

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDING JUNE 30, 2017



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

CITY OF GARDENA, CALIFORNIA



PREPARED BY

THE ADMINISTRATIVE SERVICES DEPARTMENT

Clint Osorio
Director of Administrative Services

And

Raymond Beeman
Accounting/Finance Manager

* * * * *

City of Gardena
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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City of Gardena

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CITY of GARDENA

1700 WEST 162nd STREET / GARDENA, CALIFORNIA 90247-3732 / PHONE (310) 217-9500
WEB SITE: www.cityofgardena.org

TASHA CERDA, Mayor
DAN MEDINA, Mayor Pro Tem
RODNEY TANAKA, Councilmember
MARK HENDERSON, Councilmember
ART KASKANIAN, Councilmember

MINA SEMENZA, City Clerk
J. INGRID TSUKIYAMA, City Treasurer
EDWARD MEDRANO, Acting City Manager
PETER L. WALLIN, City Attorney

December 4, 2017

Members of the City Council,
and Citizens of Gardena

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR 2016-2017
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, 2017 (FY 2016-17). 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 The Pun Group LLP, 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, 2017, 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, 2017, 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 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 transitioned from four "Super Departments" into six distinct departments consisting of 1) City Manager's Office, 2) Administrative Services, 3) General Services, 4) Recreation, Human Services, Parks and Facilities, 4) Police, and 5) GTRANS (Transportation).

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 Great Recession, the City saw a decline in card club revenue, which has since rebounded to FY 2008-2009 levels. At the end of FY2016-17, the City has two card club casinos: Larry Flynt's Lucky Lady and Hustler Casinos. The newly reopened and rebranded Larry Flynt's Lucky Lady Casino (formerly The Normandie Casino), is projected to not only outperform the revenues from the old Normandie Casino, but would also revitalize and bring in additional economic gains to the City.

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 2016-2017, sales tax revenue continues to be our number one revenue source. Having no major shopping mall or auto mall in the City has, in fact, been a plus during the Great 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. In Gardena, new housing continues to sell at higher rates and the number of building permits being issued continues to increase.

The City's unemployment rate fell from 11.0% in 2009 to 4.3% in 2017, which is 0.1% lower than the unemployment rate average of Los Angeles County which is 4.4%. The unemployment rate in the South Bay area decreased from 7.4% in 2009 to 3.4% in 2017. 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.

With the National Football League's approval to grant the relocation of the Rams and the Chargers to the City of Los Angeles (Inglewood) and plans to build a new stadium in the City of Inglewood for both teams, brings the potential for revenue growth for the City of Gardena. The stadium site is approximately 4 miles from the City of Gardena and home games from both teams, as well as the planned Super Bowl in 2022 to be held in Inglewood is expected to bring in additional sales tax, card club, and Transient Occupancy Tax revenues.

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. Staff is also engaged in additional strategic marketing sessions which will enhance the City's identity. The team of staff will eventually form an Economic Development Strategic Plan which will be a combined effort between City staff, professional external advisors, and feedback from the community. The City also has a newly combined Gardena Economic Development Committee (EDC)-Gardena Business Advisory Council (G-BAC) on Economic Development.

Over the past thirteen 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 2016, the City received a double notch rating increase by Moody's Investor Service, increasing the 2006 Series A and C Certificates of Participation and the 2007 Series A bonds to A1 from A3. In comparison, the City was near bankruptcy prior to the consolidation and refinancing of its debt in 2006. The S&P "A+" rating and the Moody's "A1" 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 44.1% 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. In 2016, the City adopted a new Five Year Strategic Plan, which provides a roadmap of the City's Mission, Vision, Values; as well as the Strategic Plan Goals, Objectives, and Strategies from 2016 to 2021. In 2017, the City reaffirmed its commitment to the Five Year Strategic Plan and reported Year One accomplishments which highlighted that the City is ahead of schedule to meet all of the goals of the Five Year Strategic Plan.

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. The City is currently reviewing proposals in response to a Request for Proposal to build a new Public Safety and Community Center in order to handle the increasing demands of a growing and developing community.

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 – non-spendable, 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, 2016. This was the thirtieth first 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 The Pun Group, LLP, for their advice and assistance in the preparation of this report. Finally, we would like to thank the 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,



Edward Medrano
Acting City Manager

Respectfully submitted,



Clint Osorio
Director of Administrative Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Gardena
California**

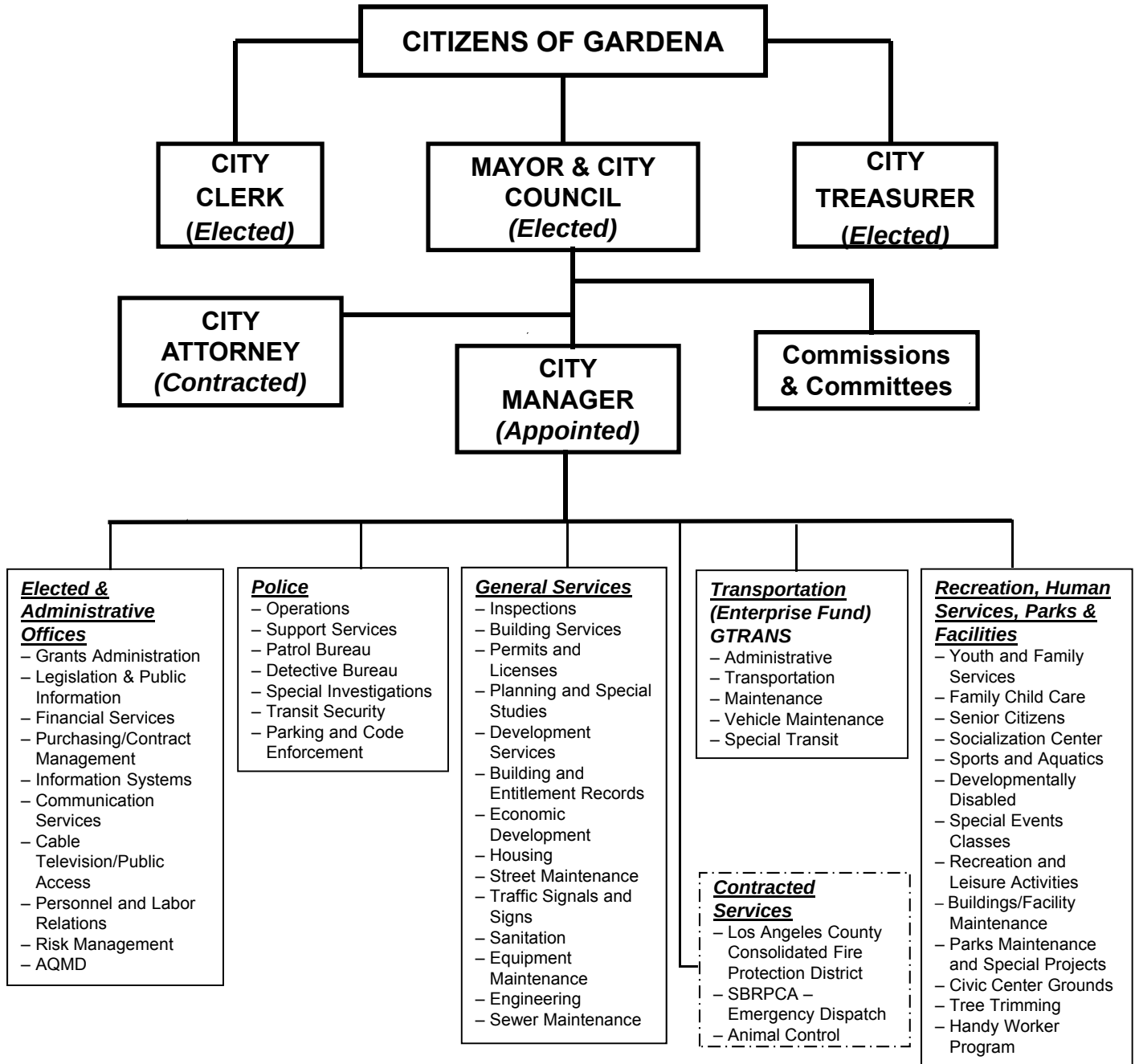
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF GARDENA ORGANIZATION CHART



OFFICIALS OF THE CITY OF GARDENA, CALIFORNIA

FISCAL YEAR 2016 – 2017

CITY OF GARDENA

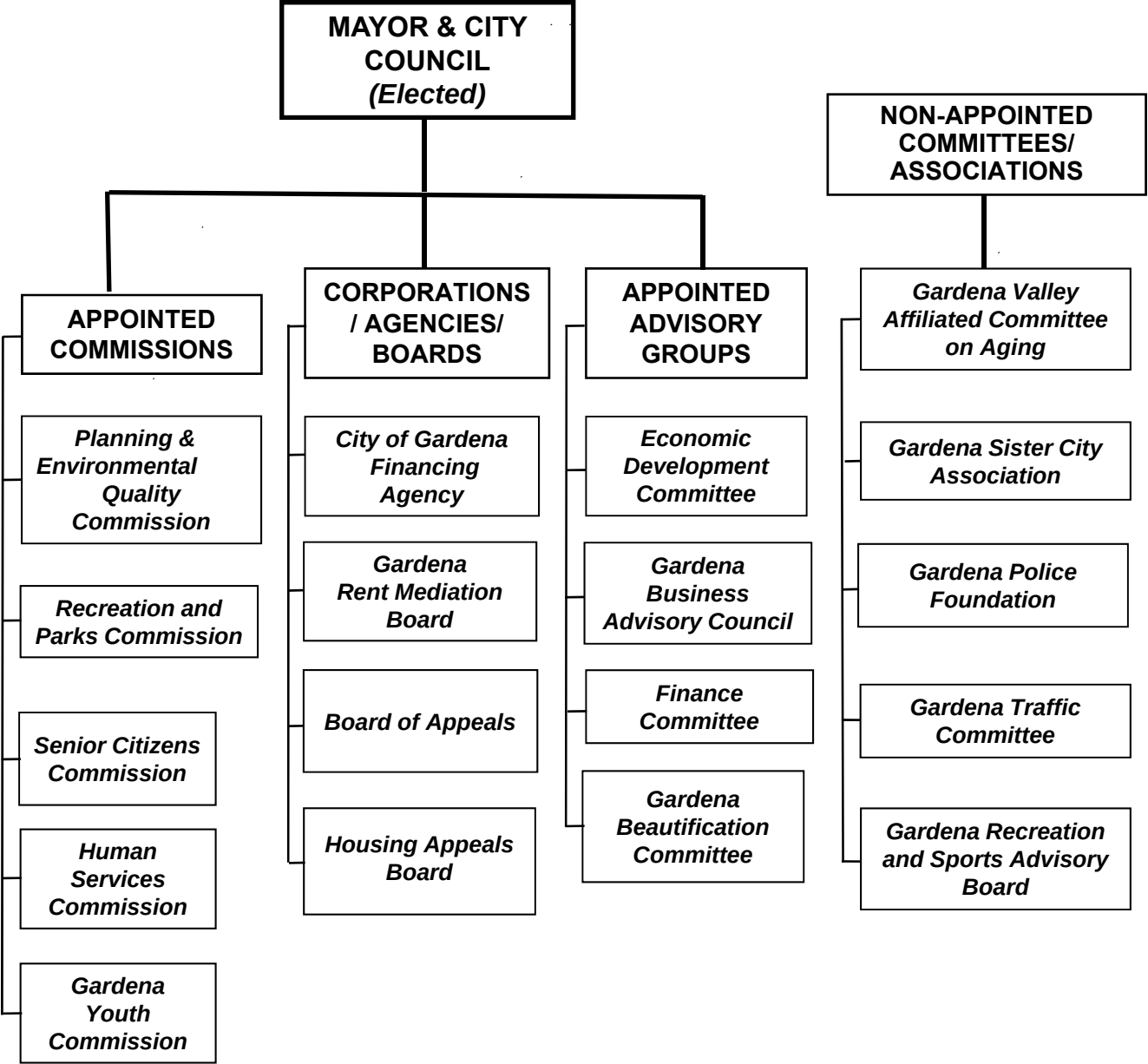
CITY COUNCIL

Tasha Cerda, Mayor
Dan Medina, *Mayor Pro Tem*
Mark E. Henderson, *Councilmember*
Art Kaskanian, *Councilmember*
Rodney G. Tanaka, *Councilmember*

Administration Officials and Department Heads

Acting City Manager.....	Edward Medrano
Director of Administrative Services	Clint Osorio
City Treasurer	J. Ingrid Tsukiyama
City Clerk.....	Mina-Semenza
City Attorney.....	Peter L. Wallin
Chief of Police	Edward Medrano
General Services Director	Joseph Cruz
Director of Recreation and Human Services	Kelly J. Fujio
Transportation Director.....	Ernie Crespo
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, 2017*



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and the 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, 2017, 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, 2017, 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

Aggregate Net Pension Liabilities

As discussed in Note 2A, the unrestricted net position is a deficit in the amount of \$(84,846,187), which includes \$(59,929,081) reported under Governmental Activities and \$(24,917,106) reported under Business-Type Activities. It is mainly due to the net pension liability as discussed in Note 10. Aggregate net pension liabilities for Governmental Activities and Business-Type Activities are in the amounts of \$70,409,957 and \$17,657,493, respectively. 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 16 and 95 through 102 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 Nonmajor Fund Financial Statements, 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 the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 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 the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 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 4, 2017 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.

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Santa Ana, California
December 4, 2017

Comprehensive Annual Financial Report
June 30, 2017



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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 the 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, 2017, 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 4, 2017.

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 "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 4, 2017

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, 2017. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2016-2017 fiscal year by \$15,464,635 (net position).
- ◆ The City's total net position decreased \$6,755,372. Net position of governmental activities decreased \$905,225 while net position of business type activities decreased \$5,850,147 due primarily to 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 2016-2017 fiscal year, the City's Net Pension Liabilities were \$70,409,957 and \$17,657,493 for governmental and business-type activities respectively.
- ◆ At the close of the 2016-2017 fiscal year, the City's governmental funds reported combined fund balances of \$37,725,844, an increase of \$1,374,384 in comparison to the prior year. General Fund increased by \$3,017,157. The increase is primarily due to the \$1,003,790 in proceeds received from the sale of the Ross Nor property, the \$1,107,784 received in reimbursement for AB 109 administration and allocation and the diverse revenue base the City maintains which benefitted from the prospering general economy.
- ◆ At the end of the 2016-2017 fiscal year, the unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$23,549,401 or approximately 44.1% of total General Fund expenditures.
- ◆ The City's total outstanding long-term debt decreased by \$967,998 during the 2016-2017 fiscal year. The decrease is primarily attributable to the City refunding the 2006 COP, Series C and the net effect of the annual debt payments made on the 2006 Refunding Certificate of Participation Bonds and the Refunding Revenue 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.

City of Gardena

Management's Discussion and Analysis (Continued)

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.

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 GTrans and the City's Sewer Maintenance Program.

The government-wide financial statements can be found on pages 20-23 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 twelve (12) 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, and the debt service fund, which are considered to be major funds. Data from the other nine (9) 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.

City of Gardena

Management's Discussion and Analysis (Continued)

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.

Proprietary Funds. The City maintains two (2) 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 36-41 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 45 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 47-91 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 and includes Budgetary Comparison schedules for the General Fund and the Economic Development Grants Fund. Required supplementary information can be found on pages 93-102 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. Combining and individual fund statements and schedules can be found on pages 106-129 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 \$15,464,635 at the close of the 2016-2017 fiscal year.

CITY OF GARDENA NET POSITION

	Governmental Activities		Business-type Activities		TOTAL	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 61,858,457	\$ 58,993,618	\$ 4,739,706	\$ 6,534,799	\$ 66,598,163	\$ 65,528,417
Capital assets	47,903,756	48,626,788	60,397,053	62,151,750	108,300,809	110,778,538
Total Assets:	109,762,213	107,620,406	65,136,759	68,686,549	174,898,972	176,306,955
Deferred Outflow of Resources	19,381,325	8,238,715	4,583,131	1,163,588	23,964,456	9,402,303
Current liabilities	14,248,666	13,567,666	9,263,731	8,295,146	23,512,397	21,862,812
Non-current liabilities	132,360,738	115,156,520	24,545,351	18,903,444	156,906,089	134,059,964
Total Liabilities:	146,609,404	128,724,186	33,809,082	27,198,590	180,418,486	155,922,776
Deferred Inflows of Resources	2,302,559	5,998,135	677,748	1,568,340	2,980,307	7,566,475
Net Investment in Capital						
Assets	28,138,906	27,897,717	60,150,166	62,151,750	88,289,072	90,049,467
Restricted	12,021,750	14,152,971	-	-	12,021,750	14,152,971
Unrestricted	(59,929,081)	(60,913,888)	(24,917,106)	(21,068,543)	(84,846,187)	(81,982,431)
Total Net Position:	\$ (19,768,425)	\$ (18,863,200)	\$ 35,233,060	\$ 41,083,207	\$ 15,464,635	\$ 22,220,007

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 \$(84,846,187) 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 2016-2017 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) 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

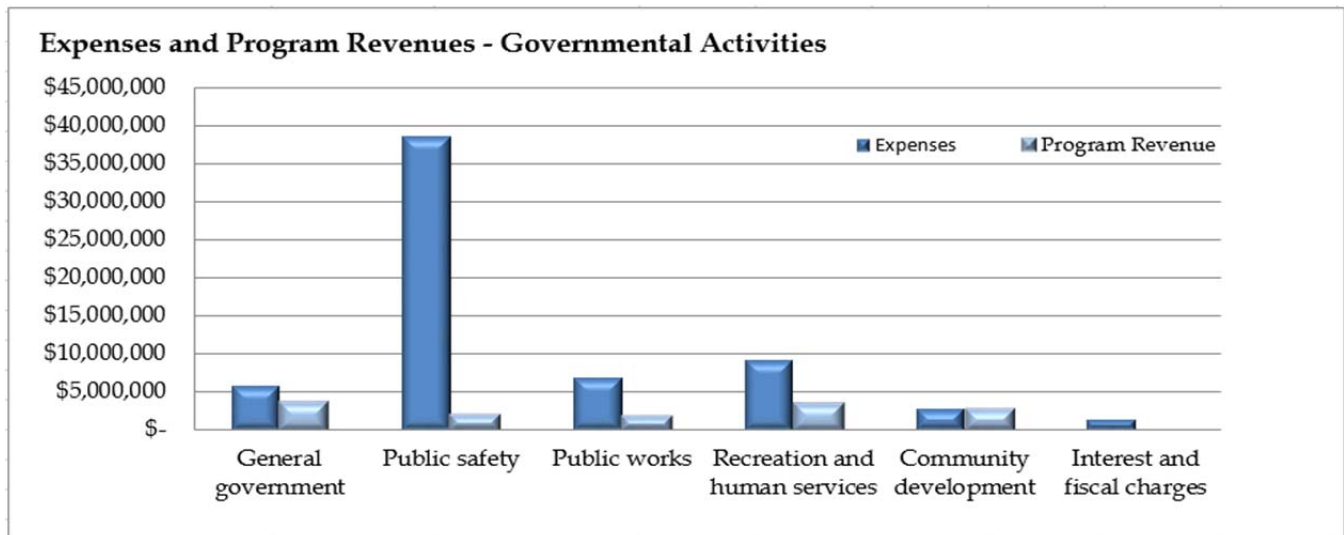
Management's Discussion and Analysis (Continued)

The City's overall net position decreased \$6,755,372 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. During the 2016-2017 fiscal year, net position for governmental activities decreased \$905,225 from the prior fiscal year for an ending balance of \$(19,768,425). The decrease in the overall net position of governmental activities is primarily related to 1) The decrease of \$3,221,551 in Transfers In compared to the prior year was a result of the Van Ness Avenue Property being sold for \$3,020,603 in Fiscal Year 2015-2016 and 2) An increase in expenses for the governmental activities by \$3,576,647 or 6% compared to the prior year; primarily as a result of the increase in PERS costs for Safety and an increased effort to address the compensated absences balances with payouts being made on a more frequent basis.

CITY OF GARDENA'S CHANGES IN NET POSITION						
	Governmental Activities		Business -type Activities		TOTAL	
	2017	2016	2017	2016	2017	2016
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 10,293,404	\$ 9,488,211	\$ 3,437,068	\$ 3,358,772	\$ 13,730,472	\$ 12,846,983
Operating grants and contributions	2,048,938	2,067,123	17,462,145	16,905,476	19,511,083	18,972,599
Capital grants and contributions	1,268,576	1,918,489	3,120,351	1,850,968	4,388,927	3,769,457
<i>General Revenues:</i>						
Property taxes	7,130,426	6,729,849	-	-	7,130,426	6,729,849
Sales and other taxes	39,908,425	39,492,953	-	-	39,908,425	39,492,953
Investment income and miscellaneous	2,390,959	3,066,198	96,130	69,115	2,487,089	3,135,313
Gain on sale of assets	883,201	1,877,151	-	-	883,201	1,877,151
Total Revenues:	63,923,929	64,639,974	24,115,694	22,184,331	88,039,623	86,824,305
Expenses:						
General government	5,848,247	5,730,664	-	-	5,848,247	5,730,664
Public safety	38,700,824	36,304,203	-	-	38,700,824	36,304,203
Public works	6,956,766	8,545,467	-	-	6,956,766	8,545,467
Recreation and human services	9,154,921	6,777,838	-	-	9,154,921	6,777,838
Community development	2,796,216	2,538,835	-	-	2,796,216	2,538,835
Interest and fiscal charges	1,382,078	1,365,398	-	-	1,382,078	1,365,398
Enterprise operations	-	-	29,955,943	27,457,075	29,955,943	27,457,075
Total Expenses:	64,839,052	61,262,405	29,955,943	27,457,075	94,794,995	88,719,480
Increase (decrease) in Net Position before other revenues and transfers	(915,123)	3,377,569	(5,840,249)	(5,272,744)	(6,755,372)	(1,895,175)
Transfers	9,898	3,221,449	(9,898)	(3,221,449)	-	-
Change in Net Position	(905,225)	6,599,018	(5,850,147)	(8,494,193)	(6,755,372)	(1,895,175)
Net position- beginning of year	(18,863,200)	(25,462,218)	41,083,207	49,577,400	22,220,007	24,115,182
Net position - end of year	<u>\$ (19,768,425)</u>	<u>\$ (18,863,200)</u>	<u>\$ 35,233,060</u>	<u>\$ 41,083,207</u>	<u>\$ 15,464,635</u>	<u>\$ 22,220,007</u>

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



Business-type Activities. The City's *business-type activities* decreased the net position by \$5,850,147 or 14.2% for the fiscal year ended June 30, 2017. Business-type activities revenue increased by \$1,931,363 or 8.7% compared to the prior year for a total \$24,115,694 in revenues at year-end. In comparison to the prior fiscal year, the charges for services increased by \$78,296 or 2.3%, due, in part, to an increase in sewer fee, which increased by \$281,353 or 41.8% compared to prior year. Operating grants and contributions increased by \$556,669 or 3.3% compared to the prior fiscal year, primarily due to the recognition of additional revenue in fiscal year 2016-2017 for OPEB. Capital grants and contributions increased by \$1,269,383 or 68.6% due to the electrification conversion of (4) electric buses in fiscal year 2016-2017, which cost approximately \$600,000 each. Investment income and miscellaneous increased \$27,015 or 39.1% compared to the prior year due to an increase in interest rates. Expenses for operations increased by \$2,498,868 or 9.1% compared to prior year, which was largely due to the increase in pension expense for GTRANS of \$875K and \$600K for the Sewer Fund pension expenses. Transfer Out expenses decreased by \$3,211,511, which was a result of in the prior year GTrans transferring back to the City the Van Ness Avenue property in the amount of \$3,020,603.

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.

On June 30, 2017, the City's governmental funds reported combined fund balances of \$37,725,844 an increase of \$1,374,384 or 3.8% in comparison with the prior year. Approximately 0.53% of this amount is \$200,000 and 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 \$294,133; 2) restricted for purposes \$10,116,987; 3) committed for purposes \$23,178,458; or 4) assigned for purposes \$3,936,266.

City of Gardena

Management's Discussion and Analysis (Continued)

The general fund is the chief operating fund of the City. At the end of the 2016-2017 fiscal year, the unassigned fund balance of the general fund was \$200,000, while the total fund balance increased to \$23,887,145. 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 0.37% of total general fund expenditures, while total fund balance represents approximately 44.8% of that same amount.

