

# **Exhibit B**

**CITIES OF LOS ANGELES COUNTY  
FISCAL HEALTH, GOVERNANCE,  
FINANCIAL MANAGEMENT AND COMPENSATION**



**COMMITTEE MEMBERS**

<b>Kenneth Howard---Chair</b>	<b>Tom Scheerer</b>
<b>James Bradford</b>	<b>Jerome Strofs</b>
<b>David Dahl</b>	<b>Mel Widawski</b>
<b>Albert Handschumacher</b>	<b>Gilbert Zeal</b>

**EXHIBIT B**

## Table of Contents

Executive Summary .....	85
Background .....	86
Methodology .....	86
Discussion .....	87
Fiscal Health .....	96
Net Revenue Percent – All Funds .....	103
Ratio Of Assets To Liabilities – All Funds .....	108
Change In Net Assets – All Funds .....	113
General Fund Net Revenue Percent .....	117
Change In General Fund Balance .....	122
Unassigned General Fund Reserve .....	126
Findings – Fiscal Health .....	130
Recommendations – Fiscal Health .....	130
Governance And Financial Management Best Practices .....	131
Governance Practices .....	137
Strategic Planning .....	137
Performance Measurement .....	138
City Council And Executive Relationship .....	139
Executive Goals And Evaluation .....	140
Council-Adopted Policies .....	140
Findings – Governance Practices .....	141
Recommendations – Governance Practices .....	141
Financial Management Practices .....	142
Audit Committee .....	142
Audit Procurement .....	143
Accounting Policies And Procedures .....	147
Reporting Of Fraud, Abuse And Questionable Practices .....	148
Internal Controls .....	149
Internal Audit .....	151
General Fund Unassigned Fund Balance .....	152
Financial And Public Reporting Practices .....	152
Findings – Financial Management Practices .....	153
Recommendations – Financial Management .....	154
Employee Compensation .....	155
New Legislation .....	156
Recommendations And Required Responses .....	156
Appendix A: Glossary .....	A - 1
Appendix B: Sample Questionnaire .....	B - 1
Appendix C: Employees With Compensation Over \$200,000 In 2011 .....	C - 1
Appendix D: Progress Implementing Prior Recommendations .....	D - 1



## **CITIES OF LOS ANGELES COUNTY**

### **Fiscal Health, Governance, Financial Management and Compensation**

#### **EXECUTIVE SUMMARY**

The Los Angeles County Civil Grand Jury (Grand Jury) requested information from all 88 incorporated cities in Los Angeles County to determine the fiscal health of those cities. It also sought to determine if the cities were following the “best practices” for governance and financial management, as established by the Government Financial Officers Association (GFOA). This report expands on a previous investigation from the 2011-2012 Grand Jury that studied the 23 charter cities in the County and follows reports in the media of California cities in financial distress. This report also looks at the issue of employee compensation and recent legislation. (Government Code section 8546.10.)

**Fiscal health** of cities in Los Angeles County has been severely impacted by the economic downturn that began in 2008. The cities have responded to the downturn and have made substantial efforts to reduce costs consistent with reduced revenues. For example, most cities have improved their asset to liability ratio and have increased their total net assets.

**Governance** describes the role of a city council in providing leadership for a city. There should be a strategic plan for planning and performance measurements. While most cities responded that they have adopted performance measures to evaluate progress on priorities, only a few had documented such measures. Cities must develop and report on performance measures. These measures should be focused on results, and information should be provided for several years to evaluate progress.

Effective governance also requires a definition of roles and relationships, especially between the city council and city executive. It is important for city councils to provide clear direction for the city executive, and evaluate the executive with performance reviews. A best practice is to develop a detailed description of the city council-executive relationship. This can improve the effectiveness of both. The Grand Jury found that all cities have adopted or are in the process of adopting a conflict of interest policy, and an investment policy.

**Financial management** describes the process responsible for managing and protecting the resources of the city and is directly related to fiscal health. Effective fiscal management requires adequate systems of internal controls to insure funds are used for intended purposes. Along with interviewing members of the Los Angeles County Treasurer-Tax Collector’s office, the Grand Jury has studied the extensive “Best Practices and Advisories” from the GFOA. This nationally recognized association has developed best practices to provide guidance on sound financial management. Many city officers in Los Angeles County are members of this organization, which is a leader in establishing responsible policy. These best practices served as a basis for evaluating the fiscal management practices of the cities.

**Compensation** for city employees who earned over \$200,000 per year is also addressed in this report.

**New legislation** (AB187, codified as Government Code section 8546.10) permits the California State Auditor to investigate high risk cities, but requires legislative funding.

## **BACKGROUND**

There have been recent problems in the cities of Bell, and Vernon. In addition, there are fears of bankruptcy in the city of Duarte and other cities. One of the most important obligations of the Grand Jury is as a government watchdog. Last year's Grand Jury undertook the "Charter Cities' Fiscal Health, Governance and Management Practices" investigation. Of the twenty-five (25) Charter cities within Los Angeles County, twenty-three (23) Charter cities were chosen because their greater autonomy allows for greater potential for abuse. The recommendations resulting from this investigation and the implementation progress are presented in Appendix D. None of the sixty-three (63) "General Law" cities within Los Angeles County were investigated in last year's report. This year's 2012-2013 Grand Jury decided to expand the investigation to all 88 cities within Los Angeles County including all Charter and General Law cities as the current economy has increased the risk of bankruptcies. [City of Bell, Los Angeles Times Feb. 24, 2011], [City of Vernon, The Economist May 7, 2011], [City of Duarte, CBSLA.com July 31, 2012]

## **METHODOLOGY**

The following outlines the methodology used for this investigation:

1. Obtained and reviewed the Comprehensive Annual Financial Report (CAFR) or Financial Statements for each of the 88 cities, if available.
2. Developed financial ratios and criteria to rate the financial health of the cities.
3. Ranked the cities based on the financial ratios and criteria.
4. Identified best practices criteria related to governance and financial management.
5. Developed and administered a questionnaire (both hard copy and online) to each of the general law cities as well as the charter cities of Los Angeles and Long Beach. This questionnaire was used to identify their current practices related to governance, and financial management.
6. Developed and administered a questionnaire (both hard copy and online) to each of the 23 charter cities included in the previous investigation. This questionnaire was used to update previous responses, and identify changes in their governance and financial management practices since the previous questionnaire.
7. Reviewed and analyzed each city's response to the questionnaire.
8. Requested supporting documentation and explanations of responses for each section of the questionnaire.

9. Reviewed responses to the questionnaire, supporting documentation, and explanations and developed findings.
10. Reviewed the reasonableness of salaries and compensation as obtained from the California State Controller's Office.

## DISCUSSION

### Fiscal Health

Cities in Los Angeles County, like local governments throughout California and the nation, have been severely impacted by the economic downturn that began in 2008 and continues. The cities have responded to the economic downturn and have made substantial efforts to reduce costs consistent with reduced revenues.

- Most cities expended more than they received in **total revenues** in all funds for both FY's 2010-11 and 2011-12. The percentage of expenditures over revenues did decline, from 12.5% in FY 2010-11 to 6.2% in FY 2011-12. There are also signs cities' financial health is improving in terms of net assets. Most cities (63 of 84) had a **ratio of total assets to liabilities** greater than 2.0 in FY 2010-11, with an average ratio of 5.45. This improved for FY 2011-12, with even more cities (73 of 77) with a ratio greater than 2.0, and an average ratio of 8.92.
- Most cities also had improvements in their **total net assets** during both FY 2010-11 and FY 2011-12. Most cities' (53 of 84) total net assets increased in FY 2010-11, and even more cities' (58 of 77) total net assets increased in FY 2011-12. The average change in net assets was 1.2% for FY 2010-11, and 24% for FY 2011-12.
- For **city general funds**, most cities (52 of 84) received more in revenues than they spent on general fund governmental activities during Fiscal Year 2010-11. On average, cities spent 1.7% more than received in general fund revenues. Most cities (46 of 77) also received more in revenues than spent on these activities during FY 2011-12. On average, cities spent 1.5% more than received in general fund revenues.
- The **city general fund balance** also increased for most cities (47 of 84) in FY 2010-11. The general fund balance increased for fewer than half the cities (32 of 77) for FY 2011-12. On average, city general fund balance declined 3.8% in FY 2010-11, and declined 14.5% in FY 2011-12.
- Most cities (55 of 84) had an **unassigned general fund reserve** for emergencies and other unforeseen needs equal to 2 months of regular general fund revenues as recommended in FY 2010-11. Most cities (47 of 77) also had such a reserve in FY 2011-12. The average unassigned general fund reserves percentage of regular general fund operating expenditures was 51.4% in FY 2010-11, and 38.3% in FY 2011-12.

## Governance Practices

Governance describes the role of a city council in providing leadership for an organization.

- **Strategic planning** is a key tool for the city council to provide the overall direction for the city, and overseeing the city's performance. Several cities had developed comprehensive strategic plans. Others held regular strategic planning sessions with the city council to discuss strategic issues and provide needed direction. Many other cities focused on short-term or budget related goals, which do not provide the appropriate strategic focus and direction for these cities. Cities that have not developed and adopted a strategic plan that articulates the mission, vision, core values and priorities (goals and objectives) for the city should do so.
- Another key tool is **performance measures** or indicators to evaluate progress on priorities. Most cities said they had adopted performance measures or indicators, but only a few cities provided documentation. Cities that have not developed and reported on performance measures or indicators to evaluate progress on priorities should do so. These performance measures should be quantified, focused on results, and information should be provided for several years to allow evaluation of progress over time.
- **Formal definitions of roles and relationships** are critical to effective governance, especially for the city council and executive (city manager or city administrator). It is also important for city councils to provide clear direction for the executive through specific goals and objectives and performance reviews of the executive. All cities had defined basic roles and provided the legal framework for the city council and executive through the charter and / or municipal code. A best practice is to go beyond this basic framework and develop a more detailed description of the relationship. This more extensive "governance framework" can improve the cohesion and effectiveness of both the city council and the executive. City councils should develop a "governance" policy that more specifically defines the relationship between the council and executive. City councils that do not develop specific annual goals for the city's executive and conduct meaningful evaluations annually should do so.
- **Adopting appropriate policies** is another key element of effective governance. Two policies that cities are required to adopt by California Government Code are a "Conflict of Interest" policy and an "Investment" policy. All cities have adopted or are in the process of adopting a "Conflict of Interest" policy, and all have adopted an "Investment" policy.

## Financial Management Practices

Financial management within each city is responsible for managing and protecting the financial resources and assets of the city. Effective financial management requires adequate systems of internal controls to ensure funds are used for intended purposes, and transparency and reliability

of financial reporting. The Government Finance Officers Association developed recommended best practices to provide guidance on sound financial management practices.

These best practices in each of the following areas served as the basis for evaluating the financial management practices of the cities:

- **Establishing an audit committee** is a best practice for the city council to provide independent review and oversight of financial reporting processes, internal controls, and independent auditors. Most cities have not established a formal audit committee with the responsibility for monitoring and overseeing financial reporting. Cities should formally establish an audit committee and make it directly responsible for the work of the independent auditor.
- **Annual independent audits** are required by each city and are important in preserving the integrity of public finance functions and maintaining the public's confidence. All cities require their auditors to comply with independence standards and most select their auditors through a competitive process. Most also preclude the auditor from providing non-audit services. Cities should continue requiring compliance with standards of independence for the external auditor. Cities that do not currently select the auditor through a competitive process should do so. Cities that allow the auditor to provide non-audit services should ensure appropriate review and approval of those services.
- **Formal documentation of accounting policies and procedures** is an essential component in providing effective controls over accounting and financial reporting. Several cities did not have documented accounting policies and procedures, and most of those that did could improve their documentation and maintenance of accounting policies and procedures. Cities should review and update accounting policies and procedures to ensure they are appropriately detailed and define the specific authority and responsibility of employees. Cities should also establish a policy requiring policies and procedures to be reviewed annually and updated at least once every three years.
- Most **fraud, abuse, and questionable practices** are identified through reporting by employees or members of the public. The Government Finance Officers Association recommends establishment of policies and procedures to encourage and facilitate reporting of fraud, abuse and questionable practices. This should include a formal ethics policy, and practical mechanisms for confidential and anonymous reporting. Several cities had very comprehensive and detailed policies and procedures including definitions of fraud and abuse, clear responsibilities for employees and management personnel, and guidelines and steps for investigating allegations and reporting the results. However, most cities could improve their policies and procedures for reporting fraud, abuse, and questionable practices. Cities should review and update policies and procedures for reporting fraud, abuse, and questionable practices including a practical mechanism, such as a hot line, to permit the confidential, anonymous reporting of concerns.
- **Internal controls** are important to safeguard city assets from error, loss, theft, misuse, misappropriation, and fraud. The Government Finance Officers Association recommends internal controls over financial management be documented, provide practical means for

employees to report management override of controls, periodic evaluation of internal control procedures, and development of corrective action plans to address identified weaknesses. Two cities had developed comprehensive procedures for internal controls. However, most cities provided no specific documentation of internal control procedures, or made minor mention of internal controls procedures as part of their financial and accounting policies and procedures. Most cities also relied on their external auditor for internal control reviews during the annual audit. These reviews are typically limited to review of internal controls over financial reporting and compliance, and do not include an opinion on internal controls. Internal controls to ensure there are adequate procedures in place to protect public funds are the responsibility of city financial management. Cities should develop comprehensive procedures for internal controls over financial management.

- The **internal audit** function serves as an additional level of control and helps improve the overall control and risk environment. Most cities do not have a formal internal audit function. Several state that, given the small size of their city, an internal audit function and staff could not be justified. All cities should establish a formal internal audit function.
- **Setting aside adequate funds** is necessary for use in emergencies, revenue shortages, or budget imbalances. The Government Finance Officers Association recommends that governments establish a formal policy on the level of unrestricted or unassigned fund balance that should be maintained in the general fund, and that this balance should provide no less than two months of regular general fund operating revenues or expenditures. Many cities do not have such a policy, and most who do have not established a minimum of two months of regular general fund operating revenues or expenditures. Cities that do not have policies and procedures regarding general fund unrestricted or unassigned fund balance should develop such policies.
- **Ensuring transparency and reliability of financial reporting** is a key responsibility of financial management. Financial statements and information provide the public with information on how their city is using its resources, as well as the financial stability and health of the city. The Government Finance Officers Association recommends maintaining an adequate accounting system, issue timely financial statements and a Comprehensive Annual Financial Report (CAFR) in compliance with standards, and make the information readily accessible to the general public on the city's website. All cities maintain an adequate accounting system, most issue timely financial statements and a CAFR, and most make the CAFR available on the city website. Cities that have not developed and published a CAFR should do so. Cities that have not published financial reports on the city's website should do so.

### **Summary of Fiscal Health and Best Practices Results**

The following exhibit shows a summary of each city's average ranking and number and percentage of positive responses to the best practices questionnaire. For financial health, each

city's rank on each of the six criteria for financial health is averaged for both FY 2011 and FY 2012. The best practices questionnaire included a total of 32 possible positive responses. The number and percentage of positive responses for each city is presented, as well as the ranking of each city compared to all the other cities.

<b>Exhibit 1: Summary of Fiscal Health and Best Practice Questionnaire Results</b>					
City	Financial Health		Best Practices Questionnaire		
	Average Ranking		Number Positive Responses	Percent Positive Responses	Rank Among Cities
	FY 2011	FY 2012			
Agoura Hills	34	36	25	78%	31
Alhambra	32	42	21	66%	55
Arcadia	49	47	20	63%	64
Artesia	38	47	18	56%	78
Avalon	NA	NA	18	56%	78
Azusa	55	NA	19	59%	73
Baldwin Park	41	39	29	91%	7
Bell	36	NA	19	59%	73
Bell Gardens	26	37	20	63%	64
Bellflower	26	30	21	66%	55
Beverly Hills	55	25	27	84%	20
Bradbury	53	NA	22	69%	49
Burbank	31	57	25	78%	31
Calabasas	45	33	27	84%	20
Carson	49	47	18	56%	78
Cerritos	22	34	28	88%	14
Claremont	53	28	23	72%	41
Commerce	49	33	23	72%	41
Compton	67	NA	21	66%	55
Covina	27	57	26	81%	25
Cudahy	55	34	9	28%	87
Culver City	61	37	30	94%	3
Diamond Bar	14	51	20	63%	64
Downey	44	55	29	91%	7
Duarte	48	16	28	88%	14
El Monte	37	41	22	69%	49
El Segundo	43	60	27	84%	20
Gardena	44	42	23	72%	41
Glendale	47	57	30	94%	3
Glendora	30	49	22	69%	49
Hawaiian Gardens	24	NA	19	59%	73
Hawthorne	45	34	20	63%	64
Hermosa Beach	55	28	24	75%	36

<b>Exhibit 1: Summary of Fiscal Health and Best Practice Questionnaire Results</b>					
City	Financial Health		Best Practices Questionnaire		
	Average Ranking		Number Positive Responses	Percent Positive Responses	Rank Among Cities
	FY 2011	FY 2012			
Hidden Hills	29	22	18	56%	78
Huntington Park	55	NA	21	66%	55
Industry	30	48	9	28%	87
Inglewood	17	NA	17	53%	83
Irwindale	29	44	26	81%	25
La Canada Flintridge	28	33	26	81%	25
La Habra Heights	48	NA	23	72%	41
La Mirada	38	13	21	66%	55
La Puente	29	41	24	75%	36
La Verne	60	38	26	81%	25
Lakewood	54	27	25	78%	31
Lancaster	50	40	24	75%	36
Lawndale	50	NA	23	72%	41
Lomita	41	44	20	63%	64
Long Beach	56	51	31	97%	1
Los Angeles	57	44	27	90%	13
Lynwood	26	53	29	91%	7
Malibu	79	54	26	81%	25
Manhattan Beach	57	34	20	63%	64
Maywood	52	NA	18	56%	78
Monrovia	37	58	26	81%	25
Montebello	27	40	19	59%	73
Monterey Park	36	39	29	91%	7
Norwalk	48	30	19	59%	73
Palmdale	51	37	29	91%	7
Palos Verdes Estates	54	39	20	63%	64
Paramount	62	29	21	66%	55
Pasadena	18	45	28	88%	14
Pico Rivera	31	45	28	88%	14
Pomona	41	51	29	91%	7
Rancho Palos Verdes	42	11	20	63%	64
Redondo Beach	49	41	31	97%	1
Rolling Hills	42	40	22	69%	49
Rolling Hills Estates	65	22	27	84%	20
Rosemead	55	34	23	72%	41
San Dimas	37	23	23	72%	41
San Fernando	28	58	14	44%	85
San Gabriel	43	61	23	72%	41
San Marino	33	38	22	69%	49
Santa Clarita	27	39	24	75%	36

<b>Exhibit 1: Summary of Fiscal Health and Best Practice Questionnaire Results</b>					
City	Financial Health		Best Practices Questionnaire		
	Average Ranking		Number Positive Responses	Percent Positive Responses	Rank Among Cities
	FY 2011	FY 2012			
Santa Fe Springs	47	34	17	53%	83
Santa Monica	51	24	20	63%	64
Sierra Madre	35	42	25	78%	31
Signal Hill	28	27	30	94%	3
South El Monte	16	18	22	69%	49
South Gate	45	36	21	66%	55
South Pasadena	82	32	21	66%	55
Temple City	58	31	25	78%	31
Torrance	56	31	28	88%	14
Vernon	39	77	30	94%	3
Walnut	44	36	27	84%	20
West Covina	32	44	14	44%	85
West Hollywood	55	33	28	88%	14
Westlake Village	41	37	24	75%	36
Whittier	36	40	21	66%	55

### Employee Compensation

Until recently, there has been a lack of transparency and accountability for actual annual compensation for some city employees. In 2010 reports revealed that some administrators in the cities of Bell and Vernon were receiving disproportionately high compensation. In response to these reports, the State Controller began requiring counties, cities, and special districts to report government compensation to be posted on the Controller's website to promote transparency.

The information provided includes the approved salary range, as well as the actual compensation received by each employee as reported to the U.S. Internal Revenue Service. City councils and members of the public should annually review the actual compensation received by employees of their city. The taxable compensation for employees receiving over \$200,000 in 2011 is listed by city and position title in Appendix C of this report.

As part of this investigation the Grand Jury requested information on city employee compensation for those employees receiving over \$200,000 in taxable compensation in calendar year 2011. The following exhibit shows the number of employees receiving over \$200,000 in taxable compensation for each of the cities. The exhibit also shows the population of each city, and the number of employees with taxable compensation over \$200,000 by department or function.

<b>Exhibit 2: Employees with Compensation over \$200,000 With City Population and Employee Department / Function</b>									
City	Number of Employees	City Population	Employees by Department / Function						
			City Manager	Legal	Finance	Fire	Police	Water & Power	Other
Agoura Hills	1	23,387	1						
Alhambra	1	89,501	1						
Arcadia	1	56,719	1						
Avalon	1	3,559				1			
Azusa	3	49,207	1				1		1
Bell Gardens	1	77,312	1						
Bellflower	1	47,002	1						
Beverly Hills	64	36,224	1		4	21	18	9	11
Burbank	14	108,469	1	2		4	2	5	
Calabasas	1	23,788	1						
Carson	1	98,047							1
Cerritos	1	54,946	1						
Claremont	1	37,608	1						
Commerce	1	13,581							1
Compton	1	99,769	1						
Covina	2	49,622	1				1		
Cudahy	1	26,029							1
Culver City	14	40,722	2	1	1	5	3	1	1
Diamond Bar	1	61,019	1						
Downey	9	113,715	3			4	1		1
Duarte	1	23,124	1						
El Monte	5	126,464	1				4		
El Segundo	10	17,049				7	3		
Gardena	1	61,927	1						
Glendale	15	207,902	1	2		6	4	2	
Glendora	1	52,830	1						
Hawaiian Gardens	1	15,884	1						
Hawthorne	3	90,145	1	1			1		
Hermosa Beach	2	19,599	1			1			
Huntington Park	1	64,219					1		
La Mirada	1	50,015	1						
Lancaster	2	145,875	1					1	
Long Beach	15	494,709	2	1		6	1	1	4
Los Angeles	411	4,094,764		11	1	115	20	224	40
Lynwood	2	73,295	2						

<b>Exhibit 2: Employees with Compensation over \$200,000 With City Population and Employee Department / Function</b>									
City	Number of Employees	City Population	Employees by Department / Function						
			City Manager	Legal	Finance	Fire	Police	Water & Power	Other
Malibu	1	13,765	1						
Manhattan Beach	19	36,773	1			16	1		1
Monrovia	1	39,984	1						
Norwalk	1	109,817	1						
Palmdale	3	152,622	1	1					1
Pasadena	8	151,576	4	1		1	1	1	
Pico Rivera	1	66,967	1						
Pomona	2	163,683					2		
Redondo Beach	7	68,105	1	1		4	1		
Rosemead	1	57,756	1						
San Dimas	1	36,946	1						
San Fernando	1	25,366					1		
San Gabriel	1	42,984	1						
Santa Clarita	2	177,641	2						
Santa Fe Springs	13	17,929				13			
Santa Monica	64	92,703	2	17	1	29	12	1	2
Signal Hill	1	11,465	1						
Temple City	1	35,892	1						
Torrance	34	149,717	2	1	1	8	19		3
Vernon	5	96		1	1	1			2
Walnut	1	32,659	1						
West Covina	6	112,890	1			3	2		
West Hollywood	5	37,805	2		1				2
Westlake Village	1	8,872	1						
Whittier	1	87,128	1						
<b>Totals</b>	<b>772</b>		<b>61</b>	<b>40</b>	<b>10</b>	<b>245</b>	<b>99</b>	<b>245</b>	<b>72</b>

Sources:  
 Compensation Information: California State Controller's Office "Government Compensation in California." (<http://publicpay.ca.gov>).  
 City Population: California Department of Finance, January 2010.  
 Note: Cities not listed did not have any employees with taxable compensation over \$200,000.

The taxable compensation for all employees receiving over \$200,000 in 2011 is listed, by city and position title, in Appendix C of this report.

## **DETAILED ANALYSIS**

### **FISCAL HEALTH**

Cities in Los Angeles County, like local governments throughout California and the nation, have been severely impacted by the economic downturn that began in 2008. Property tax revenues received by these cities have declined substantially consistent with the decline in property values and the reduction in the sale and turnover of real property. Sales tax revenues have also declined substantially, with consumers reducing their spending in response to new economic realities and loss of consumer confidence.

At the same time, the cost of funding public pensions for city employees has been impacted as well. The annual cost of pension obligations is partially determined by the earnings of pension funds, primarily the California Public Employees Retirement System (CALPERS). With the economic decline came market corrections, and substantial reductions in the investment earnings of CALPERS. This resulted in increased rates and costs for cities to fund their employee pension obligations.

The Public Employees' Pension Reform Act of 2013 took effect on January 1, 2013. The reforms in this law mainly affect new employees hired after its effective date. Most new workers will have to work until age 67 to receive full benefits. Police and firefighters will have to work until age 57 to receive a maximum benefit that is less than what most safety workers currently receive. The amount of salary that qualifies for pension benefits will be capped at just under \$114,000 per year for workers who are covered by Social Security and just over \$136,000 for those who are not. Another important provision is equal cost sharing between the employer and the employee. New employees will pay at least half the cost of their pensions. Current employees who are not paying half may be required to pay more in the future. (Source: California Public Employees' Retirement System)

Cities have responded to the economic downturn and have made substantial efforts to reduce costs consistent with reduced revenues. These efforts include hiring and pay freezes for employees, furlough days for existing employees, increased cost to employees for benefits (health care and retirement), and in some cases significant employee layoffs. In some cases cities have also reduced the level of service provided to the community, with reduced hours of operations and other reductions for some services.

To evaluate the financial health of the cities we obtained and reviewed the Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements for each city for Fiscal Years 2010-11 and 2011-12, the most recent years of audited financial reporting available. We were able to obtain this information from 82 of the 88 cities. The cities of Avalon, Bell, Compton, Cudahy, La Habra Heights, and Maywood are in the process of completing their financial statements and audits for these fiscal years.

We developed criteria for evaluating the fiscal health of these cities, and compiled and analyzed the information from the financial statements. Most of the cities had two primary types of activities – governmental and proprietary or business-type activities. Governmental activities include the core government activities such as government administration, public safety,

transportation, community development, and community services. These activities are reflected in each city's general fund. Proprietary or business-type activities include operating public utilities (electrical power, water, parking, refuse collection, etc.) or other non-governmental activities.

It is important to note that all financial information reported here is as presented by each city in their financial statements audited by each city's independent financial auditor.

The following are the criteria used, with definitions and explanations of each. Three of the criteria are applied to all city funds, and three of the criteria are applied only to city general funds.

- **All Funds** include each city's general fund as well as any other funds for proprietary or business-type activities which include operating public utilities (electrical power, water, parking, refuse collection, etc.) or other non-governmental type activities.
  - **Net Revenue Percent** is the percent of all revenues remaining after all city expenditures. Revenues are the amount received by a city from taxes, fees, permits, licenses, interest, intergovernmental sources, and other sources during the fiscal year. Expenditures are the actual spending of governmental funds by each city. If a city spends less than received the net revenues and percentage would be positive. If a city spends more than received in revenues the net revenues and percentage would be negative. The net revenue percent is calculated by dividing net revenues by total revenues.
  - **Ratio of Assets to Liabilities** is the total assets of a city divided by the total liabilities of a city. City assets include funds available for use by the city, as well as the value of any capital assets such as land, buildings and improvements, machinery and equipment, and infrastructure. Liabilities include accounts payable and long-term debt such as bonds, certificates of participation, pension obligations, and insurance claims. Net assets are the total city assets less total city liabilities. The ratio of assets to liabilities is calculated by dividing a city's total assets by its total liabilities. This ratio is an indicator of a city's solvency and ability to meet long-term obligations, including financial obligations to creditors, employees, taxpayers, and suppliers; as well as its service obligations to its residents. Ideally, cities would at minimum, have twice as many assets as liabilities. This would give them an asset to liability ratio of 2.0 or better.
  - **Change in Net Assets** is the difference from the beginning of the fiscal year to the end of the fiscal year in the total city assets minus total city liabilities. This change indicates the extent to which total city assets are increasing or decreasing. Ideally, city net assets would be stable or increasing. Declining net assets indicate cities are spending down their assets in order to meet current financial obligations. The change in net assets is calculated by subtracting the previous fiscal year's net assets for each city from the current year's net assets. If the result is a positive number the net assets are increasing, if a negative number the net assets are decreasing.

