous Plan

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------------------|--|--|-----------------------------------|
| 6/30/2006 | \$ 244,476 | 100% | \$ - |
| 6/30/2007 | 290,081 | 100% | - |
| 6/30/2008 | 355,378 | 100% | - |

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

(i) 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 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 PERS. Created in 1991 and amended in 1999, the PARS 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 PERS. 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, 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 would later, in 2008, add the City Manager to the PARS plan under a different tier. The latter individual received a “1% at 65” plan through PARS. The City has full discretionary authority to control, amend, modify or terminate this plan at any time.

Funding Policy:

The City of Lawndale 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 of Lawndale, subject to IRC 401(a) (17) limitations. For fiscal year 2007-2008, the City’s annual pension cost (APC) of \$62,200, for PARS was equal to the City’s required actual contribution (ARC). The City’s payroll for employees covered by PARS for the year ended June 30, 2008 was \$720,036. 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, six employees participate in PARS.

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

PARS 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

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

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.

| <u>Fiscal Year</u> <u>Ending</u> | <u>Annual Pension</u> <u>Cost</u> | <u>Percentage of</u> <u>APC Contributed</u> | <u>Net Pension</u> <u>Obligation</u> |
|-------------------------------------|--------------------------------------|--|---|
| June 30, 2008 | \$ 62,200 | 100% | \$ - |

The funded status based on the July 1, 2007 actuarial valuation is as follows:

| <u>Accrued</u> <u>Liability</u> | <u>Actuarial</u> <u>Value of</u> <u>Assets</u> | <u>Unfunded</u> <u>Liability</u> <u>(Excess Assets)</u> | <u>Funded</u> <u>Ratio</u> | <u>Annual</u> <u>Covered</u> <u>Payroll</u> | <u>Actuarial</u> <u>Accrued</u> <u>Liabilities</u> <u>of Payroll</u> |
|------------------------------------|--|---|-------------------------------|---|---|
| \$ 88,452 | \$ - | \$ 88,452 | 0% | \$ 542,747 | 16.3% |

(4) Restatement

Beginning fund balance at July 1, 2007 of Redevelopment Agency Capital Projects fund was restated to reflect a prior year purchase of land held for resale which was reported as an expenditure at the time of purchase.

| | <u>Capital</u> <u>Projects</u> <u>Redevelopment</u> <u>Agency</u> | <u>Governmental</u> <u>Activities</u> <u>Government-wide</u> <u>Statements</u> |
|--|--|---|
| Beginning fund balance/net assets (deficit) July 1, 2007 | \$ (2,689,134) | \$ 48,181,063 |
| Restatement | <u>1,247,900</u> | <u>1,247,900</u> |
| Beginning fund balance/net assets, (deficit) restated, July 1, 2007 | <u>\$ (1,441,234)</u> | <u>\$ 49,428,963</u> |

(5) 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:

CITY OF LAWDALE
Notes to Financial Statements (Continued)
June 30, 2008

(a) Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City of Lawndale 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 spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$5,000,000, and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

Workers' Compensation The City of Lawndale 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. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and employer liability losses from \$5,000,000 to \$10,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$300,000,000 are transferred to reinsurance carriers. Costs in excess of \$300,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Authority's investment earnings.

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

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

program of the City. The City 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 of Lawndale participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Lawndale 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 \$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 of Lawndale 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.

(6) Additional Information

- (a) Chapter 3.30 of the Lawndale Municipal Code (commonly referred to as the “UDAG Ordinance”) was first adopted in 1989. In that year, the City agreed to dispose of its interest in the South Bay Galleria shopping center in return for consideration of \$10 million.

In doing so, the City adopted rules and procedures for investing the proceeds of this transaction, by enacting Ordinance No. 617-89, which codified Chapter 3.30. Municipal Code § 3.30.020 allows for the “disposal” of UDAG funds as follows:

- Divided into four (4) separate accounts as follows: the Restricted Principal Account, the Unrestricted Principal Account, the Restricted Expenditure Account, and the Unrestricted Expenditure Account.

Upon receipt by the City of the \$10 million agreed upon consideration, these UDAG funds were segregated as noted in the City of Lawndale “Financial and Compliance Report” for June 30, 1989, in Footnote No. 4, as follows:

“71.6 percent of the proceeds (\$7,160,000) was placed in a Restricted Principal Account within the UDAG Fund.”

“28.4 percent of the proceeds (\$2,840,000) was placed in an Unrestricted Principal Account within the General Fund.”

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

Since its inception in 1989, the UDAG Ordinance has always allowed the “investing” of UDAG funds as specified in Municipal Code § 3.30.020. In its entirety, this section of the Municipal Code provides as follows:

“All monies in the UDAG Fund shall be invested pursuant to the City’s adopted investment policy in secure investments. Investments of monies in the Principal Accounts, whether Restricted or Unrestricted, may be made in instruments with long maturities since the principal is not to be drawn upon, while monies in the Expenditure Accounts should be invested in instruments with maturities appropriate to the expenditure program adopted pursuant to Section 3.30.060.”

During 1991, the investment policy was amended by the City Council to clarify that “funds loaned to other governmental entities” would permit loans from the City to the Agency. On April 4, 1991, the City Council amended its then-existing investment policy to expressly permit transactions between the City of Lawndale and the Lawndale Redevelopment Agency. On May 15, 2000, the City Council directed and approved an expanded and more detailed investment policy. Within the expanded investment policy, the City Council approved investments that “are loans directly to the City’s Redevelopment Agency and allow for a secure guaranteed rate of return that will be repaid from the Redevelopment Agency’s tax increments (property taxes). Agency’s Board (City Council) and City Council control the terms of the loan arrangement.”

Given the formation of the Lawndale Economic Revitalization Project Area, City staff asked the City Attorney to prepare a formal written opinion regarding the eligibility of UDAG funds to be utilized in connection with two municipal projects. The second, in which the City Attorney’s office was asked whether the City could engage in a loan transaction in which it loaned UDAG funds to the Redevelopment Agency for implementation of the Redevelopment Plan.

The office’s response was as follows: A loan from the City to the Redevelopment Agency that meets the express criteria of the investment policies, and is authorized as an investment for general law cities under the Government Code, may be made from some or all of the funds in the Restricted Principal Account, the Restricted Expenditure Account, the Unrestricted Principal Account, or the Unrestricted Expenditure Account for implementation of the adopted redevelopment plan. (Municipal Code § 3.30.030.)

The first recorded transaction involving UDAG fund balances between the City of Lawndale and the Lawndale Redevelopment Agency occurred on April 4, 1991, following amendment to the then-existent City’s investment policy to permit a loan from the City to the Agency. On that date, the City Council approved a loan of \$500,000 “from the restricted UDAG funds to the Redevelopment Agency.”

The staff report of April 4, 1991, indicates that the loan was necessary “to begin preparation of project area designations and plans,” and because, under “State law, a redevelopment agency may only receive tax increment revenues to retire debt that it has incurred.” The transactional document between the City and the Agency, again dated April 4, 1991, was for

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

a term of five (5) years, and was secured by “tax increment funds allocated to the Agency pursuant to Section 33670(b) of the California Health and Safety Code and/or bond proceeds issued in connection therewith.”

On July 10, 2000, the City and the Agency entered into a cooperation and loan agreement and financing agreement by which the City loaned to the Agency additional UDAG fund balances in the total amount of \$7,000,000. The two separate agreements allowed the use of funds from UDAG fund balances to be loaned by the City to the Agency for specific capital improvement projects as enumerated in the transaction documents.

In all three of the City/Agency transactions beginning on July 10, 2000, and like the prior two City/Agency loan transactions in 1986 and 1991, all loans to the City are secured by “property tax increment revenues allocated to the Agency from the Project Area pursuant to Health and Safety Code Section 33670(b) as such statute now exists or may have hereafter be amended.”

As of June 30, 2008, there remains a total of \$15,267,926 in unencumbered UDAG principal fund balances: (1) \$2,840,000 of UDAG “Unrestricted Principal Account” fund balance within the General Fund’s Reserved Fund Balance, and (2) \$12,427,926 of UDAG “Restricted Principal Account” fund balance. In addition, \$11,638,625 of the UDAG “Restricted Principal Account” is secured by loans to the Lawndale Redevelopment Agency to be paid out of “tax increment” or other Redevelopment Agency generated revenues, and/or secured by the real property holdings of the Redevelopment Agency.

