

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDING JUNE 30, 2015



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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

CITY OF GARDENA, CALIFORNIA



PREPARED BY

THE ADMINISTRATIVE SERVICES DEPARTMENT

**Clint Osorio**  
**Chief Fiscal Officer**

**And**

**Raymond Beeman**  
**Accounting/Finance Manager**

**And**

**Susan Kamada**  
**Senior Accountant**

\* \* \* \* \*



**City of Gardena**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2015**

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# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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1700 WEST 162<sup>nd</sup> STREET / GARDENA, CALIFORNIA 90247-3778

PAUL K. TANAKA, *Mayor*  
TERRENCE TERAUCHI, *Mayor Pro Tem*  
TASHA CERDA, *Councilmember*  
MARK E. HENDERSON, *Councilmember*  
DAN MEDINA, *Councilmember*  
PHONE (310) 217-9500  
WEB SITE: [www.ci.gardena.ca.us](http://www.ci.gardena.ca.us)

MINA SEMENZA, *City Clerk*  
J. INGRID TSUKIYAMA, *City Treasurer*  
MITCHELL G. LANSDELL, *City Manager*  
PETER L. WALLIN, *City Attorney*

**December 1, 2015**

Honorable Mayor,  
Members of the City Council,  
and Citizens of Gardena

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR 2014-2015  
LETTER OF TRANSMITTAL**

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Gardena (the City) for the fiscal year ended June 30, 2015 (FY 2014-15). The report is intended to update readers on the status of the City's financial position and results of operations for the past fiscal year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. This CAFR has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America as promulgated by the Government Accounting Standards Board (GASB).

The report contains a citywide view of all governmental and business-type activities, as well as a focus on the financial position and operating results of the City's major funds.

The City's financial statements have been audited by Pun & McGeedy, LLP (P&M), an independent public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The financial statements included in this CAFR represent all City funds.

The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2015, are free of material misstatement. The auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2015, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the CAFR. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## PROFILE OF THE GOVERNMENT

The City of Gardena, appropriately nicknamed “The Freeway City,” is located just miles from the beautiful California coast, near the interchange of the Harbor, San Diego, and Gardena freeways, and just 13 miles south of the City of Los Angeles, in the South Bay Area. Gardena is a part of the Los Angeles-Long Beach-Glendale Metropolitan Statistical Area.

Gardena has the singular distinction of having within its borders both the first legal card club licensed in the State of California, granted in 1936, and the newest club in the state, which opened in 2000. At one time only five-card draw and lowball poker could be played. During the 1960s, Gardena was the only city in Los Angeles County to have legal gambling. In the mid-1980s, a tremendous Asian influence arrived with the introduction of a number of California games. A complete listing is contained in the City of Gardena Resolution No. 6140.

The City of Gardena, incorporated on September 11, 1930 as a general law city, operates under the Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of four members of the City Council and a Mayor elected on a non-partisan basis at-large for four-year terms, with an election every two years. The Council is responsible for, among other things, establishing policy, passing ordinances, adopting an annual budget, appointing members to various City Commissions and Boards and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City Organization with the adoption of the Fiscal Year 2012-2013 and 2013-2014 Budget, transitioned from what once were ten departments into four “Super-Departments”, consisting of 1) Elected and Administrative Offices, 2) Police, Streets and Development Services, 3) Recreation, Human Services, Parks and Facilities and 4) Transportation Department.

Gardena offers a full range of municipal services, including police and code enforcement; recreation and human services; public works; streets and parks; planning and building services; engineering; transportation services (enterprise fund); and general administration. Fire services are contracted with Los Angeles County.

The Council is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City of Gardena’s financial planning and control. The budget is prepared by fund, function (e.g. public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit.

## LOCAL ECONOMIC CONDITIONS AND OUTLOOK

The City of Gardena is fortunate to have a stable and diverse economic base, which somewhat shields its economy from downturns in any specific category. Card club revenue is among the top five revenue sources for the City. Revenue from this source to local government is a unique and steady revenue stream which historically improves during an economic downturn. However, during the recession, the City saw a decline in card club revenue which has since rebounded to FY 2008-2009 levels.

Although sales tax had always been the City's number one revenue source, fiscal years 2009-2010 and 2010-2011 revenue from this source fell below card club revenue. In FY 2014-2015, sales tax revenue was again our number one revenue source. Having no major shopping mall or auto mall in the City has, in fact, been a plus during the recession since the City's revenue is more diverse and not dependent upon sales by any particular industry. The real estate market has shown improvement throughout the South Bay area of Los Angeles with foreclosed properties still having an impact upon property tax. In Gardena however, new housing is beginning to sell at higher rates and the number of building permits being issued is increasing.

The City's unemployment rate fell from 11.0% in 2009 to 7.3% in 2015, and is lower than the 7.4% average in Los Angeles County. The unemployment rate in the South Bay area decreased from 7.4% in 2009 to 5.1% in 2015. Professional and business services are the largest sector of employment in the area and have held up better than manufacturing. Nearby cities of El Segundo and Redondo Beach have a high concentration of aerospace and high-tech sector companies. Given the global geopolitical situation, demand for such goods should continue to stay stable for several years. The region's second largest employment sector, manufacturing, still struggles as construction remains stagnant and outsourcing and overseas production continue to impact the American manufacturing markets.

*Gardena First!* is a marketing outreach program to educate the public on how money spent within the City not only helps businesses to stay open and create new jobs for Gardena residents but also ensures that sales tax dollars stay in Gardena and strengthen the local community.

Over the past twelve years, the City's cooperative elected and administrative leadership has implemented policies and programs that have strengthened the City's fiscal stability. The City has a Standard & Poor's "A+" rating on its 2006 Refunding Certificates of Participation (COPs) Series A, and C. In 2015, the City refunded its 2006 Refunding Certificates of Participation (COPs) Series B, with a Taxable Lease Revenue Refunding Bond, which was issued at an "A +" rating. In comparison, the City was near bankruptcy prior to the consolidation and refinancing of its debt in 2006. The S&P "A+" rating is reflective of a stable fiscal outlook and the expectation that Gardena will continue to maintain balanced operational costs with adequate fiscal reserves.

## **LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES**

Unrestricted Fund Balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund at year-end was 32.1% of total general fund expenditures. This amount was above the policy guidelines set by the Council for budgetary and planning purposes (approximately 25%).

The City Council adopted the first Five-Year Plan in 2002 to implement a strategy to pull the City out of financial debt and looming bankruptcy. Establishing a Mission and Vision Statement united elected leadership, employees and employee labor groups to cut expenditures to within available revenues, preserve jobs, and maintain service levels. By 2007, the City had regained both Moody's and Standard & Poor's credit ratings, launched a new state-of-the-art transit facility, held the first Jazz Festival, upgraded the City Council Chambers, initiated District Policing and progressed in many areas of public service and workforce excellence. In 2010, the City began adopting a rolling 5-year plan in order to keep moving forward on a consistent and continuous improvement plan. In 2015, the City refunded the 2006 Certificate of Participation, Series B, which resulted in \$2,360,051 in debt service payment savings.

The City will maintain a safe community environment by implementing Building Development Safety and Security Standards, as well as continue street and sidewalk improvements citywide, procure and install a bus stop security lighting system, replace the transportation department's communications system, and deploy body-worn cameras for police officers.

The City will sustain economic development by marketing City-owned properties for sale/development, establish expedited developer plan approval processes, establish an expedited plan check process to reduce time and cost for developers, and acquire new grants for additional funding of economic development efforts, and to identify and provide tools/incentives that will increase business expansion along the Rosecrans Corridor.

The City's long term financial planning focuses on the Capital Improvement Plan, which is produced as part of the annual budget. The plan primarily addresses maintenance, repair and upgrading of facilities and infrastructure, particularly streets, parks, and sewers.

## **RELEVANT FINANCIAL POLICIES**

The City has adopted a set of financial policies. During the current year, the City updated GASB Statement No. 54, titled "Fund Balance Policy for the General Fund." This policy provides the users of the financial statements greater information about the availability of reported fund balance and the City's commitment of financial resources. Note 14, of the Notes to Basic Financial Statements, presents more detailed information about the five categories of fund balance - nonspendable, restricted, committed, assigned and unassigned fund balance.

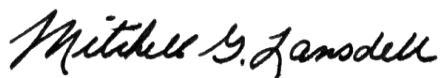
## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gardena for its CAFR for the fiscal year ended June 30, 2014. This was the twenty-ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

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

The preparation of this report could not have been accomplished without the collaborative assistance of the Department Heads and staff in all City departments. First and foremost, we want to recognize the dedicated employees of the Administrative Services Division. Their professional expertise and unassuming commitment to excellence is constantly manifested in the quality of the City's financial records and reporting. Appreciation is also expressed to the audit staff of Pun & McGeady, LLP (P&M), for their advice and assistance in the preparation of this report. Finally, we would like to thank the Mayor and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Mitchell G. Lansdell  
City Manager

Respectfully submitted,



Clint Osorio  
Chief Fiscal Officer



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

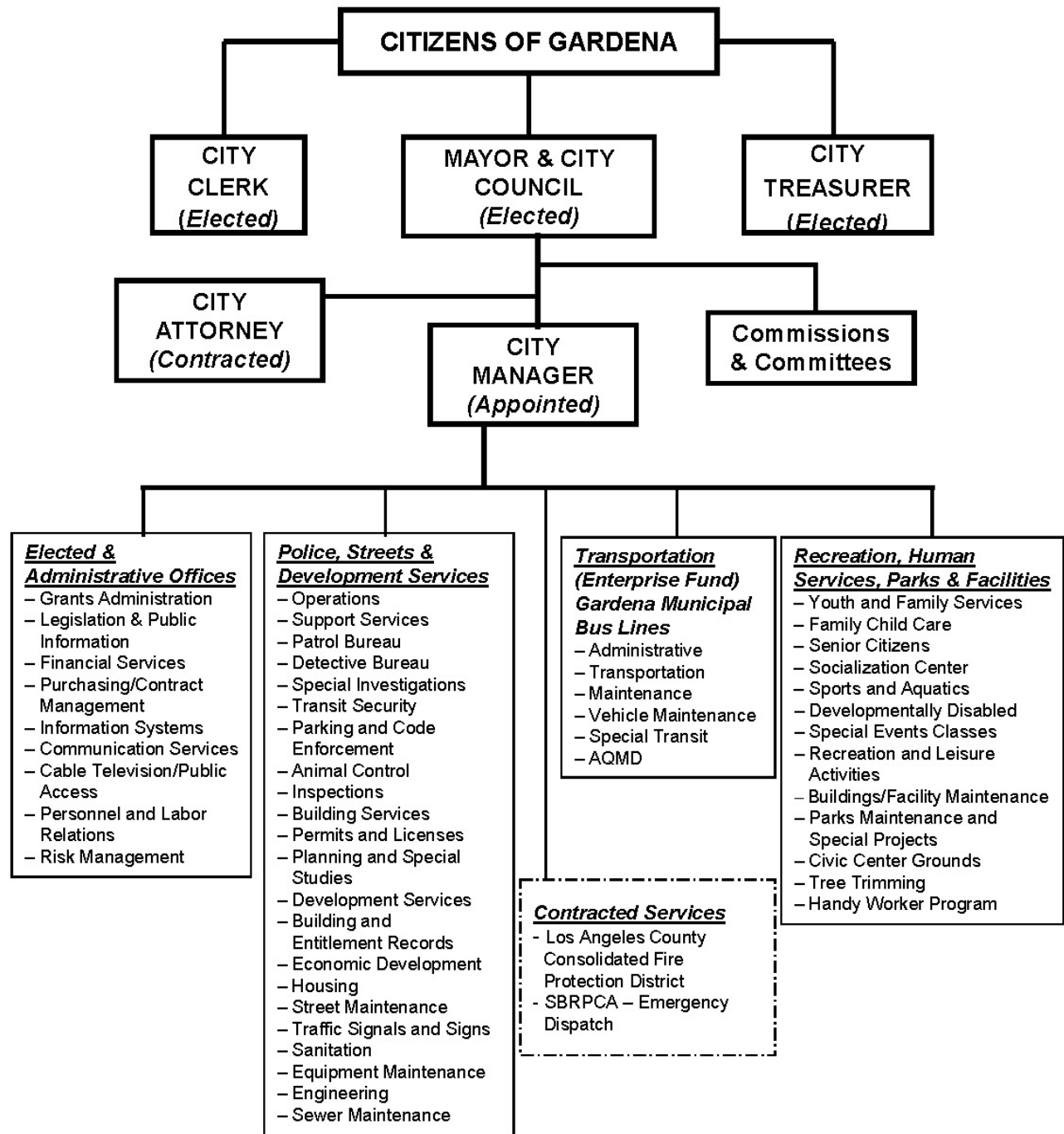
**City of Gardena  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

## CITY OF GARDENA ORGANIZATION CHART



# OFFICIALS OF THE CITY OF GARDENA, CALIFORNIA

FISCAL YEAR 2014 – 2015

## CITY OF GARDENA

### CITY COUNCIL

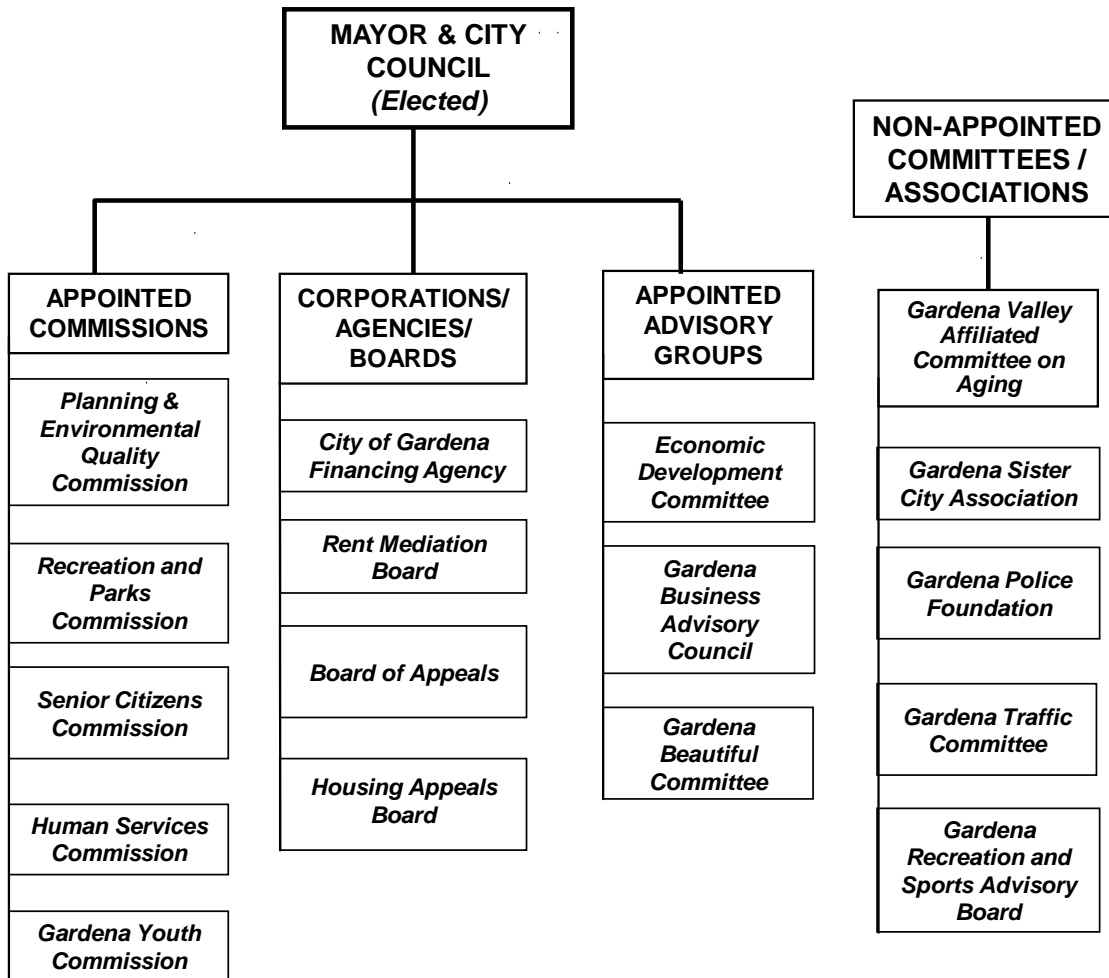
Paul K. Tanaka, *Mayor*  
Terrence Terauchi, *Mayor Pro Tem*  
Tasha Cerda, *Councilmember*  
Mark E. Henderson, *Councilmember*  
Dan Medina, *Councilmember*

### Administration Officials and Department Heads

City Manager.....	Mitchell G. Lansdell
Chief Fiscal Officer.....	Clint Osorio
City Treasurer.....	J. Ingrid Tsukiyama
City Clerk.....	Mina-Semenza
City Attorney.....	Peter L. Wallin
Chief of Police.....	Edward Medrano
Community Development Director.....	Mitchell G. Lansdell
Public Works Director.....	Edward Medrano
Recreation and Human Services Director.....	Kelly J. Fujio
Transportation Director.....	Jack Gabig
Assistant Fire Chief – LA County Fire District.....	Scott Hale



**CITY OF GARDENA**  
**COMMISSIONS, CORPORATIONS, BOARDS, COMMITTEES, ETC.**



# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardena, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### ***Implementation of GASB Statements Nos. 68 and 71***

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of these standards required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2014 as described in Note 13 to the basic financial statements. In addition, net pension liability is reported in the Statement of Net Position in the amount of \$(61,233,966) as of the measurement date. Net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of Jun 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date for California Public Employee Retirement System (“CalPERS”). Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Changes in Net Pension Liabilities and Related Ratios – CalPERS Miscellaneous Plan, Schedule of Proportionate Share of Net Pension Liabilities and Related Ratios – CalPERS Safety Plan, Schedules of Contributions, and Schedule of Funding Progress - OPEB on pages 7 through 15 and 89 through 99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Fund Financial Statements and Budgetary Comparison Schedules, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Fund Financial Statements and Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Budgetary Comparison Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rick E. McGeady LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 1, 2015

# **CITY OF GARDENA**

## ***Comprehensive Annual Financial Report***

***June 30, 2015***



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

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardena, California (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 1, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rick E. McGeady LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 1, 2015



## City of Gardena Management's Discussion and Analysis

As management of the City of Gardena (City), California, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, as well as with the City's financial statements, which follow this discussion.

### Financial Highlights

- ◆ The assets of the City exceeded its liabilities at the close of the 2014-2015 fiscal year by \$24,115,182 (net position).
- ◆ The City's total net position decreased \$1,963,160. Net position of governmental activities increased \$3,613,956 while net position of business type activities decreased \$5,577,116, due primarily to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. The Net Pension Liabilities were included within the government-wide financial statements for both governmental and business-type financial reporting. At close of 2014-2015 fiscal year, the City's Net Pension Liabilities were \$50,945,756 and \$10,288,210 for governmental and business-type activities respectively.
- ◆ At the close of the 2014-2015 fiscal year, the City's governmental funds reported combined fund balances of \$32,044,827, an increase of \$3,372,484 in comparison to the prior year. General Fund increased by \$3,651,723.
- ◆ At the end of the 2014-2015 fiscal year, the unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$15,254,641 or approximately 32.1% of total General Fund expenditures.
- ◆ The City's total outstanding long-term debt increased by \$844 during the 2014-2015 fiscal year. The increase is attributable to the issuance of the 2014 Taxable Lease Refunding Revenue Bonds, and the refunding of the 2006 Certificates of Participation, Series B Bonds.

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information about all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating

## City of Gardena Management's Discussion and Analysis (Continued)

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community development, and recreation and human services. The business-type activities of the City include Gardena Municipal Bus Lines (GMBL) and the City's Sewer Maintenance Program.

The government-wide financial statements can be found on pages 21-23 of this report.

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

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

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

The City maintains thirteen (13) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the economic development grants fund, public works grants fund, debt service fund, and city capital projects funds, which are considered to be major funds. Data from the other eight (8) governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 28-34 of this report.

## City of Gardena Management's Discussion and Analysis (Continued)

**Proprietary Funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its transit operation and for its sewer maintenance. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retained risks which includes liability insurance, workers' compensation, and health insurance. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the transit operation and for the sewer maintenance, both of which are considered to be major funds of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The proprietary fund financial statements can be found on pages 38-40 of this report.

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

The City maintains one type of fiduciary fund. The *Agency fund* reports resources held by the City in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found on page 42 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-85 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 89-99 of this report.

The combining statements, referred to earlier in connection with nonmajor governmental funds and internal service funds, are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 104-127 of this report.

# City of Gardena

## Management's Discussion and Analysis (Continued)

### Government-wide Overall Financial Analysis

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$24,115,182 at the close of the 2014-2015 fiscal year.

#### CITY OF GARDENA NET POSITION

	Governmental Activities		Business-type Activities		TOTAL	
	2014		2014		2014	
	2015	(as Restated)	2015	(as Restated)	2015	(as Restated)
Current and other assets	\$ 53,099,656	\$ 46,723,344	\$ 9,364,358	\$ 9,125,746	\$ 62,464,014	\$ 55,849,090
Capital assets	47,688,476	45,355,964	67,684,810	70,809,060	115,373,286	116,165,024
Total Assets:	100,788,132	92,079,308	77,049,168	79,934,806	177,837,300	172,014,114
Deferred Outflow of Resources	5,576,065	4,739,243	1,014,203	819,390	6,590,268	5,558,633
Current liabilities	14,895,664	13,835,825	8,486,473	7,381,638	23,382,137	21,217,463
Non-current liabilities	104,297,392	112,058,900	15,993,457	18,218,042	120,290,849	130,276,942
Total Liabilities:	119,193,056	125,894,725	24,479,930	25,599,680	143,672,986	151,494,405
Deferred Inflows of Resources	12,633,359	-	4,006,041	-	16,639,400	-
Net Investment in Capital						
Assets	26,430,711	21,675,303	67,684,810	70,809,060	94,115,521	92,484,363
Restricted	15,638,534	13,584,130	-	-	15,638,534	13,584,130
Unrestricted	(67,531,463)	(64,335,607)	(18,107,410)	(15,654,544)	(85,638,873)	(79,990,151)
Total Net Position:	\$ (25,462,218)	\$ (29,076,174)	\$ 49,577,400	\$ 55,154,516	\$ 24,115,182	\$ 26,078,342

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (Unrestricted) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(85,638,873) is unrestricted and if positive may be used to meet the government's ongoing obligations to its citizens and creditors which include the net OPEB and Pension obligation.

At the end of the 2014-2015 fiscal year, the City is able to report positive balances in all reported categories of net position with the exception of unrestricted, both for the government as a whole, as well as for its separate governmental and business-type activities. The negative in unrestricted net position is a result of 1) The City implementing GASB 68, which resulted in a significant increase in Pension obligations and 2) The continual increase in net OPEB obligations related to GASB 45, both of these items lead to substantial increases in non-current liabilities.

## City of Gardena Management's Discussion and Analysis (Continued)

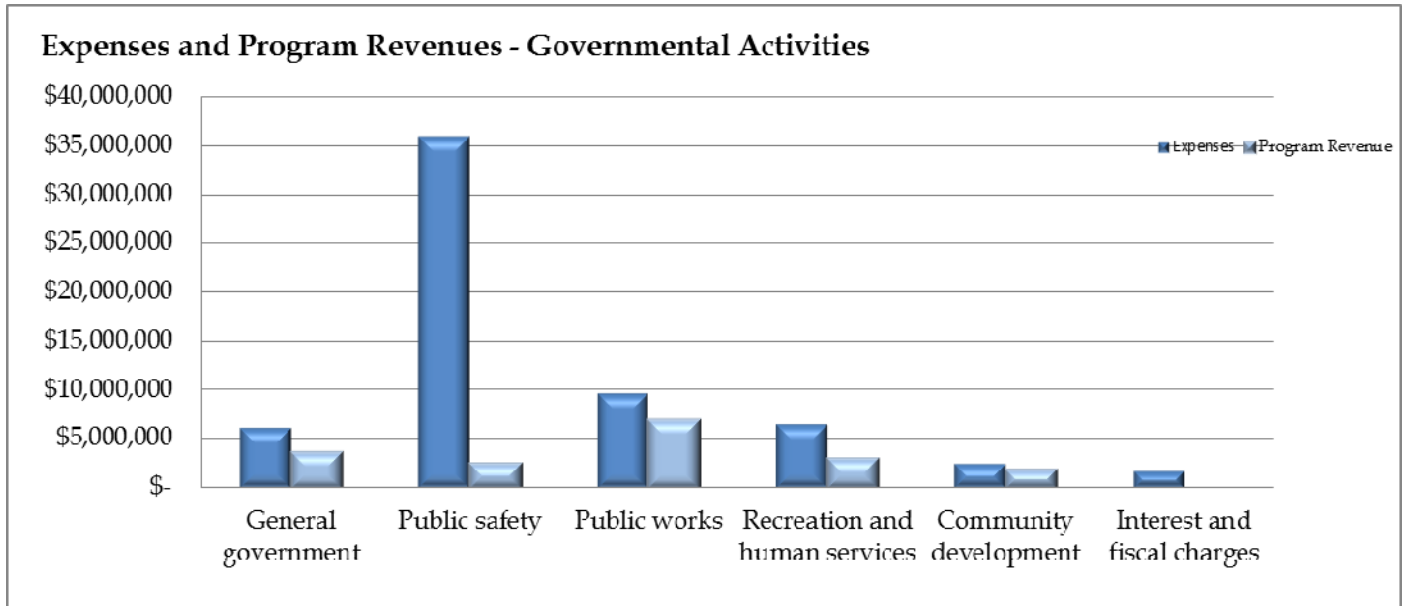
The City's overall net position decreased \$1,963,160 from the prior fiscal year. The reasons for this overall decrease are discussed in the below sections for governmental activities and business-type activities.

**Governmental Activities.** The net position at the beginning of the year was restated in the amount of \$(58,891,892). During the 2014-2015 fiscal year, net position for governmental activities increased \$3,613,956 from the prior fiscal year for an ending balance of \$(25,462,218). The increase in the overall net position of governmental activities is due to decreased expenses. Revenues for the governmental activities increased \$207,009 or less than 1% primarily as a result of a recovering economy. Expenses decreased approximately \$6,586,784 or 9.4% which is due to the completion of the Spring Park Senior Villa.

### CITY OF GARDENA'S CHANGES IN NET POSITION

	Governmental Activities		Business -type Activities		TOTAL	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<i>Program Revenues:</i>						
Charges for services	\$ 8,372,236	\$ 9,816,894	\$ 4,073,287	\$ 4,356,561	\$ 12,445,523	\$ 14,173,455
Operating grants and contributions	2,963,405	7,092,380	17,353,740	15,518,103	20,317,145	22,610,483
Capital grants and contributions	7,167,801	3,531,787	832,350	1,470,222	8,000,151	5,002,009
<i>General Revenues:</i>						
Property taxes	6,402,520	6,192,249	-	-	6,402,520	6,192,249
Sales and other taxes	38,086,097	36,816,298	-	-	38,086,097	36,816,298
Investment income and miscellaneous	3,578,169	2,913,611	28,566	14,066	3,606,735	2,927,677
Total Revenues:	66,570,228	66,363,219	22,287,943	21,358,952	88,858,171	87,722,171
<b>Expenses:</b>						
General government	6,239,825	11,808,280	-	-	6,239,825	11,808,280
Public safety	35,912,110	32,551,301	-	-	35,912,110	32,551,301
Public works	9,846,657	10,300,134	-	-	9,846,657	10,300,134
Recreation and human services	6,677,536	6,147,992	-	-	6,677,536	6,147,992
Community development	2,675,341	7,470,002	-	-	2,675,341	7,470,002
Interest and fiscal charges	1,805,649	1,466,193	-	-	1,805,649	1,466,193
Enterprise operations	-	-	27,664,213	26,639,528	27,664,213	26,639,528
Total Expenses:	63,157,118	69,743,902	27,664,213	26,639,528	90,821,331	96,383,430
Increase (decrease) in Net Position before other revenues and transfers	3,413,110	(3,380,683)	(5,376,270)	(5,280,576)	(1,963,160)	(8,661,259)
Transfers	200,846	408,925	(200,846)	(408,925)	-	-
Change in Net Position	3,613,956	(2,971,758)	(5,577,116)	(5,689,501)	(1,963,160)	(8,661,259)
Net position - beginning of year, as restated	(29,076,174)	(26,104,416)	55,154,516	60,844,017	26,078,342	34,739,601
Net position - end of year	<b>\$ (25,462,218)</b>	<b>\$ (29,076,174)</b>	<b>\$ 49,577,400</b>	<b>\$ 55,154,516</b>	<b>\$ 24,115,182</b>	<b>\$ 26,078,342</b>

## City of Gardena Management's Discussion and Analysis (Continued)



**Business-type Activities.** The City's *business-type activities* decreased the net position by \$5.6M or 10.1% for the fiscal year ended June 30, 2015. Business-type activities revenue increased by \$928,991 or 4.4% for a total \$22.3M in revenues at year-end. In comparison to the prior fiscal year, the charges for services decreased by \$283,274 or 6.5%, due, in part, to a reduction in ridership. Operating grants and contributions increased by \$1.8M or 11.8% compared to the prior fiscal year, primarily due to the one-time award of the Congestion Reduction Demonstration Project Grant (CRD) in the amount of \$800,600. Capital grants and contributions decreased by \$637,872 or 43.4% primarily due to the purchase of (4) four buses in fiscal year 2013-2014, and reduction in the Bus Surveillance Project. Investment income and miscellaneous increased \$14,500 or 103% compared to the prior year due to an increase in interest rates. Related business-type activity costs increased during the fiscal year by \$1,024,685 or 3.8% compared to the previous fiscal year primarily due to an increase in general liabilities.

### Financial Analysis of Governmental Funds

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

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information about near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.



## City of Gardena Management's Discussion and Analysis (Continued)

On June 30, 2015, the City's governmental funds reported combined fund balances of \$32,044,827, an increase of \$3,372,484 in comparison with the prior year. Approximately 1.2% of this amount (\$400,362) constitutes an *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: 1) not in spendable form (\$183,978); 2) restricted for particular purposes (\$13,375,806); 3) committed for particular purposes (\$10,325,746); or 4) assigned for particular purposes (\$7,758,935).

The general fund is the chief operating fund of the City. At the end of the 2014-2015 fiscal year, the unassigned fund balance of the general fund was \$400,362, while the total fund balance increased to \$15,761,637. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 0.84% of total general fund expenditures, while total fund balance represents approximately 33.2% of that same amount.

The fund balance of the City's general fund increased by \$3,651,723 during the 2014-2015 fiscal year. This was primarily related to an improving economy, which the City's diverse revenue base is directly able to benefit from. Sales tax revenue increased by \$493,135 from the prior fiscal year, and card club revenue increased by \$50,472.

The economic development grants fund, a major fund, had an increase of \$422,930 in fund balance during the fiscal year due to the repayment of loans, which resulted in a fund balance during the fiscal year of \$3,081,309.

The public works grants fund, a major fund, had a decrease of \$(125,990) in fund balance during the fiscal year, due to the completion of capital projects to bring the year-end fund balance to \$660,206.

The debt service fund, a major fund, had a decrease of \$(505,809) in fund balance during the fiscal year, due to debt service payments made during the year, to bring the year-end fund balance to \$2,965,697.

The city capital projects fund, the remaining major governmental fund, had a decrease in fund balance during the 2014-2015 fiscal year of \$(198,821), due to the continuation of capital projects. The ending fund balance of \$179,079 is assigned for ongoing capital projects.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Municipal Bus Lines at the end of the fiscal year was \$(13,444,883) and for the sewer maintenance was \$1,128,994. The total decrease in net position for both funds was \$3,515,652 and \$491,925 respectively. The Municipal Bus Lines decrease in net position is primarily due to the effect of implementing GASB No. 68, Accounting and Financial Reporting for Pensions in fiscal year 2014-2015 and the recognition of current fiscal year Other Post-Employment benefits expenses.

# City of Gardena

## Management's Discussion and Analysis (Continued)

### General Fund Budgetary Highlights

The final amended budget for revenue is less than one percent more than the original budget. Actual revenue was higher than the final budget by 6.6% or \$3,251,551 as a result of the improved economy which led to the increase in the taxes and miscellaneous category. Miscellaneous revenue had the largest variance of \$1,625,571, primarily related to 1) \$950K in AB 109 funds revenue for the purchase of police equipment and 2) Sales proceeds in the amount of \$388K related to the sale of the City owned Cable Building in fiscal year end 2014-2015.

A review of actual expenditures compared to the appropriations in the final 2014-2015 budget yields that actual expenditures were 2.9 % or \$1,454,291 less than the final budgeted amounts. A detailed budgetary comparison schedule for the year ended June 30, 2015, is presented as required supplementary information following the notes to the financial statements.

### Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$115,373,286 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, and highways. The total decrease in capital assets for the 2014-2015 fiscal year is approximately 0.7 %.

#### CITY OF GARDENA'S CAPITAL ASSETS (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Non-depreciable assets:						
Land	\$ 6,541,402	\$ 6,541,402	\$ 16,049,153	\$ 16,049,153	\$ 22,590,555	\$ 22,590,555
Monuments	46,151	46,151	-	-	46,151	46,151
Construction in progress	4,696,834	2,372,347	91,925	1,318,572	4,788,759	3,690,919
Total non-depreciable assets	11,284,387	8,959,900	16,141,078	17,367,725	27,425,465	26,327,625
Capital assets, being depreciated:						
Buildings/structures and improvements	8,885,306	9,873,544	33,245,891	34,268,799	42,131,197	44,142,343
Buses	-	-	13,882,692	15,834,158	13,882,692	15,834,158
Machinery and equipment	3,413,582	3,519,282	3,618,041	2,503,971	7,031,623	6,023,253
Furniture and fixtures	-	-	5,415	9,025	5,415	9,025
Infrastructure	-	-	791,693	825,382	791,693	825,382
Street lights network	560,037	603,117	-	-	560,037	603,117
Traffic lights network	3,283,476	3,714,836	-	-	3,283,476	3,714,836
Roadway network	20,261,688	18,685,285	-	-	20,261,688	18,685,285
Total depreciable assets (net)	36,404,089	36,396,064	51,543,732	53,441,335	87,947,821	89,837,399
Total capital assets	\$ 47,688,476	\$ 45,355,964	\$ 67,684,810	\$ 70,809,060	\$ 115,373,286	\$ 116,165,024

Major capital asset events during the 2014-2015 fiscal year included the following:

- ◆ Completion of the Rosecrans Avenue Street Improvement Capital Project.

Additional information on the City's capital assets can be found in Note 7 on pages 63-64 of this report.



## City of Gardena Management's Discussion and Analysis (Continued)

**Long-term Debt.** At the end of the 2014-2015 fiscal year, the City had total bonded debt outstanding of \$23,205,639. The City issued a new Refunding Revenue Bond in fiscal year 2014-2015. The remainder of the City's long-term debt comprises of capital leases and loan payable.

### CITY OF GARDENA'S OUTSTANDING DEBT

	Governmental Activities		Total	
	2015	2014	2015	2014
Refunding Revenue Bonds	\$ 11,125,000	\$ 2,095,000	\$ 11,125,000	\$ 2,095,000
Certificates of Participation	12,370,000	21,455,000	12,370,000	21,455,000
-Bond discount	(289,361)	-	(289,361)	-
Loan Payable	2,930,317	2,521,577	2,930,317	2,521,577
Capital Leases	67,126	130,661	67,126	130,661
	<b>\$ 26,203,082</b>	<b>\$ 26,202,238</b>	<b>\$ 26,203,082</b>	<b>\$ 26,202,238</b>

The City maintains an "A+" rating from Standard & Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3.75 percent of the average full valuation. The current debt limitation for the City is \$193,887,370, which is significantly in excess of the City's outstanding general obligation debt.