- **General Funds** are used to fund core government activities such as government administration, public safety, transportation, community development, and community services.
  - **General Fund Net Revenue Percent** is the percent of all general fund revenues remaining after all city general fund expenditures. Revenues are the amount received by a city from taxes, fees, permits, licenses, interest, intergovernmental sources, and other sources during the fiscal year. Expenditures are the actual spending of governmental general funds by each city. If a city spends less than received the general fund net revenues and percentage would be positive. If a city spends more than received in revenues the net general fund revenues and percentage would be negative. The general fund net revenue percent is calculated by dividing general fund net revenues by total general fund revenues.
  - **Change in General Fund Balance** is the difference from the beginning of the fiscal year to the end of the fiscal year in the total city general fund balance. This change indicates the extent to which a city's general funds are increasing or decreasing. Ideally, city net general fund balance would be stable or increasing. A declining general fund balance indicates cities are spending down their general fund in order to meet current financial obligations. The change in general fund balance is calculated by subtracting the previous fiscal year's general fund balance for each city from the current year's general fund balance. If the result is a positive number the general fund balance is increasing, if a negative number the general fund balance is decreasing.
  - **Unassigned General Fund Balance** is the portion of a city's general fund balance that is not assigned for a specific use and, therefore, available for appropriation. The Government Finance Officers Association recommends each city have an unassigned general fund reserve of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. These are funds that have been formally set aside for use in emergencies, revenue shortages, or budget imbalances, as well as provide stable tax rates, maintain government services, and to facilitate long-term financial planning.

The exhibits on the following pages provide an overview of the results of the financial information and criteria developed for each city. This includes the actual financial health criteria (ratio or percentage), as well as how each city compares or ranks against each of the other cities in Los Angeles County. This information is provided for both Fiscal Years 2010-11 and 2011-12. More information on each of these fiscal health criteria, and the results of the comparison, is contained within the sections following this exhibit.

Exhibit 3: Results and Rankings of Cities on Fiscal Health Criteria

City	All Funds												General Fund											
	Net Revenue Percent				Ratio of Assets to Liabilities				Change in Net Assets				General Fund Net Revenue				Change in General Fund Balance				Unassigned General Fund Balance			
	FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12	
	Rank	Percent	Rank	Percent	Rank	Ratio	Rank	Ratio	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent
Agoura Hills	79	(41.5%)	24	(.3%)	29	3.82	24	7.54	45	0.8%	70	(2.6%)	36	3.5%	16	8.1%	1	285.1%	74	(78.3%)	14	80.3%	9	85.5%
Alhambra	12	3.9%	5	6.0%	52	2.48	52	3.77	6	8.1%	34	14.6%	44	1.5%	51	(2.3%)	13	24.3%	47	(5.2%)	67	4.7%	64	0.7%
Arcadia	63	(15.3%)	37	(4.2%)	23	4.31	28	6.92	70	(3.5%)	74	(5.7%)	52	0.0%	58	(5.0%)	34	6.1%	42	(3.5%)	50	19.0%	45	20.3%
Artesia	52	(8.4%)	70	(17.1%)	67	1.77	39	5.05	44	0.8%	37	8.8%	20	8.3%	54	(3.5%)	11	25.3%	51	(7.1%)	31	44.9%	32	35.0%
Azusa	68	(19.8%)	NA	0.0%	71	1.69	NA	0.00	73	(4.8%)	NA	0.0%	30	4.7%	NA	0.0%	3	68.8%	NA	0.0%	83	(15.3%)	67	0.0%
Baldwin Park	16	2.2%	33	(2.8%)	56	2.28	48	4.48	28	2.4%	15	39.9%	23	7.1%	35	3.8%	64	(9.7%)	49	(5.8%)	58	15.3%	56	8.1%
Bell Gardens	33	(2.4%)	46	(7.3%)	41	2.93	25	7.25	72	(4.5%)	10	63.6%	15	10.0%	40	1.7%	36	5.0%	36	(1.9%)	16	73.2%	67	0.0%
Bellflower	25	(.8%)	12	4.1%	36	3.29	46	4.64	5	8.2%	31	15.6%	29	4.7%	44	1.0%	41	2.3%	30	1.5%	20	70.0%	15	63.0%
Beverly Hills	6	5.7%	3	8.5%	51	2.55	63	2.83	8	6.6%	38	8.2%	11	11.8%	9	11.1%	44	0.4%	11	9.4%	33	43.7%	24	45.5%
Bradbury	82	(108.2%)	NA	0.0%	2	49.28	NA	0.00	80	(10.1%)	NA	0.0%	83	(59.2%)	NA	0.0%	76	(23.0%)	NA	0.0%	6	187.6%	67	0.0%
Burbank	54	(1.5%)	69	(16.6%)	32	3.52	40	4.98	56	(.6%)	40	7.9%	74	(15.0%)	68	(13.0%)	61	(7.0%)	58	(14.2%)	43	31.1%	67	0.0%
Calabasas	39	(4.0%)	22	0.2%	35	3.48	57	3.52	15	5.2%	59	(.0%)	33	4.3%	34	3.9%	52	(3.6%)	20	4.5%	13	86.8%	7	94.1%
Carson	58	(11.7%)	74	(24.5%)	48	2.65	74	1.96	78	(9.5%)	73	(4.4%)	24	7.1%	18	7.6%	10	29.3%	4	26.0%	51	18.4%	38	26.4%
Cerritos	55	(10.1%)	35	(3.2%)	45	2.83	6	39.19	61	(1.0%)	12	51.7%	72	(14.1%)	76	(44.0%)	53	(4.2%)	61	(16.1%)	9	103.1%	11	77.9%
Claremont	5	8.5%	9	4.9%	22	4.45	41	4.93	21	3.1%	60	(.2%)	21	8.0%	14	8.7%	17	15.1%	10	14.4%	44	30.9%	34	31.7%
Commerce	61	(12.1%)	31	(2.0%)	72	1.69	76	1.61	74	(5.0%)	42	6.6%	45	1.5%	20	6.6%	47	0.1%	19	5.3%	19	71.8%	12	77.1%
Covina	66	(17.8%)	63	(13.7%)	49	2.61	53	3.69	76	(5.8%)	76	(8.2%)	42	1.9%	59	(5.0%)	23	9.4%	56	(9.2%)	39	36.3%	35	31.1%
Cudahy	84	(170.3%)	58	(12.0%)	82	1.29	14	15.61	84	(72.8%)	1	260.9%	69	(9.8%)	67	(11.9%)	73	(15.6%)	55	(9.2%)	10	103.0%	8	88.5%
Culver City	17	2.1%	68	(15.5%)	69	1.73	38	5.08	34	2.0%	7	80.9%	6	16.4%	53	(3.3%)	9	29.4%	39	(2.6%)	24	61.4%	17	58.4%
Diamond Bar	76	(32.0%)	76	(65.8%)	4	24.92	8	25.49	63	(1.3%)	64	(1.3%)	82	(55.5%)	71	(24.1%)	78	(31.1%)	66	(19.4%)	25	60.2%	18	56.7%
Downey	65	(17.8%)	62	(13.5%)	30	3.76	44	4.74	75	(5.1%)	44	5.7%	70	(10.9%)	62	(8.5%)	66	(9.9%)	60	(14.4%)	57	14.8%	55	8.8%
Duarte	31	(1.6%)	19	1.0%	21	4.46	7	34.15	16	5.1%	22	27.0%	1	42.6%	19	6.7%	4	58.3%	21	3.8%	11	97.4%	6	109.0%
El Monte	56	(10.4%)	28	(1.3%)	19	4.77	33	5.44	43	1.0%	49	4.1%	56	(1.9%)	56	(4.9%)	33	6.2%	32	0.8%	55	16.9%	48	16.3%
El Segundo	35	(3.1%)	61	(13.5%)	16	5.47	47	4.49	65	(1.5%)	72	(3.4%)	60	(4.1%)	60	(7.0%)	51	(3.1%)	67	(19.5%)	62	9.8%	52	14.6%
Gardena	8	4.8%	13	4.1%	42	2.89	62	2.91	55	(.4%)	66	(1.9%)	19	8.5%	31	5.2%	29	7.1%	16	7.5%	70	0.7%	66	0.5%
Glendale	53	(9.1%)	56	(11.2%)	27	3.90	42	4.89	50	0.1%	62	(1.0%)	73	(14.8%)	70	(16.7%)	19	11.3%	70	(55.6%)	36	38.7%	40	23.3%
Glendora	44	(5.6%)	36	(3.9%)	33	3.50	37	5.08	48	0.3%	47	4.7%	28	5.9%	52	(2.6%)	37	4.2%	57	(9.6%)	72	0.0%	67	0.0%
Hawaiian Gardens	32	(2.3%)	NA	0.0%	75	1.52	NA	0.00	52	0.0%	NA	0.0%	59	(3.5%)	NA	0.0%	54	(4.5%)	NA	0.0%	7	120.3%	67	0.0%
Hawthorne	20	1.4%	16	3.4%	79	1.38	67	2.51	13	5.7%	5	118.4%	10	14.0%	7	11.3%	15	19.4%	71	(59.0%)	41	33.1%	37	28.8%
Hermosa Beach	13	3.7%	2	10.7%	12	7.44	31	5.89	39	1.5%	69	(2.4%)	14	10.6%	5	13.6%	18	11.7%	22	3.5%	49	23.2%	41	23.3%
Hidden Hills	70	(23.3%)	8	5.6%	10	10.54	16	12.22	40	1.5%	57	0.2%	79	(32.0%)	21	6.5%	65	(9.8%)	25	2.3%	3	207.2%	2	291.9%
Huntington Park	40	(4.5%)	NA	0.0%	84	0.62	NA	0.00	83	(13.0%)	NA	0.0%	39	2.4%	NA	0.0%	38	3.5%	NA	0.0%	45	30.7%	67	0.0%
Industry	60	(12.0%)	51	(9.6%)	66	1.85	72	2.12	14	5.7%	75	(6.2%)	2	30.0%	41	1.4%	30	6.9%	48	(5.3%)	1	607.2%	1	454.7%
Inglewood	9	4.7%	NA	0.0%	74	1.60	NA	0.00	67	(2.8%)	NA	0.0%	57	(2.7%)	NA	0.0%	68	(12.5%)	NA	0.0%	52	18.3%	67	0.0%
Irwindale	7	5.3%	52	(9.8%)	58	2.25	5	40.08	3	8.5%	14	40.3%	37	3.1%	63	(9.1%)	2	143.7%	63	(17.0%)	72	0.0%	67	0.0%
La Canada Flintridge	3	11.6%	26	(.8%)	50	2.60	65	2.66	10	6.0%	51	1.9%	5	16.6%	11	10.4%	28	7.3%	38	(2.1%)	8	119.3%	5	116.3%
La Habra Heights	1	25.4%	NA	0.0%	8	11.75	NA	0.00	60	(1.0%)	NA	0.0%	49	0.6%	NA	0.0%	48	(.6%)	NA	0.0%	5	195.2%	67	0.0%
La Mirada	27	(1.0%)	29	(1.3%)	65	1.85	17	11.38	2	11.8%	4	128.7%	16	9.6%	2	23.3%	42	2.0%	15	7.6%	17	73.2%	10	85.1%
La Puente	50	(7.7%)	45	(7.0%)	59	2.23	64	2.82	38	1.5%	35	10.4%	63	(5.6%)	6	11.4%	50	(2.8%)	72	(59.6%)	28	54.8%	22	50.6%
La Verne	11	4.3%	25	(.6%)	15	5.48	27	6.94	27	2.4%	54	1.3%	67	(7.7%)	50	(2.3%)	35	6.0%	6	19.3%	72	0.0%	67	0.0%

Exhibit 3: Results and Rankings of Cities on Fiscal Health Criteria

City	All Funds												General Fund											
	Net Revenue Percent				Ratio of Assets to Liabilities				Change in Net Assets				General Fund Net Revenue				Change in General Fund Balance				Unassigned General Fund Balance			
	FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12	
	Rank	Percent	Rank	Percent	Rank	Ratio	Rank	Ratio	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent
Lakewood	15	2.4%	21	0.7%	11	8.85	11	17.97	24	2.8%	24	24.5%	27	6.2%	29	5.7%	26	7.6%	17	6.7%	68	3.2%	59	6.5%
Lancaster	69	(21.8%)	49	(9.2%)	28	3.88	10	18.04	64	(1.4%)	23	25.2%	76	(23.3%)	47	(.9%)	74	(17.0%)	69	(38.0%)	46	30.2%	43	21.5%
Lawndale	77	(39.1%)	NA	0.0%	44	2.85	NA	0.00	46	0.5%	NA	0.0%	81	(36.5%)	NA	0.0%	57	(5.6%)	NA	0.0%	16	74.9%	67	0.0%
Lomita	42	(5.1%)	48	(7.8%)	17	4.99	34	5.33	66	(1.7%)	65	(1.5%)	40	2.1%	33	4.0%	69	(13.0%)	24	2.5%	64	8.5%	60	5.1%
Long Beach	26	(.9%)	75	(25.2%)	57	2.25	69	2.39	11	5.9%	53	1.5%	53	(.2%)	38	2.3%	62	(59.1%)	9	15.1%	71	0.2%	62	1.3%
Los Angeles	43	(5.3%)	44	(6.6%)	68	1.74	75	1.77	26	2.7%	48	4.5%	25	6.4%	26	6.1%	16	19.1%	12	9.2%	66	6.5%	58	6.7%
Lynwood	57	(11.5%)	40	(4.9%)	53	2.47	58	3.42	35	1.8%	63	(1.2%)	64	(5.7%)	48	(1.0%)	75	(21.2%)	59	(14.3%)	53	18.2%	47	18.5%
Malibu	73	(29.2%)	55	(11.1%)	38	3.01	61	2.95	49	0.2%	71	(3.3%)	61	(4.2%)	57	(4.9%)	77	(23.0%)	54	(8.7%)	42	31.2%	28	36.2%
Manhattan Beach	10	4.3%	17	3.2%	24	4.12	50	4.07	29	2.4%	45	5.3%	32	4.3%	28	5.7%	24	9.1%	33	(.2%)	37	36.7%	29	35.6%
Monrovia	78	(40.3%)	53	(10.0%)	80	1.30	66	2.65	81	(10.8%)	3	163.7%	78	(31.8%)	72	(27.2%)	71	(14.0%)	76	(374.5%)	84	(27.1%)	76	(27.7%)
Montebello	34	(2.5%)	27	(.9%)	77	1.51	68	2.43	9	6.3%	18	37.5%	77	(25.4%)	74	(31.8%)	83	(174.5%)	2	43.8%	61	10.5%	49	15.9%
Monterey Park	36	(3.2%)	50	(9.4%)	70	1.72	60	3.01	25	2.7%	16	39.6%	58	(3.1%)	45	0.6%	55	(4.5%)	7	18.1%	65	8.3%	57	7.8%
Norwalk	47	(6.9%)	10	4.6%	60	2.20	32	5.70	53	(.1%)	19	33.6%	4	17.6%	17	7.8%	8	36.0%	65	(19.0%)	48	25.4%	36	29.9%
Palmdale	19	1.4%	41	(5.6%)	31	3.73	26	7.13	51	0.1%	32	15.3%	9	14.4%	39	1.8%	12	24.7%	52	(7.1%)	38	36.5%	33	34.6%
Palos Verdes Estates	28	(1.0%)	39	(4.8%)	1	50.47	3	44.98	62	(1.1%)	68	(2.4%)	41	2.1%	32	4.9%	22	9.4%	44	(4.7%)	60	10.7%	50	15.7%
Paramount	62	(12.5%)	38	(4.7%)	61	2.13	22	9.94	77	(6.3%)	17	39.5%	51	0.2%	42	1.4%	5	42.6%	29	1.6%	30	49.9%	23	49.6%
Pasadena	51	(8.3%)	72	(18.0%)	63	2.01	73	2.04	23	3.0%	26	20.7%	22	7.3%	8	11.2%	67	(12.4%)	14	7.7%	78	(.8%)	75	(23.1%)
Pico Rivera	64	(17.1%)	59	(12.4%)	54	2.32	54	3.67	20	3.2%	8	80.9%	68	(8.6%)	49	(1.7%)	60	(6.8%)	31	1.2%	59	11.5%	67	0.0%
Pomona	48	(7.0%)	57	(11.2%)	78	1.48	71	2.22	57	(.7%)	13	41.0%	48	0.9%	24	6.2%	70	(13.0%)	73	(62.2%)	72	0.0%	67	0.0%
Rancho Palos Verdes	4	10.4%	1	11.8%	7	12.25	4	41.90	22	3.0%	29	16.4%	3	25.5%	1	26.2%	49	(2.4%)	18	5.6%	22	66.7%	14	71.4%
Redondo Beach	23	(.0%)	34	(3.0%)	20	4.57	36	5.13	32	2.2%	36	10.0%	34	4.1%	37	2.4%	6	38.0%	37	(1.9%)	72	0.0%	65	0.6%
Rolling Hills	80	(45.6%)	66	(14.3%)	3	36.59	2	45.56	82	(12.4%)	52	1.5%	38	2.6%	69	(16.0%)	39	3.1%	50	(6.4%)	4	206.8%	3	177.0%
Rolling Hills Estates	30	(1.6%)	11	4.5%	9	10.57	19	10.72	31	2.4%	39	8.1%	65	(7.3%)	22	6.3%	72	(15.1%)	8	17.0%	47	28.5%	30	35.2%
Rosemead	71	(26.4%)	71	(17.3%)	64	1.98	15	15.41	4	8.4%	11	56.2%	66	(7.6%)	46	0.4%	63	(9.6%)	41	(3.3%)	26	57.6%	20	56.0%
San Dimas	75	(30.5%)	6	5.9%	25	4.11	20	10.30	33	2.1%	20	33.2%	46	1.3%	36	2.5%	43	1.6%	35	(.9%)	27	55.2%	19	56.1%
San Fernando	49	(7.5%)	30	(1.6%)	39	2.98	43	4.81	58	(.7%)	50	3.0%	80	(32.0%)	73	(30.0%)	84	(704.0%)	75	(90.7%)	81	(4.4%)	74	(10.0%)
San Gabriel	45	(5.8%)	47	(7.7%)	18	4.81	45	4.70	69	(3.4%)	67	(2.2%)	75	(22.2%)	75	(33.4%)	46	0.2%	68	(25.9%)	79	(2.1%)	61	3.5%
San Marino	72	(27.2%)	67	(15.0%)	5	15.44	9	21.50	47	0.4%	58	0.2%	18	9.1%	15	8.7%	62	(8.9%)	64	(18.1%)	15	79.8%	13	72.6%
Santa Clarita	67	(19.7%)	32	(2.4%)	14	6.22	21	10.14	36	1.7%	43	6.1%	7	15.5%	61	(8.0%)	25	7.6%	62	(16.4%)	21	69.7%	16	58.4%
Santa Fe Springs	24	(.7%)	73	(19.0%)	73	1.66	29	6.27	19	3.7%	9	72.8%	71	(11.4%)	65	(11.4%)	31	6.7%	5	25.4%	40	35.4%	25	43.1%
Santa Monica	46	(6.7%)	42	(5.9%)	26	3.98	35	5.28	30	2.4%	30	16.3%	55	(1.7%)	3	23.2%	7	37.0%	3	41.0%	34	40.0%	31	35.1%
Sierra Madre	37	(3.3%)	64	(13.7%)	6	12.97	12	16.57	59	(.8%)	61	(.4%)	12	11.3%	10	10.5%	27	7.5%	53	(7.4%)	23	65.2%	54	12.2%
Signal Hill	81	(64.0%)	65	(14.2%)	76	1.52	18	11.31	41	1.3%	6	101.5%	31	4.5%	25	6.1%	20	9.8%	23	2.5%	35	39.1%	27	41.7%
South El Monte	21	0.2%	15	3.5%	83	1.13	23	9.38	1	100.0%	2	237.1%	50	0.4%	12	9.6%	80	(51.7%)	1	59.7%	69	2.0%	53	13.2%
South Gate	14	2.4%	14	3.6%	47	2.68	56	3.56	7	6.8%	33	14.6%	54	(1.0%)	43	1.2%	32	6.5%	26	2.0%	58	13.2%	46	19.5%
South Pasadena	38	(3.9%)	4	7.7%	55	2.31	70	2.32	17	4.0%	55	0.9%	13	11.2%	30	5.5%	14	20.8%	13	9.0%	29	53.9%	21	55.6%
Temple City	2	12.0%	18	2.2%	13	7.19	13	16.34	12	5.7%	41	7.7%	26	6.3%	27	5.8%	40	2.5%	45	(5.0%)	2	236.1%	42	22.5%
Torrance	18	2.0%	7	5.8%	43	2.88	55	3.66	42	1.2%	27	18.6%	43	1.9%	23	6.2%	58	(6.0%)	27	1.9%	63	9.7%	44	21.4%
Vernon	83	(110.4%)	77	(83.9%)	81	1.29	77	1.14	79	(9.7%)	77	(51.4%)	84	(100.3%)	77	(108.1%)	81	(58.5%)	77	(455.0%)	82	(8.2%)	77	(47.4%)
Walnut	74	(29.3%)	23	(.0%)	34	3.49	1	48.92	54	(.2%)	21	31.7%	35	3.5%	64	(10.3%)	79	(31.7%)	46	(5.2%)	72	0.0%	63	0.7%
West Covina	29	(1.2%)	43	(6.3%)	62	2.07	51	4.00	71	(3.9%)	25	21.8%	62	(5.5%)	66	(11.7%)	59	(6.2%)	40	(2.9%)	54	17.0%	39	24.4%

**Exhibit 3: Results and Rankings of Cities on Fiscal Health Criteria**

City	All Funds												General Fund											
	Net Revenue Percent				Ratio of Assets to Liabilities				Change in Net Assets				General Fund Net Revenue				Change in General Fund Balance				Unassigned General Fund Balance			
	FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12		FY 2010-11		FY 2011-12	
	Rank	Percent	Rank	Percent	Rank	Ratio	Rank	Ratio	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent
West Hollywood	59	(11.8%)	20	1.0%	46	2.78	49	4.23	18	3.9%	46	5.0%	8	14.7%	4	17.4%	21	9.6%	28	1.7%	80	(2.2%)	51	15.6%
Westlake Village	41	(4.6%)	54	(10.9%)	37	3.13	59	3.16	68	(3.3%)	56	0.3%	47	1.2%	13	9.4%	56	(5.4%)	34	(.9%)	12	92.7%	4	139.3%
Whittier	22	(.0%)	60	(12.6%)	40	2.94	30	6.23	37	1.5%	28	18.2%	17	9.3%	55	(4.3%)	45	0.2%	43	(4.4%)	32	43.7%	26	42.0%
Average - All Cities		(12.5%)		(6.2%)		5.45		8.92		0.8%		24.0%		(1.7%)		(1.5%)		(3.8%)		(14.5%)		51.4%		38.3%

Source: Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements obtained from each City.  
 Financial information for FY 2010-11 or FY 2011-12 was not available from the cities of Avalon, Bell, Compton, and Maywood as of April 25, 2013.  
 Financial information for FY 2011-12 was not available from the cities of Azusa, Bradbury, Hawaiian Gardens, Huntington Park, Inglewood, La Habra Heights, and Lawndale as of April 25, 2013.



**Net Revenue Percent – All Funds**

Net Revenue Percent is the percent of all revenues remaining after all city expenditures. Revenues are the amount received by a city from taxes, fees, permits, licenses, interest, intergovernmental sources, and other sources during the fiscal year. Expenditures are the actual spending of governmental funds by each city. If a city spends less than received the net revenues and percentage would be positive. If a city spends more than received in revenues the net revenues and percentage would be negative. The net revenue percent is calculated by dividing net revenues by total revenues.

All Funds include each city's general fund as well as any other funds for proprietary or business-type activities which could include operating public utilities (power, water, parking, refuse collection, etc.) or other non-governmental type activities.

As the following Exhibit shows, only 21 of the 84 cities spent less on all activities (governmental and business) during Fiscal 2010-11 than revenue received. The remaining 61 cities spent more than they received in revenue. Both the cities of Vernon and Bradbury spent more than twice what was received in revenues. On average, cities expended 12.5% more than they received in revenue during FY 2010-11.

The exhibit also shows that only 22 of the 77 cities spent less on all activities (governmental and business) during Fiscal 2011-12 than revenue received. The remaining 55 cities spent more than they received in revenue. The City of Vernon spent nearly 84% more than it received in revenue. On average, cities expended 6.2% more than they received in revenue during FY 2011-12.

Cities cannot sustain a pattern of spending more than received in revenue, and essentially not living within their means during the fiscal year. Cities can balance their budgets by spending down reserve funds, liquidating city assets, or increasing city debt or liabilities. Cities may also have to make even more substantial reductions in city services.

<b>Exhibit 4: Total Revenues, Expenditures and Net Revenues (Ranked Highest to Lowest % Net Revenue)</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Net Total Revenues</b>	<b>% Net Revenue</b>	<b>Rank</b>	<b>City</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Net Total Revenues</b>	<b>% Net Revenue</b>
1	La Habra Heights	\$6,456,271	\$4,814,020	\$1,642,251	25.4%	1	Rancho Palos Verdes	\$29,011,389	\$25,599,287	\$3,412,102	11.8%
2	Temple City	\$16,420,245	\$14,450,445	\$1,969,800	12.0%	2	Hermosa Beach	\$31,902,779	\$28,502,703	\$3,400,076	10.7%
3	La Canada Flintridge	\$19,534,017	\$17,277,831	\$2,256,186	11.6%	3	Beverly Hills	\$183,970,715	\$168,405,846	\$15,564,869	8.5%
4	Rancho Palos Verdes	\$28,586,567	\$25,621,465	\$2,965,102	10.4%	4	South Pasadena	\$26,985,579	\$24,903,588	\$2,081,991	7.7%
5	Claremont	\$39,818,642	\$36,444,001	\$3,374,641	8.5%	5	Alhambra	\$77,589,141	\$72,938,495	\$4,650,646	6.0%
6	Beverly Hills	\$175,405,113	\$165,446,753	\$9,958,360	5.7%	6	San Dimas	\$27,917,381	\$26,276,406	\$1,640,975	5.9%
7	Irwindale	\$40,546,295	\$38,405,113	\$2,141,182	5.3%	7	Torrance	\$195,053,630	\$183,716,160	\$11,337,470	5.8%
8	Gardena	\$55,501,464	\$52,863,734	\$2,637,730	4.8%	8	Hidden Hills	\$1,986,620	\$1,876,183	\$110,437	5.6%
9	Inglewood	\$168,424,179	\$160,475,460	\$7,948,719	4.7%	9	Claremont	\$31,059,827	\$29,552,680	\$1,507,147	4.9%
10	Manhattan Beach	\$56,452,978	\$54,010,853	\$2,442,125	4.3%	10	Norwalk	\$67,602,693	\$64,503,803	\$3,098,890	4.6%
11	La Verne	\$43,289,901	\$41,424,471	\$1,865,430	4.3%	11	Rolling Hills Estates	\$7,471,225	\$7,132,456	\$338,769	4.5%
12	Alhambra	\$86,087,510	\$82,733,851	\$3,353,659	3.9%	12	Bellflower	\$36,546,102	\$35,047,877	\$1,498,225	4.1%
13	Hermosa Beach	\$30,816,246	\$29,665,905	\$1,150,341	3.7%	13	Gardena	\$60,252,815	\$57,803,736	\$2,449,079	4.1%
14	South Gate	\$73,042,672	\$71,273,643	\$1,769,029	2.4%	14	South Gate	\$68,837,572	\$66,381,334	\$2,456,238	3.6%
15	Lakewood	\$63,285,286	\$61,764,234	\$1,521,052	2.4%	15	South El Monte	\$17,648,546	\$17,026,023	\$622,523	3.5%
16	Baldwin Park	\$52,944,564	\$51,798,267	\$1,146,297	2.2%	16	Hawthorne	\$102,220,018	\$98,760,719	\$3,459,299	3.4%
17	Culver City	\$133,585,980	\$130,820,129	\$2,765,851	2.1%	17	Manhattan Beach	\$59,435,583	\$57,509,547	\$1,926,036	3.2%
18	Torrance	\$189,407,666	\$185,597,318	\$3,810,348	2.0%	18	Temple City	\$15,820,927	\$15,475,107	\$345,820	2.2%
19	Palmdale	\$141,356,940	\$139,337,830	\$2,019,110	1.4%	19	Duarte	\$19,196,567	\$18,998,341	\$198,226	1.0%
20	Hawthorne	\$186,430,835	\$183,901,004	\$2,529,831	1.4%	20	West Hollywood	\$91,152,934	\$90,237,428	\$915,506	1.0%
21	South El Monte	\$20,521,754	\$20,476,305	\$45,449	0.2%	21	Lakewood	\$54,708,076	\$54,346,475	\$361,601	0.7%
22	Whittier	\$78,336,992	\$78,342,050	(\$5,058)	(.0%)	22	Calabasas	\$30,547,600	\$30,485,913	\$61,687	0.2%
23	Redondo Beach	\$88,177,849	\$88,219,070	(\$41,221)	(.0%)	23	Walnut	\$20,430,639	\$20,435,518	(\$4,879)	(.0%)
24	Santa Fe Springs	\$80,476,230	\$81,024,809	(\$548,579)	(.7%)	24	Agoura Hills	\$17,919,772	\$17,971,461	(\$51,689)	(.3%)
25	Bellflower	\$36,027,628	\$36,332,559	(\$304,931)	(.8%)	25	La Verne	\$38,932,070	\$39,181,093	(\$249,023)	(.6%)
26	Long Beach	\$744,321,000	\$750,896,000	(\$6,575,000)	(.9%)	26	La Canada Flintridge	\$18,415,244	\$18,566,862	(\$151,618)	(.8%)
27	La Mirada	\$48,688,901	\$49,179,035	(\$490,134)	(1.0%)	27	Montebello	\$57,758,906	\$58,306,019	(\$547,113)	(.9%)