At the August 26, 2003 City Council meeting, an independent accounting firm provided Council with a comprehensive financial, management, and performance review of the City’s Urban Development Action Grant (UDAG) Fund. The review included a detailed analysis and evaluation of all revenues into, and expenditures out of, the UDAG fund beginning with fiscal year 1988-89 and ending with fiscal year 2001-02.

The analysis confirmed that certain of the UDAG moneys were loaned to the Lawndale Redevelopment Agency (RDA) as expressly authorized by the UDAG ordinance. This loan enabled the “local match” for the \$15 million Hawthorne Boulevard Redevelopment Revitalization Project as approved by the voters of Lawndale in 1988. To this end, as of June 30, 2002 that loan is reported in the “Special Revenue Fund, UDAG Fund” as a receivable classified as “Advances From Other Funds.”

As a result of the review and the recommendations provided, staff will continue to endeavor to assure that the City’s policies pertaining to the use and management of the UDAG Fund are followed.

CITY OF LAWNSDALE
Notes to Financial Statements (Continued)
June 30, 2008

(7) Subsequent Event

The State Legislature passed AB 1389, which became effective September 30, 2008. The bill includes a requirement for a payment to the Education Revenue Augmentation Fund (ERAF) by each redevelopment agency by May 10, 2009. The California Redevelopment Association's estimate of the Agency payment is \$301,837.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAWNSDALE
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variance |
|---|-------------------------|----------------------|----------------------|--------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenue: | | | | |
| Sales and use taxes | \$ 2,907,000 | \$ 2,936,000 | \$ 2,900,483 | \$ (35,517) |
| Utility user tax | 2,040,000 | 2,040,000 | 2,135,388 | 95,388 |
| Other taxes | 2,019,030 | 1,944,030 | 2,078,337 | 134,307 |
| Motor vehicle in-lieu | 2,696,400 | 2,910,000 | 2,887,207 | (22,793) |
| Licenses and permits | 630,000 | 677,300 | 615,866 | (61,434) |
| Fines and forfeitures | 685,000 | 720,000 | 776,842 | 56,842 |
| Use of money and property | 854,500 | 954,500 | 706,919 | (247,581) |
| Charges for services | 1,146,500 | 903,000 | 827,869 | (75,131) |
| Miscellaneous | 130,400 | 130,400 | 144,213 | 13,813 |
| Total revenues | <u>13,108,830</u> | <u>13,215,230</u> | <u>13,073,124</u> | <u>(142,106)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 3,099,175 | 3,398,569 | 3,302,901 | 95,668 |
| Public safety | 4,532,511 | 4,535,900 | 4,593,418 | (57,518) |
| Municipal services | 2,867,590 | 2,960,361 | 2,710,983 | 249,378 |
| Planning and community development | 1,164,610 | 1,551,780 | 1,323,656 | 228,124 |
| Recreation and community services | 1,371,028 | 1,371,028 | 1,170,835 | 200,193 |
| Debt service: | | | | |
| Principal retirement | - | - | 32,423 | (32,423) |
| Total expenditures | <u>13,034,914</u> | <u>13,817,638</u> | <u>13,134,216</u> | <u>683,422</u> |
| Excess (deficiency) of revenues over expenditures | <u>73,916</u> | <u>(602,408)</u> | <u>(61,092)</u> | <u>541,316</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 50,000 | 100,000 | 540,104 | 440,104 |
| Transfers out | | | (62) | (62) |
| Total other financing sources (uses) | <u>50,000</u> | <u>100,000</u> | <u>540,042</u> | <u>440,042</u> |
| Net change in fund balances | 123,916 | (502,408) | 478,950 | 981,358 |
| Fund balances, beginning of year | <u>17,514,180</u> | <u>17,514,180</u> | <u>17,514,180</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 17,638,096</u> | <u>\$ 17,011,772</u> | <u>\$ 17,993,130</u> | <u>\$ 981,358</u> |

See Accompanying Note to Required Supplementary Information.

CITY OF LAWNSDALE
Restricted Urban Development Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue: | | | | |
| Use of money and property | \$ 37,750 | \$ 37,750 | \$ 550,079 | \$ 512,329 |
| Other financing sources (uses): | | | | |
| Transfers out | - | - | (100,000) | (100,000) |
| Net change in fund balances | 37,750 | 37,750 | 450,079 | 412,329 |
| Fund balances, beginning of year | <u>\$ 11,977,847</u> | <u>11,977,847</u> | <u>11,977,847</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 12,015,597</u> | <u>\$ 12,015,597</u> | <u>\$ 12,427,926</u> | <u>\$ 412,329</u> |

See Accompanying Note to Required Supplementary Information.

CITY OF LAWNSDALE
Community Development Block Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Subventions and grants | \$ 653,380 | \$ 653,380 | \$ 1,526,064 | \$ 872,684 |
| Expenditures: | | | | |
| Current: | | | | |
| Planning and community development | 653,380 | 1,639,497 | 1,526,064 | 113,433 |
| Net change in fund balances | - | (986,117) | - | 986,117 |
| Fund balances, beginning of year | - | - | - | - |
| Fund balances, end of year | \$ - | \$ (986,117) | \$ - | \$ 986,117 |

See Accompanying Note to Required Supplementary Information.

CITY OF LAWNSDALE
Notes to the Required Supplementary Information
June 30, 2008

(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). Budget revision for all the funds aggregated \$4,235,902 for fiscal year 2007-2008.

CITY OF LAWNSDALE
Public Agency Retirement System (PARS), Retirement Enhancement
Schedule of Funding Progress

s

| <u>Actuarial Valuation Date</u> | <u>Accrued Liability</u> | <u>Actuarial Value of Assets</u> | <u>Unfunded Liability (Excess Assets)</u> | <u>Funded Ratio</u> | <u>Annual Covered Payroll</u> | <u>Actuarial Accrued Liabilities of Payroll</u> |
|---|------------------------------|--|---|-------------------------|---------------------------------------|---|
| July 1, 2007 | \$ 88,452 | \$ - | \$ 88,452 | 0% | \$ 542,747 | 16.3% |

SUPPLEMENTARY INFORMATION

CITY OF LAWNSDALE
Redevelopment Agency Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|--|-------------------------|----------------|---|
| Revenues: | | | |
| Use of money and property | \$ 10,800 | \$ 12,080 | \$ 1,280 |
| Total revenues | 10,800 | 12,080 | 1,280 |
| Expenditures: | | | |
| Current: | | | |
| General government | 40,000 | 8,987 | 31,013 |
| Municipal services | 2,654,568 | 96,961 | 2,557,607 |
| Planning and community development | 2,418,345 | 1,238,438 | 1,179,907 |
| Capital outlay | 140,112 | 1,406 | 138,706 |
| Total expenditures | 5,253,025 | 1,345,792 | 3,907,233 |
| Excess (deficiency) of revenues over expenditures | (5,242,225) | (1,333,712) | 3,908,513 |
| Other financing sources (uses): | | | |
| Transfers out | (100,000) | (440,104) | (340,104) |
| Total other financig sources (uses) | (100,000) | (440,104) | (340,104) |
| Net change in fund balances | (5,342,225) | (1,773,816) | 3,568,409 |
| Fund balances, beginning of year, as restated | (1,441,234) | (1,441,234) | - |
| Fund balances, end of year | \$ (6,783,459) | \$ (3,215,050) | \$ 3,568,409 |

CITY OF LAWDALE
Redevelopment Agency Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------------|------------------------------|---|
| Revenues: | | | |
| Other taxes | \$ 3,468,800 | \$ 3,726,628 | \$ 257,828 |
| Use of money and property | 140,000 | 214,904 | 74,904 |
| Total revenues | <u>3,608,800</u> | <u>3,941,532</u> | <u>332,732</u> |
| Expenditures: | | | |
| Current: | | | |
| Planning and community development | 867,200 | 936,250 | (69,050) |
| Debt service: | | | |
| Principal retirement | 47,030 | 47,026 | 4 |
| Interest | 172,960 | 590,530 | (417,570) |
| Total expenditures | <u>1,087,190</u> | <u>1,573,806</u> | <u>(486,616)</u> |
| Net change in fund balances | 2,521,610 | 2,367,726 | (153,884) |
| Fund balances (deficit), beginning of year | <u>(3,594,475)</u> | <u>(3,594,475)</u> | <u>-</u> |
| Fund balances (deficit), end of year | <u><u>\$ (1,072,865)</u></u> | <u><u>\$ (1,226,749)</u></u> | <u><u>\$ (153,884)</u></u> |

**CITY OF LAWDALE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

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 the City’s portion of motor vehicle registration fees collected under AB2766 used in programs to reduce air pollution from vehicles.

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 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.