The fund balance of the City's general fund increased by \$3,017,157 during the 2016-2017 fiscal year. This was primarily related to 1) \$1,003,790 in proceeds received from the sale of the Ross Nor property and 2) \$1,107,784 received in reimbursement for AB 109 administration and allocation, 3) An increase of \$804K in Transfers in because of the City being fully reimbursed for the services it provides to its Gas Tax Fund for the first time. The Top 5 Revenue generators, which make up 71% of the General Fund Original Adopted Budget for Fiscal Year 2016-2017, was down (\$1,086,878), which was primarily a result of the Card Club being down (\$1,076,109) compared to the Budget as the Normandie Casino was sold to new ownership in July 2016 and that new ownership, which plans to renovate the casino needs time to generate a stable revenue base. Sales tax revenue was down by (\$186,945), Property Taxes increased by \$463,153 as the City continues with new Development, Utility Users Tax was down (\$602,264) as Electrical revenue continues to decline with the state offering one-time rebates for Electrical Commercial users and Motor Vehicle In-Lieu up by \$315,287.

The economic development grants fund, a major fund, had a decrease of (\$61,059) in fund balance during the fiscal year primarily due to the increase of \$156K paid in State Home loans during fiscal year 2016-2017.

The debt service fund, a major fund, had a decrease of \$(754,931) in fund balance during the fiscal year, due to annual debt service payments made during the year and the 2006 Certificate of Participation, Series C being refunded by the 2017 Direct Finance Lease, which resulted in a \$112,585 economic gain and \$89,363 savings in debt service, to bring the year-end fund balance to \$1,924,432.

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 GTrans at the end of the fiscal year was \$(15,533,107) and for sewer maintenance was \$(357,997). The total decrease in net position for both funds was \$2,846,120 and \$812,833 respectively. GTrans and the Sewer Fund decreases in net position are predominantly due to the increase in pension expenses.

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 amended budget by 2.9% or \$1,546,996 because of the improved economy which led to the increases in miscellaneous category and license and permits. Miscellaneous revenue had the largest increase of \$1,497,440, this was primarily the result of the \$1,107,784 received in reimbursement for AB109 administration and allocation. The next largest increase was license and permits, which increased by \$513,574, because of the improved economy and thriving development within the City.

City of Gardena

Management's Discussion and Analysis (Continued)

The final amended budget for combined General fund expenditures is \$75,930,642 or \$17,978,680 and 31% more than the original budget of \$57,951,962. On March 8, 2016, The City Council passed Resolution No. 6216, which amended the original expenditure budget for fiscal year 2015-2016 increasing the anticipated expenditures by \$15 Million this was to add a budgeted amount for the Construction of the Public Safety Facility, as this amount was not spent in Fiscal Year 2015-2016, this was added to the Budget for Fiscal Year 2016-2017. Actual expenditures were less than the final amended budget by 25% as the Public Safety Facility project incurred minimal expenditures in Fiscal Year 2016-2017. A detailed budgetary comparison schedule for the year ended June 30, 2017, 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, 2017, amounts to \$108,300,809 (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 compared to prior year was \$2,477,729 or 2.2 % primarily due to the increase in depreciation during the year.

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

	Governmental Activities		Business -type Activities		TOTAL	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets:						
Land	\$ 6,541,402	\$ 6,541,402	\$ 12,956,405	\$ 12,956,405	\$ 19,497,807	\$ 19,497,807
Monuments	46,151	46,151	-	-	46,151	46,151
Construction in progress	699,733	2,105,300	346,287	180,034	1,046,020	2,285,334
Total Non-depreciable assets	7,287,286	8,692,853	13,302,692	13,136,439	20,589,978	21,829,292
Capital assets, being depreciated:						
Building/structures and improvements	7,295,683	8,090,495	31,198,709	32,221,618	38,494,392	40,312,113
Buses	-	-	11,987,219	12,384,433	11,987,219	12,384,433
Machinery and equipment	3,398,345	3,741,007	3,174,346	3,636,399	6,572,691	7,377,406
Furniture and fixtures	-	-	9,772	14,857	9,772	14,857
Infrastructure	-	-	724,315	758,004	724,315	758,004
Street lights network	473,877	516,957	-	-	473,877	516,957
Traffic lights network	2,420,756	2,852,116	-	-	2,420,756	2,852,116
Roadway network	27,027,809	24,733,360	-	-	27,027,809	24,733,360
Total depreciable assets (net)	40,616,470	39,933,935	47,094,361	49,015,311	87,710,831	88,949,246
Total capital assets	47,903,756	48,626,788	60,397,053	62,151,750	108,300,809	110,778,538

Major capital asset events during the 2016-2017 fiscal year included the following:

- ◆ Completion of the Pedestrian Safety Improvement Project 2016
- ◆ Completion of the Local Street Improvement Project 2016
- ◆ Completion of the Traffic Signal Upgrade

Additional information on the City's capital assets can be found in Note 7 on pages 70-71 of this report.

Long-term Debt. At the end of the 2016-2017 fiscal year, the City had total bonded debt outstanding of \$21,493,407. The City refunded the 2006 Certificate of Participation, Series C with the 2017 Direct Finance Lease and continued to maintain its loan payable.

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

CITY OF GARDENA'S OUTSTANDING DEBT

	Governmental Activities		TOTAL	
	2017	2016	2017	2016
Refunding Revenue Bonds	\$ 10,950,000	\$ 11,040,000	\$ 10,950,000	\$ 11,040,000
Certificates of Participation	9,170,000	11,770,000	9,170,000	11,770,000
Direct Purchase Lease	1,635,000	-	1,635,000	-
- Bond discount	(261,593)	(275,477)	(261,593)	(275,477)
SCE On-Bill Financing Loan	111,443	124,548	111,443	124,548
Loan Payable	3,200,986	3,114,763	3,200,986	3,114,763
	<u>24,805,836</u>	<u>25,773,834</u>	<u>24,805,836</u>	<u>25,773,834</u>

The City maintains an "A+" rating from Standard & Poor's and an "A1" rating with Moody's for its general obligation debt as of June 30, 2017.

Additional information about the City's long-term debt can be found in Note 8 on pages 72-76 of this report.

Economic Factors and Next Year's Budget and Rates

The economy of the City is based around the needs of its citizens, with over 71% of the City's General Fund operating revenues coming from its Top 5 revenue sources, which include: 1) Sales and Use Tax, 2) Card Club Gross Revenue Fees, 3) Property Taxes, 4) Utility Users Tax and 5) Vehicle License Fees.

The City's budget (2017-2018) projections take into account the historical trends and current economic factors and consultant recommendations. An increase in General Fund operating revenues of approximately \$1.04 million or 1.9% compared to the original adopted budget for 2016-2017 is anticipated with the amount projected to be \$55,644,723. For fiscal year 2017-2018, sales tax revenue is estimated to have an increase of \$400K or 3.4% compared to the 2016-2017 adopted budget. Card Club Gross Revenue Fees are estimated to remain flat, with no change in projections from the adopted budget from 2016-2017, this projection is based on the Normandie Casino being sold to new ownership in July 2016 and that new ownership, which plans to renovate the casino needing time to generate a stable revenue base. Property tax revenue is estimated at \$6.928 million, which represents an increase of \$303,000 or 4.6% from the 2016-2017 adopted budget, due to continuing improvement of real estate market projections for the upcoming years. Utility user tax projections are anticipated to increase by \$150,000 or 2.5% from the 2016-2017 adopted budget. Vehicle License fees are estimated at \$5.4 million an increase of \$150,000 or 2.9% from the 2016-2017 adopted budget. General Fund operating expenditures have been projected at \$55,631,785, an increase of \$1.04 million or 1.9 % compared to the 2016-2017 adopted budget. The budget reflects adjustments to retirement costs based on the increase in CalPERS contribution rates for 2017-2018, which are 22.2% for miscellaneous employees, 7% of this rate is being paid by the employees; and 59.2% for safety employees, 9% of this rate is being paid by the employees. It is estimated that the General Fund will have a fund balance of approximately \$23.8 million at the end of fiscal year 2017-2018.

City of Gardena

Management's Discussion and Analysis (Continued)

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's and to show the city's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrative Services Division, 1700 W. 162nd Street, Gardena, CA 90247.

BASIC FINANCIAL STATEMENTS

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2017*



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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Gardena
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 41,125,192	\$ 7,154,527	\$ 48,279,719
Receivables, net	5,459,006	3,783,998	9,243,004
Due from other government	384,042	-	384,042
Internal balances	10,750,966	(10,750,966)	-
Prepaid items	179,352	46,998	226,350
Inventories	78,970	483,604	562,574
Total current assets	57,977,528	718,161	58,695,689
Noncurrent assets:			
Restricted cash and investments:			
Cash with fiscal agent	1,922,529	-	1,922,529
Held by City	-	4,021,545	4,021,545
Loan receivable	1,904,763	-	1,904,763
Long-term receivables	53,637	-	53,637
Capital assets:			
Nondepreciable	7,287,286	13,302,692	20,589,978
Depreciable, net	40,616,470	47,094,361	87,710,831
Total capital assets	47,903,756	60,397,053	108,300,809
Total noncurrent assets	51,784,685	64,418,598	116,203,283
Total assets	109,762,213	65,136,759	174,898,972
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	19,381,325	4,583,131	23,964,456
Total deferred outflows of resources	19,381,325	4,583,131	23,964,456

City of Gardena
Statement of Net Position (Continued)
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	1,423,420	872,075	2,295,495
Accrued liabilities	245,605	96,746	342,351
Salaries and benefits payable	1,120,474	431,486	1,551,960
Retention payable	8,809	246,887	255,696
Deposits payable	1,791,755	-	1,791,755
Unearned revenue	33,093	7,354,308	7,387,401
Accrued interest payable	413,939	-	413,939
Long-term liabilities - due within one year	9,211,571	262,229	9,473,800
Total current liabilities	14,248,666	9,263,731	23,512,397
Noncurrent liabilities:			
Long-term liabilities - due in more than one year	38,528,092	1,048,914	39,577,006
Net other postemployment benefit obligation (Note 11)	23,422,689	5,838,944	29,261,633
Aggregate net pension liabilities (Note 10)	70,409,957	17,657,493	88,067,450
Total noncurrent liabilities	132,360,738	24,545,351	156,906,089
Total liabilities	146,609,404	33,809,082	180,418,486
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	2,302,559	677,748	2,980,307
Total deferred inflows of resources	2,302,559	677,748	2,980,307
NET POSITION			
Net investment in capital assets	28,138,906	60,150,166	88,289,072
Restricted for:			
Employment and training services	43,611	-	43,611
Law enforcement	914,062	-	914,062
Local street improvements	6,205,701	-	6,205,701
Economic development	1,986,202	-	1,986,202
Other purposes	651,830	-	651,830
Capital projects	295,912	-	295,912
Debt service	1,924,432	-	1,924,432
Total restricted	12,021,750	-	12,021,750
Unrestricted (deficit)	(59,929,081)	(24,917,106)	(84,846,187)
Total net position	\$ (19,768,425)	\$ 35,233,060	\$ 15,464,635

City of Gardena
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Governmental activities:					
General government	\$ 5,848,247	\$ 3,504,735	\$ 19,121	\$ -	\$ 3,523,856
Public safety	38,700,824	1,422,001	599,265	46,132	2,067,398
Public works	6,956,766	615,289	-	1,222,444	1,837,733
Recreation and human services	9,154,921	2,979,625	490,239	-	3,469,864
Community development	2,796,216	1,771,754	940,313	-	2,712,067
Interest and fiscal charges	1,382,078	-	-	-	-
Total governmental activities	64,839,052	10,293,404	2,048,938	1,268,576	13,610,918
Business-type Activities:					
Municipal bus line	28,195,640	2,482,516	17,462,145	3,120,351	23,065,012
Sewer	1,760,303	954,552	-	-	954,552
Total business-type activities	29,955,943	3,437,068	17,462,145	3,120,351	24,019,564
Total primary government	\$ 94,794,995	\$ 13,730,472	\$ 19,511,083	\$ 4,388,927	\$ 37,630,482

City of Gardena
Statement of Activities (Continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Governmental Activities:			
General government	\$ (2,324,391)	\$ -	\$ (2,324,391)
Public safety	(36,633,426)	-	(36,633,426)
Public works	(5,119,033)	-	(5,119,033)
Recreation and human services	(5,685,057)	-	(5,685,057)
Community development	(84,149)	-	(84,149)
Interest and fiscal charges	(1,382,078)	-	(1,382,078)
Total governmental activities	(51,228,134)	-	(51,228,134)
Business-type Activities:			
Municipal bus line	-	(5,130,628)	(5,130,628)
Sewer	-	(805,751)	(805,751)
Total business-type activities	-	(5,936,379)	(5,936,379)
Total primary government	(51,228,134)	(5,936,379)	(57,164,513)
General revenues and transfers:			
General revenues:			
Taxes:			
Property taxes	7,130,426	-	7,130,426
Sales taxes	11,204,697	-	11,204,697
Business license	2,606,279	-	2,606,279
UUT	5,147,736	-	5,147,736
Franchise taxes	2,440,108	-	2,440,108
Card club	8,975,991	-	8,975,991
Vehicle license - unrestricted	5,677,909	-	5,677,909
Other taxes	3,855,705	-	3,855,705
Total taxes	47,038,851	-	47,038,851
Investment income	129,187	77,618	206,805
Miscellaneous	2,261,772	18,512	2,280,284
Gain on sale of property	883,201	-	883,201
Total general revenues	50,313,011	96,130	50,409,141
Transfers	9,898	(9,898)	-
Changes in net position	(905,225)	(5,850,147)	(6,755,372)
Net position - beginning of year	(18,863,200)	41,083,207	22,220,007
Net position - end of year	\$ (19,768,425)	\$ 35,233,060	\$ 15,464,635

City of Gardena

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017



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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

City of Gardena

*Comprehensive Annual Financial Report
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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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.

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

City of Gardena
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds		
	Economic		
	Development		
	Grants Special		
	Revenue		
	General		City
	Fund		Debt Service
ASSETS			
Cash and investments	\$ 20,489,704	\$ 3,860,358	\$ -
Cash and investments with fiscal agents	-	-	1,922,529
Receivables:			
Accounts	955,731	-	-
Taxes	4,001,456	-	-
Interest	87,965	-	-
Employees	48,397	-	-
Loans	-	1,904,763	-
Inventories	78,970	-	-
Prepaid items and deposits	166,766	-	4,323
Due from other governments	122,648	-	-
Due from other funds	2,084,954	-	-
Long-term receivables	53,637	-	-
Total assets	\$ 28,090,228	\$ 5,765,121	\$ 1,926,852
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 683,679	\$ 13,424	\$ 2,420
Accrued liabilities	54,631	-	-
Salaries and benefits payable	1,068,358	-	-
Due to other funds	-	172	-
Retention payable	-	-	-
Deposits payable	1,777,157	-	-
Unearned revenues	30,002	-	-
Total Liabilities	3,613,827	13,596	2,420
Deferred inflows of resources:			
Unavailable revenue	589,256	1,904,763	-
Total deferred inflows of resources	589,256	1,904,763	-
Fund balances:			
Nonspendable	294,133	-	-
Restricted	43,611	81,439	1,924,432
Committed	19,413,135	3,765,323	-
Assigned	3,936,266	-	-
Unassigned	200,000	-	-
Total fund balances	23,887,145	3,846,762	1,924,432
Total liabilities, deferred inflows of resources, and fund balances	\$ 28,090,228	\$ 5,765,121	\$ 1,926,852

City of Gardena
Balance Sheet (Continued)
Governmental Funds
June 30, 2017

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 8,338,594	\$ 32,688,656
Cash and investments with fiscal agents	-	1,922,529
Receivables:		
Accounts	348,887	1,304,618
Taxes	16,570	4,018,026
Interest	-	87,965
Employees	-	48,397
Loans	-	1,904,763
Inventories	-	78,970
Prepaid items and deposits	6,117	177,206
Due from other governments	261,394	384,042
Due from other funds	-	2,084,954
Long-term receivables	-	53,637
Total assets	\$ 8,971,562	\$ 44,753,763
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 475,285	\$ 1,174,808
Accrued liabilities	7,879	62,510
Salaries and benefits payable	52,116	1,120,474
Due to other funds	359,818	359,990
Retention payable	8,809	8,809
Deposits payable	-	1,777,157
Unearned revenues	150	30,152
Total Liabilities	904,057	4,533,900
Deferred inflows of resources:		
Unavailable revenue	-	2,494,019
Total deferred inflows of resources	-	2,494,019
Fund balances:		
Nonspendable	-	294,133
Restricted	8,067,505	10,116,987
Committed	-	23,178,458
Assigned	-	3,936,266
Unassigned	-	200,000
Total fund balances	8,067,505	37,725,844
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,971,562	\$ 44,753,763

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2017*



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City of Gardena
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balances - Total Governmental Funds	\$ 37,725,844
---	---------------

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:

Amount reported in government-wide statement of position:

Capital assets, not being depreciated	\$ 7,287,286	
Capital assets, depreciable	99,741,864	
Less accumulated depreciation	(59,125,394)	47,903,756

Interest is recognized when due, and therefore, interest payable is not reported in the governmental funds.	(413,939)
---	-----------

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 \$7,056,926 reported in Internal Service Funds)	(2,154,645)
---	-------------

Long-term liabilities - due in more than one year (net of \$8,225,155 reported in Internal Service Funds)	(30,302,937)
---	--------------

Net OPEB obligation is not due and payable in the current period and therefore is not reported in the governmental funds.	(23,422,689)
---	--------------

Aggregate net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	(70,409,957)
---	--------------

Pension related deferred outflows of resources are not reported in the governmental funds but are reported in the government-wide financial statements.	19,381,325
---	------------

Pension related deferred inflows of resources are not reported in the governmental funds but are reported in government- wide financial statements.	(2,302,559)
---	-------------

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 \$9,026,002 allocated to business-type activities).	1,733,357
--	-----------

Revenues earned but not available to pay for current expenditures for governmental funds are unavailable.	2,494,019
---	-----------

Net position of governmental activities	\$ (19,768,425)
--	------------------------

City of Gardena
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds		
		Economic Development Grants Special Revenue	City Debt Service
	General Fund		
REVENUES:			
Taxes	\$ 44,458,251	\$ -	\$ -
Licenses and permits	1,800,752	-	-
Intergovernmental	552,574	85,079	-
Charges for services	5,155,573	-	-
Fines, forfeitures, and penalties	1,012,912	-	-
Use of money and property	8,168	35,058	1,066
Miscellaneous	2,245,601	198,154	-
Total revenues	55,233,831	318,291	1,066
EXPENDITURES:			
Current:			
General government	4,914,416	-	-
Public safety	36,590,652	-	-
Public works	3,427,646	-	-
Recreation and human services	6,197,077	-	-
Community development	1,654,980	356,000	-
Capital outlay	573,602	1,351	-
Debt service:			
Principal retirement	13,105	-	2,690,000
Interest and fiscal charges	-	86,223	1,345,418
Total expenditures	53,371,478	443,574	4,035,418
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,862,353	(125,283)	(4,034,352)
OTHER FINANCING SOURCES (USES):			
Transfers in	2,100,008	-	1,644,421
Transfers out	(1,948,994)	(21,999)	-
Proceed from sale of assets	1,003,790	-	-
Issuance of loans	-	86,223	-
Proceeds from issuance of refunding debt	-	-	1,635,000
Total other financing sources (uses)	1,154,804	64,224	3,279,421
NET CHANGE IN FUND BALANCES	3,017,157	(61,059)	(754,931)
FUND BALANCES:			
Beginning of Year	20,869,988	3,907,821	2,679,363
End of Year	\$ 23,887,145	\$ 3,846,762	\$ 1,924,432

City of Gardena
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2017

	Other Governmental Funds	Total Governmental Funds
REVENUES:		
Taxes	\$ 2,388,958	\$ 46,847,209
Licenses and permits	-	1,800,752
Intergovernmental	4,912,219	5,549,872
Charges for services	-	5,155,573
Fines, forfeitures, and penalties	89,323	1,102,235
Use of money and property	84,894	129,186
Miscellaneous	500,295	2,944,050
Total revenues	<u>7,975,689</u>	<u>63,528,877</u>
EXPENDITURES:		
Current:		
General government	-	4,914,416
Public safety	386,546	36,977,198
Public works	636,839	4,064,485
Recreation and human services	2,433,957	8,631,034
Community development	746,881	2,757,861
Capital outlay	2,774,528	3,349,481
Debt service:		
Principal retirement	-	2,703,105
Interest and fiscal charges	-	1,431,641
Total expenditures	<u>6,978,751</u>	<u>64,829,221</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>996,938</u>	<u>(1,300,344)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	2,743,504	6,487,933
Transfers out	(4,587,973)	(6,558,966)
Proceed from sale of assets	20,748	1,024,538
Issuance of loans	-	86,223
Proceeds from issuance of refunding debt	-	1,635,000
Total other financing sources (uses)	<u>(1,823,721)</u>	<u>2,674,728</u>
NET CHANGE IN FUND BALANCES	<u>(826,783)</u>	<u>1,374,384</u>
FUND BALANCES:		
Beginning of Year	8,894,288	36,351,460
End of Year	<u>\$ 8,067,505</u>	<u>\$ 37,725,844</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
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds:		\$ 1,374,384
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 (\$757,430 of capital outlay expenditures were for current public works expenditures for repairs and maintenance and therefore, were not capitalized)		2,592,051
The net effect of disposal of capital assets.		(141,337)
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.		(3,173,746)
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.		63,447
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.		389,030
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	\$ (2,151,389)	
Pension credit (expense) net of reporting contribution made after measurement date reported in deferred outflows of resources in the Government-Wide Statement of Net Position but reported as pension expense in the governmental fund in the amount of \$6,655,533.	1,852,202	(299,187)
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.		
Principal repayments of long-term debt	2,703,105	
Interest accrual on loans payables	(86,223)	
issuance of refunding debt	(1,635,000)	
Amortization of bond discount	(13,884)	967,998
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 \$2,191,194 allocated to business-type activities).		(2,189,716)
Unavailable revenue is not recognized as revenue in the governmental funds since the revenue is not available to fund expenditures of the current year.		(488,149)
Change in net position of governmental activities		<u><u>\$ (905,225)</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Gardena
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities			Governmental Activities Internal Service Funds
	Municipal Bus Line	Non-Major Sewer	Total	
ASSETS				
Current Assets:				
Cash and investments	\$ 6,911,216	\$ 243,311	\$ 7,154,527	\$ 8,436,536
Restricted cash	4,021,545	-	4,021,545	-
Receivables, net:				
Accounts	930,449	145,809	1,076,258	-
Inventories	483,604	-	483,604	-
Prepaid items and deposits	45,325	1,673	46,998	2,146
Due from other governments	2,707,740	-	2,707,740	-
Total current assets	15,099,879	390,793	15,490,672	8,438,682
Noncurrent assets:				
Capital assets, net	59,722,652	674,401	60,397,053	-
Total noncurrent assets	59,722,652	674,401	60,397,053	-
Total assets	74,822,531	1,065,194	75,887,725	8,438,682
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows of resources related to pension	4,390,796	192,335	4,583,131	-
Total deferred outflows of resources	4,390,796	192,335	4,583,131	-

City of Gardena
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2017

	Business-type Activities			Internal
	Municipal Bus Line	Non-Major Sewer	Total	Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	826,980	45,095	872,075	248,612
Accrued liabilities	96,746	-	96,746	183,095
Salaries and benefits payable	409,301	22,185	431,486	-
Deposits payable	-	-	-	14,598
Retention payable	246,887	-	246,887	-
Due to other funds	1,724,964	-	1,724,964	-
Unearned revenue	7,354,308	-	7,354,308	2,941
Compensated absences, due within one year	241,351	20,878	262,229	-
Claims payable, due within one year	-	-	-	7,056,926
Total current liabilities	10,900,537	88,158	10,988,695	7,506,172
Noncurrent liabilities:				
Compensated absences, due in more than one year	965,403	83,511	1,048,914	-
Claims payable, due in more than one year	-	-	-	8,225,155
Net other postemployment benefit obligation (Note 11)	5,838,944	-	5,838,944	-
Aggregate net pension liabilities (Note 10)	16,916,479	741,014	17,657,493	-
Total noncurrent liabilities	23,720,826	824,525	24,545,351	8,225,155
Total liabilities	34,621,363	912,683	35,534,046	15,731,327
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension	649,306	28,442	677,748	-
Total deferred inflows of resources	649,306	28,442	677,748	-
NET POSITION				
Net investment in capital assets	59,475,765	674,401	60,150,166	-
Unrestricted (deficit)	(15,533,107)	(357,997)	(15,891,104)	(7,292,645)
Total net position	\$ 43,942,658	\$ 316,404	\$ 44,259,062	\$ (7,292,645)
<i>Net position reconciliation:</i>				
Net position of proprietary funds	\$ 43,942,658	\$ 316,404	\$ 44,259,062	\$ (7,292,645)
Adjustment to reflect the consolidation of internal service fund activities related to the Municipal Bus Line	(9,026,002)	-	(9,026,002)	9,026,002
Net position of business-type activities	<u>\$ 34,916,656</u>	<u>\$ 316,404</u>	<u>\$ 35,233,060</u>	
Net position related to governmental activities				<u>\$ 1,733,357</u>
				(Concluded)