Additional information about the City's long-term debt can be found in Note 8 on pages 65-69 of this report.

### Economic Factors and Current Year's Budget and Rates

The following economic factors currently affect the City and were considered when developing the 2015-2016 fiscal year budget:

- ♦ The unemployment rate for the City is currently 7.3 percent, which is a decrease from a rate of 7.6 percent a year ago because of the economic recovery. While the unemployment rate is likely to decrease, it is not expected to reach the prerecession level of 4.7% for several years.
- ♦ The City Council adopted the fiscal year 2015-2016 Combined General Fund operating budget in June 2014, allocating \$500,000 from the assigned fund balance for one-time capital purchases.
- ♦ Property taxes are being reassessed by LA County and are projected to rise.
- ♦ Contract settlements with all of the City's unions through December 31, 2016.

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Division, 1700 W. 162<sup>nd</sup> Street, Gardena, CA 90247 or emailed to [AdminWeb@ci.gardena.ca.us](mailto:AdminWeb@ci.gardena.ca.us).

# CITY OF GARDENA

## *Comprehensive Annual Financial Report* *June 30, 2015*



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# **BASIC FINANCIAL STATEMENTS**

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# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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# **CITY OF GARDENA**

## ***Comprehensive Annual Financial Report***

***June 30, 2015***



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**City of Gardena**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 34,090,693	\$ 11,099,016	\$ 45,189,709
Cash and investments with fiscal agents	2,968,117	-	2,968,117
Receivables, net	10,116,935	3,599,681	13,716,616
Internal balances	5,791,521	(5,791,521)	-
Inventories	51,067	457,182	508,249
Prepaid items and deposits	81,323	-	81,323
Capital assets not being depreciated	11,284,387	16,141,078	27,425,465
Capital assets being depreciated, net of accumulated depreciation	36,404,089	51,543,732	87,947,821
<b>Total assets</b>	<b>100,788,132</b>	<b>77,049,168</b>	<b>177,837,300</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contribution made after measurement date	5,266,725	1,014,203	6,280,928
Difference between projected and actual earnings on pension plan investments	40,552	-	40,552
Difference between City's contribution and proportionate share of contribution	268,788	-	268,788
<b>Total deferred outflows of resources</b>	<b>5,576,065</b>	<b>1,014,203</b>	<b>6,590,268</b>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	4,355,183	746,164	5,101,347
Interest payable	495,808	-	495,808
Deposits payable	1,359,395	-	1,359,395
Unearned revenues	30,546	7,503,234	7,533,780
Long-term liabilities - due within one year	8,654,732	237,075	8,891,807
Long-term liabilities - due in more than one year	53,351,636	5,705,247	59,056,883
Net pension liabilities (Note 10)	50,945,756	10,288,210	61,233,966
<b>Total liabilities</b>	<b>119,193,056</b>	<b>24,479,930</b>	<b>143,672,986</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Difference between projected and actual earnings on pension plan investments	12,633,359	4,006,041	16,639,400
<b>Total deferred inflows of resources</b>			
<b>NET POSITION</b>			
Net investment in capital assets	26,430,711	67,684,810	94,115,521
Restricted for:			
Employment and training services	300,190	-	300,190
Law enforcement	1,701,810	-	1,701,810
Local street improvements	7,930,518	-	7,930,518
Economic development	2,292,714	-	2,292,714
Other purposes	447,605	-	447,605
Debt service	2,965,697	-	2,965,697
Total restricted	15,638,534	-	15,638,534
Unrestricted (deficit)	(67,531,463)	(18,107,410)	(85,638,873)
<b>Total net position</b>	<b>\$ (25,462,218)</b>	<b>\$ 49,577,400</b>	<b>\$ 24,115,182</b>

See accompanying Notes to the Basic Financial Statements.

**City of Gardena**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Primary government:					
Governmental activities:					
General government	\$ 6,239,825	\$ 3,022,929	\$ 733,594	\$ -	\$ 3,756,523
Public safety	35,912,110	1,337,761	944,675	315,573	2,598,009
Public works	9,846,657	340,541	-	6,649,288	6,989,829
Recreation and human services	6,677,536	2,238,445	676,104	202,940	3,117,489
Community development	2,675,341	1,432,560	609,032	-	2,041,592
Interest and fiscal charges	1,805,649	-	-	-	-
Total governmental activities	63,157,118	8,372,236	2,963,405	7,167,801	18,503,442
Business-type activities:					
Municipal bus line	26,643,082	3,346,233	17,353,740	832,350	21,532,323
Sewer	1,021,131	727,054	-	-	727,054
Total business-type activities	27,664,213	4,073,287	17,353,740	832,350	22,259,377
Total primary government	\$ 90,821,331	\$ 12,445,523	\$ 20,317,145	\$ 8,000,151	\$ 40,762,819



**City of Gardena**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2015**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (2,483,302)	\$ -	\$ (2,483,302)
Public safety	(33,314,101)	-	(33,314,101)
Public works	(2,856,828)	-	(2,856,828)
Recreation and human services	(3,560,047)	-	(3,560,047)
Community development	(633,749)	-	(633,749)
Interest and fiscal charges	(1,805,649)	-	(1,805,649)
Total governmental activities	(44,653,676)	-	(44,653,676)
<b>Business-type activities:</b>			
Municipal bus line	-	(5,110,759)	(5,110,759)
Sewer	-	(294,077)	(294,077)
Total business-type activities	-	(5,404,836)	(5,404,836)
<b>Total primary government</b>	(44,653,676)	(5,404,836)	(50,058,512)
<b>General revenues:</b>			
Taxes:			
Property taxes	6,402,520	-	6,402,520
Sales taxes	9,965,476	-	9,965,476
Business license	2,547,148	-	2,547,148
Utility users taxes	5,335,375	-	5,335,375
Franchise taxes	2,417,342	-	2,417,342
Card club taxes	9,517,550	-	9,517,550
Other taxes	3,136,222	-	3,136,222
Vehicle license	5,166,984	-	5,166,984
Total taxes	44,488,617	-	44,488,617
Investment income	248,773	24,196	272,969
Miscellaneous	3,329,396	4,370	3,333,766
<b>Transfers</b>	200,846	(200,846)	-
<b>Total general revenues and transfers</b>	48,267,632	(172,280)	48,095,352
<b>Change in net position</b>	3,613,956	(5,577,116)	(1,963,160)
<b>Net position - beginning of year, as restated (Note 13)</b>	(29,076,174)	55,154,516	26,078,342
<b>Net position - end of year</b>	\$ (25,462,218)	\$ 49,577,400	\$ 24,115,182

# **CITY OF GARDENA**

## ***Comprehensive Annual Financial Report***

***June 30, 2015***



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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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**General Fund** - To account for and report all financial resources not accounted for and reported in another fund.

**Economic Development Grants Special Revenue Fund** - To account for the seven funds used for housing and environmental issues. Four of the funds receive pass-through funding from the California Department of Housing and Urban Development ("HUD") or program income to assist cities, counties and non profit community housing development organizations to create and retain affordable housing. Eligible activities include housing rehabilitation loans to benefit lower income owners and loans for development of the low income senior rental property. One fund is used to provide off-street parking in described areas and to provide park or recreational facilities using fees received from the developers as required by the City's ordinance. Two funds receive funding from the U.S. Environmental Protection Agency ("EPA"). These grants are used to empower communities and other stakeholders in economic redevelopment to work together in a timely manner to prevent, assess, safely clean up, and sustainably use brownfields (previously unusable land).

**City Debt Service Fund** - To account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

**Public Works Grants Special Revenue Fund** - Represents five funds used to implement various capital improvement projects. The Artesia Boulevard Landscaping Assessment is received from property assessments and restricted to funding district landscaping activities. The Transportation Community and System Preservation grant is received from Caltrans to implement programs that promote pedestrian friendly areas, job growth, and business retention along the Rosecrans corridor. The Proposition A Park Bond Safe Neighborhood Parks Proposition of 1992 and 1996 is received from Los Angeles County Regional Park and Open Space District to be used for acquisition and improvements to parks. The South Coast AQMD fund is monies received from the motor vehicle tax to be expended on programs to reduce air pollution, which is necessary to comply with the California Clean Air Act of 1988. Measure R funds are derived from Los Angeles County 1/2 cent sales tax approved by voters in November 2008 to meet the transportation needs of Los Angeles County. The program is to be used for transportation projects that have been approved by the Los Angeles County Metropolitan Transportation Authority ("MTA").

**City Capital Projects Fund** - Represents the financial resources that are restricted, committed or assigned to expenditures for capital outlay.

**Nonmajor Governmental Funds** - To account for the aggregate of all the nonmajor governmental funds.

**City of Gardena**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	Major Funds			
	General	Economic Development Grants Special Revenue	Public Works Grants Special Revenue	City Debt Service
<b>ASSETS</b>				
Cash and investments	\$ 12,309,441	\$ 3,086,676	\$ 142,348	\$ -
Cash and investments with fiscal agents	-	-	-	2,968,117
Receivables:				
Accounts	599,170	-	194,532	-
Taxes	3,099,917	-	-	-
Interest	30,018	-	-	-
Employees	53,734	-	-	-
Loans	-	2,262,728	-	-
Inventories	51,067	-	-	-
Prepaid items and deposits	74,443	-	-	-
Due from other governments	199,170	150,000	2,531,206	-
Due from other funds	2,485,785	-	-	-
Long-term receivables	52,781	-	-	-
<b>Total assets</b>	<b>\$ 18,955,526</b>	<b>\$ 5,499,404</b>	<b>\$ 2,868,086</b>	<b>\$ 2,968,117</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,021,082	\$ 155,367	\$ 193	\$ 2,420
Accrued liabilities	41,171	-	-	-
Salaries and benefits payable	696,785	-	-	-
Due to other funds	-	-	2,207,687	-
Retention Payable	-	-	-	-
Deposits payable	1,352,068	-	-	-
Unearned revenues	30,002	-	-	-
<b>Total liabilities</b>	<b>3,141,108</b>	<b>155,367</b>	<b>2,207,880</b>	<b>2,420</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	52,781	2,262,728	-	-
<b>Total deferred inflows of resources</b>	<b>52,781</b>	<b>2,262,728</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Nonspendable	179,244	-	-	-
Restricted	327,752	29,986	660,206	2,965,697
Committed	7,274,423	3,051,323	-	-
Assigned	7,579,856	-	-	-
Unassigned	400,362	-	-	-
<b>Total fund balances</b>	<b>15,761,637</b>	<b>3,081,309</b>	<b>660,206</b>	<b>2,965,697</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 18,955,526</b>	<b>\$ 5,499,404</b>	<b>\$ 2,868,086</b>	<b>\$ 2,968,117</b>

See accompanying Notes to the Basic Financial Statements.

**City of Gardena**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2015**

	Major Fund		
	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 1,983,355	\$ 9,385,996	\$ 26,907,816
Cash and investments with fiscal agents	-	-	2,968,117
Receivables:			
Accounts	-	6,698	800,400
Taxes	-	7,834	3,107,751
Interest	-	-	30,018
Employees	-	-	53,734
Loans	-	-	2,262,728
Inventories	-	-	51,067
Prepaid items and deposits	-	4,734	79,177
Due from other governments	-	584,803	3,465,179
Due from other funds	-	-	2,485,785
Long-term receivables	-	-	52,781
<b>Total assets</b>	<b>\$ 1,983,355</b>	<b>\$ 9,990,065</b>	<b>\$ 42,264,553</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 258,483	\$ 268,317	\$ 1,705,862
Accrued liabilities	1,356,213	7,035	1,404,419
Salaries and benefits payable	-	39,172	735,957
Due to other funds	-	278,098	2,485,785
Retention Payable	189,580	-	189,580
Deposits payable	-	-	1,352,068
Unearned revenues	-	544	30,546
<b>Total liabilities</b>	<b>1,804,276</b>	<b>593,166</b>	<b>7,904,217</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue	-	-	2,315,509
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>2,315,509</b>
<b>Fund Balances:</b>			
Nonspendable	-	4,734	183,978
Restricted	-	9,392,165	13,375,806
Committed	-	-	10,325,746
Assigned	179,079	-	7,758,935
Unassigned	-	-	400,362
<b>Total fund balances</b>	<b>179,079</b>	<b>9,396,899</b>	<b>32,044,827</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,983,355</b>	<b>\$ 9,990,065</b>	<b>\$ 42,264,553</b>

See accompanying Notes to the Basic Financial Statements.

**City of Gardena**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2015**

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<b>Total Fund Balances - Total Governmental Funds</b>	<u>\$ 32,044,827</u>
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Capital assets, not being depreciated	\$ 11,284,387	
Capital assets, depreciable	89,461,408	
Less accumulated depreciation	<u>(53,057,319)</u>	<u>47,688,476</u>

Interests are recognized when due, and therefore, interest payable is not reported in the governmental funds.	(495,808)
---	-----------

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds' Balance Sheet.

Long-term liabilities - due within one year (net of \$6,378,783 reported in Internal Service Funds)	(2,275,949)	
Long-term liabilities - due in more than one year (net of \$3,835,928 reported in Internal Service Funds)	<u>(49,515,708)</u>	<u>(51,791,657)</u>

Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	(50,945,756)
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Pension contributions made during the year after the measurement date are reported as expenditures in governmental funds and as deferred outflow of resources in the government-wide financial statements.	5,266,725
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Difference between City's contribution and proportionate share of contribution are reported as expenditures in governmental funds and as deferred outflow of resources in the government-wide financial statements.	268,788
---	---------

Difference between projected and actual earnings on pension plan investments are reported in the government-wide financial statements:

Projected earnings under actual earnings	(12,633,359)	
Projected earnings over actual earnings	<u>40,552</u>	<u>(12,592,807)</u>

Internal service funds are used by management to charge the costs of general liability, workers' compensation and health benefit claims to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Government-Wide Statement of Net Position (net of \$5,791,521 allocated to business-type activities).

2,779,485

Revenues earned but not available to pay for current expenditures for governmental funds are unavailable.	<u>2,315,509</u>
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<b>Net Position of Governmental Activities</b>	<u><u>\$ (25,462,218)</u></u>
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# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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**City of Gardena**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Major Funds			
	General	Economic Development Grants Special Revenue	Public Works Grants Special Revenue	City Debt Service
<b>REVENUES:</b>				
Taxes	\$ 42,197,847	\$ -	\$ 751,707	\$ -
Licenses and permits	1,109,169	-	-	-
Intergovernmental	1,316,210	321,472	4,671,925	-
Charges for services	4,208,616	-	-	-
Fines, forfeitures, and penalties	911,908	400,000	-	-
Use of money and property	187,991	13,717	4,732	981
Miscellaneous	2,880,941	38,171	-	-
<b>Total revenues</b>	<b>52,812,682</b>	<b>773,360</b>	<b>5,428,364</b>	<b>981</b>
<b>EXPENDITURES:</b>				
Current:				
General government	5,108,064	-	-	-
Public safety	31,536,918	-	-	-
Public works	4,727,429	-	22,954	-
Recreation and human services	4,000,049	-	-	-
Community development	1,340,271	560,092	-	-
Capital outlay	806,553	-	-	-
Debt service:				
Principal retirement	-	-	-	9,228,535
Interest and fiscal charges	-	154,424	-	1,874,959
<b>Total expenditures</b>	<b>47,519,284</b>	<b>714,516</b>	<b>22,954</b>	<b>11,103,494</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,293,398</b>	<b>58,844</b>	<b>5,405,410</b>	<b>(11,102,513)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,600,520	-	-	1,784,164
Transfers out	(3,242,195)	(44,654)	(5,531,400)	-
Proceeds from issuance of refunding bonds	-	-	-	9,110,000
Bond discount	-	-	-	(297,460)
Proceeds from issuance of loans	-	408,740	-	-
<b>Total other financing sources (uses)</b>	<b>(1,641,675)</b>	<b>364,086</b>	<b>(5,531,400)</b>	<b>10,596,704</b>
<b>CHANGES IN FUND BALANCES</b>	<b>3,651,723</b>	<b>422,930</b>	<b>(125,990)</b>	<b>(505,809)</b>
<b>FUND BALANCES:</b>				
Beginning of year	12,109,914	2,658,379	786,196	3,471,506
End of year	\$ 15,761,637	\$ 3,081,309	\$ 660,206	\$ 2,965,697

See accompanying Notes to the Basic Financial Statements.

**City of Gardena**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Major Fund		
	City	Nonmajor	Total
	Capital Projects	Governmental	Governmental
		Funds	Funds
<b>REVENUES:</b>			
Taxes	\$ -	\$ 1,539,063	\$ 44,488,617
Licenses and permits	-	-	1,109,169
Intergovernmental	-	5,265,776	11,575,383
Charges for services	-	-	4,208,616
Fines, forfeitures, and penalties	-	121,850	1,433,758
Use of money and property	-	41,352	248,773
Miscellaneous	63,495	158,541	3,141,148
<b>Total revenues</b>	<u>63,495</u>	<u>7,126,582</u>	<u>66,205,464</u>
<b>EXPENDITURES:</b>			
Current:			
General government	-	-	5,108,064
Public safety	-	1,005,626	32,542,544
Public works	-	602,005	5,352,388
Recreation and human services	-	2,135,353	6,135,402
Community development	-	693,644	2,594,007
Capital outlay	7,202,136	56,094	8,064,783
Debt service:			
Principal retirement	-	-	9,228,535
Interest and fiscal charges	-	-	2,029,383
<b>Total expenditures</b>	<u>7,202,136</u>	<u>4,492,722</u>	<u>71,055,106</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(7,138,641)</u>	<u>2,633,860</u>	<u>(4,849,642)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	6,939,820	44,449	10,368,953
Transfers out	-	(2,549,858)	(11,368,107)
Proceeds from issuance of refunding bonds	-	-	9,110,000
Bond discount	-	-	(297,460)
Proceeds from issuance of loans	-	-	408,740
<b>Total other financing sources (uses)</b>	<u>6,939,820</u>	<u>(2,505,409)</u>	<u>8,222,126</u>
<b>CHANGES IN FUND BALANCES</b>	(198,821)	128,451	3,372,484
<b>FUND BALANCES:</b>			
Beginning of year	377,900	9,268,448	28,672,343
End of year	<u>\$ 179,079</u>	<u>\$ 9,396,899</u>	<u>\$ 32,044,827</u>

**City of Gardena**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2015**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 3,372,484

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

Acquisition of capital assets was reported as expenditures in the governmental funds. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. The following was the amount of capital assets recorded in the current period:

Capital outlay (\$2,609,898 of capital outlay expenditures were for current public works expenditures for repairs and maintenance and therefore, were not capitalized)	5,454,885
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The net effect of disposal of capital assets.	(223,698)
---	-----------

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds.	(2,898,675)
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The fund financial statements record interest expenditures on the current financial resources measurement focus whereas the Government-Wide financial statements recognize interest expense on the accrual basis. The reconciling amount was the change in accrued interest from the prior year.	231,833
--	---------

Long-term compensated absences expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the increase in long-term compensated absences was not reported as an expenditure in the governmental funds.	(619,731)
--	-----------

Other postemployment benefits and pension expenses were reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the increase in other postemployment benefits liability and net pension liabilities were not reported as an expenditure in the governmental funds.

Other postemployment benefit expenses	\$ (2,100,320)	
Pension expense	888,842	(1,211,478)

Proceeds from long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

Capital lease payments	63,535	
Principal repayments of long-term debt	9,165,000	
Issuance of bonds and loans payables, net of discount	(9,221,280)	
Amortization of bond discount	(8,099)	(844)

Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds was reported with governmental activities (net of \$1,569,539 allocated to business-type activities).	(855,584)
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Unavailable revenue is not recognized as revenue in the governmental funds since the revenue is not available to fund expenditures of the current year.	364,764
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 3,613,956</b>
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# **PROPRIETARY FUND FINANCIAL STATEMENTS**

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# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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# PROPRIETARY FUNDS

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Enterprise Funds are used to account and report activities for which fees are charges to external users for goods and/or services.

**Enterprise Funds include:**

***Municipal Bus Line Fund*** - To account for user charges, fees, federal, state and county grants and all operating costs associated with the operation of the City's bus line.

***Sewer Fund*** - To account for user charges, fees and all operating costs associated with the operation, maintenance, upgrade and periodic reconstructions of the City's sanitary sewer system.

Internal Service Funds account for financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

**City of Gardena**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-Type Activities			Governmental Activities
	Municipal Bus Line	Non-major Sewer	Total	Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 9,911,718	\$ 1,187,298	\$ 11,099,016	\$ 7,182,877
Receivables, net:				
Accounts	909,971	71,147	981,118	344,344
Inventories	457,182	-	457,182	-
Prepaid items and deposits	-	-	-	2,146
Due from other governments	2,618,563	-	2,618,563	-
Total current assets	13,897,434	1,258,445	15,155,879	7,529,367
Noncurrent assets:				
Capital assets, net	67,186,355	498,455	67,684,810	-
<b>Total assets</b>	81,083,789	1,756,900	82,840,689	7,529,367
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contribution made after measurement date	1,014,203	-	1,014,203	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	329,860	29,829	359,689	319,365
Accrued liabilities	30,065	-	30,065	-
Salaries and benefits payable	344,439	11,971	356,410	-
Deposits payable	-	-	-	7,327
Unearned revenue	7,503,234	-	7,503,234	-
Compensated absences, due within one year	219,545	17,530	237,075	-
Claims payable, due within one year	-	-	-	6,378,783
Total current liabilities	8,427,143	59,330	8,486,473	6,705,475
Noncurrent liabilities:				
Compensated absences, due in more than one year	878,182	70,121	948,303	-
Net OPEB liability	4,756,944	-	4,756,944	-
Net pension liabilities	10,288,210	-	10,288,210	-
Claims payable, due in more than one year	-	-	-	3,835,928
Total noncurrent liabilities	15,923,336	70,121	15,993,457	3,835,928
<b>Total liabilities</b>	24,350,479	129,451	24,479,930	10,541,403
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Difference between projected and actual earnings on pension plan investments	4,006,041	-	4,006,041	-
<b>NET POSITION</b>				
Net investment in capital assets	67,186,355	498,455	67,684,810	-
Unrestricted (Deficit)	(13,444,883)	1,128,994	(12,315,889)	(3,012,036)
<b>Total net position</b>	<u>\$ 53,741,472</u>	<u>\$ 1,627,449</u>	<u>\$ 55,368,921</u>	<u>\$ (3,012,036)</u>
<i>Net position reconciliation:</i>				
Net position of proprietary funds	\$ 53,741,472	\$ 1,627,449	\$ 55,368,921	\$ (3,012,036)
Adjustment to reflect the consolidation of internal service fund activities related to the Municipal Bus Line	(5,791,521)	-	(5,791,521)	5,791,521
Net position of business-type activities	<u>\$ 47,949,951</u>	<u>\$ 1,627,449</u>	<u>\$ 49,577,400</u>	
Net position related to governmental activities				<u>\$ 2,779,485</u>

See accompanying Notes to the Basic Financial Statements.



**City of Gardena**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-Type Activities			Governmental Activities
	Municipal Bus Line	Sewer	Total	Internal Service Funds
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 3,163,260	\$ 722,054	\$ 3,885,314	\$ 9,009,439
Other	182,973	5,000	187,973	432,748
<b>Total operating revenues</b>	<b>3,346,233</b>	<b>727,054</b>	<b>4,073,287</b>	<b>9,442,187</b>
<b>OPERATING EXPENSES:</b>				
Salaries and benefits	13,648,104	516,494	14,164,598	-
Insurance claims	-	-	-	8,155,591
General and administrative	5,721,774	372,430	6,094,204	4,944,142
Depreciation	3,889,500	100,069	3,989,569	-
Other operating expenses	1,729,829	32,138	1,761,967	-
<b>Total operating expenses</b>	<b>24,989,207</b>	<b>1,021,131</b>	<b>26,010,338</b>	<b>13,099,733</b>
<b>OPERATING LOSS</b>	<b>(21,642,974)</b>	<b>(294,077)</b>	<b>(21,937,051)</b>	<b>(3,657,546)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Local transportation fund	5,080,318	-	5,080,318	-
Other local assistance	8,679,363	-	8,679,363	-
Federal transit assistance	1,716,723	-	1,716,723	-
State transit assistance fund	636,824	-	636,824	-
Loss on disposal of assets	(84,336)	-	(84,336)	-
Interest income	17,698	6,498	24,196	32,423
Other	1,244,882	-	1,244,882	-
<b>Total nonoperating revenues (expenses)</b>	<b>17,291,472</b>	<b>6,498</b>	<b>17,297,970</b>	<b>32,423</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(4,351,502)</b>	<b>(287,579)</b>	<b>(4,639,081)</b>	<b>(3,625,123)</b>
<b>CONTRIBUTIONS AND TRANSFERS:</b>				
Capital contributions	832,350	-	832,350	-
Transfers in	3,500	-	3,500	1,200,000
Transfers out	-	(204,346)	(204,346)	-
<b>Total contributions and transfers</b>	<b>835,850</b>	<b>(204,346)</b>	<b>631,504</b>	<b>1,200,000</b>
<b>Changes in net position</b>	<b>(3,515,652)</b>	<b>(491,925)</b>	<b>(4,007,577)</b>	<b>(2,425,123)</b>
<b>NET POSITION:</b>				
Beginning of year, as restated (Note 13)	57,257,124	2,119,374	59,376,498	(586,913)
End of year	<u>\$ 53,741,472</u>	<u>\$ 1,627,449</u>	<u>\$ 55,368,921</u>	<u>\$ (3,012,036)</u>
<i>Change in net position reconciliation:</i>				
Change in net position of proprietary funds	\$ (3,515,652)	\$ (491,925)	\$ (4,007,577)	\$ (2,425,123)
Adjustment to reflect the consolidation of internal service fund activities related to the Municipal Bus Line	(1,569,539)	-	(1,569,539)	1,569,539
Change in net position of business-type activities	<u>\$ (5,085,191)</u>	<u>\$ (491,925)</u>	<u>\$ (5,577,116)</u>	
Change in net position related to governmental activities				<u>\$ (855,584)</u>

See accompanying Notes to the Basic Financial Statements.

**City of Gardena**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-Type Activities			Governmental Activities
	Municipal Bus Line	Sewer	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 2,563,514	\$ 723,197	\$ 3,286,711	\$ 8,665,095
Receipts from claims and recoveries	-	-	-	432,748
Payments for insurance claims	-	-	-	(5,928,350)
Payments to suppliers	(7,522,108)	(410,191)	(7,932,299)	(4,741,604)
Payments to employees	(11,990,855)	(495,769)	(12,486,624)	-
<b>Net cash (used in) operating activities</b>	<b>(16,949,449)</b>	<b>(182,763)</b>	<b>(17,132,212)</b>	<b>(1,572,111)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from other funds	-	-	-	1,200,000
Transit assistance funds received	16,751,615	-	16,751,615	-
Other receipts	1,244,882	-	1,244,882	-
<b>Net cash provided by noncapital financing activities</b>	<b>17,996,497</b>	<b>-</b>	<b>17,996,497</b>	<b>1,200,000</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Transfers (to) from other funds	3,500	(204,346)	(200,846)	-
Acquisition of capital assets	(865,996)	(83,659)	(949,655)	-
Funds provided by capital grants	832,350	-	832,350	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(30,146)</b>	<b>(288,005)</b>	<b>(318,151)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	17,698	6,498	24,196	32,423
<b>Net cash provided by investing activities</b>	<b>17,698</b>	<b>6,498</b>	<b>24,196</b>	<b>32,423</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,034,600</b>	<b>(464,270)</b>	<b>570,330</b>	<b>(339,688)</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	8,877,118	1,651,568	10,528,686	7,522,565
End of year	<u>\$ 9,911,718</u>	<u>\$ 1,187,298</u>	<u>\$ 11,099,016</u>	<u>\$ 7,182,877</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:</b>				
Operating (loss)	\$ (21,642,974)	\$ (294,077)	\$ (21,937,051)	\$ (3,657,546)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:				
Depreciation expense	3,889,500	100,069	3,989,569	-
(Increase) decrease in:				
Accounts receivable	(782,719)	(3,857)	(786,576)	(344,344)
Inventory	(43,295)	-	(43,295)	-
Increase (decrease) in:				
Accounts payable	(51,975)	(5,623)	(57,598)	204,037
Accrued liabilities	24,765	-	24,765	-
Due to other governmental agencies	-	-	-	-
Accrued payroll and compensated absences	121,243	20,725	141,968	-
Deferred outflows of resources - pension	(194,813)	-	(194,813)	-
Net pension liabilities	(3,976,062)	-	(3,976,062)	-
Net other postemployment benefits liability	1,700,840	-	1,700,840	-
Deferred inflows of resources - pension	4,006,041	-	4,006,041	-
Deposits payable	-	-	-	(1,499)
Claims payable	-	-	-	2,227,241
Total adjustments	4,693,525	111,314	4,804,839	2,085,435
<b>Net cash (used in) operating activities</b>	<b>\$ (16,949,449)</b>	<b>\$ (182,763)</b>	<b>\$ (17,132,212)</b>	<b>\$ (1,572,111)</b>

See accompanying Notes to the Basic Financial Statements.

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# **FIDUCIARY FUND FINANCIAL STATEMENTS**

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Agency Funds are used to account for assets held by the City in the capacity of agent for individuals. Agency Fund spending is controlled primarily through legal agreements and applicable State and Federal laws.

**City of Gardena**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 3,439,705</u>
<b>Total assets</b>	<u><u>\$ 3,439,705</u></u>
<b>LIABILITIES</b>	
Deposits payable	<u>\$ 3,439,705</u>
<b>Total liabilities</b>	<u><u>\$ 3,439,705</u></u>

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# **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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# CITY OF GARDENA

## *Comprehensive Annual Financial Report June 30, 2015*



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**City of Gardena**  
**Index to Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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# CITY OF GARDENA

## *Comprehensive Annual Financial Report June 30, 2015*



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**City of Gardena**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of the City of Gardena, California, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies:

**A. Financial Reporting Entity**

The City was incorporated September 11, 1930, under the General Laws of the State of California. The City is governed by an elected five-member council.

Component units are legally separate entities that meet any one of the following tests:

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

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

City of Gardena Financing Agency - The City of Gardena Financing Agency (the Agency) was created primarily to finance the acquisition of a public parking structure. The members of the City Council serve as the governing board of the Agency and there is a financial benefit or burden relationship between the City and the Agency. The Agency does not issue separate financial statements.

The City had no discretely presented component units.

**B. Basis of Accounting and Measurement Focus**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the statement of net position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

**Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

**Government – Wide Financial Statements**

The Government-Wide Financial Statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities are not included in these statements.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due from and to other funds
- Transfers in and out

**Governmental Fund Financial Statements**

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*Governmental Fund Financial Statements (Continued)*

Revenues are recognized as soon as they are both “*measurable*” and “*available*”. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For these purposes, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, franchise fees, forfeitures and penalties, motor license fees, rents and concessions, interest revenue, and state and federal grants and subventions. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliations of the fund financial statements to the Government-Wide Financial Statements are provided to explain the differences.

Certain indirect costs are included as part of the program expenses reported for individual functions and activities.

The City reports the following major governmental funds:

- General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.
- Economic Development Grants Special Revenue Fund - The Economic Development Grants Special Revenue Fund is used to account for and report housing and environmental activities, including funding received from the U.S. Department of Housing and Urban Development and the U.S. Environmental Protection Agency, and to account for fees received from developers to fund parking, and park and recreation facilities.
- Public Works Grants Special Revenue Fund – The City Public Debt Service Fund is used to implement various capital improvement projects
- City Debt Service Fund - The City Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.
- City Capital Project Fund – The City’s Capital Project Fund represents the financial resources that are restricted, committed, or assigned to expenditures for capital outlay.

*Proprietary Fund Financial Statements*

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*Proprietary Fund Financial Statements (Continued)*

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

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's internal service funds include three individual funds which provide services directly to other City funds. These areas of service include general liability, workers' compensation, and health benefits.

The City reports the following proprietary funds:

- Municipal Bus Line Fund - The Municipal Bus Line Fund accounts for user charges, fees, federal, state and county grants and all operating costs associated with the operation of the City's bus line.
- Sewer Fund - The Sewer Fund accounts for user charges, fees and all operating costs associated with the operation, maintenance, upgrade and periodic reconstructions of the City's sanitary sewer system.
- Internal Service Funds – The Internal Service Funds account for financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

The City considers Municipal Bus Line Fund as major fund for the year ended June 30, 2015.

*Fiduciary Fund Financial Statements*

Fiduciary fund financial statements include a Statement of Net Position and Statement of Changes in Assets and Liabilities. The City's fiduciary fund is an agency fund, which is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The agency fund is accounted for using the accrual basis of accounting.

The City maintains two agency funds: LA CLEAR – Training and BSSC Trust/AB109 Parole Compliance.

***C. Cash, Cash Equivalents and Investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. All cash and investments of proprietary funds are held in the City's investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for Statement of Cash Flows purposes.

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

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***D. Cash and Investments with Fiscal Agents***

Cash and investments with fiscal agents are restricted for the redemption of bonded debt and for acquisition and construction of capital projects.

***E. Interfund Transactions***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as “internal balances”.

***F. Inventories and Prepaid Items***

Inventories within the various fund types consist of materials and supplies which are valued at cost on a first-in, first-out basis. Reported expenditures reflect the consumption method of recognizing inventory-related expenditures.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

A nonspendable fund balance has been reported in the governmental funds to show that inventories and prepaid items do not constitute “available spendable resources”, even though they are a component of net current assets.

***G. Capital Assets***

In the Government-Wide Financial Statements, capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000.

The City defines infrastructure assets as the basic physical assets that allow the City to function. The assets include streets, bridges, sidewalks, drainage systems, and lighting systems, etc. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction-related debt incurred during the period of construction for business-type assets is capitalized as a cost of the constructed assets. Capital assets acquired under capital lease are capitalized at the net present value of the total lease payments.

For all infrastructure systems, the City elected to use the “Basic Approach”.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**G. Capital Assets (Continued)**

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The lives used for depreciation purposes are as follows:

Buildings/structures and improvements	39-40 years
Machinery and equipment	3-15 years
Buses	12 years
Furniture and fixtures	3-10 years
Infrastructure	30-60 years

*Capital Assets Acquired Under Lease Purchase Contracts*

The long-term principal portion of debt on non-proprietary capital assets acquired through lease purchase contracts is accounted for in the Government-Wide Financial Statements as “capital lease obligations”. A capital asset is recorded at the net present value of total lease payments in the Government-Wide Financial Statements.

**H. Interest Payable**

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities.

In the Fund Financial Statements, only proprietary fund types recognize the interest payable when the liability is incurred.

**I. Unearned Revenue**

Unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues are prepaid charges for services, grants received but not yet earned, and prepaid charges for services.

**J. Compensated Absences**

It is the City’s policy to accrue annual leave when incurred in the Government-Wide Financial Statements and the proprietary funds. In governmental funds, the costs for annual leave that are expected to be liquidated with expendable available financial resources are reported as an expenditure and reported as a liability of the governmental fund only if they have matured.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination benefits, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***K. Pension***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

***L. Claims Payable***

Claims payable in the Internal Service Fund represents estimates of claims against the City. The estimated claims payable represents the City's best estimate of the amount to be paid on workers' compensation and general liability claims. Losses for claims incurred but not reported are also recorded if the probable amount of loss can be reasonably estimated. The City is self-insured for general liability in the amount of \$400,000 per claim and workers' compensation for \$500,000 per claim. Losses in excess of \$400,000, up to \$10,000,000 for general liability, and in excess of \$500,000, up to \$1,000,000 for workers' compensation, are covered by outside insurance.