California Law Enforcement Equipment Program Fund - To account for State funds used for equipment utilized in the City’s law enforcement program.

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 constructions 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 fatal as well as injury collisions and to reduce alcohol involved fatal and injury collisions.

**CITY OF LAWDALE
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

SPECIAL REVENUE FUNDS (Continued)

Department of Conservation Grant Fund – To account for funds received from the State to encourage recycling within the City.

County Specified Grant Fund – To account for funds received and expended for park renovation projects.

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 new community center.

Justice Assisted Grant – To account for federal funds in the City’s law enforcement program.

Department of Homeland Security - To account for funds received from the Department of Homeland Security for the purchase of emergency preparedness equipment.

Park Development Fund – To account for funds received from developers for park improvements.

State Urban Park Grant – To account for funds for construction of a new community center.

Economic Development Initiative Fund – To account for funds for construction of a new community center.

Prop 1B Fund – To account for state funds for road and street infrastructure improvements.

CITY OF LAWDALE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

| | Special Revenue Funds | | |
|---------------------------------------|------------------------------|--------------------|---|
| | Gas Tax | Air Quality | Traffic Congestion Relief AB2928 |
| Assets: | | | |
| Cash and investments | \$ 231,112 | \$ - | \$ 33,241 |
| Receivables: | | | |
| Accounts | | 10,478 | - |
| Interest | 2,119 | - | 244 |
| Loans | - | - | - |
| | \$ 233,231 | \$ 10,478 | \$ 33,485 |
| Liabilities and fund balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 48,047 | \$ 3,982 | \$ 33,335 |
| Accrued wages | 8,071 | - | - |
| Due to other funds | - | 7,713 | - |
| Deferred revenue | - | - | - |
| | 56,118 | 11,695 | 33,335 |
| Fund balances: | | | |
| Reserved for: | | | |
| MOU Costs | 15,350 | - | - |
| Housing | - | - | - |
| Unreserved: | | | |
| Undesignated | 161,763 | (1,217) | 150 |
| | 177,113 | (1,217) | 150 |
| | \$ 233,231 | \$ 10,478 | \$ 33,485 |

Special Revenue Funds

| Sewer Reconstruction | Proposition A Local Transit Assistance | Proposition C Local Transit Assistance | State Transit Program (Local) | Narcotics Forfeiture |
|---------------------------------|---|---|--|---------------------------------|
| \$ 183,528 | \$ 908,533 | \$ 1,613,142 | \$ - | \$ 21,791 |
| - | - | - | - | - |
| - | 6,587 | 11,614 | - | 160 |
| - | - | - | - | - |
| <u>\$ 183,528</u> | <u>\$ 915,120</u> | <u>\$ 1,624,756</u> | <u>\$ -</u> | <u>\$ 21,951</u> |
| \$ - | \$ 54,739 | \$ - | \$ - | \$ - |
| 191 | 1,800 | 1,374 | - | - |
| - | - | - | 67,650 | - |
| - | - | - | - | - |
| <u>191</u> | <u>56,539</u> | <u>1,374</u> | <u>67,650</u> | <u>-</u> |
| 680 | 6,100 | 6,040 | - | - |
| - | - | - | - | - |
| <u>182,657</u> | <u>852,481</u> | <u>1,617,342</u> | <u>(67,650)</u> | <u>21,951</u> |
| <u>183,337</u> | <u>858,581</u> | <u>1,623,382</u> | <u>(67,650)</u> | <u>21,951</u> |
| <u>\$ 183,528</u> | <u>\$ 915,120</u> | <u>\$ 1,624,756</u> | <u>\$ -</u> | <u>\$ 21,951</u> |

(Continued)

CITY OF LAWDALE
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2008

| | Special Revenue Funds | | |
|---------------------------------------|---------------------------------|---|---|
| | State COPS Grant | California Law Enforcement Equipment Program | Used Oil Recycling Grant |
| Assets: | | | |
| Cash and investments | \$ 136,512 | \$ 16,719 | \$ - |
| Receivables: | | | |
| Accounts | - | - | - |
| Interest | 1,024 | - | - |
| Loans | - | - | - |
| | <u>\$ 137,536</u> | <u>\$ 16,719</u> | <u>\$ -</u> |
| Total assets | <u>\$ 137,536</u> | <u>\$ 16,719</u> | <u>\$ -</u> |
| Liabilities and fund balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 28,620 | \$ - | \$ 1,352 |
| Accrued wages | - | - | - |
| Due to other funds | - | - | 6,875 |
| Deferred revenue | - | - | - |
| | <u>28,620</u> | <u>-</u> | <u>8,227</u> |
| Total liabilities | <u>28,620</u> | <u>-</u> | <u>8,227</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| MOU Costs | - | - | - |
| Housing | - | - | - |
| Unreserved: | | | |
| Undesignated | 108,916 | 16,719 | (8,227) |
| | <u>108,916</u> | <u>16,719</u> | <u>(8,227)</u> |
| Total fund balances | <u>108,916</u> | <u>16,719</u> | <u>(8,227)</u> |
| Total liabilities and fund balances | <u>\$ 137,536</u> | <u>\$ 16,719</u> | <u>\$ -</u> |

Special Revenue Funds

| Lawndale Cable Usage Corporation | Hawthorne Boulevard Maintenance | Urban Parks Grant | Office of Traffic and Safety Grant | Department of Conservation Grant | County Specified Grant |
|---|--|----------------------------------|---|---|---------------------------------------|
| \$ 3,077 | \$ 1,079,424 | \$ - | \$ - | \$ 27,053 | \$ - |
| 18,068 | - | - | - | 8,807 | - |
| - | 8,058 | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 21,145</u> | <u>\$ 1,087,482</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,860</u> | <u>\$ -</u> |
| \$ 9,741 | \$ 26,150 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | 30,678 | 6,607 | - | 272,100 |
| - | - | - | - | - | - |
| <u>9,741</u> | <u>26,150</u> | <u>30,678</u> | <u>6,607</u> | <u>-</u> | <u>272,100</u> |
| 1,330 | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>10,074</u> | <u>1,061,332</u> | <u>(30,678)</u> | <u>(6,607)</u> | <u>35,860</u> | <u>(272,100)</u> |
| <u>11,404</u> | <u>1,061,332</u> | <u>(30,678)</u> | <u>(6,607)</u> | <u>35,860</u> | <u>(272,100)</u> |
| <u>\$ 21,145</u> | <u>\$ 1,087,482</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 35,860</u> | <u>\$ -</u> |

(Continued)

CITY OF LAWNSDALE
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2008

| | <u>Special Revenue Funds</u> | | |
|---------------------------------------|--|--|---------------------------------------|
| | <u>Low - Moderate Income Housing</u> | <u>State of California Bond Act of 2000/2002</u> | <u>Justice Assisted Grant</u> |
| Assets: | | | |
| Cash and investments | \$ 3,058,501 | \$ 2,216 | \$ 7,090 |
| Receivables: | | | |
| Accounts | 29,117 | - | 52 |
| Interest | 22,127 | - | - |
| Loans | 296,579 | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 3,406,324</u> | <u>\$ 2,216</u> | <u>\$ 7,142</u> |
| Liabilities and fund balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 35,956 | \$ 3,612 | \$ - |
| Accrued wages | - | - | - |
| Due to other funds | - | 33,884 | - |
| Deferred revenue | 296,579 | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | <u>332,535</u> | <u>37,496</u> | <u>-</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| MOU Costs | - | - | - |
| Housing | 3,073,789 | - | - |
| Unreserved: | | | |
| Undesignated | - | (35,280) | 7,142 |
| | <hr/> | <hr/> | <hr/> |
| Total fund balances | <u>3,073,789</u> | <u>(35,280)</u> | <u>7,142</u> |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities and fund balances | <u>\$ 3,406,324</u> | <u>\$ 2,216</u> | <u>\$ 7,142</u> |

Special Revenue Funds

| Department of Homeland Security Grant | Park Development | State Urban Park Grant | Economic Development Initiative | Prop 1 B | Totals |
|--|-----------------------------|-----------------------------------|--|-------------------|---------------------|
| \$ - | \$ 61,416 | \$ - | \$ - | \$ 539,983 | \$ 7,923,338 |
| - | - | - | - | - | 66,522 |
| - | 450 | - | - | 2,640 | 55,023 |
| - | - | - | - | - | 296,579 |
| <u>\$ -</u> | <u>\$ 61,866</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 542,623</u> | <u>\$ 8,341,462</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 245,534 |
| - | - | - | - | - | 11,436 |
| - | - | - | 149,115 | - | 574,622 |
| - | - | - | - | - | 296,579 |
| - | - | - | 149,115 | - | 1,128,171 |
| - | - | - | - | - | 29,500 |
| - | - | - | - | - | 3,073,789 |
| - | 61,866 | - | (149,115) | 542,623 | 4,110,002 |
| - | 61,866 | - | (149,115) | 542,623 | 7,213,291 |
| <u>\$ -</u> | <u>\$ 61,866</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 542,623</u> | <u>\$ 8,341,462</u> |