City of Gardena

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For the Year Ended June 30, 2017*



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City of Gardena
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities			Governmental Activities Internal Service Funds
	Municipal Bus Line	Non-Major Sewer	Total	
OPERATING REVENUES:				
Charges for services	\$ 2,377,830	\$ 954,552	\$ 3,332,382	\$ 9,514,181
Other	104,686	-	104,686	527,879
Total operating revenues	2,482,516	954,552	3,437,068	10,042,060
OPERATING EXPENSES:				
Salaries and benefits	14,306,225	1,200,779	15,507,004	-
Insurance claims	-	-	-	9,831,985
General and administrative	5,011,844	349,421	5,361,265	4,755,584
Depreciation	4,641,853	134,463	4,776,316	-
Other operating expenses	2,044,524	75,640	2,120,164	-
Total operating expenses	26,004,446	1,760,303	27,764,749	14,587,569
OPERATING (LOSS)	(23,521,930)	(805,751)	(24,327,681)	(4,545,509)
NONOPERATING REVENUES:				
Local transportation fund	5,110,136	-	5,110,136	-
Other local assistance	9,226,213	-	9,226,213	-
Federal transit assistance	2,697,519	-	2,697,519	-
Other state assistance	111,484	-	111,484	-
State transit assistance fund	316,793	-	316,793	-
Interest income	74,802	2,816	77,618	83,668
Other revenues	18,512	-	18,512	-
Total nonoperating revenues	17,555,459	2,816	17,558,275	83,668
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(5,966,471)	(802,935)	(6,769,406)	(4,461,841)
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	3,120,351	-	3,120,351	-
Transfers in	-	-	-	80,931
Transfers out	-	(9,898)	(9,898)	-
Total contributions and transfers	3,120,351	(9,898)	3,110,453	80,931
CHANGES IN NET POSITION	(2,846,120)	(812,833)	(3,658,953)	(4,380,910)
NET POSITION:				
Beginning of the year	46,788,778	1,129,237	47,918,015	(2,911,735)
End of the year	<u>\$ 43,942,658</u>	<u>\$ 316,404</u>	<u>\$ 44,259,062</u>	<u>\$ (7,292,645)</u>
<i>Change in net position reconciliation:</i>				
Change in net position of proprietary funds	\$ (2,846,120)	\$ (812,833)	\$ (3,658,953)	\$ (4,380,910)
Adjustment to reflect the consolidation of internal service fund activities related to the Municipal Bus Line	(2,191,194)	-	(2,191,194)	2,191,194
Change in net position of business-type activities	<u>\$ (5,037,314)</u>	<u>\$ (812,833)</u>	<u>\$ (5,850,147)</u>	
Change in net position related to governmental activities				<u>\$ (2,189,716)</u>

City of Gardena
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities			Governmental Activities Internal Service Fund
	Municipal Bus Line	Non-major Sewer	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 1,622,392	\$ 868,702	\$ 2,491,094	\$ 9,514,181
Receipts from claims and recoveries	-	-	-	527,879
Payments for insurance claims	-	-	-	(6,158,285)
Payments to suppliers	(6,316,057)	(395,444)	(6,711,501)	(4,431,671)
Payments to employees	(13,543,649)	(585,880)	(14,129,529)	-
Other receipts	123,198	-	123,198	-
Net cash (used in) operating activities	(18,114,116)	(112,622)	(18,226,738)	(547,896)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	1,724,964	-	1,724,964	1,102,425
Transfers to other funds	-	-	-	(1,081,993)
Transit assistance funds received	19,229,465	-	19,229,465	-
Net cash provided by noncapital financing activities	20,954,429	-	20,954,429	20,432
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Transfers to capital projects	-	(9,898)	(9,898)	-
Acquisition of capital assets	(2,774,732)	-	(2,774,732)	-
Receipt from capital grants	3,120,351	-	3,120,351	-
Net cash provided by (used in) capital and related financing activities	345,619	(9,898)	335,721	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	74,802	2,816	77,618	83,668
Net cash provided by investing activities	74,802	2,816	77,618	83,668
Net increase (decrease) in cash and cash equivalents	3,260,734	(119,704)	3,141,030	(443,796)
CASH AND CASH EQUIVALENTS:				
Beginning of year	7,672,027	363,015	8,035,042	8,880,332
End of year	\$ 10,932,761	\$ 243,311	\$ 11,176,072	\$ 8,436,536
CASH AND CASH EQUIVALENTS:				
Cash and investments	\$ 6,911,216	\$ 243,311	\$ 7,154,527	\$ 8,436,536
Restricted cash	4,021,545	-	4,021,545	-
Total cash and cash equivalents	\$ 10,932,761	\$ 243,311	\$ 11,176,072	\$ 8,436,536

See accompanying Notes to the Basic Financial Statements.

City of Gardena
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities			Governmental Activities Internal Service Fund
	Municipal Bus Line	Non-major Sewer	Total	
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) OPERATING ACTIVITIES:				
Operating (loss)	\$ (23,521,930)	\$ (805,751)	\$ (24,327,681)	\$ (4,545,509)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation expense	4,641,853	134,463	4,776,316	-
Other revenue	18,512	-	18,512	-
(Increase) decrease in:				
Accounts receivable	(755,438)	(85,850)	(841,288)	-
Inventory	26,757	-	26,757	-
Prepaid items and deposits	(24,663)	(1,673)	(26,336)	-
Increase (decrease) in:				
Accounts payable	649,187	31,290	680,477	128,400
Accrued liabilities	89,030	-	89,030	183,095
Unearned revenue	-	-	-	2,941
Accrued payroll	25,914	7,003	32,917	-
Compensated absences	33,154	30,775	63,929	-
Deferred outflows of resources - pension	(3,227,208)	(192,335)	(3,419,543)	-
Net pension liabilities	4,522,170	741,014	5,263,184	-
Net other postemployment benefits liability	327,580	-	327,580	-
Deferred inflows of resources - pension	(919,034)	28,442	(890,592)	-
Deposits payable	-	-	-	9,477
Claims payable	-	-	-	3,673,700
Total adjustment	5,407,814	693,129	6,100,943	3,997,613
Net cash (used in) operating activities	\$ (18,114,116)	\$ (112,622)	\$ (18,226,738)	\$ (547,896)

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2017*



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FIDUCIARY FUND FINANCIAL STATEMENTS

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

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2017*



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City of Gardena
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds
ASSETS:	
Cash and investments	\$ 5,885
Total assets	<u>\$ 5,885</u>
LIABILITIES:	
Deposit payable	\$ 5,885
Total liabilities	<u>\$ 5,885</u>

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2017*



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NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Gardena

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017



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City of Gardena
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For the Year Ended June 30, 2017

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City of Gardena
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For the Year Ended June 30, 2017

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City of Gardena
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Unit

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

Although the following is legally separate from the City, it has been “blended” as though it is part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

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, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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, 2017

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.
- 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.

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, 2017

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 and business-type 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, 2017.

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 one agency fund: LA CLEAR – Training as of June 30, 2017. During fiscal year of June 30, 2017, the City closed BSSC Trust/AB109 Parole Compliance agency fund.

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, 2017

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. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosure about fair value measurement. Investments, unless otherwise specified at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

F. 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”.

G. 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.

H. 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 acquisition value. City policy has set the capitalization threshold for reporting capital assets at \$5,000.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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”.

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	40 years
Machinery and equipment	3-15 years
Buses	12 years
Furniture and fixtures	3-10 years
Infrastructure	30-60 years

I. 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.

J. 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 and grants received but not yet earned.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

K. *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.

L. *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:

<u>CalPERS</u>	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

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.

M. *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 \$750,000 per claim and workers' compensation for \$500,000 per claim. Losses in excess of \$500,000, 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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Long-Term Debt

In the Government-Wide Financial Statements and Proprietary Fund 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.

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.

O. 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 18, 2016	Unsecured, redemptions, and SB813 taxes
December 20, 2016	Homeowners' exemption, secured, and SB813 taxes
January 20, 2017	Homeowners' exemption, secured, and SB813 taxes
February 17, 2017	Redemptions, secured, and SB813 taxes
March 20, 2017	Secured and SB813 taxes
April 20, 2017	Secured and SB813 taxes
May 19, 2017	Redemptions, homeowners' exemption, secured, and SB813 taxes
June 20, 2017	Homeowners' exemption, SB813 taxes
July 20, 2017	Secured and SB813 taxes
August 18, 2017	Secured, redemptions, unsecured, and SB813 taxes

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

P. 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 outflows and 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, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

P. 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

Q. 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.

R. Accounting Changes

GASB Statement No. 77, *Tax Abatement Disclosure* - This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. 2) The gross dollar amount of taxes abated during the period 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* - This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Accounting Changes (Continued)

GASB Statement No. 80, *Blending Requirements for Certain Component Units* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

GASB Statement No. 82, *Pension Issues* - The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2017.

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, 2017 for its governmental activities of \$(59,929,081) and business-type activities of \$(24,917,106). The deficit was mainly due to the reporting of the net pension liabilities on the financial statements since 2015. The aggregate net pension liabilities reported were \$70,409,957 and \$17,657,493 for governmental activities and business-type activities, respectively.

The following funds had a deficit net position at June 30, 2017:

Internal Service Funds:	
Liability Insurance Fund	\$ (8,487,825)
Workers' Compensation Fund	(3,799,582)

In addition, the Municipal Bus Line had a deficit unrestricted net position of \$(15,533,107) at June 30, 2017. Sewer had a deficit unrestricted net position of \$(357,997) at June 30, 2017.

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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Stewardship, Compliance and Accountability (Continued)

B. Expenditures in Excess of Appropriations

The following funds had expenditures in excess of appropriations:

Fund	Appropriations	Expenditures	Excess of Expenditures over Appropriations
Major Governmental Funds:			
General Fund			
General government:			
City treasurer	\$ 250,412	\$ 280,572	\$ (30,160)
Non-departmental	757,181	878,788	(121,607)
Public Safety:			
Police	25,425,524	26,429,691	(1,004,167)
Public works	3,394,913	3,427,646	(32,733)
Debt service:			
Principal retirement	-	13,105	(13,105)
Economic Development Grants Sepcial Revenue Fund:			
Debt service:			
Interest and fiscal charges	-	86,223	(86,223)
City Debt Service Fund :			
Principal retirement	730,000	2,690,000	(1,960,000)
Interest and fiscal charges	1,241,979	1,345,418	(103,439)
Nonmajor Governmental Funds:			
Public Works Grants Special Revenue Fund			
Public works	30,834	67,986	(37,152)
Human Services Grants Special Revenue Fund			
Recreation and human services	2,271,427	2,433,957	(162,530)
Community Development Block Grant Special Revenue Fund			
Community development	738,903	746,881	(7,978)

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, 2017

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, 2017:

	Government-Wide Financial Statement			
	Governmental	Business-Type	Fiduciary	Total
	Activities	Activities	Funds	
Cash and investments	\$ 41,125,192	7,154,527	\$ 5,885	\$ 48,285,604
Restricted cash held by the City	-	4,021,545	-	4,021,545
Cash and investments held by fiscal agents	1,922,529	-	-	1,922,529
Total cash and investments	\$ 43,047,721	\$ 11,176,072	\$ 5,885	\$ 54,229,678

The City's cash and investments at June 30, 2017, in more detail:

Cash and cash equivalents:	
Petty cash	\$ 6,860
Demand deposits	7,212,159
Total cash and cash equivalents	7,219,019
Investments:	
Money market mutual fund	8,155,354
Negotiable certificates of deposit	7,749,390
Local Agency Investment Fund	20,743,971
U.S. Government sponsored enterprise securities	7,438,845
Medium-term notes	1,000,570
Total investments	45,088,130
Total cash and investments	52,307,149
Cash and investments with fiscal agents	1,922,529
Total	\$ 54,229,678

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments (Continued)

A. Deposits

The carrying amounts of the City's demand deposits were \$7,212,159 at June 30, 2017. Bank balances at that date were \$8,930,643, 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.

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 did not waive 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%	No Limit
Commercial paper	270 days	15%	10%
Negotiable certificates of deposit	5 years	30%	No Limit
Repurchase agreements	90 days	N/A	No Limit
Reverse repurchase agreements	90 days	20%	No Limit
Local Agency Investment Fund ("LAIF")	N/A	No Limit	No Limit
Non-negotiable certificates of deposits	5 years	25%	No Limit
Medium-term notes	5 years	30%	15%
Mutual funds	5 years	20%	10%
Money market mutual funds	90 days	20%	No Limit
Investment Trust of California ("CalTrust")	N/A	No Limit	No Limit

N/A - Not Applicable

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

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments (Continued)

B. Investments (Continued)

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, 2017, 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.

As of June 30, 2017, the City had \$20,743,971 invested in LAIF, which had invested 2.89% 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. Fair Value Measurement

At June 30, 2017, investments are reported at fair value. The following table presents the fair value measurements of investments on a recurring basis and the levels with GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2017:

Investment Type	Measurement Input		
	Significant Other Observable Inputs (Level 2)	Uncategorized	Total
Money market mutual fund	\$ -	\$ 8,155,354	\$ 8,155,354
Negotiable certificates of deposit	7,749,390	-	7,749,390
Local Agency Investment Fund	-	20,743,971	20,743,971
U.S. Government sponsored enterprise securities	7,438,845	-	7,438,845
Medium-term notes	1,000,570	-	1,000,570
Cash and investments with fiscal agents:			
Money market mutual fund	-	1,922,529	1,922,529
Total	\$ 16,188,805	\$ 30,821,854	\$ 47,010,659

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Cash and Investments (Continued)

D. 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, 2017, 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	\$ 8,155,354	\$ 8,155,354	\$ -	\$ -	\$ -	\$ -
Negotiable certificates of deposit	7,749,390	1,053,311	1,983,075	1,993,134	2,230,906	488,964
Local Agency Investment Fund	20,743,971	20,743,971	-	-	-	-
U.S. Government sponsored enterprise securities	7,438,845	500,005	1,493,260	997,420	496,900	3,951,260
Medium-term notes	1,000,570	1,000,570	-	-	-	-
Cash and investments with fiscal agents:						
Money market mutual fund	1,922,529	1,922,529	-	-	-	-
Total	\$ 47,010,659	\$ 33,375,740	\$ 3,476,335	\$ 2,990,554	\$ 2,727,806	\$ 4,440,224

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, 2017, 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	46.00%
Medium-term notes:			
Toyota Motor	AA3	AA-	2.22%
U.S. Government sponsored enterprise securities	AAA	AA+	16.50%
Negotiable certificates of deposit	Not Rated	Not Rated	17.19%
Money market mutual fund	P-1	Aa	18.09%
Total			100.00%

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, 2017

Note 4 – Other Receivables

A. YMCA 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 2017, the monthly payment was increased from \$112 to \$209 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, 2017, future lease payments from the YMCA, including interest, were \$398,749. Since the City has not earned the revenue for the future lease payments, there was no revenue recognized or receivables reported at June 30, 2017 for these future lease payments.

B. State Mandated Claims Reimbursement

The City recorded an outstanding receivable of \$757,672 for the State Mandated Claims Reimbursement (SB90 Claims) from the State of California (the "State"). The payments of the mandated claims reimbursement are subject to State approval and management cannot estimate the timing and amount of the payments that will be made and reported an allowance for doubtful accounts in the amount of \$757,672. As a result, both the General Fund in the governmental fund financial statements and governmental activities in the government-wide financial statements reported zero balances for accounts receivable associated with the State Mandated Claims Reimbursement as of June 30, 2017.

Note 5 – Loans Receivable

A. Home-Owner Occupied Deferred Loans

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
CalHOME	\$ 405,453	\$ -	\$ (2,325)	\$ 403,128
State HOME Loans	1,715,949	10,000	(224,314)	1,501,635
	<u>\$ 2,262,728</u>	<u>\$ 10,000</u>	<u>\$ (226,639)</u>	<u>\$ 1,904,763</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, 2017, the outstanding loan balance is \$1,904,763. 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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Loans Receivable (Continued)

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, 2017, the City funded \$2,874,115 for the development of the project and accrued interest in the amount of \$326,871 which was required by the State of California. This results the City in reporting loans receivable in the amount of \$3,200,986. 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 \$3,200,986. 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, 2017.

Note 6 – Interfund Transactions

A. Government-Wide Financial Statements

Internal Balances - At June 30, 2017, the City had the following internal receivable and payable, which represents internal service charges between the governmental activities and business-type activities:

Internal Payable	
	Business-Type Activities
Internal Receivable	
Governmental Activities	\$ 10,750,966

Transfers - At June 30, 2017, the City had the following transfers:

Transfers Out	
	Business-Type Activities
Transfers In	
Governmental Activities	\$ 9,898

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

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Interfund Transactions (Continued)

B. Fund Financial Statements

Due From/To Other Funds - At June 30, 2017, the City had the following due from/to other funds:

Due From Other Funds	
Due To Other Funds	General Fund
Governmental Funds:	
Economic Development Fund	\$ 172
Nonmajor Governmental Funds	359,818
Proprietary Funds:	
Municipal Bus Line Fund	1,724,964
Total	\$ 2,084,954

The above amounts resulted from temporary reclassifications made at June 30, 2017 to cover cash shortfalls.

Transfers In/Out - At June 30, 2017, the City had the following transfers in/out, which arise in the normal course of operations:

	Transfers In				
	Governmental Funds			Proprietary Funds	Total
	General Fund	City Debt Service	Nonmajor Governmental	Internal Service Funds	
Transfers Out					
Governmental Funds:					
General Fund	\$ -	\$ 1,644,421	\$ 223,642	\$ 80,931	\$ 1,948,994
Economic Development Grants					
Special Revenue Fund	1	-	21,998	-	21,999
Nonmajor Governmental Funds	2,100,007	-	2,487,966	-	4,587,973
Enterprise Funds:					
Sewer	-	-	9,898	-	9,898
Total	\$ 2,100,008	\$ 1,644,421	\$ 2,743,504	\$ 80,931	\$ 6,568,864

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 expenditure on behalf of another fund, such as debt service, capital projects and internal service funds.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Capital Assets

A. Governmental Activities

A summary of changes in the capital assets for the governmental activities for the year ended June 30, 2017 is as follows:

	Governmental Activities			
	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 6,541,402	\$ -	\$ -	\$ 6,541,402
Monuments	46,151	-	-	46,151
Construction in progress	2,105,300	456,011	(65,973)	699,733
Total capital assets, not being depreciated	8,692,853	456,011	(65,973)	7,287,286
Capital assets, being depreciated:				
Buildings/structures and improvements	22,859,615	-	-	22,859,615
Machinery and equipment	8,615,025	583,313	(250,260)	8,948,078
Infrastructure:				
Street lights network	1,292,393	-	-	1,292,393
Traffic lights network	12,940,788	-	-	12,940,788
Roadway network	50,352,658	1,552,727	-	53,700,990
Total capital assets, being depreciated	96,060,479	2,136,040	(250,260)	99,741,864
Less accumulated depreciation:				
Buildings/structures and improvements	(14,769,120)	(794,812)	-	(15,563,932)
Machinery and equipment	(4,874,018)	(850,611)	174,896	(5,549,733)
Infrastructure:				
Street light network	(775,436)	(43,080)	-	(818,516)
Traffic lights network	(10,088,672)	(431,360)	-	(10,520,032)
Roadway network	(25,619,298)	(1,053,883)	-	(26,673,181)
Total accumulated depreciation	(56,126,544)	(3,173,746)	174,896	(59,125,394)
Total capital assets, being depreciated, net	39,933,935	(1,037,706)	(75,364)	40,616,470
Governmental activities				
capital assets, net	\$ 48,626,788	\$ (581,695)	\$ (141,337)	\$ 47,903,756

Depreciation expense was charged to functions/programs of the governmental activities for the fiscal year ended June 30, 2017 as follows:

General government	\$ 936,416
Public safety	482,195
Public works	1,676,545
Recreation and human services	69,423
Community development	9,167
Total depreciation expense	\$ 3,173,746

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Capital Assets (Continued)

B. Business-Type Activities

A summary of changes in the capital assets for the business-type activities for the year ended June 30, 2017 is as follows:

	Business-Type Activities				Balance June 30, 2017
	Balance July 1, 2016	Additions	Deletions	Transfers	
Capital assets, not being depreciated:					
Land	\$ 12,956,405	\$ -	\$ -	\$ -	\$ 12,956,405
Construction in progress	180,034	166,253	-	-	346,287
Total capital assets, not being depreciated	13,136,439	166,253	-	-	13,302,692
Capital assets, being depreciated:					
Buildings/structures and improvements	39,893,428	-	-	-	39,893,428
Buses	33,880,901	2,546,479	-	-	36,427,380
Machinery and equipment	6,981,738	308,887	-	-	7,290,625
Furniture and fixtures	1,339,189	-	-	-	1,339,189
Infrastructure	11,184,496	-	-	-	11,184,496
Total capital assets, being depreciated	93,279,752	2,855,366	-	-	96,135,118
Less accumulated depreciation:					
Buildings/structures and improvements	(7,671,810)	(1,022,909)	-	-	(8,694,719)
Buses	(21,496,468)	(2,943,693)	-	-	(24,440,161)
Machinery and equipment	(3,345,339)	(770,940)	-	-	(4,116,279)
Furniture and fixtures	(1,324,332)	(5,085)	-	-	(1,329,417)
Infrastructure	(10,426,492)	(33,689)	-	-	(10,460,181)
Total accumulated depreciation	(44,264,441)	(4,776,316)	-	-	(49,040,757)
Total capital assets, being depreciated, net	49,015,311	(1,920,950)	-	-	47,094,361
Business-type activities capital assets, net	<u>\$ 62,151,750</u>	<u>\$ (1,754,697)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,397,053</u>

Depreciation expense for business-type activities for the year ended June 30, 2017 was charged as follows:

Municipal Bus Line	\$ 4,641,853
Sewer	134,463
Total depreciation expense	<u>\$ 4,776,316</u>

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year	Due in more than One Year
2006 Refunding Certificates of Participation Series A	\$ 9,605,000	\$ -	\$ (435,000)	\$ 9,170,000	\$ 460,000	\$ 8,710,000
2006 Refunding Certificates of Participation Series C	2,165,000	-	(2,165,000)	-	-	-
2007 Refunding Revenue Bonds, Series A	1,930,000	-	(90,000)	1,840,000	95,000	1,745,000
2014 Taxable Lease Revenue Refunding Bonds	9,110,000	-	-	9,110,000	55,000	9,055,000
Bond discount - 2014 Taxable Lease Revenue Runding Bonds	(275,477)	-	13,884	(261,593)	-	(261,593)
2017 Direct Purchase Lease	-	1,635,000	-	1,635,000	-	1,635,000
2016 SCE On-Bill Financing Loan	124,548	-	(13,105)	111,443	14,296	97,147
Loan payable	3,114,763	86,223	-	3,200,986	-	3,200,986
Claims payable	11,608,381	4,069,633	(395,933)	15,282,081	7,056,926	8,225,155
Compensated absences	8,040,776	2,992,742	(3,381,772)	7,651,746	1,530,349	6,121,397
Sub Total	\$ 45,422,991	\$ 8,783,598	\$ (6,466,926)	\$ 47,739,663	\$ 9,211,571	\$ 38,528,092

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 – Original Issuance \$12,495,000

In June 2006, the Agency issued the 2006 Refinancing Project, Series A Taxable Certificates of Participation in the amount of \$12,495,000. 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 million (the "Initial Amount") as prepayment of the 1999 Certificates, of which \$18 million were funded by the 2006 Series A and B Certificates and the balance of \$1 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.

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, 2017

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

2006 Certificates of Participation, Series A – Original Issuance \$12,495,000 (Continued)

The amount outstanding at June 30, 2017 totaled \$9,170,000.