***M. Long-Term Debt***

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. Bond premium and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the Fund Financial Statements, the governmental fund financial statements do not present long-term liabilities. Consequently, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***N. Property Taxes***

Under California law, property taxes are assessed and collected by the counties for up to 1% of assessed property value, plus other increases approved by the voters. Property taxes collected are pooled and then allocated to the cities based on complex formulas. The following are key dates pertaining to property taxes:

January 1	Lien Date
June 30	Levy Date
November 1 and February 1	Due Dates
December 10 and April 10	Collection Dates

Distribution Dates:

November 20, 2014	Unsecured, redemptions, and SB813 taxes
December 19, 2014	Homeowners' exemption, secured, and SB813 taxes
January 20, 2015	Homeowners' exemption, secured, and SB813 taxes
February 20, 2015	Redemptions, secured, and SB813 taxes
March 20, 2015	Secured and SB813 taxes
April 20, 2015	Secured and SB813 taxes
May 20, 2015	Redemptions, homeowners' exemption, secured, and SB813 taxes
June 19, 2015	Homeowners' exemption, SB813 taxes
July 20, 2015	Secured and SB813 taxes
August 20, 2015	Secured, redemptions, unsecured, and SB813 taxes



**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Net Position and Fund Balances***

In the Government-Wide Financial Statements and proprietary fund financial statements, net position is classified as follows:

*Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

*Unrestricted* – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

In the Governmental Fund Financial Statements, fund balances are classified as follows:

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

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

*Committed* – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City. Adoption of a resolution by the City Council is required to commit resources or to rescind the commitment.

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

*Unassigned* – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Net Position and Fund Balances (Continued)***

**Spending Policy**

*Government-Wide Financial Statements and the Proprietary Fund Financial Statements*

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

*Governmental Fund Financial Statements*

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

- Restricted
- Unassigned
- Committed
- Assigned

***P. Use of Estimates***

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Q. Accounting Changes***

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*). This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See Note 13 for prior period adjustment as a result of implementation.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the City's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See Note 13 for prior period adjustment as a result of implementation.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Stewardship, Compliance and Accountability**

**A. Deficit Net Position**

In the Government-Wide Financial Statements, the City had a deficit unrestricted net position at June 30, 2015 for its governmental activities of \$(67,531,463) and business-type activities of \$(18,107,410).

The following funds had a deficit net position at June 30, 2015:

Internal Service Funds:	
Liability Insurance Fund	\$ (2,963,047)
Workers' Compensation Fund	(3,759,470)

In addition, the Municipal Bus Line had a deficit unrestricted net position of \$(13,444,883) at June 30, 2015.

The net position balance includes both short and long-term liabilities. The deficit balances are expected to be recovered through future interfund transfers and other revenues as applicable for this purpose.

**B. Expenditures in Excess of Appropriations**

The following funds had expenditures in excess of appropriations:

Fund	Appropriations	Expenditures	Excess of Expenditures over Appropriations
<b>Major Governmental Funds:</b>			
General Fund:			
Non-departmental	\$ 813,647	\$ 989,214	\$ (175,567)
Recreation and human services	3,868,517	4,000,049	(131,532)
Economic Development Grants Special Revenue Fund:			
Interest and fiscal charges	-	154,424	(154,424)
Public Works Grants Special Revenue Fund:			
Public works	21,662	22,954	(1,292)
City Debt Service Fund			
Principal retirement	713,535	9,288,535	(8,575,000)
Interest and fiscal charges	1,451,739	1,874,959	(423,220)
<b>Nonmajor Governmental Funds:</b>			
Public Safety			
Capital outlay	19,900	24,548	(4,648)

The excess expenditures were covered by carryover funds from the prior year, sufficient revenues, and/or transfers from other available funds.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 3 – Cash and Investments**

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. Certain restricted funds which are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include cash and investments with fiscal agents.

The City had the following cash and investments at June 30, 2015:

	Government-Wide Financial Statement		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities		
Cash and investments	\$ 34,090,693	\$ 11,099,016	\$ 3,439,705	\$ 48,629,414
Cash and investments held by fiscal agents	2,968,117	-	-	\$ 2,968,117
<b>Total cash and investments</b>	<b>\$ 37,058,810</b>	<b>\$ 11,099,016</b>	<b>\$ 3,439,705</b>	<b>\$ 51,597,531</b>

The City's cash and investments at June 30, 2015 in more detail:

Cash and cash equivalents:	
Petty cash	\$ 8,240
Demand deposits	160,516
Total cash and cash equivalents	168,756
Investments:	
Money market mutual fund	10,878,304
Negotiable certificates of deposit	6,757,933
Non-negotiable certificates of deposit	1,249,000
Local Agency Investment Fund	20,588,581
U.S. Government sponsored enterprise securities	7,988,290
Medium-term notes	998,550
Total investments	48,460,658
Total cash and investments	48,629,414
Cash and investments with fiscal agents	2,968,117
<b>Total</b>	<b>\$ 51,597,531</b>

**A. Deposits**

The carrying amounts of the City's demand deposits were \$160,516 at June 30, 2015. Bank balances at that date were \$4,346,198, the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 3 – Cash and Investments (Continued)**

**A. Deposits (Continued)**

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). The City has waived the collateral requirement for deposits insured by FDIC.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**B. Investments**

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	5 years	No Limit	No Limit
Bankers' Acceptances	180 days	40%	15%
Commercial paper	270 days	15%	15%
Negotiable certificates of deposit	5 years	30%	15%
Repurchase agreements	90 days	N/A	15%
Reverse repurchase agreements	90 days	20%	15%
Local Agency Investment Fund ("LAIF")	N/A	\$50 million	\$50 million
Non-negotiable certificates of deposits	5 years	25%	15%
Medium-term notes	5 years	30%	15%
Mutual funds	5 years	20%	No Limit
Money market mutual funds	90 days	20%	No Limit
N/A - Not Applicable			

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

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2015, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 3 – Cash and Investments (Continued)**

**B. Investments (Continued)**

As of June 30, 2015, the City had \$20,588,581 invested in LAIF, which had invested 2.08% of the pool investment funds in Structured Notes and Asset-Backed Securities. The fair value of the City's portion in the pool is the same as the value of the pool shares.

**C. Risk Disclosures**

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments to a maximum maturity of five years. At June 30, 2015, the City had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less Than 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years
Money market mutual fund	\$ 10,878,304	\$ 10,878,304	\$ -	\$ -	\$ -	\$ -
Negotiable certificates of deposit	6,757,933	1,783,338	2,244,518	745,920	498,822	1,485,335
Non-negotiable certificates of deposit	1,249,000	1,000,000	249,000	-	-	-
Local Agency Investment Fund	20,588,581	20,588,581	-	-	-	-
U.S. Government securities	7,988,290	-	1,001,750	2,002,820	1,491,875	3,491,845
Medium-term notes	998,550	-	-	998,550	-	-
Cash and investments with fiscal agents:						
Money market mutual fund	2,968,117	2,968,117	-	-	-	-
<b>Total</b>	<b>\$ 51,428,775</b>	<b>\$ 37,218,340</b>	<b>\$ 3,495,268</b>	<b>\$ 3,747,290</b>	<b>\$ 1,990,697</b>	<b>\$ 4,977,180</b>

**Credit Risk** - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by Standard & Poor's and Moody's Investors Service. At June 30, 2015, the City's credit risks, expressed on a percentage basis, were as follows:

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments			
Investment Type	Moody's Credit Rating	S&P's Credit Rating	% of Investments with Interest Rate Risk
Local Agency Investment Fund	Not Rated	Not Rated	42.49%
Medium-term notes:			
Toyota Motor	AA3	AA-	2.06%
U.S. Government sponsored enterprise securities	AAA	AA+	16.48%
Negotiable certificates of deposit	Not Rated	Not Rated	13.95%
Non-negotiable certificates of deposit	Not Rated	Not Rated	2.58%
Money market mutual fund	P-1	Aa	22.45%
<b>Total</b>			<b>100.00%</b>

**Custodial Credit Risk** - For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 4 – Other Receivables**

In February 1994, the City entered into a long-term lease contract to lease land to the YMCA for construction of a new YMCA facility that would benefit the community. The facility opened on February 6, 1995 with a 30-year lease term, ending in 2024. Under the terms of the agreement, the maximum amount that the City could receive was \$1,400,000. This amount is payable in monthly payments, with annual rent adjustments over a 30-year lease term. In January 2015, the monthly payment was reduced from \$89 to \$84 per month. At the adjustment date, annual rent was equal to total rent of \$1,400,000 less all previous payments, multiplied by the six-month average LAIF interest rate. The lease includes two 25-year options to renew and an option to purchase the land at the end of the lease for the amount of \$1,400,000 reduced by the amount already paid as of the time of purchase. As of June 30, 2015, future lease payments from the YMCA, including interest, were \$401,848. Since the City has not earned the revenue for the future lease payments, there was no revenue recognized or receivables reported at June 30, 2015 for these future lease payments.

**Note 5 – Loans Receivable**

**A. Home-Owner Occupied Deferred Loans**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
CalHOME	\$ 382,832	\$ 59,333	\$ -	\$ 442,165
State HOME Loans	1,512,493	346,241	(38,171)	1,820,563
	<u>\$ 1,895,325</u>	<u>\$ 405,574</u>	<u>\$ (38,171)</u>	<u>\$ 2,262,728</u>

The City issues deferred payment loans to home owners funded by the Federal Home Investment Partnerships Program (“HOME Program”) and CalHOME to improve the living conditions of the lower income families. These loans are to be repaid to the City, and the repayments of the loans are used to fund future home-owner occupied deferred loans. As of June 30, 2015, the outstanding loan balance is \$2,262,728. Since the receivables were not available for current expenditures, the entire amount was reported under deferred inflow of resources as unavailable revenue in the Economic Development Grants Special Revenue Fund in the governmental fund financial statements, and was recognized as revenue in the government-wide governmental activities.

**B. Spring Park Senior Villa Developer Loan**

The City entered into a development agreement on August 1, 2013, with Spring Park Senior Villa, Inc., a nonprofit organization for the development of the Spring Park Senior Villa in the City. The agreement provided funding for the development of 36 rental units and one manager unit (“the Project”) up to \$2,874,115 for construction. The loan bears 3% simple interest over a term of 55 years. The repayment of the loan is based on the residual receipts of the rental units. The affordability covenant also expires in 55 years after completion of the project. As of June 30, 2015, the City funded \$2,775,893 for the development of the project and accrued interest in the amount of \$154,424 which was required by the State of California. This results the City in reporting loans receivable in the amount of \$2,930,317. However, management estimated that the loans will not be repaid due to negative residual receipts and reported an allowance for doubtful accounts in the amount of \$2,930,317. As a result, both the Economic Development Grants Special Revenue Fund in the governmental fund financial statements and governmental activities in the government-wide financial statements reported zero balances for loans receivable associated with the Spring Park Senior Villa as of June 30, 2015.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Interfund Transactions**

**A. Government-Wide Financial Statements**

**Internal Balances** - At June 30, 2015, the City had the following internal receivable and payable, which represents internal service charges between the governmental activities and business-type activities:

<b>Internal Payable</b>	
	Business-Type Activities
<b>Internal Receivable</b>	
Governmental Activities	\$ 5,791,521

**Transfers** - At June 30, 2015, the City had the following transfers:

<b>Transfers Out</b>	
	Business-Type Activities
<b>Transfers In</b>	
Governmental Activities	\$ 200,846

The purposes of the transfers were for reimbursing the governmental activities for public works engineering job costs and administrative costs.

**B. Fund Financial Statements**

**Due From/To Other Funds** - At June 30, 2015, the City had the following due from/to other funds:

<b>Due From Other Funds</b>	
	General Fund
<b>Due To Other Funds</b>	
<b>Governmental Funds:</b>	
Public Works Grants Fund	\$ 2,207,687
Nonmajor Governmental Funds	278,098
<b>Total</b>	<b>\$ 2,485,785</b>

The above amounts resulted from temporary reclassifications made at June 30, 2015 to cover cash shortfalls.

**Transfers In/Out** - At June 30, 2015, the City had the following transfers in/out, which arise in the normal course of operations:

	<b>Transfers In</b>						
	<b>Governmental Funds</b>				<b>Proprietary Funds</b>		
	General Fund	City Debt Service	City Capital Projects	Nonmajor Governmental	Municipal Bus Line	Internal Service Funds	Total
<b>Transfers Out</b>							
<b>Governmental Funds:</b>							
General Fund	\$ -	\$ 1,713,246	\$ 284,500	\$ 44,449	\$ -	\$ 1,200,000	\$ 3,242,195
Economic Development Grants							
Special Revenue Fund	-	-	44,654		-	-	44,654
Public Works	400,359	-	5,127,541	-	3,500	-	5,531,400
Nonmajor Governmental Funds	1,200,161	70,918	1,278,779	-	-	-	2,549,858
<b>Enterprise Funds:</b>							
Sewer	-	-	204,346	-	-	-	204,346
<b>Total</b>	<b>\$ 1,600,520</b>	<b>\$ 1,784,164</b>	<b>\$ 6,939,820</b>	<b>\$ 44,449</b>	<b>\$ 3,500</b>	<b>\$ 1,200,000</b>	<b>\$ 11,572,453</b>



**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Interfund Transactions (Continued)**

**B. Fund Financial Statements (Continued)**

Administratively, resources may be transferred from one City fund to another. The purpose of the majority of transfers was for reimbursing a fund that made an expenditure on behalf of another fund, such as debt service, capital projects and internal service funds.

**Note 7 – Capital Assets**

**A. Government-Wide Financial Statements**

A summary of changes in the capital assets for the governmental activities for the year ended June 30, 2015 is as follows:

	Governmental Activities				
	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
<b>Capital assets, not being depreciated:</b>					
Land	\$ 6,541,402	\$ -	\$ -	\$ -	\$ 6,541,402
Monuments	46,151	-	-	-	46,151
Construction in progress	2,372,347	4,273,523	-	(1,949,036)	4,696,834
Total capital assets, not being depreciated	8,959,900	4,273,523	-	(1,949,036)	11,284,387
<b>Capital assets, being depreciated:</b>					
Buildings/structures and improvements	23,141,940	-	(282,325)	-	22,859,615
Machinery and equipment	7,038,879	647,079	(200,254)	-	7,485,704
Infrastructure:					
Street lights network	1,292,393	-	-	-	1,292,393
Traffic lights network	12,940,788	-	-	-	12,940,788
Roadway network	42,399,589	534,283	-	1,949,036	44,882,908
Total capital assets, being depreciated	86,813,589	1,181,362	(482,579)	1,949,036	89,461,408
<b>Less accumulated depreciation:</b>					
Buildings/structures and improvements	(13,268,396)	(819,329)	113,416	-	(13,974,309)
Machinery and equipment	(3,519,597)	(697,990)	145,465	-	(4,072,122)
Infrastructure:					
Street light network	(689,276)	(43,080)	-	-	(732,356)
Traffic lights network	(9,225,952)	(431,360)	-	-	(9,657,312)
Roadway network	(23,714,304)	(906,916)	-	-	(24,621,220)
Total accumulated depreciation	(50,417,525)	(2,898,675)	258,881	-	(53,057,319)
Total capital assets, being depreciated, net	36,396,064	(1,717,313)	(223,698)	1,949,036	36,404,089
<b>Governmental activities</b>					
capital assets, net	\$ 45,355,964	\$ 2,556,210	\$ (223,698)	\$ -	\$ 47,688,476

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Capital Assets (Continued)**

**A. Government-Wide Financial Statements (Continued)**

Depreciation expense was charged to functions/programs of the governmental activities for the fiscal year ended June 30, 2015 as follows:

General government	\$ 868,532
Public safety	465,437
Public works	1,506,358
Recreation and human services	51,054
Community development	<u>7,294</u>
<b>Total depreciation expense</b>	<u><u>\$ 2,898,675</u></u>

A summary of changes in the capital assets for the business-type activities for the year ended June 30, 2015 is as follows:

	Business-Type Activities				Balance June 30, 2015
	Balance July 1, 2014	Additions	Deletions	Transfers	
<b>Capital assets, not being depreciated:</b>					
Land	\$ 16,049,153	\$ -	\$ -	\$ -	\$ 16,049,153
Construction in progress	<u>1,318,572</u>	<u>240,613</u>	<u>(33,646)</u>	<u>(1,433,614)</u>	<u>91,925</u>
Total capital assets, not being depreciated	<u>17,367,725</u>	<u>240,613</u>	<u>(33,646)</u>	<u>(1,433,614)</u>	<u>16,141,078</u>
<b>Capital assets, being depreciated:</b>					
Buildings/structures and improvements	39,893,428	-	-	-	39,893,428
Buses	31,928,830	-	(52,488)	610,666	32,487,008
Machinery and equipment	4,896,921	709,042	(103,585)	822,948	6,325,326
Furniture and fixtures	1,336,721	-	(10,007)	-	1,326,714
Infrastructure	<u>11,184,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,184,496</u>
Total capital assets, being depreciated	<u>89,240,396</u>	<u>709,042</u>	<u>(166,080)</u>	<u>1,433,614</u>	<u>91,216,972</u>
<b>Less accumulated depreciation:</b>					
Buildings/structures and improvements	(5,624,629)	(1,022,908)	-	-	(6,647,537)
Buses	(16,094,672)	(2,526,220)	16,576	-	(18,604,316)
Machinery and equipment	(2,392,950)	(403,142)	88,807	-	(2,707,285)
Furniture and fixtures	(1,327,696)	(3,610)	10,007	-	(1,321,299)
Infrastructure	<u>(10,359,114)</u>	<u>(33,689)</u>	<u>-</u>	<u>-</u>	<u>(10,392,803)</u>
Total accumulated depreciation	<u>(35,799,061)</u>	<u>(3,989,569)</u>	<u>115,390</u>	<u>-</u>	<u>(39,673,240)</u>
Total capital assets, being depreciated, net	<u>53,441,335</u>	<u>(3,280,527)</u>	<u>(50,690)</u>	<u>1,433,614</u>	<u>51,543,732</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 70,809,060</u></u>	<u><u>\$ (3,039,914)</u></u>	<u><u>\$ (84,336)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 67,684,810</u></u>

Depreciation expense for business-type activities for the year ended June 30, 2015 was charged as follows:

Municipal Bus Line	\$ 3,889,500
Sewer	<u>100,069</u>
<b>Total depreciation expense</b>	<u><u>\$ 3,989,569</u></u>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Liabilities**

**A. Governmental Activities**

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due within One Year	Due in more than One Year
2006 Refunding Certificates of Participation Series A and B	\$ 18,915,000	\$ -	\$ (8,900,000)	\$ 10,015,000	\$ 410,000	\$ 9,605,000
2006 Refunding Certificates of Participation Series C	2,540,000	-	(185,000)	2,355,000	190,000	2,165,000
2007 Refunding Revenue Bonds, Series A	2,095,000	-	(80,000)	2,015,000	85,000	1,930,000
2014 Taxable Lease Revenue Refunding Bonds	-	9,110,000	-	9,110,000	-	9,110,000
Capital lease obligation	130,661	-	(63,535)	67,126	67,126	-
Loan payable	2,521,577	408,740	-	2,930,317	-	2,930,317
Claims payable	7,987,470	10,028,400	(5,917,606)	10,214,711	6,378,783	3,835,928
Compensated absences	7,068,804	2,792,881	(2,173,150)	7,688,535	1,537,707	6,150,828
Net OPEB liability	15,799,720	4,190,640	(2,090,320)	17,900,040	-	17,900,040
<b>Sub Total</b>	<b>\$ 57,058,232</b>	<b>\$ 26,530,661</b>	<b>\$ (19,409,611)</b>	<b>\$ 62,295,729</b>	<b>\$ 8,668,616</b>	<b>\$ 53,627,113</b>
Deduct deferred amounts:						
Bond discount - 2014 Taxable Lease Revenue Runding Bonds	-	(297,460)	8,099	(289,361)	(13,884)	(275,477)
<b>Total</b>	<b>\$ 57,058,232</b>	<b>\$ 26,233,201</b>	<b>\$ (19,401,512)</b>	<b>\$ 62,006,368</b>	<b>\$ 8,654,732</b>	<b>\$ 53,351,636</b>

Typically, the General Fund has been used to liquidate the liability for compensated absences, claims payable, and net other postemployment benefits.

**2006 Certificates of Participation, Series A and B – Original Issuance \$21,000,000**

In June 2006, the Agency issued the 2006 Refinancing Project, Series A and B Taxable Certificates of Participation in the amount of \$12,495,000 and \$8,515,000, respectively. The purpose of the issue was to refinance the City's 1999 Certificates of Participation in connection with a Memorandum of Understanding ("MOU") entered into with certain financial institutions.

Pursuant to the MOU, the Agency paid the financial institutions \$19.0 million (the "Initial Amount") as prepayment of the 1999 Certificates, of which \$18.0 million were funded by the 2006 Series A and B Certificates and the balance of \$1.0 million from other available City funds. Upon payment of the Initial Amount, the 1999 Leases as well as the pledges and security interests granted in connection with the 1999 Leases will be terminated and the City's obligations under the Reimbursement Agreement for the 1999 Certificates will be terminated. The Initial Payment represents approximately 75% of the principal owed.

Interest rates for the 2006A Certificates range from 5.98% to 6.38% with principal maturing through July 1, 2030. Interest rate for 2006B Certificates is fixed at 6.8% with principal maturing through July 1, 2036.

Mandatory prepayment of the 2006 Series A Certificates occurred in July 2008 and will occur again in July 2030. The certificates of participation debt service payments will be made from the debt service funds.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

**2006 Certificates of Participation, Series A and B – Original Issuance \$21,010,000 (Continued)**

The 2006 Certificates of Participation, Series B, was currently refunded by 2014 Taxable Lease Revenue Refunding Bonds, Series 2014. The economic gain on the current refunding was \$1,637,398 and the saving in debt service payments is \$2,360,051.

The amount outstanding at June 30, 2015 totaled \$10,015,000.

The annual debt service requirements on these certificates are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 410,000	\$ 623,318	\$ 1,033,318
2017	435,000	598,053	1,033,053
2018	460,000	570,372	1,030,372
2019	490,000	540,067	1,030,067
2020	520,000	507,848	1,027,848
2021-2025	3,130,000	1,981,947	5,111,947
2026-2030	4,270,000	810,898	5,080,898
2031	300,000	9,570	309,570
	<u>\$ 10,015,000</u>	<u>\$ 5,642,073</u>	<u>\$ 15,657,073</u>

**2006 Certificates of Participation, Series C – Original Issuance \$3,650,000**

In June 2006, the City issued the 2006 Series C Certificates of Participation in the amount of \$3,650,000. The proceeds were used to defease the 1994 Civic Center improvement Certificates of Participation, and were placed in an irrevocable trust to provide for all future debt service payments related to the 1994 issuance. Accordingly, the trust account assets and liabilities for the defeased debt are not included in the City's basic financial statements.

Interest rates range from 3.625% to 4.5% with the full amount maturing serially through July 1, 2024, in annual principal installments ranging from \$135,000 to \$285,000. The certificates of participation debt service payments will be made from the debt service funds.

The amount outstanding at June 30, 2015 totaled \$2,350,000.

The annual debt service requirements on these certificates are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 190,000	\$ 100,419	\$ 290,419
2017	205,000	92,025	297,025
2018	210,000	83,075	293,075
2019	215,000	73,778	288,778
2020	230,000	63,900	293,900
2020-2025	1,305,000	151,763	1,456,763
	<u>\$ 2,355,000</u>	<u>\$ 564,960</u>	<u>\$ 2,919,960</u>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

**2007 Refunding Revenue Bonds, Series A – Original Issuance \$2,800,000**

In January 2007, the City issued the South Bay Regional Public Communications Authority Refunding Revenue Bonds, 2007 Series A in the amount of \$2,800,000. The purpose of the bonds was to advance refund the South Bay Regional Public Communications Authority Revenue Bonds, 2001 Series A, to provide a reserve fund for the Bonds, and to pay certain costs of issuance of the Bonds.

The bonds accrue interest at rates between 5% to 5.125%. Interest on the bonds is payable semiannually on each January 1 and July 1, commencing July 1, 2007. Principal payments are due in annual installments ranging from \$70,000 to \$175,000, commencing July 1, 2007 through January 1, 2031. The bonds are subject to optional and mandatory redemption prior to maturity. The refunding revenue bonds debt service payments will be made from the debt service funds.

The amount outstanding at June 30, 2015 totaled \$2,015,000.

The annual debt service requirements on these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 85,000	\$ 101,575	\$ 186,575
2017	90,000	97,325	187,325
2018	95,000	92,825	187,825
2019	100,000	88,075	188,075
2020	105,000	83,075	188,075
2021-2025	600,000	331,625	931,625
2026-2030	765,000	166,288	931,288
2031	175,000	8,969	183,969
	<u>\$ 2,015,000</u>	<u>\$ 969,757</u>	<u>\$ 2,984,757</u>

**2014 Taxable Lease Revenue Refunding Bonds – Original Issuance \$9,110,000**

In December 2014, the City issued the Taxable Lease Revenue Refunding Bonds, Series 2014 in the amount of \$9,110,000 to currently refund 2006 Certificate of Participation, Series B.

The bonds bear interest at rates between 3.95% to 5%. Interest on the bonds is payable annually on each May 1 and November 1. Principal payments are due in annual installments ranging from \$55,000 to \$1,430,000, commencing May 1, 2018 through May 1, 2036. The bonds are subject to optional and mandatory redemption prior to maturity. The refunding revenue bonds debt service payments will be made from the debt service funds.

The amount outstanding at June 30, 2015 totaled \$9,110,000.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 8 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

**2014 Taxable Lease Revenue Refunding Bonds – Original Issuance \$9,110,000 (Continued)**

The annual debt service requirements on these bonds as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 450,019	\$ 450,019
2017	-	450,019	450,019
2018	55,000	450,019	505,019
2019	55,000	447,846	502,846
2020	60,000	445,674	505,674
2021-2025	330,000	2,191,436	2,521,436
2026-2030	1,130,000	2,111,979	3,241,979
2031-2037	7,480,000	1,302,000	8,782,000
	<u>\$ 9,110,000</u>	<u>\$ 7,848,991</u>	<u>\$ 16,958,991</u>

**Capital Leases**

The City has lease agreements with Fleetwood Leasing for the acquisition of devices for police vehicles. Total equipment acquired through capital leases amounted to \$212,755. The total principal balance of the leases at June 30, 2015 was \$67,126.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Assets:	
Machinery and equipment	\$ 201,829
Less: accumulated depreciation	<u>(134,703)</u>
Total	<u>\$ 67,126</u>

Future minimum lease payment under the capital leases are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2016	<u>\$ 70,919</u>
Subtotal	<u>70,919</u>
Less amount representing interest	<u>(3,793)</u>
Present Value of Future Minimum Lease Payment	<u>\$ 67,126</u>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 8 – Long-Term Liabilities (Continued)**

**A. Governmental Activities (Continued)**

**Loans Payable**

On August 1, 2013, the City entered into a loan agreement with the State of California Department of Housing and Community Development (“California HCD”) for the funding of the Spring Park Senior Villa. The agreement provides funding for the development of the project for up to \$2,974,115, of which, \$2,874,115 is to be used for construction costs in the form of a construction loan and \$100,000 to be used for activity delivery and administration costs in the form of grants. If the HOME-assisted rental housing does not meet the minimum affordability period of 55 years per the City’s agreement with the California HCD, the repayment of all HOME funds to the State is required of the City. As of June 30, 2015, the City funded \$2,775,893 for the development of the project and accrued interest in the amount of \$154,424. This results in the loans payable in the amount of \$2,930,317 to the California HCD. Please refer to Note 5B for additional information.

**B. Business-Type Activities**

The following is a summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due within One Year	Due in more than One Year
Compensated absences	\$ 1,122,082	\$ 708,429	\$ (645,133)	\$ 1,185,378	\$ 237,075	\$ 948,303
Net OPEB liability	3,056,104	2,169,360	(468,520)	4,756,944	-	4,756,944
<b>Total</b>	<b>\$ 4,178,186</b>	<b>\$ 2,877,789</b>	<b>\$ (1,113,653)</b>	<b>\$ 5,942,322</b>	<b>\$ 237,075</b>	<b>\$ 5,705,247</b>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Self-Insurance Programs**

***Self-insurance programs of the City***

The City is self-insured for the first \$500,000 of each workers' compensation claim, \$400,000 of each general liability claim and \$250,000 of each Municipal Bus Line claim against the City. In addition, the City carries insurance of individual general liability claims in excess of \$400,000 to \$10,000,000 with Everest National Insurance Co. Additionally, the City has health insurance coverage for the employees and their families with an annual maximum amount of \$1 million for all services.

The City carries stop-loss insurance of individual health benefit claims in excess of \$50,000 to \$950,000 per person per year. At June 30, 2015, \$10,214,711 has been accrued for the City's self-insurance programs, of which \$6,378,783 is considered to be current. Said accruals represent estimates of amounts to be paid for reported claims and incurred but unreported claims based upon past experience, modified for current trends and information. While the ultimate amounts of losses incurred through June 30, 2015 are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses. For the prior three (3) fiscal years, no settlements exceeded the City's insurance coverage.

Changes in the reported liability since June 30, 2015 resulted from the following:

		Claims Payable					
	Beginning Balance	Expenses and Changes in Estimates	Claims Payments	Ending Balance	Due within One Year	Due in more than One Year	
2012-2013	\$ 7,872,702	\$ 6,856,795	\$ (6,394,065)	\$ 8,335,432	\$ 6,791,038	\$ 1,544,394	
2013-2014	8,335,432	5,170,346	(5,518,308)	7,987,470	6,503,171	1,484,299	
2014-2015	7,987,470	8,144,847	(5,917,606)	10,214,711	6,378,783	3,835,928	

***Purchased insurance***

***Property Insurance*** - Several insurance companies underwrite this insurance protection. The City is currently insured according to a schedule of covered property submitted by the City to Travelers Property Casualty Company of America. Total all-risk property insurance coverage is \$62.3 million. There is a \$10,000 per loss deductible.

***Crime Insurance*** - The City purchases crime insurance coverage with a limit of \$200,000 per occurrence. This policy provides coverage for all City employees.

***Adequacy of protection***

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



**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Retirement Plans**

**A. California Public Employees' Retirement System ("CalPERS")**

<b>Governmental Activities</b>	<b>Balance July 1, 2014 (As Restated)</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
<b>Deferred outflows of resources:</b>				
Pension contribution made after measurement date:				
Miscellaneous	\$ 809,025	\$ 1,001,375	\$ (809,025)	\$ 1,001,375
Safety	3,930,218	4,265,350	(3,930,218)	4,265,350
	<u>4,739,243</u>	<u>5,266,725</u>	<u>(4,739,243)</u>	<u>5,266,725</u>
Difference between projected and actual earnings on pension investments:				
Safety	-	40,552	-	40,552
Difference between City's contribution and proportionate share of contribution:				
Safety	-	364,784	(95,996)	268,788
<b>Total deferred outflows of resources</b>	<u>\$ 4,739,243</u>	<u>\$ 5,307,277</u>	<u>\$ (4,739,243)</u>	<u>\$ 5,576,065</u>
<b>Net pension liabilities:</b>				
Miscellaneous	\$ 14,083,874	\$ 6,129,840	\$ (10,055,619)	\$ 10,158,095
Safety	49,547,261	14,503,932	(23,263,532)	40,787,661
<b>Total net pension liabilities</b>	<u>\$ 63,631,135</u>	<u>\$ 20,633,772</u>	<u>\$ (33,319,151)</u>	<u>\$ 50,945,756</u>
<b>Deferred inflows of Resources:</b>				
Difference in projected and actual earnings on pension investments:				
Miscellaneous	\$ -	\$ 4,944,220	\$ (988,843)	\$ 3,955,377
Safety	-	10,847,478	(2,169,496)	8,677,982
<b>Total deferred inflows of resources</b>	<u>\$ -</u>	<u>\$ 15,791,698</u>	<u>\$ (3,158,339)</u>	<u>\$ 12,633,359</u>
<b>Business-Type Activities</b>	<b>Balance July 1, 2014 (As Restated)</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
<b>Deferred outflows of resources:</b>				
Pension contribution made after measurement date:				
Miscellaneous	\$ 819,390	\$ 1,014,203	\$ (819,390)	\$ 1,014,203
<b>Total deferred outflows of resources</b>	<u>\$ 819,390</u>	<u>\$ 1,014,203</u>	<u>\$ (819,390)</u>	<u>\$ 1,014,203</u>
<b>Net pension liabilities:</b>				
Miscellaneous	\$ 14,264,272	\$ 6,208,356	\$ (10,184,418)	\$ 10,288,210
<b>Total net pension liabilities</b>	<u>\$ 14,264,272</u>	<u>\$ 6,208,356</u>	<u>\$ (10,184,418)</u>	<u>\$ 10,288,210</u>
<b>Deferred inflows of Resources:</b>				
Difference between projected and actual earnings on pension investments:				
Miscellaneous	\$ -	\$ 5,007,553	\$ (1,001,512)	\$ 4,006,041
<b>Total deferred inflows of resources</b>	<u>\$ -</u>	<u>\$ 5,007,553</u>	<u>\$ (1,001,512)</u>	<u>\$ 4,006,041</u>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 10 – Retirement Plans (Continued)**

**A. California Public Employees' Retirement System ("CalPERS") (Continued)**

**General Information about the Pension Plan**

**Plan Description**

The City contribution to the California Public Employees Retirement System ("PERS"), an agent multiple-employer defined benefit pension plan for miscellaneous employees and a cost-sharing multiple-employer defined benefit plan for safety employees. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

**Benefit Provided**

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member or PEPRA Safety member becomes eligible for service retirement upon attainment of age 50 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay. Retirement benefits for classic miscellaneous employees are calculated as 2% of average final 12 months compensation. Retirement benefit for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation. Retirement benefits for classic safety employees are calculated as 3% of the average final 12 months compensation. Retirement benefits for PEPRA safety employees are calculated as 2.7% of average final 36 months.

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefit to safety employees. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 10 – Retirement Plans (Continued)**

**A. California Public Employees' Retirement System ("CalPERS") (Continued)**

**General Information about the Pension Plan (Continued)**

**Benefit Provided. Continued**

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

**Employees Covered by Benefit Terms**

At June 30, 2013, the valuation date, the following employees were covered by the benefit terms:

	<b>Plans</b>	
	<b>Miscellaneous</b>	<b>Safety</b>
Active employees	342	93
Transferred and terminated employees	265	57
Retired Employees and Beneficiaries	346	223
Total	953	373

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014, the average active classic miscellaneous and safety employee contribution rates were 6.991% and 8.986% of annual pay, respectively; the active PEPPA miscellaneous and safety employee contribution rates were 6.75% and 12.25% of annual pay respectively; the employer's contribution rates were 9.262% and 44.752% of classic miscellaneous and safety employee annual payroll, respectively, and the employer's contribution rates were 9.262% and 12.25% of PEPPA miscellaneous and safety employee annual payroll, respectively.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 10 – Retirement Plans (Continued)**

**A. California Public Employees' Retirement System ("CalPERS") (Continued)**

**Net Pension Liability**

**Actuarial Methods and Assumption Used to Determine Total Pension Liability**

For the measurement period ended June 30, 2014, the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65 percent. Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statements. The long-term expected rate of return on pension plan investments was determined in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Retirement Plans (Continued)**

**A. California Public Employees' Retirement System ("CalPERS") (Continued)**

**Net Pension Liability (Continued)**

**Discount Rate (Continued)**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>1</sup>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	100.00%		

<sup>1</sup> An expected inflation of 2.5% and 3.0% used for Years 1-10 and Years 11+, respectively.