CITY OF LAWNSDALE
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

| | <u>Special Revenue Funds</u> | | |
|--|------------------------------|------------------------|---|
| | <u>Gas Tax</u> | <u>Air Quality</u> | <u>Traffic Congestion Relief AB2928</u> |
| Revenues: | | | |
| Sales and use taxes | \$ 450,763 | \$ - | \$ - |
| Other taxes | - | - | - |
| Subventions and grants | - | 40,097 | - |
| Use of money and property | 16,186 | 3,261 | 5,181 |
| Charges for services | - | - | - |
| Miscellaneous | - | - | - |
| | <u>466,949</u> | <u>43,358</u> | <u>5,181</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Municipal services | 644,806 | 154,695 | 187,023 |
| Planning and community development | - | - | - |
| Recreation and community services | - | - | - |
| | <u>644,806</u> | <u>154,695</u> | <u>187,023</u> |
| Excess (deficiency) of revenues over expenditures | (177,857) | (111,337) | (181,842) |
| Other financing sources (uses): | | | |
| Transfers in | - | - | - |
| Net change in fund balances | (177,857) | (111,337) | (181,842) |
| Fund balances, beginning of year | <u>354,970</u> | <u>110,120</u> | <u>181,992</u> |
| Fund balances, end of year | <u>\$ 177,113</u> | <u>\$ (1,217)</u> | <u>\$ 150</u> |

Special Revenue Funds

| Sewer Reconstruction | Proposition A Local Transit Assistance | Proposition C Local Transit Assistance | State Transit Program (Local) | Narcotics Forfeiture |
|-----------------------------|---|---|--|---------------------------------|
| \$ - | \$ 532,590 | \$ 443,136 | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 35,419 | 59,324 | - | 904 |
| - | 48 | - | - | - |
| - | - | - | - | - |
| - | 568,057 | 502,460 | - | 904 |
| - | - | - | - | - |
| - | - | - | - | - |
| 35,343 | - | 85,055 | - | - |
| - | - | - | - | - |
| - | 441,026 | - | - | - |
| 35,343 | 441,026 | 85,055 | - | - |
| (35,343) | 127,031 | 417,405 | - | 904 |
| - | - | - | - | - |
| (35,343) | 127,031 | 417,405 | - | 904 |
| 218,680 | 731,550 | 1,205,977 | (67,650) | 21,047 |
| <u>\$ 183,337</u> | <u>\$ 858,581</u> | <u>\$ 1,623,382</u> | <u>\$ (67,650)</u> | <u>\$ 21,951</u> |

(Continued)

CITY OF LAWNSDALE
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2008

| | Special Revenue Funds | | |
|--|---------------------------------|---|---|
| | State COPS Grant | California Law Enforcement Equipment Program | Used Oil Recycling Grant |
| Revenues: | | | |
| Sales and use taxes | \$ - | \$ - | \$ - |
| Other taxes | - | - | - |
| Subventions and grants | 100,000 | - | - |
| Use of money and property | 6,544 | - | - |
| Charges for services | - | - | - |
| Miscellaneous | - | - | - |
| Total revenues | <u>106,544</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | 107,999 | - | - |
| Municipal services | 6,480 | - | 4,917 |
| Planning and community development | - | - | - |
| Recreation and community services | - | - | - |
| Total expenditures | <u>114,479</u> | <u>-</u> | <u>4,917</u> |
| Excess (deficiency) of revenues over expenditures | (7,935) | - | (4,917) |
| Other financing sources (uses): | | | |
| Transfers in | - | - | - |
| Net change in fund balances | (7,935) | - | (4,917) |
| Fund balances, beginning of year | <u>116,851</u> | <u>16,719</u> | <u>(3,310)</u> |
| Fund balances, end of year | <u>\$ 108,916</u> | <u>\$ 16,719</u> | <u>\$ (8,227)</u> |

Special Revenue Funds

| Lawndale Cable Usage Corporation | Hawthorne Boulevard Maintenance | Urban Parks Grant | Office of Traffic and Safety Grant | Department of Conservation Grant | County Specified Grant |
|---|--|----------------------------------|---|---|---------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | 47,464 | 8,807 | - |
| - | 49,733 | - | - | - | - |
| 68,140 | - | - | - | - | - |
| 794 | - | - | - | - | - |
| <u>68,934</u> | <u>49,733</u> | <u>-</u> | <u>47,464</u> | <u>8,807</u> | <u>-</u> |
| 32,422 | - | - | - | - | - |
| - | - | - | 26,218 | - | - |
| 25,108 | 221,435 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>57,530</u> | <u>221,435</u> | <u>-</u> | <u>26,218</u> | <u>-</u> | <u>-</u> |
| 11,404 | (171,702) | - | 21,246 | 8,807 | - |
| - | - | - | - | - | - |
| 11,404 | (171,702) | - | 21,246 | 8,807 | - |
| - | 1,233,034 | (30,678) | (27,853) | 27,053 | (272,100) |
| <u>\$ 11,404</u> | <u>\$ 1,061,332</u> | <u>\$ (30,678)</u> | <u>\$ (6,607)</u> | <u>\$ 35,860</u> | <u>\$ (272,100)</u> |

(Continued)

CITY OF LAWNSDALE
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2008

| | Special Revenue Funds | | |
|--|---|--|---------------------------------------|
| | Low- Moderate Income Housing | State of California Bond Act of 2000/2002 | Justice Assisted Grant |
| Revenues: | | | |
| Sales and use taxes | \$ - | \$ - | \$ - |
| Other taxes | 931,657 | - | - |
| Subventions and grants | - | 119,390 | - |
| Use of money and property | 105,991 | - | 435 |
| Charges for services | - | - | - |
| Miscellaneous | 11,745 | - | - |
| | <u>1,049,393</u> | <u>119,390</u> | <u>435</u> |
| Total revenues | | | |
| Expenditures: | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | 16,497 |
| Municipal services | - | 21,561 | - |
| Planning and community development | 188,622 | - | - |
| Recreation and community services | - | - | - |
| | <u>188,622</u> | <u>21,561</u> | <u>16,497</u> |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | 860,771 | 97,829 | (16,062) |
| Other financing sources (uses): | | | |
| Transfers in | - | - | - |
| | <u>860,771</u> | <u>97,829</u> | <u>(16,062)</u> |
| Net change in fund balances | | | |
| Fund balances, beginning of year | 2,213,018 | (133,109) | 23,204 |
| Fund balances, end of year | <u>\$ 3,073,789</u> | <u>\$ (35,280)</u> | <u>\$ 7,142</u> |

Special Revenue Funds

| Department of Homeland Security Grant | Park Development | State Urban Park Grant | Economic Development Initiative | Prop 1 B | Total |
|--|-----------------------------|-----------------------------------|--|-------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,426,489 |
| - | - | - | - | - | 931,657 |
| - | - | - | - | 539,983 | 855,741 |
| - | 2,508 | - | - | 2,640 | 288,126 |
| - | 3,600 | - | - | - | 71,788 |
| - | - | - | - | - | 12,539 |
| - | 6,108 | - | - | 542,623 | 3,586,340 |
| - | - | - | - | - | 32,422 |
| - | - | - | - | - | 150,714 |
| - | - | - | 13,071 | - | 1,399,494 |
| - | - | - | - | - | 188,622 |
| - | - | - | - | - | 441,026 |
| - | - | - | 13,071 | - | 2,212,278 |
| - | 6,108 | - | (13,071) | 542,623 | 1,374,062 |
| 26 | - | 36 | - | - | 62 |
| 26 | 6,108 | 36 | (13,071) | 542,623 | 1,374,124 |
| (26) | 55,758 | (36) | (136,044) | - | 5,839,167 |
| <u>\$ -</u> | <u>\$ 61,866</u> | <u>\$ -</u> | <u>\$ (149,115)</u> | <u>\$ 542,623</u> | <u>\$ 7,213,291</u> |