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

Fiscal Year	Principal	Interest	Total
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	550,000	473,715	1,023,715
2022	585,000	437,509	1,022,509
2023-2027	3,545,000	1,556,561	5,101,561
2028-2031	3,020,000	334,631	3,354,631
	<u>\$ 9,170,000</u>	<u>\$ 4,420,703</u>	<u>\$ 13,590,703</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 2006 Certificates of Participation, Series C, was currently refunded by 2017 Direct Finance Lease. The economic gain on the current refunding was \$112,585 and the saving in debt service payments is \$89,363. The current refunding resulted in no deferred gains or losses as the bond proceeds net of the issuance discount was sufficient to cover repayment of 2006 Certificate of Participation, Series C, the interests due, and the issuance cost on the 2017 Direct finance Lease. The amount outstanding at June 30, 2017 totaled \$0.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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% and 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, 2017 totaled \$1,840,000.

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

Fiscal Year	Principal	Interest	Total
2018	\$ 95,000	\$ 92,825	\$ 187,825
2019	100,000	88,075	188,075
2020	105,000	83,075	188,075
2021	110,000	77,825	187,825
2022	115,000	72,325	187,325
2023-2027	655,000	270,375	925,375
2028-2031	660,000	86,356	746,356
	<u>\$ 1,840,000</u>	<u>\$ 770,856</u>	<u>\$ 2,610,856</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 current refund 2006 Certificate of Participation, Series B. The current refunding resulted in an economic gain in the amount of \$1,637,398 and saving in debt service payments in the amount of \$2,360,051. The current refunding resulted in no deferred gains or losses as the bond proceeds net of the issuance discount was sufficient to cover repayment of 2006 Certificates of Participation, Series B, the interests due, and the issuance cost on the 2014 Taxable Lease Revenue Refunding Bonds

The bonds bear interest at rates between 3.95% and 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, 2017 totaled \$9,110,000.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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>
2018	\$ 55,000	\$ 450,019	\$ 505,019
2019	55,000	447,846	502,846
2020	60,000	445,674	505,674
2021	60,000	443,304	503,304
2022	65,000	440,934	505,934
2023-2027	355,000	2,163,055	2,518,055
2028-2032	3,390,000	1,945,373	5,335,373
2033-2037	5,070,000	612,750	5,682,750
	<u>\$ 9,110,000</u>	<u>\$ 6,948,954</u>	<u>\$ 16,058,954</u>

2017 Direct Purchase Lease

In June 2017, the City issued the Direct Purchase Lease in the amount of \$1,635,000 to currently refund 2006 Certificate of Participation, Series C.

The bonds bear interest at 2.07%. Interest on the bonds is payable annually on each July 1. Principal payments are due in annual installments ranging from \$245,000 to \$285,000, commencing July 1, 2018 through July 1, 2023. The refunding revenue bonds debt service payments will be made from the debt service funds.

The amount outstanding at June 30, 2017 totaled \$1,635,000.

The annual debt service requirements on these bonds as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ -	\$ -
2019	245,000	34,033	279,033
2020	270,000	28,773	298,773
2021	275,000	23,184	298,184
2022	280,000	17,492	297,492
2023-2024	565,000	17,596	582,596
	<u>\$ 1,635,000</u>	<u>\$ 121,078</u>	<u>\$ 1,756,078</u>

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

2016 SCE On-Bill Financing Loan

On April 4, 2016, the City entered into a loan agreement with Southern California Edison for the Energy Management Solutions Incentives Application. The agreement provides zero- percent interest financing for the installation of certain energy efficient equipment for up to \$126,580, of which is to be repaid over a specified period through the Customer’s electric utility bills.

Fiscal Year	Principal	Interest	Total
2018	\$ 14,296	\$ -	\$ 14,296
2019	14,296	-	14,296
2020	14,296	-	14,296
2021	14,296	-	14,296
2022	14,296	-	14,296
2023-2026	39,963	-	39,963
	<u>\$ 111,443</u>	<u>\$ -</u>	<u>\$ 111,443</u>

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, 2017, the City funded \$2,874,115 for the development of the project and accrued interest in the amount of \$326,871. This results in the loans payable in the amount of \$3,200,986 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, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due within One Year	Due in more than One Year
Compensated absences	\$ 1,247,214	\$ 751,901	\$ (687,972)	\$ 1,311,143	\$ 262,229	\$ 1,048,914
Total	<u>\$ 1,247,214</u>	<u>\$ 751,901</u>	<u>\$ (687,972)</u>	<u>\$ 1,311,143</u>	<u>\$ 262,229</u>	<u>\$ 1,048,914</u>

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Self-Insurance Programs

Self-insurance programs of the City

The City is self-insured for the first \$500,000 and \$750,000 of each workers' compensation claim for the City and the Safety, respectively, \$500,000 of each general liability claim and \$300,000 of each Municipal Bus Line claim against the City. In addition, the City carries insurance of individual general liability claims in excess of \$600,000 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, 2017, \$15,282,081 has been accrued for the City's self-insurance programs, of which \$7,056,926 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, 2017 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, 2017 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
2014-2015	\$ 7,987,470	\$ 8,144,847	\$ (5,917,606)	\$ 10,214,711	\$ 6,378,783	\$ 3,835,928
2015-2016	10,214,711	1,512,050	(118,380)	11,608,381	6,609,293	4,999,088
2016-2017	11,608,381	4,069,633	(395,933)	15,282,081	7,056,926	8,225,155

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 \$65.3 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, 2017

Note 10 – Retirement Plans

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

The following is the summary of net pension liability and related deferred outflows of resources and deferred inflows of resources at June 30, 2017 and pension expense for the year then ended.

	Governmental Activities	Business Type Activities	Total
Deferred outflows of resources:			
Pension contribution made after measurement date:			
Miscellaneous	\$ 1,254,358	\$ 1,387,639	\$ 2,641,997
Safety	5,401,275	-	5,401,275
Total pension contribution made after measurement date	6,655,633	1,387,639	8,043,272
Differences between expected and actual experience on pension investments:			
Safety	388,081	-	388,081
Total differences between expected and actual Experience on pension investments:	388,081	-	388,081
Adjustment due to difference proportion:			
Safety	463,490	-	463,490
Difference between City's contribution and proportionate share of contribution:			
Safety	683,116	-	683,116
Difference in projected and actual earnings on pension investments:			
Miscellaneous	2,888,571	3,195,492	6,084,063
Safety	8,302,434	-	8,302,434
Total difference in projected and actual earnings on pension investments:	11,191,005	3,195,492	14,386,497
Total deferred outflows of resources	\$ 19,381,325	\$ 4,583,131	\$ 23,964,456
Aggregate net pension liabilities:			
Miscellaneous	\$ 15,961,524	\$ 17,657,493	\$ 33,619,017
Safety	54,448,433	-	54,448,433
Total aggregate net pension liabilities	\$ 70,409,957	\$ 17,657,493	\$ 88,067,450
Deferred inflows of Resources:			
Change in assumption			
Miscellaneous	\$ 494,653	\$ 547,212	\$ 1,041,865
Safety	1,689,907	-	1,689,907
Total change in assumption	2,184,560	547,212	2,731,772
Differences between expected and actual experience on pension investments:			
Miscellaneous	117,999	130,536	248,535
Total deferred inflows of resources	\$ 2,302,559	\$ 677,748	\$ 2,980,307
	Governmental Activities	Business Type Activities	Total
Pension Expense:			
Miscellaneous	\$ 1,048,412	\$ 2,340,688	\$ 3,389,100
Safety	3,755,019	-	3,755,019
Total pension expense	\$ 4,803,431	\$ 2,340,688	\$ 7,144,119

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2015 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 PEPRSA Safety member becomes eligible for service retirement upon attainment of age 50 with at least 5 years of credited service. PEPRSA 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 PEPRSA 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 PEPRSA safety employees are calculated as 2.7% of average final 36 months.

Participant is eligible for non-industrial disability retirement if the participant 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 becomes deceased 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, 2017

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, 2015, the valuation date, the following employees were covered by the benefit terms:

	Miscellaneous	Plans	
		Safety	
		Classic	PEPRA
Active employees	353	88	4
Transferred and terminated employees	308	51	3
Retired Employees and Beneficiaries	354	228	0
Total	1015	367	7

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. The required contribution rates are as follow:

Measurement Period June 30, 2016				
	Plans			
	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
Employer Contribution Rate	12.705%	12.705%	20.230%	11.923%
Employee Contribution Rate	7.000%	6.750%	9.000%	12.250%
Current Fiscal Year Ended June 30, 2017				
	Plans			
	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
Employer Contribution Rate	14.085%	14.085%	21.230%	12.821%
Employee Contribution Rate	7.000%	6.750%	9.000%	12.250%

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

The June 30, 2015 valuation was rolled forward to determine the June 30, 2016 total pension liability, based on following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% 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, 2015 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 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund ("PERF"). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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, 2017

Note 10 – Retirement Plans (Continued)

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

Net Pension Liability (Continued)

Discount Rate (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF's asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C fund), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ¹
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Absolute Return Strategy	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

¹ An expected inflation of 2.5% and 3.0% used for years 1-10 and years 11+, respectively.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

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

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, 2015 (Valuation Date)	\$ 138,928,830	\$ 114,296,961	\$ 24,631,869
Changes recognized for the measurement period:			
Service Cost	2,740,901	-	2,740,901
Interest on the total pension liability	10,454,955	-	10,454,955
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(36,375)	-	(36,375)
Changes of assumptions	-	-	-
Plan to plan resource movement	-	(1,234)	1,234
Contributions from the employer	-	2,317,060	(2,317,060)
Contributions from employees	-	1,321,368	(1,321,368)
Net investment income	-	604,797	(604,797)
Benefit payments, including refunds of employee contributions	(7,193,626)	(7,193,626)	-
Administrative expense	-	(69,658)	69,658
Net changes during July 1, 2015 to June 30, 2016	5,965,855	(3,021,293)	8,987,148
Balance at June 30, 2016 (Measurement Date)	\$ 144,894,685	\$ 111,275,668	\$ 33,619,017

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.

Safety Plan			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2015 (Valuation Date)	\$ 167,831,681	\$ 122,645,268	\$ 45,186,413
Balance at June 30, 2016 (Measurement Date)	174,457,753	120,009,320	54,448,433
Net Changes during 2015-2016	6,626,072	(2,635,948)	9,262,020

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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 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, 2015). 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, 2016). 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, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of market value assets.
- (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).

Deferred outflows of resources, deferred inflows of resources, and pension expense are allocated based on the City's share of contributions made during the measurement period.

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

	<u>Safety Plan</u>
June 30, 2015	0.6583%
June 30, 2016	0.6292%
Change - Increase (Decrease)	<u>-0.0291%</u>

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

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

Changes in the Net Pension Liability (Continued)

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 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan	\$ 52,020,638	\$ 33,619,017	\$ 18,352,653
Safety Plan	\$ 81,507,213	\$ 54,448,433	\$ 32,235,947

Pension Plan Fiduciary Net Position

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

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

For the year ending June 30, 2017, the City recognized pension expense in the amounts of \$3,389,100 and \$3,755,019 for the miscellaneous plan and safety plan, respectively.

As of measurement date of June 30, 2016, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

Miscellaneous Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ -	\$ (248,535)
Changes of assumptions	-	(1,041,865)
Net difference between projected and actual earning on pension plan investments	6,084,063	-
Total	\$ 6,084,063	\$ (1,290,400)
Safety Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ 388,081	\$ -
Changes of assumptions	-	(1,689,907)
Difference between projected and actual earnings on pension plan investments	8,302,434	-
Adjustment due to differences in proportions	463,490	-
Difference between City contributions and proportionate share of contributions	683,116	-
Total	\$ 9,837,121	\$ (1,689,907)

The amounts above are net of outflows and inflows recognized in the 2015-2016 measurement period expense.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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)

The expected average remaining service lifetime ("EARS�") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARS� for the miscellaneous plan and the safety risk pool for the 2015-16 measurement period is 3.6 and 3.7 years, which was obtained by dividing the total service years of 3,633 and 475,689 (the sum of remaining service lifetimes of the active employees) by 1,015 and 127,007 (the total number of participants: active, inactive, and retired), respectively.

\$2,641,997 and \$5,401,275 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, 2017. 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
2017	\$ 32,431	\$ 736,975
2018	348,462	1,511,879
2019	2,816,906	3,736,995
2020	1,595,864	2,161,365
2021	-	-
Thereafter	-	-
	<u>\$ 4,793,663</u>	<u>\$ 8,147,214</u>

CalPERS Discount Rate

On December 16, 2016, the CalPERS Board of Administration (the "Board") approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent over the next three years. This will increase the City's employer contribution costs beginning in fiscal year 2018-19. The phase in of the discount rate change approved by the Board for the next three fiscal year is as follows:

Valuation Date	Required Contribution Rate	Discount Rate
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.250%
June 30, 2018	2020-21	7.000%

Lowering the discount rate means plans will see increases in both normal costs, the cost of pension benefits accruing in one year for active members and the accrued liabilities. These increases will result in higher required employer contribution.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Retirement Plans (Continued)

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, 2017 the City’s payroll covered by the plan was \$624,001. The City made employer contributions in the amount of \$22,889. Participants of the Plan as of June 30, 2017 were 86.

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 insurance coverage from Kaiser Permanente 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 \$1,085 per month.

Eligibility

All of the Plan’s employees became participants in accordance with a 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, 2017 were as follows:

<u>Participants</u>	<u>Total</u>
Active employees	331
Retirees	201
Total	532

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Other Postemployment Benefits (Continued)

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, 2017, the City contributed \$2,590,550. Plan members receiving benefits contributed \$49,977 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.

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	\$ 5,029,000	\$ 748,000	\$ 5,777,000
Interest on net OPEB obligation	797,674	356,000	1,153,674
Adjustment to annual required contribution	(1,547,155)	(314,000)	(1,861,155)
Annual OPEB cost (expense)	4,279,519	790,000	5,069,519
Contributions made	(2,128,130)	(462,420)	(2,590,550)
Increase in net OPEB obligation	2,151,389	327,580	2,478,969
Net OPEB obligation - beginning of year	21,271,300	5,511,364	26,782,664
Net OPEB obligation - end of year	\$ 23,422,689	\$ 5,838,944	\$ 29,261,633

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, 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 6,360,000	\$ 2,558,840	40.23%	\$ 22,656,984
6/30/2016	6,693,000	2,567,320	38.36%	26,782,664
6/30/2017	5,069,519	2,590,550	51.10%	29,261,633

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Other Postemployment Benefits (Continued)

Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the Actuarial Accrued Liability for benefits was \$64,718,000, and the actuarial value of assets was \$0, resulting in an UAAL of \$(64,718,000). The covered payroll (annual payroll of active employees covered by the Plan) was \$25,976,000, and the ratio of UAAL to the covered payroll was 249 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.

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, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include 3.75% and 6.75% investment rate of return (net of administrative expenses) for non-transit and transit, respectively, which is based on the expected return on funds invested, and an annual healthcare cost trend rate of 6.50% initially reduced by decrements to an ultimate rate of 4.75% thereafter. The actuarial assumption for inflation was 2.75%, and the aggregate payroll increases was 3.00% used in the actuarial valuation. The unfunded actuarial accrued liability will be amortized as a level percentage of projected covered payrolls 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, 2017 are 15 and 30 years for non-transit and transit, respectively.

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, 2017, the amount held by the Trustee for the City employees is \$20,853,656.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 13 – Classification of Fund Balances

At June 30, 2017, fund balances are classified in the governmental funds as follows:

	General Fund	Economic Development Grants Special Revenue Fund	City Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Employee receivables	\$ 48,397	\$ -	\$ -	\$ -	\$ 48,397
Inventories	78,970	-	-	-	78,970
Prepaid items and deposits	166,766	-	-	-	166,766
Total nonspendable	<u>294,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,133</u>
Restricted:					
Debt service	-	-	1,924,432	-	1,924,432
Employment & training services	43,611	-	-	-	43,611
Law enforcement	-	-	-	914,062	914,062
Local street improvements	-	-	-	6,205,701	6,205,701
Other capital projects	-	-	-	295,912	295,912
Other purposes	-	81,439	-	651,830	733,269
Total restricted	<u>43,611</u>	<u>81,439</u>	<u>1,924,432</u>	<u>8,067,505</u>	<u>10,116,987</u>
Committed:					
Emergency contingency	4,413,135	-	-	-	4,413,135
Parking and parks and recreation facilities	-	3,765,323	-	-	3,765,323
Civic center improvements ¹	15,000,000	-	-	-	15,000,000
Total committed	<u>19,413,135</u>	<u>3,765,323</u>	<u>-</u>	<u>-</u>	<u>23,178,458</u>
Assigned:					
Computer replacement	40,307	-	-	-	40,307
Equipment replacement	500,000	-	-	-	500,000
Future debt service payments	1,922,529	-	-	-	1,922,529
Police	1,473,430	-	-	-	1,473,430
Total assigned	<u>3,936,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,936,266</u>
Unassigned:	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Total fund balance	<u>\$ 23,887,145</u>	<u>\$ 3,846,762</u>	<u>\$ 1,924,432</u>	<u>\$ 8,067,505</u>	<u>\$ 37,725,844</u>

¹On March 8, 2016 the City Council adopted Resolution No. 6219, which committed funding for the Civic Center Improvement Project. The assigned funding is based on the fund in which the amounts are located, with the exception of the Unassigned fund balance, which can be used at the City's discretion. The emergency contingency funds have been committed based on the general fund reserve balance policy guidelines set by the Council, which strives for a 25% reserve balance (the total committed, assigned and unassigned components of fund balance), the reserve may be used for expenditures in the event of a declaration of a state or federal state of emergency or a local emergency as defined in the City's Municipal Code Section 2.56.020.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – 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, 2017, the City’s percentage interest is 32.08%.

As of and for the year ended June 30, 2017, the latest available information, SBRPCA’s unaudited financial information is as follows:

Current assets	\$ 3,487,850
Noncurrent assets	8,271,029
Deferred outflows of resources	1,762,069
Total assets and deferred outflows of resources	<u>\$ 13,520,948</u>
Total liabilities	\$ 8,224,530
Deferred inflows of resources	594,053
SBRPCA equity	4,702,365
Total liabilities, deferred inflows of resources and SBRPCA equity	<u>\$ 13,520,948</u>
Total revenues	\$ 11,193,955
Total expenses	(11,063,134)
Change in net position	<u>\$ 130,821</u>

Note 15 – 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, which 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 \$3,239,532 as of June 30, 2017.

City of Gardena

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017



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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2017*



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City of Gardena
Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2017

Last Ten Fiscal Years

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

Measurement period	2013-14	2014-15	2015-16 ¹
Total pension liability			
Service cost	\$ 2,713,029	\$ 2,672,238	\$ 2,740,901
Interest	9,625,167	10,024,136	10,454,955
Changes of benefit terms	-	-	-
Changes of assumptions	-	(2,344,195)	-
Differences between expected and actual experience	-	(500,092)	(36,375)
Benefit payments, including refunds of employee contributions	(6,617,452)	(6,931,772)	(7,193,626)
Net change in total pension liability	5,720,744	2,920,315	5,965,855
Total pension liability - beginning	130,287,771	136,008,515	138,928,830
Total pension liability - ending (a)	<u>\$ 136,008,515</u>	<u>\$ 138,928,830</u>	<u>\$ 144,894,685</u>
Pension fiduciary net position			
Contributions - employer	\$ 1,628,415	\$ 2,016,919	\$ 2,317,060
Contributions - employee	1,181,161	1,242,246	1,321,368
Net investment income	17,430,461	2,536,012	604,797
Benefit payments, including refunds of employee contributions	(6,617,452)	(6,931,772)	(7,193,626)
Net plan to plan resource movement	-	-	(1,234)
Administrative expense	-	(128,654)	(69,658)
Net change in plan fiduciary net position	13,622,585	(1,265,249)	(3,021,293)
Plan fiduciary net position - beginning	101,939,625	115,562,210	114,296,961
Plan fiduciary net position - ending (b)	<u>\$ 115,562,210</u>	<u>\$ 114,296,961</u>	<u>\$ 111,275,668</u>
Plan net pension liability - ending (a) - (b)	<u>\$ 20,446,305</u>	<u>\$ 24,631,869</u>	<u>\$ 33,619,017</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>84.97%</u>	<u>82.27%</u>	<u>76.80%</u>
Covered payroll	<u>\$ 17,651,457</u>	<u>\$ 18,094,788</u>	<u>\$ 19,012,911</u>
Plan net pension liability as a percentage of covered payroll	<u>115.83%</u>	<u>136.13%</u>	<u>176.82%</u>

¹ Historical information is presented for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. 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: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Gardena
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
June 30, 2017

Last Ten Fiscal Years

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

Measurement period	June 30, 2014	June 30, 2015	June 30, 2016 ¹
City Proportion of the Net Pension Liability/(Asset)	0.65549%	0.65832%	0.62924%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 40,787,661	\$ 45,186,413	\$ 54,448,433
City's Covered-Employee Payroll	\$ 9,078,779	\$ 9,351,143	10,491,839
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered Payroll	<u>449.26%</u>	<u>483.22%</u>	<u>518.96%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>75.54%</u>	<u>77.40%</u>	<u>68.79%</u>

¹ Historical information is presented for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

City of Gardena
Required Supplementary Information (Unaudited)
Schedule of Contributions
June 30, 2017

Last Ten Fiscal Years

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

	2013-14	2014-15	2015-16	2016-17 ¹
Actuarially determined contribution	\$ 1,628,415	\$ 2,015,588	\$ 2,317,060	\$ 2,641,997
Contributions in relation to the actuarially determined contribution ²	(1,628,415)	(2,016,919)	(2,317,060)	(2,641,997)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (1,331)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ³	\$ 17,651,457	\$ 18,094,788	\$ 16,033,770	\$ 16,514,783
Contributions as a percentage of covered payroll ³	9.23%	11.15%	14.45%	16.00%

¹ Historical information is presented for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

² 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.

³ Includes one year's payroll growth using 3.00 percent payroll assumption from 2015-16 to 2016-17.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were derived from the June 30, 2014 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll Growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
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)
Schedule of Contributions (Continued)
June 30, 2017

Last Ten Fiscal Years

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

	2013-14	2014-15	2015-16	2016-17 ¹
Actuarially determined contribution	\$ 3,930,218	\$ 4,265,350	\$ 4,917,350	\$ 5,401,275
Contributions in relation to the actuarially determined contribution	(3,930,218)	(4,265,350)	(4,917,350)	(5,401,275)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ²	\$ 9,078,779	\$ 9,351,143	\$ 10,491,839	\$ 10,806,594
Contributions as a percentage of covered payroll	43.29%	45.61%	46.87%	49.98%

¹ Historical information is presented for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

² Payroll from 2015-16 of \$10,491,839 was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

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, 2014 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 of assumptions.