<b>Exhibit 4: Total Revenues, Expenditures and Net Revenues (Ranked Highest to Lowest % Net Revenue)</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Net Total Revenues</b>	<b>% Net Revenue</b>	<b>Rank</b>	<b>City</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Net Total Revenues</b>	<b>% Net Revenue</b>
28	Palos Verdes Estates	\$17,223,619	\$17,403,826	(\$180,207)	(1.0%)	28	El Monte	\$90,057,014	\$91,259,475	(\$1,202,461)	(1.3%)
29	West Covina	\$95,268,424	\$96,437,051	(\$1,168,627)	(1.2%)	29	La Mirada	\$47,736,944	\$48,379,569	(\$642,625)	(1.3%)
30	Rolling Hills Estates	\$7,712,444	\$7,832,849	(\$120,405)	(1.6%)	30	San Fernando	\$24,146,351	\$24,538,873	(\$392,522)	(1.6%)
31	Duarte	\$34,095,894	\$34,632,208	(\$536,314)	(1.6%)	31	Commerce	\$67,986,383	\$69,373,238	(\$1,386,855)	(2.0%)
32	Hawaiian Gardens	\$25,743,947	\$26,346,129	(\$602,182)	(2.3%)	32	Santa Clarita	\$152,265,233	\$155,915,292	(\$3,650,059)	(2.4%)
33	Bell Gardens	\$36,168,220	\$37,050,365	(\$882,145)	(2.4%)	33	Baldwin Park	\$48,524,783	\$49,903,793	(\$1,379,010)	(2.8%)
34	Montebello	\$66,692,379	\$68,373,345	(\$1,680,966)	(2.5%)	34	Redondo Beach	\$91,638,205	\$94,354,704	(\$2,716,499)	(3.0%)
35	El Segundo	\$56,848,924	\$58,596,145	(\$1,747,221)	(3.1%)	35	Cerritos	\$109,564,187	\$113,114,628	(\$3,550,441)	(3.2%)
36	Monterey Park	\$55,463,357	\$57,263,879	(\$1,800,522)	(3.2%)	36	Glendora	\$30,977,345	\$32,193,962	(\$1,216,617)	(3.9%)
37	Sierra Madre	\$12,843,017	\$13,269,118	(\$426,101)	(3.3%)	37	Arcadia	\$56,153,430	\$58,500,098	(\$2,346,668)	(4.2%)
38	South Pasadena	\$26,638,387	\$27,690,116	(\$1,051,729)	(3.9%)	38	Paramount	\$37,787,256	\$39,563,203	(\$1,775,947)	(4.7%)
39	Calabasas	\$36,731,853	\$38,212,438	(\$1,480,585)	(4.0%)	39	Palos Verdes Estates	\$17,091,040	\$17,908,727	(\$817,687)	(4.8%)
40	Huntington Park	\$63,437,740	\$66,277,764	(\$2,840,024)	(4.5%)	40	Lynwood	\$45,862,239	\$48,097,169	(\$2,234,930)	(4.9%)
41	Westlake Village	\$14,500,353	\$15,172,774	(\$672,421)	(4.6%)	41	Palmdale	\$111,567,854	\$117,835,268	(\$6,267,414)	(5.6%)
42	Lomita	\$10,296,872	\$10,817,426	(\$520,554)	(5.1%)	42	Santa Monica	\$511,734,482	\$542,070,392	(\$30,335,910)	(5.9%)
43	Los Angeles	\$6,318,612,000	\$6,651,535,000	(\$332,923,000)	(5.3%)	43	West Covina	\$85,979,949	\$91,360,471	(\$5,380,522)	(6.3%)
44	Glendora	\$36,854,996	\$38,914,427	(\$2,059,431)	(5.6%)	44	Los Angeles	\$6,576,754,000	\$7,011,640,000	(\$434,886,000)	(6.6%)
45	San Gabriel	\$38,303,555	\$40,538,198	(\$2,234,643)	(5.8%)	45	La Puente	\$15,713,794	\$16,816,779	(\$1,102,985)	(7.0%)
46	Santa Monica	\$396,641,357	\$423,138,169	(\$26,496,812)	(6.7%)	46	Bell Gardens	\$33,200,350	\$35,618,158	(\$2,417,808)	(7.3%)
47	Norwalk	\$89,562,951	\$95,718,805	(\$6,155,854)	(6.9%)	47	San Gabriel	\$36,799,301	\$39,631,027	(\$2,831,726)	(7.7%)
48	Pomona	\$176,700,431	\$189,109,432	(\$12,409,001)	(7.0%)	48	Lomita	\$10,488,783	\$11,312,101	(\$823,318)	(7.8%)
49	San Fernando	\$31,472,500	\$33,826,270	(\$2,353,770)	(7.5%)	49	Lancaster	\$106,994,246	\$116,817,014	(\$9,822,768)	(9.2%)
50	La Puente	\$15,486,398	\$16,674,410	(\$1,188,012)	(7.7%)	50	Monterey Park	\$52,083,910	\$56,967,467	(\$4,883,557)	(9.4%)
51	Pasadena	\$310,528,675	\$336,154,767	(\$25,626,092)	(8.3%)	51	Industry	\$167,355,363	\$183,339,067	(\$15,983,704)	(9.6%)
52	Artesia	\$10,989,185	\$11,914,997	(\$925,812)	(8.4%)	52	Irwindale	\$29,430,380	\$32,307,998	(\$2,877,618)	(9.8%)
53	Glendale	\$296,327,000	\$323,168,000	(\$26,841,000)	(9.1%)	53	Monrovia	\$50,889,132	\$55,958,172	(\$5,069,040)	(10.0%)
54	Burbank	\$230,591,000	\$253,105,000	(\$22,514,000)	(9.8%)	54	Westlake Village	\$15,173,722	\$16,828,541	(\$1,654,819)	(10.9%)

<b>Exhibit 4: Total Revenues, Expenditures and Net Revenues (Ranked Highest to Lowest % Net Revenue)</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Net Total Revenues</b>	<b>% Net Revenue</b>	<b>Rank</b>	<b>City</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Net Total Revenues</b>	<b>% Net Revenue</b>
55	Cerritos	\$101,044,955	\$111,246,026	(\$10,201,071)	(10.1%)	55	Malibu	\$28,421,773	\$31,565,940	(\$3,144,167)	(11.1%)
56	El Monte	\$91,497,196	\$101,031,712	(\$9,534,516)	(10.4%)	56	Glendale	\$258,957,000	\$287,936,000	(\$28,979,000)	(11.2%)
57	Lynwood	\$51,010,935	\$56,896,279	(\$5,885,344)	(11.5%)	57	Pomona	\$147,673,782	\$164,237,168	(\$16,563,386)	(11.2%)
58	Carson	\$106,849,098	\$119,326,096	(\$12,476,998)	(11.7%)	58	Cudahy	\$10,981,676	\$12,298,062	(\$1,316,386)	(12.0%)
59	West Hollywood	\$93,069,529	\$104,010,240	(\$10,940,711)	(11.8%)	59	Pico Rivera	\$63,549,162	\$71,405,949	(\$7,856,787)	(12.4%)
60	Industry	\$192,308,249	\$215,346,063	(\$23,037,814)	(12.0%)	60	Whittier	\$68,696,215	\$77,344,117	(\$8,647,902)	(12.6%)
61	Commerce	\$75,567,672	\$84,678,025	(\$9,110,353)	(12.1%)	61	El Segundo	\$56,220,110	\$63,791,780	(\$7,571,670)	(13.5%)
62	Paramount	\$50,529,929	\$56,826,715	(\$6,296,786)	(12.5%)	62	Downey	\$77,559,000	\$88,020,000	(\$10,461,000)	(13.5%)
63	Arcadia	\$61,191,647	\$70,570,837	(\$9,379,190)	(15.3%)	63	Covina	\$37,960,839	\$43,156,145	(\$5,195,306)	(13.7%)
64	Pico Rivera	\$61,415,487	\$71,893,503	(\$10,478,016)	(17.1%)	64	Sierra Madre	\$11,182,144	\$12,712,931	(\$1,530,787)	(13.7%)
65	Downey	\$81,960,000	\$96,542,000	(\$14,582,000)	(17.8%)	65	Signal Hill	\$27,749,195	\$31,682,253	(\$3,933,058)	(14.2%)
66	Covina	\$44,510,982	\$52,454,325	(\$7,943,343)	(17.8%)	66	Rolling Hills	\$1,634,820	\$1,868,965	(\$234,145)	(14.3%)
67	Santa Clarita	\$133,197,193	\$159,438,000	(\$26,240,807)	(19.7%)	67	San Marino	\$22,782,822	\$26,206,773	(\$3,423,951)	(15.0%)
68	Azusa	\$45,373,595	\$54,357,111	(\$8,983,516)	(19.8%)	68	Culver City	\$107,089,835	\$123,637,733	(\$16,547,898)	(15.5%)
69	Lancaster	\$112,223,448	\$136,732,232	(\$24,508,784)	(21.8%)	69	Burbank	\$212,012,000	\$247,189,000	(\$35,177,000)	(16.6%)
70	Hidden Hills	\$1,941,845	\$2,393,563	(\$451,718)	(23.3%)	70	Artesia	\$10,236,246	\$11,988,734	(\$1,752,488)	(17.1%)
71	Rosemead	\$32,963,479	\$41,668,718	(\$8,705,239)	(26.4%)	71	Rosemead	\$30,363,930	\$35,614,356	(\$5,250,426)	(17.3%)
72	San Marino	\$23,745,622	\$30,214,969	(\$6,469,347)	(27.2%)	72	Pasadena	\$296,816,607	\$350,327,610	(\$53,511,003)	(18.0%)
73	Malibu	\$25,842,406	\$33,393,351	(\$7,550,945)	(29.2%)	73	Santa Fe Springs	\$68,735,329	\$81,778,621	(\$13,043,292)	(19.0%)
74	Walnut	\$20,725,302	\$26,788,349	(\$6,063,047)	(29.3%)	74	Carson	\$99,831,047	\$124,270,497	(\$24,439,450)	(24.5%)
75	San Dimas	\$31,327,423	\$40,866,676	(\$9,539,253)	(30.5%)	75	Long Beach	\$678,093,000	\$848,789,000	(\$170,696,000)	(25.2%)
76	Diamond Bar	\$25,035,214	\$33,040,359	(\$8,005,145)	(32.0%)	76	Diamond Bar	\$26,330,887	\$43,649,908	(\$17,319,021)	(65.8%)
77	Lawndale	\$21,006,256	\$29,229,256	(\$8,223,000)	(39.1%)	77	Vernon	\$35,483,086	\$65,241,372	(\$29,758,286)	(83.9%)
78	Monrovia	\$55,044,292	\$77,249,492	(\$22,205,200)	(40.3%)	NA	Azusa				
79	Agoura Hills	\$22,136,934	\$31,318,579	(\$9,181,645)	(41.5%)	NA	Bradbury				
80	Rolling Hills	\$1,805,117	\$2,627,724	(\$822,607)	(45.6%)	NA	Hawaiian Gardens				
81	Signal Hill	\$32,521,138	\$53,326,400	(\$20,805,262)	(64.0%)	NA	Huntington Park				

<b>Exhibit 4: Total Revenues, Expenditures and Net Revenues (Ranked Highest to Lowest % Net Revenue)</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Net Total Revenues</b>	<b>% Net Revenue</b>	<b>Rank</b>	<b>City</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Net Total Revenues</b>	<b>% Net Revenue</b>
82	Bradbury	\$1,276,231	\$2,656,941	(\$1,380,710)	(108.2%)	NA	Inglewood				
83	Vernon	\$43,508,272	\$91,538,194	(\$48,029,922)	(110.4%)	NA	La Habra Heights				
84	Cudahy	\$12,766,738	\$34,508,045	(\$21,741,307)	(170.3%)	NA	Lawndale				

Source: Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements obtained from each City.  
 Financial information for FY 2010-11 or FY 2011-12 was not available from the cities of Avalon, Bell, Compton, and Maywood as of April 25, 2013.  
 Financial information for FY 2011-12 was not available from the cities of Azusa, Bradbury, Hawaiian Gardens, Huntington Park, Inglewood, La Habra Heights, and Lawndale as of April 25, 2013.

### **Ratio of Assets to Liabilities – All Funds**

The Ratio of Assets to Liabilities is the total assets of a city divided by the total liabilities of a city. City assets include funds available for use by the city, as well as the value of any capital assets such as land, buildings and improvements, machinery and equipment, and infrastructure. Liabilities include accounts payable and long-term debt such as bonds, certificates of participation, pension obligations, and insurance claims. Net assets are the total city assets less total city liabilities.

The ratio of assets to liabilities is calculated by dividing a city's total assets by its total liabilities. This ratio is an indicator of a city's solvency and ability to meet long-term obligations, including financial obligations to creditors, employees, taxpayers, and suppliers; as well as its service obligations to its residents. Ideally, cities would at minimum, have twice as many assets as liabilities. This would give them an asset to liability ratio of 2.0 or better.

All Funds include each city's general fund as well as any other funds for proprietary or business-type activities which could include operating public utilities (power, water, parking, refuse collection, etc.) or other non-governmental type activities.

As the following Exhibit shows, 63 of the 84 cities ratio of total assets to total liabilities were greater than 2.0 in FY 2010-2011. The remaining 21 cities had total asset to total liability ratios less than 2.0. This indicates that several cities solvency may be at risk, as may their ability to meet future obligations. The City of Huntington Park had the lowest ratio at .62. The average ratio of total assets to liabilities was 5.45.

The exhibit also shows that 73 of the 77 cities ratio of total assets to total liabilities was greater than 2.0 in FY 2011-2012. The remaining 4 cities had total asset to total liability ratios less than 2.0. The City of Vernon had the lowest ratio at 1.14. The average ratio of total assets to liabilities was 8.92.

<b>Exhibit 5: Ratio of Assets to Liabilities (Ranked Highest to Lowest Asset / Liability Ratio)</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Net Assets</b>	<b>Asset/Liab Ratio</b>	<b>Rank</b>	<b>City</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Net Assets</b>	<b>Asset/Liab Ratio</b>
1	Palos Verdes Estates	\$88,420,940	\$1,752,074	\$86,668,866	50.47	1	Walnut	\$115,898,582	\$2,369,123	\$113,529,459	48.92
2	Bradbury	\$5,872,368	\$119,172	\$5,753,196	49.28	2	Rolling Hills	\$6,123,294	\$134,391	\$5,988,903	45.56
3	Rolling Hills	\$6,064,186	\$165,740	\$5,898,446	36.59	3	Palos Verdes Estates	\$84,101,994	\$1,869,782	\$82,232,212	44.98
4	Diamond Bar	\$427,954,451	\$17,170,854	\$410,783,597	24.92	4	Rancho Palos Verdes	\$205,133,651	\$4,895,237	\$200,238,414	41.90
5	San Marino	\$213,879,205	\$13,848,139	\$200,031,066	15.44	5	Irwindale	\$180,683,695	\$4,508,093	\$176,175,602	40.08
6	Sierra Madre	\$237,392,680	\$18,307,775	\$219,084,905	12.97	6	Cerritos	\$521,222,864	\$13,299,104	\$507,923,760	39.19
7	Rancho Palos Verdes	\$183,351,452	\$14,962,024	\$168,389,428	12.25	7	Duarte	\$99,124,139	\$2,902,268	\$96,221,871	34.15
8	La Habra Heights	\$13,077,532	\$1,112,685	\$11,964,847	11.75	8	Diamond Bar	\$422,435,232	\$16,574,686	\$405,860,546	25.49
9	Rolling Hills Estates	\$11,410,435	\$1,079,312	\$10,331,123	10.57	9	San Marino	\$209,846,258	\$9,760,547	\$200,085,711	21.50
10	Hidden Hills	\$7,803,640	\$740,696	\$7,062,944	10.54	10	Lancaster	\$1,186,102,650	\$65,739,528	\$1,120,363,122	18.04
11	Lakewood	\$196,928,360	\$22,239,508	\$174,688,852	8.85	11	Lakewood	\$230,380,255	\$12,818,746	\$217,561,509	17.97
12	Hermosa Beach	\$94,678,094	\$12,733,849	\$81,944,245	7.44	12	Sierra Madre	\$232,472,623	\$14,030,072	\$218,442,551	16.57
13	Temple City	\$70,306,143	\$9,784,669	\$60,521,474	7.19	13	Temple City	\$69,449,861	\$4,249,629	\$65,200,232	16.34
14	Santa Clarita	\$1,065,979,745	\$171,394,178	\$894,585,567	6.22	14	Cudahy	\$27,660,302	\$1,772,078	\$25,888,224	15.61
15	La Verne	\$159,341,073	\$29,061,008	\$130,280,065	5.48	15	Rosemead	\$84,020,443	\$5,451,588	\$78,568,855	15.41
16	El Segundo	\$180,643,289	\$32,996,639	\$147,646,650	5.47	16	Hidden Hills	\$7,709,555	\$630,966	\$7,078,589	12.22
17	Lomita	\$54,868,086	\$10,991,133	\$43,876,953	4.99	17	La Mirada	\$215,552,893	\$18,941,473	\$196,611,420	11.38
18	San Gabriel	\$70,957,616	\$14,737,559	\$56,220,057	4.81	18	Signal Hill	\$137,305,258	\$12,138,801	\$125,166,457	11.31
19	El Monte	\$588,985,234	\$123,456,692	\$465,528,542	4.77	19	Rolling Hills Estates	\$12,316,003	\$1,148,403	\$11,167,600	10.72
20	Redondo Beach	\$281,608,087	\$61,583,267	\$220,024,820	4.57	20	San Dimas	\$113,932,782	\$11,061,620	\$102,871,162	10.30
21	Duarte	\$97,086,406	\$21,786,945	\$75,299,461	4.46	21	Santa Clarita	\$1,053,397,301	\$103,905,196	\$949,492,105	10.14
22	Claremont	\$180,897,011	\$40,689,331	\$140,207,680	4.45	22	Paramount	\$144,711,469	\$14,555,553	\$130,155,916	9.94
23	Arcadia	\$250,144,554	\$58,079,723	\$192,064,831	4.31	23	South El Monte	\$19,907,415	\$2,121,622	\$17,785,793	9.38
24	Manhattan Beach	\$233,817,711	\$56,806,938	\$177,010,773	4.12	24	Agoura Hills	\$96,625,546	\$12,809,549	\$83,815,997	7.54
25	San Dimas	\$101,991,554	\$24,826,864	\$77,164,690	4.11	25	Bell Gardens	\$191,871,967	\$26,447,660	\$165,424,307	7.25
26	Santa Monica	\$2,099,921,023	\$527,963,742	\$1,571,957,281	3.98	26	Palmdale	\$990,239,602	\$138,797,258	\$851,442,344	7.13
27	Glendale	\$2,226,232,000	\$570,565,000	\$1,655,667,000	3.90	27	La Verne	\$154,179,006	\$22,230,669	\$131,948,337	6.94

<b>Exhibit 5: Ratio of Assets to Liabilities (Ranked Highest to Lowest Asset / Liability Ratio)</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Net Assets</b>	<b>Asset/Liab Ratio</b>	<b>Rank</b>	<b>City</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Net Assets</b>	<b>Asset/Liab Ratio</b>
28	Lancaster	\$1,201,979,276	\$309,840,170	\$892,139,106	3.88	28	Arcadia	\$211,749,407	\$30,596,842	\$181,152,565	6.92
29	Agoura Hills	\$116,577,048	\$30,528,813	\$86,048,235	3.82	29	Santa Fe Springs	\$224,620,141	\$35,848,313	\$188,771,828	6.27
30	Downey	\$376,504,000	\$100,120,000	\$276,384,000	3.76	30	Whittier	\$324,214,159	\$52,081,755	\$272,132,404	6.23
31	Palmdale	\$999,515,730	\$267,635,592	\$731,880,138	3.73	31	Hermosa Beach	\$96,306,380	\$16,337,945	\$79,968,435	5.89
32	Burbank	\$1,880,182,000	\$534,489,000	\$1,345,693,000	3.52	32	Norwalk	\$274,460,360	\$48,158,429	\$226,301,931	5.70
33	Glendora	\$225,395,493	\$64,330,673	\$161,064,820	3.50	33	El Monte	\$594,012,036	\$109,264,631	\$484,747,405	5.44
34	Walnut	\$120,777,488	\$34,584,543	\$86,192,945	3.49	34	Lomita	\$53,189,162	\$9,981,603	\$43,207,559	5.33
35	Calabasas	\$142,042,050	\$40,792,991	\$101,249,059	3.48	35	Santa Monica	\$2,255,578,274	\$427,105,828	\$1,828,472,446	5.28
36	Bellflower	\$101,310,675	\$30,777,138	\$70,533,537	3.29	36	Redondo Beach	\$300,717,204	\$58,608,458	\$242,108,746	5.13
37	Westlake Village	\$58,313,392	\$18,618,023	\$39,695,369	3.13	37	Glendora	\$204,385,316	\$40,221,117	\$164,164,199	5.08
38	Malibu	\$149,475,186	\$49,713,408	\$99,761,778	3.01	38	Culver City	\$472,606,147	\$93,084,870	\$379,521,277	5.08
39	San Fernando	\$90,834,622	\$30,503,287	\$60,331,335	2.98	39	Artesia	\$20,335,920	\$4,023,492	\$16,312,428	5.05
40	Whittier	\$348,490,082	\$118,356,840	\$230,133,242	2.94	40	Burbank	\$1,815,963,000	\$364,619,000	\$1,451,344,000	4.98
41	Bell Gardens	\$153,430,820	\$52,319,436	\$101,111,384	2.93	41	Claremont	\$170,116,198	\$34,524,762	\$135,591,436	4.93
42	Gardena	\$180,905,947	\$62,498,588	\$118,407,359	2.89	42	Glendale	\$2,059,200,000	\$420,737,000	\$1,638,463,000	4.89
43	Torrance	\$650,556,692	\$226,219,659	\$424,337,033	2.88	43	San Fernando	\$78,474,183	\$16,305,374	\$62,168,809	4.81
44	Lawndale	\$81,868,788	\$28,703,834	\$53,164,954	2.85	44	Downey	\$369,282,000	\$77,836,000	\$291,446,000	4.74
45	Cerritos	\$518,137,390	\$183,360,486	\$334,776,904	2.83	45	San Gabriel	\$68,198,445	\$14,507,466	\$53,690,979	4.70
46	West Hollywood	\$365,313,019	\$131,186,941	\$234,126,078	2.78	46	Bellflower	\$103,767,025	\$22,358,267	\$81,408,758	4.64
47	South Gate	\$376,365,993	\$140,614,854	\$235,751,139	2.68	47	El Segundo	\$183,826,202	\$40,961,299	\$142,864,903	4.49
48	Carson	\$609,443,656	\$229,799,077	\$379,644,579	2.65	48	Baldwin Park	\$190,905,224	\$42,620,143	\$148,285,081	4.48
49	Covina	\$221,644,683	\$84,990,065	\$136,654,618	2.61	49	West Hollywood	\$322,446,228	\$76,195,168	\$246,251,060	4.23
50	La Canada Flintridge	\$109,044,832	\$41,985,623	\$67,059,209	2.60	50	Manhattan Beach	\$241,463,953	\$59,289,301	\$182,174,652	4.07
51	Beverly Hills	\$1,078,152,658	\$422,582,158	\$655,570,500	2.55	51	West Covina	\$330,435,933	\$82,658,973	\$247,776,960	4.00
52	Alhambra	\$296,469,828	\$119,622,630	\$176,847,198	2.48	52	Alhambra	\$276,233,851	\$73,299,805	\$202,934,046	3.77
53	Lynwood	\$238,731,698	\$96,479,834	\$142,251,864	2.47	53	Covina	\$176,604,781	\$47,891,935	\$128,712,846	3.69
54	Pico Rivera	\$347,770,725	\$149,661,007	\$198,109,718	2.32	54	Pico Rivera	\$412,274,202	\$112,231,407	\$300,042,795	3.67

<b>Exhibit 5: Ratio of Assets to Liabilities (Ranked Highest to Lowest Asset / Liability Ratio)</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Net Assets</b>	<b>Asset/Liab Ratio</b>	<b>Rank</b>	<b>City</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Net Assets</b>	<b>Asset/Liab Ratio</b>
55	South Pasadena	\$144,547,447	\$62,543,545	\$82,003,902	2.31	55	Torrance	\$692,737,932	\$189,521,542	\$503,216,390	3.66
56	Baldwin Park	\$188,761,132	\$82,777,566	\$105,983,566	2.28	56	South Gate	\$351,583,719	\$98,888,969	\$252,694,750	3.56
57	Long Beach	\$7,893,542,000	\$3,503,942,000	\$4,389,600,000	2.25	57	Calabasas	\$141,403,315	\$40,198,947	\$101,204,368	3.52
58	Irwindale	\$227,433,081	\$101,140,971	\$126,292,110	2.25	58	Lynwood	\$198,530,985	\$57,991,202	\$140,539,783	3.42
59	La Puente	\$65,715,521	\$29,478,455	\$36,237,066	2.23	59	Westlake Village	\$58,271,190	\$18,459,480	\$39,811,710	3.16
60	Norwalk	\$310,876,969	\$141,534,883	\$169,342,086	2.20	60	Monterey Park	\$181,010,277	\$60,123,631	\$120,886,646	3.01
61	Paramount	\$176,074,523	\$82,761,827	\$93,312,696	2.13	61	Malibu	\$144,784,540	\$49,149,344	\$95,635,196	2.95
62	West Covina	\$393,668,391	\$190,242,427	\$203,425,964	2.07	62	Gardena	\$176,980,217	\$60,851,921	\$116,128,296	2.91
63	Pasadena	\$2,130,027,981	\$1,057,963,954	\$1,072,064,027	2.01	63	Beverly Hills	\$1,096,047,778	\$386,615,376	\$709,432,402	2.83
64	Rosemead	\$101,546,907	\$51,231,316	\$50,315,591	1.98	64	La Puente	\$61,958,667	\$21,939,611	\$40,019,056	2.82
65	La Mirada	\$187,410,425	\$101,432,571	\$85,977,854	1.85	65	La Canada Flintridge	\$109,404,743	\$41,057,351	\$68,347,392	2.66
66	Industry	\$1,318,370,797	\$713,739,635	\$604,631,162	1.85	66	Monrovia	\$147,325,528	\$55,616,717	\$91,708,811	2.65
67	Artesia	\$34,469,124	\$19,520,803	\$14,948,321	1.77	67	Hawthorne	\$210,886,565	\$84,148,643	\$126,737,922	2.51
68	Los Angeles	\$48,314,850,000	\$27,828,798,000	\$20,486,052,000	1.74	68	Montebello	\$187,942,699	\$77,447,983	\$110,494,716	2.43
69	Culver City	\$501,853,833	\$290,221,863	\$211,631,970	1.73	69	Long Beach	\$7,651,596,000	\$3,195,961,000	\$4,455,635,000	2.39
70	Monterey Park	\$206,689,014	\$120,080,758	\$86,608,256	1.72	70	South Pasadena	\$145,516,887	\$62,739,288	\$82,777,599	2.32
71	Azusa	\$309,924,813	\$182,897,208	\$127,027,605	1.69	71	Pomona	\$668,336,761	\$300,869,530	\$367,467,231	2.22
72	Commerce	\$239,293,851	\$141,490,074	\$97,803,777	1.69	72	Industry	\$1,072,760,770	\$505,840,188	\$566,920,582	2.12
73	Santa Fe Springs	\$274,645,725	\$165,374,866	\$109,270,859	1.66	73	Pasadena	\$2,238,931,695	\$1,096,733,295	\$1,142,198,400	2.04
74	Inglewood	\$567,569,063	\$353,685,792	\$213,883,271	1.60	74	Carson	\$123,719,473	\$63,174,711	\$60,544,762	1.96
75	Hawaiian Gardens	\$67,599,243	\$44,331,328	\$23,267,915	1.52	75	Los Angeles	\$49,152,203,000	\$27,736,333,000	\$21,415,870,000	1.77
76	Signal Hill	\$182,250,557	\$120,132,168	\$62,118,389	1.52	76	Commerce	\$218,084,817	\$135,097,508	\$82,987,309	1.61
77	Montebello	\$236,456,171	\$156,110,153	\$80,346,018	1.51	77	Vernon	\$690,600,768	\$608,242,470	\$82,358,298	1.14
78	Pomona	\$798,930,067	\$538,256,843	\$260,673,224	1.48	NA	Azusa				
79	Hawthorne	\$212,647,750	\$154,609,911	\$58,037,839	1.38	NA	Bradbury				
80	Monrovia	\$188,236,546	\$144,333,135	\$43,903,411	1.30	NA	Hawaiian Gardens				
81	Vernon	\$799,130,095	\$617,439,595	\$181,690,500	1.29	NA	Huntington Park				

<b>Exhibit 5: Ratio of Assets to Liabilities (Ranked Highest to Lowest Asset / Liability Ratio)</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Net Assets</b>	<b>Asset/Liab Ratio</b>	<b>Rank</b>	<b>City</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Net Assets</b>	<b>Asset/Liab Ratio</b>
82	Cudahy	\$34,358,801	\$26,643,892	\$7,714,909	1.29	NA	Inglewood				
83	South El Monte	\$45,102,055	\$39,775,366	\$5,326,689	1.13	NA	La Habra Heights				
84	Huntington Park	\$151,871,161	\$244,914,916	(\$93,043,755)	0.62	NA	Lawndale				

Source: Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements obtained from each City.  
 Financial information for FY 2010-11 or FY 2011-12 was not available from the cities of Avalon, Bell, Compton, and Maywood as of April 25, 2013.  
 Financial information for FY 2011-12 was not available from the cities of Azusa, Bradbury, Hawaiian Gardens, Huntington Park, Inglewood, La Habra Heights, and Lawndale as of April 25, 2013.