CITY OF LAWDALE
Nonmajor Gas Tax Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|-------------------------|-------------------|---|
| Revenues: | | | |
| Sales and use taxes | \$ 601,000 | \$ 450,763 | \$ (150,237) |
| Use of money and property | 18,800 | 16,186 | (2,614) |
| | <u>619,800</u> | <u>466,949</u> | <u>(152,851)</u> |
| Expenditures: | | | |
| Current: | | | |
| Municipal services | 815,082 | 644,806 | 170,276 |
| | <u>(195,282)</u> | <u>(177,857)</u> | <u>17,425</u> |
| Net change in fund balances | | | |
| Fund balances, beginning of year | <u>354,970</u> | <u>354,970</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 159,688</u> | <u>\$ 177,113</u> | <u>\$ 17,425</u> |

CITY OF LAWNSDALE
Nonmajor Air Quality Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------------|-------------------------|---------------|---|
| Revenues: | | | |
| Subventions and grants | \$ 40,200 | \$ 40,097 | \$ (103) |
| Use of money and property | 2,600 | 3,261 | 661 |
| Total revenues | 42,800 | 43,358 | 558 |
| Expenditures: | | | |
| Current: | | | |
| Municipal services | 145,860 | 154,695 | (8,835) |
| Net change in fund balances | (103,060) | (111,337) | (8,277) |
| Fund balances, beginning of year | 110,120 | 110,120 | - |
| Fund balances, end of year | \$ 7,060 | \$ (1,217) | \$ (8,277) |

CITY OF LAWNSDALE
Nonmajor Traffic Congestion Relief - AB2928 Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------------|-------------------------|---------------|---|
| Revenues: | | | |
| Use of money and property | \$ 9,330 | \$ 5,181 | \$ (4,149) |
| Expenditures: | | | |
| Current: | | | |
| Municipal services | - | 187,023 | (187,023) |
| Net change in fund balances | 9,330 | (181,842) | (191,172) |
| Fund balances, beginning of year | 181,992 | 181,992 | - |
| Fund balances, end of year | \$ 191,322 | \$ 150 | \$ (191,172) |

CITY OF LAWNSDALE
Nonmajor Sewer Reconstruction Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|-------------------------|-------------------|---|
| Expenditures: | | | |
| Current: | | | |
| Municipal services | \$ 37,481 | \$ 35,343 | \$ 2,138 |
| Net change in fund balances | (37,481) | (35,343) | 2,138 |
| Fund balances, beginning of year | <u>218,680</u> | <u>218,680</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 181,199</u> | <u>\$ 183,337</u> | <u>\$ 2,138</u> |

CITY OF LAWNSDALE
Nonmajor Proposition A Local Transit Assistance Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|--------------------------|--------------------------|---|
| Revenues: | | | |
| Sales and use taxes | \$ 538,370 | \$ 532,590 | \$ (5,780) |
| Use of money and property | 38,550 | 35,419 | (3,131) |
| Charges for services | 300 | 48 | (252) |
| | <u>577,220</u> | <u>568,057</u> | <u>(9,163)</u> |
| Expenditures: | | | |
| Current: | | | |
| Recreation and community services | <u>546,073</u> | <u>441,026</u> | <u>105,047</u> |
| | 31,147 | 127,031 | 95,884 |
| Fund balances, beginning of year | <u>731,550</u> | <u>731,550</u> | - |
| Fund balances, end of year | <u><u>\$ 762,697</u></u> | <u><u>\$ 858,581</u></u> | <u><u>\$ 95,884</u></u> |

CITY OF LAWNSDALE
Nonmajor Proposition C Local Transit Assistance Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|-------------------------|---------------------|---|
| Revenues: | | | |
| Sales and use taxes | \$ 447,230 | \$ 443,136 | \$ (4,094) |
| Use of money and property | 61,750 | 59,324 | (2,426) |
| Total revenues | 508,980 | 502,460 | (6,520) |
| Expenditures: | | | |
| Current: | | | |
| Municipal services | 168,294 | 85,055 | 83,239 |
| Net change in fund balances | 340,686 | 417,405 | 76,719 |
| Fund balances, beginning of year | 1,205,977 | 1,205,977 | - |
| Fund balances, end of year | <u>\$ 1,546,663</u> | <u>\$ 1,623,382</u> | <u>\$ 76,719</u> |

CITY OF LAWNSDALE
Nonmajor State Transit Program (Local) Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|--------------------------|---------------------------|---|
| Revenues: | | | |
| Subventions and grants | \$ 205,000 | \$ - | \$ (205,000) |
| Net change in fund balances | 205,000 | - | (205,000) |
| Fund balances (deficits), beginning of year | <u>(67,650)</u> | <u>(67,650)</u> | <u>-</u> |
| Fund balances (deficits), end of year | <u><u>\$ 137,350</u></u> | <u><u>\$ (67,650)</u></u> | <u><u>\$ (205,000)</u></u> |

CITY OF LAWNSDALE
Nonmajor Narcotics Forfeiture Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|-------------------------|-------------------------|---|
| Revenues: | | | |
| Use of money and property | \$ 1,050 | \$ 904 | \$ (146) |
| Fund balances, beginning of year | <u>21,047</u> | <u>21,047</u> | <u>-</u> |
| Fund balances, end of year | <u><u>\$ 22,097</u></u> | <u><u>\$ 21,951</u></u> | <u><u>\$ (146)</u></u> |

CITY OF LAWNSDALE
Nonmajor State COPS Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------------|-------------------------|--------------------------|---|
| Revenues: | | | |
| Subventions and grants | \$ 100,000 | \$ 100,000 | \$ - |
| Use of money and property | 8,000 | 6,544 | (1,456) |
| | <u>108,000</u> | <u>106,544</u> | <u>(1,456)</u> |
| Total revenues | | | |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 134,650 | 107,999 | 26,651 |
| Municipal services | 8,079 | 6,480 | 1,599 |
| | <u>142,729</u> | <u>114,479</u> | <u>28,250</u> |
| Total expenditures | | | |
| Net change in fund balances | (34,729) | (7,935) | 26,794 |
| Fund balances, beginning of year | <u>116,851</u> | <u>116,851</u> | <u>-</u> |
| Fund balances, end of year | <u><u>\$ 82,122</u></u> | <u><u>\$ 108,916</u></u> | <u><u>\$ 26,794</u></u> |

CITY OF LAWNSDALE
Nonmajor California Law Enforcement Equipment Program Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------------|-------------------------|------------------|---|
| Fund balances, beginning of year | \$ 16,719 | \$ 16,719 | \$ - |
| Fund balances, end of year | <u>\$ 16,719</u> | <u>\$ 16,719</u> | <u>\$ -</u> |

CITY OF LAWNSDALE
Nonmajor Used Oil Recycling Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------------|-------------------|---|
| Expenditures: | | | |
| Current: | | | |
| Municipal services | \$ 8,000 | \$ 4,917 | \$ 3,083 |
| Fund balances (deficits), beginning of year | <u>(3,310)</u> | <u>(3,310)</u> | <u>-</u> |
| Fund balances (deficits), end of year | <u>\$ (11,310)</u> | <u>\$ (8,227)</u> | <u>\$ 3,083</u> |

CITY OF LAWNSDALE
Nonmajor Lawndale Cable Usage Corporation Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|-------------------------|------------------|---|
| Revenues: | | | |
| Charges for services | \$ 66,000 | \$ 68,140 | \$ 2,140 |
| Miscellaneous | 3,800 | 794 | (3,006) |
| | <u>69,800</u> | <u>68,934</u> | <u>(866)</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 32,250 | 32,422 | (172) |
| Municipal services | 37,550 | 25,108 | 12,442 |
| | <u>69,800</u> | <u>57,530</u> | <u>12,270</u> |
| Net change in fund balances | - | 11,404 | 11,404 |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ 11,404</u> | <u>\$ 11,404</u> |

CITY OF LAWNSDALE
Nonmajor Hawthorne Boulevard Maintenance Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|-------------------------|---------------|---|
| Revenues: | | | |
| Use of money and property | \$ 45,000 | \$ 49,733 | \$ 4,733 |
| Expenditures: | | | |
| Current: | | | |
| Municipal services | 200,000 | 221,435 | (21,435) |
| Net change in fund balances | (155,000) | (171,702) | (16,702) |
| Fund balances, beginning of the year | 1,233,034 | 1,233,034 | - |
| Fund balances, end of year | \$ 1,078,034 | \$ 1,061,332 | \$ (16,702) |

CITY OF LAWNSDALE
Nonmajor Urban Parks Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|-------------------------|--------------------|---|
| Fund balances, beginning of year | \$ (30,678) | \$ (30,678) | \$ - |
| Fund balances, end of year | <u>\$ (30,678)</u> | <u>\$ (30,678)</u> | <u>\$ -</u> |