City of Gardena
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

Budgetary Comparison Schedule – General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 44,923,700	\$ 44,923,700	\$ 44,458,251	\$ (465,449)
Licenses and permits	1,287,178	1,287,178	1,800,752	513,574
Intergovernmental	506,800	506,800	552,574	45,774
Charges for services	4,715,157	5,016,496	5,155,573	139,077
Fines, forfeitures and penalties	1,014,500	1,014,500	1,012,912	(1,588)
Use of money and property	190,000	190,000	8,168	(181,832)
Miscellaneous	670,500	748,161	2,245,601	1,497,440
Total revenues	<u>53,307,835</u>	<u>53,686,835</u>	<u>55,233,831</u>	<u>1,546,996</u>
EXPENDITURES:				
Current:				
General government:				
City clerk	430,865	431,865	381,829	50,036
City treasurer	250,412	250,412	280,572	(30,160)
Executive office	1,274,329	1,274,329	1,162,940	111,389
Administrative services	3,294,742	2,624,141	2,210,287	413,854
Non-departmental	753,881	757,181	878,788	(121,607)
Public safety:				
Police	25,425,524	25,425,524	26,429,691	(1,004,167)
L.A. County Fire District	10,166,021	10,166,021	10,160,961	5,060
Public works	3,394,914	3,394,913	3,427,646	(32,733)
Recreation and human services	6,429,673	6,429,673	6,197,077	232,596
Community development	1,688,484	1,688,484	1,654,980	33,504
Capital outlay	3,300	670,600	573,602	96,998
Debt service:				
Principal retirement	-	-	13,105	(13,105)
Total expenditures	<u>53,112,145</u>	<u>53,113,143</u>	<u>53,371,478</u>	<u>(258,335)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>195,690</u>	<u>573,692</u>	<u>1,862,353</u>	<u>1,288,661</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,694,317	1,006,477	2,100,008	1,093,531
Transfers out	(4,839,817)	(22,817,499)	(1,948,994)	20,868,505
Proceed from sale of assets	-	-	1,003,790	1,003,790
Total other financing sources (uses)	<u>(1,145,500)</u>	<u>(21,811,022)</u>	<u>1,154,804</u>	<u>22,965,826</u>
NET CHANGE IN FUND BALANCE	<u>\$ (949,810)</u>	<u>\$ (21,237,330)</u>	<u>3,017,157</u>	<u>\$ 24,254,487</u>
FUND BALANCE:				
Beginning of Year			20,869,988	
End of Year			<u>\$ 23,887,145</u>	

City of Gardena
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

Budgetary Comparison Schedule – Economic Development Grants Special Revenue Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 85,079	\$ (414,921)
Fines, forfeitures and penalties	15,000	15,000	-	(15,000)
Use of money and property	-	15,245	35,058	19,813
Miscellaneous	128,782	237,932	198,154	(39,778)
Total revenues	643,782	768,177	318,291	(449,886)
EXPENDITURES:				
Current:				
Community development	613,782	754,757	356,000	398,757
Capital outlay	-	1,451	1,351	100
Debt service:				
Interest and fiscal charges	-	-	86,223	(86,223)
Total expenditures	613,782	756,208	443,574	312,634
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,000	11,969	(125,283)	(137,252)
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,900,000)	(2,900,000)	(21,999)	2,878,001
Issuance of loans	-	-	86,223	86,223
Total other financing sources (uses)	(2,900,000)	(2,900,000)	64,224	2,964,224
NET CHANGE IN FUND BALANCE	\$ (2,870,000)	\$ (2,888,031)	(61,059)	\$ 2,826,972
FUND BALANCE:				
Beginning of Year			3,907,821	
End of Year			<u>\$ 3,846,762</u>	

City of Gardena
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2017

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 as well as City's debt service funds.

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
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
For the Year Ended June 30, 2017

OTHER POSTEMPLOYMENT BENEFITS (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
6/30/2012	\$ -	\$ 79,726,000	\$ (79,726,000)	0.00%	\$ 18,505,000	-430.83%
6/30/2014	-	74,322,000	(74,322,000)	0.00%	22,395,000	-331.87%
6/30/2016	-	64,718,000	(64,718,000)	0.00%	25,976,000	-249.15%

SUPPLEMENTARY INFORMATION

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2017*



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NONMAJOR GOVERNMENTAL FUNDS

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.

Public Works Grants Special Revenue Fund - Represents five funds used to implement various capital improvements 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 Reserans 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 park. The South Coast AQMSD 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").

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

City of Gardena
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

Special Revenue Funds

	Consolidated Lighting District	Prop C Local Return	Gas Tax	Asset Forfeiture	Public Safety Grants
ASSETS					
Cash and investments	\$ 414,377	\$ 1,925,440	\$ 3,853,972	\$ 798,926	\$ 113,037
Receivables:					
Accounts	-	-	-	-	-
Taxes	16,556	-	-	-	-
Due from other governmental agencies	-	-	-	-	41,603
Prepaid items and deposits	-	-	-	1,033	-
Total assets	\$ 430,933	\$ 1,925,440	\$ 3,853,972	\$ 799,959	\$ 154,640
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 44,019	\$ -	\$ -	\$ 10,980	\$ 3,516
Accrued liabilities	-	-	-	-	-
Salaries and benefits payable	-	417	1,250	-	1,632
Due to other funds	-	-	-	-	24,409
Retention payable	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Total liabilities	44,019	417	1,250	10,980	29,557
Fund Balances:					
Restricted	386,914	1,925,023	3,852,722	788,979	125,083
Total fund balances	386,914	1,925,023	3,852,722	788,979	125,083
Total liabilities and fund balances	\$ 430,933	\$ 1,925,440	\$ 3,853,972	\$ 799,959	\$ 154,640

(Continued)

City of Gardena
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds				
	Public Works Grants	Human Services Grants	Community Development Block Grant (CDBG)	City Capital Projects	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 413,117	\$ -	\$ 272,389	\$ 547,336	\$ 8,338,594
Receivables:					
Accounts	-	346,733	2,154	-	348,887
Taxes	14	-	-	-	16,570
Due from other governmental agencies	19,732	38,253	161,806	-	261,394
Prepaid items and deposits	-	5,084	-	-	6,117
Total assets	\$ 432,863	\$ 390,070	\$ 436,349	\$ 547,336	\$ 8,971,562
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 582	\$ 169,955	\$ 3,618	\$ 242,615	475,285
Accrued liabilities	-	7,879	-	-	7,879
Salaries and benefits payable	417	30,944	17,456	-	52,116
Due to other funds	3,908	142,281	189,220	-	359,818
Retention payable	-	-	-	8,809	8,809
Unearned Revenue	-	150	-	-	150
Total liabilities	4,907	351,209	210,294	251,424	904,057
Fund Balances:					
Restricted	427,956	38,861	226,055	295,912	8,067,505
Total fund balances	427,956	38,861	226,055	295,912	8,067,505
Total liabilities and fund balances	\$ 432,863	\$ 390,070	\$ 436,349	\$ 547,336	\$ 8,971,562

(Concluded)

City of Gardena
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				
	Consolidated Lighting District	Prop C Local Return	Gas Tax	Asset Forfeiture	Public Safety Grants
REVENUES:					
Taxes	\$ 688,741	\$ 914,961	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,186,596	24,577	261,478
Fines, forfeitures, and penalties	-	-	-	-	89,323
Use of money and property	3,064	15,440	46,903	8,986	1,743
Miscellaneous	-	-	-	-	-
Total revenues	691,805	930,401	1,233,499	33,563	352,544
EXPENDITURES:					
Current:					
Public safety	-	-	-	171,150	215,396
Public works	551,968	4,221	12,664	-	-
Recreation and human services	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	64,507	-
Total expenditures	551,968	4,221	12,664	235,657	215,396
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	139,837	926,180	1,220,835	(202,094)	137,148
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	-	-	-	6,696	-
Transfers in	-	-	-	-	-
Transfers out	(10,922)	(506,292)	(2,760,328)	(154,002)	(125,000)
Total other financing sources (uses)	(10,922)	(506,292)	(2,760,328)	(147,306)	(125,000)
NET CHANGES IN FUND BALANCES	128,915	419,888	(1,539,493)	(349,400)	12,148
FUND BALANCES:					
Beginning of year	257,999	1,505,135	5,392,215	1,138,379	112,935
End of year	\$ 386,914	\$ 1,925,023	\$ 3,852,722	\$ 788,979	\$ 125,083

(Continued)

City of Gardena
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				
	Public Works Grants	Human Services Grants	Community Development Block Grant (CDBG)	City Capital Projects	Total Nonmajor Governmental Funds
REVENUES:					
Taxes	\$ 785,256	\$ -	\$ -	\$ -	\$ 2,388,958
Intergovernmental	388,715	2,334,741	716,112	-	4,912,219
Fines, forfeitures, and penalties	-	-	-	-	89,323
Use of money and property	4,961	2,340	1,457	-	84,894
Miscellaneous	-	137,534	362,761	-	500,295
Total revenues	1,178,932	2,474,615	1,080,330	-	7,975,689
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	386,546
Public works	67,986	-	-	-	636,839
Recreation and human services	-	2,433,957	-	-	2,433,957
Community development	-	-	746,881	-	746,881
Capital outlay	25,426	-	-	2,684,595	2,774,528
Total expenditures	93,412	2,433,957	746,881	2,684,595	6,978,751
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,085,520	40,658	333,449	(2,684,595)	996,938
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	14,052	-	-	-	20,748
Transfers in	-	64,543	-	2,678,961	2,743,504
Transfers out	(846,644)	(45,531)	(139,254)	-	(4,587,973)
Total other financing sources (uses)	(832,592)	19,012	(139,254)	2,678,961	(1,823,721)
NET CHANGES IN FUND BALANCES	252,928	59,670	194,195	(5,634)	(826,783)
FUND BALANCES:					
Beginning of year	175,028	(20,809)	31,860	301,546	8,894,288
End of year	\$ 427,956	\$ 38,861	\$ 226,055	\$ 295,912	\$ 8,067,505

(Concluded)

City of Gardena
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Consolidated Lighting District Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 665,000	\$ 665,000	\$ 688,741	\$ 23,741
Use of money and property	1,000	1,000	3,064	2,064
Total revenues	<u>666,000</u>	<u>666,000</u>	<u>691,805</u>	<u>25,805</u>
Current:				
Public works	648,000	648,000	551,968	96,032
Total expenditures	<u>648,000</u>	<u>648,000</u>	<u>551,968</u>	<u>96,032</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,000	18,000	139,837	121,837
OTHER FINANCING USES:				
Transfers out	(18,000)	(18,000)	(10,922)	7,078
Total other financing uses	<u>(18,000)</u>	<u>(18,000)</u>	<u>(10,922)</u>	<u>7,078</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	128,915	<u>\$ 128,915</u>
FUND BALANCE:				
Beginning of year			257,999	
End of year			<u>\$ 386,914</u>	

City of Gardena
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Prop C Local Return Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 918,163	\$ 918,163	\$ 914,961	\$ (3,202)
Use of money and property	10,000	10,000	15,440	5,440
Total revenues	<u>928,163</u>	<u>928,163</u>	<u>930,401</u>	<u>2,238</u>
EXPENDITURES:				
Current:				
Public works	9,172	9,172	4,221	4,951
Total expenditures	<u>9,172</u>	<u>9,172</u>	<u>4,221</u>	<u>4,951</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>918,991</u>	<u>918,991</u>	<u>926,180</u>	<u>7,189</u>
OTHER FINANCING USES:				
Transfers out	(1,100,000)	(1,100,000)	(506,292)	593,708
Total other financing uses	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(506,292)</u>	<u>593,708</u>
NET CHANGE IN FUND BALANCE	<u>\$ (181,009)</u>	<u>\$ (181,009)</u>	<u>419,888</u>	<u>\$ 600,897</u>
FUND BALANCE:				
Beginning of year			1,505,135	
End of year			<u>\$ 1,925,023</u>	

City of Gardena
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 1,280,273	\$ 1,280,273	\$ 1,186,596	\$ (93,677)
Use of money and property	25,000	25,000	46,903	21,903
Total revenues	<u>1,305,273</u>	<u>1,305,273</u>	<u>1,233,499</u>	<u>(71,774)</u>
EXPENDITURES:				
Current:				
Public works	27,516	27,516	12,664	14,852
Total expenditures	<u>27,516</u>	<u>27,516</u>	<u>12,664</u>	<u>14,852</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,277,757</u>	<u>1,277,757</u>	<u>1,220,835</u>	<u>(56,922)</u>
OTHER FINANCING USES:				
Transfers out	(3,871,477)	(3,871,477)	(2,760,328)	1,111,149
Total other financing uses	<u>(3,871,477)</u>	<u>(3,871,477)</u>	<u>(2,760,328)</u>	<u>1,111,149</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,277,757</u>	<u>\$ (2,593,720)</u>	<u>(1,539,493)</u>	<u>\$ 1,054,227</u>
FUND BALANCE:				
Beginning of year			5,392,215	
End of year			<u>\$ 3,852,722</u>	

City of Gardena
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 525,000	\$ 525,000	\$ 24,577	\$ (500,423)
Use of money and property	7,500	7,500	8,986	1,486
Total revenues	<u>532,500</u>	<u>532,500</u>	<u>33,563</u>	<u>(498,937)</u>
EXPENDITURES:				
Current:				
Public safety	336,000	336,000	171,150	164,850
Capital outlay:	196,500	196,500	64,507	131,993
Total expenditures	<u>532,500</u>	<u>532,500</u>	<u>235,657</u>	<u>296,843</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(202,094)</u>	<u>(202,094)</u>
OTHER FINANCING SOURCES:				
Proceeds from sale of personal property	-	-	6,696	6,696
Transfers out	(2,000,000)	(2,000,000)	(154,002)	1,845,998
Total other financing uses	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(147,306)</u>	<u>1,852,694</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (2,000,000)</u></u>	<u><u>\$ (2,000,000)</u></u>	<u><u>(349,400)</u></u>	<u><u>\$ 1,650,600</u></u>
FUND BALANCE:				
Beginning of year			<u>1,138,379</u>	
End of year			<u><u>\$ 788,979</u></u>	

City of Gardena
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Safety Grants Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 797,000	\$ 797,000	\$ 261,478	\$ (535,522)
Fines, forfeitures, and penalties	125,000	125,000	89,323	(35,677)
Use of money and property	-	-	1,743	1,743
Total revenues	<u>922,000</u>	<u>922,000</u>	<u>352,544</u>	<u>(569,456)</u>
EXPENDITURES:				
Current:				
Public safety	716,064	702,264	215,396	486,868
Total expenditures	<u>716,064</u>	<u>702,264</u>	<u>215,396</u>	<u>486,868</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>205,936</u>	<u>219,736</u>	<u>137,148</u>	<u>(82,588)</u>
OTHER FINANCING USES:				
Transfers out	(125,000)	(125,000)	(125,000)	-
Total other financing uses	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 80,936</u>	<u>\$ 94,736</u>	<u>12,148</u>	<u>\$ (82,588)</u>
FUND BALANCE:				
Beginning of year			112,935	
End of year			<u>\$ 125,083</u>	

City of Gardena
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Works Grants Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 785,572	\$ 785,572	\$ 785,256	\$ (316)
Intergovernmental	517,500	517,500	388,715	(128,785)
Use of money and property	4,600	4,600	4,961	361
Total revenues	<u>1,307,672</u>	<u>1,307,672</u>	<u>1,178,932</u>	<u>(128,740)</u>
EXPENDITURES:				
Current:				
Public works	30,834	30,834	67,986	(37,152)
Capital outlay	72,000	72,000	25,426	46,574
Total expenditures	<u>102,834</u>	<u>102,834</u>	<u>93,412</u>	<u>9,422</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,204,838</u>	<u>1,204,838</u>	<u>1,085,520</u>	<u>(119,318)</u>
OTHER FINANCING SOURCES:				
Proceeds from sale of personal property	-	-	14,052	14,052
Transfers out	(1,203,500)	(1,203,500)	(846,644)	356,856
Total other financing uses	<u>(1,203,500)</u>	<u>(1,203,500)</u>	<u>(832,592)</u>	<u>370,908</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,338</u>	<u>\$ 1,338</u>	<u>252,928</u>	<u>\$ 251,590</u>
FUND BALANCE:				
Beginning of year			<u>175,028</u>	
End of year			<u>\$ 427,956</u>	

City of Gardena
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Human Services Grants Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 2,210,976	\$ 2,210,976	\$ 2,334,741	\$ 123,765
Use of money and property	1,000	1,000	2,340	1,340
Miscellaneous	147,500	147,500	137,534	(9,966)
Total revenues	<u>2,359,476</u>	<u>2,359,476</u>	<u>2,474,615</u>	<u>115,139</u>
EXPENDITURES:				
Current:				
Recreation and human services	<u>2,271,427</u>	<u>2,271,427</u>	<u>2,433,957</u>	<u>(162,530)</u>
Total expenditures	<u>2,271,427</u>	<u>2,271,427</u>	<u>2,433,957</u>	<u>(162,530)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>88,049</u>	<u>88,049</u>	<u>40,658</u>	<u>(47,391)</u>
OTHER FINANCING SOURCES:				
Transfers in	-	-	64,543	64,543
Transfers out	<u>-</u>	<u>-</u>	<u>(45,531)</u>	<u>(45,531)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>19,012</u>	<u>19,012</u>
NET CHANGE IN FUND BALANCE	<u>\$ 88,049</u>	<u>\$ 88,049</u>	<u>59,670</u>	<u>\$ (28,379)</u>
FUND BALANCE:				
Beginning of year			<u>(20,809)</u>	
End of year			<u>\$ 38,861</u>	

City of Gardena
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Community Development Block Grant (CDBG) Special Revenue Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 706,000	\$ 706,000	\$ 716,112	\$ 10,112
Use of money and property	-	-	1,457	1,457
Miscellaneous	-	-	362,761	362,761
Total revenues	<u>706,000</u>	<u>706,000</u>	<u>1,080,330</u>	<u>374,330</u>
EXPENDITURES:				
Current:				
Community development	696,981	738,903	746,881	(7,978)
Total expenditures	<u>696,981</u>	<u>738,903</u>	<u>746,881</u>	<u>(7,978)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,019</u>	<u>(32,903)</u>	<u>333,449</u>	<u>366,352</u>
OTHER FINANCING SOURCES:				
Transfers out	-	-	(139,254)	(139,254)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(139,254)</u>	<u>(139,254)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 9,019</u>	<u>\$ (32,903)</u>	<u>194,195</u>	<u>\$ 227,098</u>
FUND BALANCE:				
Beginning of year			<u>31,860</u>	
End of year			<u>\$ 226,055</u>	

City of Gardena
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Capital Projects Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Miscellaneous	\$ -	\$ 500,000	-	(500,000)
Total revenues	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
EXPENDITURES:				
Capital outlay	7,200,000	27,076,143	2,684,595	24,391,548
Total expenditures	<u>7,200,000</u>	<u>27,076,143</u>	<u>2,684,595</u>	<u>24,391,548</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,200,000)</u>	<u>(26,576,143)</u>	<u>(2,684,595)</u>	<u>23,891,548</u>
OTHER FINANCING SOURCES:				
Transfers in	7,200,000	26,579,840	2,678,961	(23,900,879)
Total other financing uses	<u>7,200,000</u>	<u>26,579,840</u>	<u>2,678,961</u>	<u>(23,900,879)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 3,697</u>	<u>(5,634)</u>	<u>\$ (9,331)</u>
FUND BALANCE:				
Beginning of year			301,546	
End of year			<u>\$ 295,912</u>	

CITY DEBT SERVICE FUNDS

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.

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.

2017 Lease Financing Fund - To account for the accumulated funds for the payment of interest and principal for the refunding bonds issued in 2017.

City of Gardena
Combining Statement of Net Position
All Debt Service Funds
June 30, 2017

	2006 Refunding COPs, Series A & B	2006 Refunding COPs, Series C	2007 Refunding Revenue Bonds SBRPCA	2014 Taxable Lease Revenue Refunding Bonds	2017 Lease Financing Bonds	Total
ASSETS						
Cash and investments with fiscal agents	\$ 1,670,000	\$ -	\$ 250,163	\$ 16	\$ 2,350	\$ 1,922,529
Prepaid items and deposits	2,224	-	1,091	1,008	-	4,323
Total assets	<u>\$ 1,672,224</u>	<u>\$ -</u>	<u>\$ 251,254</u>	<u>\$ 1,024</u>	<u>\$ 2,350</u>	<u>\$ 1,926,852</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,420	\$ -	\$ -	\$ -	\$ -	\$ 2,420
Total liabilities	<u>2,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,420</u>
Fund Balances:						
Restricted	1,669,804	-	251,254	1,024	2,350	1,924,432
Total fund balances	<u>1,669,804</u>	<u>-</u>	<u>251,254</u>	<u>1,024</u>	<u>2,350</u>	<u>1,924,432</u>
Total liabilities and fund balances	<u>\$ 1,672,224</u>	<u>\$ -</u>	<u>\$ 251,254</u>	<u>\$ 1,024</u>	<u>\$ 2,350</u>	<u>\$ 1,926,852</u>

City of Gardena
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
All Debt Service Funds
For the Year Ended June 30, 2017

	2006 Refunding COPs, Series A & B	2006 Refunding COPs, Series C	2007 Refunding Revenue Bonds SBRPCA	2014 Taxable Lease Revenue Refunding Bonds	2017 Lease Financing Bonds	Total
REVENUES:						
Use of money and property	\$ 697	\$ 30	\$ 300	\$ 39	\$ -	\$ 1,066
Total revenues	<u>697</u>	<u>30</u>	<u>300</u>	<u>39</u>	<u>-</u>	<u>1,066</u>
EXPENDITURES:						
Debt service:						
Principal retirement	435,000	2,165,000	90,000	-	-	2,690,000
Interest and fiscal charges	600,257	135,707	98,155	451,431	59,868	1,345,418
Total expenditures	<u>1,035,257</u>	<u>2,300,707</u>	<u>188,155</u>	<u>451,431</u>	<u>59,868</u>	<u>4,035,418</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,034,560)</u>	<u>(2,300,677)</u>	<u>(187,855)</u>	<u>(451,392)</u>	<u>(59,868)</u>	<u>(4,034,352)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	1,045,211	1,762,397	140,583	414,762	-	3,362,953
Transfers out	(145,750)	-	-	-	(1,572,782)	(1,718,532)
Proceeds from issuance of refunding debt	-	-	-	-	1,635,000	1,635,000
Total other financing sources (uses)	<u>899,461</u>	<u>1,762,397</u>	<u>140,583</u>	<u>414,762</u>	<u>62,218</u>	<u>3,279,421</u>
CHANGES IN FUND BALANCES	<u>(135,099)</u>	<u>(538,280)</u>	<u>(47,272)</u>	<u>(36,630)</u>	<u>2,350</u>	<u>(754,931)</u>
NET POSITION:						
Beginning of the year	1,804,903	538,280	298,526	37,654	-	2,679,363
End of the year	<u>\$ 1,669,804</u>	<u>\$ -</u>	<u>\$ 251,254</u>	<u>\$ 1,024</u>	<u>\$ 2,350</u>	<u>\$ 1,924,432</u>

City of Gardena
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
City Debt Service Funds
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,066	\$ 1,066
Total revenues	<u>-</u>	<u>-</u>	<u>1,066</u>	<u>1,066</u>
EXPENDITURES:				
Debt Services				
Principal retirement	730,000	730,000	2,690,000	(1,960,000)
Interest and fiscal charges	1,241,979	1,241,979	1,345,418	(103,439)
Total expenditures	<u>1,971,979</u>	<u>1,971,979</u>	<u>4,035,418</u>	<u>(2,063,439)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,971,979)</u>	<u>(1,971,979)</u>	<u>(4,034,352)</u>	<u>(2,062,373)</u>
OTHER FINANCING SOURCES:				
Transfers in	1,971,979	1,971,979	3,362,953	1,390,974
Transfers out	-	-	(1,718,532)	(1,718,532)
Proceeds from issuance of refunding debt	-	-	1,635,000	1,635,000
Total other financing uses	<u>1,971,979</u>	<u>1,971,979</u>	<u>3,279,421</u>	<u>1,307,442</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(754,931)</u>	<u>\$ (754,931)</u>
FUND BALANCE:				
Beginning of year			<u>2,679,363</u>	
End of year			<u>\$ 1,924,432</u>	

INTERNAL SERVICE FUNDS

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
Internal Service Funds
June 30, 2017

	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Health Benefit</u>	<u>Totals</u>
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ 2,448,094	\$ 5,988,442	\$ 8,436,536
Prepaid items and deposits	-	2,146	-	2,146
Total current assets	-	2,450,240	5,988,442	8,438,682
Total assets	-	2,450,240	5,988,442	8,438,682
LIABILITIES				
Current liabilities:				
Accounts payable	239,076	8,560	976	248,612
Accrued Liabilities	78,418	11,932	92,745	183,095
Deposits payable	-	-	14,598	14,598
Claims payable - due within one year	1,865,818	5,191,108	-	7,056,926
Unearned Revenue	-	-	2,941	2,941
Total current liabilities	2,183,312	5,211,600	111,260	7,506,172
Noncurrent liabilities:				
Claims payable - due in more than one year	6,304,513	1,038,222	882,420	8,225,155
Total noncurrent liabilities	6,304,513	1,038,222	882,420	8,225,155
Total liabilities	8,487,825	6,249,822	993,680	15,731,327
NET POSITION				
Unrestricted (deficit)	(8,487,825)	(3,799,582)	4,994,762	(7,292,645)
Total net position	<u>\$ (8,487,825)</u>	<u>\$ (3,799,582)</u>	<u>\$ 4,994,762</u>	<u>\$ (7,292,645)</u>