**Change in Net Assets – All Funds**

Change in Net Assets is the difference from the beginning of the fiscal year to the end of the fiscal year in the total city assets minus total city liabilities. This change indicates the extent to which total city assets are increasing or decreasing. Ideally, city net assets would be stable or increasing. Declining net assets indicate cities are spending down their assets in order to meet current financial obligations. The change in net assets is calculated by subtracting the previous fiscal year's net assets for each city from the current year's net assets. If the result is a positive number the net assets are increasing, if a negative number the net assets are decreasing.

All Funds include each city's general fund as well as any other funds for proprietary or business-type activities which could include operating public utilities (power, water, parking, refuse collection, etc.) or other non-governmental type activities.

As the following exhibit shows, 52 of the 84 cities total net assets increased during FY 2010-11. The remaining 32 cities net assets declined during FY 2010-11. The exhibit also shows that 58 of the 77 cities total net assets increased during FY 2011-12. The remaining 19 cities net assets declined during FY 2011-12. The average change in net assets was 0.8% in 2010-11, and 24% for FY 2011-12. A positive percentage change indicates that the city's financial position is improving, while a negative percentage change indicates that the city's financial position is deteriorating.

<b>Exhibit 6: Change in Net Assets (Ranked Positive to Negative Change in Net Assets)</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>Beginning Net Assets</b>	<b>Ending Net Assets</b>	<b>Change in Net Assets</b>	<b>Change in Net Assets</b>	<b>Rank</b>	<b>City</b>	<b>Beginning Net Assets</b>	<b>Ending Net Assets</b>	<b>Change in Net Assets</b>	<b>Change in Net Assets</b>
1	South El Monte	\$2,663,813	\$5,326,689	\$2,662,876	100.0%	1	Cudahy	\$7,173,952	\$25,888,224	\$18,714,272	260.9%
2	La Mirada	\$76,937,205	\$85,977,854	\$9,040,649	11.8%	2	South El Monte	\$5,276,689	\$17,785,793	\$12,509,104	237.1%
3	Irwindale	\$116,423,063	\$126,292,110	\$9,869,047	8.5%	3	Monrovia	\$34,771,983	\$91,708,811	\$56,936,828	163.7%
4	Rosemead	\$46,401,401	\$50,315,591	\$3,914,190	8.4%	4	La Mirada	\$85,977,854	\$196,611,420	\$110,633,566	128.7%
5	Bellflower	\$65,202,419	\$70,533,537	\$5,331,118	8.2%	5	Hawthorne	\$58,037,839	\$126,737,922	\$68,700,083	118.4%
6	Alhambra	\$163,529,822	\$176,847,198	\$13,317,376	8.1%	6	Signal Hill	\$62,118,389	\$125,166,457	\$63,048,068	101.5%
7	South Gate	\$220,778,915	\$235,751,139	\$14,972,224	6.8%	7	Culver City	\$209,781,126	\$379,521,277	\$169,740,151	80.9%
8	Beverly Hills	\$614,725,670	\$655,570,500	\$40,844,830	6.6%	8	Pico Rivera	\$165,900,924	\$300,042,795	\$134,141,871	80.9%
9	Montebello	\$75,599,044	\$80,346,018	\$4,746,974	6.3%	9	Santa Fe Springs	\$109,270,859	\$188,771,828	\$79,500,969	72.8%
10	La Canada Flintridge	\$63,263,101	\$67,059,209	\$3,796,108	6.0%	10	Bell Gardens	\$101,111,384	\$165,424,307	\$64,312,923	63.6%
11	Long Beach	\$4,145,131,000	\$4,389,600,000	\$244,469,000	5.9%	11	Rosemead	\$50,315,591	\$78,568,855	\$28,253,264	56.2%
12	Temple City	\$57,233,673	\$60,521,474	\$3,287,801	5.7%	12	Cerritos	\$334,776,904	\$507,923,760	\$173,146,856	51.7%
13	Hawthorne	\$54,890,570	\$58,037,839	\$3,147,269	5.7%	13	Pomona	\$260,673,224	\$367,467,231	\$106,794,007	41.0%
14	Industry	\$571,843,610	\$604,631,162	\$32,787,552	5.7%	14	Irwindale	\$125,553,473	\$176,175,602	\$50,622,129	40.3%
15	Calabasas	\$96,242,704	\$101,249,059	\$5,006,355	5.2%	15	Baldwin Park	\$105,983,566	\$148,285,081	\$42,301,515	39.9%
16	Duarte	\$71,674,385	\$75,299,461	\$3,625,076	5.1%	16	Monterey Park	\$86,608,256	\$120,886,646	\$34,278,390	39.6%
17	South Pasadena	\$78,836,763	\$82,003,902	\$3,167,139	4.0%	17	Paramount	\$93,312,696	\$130,155,916	\$36,843,220	39.5%
18	West Hollywood	\$225,262,308	\$234,126,078	\$8,863,770	3.9%	18	Montebello	\$80,346,018	\$110,494,716	\$30,148,698	37.5%
19	Santa Fe Springs	\$105,335,804	\$109,270,859	\$3,935,055	3.7%	19	Norwalk	\$169,342,086	\$226,301,931	\$56,959,845	33.6%
20	Pico Rivera	\$191,918,476	\$198,109,718	\$6,191,242	3.2%	20	San Dimas	\$77,241,648	\$102,871,162	\$25,629,514	33.2%
21	Claremont	\$135,942,150	\$140,207,680	\$4,265,530	3.1%	21	Walnut	\$86,192,945	\$113,529,459	\$27,336,514	31.7%
22	Rancho Palos Verdes	\$163,468,852	\$168,389,428	\$4,920,576	3.0%	22	Duarte	\$75,750,203	\$96,221,871	\$20,471,668	27.0%
23	Pasadena	\$1,040,811,812	\$1,072,064,027	\$31,252,215	3.0%	23	Lancaster	\$894,735,818	\$1,120,363,122	\$225,627,304	25.2%
24	Lakewood	\$169,950,296	\$174,688,852	\$4,738,556	2.8%	24	Lakewood	\$174,688,852	\$217,561,509	\$42,872,657	24.5%
25	Monterey Park	\$84,302,457	\$86,608,256	\$2,305,799	2.7%	25	West Covina	\$203,425,964	\$247,776,960	\$44,350,996	21.8%
26	Los Angeles	\$19,954,256,000	\$20,486,052,000	\$531,796,000	2.7%	26	Pasadena	\$946,405,167	\$1,142,215,257	\$195,810,090	20.7%
27	La Verne	\$127,166,259	\$130,280,065	\$3,113,806	2.4%	27	Torrance	\$424,337,033	\$503,216,390	\$78,879,357	18.6%
28	Baldwin Park	\$103,455,582	\$105,983,566	\$2,527,984	2.4%	28	Whittier	\$230,133,242	\$272,132,404	\$41,999,162	18.2%
29	Manhattan Beach	\$172,842,329	\$177,010,773	\$4,168,444	2.4%	29	Rancho Palos Verdes	\$172,079,069	\$200,238,415	\$28,159,346	16.4%

<b>Exhibit 6: Change in Net Assets (Ranked Positive to Negative Change in Net Assets)</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>Beginning Net Assets</b>	<b>Ending Net Assets</b>	<b>Change in Net Assets</b>	<b>Change in Net Assets</b>	<b>Rank</b>	<b>City</b>	<b>Beginning Net Assets</b>	<b>Ending Net Assets</b>	<b>Change in Net Assets</b>	<b>Change in Net Assets</b>
30	Santa Monica	\$1,535,362,226	\$1,571,957,281	\$36,595,055	2.4%	30	Santa Monica	\$1,571,957,281	\$1,828,472,446	\$256,515,165	16.3%
31	Rolling Hills Estates	\$10,091,850	\$10,331,123	\$239,273	2.4%	31	Bellflower	\$70,414,588	\$81,408,758	\$10,994,170	15.6%
32	Redondo Beach	\$215,266,893	\$220,024,820	\$4,757,927	2.2%	32	Palmdale	\$738,666,238	\$851,442,344	\$112,776,106	15.3%
33	San Dimas	\$75,610,910	\$77,164,690	\$1,553,780	2.1%	33	South Gate	\$220,449,150	\$252,694,750	\$32,245,600	14.6%
34	Culver City	\$207,459,913	\$211,631,970	\$4,172,057	2.0%	34	Alhambra	\$177,111,578	\$202,934,046	\$25,822,468	14.6%
35	Lynwood	\$139,691,580	\$142,251,864	\$2,560,284	1.8%	35	La Puente	\$36,237,066	\$40,019,056	\$3,781,990	10.4%
36	Santa Clarita	\$879,262,993	\$894,585,567	\$15,322,574	1.7%	36	Redondo Beach	\$220,008,247	\$242,108,746	\$22,100,499	10.0%
37	Whittier	\$226,622,628	\$230,133,242	\$3,510,614	1.5%	37	Artesia	\$14,988,321	\$16,312,428	\$1,324,107	8.8%
38	La Puente	\$35,699,326	\$36,237,066	\$537,740	1.5%	38	Beverly Hills	\$655,570,500	\$709,432,402	\$53,861,902	8.2%
39	Hermosa Beach	\$80,738,553	\$81,944,245	\$1,205,692	1.5%	39	Rolling Hills Estates	\$10,331,123	\$11,167,600	\$836,477	8.1%
40	Hidden Hills	\$6,960,798	\$7,062,944	\$102,146	1.5%	40	Burbank	\$1,345,693,000	\$1,451,344,000	\$105,651,000	7.9%
41	Signal Hill	\$61,339,935	\$62,118,389	\$778,454	1.3%	41	Temple City	\$60,521,475	\$65,200,232	\$4,678,757	7.7%
42	Torrance	\$419,292,996	\$424,337,033	\$5,044,037	1.2%	42	Commerce	\$77,866,876	\$82,987,309	\$5,120,433	6.6%
43	El Monte	\$461,076,559	\$465,528,542	\$4,451,983	1.0%	43	Santa Clarita	\$894,585,567	\$949,492,105	\$54,906,538	6.1%
44	Artesia	\$14,822,791	\$14,948,321	\$125,530	0.8%	44	Downey	\$275,778,000	\$291,446,000	\$15,668,000	5.7%
45	Agoura Hills	\$85,359,390	\$86,048,235	\$688,845	0.8%	45	Manhattan Beach	\$173,023,924	\$182,174,652	\$9,150,728	5.3%
46	Lawndale	\$52,877,922	\$53,164,954	\$287,032	0.5%	46	West Hollywood	\$234,567,423	\$246,251,060	\$11,683,637	5.0%
47	San Marino	\$199,264,839	\$200,031,066	\$766,227	0.4%	47	Glendora	\$156,845,282	\$164,164,199	\$7,318,917	4.7%
48	Glendora	\$160,580,571	\$161,064,820	\$484,249	0.3%	48	Los Angeles	\$20,486,052,000	\$21,415,870,000	\$929,818,000	4.5%
49	Malibu	\$99,601,111	\$99,761,778	\$160,667	0.2%	49	El Monte	\$465,528,542	\$484,747,405	\$19,218,863	4.1%
50	Glendale	\$1,654,023,000	\$1,655,667,000	\$1,644,000	0.1%	50	San Fernando	\$60,331,335	\$62,168,809	\$1,837,474	3.0%
51	Palmdale	\$731,360,888	\$731,880,138	\$519,250	0.1%	51	La Canada Flintridge	\$67,059,209	\$68,347,392	\$1,288,183	1.9%
52	Hawaiian Gardens	\$23,261,691	\$23,267,915	\$6,224	0.0%	52	Rolling Hills	\$5,898,446	\$5,988,903	\$90,457	1.5%
53	Norwalk	\$169,547,365	\$169,342,086	(\$205,279)	(.1%)	53	Long Beach	\$4,389,600,000	\$4,455,635,000	\$66,035,000	1.5%
54	Walnut	\$86,393,828	\$86,192,945	(\$200,883)	(.2%)	54	La Verne	\$130,280,065	\$131,948,337	\$1,668,272	1.3%
55	Gardena	\$118,827,858	\$118,407,359	(\$420,499)	(.4%)	55	South Pasadena	\$82,003,902	\$82,777,599	\$773,697	0.9%
56	Burbank	\$1,353,345,000	\$1,345,693,000	(\$7,652,000)	(.6%)	56	Westlake Village	\$39,695,369	\$39,811,710	\$116,341	0.3%
57	Pomona	\$262,449,409	\$260,673,224	(\$1,776,185)	(.7%)	57	Hidden Hills	\$7,062,944	\$7,078,589	\$15,645	0.2%
58	San Fernando	\$60,778,589	\$60,331,335	(\$447,254)	(.7%)	58	San Marino	\$199,706,593	\$200,085,711	\$379,118	0.2%

**Exhibit 6: Change in Net Assets (Ranked Positive to Negative Change in Net Assets)**

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Beginning Net Assets	Ending Net Assets	Change in Net Assets	Change in Net Assets	Rank	City	Beginning Net Assets	Ending Net Assets	Change in Net Assets	Change in Net Assets
59	Sierra Madre	\$220,802,817	\$219,084,905	(\$1,717,912)	(.8%)	59	Calabasas	\$101,249,059	\$101,204,368	(\$44,691)	(.0%)
60	La Habra Heights	\$12,082,251	\$11,964,847	(\$117,404)	(1.0%)	60	Claremont	\$135,916,931	\$135,591,436	(\$325,495)	(.2%)
61	Cerritos	\$338,239,068	\$334,776,904	(\$3,462,164)	(1.0%)	61	Sierra Madre	\$219,400,219	\$218,442,551	(\$957,668)	(.4%)
62	Palos Verdes Estates	\$87,668,455	\$86,668,866	(\$999,589)	(1.1%)	62	Glendale	\$1,655,667,000	\$1,638,463,000	(\$17,204,000)	(1.0%)
63	Diamond Bar	\$416,022,622	\$410,783,597	(\$5,239,025)	(1.3%)	63	Lynwood	\$142,251,864	\$140,539,783	(\$1,712,081)	(1.2%)
64	Lancaster	\$904,318,000	\$891,819,345	(\$12,498,655)	(1.4%)	64	Diamond Bar	\$411,343,266	\$405,860,546	(\$5,482,720)	(1.3%)
65	El Segundo	\$149,895,666	\$147,646,650	(\$2,249,016)	(1.5%)	65	Lomita	\$43,876,953	\$43,207,559	(\$669,394)	(1.5%)
66	Lomita	\$44,653,981	\$43,876,953	(\$777,028)	(1.7%)	66	Gardena	\$118,407,359	\$116,128,296	(\$2,279,063)	(1.9%)
67	Inglewood	\$220,134,814	\$213,883,271	(\$6,251,543)	(2.8%)	67	San Gabriel	\$54,887,950	\$53,690,979	(\$1,196,971)	(2.2%)
68	Westlake Village	\$41,067,970	\$39,695,369	(\$1,372,601)	(3.3%)	68	Palos Verdes Estates	\$84,219,854	\$82,232,212	(\$1,987,642)	(2.4%)
69	San Gabriel	\$58,199,540	\$56,220,057	(\$1,979,483)	(3.4%)	69	Hermosa Beach	\$81,944,245	\$79,968,435	(\$1,975,810)	(2.4%)
70	Arcadia	\$199,030,502	\$192,064,831	(\$6,965,671)	(3.5%)	70	Agoura Hills	\$86,048,235	\$83,815,997	(\$2,232,238)	(2.6%)
71	West Covina	\$211,787,517	\$203,425,964	(\$8,361,553)	(3.9%)	71	Malibu	\$98,924,563	\$95,635,196	(\$3,289,367)	(3.3%)
72	Bell Gardens	\$105,822,495	\$101,111,384	(\$4,711,111)	(4.5%)	72	El Segundo	\$147,836,304	\$142,864,903	(\$4,971,401)	(3.4%)
73	Azusa	\$133,485,442	\$127,027,605	(\$6,457,837)	(4.8%)	73	Carson	\$379,644,579	\$363,110,748	(\$16,533,831)	(4.4%)
74	Commerce	\$102,968,774	\$97,803,777	(\$5,164,997)	(5.0%)	74	Arcadia	\$192,064,831	\$181,152,565	(\$10,912,266)	(5.7%)
75	Downey	\$291,298,000	\$276,384,000	(\$14,914,000)	(5.1%)	75	Industry	\$604,631,162	\$566,920,582	(\$37,710,580)	(6.2%)
76	Covina	\$145,143,945	\$136,654,618	(\$8,489,327)	(5.8%)	76	Covina	\$140,149,595	\$128,712,846	(\$11,436,749)	(8.2%)
77	Paramount	\$99,609,482	\$93,312,696	(\$6,296,786)	(6.3%)	77	Vernon	\$169,354,729	\$82,358,298	(\$86,996,431)	(51.4%)
78	Carson	\$419,286,360	\$379,644,579	(\$39,641,781)	(9.5%)	NA	Azusa				
79	Vernon	\$201,108,074	\$181,690,500	(\$19,417,574)	(9.7%)	NA	Bradbury				
80	Bradbury	\$6,402,883	\$5,753,196	(\$649,687)	(10.1%)	NA	Hawaiian Gardens				
81	Monrovia	\$49,199,339	\$43,903,411	(\$5,295,928)	(10.8%)	NA	Huntington Park				
82	Rolling Hills	\$6,775,878	\$5,898,446	(\$877,432)	(12.9%)	NA	Inglewood				
83	Huntington Park	(\$82,332,367)	(\$93,043,755)	(\$10,711,388)	(13.0%)	NA	La Habra Heights				
84	Cudahy	\$28,414,815	\$7,714,909	(\$20,699,906)	(72.8%)	NA	Lawndale				

Source: Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements obtained from each City.  
 Financial information for FY 2010-11 or FY 2011-12 was not available from the cities of Avalon, Bell, Compton, and Maywood as of April 25, 2013.  
 Financial information for FY 2011-12 was not available from the cities of Azusa, Bradbury, Hawaiian Gardens, Huntington Park, Inglewood, La Habra Heights, and Lawndale as of April 25, 2013.

**General Fund Net Revenue Percent**

General Fund Net Revenue Percent is the percent of all general fund revenues remaining after all city general fund expenditures. Revenues are the amount received by a city from taxes, fees, permits, licenses, interest, intergovernmental sources, and other sources during the fiscal year. Expenditures are the actual spending of governmental general funds by each city. If a city spends less than received the general fund net revenues and percentage would be positive. If a city spends more than received in revenues the net general fund revenues and percentage would be negative. The general fund net revenue percent is calculated by dividing general fund net revenues by total general fund revenues.

As the following Exhibit shows, 52 of the 84 cities received more in general fund revenues than they expended on general funded governmental activities during Fiscal Year 2010-11. The remaining 32 cities spent more on these activities than revenue received. The exhibit also shows 46 of the 77 cities received more in general fund revenues than they expended on general funded governmental activities during Fiscal Year 2011-12. The remaining 31 cities spent more on these activities than revenue received. Cities spent an average of 1.7% more than received in revenue in FY 2010-11, and spent 1.5% more than received in revenue in FY 2011-12.

General Funds are used to fund core government activities such as government administration, public safety, transportation, community development, and community services. Each city's general fund is used to provide resources to provide for the basic city services including police, fire, parks, library, and administrative support services. A negative net general fund revenues and percentage means a city's ability to provide these essential services in the future may be at risk, and they may have to make additional reductions in city services.

<b>Exhibit 7: General Fund Revenues, Expenditures and Net Revenues</b>											
<b>Fiscal Year 2010-11</b>						<b>Fiscal Year 2011-12</b>					
<b>Rank</b>	<b>City</b>	<b>General Fund Revenues</b>	<b>General Fund Expenditures</b>	<b>General Fund Net Revenue</b>	<b>% Net GF Revenue</b>	<b>Rank</b>	<b>City</b>	<b>General Fund Revenues</b>	<b>General Fund Expenditures</b>	<b>General Fund Net Revenue</b>	<b>% Net GF Revenue</b>
1	Duarte	\$20,672,184	\$11,859,298	\$8,812,886	42.6%	1	Rancho Palos Verdes	\$23,670,857	\$17,460,898	\$6,209,959	26.2%
2	Industry	\$51,331,181	\$35,935,257	\$15,395,924	30.0%	2	La Mirada	\$37,134,080	\$28,488,780	\$8,645,300	23.3%
3	Rancho Palos Verdes	\$22,921,818	\$17,081,270	\$5,840,548	25.5%	3	Santa Monica	\$434,801,117	\$334,088,752	\$100,712,365	23.2%
4	Norwalk	\$51,364,870	\$42,346,732	\$9,018,138	17.6%	4	West Hollywood	\$72,214,859	\$59,640,290	\$12,574,569	17.4%
5	La Canada Flintridge	\$12,797,722	\$10,676,861	\$2,120,861	16.6%	5	Hermosa Beach	\$28,674,890	\$24,769,924	\$3,904,966	13.6%
6	Culver City	\$82,739,285	\$69,164,968	\$13,574,317	16.4%	6	La Puente	\$10,793,192	\$9,563,650	\$1,229,542	11.4%
7	Santa Clarita	\$79,670,171	\$67,322,236	\$12,347,935	15.5%	7	Hawthorne	\$55,129,557	\$48,919,950	\$6,209,607	11.3%
8	West Hollywood	\$68,722,966	\$58,624,426	\$10,098,540	14.7%	8	Pasadena	\$195,589,261	\$173,738,846	\$21,850,415	11.2%
9	Palmdale	\$55,974,288	\$47,890,405	\$8,083,883	14.4%	9	Beverly Hills	\$172,764,744	\$153,657,321	\$19,107,423	11.1%
10	Hawthorne	\$56,575,507	\$48,639,631	\$7,936,146	14.0%	10	Sierra Madre	\$7,979,366	\$7,140,524	\$838,842	10.5%
11	Beverly Hills	\$165,530,333	\$146,061,614	\$19,468,719	11.8%	11	La Canada Flintridge	\$11,839,400	\$10,612,344	\$1,227,056	10.4%
12	Sierra Madre	\$8,169,722	\$7,242,599	\$927,123	11.3%	12	South El Monte	\$10,886,615	\$9,841,361	\$1,045,254	9.6%
13	South Pasadena	\$22,014,073	\$19,547,071	\$2,467,002	11.2%	13	Westlake Village	\$9,920,560	\$8,988,739	\$931,821	9.4%
14	Hermosa Beach	\$27,196,751	\$24,321,633	\$2,875,118	10.6%	14	Claremont	\$21,530,877	\$19,647,490	\$1,883,387	8.7%
15	Bell Gardens	\$23,887,916	\$21,497,729	\$2,390,187	10.0%	15	San Marino	\$21,351,300	\$19,494,858	\$1,856,442	8.7%
16	La Mirada	\$31,266,046	\$28,263,068	\$3,002,978	9.6%	16	Agoura Hills	\$11,308,176	\$10,392,563	\$915,613	8.1%
17	Whittier	\$57,189,318	\$51,856,441	\$5,332,877	9.3%	17	Norwalk	\$38,712,928	\$35,674,163	\$3,038,765	7.8%
18	San Marino	\$21,952,839	\$19,960,981	\$1,991,858	9.1%	18	Carson	\$65,424,619	\$60,481,818	\$4,942,801	7.6%
19	Gardena	\$42,447,638	\$38,830,154	\$3,617,484	8.5%	19	Duarte	\$12,214,688	\$11,398,359	\$816,329	6.7%
20	Artesia	\$7,309,948	\$6,700,829	\$609,119	8.3%	20	Commerce	\$50,069,711	\$46,783,647	\$3,286,064	6.6%
21	Claremont	\$21,598,847	\$19,872,514	\$1,726,333	8.0%	21	Hidden Hills	\$1,754,705	\$1,641,310	\$113,395	6.5%
22	Pasadena	\$195,614,741	\$181,402,037	\$14,212,704	7.3%	22	Rolling Hills Estates	\$6,366,990	\$5,966,474	\$400,516	6.3%
23	Baldwin Park	\$24,076,977	\$22,364,752	\$1,712,225	7.1%	23	Torrance	\$152,938,399	\$143,470,325	\$9,468,074	6.2%
24	Carson	\$61,764,161	\$57,407,400	\$4,356,761	7.1%	24	Pomona	\$76,869,936	\$72,122,780	\$4,747,156	6.2%
25	Los Angeles	\$4,179,291,000	\$3,913,044,000	\$266,247,000	6.4%	25	Signal Hill	\$16,966,997	\$15,928,094	\$1,038,903	6.1%
26	Temple City	\$10,644,685	\$9,972,639	\$672,046	6.3%	26	Los Angeles	\$4,317,334,000	\$4,053,262,000	\$264,072,000	6.1%
27	Lakewood	\$42,507,652	\$39,868,028	\$2,639,624	6.2%	27	Temple City	\$11,091,731	\$10,444,775	\$646,956	5.8%

Exhibit 7: General Fund Revenues, Expenditures and Net Revenues											
Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue	Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue
28	Glendora	\$22,684,726	\$21,338,243	\$1,346,483	5.9%	28	Manhattan Beach	\$53,987,382	\$50,930,438	\$3,056,944	5.7%
29	Bellflower	\$23,607,679	\$22,488,247	\$1,119,432	4.7%	29	Lakewood	\$41,824,853	\$39,459,224	\$2,365,629	5.7%
30	Azusa	\$31,960,738	\$30,462,297	\$1,498,441	4.7%	30	South Pasadena	\$22,361,777	\$21,141,001	\$1,220,776	5.5%
31	Signal Hill	\$16,503,772	\$15,763,663	\$740,109	4.5%	31	Gardena	\$44,782,462	\$42,454,549	\$2,327,913	5.2%
32	Manhattan Beach	\$52,027,800	\$49,765,852	\$2,261,948	4.3%	32	Palos Verdes Estates	\$10,775,050	\$10,242,790	\$532,260	4.9%
33	Calabasas	\$20,437,186	\$19,553,214	\$883,972	4.3%	33	Lomita	\$7,606,304	\$7,301,566	\$304,738	4.0%
34	Redondo Beach	\$67,121,270	\$64,350,055	\$2,771,215	4.1%	34	Calabasas	\$19,628,049	\$18,860,625	\$767,424	3.9%
35	Walnut	\$11,794,092	\$11,381,557	\$412,535	3.5%	35	Baldwin Park	\$23,433,623	\$22,548,214	\$885,409	3.8%
36	Agoura Hills	\$11,031,740	\$10,649,354	\$382,386	3.5%	36	San Dimas	\$18,230,694	\$17,775,563	\$455,131	2.5%
37	Irwindale	\$17,891,101	\$17,343,600	\$547,501	3.1%	37	Redondo Beach	\$67,811,693	\$66,183,617	\$1,628,076	2.4%
38	Rolling Hills	\$1,620,797	\$1,578,562	\$42,235	2.6%	38	Long Beach	\$388,538,000	\$379,466,000	\$9,072,000	2.3%
39	Huntington Park	\$30,583,128	\$29,862,365	\$720,763	2.4%	39	Palmdale	\$48,252,632	\$47,398,402	\$854,230	1.8%
40	Lomita	\$7,429,243	\$7,269,805	\$159,438	2.1%	40	Bell Gardens	\$22,483,823	\$22,108,676	\$375,147	1.7%
41	Palos Verdes Estates	\$10,632,711	\$10,406,520	\$226,191	2.1%	41	Industry	\$46,085,842	\$45,418,773	\$667,069	1.4%
42	Covina	\$28,885,879	\$28,329,627	\$556,252	1.9%	42	Paramount	\$23,155,325	\$22,836,405	\$318,920	1.4%
43	Torrance	\$148,890,032	\$146,087,069	\$2,802,963	1.9%	43	South Gate	\$37,427,784	\$36,974,158	\$453,626	1.2%
44	Alhambra	\$50,980,178	\$50,216,870	\$763,308	1.5%	44	Bellflower	\$23,056,942	\$22,816,147	\$240,795	1.0%
45	Commerce	\$47,452,600	\$46,748,647	\$703,953	1.5%	45	Monterey Park	\$32,412,385	\$32,217,428	\$194,957	0.6%
46	San Dimas	\$19,188,807	\$18,938,547	\$250,260	1.3%	46	Rosemead	\$17,078,236	\$17,001,740	\$76,496	0.4%
47	Westlake Village	\$9,570,726	\$9,452,130	\$118,596	1.2%	47	Lancaster	\$54,034,215	\$54,517,133	(\$482,918)	(.9%)
48	Pomona	\$76,597,406	\$75,885,240	\$712,166	0.9%	48	Lynwood	\$27,181,216	\$27,466,586	(\$285,370)	(1.0%)
49	La Habra Heights	\$2,819,878	\$2,803,953	\$15,925	0.6%	49	Pico Rivera	\$32,595,768	\$33,164,063	(\$568,295)	(1.7%)
50	South El Monte	\$9,866,559	\$9,827,652	\$38,907	0.4%	50	La Verne	\$25,272,727	\$25,846,547	(\$573,820)	(2.3%)
51	Paramount	\$22,349,332	\$22,304,041	\$45,291	0.2%	51	Alhambra	\$50,575,102	\$51,754,955	(\$1,179,853)	(2.3%)
52	Arcadia	\$45,970,881	\$45,957,932	\$12,949	0.0%	52	Glendora	\$22,167,417	\$22,736,426	(\$569,009)	(2.6%)
53	Long Beach	\$383,824,000	\$384,441,000	(\$617,000)	(.2%)	53	Culver City	\$70,610,080	\$72,935,927	(\$2,325,847)	(3.3%)
54	South Gate	\$35,321,221	\$35,686,831	(\$365,610)	(1.0%)	54	Artesia	\$7,440,483	\$7,699,562	(\$259,079)	(3.5%)