CITY OF LAWNSDALE
Nonmajor Office of Traffic and Safety Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------------|-------------------------|---------------|---|
| Revenues: | | | |
| Subventions and grants | \$ 60,000 | \$ 47,464 | \$ (12,536) |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 60,000 | 26,218 | 33,782 |
| Net change in fund balances | - | 21,246 | 21,246 |
| Fund balances, beginning of year | (27,853) | (27,853) | - |
| Fund balances, end of year | \$ (27,853) | \$ (6,607) | \$ 21,246 |

CITY OF LAWNSDALE
Nonmajor Department of Conservation Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|-------------------------|-------------------------|---|
| Revenues: | | | |
| Subventions and grants | \$ - | \$ 8,807 | \$ 8,807 |
| Net change in fund balances | - | 8,807 | 8,807 |
| Fund balances, beginning of year | <u>27,053</u> | <u>27,053</u> | <u>-</u> |
| Fund balances, end of year | <u><u>\$ 27,053</u></u> | <u><u>\$ 35,860</u></u> | <u><u>\$ 8,807</u></u> |

CITY OF LAWNSDALE
Nonmajor County Specified Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------------|---------------------|---|
| Fund balances (deficits), beginning of year | \$ (272,100) | \$ (272,100) | \$ - |
| Fund balances (deficits), end of year | <u>\$ (272,100)</u> | <u>\$ (272,100)</u> | <u>\$ -</u> |

CITY OF LAWNSDALE
Nonmajor Low-Moderate Income Housing Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|------------------------------------|-------------------------|---------------------|---|
| Revenues: | | | |
| Other taxes | \$ 867,200 | \$ 931,657 | \$ 64,457 |
| Use of money and property | 90,970 | 105,991 | 15,021 |
| Miscellaneous | - | 11,745 | 11,745 |
| | | | |
| Total revenues | 958,170 | 1,049,393 | 91,223 |
| Expenditures: | | | |
| Current: | | | |
| Planning and community development | 1,637,612 | 188,622 | 1,448,990 |
| | | | |
| Net change in fund balances | (679,442) | 860,771 | 1,540,213 |
| | | | |
| Fund balances, beginning of year | 2,213,018 | 2,213,018 | - |
| | | | |
| Fund balances, end of year | <u>\$ 1,533,576</u> | <u>\$ 3,073,789</u> | <u>\$ 1,540,213</u> |

CITY OF LAWNSDALE
Nonmajor State of California Bond Act of 2000/2002 Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|---------------------------|---------------------------|---|
| Revenues: | | | |
| Subventions and grants | \$ 119,390 | \$ 119,390 | \$ - |
| Expenditures: | | | |
| Current: | | | |
| Municipal services | <u>31,676</u> | <u>21,561</u> | <u>10,115</u> |
| Net change in fund balances | 87,714 | 97,829 | 10,115 |
| Fund balances (deficits), beginning of year | <u>(133,109)</u> | <u>(133,109)</u> | <u>-</u> |
| Fund balances (deficits), end of year | <u><u>\$ (45,395)</u></u> | <u><u>\$ (35,280)</u></u> | <u><u>\$ 10,115</u></u> |

CITY OF LAWNSDALE
Nonmajor Justice Assisted Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------------|-------------------------|---------------|---|
| Revenues: | | | |
| Use of money and property | \$ 1,100 | \$ 435 | \$ (665) |
| Expenditures: | | | |
| Current: | | | |
| Public safety | 16,500 | 16,497 | 3 |
| Net change in fund balances | (15,400) | (16,062) | (662) |
| Fund balances, beginning of year | 23,204 | 23,204 | - |
| Fund balances, end of year | \$ 7,804 | \$ 7,142 | \$ (662) |

CITY OF LAWNSDALE
Nonmajor Department of Homeland Security Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------------|--------------------|---|
| Other financing sources : | | | |
| Transfers in | \$ - | \$ 26 | \$ 26 |
| Fund balances (deficits), beginning of year | <u>(26)</u> | <u>(26)</u> | <u>-</u> |
| Fund balances (deficits), end of year | <u><u>\$ (26)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 26</u></u> |

CITY OF LAWNSDALE
Nonmajor Park Development Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------------|-------------------------|---------------|---|
| Revenues: | | | |
| Use of money and property | \$ 2,620 | \$ 2,508 | \$ (112) |
| Charges for services | 12,500 | 3,600 | (8,900) |
| Net change in fund balances | 15,120 | 6,108 | (9,012) |
| Fund balances, beginning of year | 55,758 | 55,758 | - |
| Fund balances, end of year | \$ 70,878 | \$ 61,866 | \$ (9,012) |

CITY OF LAWNSDALE
Nonmajor State Urban Park Grant Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------------|--------------------|---|
| Other financing sources: | | | |
| Transfers in | \$ - | \$ 36 | 36 |
| Fund balances (deficits), beginning of year | <u>(36)</u> | <u>(36)</u> | <u>-</u> |
| Fund balances (deficits), end of year | <u><u>\$ (36)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 36</u></u> |

CITY OF LAWNSDALE
Nonmajor Economic Development Initiative Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|----------------------------|----------------------------|---|
| Expenditures: | | | |
| Current: | | | |
| Municipal services | \$ 13,071 | \$ 13,071 | \$ - |
| Fund balances (deficits), beginning of year | <u>(136,044)</u> | <u>(136,044)</u> | <u>-</u> |
| Fund balances (deficits), end of year | <u><u>\$ (149,115)</u></u> | <u><u>\$ (149,115)</u></u> | <u><u>\$ -</u></u> |

CITY OF LAWDALE
Nonmajor Prop 1 B Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008

| | Final Budget | Actual | Variance Positive (Negative) |
|----------------------------------|-------------------------|-------------------|---|
| Revenues: | | | |
| Subventions and grants | \$ 923,500 | \$ 539,983 | \$ (383,517) |
| Use of money and property | - | 2,640 | 2,640 |
| Net change in fund balances | 923,500 | 542,623 | (380,877) |
| Fund balances, beginning of year | - | - | - |
| Fund balances, end of year | <u>\$ 923,500</u> | <u>\$ 542,623</u> | <u>\$ (380,877)</u> |

CITY OF LAWNSDALE
FIDUCIARY FUNDS
JUNE 30, 2008

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 LAWNSDALE
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2008

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--------------------------|------------------------------|---------------------|---------------------|---------------------------|
| Assets: | | | | |
| Cash and investments | \$ 326,071 | \$ 1,904,205 | \$ 1,642,651 | \$ 587,625 |
| Accounts receivable | 1,269 | 536 | 1,269 | 536 |
| Total assets | <u>\$ 327,340</u> | <u>\$ 1,904,741</u> | <u>\$ 1,643,920</u> | <u>\$ 588,161</u> |
| Liabilities: | | | | |
| Due to other governments | <u>\$ 327,340</u> | <u>\$ 588,161</u> | <u>\$ 327,340</u> | <u>\$ 588,161</u> |

STATISTICAL SECTION

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CITY OF LAWNSDALE
Comprehensive Annual Financial Report
Year Ended June 30, 2008
Statistical Section

This part of the City of Lawnsdale 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 City's overall financial health.

Table of Contents

| | <i>Page(s)</i> |
|---|-----------------------|
| Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i> | 108 |
| Revenue Capacity <i>These schedules contain trend information to help the reader assess the City's most significant current local revenue source, the property tax.</i> | 112 |
| Debt Capacity <i>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.</i> | 116 |
| Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i> | 121 |
| Operating Information <i>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.</i> | 124 |