City of Gardena
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2017

	Liability Insurance	Workers' Compensation	Health Benefit	Totals
OPERATING REVENUES:				
Charges for services	\$ 995,540	\$ 1,038,655	\$ 7,479,986	\$ 9,514,181
Other	6,100	150,773	371,006	527,879
Total operating revenues	<u>1,001,640</u>	<u>1,189,428</u>	<u>7,850,992</u>	<u>10,042,060</u>
OPERATING EXPENSES:				
Insurance claims	5,757,930	878,268	3,195,787	9,831,985
General and administrative	496,780	518,473	3,740,331	4,755,584
Total operating expenses	<u>6,254,710</u>	<u>1,396,741</u>	<u>6,936,118</u>	<u>14,587,569</u>
OPERATING INCOME (LOSS)	<u>(5,253,070)</u>	<u>(207,313)</u>	<u>914,874</u>	<u>(4,545,509)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	-	21,989	61,679	83,668
Total nonoperating revenues	<u>-</u>	<u>21,989</u>	<u>61,679</u>	<u>83,668</u>
NONOPERATING REVENUES (EXPENSES):				
INCOME (LOSS) BEFORE TRANSFERS	<u>(5,253,070)</u>	<u>(185,324)</u>	<u>976,553</u>	<u>(4,461,841)</u>
TRANSFERS:				
Transfers in	1,162,924	-	-	1,162,924
Transfers out	-	-	(1,081,993)	(1,081,993)
Total transfers	<u>1,162,924</u>	<u>-</u>	<u>(1,081,993)</u>	<u>80,931</u>
CHANGE IN NET POSITION	<u>(4,090,146)</u>	<u>(185,324)</u>	<u>(105,440)</u>	<u>(4,380,910)</u>
NET POSITION:				
Beginning of the year	<u>(4,397,679)</u>	<u>(3,614,258)</u>	<u>5,100,202</u>	<u>(2,911,735)</u>
End of the year	<u>\$ (8,487,825)</u>	<u>\$ (3,799,582)</u>	<u>\$ 4,994,762</u>	<u>\$ (7,292,645)</u>

City of Gardena
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	Liability Insurance	Workers' Compensation	Health Benefit	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from users	\$ 995,540	\$ 1,038,655	\$ 7,479,986	\$ 9,514,181
Receipts from claims recoveries	6,100	150,773	371,006	527,879
Payments for insurance claims	(1,816,128)	(1,274,201)	(3,067,956)	(6,158,285)
Payments to suppliers	(287,937)	(498,008)	(3,645,726)	(4,431,671)
Net cash provided by operating activities	(1,102,425)	(582,781)	1,137,310	(547,896)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	1,102,425	-	-	1,102,425
Transfers to other funds	-	-	(1,081,993)	(1,081,993)
Net cash provided by noncapital financing activities	1,102,425	-	(1,081,993)	20,432
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	-	21,989	61,679	83,668
Net cash provided by investing activities	-	21,989	61,679	83,668
Changes in cash and cash equivalents	-	(560,792)	116,996	(443,796)
CASH AND CASH EQUIVALENTS:				
Beginning of year	-	3,008,886	5,871,446	8,880,332
End of year	<u>\$ -</u>	<u>\$ 2,448,094</u>	<u>\$ 5,988,442</u>	<u>\$ 8,436,536</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (5,253,070)	\$ (207,313)	\$ 914,874	\$ (4,545,509)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Increase (decrease) in accounts payable	130,425	8,533	(10,558)	128,400
Increase (decrease) in accrued liabilities	78,418	11,932	92,745	183,095
Increase (decrease) in deposits payable	-	-	9,477	9,477
Increase (decrease) in unearned revenue	-	-	2,941	2,941
Increase (decrease) in claims payable	3,941,802	(395,933)	127,831	3,673,700
Total adjustment	<u>4,150,645</u>	<u>(375,468)</u>	<u>222,436</u>	<u>3,997,613</u>
Net cash provided by (used in) operating activities	<u>\$ (1,102,425)</u>	<u>\$ (582,781)</u>	<u>\$ 1,137,310</u>	<u>\$ (547,896)</u>

FIDUCIARY FUND

FINANCIAL STATEMENTS

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 Assets and Liabilities
All Agency Funds
June 30, 2017

	LA CLEAR - Training Fund	BSCC Trust / AB109 Parole Compliance Fund	Total
ASSETS:			
Cash and investments	\$ 5,885	\$ -	\$ 5,885
Total assets	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ 5,885</u>
LIABILITIES:			
Deposits	\$ 5,885	\$ -	\$ 5,885
Total liabilities	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ 5,885</u>

City of Gardena
Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>LA CLEAR - Training Fund</u>				
ASSETS:				
Cash and investments	\$ 5,885	\$ -	\$ -	\$ 5,885
Total assets	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,885</u>
LIABILITIES:				
Deposits payable	\$ 5,885	\$ -	\$ -	\$ 5,885
Total liabilities	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,885</u>
<u>BSCC Trust / AB109 Parole Compliance Fund</u>				
ASSETS:				
Cash and investments	\$ 1,542,542	\$ -	\$ (1,542,542)	\$ -
Total assets	<u>\$ 1,542,542</u>	<u>\$ -</u>	<u>\$ (1,542,542)</u>	<u>\$ -</u>
LIABILITIES:				
Deposits payable	\$ 1,542,542	\$ -	\$ (1,542,542)	\$ -
Total liabilities	<u>\$ 1,542,542</u>	<u>\$ -</u>	<u>\$ (1,542,542)</u>	<u>\$ -</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 1,548,427	\$ -	\$ (1,542,542)	\$ 5,885
Total assets	<u>\$ 1,548,427</u>	<u>\$ -</u>	<u>\$ (1,542,542)</u>	<u>\$ 5,885</u>
LIABILITIES:				
Deposits	\$ 1,548,427	\$ -	\$ (1,542,542)	\$ 5,885
Total liabilities	<u>\$ 1,548,427</u>	<u>\$ -</u>	<u>\$ (1,542,542)</u>	<u>\$ 5,885</u>

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2017*



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STATISTICAL SECTION

Fiscal Year 2016-17



STATISTICAL SECTION

Fiscal Year 2016-17



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CITY OF GARDENA STATISTICAL SECTION

Fiscal Year 2016-17



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⁽¹⁾
Last Ten Fiscal Years Ended June 30, 2017
(accrual basis of accounting)

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
Governmental Activities					
Net Investment in Capital Assets	\$28,138,906	\$27,897,717	\$26,430,711	\$21,675,303	\$22,478,931
Restricted for:					
Debt Service	1,924,432	2,679,363	2,965,697	3,471,506	3,458,249
Employment and Training Services	43,611	164,116	300,190	397,593	537,583
Law Enforcement	914,062	1,251,314	1,701,810	2,186,672	2,203,648
Local Street Improvements	6,205,701	7,072,378	7,930,518	7,049,906	6,020,275
Economic Development	1,986,202	2,394,395	2,292,714	-	-
Capital Projects	295,912	301,546	-	-	2,679,485
Other Purposes	651,830	289,859	447,605	478,453	389,852
Specific Projects and Programs	-	-	-	-	-
Total Restricted:	12,021,750	14,152,971	15,638,534	13,584,130	15,289,092
Unrestricted	(59,929,081)	(60,913,888)	(67,531,463)	(64,355,607)	(3,568,866)
Total governmental activities net position	<u>(19,768,425)</u>	<u>(18,863,200)</u>	<u>(25,462,218)</u>	<u>(29,096,174)</u>	<u>\$34,199,157</u>
Business-type Activities					
Net Investment in Capital Assets	\$60,150,166	\$62,151,750	\$67,684,810	\$70,809,060	\$75,906,094
Unrestricted	(24,917,106)	(21,068,543)	(18,107,410)	(15,654,544)	(1,617,195)
Total business-type activities net position	<u>\$35,233,060</u>	<u>\$41,083,207</u>	<u>\$49,577,400</u>	<u>\$55,154,516</u>	<u>\$74,288,899</u>
Primary Government					
Net Investment in Capital Assets	\$88,289,072	\$90,049,467	\$94,115,521	\$92,484,363	\$98,385,025
Restricted	12,021,750	14,152,971	15,638,534	13,584,130	15,289,092
Unrestricted	(84,846,187)	(81,982,431)	(85,638,873)	(79,990,151)	(5,186,061)
Total Primary Government Net Position:	<u>\$15,464,635</u>	<u>\$22,220,007</u>	<u>\$24,115,182</u>	<u>\$26,078,342</u>	<u>\$108,488,056</u>

NOTE: ⁽¹⁾ 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
Net Position by Component (Continued)⁽¹⁾
Last Ten Fiscal Years Ended June 30, 2017
(accrual basis of accounting)

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Governmental Activities					
Net Investment in Capital Assets	\$20,538,595	\$18,985,090	\$17,048,157	\$15,976,297	\$10,444,951
Restricted for:					
Debt Service	3,453,941	3,471,066	3,461,581	3,415,353	3,495,328
Employment and Training Services	-	-	-	-	-
Law Enforcement	-	-	-	-	-
Local Street Improvements	-	-	-	-	-
Local Street Improvements	-	-	-	-	-
Economic Development	-	-	-	-	-
Other Purposes	-	-	-	-	-
Specific Projects and Programs	11,210,794	8,478,780	7,301,648	10,355,305	6,802,764
Total Restricted:	14,664,735	11,949,846	10,763,229	13,770,658	10,298,092
Unrestricted	1,878,408	3,627,371	3,010,912	5,542,232	7,064,375
Total governmental activities net position	\$37,081,738	\$34,562,307	\$30,822,298	\$35,289,187	\$27,807,418
Business-type Activities					
Net Investment in Capital Assets	\$79,771,551	\$83,365,100	\$86,263,907	\$69,127,201	\$61,490,538
Unrestricted	(724,993)	479,952	989,448	1,947,975	2,667,455
Total business-type activities net position	\$79,046,558	\$83,845,052	\$87,253,355	\$71,075,176	\$64,157,993
Primary Government					
Net Investment in Capital Assets	\$100,310,146	\$102,350,190	\$103,312,064	\$85,103,498	\$71,935,489
Restricted	14,664,735	11,949,846	11,515,434	14,950,230	10,298,092
Unrestricted	1,153,415	4,107,323	4,000,360	7,490,207	9,731,830
Total Primary Government Net Position:	\$116,128,296	\$118,407,359	\$118,827,858	\$107,543,935	\$91,965,411

NOTE: ⁽¹⁾ 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, 2017
(accrual basis of accounting)

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
Expenses					
Governmental Activities					
General Government	5,848,247	5,730,664	6,239,825	11,808,280	11,534,998
Public Safety	38,700,824	36,304,203	35,912,110	32,551,301	31,266,838
Public Works	6,956,766	8,545,467	9,846,657	10,300,134	8,904,024
Recreation and Human Services	9,154,921	6,777,838	6,677,536	6,147,992	6,424,691
Community Development	2,796,216	2,538,835	2,675,341	7,470,002	2,153,815
Interest and fiscal charges	1,382,078	1,365,398	1,805,649	1,466,193	1,564,640
Total governmental activities expenses:	64,839,052	61,262,405	63,157,118	69,743,902	61,849,006
Business-type Activities					
Municipal Bus Line	28,195,640	26,410,211	26,643,082	23,188,943	23,375,194
Sewer	1,760,303	1,046,864	1,021,131	849,779	862,965
Total business-type activities expenses:	29,955,943	27,457,075	27,664,213	24,038,722	24,238,159
Total primary government expenses:	94,794,995	88,719,480	90,821,331	93,782,624	86,087,165
Program Revenues					
Governmental Activities					
Charges for services:					
General Government	3,504,735	3,298,306	3,022,929	3,013,410	3,012,767
Public Safety	1,422,001	1,174,116	1,337,761	1,404,006	1,405,062
Public Works	615,289	513,495	340,541	384,600	291,644
Recreation and Human Services	2,979,625	2,315,212	2,238,445	2,092,788	1,998,540
Community Development	1,771,754	2,187,082	1,432,560	2,922,090	851,981
Interest and fiscal charges	-	-	-	-	-
Operating Grants and Contributions	2,048,938	2,067,123	2,963,405	7,092,380	5,084,561
Capital Grants and Contributions	1,268,576	1,918,489	7,167,801	3,531,787	1,602,081
Total governmental activities program revenues:	13,610,918	13,473,823	18,503,442	20,441,061	14,246,636
Business-type Activities					
Charges for services:					
Municipal Bus Line	2,482,516	2,685,573	3,346,233	3,434,257	3,410,708
Sewer	954,552	673,199	727,054	922,304	732,421
Grants and Contributions	20,582,496	18,756,444	18,186,090	16,988,325	16,746,822
Total business-type activities program revenues:	24,019,564	22,115,216	22,259,377	21,344,886	20,889,951
Total primary government revenues:	37,630,482	35,589,039	40,762,819	41,785,947	35,136,587

City of Gardena
Changes in Net Position (Continued)
Last Ten Fiscal Years Ended June 30, 2017
(accrual basis of accounting)

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Expenses					
Governmental Activities					
General Government	9,144,682	7,664,340	6,810,404	7,359,877	6,278,952
Public Safety	29,072,734	27,489,863	29,073,301	29,174,505	28,467,330
Public Works	10,127,663	7,520,866	12,666,722	9,129,851	6,683,106
Recreation and Human Services	6,562,245	6,364,297	6,566,080	6,350,057	6,754,187
Community Development	2,396,761	2,275,785	2,382,432	2,225,022	2,896,734
Interest and fiscal charges	1,609,611	1,643,644	1,670,766	1,752,812	1,921,147
Total governmental activities expenses:	58,913,696	52,958,795	59,169,705	55,992,124	53,001,456
Business-type Activities					
Municipal Bus Line	22,025,126	19,784,655	19,824,401	15,573,659	14,741,966
Sewer	802,636	787,616	825,652	621,979	507,262
Total business-type activities expenses:	22,827,762	20,572,271	20,650,053	16,195,638	15,249,228
Total primary government expenses:	81,741,458	73,531,066	79,819,758	72,187,762	68,250,684
Program Revenues					
Governmental Activities					
Charges for services:					
General Government	2,945,455	2,740,615	2,366,413	2,179,923	2,306,141
Public Safety	1,901,588	2,009,200	1,859,417	2,014,136	2,121,887
Public Works	323,113	274,531	269,761	250,470	235,234
Recreation and Human Services	2,015,733	2,282,245	2,123,238	1,993,259	2,140,176
Community Development	1,085,366	826,748	703,007	604,849	775,318
Interest and fiscal charges	-	-	-	-	-
Operating Grants and Contributions	5,383,364	6,346,737	7,677,970	6,463,703	6,093,654
Capital Grants and Contributions	3,313,620	2,520,045	1,118,767	884,103	1,211,120
Total governmental activities program revenues:	16,968,239	17,000,121	16,118,573	14,390,443	14,883,530
Business-type Activities					
Charges for services:					
Municipal Bus Line	3,258,066	3,179,805	3,062,578	2,876,238	2,626,290
Sewer	698,540	710,336	715,988	773,182	787,843
Grants and Contributions	15,032,257	13,577,047	33,189,735	19,426,795	33,801,504
Total business-type activities program revenues:	18,988,863	17,467,188	36,968,301	23,076,215	37,215,637
Total primary government revenues:	35,957,102	34,467,309	53,086,874	37,466,658	52,099,167

City of Gardena
Changes in Net Position (Continued)
Last Ten Fiscal Years Ended June 30, 2017
(accrual basis of accounting)

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
Net (expense)/revenue: ⁽¹⁾					
Governmental activities	(51,228,234)	(47,788,582)	(44,653,676)	(49,302,841)	(47,602,370)
Business-type activities	(5,936,379)	(5,341,859)	(5,404,836)	(2,693,836)	(3,348,208)
Total net revenues (expenses):	<u>(57,164,613)</u>	<u>(53,130,441)</u>	<u>(50,058,512)</u>	<u>(51,996,677)</u>	<u>(50,950,578)</u>
General Revenue and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	7,130,426	6,729,849	6,402,520	6,192,249	5,924,450
Sales tax	11,204,697	11,227,326	9,965,476	9,472,341	9,093,802
Business license	2,606,279	2,536,438	2,547,148	2,218,097	2,224,694
Utility user taxes	5,147,736	5,212,410	5,335,375	5,383,285	5,224,829
Franchise taxes	2,440,108	2,534,820	2,417,342	2,351,576	2,311,421
Card club taxes	8,975,991	9,057,202	9,517,550	9,467,078	8,394,406
Other taxes	3,855,705	3,479,372	3,136,222	2,965,176	2,773,929
Vehicle license - unrestricted	5,677,909	5,445,385	5,166,984	4,958,745	4,792,063
Investment income	129,187	499,279	248,773	270,187	163,025
Miscellaneous	2,261,772	2,566,919	3,329,396	2,643,424	2,419,479
Gain on sale of assets	883,201	1,877,151	-	-	-
Transfers	9,898	3,221,449	200,846	408,925	1,397,691
Total governmental activities	<u>50,322,909</u>	<u>54,387,600</u>	<u>48,267,632</u>	<u>46,331,083</u>	<u>44,719,789</u>
Business-type activities					
Investment income	77,618	55,492	24,196	11,333	33,606
Miscellaneous	18,512	13,623	4,370	2,733	(45,366)
Lost on disposal of capital assets	-	-	-	(2,600,806)	-
Transfers	(9,898)	(3,221,449)	(200,846)	(408,925)	(1,397,691)
Total business-type activities:	<u>86,232</u>	<u>(3,152,334)</u>	<u>(172,280)</u>	<u>(2,995,665)</u>	<u>(1,409,451)</u>
Total primary government:	<u>50,409,141</u>	<u>51,235,266</u>	<u>48,095,352</u>	<u>43,335,418</u>	<u>43,310,338</u>
Change in Net Position					
Governmental activities	(905,325)	6,599,018	3,613,956	(2,971,758)	(2,882,581)
Business-type activities	(5,850,147)	(8,494,193)	(5,577,116)	(5,689,501)	(4,757,659)
Total primary government:	<u>(6,755,472)</u>	<u>(1,895,175)</u>	<u>(1,963,160)</u>	<u>(8,661,259)</u>	<u>(7,640,240)</u>

- ⁽¹⁾ 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, 2017
(accrual basis of accounting)

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Net (expense)/revenue: ⁽¹⁾					
Governmental activities	(41,945,457)	(35,958,674)	(43,051,132)	(41,601,681)	(38,117,926)
Business-type activities	(3,838,899)	(3,105,083)	16,318,248	6,880,577	21,966,409
Total net revenues (expenses):	(45,784,356)	(39,063,757)	(26,732,884)	(34,721,104)	(16,151,517)
General Revenue and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	5,740,677	5,798,031	5,859,335	6,037,336	5,757,421
Sales tax	8,112,695	7,233,151	6,574,657	8,946,532	9,544,897
Business license	2,120,052	2,228,790	2,065,730	2,229,475	2,186,129
Utility user taxes	5,211,568	4,534,246	4,382,844	4,567,849	4,426,718
Franchise taxes	2,277,747	2,259,808	1,706,257	2,033,635	2,033,544
Card club taxes	7,434,236	7,365,159	7,660,557	8,523,146	9,541,470
Other taxes	2,550,706	2,366,440	2,152,895	1,826,923	2,049,948
Vehicle license - unrestricted	4,754,240	4,952,630	4,922,131	4,957,484	4,777,727
Investment income	268,259	290,118	362,618	696,196	1,499,195
Miscellaneous	4,814,396	1,472,970	2,201,122	2,041,078	716,417
Gain on sale of assets	-	-	-	-	-
Transfers	1,180,312	445,135	187,552	713,678	20,507
Total governmental activities	44,464,888	38,946,478	38,075,698	42,573,332	42,553,973
Business-type activities					
Investment income	47,367	46,882	37,018	224,597	208,918
Miscellaneous	173,350	95,033	10,465	1,617	30
Transfers	(1,180,312)	(445,135)	(187,552)	(713,678)	(20,507)
Total business-type activities:	(959,595)	(303,220)	(140,069)	(487,464)	188,441
Total primary government:	43,505,293	38,643,258	37,935,629	42,085,868	42,742,414
Change in Net Position					
Governmental activities	2,519,431	2,987,804	(4,975,434)	971,651	4,436,047
Business-type activities	(4,798,494)	(3,408,303)	16,178,179	6,393,113	22,154,850
Total primary government:	(2,279,063)	(420,499)	11,202,745	7,364,764	26,590,897

- ⁽¹⁾ 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, 2017
(modified accrual basis of accounting)

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable (1)	294,133	189,819	179,244	181,457	198,145
Restricted (1)	43,611	164,116	327,752	57,980	56,014
Committed (1)	19,413,135	17,542,367	7,274,423	7,274,423	6,825,301
Assigned (1)	3,936,266	2,773,686	7,579,856	4,357,472	2,906,950
Unassigned (1)	200,000	200,000	400,362	238,582	274,236
Total General Fund:	<u>\$23,887,145</u>	<u>\$20,869,988</u>	<u>\$15,761,637</u>	<u>\$12,109,914</u>	<u>\$10,260,646</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Nonspendable (1)	-	-	4,734	-	8,990
Restricted (1)	10,073,376	11,726,127	13,048,054	13,526,150	15,233,078
Committed (1)	3,765,323	3,776,154	3,051,323	2,658,379	-
Assigned (1)	-	(20,809)	179,079	377,900	654,243
Total all other governmental funds:	<u>\$13,838,699</u>	<u>\$15,481,472</u>	<u>\$16,283,190</u>	<u>\$16,562,429</u>	<u>\$15,896,311</u>



NOTES:

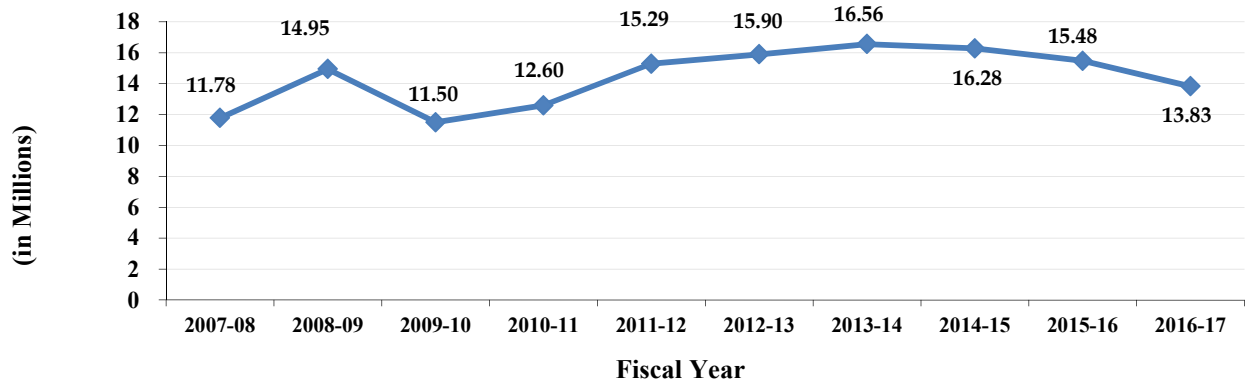
(1) New reporting requirements per GASB 54.

Source: City of Gardena, Administrative Services Department - Finance Division

City of Gardena
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years Ended June 30, 2017
(modified accrual basis of accounting)

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
General Fund					
Reserved	\$ -	\$ -	\$776,838	\$1,178,460	\$3,747,641
Unreserved	-	-	7,872,912	7,403,602	4,198,081
Nonspendable (1)	201,163	758,634	-	-	-
Restricted (1)	40,951	48,922	-	-	-
Committed (1)	6,592,339	5,105,052	-	-	-
Assigned (1)	2,908,689	3,097,213	-	-	-
Unassigned (1)	217,873	257,210	-	-	-
Total General Fund:	<u>\$9,961,015</u>	<u>\$9,267,031</u>	<u>\$8,649,750</u>	<u>\$8,582,062</u>	<u>\$7,945,722</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$3,461,656	\$3,418,166	\$3,608,370
Unreserved, reported in:					
Special revenue funds	-	-	7,285,104	10,352,492	6,689,722
Capital project funds	-	-	752,205	1,179,572	1,484,071
Nonspendable (1)	5,770	5,550	-	-	-
Restricted (1)	14,623,784	11,900,924	-	-	-
Committed (1)	-	-	-	-	-
Assigned (1)	660,402	698,075	-	-	-
Total all other governmental funds:	<u>\$15,289,956</u>	<u>\$12,604,549</u>	<u>\$11,498,965</u>	<u>\$14,950,230</u>	<u>\$11,782,163</u>

Fund Balances
All Other Governmental Funds
Last Ten Fiscal Years



NOTES:

(1) New reporting requirements per GASB 54.