### Exhibit 7: General Fund Revenues, Expenditures and Net Revenues

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue	Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue
55	Santa Monica	\$266,324,593	\$270,917,006	(\$4,592,413)	(1.7%)	55	Whittier	\$51,724,154	\$53,935,356	(\$2,211,202)	(4.3%)
56	El Monte	\$48,936,211	\$49,864,596	(\$928,385)	(1.9%)	56	El Monte	\$50,425,256	\$52,901,819	(\$2,476,563)	(4.9%)
57	Inglewood	\$91,188,526	\$93,635,491	(\$2,446,965)	(2.7%)	57	Malibu	\$22,864,947	\$23,990,727	(\$1,125,780)	(4.9%)
58	Monterey Park	\$29,370,250	\$30,285,009	(\$914,759)	(3.1%)	58	Arcadia	\$45,795,470	\$48,079,568	(\$2,284,098)	(5.0%)
59	Hawaiian Gardens	\$16,140,191	\$16,710,780	(\$570,589)	(3.5%)	59	Covina	\$28,167,072	\$29,581,412	(\$1,414,340)	(5.0%)
60	El Segundo	\$52,261,377	\$54,408,329	(\$2,146,952)	(4.1%)	60	El Segundo	\$50,276,959	\$53,771,645	(\$3,494,686)	(7.0%)
61	Malibu	\$21,722,890	\$22,641,708	(\$918,818)	(4.2%)	61	Santa Clarita	\$80,248,130	\$86,681,522	(\$6,433,392)	(8.0%)
62	West Covina	\$49,055,522	\$51,760,549	(\$2,705,027)	(5.5%)	62	Downey	\$63,810,000	\$69,232,000	(\$5,422,000)	(8.5%)
63	La Puente	\$9,678,875	\$10,219,907	(\$541,032)	(5.6%)	63	Irwindale	\$15,557,396	\$16,970,554	(\$1,413,158)	(9.1%)
64	Lynwood	\$26,536,562	\$28,057,344	(\$1,520,782)	(5.7%)	64	Walnut	\$10,855,654	\$11,978,785	(\$1,123,131)	(10.3%)
65	Rolling Hills Estates	\$5,780,776	\$6,204,793	(\$424,017)	(7.3%)	65	Santa Fe Springs	\$49,986,372	\$55,669,656	(\$5,683,284)	(11.4%)
66	Rosemead	\$16,477,300	\$17,730,943	(\$1,253,643)	(7.6%)	66	West Covina	\$48,345,460	\$54,019,195	(\$5,673,735)	(11.7%)
67	La Verne	\$23,768,896	\$25,588,297	(\$1,819,401)	(7.7%)	67	Cudahy	\$6,900,915	\$7,723,621	(\$822,706)	(11.9%)
68	Pico Rivera	\$30,222,633	\$32,819,053	(\$2,596,420)	(8.6%)	68	Burbank	\$134,937,000	\$152,537,000	(\$17,600,000)	(13.0%)
69	Cudahy	\$5,930,943	\$6,513,443	(\$582,500)	(9.8%)	69	Rolling Hills	\$1,463,120	\$1,697,941	(\$234,821)	(16.0%)
70	Downey	\$61,269,000	\$67,951,000	(\$6,682,000)	(10.9%)	70	Glendale	\$138,953,000	\$162,117,000	(\$23,164,000)	(16.7%)
71	Santa Fe Springs	\$41,744,050	\$46,483,379	(\$4,739,329)	(11.4%)	71	Diamond Bar	\$17,927,859	\$22,239,717	(\$4,311,858)	(24.1%)
72	Cerritos	\$60,431,960	\$68,949,923	(\$8,517,963)	(14.1%)	72	Monrovia	\$25,206,231	\$32,055,155	(\$6,848,924)	(27.2%)
73	Glendale	\$142,582,000	\$163,698,000	(\$21,116,000)	(14.8%)	73	San Fernando	\$12,144,406	\$15,788,936	(\$3,644,530)	(30.0%)
74	Burbank	\$130,993,000	\$150,679,000	(\$19,686,000)	(15.0%)	74	Montebello	\$33,716,297	\$44,431,004	(\$10,714,707)	(31.8%)
75	San Gabriel	\$25,312,197	\$30,919,864	(\$5,607,667)	(22.2%)	75	San Gabriel	\$24,543,179	\$32,751,441	(\$8,208,262)	(33.4%)
76	Lancaster	\$44,307,303	\$54,631,910	(\$10,324,607)	(23.3%)	76	Cerritos	\$59,970,701	\$86,349,754	(\$26,379,053)	(44.0%)
77	Montebello	\$33,446,847	\$41,947,119	(\$8,500,272)	(25.4%)	77	Vernon	\$27,460,829	\$57,151,710	(\$29,690,881)	(108.1%)
78	Monrovia	\$23,488,715	\$30,958,641	(\$7,469,926)	(31.8%)	NA	Azusa				
79	Hidden Hills	\$1,710,883	\$2,258,156	(\$547,273)	(32.0%)	NA	Bradbury				
80	San Fernando	\$14,724,735	\$19,438,178	(\$4,713,443)	(32.0%)	NA	Hawaiian Gardens				
81	Lawndale	\$11,313,334	\$15,437,446	(\$4,124,112)	(36.5%)	NA	Huntington Park				

**Exhibit 7: General Fund Revenues, Expenditures and Net Revenues**

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue	Rank	City	General Fund Revenues	General Fund Expenditures	General Fund Net Revenue	% Net GF Revenue
82	Diamond Bar	\$17,882,284	\$27,804,147	(\$9,921,863)	(55.5%)	NA	Inglewood				
83	Bradbury	\$907,791	\$1,444,788	(\$536,997)	(59.2%)	NA	La Habra Heights				
84	Vernon	\$27,894,119	\$55,868,389	(\$27,974,270)	(100.3%)	NA	Lawndale				

Source: Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements obtained from each City.

Financial information for FY 2010-11 or FY 2011-12 was not available from the cities of Avalon, Bell, Compton, and Maywood as of April 25, 2013.

Financial information for FY 2011-12 was not available from the cities of Azusa, Bradbury, Hawaiian Gardens, Huntington Park, Inglewood, La Habra Heights, and Lawndale as of April 25, 2013.

**Change in General Fund Balance**

Change in General Fund Balance is the difference from the beginning of the fiscal year to the end of the fiscal year in the total city general fund balance. This change indicates the extent to which total a city's general funds are increasing or decreasing. Ideally, city net general fund balance would be stable or increasing. A declining general fund balance indicates cities are spending down their general fund in order to meet current financial obligations. The change in general fund balance is calculated by subtracting the previous fiscal year's general fund balance for each city from the current year's general fund balance. If the result is a positive number than the general fund balance is increasing, if a negative number the general fund balance is decreasing.

As the following Exhibit shows, 47 of the 84 cities had positive changes in their general fund balance in Fiscal Year 2010-11. The remaining 37 cities general fund balance declined. The exhibit also shows 32 of the 77 cities had positive changes in their general fund balance in Fiscal Year 2011-12. The remaining 45 cities general fund balance declined. The average change in general fund balance was -3.8% in 2010-11, and -14.5% for FY 2011-12. A positive percentage change indicates that the city's financial position is improving, while a negative percentage change indicates that the city's financial position is deteriorating.

**Exhibit 8: Change in General Fund Balance (Ranked Positive to Negative Change in General Fund Balance)**

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance	Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance
1	Agoura Hills	\$10,346,064	\$39,846,641	\$29,500,577	285.1%	1	Beverly Hills	\$39,846,641	\$107,208,994	\$67,362,353	169.1%
2	Irwindale	\$27,375,796	\$66,721,671	\$39,345,875	143.7%	2	South El Monte	\$1,836,365	\$2,932,157	\$1,095,792	59.7%
3	Azusa	\$9,656,687	\$16,303,959	\$6,647,272	68.8%	3	Montebello	\$4,975,576	\$7,155,057	\$2,179,481	43.8%
4	Duarte	\$14,583,081	\$23,090,967	\$8,507,886	58.3%	4	Santa Monica	\$295,275,716	\$416,257,281	\$120,981,565	41.0%
5	Paramount	\$14,177,317	\$20,217,152	\$6,039,835	42.6%	5	Carson	\$23,501,291	\$29,618,905	\$6,117,614	26.0%
6	Redondo Beach	\$9,894,077	\$13,654,459	\$3,760,382	38.0%	6	Santa Fe Springs	\$25,249,104	\$31,662,518	\$6,413,414	25.4%
7	Santa Monica	\$215,470,696	\$295,275,716	\$79,805,020	37.0%	7	La Verne	\$8,545,949	\$10,197,783	\$1,651,834	19.3%
8	Norwalk	\$21,682,417	\$29,478,353	\$7,795,936	36.0%	8	Monterey Park	\$13,145,236	\$15,528,130	\$2,382,894	18.1%
9	Culver City	\$38,893,637	\$50,316,015	\$11,422,378	29.4%	9	Rolling Hills Estates	\$2,392,970	\$2,800,565	\$407,595	17.0%
10	Carson	\$18,182,124	\$23,501,291	\$5,319,167	29.3%	10	Long Beach	\$66,993,000	\$77,123,000	\$10,130,000	15.1%
11	Artesia	\$3,163,243	\$3,962,246	\$799,003	25.3%	11	Claremont	\$11,531,871	\$13,191,567	\$1,659,696	14.4%
12	Palmdale	\$23,524,967	\$29,325,007	\$5,800,040	24.7%	12	Los Angeles	\$523,288,000	\$571,684,000	\$48,396,000	9.2%
13	Alhambra	\$8,080,126	\$10,045,306	\$1,965,180	24.3%	13	South Pasadena	\$13,532,500	\$14,754,459	\$1,221,959	9.0%
14	South Pasadena	\$11,199,357	\$13,532,500	\$2,333,143	20.8%	14	Pasadena	\$49,911,540	\$53,775,868	\$3,864,328	7.7%
15	Hawthorne	\$28,888,447	\$34,484,777	\$5,596,330	19.4%	15	La Mirada	\$48,228,160	\$51,887,661	\$3,659,501	7.6%
16	Los Angeles	\$436,484,000	\$520,058,000	\$83,574,000	19.1%	16	Gardena	\$9,267,031	\$9,961,015	\$693,984	7.5%
17	Claremont	\$10,158,269	\$11,688,535	\$1,530,266	15.1%	17	Lakewood	\$55,114,817	\$58,824,823	\$3,710,006	6.7%
18	Hermosa Beach	\$5,241,329	\$5,853,457	\$612,128	11.7%	18	Rancho Palos Verdes	\$18,900,262	\$19,957,249	\$1,056,987	5.6%
19	Glendale	\$120,471,000	\$134,055,000	\$13,584,000	11.3%	19	Commerce	\$48,742,675	\$51,324,280	\$2,581,605	5.3%
20	Signal Hill	\$24,525,625	\$26,926,465	\$2,400,840	9.8%	20	Calabasas	\$16,990,628	\$17,760,172	\$769,544	4.5%
21	West Hollywood	\$68,564,646	\$75,148,519	\$6,583,873	9.6%	21	Duarte	\$23,090,967	\$23,966,286	\$875,319	3.8%
22	Palos Verdes Estates	\$8,528,709	\$9,332,667	\$803,958	9.4%	22	Hermosa Beach	\$5,853,457	\$6,056,563	\$203,106	3.5%
23	Covina	\$10,608,489	\$11,607,880	\$999,391	9.4%	23	Signal Hill	\$26,926,465	\$27,604,374	\$677,909	2.5%
24	Manhattan Beach	\$18,245,833	\$19,904,622	\$1,658,789	9.1%	24	Lomita	\$4,919,713	\$5,041,171	\$121,458	2.5%
25	Santa Clarita	\$77,757,523	\$83,690,219	\$5,932,696	7.6%	25	Hidden Hills	\$5,038,232	\$5,151,627	\$113,395	2.3%
26	Lakewood	\$51,225,124	\$55,114,817	\$3,889,693	7.6%	26	South Gate	\$44,430,290	\$45,305,175	\$874,885	2.0%
27	Sierra Madre	\$5,136,891	\$5,521,717	\$384,826	7.5%	27	Torrance	\$51,737,301	\$52,697,045	\$959,744	1.9%
28	La Canada Flintridge	\$13,975,303	\$14,997,521	\$1,022,218	7.3%	28	West Hollywood	\$74,528,324	\$75,775,059	\$1,246,735	1.7%
29	Gardena	\$8,649,750	\$9,267,031	\$617,281	7.1%	29	Paramount	\$20,217,152	\$20,536,072	\$318,920	1.6%
30	Industry	\$204,929,546	\$219,000,959	\$14,071,413	6.9%	30	Bellflower	\$26,638,103	\$27,034,507	\$396,404	1.5%
31	Santa Fe Springs	\$23,665,295	\$25,249,104	\$1,583,809	6.7%	31	Pico Rivera	\$42,454,939	\$42,945,527	\$490,588	1.2%

**Exhibit 8: Change in General Fund Balance (Ranked Positive to Negative Change in General Fund Balance)**

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance	Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance
32	South Gate	\$41,736,638	\$44,430,290	\$2,693,652	6.5%	32	El Monte	\$27,313,295	\$27,530,762	\$217,467	0.8%
33	El Monte	\$25,716,836	\$27,313,295	\$1,596,459	6.2%	33	Manhattan Beach	\$19,904,622	\$19,860,593	(\$44,029)	(.2%)
34	Arcadia	\$25,198,726	\$26,733,547	\$1,534,821	6.1%	34	Westlake Village	\$15,429,166	\$15,287,538	(\$141,628)	(.9%)
35	La Verne	\$8,061,447	\$8,545,949	\$484,502	6.0%	35	San Dimas	\$30,886,489	\$30,596,789	(\$289,700)	(.9%)
36	Bell Gardens	\$38,147,258	\$40,042,997	\$1,895,739	5.0%	36	Bell Gardens	\$40,042,997	\$39,269,814	(\$773,183)	(1.9%)
37	Glendora	\$16,088,976	\$16,766,521	\$677,545	4.2%	37	Redondo Beach	\$13,654,459	\$13,390,680	(\$263,779)	(1.9%)
38	Huntington Park	\$30,991,807	\$32,074,080	\$1,082,273	3.5%	38	La Canada Flintridge	\$14,997,521	\$14,679,687	(\$317,834)	(2.1%)
39	Rolling Hills	\$3,221,894	\$3,321,129	\$99,235	3.1%	39	Culver City	\$50,316,015	\$48,994,261	(\$1,321,754)	(2.6%)
40	Temple City	\$24,700,378	\$25,313,718	\$613,340	2.5%	40	West Covina	\$29,613,277	\$28,767,970	(\$845,307)	(2.9%)
41	Bellflower	\$27,469,072	\$28,098,159	\$629,087	2.3%	41	Rosemead	\$15,319,072	\$14,821,172	(\$497,900)	(3.3%)
42	La Mirada	\$47,554,646	\$48,527,355	\$972,709	2.0%	42	Arcadia	\$26,733,547	\$25,799,162	(\$934,385)	(3.5%)
43	San Dimas	\$30,419,495	\$30,900,448	\$480,953	1.6%	43	Whittier	\$36,473,307	\$34,873,937	(\$1,599,370)	(4.4%)
44	Beverly Hills	\$97,564,979	\$97,984,156	\$419,177	0.4%	44	Palos Verdes Estates	\$9,332,667	\$8,891,466	(\$441,201)	(4.7%)
45	Whittier	\$36,392,331	\$36,473,307	\$80,976	0.2%	45	Temple City	\$25,313,718	\$24,054,080	(\$1,259,638)	(5.0%)
46	San Gabriel	\$11,160,821	\$11,182,894	\$22,073	0.2%	46	Walnut	\$15,002,607	\$14,215,976	(\$786,631)	(5.2%)
47	Commerce	\$48,716,793	\$48,742,675	\$25,882	0.1%	47	Alhambra	\$9,758,196	\$9,245,955	(\$512,241)	(5.2%)
48	La Habra Heights	\$5,577,027	\$5,546,038	(\$30,989)	(.6%)	48	Industry	\$219,000,959	\$207,304,768	(\$11,696,191)	(5.3%)
49	Rancho Palos Verdes	\$19,373,042	\$18,900,263	(\$472,779)	(2.4%)	49	Baldwin Park	\$17,077,153	\$16,084,269	(\$992,884)	(5.8%)
50	La Puente	\$19,110,833	\$18,569,801	(\$541,032)	(2.8%)	50	Rolling Hills	\$3,321,129	\$3,110,058	(\$211,071)	(6.4%)
51	El Segundo	\$13,034,492	\$12,628,952	(\$405,540)	(3.1%)	51	Artesia	\$3,962,246	\$3,682,488	(\$279,758)	(7.1%)
52	Calabasas	\$17,617,282	\$16,990,628	(\$626,654)	(3.6%)	52	Palmdale	\$31,932,082	\$29,657,651	(\$2,274,431)	(7.1%)
53	Cerritos	\$183,100,074	\$175,341,307	(\$7,758,767)	(4.2%)	53	Sierra Madre	\$5,521,717	\$5,110,444	(\$411,273)	(7.4%)
54	Hawaiian Gardens	\$21,034,418	\$20,095,731	(\$938,687)	(4.5%)	54	Malibu	\$20,352,411	\$18,572,523	(\$1,779,888)	(8.7%)
55	Monterey Park	\$13,762,704	\$13,145,236	(\$617,468)	(4.5%)	55	Cudahy	\$7,530,636	\$6,838,969	(\$691,667)	(9.2%)
56	Westlake Village	\$16,308,401	\$15,429,166	(\$879,235)	(5.4%)	56	Covina	\$11,607,880	\$10,537,723	(\$1,070,157)	(9.2%)
57	Lawndale	\$24,655,831	\$23,275,550	(\$1,380,281)	(5.6%)	57	Glendora	\$16,766,521	\$15,158,169	(\$1,608,352)	(9.6%)
58	Torrance	\$55,023,286	\$51,737,301	(\$3,285,985)	(6.0%)	58	Burbank	\$100,907,000	\$86,565,000	(\$14,342,000)	(14.2%)
59	West Covina	\$31,567,950	\$29,613,277	(\$1,954,673)	(6.2%)	59	Lynwood	\$6,533,260	\$5,601,665	(\$931,595)	(14.3%)
60	Pico Rivera	\$45,530,767	\$42,454,939	(\$3,075,828)	(6.8%)	60	Downey	\$23,227,000	\$19,887,000	(\$3,340,000)	(14.4%)
61	Burbank	\$108,520,000	\$100,907,000	(\$7,613,000)	(7.0%)	61	Cerritos	\$175,341,307	\$147,153,641	(\$28,187,666)	(16.1%)
62	San Marino	\$19,107,936	\$17,399,938	(\$1,707,998)	(8.9%)	62	Santa Clarita	\$83,690,219	\$69,942,023	(\$13,748,196)	(16.4%)

**Exhibit 8: Change in General Fund Balance (Ranked Positive to Negative Change in General Fund Balance)**

Fiscal Year 2010-11						Fiscal Year 2011-12					
Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance	Rank	City	Beginning GF Balance	Ending GF Balance	Change in GF Balance	% Change GF Balance
63	Rosemead	\$16,953,956	\$15,319,072	(\$1,634,884)	(9.6%)	63	Irwindale	\$66,721,671	\$55,367,683	(\$11,353,988)	(17.0%)
64	Baldwin Park	\$18,918,838	\$17,077,153	(\$1,841,685)	(9.7%)	64	San Marino	\$17,399,938	\$14,258,891	(\$3,141,047)	(18.1%)
65	Hidden Hills	\$5,585,505	\$5,038,232	(\$547,273)	(9.8%)	65	Norwalk	\$29,478,353	\$23,871,998	(\$5,606,355)	(19.0%)
66	Downey	\$23,119,000	\$20,827,000	(\$2,292,000)	(9.9%)	66	Diamond Bar	\$21,268,415	\$17,144,314	(\$4,124,101)	(19.4%)
67	Pasadena	\$53,177,187	\$46,565,007	(\$6,612,180)	(12.4%)	67	El Segundo	\$12,628,952	\$10,168,440	(\$2,460,512)	(19.5%)
68	Inglewood	\$19,569,028	\$17,131,737	(\$2,437,291)	(12.5%)	68	San Gabriel	\$11,182,894	\$8,289,717	(\$2,893,177)	(25.9%)
69	Lomita	\$5,651,721	\$4,919,713	(\$732,008)	(13.0%)	69	Lancaster	\$63,342,372	\$38,910,226	(\$24,432,146)	(38.6%)
70	Pomona	\$6,535,641	\$5,689,100	(\$846,541)	(13.0%)	70	Glendale	\$134,055,000	\$59,566,000	(\$74,489,000)	(55.6%)
71	Monrovia	\$3,739,203	\$3,216,328	(\$522,875)	(14.0%)	71	Hawthorne	\$34,484,777	\$14,153,974	(\$20,330,803)	(59.0%)
72	Rolling Hills Estates	\$2,816,987	\$2,392,970	(\$424,017)	(15.1%)	72	La Puente	\$18,569,801	\$7,508,388	(\$11,061,413)	(59.6%)
73	Cudahy	\$8,967,448	\$7,567,550	(\$1,399,898)	(15.6%)	73	Pomona	\$5,689,100	\$2,148,019	(\$3,541,081)	(62.2%)
74	Lancaster	\$76,270,787	\$63,342,372	(\$12,928,415)	(17.0%)	74	Agoura Hills	\$41,569,987	\$9,024,831	(\$32,545,156)	(78.3%)
75	Lynwood	\$8,288,968	\$6,533,260	(\$1,755,708)	(21.2%)	75	San Fernando	(\$619,317)	(\$1,236,782)	(\$617,465)	(99.7%)
76	Bradbury	\$2,247,759	\$1,710,762	(\$536,997)	(23.9%)	76	Monrovia	\$3,216,328	(\$8,827,446)	(\$12,043,774)	(374.5%)
77	Malibu	\$26,751,198	\$20,352,411	(\$6,398,787)	(23.9%)	77	Vernon	(\$4,526,031)	(\$25,120,702)	(\$20,594,671)	(455.0%)
78	Diamond Bar	\$30,860,848	\$21,268,415	(\$9,592,433)	(31.1%)	NA	Azusa				
79	Walnut	\$21,952,372	\$15,002,607	(\$6,949,765)	(31.7%)	NA	Bradbury				
80	South El Monte	\$3,802,320	\$1,836,365	(\$1,965,955)	(51.7%)	NA	Hawaiian Gardens				
81	Vernon	\$18,832,079	\$7,809,740	(\$11,022,339)	(58.5%)	NA	Huntington Park				
82	Long Beach	\$163,702,000	\$66,993,000	(\$96,709,000)	(59.1%)	NA	Inglewood				
83	Montebello	(\$6,682,148)	\$4,975,576	\$11,657,724	(174.5%)	NA	La Habra Heights				
84	San Fernando	\$102,384	(\$619,317)	(\$721,701)	(704.9%)	NA	Lawndale				

Source: Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements obtained from each City.

Financial information for FY 2010-11 or FY 2011-12 was not available from the cities of Avalon, Bell, Compton, and Maywood as of April 25, 2013.

Financial information for FY 2011-12 was not available from the cities of Azusa, Bradbury, Hawaiian Gardens, Huntington Park, Inglewood, La Habra Heights, and Lawndale as of April 25, 2013.

**Unassigned General Fund Reserve**

Unassigned General Fund Balance is the portion of a city's general fund balance that is not assigned for a specific use and, therefore, available for appropriation. The Government Finance Officers Association recommends each city have an unassigned general fund reserve of no less than two months (16.6%) of regular general fund operating revenues or regular general fund operating expenditures. These are funds that have been formally set aside for use in emergencies, revenue shortages, or budget imbalances, as well as provide stable tax rates, maintain government services, and facilitate long-term financial planning.

As the exhibit on the following pages shows, 55 of the 84 cities had unassigned general fund reserves greater than 16.6%, or two months, of regular general fund operating expenditures for Fiscal Year 2010-11. The exhibit also shows 47 of the 77 cities had unassigned general fund reserves greater than 16.6%, or two months, of regular general fund operating expenditures for Fiscal Year 2011-12. The average unassigned general fund reserves percentage of regular general fund operating expenditures was 51.4% in FY 2010-11, and 38.3% in FY 2011-12.