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

| | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|----------------------|----------------------|----------------------|
| Governmental activities: | | | |
| Invested in capital assets, net of related debt | \$ 18,575,000 | \$ 18,904,353 | \$ 20,933,963 |
| Restricted | 6,452,446 | 6,478,534 | 7,856,975 |
| Unrestricted | <u>19,009,047</u> | <u>24,046,074</u> | <u>23,639,533</u> |
| Total primary government net assets | <u>\$ 44,036,493</u> | <u>\$ 49,428,961</u> | <u>\$ 52,430,471</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 LAWDALE
Changes in Net Assets
Last Three Fiscal Years
(accrual basis of accounting)

| | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|---------------------|---------------------|---------------------|
| Expenses: | | | |
| Governmental activities: | | | |
| General government | \$ 2,934,194 | \$ 2,879,316 | \$ 3,485,632 |
| Public safety | 4,195,610 | 4,254,862 | 4,765,368 |
| Municipal services | 4,806,162 | 4,823,633 | 3,865,148 |
| Community development | 2,017,554 | 2,774,214 | 5,351,549 |
| Recreation and community services | 1,482,519 | 1,473,821 | 1,635,332 |
| Interest and fiscal charges | 476,373 | 639,643 | 589,002 |
| Total Primary Government Expenses | <u>15,912,412</u> | <u>16,845,489</u> | <u>19,692,031</u> |
| Program Revenues: | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| General government | 1,191,876 | 987,351 | 787,712 |
| Public safety | 722,994 | 756,883 | 776,842 |
| Planning and community development | 746,349 | 334,278 | 271,779 |
| Other activities | 162,765 | 156,824 | 148,256 |
| Operating grants and contributions | 482,689 | 100,000 | 108,086 |
| Capital grants and contributions | 754,837 | 1,790,309 | 2,281,805 |
| Total Primary Government Program Revenues | <u>4,061,510</u> | <u>4,125,645</u> | <u>4,374,480</u> |
| Total net revenues (expenses) | (11,850,902) | (12,719,844) | (15,317,551) |
| General Revenues and Other Changes in Net Assets: | | | |
| Governmental activities: | | | |
| Taxes: | | | |
| Property tax, levied for general purpose | 859,713 | 1,069,124 | 1,040,634 |
| Property tax, Redevelopment Agency tax increment | 3,503,245 | 4,038,644 | 4,658,285 |
| Transient occupancy taxes | 489,712 | 519,745 | 557,274 |
| Franchise tax | 796,548 | 844,642 | 797,021 |
| Sales tax | 2,781,095 | 4,530,740 | 4,326,972 |
| Motor vehicle in lieu tax | 3,169,171 | 2,678,853 | 2,887,207 |
| Utility users tax | 1,993,696 | 2,060,126 | 2,135,388 |
| Other taxes | 1,787,270 | - | - |
| Investment income | 939,438 | 1,791,924 | 1,746,387 |
| Other | 486,995 | 578,514 | 169,891 |
| Total Primary Government | <u>16,806,883</u> | <u>18,112,312</u> | <u>18,319,059</u> |
| Primary Government Changes in Net Assets | <u>\$ 4,955,981</u> | <u>\$ 5,392,468</u> | <u>\$ 3,001,508</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>2006</u> | <u>2007</u> | <u>2008</u> |
|--------------------------------------|----------------------|----------------------|----------------------|
| General fund: | | | |
| Reserved | \$ 2,992,669 | \$ 3,314,970 | \$ 3,152,238 |
| Unreserved | 12,160,256 | 14,199,210 | 14,840,892 |
| Total General Fund | <u>\$ 15,152,925</u> | <u>\$ 17,514,180</u> | <u>\$ 17,993,130</u> |
| | | | |
| All other governmental funds: | | | |
| Reserved | \$ 12,840,431 | \$ 13,879,065 | \$ 16,446,414 |
| Unreserved, undesignated: | | | |
| Special revenue funds | 4,515,516 | 4,382,949 | 4,899,303 |
| Capital projects funds | (2,159,694) | (1,886,236) | (4,919,550) |
| Debt service | (5,113,656) | (3,594,475) | (1,226,749) |
| Total All Other Governmental Funds | <u>\$ 10,082,597</u> | <u>\$ 12,781,303</u> | <u>\$ 15,199,418</u> |

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

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

| | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|---------------------|---------------------|---------------------|
| Revenues: | | | |
| Sales and use taxes | \$ 4,420,118 | \$ 4,530,740 | \$ 4,326,972 |
| Utility user tax | 1,993,696 | 2,060,126 | 2,135,388 |
| Other taxes | 5,315,336 | 6,179,966 | 6,736,622 |
| Motor vehicle in-lieu | 3,169,171 | 2,678,853 | 2,887,207 |
| Licenses and permits | 594,243 | 618,407 | 615,866 |
| Fines and forfeitures | 687,630 | 756,883 | 776,842 |
| Subventions and grants | 1,486,693 | 1,878,238 | 2,381,805 |
| Use of money and property | 960,333 | 1,814,959 | 1,772,108 |
| Charges for services | 1,200,542 | 1,153,234 | 899,657 |
| Miscellaneous | 1,140,697 | 457,387 | 156,752 |
| Total revenues | <u>20,968,459</u> | <u>22,128,793</u> | <u>22,689,219</u> |
| Expenditures | | | |
| Current: | | | |
| General government | 2,851,181 | 2,142,964 | 3,544,510 |
| Public safety | 4,175,327 | 4,233,836 | 4,744,132 |
| Municipal services | 3,436,761 | 5,385,186 | 4,207,438 |
| Planning and community development | 1,942,794 | 2,699,454 | 5,213,030 |
| Recreation and community services | 1,462,843 | 1,453,112 | 1,611,861 |
| Capital outlay | 1,471,769 | 9,888 | 1,406 |
| Debt service: | | | |
| Principal retirement | 98,712 | 104,207 | 79,449 |
| Interest and fiscal charges | 477,133 | 640,185 | 590,530 |
| Total expenditures | <u>15,923,120</u> | <u>17,268,832</u> | <u>19,792,156</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>5,045,339</u> | <u>4,859,961</u> | <u>2,897,063</u> |
| Other financing sources (uses): | | | |
| Proceeds from long-term debt | - | 200,000 | - |
| Transfers in | 1,094,483 | 318,288 | 540,166 |
| Transfers out | <u>(1,094,483)</u> | <u>(318,288)</u> | <u>(540,166)</u> |
| Total other financing sources (uses) | | 200,000 | - |
| Net change in fund balances | <u>\$ 5,045,339</u> | <u>\$ 5,059,961</u> | <u>\$ 2,897,063</u> |
| Debt service as a percentage of noncapital expenditures | 3.8% | 4.4% | 3.4% |

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 | | |
| 1999 | \$ 909,324,010 | \$ 21,488,642 | \$ 16,805,089 | \$ 947,617,741 | 1.000% |
| 2000 | 925,326,486 | 19,574,013 | 16,805,089 | 961,705,588 | 1.000% |
| 2001 | 970,315,650 | 21,681,349 | 16,770,894 | 1,008,767,893 | 1.000% |
| 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% |

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

| | 2007 | 2008 |
|---------------------------|----------|----------|
| City direct rates: | | |
| City basic rate: | 1.000000 | 1.000000 |
| Overlapping rates: | | |
| Elementary Schools | 0.051777 | 0.048140 |
| High Schools | 0.033840 | 0.102410 |
| Community College | 0.017326 | 0.016470 |
| Flood Control | 0.000052 | - |
| Metro Water District | 0.004700 | 0.004500 |
| County of Los Angeles | 0.000663 | - |
| Total Direct Rate | 1.108358 | 1.171520 |

The City of Lawnsdale 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 LAWNDALE
Principal Property Tax Payers
Current Year and Nine Years Ago

| <u>Taxpayer</u> | <u>2008</u> | | <u>1999</u> | |
|------------------------------------|-------------------------------|---|-------------------------------|---|
| | <u>Taxable Assessed Value</u> | <u>Percent of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Percent of Total City Taxable Assessed Value</u> |
| Lawndale Market Place LLC | \$ 11,026,385 | 0.602% | N/A | N/A |
| SCP Limited Parternship | 9,930,000 | 0.542% | N/A | N/A |
| Lawndale LLC | 6,867,026 | 0.375% | N/A | N/A |
| Baytower Corporate Center | 6,450,252 | 0.352% | N/A | N/A |
| Rich Lawndale LLC | 6,117,468 | 0.334% | N/A | N/A |
| Norm and Gladys Wilson Partnership | 6,134,174 | 0.335% | N/A | N/A |
| SBP Enterprises | 5,678,574 | 0.310% | N/A | N/A |
| Satnaam Investments Inc. | 5,265,295 | 0.287% | N/A | N/A |
| Duk Han Han | 5,090,000 | 0.278% | N/A | N/A |
| XJ Grand Hotel LLC | 5,065,480 | 0.277% | N/A | N/A |
| Totals | <u>\$ 67,624,654</u> | <u>3.692%</u> | <u>N/A</u> | <u>N/A</u> |

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

The City does not have data for 1999.