**Changes in the Net Pension Liability**

The following table shows the changes in net pension liability for the City's miscellaneous plan recognized over the measurement period.

Miscellaneous Plan			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2013 (Valuation Date)	\$ 130,287,771	\$ 101,939,625	\$ 28,348,146
Changes Recognized for the Measurement Period:			
Service Cost	2,713,029		2,713,029
Interest on the total pension liability	9,625,167		9,625,167
Changes of benefit terms	-		-
Difference between expected and actual experience	-		-
Changes of assumptions	-		-
Contributions from the employer		1,628,415	(1,628,415)
Contributions from employees		1,181,161	(1,181,161)
Net investment income, net of administrative expense		17,430,461	(17,430,461)
Benefit payments, including refunds of employee contributions	(6,617,452)	(6,617,452)	-
Net Changes during July 1, 2013 to June 30, 2014	\$ 5,720,744	\$ 13,622,585	\$ (7,901,841)
Balance at June 30, 2014 (Measurement Date)	\$ 136,008,515	\$ 115,562,210	\$ 20,446,305

Changes in net pension liability for the City's safety plan is not available due to the City's safety plan is a cost sharing plan.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Retirement Plans (Continued)**

**A. California Public Employees' Retirement System ("CalPERS") (Continued)**

**Changes in the Net Pension Liability (Continued)**

**Proportionate Share of Net Pension Liability and Pension Expense**

The following table shows the City's safety plan's proportionate share of the risk pool collective net pension liability over the measure period.

	<b>Safety Plan</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability/(Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a) - (b)</b>
Balance at June 30, 2013 (Valuation Date)	\$ 159,010,708	\$ 109,463,447	\$ 49,547,261
Balance at June 30, 2014 (Measurement Date)	166,725,015	125,937,354	40,787,661
Net Changes during 2013-2014	7,714,307	16,473,907	(8,759,600)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 10 – Retirement Plans (Continued)**

**A. California Public Employees' Retirement System ("CalPERS") (Continued)**

**Changes in the Net Pension Liability (Continued)**

**Proportionate Share of Net Pension Liability and Pension Expense (Continued)**

The City's proportionate share of the net pension liability was as follows:

	<u>Safety Plan</u>
June 30, 2013	1.0356%
June 30, 2014	1.0874%
Change - Increase (Decrease)	<u>0.0518%</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the plans as of the measurement date, calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	<b>Plan's Net Pension Liability/(Asset)</b>		
	<b>Discount Rate - 1%</b>	<b>Current Discount</b>	<b>Discount Rate + 1%</b>
	<b>(6.50%)</b>	<b>Rate (7.50%)</b>	<b>(8.50%)</b>
Miscellaneous Plan	\$ 37,234,050	\$ 20,466,305	\$ 6,461,881
Safety Plan	\$ 63,120,063	\$ 40,787,661	\$ 22,386,725

**Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial report.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Retirement Plans (Continued)**

**A. California Public Employees' Retirement System ("CalPERS") (Continued)**

**Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

For the year ending June 30, 2015, the City recognized pension expense in the amounts of \$1,687,992 and \$3,539,260 for the miscellaneous plan and safety plan, respectively.

As of measurement date of June 30, 2014, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

<b>Miscellaneous Plan</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earning on pension plan investments	-	(7,961,418)
Total	<u>\$ -</u>	<u>\$ (7,961,418)</u>
<b>Safety Plan</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Difference between projected and actual earning on pension plan investments	-	(8,677,982)
Adjustment due to differences in proportions	40,552	-
Difference between City contributions and proportionate share of contributions	268,788	-
Total	<u>\$ 309,340</u>	<u>\$ (8,677,982)</u>

The amounts above are net of outflows and inflows recognized in the 2013-2014 measurement period expense.

The expected average remaining service lifetime ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan and the safety risk pool for the 2013-14 measurement period is 3.7 and 3.8 years, which was obtained by dividing the total service years of 3,538 and 460,700 (the sum of remaining service lifetimes of the active employees) by 953 and 122,789 (the total number of participants: active, inactive, and retired), respectively.



**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 10 – Retirement Plans (Continued)**

**A. California Public Employees’ Retirement System (“CalPERS”) (Continued)**

**Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)**

\$2,015,578 and \$4,265,350 reported as deferred outflows of resources related to pensions for miscellaneous plan and safety plan, respectively, resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources Miscellaneous Plan	Deferred Outflows/ (Inflows) of Resources Safety Plan
2015	\$ (1,990,355)	\$ (2,059,017)
2016	(1,990,355)	(2,059,017)
2017	(1,990,355)	(2,081,114)
2018	(1,990,353)	(2,169,494)
2019	-	-
Thereafter	-	-
	<u>(7,961,418)</u>	<u>(8,368,642)</u>

**B. Public Agency Retirement System (“PARS”)**

**Defined Contribution Pension Plan**

For all of its part-time employees who are not eligible for coverage under the CalPERS pension plan, the City provides pension benefits through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the Public Agency Retirement Systems (“PARS”). The PARS Trust Agreement may be amended by a two-thirds majority or greater of the Member Agencies. The plan conforms to the requirements under Internal Revenue Code 401(a) and has received a favorable Letter of Determination from the Internal Revenue Service.

All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5 percent to a retirement plan, and City Council resolved to match the employees’ contributions up to 3.75 percent. The City’s contributions for each employee (and interest earned by the accounts) are fully vested immediately. For the year ended June 30, 2015 the City’s payroll covered by the plan was \$433,593. The City made employer contributions of \$16,264. Participants of the Plan as of June 30, 2015 were 72.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 11 – Other Postemployment Benefits**

*Plan Description*

The City provides retiree healthcare benefits for employees who retire simultaneously from CalPERS and the City and who meet the qualifying criteria negotiated by the various City labor groups. The City offers Kaiser and a self-insured PPO.

Miscellaneous employees hired prior to July 1, 2002 must be 55 years of age and have at least 13 years of full-time service with the City. Effective July 1, 2002, miscellaneous (non-management) employees must have at least 20 years of full-time service to qualify. Safety employees must be 50 years of age and have 25 years of full-time service in the police or fire department of the City. In October 2000, City fire services transferred to contracted services with the Los Angeles County Fire District. Postemployment benefits continue only for fire personnel retiring from service prior to that date.

The City's health plan year runs February through January with open-enrollment every January prior to the start of the new plan year. The monthly benefit to be paid by the City is \$1,060 per month.

*Eligibility*

All of the Plan's employees became participants in accordance with negotiated Memorandum of Understanding ("MOU") as negotiated by each group or bargaining unit. In order to receive benefits, eligible employees must meet the minimum requirements defined in their MOU. Participants of the Plan as of June 30, 2015 were as follows:

<u>Participants</u>	<u>Total</u>
Active employees	299
Retirees	202
<b>Total</b>	<b>501</b>

*Funding Policy*

The contribution requirements for Plan members and the City are established by an MOU as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2015, the City contributed \$2,558,840. Plan members receiving benefits contributed \$49,100 of the total premiums as their required contributions.

*Annual OPEB Cost and Net OPEB Obligation*

The City's annual Other Postemployment Benefit ("OPEB") cost (expense) is calculated based on the *Annual Required Contribution of the Employer* ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The City has elected to amortize its Unfunded Actuarial Accrued Liability ("UAAL") during the current fiscal year.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 11 – Other Postemployment Benefits (Continued)**

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 5,744,000	\$ 1,287,000	\$ 7,031,000
Interest on net OPEB obligation	575,000	129,000	704,000
Adjustment to annual required contribution	(1,123,000)	(252,000)	(1,375,000)
Annual OPEB cost (expense)	5,196,000	1,164,000	6,360,000
Other adjustment to OPEB	(1,005,360)	1,005,360	-
Contributions made	(2,090,320)	(468,520)	(2,558,840)
Increase in net OPEB obligation	2,100,320	1,700,840	3,801,160
Net OPEB obligation - beginning of year	15,799,720	3,056,104	18,855,824
Net OPEB obligation - end of year	\$ 17,900,040	\$ 4,756,944	\$ 22,656,984

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 7,095,000	\$ 2,252,000	31.74%	\$ 13,729,824
6/30/2014	7,508,000	2,382,000	31.73%	18,855,824
6/30/2015	6,360,000	2,558,840	40.23%	22,656,984

**Funded Status and Funding Progress**

As of June 30, 2014, the most recent actuarial valuation date, the Actuarial Accrued Liability for benefits was \$74,322,000, and the actuarial value of assets was \$0, resulting in an UAAL of \$(74,322,000). The covered payroll (annual payroll of active employees covered by the Plan) was \$22,395,000, and the ratio of UAAL to the covered payroll was 332 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the Plan and the Annual Required Contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of Plan Assets is increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 11 – Other Postemployment Benefits (Continued)**

*Actuarial Methods and Assumptions*

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

In the June 30, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.00% investment rate of return (net of administrative expenses), which is based on the expected return on funds invested, and an annual healthcare cost trend rate of 7.80% initially reduced by decrements to an ultimate rate of 5.00% thereafter. The actuarial assumption for inflation was 3.0%, and the aggregate payroll increases was 3.25% used in the actuarial valuation. The unfunded actuarial accrued liability will be amortized as a level percentage of projected covered payroll on a closed basis. The UAAL is being amortized as level percentage of future payroll on a 30 year closed amortization period. The average remaining years at June 30, 2015 is 19 years.

**Note 12 – Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are under the participants control and are principally invested in demand deposits and mutual funds and are held in trust for the exclusive benefit of the participants and their beneficiaries. The plan assets are not included in the accompanying financial statements. At June 30, 2015, the amount held by Trustee for employees is \$18,009,401.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 13 – Prior Period Adjustment**

The City implemented GASB Statement No. 68 and No. 71 during the year ended June 30, 2015. The beginning net positions at July 1, 2014 were restated as follows:

	<b>Government-wide Financial Statements</b>		<b>Municipal Bus Line Enterprise Fund</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>Net Position at July 1, 2014</b>	\$ 29,815,718	\$ 68,599,398	\$ 70,702,006
CalPERS Misc Plan:			
Net Pension Liabilities (Note 10)	(14,083,874)	(14,264,272)	(14,264,272)
Deferred outflows of Resources			
Pension contribution made during Measurement period	809,025	819,390	819,390
CalPERS Safety Plan:			
Net Pension Liabilities (Note 10)	(49,547,261)	-	-
Deferred outflows of Resources			
Pension contribution made during Measurement period	3,930,218	-	-
<b>Subtotal</b>	<b>(58,891,892)</b>	<b>(13,444,882)</b>	<b>(13,444,882)</b>
<b>Net Position at July 1, 2014, as Restated</b>	<b>\$ (29,076,174)</b>	<b>\$ 55,154,516</b>	<b>\$ 57,257,124</b>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 14 – Classification of Fund Balances**

At June 30, 2015, fund balances are classified in the governmental funds as follows:

	General Fund	Economic Development Grants Special Revenue	Public Works Grants	City Debt Service	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>							
Employee receivables	\$ 53,734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,734
Inventories	51,067	-	-	-	-	-	51,067
Prepaid items and deposits	74,443	-	-	-	-	4,734	79,177
<b>Total nonspendable</b>	<u>179,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,734</u>	<u>183,978</u>
<b>Restricted</b>							
Debt service	-	-	-	2,965,697	-	-	2,965,697
Employment & training services	300,190	-	-	-	-	-	300,190
Law enforcement	18,405	-	-	-	-	1,683,405	1,701,810
Local street improvements	-	-	517,857	-	-	7,270,312	7,788,169
Other purposes	9,157	29,986	142,349	-	-	438,448	619,940
<b>Total restricted</b>	<u>327,752</u>	<u>29,986</u>	<u>660,206</u>	<u>2,965,697</u>	<u>-</u>	<u>9,392,165</u>	<u>13,375,806</u>
<b>Committed</b>							
Emergency contingency <sup>(1)</sup>	7,274,423	-	-	-	-	-	7,274,423
Parking and parks and recreation facilities	-	3,051,323	-	-	-	-	3,051,323
<b>Total committed</b>	<u>7,274,423</u>	<u>3,051,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,325,746</u>
<b>Assigned</b>							
Computer replacement	448,679	-	-	-	-	-	448,679
Equipment replacement	567,792	-	-	-	-	-	567,792
Future debt service payments	1,713,246	-	-	-	-	-	1,713,246
Civic center improvements	4,590,396	-	-	-	-	-	4,590,396
Police	233,054	-	-	-	-	-	233,054
Recreation	26,689	-	-	-	-	-	26,689
Other capital projects	-	-	-	-	179,079	-	179,079
<b>Total assigned</b>	<u>7,579,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,079</u>	<u>-</u>	<u>7,758,935</u>
<b>Unassigned</b>	<u>400,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,362</u>
<b>Total fund balance</b>	<u>\$ 15,761,637</u>	<u>\$ 3,081,309</u>	<u>\$ 660,206</u>	<u>\$ 2,965,697</u>	<u>\$ 179,079</u>	<u>\$ 9,396,899</u>	<u>\$ 32,044,827</u>

(1) As defined in Resolution No. 6045, the specific uses for the Committed Fund Balance are listed as the declaration of a state of emergency as defined in Gardena Municipal Code Section 2.56.020.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 15 – Jointly Governed Organization**

***South Bay Regional Public Communications Authority***

The City is a member of the South Bay Regional Public Communications Authority (“SBRPCA”), which provides financing and equipment for a police communications system for the City and the other member municipalities of SBRPCA - Hawthorne and Manhattan Beach. SBRPCA financial statements can be obtained from the SBRPCA at 4440 West Broadway, Hawthorne, California 90250.

Revenues, expenses and indebtedness incurred by the SBRPCA relating to services associated with central dispatch are divided by member agencies in accordance with set percentages, however, expenses incurred relating to specific equipment and services requested by an individual member agency for use by its own public safety services are paid entirely by that member agency. As of June 30, 2015, the City’s percentage interest is 32.08%.

As of and for the year ended June 30, 2015, the latest available information, SBRPCA’s unaudited financial information is as follows:

Current assets	\$ 2,270,596
Noncurrent assets	8,471,369
Deferred outflows of resources	541,402
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 11,283,367</u></b>
 Total liabilities	 \$ 5,460,250
Deferred inflows of resources	1,363,653
SBRPCA equity	4,459,464
<b>Total liabilities, deferred inflows of resources and SBRPCA equity</b>	<b><u>\$ 11,283,367</u></b>
 Total revenues	 \$ 9,612,720
Total expenses	(9,866,381)
<b>Change in net position</b>	<b><u>\$ (253,661)</u></b>

**Note 16 – Commitments and Contingencies**

The City participates in a number of federal and state assisted grant programs, which are subject to program compliance audits by the grantors or their representatives. Final closeout audits of these programs have not yet been completed. Accordingly, the City’s ultimate compliance with applicable grant requirements will be established at some future date. Expenditures, if any, that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is currently a party to various claims and legal proceedings. In management’s opinion, the ultimate liabilities, if any, resulting from such claims and proceedings, will not materially affect the City’s financial position.

The City had outstanding construction commitments in the amount of \$956,464 as of June 30, 2015.

# CITY OF GARDENA

## *Comprehensive Annual Financial Report* *June 30, 2015*



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**REQUIRED  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS") - Miscellaneous Plan**

Measurement period	2013-14 <sup>1</sup>
<b>Total pension liability</b>	
Service cost	\$ 2,713,029
Interest	9,625,167
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(6,617,452)
<b>Net change in total pension liability</b>	5,720,744
<b>Total pension liability - beginning</b>	130,287,771
<b>Total pension liability - ending (a)</b>	<u>\$ 136,008,515</u>
<b>Pension fiduciary net position</b>	
Contributions - employer	\$ 1,628,415
Contributions - employee	1,181,161
Net investment income <sup>2</sup>	17,430,461
Benefit payments, including refunds of employee contributions	(6,617,452)
Other	-
<b>Net change in plan fiduciary net position</b>	13,622,585
<b>Plan fiduciary net position - beginning</b>	101,939,625
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 115,562,210</u>
<b>Plan net pension liability - ending (a) - (b)</b>	<u>\$ 20,446,305</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<u>84.97%</u>
<b>Covered-employee payroll</b>	<u>\$ 17,651,457</u>
<b>Plan net pension liability as a percentage of covered-employee payroll</b>	<u>115.83%</u>

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Net of administrative expenses.

**Notes to Schedule:**

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)**  
**For the Year Ended June 30, 2015**

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS") - Safety Plan**

	<u>June 30, 2014<sup>1</sup></u>
City Proportion of the Net Pension Liability/(Asset)	0.65549%
City's Proportionate Share of the net Pension Liability/(Asset)	40,787,661
City's Covered-Employee Payroll	9,078,779
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	<u>449.26%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>75.54%</u>

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS") - Miscellaneous**

	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
Actuarially determined contribution	\$ 2,015,588	\$ 1,628,415
Contributions in relation to the actuarially determined contribution <sup>2</sup>	(2,015,588)	(1,628,415)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll <sup>3, 4</sup>	\$ 18,181,001	\$ 17,651,457
Contributions as a percentage of covered-employee payroll <sup>3</sup>	11.09%	9.23%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>4</sup> Payroll from prior year \$17,137,337 was assumed to increase by the 3.00 percent payroll growth assumption.

**Notes to Schedule:**

**Valuation date:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 and 2013-14 were from the June 30, 2012 and 2011 public agency valuations, respectively.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years for valuation dated June 30, 2012 and 32 years for valuation dated June 30, 2011
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Contributions (Continued)**  
**For the Year Ended June 30, 2015**

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System ("CalPERS") - Safety**

	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
Actuarially determined contribution	\$ 4,265,350	\$ 3,930,218
Contributions in relation to the actuarially determined contribution <sup>2</sup>	(4,265,350)	(3,930,218)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll <sup>3, 4</sup>	\$ 9,351,143	\$ 9,078,779
Contributions as a percentage of covered-employee payroll <sup>3</sup>	45.61%	43.29%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

<sup>4</sup> Payroll from prior year \$8,814,349 was assumed to increase by the 3.00 percent payroll growth assumption.

**Notes to Schedule:**

Valuation date:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Funding Progress - OPEB**  
**For the Year Ended June 30, 2015**

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**Other Post Employment Benefit (OPEB) Plan:**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (A - B)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a % of Payroll (A-B) / C
6/30/2010	\$ -	\$ 55,888,000	\$ (55,888,000)	0.0%	\$ 18,662,000	(299.5)%
6/30/2012	-	79,726,000	(79,726,000)	0.0%	18,505,000	(430.8)%
6/30/2014	-	74,322,000	(74,322,000)	0.0%	22,395,000	(331.9)%

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2015**

*Budgetary Comparison Schedule – General Fund*

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Taxes	\$ 41,435,709	\$ 41,435,709	\$ 42,197,847	\$ 762,138
Licenses and permits	1,000,675	1,000,675	1,109,169	108,494
Intergovernmental	625,036	625,036	1,316,210	691,174
Charges for services	4,064,841	4,064,841	4,208,616	143,775
Fines, forfeitures and penalties	1,054,500	1,054,500	911,908	(142,592)
Use of money and property	125,000	125,000	187,991	62,991
Miscellaneous	1,255,370	1,255,370	2,880,941	1,625,571
<b>Total revenues</b>	<b>49,561,131</b>	<b>49,561,131</b>	<b>52,812,682</b>	<b>3,251,551</b>
<b>EXPENDITURES:</b>				
Current:				
General government:				
City clerk	435,900	435,900	361,290	74,610
City treasurer	231,540	231,540	230,005	1,535
Executive office	1,258,037	1,258,037	1,104,487	153,550
Administrative services	2,629,744	2,629,744	2,423,068	206,676
Non-departmental	813,647	813,647	989,214	(175,567)
Public safety:				
Police	22,407,236	22,407,236	22,097,812	309,424
L.A. County Fire District	9,796,720	9,796,720	9,439,106	357,614
Public works	4,863,350	4,838,350	4,727,429	110,921
Recreation and human services	3,868,517	3,868,517	4,000,049	(131,532)
Community development	1,498,834	1,498,734	1,340,271	158,463
Capital outlay	1,152,243	1,195,150	806,553	388,597
<b>Total expenditures</b>	<b>48,955,768</b>	<b>48,973,575</b>	<b>47,519,284</b>	<b>1,454,291</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>605,363</b>	<b>587,556</b>	<b>5,293,398</b>	<b>4,705,842</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,080,000	1,080,000	1,600,520	520,520
Transfers out	(2,142,892)	(2,167,892)	(3,242,195)	(1,074,303)
<b>Total other financing sources (uses)</b>	<b>(1,062,892)</b>	<b>(1,087,892)</b>	<b>(1,641,675)</b>	<b>(553,783)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(457,529)</b>	<b>(500,336)</b>	<b>3,651,723</b>	<b>4,152,059</b>
<b>FUND BALANCE:</b>				
Beginning of year	12,109,914	12,109,914	12,109,914	-
End of year	\$ 11,652,385	\$ 11,609,578	\$ 15,761,637	\$ 4,152,059



**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2015**

*Budgetary Comparison Schedule – Economic Development Grants Special Revenue Fund*

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 216,350	\$ 216,350	\$ 321,472	\$ 105,122
Fines, forfeitures and penalties	-	-	400,000	400,000
Use of money and property	-	-	13,717	13,717
Miscellaneous	-	-	38,171	38,171
<b>Total revenues</b>	<b>216,350</b>	<b>216,350</b>	<b>773,360</b>	<b>557,010</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	560,481	745,924	560,092	185,832
Debt service:				
Interest and fiscal charges	-	-	154,424	(154,424)
<b>Total expenditures</b>	<b>560,481</b>	<b>745,924</b>	<b>714,516</b>	<b>31,408</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(344,131)</b>	<b>(529,574)</b>	<b>58,844</b>	<b>588,418</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(795,000)	(795,000)	(44,654)	750,346
Issuance of loans	344,131	344,131	408,740	64,609
<b>Total other financing sources (uses)</b>	<b>(450,869)</b>	<b>(450,869)</b>	<b>364,086</b>	<b>814,955</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(795,000)</b>	<b>(980,443)</b>	<b>422,930</b>	<b>1,403,373</b>
<b>FUND BALANCE:</b>				
Beginning of year	2,658,379	2,658,379	2,658,379	-
End of year	<u>\$ 1,863,379</u>	<u>\$ 1,677,936</u>	<u>\$ 3,081,309</u>	<u>\$ 1,403,373</u>

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2015**

*Budgetary Comparison Schedule – Public Works Grants Special Revenue Fund*

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Taxes	\$ 742,250	\$ 742,250	\$ 751,707	\$ 9,457
Intergovernmental	6,007,323	6,007,323	4,671,925	(1,335,398)
Use of money and property	2,000	2,000	4,732	2,732
<b>Total revenues</b>	<u>6,751,573</u>	<u>6,751,573</u>	<u>5,428,364</u>	<u>(1,323,209)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	21,662	21,662	22,954	(1,292)
<b>Total expenditures</b>	<u>21,662</u>	<u>21,662</u>	<u>22,954</u>	<u>(1,292)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>6,729,911</u>	<u>6,729,911</u>	<u>5,405,410</u>	<u>(1,324,501)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(7,005,823)	(7,005,823)	(5,531,400)	1,474,423
<b>Total other financing sources (uses)</b>	<u>(7,005,823)</u>	<u>(7,005,823)</u>	<u>(5,531,400)</u>	<u>1,474,423</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(275,912)</u>	<u>(275,912)</u>	<u>(125,990)</u>	<u>149,922</u>
<b>FUND BALANCE:</b>				
Beginning of year	786,196	786,196	786,196	-
End of year	<u>\$ 510,284</u>	<u>\$ 510,284</u>	<u>\$ 660,206</u>	<u>\$ 149,922</u>

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2015**

*Budgetary Comparison Schedule – City Debt Service Fund*

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Use of money and property	\$ 105,900	\$ 105,900	\$ 981	\$ (104,919)
<b>Total revenues</b>	<u>105,900</u>	<u>105,900</u>	<u>981</u>	<u>(104,919)</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirement	713,535	713,535	9,228,535	(8,515,000)
Interest and fiscal charges	1,451,739	1,451,739	1,874,959	(423,220)
<b>Total expenditures</b>	<u>2,165,274</u>	<u>2,165,274</u>	<u>11,103,494</u>	<u>(8,938,220)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,059,374)</u>	<u>(2,059,374)</u>	<u>(11,102,513)</u>	<u>(9,043,139)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,059,374	2,059,374	1,784,164	(275,210)
Proceeds from issuance of refunding bonds	-	-	9,110,000	9,110,000
Bond discount	-	-	(297,460)	(297,460)
<b>Total other financing sources (uses)</b>	<u>2,059,374</u>	<u>2,059,374</u>	<u>10,596,704</u>	<u>8,537,330</u>
<b>CHANGE IN FUND BALANCE</b>	-	-	(505,809)	(505,809)
<b>FUND BALANCE:</b>				
Beginning of year	3,471,506	3,471,506	3,471,506	-
End of year	<u>\$ 3,471,506</u>	<u>\$ 3,471,506</u>	<u>\$ 2,965,697</u>	<u>\$ (505,809)</u>

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2015**

*Budgetary Comparison Schedule – City Capital Projects Fund*

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Miscellaneous	\$ -	\$ -	\$ 63,495	\$ 63,495
<b>Total revenues</b>	-	-	63,495	63,495
<b>EXPENDITURES:</b>				
Current:				
Capital outlay	11,459,259	11,459,259	7,202,136	4,257,123
<b>Total expenditures</b>	11,459,259	11,459,259	7,202,136	4,257,123
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(11,459,259)	(11,459,259)	(7,138,641)	4,320,618
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	11,534,259	11,459,259	6,939,820	(4,519,439)
<b>Total other financing sources (uses)</b>	11,534,259	11,459,259	6,939,820	(4,519,439)
<b>CHANGE IN FUND BALANCE</b>	75,000	-	(198,821)	(198,821)
<b>FUND BALANCE:</b>				
Beginning of year	377,900	377,900	377,900	-
End of year	\$ 452,900	\$ 377,900	\$ 179,079	\$ (198,821)

**City of Gardena**  
**Notes to the Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**For the Year Ended 6/30/2015**

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**Note 1 - Budgetary Control and Accounting Policy**

The City adopts annual budgets for the General Fund and special revenue funds and adopts project length budgets for projects within the City Capital Projects Fund.

The City's budget is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation and (3) the estimated charges to appropriations (outflows). The budget represents a process through which policy decisions are made, implemented, and controlled. The City's policy prohibits expending funds for which there is no legal appropriation.

The City's procedures for preparing the budgetary data reflected in the financial statements are:

- The budget is prepared under the City Manager's direction and adopted by the City Council, generally prior to June 30 of each year. It is revised periodically during the year by the City Council. The budget presented in the financial statements includes the original and final amounts.
- The budget serves as a policy document for the deliverance of public services; however, expenditures are individually approved by the City Council. The City Manager is authorized to transfer amounts within individual fund budgets without the approval of City Council. Additional appropriations during the year may be submitted to the City Council for review and approval.
- Budget information is presented for the governmental fund types. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year, which were contingent upon new, or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year.
- Total expenditures of each governmental fund may not legally exceed fund appropriations, and total expenditures for each department (for example: police department, public works department, community development department, etc.) may not legally exceed departmental appropriations. The City does not employ encumbrance accounting. The budgets conform, in all material respects, to generally accepted accounting principles.
- Appropriations lapse at year-end to the extent they have not been expended, except for capital projects appropriations which lapse when individual projects are completed.

# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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# **SUPPLEMENTARY INFORMATION**

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# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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# NONMAJOR GOVERNMENTAL FUNDS

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***Consolidated Lighting District Special Revenue Fund*** - To account for monies received from property assessments restricted to fund district lighting activities.

***Prop C Local Return Special Revenue Fund*** - To account for monies derived from Los Angeles County 1/2% sales tax, received from MTA and expended on streets and roads heavily used by public transit.

***Gas Tax Special Revenue Fund*** - To account for funding from the State of California for the state and county gas tax allocation.

***Asset Forfeiture Special Revenue Fund*** - To account for monies that were seized from criminal activities and is to be used solely for law enforcement purposes.

***Public Safety Grants Special Revenue Fund*** - Represents seven funds used to fund various police activities. Four of the grants receive funding from the California Office of Traffic Safety. These grants fund sobriety checkpoints, saturation patrols, seatbelt enforcement, warrant/probation sweeps and additional activities to raise public awareness and reduce alcohol involved fatalities. One grant from the U.S. Department of Justice provides funding for technological programs and equipment to improve public safety issues. Finally, the COPS grant and Traffic Safety grant are funds earmarked for any police activity that will increase public safety.

***Employment Training Grants Special Revenue Fund*** - Represents five funds used to promote employment. Two of these funds receive grants from the Department of Health and Human Services to provide funding to assist individuals receiving Temporary Assistance to Needy Families ("TANF") with work readiness skills. Three of these funds are funded by Work Investment Act ("WIA") Program. One of the funds assists adults with job searches, training and placement. An additional one fund offers services to reintegrate dislocated workers into the workforce. One of the funds provides funding for low income and at-risk youth to participate in summer youth employment programs, job training, facilitative programs to encourage attaining educational goals, such as GED programs and other supportive services, as well as other programs to encourage employability. The Fund was terminated at July 1, 2014 and the cash, accounts payable, and fund balances were transferred to General Fund.

***Human Services Grants Special Revenue Fund*** - Represents four funds. Two of the funds provide meals to the elderly and disabled funded by Aging Program. These meals are served at the Nakaoka Center or delivered directly to the participants. One grant provides for a socialization program for elderly persons suffering from Alzheimer's Disease or dementia. The Family Child Care grant is funded by the California Department of Education and provides daycare and early education to qualified families.

***Community Development Block Grant (CDBG) Special Revenue Fund*** - To account for funding from HUD to fund programs that benefit low income, elderly or disabled individuals. A number of programs are funded with these monies, including an at-risk youth program, code enforcement, a handy worker program for small home repairs and access ramps, projects to improve or eliminate slum blight conditions, as well as assistance for landlords in designated areas to improve living conditions for qualified tenants.

**City of Gardena**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue					
	Consolidated Lighting District	Prop C Local Return	Gas Tax	Asset Forfeiture	Public Safety Grants	Employment Training Grants
<b>ASSETS</b>						
Cash and investments	\$ 378,056	\$ 1,420,938	\$ 5,849,374	\$ 1,473,192	\$ 181,849	\$ -
Receivables:						
Accounts	-	-	-	-	-	-
Taxes	7,834	-	-	-	-	-
Prepaid items	-	-	-	4,734	-	-
Due from other governmental agencies	-	-	-	2,938	77,569	-
<b>Total assets</b>	<b>\$ 385,890</b>	<b>\$ 1,420,938</b>	<b>\$ 5,849,374</b>	<b>\$ 1,480,864</b>	<b>\$ 259,418</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 48,880	\$ -	\$ -	\$ -	\$ 42,055	\$ -
Accrued liabilities	-	-	-	-	-	-
Salaries and benefits payable	-	-	-	-	10,088	-
Due to other funds	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>48,880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,143</b>	<b>-</b>
<b>Fund Balances:</b>						
Nonspendable	-	-	-	4,734	-	-
Restricted	337,010	1,420,938	5,849,374	1,476,130	207,275	-
<b>Total fund balances</b>	<b>337,010</b>	<b>1,420,938</b>	<b>5,849,374</b>	<b>1,480,864</b>	<b>207,275</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 385,890</b>	<b>\$ 1,420,938</b>	<b>\$ 5,849,374</b>	<b>\$ 1,480,864</b>	<b>\$ 259,418</b>	<b>\$ -</b>

**City of Gardena**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue		
	Human Services Grants	Community Development Block Grant (CDBG)	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 82,587	\$ -	\$ 9,385,996
Receivables:			
Accounts	3,250	3,448	6,698
Taxes	-	-	7,834
Prepaid items	-	-	4,734
Due from other governmental agencies	236,474	267,822	584,803
<b>Total assets</b>	<b>\$ 322,311</b>	<b>\$ 271,270</b>	<b>\$ 9,990,065</b>
<b>LIABILITIES</b>			
<b>AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 169,577	\$ 7,805	\$ 268,317
Accrued liabilities	7,035	-	7,035
Salaries and benefits payable	17,046	12,038	39,172
Due to other funds	51,420	226,678	278,098
Unearned Revenue	544	-	544
<b>Total liabilities</b>	<b>245,622</b>	<b>246,521</b>	<b>593,166</b>
<b>Fund Balances:</b>			
Nonspendable	-	-	4,734
Restricted	76,689	24,749	9,392,165
<b>Total fund balances</b>	<b>76,689</b>	<b>24,749</b>	<b>9,396,899</b>
<b>Total liabilities and fund balances</b>	<b>\$ 322,311</b>	<b>\$ 271,270</b>	<b>\$ 9,990,065</b>

**City of Gardena**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue					
	Consolidated Lighting District	Prop C Local Return	Gas Tax	Asset Forfeiture	Public Safety Grants	Employment Training Grants
<b>REVENUES:</b>						
Taxes	\$ 664,582	\$ 874,481	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,604,515	290,573	623,992	-
Fines, forfeitures, and penalties	-	-	-	-	121,850	-
Use of money and property	1,323	6,201	24,286	7,127	1,643	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<u>665,905</u>	<u>880,682</u>	<u>1,628,801</u>	<u>297,700</u>	<u>747,485</u>	<u>-</u>
<b>EXPENDITURES:</b>						
Current:						
Public safety	-	-	-	336,945	668,681	-
Public works	602,005	-	-	-	-	-
Recreation and human services	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	31,546	24,548	-
<b>Total expenditures</b>	<u>602,005</u>	<u>-</u>	<u>-</u>	<u>368,491</u>	<u>693,229</u>	<u>-</u>
<b>REVENUES OVER (UNDER)</b>						
<b>EXPENDITURES</b>	<u>63,900</u>	<u>880,682</u>	<u>1,628,801</u>	<u>(70,791)</u>	<u>54,256</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	(31,672)	(847,518)	(780,581)	(236,553)	(199,999)	(397,593)
<b>Total other financing sources (uses)</b>	<u>(31,672)</u>	<u>(847,518)</u>	<u>(780,581)</u>	<u>(236,553)</u>	<u>(199,999)</u>	<u>(397,593)</u>
<b>CHANGES IN FUND BALANCES</b>	32,228	33,164	848,220	(307,344)	(145,743)	(397,593)
<b>FUND BALANCES:</b>						
Beginning of year	304,782	1,387,774	5,001,154	1,788,208	353,018	397,593
End of year	<u>\$ 337,010</u>	<u>\$ 1,420,938</u>	<u>\$ 5,849,374</u>	<u>\$ 1,480,864</u>	<u>\$ 207,275</u>	<u>\$ -</u>

**City of Gardena**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue		
	Human Services Grants	Community Development Block Grant (CDBG)	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Taxes	\$ -	\$ -	\$ 1,539,063
Intergovernmental	2,008,826	737,870	5,265,776
Fines, forfeitures, and penalties	-	-	121,850
Use of money and property	772	-	41,352
Miscellaneous	155,541	3,000	158,541
<b>Total revenues</b>	<b>2,165,139</b>	<b>740,870</b>	<b>7,126,582</b>
<b>EXPENDITURES:</b>			
Current:			
Public safety	-	-	1,005,626
Public works	-	-	602,005
Recreation and human services	2,135,353	-	2,135,353
Community development	-	693,644	693,644
Capital outlay	-	-	56,094
<b>Total expenditures</b>	<b>2,135,353</b>	<b>693,644</b>	<b>4,492,722</b>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<b>29,786</b>	<b>47,226</b>	<b>2,633,860</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	32,745	11,704	44,449
Transfers out	-	(55,942)	(2,549,858)
<b>Total other financing sources (uses)</b>	<b>32,745</b>	<b>(44,238)</b>	<b>(2,505,409)</b>
<b>CHANGES IN FUND BALANCES</b>	<b>62,531</b>	<b>2,988</b>	<b>128,451</b>
<b>FUND BALANCES:</b>			
Beginning of year	14,158	21,761	9,268,448
End of year	\$ 76,689	\$ 24,749	\$ 9,396,899