<b>Exhibit 9: General Fund Balance Indicators (Ranked Highest to Lowest % Unassigned GF Balance)</b>									
<b>Fiscal Year 2010-11</b>					<b>Fiscal Year 2011-12</b>				
<b>Rank</b>	<b>City</b>	<b>GF Balance % of GF Exp's</b>	<b>Unassigned GF Balance</b>	<b>Unassigned GF % of GF Exp's</b>	<b>Rank</b>	<b>City</b>	<b>GF Balance % of GF Exp's</b>	<b>Unassigned GF Balance</b>	<b>Unassigned GF % of GF Exp's</b>
1	Industry	609.4%	\$218,205,140	607.2%	1	Industry	456.4%	\$206,508,950	454.7%
2	Temple City	253.8%	\$23,542,553	236.1%	2	Hidden Hills	313.9%	\$4,791,648	291.9%
3	Hidden Hills	223.1%	\$4,678,424	207.2%	3	Rolling Hills	183.2%	\$3,005,146	177.0%
4	Rolling Hills	210.4%	\$3,265,198	206.8%	4	Westlake Village	170.1%	\$12,525,377	139.3%
5	La Habra Heights	197.8%	\$5,472,642	195.2%	5	La Canada Flintridge	138.3%	\$12,346,098	116.3%
6	Bradbury	118.4%	\$2,710,762	187.6%	6	Duarte	210.3%	\$12,421,537	109.0%
7	Hawaiian Gardens	120.3%	\$20,095,731	120.3%	7	Calabasas	94.2%	\$17,746,565	94.1%
8	La Canada Flintridge	140.5%	\$12,734,288	119.3%	8	Cudahy	88.5%	\$6,838,969	88.5%
9	Cerritos	254.3%	\$71,056,060	103.1%	9	Agoura Hills	86.8%	\$8,883,578	85.5%
10	Duarte	194.7%	\$11,552,824	97.4%	10	La Mirada	182.1%	\$24,253,682	85.1%
11	Westlake Village	163.2%	\$8,761,505	92.7%	11	Cerritos	170.4%	\$67,305,842	77.9%
12	Calabasas	86.9%	\$16,972,163	86.8%	12	Commerce	109.7%	\$36,051,479	77.1%
13	Agoura Hills	374.2%	\$8,547,388	80.3%	13	San Marino	73.1%	\$14,152,605	72.6%
14	San Marino	87.2%	\$15,934,468	79.8%	14	Rancho Palos Verdes	114.3%	\$12,464,439	71.4%
15	Lawndale	150.8%	\$11,560,364	74.9%	15	Bellflower	118.5%	\$14,376,492	63.0%
16	La Mirada	171.7%	\$20,693,194	73.2%	16	Santa Clarita	80.7%	\$50,664,338	58.4%
17	Bell Gardens	186.3%	\$0	73.2%	17	Culver City	67.2%	\$42,583,643	58.4%
18	Commerce	104.3%	\$33,552,248	71.8%	18	Diamond Bar	77.1%	\$12,616,200	56.7%
19	Bellflower	124.9%	\$15,735,669	70.0%	19	San Dimas	172.1%	\$9,976,322	56.1%
20	Santa Clarita	124.3%	\$46,915,238	69.7%	20	Rosemead	87.2%	\$9,519,173	56.0%
21	Rancho Palos Verdes	110.6%	\$11,385,761	66.7%	21	South Pasadena	69.8%	\$11,757,341	55.6%
22	Sierra Madre	76.2%	\$4,721,717	65.2%	22	La Puente	78.5%	\$4,843,455	50.6%
23	Culver City	72.7%	\$42,492,244	61.4%	23	Paramount	89.9%	\$11,335,035	49.6%
24	Diamond Bar	76.5%	\$16,726,964	60.2%	24	Beverly Hills	69.8%	\$69,963,868	45.5%
25	Rosemead	86.4%	\$10,209,075	57.6%	25	Santa Fe Springs	56.9%	\$23,978,015	43.1%
26	San Dimas	163.2%	\$10,451,853	55.2%	26	Whittier	64.7%	\$20,875,491	42.0%
27	La Puente	181.7%	\$5,601,360	54.8%	27	Signal Hill	173.3%	\$6,642,291	41.7%
28	South Pasadena	69.2%	\$10,541,790	53.9%	28	Malibu	77.4%	\$8,680,522	36.2%
29	Artesia	59.1%	\$3,007,803	44.9%	29	Manhattan Beach	39.0%	\$18,134,492	35.6%
30	Whittier	70.3%	\$22,674,738	43.7%	30	Rolling Hills Estates	46.9%	\$2,101,763	35.2%
31	Beverly Hills	67.1%	\$63,862,068	43.7%	31	Santa Monica	124.6%	\$117,225,871	35.1%

<b>Exhibit 9: General Fund Balance Indicators (Ranked Highest to Lowest % Unassigned GF Balance)</b>									
<b>Fiscal Year 2010-11</b>					<b>Fiscal Year 2011-12</b>				
<b>Rank</b>	<b>City</b>	<b>GF Balance % of GF Exp's</b>	<b>Unassigned GF Balance</b>	<b>Unassigned GF % of GF Exp's</b>	<b>Rank</b>	<b>City</b>	<b>GF Balance % of GF Exp's</b>	<b>Unassigned GF Balance</b>	<b>Unassigned GF % of GF Exp's</b>
32	Santa Monica	109.0%	\$108,382,191	40.0%	32	Artesia	47.8%	\$2,691,563	35.0%
33	Signal Hill	170.8%	\$6,167,408	39.1%	33	Palmdale	62.6%	\$16,415,346	34.6%
34	Glendale	81.9%	\$63,408,000	38.7%	34	Claremont	67.1%	\$6,227,688	31.7%
35	Manhattan Beach	40.0%	\$18,270,832	36.7%	35	Covina	35.6%	\$9,187,601	31.1%
36	Palmdale	61.2%	\$17,472,584	36.5%	36	Norwalk	66.9%	\$10,668,298	29.9%
37	Covina	41.0%	\$10,284,466	36.3%	37	Hawthorne	28.9%	\$14,100,610	28.8%
38	Santa Fe Springs	54.3%	\$16,439,102	35.4%	38	Carson	49.0%	\$15,971,310	26.4%
39	Cudahy	29.3%	\$6,707,195	33.6%	39	West Covina	53.3%	\$13,187,181	24.4%
40	Hawthorne	70.9%	\$16,077,846	33.1%	40	Glendale	36.7%	\$37,852,000	23.3%
41	Malibu	89.9%	\$7,058,095	31.2%	41	Hermosa Beach	24.5%	\$5,776,500	23.3%
42	Burbank	67.0%	\$46,871,000	31.1%	42	Temple City	230.3%	\$2,352,402	22.5%
43	Claremont	58.8%	\$6,149,503	30.9%	43	Lancaster	71.4%	\$11,700,986	21.5%
44	Huntington Park	107.4%	\$9,153,901	30.7%	44	Torrance	36.7%	\$30,771,557	21.4%
45	Lancaster	115.9%	\$16,502,115	30.2%	45	Arcadia	53.7%	\$9,745,454	20.3%
46	Rolling Hills Estates	38.6%	\$1,766,793	28.5%	46	South Gate	122.5%	\$7,216,043	19.5%
47	Norwalk	69.6%	\$10,736,919	25.4%	47	Lynwood	20.4%	\$5,079,182	18.5%
48	Hermosa Beach	24.1%	\$5,635,231	23.2%	48	El Monte	52.0%	\$8,644,339	16.3%
49	Paramount	30.9%	\$11,120,183	22.3%	49	Montebello	16.1%	\$7,047,301	15.9%
50	Arcadia	58.2%	\$8,711,216	19.0%	50	Palos Verdes Estates	86.8%	\$1,605,774	15.7%
51	Carson	40.9%	\$10,591,610	18.4%	51	West Hollywood	127.1%	\$9,295,313	15.6%
52	Inglewood	18.3%	\$17,131,737	18.3%	52	El Segundo	18.9%	\$7,839,124	14.6%
53	Lynwood	23.3%	\$5,115,452	18.2%	53	South El Monte	29.8%	\$1,294,223	13.2%
54	West Covina	57.2%	\$8,786,221	17.0%	54	Sierra Madre	71.6%	\$870,761	12.2%
55	El Monte	54.8%	\$8,440,216	16.9%	55	Downey	28.7%	\$6,123,000	8.8%
56	Baldwin Park	76.4%	\$3,429,025	15.3%	56	Baldwin Park	71.3%	\$1,826,473	8.1%
57	Downey	30.7%	\$10,070,000	14.8%	57	Monterey Park	48.2%	\$2,505,441	7.8%
58	South Gate	124.5%	\$4,716,524	13.2%	58	Los Angeles	14.1%	\$272,905,000	6.7%
59	Pico Rivera	129.4%	\$3,767,252	11.5%	59	Lakewood	149.1%	\$2,564,755	6.5%
60	Palos Verdes Estates	89.7%	\$1,111,013	10.7%	60	Lomita	69.0%	\$373,356	5.1%
61	Montebello	11.9%	\$4,394,672	10.5%	61	San Gabriel	25.3%	\$1,140,249	3.5%
62	El Segundo	23.2%	\$5,315,133	9.8%	62	Long Beach	20.3%	\$4,857,000	1.3%

<b>Exhibit 9: General Fund Balance Indicators (Ranked Highest to Lowest % Unassigned GF Balance)</b>									
<b>Fiscal Year 2010-11</b>					<b>Fiscal Year 2011-12</b>				
<b>Rank</b>	<b>City</b>	<b>GF Balance % of GF Exp's</b>	<b>Unassigned GF Balance</b>	<b>Unassigned GF % of GF Exp's</b>	<b>Rank</b>	<b>City</b>	<b>GF Balance % of GF Exp's</b>	<b>Unassigned GF Balance</b>	<b>Unassigned GF % of GF Exp's</b>
63	Torrance	35.4%	\$14,156,365	9.7%	63	Walnut	118.7%	\$89,005	0.7%
64	Lomita	67.7%	\$619,957	8.5%	64	Alhambra	17.9%	\$374,673	0.7%
65	Monterey Park	43.4%	\$2,505,441	8.3%	65	Redondo Beach	20.2%	\$383,446	0.6%
66	Los Angeles	13.3%	\$253,882,000	6.5%	66	Gardena	23.5%	\$217,873	0.5%
67	Alhambra	20.0%	\$2,344,568	4.7%	67	Bell Gardens	177.6%	\$0	0.0%
68	Lakewood	138.2%	\$1,258,266	3.2%	67	Burbank	56.8%	\$47,098,000	0.0%
69	South El Monte	18.7%	\$197,862	2.0%	67	Glendora	66.7%	\$0	0.0%
70	Gardena	23.9%	\$257,210	0.7%	67	Irwindale	326.3%	\$0	0.0%
71	Long Beach	17.4%	\$682,000	0.2%	67	La Verne	39.5%	\$0	0.0%
72	Glendora	78.6%	\$0	0.0%	67	Pico Rivera	129.5%	\$0	0.0%
72	Irwindale	384.7%	\$0	0.0%	67	Pomona	3.0%	\$0	0.0%
72	La Verne	33.4%	\$0	0.0%	74	San Fernando	(7.8%)	(\$1,572,548)	(10.0%)
72	Pomona	7.5%	\$0	0.0%	75	Pasadena	31.0%	(\$40,129,137)	(23.1%)
72	Redondo Beach	21.2%	\$0	0.0%	76	Monrovia	(27.5%)	(\$8,874,464)	(27.7%)
72	Walnut	131.8%	\$0	0.0%	77	Vernon	(44.0%)	(\$27,064,820)	(47.4%)
78	Pasadena	25.7%	(\$1,390,808)	(.8%)	NA	Azusa			
79	San Gabriel	36.2%	(\$639,868)	(2.1%)	NA	Bradbury			
80	West Hollywood	128.2%	(\$1,266,412)	(2.2%)	NA	Hawaiian Gardens			
81	San Fernando	(3.2%)	(\$856,695)	(4.4%)	NA	Huntington Park			
82	Vernon	14.0%	(\$4,584,595)	(8.2%)	NA	Inglewood			
83	Azusa	53.5%	(\$4,662,967)	(15.3%)	NA	La Habra Heights			
84	Monrovia	10.4%	(\$8,392,252)	(27.1%)	NA	Lawndale			

Source: Comprehensive Annual Financial Report (CAFR) or Basic Financial Statements obtained from each City.  
 Financial information for FY 2010-11 or FY 2011-12 was not available from the cities of Avalon, Bell, Compton, and Maywood as of April 25, 2013.  
 Financial information for FY 2011-12 was not available from the cities of Azusa, Bradbury, Hawaiian Gardens, Huntington Park, Inglewood, La Habra Heights, and Lawndale as of April 25, 2013.

**FINDINGS – FISCAL HEALTH**

1. Most cities expended more than they received in revenues during FY 2011-12.
2. Most cities' total net assets and general fund balances declined during FY 2011-12, and several cities' ratios of total net assets to total liabilities are lower than desirable.

**RECOMMENDATIONS – FISCAL HEALTH <sup>1</sup>**

1. All cities should adopt financial planning, revenue and expenditure policies to guide city officials to develop sustainable, balanced budgets.
2. All cities should develop a balanced budget and commit to operate within the budget constraints.
3. All cities should not use one-time revenues to fund recurring or on-going expenditures.
4. All cities should adopt a method and practice of saving into a reserve or “rainy day” fund to supplement operating revenue in years of short fall.

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<sup>1</sup> See Exhibit 12

## **GOVERNANCE AND FINANCIAL MANAGEMENT BEST PRACTICES**

The current fiscal health of cities is largely due to the economic downturn that began in 2008 and continues. However, the overall governance and management practices of each city contributed to how well each city was prepared for this downturn, and how effectively each has responded. The following sections of this report present information on best practices for local governments in the areas of governance and financial management.

Current practices by the cities are compared to these best practices and recommendations made for improvements. These best practices and recommendations should be useful to the cities in addressing their current financial challenges, and preparing for the future.

The Grand Jury identified best practices for local governments in the areas of governance and financial management to be used as a basis for comparison with the practice of cities. A questionnaire was developed and administered to identify the current practice of cities in each of these areas. As part of this questionnaire cities were requested to provide specific documentation in each of these areas and to provide comments or explanations regarding their responses and policies. In the following sections, the Grand Jury provides information on the best practices identified, and compares the current practices of cities with these best practices.

A copy of the questionnaire is provided in Appendix A of this report. The following table shows each city's response in each area.



Exhibit 10: Overview of Governance and Financial Management Best Practices Questionnaire Responses

City	Governance / Audit Committee							Audit Procurement			Acctg. Manual		Fraud / Ethics			Internal Controls / Audit					Gen Fund		Public Reporting					Results						
	1. Developed Strategic Plan	2. Performance Indicators	3. Council/Manager Roles	4. Annual Executive Goals	5. Annual Exec. Evaluation	6. Conflict of Interest Policy	7. Investment Policy	10. Formal Audit Committee	15. Independence Standard	16. Competitive Process	19. Auditor Replaced	20. Non-Audit Services <sup>1</sup>	24. Formal Manual	25. Updated Policies	26. Define Auth/Resp's	29. Policies / Procedures	30. Ethics Policy	31. Conf/Anon. Reporting	32. Concerns Reviewed	35. Controls Documented	36. Controls Override	37. Controls Evaluated	38. Weaknesses Documented	39. Corrective Actions	42. Formal IA Function	47. Fund Balance Policy	48. Two Months Funds	51. Adequate Acctg. System	52. Timely Fin. Statements	53. Independently Audited	54. CAFR on City Website	55. Participate in GFOA	Number Positive Responses	Percent Positive Responses
Agoura Hills	N	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	N	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	25	78%	31
Alhambra	Y	Y		Y	N	Y	Y	N	Y	Y	N	Y	N	Y	N	Y	N	N	Y	N	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	21	66%	56
Arcadia	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N	Y	N	Y	N	Y	Y	Y	Y	Y	N	Y	N	NA	Y	Y	Y	Y	Y	20	63%	65
Artesia	Y	Y	Y	Y	Y	Y			Y	Y	N	N	Y	Y	Y										N	NA	Y	Y	Y	Y	Y	18	56%	78
Avalon	N	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	N	N	Y	Y	Y	Y	Y	Y	N	NA	Y	N	Y	Y	Y	18	56%	78
Azusa	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N	Y	N	Y	N	NA	N	N	Y	Y	Y	N	N	NA	Y	Y	Y	Y	Y	19	59%	74
Baldwin Park	*1	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	29	91%	7
Bell	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	N	Y	N	N	N	N	Y	Y	N	N	NA	Y	N	Y	Y	Y	19	59%	74
Bell Gardens	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N	N	N	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	Y	20	63%	65
Bellflower	Y	Y	Y	Y	Y	Y	Y	N	Y		N	Y	Y	N	Y	N	NA	Y	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	21	66%	56
Beverly Hills	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	27	84%	20
Bradbury	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	22	69%	50
Burbank	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	25	78%	31
Calabassas	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	27	84%	20
Carson	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N	Y	Y	Y	Y	N	N	N	Y	N	N	N	Y	N	Y	Y	Y	Y	Y	18	56%	78
Cerritos	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	NA	Y	Y	Y	Y	Y	28	88%	14
Claremont	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N	N	NA	Y	Y	Y	Y	Y	23	72%	42
Commerce	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	23	72%	42
Compton	N	N	Y	N	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	21	66%	56
Covina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	26	81%	25
Cudahy	N	N	Y	N	N	Y	Y	N	Y	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	NA	Y	N	Y	N	Y	9	28%	87
Culver City	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	30	94%	3
Diamond Bar	Y	N	Y	N	Y	N	Y	N	Y	Y	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	20	63%	65
Downey	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	NA	Y	Y	Y	Y	Y	Y	29	91%	7
Duarte	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	NA	Y	Y	Y	Y	Y	28	88%	14

Exhibit 10: Overview of Governance and Financial Management Best Practices Questionnaire Reponses

City	Governance / Audit Committee								Audit Procurement				Acctg. Manual		Fraud / Ethics			Internal Controls / Audit					Gen Fund		Public Reporting					Results					
	1. Developed Strategic Plan	2. Performance Indicators	3. Council/Manager Roles	4. Annual Executive Goals	5. Annual Exec. Evaluation	6. Conflict of Interest Policy	7. Investment Policy	10. Formal Audit Committee	15. Independence Standard	16. Competitive Process	19. Auditor Replaced	20. Non-Audit Services <sup>1</sup>	24. Formal Manual	25. Updated Policies	26. Define Auth/Resp's	29. Policies / Procedures	30. Ethics Policy	31. Conf/Anon. Reporting	32. Concerns Reviewed	35. Controls Documented	36. Controls Override	37. Controls Evaluated	38. Weaknesses Documented	39. Corrective Actions	42. Formal IA Function	47. Fund Balance Policy	48. Two Months Funds	51. Adequate Acctg. System	52. Timely Fin. Statements	53. Independently Audited	54. CAPR on City Website	55. Participate in GFOA	Number Positive Responses	Percent Positive Responses	Rank Among Cities
El Monte	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	N	N	N	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	22	69%	50	
El Segundo	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	27	84%	20	
Gardena	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y		N	Y	N	Y	Y	Y	Y	Y	23	72%	42	
Glendale	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	30	94%	3	
Glendora	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	Y	N	Y	N	N	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	22	69%	50	
Hawaiian Gardens	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	24	75%	36		
Hawthorne	N	Y	Y	Y	Y	Y	Y		Y	N		N	Y	N	Y	Y		N	N	Y	Y	Y	N	Y	N	N	NA	Y	Y	Y	Y	Y	20	63%	65
Hermosa Beach	N	N	Y	Y	Y	N	Y	N	Y	Y	N	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	24	75%	36	
Hidden Hills	N	N	Y	N	N	Y	Y	N	Y	N	N	N	N	N	Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	18	56%	78
Huntington Park	N	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	N	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	21	66%	56
Industry	N	N	Y	N	N	Y	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	NA	Y	Y	Y	N	Y	9	28%	87	
Inglewood	N	N	Y	N	Y	N	Y	N	Y	Y	N	Y	Y	N	Y	N	Y	N	Y	N	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	17	53%	83
Irwindale	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	26	81%	25	
La Canada-Flintridge	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	26	81%	25	
La Habra Heights	N	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y	Y	23	72%	42	
La Mirada	Y	Y	Y	Y	Y	N	Y	N	Y	N	N	N	Y	N	Y	N	N	Y	Y	Y	Y	Y	Y	N	N	NA	Y	Y	Y	Y	Y	21	66%	56	
La Puente	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	Y	Y	N	Y	N	Y	Y	N				Y	Y	Y	Y	Y	24	75%	36	
La Verne	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	26	81%	25	
Lakewood	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	Y	Y	N	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	25	78%	31	
Lancaster	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	24	75%	36	
Lawndale	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N	NA	Y	Y	Y	Y	Y	23	72%	42	
Lomita	N	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N	N	Y	N	N	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	20	63%	65	
Long Beach	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	31	97%	1	
Los Angeles	Y	Y	Y	N <sup>2</sup>	N <sup>2</sup>	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	27	90%	13	
Lynwood	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	29	91%	7	
Malibu	N	N	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	26	81%	25	

Exhibit 10: Overview of Governance and Financial Management Best Practices Questionnaire Reponses

City	Governance / Audit Committee								Audit Procurement				Acctg. Manual		Fraud / Ethics			Internal Controls / Audit					Gen Fund		Public Reporting					Results							
	1. Developed Strategic Plan	2. Performance Indicators	3. Council/Manager Roles	4. Annual Executive Goals	5. Annual Exec. Evaluation	6. Conflict of Interest Policy	7. Investment Policy	10. Formal Audit Committee	15. Independence Standard	16. Competitive Process	19. Auditor Replaced	20. Non-Audit Services <sup>1</sup>	24. Formal Manual	25. Updated Policies	26. Define Auth/Resp's	29. Policies / Procedures	30. Ethics Policy	31. Conf/Anon. Reporting	32. Concerns Reviewed	35. Controls Documented	36. Controls Override	37. Controls Evaluated	38. Weaknesses Documented	39. Corrective Actions	42. Formal IA Function	47. Fund Balance Policy	48. Two Months Funds	51. Adequate Acctg. System	52. Timely Fin. Statements	53. Independently Audited	54. CAFR on City Website	55. Participate in CFOA	Number Positive Responses	Percent Positive Responses	Rank Among Cities		
Manhattan Beach	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	N	N	N	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	20	63%	65			
Maywood	Y	Y	Y	Y	N	Y	N	N	Y	Y	N	N	Y	N	Y	Y	N	N	N	Y	Y	Y	Y	Y	N	N	NA	Y	N	Y	N	Y	18	56%	78		
Monrovia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	26	81%	25		
Montebello	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	N	Y	N	N	Y	N	N	Y	N	Y	Y	Y	Y	Y	Y	19	59%	74		
Monterrey Park	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	29	91%	7	
Norwalk	Y	Y	Y	N	Y	Y	Y	N	Y	Y	N	N	N	N	N	N	Y	N	N	N	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	19	59%	74	
Palmdale	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	29	91%	7	
Palos Verdes Estates	N	Y	Y	N	N	N	Y	N	Y	N	N	N	Y	Y	Y	Y	N	N	N	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	20	63%	65	
Paramount	Y	N	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	N	N	NA	Y	Y	Y	Y	Y	Y	21	66%	56	
Pasadena	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	28	88%	14		
Pico Rivera	<sup>s1</sup>	Y	Y	Y	Y	Y	Y	<sup>s1</sup>	Y	Y	Y	N	Y	Y	Y	Y	<sup>s1</sup>	Y	Y	Y	Y	Y	Y	<sup>s1</sup>	Y	Y	Y	Y	Y	Y	Y	Y	Y	28	88%	14	
Pomona	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	29	91%	7	
Rancho Palos Verdes	Y	Y	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y	Y	N	Y	N	N	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	20	63%	65
Redondo Beach	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	31	97%	1	
Rolling Hills	N	N	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	22	69%	50	
Rolling Hills Estates	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	27	84%	20	
Rosemead	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N	N	Y	N	Y	N	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y	23	72%	42	
San Dimas	N	N	Y	Y	Y	N	Y	Y	N	N	N	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y	Y	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	23	72%	42	
San Fernando	N	N	N	N	N	Y	Y	N	Y	Y	N	N	Y	N	N	N	N	NA	Y	N	N	Y	Y	N	N	NA	Y	Y	Y	Y	Y	Y	Y	14	44%	85	
San Gabriel	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N	N	N	NA	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y	23	72%	42	
San Marino	Y	N	Y	N	Y	Y	Y	N	Y	N	N	N	Y	Y	Y	N	N	N	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	22	69%	50	
Santa Clarita	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	Y	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	24	75%	36	
Santa Fe Springs	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	Y	N	Y	N	Y	N	N	Y	N	Y	N	N	N	N	NA	Y	Y	Y	Y	Y	Y	Y	17	53%	83	
Santa Monica	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	N	N	Y	N	N	N	N	N	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	20	63%	65	
Sierra Madre	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N	Y	Y	N	NA	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	25	78%	31	
Signal Hill	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	30	94%	3	

Exhibit 10: Overview of Governance and Financial Management Best Practices Questionnaire Responses

City	Governance / Audit Committee								Audit Procurement				Acctg. Manual		Fraud / Ethics				Internal Controls / Audit						Gen Fund		Public Reporting					Results			
	1. Developed Strategic Plan	2. Performance Indicators	3. Council/Manager Roles	4. Annual Executive Goals	5. Annual Exec. Evaluation	6. Conflict of Interest Policy	7. Investment Policy	10. Formal Audit Committee	15. Independence Standard	16. Competitive Process	19. Auditor Replaced	20. Non-Audit Services <sup>4</sup>	24. Formal Manual	25. Updated Policies	26. Define Auth/Resp's	29. Policies / Procedures	30. Ethics Policy	31. Conf/Anon. Reporting	32. Concerns Reviewed	35. Controls Documented	36. Controls Override	37. Controls Evaluated	38. Weaknesses Documented	39. Corrective Actions	42. Formal IA Function	47. Fund Balance Policy	48. Two Months Funds	51. Adequate Acctg. System	52. Timely Fin. Statements	53. Independently Audited	54. CAFR on City Website	55. Participate in GFOA	Number Positive Responses	Percent Positive Responses	Rank Among Cities
South El Monte	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	N	N	NA	Y	Y	Y	Y	Y	22	69%	50	
South Pasadena	Y	N	Y	N	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	Y			N	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	21	66%	56
Southgate	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	N	N	Y	N	Y	N	N	Y	Y	Y	Y	N	Y	NA	Y	Y	Y	Y	Y	Y	21	66%	56
Temple City	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	N	N	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	25	78%	31
Torrance	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	NA	Y	Y	Y	Y	Y	Y	28	88%	14
Vernon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	30	94%	3
Walnut	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	27	84%	20
West Covina	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	NA	Y	Y	Y	Y	Y	Y	Y	14	44%	85
West Hollywood	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	28	88%	14
Westlake Village	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N			Y	Y	N	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	24	75%	36
Whittier	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	N	Y	Y	Y	Y	N	N	N	Y	Y	Y	N	N	N	NA	Y	Y	Y	Y	Y	Y	21	66%	56
Positive Responses	62	52	86	74	76	81	86	28	88	71	9	63	68	45	72	54	52	33	36	67	64	80	77	65	18	63	44	88	83	88	85	84			
Percentage	70%	59%	98%	84%	86%	92%	98%	32%	100%	81%	10%	72%	77%	51%	82%	61%	59%	38%	41%	76%	73%	91%	88%	74%	20%	72%	50%	100%	94%	100%	97%	95%			
<b>Average Number and Percentage of Positive Responses</b>																												<b>23</b>	<b>72%</b>						

**Notes:**

- \* A few cities did not provide the requested documentation to support the city's responses, or the documentation provided did not adequately support the city's responses. These responses have been replaced with an "N". Each city was given numerous opportunities, over several months, to provide the requested documentation.
- Some cities did not respond to some questions. If a question was left blank an answer of No was assumed.
- The Executive of the City of Los Angeles is the elected Mayor. As such, it would not be appropriate for the City Council to establish goals or evaluate the executive's performance. Responses of No to questions 4 and 5 regarding establishing goals and evaluation of the executive are considered appropriate and positive responses for the City of Los Angeles.
- For all cities a No is considered a positive response for Question 20. Does your city allow the independent auditor to provide non-audit services to the city?

## GOVERNANCE PRACTICES

The quality of the leadership of an organization determines its performance and effectiveness. An organization with effective leadership prepares for and quickly resolves issues and challenges, provides clarity of direction and roles and establishes real accountability for the organization.

“Governance” describes the role of the city council in providing leadership for an organization. Governance generally includes responsibility for providing the overall direction for the organization, making key decisions for the organization through policy, and overseeing the organization’s performance. Key tools of effective governance include strategic planning and management including performance measurement and monitoring. The city council in each city is responsible for governing the organization.

### Strategic Planning

The role of any city council is to provide strategic focus and direction for the city. Oversight is also an important function for any city council, ensuring that organizational activities are consistent with legal requirements and its own policies and procedures. Since the city council of each city controls the focus and direction of the organization, the risks posed by ineffective leadership are substantial.

Strategic planning is a disciplined effort to produce fundamental decisions and shape and guide what an organization is, what it does and why it does it. When the strategic plan is linked to operations, all groups in the organization have a clear understanding of its purpose, the strategies used to achieve that purpose and the progress being achieved.

The International City/County Management Association (ICMA) is the professional association of city and county managers and administrators. The following excerpt is from the ICMA’s publication: **Strategic Planning: A New Perspective for Public Managers (2002).**

*Strategic thinking and planning is one of the most critical elements of public management. Its purpose is to establish long-term goals, annual objectives, and detailed actions/strategies that address issues related to performance, productivity, required statutory services, and community and personal well-being. Yet even though it is a key factor in the success of any organization, efforts to implement strategic thinking and planning often fail.*

In addition the Government Finance Officer’s Association recommends that:

*... all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals.(GFOA: Recommended Budget Practice on the Establishment of Strategic Plans (2005)(Budget).*

Most cities (62 yes, 24 no, 2 not documented) responded that the city council developed and adopted a strategic plan that articulates the mission, vision, core values and priorities for the city. The Grand Jury asked each city to provide a copy of their strategic plan. In the review of this documentation and comments provided by the cities the Grand Jury found that several cities had developed and adopted comprehensive strategic plans. Other cities developed mission, vision, core values and goals through strategic planning sessions with the city council. These strategic planning efforts include assessments of the city's strengths, weaknesses, opportunities, and threats, and included identification of specific strategies and initiatives with responsibility for completion and timelines. Many of these cities conduct follow-up sessions every six months to monitor and evaluate progress and any changes in priorities. These strategic plans also provide appropriate strategic focus and direction for these cities.

Several cities that responded that they had adopted strategic plans provided documentation of annual or biennial budget goals adopted. While these are important for the budget, they are typically focused on the short term. Budget goals do not provide the appropriate strategic focus for these cities that would be accomplished through a strategic planning effort.

A few cities submitted a copy of the city's general plan as their strategic plan. Every city is required to have a general plan by state law (Government Code section 65300). The purpose of a general plan is to define the city's physical development and focuses primarily on land use. A general plan does not meet any standards for an organizational strategic plan.

### **Performance Measurement**

Performance measurement demonstrates the success of organizational activities in addressing a specific need. Meaningful performance measurement includes a balanced set of indicators, ensures the collection of reliable indicator data, provides for the analysis and reporting of indicator information and drives service improvement efforts and the testing of new initiatives. Performance measures should generally be quantified to allow for comparison of performance from year to year.

The following is an excerpt from the Government Finance Officers Association recommended best practice regarding performance management and indicators:

*...program and service performance measures (should) be developed and used as an important component of long term strategic planning and decision making which should be linked to governmental budgeting. Performance measures should:*

- *Be based on program goals and objectives that tie to a statement of program mission or purpose;*
- *Measure program outcomes;*
- *Provide for resource allocation comparisons over time;*
- *Measure efficiency and effectiveness for continuous improvement;*
- *Be verifiable, understandable, and timely;*
- *Be consistent throughout the strategic plan, budget, accounting and reporting systems and to the extent practical, be consistent over time;*

- *Be reported internally and externally;*
- *Be monitored and used in managerial decision-making processes;*
- *Be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and*
- *Be designed in such a way to motivate staff at all levels to contribute toward organizational improvement.* (GFOA: Performance Management: Measurement for Decision Making (2002 and 2007) Budget)

Most of the cities (52 yes, 36 no) also responded that the city council had adopted performance measures on priorities. The Grand Jury asked each city to provide copies of their performance measures or indicators. In reviewing this supporting documentation and comments provided by the cities the Grand Jury found several cities had developed performance indicators tied directly to the strategic goals adopted by the council. Several cities that responded indicated they had developed and reported on performance measures. However, they did not provide any documentation on performance measures. Other cities' performance information was not quantified, or was focused on activities or workload, with little or no information on results or outcomes.