Source: City of Gardena, Administrative Services Department - Finance Division

City of Gardena
Changes In Fund Balances - Governmental Funds
Last Ten Fiscal Years Ended June 30, 2017
(modified accrual basis of accounting)

	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
Revenues:					
Taxes	\$46,847,209	\$46,222,802	\$44,488,617	\$43,008,547	\$40,739,594
Licenses and permits	1,800,752	1,521,379	1,109,169	1,023,180	915,614
Use of money and property	129,186	499,278	248,773	270,187	163,025
Intergovernmental	5,549,872	5,705,627	11,575,383	11,983,118	7,917,316
Fines, forfeitures, and penalties	1,102,235	1,794,049	1,433,758	1,226,243	1,629,217
Charges for services	5,155,573	4,545,874	4,208,616	4,146,210	4,087,263
Miscellaneous	2,944,050	1,807,155	3,141,148	2,754,989	2,116,705
Total Revenues:	63,528,877	62,096,164	66,205,464	64,412,474	57,568,734
Expenditures:					
Current:					
General government	4,914,416	4,886,467	5,108,064	4,938,101	6,256,927
Public safety	36,977,198	34,674,068	32,542,544	32,069,172	30,007,184
Public works	4,064,485	5,584,816	5,352,388	5,395,817	5,145,179
Recreation and Human resources	8,631,034	6,498,830	6,135,402	6,086,777	6,161,518
Community development	2,757,861	2,533,734	2,594,007	7,499,226	2,119,111
Capital outlay	3,349,481	8,332,649	8,064,783	6,075,302	5,806,502
Debt service:					
Principal	2,703,105	754,158	9,228,535	844,172	645,065
Interest and fiscal charges	1,431,641	1,369,936	2,029,383	1,482,716	1,518,953
Total Expenditures:	64,829,221	64,634,658	71,055,106	64,391,283	57,660,439
Excess of Revenues over (under) Expenditures	(1,300,344)	(2,538,494)	(4,849,642)	21,191	(91,705)
Other Financing Sources (Uses):					
Proceeds of long-term debt	-	-	-	2,521,577	-
Proceeds from sale of property	1,024,538	4,990,156	-	-	-
Issuance of capital leases	-	-	-	201,829	-
Costs of Bond issuance	-	-	-	-	-
Escrow payment	-	-	-	-	-
Issuance of new debt	1,635,000	-	9,110,000	-	-
Issuance discount	-	-	(297,460)	-	-
Issuance of loans	86,223	311,026	408,740	-	-
Transfers in	6,487,933	11,143,623	10,368,953	7,765,591	7,379,793
Transfers out	(6,558,966)	(9,599,678)	(11,368,107)	(7,994,802)	(6,382,102)
Total Other Financing Sources (Uses):	2,674,728	6,845,127	8,222,126	2,494,195	997,691
Net change in fund balances	\$1,374,384	\$4,306,633	\$3,372,484	\$2,515,386	\$905,986
Debt service as a percentage of noncapital expenditures: ⁽¹⁾	6.64%	3.51%	17.16%	3.81%	4.00%

NOTE:

⁽¹⁾ In fiscal year 2011-12 correction was made to percentages that were calculated in error.

Source: City of Gardena, Administrative Services Department - Finance Division

City of Gardena
Changes In Fund Balances - Governmental Funds (Continued)
Last Ten Fiscal Years Ended June 30, 2017
(modified accrual basis of accounting)

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Revenues:					
Taxes	\$38,201,922	\$36,738,257	\$35,324,406	\$39,122,379	\$40,317,853
Licenses and permits	948,646	722,541	756,986	553,437	618,340
Use of money and property	788,477	787,099	800,589	1,155,013	1,499,195
Intergovernmental	10,079,951	10,427,073	10,987,467	9,817,734	9,601,379
Fines, forfeitures, and penalties	4,320,435	1,635,058	1,237,986	1,311,735	1,404,186
Charges for services	4,191,605	4,021,370	3,127,169	3,115,843	3,259,625
Miscellaneous	1,721,779	1,170,066	1,772,116	1,173,956	716,418
Total Revenues:	60,252,815	55,501,464	54,006,719	56,250,097	57,416,996
Expenditures:					
Current:					
General government	5,637,263	4,436,711	4,818,062	5,259,623	5,751,891
Public safety	28,901,414	27,610,469	27,828,064	28,306,413	26,497,252
Public works	5,267,198	4,954,220	4,981,970	5,474,205	5,007,564
Recreation and Human resources	6,554,306	6,432,471	6,325,339	6,194,222	6,201,136
Community development	2,383,002	2,286,955	2,327,038	2,194,422	2,824,473
Capital outlay	6,368,035	4,363,450	8,448,679	2,925,685	2,653,503
Debt service:					
Principal	1,139,060	1,188,881	1,297,619	1,223,482	1,083,364
Interest and fiscal charges	1,553,458	1,590,577	1,632,255	1,698,168	1,735,754
Total Expenditures:	57,803,736	52,863,734	57,659,026	53,276,220	51,754,937
Excess of Revenues over (under) Expenditures	2,449,079	2,637,730	-3,652,307	2,973,877	5,662,059
Other Financing Sources (Uses):					
Proceeds of long-term debt	-	-	-	-	-
Proceeds from sale of property	-	-	-	-	-
Issuance of capital leases	-	-	-	125,957	-
Costs of Bond issuance	-	-	-	-	-
Escrow payment	-	-	-	-	-
Issuance of new debt	-	-	-	-	-
Issuance discount	-	-	-	-	-
Issuance of loans	-	-	-	-	-
Transfers in	8,316,550	5,875,179	11,650,983	6,316,115	5,454,457
Transfers out	(7,386,238)	(6,790,044)	(11,463,431)	(5,602,437)	(8,433,950)
Total Other Financing Sources (Uses):	930,312	(914,865)	187,552	839,635	(2,979,493)
Net change in fund balances	\$3,379,391	\$1,722,865	(\$3,464,755)	\$3,813,512	\$2,682,566
Debt service as a percentage of noncapital expenditures: ⁽¹⁾	4.92%	5.61%	5.29%	5.80%	5.76%

NOTE:

⁽¹⁾ In fiscal year 2011-12 correction was made to percentages that were calculated in error.

Source: City of Gardena, Administrative Services Department - Finance Division

City of Gardena

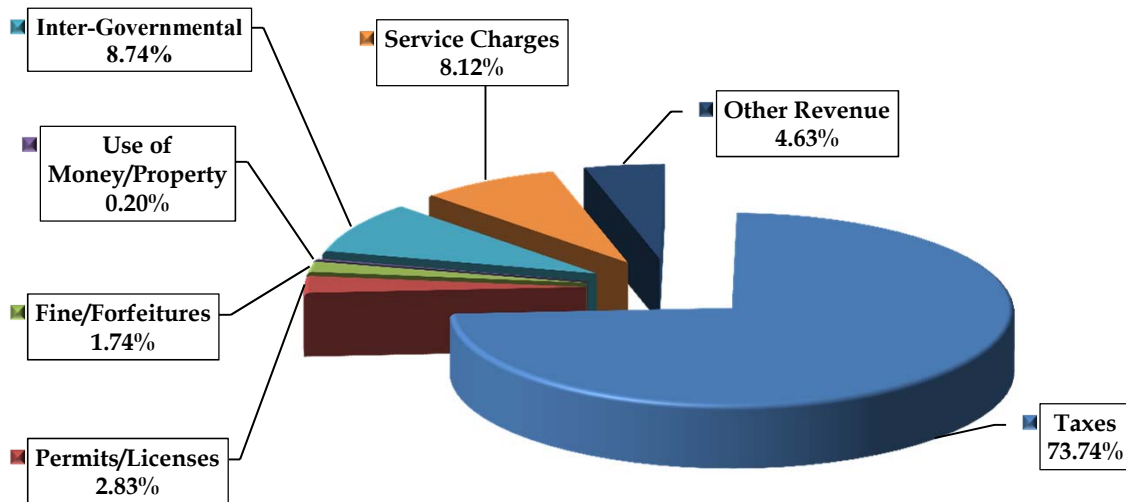
Governmental Revenues By Sources

Last Ten Fiscal Years

Fiscal Year	Taxes	Permits, Licenses and Fees	Fines and Forfeitures	Uses of Money and Property
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
2015-16	46,222,802	1,521,379	1,794,049	499,278
2016-17	46,847,209	1,800,752	1,102,235	129,186

General Revenues by Sources

Fiscal Year Ended June 30, 2017



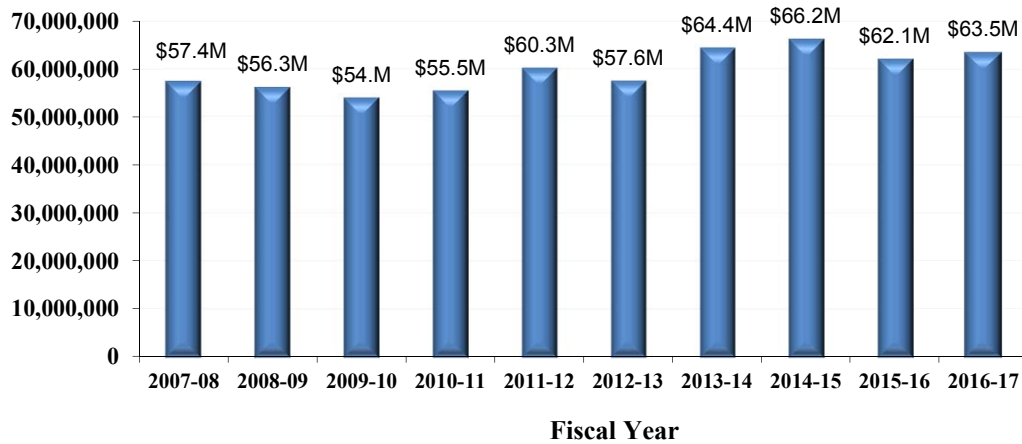
(1) Vehicle in-lieu and Vehicle license fees offset of \$4,534,740 are recategorized for Taxes, which were previously in Intergovernmental category.

Source: City of Gardena, Administrative Services Department - Finance Division

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

Fiscal Year	Inter-Governmental	Charges for Services	Other Revenues	Total
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
2015-16	5,705,627	4,545,874	1,807,155	62,096,164
2016-17	5,549,872	5,155,573	2,944,050	63,528,877

General Revenues by Sources
Last Ten Fiscal Years



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

Source: City of Gardena, Administrative Services Department - Finance Division

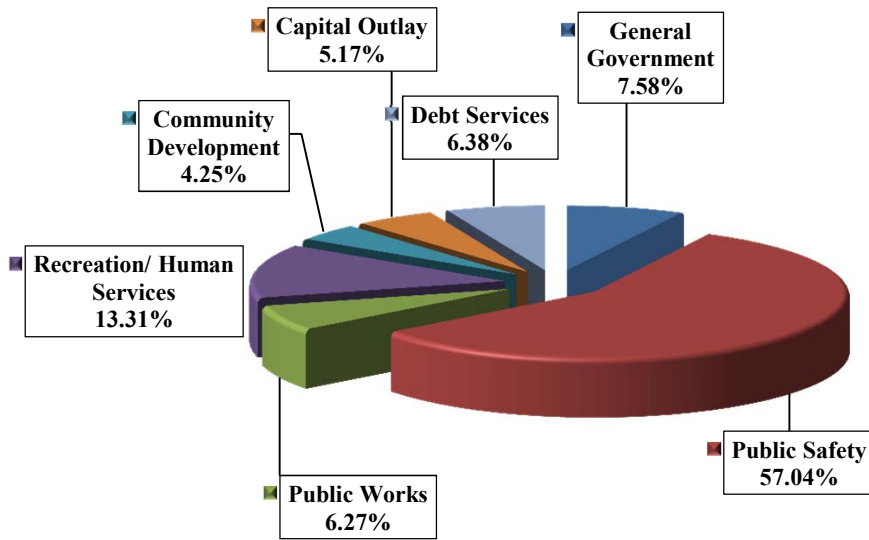
City of Gardena

General Governmental Expenditures By Function

Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Recreation and Human Services
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
2015-16	4,886,467	34,674,068	5,584,816	6,498,830
2016-17	4,914,416	36,977,198	4,064,485	8,631,034

General Governmental Expenditures by Function Fiscal Year ended June 30, 2017



Note: These figures include all governmental fund types and exclude other financing sources (uses).

(General, Special Revenue, Capital Projects and Debt Service Funds)

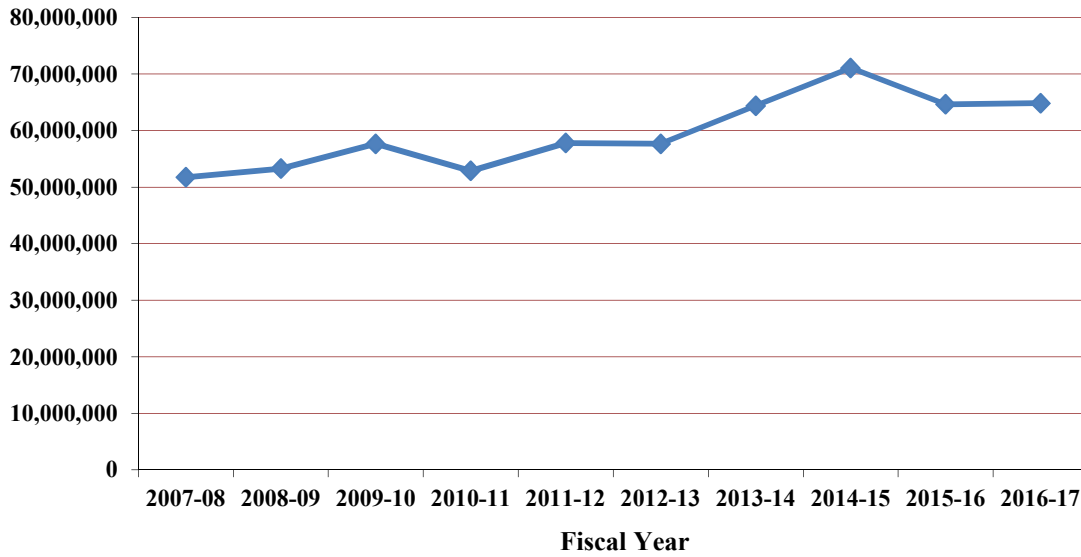
(1) These figures include Lease/Bonds, Payments for Debt Services and excluding Cost of bonds issuance and escrow payments.

Source: City of Gardena, Administrative Services Department - Finance Division

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

Fiscal Year	Community Development	Capital Outlay	Debt Service ⁽¹⁾	Total
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
2015-16	2,533,734	8,332,649	2,124,094	64,634,658
2016-17	2,757,861	3,349,481	4,134,746	64,829,221

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)

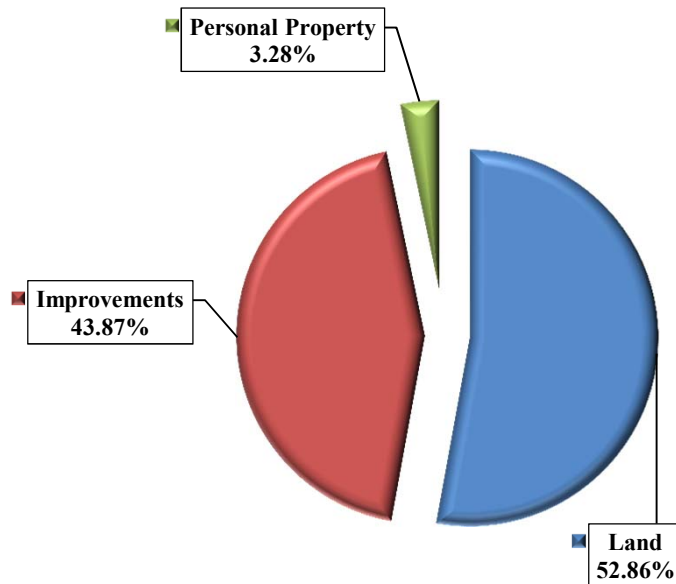
⁽¹⁾ These figures include Lease/Bonds, Payments for Debt Services and excluding Cost of bonds issuance and escrow payments.

Source: City of Gardena, Administrative Services Department - Finance Division

City of Gardena
Assessed Valuation ⁽¹⁾ 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
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
2015-16	256,548	500	0	257,048	2,901,287,675	2,302,898,593	21,733,418	(100,791,312)	5,125,128,374
2016-17	256,548	500	0	257,048	3,059,313,278	2,408,565,245	21,982,639	(101,483,543)	5,388,377,619

**Assessed Valuation by Categories
(Total Secured and Unsecured)
Fiscal Year Ended June 30, 2017**



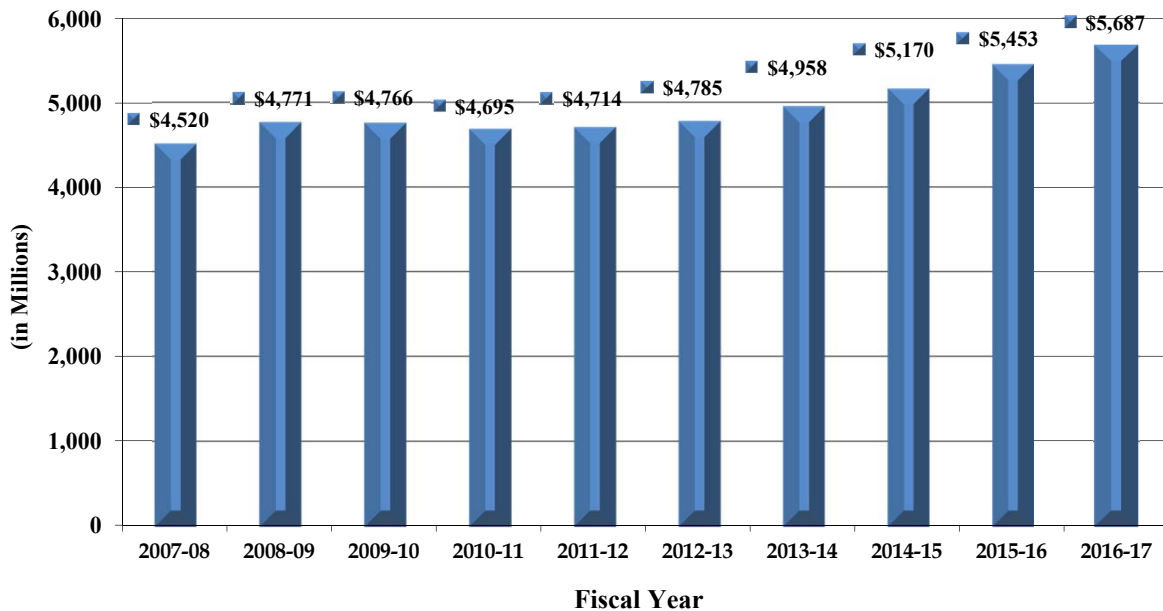
In 1978, California voters passed Proposition 13 which set the property tax at a 1.00% fixed amount. This 1.00% is shared by all the taxing agencies for which the subject property resides within. In addition to 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property 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: ⁽¹⁾ County of Los Angeles, Auditor-Controller Office/Tax Division.
⁽²⁾ Hdl Coren & Cone.

City of Gardena
Assessed Valuation ⁽¹⁾ and Actual Value of Taxable Property (Continued)
Last Ten Fiscal Years

Fiscal Year	LOCALLY ASSESSED				TOTALS				
	UNSECURED				Before Other Exemptions	Taxable Assessed Value	% INCR. (DECR.)	Total Direct Rate ⁽²⁾	Home- Owner Property Tax Relief
	Improve- ments	Personal Property	Other Exemptions	Total					
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%	0.11837%	49,327,059
2015-16	149,004,701	178,788,974	(82,000)	327,711,675	5,553,970,409	5,453,097,097	5.47%	0.11809%	48,873,792
2016-17	130,722,770	167,676,863	(82,000)	298,317,633	5,788,517,843	5,686,952,300	4.29%	0.11790%	48,088,576

**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: ⁽¹⁾ County of Los Angeles, Auditor-Controller Office/Tax Division.
⁽²⁾ Hdl Coren & Cone.

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

CATEGORY	Fiscal Year				
	2016-17	2015-16	2014-15	2013-14	2012-13
Residential	\$3,623,545,163	\$3,441,407,499	\$3,247,456,567	\$3,069,926,331	\$2,964,299,525
Commercial	791,527,339	750,255,119	715,396,379	680,433,002	656,284,650
Industrial	796,231,706	763,622,835	735,316,073	726,907,557	710,111,242
Govt. Owned	5,250,000	-	-	-	-
Recreational	38,760,141	39,348,412	38,689,706	38,596,521	38,681,903
Institutional	69,798,622	65,412,639	62,243,721	68,337,737	29,057,255
Miscellaneous	- 442,667	-	-	-	-
Vacant land	54,308,182	57,298,803	46,471,775	43,043,588	45,420,007
SBE Nonunitary	257,048	257,048	3,447,881	3,447,881	3,447,881
Possessory Int.	8,513,799	7,783,045	6,245,168	6,057,906	5,953,104
Unsecured	298,317,633	327,711,675	315,062,605	321,015,836	331,556,748
Unknown	-	22	-	-	-
	5,686,952,300	5,453,097,097	5,170,329,875	4,957,766,359	4,784,812,315
Homeowner Exemption ⁽¹⁾	-	-	-	-	-
TOTALS:	\$5,686,952,300	\$5,453,097,097	\$5,170,329,875	\$4,957,766,359	\$4,784,812,315

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.

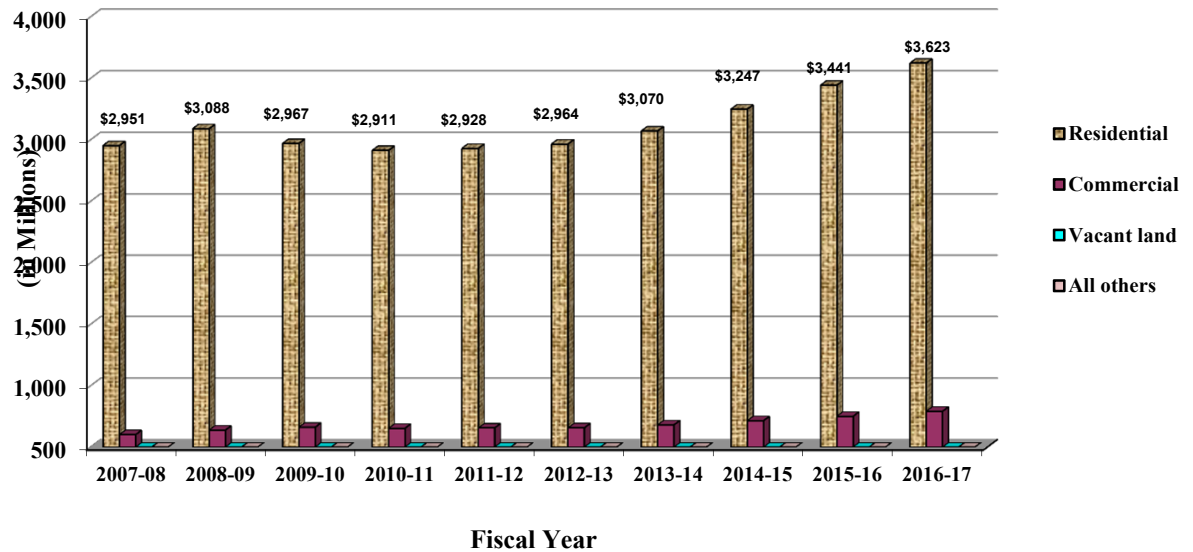
⁽¹⁾ -In 2006-07 certain report formatting changes have been made to comply with GASB 44 standard reporting requirements; therefore, the net of Homeowner Exemption is separated from previous years.