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 |
| 1999 | \$ 684,859 | \$ 556,393 | 81.24% | \$ - | \$ 656,517 | 95.86% |
| 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% | 22,386 | 730,619 | 103.07% |
| 2006 | 763,620 | 733,412 | 96.04% | N/A | 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 |

NOTE:

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

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 | | | Percentage of Personal Income | Debt Per Capita ¹ |
|--|--------------------------------|-----------------------|--|--|---|
| | Notes Payable | Capital Leases | Total Governmental Activities | | |
| 2005 | \$ 1,757,769 | \$ 146,200 | \$ 1,903,969 | N/A | \$ 57 |
| 2006 | 1,713,997 | 91,260 | 1,805,257 | N/A | 54 |
| 2007 | 1,868,627 | 32,423 | 1,901,050 | N/A | 57 |
| 2008 | 1,821,601 | - | 1,821,601 | N/A | 54 |

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, 2008

City Assessed Valuation \$ 1,831,630,337

| | <u>Percentage Applicable</u> ¹ | <u>Outstanding Debt 6/30/08</u> | <u>Estimated Share of Overlapping Debt</u> |
|---|---|-------------------------------------|--|
| <u>Direct² and Overlapping Tax and Assessment Debt:</u> | | | |
| Centinela Vly Union HS Dist 2002 Ref Bd Ser A | 13.678% | \$ 17,105,000 | \$ 2,339,622 |
| Centinela Vly Union HS Dist 2004 Ref Ser A | 13.678% | 35,305,000 | 4,829,018 |
| El Camino Com Col Dist 2002 S-2003A | 2.432% | 9,625,000 | 234,080 |
| El Camino Com Col Dist 2005 Ref Bonds | 2.432% | 31,036,201 | 754,800 |
| El Camino Com Col Dist 2002 Ser 2006B | 2.432% | 145,400,000 | 3,536,128 |
| Hawthorne USD DS 2005 | 0.658% | 8,685,000 | 57,147 |
| Hawthorne S.D. DS 1997 Series B | 0.658% | 3,384,844 | 22,272 |
| Hawthorne SD DS 1997 Series C | 0.658% | 1,742,115 | 11,463 |
| Hawthorne Elem Sch Dist 1997 Ser D 2004 D DS | 0.658% | 8,860,061 | 58,299 |
| Hawthorne SD 2004/2005 Series | 0.658% | 5,108,625 | 33,615 |
| Hawthorne S.D DS 1997 Series A | 0.658% | 5,997,114 | 39,461 |
| Lawndale Elem Sch Dist 1998 Ser A Debt Svc | 60.039% | 8,520,000 | 5,115,323 |
| Lawndale Elem Sch Dist 1998 Ser B Debt Svc | 60.069% | 11,995,000 | 7,205,277 |
| West Basin MWD Area 1111 DS | 0.171% | 150,054,336 | 256,593 |
| Total Overlapping Debt | | <u>\$ 442,818,296</u> | <u>\$ 24,493,098</u> |

Notes:

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

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

² The City has no direct debt.

Source: HdL Coren & Cone

CITY OF LAWDALE
Legal Debt Margin Information
Last Ten Fiscal Years

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Assessed valuation | \$ 947,617,741 | \$ 961,705,588 | \$ 1,008,767,893 | \$ 1064489854 |
| Debt limit percentage | 15% | 15% | 15% | 15% |
| Debt limit | 142,142,661 | 144,255,838 | 151,315,184 | 159,673,478 |
| Total net debt applicable to limit: General obligation bonds | | | | |
| Legal debt margin | <u>\$ 142,142,661</u> | <u>\$ 144,255,838</u> | <u>\$ 151,315,184</u> | <u>\$ 159,673,478</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 | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| \$ 1,117,155,134 | \$ 1,203,631,338 | \$ 1,332,506,808 | \$ 1,654,248,614 | \$ 1,812,400,505 | \$ 1,831,630,337 |
| 15% | 15% | 15% | 15% | 15% | 15% |
| 167,573,270 | 180,544,701 | 199,876,021 | 248,137,292 | 271,860,076 | 274,744,551 |
| <u>\$ 167,573,270</u> | <u>\$ 180,544,701</u> | <u>\$ 199,876,021</u> | <u>\$ 248,137,292</u> | <u>\$ 271,860,076</u> | <u>\$ 274,744,551</u> |
| 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 | | | | |
|--|---|---------------------|-----------------|---------------------------|--|
| | Tax Increment | Debt Service | | Coverage Ratio | |
| | | Principal | Interest | | |
| 2007 | \$ 1,477,800 | \$ 45,370 | \$ 69,032 | 12.92 | |
| 2008 | 1,477,800 | 47,026 | 67,346 | 12.92 | |

Note: ¹ The Lawndale Redevelopment Agency entered into a Tax Allocation Loan Agreement on June 30, 2004. Principal and interest payments began August 2005.

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) |
|--------------------------|---------------------------|---|---|---|
| 1999 | 30,463 | \$ 263,987 | \$ 27,973 | 5.9% |
| 2000 | 30,862 | 279,050 | 29,233 | 5.1% |
| 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% |

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 LAWNSDALE
Principal Employers
Current Year and Nine Years Ago

| <u>Employer</u> | <u>2008</u> | | <u>1999</u> | |
|---------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|
| | <u>Number of Employees</u> | <u>Percent of Total Employment</u> | <u>Number of Employees</u> | <u>Percent of Total Employment</u> |
| City of Lawndale | 102 | 3.53% | N/A | N/A |
| Valu Plus Food Warehouse | 89 | 3.08% | N/A | N/A |
| La Vida Medical Group Inc. | 80 | 2.77% | N/A | N/A |
| American Drilling Company | 68 | 2.36% | N/A | N/A |
| Big Saver Foods | 66 | 2.29% | N/A | N/A |
| McDonalds of California | 55 | 1.91% | N/A | N/A |
| Carbro Corporation | 55 | 1.91% | N/A | N/A |
| Bay Cities Carwash Inc. | 53 | 1.84% | N/A | N/A |
| Advanced Veterinary Care Center | 45 | 1.56% | N/A | N/A |
| Guitar Center Stores, Inc. | 43 | 1.49% | N/A | N/A |
| Wems Inc. | 38 | 1.32% | N/A | N/A |
| El Polla Inka | 38 | 1.32% | N/A | N/A |
| 99 Cents Only Store | 36 | 1.25% | N/A | N/A |
| Property Prep Inc. | 35 | 1.21% | N/A | N/A |
| Westwood Building Materials | 34 | 1.18% | 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 1999.

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> | Fiscal Year | | | | | | | | | |
|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| General government | 22 | 39 | 39 | 40 | 34 | 26 | 34 | 34 | 37 | 38 |
| Public safety | 12 | 14 | 11 | 11 | 13 | 11 | 12 | 14 | 12 | 14 |
| Community development | 5 | 5 | 6 | 6 | 6 | 5 | 5 | 6 | 6 | 7 |
| Culture and leisure | 7 | 37 | 37 | 34 | 36 | 18 | 29 | 31 | 42 | 43 |
| Total | <u>46</u> | <u>95</u> | <u>93</u> | <u>91</u> | <u>89</u> | <u>60</u> | <u>80</u> | <u>85</u> | <u>97</u> | <u>102</u> |

Source: City Budget Office

CITY OF LAWNSDALE
Operating Indicators
by Function
Last Ten Fiscal Years

| | Fiscal Year | | | | |
|------------------------------|--------------------|-------------|-------------|-------------|-------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| Police: | | | | | |
| Arrests | N/A | N/A | N/A | 723 | 612 |
| Parking citations issued | N/A | N/A | N/A | N/A | N/A |
| Parks and recreation: | | | | | |
| Number of recreation classes | N/A | N/A | N/A | 8 | 8 |
| Number of facility rentals | 4 | 4 | 4 | 4 | 4 |

Source: City of Lawndale

| Fiscal Year | | | | |
|--------------------|-------------|-------------|-------------|-------------|
| 2004 | 2005 | 2006 | 2007 | 2008 |
| 675 | 716 | 710 | 753 | 751 |
| 14,046 | 16,627 | 16,378 | 19,190 | 19,190 |
| 8 | 8 | 15 | 15 | 15 |
| 4 | 4 | 4 | 4 | 4 |

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

| | Fiscal Year | | | | |
|------------------------------|-------------|------|------|------|------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| Police: | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Public works: | | | | | |
| Streets (miles) | 67 | 67 | 67 | 67 | 67 |
| Parks and recreation: | | | | | |
| Parks | 4 | 4 | 4 | 4 | 4 |
| Community centers | 1 | 1 | 1 | 1 | 1 |

Source: City of Lawndale

| Fiscal Year | | | | |
|--------------------|-------------|-------------|-------------|-------------|
| 2004 | 2005 | 2006 | 2007 | 2008 |
| 1 | 1 | 1 | 1 | 1 |
| 67 | 67 | 67 | 67 | 67 |
| 4 | 4 | 4 | 4 | 4 |
| 1 | 1 | 1 | 1 | 1 |

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