Cities that have not developed and reported on performance measures or indicators to evaluate outcomes on priorities should consider do so. These performance measures should be quantified, focused on results. Information should be provided for several years to allow evaluation of progress over time.

### **City Council and Executive Relationship**

Effective governance requires that formal structures and practices define how the city council carries out its duties. Many city councils develop and document bylaws, policies and procedures that clearly define the role of the city council members. Specific areas in which policies are most often needed include the role of city council members and the executive. The relationship between the city council and management is extremely important.

Cities operate most effectively when there is a clear definition and understanding of the city council's role, management's role and the difference between the two. The city council's role should be to provide policy direction and oversight. Management's role is to execute that direction.

It is also important for city council members to recognize that their authority only exists when acting as a body. Individual members of a city council have no authority to make decisions or direct the city's management or city staff. Only decisions and directives of the city council, acting as a whole, are authoritative and binding.

Most cities (86 yes, 2 no) responded that they have a formal policy that documents the roles of the city council and the city's executive. The Grand Jury asked each city to provide a copy of the formal policy defining roles. In reviewing this documentation and comments provided by the cities the Grand Jury found all cities had defined the basic qualifications, powers and duties for both the city council and the city's executive in either the city's charter, municipal code, or both. These policies provide a solid legal foundation for the relationship between the two.

A best practice is to go beyond this basic framework and develop a more detailed description of the relationship and working approach of the two. Some have developed a comprehensive "governance" policy that defines the working relationship between the city council, executive, and staff. While not required, this more extensive "governance framework" can improve the cohesion and effectiveness of both the city council and the executive.

### **Executive Goals and Evaluation**

A key role of each city council is providing clear direction to the city's executive. This clear direction should establish specific expectations for the executive and consist of goals and objectives to be accomplished within timeframes. Equally important is for the city council to evaluate the performance of the city's executive, providing meaningful feedback on how well expectations are being met. These evaluations should be accomplished routinely.

Most of the cities (74 yes, 14 no) also responded that the city council established specific goals for the executive at least annually. Most of the cities (76 yes, 12 no) also responded that the city council conducts a meaningful evaluation of the executive's performance annually.

The Grand Jury requested the specific goals established most recently for the city's executive. In reviewing this documentation and comments provided by each, the Grand Jury found that several cities had established very specific goals for the city's executive. Other cities established goals for the city's executive as part of the strategic planning efforts, the budget document, or the city's executive budget message. Several cities reported that the goals for the city's executive were part of the performance evaluation process and were considered confidential.

City councils should develop a "governance" policy that more specifically defines the relationship between the council and executive. City councils that do not develop specific annual goals for the city's executive and conduct meaningful evaluations annually should do so.

### **Council-Adopted Policies**

Other areas in which policies are most often needed include "Conflict of Interest" and "Investment" policies. Transparency in public decision-making is essential. The public must be able to rely on their representatives working in their best interest.

California Government Code sections 81000, et seq. ("Political Reform Act"), requires every state and local government agency to adopt a conflict of interest code. The Political Reform Act further requires every agency to review its conflict of interest code biennially to determine if it is accurate or must be amended. The conflict of interest code must be amended when necessitated by changed circumstances.

California Government Code section 53646 requires the city council of each city to annually adopt an investment policy. The investment policy is intended to maximize the efficiency of the city's cash management system, the investments of the city's funds, and to provide guidelines for suitable investments. The primary goal of the investment policy should ensure compliance with the law, provide protection of principal, maintain liquidity, and maximize investment income.

Most of the cities (81 yes, 7 no) responded the city council adopted and enforces a formal "Conflict of Interest" policy. The Grand Jury requested each city provide a copy of the adopted "Conflict of Interest" policy. Almost all the cities (86 yes, 2 no) also responded they had adopted an "Investment" policy. The Grand Jury requested each city provide a copy of the adopted "Investment" policy. In reviewing this documentation the Grand Jury found that cities responding "yes" had provided investment policies. Artesia did not respond to this question, which was recorded as a "no." Maywood responded "no", but also stated that the city did not have any investments at this time.

### **FINDINGS – GOVERNANCE PRACTICES**

1. Most cities have developed strategic plans to provide appropriate strategic focus and direction for the city.
2. Most cities have developed performance measures to demonstrate the results of their organizational activities and goals.
3. All cities stated they have a formal policy agreement, or other documents that define the roles of city council and city executive.
4. Most city councils have established specific goals for executives at least annually.
5. Most cities have adopted a "Conflict of Interest" code.
6. Most cities have adopted an "Investment" policy.
7. Most cities published their financial reports or CAFR to their website.

### **RECOMMENDATIONS – GOVERNANCE PRACTICES <sup>2</sup>**

1. Cities should develop and adopt a strategic plan that articulates the mission, vision, core values and priorities for the city.
2. Cities should develop and report on performance measures or indicators to evaluate outcomes. These performance measures should be quantified, focused on outcomes, and information should be provided for several years to allow evaluation of progress over time.
3. City councils should develop specific annual goals for the city's executive.
4. City councils should conduct meaningful evaluations of the city's executive at least annually.
5. Cities should publish their financial reports or CAFRs on their city's websites.

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<sup>2</sup> See Exhibit 12

## FINANCIAL MANAGEMENT PRACTICES

The role and responsibility of financial management within each city is to manage and protect the financial resources of the city. This includes planning, organizing, directing and controlling the financial activities of the city. It also requires establishing adequate systems of internal controls to ensure funds are used for their intended purposes. The transparency and reliability of financial reporting is also important, ensuring that such reporting is consistent with appropriate standards.

The Government Finance Officers Association is the association for public sector financial management professionals. Its purpose is to enhance and promote the professional management of governments for the public benefit. It identifies and develops financial policies and best practices and promotes their use through education and training. It works closely with the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants, and other organizations and recommends best practices for effective government finance operations.

Beginning in 1993 the Government Finance Officers Association began to develop a body of recommended practices in the functional areas of public finance. This gave Government Finance Officers Association members and other state and local governments more guidance on sound financial management practices. These recommended practices served as the basis for evaluating the financial management practices of the cities discussed in the following sections.

### **Audit Committee**

The responsibility for the quality of financial reporting by cities is shared by three groups: the city council, finance department, and the independent auditor. Of these three, the city council is in the unique position of being the ultimate monitor of the financial reporting process. An audit committee is a practical approach for the city council to provide independent review of the city's financial reporting processes, internal controls, and independent auditors.

The audit committee can also provide a forum for interested parties to candidly discuss concerns separate from the management of the city. An effective audit committee helps ensure management develops and follows a sound system of internal controls, procedures are in place to objectively assess practices, and independent auditors objectively assess financial reporting practices.

The following are excerpts from the Government Finance Officers Association recommended best practice regarding audit committees:

*The governing body of every state and local government should establish an audit committee or its equivalent;*

*The audit committee should be formally established by charter, enabling resolution, or other appropriate legal means and made directly responsible for the appointment, compensation, retention, and oversight of the work of any independent accountants engaged for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest services. Likewise, the audit*

*committee should be established in such a manner that all accountants thus engaged report directly to the audit committee. The written documentation establishing the audit committee should prescribe the scope of the committee's responsibilities, as well as its structure, processes, and membership requirements. The audit committee should itself periodically review such documentation, no less than once every five years, to assess its continued adequacy;* (GFOA Audit Committees (1997, 2002, 2006, and 2008) (Committee on Accounting, Auditing, and Financial Reporting--CAAFR).

Most cities (28 yes, 59 no, 1 not documented) responded that an audit committee had not been established. For those cities that did have an audit committee, the Grand Jury requested each city provide a copy of the formal document establishing the audit committee. Some cities stated that the audit committee responsibilities were assigned to other committees of the city council. For other cities the audit committee is a function of management, with members from the finance department and other departments of the city. The Audit committee should not be a function of management.

### **Audit Procurement**

Independent audits play a key role in preserving the integrity of public finance functions and maintaining public confidence in city government. Each city is required to have an independent audit performed annually by external accountants. The selection of the independent auditor is an important element of ensuring a quality audit. This includes ensuring the selected auditor meets standards for independence and is selected competitively. Provision of non-audit services must be carefully reviewed and approved.

The following are excerpts from the Government Finance Officers Association recommended best practice regarding audit procurement:

*Governmental entities should require in their audit contracts that the auditors of their financial statements conform to the independence standard promulgated in the General Accounting Office's Government Auditing Standards even for audit engagements that are not otherwise subject to generally accepted government auditing standards.*

*Governmental entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such multiyear agreements can take a variety of different forms (e.g., a series of single-year contracts), consistent with applicable legal requirements. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain "startup" costs over several years, rather than over a single year.*

*Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements. Ideally, auditor independence would be enhanced by a policy requiring that the independent auditor be replaced at the end of the audit contract, as is often the case in the private sector. Unfortunately, the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive. In such cases, it is recommended that a*

*governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory. Except in cases where a multiyear agreement has taken the form of a series of single-year contracts, a contractual provision for the automatic renewal of the audit contract (e.g., an automatic second term for the auditor upon satisfactory performance) is inconsistent with this recommendation.*

*Professional standards allow independent auditors to perform certain types of non-audit services for their audit clients. Any significant non-audit services should always be approved in advance by a governmental entity's audit committee. Furthermore, governmental entities should routinely explore the possibility of alternative service providers before making a decision to engage their independent auditors to perform significant non-audit services.*

*The audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor's ability to perform a quality audit. In no case should price be allowed to serve as the sole criterion for the selection of an independent auditor. (GFOA: Audit Procurement (1996 and 2002).*

All cities (88 yes, 0 no) responded that audit contracts require auditors of financial statements conform with independence standards. The Grand Jury obtained the audited financial statements for most cities for Fiscal Years 2010-11 and 2011-12, the most recent available. In reviewing this supporting documentation and comments provided by each city the Grand Jury found that all independent audit reports included statements of compliance with auditing standards, including standards of independence.

Most cities (71 yes, 17 no) responded that independent auditors were selected through a competitive process. The Grand Jury requested each city provide copies of formal policies related to audit procurement. In reviewing this supporting documentation and comments provided by each city the Grand Jury found that most issue a Request for Proposals (RFP) for audit services, typically with a term of up to 5 years. Most cities (9 yes, 79 no) do not require the auditor to be replaced at the end of the contract term. Also most cities (25 yes, 63 no) responded that they do not allow the independent auditor to provide non-audit services.

The Grand Jury also asked each city how many years the current independent auditor conducted the annual city audit, and how long the term of the current independent audit contract was. The exhibit below shows city responses.

<b>Exhibit 11: Responses to Questions on Independent Auditor Contract Term</b>		
<b>City</b>	<b>17. Years with Current Auditor</b>	<b>18. Audit Contract Term</b>
Agoura Hills	3	3 + 2 one year renewals
Alhambra	7	5
Arcadia	2	4

<b>Exhibit 11: Responses to Questions on Independent Auditor Contract Term</b>		
<b>City</b>	<b>17. Years with Current Auditor</b>	<b>18. Audit Contract Term</b>
Artesia	1	3
Avalon	6	Current to FY2010-11 with 1 yr term
Azusa	13	5
Baldwin Park	11	2
Bell	1	3
Bell Gardens	6 2006-2012 FYE	3 (1 year contract) (2 year option)
Bellflower	19	2
Beverly Hills	Current 1st year	5 years
Bradbury	1	3
Burbank	2	3
Calabassas	8	3
Carson	3	3
Cerritos	4	3 with two 1 year extensions allowed
Claremont	6	5
Commerce	7	3
Compton	NA	NA
Covina	5	Annually
Cudahy	1	1
Culver City	2	3
Diamond Bar	3 years	3 years plus a 2 year extension at the City's option.
Downey	10+	1
Duarte	5	3
El Monte	3	3
El Segundo	6	4+2 1yr extensions
Gardena	2	3
Glendale	5	6
Glendora	9	2014
Hawaiian Gardens	one (1) year	4
Hawthorne	2	3+2 Yr Renewal
Hermosa Beach	1st of 3 year contract	3 years with an option to extend 2 years
Hidden Hills	28	1
Huntington Park	5	5
Industry	5	?
Inglewood	5	3
Irwindale	18	3
La Canada-Flintridge	5 years	1 year
La Habra Heights	2	3

<b>Exhibit 11: Responses to Questions on Independent Auditor Contract Term</b>		
<b>City</b>	<b>17. Years with Current Auditor</b>	<b>18. Audit Contract Term</b>
La Mirada	7 years	3 years with a 2 year option
La Puente	2	3
La Verne	2	6
Lakewood	34 Years	1-Year, contract renewed annually
Lancaster	23	5
Lawndale	3	3
Lomita	7 months	5 years
Long Beach	23+	3
Los Angeles	10	5
Lynwood	3	1
Malibu	8	Expired after the close of FY 11/12
Manhattan Beach	3 consecutive years	3 yrs + Two 1-year extensions = 5yrs
Maywood	3	5
Monrovia	11	5
Montebello	1	1
Monterrey Park	1	3
Norwalk	5	5
Palmdale	15	5
Palos Verdes Estates	2	3
Paramount	9	3
Pasadena	2	5
Pico Rivera	1	3+1+1
Pomona	2	3
Rancho Palos Verdes	5	5
Redondo Beach	1	3
Rolling Hills	4	7
Rolling Hills Estates	2	1 year
Rosemead	2	5
San Dimas	32	3
San Fernando	1	3
San Gabriel	3	3
San Marino	10 years +	5 yrs std
Santa Clarita	3	1
Santa Fe Springs	Four (4) years.	One (1) year.
Santa Monica	1.5	5
Sierra Madre	1	3 with option to extend to 5 years

<b>Exhibit 11: Responses to Questions on Independent Auditor Contract Term</b>		
<b>City</b>	<b>17. Years with Current Auditor</b>	<b>18. Audit Contract Term</b>
Signal Hill	10	5
South El Monte	2	5
South Pasadena	17	3 years
Southgate	4	N/A
Temple City	2	3
Torrance	7	7
Vernon	14	1
Walnut	Blank	5
West Covina	2	5
West Hollywood	13	3
Westlake Village	3	2
Whittier	2	3

### **Accounting Policies and Procedures**

Formal documentation of accounting policies and procedures is an essential component in providing effective controls over accounting and financial reporting, as well as providing a comprehensive framework of internal controls. Accountability requires a well-designed system of documenting accounting policies and procedures. Documentation can also provide a useful training tool for financial staff.

The following are excerpts from the Government Finance Officers Association recommended best practice regarding accounting policies and procedures:

*Every government should document its accounting policies and procedures. Traditionally, such documentation has taken the form of an accounting policies and procedures manual.*

*An appropriate level of management to emphasize their importance and authority should promulgate accounting policies and procedures. The documentation of accounting policies and procedures should be evaluated annually and updated periodically, no less than once every three years, according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur. A specific employee should be assigned the duty of overseeing this process. Management is responsible for ensuring that this duty is performed consistently.*

*The documentation of accounting policies and procedures should be readily available to all employees who need it. It should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation of accounting policies*

*and procedures should indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed rather than in some idealized form. Also, the documentation of accounting policies and procedures should explain the design and purpose of control related procedures to increase employee understanding of and support for controls.* (GFOA: Documentation of Accounting Policies and Procedures (2002 and 2007) (CAAFR).

Most cities (68 yes, 20 no) responded that accounting policies and procedures were formally documented in an accounting policies and procedures manual. Most cities (72 yes, 16 no) also responded that accounting policies and procedures specifically define the authority and responsibility of all employees, including the authority to authorize transactions and the responsibility for safekeeping of assets and records.

The Grand Jury requested each city provide copies of their accounting policies and procedures and accounting manual. In reviewing this supporting documentation and comments provided by each city the Grand Jury found several cities had very comprehensive and detailed accounting policies and procedures. These included specific authority and responsibility of employees. Other cities had very high level and brief policies and procedures, with very little detail, and with very little information on the specific authority and responsibility of employees.

About half the cities (45 yes, 43 no) also responded that the accounting policies and procedures were reviewed annually and updated at least once every three years. The Grand Jury found very little indication that policies and procedures were being reviewed and updated. Most policies and procedures did not include an effective date or a revision date.

### **Reporting of Fraud, Abuse and Questionable Practices**

Most cases of fraud, abuse or questionable accounting or auditing practices, come to the attention of those responsible through employees or members of the public. In addition, accounting and auditing standards require financial reporting systems to be designed to detect fraud and abuse. They also detect any questionable accounting or auditing practices that could jeopardize the integrity of the financial reporting system.

The following are excerpts from the Government Finance Officers Association recommended best practice regarding reporting of fraud, abuse and questionable practices:

*The Government Finance Officers Association recommends that every government establish policies and procedures to encourage and facilitate the reporting of fraud or abuse and questionable accounting or auditing practices. At a minimum, a government should do all of the following:*

- *Formally approve, and widely distribute and publicize an ethics policy that can serve as a practical basis for identifying potential instances of fraud or abuse and questionable accounting or auditing practices.*
- *Establish practical mechanisms (e.g., hot line) to permit the confidential, anonymous reporting of concerns about fraud or abuse and questionable accounting or auditing practices to the appropriate responsible parties.*

- *A government should regularly publicize the availability of these mechanisms and encourage individuals who may have relevant information to provide it to the government.*
- *Make internal auditors (or their equivalent) responsible for the mechanisms used to report instances of potential fraud or abuse and questionable accounting or auditing practices. Emphasize that they should take whatever steps are necessary to satisfy themselves that a given complaint is without merit before disposing of it. Further, they also should document the disposition of each complaint received so it can be reviewed by the audit committee.*
- *Have the audit committee, as part of its evaluation of the government's internal control framework, examine the documentation of how complaints were handled to satisfy itself that the mechanisms for reporting instances of potential fraud or abuse, and questionable accounting or auditing practices are in place and working satisfactorily. (GFOA: Encouraging and Facilitating the Reporting of Fraud and Questionable Accounting and Auditing Practices (2007) (CAAFR).*

Most cities (54 yes, 34 no) responded that they have policies and procedures to encourage and facilitate the reporting of fraud, abuse and questionable accounting or auditing practices. Most cities (52 yes, 35 no, 1 not documented) also responded that they have a formally adopted, widely distributed and publicized ethics policy.

In reviewing the supporting documentation and comments provided by the cities the Grand Jury found several cities had very comprehensive policies and procedures on reporting fraud, abuse and questionable acts. These included definitions of fraud and abuse. Also, included are clear responsibilities for employees, and guidelines and steps for investigating allegations and reporting the results. Other cities had very limited policies, such as statements that all city employees follow the highest ethical standards, or have adopted specific policies regarding reporting of travel expense reimbursement.

Several cities (33 yes, 55 no) responded they have a practical mechanism, such as a fraud hot line, to permit the confidential, anonymous reporting fraud, abuse or questionable practices. However, in review of the documentation and comments the Grand Jury found very few had a hotline for confidential and anonymous reporting. Other cities stated that employees or members of the public could write a letter to the city with concerns, or that the city had an "open door" policy and concerns could be taken to supervisors, managers, the city manager, or the city attorney. The Grand Jury believes that city council members should also be receptive to such complaints.

### **Internal Controls**

Internal controls are designed to safeguard city assets from error, loss, theft, misuse, misappropriation, and fraud. Effective programs of internal controls provide reasonable assurance that these objectives are met consistently. Internal controls play an important role in preventing and detecting fraud and protecting the organization's resources.

The following are excerpts from the Government Finance Officers Association recommended best practice regarding internal controls:

*...internal control procedures over financial management should be documented. Documented internal control procedures should include some practical means for lower level employees to report instances of management override of controls that could be indicative of fraud.*

*...financial managers, with the assistance of internal auditors or equivalent personnel as needed, periodically evaluate relevant internal control procedures to satisfy themselves that those procedures 1) are adequately designed to achieve their intended purpose, 2) have actually been implemented, and 3) continue to function as designed.*

*Evaluations should also encompass the effectiveness and timeliness of the government's response to indications of potential control weaknesses generated by internal control procedures (e.g., resolution of items in exception reports).*

*...upon completion of any evaluation of internal control procedures financial managers determine what specific actions are necessary to remedy the root cause of any disclosed weaknesses. A corrective action plan with an appropriate timetable should be adopted. There should be follow-up on the corrective action plan to ensure that it has been fully implemented on a timely basis. (GFOA: Enhancing Management Involvement with Internal Control (2004 and 2008) (CAAFR).*

Most cities (67 yes, 21 no) responded that internal control procedures over financial management were formally documented. Most cities (64 yes, 24 no) also responded that internal control procedures include practical means for lower level employees to report instances of management override of controls.

The Grand Jury requested a copy of the internal control procedures over financial management. Several cities had developed comprehensive procedures for internal control, some with very detailed procedural guidelines. Other cities provided no specific documentation of internal control procedures, or made minor mention of internal control procedures.

Most cities (80 yes, 8 no) also responded that internal control procedures were evaluated to determine if they are adequately designed to achieve their intended purpose, have actually been implemented, and continue to function as designed. Most cities (77 yes, 11 no) responded that potential internal control weaknesses are documented in exception reports. Most cities (65 yes, 23 no) also responded that there is a process in place to identify changes in what is being controlled or controls themselves, and corrective action plans are developed with an appropriate timeline. Most cities rely primarily on the internal controls review conducted by their independent auditor as part of the annual financial audit.

Under Government Auditing Standards independent auditors consider the City's internal controls over financial reporting and conduct tests of compliance. This review is focused on financial reporting, and not the larger internal controls environment. Independent auditors generally do not provide an opinion on the internal control over financial reporting or on compliance. Internal

controls that ensure there are adequate control procedures in place to protect public funds is the responsibility of city financial management.

### **Internal Audit**

The internal audit function serves as an additional level of control and helps improve a city's overall control and risk environment. This includes monitoring the design and proper functioning of the internal control policies and procedures. It is important that the internal audit function be separate from those that are directly responsible for performing financial functions.

The following are excerpts from the Government Finance Officers Association recommended best practice regarding internal audit:

*Every government should consider the feasibility of establishing a formal internal audit function because such a function can play an important role in helping management to maintain a comprehensive framework of internal controls. As a rule, a formal internal audit function is particularly valuable for those activities involving a high degree of risk (e.g., complex accounting systems, contracts with outside parties, a rapidly changing environment). If it is not feasible to establish a separate internal audit function, a government is encouraged to consider either 1) assigning internal audit responsibilities to its regular employees or 2) obtaining the services of an accounting firm (other than the independent auditor) for this purpose;*

*The internal audit function should be established formally by charter, enabling resolution, or other appropriate legal means;*

*It is recommended that internal auditors of state and local governments conduct their work in accordance with the professional standards relevant to internal auditing contained in the U.S. General Accounting Office's publication Government Auditing Standards, including those applicable to the independence of internal auditors;*

*At a minimum, the head of the internal audit function should possess a college degree and appropriate relevant experience. It also is highly desirable that the head of the internal audit function hold some appropriate form of professional certification (e.g., certified internal auditor, certified public accountant, certified information systems auditor); and*

*All reports of internal auditors, as well as the annual internal audit work plan, should be made available to the government's audit committee or its equivalent. (GFOA: Establishment of an Internal Audit Function (1997 and 2006) (CAAFR).*

Most cities (18 yes, 69 no, 1 not documented) responded that they do not have an internal audit function formally established by charter, enabling resolution, or other legal means. One city indicated it had an internal audit function, but did not provide the requested documentation. Other cities stated that internal audit was an additional responsibility of the finance staff. Several cities also stated that, given the small size of their city, an internal audit function and staff could not be justified.

## **General Fund Unassigned Fund Balance**

The term “fund balance” is used to describe the net assets of governmental funds, and is intended to provide a measure of the financial resources available in the fund. Some of this fund balance is typically restricted because it is not spendable (for legal or contractual reasons) or restricted by external constraints.

Unrestricted funds include those that are unassigned, as well as those that are committed or assigned by the city council. The city council would be able to change these commitments or assignments if needed.

It is important that cities formally set aside adequate funds for use in emergencies, revenue shortages, or budget imbalances. Adequate fund balances are also important to provide stable tax rates, maintain government services, and to facilitate long-term financial planning.

The following are excerpts from the Government Finance Officers Association recommended best practice regarding general fund unrestricted fund balance:

*...recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund. Such a guideline should be set by the appropriate policy body and should provide both a temporal framework and specific plans for increasing or decreasing the level of unrestricted fund balance, if it is inconsistent with that policy.*

*The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government’s own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. (GFOA: Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009) (BUDGET and CAAFR).*

Most cities (63 yes, 25 no) responded that they have a formal policy on the level of unrestricted fund balance to be maintained in the general fund. Half the cities (44 yes, 44 no) responded that they do not have a policy requiring an unrestricted or unassigned fund balance of not less than two months of regular general fund operating revenues or regular general fund operating expenditures.

## **Financial and Public Reporting Practices**

Financial statements and information prepared and provided by each city provide the public with information on how their city is expending its resources, as well as the financial stability and health of the city. Ensuring the transparency and reliability of financial reporting is a key responsibility of financial management. This requires maintaining an adequate financial accounting system and issuing financial statements in a timely manner.

The following are excerpts from the Government Finance Officers Association recommended best practice regarding financial and public reporting practices:

*Maintain an accounting system adequate to provide all of the data needed to allow for the timely preparation of financial statements for the entire financial reporting entity in conformity with GAAP;*

*Issue timely financial statements for the entire financial reporting entity in conformity with GAAP as part of a CAFR; and*

*Have those financial statements independently audited in accordance with either GAAS or GAS, as appropriate. (GFOA: Governmental Accounting, Auditing, and Financial Reporting Practices (1993, 1997, and 2000) (CAAFR).*

*The Government Finance Officers Association encourages every government to use its web site as a primary means of communicating financial information to citizens and other interested parties. (GOFA: Web Site Presentation of Official Financial Documents (2009) (ALL).*

All cities (88 yes, 0 no) responded they maintain an accounting system adequate to provide all the data needed for the timely preparation of financial statement for the entire entity in conformity with Generally Accepted Accounting Principles (GAAP). Most cities (83 yes, 5 no) responded they issue timely financial statements for the entire financial reporting entity in conformity with standards as part of a CAFR.

The cities of **Avalon, Bell, Compton and Maywood** have not yet issued financial statements for FY 2010-11. The cities of **Avalon, Azusa, Bradbury, Bell, Compton, Hawaiian Gardens, Huntington Park, Inglewood, La Habra Heights, Lawndale and Maywood** have not yet issued financial statements for FY 2011-12, and report they are in the process of developing these with an independent auditor.

All cities (88 yes, 0 no) responded the city's financial statements are independently audited. Most cities (85 yes, 3 no) also responded that the financial statements or CAFR were readily available on the city's website. Most cities (85 yes, 3 no) responded that city financial management staff are members of and participate in the Government Finance Officers Association.

## **FINDINGS – FINANCIAL MANAGEMENT PRACTICES**

1. Few cities formally established an audit committee responsible for monitoring and overseeing financial reporting.
2. All cities required their auditors to comply with independence standards and most selected their auditors through a competitive process. Most also precluded the auditor from providing non-audit services.
3. Many cities could improve their documentation and maintenance of accounting policies and procedures.
4. Many cities could improve their policies and procedures for reporting fraud, abuse, and questionable practices.
5. Many cities could improve their internal control procedures over financial management.
6. Most cities did not have a formal internal audit function.

7. Many cities' policies and procedures governing general fund unrestricted fund balance could be improved.
8. All cities maintained an adequate accounting system. Most issued timely financial statements and a CAFR in compliance with standards, and most made the CAFR readily accessible to the general public on their website.

### **RECOMMENDATIONS – FINANCIAL MANAGEMENT <sup>3</sup>**

1. Cities should formally establish an audit committee making it directly responsible for the work of the independent auditor.
2. Cities that do not currently select the auditor through a competitive process should do so.
3. Cities that allow the auditor to provide non-audit Services should ensure appropriate review and approval of those services.
4. Cities should review and update accounting policies and procedures to ensure they are appropriately detailed and define the specific authority and responsibility of employees.
5. Cities should establish a policy requiring policies and procedures to be reviewed annually and updated at least once every three years.
6. Cities should review and update policies and procedures for reporting fraud, abuse and questionable practices including a practical mechanism, such as a fraud hot line, to permit the confidential, anonymous reporting of concerns.
7. Cities should periodically review and update internal control procedures over financial management.
8. Cities should undertake a full-scale competitive process every 5 years for the selection of an independent external auditor.