**City of Gardena**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Consolidated Lighting District - Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Taxes	\$ 661,117	\$ 661,117	\$ 664,582	\$ 3,465
Use of money and property	350	350	1,323	973
<b>Total revenues</b>	<u>661,467</u>	<u>661,467</u>	<u>665,905</u>	<u>4,438</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	611,703	611,703	602,005	9,698
<b>Total expenditures</b>	<u>611,703</u>	<u>611,703</u>	<u>602,005</u>	<u>9,698</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>49,764</u>	<u>49,764</u>	<u>63,900</u>	<u>14,136</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(250,000)	(250,000)	(31,672)	218,328
<b>Total other financing sources (uses)</b>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(31,672)</u>	<u>218,328</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(200,236)</u>	<u>(200,236)</u>	<u>32,228</u>	<u>232,464</u>
<b>FUND BALANCE:</b>				
Beginning of year	304,782	304,782	304,782	-
End of year	<u>\$ 104,546</u>	<u>\$ 104,546</u>	<u>\$ 337,010</u>	<u>\$ 232,464</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Prop C Local Return - Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Taxes	\$ 865,173	\$ 865,173	\$ 874,481	\$ 9,308
Use of money and property	25,000	25,000	6,201	(18,799)
<b>Total revenues</b>	890,173	890,173	880,682	(9,491)
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	890,173	890,173	880,682	(9,491)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(1,350,000)	(1,350,000)	(847,518)	502,482
<b>Total other financing sources (uses)</b>	(1,350,000)	(1,350,000)	(847,518)	502,482
<b>CHANGE IN FUND BALANCE</b>	(459,827)	(459,827)	33,164	492,991
<b>FUND BALANCE:</b>				
Beginning of year	1,387,774	1,387,774	1,387,774	-
End of year	\$ 927,947	\$ 927,947	\$ 1,420,938	\$ 492,991

**City of Gardena**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Gas Tax - Special Revenue Fund**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 1,594,751	\$ 1,594,751	\$ 1,604,515	\$ 9,764
Use of money and property	19,250	19,250	24,286	5,036
<b>Total revenues</b>	1,614,001	1,614,001	1,628,801	14,800
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	1,614,001	1,614,001	1,628,801	14,800
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(2,190,000)	(2,190,000)	(780,581)	1,409,419
<b>Total other financing sources (uses)</b>	(2,190,000)	(2,190,000)	(780,581)	1,409,419
<b>CHANGE IN FUND BALANCE</b>	(575,999)	(575,999)	848,220	1,424,219
<b>FUND BALANCE:</b>				
Beginning of year	5,001,154	5,001,154	5,001,154	-
End of year	\$ 4,425,155	\$ 4,425,155	\$ 5,849,374	\$ 1,424,219



**City of Gardena**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Asset Forfeiture - Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 510,000	\$ 510,000	\$ 290,573	\$ (219,427)
Use of money and property	6,500	6,500	7,127	627
<b>Total revenues</b>	<b>516,500</b>	<b>516,500</b>	<b>297,700</b>	<b>(218,800)</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	534,600	534,600	336,945	197,655
Capital outlay	437,000	437,000	31,546	405,454
<b>Total expenditures</b>	<b>971,600</b>	<b>971,600</b>	<b>368,491</b>	<b>603,109</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(455,100)</b>	<b>(455,100)</b>	<b>(70,791)</b>	<b>384,309</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(200,918)	(200,918)	(236,553)	(35,635)
<b>Total other financing sources (uses)</b>	<b>(200,918)</b>	<b>(200,918)</b>	<b>(236,553)</b>	<b>(35,635)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(656,018)</b>	<b>(656,018)</b>	<b>(307,344)</b>	<b>348,674</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,788,208	1,788,208	1,788,208	-
End of year	<u>\$ 1,132,190</u>	<u>\$ 1,132,190</u>	<u>\$ 1,480,864</u>	<u>\$ 348,674</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Public Safety Grants - Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 758,207	\$ 758,207	\$ 623,992	\$ (134,215)
Fines, forfeitures, and penalties	200,000	200,000	121,850	(78,150)
Use of money and property	-	-	1,643	1,643
<b>Total revenues</b>	<u>958,207</u>	<u>958,207</u>	<u>747,485</u>	<u>(210,722)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	738,307	738,307	668,681	69,626
Capital outlay	<u>19,900</u>	<u>19,900</u>	<u>24,548</u>	<u>(4,648)</u>
<b>Total expenditures</b>	<u>758,207</u>	<u>758,207</u>	<u>693,229</u>	<u>64,978</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>200,000</u>	<u>200,000</u>	<u>54,256</u>	<u>(145,744)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(199,999)</u>	<u>1</u>
<b>Total other financing sources (uses)</b>	<u>(200,000)</u>	<u>(200,000)</u>	<u>(199,999)</u>	<u>1</u>
<b>CHANGE IN FUND BALANCE</b>	-	-	(145,743)	(145,743)
<b>FUND BALANCE:</b>				
Beginning of year	<u>353,018</u>	<u>353,018</u>	<u>353,018</u>	<u>-</u>
End of year	<u>\$ 353,018</u>	<u>\$ 353,018</u>	<u>\$ 207,275</u>	<u>\$ (145,743)</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Employment Training Grants - Special Revenue Fund**  
**For the Year Ended June 30, 2015**

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	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (397,593)	\$ (397,593)
<b>Total other financing sources (uses)</b>	-	-	(397,593)	(397,593)
<b>CHANGE IN FUND BALANCE</b>	-	-	(397,593)	(397,593)
<b>FUND BALANCE:</b>				
Beginning of year	397,593	397,593	397,593	-
End of year	<u>\$ 397,593</u>	<u>\$ 397,593</u>	<u>\$ -</u>	<u>\$ (397,593)</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Human Services Grants - Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 1,767,934	\$ 2,035,921	\$ 2,008,826	\$ (27,095)
Use of money and property	1,000	1,000	772	(228)
Miscellaneous	142,000	142,000	155,541	13,541
<b>Total revenues</b>	<b>1,910,934</b>	<b>2,178,921</b>	<b>2,165,139</b>	<b>(13,782)</b>
<b>EXPENDITURES:</b>				
Current:				
Recreation and human services	1,910,934	2,178,921	2,135,353	43,568
<b>Total expenditures</b>	<b>1,910,934</b>	<b>2,178,921</b>	<b>2,135,353</b>	<b>43,568</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>29,786</b>	<b>29,786</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	32,745	32,745
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>32,745</b>	<b>32,745</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>62,531</b>	<b>62,531</b>
<b>FUND BALANCE:</b>				
Beginning of year	14,158	14,158	14,158	-
End of year	<u>\$ 14,158</u>	<u>\$ 14,158</u>	<u>\$ 76,689</u>	<u>\$ 62,531</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual**  
**Community Development Block Grant (CDBG) - Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 893,181	\$ 893,181	\$ 737,870	\$ (155,311)
Miscellaneous	-	-	3,000	3,000
<b>Total revenues</b>	<b>893,181</b>	<b>893,181</b>	<b>740,870</b>	<b>(152,311)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	725,681	744,072	693,644	50,428
<b>Total expenditures</b>	<b>725,681</b>	<b>744,072</b>	<b>693,644</b>	<b>50,428</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>167,500</b>	<b>149,109</b>	<b>47,226</b>	<b>(101,883)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	11,704	11,704
Transfers out	(167,500)	(167,500)	(55,942)	111,558
<b>Total other financing sources (uses)</b>	<b>(167,500)</b>	<b>(167,500)</b>	<b>(44,238)</b>	<b>123,262</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(18,391)</b>	<b>2,988</b>	<b>21,379</b>
<b>FUND BALANCE:</b>				
Beginning of year	21,761	21,761	21,761	-
End of year	<u>\$ 21,761</u>	<u>\$ 3,370</u>	<u>\$ 24,749</u>	<u>\$ 21,379</u>

# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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# DEBT SERVICE FUNDS

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## **DEBT SERVICE FUNDS:**

To account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, including certificates of participation and refunding revenue bonds, and capital leases.

***Leases and Loan Fund*** - To account for the accumulated funds for the payment of interest and principal for the loans obtained to fund CMS Viron Energy Services' study of the City's lighting, heating, cooling, other energy consuming systems, and the lease of the police vehicles.

***2006 Refunding COPs, Series A & B Fund*** - To account for the accumulated funds for the payment of interest and principal for the certificates issued in 2006.

***2006 Refunding COPs, Series C Fund*** - To account for the accumulated funds for the payment of interest and principal for the certificates issued in 2006.

***2007 Refunding Revenue Bonds SBRPCA Fund*** - To account for the accumulated funds for the payment of interest and principal for the refunding bonds issued in 2007.

***2014 Taxable Lease Revenue Refunding Bonds Fund*** - To account for the accumulated funds for the payment of interest and principal for the refunding bonds issued in 2014.

**City of Gardena**  
**Combining Balance Sheet**  
**All Debt Service Funds**  
**June 30, 2015**

		2006 Refunding Leases and COPs, Series A & B	2006 Refunding COPs, Series C	2007 Refunding Revenue Bonds SBRPCA	2014 Taxable Lease Revenue Refunding Bonds	Total
<b>ASSETS</b>						
Cash and investments with fiscal agents	\$ -	\$ 1,790,443	\$ 527,014	\$ 300,623	\$ 350,037	\$ 2,968,117
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 1,790,443</u>	<u>\$ 527,014</u>	<u>\$ 300,623</u>	<u>\$ 350,037</u>	<u>\$ 2,968,117</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 2,057	\$ 363	\$ -	\$ -	\$ 2,420
<b>Total liabilities</b>	<u>-</u>	<u>2,057</u>	<u>363</u>	<u>-</u>	<u>-</u>	<u>2,420</u>
<b>Fund Balances:</b>						
Restricted	-	1,788,386	526,651	300,623	350,037	2,965,697
<b>Total fund balances</b>	<u>-</u>	<u>1,788,386</u>	<u>526,651</u>	<u>300,623</u>	<u>350,037</u>	<u>2,965,697</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 1,790,443</u>	<u>\$ 527,014</u>	<u>\$ 300,623</u>	<u>\$ 350,037</u>	<u>\$ 2,968,117</u>



**City of Gardena**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**All Debt Service Funds**  
**For the Year Ended June 30, 2015**

	Leases and Loan	2006 Refunding COPs, Series A & B	2006 Refunding COPs, Series C	2007 Refunding Revenue Bonds SBRPCA	2014 Taxable Lease Revenue Refunding Bonds	Total
<b>REVENUES:</b>						
Use of money and property	\$ -	\$ -	\$ -	\$ 35	\$ 946	\$ 981
<b>Total revenues</b>	-	-	-	35	946	981
<b>EXPENDITURES:</b>						
Debt service:						
Principal retirement	63,535	8,900,000	185,000	80,000	-	9,228,535
Interest and fiscal charges	7,383	1,202,431	108,635	107,469	449,041	1,874,959
<b>Total expenditures</b>	70,918	10,102,431	293,635	187,469	449,041	11,103,494
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(70,918)	(10,102,431)	(293,635)	(187,434)	(448,095)	(11,102,513)
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	70,918	9,247,390	294,819	185,445	185,348	9,983,920
Transfers out					(8,199,756)	(8,199,756)
Proceeds from issuance refunding bonds					9,110,000	9,110,000
Bond discount					(297,460)	(297,460)
<b>Total other financing sources (uses)</b>	70,918	9,247,390	294,819	185,445	798,132	10,596,704
<b>CHANGES IN FUND BALANCES</b>	-	(855,041)	1,184	(1,989)	350,037	(505,809)
<b>FUND BALANCES:</b>						
Beginning of year	-	2,643,427	525,467	302,612	-	3,471,506
End of year	\$ -	\$ 1,788,386	\$ 526,651	\$ 300,623	\$ 350,037	\$ 2,965,697

# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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# INTERNAL SERVICE FUNDS

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The Internal Service Fund accounts for financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

**Internal Service Funds include:**

***Liability Insurance Fund*** - To finance and account for the City's general liability claims program.

***Workers' Compensation Fund*** - To finance and account for the workers' compensation claims program.

***Health Benefit Fund*** - To finance and account for the health benefit claims program.

**City of Gardena**  
**Combining Statement of Net Position**  
**All Internal Service Funds**  
**June 30, 2015**

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	Liability Insurance	Workers' Compensation	Health Benefit	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 66,848	\$ 2,874,546	\$ 4,241,483	\$ 7,182,877
Accounts receivables	-	946	343,398	344,344
Prepaid items and deposits	-	2,146	-	2,146
Total current assets	66,848	2,877,638	4,584,881	7,529,367
<b>Total assets</b>	66,848	2,877,638	4,584,881	7,529,367
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	313,416	-	5,949	319,365
Deposits payable	-	-	7,327	7,327
Claims payable - due within one year	775,048	5,541,706	62,029	6,378,783
Total current liabilities	1,088,464	5,541,706	75,305	6,705,475
Noncurrent liabilities:				
Claims payable - due in more than one year	1,941,431	1,095,402	799,095	3,835,928
Total noncurrent liabilities	1,941,431	1,095,402	799,095	3,835,928
<b>Total liabilities</b>	3,029,895	6,637,108	874,400	10,541,403
<b>NET POSITION</b>				
Unrestricted (deficit)	(2,963,047)	(3,759,470)	3,710,481	(3,012,036)
<b>Total net position</b>	<u>\$ (2,963,047)</u>	<u>\$ (3,759,470)</u>	<u>\$ 3,710,481</u>	<u>\$ (3,012,036)</u>

**City of Gardena**  
**Combining Statement of Activities**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Liability Insurance	Workers' Compensation	Health Benefit	Total
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 984,040	\$ 1,078,968	\$ 6,946,431	\$ 9,009,439
Other	132,984	9,500	290,264	432,748
<b>Total operating revenues</b>	<b>1,117,024</b>	<b>1,088,468</b>	<b>7,236,695</b>	<b>9,442,187</b>
<b>OPERATING EXPENSES:</b>				
Insurance claims	3,980,623	1,700,016	2,474,952	8,155,591
General and administrative	728,234	440,860	3,775,048	4,944,142
<b>Total operating expenses</b>	<b>4,708,857</b>	<b>2,140,876</b>	<b>6,250,000</b>	<b>13,099,733</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(3,591,833)</b>	<b>(1,052,408)</b>	<b>986,695</b>	<b>(3,657,546)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	-	12,860	19,563	32,423
<b>Total nonoperating revenues</b>	<b>-</b>	<b>12,860</b>	<b>19,563</b>	<b>32,423</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(3,591,833)</b>	<b>(1,039,548)</b>	<b>1,006,258</b>	<b>(3,625,123)</b>
<b>TRANSFERS:</b>				
Transfers in	1,200,000	-	-	1,200,000
<b>Total transfers</b>	<b>1,200,000</b>	<b>-</b>	<b>-</b>	<b>1,200,000</b>
<b>Changes in net position</b>	<b>(2,391,833)</b>	<b>(1,039,548)</b>	<b>1,006,258</b>	<b>(2,425,123)</b>
<b>NET POSITION (DEFICIT):</b>				
Beginning of year	(571,214)	(2,719,922)	2,704,223	(586,913)
End of year	<u>\$ (2,963,047)</u>	<u>\$ (3,759,470)</u>	<u>\$ 3,710,481</u>	<u>\$ (3,012,036)</u>

**City of Gardena**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Liability Insurance	Workers' Compensation	Health Benefit	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from users	\$ 984,040	\$ 1,078,022	\$ 6,603,033	\$ 8,665,095
Receipts from claims recoveries	132,984	9,500	290,264	432,748
Payments for insurance claims	(2,097,070)	(1,425,873)	(2,405,407)	(5,928,350)
Payments to suppliers	(530,146)	(440,860)	(3,770,598)	(4,741,604)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,510,192)</b>	<b>(779,211)</b>	<b>717,292</b>	<b>(1,572,111)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from other funds	1,200,000	-	-	1,200,000
<b>Net cash provided by noncapital financing activities</b>	<b>1,200,000</b>	<b>-</b>	<b>-</b>	<b>1,200,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	-	12,860	19,563	32,423
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>12,860</b>	<b>19,563</b>	<b>32,423</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(310,192)</b>	<b>(766,351)</b>	<b>736,855</b>	<b>(339,688)</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	377,040	3,640,897	3,504,628	7,522,565
End of year	<u>\$ 66,848</u>	<u>\$ 2,874,546</u>	<u>\$ 4,241,483</u>	<u>\$ 7,182,877</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (3,591,833)	\$ (1,052,408)	\$ 986,695	\$ (3,657,546)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
(Increase) decrease in accounts receivable	-	(946)	(343,398)	(344,344)
Increase (decrease) in accounts payable and accrued expenses	198,088	-	5,949	204,037
Increase (decrease) in accrued liabilities	-	-	-	-
Increase (decrease) in deposits payable	-	-	(1,499)	(1,499)
Increase (decrease) in claims payable	1,883,553	274,143	69,545	2,227,241
Total adjustments	2,081,641	273,197	(269,403)	2,085,435
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,510,192)</b>	<b>\$ (779,211)</b>	<b>\$ 717,292</b>	<b>\$ (1,572,111)</b>

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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***LA CLEAR - Training Agency Fund*** - this fund was established to account for the Los Angeles Criminal Information Clearinghouse ("LA CLEAR"), which promotes the exchange of strategic, tactical, operational intelligence and information through training.

***BSCC Trust/AB109 Parole Compliance Agency Fund*** - The Board of State and Community Corrections ("BSCC") provides funding for city police departments to enable front-line intervention services in each county.

**City of Gardena**  
**Combining Statement of Fiduciary Net Position**  
**Agency Funds**  
**June 30, 2015**

---

	Agency Funds		
	LA CLEAR - Training Fund	BSCC Trust / AB109 Parole Compliance Fund	Totals
<b>ASSETS</b>			
Cash and investments	\$ 5,885	\$ 3,433,820	\$ 3,439,705
<b>Total assets</b>	<u>\$ 5,885</u>	<u>\$ 3,433,820</u>	<u>\$ 3,439,705</u>
<b>LIABILITIES</b>			
Deposits	\$ 5,885	\$ 3,433,820	\$ 3,439,705
<b>Total liabilities</b>	<u>\$ 5,885</u>	<u>\$ 3,433,820</u>	<u>\$ 3,439,705</u>



**City of Gardena**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2015**

---

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b><u>LA CLEAR - Training Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 376	\$ 13,174	\$ (7,665)	\$ 5,885
<b>Total assets</b>	<u>\$ 376</u>	<u>\$ 13,174</u>	<u>\$ (7,665)</u>	<u>\$ 5,885</u>
<b>Liabilities:</b>				
Deposits payable	\$ 376	\$ 13,174	\$ (7,665)	\$ 5,885
<b>Total liabilities</b>	<u>\$ 376</u>	<u>\$ 13,174</u>	<u>\$ (7,665)</u>	<u>\$ 5,885</u>
<b><u>BSCC Trust / AB109 Parole Compliance Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 3,573,941	\$ 11,812,842	\$ (11,952,963)	\$ 3,433,820
<b>Total assets</b>	<u>\$ 3,573,941</u>	<u>\$ 11,812,842</u>	<u>\$ (11,952,963)</u>	<u>\$ 3,433,820</u>
<b>Liabilities:</b>				
Deposits payable	\$ 3,573,941	\$ 11,812,842	\$ (11,952,963)	\$ 3,433,820
<b>Total liabilities</b>	<u>\$ 3,573,941</u>	<u>\$ 11,812,842</u>	<u>\$ (11,952,963)</u>	<u>\$ 3,433,820</u>
<b><u>Total All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 3,574,317	\$ 11,826,016	\$ (11,960,628)	\$ 3,439,705
<b>Total assets</b>	<u>\$ 3,574,317</u>	<u>\$ 11,826,016</u>	<u>\$ (11,960,628)</u>	<u>\$ 3,439,705</u>
<b>Liabilities:</b>				
Deposits payable	\$ 3,574,317	\$ 11,826,016	\$ (11,960,628)	\$ 3,439,705
<b>Total liabilities</b>	<u>\$ 3,574,317</u>	<u>\$ 11,826,016</u>	<u>\$ (11,960,628)</u>	<u>\$ 3,439,705</u>

# CITY OF GARDENA

## *Comprehensive Annual Financial Report*

*June 30, 2015*



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# STATISTICAL SECTION

**Fiscal Year 2014-15**



## STATISTICAL SECTION

Fiscal Year 2014-15



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# CITY OF GARDENA STATISTICAL SECTION

Fiscal Year 2014-15



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

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**City of Gardena**  
**Net Position by Component <sup>(1)</sup>**  
**Last Ten Fiscal Years Ended June 30, 2015**  
**(accrual basis of accounting)**

	Fiscal Year				
	2014-15	2013-14 <sup>(2)</sup>	2012-13	2011-12	2010-11
Governmental Activities					
Net Investment in Capital Assets	\$26,430,711	\$21,675,303	\$22,478,931	\$20,538,595	\$18,985,090
Restricted for:					
Debt Service	2,965,697	3,471,506	3,458,249	3,453,941	3,471,066
Employment and Training Services	300,190	397,593	537,583	-	-
Law Enforcement	1,701,810	2,186,672	2,203,648	-	-
Local Street Improvements	7,930,518	7,049,906	6,020,275	-	-
Economic Development	2,292,714	-	-	-	-
Capital Projects	-	-	2,679,485	-	-
Other Purposes	447,605	478,453	389,852	-	-
Specific Projects and Programs	-	-	-	11,210,794	8,478,780
Total Restricted:	15,638,534	13,584,130	15,289,092	14,664,735	11,949,846
Unrestricted	(67,531,463)	(64,355,607)	(3,568,866)	1,878,408	3,627,371
Total governmental activities net position	<u>(\$25,462,218)</u>	<u>(\$29,096,174)</u>	<u>\$34,199,157</u>	<u>\$37,081,738</u>	<u>\$34,562,307</u>
Business-type Activities					
Net Investment in Capital Assets	\$67,684,810	\$70,809,060	\$75,906,094	\$79,771,551	\$83,365,100
Unrestricted	(18,107,410)	(15,654,544)	(1,617,195)	(724,993)	479,952
Total business-type activities net position	<u>\$49,577,400</u>	<u>\$55,154,516</u>	<u>\$74,288,899</u>	<u>\$79,046,558</u>	<u>\$83,845,052</u>
Primary Government					
Net Investment in Capital Assets	\$94,115,521	\$92,484,363	\$98,385,025	\$100,310,146	\$102,350,190
Restricted	15,638,534	13,584,130	15,289,092	14,664,735	11,949,846
Unrestricted	(85,638,873)	(79,990,151)	(5,186,061)	1,153,415	4,107,323
Total Primary Government Net Position:	<u>\$24,115,182</u>	<u>\$26,078,342</u>	<u>\$108,488,056</u>	<u>\$116,128,296</u>	<u>\$118,407,359</u>

**NOTE:** <sup>(1)</sup> Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets, restricted, and unrestricted. Net position are considered restricted only when (1) an external party, such as the State of California or the federal government, places a restriction on how the revenues may be used, or (2) enabling legislation is enacted by the City.

<sup>(2)</sup> Unrestricted deficits were restated to reflect implementation of GASB No. 68 and 71.

**City of Gardena**  
**Net Position by Component (Continued) <sup>(1)</sup>**  
**Last Ten Fiscal Years Ended June 30, 2015**  
**(accrual basis of accounting)**

	Fiscal Year				
	2009-10	2008-09	2007-08	2006-07	2005-06
Governmental Activities					
Net Investment in Capital Assets	\$17,048,157	\$15,976,297	\$10,444,951	\$12,050,494	\$26,595,871
Restricted for:					
Debt Service	3,461,581	3,415,353	3,495,328	3,377,888	2,318,689
Employment and Training Services	-	-	-	-	-
Law Enforcement	-	-	-	-	-
Local Street Improvements	-	-	-	-	-
Local Street Improvements	-	-	-	-	-
Economic Development	-	-	-	-	-
Other Purposes	-	-	-	-	-
Specific Projects and Programs	7,301,648	10,355,305	6,802,764	5,309,559	-
Total Restricted:	10,763,229	13,770,658	10,298,092	8,687,447	2,318,689
Unrestricted	3,010,912	5,542,232	7,064,375	2,677,151	(21,573,161)
Total governmental activities net position	\$30,822,298	\$35,289,187	\$27,807,418	\$23,415,092	\$7,341,399
Business-type Activities					
Net Investment in Capital Assets	\$86,263,907	\$69,127,201	\$61,490,538	\$38,753,216	\$25,123,049
Unrestricted	989,448	1,947,975	2,667,455	2,644,621	2,257,614
Total business-type activities net position	\$87,253,355	\$71,075,176	\$64,157,993	\$41,397,837	\$27,380,663
Primary Government					
Net Investment in Capital Assets	\$103,312,064	\$85,103,498	\$71,935,489	\$50,803,710	\$51,718,920
Restricted	11,515,434	14,950,230	10,298,092	8,687,447	2,318,689
Unrestricted	4,000,360	7,490,207	9,731,830	5,321,772	(19,315,547)
Total Primary Government Net Position:	\$118,827,858	\$107,543,935	\$91,965,411	\$64,812,929	\$34,722,062

**NOTE: <sup>(1)</sup>** Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets, restricted, and unrestricted. Net position are considered restricted only when (1) an external party, such as the State of California or the federal government, places a restriction on how the revenues may be used, or (2) enabling legislation is enacted by the City.

**City of Gardena**  
**Changes in Net Position**  
**Last Ten Fiscal Years Ended June 30, 2015**  
**(accrual basis of accounting)**

	Fiscal Year				
	2014-15	2013-14 <sup>(1)</sup>	2012-13	2011-12	2010-11
<b>Expenses</b>					
Governmental Activities					
General Government	6,239,825	11,808,280	11,534,998	9,144,682	7,664,340
Public Safety	35,912,110	32,551,301	31,266,838	29,072,734	27,489,863
Public Works	9,846,657	10,300,134	8,904,024	10,127,663	7,520,866
Recreation and Human Services	6,677,536	6,147,992	6,424,691	6,562,245	6,364,297
Community Development	2,675,341	7,470,002	2,153,815	2,396,761	2,275,785
Interest and fiscal charges	1,805,649	1,466,193	1,564,640	1,609,611	1,643,644
Total governmental activities expenses:	63,157,118	69,743,902	61,849,006	58,913,696	52,958,795
Business-type Activities					
Municipal Bus Line	26,643,082	25,789,749	23,375,194	22,025,126	19,784,655
Sewer	1,021,131	849,779	862,965	802,636	787,616
Total business-type activities expenses:	27,664,213	26,639,528	24,238,159	22,827,762	20,572,271
Total primary government expenses:	90,821,331	96,383,430	86,087,165	81,741,458	73,531,066
<b>Program Revenues</b>					
Governmental Activities					
Charges for services:					
General Government	3,022,929	3,013,410	3,012,767	2,945,455	2,740,615
Public Safety	1,337,761	1,404,006	1,405,062	1,901,588	2,009,200
Public Works	340,541	384,600	291,644	323,113	274,531
Recreation and Human Services	2,238,445	2,092,788	1,998,540	2,015,733	2,282,245
Community Development	1,432,560	2,922,090	851,981	1,085,366	826,748
Operating Grants and Contributions	2,963,405	7,092,380	5,084,561	5,383,364	6,346,737
Capital Grants and Contributions	7,167,801	3,531,787	1,602,081	3,313,620	2,520,045
Total governmental activities program revenues:	18,503,442	20,441,061	14,246,636	16,968,239	17,000,121
Business-type Activities					
Charges for services:					
Municipal Bus Line	3,346,233	3,434,257	3,410,708	3,258,066	3,179,805
Sewer	727,054	922,304	732,421	698,540	710,336
Grants and Contributions	18,186,090	16,988,325	16,746,822	15,032,257	13,577,047
Total business-type activities program revenues:	22,259,377	21,344,886	20,889,951	18,988,863	17,467,188
Total primary government revenues:	40,762,819	41,785,947	35,136,587	35,957,102	34,467,309

<sup>(1)</sup> Loss on disposal of assets for Business-Type Activities - Municipal Bus Line were reclassified to the Municipal Bus Line's functional expenses for the fiscal year 2013-14.



**City of Gardena**  
**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years Ended June 30, 2015**  
**(accrual basis of accounting)**

	Fiscal Year				
	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Expenses</b>					
Governmental Activities					
General Government	6,810,404	7,359,877	6,278,952	6,477,684	6,359,197
Public Safety	29,073,301	29,174,505	28,467,330	25,404,538	25,626,890
Public Works	12,666,722	9,129,851	6,683,106	8,249,542	6,226,349
Recreation and Human Services	6,566,080	6,350,057	6,754,187	6,172,800	5,327,147
Community Development	2,382,432	2,225,022	2,896,734	2,273,604	3,070,971
Interest and fiscal charges	1,670,766	1,752,812	1,921,147	2,268,928	2,113,279
Total governmental activities expenses:	59,169,705	55,992,124	53,001,456	50,847,096	48,723,833
Business-type Activities					
Municipal Bus Line	19,824,401	15,573,659	14,741,966	14,221,718	14,337,486
Sewer	825,652	621,979	507,262	342,036	147,420
Total business-type activities expenses:	20,650,053	16,195,638	15,249,228	14,563,754	14,484,906
Total primary government expenses:	79,819,758	72,187,762	68,250,684	65,410,850	63,208,739
<b>Program Revenues</b>					
Governmental Activities					
Charges for services:					
General Government	2,366,413	2,179,923	2,306,141	2,650,299	5,849,589
Public Safety	1,859,417	2,014,136	2,121,887	1,851,006	1,196,091
Public Works	269,761	250,470	235,234	222,906	824,484
Recreation and Human Services	2,123,238	1,993,259	2,140,176	2,044,261	452,083
Community Development	703,007	604,849	775,318	1,118,600	1,037,126
Operating Grants and Contributions	7,677,970	6,463,703	6,093,654	4,944,446	11,748,272
Capital Grants and Contributions	1,118,767	884,103	1,211,120	1,637,162	2,263,484
Total governmental activities program revenues:	16,118,573	14,390,443	14,883,530	14,468,680	23,371,129
Business-type Activities					
Charges for services:					
Municipal Bus Line	3,062,578	2,876,238	2,626,290	2,151,476	2,399,926
Sewer	715,988	773,182	787,843	760,345	749,961
Grants and Contributions	33,189,735	19,426,795	33,801,504	20,676,280	20,236,513
Total business-type activities program revenues:	36,968,301	23,076,215	37,215,637	23,588,101	23,386,400
Total primary government revenues:	53,086,874	37,466,658	52,099,167	38,056,781	46,757,529

**City of Gardena**  
**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years Ended June 30, 2015**  
**(accrual basis of accounting)**

	Fiscal Year				
	2014-15	2013-14 <sup>(1)</sup>	2012-13	2011-12	2010-11
<b>Net (expense)/revenue:</b> <sup>(2)</sup>					
Governmental activities	(44,653,676)	(49,302,841)	(47,602,370)	(41,945,457)	(35,958,674)
Business-type activities	(5,404,836)	(5,294,642)	(3,348,208)	(3,838,899)	(3,105,083)
Total net revenues (expenses):	(50,058,512)	(54,597,483)	(50,950,578)	(45,784,356)	(39,063,757)
<b>General Revenue and Other Changes in Net Position</b>					
Governmental activities					
Taxes:					
Property taxes	6,402,520	6,192,249	5,924,450	5,740,677	5,798,031
Sales tax	9,965,476	9,472,341	9,093,802	8,112,695	7,233,151
Business license	2,547,148	2,218,097	2,224,694	2,120,052	2,228,790
Utility user taxes	5,335,375	5,383,285	5,224,829	5,211,568	4,534,246
Franchise taxes	2,417,342	2,351,576	2,311,421	2,277,747	2,259,808
Card club taxes	9,517,550	9,467,078	8,394,406	7,434,236	7,365,159
Other taxes	3,136,222	2,965,176	2,773,929	2,550,706	2,366,440
Vehicle license	5,166,984	4,958,745	4,792,063	4,754,240	4,952,630
Investment income	248,773	270,187	163,025	268,259	290,118
Miscellaneous	3,329,396	2,643,424	2,419,479	4,814,396	1,472,970
Transfers	200,846	408,925	1,397,691	1,180,312	445,135
Total governmental activities	48,267,632	46,331,083	44,719,789	44,464,888	38,946,478
Business-type activities					
Investment income	24,196	11,333	33,606	47,367	46,882
Miscellaneous	4,370	2,733	(45,366)	173,350	95,033
Transfers	(200,846)	(408,925)	(1,397,691)	(1,180,312)	(445,135)
Total business-type activities:	(172,280)	(394,859)	(1,409,451)	(959,595)	(303,220)
Total primary government:	48,095,352	45,936,224	43,310,338	43,505,293	38,643,258
<b>Change in Net Position</b>					
Governmental activities	3,613,956	(2,971,758)	(2,882,581)	2,519,431	2,987,804
Business-type activities	(5,577,116)	(5,689,501)	(4,757,659)	(4,798,494)	(3,408,303)
Total primary government:	(1,963,160)	(8,661,259)	(7,640,240)	(2,279,063)	(420,499)

<sup>(1)</sup> Loss on disposal of assets for Business-Type Activities - Municipal Bus Line were reclassified to the Municipal Bus Line's functional expenses for the fiscal year 2013-14.

<sup>(2)</sup> Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program specific grants versus its reliance upon funding from taxes and other general revenues.  
 -A number in parentheses are net expenses, indicating that expenses were greater than program revenues and therefore, general revenues were needed to finance that function or program.  
 -Numbers without parentheses are net revenues, meaning that program revenues were more than sufficient to cover expenses.