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<sup>3</sup> See Exhibit 12

## EMPLOYEE COMPENSATION

Until recently, there has been a lack of transparency and accountability for actual annual compensation for employees of cities. In July 2010 news media reports (Los Angeles Times, July 14, 2010) revealed that some City of Bell administrators and Council members were receiving disproportionately high salaries. In addition, the report of the independent reform monitor for the City of Vernon found:

*There is evidence that in the past, the salaries of City officials were bloated, that some who held more than one position were receiving compensation for each position, and that some contracts were drawn so that after 1,500 hours of City work and a set salary, City officials would charge hourly rates that would elevate those salaries way beyond any norm. (City of Vernon Report, John Van De Kamp, Independent Ethics Advisor, July 29, 2011; p.5.)*

In the past, each city council was required to establish the range of salary for each position and adopt that range in a “salary resolution.” These salary resolutions were reported to the State Controller’s Office and published on its website. Requiring and publishing the salary resolutions did not prove to be an effective means of providing transparency and accountability for government compensation.

In late 2010 State Controller John Chiang began requiring counties, cities and special districts to report government compensation, which was posted to the Controller’s website in an effort to promote transparency following the salary scandal in the City of Bell. Government compensation is now posted on the State Controller’s website for all government employees. The information provided includes the approved salary range, as well as the actual compensation received by each employee as reported to the U.S. Internal Revenue Service. Refer to Exhibit 2 presented previously and Appendix C.

The Grand Jury noted that several cities had a high number of employees in several departments earning over \$200,000. Exhibit 2 reflects these city’s as follows:

- Beverly Hills: 21 Fire Department employees and 18 Police department employees made over \$200,000.
- El Segundo: 7 Fire Department employees made over \$200,000.
- Los Angeles: 224 Water and Power employees and 115 Fire Department made over \$200,000.
- Manhattan Beach: 16 Fire Department employees made over \$200,000.
- Santa Fe Springs: 13 Fire Department employees made over \$200,000.
- Santa Monica: 17 employees in the legal department and 29 Fire Department employees made over \$200,000.
- Vernon: 5 employees in various departments made over \$200,000.

**NEW LEGISLATION**

The Grand Jury desires all citizens within Los Angeles County and its incorporated cities avail themselves of recent legislation specific to the California State Auditor and its Local High Risk Program. The following is from the California State Auditor website (www.bsa.ca.gov):

*Recent legislation—AB187, which went into effect in January 2012—permits the California State Auditor to develop a high-risk local government agency audit program for the purpose of identifying, auditing, and issuing reports on any local agency, including a city, county, special district, or other publicly created entity, that the State Auditor identifies as being at high risk for waste, fraud, abuse, and mismanagement or as having major challenges associated with its economy, efficiency, or effectiveness. However, any audit that the State Auditor wishes to perform under this authority must be authorized by the Legislature’s Joint Legislative Audit Committee before it may move forward.*

*Because this legislation just recently took effect, the program still is being developed. Please check back periodically for updates regarding the implementation of this program. As we establish protocols for the program, we will post the information on our Web site (www.bsa.ca.gov). In the meantime, if you have any information about a local government agency that you would like to share with us, refer to “Report an Improper Activity” on our home page.*

The Grand Jury believes that the State Auditor’s “Local High Risk Program” once established, will provide the public with greater oversight over local government agencies, which includes cities. Citizens need to work through their local State Representatives in order to expedite the implementation of this Program.

**RECOMMENDATIONS AND REQUIRED RESPONSES**

Responses are required from the following cities:

<b>Exhibit 12: Recap of Recommendations and Required Responses</b>	
<b>Recommendation</b>	<b>Response Required From</b>
<b>Fiscal Health</b>	
1. Cities should adopt financial planning, revenue and expenditure policies to guide city officials to develop sustainable, balanced budgets.	Agoura Hills, Alhambra, Arcadia, Artesia, Avalon, Azusa, Baldwin Park, Bell, Bell Gardens, Bellflower, Beverly Hills, Bradbury, Burbank, Calabasas, Carson, Cerritos, Claremont, Commerce, Compton, Covina, Cudahy, Culver City, Diamond Bar, Downey, Duarte, El Monte, El Segundo, Gardena, Glendale, Glendora, Hawaiian Gardens, Hawthorne, Hermosa Beach, Hidden Hills, Huntington Park, Industry, Inglewood, Irwindale, La Canada Flintridge, La Habra Heights, La Mirada, La Puente, La Verne, Lakewood, Lancaster, Lawndale, Lomita, Long Beach, Los Angeles, Lynwood, Malibu, Manhattan Beach, Maywood, Monrovia, Montebello, Monterey Park, Norwalk, Palmdale, Palos Verdes Estates, Paramount, Pasadena, Pico Rivera, Pomona, Rancho Palos Verdes, Redondo Beach, Rolling

<b>Exhibit 12: Recap of Recommendations and Required Responses</b>	
<b>Recommendation</b>	<b>Response Required From</b>
	Hills, Rolling Hills Estates, Rosemead, San Dimas, San Fernando, San Gabriel, San Marino, Santa Clarita, Santa Fe Springs, Santa Monica, Sierra Madre, Signal Hill, South El Monte, South Gate, South Pasadena, Temple City, Torrance, Vernon, Walnut, West Covina, West Hollywood, Westlake Village, Whittier
2. Cities should develop a balanced budget and commit to operate within the budget constraints.	Agoura Hills, Alhambra, Arcadia, Artesia, Avalon, Azusa, Baldwin Park, Bell, Bell Gardens, Bellflower, Beverly Hills, Bradbury, Burbank, Calabasas, Carson, Cerritos, Claremont, Commerce, Compton, Covina, Cudahy, Culver City, Diamond Bar, Downey, Duarte, El Monte, El Segundo, Gardena, Glendale, Glendora, Hawaiian Gardens, Hawthorne, Hermosa Beach, Hidden Hills, Huntington Park, Industry, Inglewood, Irwindale, La Canada Flintridge, La Habra Heights, La Mirada, La Puente, La Verne, Lakewood, Lancaster, Lawndale, Lomita, Long Beach, Los Angeles, Lynwood, Malibu, Manhattan Beach, Maywood, Monrovia, Montebello, Monterey Park, Norwalk, Palmdale, Palos Verdes Estates, Paramount, Pasadena, Pico Rivera, Pomona, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, Rosemead, San Dimas, San Fernando, San Gabriel, San Marino, Santa Clarita, Santa Fe Springs, Santa Monica, Sierra Madre, Signal Hill, South El Monte, South Gate, South Pasadena, Temple City, Torrance, Vernon, Walnut, West Covina, West Hollywood, Westlake Village, Whittier
3. Cities should commit to not using one-time revenues to fund recurring or on-going expenditures.	Agoura Hills, Alhambra, Arcadia, Artesia, Avalon, Azusa, Baldwin Park, Bell, Bell Gardens, Bellflower, Beverly Hills, Bradbury, Burbank, Calabasas, Carson, Cerritos, Claremont, Commerce, Compton, Covina, Cudahy, Culver City, Diamond Bar, Downey, Duarte, El Monte, El Segundo, Gardena, Glendale, Glendora, Hawaiian Gardens, Hawthorne, Hermosa Beach, Hidden Hills, Huntington Park, Industry, Inglewood, Irwindale, La Canada Flintridge, La Habra Heights, La Mirada, La Puente, La Verne, Lakewood, Lancaster, Lawndale, Lomita, Long Beach, Los Angeles, Lynwood, Malibu, Manhattan Beach, Maywood, Monrovia, Montebello, Monterey Park, Norwalk, Palmdale, Palos Verdes Estates, Paramount, Pasadena, Pico Rivera, Pomona, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, Rosemead, San Dimas, San Fernando, San Gabriel, San Marino, Santa Clarita, Santa Fe Springs, Santa Monica, Sierra Madre, Signal Hill, South El Monte, South Gate, South Pasadena, Temple City, Torrance, Vernon, Walnut, West Covina, West Hollywood, Westlake Village, Whittier
4. Cities should adopt a method and practice of saving into a reserve or “rainy day” fund to supplement operating revenue in years of short fall.	Agoura Hills, Alhambra, Arcadia, Artesia, Avalon, Azusa, Baldwin Park, Bell, Bell Gardens, Bellflower, Beverly Hills, Bradbury, Burbank, Calabasas, Carson, Cerritos, Claremont, Commerce, Compton, Covina, Cudahy, Culver City, Diamond Bar, Downey, Duarte, El Monte, El Segundo, Gardena, Glendale, Glendora, Hawaiian Gardens, Hawthorne, Hermosa Beach, Hidden Hills, Huntington

<b>Exhibit 12: Recap of Recommendations and Required Responses</b>	
<b>Recommendation</b>	<b>Response Required From</b>
	Park, Industry, Inglewood, Irwindale, La Canada Flintridge, La Habra Heights, La Mirada, La Puente, La Verne, Lakewood, Lancaster, Lawndale, Lomita, Long Beach, Los Angeles, Lynwood, Malibu, Manhattan Beach, Maywood, Monrovia, Montebello, Monterey Park, Norwalk, Palmdale, Palos Verdes Estates, Paramount, Pasadena, Pico Rivera, Pomona, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, Rosemead, San Dimas, San Fernando, San Gabriel, San Marino, Santa Clarita, Santa Fe Springs, Santa Monica, Sierra Madre, Signal Hill, South El Monte, South Gate, South Pasadena, Temple City, Torrance, Vernon, Walnut, West Covina, West Hollywood, Westlake Village, Whittier
<b>Governance Practices</b>	
1. Cities should develop and adopt a strategic plan that articulates the mission, vision, core values and priorities for the city.	Agoura Hills, Arcadia, Avalon, Azusa, Baldwin Park, Bell Gardens, Calabassas, Carson, Compton, Cudahy, Hawthorne, Hermosa Beach, Hidden Hills, Huntington Park, Industry, Inglewood, La Habra Heights, Lomita, Malibu, Palos Verdes Estates, Pico Rivera, Rolling Hills, Rolling Hills Estates, San Dimas, San Fernando, South El Monte
2. Cities should develop and report on performance measures or indicators to evaluate outcomes. These performance measures should be quantified, focused on outcomes and information should be provided for several years to allow evaluation of progress over time.	Agoura Hills, Arcadia, Avalon, Azusa, Bell, Bell Gardens, Bradbury, Calabassas, Carson, Commerce, Compton, Cudahy, Diamond Bar, El Monte, Gardena, Hermosa Beach, Hidden Hills, Huntington Park, Industry, Inglewood, La Habra Heights, Lancaster, Lawndale, Lomita, Malibu, Montebello, Paramount, Rolling Hills, San Dimas, San Fernando, San Marino, Santa Clarita, Santa Fe Springs, South El Monte, South Pasadena, West Covina
3. City councils should develop specific annual goals for the city's executive.	Avalon, Compton, Cudahy, Diamond Bar, Hidden Hills, Industry, Inglewood, Norwalk, Palos Verdes Estates, San Fernando, San Marin, South El Monte, South Pasadena
4. City councils should conduct meaningful evaluations of the city's executive at least annually.	Alhambra, Compton, Cudahy, Hidden Hills, Industry, Lancaster, Maywood, Palos Verdes Estates, Paramount, Rolling Hills, San Fernando
5. Cities should publish their financial reports or CAFR on their city's website.	Cudahy, Industry, Maywood
<b>Financial Management</b>	
1. Cities should formally establish an audit committee making it directly responsible for the work of the independent auditor.	Alhambra, Arcadia, Azusa, Bell, Bell Gardens, Bellflower, Bradbury, Calabassas, Carson, Cerritos, Claremont, Compton, Cudahy, Diamond Bar, Duarte, El Monte, El Segundo, Gardena,

<b>Exhibit 12: Recap of Recommendations and Required Responses</b>	
<b>Recommendation</b>	<b>Response Required From</b>
	Glendora, Hawaiian Gardens, Hermosa Beach, Hidden Hills, Huntington Park, Industry, Inglewood, Irwindale, La Mirada, La Puente, La Verne, Lakewood, Manhattan Beach, Maywood, Monrovia, Monterrey Park, Norwalk, Palos Verdes Estates, Paramount, Pico Rivera, Pomona, Rancho Palos Verdes, Rolling Hills, Rosemead, San Fernando, San Gabriel, San Marin, Santa Clarita, Santa Fe Springs, Santa Monica, Sierra Madre, Signal Hill, South El Monte, South Pasadena, Southgate, Temple City, West Covina, West Hollywood, Westlake Village, Whittier
2. Cities that do not currently select the auditor through a competitive process should do so.	Bellflower, Glendora, Hawthorne, Hidden Hills, Industry, Irwindale, La Canada-Flintridge, La Mirada, Lakewood, Malibu, Palos Verdes Estates, San Dimas, San Marino, Santa Fe Springs, Walnut, West Covina, Whittier
3. Cities that allow the auditor to provide non-audit services should ensure appropriate review and approval of those services.	Arcadia, Avalon, Baldwin Park, Bellflower, Beverly Hills, Carson, Claremont, Commerce, Diamond Bar, Glendale, Huntington Park, Inglewood, La Vern, Lawndale, Monrovia, Montebello, Palmdale, Paramount, Rancho Palos Verdes, Rolling Hills, Rolling Hills Estates, San Gabriel, Santa Fe Springs, Santa Monica, Southgate.
4. Cities should review and update accounting policies and procedures to ensure they are appropriately detailed and define the specific authority and responsibility of employees.	Beverly Hills, Bradbury, Burbank, Carson, Commerce, Cudahy, El Monte, Hawaiian Gardens, Hidden Hills, Industry, La Verne, Lomita, Manhattan Beach, Norwalk, Santa Monica, Sierra Madre, Southgate, West Covina, Whittier
5. Cities should establish a policy requiring financial policies and procedures to be reviewed annually and updated at least once every three years.	Agoura Hills, Alhambra, Arcadia, Avalon, Azusa, Bell Gardens, Bellflower, Bradbury, Burbank, Carson, Commerce, Cudahy, Diamond Bar, El Monte, Glendora, Hawaiian Gardens, Hawthorne, Hidden Hills, Industry, Inglewood, La Canada-Flintridge, La Habra Heights, La Mirada, La Puente, Lancaster, Lawndale, Lomita, Los Angeles, Manhattan Beach, Montebello, Norwalk, Pasadena, Rolling Hills Estates, Rosemead, San Fernando, Santa Clarita, Santa Fe Springs, Santa Monica, South Pasadena, Southgate, Walnut, West Covina

<b>Exhibit 12: Recap of Recommendations and Required Responses</b>	
<b>Recommendation</b>	<b>Response Required From</b>
6. Cities should review and update policies and procedures for reporting fraud, abuse and questionable practices including a practical mechanism, such as a fraud hot line, to permit the confidential, anonymous reporting of concerns.	Alhambra, Arcadia, Avalon, Azusa, Bell Gardens, Bellflower, Bradbury, Burbank, Covina, Cudahy, El Monte, Glendora, Huntington Park, Industry, Inglewood, Irwindale, La Mirada, Lakewood, Lomita, Lynwood, Manhattan Beach, Montebello, Norwalk, Rancho Palos Verdes, Rolling Hills, Rosemead, San Fernando, San Gabriel, San Marino, Santa Fe Springs, Santa Monica, Sierra Madre, Temple City, West Covina
7. Cities should periodically review and update internal control procedures over financial management.	Bell, Cudahy, Industry, Inglewood, Lomita, Montebello, South El Monte
8. Cities should undertake a full-scale competitive process every 5 years for the selection of an independent external auditor.	Agoura Hills, Alhambra, Arcadia, Artesia, Avalon, Azusa, Baldwin Park, Bell, Bell Gardens, Bellflower, Beverly Hills, Bradbury, Burbank, Calabasas, Carson, Cerritos, Claremont, Commerce, Compton, Covina, Cudahy, Culver City, Diamond Bar, Downey, Duarte, El Monte, El Segundo, Gardena, Glendale, Glendora, Hawaiian Gardens, Hawthorne, Hermosa Beach, Hidden Hills, Huntington Park, Industry, Inglewood, Irwindale, La Canada Flintridge, La Habra Heights, La Mirada, La Puente, La Verne, Lakewood, Lancaster, Lawndale, Lomita, Long Beach, Los Angeles, Lynwood, Malibu, Manhattan Beach, Maywood, Monrovia, Montebello, Monterey Park, Norwalk, Palmdale, Palos Verdes Estates, Paramount, Pasadena, Pico Rivera, Pomona, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, Rosemead, San Dimas, San Fernando, San Gabriel, San Marino, Santa Clarita, Santa Fe Springs, Santa Monica, Sierra Madre, Signal Hill, South El Monte, South Gate, South Pasadena, Temple City, Torrance, Vernon, Walnut, West Covina, West Hollywood, Westlake Village, Whittier

## APPENDICES

### APPENDIX A: GLOSSARY

**Adopted Budget** - The City Council approved annual budget establishing the legal authority for the expenditure of funds as set forth in the adopting Council budget resolution.

**Asset** - Property owned by a government, which has monetary value.

**Audit** - An examination and evaluation of the City's records and procedures to ensure compliance with specified rules, regulations, and best practices. The City Charter requires a yearly independent financial audit, by an independent certified public accountant that forms an audit opinion regarding the legitimacy of transactions and internal controls.

**Balanced Budget** - When the total of revenues and other financing sources is equal to or greater than the total of expenditures and other financing uses.

**Budget** - A fiscal plan of financial operation comprised of estimated expenditures and the proposed means of financing them for a given period (usually a single fiscal year). The budget is proposed until it has been approved by the City Council through a series of budget study sessions and a formal budget hearing in June.

**Budget Message** - The City Manager's general discussion of the budget which contains an explanation of principal budget items and summary of the City's financial status at the time of the message.

**California Public Employees' Retirement System (CalPERS)** - The retirement system administered by the State of California.

**Capital Asset** - A tangible, fixed asset that is long-term in nature, of significant value, and obtained or controlled as a result of past transactions, events or circumstances. Fixed assets include land, buildings, equipment, improvements to buildings, and infrastructure (i.e., streets, highways, bridges, and other immovable assets). A capital asset is defined as an asset with a useful life extending beyond a single accounting period.

**City Charter** - The legal authority granted by the State of California establishing the City and its form of government. The Charter also gives the City the ability to provide services and collect revenue to support those services.

**Comprehensive Annual Financial Report (CAFR)** - A government financial statement that provides a thorough and detailed presentation of the government's financial condition. It provides the Council, residents and other interested parties with information on the financial position of the City and its various agencies and funds. Report contents include various financial statements and schedules and all available reports by the City's independent auditors.

**Deficit** - An excess of expenditures or expenses over revenues (resources) during an accounting period.

**Department** - An organization unit comprised of divisions, sections, and/or programs. A department has overall management responsibility for an operation or a group of related operations.

**Expenditure** - The actual spending of Governmental funds set aside by an appropriation.

**Fiscal Year** - A twelve-month period of time to which the annual budget applies. Fiscal years are designated by the calendar year that they begin and end. Abbreviation: FY.

**Fund** - In Governmental Accounting, a fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**Fund Balance** - The amount of financial resources immediately available for use. Generally, this represents the accumulated annual operating surpluses and deficits since the fund's inception.

**General Fund** - The primary fund of the City used to account for all revenues and expenditures of the City not legally restricted as to use. Departments financed by the General Fund include Police, Fire, Parks, Library, and administrative support departments (Finance, Human Resources, City Attorney, etc.)

**Generally Accepted Accounting Principles (GAAP)** - Uniform minimum standards of/and guidelines for financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompasses the conventions, rules, and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAPP provides a standard by which to measure financial presentations.

**Goal** - A long-term organizational target or direction. It states what the organization wants to accomplish or become over the next several years. Goals provide the direction for an organization and define the nature, scope, and relative priorities of all projects and activities. Everything the organization does should help it move toward attainment of one or more goals.

**Governmental Accounting Standards Board (GASB)** - The organization that establishes generally accepted accounting principles (GAAP) for states and local governments.

**Government Finance Officers Association (GFOA)** - A professional association that enhances and promotes the professional management of state and local governments for the public benefits by identifying and developing financial policies and best practices through education, training, facilitation of member networking, and leadership. The organization sponsors award programs designed to encourage good financial reporting for financial documents including the Comprehensive Annual Financial Report (CAFR) and the annual budget.

**Ordinance** - A formal legislative enactment by the City Council. It has the full force and effect of law within City boundaries unless pre-empted by a higher form of law. An Ordinance has a higher legal standing than a Resolution.

**Reserve** - An account used to record a portion of the fund balance as legally segregated for a specific use.

**Resolution** - A special order of the City Council which has a lower legal standing than an ordinance. The City's budget is adopted via a Resolution of Appropriation.

**Revenues** - Amount received for taxes, fees, permits, licenses, interest, intergovernmental sources, and other sources during the fiscal year.

**Salaries and Benefits** - A budget category which generally accounts for full-time and temporary employees, overtime expenses, and all employee benefits such as medical, dental, and retirement.

**Undesignated Fund Balance** - Accounts used to record a portion of the fund balance not legally segregated for a specific use and, therefore, available for appropriation.

## APPENDIX B: SAMPLE QUESTIONNAIRE

DECEMBER 21, 2012

Greg Ramirez, City Manager  
City of Agoura Hills  
30001 Ladyface Court  
Agoura Hills, CA 91301

Dear City Manager Ramirez,

The Los Angeles County Civil Grand Jury is currently conducting an investigation of governance, management, and financial health of cities in Los Angeles County. The enclosed questionnaire is being sent to cities to collect information on each City's practices in these areas.

Under Penal Code sections 925 and 925A, the Grand Jury may investigate and examine the books and records of County and City operations. Penal Code section 921 gives the Grand Jury free access at all reasonable times to the examination of all public records within a County. The Civil Grand Jury has an aggressive schedule in completing this investigation and is requesting your timely cooperation in compliance with the above.

**Please send the completed questionnaire and documentation by Friday, January 18<sup>th</sup> to Frederick Piltz, Foreperson, at the address above.**

The questionnaire is available at <http://www.stellarsurvey.com/s.aspx?u=1471BE47-06CD-469B-B486-A61E54F42C67&> if you prefer to complete and submit it online. This will also allow you to upload requested support documentation. You were sent an email with this link on December 20<sup>th</sup>.

The Grand Jury has retained the firm of Bazilio Cobb Associates (BCA) to assist in this investigation. BCA is administering the survey and will be reviewing information submitted. If you have any questions please contact Scott Bryant with BCA at [sbryant@baziliocobb.com](mailto:sbryant@baziliocobb.com).

Sincerely,

Frederick Piltz  
Foreperson

Enclosure: Charter City Questionnaire

**Governance**

1. Has the City Council developed and adopted a strategic plan that articulates the mission, vision, core values and priorities (goals and objectives) for the City?
  - Yes
  - No
2. Has the City Council adopted performance measures or indicators to evaluate outcomes or progress on priorities?
  - Yes
  - No
3. Does your city have a formal policy, agreement, or other document that clearly defines the roles of the City Council and executive (City Manager or Administrator) and their relationship?
  - Yes
  - No
4. Does the City Council establish specific goals for the Executive at least annually?
  - Yes
  - No
5. Does the City Council conduct a meaningful evaluation of the Executive’s performance at least annually?
  - Yes
  - No
6. Has the City Council adopted and does it enforce a formal “Conflict of Interest” policy?
  - Yes
  - No
7. Has the City Council adopted an “Investment” policy?
  - Yes
  - No
8. Please provide copies of the
  - strategic plan and performance measures or indicators,
  - formal agreement or other document that clearly defines the roles of the City Council and executive and their relationship,
  - the specific goals most recently established for the Executive,
  - adopted “Conflict of Interest” policy, and
  - adopted “Investment” policy.
9. Please provide any comments or explanations regarding your responses on governance:

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**Audit Committee**

- 10. Does your city have an audit committee that is formally established by enabling resolution or other appropriate legal means?
  - Yes
  - No
- 11. Is the audit committee directly responsible for the appointment, compensation, retention, and oversight of the work of independent accountants engaged to perform independent audit, review, or attestation services?
  - Yes
  - No
- 12. Do such independent accountants report directly to the audit committee?
  - Yes
  - No
- 13. Please provide a copy of the action formally establishing the audit committee.
- 14. Please provide any comments or explanations regarding your responses on audit committees:

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**Audit Procurement**

- 15. Do your city's audit contracts require auditors of financial statements conform with the independence standard defined in the General Accounting Office's *Government Auditing Standards*?
  - Yes
  - No
- 16. In selecting independent auditors does your city undertake a full-scale competitive process at the end of the term of each audit contract?
  - Yes
  - No
- 17. How many years has your current independent auditor conducted the annual city audit?  
\_\_\_\_\_ Years
- 18. How long is the term of your current independent audit contract?  
\_\_\_\_\_ Years
- 19. Does your city have a formal policy requiring that the independent auditor be replaced at the end of the audit contract?
  - Yes
  - No

20. Does your city allow the independent auditor to provide nonaudit services to the city?
- Yes
  - No
21. If yes, does the Audit Committee review and approve these services?
- Yes
  - No
22. Please provide a copy of the formal policies related to audit procurement.
23. Please provide any comments or explanations regarding your responses on audit procurement:
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**Accounting Policies and Procedures**

24. Are accounting policies and procedures formally documented in an accounting policies and procedures manual?
- Yes
  - No
25. Are accounting policies and procedures reviewed annually and updated at least once every three years on a predetermined schedule?
- Yes
  - No
26. Do the accounting policies and procedures specifically define the authority and responsibility of all employees, including the authority to authorize transactions and the responsibility for safekeeping of assets and records?
- Yes
  - No
27. Please provide a copy of the accounting policies and procedures manual.
28. Please provide any comments or explanations regarding accounting policies and procedures:
- 
- 
- 
-

**Reporting of Fraud, Abuse, and Questionable Practices**

- 29. Does your city have policies and procedures to encourage and facilitate the reporting of fraud or abuse (whistleblowers) and questionable accounting or auditing practices?
  - Yes
  - No
- 30. Does your city have a formally adopted and widely distributed and publicized ethics policy?
  - Yes
  - No
- 31. Does your city have a practical mechanism, such as a fraud hot line, to permit the confidential, anonymous reporting of concerns about fraud, abuse, or questionable practices?
  - Yes
  - No
- 32. Are concerns received regarding fraud, abuse, or questionable practices reviewed by internal auditors, with documentation reviewed by the Audit Committee.
  - Yes
  - No
- 33. Please provide a copy of the ethics policy and information on mechanisms for reporting concerns of fraud, abuse, or questionable practices.
- 34. Please provide any comments or explanations regarding reporting of fraud, abuse, and questionable practices:

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**Internal Controls**

- 35. Are internal control procedures over financial management formally documented?
  - Yes
  - No
- 36. Do internal control procedures include practical means for lower level employees to report instances of management override of controls?
  - Yes
  - No
- 37. Are internal control procedures evaluated to determine if those controls are adequately designed to achieve their intended purpose, have actually been implemented, and continue to function as designed?
  - Yes
  - No

- 38. Are potential internal control weaknesses documented in exception reports?
  - Yes
  - No
- 39. Is there a process in place to identify changes in what is being controlled or controls themselves, and corrective action plans are developed with an appropriate timeline?
  - Yes
  - No
- 40. Please provide a copy of the internal control procedures over financial management.
- 41. Please provide any comments or explanations regarding your responses on internal controls:

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**Internal Audit**

- 42. Does your city have an internal audit function formally established by enabling resolution or other legal means?
  - Yes
  - No
- 43. Is the work of the internal audit function conducted in accordance with the U.S. General Accounting Office's *Government Auditing Standards*?
  - Yes
  - No
- 44. Are all reports of the Internal Audit function provided to or available to the Audit Committee?
  - Yes
  - No
- 45. Please provide a copy of the formal action establishing the internal audit function.
- 46. Please provide any comments or explanations regarding your responses on internal audit:

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**General Fund Unrestricted Fund Balance**

- 47. Does your city have a formal policy on the level of unrestricted fund balance to be maintained in the General Fund?
  - Yes
  - No
- 48. Does this policy require an unrestricted fund balance of no less than two months of regular general fund operating revenues or regular general fund operating expenditures?
  - Yes
  - No
- 49. Please provide a copy of the formal policy on the level of unrestricted fund balance to be maintained in the General Fund.
- 50. Please provide any comments or explanations regarding your responses on general fund unrestricted fund balance:

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**Financial and Public Reporting Practices**

- 51. Does your city maintain an accounting system adequate to provide all the data needed for the timely preparation of financial statement in conformity with Generally Accepted Accounting Principles (GAAP)?
  - Yes
  - No
- 52. Does your city issue timely financial statements for the entire financial reporting entity in conformity with GAAP as part of a Comprehensive Annual Financial Report (CAFR)?
  - Yes
  - No
- 53. Has your city's financial statements been independently audited in accordance with either generally accepted auditing standards (GAAP) or Government Auditing Standards (GAS)?
  - Yes
  - No
- 54. Are the annual budget documents or CAFR for your city published and readily accessible to the general public on your city's website?
  - Yes
  - No
- 55. Are city financial management staff members of and participate in the Government Finance Officers Association ?
  - Yes
  - No

56. Please provide any comments or explanations regarding your responses on financial and public reporting practices:

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**Please provide the contact information for the individual with primary responsibility for completing this survey:**

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Phone:** \_\_\_\_\_

**Email:** \_\_\_\_\_