**City of Gardena**  
**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years Ended June 30, 2015**  
**(accrual basis of accounting)**

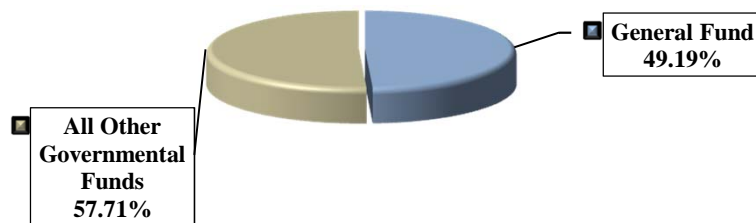
	Fiscal Year				
	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Net (expense)/revenue: <sup>(2)</sup></b>					
Governmental activities	(43,051,132)	(41,601,681)	(38,117,926)	(36,378,416)	(25,352,704)
Business-type activities	16,318,248	6,880,577	21,966,409	9,024,347	8,901,494
Total net revenues (expenses):	<u>(26,732,884)</u>	<u>(34,721,104)</u>	<u>(16,151,517)</u>	<u>(27,354,069)</u>	<u>(16,451,210)</u>
<b>General Revenue and Other Changes in Net Position</b>					
Governmental activities					
Taxes:					
Property taxes	5,859,335	6,037,336	5,757,421	5,439,214	5,144,953
Sales tax	6,574,657	8,946,532	9,544,897	9,247,256	8,277,714
Business license	2,065,730	2,229,475	2,186,129	2,209,614	-
Utility user taxes	4,382,844	4,567,849	4,426,718	4,432,509	4,267,459
Franchise taxes	1,706,257	2,033,635	2,033,544	2,095,135	1,930,779
Card club taxes	7,660,557	8,523,146	9,541,470	9,281,190	7,995,092
Other taxes	2,152,895	1,826,923	2,049,948	2,545,717	1,358,078
Vehicle license	4,922,131	4,957,484	4,777,727	4,121,467	-
Investment income	362,618	696,196	1,499,195	1,566,143	466,232
Miscellaneous	2,201,122	2,041,078	716,417	904,507	-
Transfers	187,552	713,678	20,507	40,067	(459,046)
Total governmental activities	<u>38,075,698</u>	<u>42,573,332</u>	<u>42,553,973</u>	<u>41,882,819</u>	<u>28,981,261</u>
Business-type activities					
Investment income	37,018	224,597	208,918	270,903	124,707
Miscellaneous	10,465	1,617	30	13,398	-
Transfers	(187,552)	(713,678)	(20,507)	(40,067)	459,046
Total business-type activities:	<u>(140,069)</u>	<u>(487,464)</u>	<u>188,441</u>	<u>244,234</u>	<u>583,753</u>
Total primary government:	<u>37,935,629</u>	<u>42,085,868</u>	<u>42,742,414</u>	<u>42,127,053</u>	<u>29,565,014</u>
<b>Change in Net Position</b>					
Governmental activities	(4,975,434)	971,651	4,436,047	5,504,403	3,628,557
Business-type activities	16,178,179	6,393,113	22,154,850	9,268,581	9,485,247
Total primary government:	<u>11,202,745</u>	<u>7,364,764</u>	<u>26,590,897</u>	<u>14,772,984</u>	<u>13,113,804</u>

- <sup>(2)</sup> Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program specific grants versus its reliance upon funding from taxes and other general revenues.
- A number in parentheses are net expenses, indicating that expenses were greater than program revenues and therefore, general revenues were needed to finance that function or program.
  - Numbers without parentheses are net revenues, meaning that program revenues were more than sufficient to cover expenses.

**City of Gardena**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years Ended June 30, 2015**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2014-15	2013-14	2012-13	2011-12	2010-11
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable (2)	179,244	181,457	198,145	201,163	758,634
Restricted (2)	327,752	57,980	56,014	40,951	48,922
Committed (2)	7,274,423	7,274,423	6,825,301	6,592,339	5,105,052
Assigned (2)	7,579,856	4,357,472	2,906,950	2,908,689	3,097,213
Unassigned (2)	400,362	238,582	274,236	217,873	257,210
Total General Fund:	<u>\$15,761,637</u>	<u>\$12,109,914</u>	<u>\$10,260,646</u>	<u>\$9,961,015</u>	<u>\$9,267,031</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Nonspendable (2)	4,734	-	8,990	5,770	5,550
Restricted (2)	13,048,054	13,526,150	15,233,078	14,623,784	11,900,924
Committed (2)	3,051,323	2,658,379	-	-	-
Assigned (2)	179,079	377,900	654,243	660,402	698,075
Total all other governmental funds:	<u>\$16,283,190</u>	<u>\$16,562,429</u>	<u>\$15,896,311</u>	<u>\$15,289,956</u>	<u>\$12,604,549</u>

**Fund Balances**  
**Fiscal Year Ended June 30, 2015**

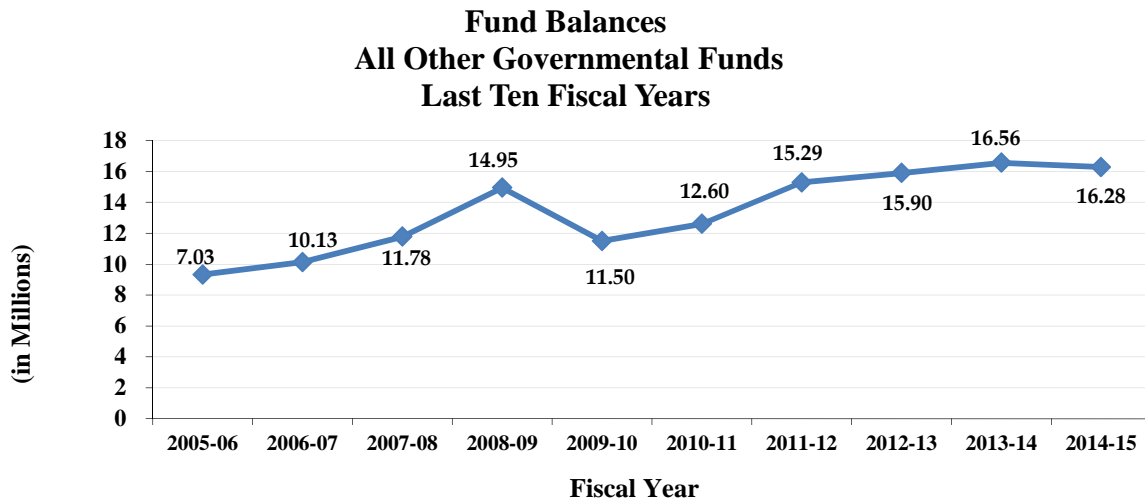


**NOTES:**

- (1) Reserved fund balance at June 30, 2006 includes unexpended bond proceeds from 2006 Series A, B & C Certificates of Participation.
- (2) New reporting requirements per GASB 54.

**City of Gardena**  
**Fund Balances of Governmental Funds (Continued)**  
**Last Ten Fiscal Years Ended June 30, 2015**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2009-10	2008-09	2007-08	2006-07	2005-06
General Fund					
Reserved	\$776,838	\$1,178,460	\$3,747,641	\$729,315	\$254,118
Unreserved	7,872,912	7,403,602	4,198,081	6,188,207	5,177,194
Nonspendable <sup>(2)</sup>	-	-	-	-	-
Restricted <sup>(2)</sup>	-	-	-	-	-
Committed <sup>(2)</sup>	-	-	-	-	-
Assigned <sup>(2)</sup>	-	-	-	-	-
Unassigned <sup>(2)</sup>	-	-	-	-	-
Total General Fund:	<u>\$8,649,750</u>	<u>\$8,582,062</u>	<u>\$7,945,722</u>	<u>\$6,917,522</u>	<u>\$5,431,312</u>
All Other Governmental Funds					
Reserved	\$3,461,656	\$3,418,166	\$3,608,370	\$3,377,888 <sup>(1)</sup>	\$2,318,689
Unreserved, reported in:					
Special revenue funds	7,285,104	10,352,492	6,689,722	5,309,559	4,903,829
Capital project funds	752,205	1,179,572	1,484,071	1,440,350	2,105,532
Nonspendable <sup>(2)</sup>	-	-	-	-	-
Restricted <sup>(2)</sup>	-	-	-	-	-
Committed <sup>(2)</sup>	-	-	-	-	-
Assigned <sup>(2)</sup>	-	-	-	-	-
Total all other governmental funds:	<u>\$11,498,965</u>	<u>\$14,950,230</u>	<u>\$11,782,163</u>	<u>\$10,127,797</u>	<u>\$9,328,050</u>



**NOTES:**

- <sup>(1)</sup> Reserved fund balance at June 30, 2006 includes unexpended bond proceeds from 2006 Series A, B & C Certificates of Participation.  
<sup>(2)</sup> New reporting requirements per GASB 54.

**City of Gardena**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years Ended June 30, 2015**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2014-15	2013-14	2012-13	2011-12	2010-11
<b>Revenues:</b>					
Taxes	\$44,488,617	\$43,008,547	\$40,739,594	\$38,201,922	\$36,738,257
Licenses and permits	1,109,169	1,023,180	915,614	948,646	722,541
Use of money and property	248,773	270,187	163,025	788,477	787,099
Intergovernmental	11,575,383	11,983,118	7,917,316	10,079,951	10,427,073
Fines, forfeitures, and penalties	1,433,758	1,226,243	1,629,217	4,320,435	1,635,058
Charges for services	4,208,616	4,146,210	4,087,263	4,191,605	4,021,370
Miscellaneous	3,141,148	2,754,989	2,116,705	1,721,779	1,170,066
Total Revenues:	66,205,464	64,412,474	57,568,734	60,252,815	55,501,464
<b>Expenditures:</b>					
Current:					
General government	5,108,064	4,938,101	6,256,927	5,637,263	4,436,711
Public safety	32,542,544	32,069,172	30,007,184	28,901,414	27,610,469
Public works	5,352,388	5,395,817	5,145,179	5,267,198	4,954,220
Recreation and Human resources	6,135,402	6,086,777	6,161,518	6,554,306	6,432,471
Community development	2,594,007	7,499,226	2,119,111	2,383,002	2,286,955
Capital outlay	8,064,783	6,075,302	5,806,502	6,368,035	4,363,450
Debt service:					
Principal	9,228,535	844,172	645,065	1,139,060	1,188,881
Interest and fiscal charges	2,029,383	1,482,716	1,518,953	1,553,458	1,590,577
Others <sup>(1)</sup>	-	-	-	-	-
Total Expenditures:	71,055,106	64,391,283	57,660,439	57,803,736	52,863,734
Excess of Revenues over (under) Expenditures	(4,849,642)	21,191	(91,705)	2,449,079	2,637,730
<b>Other Financing Sources (Uses):</b>					
Proceeds of long-term debt	9,221,280	2,521,577	-	-	-
Issuance of capital leases	-	201,829	-	-	-
Costs of Bond issuance	-	-	-	-	-
Escrow payment	-	-	-	-	-
Transfers in	10,368,953	7,765,591	7,379,793	8,316,550	5,875,179
Transfers out	(11,368,107)	(7,994,802)	(6,382,102)	(7,386,238)	(6,790,044)
Total Other Financing Sources (Uses):	8,222,126	2,494,195	997,691	930,312	(914,865)
Net change in fund balances	\$3,372,484	\$2,515,386	\$905,986	\$3,379,391	\$1,722,865
Debt service as a percentage of noncapital expenditures: <sup>(2)</sup>	17.16%	3.81%	4.00%	4.92%	5.61%

NOTE <sup>(1)</sup> In fiscal year 2006-07, the City of Gardena issued a Refunding Revenue Certificates of Participation Series 2007A to refund the Series 2001A bonds. Also \$2,646,000 were paid to the Union Bank and Sumitomo Bank to settle the 1991A&B Certificates of Participation completely.

In fiscal year 2014-15, the City refunded Certificates of Participation Series 2006 B by the Taxable Lease Revenue Refunding Bonds 2014.

<sup>(2)</sup> In fiscal year 2011-12 correction was made to percentages that were calculated in error.

**City of Gardena**  
**Changes in Fund Balances - Governmental Funds (Continued)**  
**Last Ten Fiscal Years Ended June 30, 2015**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Revenues:</b>					
Taxes	\$35,324,406	\$39,122,379	\$40,317,853	\$39,372,102	\$29,193,877
Licenses and permits	756,986	553,437	618,340	1,006,696	2,802,216
Use of money and property	800,589	1,155,013	1,499,195	1,566,144	1,008,505
Intergovernmental	10,987,467	9,817,734	9,601,379	8,773,066	13,936,489
Fines, forfeitures, and penalties	1,237,986	1,311,735	1,404,186	1,187,414	1,360,027
Charges for services	3,127,169	3,115,843	3,259,625	3,501,504	3,843,842
Miscellaneous	1,772,116	1,173,956	716,418	904,506	703,478
Total Revenues:	54,006,719	56,250,097	57,416,996	56,311,432	52,848,434
<b>Expenditures:</b>					
Current:					
General government	4,818,062	5,259,623	5,751,891	5,786,628	5,645,502
Public safety	27,828,064	28,306,413	26,497,252	24,996,447	23,982,058
Public works	4,981,970	5,474,205	5,007,564	5,005,971	5,458,056
Recreation and Human resources	6,325,339	6,194,222	6,201,136	6,153,673	5,006,004
Community development	2,327,038	2,194,422	2,824,473	2,248,138	2,970,976
Capital outlay	8,448,679	2,925,685	2,653,503	3,849,204	1,958,600
Debt service:					
Principal	1,297,619	1,223,482	1,083,364	665,039	1,482,709
Interest and fiscal charges	1,632,255	1,698,168	1,735,754	1,133,232	2,106,345
Others <sup>(1)</sup>	-	-	-	132,164	-
Total Expenditures:	57,659,026	53,276,220	51,754,937	49,970,496	48,610,250
Excess of Revenues over (under) Expenditures	-3,652,307	2,973,877	5,662,059	6,340,936	4,238,184
<b>Other Financing Sources (Uses):</b>					
Proceeds of long-term debt	-	-	-	2,800,000	24,660,000
Issuance of capital leases	-	125,957	-	-	-
Costs of Bond issuance	-	-	-	-	(1,538,565)
Escrow payment	-	-	-	(5,447,231)	(22,443,531)
Transfers in	11,650,983	6,316,115	5,454,457	9,786,109	28,114,006
Transfers out	(11,463,431)	(5,602,437)	(8,433,950)	(11,346,042)	(29,473,052)
Total Other Financing Sources (Uses):	187,552	839,635	(2,979,493)	(4,207,164)	(681,142)
Net change in fund balances	(\$3,464,755)	\$3,813,512	\$2,682,566	\$2,133,772	\$3,557,042
Debt service as a percentage of noncapital expenditures:	5.29%	5.80%	5.76%	3.89%	7.42%

NOTE <sup>(1)</sup> In fiscal year 2006-07, the City of Gardena issued a Refunding Revenue Certificates of Participation Series 2007A to refund the Series 2001A bonds. Also \$2,646,000 were paid to the Union Bank and Sumitomo Bank to settle the 1991A&B Certificates of Participation completely.

In fiscal year 2014-15, the City refunded Certificates of Participation Series 2006 B by the Taxable Lease Revenue Refunding Bonds 2014.

<sup>(2)</sup> In fiscal year 2011-12 correction was made to percentages that were calculated in error.

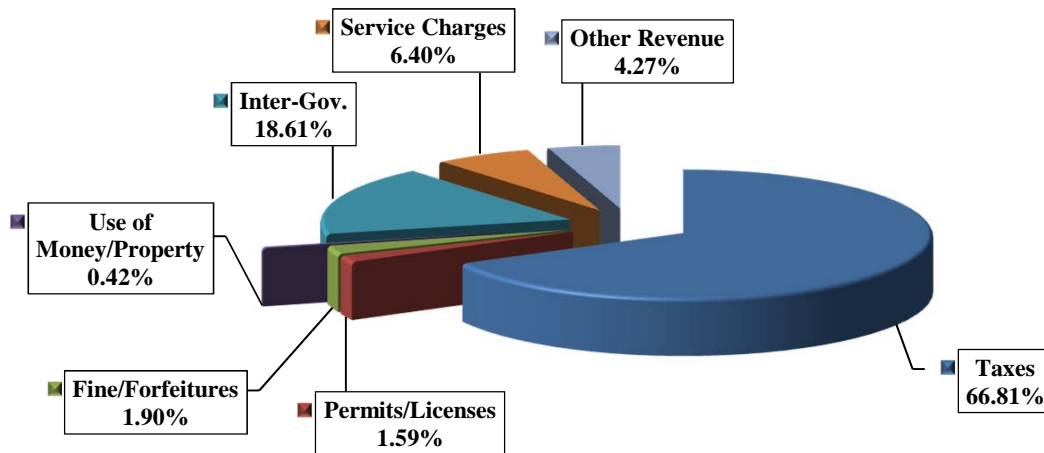
# City of Gardena

## Governmental Revenues By Sources

### Last Ten Fiscal Years

Fiscal Year	Taxes	Permits, Licenses and Fees	Fines and Forfeitures	Uses of Money and Property
2005-06	29,193,877	2,802,216	1,360,027 <sup>(2)</sup>	1,008,505
2006-07	39,372,102 <sup>(1)</sup>	1,006,696	1,187,414	1,566,144
2007-08	40,317,853	618,340	1,404,186	1,499,195
2008-09	39,122,379	553,437	1,311,735	1,155,013
2009-10	35,324,406	756,986	1,237,986	800,589
2010-11	36,738,257	722,541	1,635,058	787,099
2011-12	38,201,922	948,646	4,320,435	788,477
2012-13	40,739,594	915,614	1,629,217	163,025
2013-14	43,008,547	1,023,180	1,226,243	270,187
2014-15	44,488,617	1,109,169	1,433,758	248,773

### General Revenues by Sources Fiscal Year Ended June 30, 2015



<sup>(1)</sup> Vehicle in-lieu and Vehicle license fees offset of \$4,534,740 are recategorized for Taxes, which were previously in Intergovernmental category.

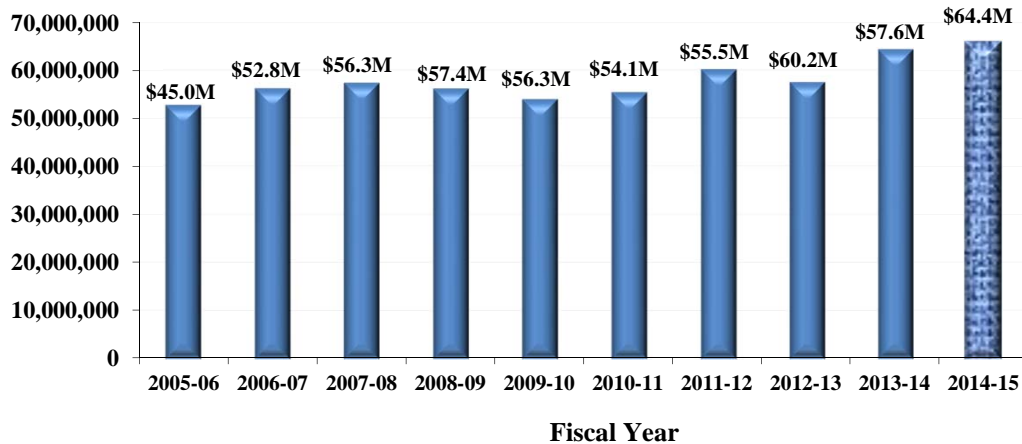
<sup>(2)</sup> Fines and Forfeitures category was increased since fiscal year 2005-06 when the Traffic Red Light Violation system installed.



**City of Gardena**  
**Governmental Revenues By Sources (Continued)**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Inter-Governmental</b>	<b>Charges for Services</b>	<b>Other Revenues</b>	<b>Total</b>
2005-06	13,936,489	3,843,842	703,478	52,848,434
2006-07	8,773,066	3,501,504	904,506	56,311,432
2007-08	9,601,379	3,259,625	716,418	57,416,996
2008-09	9,817,734	3,115,843	1,173,956	56,250,097
2009-10	10,987,467	3,127,169	1,772,116	54,006,719
2010-11	10,427,073	4,021,370	1,170,066	55,501,464
2011-12	10,079,951	4,191,605	1,721,779	60,252,815
2012-13	7,917,316	4,087,263	2,116,705	57,568,734
2013-14	11,983,118	4,146,210	2,754,989	64,412,474
2014-15	11,575,383	4,208,616	3,141,148	66,205,464

**General Revenues by Sources**  
**Last Ten Fiscal Years**



<sup>(1)</sup> Vehicle in-lieu and Vehicle license fees offset of \$4,534,740 are recategorized for Taxes, which were previously in Intergovernmental category.

<sup>(2)</sup> Fines and Forfeitures category was increased since fiscal year 2005-06 when the Traffic Red Light Violation system installed.

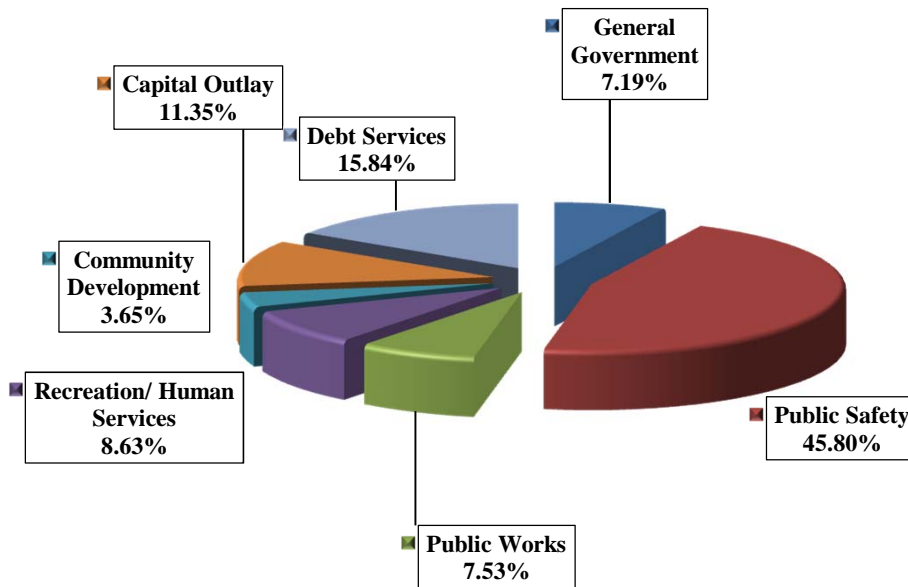
# City of Gardena

## General Governmental Expenditures By Function

### Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Recreation and Human Services
2005-06	5,645,502	23,982,058	5,458,056	5,006,004
2006-07	5,786,628	24,996,447	5,005,971	6,153,673
2007-08	5,751,891	26,497,252	5,007,564	6,201,136
2008-09	5,259,623	28,306,413	5,474,205	6,194,222
2009-10	4,818,062	27,828,064	4,981,970	6,325,339
2010-11	4,436,711	27,610,469	4,954,220	6,432,471
2011-12	5,637,263	28,901,414	5,267,198	6,554,306
2012-13	6,256,927	30,007,184	5,145,179	6,161,518
2013-14	4,938,101	32,069,172	5,395,817	6,086,777
2014-15	5,108,064	32,542,544	5,352,388	6,135,402

## General Governmental Expenditures by Function Fiscal Year ended June 30, 2015



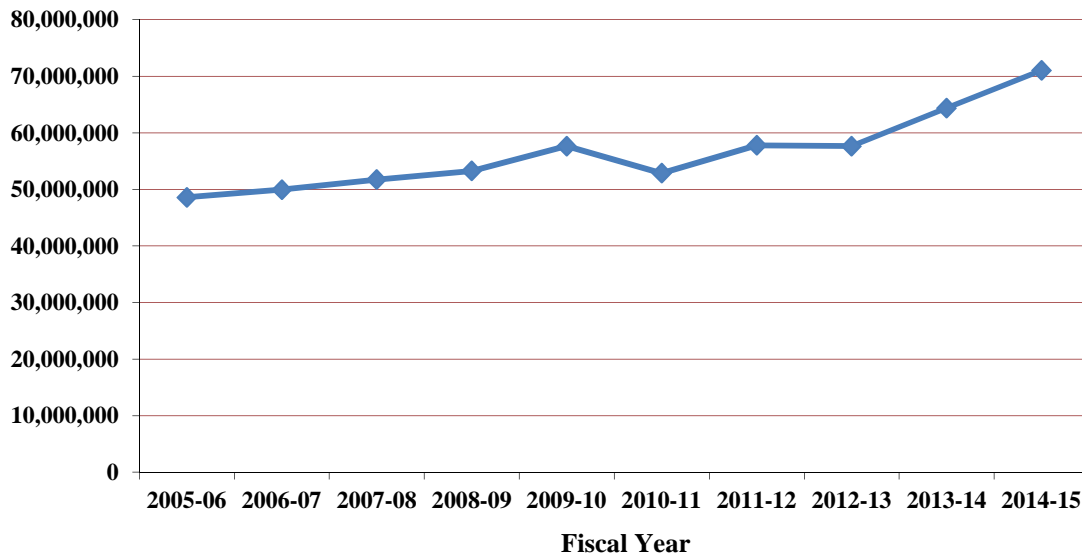
Note: These figures include all governmental fund types and exclude other financing sources (uses).  
(General, Special Revenue, Capital Projects and Debt Service Funds)

(1) These figures include Lease/Bonds, Payments for Debt Services and excluding Cost of bonds issuance and escrow payments.

**City of Gardena**  
**General Governmental Expenditures By Function (Continued)**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Community Development</b>	<b>Capital Outlay</b>	<b>Debt Service <sup>(1)</sup></b>	<b>Total</b>
2005-06	2,970,976	1,958,600	3,589,054	48,610,251
2006-07	2,248,138	3,849,204	1,930,435	49,970,496
2007-08	2,824,473	2,653,503	2,819,118	51,754,937
2008-09	2,194,422	2,925,685	2,921,650	53,276,220
2009-10	2,327,038	8,448,679	2,929,874	57,659,026
2010-11	2,286,955	4,363,450	2,779,458	52,863,734
2011-12	2,383,002	6,368,035	2,692,518	57,803,736
2012-13	2,119,111	5,806,502	2,164,018	57,660,439
2013-14	7,499,226	6,075,302	2,326,888	64,391,283
2014-15	2,594,007	8,064,783	11,257,918	71,055,106

**Total General Governmental Expenditures**  
**Last Ten Fiscal Years**



Note: These figures include all governmental fund types and exclude other financing sources (uses).  
 (General, Special Revenue, Capital Projects and Debt Service Funds)

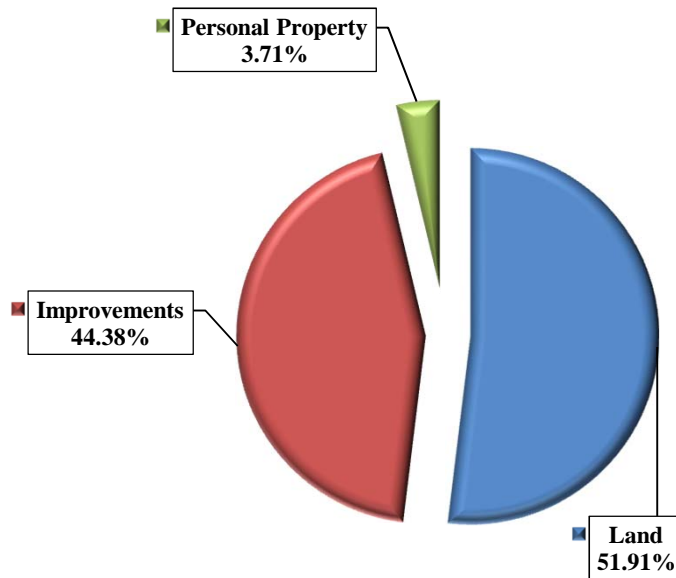
<sup>(1)</sup> These figures include Lease/Bonds, Payments for Debt Services and excluding Cost of bonds issuance and escrow payments.

# City of Gardena

## Assessed Valuation <sup>(1)</sup> and Actual Value of Taxable Property Last Ten Fiscal Years

Fiscal Year	STATE ASSESSED				LOCALLY ASSESSED				
	SECURED -UTILITY				SECURED				
	Land	Improve- ments	Personal Property	Total	Land	Improve- ments	Personal Property	Other Exemptions	Total
2005-06	4,136,208	115,598	56,432	4,308,238	1,913,789,622	1,686,202,413	23,963,136	(69,526,477)	3,554,428,694
2006-07	4,112,860	98,261	46,398	4,257,519	2,167,687,753	1,817,827,814	23,346,248	(76,777,041)	3,932,084,774
2007-08	4,004,905	17,212	0	4,022,117	2,418,979,034	1,870,211,884	14,985,643	(84,512,157)	4,219,664,404
2008-09	4,004,905	17,212	0	4,022,117	2,590,827,844	1,954,304,143	17,809,422	(90,284,731)	4,472,656,678
2009-10	3,748,177	500	0	3,748,677	2,542,363,726	1,965,076,314	18,326,833	(92,796,442)	4,432,970,431
2010-11	3,785,148	500	0	3,785,648	2,485,326,071	1,944,955,301	18,265,803	(85,222,871)	4,363,324,304
2011-12	3,447,381	500	0	3,447,881	2,495,176,359	1,970,054,531	19,208,150	(92,371,852)	4,392,067,188
2012-13	3,447,381	500	0	3,447,881	2,523,336,461	2,007,313,501	19,615,465	(100,457,741)	4,449,807,686
2013-14	3,447,381	500	0	3,447,881	2,610,426,775	2,096,160,323	20,014,837	(93,299,293)	4,633,302,642
2014-15	3,447,381	500	0	3,447,881	2,733,522,040	2,198,829,256	21,125,783	(101,657,690)	4,851,819,389

### Assessed Valuation by Categories (Total Secured and Unsecured) Fiscal Year Ended June 30, 2015



In 1978, California voters passed Proposition 13 which set the property tax at a 1.00% fixed amount. This 1.00% is shared by all the taxing agencies for which the subject property resides within. In addition to 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds. Assessed valuation is based on 100% of full value in accordance with Section 135 of the California Revenue and Taxation Code.

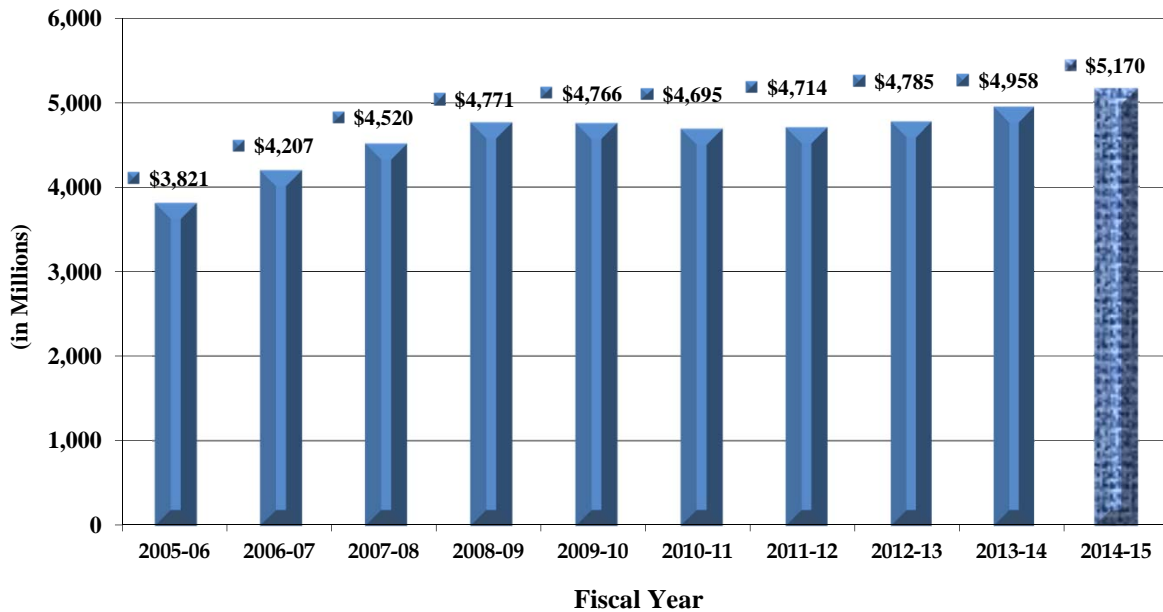
Source: <sup>(1)</sup> County of Los Angeles, Auditor-Controller Office/Tax Division.

<sup>(2)</sup> Hdl Coren & Cone.

**City of Gardena**  
**Assessed Valuation <sup>(1)</sup> and Actual Value of Taxable Property (Continued)**  
**Last Ten Fiscal Years**

Fiscal Year	LOCALLY ASSESSED				TOTALS				
	Improve- ments	Personal Property	Other Exemptions	Total	Before Other Exemptions	Taxable Assessed Value	% INCR. (DECR.)	Total Direct Rate <sup>(2)</sup>	Home- Owner Property Tax Relief
2005-06	113,750,915	148,777,712	(65,500)	262,463,127	3,890,792,036	3,821,207,059	8.70%	0.11105%	51,300,092
2006-07	114,113,734	156,538,281	(73,000)	270,579,015	4,283,822,068	4,206,972,027	10.09%	0.11109%	51,407,691
2007-08	140,513,986	156,365,383	(105,000)	296,774,369	4,605,078,047	4,520,460,890	7.45%	0.11345%	51,546,208
2008-09	127,099,833	167,269,584	(77,000)	294,292,417	4,861,332,943	4,770,971,212	5.54%	0.11340%	52,084,479
2009-10	143,615,095	185,987,533	(103,000)	329,499,628	4,859,118,178	4,766,218,736	-0.10%	0.11876%	52,462,106
2010-11	152,536,542	175,904,412	(98,000)	328,342,954	4,780,773,777	4,695,452,906	-1.48%	0.11882%	52,044,078
2011-12	148,213,077	170,398,528	(93,000)	318,518,605	4,806,498,526	4,714,033,674	0.40%	0.11884%	51,729,593
2012-13	151,830,307	179,827,045	(100,604)	331,556,748	4,885,370,660	4,784,812,315	1.50%	0.11875%	50,719,063
2013-14	145,965,185	175,158,651	(108,000)	321,015,836	5,051,173,652	4,957,766,359	3.61%	0.11856%	50,015,653
2014-15	140,748,595	174,403,010	(89,000)	315,062,605	5,272,076,565	5,170,329,875	4.29%	11.83700%	49,327,059

**Total Assessed Valuation  
(Taxable Values)  
Last Ten Fiscal Years**



In 1978, California voters passed Proposition 13 which set the property tax at a 1.00% fixed amount. This 1.00% is shared by all the taxing agencies for which the subject property resides within. In addition to 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds. Assessed valuation is based on 100% of full value in accordance with Section 135 of the California Revenue and Taxation Code.

Source: <sup>(1)</sup> County of Los Angeles, Auditor-Controller Office/Tax Division.

<sup>(2)</sup> Hdl Coren & Cone.

**City of Gardena**  
**Assessed Value of Property by User Code**  
**Last Ten Fiscal Years**

CATEGORY	Fiscal Year				
	2014-15	2013-14	2012-13	2011-12	2010-11
Residential	\$3,247,456,567	\$3,069,926,331	\$2,964,299,525	\$2,928,170,695	\$2,911,633,835
Commercial	715,396,379	680,433,002	656,284,650	654,739,043	651,966,960
Industrial	735,316,073	726,907,557	710,111,242	685,590,136	680,070,403
Irrigated Farm	-	-	-	-	-
Recreational	38,689,706	38,596,521	38,681,903	39,093,769	37,970,527
Institutional	62,243,721	68,337,737	29,057,255	33,433,960	40,203,021
Miscellaneous	-	-	-	-	-
Vacant land	46,471,775	43,043,588	45,420,007	45,486,424	36,066,401
SBE Nonunitary	3,447,881	3,447,881	3,447,881	3,447,881	3,785,648
Possessory Int.	6,245,168	6,057,906	5,953,104	5,553,161	5,413,157
Unsecured	315,062,605	321,015,836	331,556,748	318,518,605	328,342,954
Unknown	-	-	-	-	-
	5,170,329,875	4,957,766,359	4,784,812,315	4,714,033,674	4,695,452,906
Homeowner Exemption <sup>(1)</sup>	-	-	-	-	-
<b>TOTALS:</b>	<b>\$5,170,329,875</b>	<b>\$4,957,766,359</b>	<b>\$4,784,812,315</b>	<b>\$4,714,033,674</b>	<b>\$4,695,452,906</b>

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

-Exempt values are not included in Total.

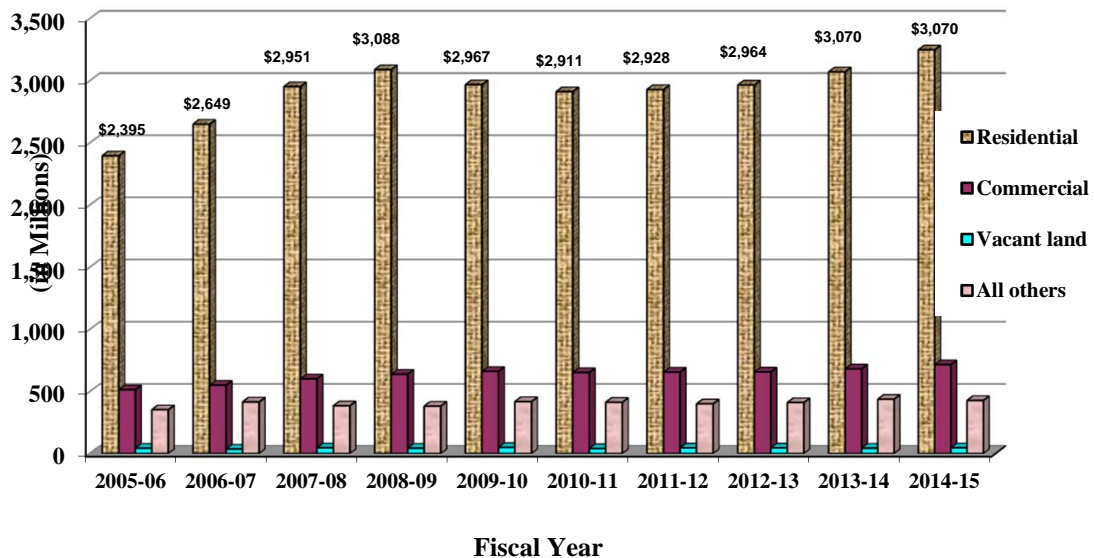
<sup>(1)</sup> -In 2006-07 certain report formatting changes have been made to comply with GASB 44 standard reporting requirements; therefore, the net of Homeowner Exemption is separated from previous years.

Source: L.A. County Assessor 2005/06-2014/15 Combined Tax Rolls, HdL, Coren & Cone

**City of Gardena**  
**Assessed Value of Property by User Code (Continued)**  
**Last Ten Fiscal Years**

CATEGORY	Fiscal Year				
	2009-10	2008-09	2007-08	2006-07	2005-06
Residential	\$2,967,752,342	\$3,088,152,735	\$2,951,188,834	\$2,649,261,410	\$2,394,480,356
Commercial	661,412,473	637,873,533	601,086,586	550,385,388	513,466,465
Industrial	671,982,631	621,221,030	537,618,285	556,963,237	517,651,320
Irrigated Farm	-	-	380,583	373,122	365,807
Recreational	38,835,383	39,124,755	35,688,999	36,070,433	35,457,538
Institutional	35,342,641	32,840,476	39,369,829	38,767,413	40,732,166
Miscellaneous	-	-	-	279,315	-
Vacant land	49,773,918	43,472,782	45,839,532	36,652,921	43,187,258
SBE Nonunitary	3,748,677	4,022,117	4,022,117	4,257,519	4,308,238
Possessory Int.	7,871,043	9,971,367	8,491,756	8,166,802	8,517,297
Unsecured	329,499,628	294,292,417	296,774,369	270,579,015	262,470,127
Unknown	-	-	-	3,764,042	570,487
	4,766,218,736	4,770,971,212	4,520,460,890	4,155,520,617	3,821,207,059
Homeowner Exemption	(1) -	-	-	51,400,691	-
<b>TOTALS:</b>	<b>\$4,766,218,736</b>	<b>\$4,770,971,212</b>	<b>\$4,520,460,890</b>	<b>\$4,206,921,308</b>	<b>\$3,821,207,059</b>

**Assessed Value - Taxable Property**  
**Last Ten Fiscal Years**



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

-Exempt values are not included in Total.

(1) -In 2006-07 certain report formatting changes have been made to comply with GASB 44 standard reporting requirements; therefore, the net of Homeowner Exemption is separated from previous years.

Source: L.A. County Assessor 2005/06-2014/15 Combined Tax Rolls, HdL, Coren & Cone

**City of Gardena**  
**Assessed Value and Estimated Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(in thousands)**

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<b>Fiscal</b>								
<b>Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Agriculture</b>	<b>Recreational</b>	<b>Institutional</b>	<b>Miscellaneous</b>	<b>Vacant land</b>
2005-06	2,394,481	513,466	517,651	366	35,458	40,732	-	43,187
2006-07	2,649,261	550,386	556,963	373	36,070	38,767	279	36,653
2007-08	2,951,189	601,086	537,618	381	35,689	39,370	-	45,840
2008-09	3,088,153	637,874	621,221	-	39,125	32,840	-	43,473
2009-10	2,967,752	661,412	671,983	-	38,835	35,343	-	49,774
2010-11	2,911,634	651,967	680,070	-	37,970	40,203	-	36,066
2011-12	2,928,171	654,739	685,590	-	39,094	33,434	-	45,486
2012-13	2,964,300	656,285	710,111	-	38,682	29,057	-	45,420
2013-14	3,069,926	680,433	726,908	-	38,597	68,338	-	43,043
2014-15	3,247,457	715,396	735,316	-	38,690	62,244	-	46,472

NOTES: Report formatting changes have been made to comply with GASB 44 standard reporting requirements.  
Public Utility values are not included in this report.

<sup>(1)</sup> Tax Rate Areas: TRA 000576

-Tax rate limit: A state constitutional amendment (Proposition 13) provided that the tax rate was limited to 1% of full cash values, levied only by the County and shared with all other jurisdictions. All other jurisdictions and the County can levy a tax rate for voter-approved debt.

<sup>(2)</sup> Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sales price and the Factor of Taxable Assessed Value is the result. This factor is changing from year to year; however, since the previous fiscal years calculating data is not available, the fiscal year 2007-08 factor is used.

Source: L.A. County Assessor 2005/06-2014/15 Combined Tax Rolls, HdL, Coren & Cone



**City of Gardena**  
**Assessed Value and Estimated Value of Taxable Property (Continued)**  
**Last Ten Fiscal Years**  
**(in thousands)**

<b>Fiscal</b>						<b>Total</b>	<b>Estimated</b>	<b>Factor of</b>
<b>Year</b>	<b>SBE</b>	<b>Possessory Int.</b>	<b>Unsecured</b>	<b>Unknown</b>	<b>TOTAL</b>	<b>Direct</b>	<b>Taxable</b>	<b>Taxable</b>
	<b>Nonunitary</b>					<b>Tax</b>		<b>Assessed</b>
						<b>Rate <sup>(1)</sup></b>	<b>Value <sup>(2)</sup></b>	<b>Value</b>
2005-06	4,308	8,518	262,470	570	3,821,207	0.11105	5,096,382	1.33371
2006-07	4,258	8,167	270,579	55,165	4,206,921	0.11105	5,610,813	1.33371
2007-08	4,022	8,492	296,774	-	4,520,461	0.11109	6,028,984	1.33371
2008-09	4,022	9,971	294,292	-	4,770,971	0.11340	6,363,092	1.33371
2009-10	3,749	7,871	329,500	-	4,766,219	0.11876	6,356,754	1.33371
2010-11	3,786	5,413	328,343	-	4,695,452	0.11882	6,262,371	1.33371
2011-12	3,448	5,553	318,519	-	4,714,034	0.11884	6,287,154	1.33371
2012-13	3,448	5,953	331,557	-	4,784,813	0.11875	6,381,553	1.33371
2013-14	3,448	6,058	321,015	-	4,957,766	0.11856	6,612,222	1.33371
2014-15	3,448	6,245	315,062	-	5,170,330	0.11837	6,895,721	1.33371

NOTES: Report formatting changes have been made to comply with GASB 44 standard reporting requirements.  
Public Utility values are not included in this report.

<sup>(1)</sup> Tax Rate Areas: TRA 000576

-Tax rate limit: A state constitutional amendment (Proposition 13) provided that the tax rate was limited to 1% of full cash values, levied only by the County and shared with all other jurisdictions. All other jurisdictions and the County can levy a tax rate for voter-approved debt.

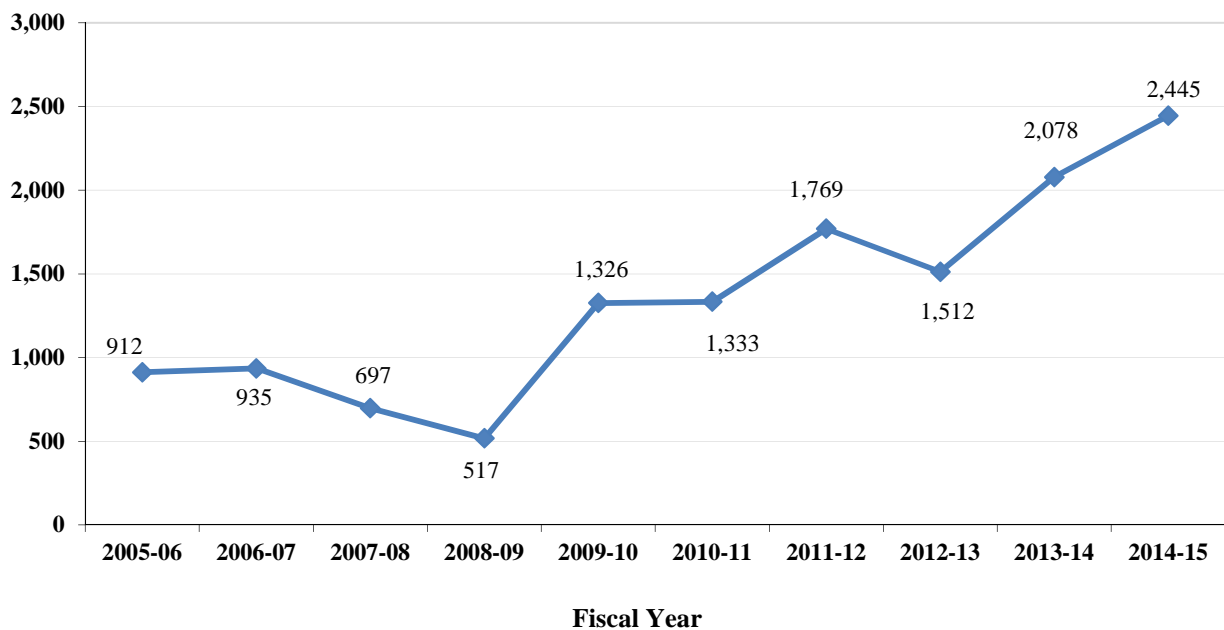
<sup>(2)</sup> Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sales price and the Factor of Taxable Assessed Value is the result. This factor is changing from year to year; however, since the previous fiscal years calculating data is not available, the fiscal year 2007-08 factor is used.

Source: L.A. County Assessor 2005/06-2014/15 Combined Tax Rolls, HdL, Coren & Cone

**City of Gardena**  
**Construction and Bank Deposits**  
**(Miscellaneous Information)**  
**Last Ten Fiscal Years**

CONSTRUCTION <sup>(1)</sup>						
Fiscal Year	Residential		Commercial		Industrial	
	No. of Permits	Valuation	No. of Permits	Valuation	No. of Permits	Valuation
2005-06	213	11,176,303	38	6,978,191	9	2,801,000
2006-07	266	25,480,038	55	30,617,450	9	2,850,000
2007-08	177	6,346,842	36	4,213,600	15	10,197,059
2008-09	98	2,613,805	37	4,368,160	8	1,357,900
2009-10	365	11,835,000	206	11,286,700	13	300,865
2010-11	392	7,588,260	197	17,451,113	19	10,806,397
2011-12	497	19,524,232	250	20,810,123	7	351,358
2012-13	430	10,378,040	239	12,953,704	4	116,531
2013-14	650	11,943,363	232	10,733,859	2	225,600
2014-15	785	11,173,245	295	10,524,008	2	63,500

**Number of Permits**  
**Last Ten Fiscal Years**

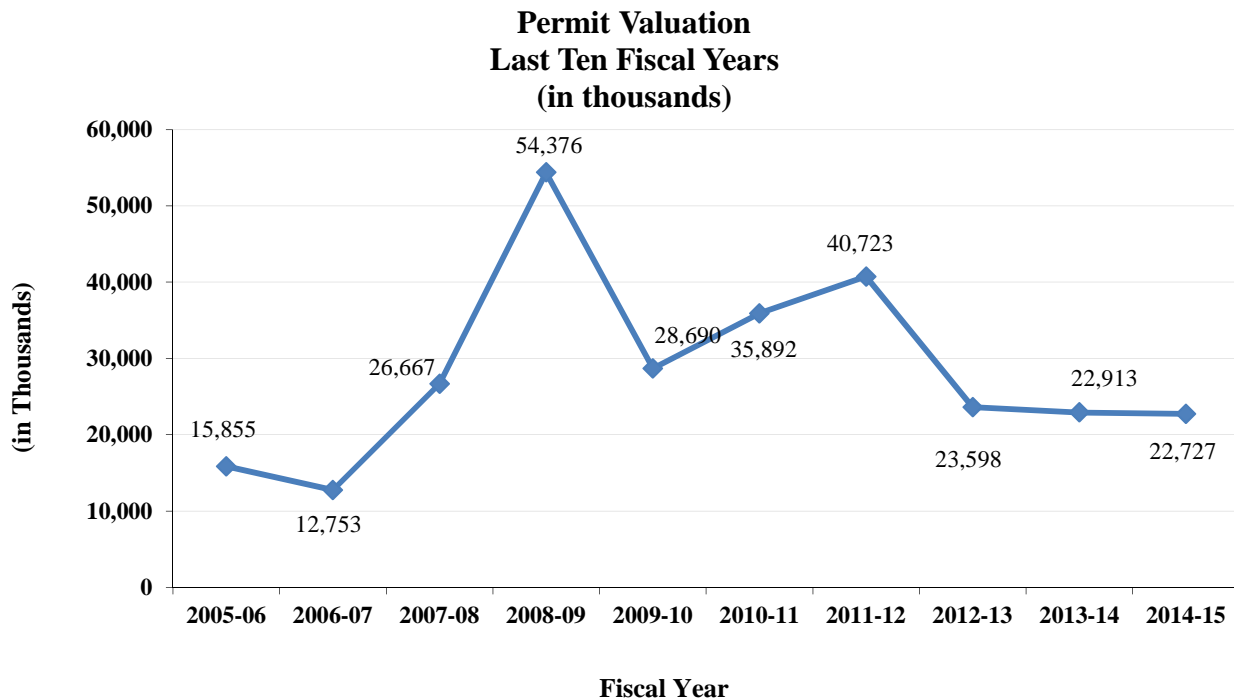


Sources: <sup>(1)</sup> City of Gardena, Community Development Department.

<sup>(2)</sup> FDIC, savings and loan associations and credit unions are not included.

**City of Gardena**  
**Construction and Bank Deposits (Continued)**  
**(Miscellaneous Information)**  
**Last Ten Fiscal Years**

CONSTRUCTION <sup>(1)</sup>					
Fiscal Year	All others		Total		Bank
	No. of Permits	Valuation	No. of Permits	Valuation	Deposits <sup>(2)</sup>
					(in Thousands)
2005-06	652	7,734,953	912	28,690,447	2,520,003
2006-07	605	20,020,678	935	78,968,166	2,491,988
2007-08	469	5,718,715	697	26,476,216	2,517,406
2008-09	374	5,282,180	517	13,622,045	2,517,697
2009-10	742	268,219	1,326	23,690,784	1,587,681
2010-11	725	46,000	1,333	35,891,770	1,535,389
2011-12	1,015	37,000	1,769	40,722,713	1,514,391
2012-13	839	150,000	1,512	23,598,275	1,609,537
2013-14	1,194	10,000	2,078	22,912,822	1,694,573
2014-15	1,363	966,527	2,445	22,727,280	1,656,979



Sources: <sup>(1)</sup> City of Gardena, Community Development Department.

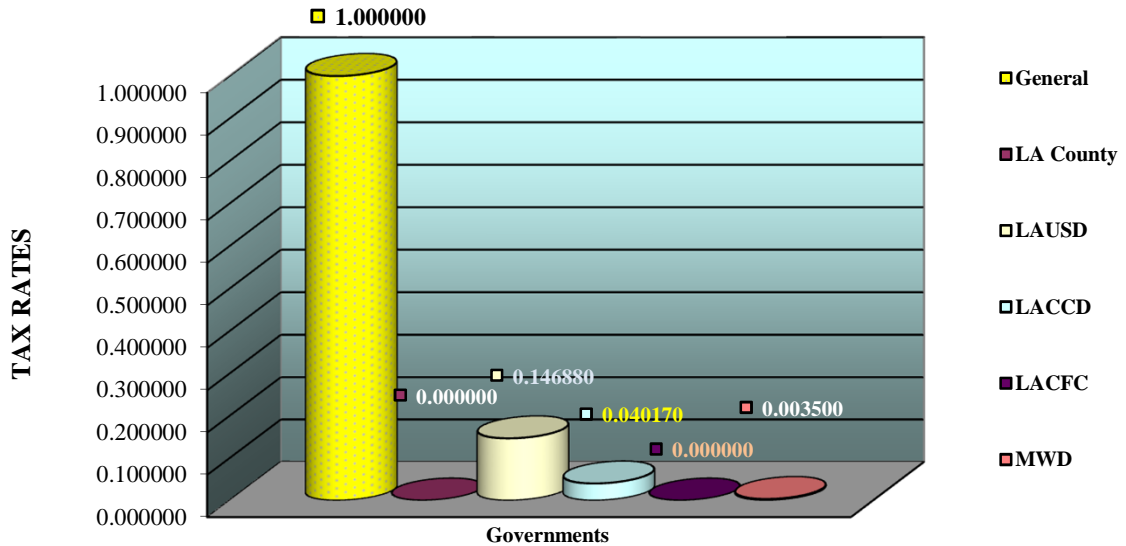
<sup>(2)</sup> FDIC, savings and loan associations and credit unions are not included.

**City of Gardena**  
**Property Tax Rates <sup>(1)</sup> - All Overlapping Governments**  
**Last Ten Fiscal Years**  
**(Rate per \$100 of Taxable Value)**

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Fiscal Year	General	Los Angeles County	Los Angeles Unified School District
2005-06	1.000000	0.000795	0.084346
2006-07	1.000000	0.000663	0.106814
2007-08	1.000000	0.000000	0.123360
2008-09	1.000000	0.000000	0.124780
2009-10	1.000000	0.000000	0.151810
2010-11	1.000000	0.000000	0.186950
2011-12	1.000000	0.000000	0.168190
2012-13	1.000000	0.000000	0.175600
2013-14	1.000000	0.000000	0.146440
2014-15	1.000000	0.000000	0.146880

**Property Tax Rates -All Overlapping Governments**  
**Fiscal Year ended June 30, 2015**



<sup>(1)</sup> Tax Rate Areas: TRA 000576

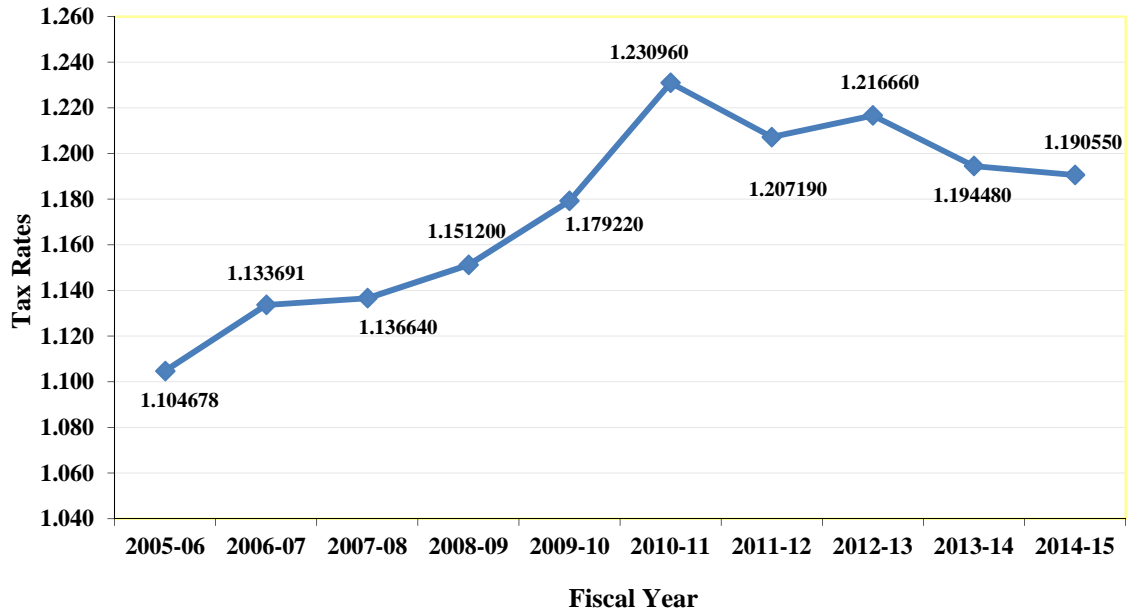
-Tax rate limit: A state constitutional amendment (Proposition 13) provided that the tax rate was limited to 1% of full cash values, levied only by the County and shared with all other jurisdictions. All other jurisdictions and the County can levy a tax rate for voter-approved debt.

Source: L.A. County Assessor 2005/06-2014/15 Combined Tax Rolls, HdL, Coren & Cone

**City of Gardena**  
**Property Tax Rates <sup>(1)</sup> - All Overlapping Governments (Continued)**  
**Last Ten Fiscal Years**  
**(Rate per \$100 of Taxable Value)**

<b>Fiscal Year</b>	<b>Los Angeles Community College District</b>	<b>Los Angeles County Flood Control</b>	<b>Metropolitan Water District</b>	<b>Total</b>
2005-06	0.014288	0.000049	0.005200	1.104678
2006-07	0.021462	0.000052	0.004700	1.133691
2007-08	0.008780	0.000000	0.004500	1.136640
2008-09	0.022120	0.000000	0.004300	1.151200
2009-10	0.023110	0.000000	0.004300	1.179220
2010-11	0.040310	0.000000	0.003700	1.230960
2011-12	0.035300	0.000000	0.003700	1.207190
2012-13	0.037560	0.000000	0.003500	1.216660
2013-14	0.044540	0.000000	0.003500	1.194480
2014-15	0.040170	0.000000	0.003500	1.190550

**Total Overlapping Governments  
Last Ten Fiscal Years**



<sup>(1)</sup> Tax Rate Areas: TRA 000576

-Tax rate limit: A state constitutional amendment (Proposition 13) provided that the tax rate was limited to 1% of full cash values, levied only by the County and shared with all other jurisdictions. All other jurisdictions and the County can levy a tax rate for voter-approved debt.

Source: L.A. County Assessor 2005/06-2014/15 Combined Tax Rolls, HdL, Coren & Cone

**City of Gardena**  
**Direct and Overlapping Property Tax Rates**  
**(rate per \$100 of assessed value)**  
**Ten Fiscal Year Detail of Rates for Largest General Fund Tax Rates Area 00576**  
**(Proposition 13 Rate)**

Agency	FISCAL YEAR				
	14-15	13-14	12-13	11-12	10-11
City of Gardena Tax District 1	0.11157 %	0.11157 %	0.11157 %	0.11157 %	0.11157 %
Children's Institutional Tuition Fund	0.00285 %	0.00285 %	0.00285 %	0.00285 %	0.00285 %
County Sanitation District No. 5 Operations	0.01256 %	0.01256 %	0.01256 %	0.01256 %	0.01256 %
County School Services	0.00144 %	0.00144 %	0.00144 %	0.00144 %	0.00144 %
County School Service Fund of Angeles -LAUSD	0.00001 %	0.00001 %	0.00001 %	0.00001 %	0.00001 %
Development Center for Handicapped Minors -LA Unified School District	0.00127 %	0.00127 %	0.00127 %	0.00127 %	0.00127 %
Educational Augmentation Fund Impound	0.16240 %	0.16240 %	0.16240 %	0.16240 %	0.16240 %
Educational Augmentation Fund (ERAF) Impound	0.07820 %	0.07820 %	0.07820 %	0.07827 %	0.07827 %
LA County Community College District	0.03070 %	0.03070 %	0.03070 %	0.03070 %	0.03070 %
LA County Community College Children's Center Fund	0.00032 %	0.00032 %	0.00032 %	0.00032 %	0.00032 %
LA County Accumulative Capital Outlays	0.00012 %	0.00012 %	0.00012 %	0.00012 %	0.00012 %
LA County Fire - Ffw	0.00747 %	0.00747 %	0.00747 %	0.00747 %	0.00747 %
LA County Flood Control Improvement District	0.00178 %	0.00178 %	0.00178 %	0.00178 %	0.00178 %
LA County Library	0.02380 %	0.02380 %	0.02380 %	0.02380 %	0.02380 %
LA County Flood Control Maintenance	0.01007 %	0.01007 %	0.01007 %	0.01007 %	0.01007 %
Los Angeles Children's Center Fund	0.00371 %	0.00371 %	0.00371 %	0.00371 %	0.00371 %
LA County General	0.32520 %	0.32520 %	0.32520 %	0.32520 %	0.32520 %
Los Angeles Unified School District	0.22590 %	0.22590 %	0.22590 %	0.22590 %	0.22590 %
Greater L A Co Vector Control	0.00038 %	0.00038 %	0.00038 %	0.00038 %	0.00038 %
Water Replacement District of Southern California	0.00018 %	0.00018 %	0.00018 %	0.00018 %	0.00018 %
<b>Total Prop. 13 Rate:</b>	<b>1.00000 %</b>	<b>1.00000 %</b>	<b>1.00000 %</b>	<b>1.00000 %</b>	<b>1.00000 %</b>
<b>TOTAL DIRECT RATE (Producing Revenue for The City) <sup>(1)</sup>:</b>	<b>0.11837 %</b>	<b>0.11856 %</b>	<b>0.11875 %</b>	<b>0.11884 %</b>	<b>0.11882 %</b>
County of Los Angeles <sup>(1)</sup>	0.00000 %	0.00000 %	0.00000 %	0.00000 %	0.00000 %

Notes: General fund tax rates are representative and based upon the direct and overlapping rates for the largest General Fund tax rates area (TRA) by net taxable value.

Total Direct Rate <sup>(1)</sup> is weighted average of all individual direct rates applied by the government preparing the statistical section information. The percentages presented in the columns above do not sum across rows. RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

In 1978, California voters passed Proposition 13 which set the property tax at a 1.00% fixed amount. This 1.00% is shared by all the taxing agencies for which the subject property resides within. In addition to 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: <sup>(1)</sup> L.A. County Assessor 2005/06-2014/15 Combined Tax Rolls, HdL, Coren & Cone

**City of Gardena**  
**Direct and Overlapping Property Tax Rates (Continued)**  
**(rate per \$100 of assessed value)**  
**Ten Fiscal Year Detail of Rates for Largest General Fund Tax Rates Area 00576**  
**(Proposition 13 Rate)**

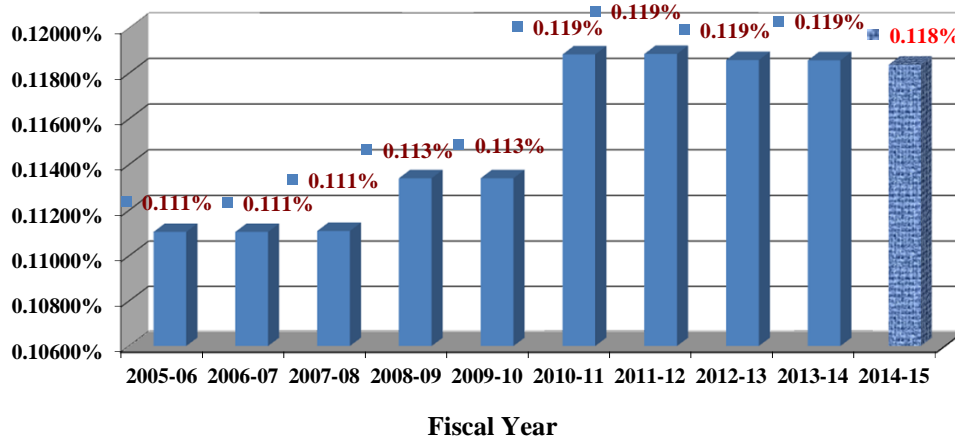
Agency	FISCAL YEAR				
	09-10	08-09	07-08	06-07	05-06
City of Gardena Tax District 1	0.11157 %	0.11157 %	0.11299 %	0.11299 %	0.11299 %
Children's Institutional Tuition Fund	0.00285 %	0.00285 %	0.00285 %	0.00285 %	0.00285 %
County Sanitation District No. 5 Operations	0.01256 %	0.01256 %	0.01256 %	0.01256 %	0.01256 %
County School Services	0.00144 %	0.00144 %	0.00144 %	0.00144 %	0.00144 %
County School Service Fund of Angeles -LAUSD	0.00001 %	0.00001 %	0.00001 %	0.00001 %	0.00001 %
Development Center for Handicapped Minors -LA Unified School District	0.00127 %	0.00127 %	0.00127 %	0.00127 %	0.00127 %
Educational Augmentation Fund Impound	0.16240 %	0.16240 %	0.16240 %	0.16238 %	0.16238 %
Educational Augmentation Fund (ERAF) Impound	0.07827 %	0.07827 %	0.07647 %	0.07645 %	0.07645 %
LA County Community College District	0.03070 %	0.03070 %	0.03070 %	0.03069 %	0.03069 %
LA County Community College Children's Center Fund	0.00032 %	0.00032 %	0.00032 %	0.00032 %	0.00032 %
LA County Accumulative Capital Outlays	0.00012 %	0.00012 %	0.00012 %	0.00012 %	0.00012 %
LA County Fire - Ffw	0.00747 %	0.00747 %	0.00747 %	0.00747 %	0.00747 %
LA County Flood Control Improvement District	0.00178 %	0.00178 %	0.00178 %	0.00178 %	0.00178 %
LA County Library	0.02380 %	0.02380 %	0.02380 %	0.02385 %	0.02385 %
LA County Flood Control Maintenance	0.01007 %	0.01007 %	0.01007 %	0.01007 %	0.01007 %
Los Angeles Children's Center Fund	0.00371 %	0.00371 %	0.00371 %	0.00371 %	0.00371 %
LA County General	0.32520 %	0.32520 %	0.32558 %	0.32556 %	0.32556 %
Los Angeles Unified School District	0.22590 %	0.22590 %	0.22590 %	0.22592 %	0.22592 %
Greater L A Co Vector Control	0.00038 %	0.00038 %	0.00038 %	0.00038 %	0.00038 %
Water Replacement District of Southern California	0.00018 %	0.00018 %	0.00018 %	0.00018 %	0.00018 %
<b>Total Prop. 13 Rate:</b>	<b>1.00000 %</b>	<b>1.00000 %</b>	<b>1.00000 %</b>	<b>1.00000 %</b>	<b>1.00000 %</b>

TOTAL DIRECT RATE (Producing Revenue for The City) <sup>(1)</sup>:

County of Los Angeles <sup>(1)</sup>

0.11340 %	0.11340 %	0.11109 %	0.11105 %	0.11105 %
0.00000 %	0.00000 %	0.88519 %	0.88522 %	0.88522 %

**Total Direct Rate**  
**Last Ten Fiscal Years**



**City of Gardena**  
**Ten Largest Property Taxpayers**  
**Current Year and Nine Years Ago**

Owner/Taxpayer	Business Type	Fiscal Year 2014-15		Fiscal Year 2005-06	
		Total Assessed Value	Percent of Total City Assessed Value	Total Assessed Value	Percent of Total City Assessed Value
Hitco Technologies Inc.	Manufacturing parts	\$96,752,230	1.87 %		
Nissin Foods Company Inc.	Manufacturing	57,547,694	1.11		
GA HC REIT II Gardena CA Hospital LLC	Hospital services	42,190,677	0.82		
JSL Gardena I LLC	Non-residential property owners	28,416,375	0.55		
Majestic Properties Inc.	Property management	25,282,264	0.49		
Brek Manufacturing Company	Manufacturing	24,686,316	0.48		
Gramercy Properties LLC	Non-residential property owners	21,917,192	0.42		
Target Corporation	Retail sales	20,302,729	0.39		
WH Gardena Marketplace LLC	Shopping Center	19,100,000	0.37		
Sams Real Estate Business Trust	Non-residential property owners	18,320,848	0.35		
Nissin Foods Company Inc.	Manufacturing			48,892,951	1.28 %
Southwest Offset Printing Company	Book binding and printing			33,671,610	0.88
Majestic Properties Inc.	Property management			25,036,875	0.66
Hitco Technologies Inc.	Manufacturing parts			22,978,835	0.60
Gardena Hosiptal LP	Hospital services			21,144,357	0.55
Target Corporation	Retail sales			16,082,287	0.42
Russmar Investment Corp	Non-residential property owners			15,466,642	0.40
New Group Gardena LLC	Shopping Center			15,003,623	0.39
Rich Gardena LLC	Shopping Center			14,994,000	0.39
Marukai Corp	Retail sales			14,767,133	0.39
Top Ten Totals (secured and unsecured):		354,516,325	6.86 %	228,038,313	5.97 %
All Others (secured)		4,815,813,550	93.14	3,593,168,746	94.03
Total All Assessed Valuation (secured):		<u>\$5,170,329,875</u>	<u>100.00 %</u>	<u>\$3,821,207,059</u>	<u>100.00 %</u>

Source: L.A. County Assessor 2005/06-2014/15 Combined Tax Rolls and the SBE Non Unitary Tax Roll, HdL Coren & Cone, 2006 City of Gardena CAFR



**City of Gardena**  
**Top 25 Sales Tax Producers <sup>(1)</sup>**  
**(Miscellaneous Information)**  
**Current Fiscal Year and Nine Years Ago**

---

<b>Fiscal Year 2014-15</b>		
	<b>Tax Payers</b>	<b>Business Type</b>
1	Airgas USA	Chemical Products
2	Albertson's Food Centers	Food Markets
3	ARCO AM/PM Mini Marts	Service Stations
4	ARCO AM/PM Mini Marts	Service Stations
5	Chevron Service Stations	Service Stations
6	Crenshaw Lumber Company	Bldg. Matls-Retail
7	Crenshaw Wholesale Electric	Electronic Equipment
8	Enterprise Rent-A-Car	Leasing
9	G & C Equipment	Bldg. Matls-Retail
10	Gardena Honda	Auto Sales
11	Gardena Nissan	Auto Sales
12	Honda Lease Trust	Leasing
13	Marukai Pacific Market	Food Markets
14	McDonald's Restaurants	Restaurants
15	Mobile Service Station	Service Stations
16	Nader's Furniture Store	Furniture/Appliance
17	Pacific Supply Company	Bldg. Matls-Retail
18	Sam's Club	Department Store
19	Smardan-Hatcher Supply Company	Bldg. Matls-Whsle
20	Target Stores	Department Store
21	The New York Times Sales	Miscellaneous Retail
22	United Oil Service Stations	Service Stations
23	Vons Service Stations	Service Stations
24	Wood Oil Co.	Energy Sales
25	Z Gallerie	Furniture/Appliance

-Account for 56%  
of the total sales tax collected.

<b>Fiscal Year 2005-06</b>		
	<b>Tax Payers</b>	<b>Business Type</b>
	Albertson's Food Centers	Food Markets
	Arco AM/PM Mini Marts	Service Stations
	Cinnati Machine	Heavy Industry
	Crenshaw Lumber Company	Bldg. Matls-Whsle
	Crenshaw Wholesale Electric	Electronic Equipment
	Enterprise Rent-A-Car	Leasing
	Enterprise Rent-A-Car	Leasing
	G & C Equipment	Bldg. Matls-Retail
	Gardena Honda	Auto Sales
	Gardena Nissan	Auto Sales
	J.D. Fields Lumber Company	Bldg. Matls-Whsle
	Marukai Pacific Market	Food Markets
	Mobil Service Stations	Service Stations
	Nader's Furniture Store	Furniture/Appliance
	Pacific Supply Company	Bldg. Matls-Retail
	Reback's Plumbing N Things	Bldg. Matls-Whsle
	Sam's Club	Department Store
	Smardan-Hatcher Supply Company	Bldg. Matls-Whsle
	Target Stores	Department Store
	The New York Times	Miscellaneous Retail
	Union 76 Service Stations	Service Stations
	United Rentals	Leasing
	Vons Grocery Company	Food Markets
	Vons Service Stations	Service Stations
	Wood Oil Co.	Energy Sales

-Account for 54%  
of the total sales tax collected.

\*\*\* The names are listed in alphabetical order, not sales tax volume.

Source: SBOE data -MBIA MuniServices, LLC

<sup>(1)</sup> Period: from July 1 to June 30 of the following year.

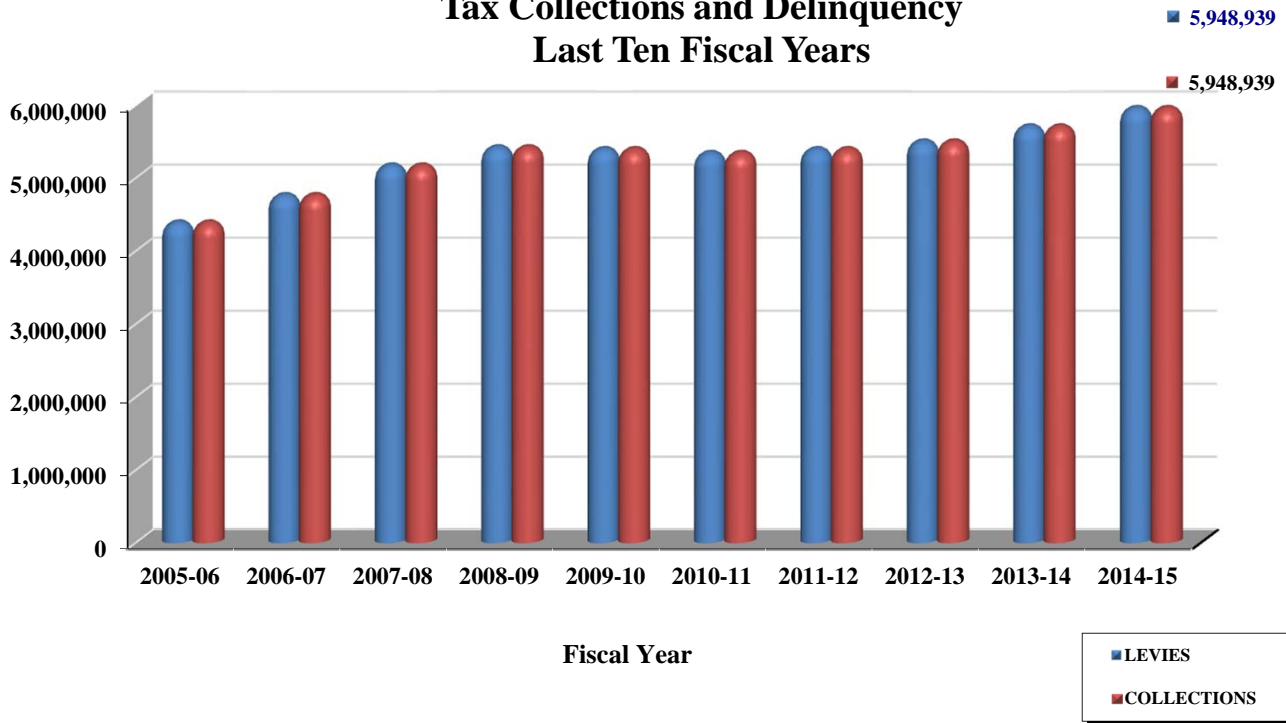
# City of Gardena

## Property Tax Levies, Tax Collections, and Delinquency

### Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	COLLECTED WITHIN THE FISCAL YEAR OF LEVY		Collections in Subsequent Years	TOTAL COLLECTIONS TO DATE	
		Amount	Percent of Levy		Amount	Percent of Levy
2005-06	4,382,607	4,366,655	99.64%	15,952	4,382,607	100.00%
2006-07	4,756,468	4,745,775	99.78%	10,693	4,756,468	100.00%
2007-08	5,162,845	5,152,512	99.80%	10,333	5,162,845	100.00%
2008-09	5,411,417	5,411,028	99.99%	389	5,411,417	100.00%
2009-10	5,386,694	5,376,995	99.82%	9,699	5,386,694	100.00%
2010-11	5,334,443	5,327,186	99.86%	7,257	5,334,443	100.00%
2011-12	5,386,423	5,386,423	100.00%	0	5,386,423	100.00%
2012-13	5,491,677	5,491,096	99.99%	581	5,491,677	100.00%
2013-14	5,698,386	5,695,450	99.95%	2,936	5,698,386	100.00%
2014-15	5,948,939	5,946,829	99.96%	2,109	5,948,939	100.00%

### Tax Collections and Delinquency Last Ten Fiscal Years



NOTE: Article XIII-A of the Constitution of the State of California adopted by the electorate in June 1978, precludes the City from a local property tax levy. All general-purpose property taxes are levied by the County and allocated to other governmental entities on a predetermined formula.

Source: California Municipal Statistics, Inc. - Oakland, California.

# City of Gardena

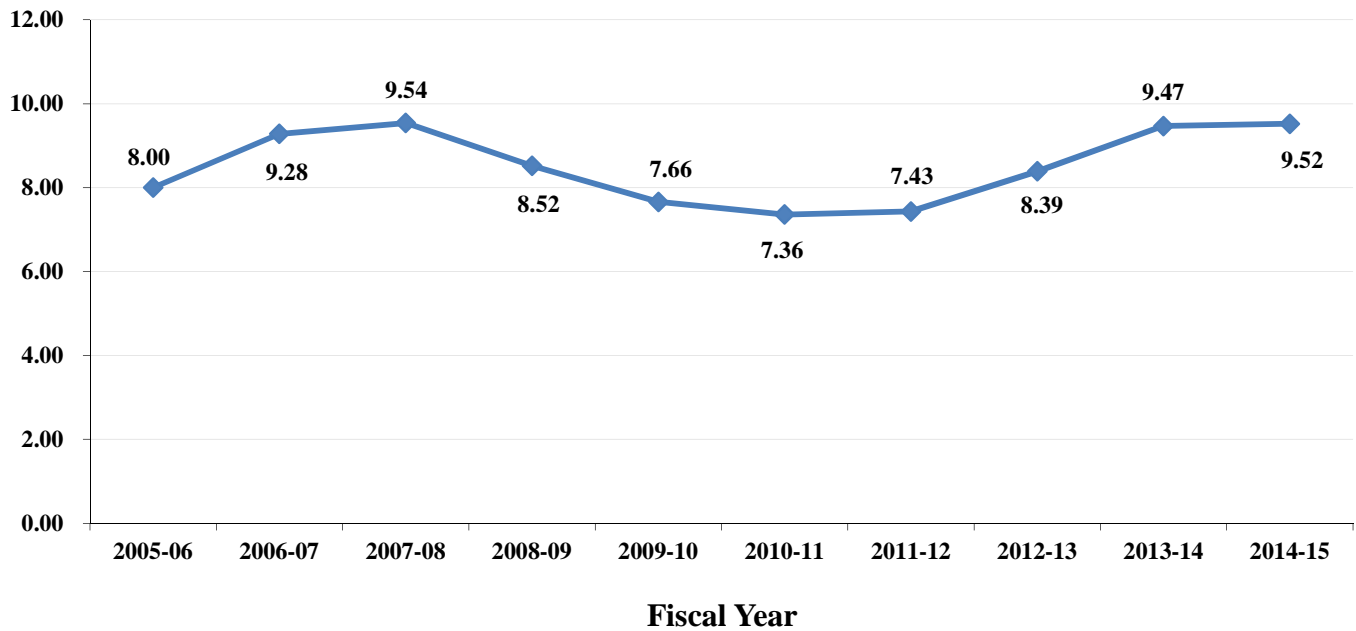
## Card Club Gross Revenue Fee

### Last Ten Fiscal Years

Fiscal Year	Card Club Revenue	(1) General Fund Gross Revenue	Percent of General Fund Revenue
2005-06	7,995,092	45,555,712	17.55%
2006-07	9,281,190	47,106,862	19.70%
2007-08	9,541,470	47,047,856	20.28%
2008-09	8,523,146	46,009,145	18.52%
2009-10	7,660,557	42,209,676	18.15%
2010-11	7,365,159	43,111,283	17.08%
2011-12	7,434,236	45,813,600	16.23%
2012-13	8,394,406	47,637,218	17.62%
2013-14	9,467,078	51,004,568	18.56%
2014-15	9,517,550	54,413,202	17.49%

## Card Club Gross Revenue

### Last Ten Fiscal Years

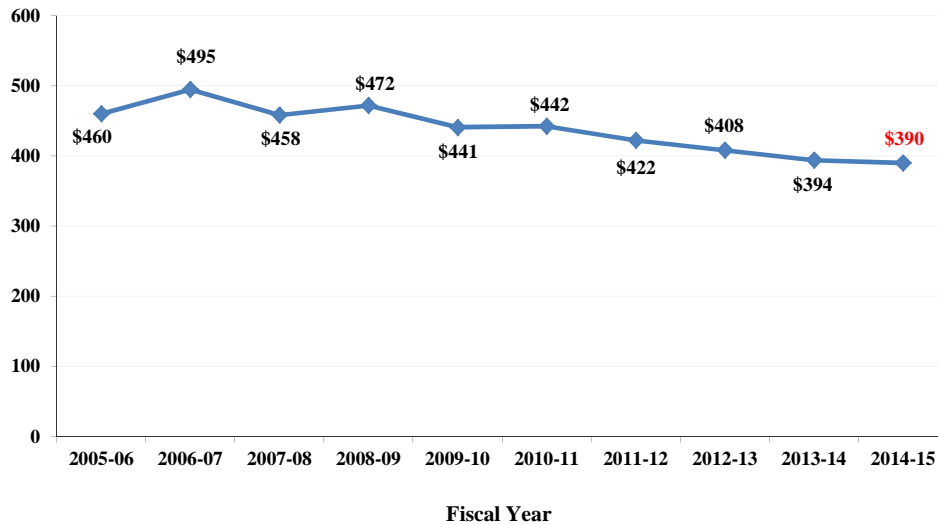


(1) Two card clubs: Normandie Casino & Hustler Casino  
City receives 12% of the total monthly gross revenue of the card game business.

**City of Gardena**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

GOVERNMENTAL ACTIVITIES							Taxable Assessed Value <sup>(3)</sup>	Percent of Taxable Assessed Value	Debt per Capita	Average per Capita Personal Income <sup>(4)</sup>	Percent of Debt by Personal Income
Fiscal Year	Population <sup>(1)</sup>	Certificates of Participation <sup>(2)</sup>	Revenue Bonds	Capital Leases	Other	Total					
2005-06	61,513	27,385,000	-	930,240	-	34,219,940	3,821,207,059	0.96%	460	36,917	1.25%
2006-07	61,947	24,660,000	2,800,000	868,227	2,340,000	33,618,296	4,206,921,308	0.74%	495	21,604	2.29%
2007-08	61,781	24,330,000	2,680,000	776,377	1,920,000	28,315,240	4,520,460,890	0.73%	458	22,134	2.07%
2008-09	61,810	23,915,000	2,565,000	776,377	1,920,000	29,176,377	4,770,971,212	0.61%	472	42,916	1.10%
2009-10	61,927	23,470,000	2,445,000	366,010	1,015,000	27,296,010	4,766,218,736	0.57%	441	42,818	1.03%
2010-11	59,009	23,005,000	2,320,000	262,129	520,000	26,107,129	4,695,452,906	0.56%	442	43,999	1.01%
2011-12	59,124	22,515,000	2,250,000	203,069	-	24,968,069	4,714,033,674	0.53%	422	47,311	0.89%
2012-13	59,566	21,995,000	2,175,000	153,004	-	24,323,004	4,784,812,315	0.51%	408	44,423	0.92%
2013-14	60,082	21,455,000	2,095,000	130,661	-	23,680,661	4,957,766,359	0.48%	394	44,474	0.89%
2014-15	60,414	12,370,000	11,125,000	67,125	-	23,562,125	5,170,329,875	0.46%	390	46,530	0.84%

**Outstanding Debt per Capita**  
**Last Ten Fiscal Years**



**NOTES:**

<sup>(1)</sup> State of California, Finance Department

<sup>(2)</sup> The City of Gardena had 6 Certificates of Participations at the end of fiscal year 1996-97. At the end of fiscal year 2005-06 there were only two Certificates of Participation Series 2001A and 2006AB&C. During the fiscal year 2005-06, the City refunded the Certificates of Participation Series 1994 and 1999 A & B by Series 2006 A B & C.

In fiscal year 2006-07, the City refunded Certificates of Participation Series 2001A by the Refunding Revenue COPs series 2007A.

In fiscal year 2014-15, the City refunded Certificates of Participation Series 2006 B by the Taxable Lease Revenue Refunding Bonds 2014.

-Refer to Notes in the Financial Statement for details of the City's outstanding debt

<sup>(3)</sup> Assessed value has been used because the actual value of taxable property is not readily available in the State of California

<sup>(4)</sup> Income data is provided by the U.S. Department of Commerce Bureau of Economic Analysis, U.S. Census Bureau

Sources: City of Gardena, Administrative Services Department - Finance Division  
County of Los Angeles, Auditor-Controller Office/Tax Division

**City of Gardena**  
**Pledged-Revenue Coverage**  
**Last Five Fiscal Years**

Fiscal Year	Revenue	Operating Expenses	Net Available Revenue	Refunding Certificates of Participation <sup>(1)</sup>		
				Debt Service		Percent Coverage
				Principal	Interest	
2010-11	42,447,638	38,830,154	3,617,484	125,000	123,075	14.58
2011-12	44,782,462	42,454,549	2,327,913	70,000	116,825	12.46
2012-13	46,916,281	44,656,103	2,260,178	75,000	113,325	12.00
2013-14	50,134,075	46,124,292	4,009,783	80,000	105,575	21.61
2014-15	52,812,682	47,519,284	5,293,398	85,000	101,575	28.37

**NOTES:**

- <sup>(1)</sup> On January 24, 2007, the City issued the Refunding Revenue Bonds, Series 2007A to refund the Certificates of Participation Series 2001A. No principal and interest were paid during the fiscal year 2006-07.  
 -Revenue and expenses do not include the transfers in and out.  
 -Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- <sup>(2)</sup> In Fiscal Year 11/12, corrections were made to amounts for Revenue and Operating Expenses.

Sources: City of Gardena, Administrative Services Department - Finance Division

# City of Gardena

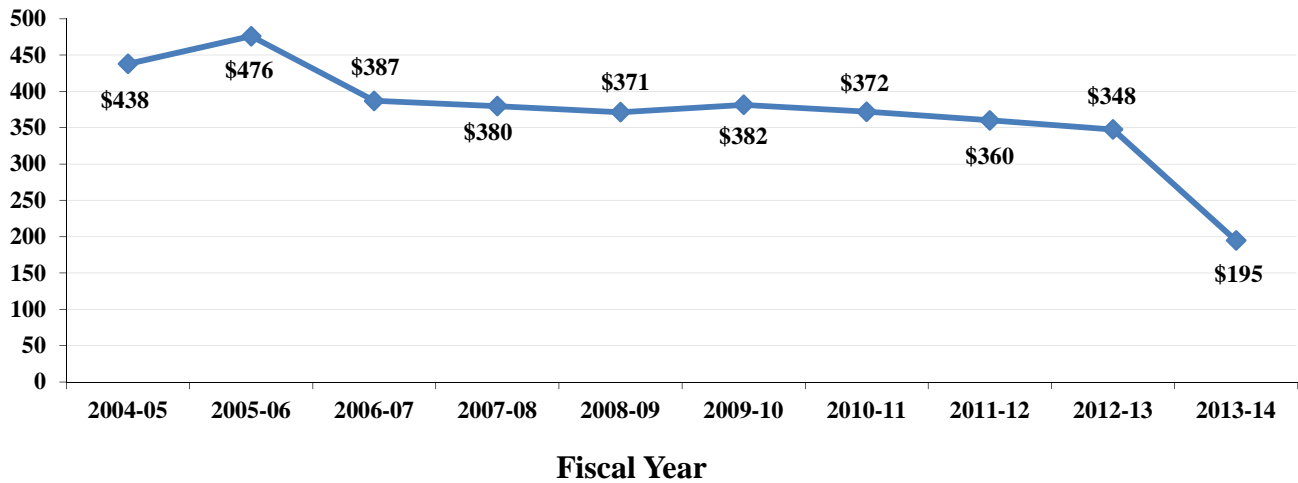
## Ratio of General Bonded Debt Outstanding

### Last Ten Fiscal Years

OUTSTANDING GENERAL BONDED DEBT					Percent of		Debt per Capita
Fiscal Year	Population <sup>(1)</sup>	Certificates of Participation	Less: Amounts Available in Debt Service Fund <sup>(2)</sup>	Total	Taxable Assessed Value	Taxable Assessed Value	
2005-06	61,513	27,385,000	425,000	26,960,000	3,821,207,059	0.71%	438
2006-07	61,947	29,800,000	330,000	29,470,000	4,206,921,308	0.70%	476
2007-08	61,781	24,330,000	415,000	23,915,000	4,520,460,890	0.53%	387
2008-09	61,810	23,915,000	445,000	23,470,000	4,770,971,212	0.49%	380
2009-10	61,927	23,470,000	465,000	23,005,000	4,766,218,736	0.48%	371
2010-11	59,009	23,005,000	490,000	22,515,000	4,695,452,906	0.48%	382
2011-12	59,124	22,515,000	520,000	21,995,000	4,714,033,674	0.47%	372
2012-13	59,566	21,995,000	540,000	21,455,000	4,784,812,315	0.45%	360
2013-14	60,082	21,455,000	570,000	20,885,000	4,957,766,359	0.42%	348
2014-15	60,414	12,370,000	600,000	11,770,000	5,170,329,875	0.23%	195

## General Bonded Debt Outstanding per Capita

### Last Ten Fiscal Years



Source: <sup>(1)</sup> State of California, Finance Department.

<sup>(2)</sup> This is the amount restricted for debt service principal payments.

**City of Gardena**  
**Direct and Overlapping Bonded Debt**  
**June 30, 2015**

	<b>2014-15 Assessed Valuation:</b>	<b>\$5,170,329,875</b>		
	<b>2014-15 Population:</b>	<b>60,414</b>		
	<b>Total Debt 06/30/2015</b>	<b>Percent Applicable To City</b>	<b>(1)</b>	<b>City's Share of Debt 06/30/2015</b>
<b>OVERLAPPING DEBT REPAYED WITH PROPERTY TAXES:</b>				
Los Angeles County Flood Control District	\$ 15,105,000	0.430 %		\$ 64,952
Metropolitan Water District	110,420,000	0.223 %		246,237
Los Angeles Community College District	3,882,265,000	0.783 %		30,398,135
Los Angeles Unified School District	10,296,665,000	0.970 %		99,877,651
Los Angeles County Regional Park and Open Space Assessment District	82,880,000	0.430 %		356,384
<b>Total Overlapping Debt to be Repaid with Property Taxes</b>	<b>\$ 14,387,335,000</b>			<b>\$ 130,943,359</b>
<b>OVERLAPPING OTHER DEBT:</b>				
Los Angeles County General Fund Obligation	\$ 1,885,330,518	0.430 %		\$ 8,106,921
Los Angeles County Superintendent of Schools - Certificates of Participation	8,719,113	0.430 %		37,492
Los Angeles Unified School District - Certificates of Participation	307,180,000	0.970 %		2,979,646
Los Angeles County Sanitation District No. 5 Authority	31,643,711	5.931 %		1,876,788
<b>Total Overlapping Other Debt</b>	<b>2,232,873,342</b>			<b>13,000,847</b>
<b>Total Overlapping Debt</b>	<b>\$ 16,620,208,342</b>			<b>143,944,206</b>
<b>City Direct Debt</b>				<b>23,495,000</b>
<b>Total Direct and Overlapping Debt</b>				<b>\$ 167,439,206 (2)</b>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue, and tax allocation bonds, and non-bonded capital lease obligations.

<b>Ratios to 2013-14 Assessed Valuation</b>		<b>Per Capita</b>
-Direct Debt (\$23,495,000).....	0.45%	389
-Overlapping Debt.....	2.53%	2,383
-Total Debt.....	3.24%	2,772

**STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/2015: \$0**

Source: HDL Coren & Cone, Los Angeles County Assessor's Office

**City of Gardena**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year				
	14-15	13-14	12-13	11-12	10-11
Assessed valuation	\$5,170,329,875	\$4,957,766,359	\$4,784,812,315	\$4,714,033,674	\$4,695,452,906
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,292,582,469	1,239,441,590	1,196,203,079	1,178,508,419	1,173,863,227
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$193,887,370	\$185,916,238	\$179,430,462	\$176,776,263	\$176,079,484
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	\$193,887,370	\$185,916,238	\$179,430,462	\$176,776,263	\$176,079,484
Total debt applicable to the limit as a percentage of debt limit	- 0%	- 0%	- 0%	- 0%	- 0%

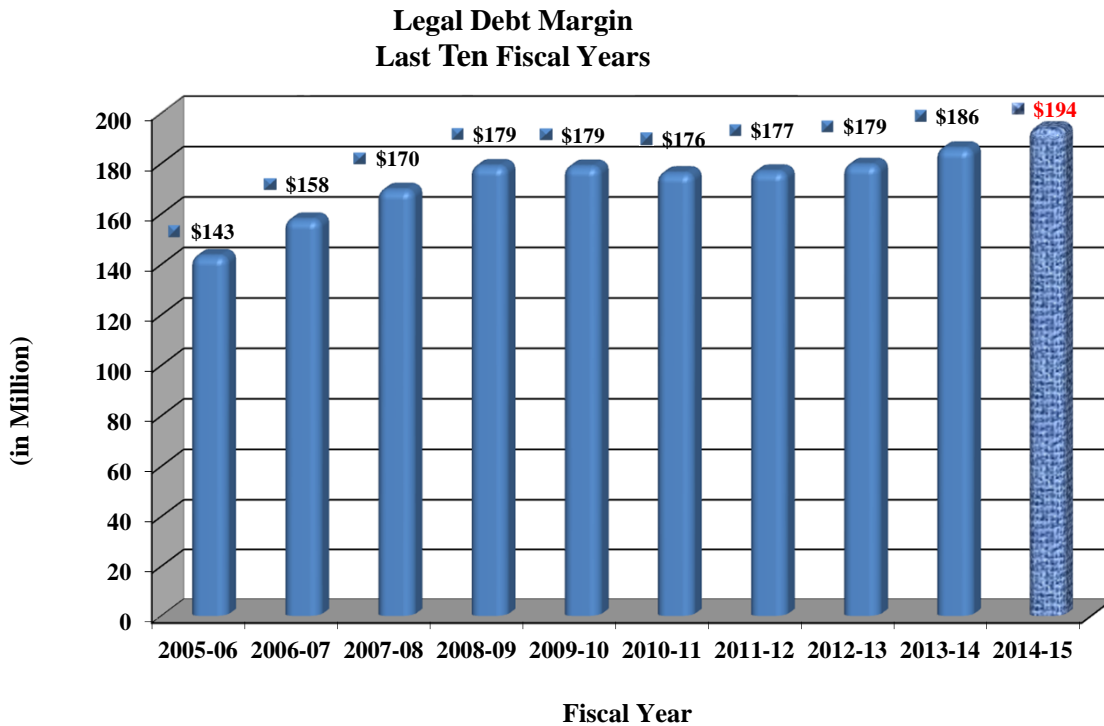
Section 43605 of the Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% OF MARKET VALUE. Effective with 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The Computations shown above reflect a conversion of assessed valuation data for each fiscal year from current full valuation perspective to the 25% level that was in effect at the time the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City of Gardena, Administrative Services Department - Finance Division



**City of Gardena**  
**Legal Debt Margin Information (Continued)**  
**Last Ten Fiscal Years**

	Fiscal Year				
	09-10	08-09	07-08	06-07	05-06
Assessed valuation	\$4,766,218,736	\$4,770,971,212	\$4,520,460,890	\$4,206,914,308	\$3,821,207,059
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,191,554,684	1,192,742,803	1,130,115,223	1,051,728,577	955,301,765
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$178,733,203	\$178,911,420	\$169,517,283	\$157,759,287	\$143,295,265
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	\$178,733,203	\$178,911,420	\$169,517,283	\$157,759,287	\$143,295,265
Total debt applicable to the limit as a percentage of debt limit	- 0%	- 0%	- 0%	- 0%	- 0%



# City of Gardena

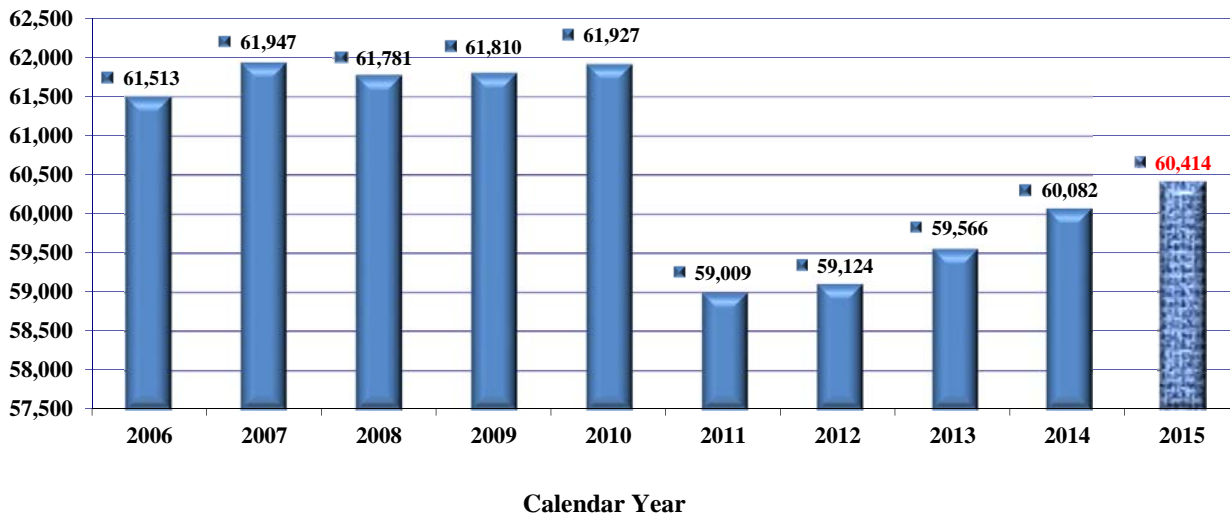
## Demographic and Economic Statistics

### Last Ten Calendar Years

Year	City of Gardena Housing Units	City of Gardena Population (1)	Average Annual Percentage Increase	Los Angeles County Population (2)	Average Annual Percentage Increase	Gardena Personal Income (1,000s) (2)	Per Capita Personal Income (2)	LAUSD Enrollment (3)	Gardena Employment (4)	Gardena Unemployment Rate (4)
2006	21,232	61,513	0.72%	10,245,572	0.78%	2,149,002	36,917	727,319	28,000	4.90%
2007	21,492	61,947	0.71%	10,331,939	0.84%	2,270,875	21,604	707,626	28,400	4.40%
2008	21,557	61,781	-0.27%	10,363,850	0.31%	1,338,303	22,134	693,680	29,800	4.70%
2009	21,528	61,810	0.05%	10,393,185	0.28%	1,367,461	42,916	688,168	26,800	10.60%
2010	21,534	61,927	0.19%	10,441,080	0.46%	2,651,590	42,818	678,441	25,800	11.50%
2011	21,477	59,009	-4.71%	9,858,989	-5.58%	2,596,337	43,999	678,441	25,700	11.60%
2012	21,501	59,124	0.19%	9,884,632	0.26%	2,797,216	47,311	664,233	26,200	9.50%
2013	21,501	59,566	0.75%	9,958,091	0.74%	2,646,100	44,423	655,716	27,100	9.50%
2014	21,629	60,082	0.87%	10,041,797	0.84%	2,672,087	44,474	651,322	27,700	7.60%
2015	21,649	60,414	0.55%	10,136,559	0.94%	2,811,063	46,530	643,493	28,200	7.30%

## City of Gardena Population

### Last Ten Calendar Years



#### NOTES:

- (1) State of California, Finance Department.
- (2) Income data is provided by the U.S. Department of Commerce Bureau of Economic Analysis, U.S. Census Bureau.
- (3) Student Enrollment is from LAUSD website. LAUSD does not have breakdown per City count.
- (4) Employment and Unemployment rates are provided by the EDD's Labor Market Information Division.  
Data at the end of June.

**City of Gardena**  
**Ten Principal Employers**  
**Current Year and Nine Years Ago**

Employer (1)	Business Type	2015		2006	
		Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Hustler Casino	Casino	762	2.70%		
Gardena Memorial Hospital	Hospital services	730	2.59%		
United Parcel Service Inc.	Delivery	512	1.82%		
Hitco Carbon Composites, Inc.	Manufacturing parts	500	1.77%		
Nissin Foods	Food	490	1.74%		
Southwest Offset Printing	Book binding and printing	475	1.68%		
Normandie Club, LP	Casino	420	1.49%		
Target	Retail	214	0.76%		
Marukai Corporation	Retail	200	0.71%		
Sam's Club	Retail	171	0.61%		
Hustler Casino	Casino			635	2.29%
Normandie Club, LP	Casino			600	2.17%
Gardena Memorial Hospital	Hospital services			589	2.13%
Southwest Offset Printing	Book binding and printing			429	1.55%
Hitco Carbon Composites, Inc.	Manufacturing parts			316	1.14%
Nissin Foods	Food			217	0.78%
Chromalloy Corporation	Metal plating			217	0.78%
Ramona's Mexican Food	Food			210	0.76%
Sam's Club	Retail			182	0.66%
Gardena Honda	Auto Sales			130	0.47%
Total top ten employers		4,474		3,525	
Total City Employment <sup>(1)</sup>		28,200		N/A	

NOTE: Non-Governmental Employers.

Several potential businesses that may qualify for Top 10 ranking. However, current employee counts were unattainable at the time of report preparation. Previous historical data is not available.

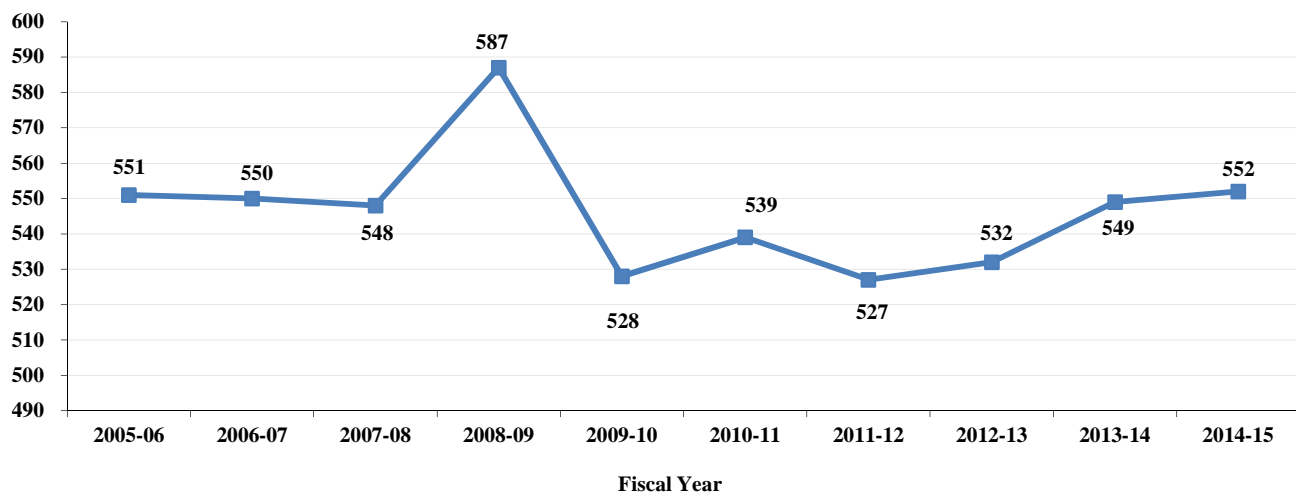
<sup>(1)</sup> Total City employment provided by EDD-Labor Market Information Division. The information before 2006 was not available.

SOURCE: Economic Development Staff

**City of Gardena**  
**Full-Time and Part-Time City Employees**  
**by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General government	181	181	168	188	206	192	197	228	226	232
Public safety	157	162	158	152	149	154	157	149	141	134
Public works	50	47	45	46	47	46	44	52	52	54
Community development	17	16	16	12	11	11	16	17	17	17
Transit - Bus line	147	143	145	129	126	125	173	102	114	114
Total	552	549	532	527	539	528	587	548	550	551

**City of Gardena Employment**  
**Last Ten Fiscal Years**



Source: City of Gardena, Administrative Services Department - Finance Division

**City of Gardena**  
**Operating Indicators**  
**by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Police:										
Arrests	4,499	3,251	3,333	3,421	3,159	3,892	4,467	4,504	4,481	3,675
Number of parking citations issued <sup>(1)</sup>	11,203	24,622	26,615	25,218	21,337	19,223	21,068	22,718	19,032	17,939
Public works:										
Street resurfacing (miles)	7.00	3.38	5.15	8.42	4.83	40.00	10.94	10.94	9.25	0.72
Traffic lights and signals	89	88	88	88	88	88	80	80	80	84
Parks and recreation:										
Number of recreation classes	1,150	1,080	1,232	1,380	1,360	1,338	1,349	1,341	1,600	1,600
Number of facility rentals	1,164	1,072	876	713	1,135	1,164	1,396	1,302	1,850	2,725
Transit:										
Number of customers served <sup>(2)</sup>	3,687,038	3,689,142	3,761,506	3,737,640	3,487,459	3,739,114	4,246,325	4,447,783	4,721,483	4,738,634

NOTE:

<sup>(1)</sup> In Fiscal Year 2014-15 transitioned to Phoenix Group from Duncan Solutions and the first 6 months of the fiscal year data is not available.

<sup>(2)</sup> Fixed route only.

Source: City of Gardena, Administrative Services Department

**City of Gardena**  
**Capital Asset Statistics**  
**by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07 <sup>(1)</sup>	2005-06
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Public works:										
Streets (miles)										104.5
-Two lanes street	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0	N/A
-Four lanes street	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	15.0	N/A
-Alley	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	N/A
-Sidewalks	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.1	N/A
Street lights										
-Edison maintenance <sup>(2)</sup>	3,319	3,181	3,229	3,247	3,250	3,186	3,186	3,200	3,024	3,194
-City maintenance	197	192	192	194	194	176	176	170	170	N/A
Traffic signals	69	68	68	68	68	68	64	64	64	60
Traffic signals (shared)	20	20	20	20	20	20	20	20	20	20
Parks and recreation:										
Number of parks	6	6	6	6	6	6	6	6	6	6
Number of parkette	1	1	1	1	1	1	1	1	1	1
Number of municipal pool	1	1	1	1	1	1	1	1	1	1
Number of gymnasiums <sup>(3)</sup>	2	2	2	2	2	1	1	1	1	1
Community center <sup>(3)</sup>	1	1	1	1	1	2	2	2	2	2
Transit:										
Stations	1	1	1	1	1	1	1	1	1	1
Bus stops	595	595	649	649	609	609	515	515	515	513

NOTES:

<sup>(1)</sup> Reappraisal at the end of fiscal year 2006-07.

<sup>(2)</sup> Streetlights maintained by Southern California Edison Company.

<sup>(3)</sup> Corrected in Fiscal Year 2010-11 gymnasium and community center was reversed.

Source: City of Gardena, Administrative Services Department - Finance Division