Source: L.A. County Assessor 2007/08-2016/17 Combined Tax Rolls, HdL, Coren & Cone

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

CATEGORY	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Residential	\$2,928,170,695	\$2,911,633,835	\$2,967,752,342	\$3,088,152,735	\$2,951,188,834
Commercial	654,739,043	651,966,960	661,412,473	637,873,533	601,086,586
Industrial	685,590,136	680,070,403	671,982,631	621,221,030	537,618,285
Govt. Owned	-	-	-	-	380,583
Recreational	39,093,769	37,970,527	38,835,383	39,124,755	35,688,999
Institutional	33,433,960	40,203,021	35,342,641	32,840,476	39,369,829
Miscellaneous	-	-	-	-	-
Vacant land	45,486,424	36,066,401	49,773,918	43,472,782	45,839,532
SBE Nonunitary	3,447,881	3,785,648	3,748,677	4,022,117	4,022,117
Possessory Int.	5,553,161	5,413,157	7,871,043	9,971,367	8,491,756
Unsecured	318,518,605	328,342,954	329,499,628	294,292,417	296,774,369
Unknown	-	-	-	-	-
	4,714,033,674	4,695,452,906	4,766,218,736	4,770,971,212	4,520,460,890
Homeowner Exemption ⁽¹⁾	-	-	-	-	-
TOTALS:	\$4,714,033,674	\$4,695,452,906	\$4,766,218,736	\$4,770,971,212	\$4,520,460,890

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 2007/08-2016/17 Combined Tax Rolls, HdL, Coren & Cone

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

Fiscal								
Year	Residential	Commercial	Industrial	Agriculture	Recreational	Institutional	Govt. Owned	Vacant land
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
2015-16	3,441,407	750,255	763,623	-	39,348	65,413	-	57,299
2016-17	3,623,545	791,527	796,232	-	38,760	69,798	5,250	54,308

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

⁽¹⁾ 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.

⁽²⁾ 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 2007/08-2016/17 Combined Tax Rolls, HdL, Coren & Cone

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

Fiscal	SBE					Total		Factor of
Year	Nonunitary	Possessory Int.	Unsecured	Miac.	TOTAL	Direct	Estimated	Taxable
						Tax	Taxable	Assessed
						Rate ⁽¹⁾	Value ⁽²⁾	Value
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
2015-16	257	7,783	327,712	-	5,453,097	0.11809	7,272,850	1.33371
2016-17	257	8,514	298,317	442	5,686,950	0.11790	7,584,742	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.

⁽¹⁾ 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.

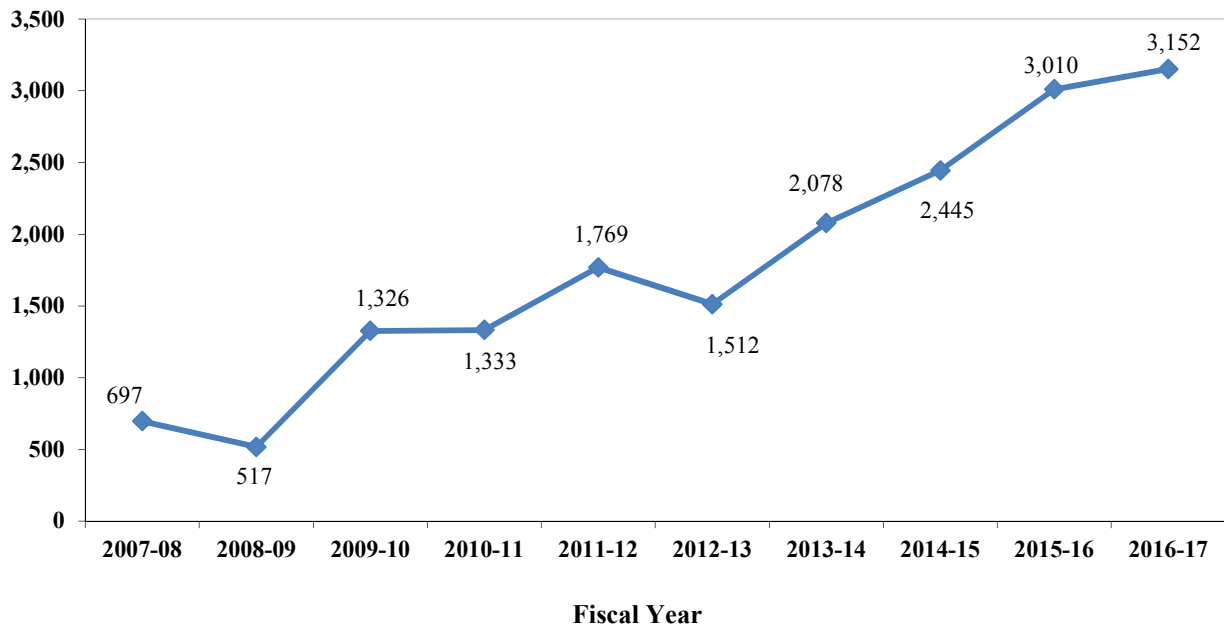
⁽²⁾ Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sales price and the Factor of Taxable Assessed Value is the result. This factor is changing from year to year; however, since the previous fiscal years calculating data is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

Source: L.A. County Assessor 2007/08-2016/17 Combined Tax Rolls, HdL, Coren & Cone

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

Fiscal Year	CONSTRUCTION ⁽¹⁾					
	Residential		Commercial		Industrial	
	No. of Permits	Valuation	No. of Permits	Valuation	No. of Permits	Valuation
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
2015-16	1,126	18,042,192	253	12,303,725	2	26,500
2016-17	1,161	10,988,165	269	16,919,670	9	7,091,565

Number of Permits
Last Ten Fiscal Years

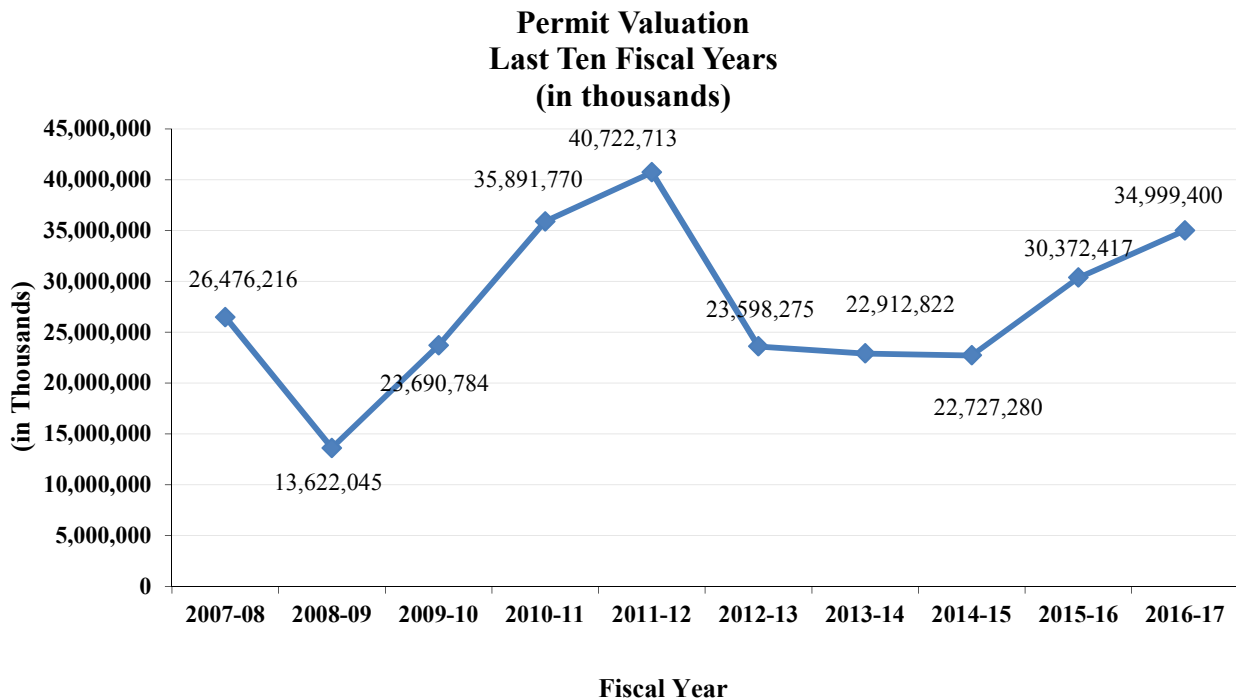


Sources: ⁽¹⁾ City of Gardena, Community Development Department.

⁽²⁾ 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 ⁽¹⁾					Bank Deposits ⁽²⁾ (in Thousands)
Fiscal Year	All others		Total		
	No. of Permits	Valuation	No. of Permits	Valuation	
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
2015-16	1,629	-	3,010	30,372,417	2,311,146
2016-17	1,713	-	3,152	34,999,400	1,913,039



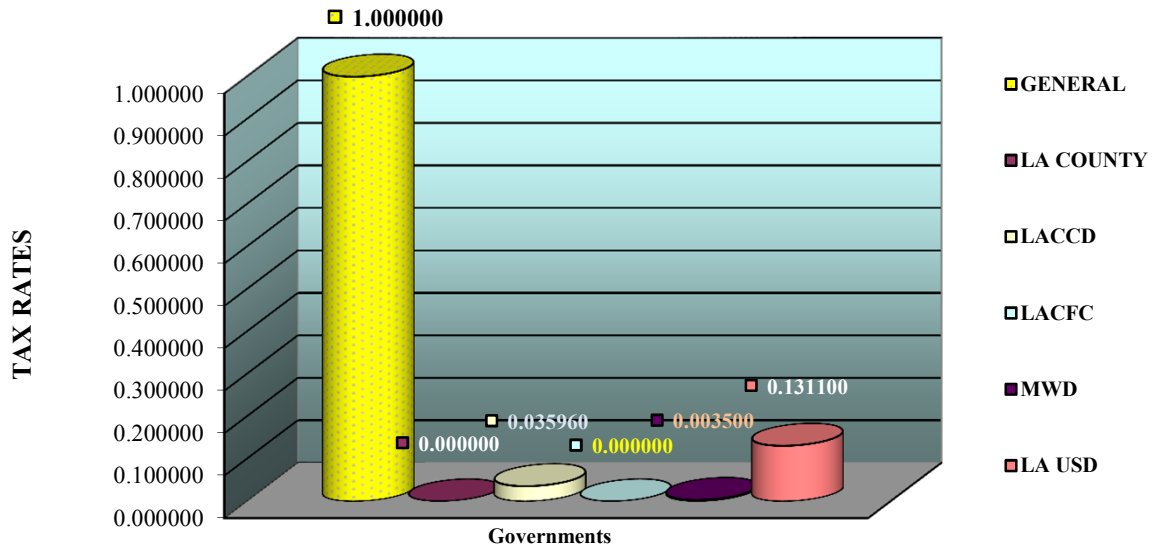
Sources: ⁽¹⁾ City of Gardena, Community Development Department.

⁽²⁾ City of Gardena-FDIC-Insured Institutions as of 06/30/2017

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

<u>Fiscal Year</u>	<u>General</u>	<u>Los Angeles County</u>	<u>Los Angeles Unified School District</u>
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	0.175610
2013-14	1.000000	0.000000	0.146440
2014-15	1.000000	0.000000	0.146880
2015-16	1.000000	0.000000	0.129710
2016-17	1.000000	0.000000	0.131100

Property Tax Rates -All Overlapping Governments
Fiscal Year ended June 30, 2017

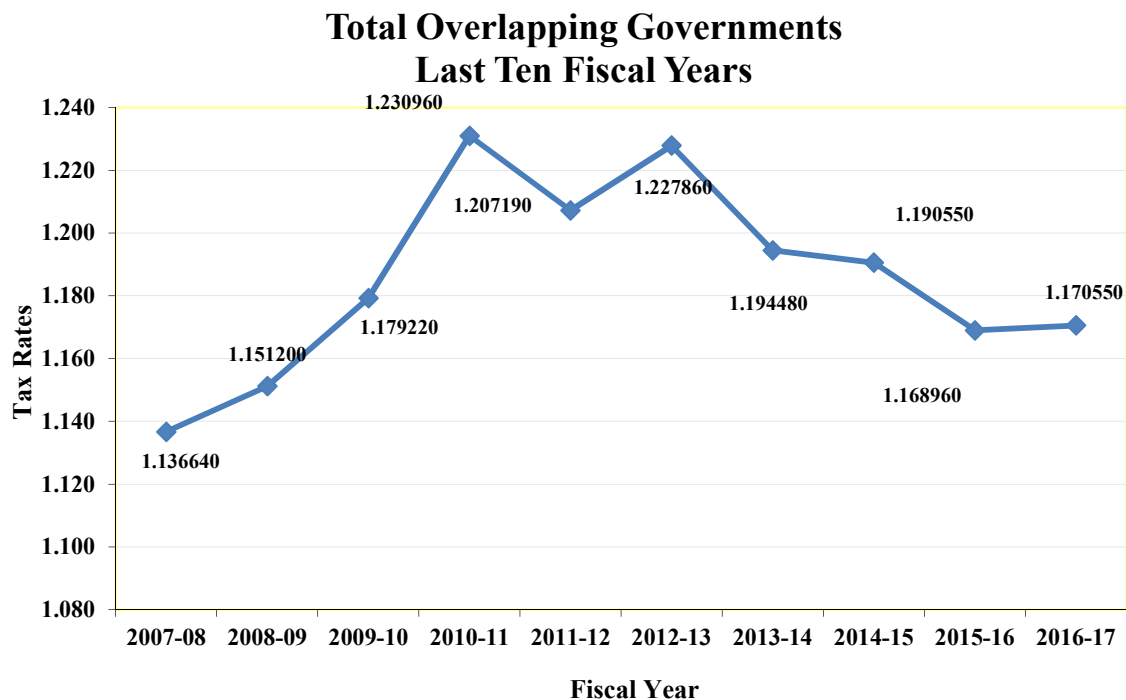


⁽¹⁾ Tax Rate Areas: TRA 000576

-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.

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

Fiscal Year	Los Angeles Community College District	Los Angeles County Flood Control	Metropolitan Water District	Total
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	0.048750	0.000000	0.003500	1.227860
2013-14	0.044540	0.000000	0.003500	1.194480
2014-15	0.040170	0.000000	0.003500	1.190550
2015-16	0.035750	0.000000	0.003500	1.168960
2016-17	0.035960	0.000000	0.003500	1.170550



⁽¹⁾ 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.

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				
	16-17	15-16	14-15	13-14	12-13
City of Gardena Tax District 1	0.11160 %	0.11160 %	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 Los Angeles	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 %	0.07820 %	0.07820 %
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 Dr. 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 %
Total Prop. 13 Rate:	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %
TOTAL DIRECT RATE (Producing Revenue for The City)⁽¹⁾:	0.11790 %	0.11809 %	0.11837 %	0.11856 %	0.11875 %
County of Los Angeles⁽¹⁾	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 ⁽¹⁾ 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: ⁽¹⁾ L.A. County Assessor 2007/08-2017/18 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)

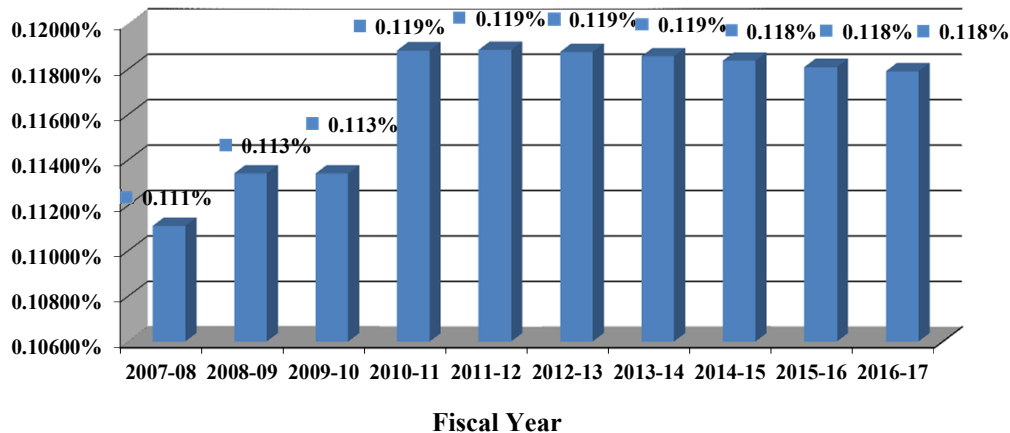
Agency	11-12	FISCAL YEAR			
		10-11	09-10	08-09	07-08
City of Gardena Tax District 1	0.11157 %	0.11157 %	0.11157 %	0.11157 %	0.11299 %
Children's Institutional Tuition Fund	0.00285 %	0.00285 %	0.00285 %	0.00285 %	0.00285 %
County Sanitation District No. 5 Operations	0.01256 %	0.01256 %	0.01256 %	0.01256 %	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 %	0.16240 %	0.16240 %
Educational Augmentation Fund (ERAF) Impound	0.07827 %	0.07827 %	0.07827 %	0.07827 %	0.07647 %
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 %	0.32558 %
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 %
Total Prop. 13 Rate:	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %

TOTAL DIRECT RATE (Producing Revenue for The City) ⁽¹⁾:

0.11884 %	0.11882 %	0.11340 %	0.11340 %	0.11109 %
0.00000 %	0.00000 %	0.00000 %	0.00000 %	0.88519 %

County of Los Angeles ⁽¹⁾

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 2016-17		Fiscal Year 2007-08	
		Total Assessed Value	Percent of Total City Assessed Value	Total Assessed Value	Percent of Total City Assessed Value
Nissin Foods Company Inc.	Manufacturing	\$65,372,441	1.15 %		
Avcorp Composite Fabrication	Manufacturing	51,590,000	0.91		
GA HC REIT II Gardena CA Hospital LLC	Hospital services	44,457,794	0.78		
Hitco Carbon Composites Inc.	Manufacturing	33,113,697	0.58		
JSL Gardena I, LLC	Non-residential property owners	29,426,140	0.52		
Gardena Professional Medical Plaza, LP	Hospital services	24,833,630	0.44		
Majestic Properties Inc.	Property management	24,685,136	0.43		
Ray Pellegrino Trust	Property management	23,387,302	0.41		
Gramercy Properties Inc	Non-residential property owners	22,732,110	0.40		
PK I Gardena Gateway Center LP	Retail sales	20,937,823	0.37		
Nissin Foods Company Inc.	Manufacturing			43,786,828	0.97 %
Southwest Offset Printing Company Inc	Book binding and printing			39,719,276	0.88
JSL Gardena LLC	Non-residential property owners			26,000,000	0.58
Majestic Properties Inc.	Property management			24,853,331	0.55
Gardena Hospital Properties	Hospital services			20,854,520	0.46
Hitco Carbon Composites Inc.	Manufacturing parts			20,091,052	0.44
Target Corporation	Retail sales			19,570,435	0.43
Russmar Investment Corp	Non-residential property owners			16,428,354	0.36
Gardena Professional Medical Plaza	Hospital services			15,720,444	0.35
New Group Gardena LLC	Shopping Center			15,598,819	0.35
Top Ten Totals (secured and unsecured):		340,536,073	5.99 %	242,623,059	5.37 %
All Others (secured)		5,346,416,227	94.01	4,277,837,831	94.63
Total All Assessed Valuation (secured):		<u>\$5,686,952,300</u>	<u>100.00 %</u>	<u>\$4,520,460,890</u>	<u>100.00 %</u>

Source: L.A. County Assessor 2007/08-2016/17 Combined Tax Rolls and the SBE Non Unitary Tax Roll, HdL Coren & Cone

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

Fiscal Year 2016-17			Fiscal Year 2007-08		
	Tax Payers	Business Type		Tax Payers	Business Type
1	Albertson's Food Centers	Food Markets		Albertson's Food Centers	Food Markets
2	ARCO AM/PM Mini Marts	Service Stations		Arco AM/PM Mini Marts	Service Stations
3	Chevron Service Stations	Service Stations		Chevron Service Stations	Service Stations
4	Crenshaw Lumber Company	Bldg. Matls-Whsle		Crenshaw Lumber Company	Bldg. Matls-Whsle
5	Crenshaw Wholesale Electric	Electronic Equipment		Crenshaw Wholesale Electric	Electronic Equipment
6	Enterprise Rent-A-Car	Leasing		Enterprise Rent-A-Car	Leasing
7	Food 4 Less	Food Markets		Enterprise Rent-A-Car	Leasing
8	G & C Equipment	Bldg. Matls-Retail		G & C Equipment	Bldg. Matls-Retail
9	Gardena Honda	Auto Sales		Gardena Honda	Auto Sales
10	Gardena Nissan	Auto Sales		Gardena Nissan	Auto Sales
11	Honda Lease Trust	Leasing		Marukai Pacific Market	Food Markets
12	In-N-Out Burgers	Restaurants		Mobil Service Stations	Service Stations
13	Marukai Pacific Market	Food Markets		Nader's Furniture Store	Furniture/Appliance
14	McDonald's Restaurants	Restaurants		Pacific Supply Company	Bldg. Matls-Retail
15	Mobil Service Stations	Service Stations		Peterson Hydraulic	Auto Parts/Repair
16	Nader's Furniture Store	Furniture/Appliance		Sam's Club	Department Store
17	Pacific Supply Company	Bldg. Matls-Retail		Sav-On Drug Stores	Drug Stores
18	Sam's Club	Department Store		Shell Service Stations	Service Stations
19	Smardan-Hatcher Supply Company	Bldg. Matls-Whsle		Smardan-Hatcher Supply Company	Bldg. Matls-Whsle
20	Target Stores	Department Store		Target Stores	Department Store
21	The New York Times Sales	Miscellaneous Retail		The New York Times	Miscellaneous Retail
22	United Oil Service Stations	Service Stations		Union 76 Service Stations	Service Stations
23	Vons Service Stations	Service Stations		United Rentals	Leasing
24	Wood Oil Company	Energy Sales		Vons Service Stations	Service Stations
25	Z Gallerie	Furniture/Appliance		Wood Oil Company of California	Energy Sales

-Account for 55%
of the total sales tax collected.

-Account for 52%
of the total sales tax collected.

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

Source: SBOE data -MBIA MuniServices, LLC

⁽¹⁾ Period: from July 1 to June 30 of the following year.

City of Gardena

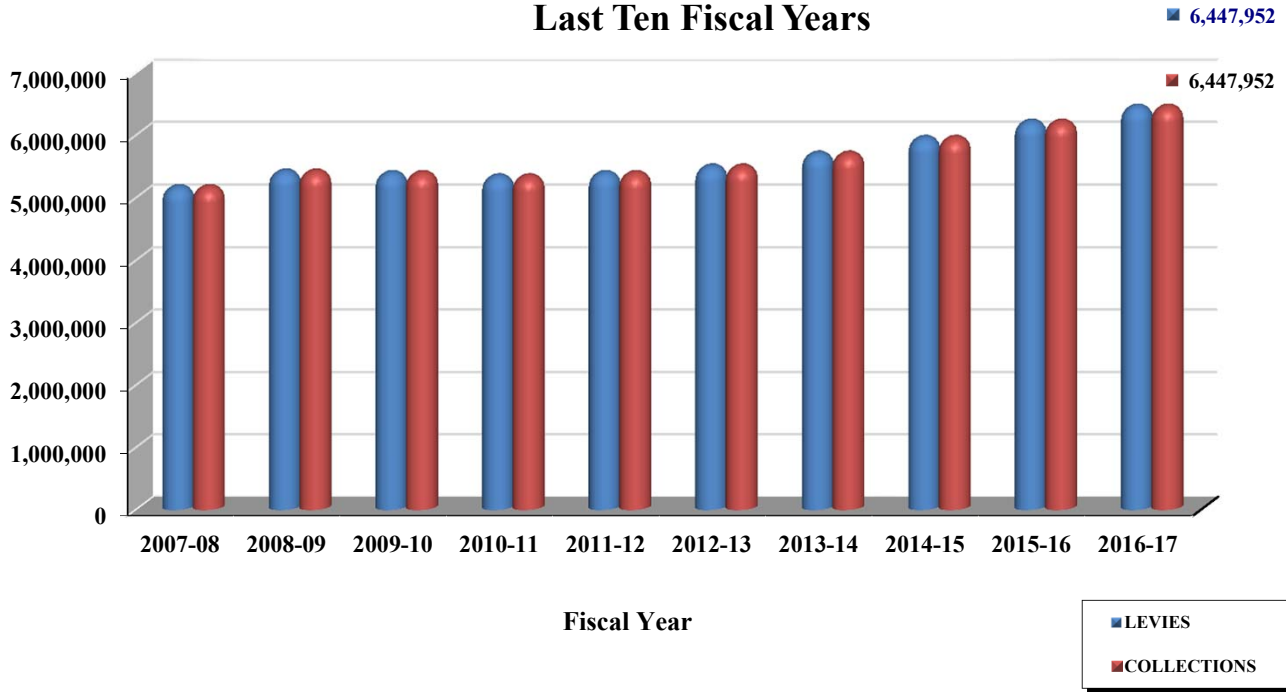
Property Tax Levies, Tax Collections, and Delinquency

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
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%
2015-16	6,208,056	6,192,921	99.76%	15,134	6,208,056	100.00%
2016-17	6,447,952	6,433,016	99.77%	14,936	6,447,952	100.00%

Tax Collections and Delinquency

Last Ten Fiscal Years



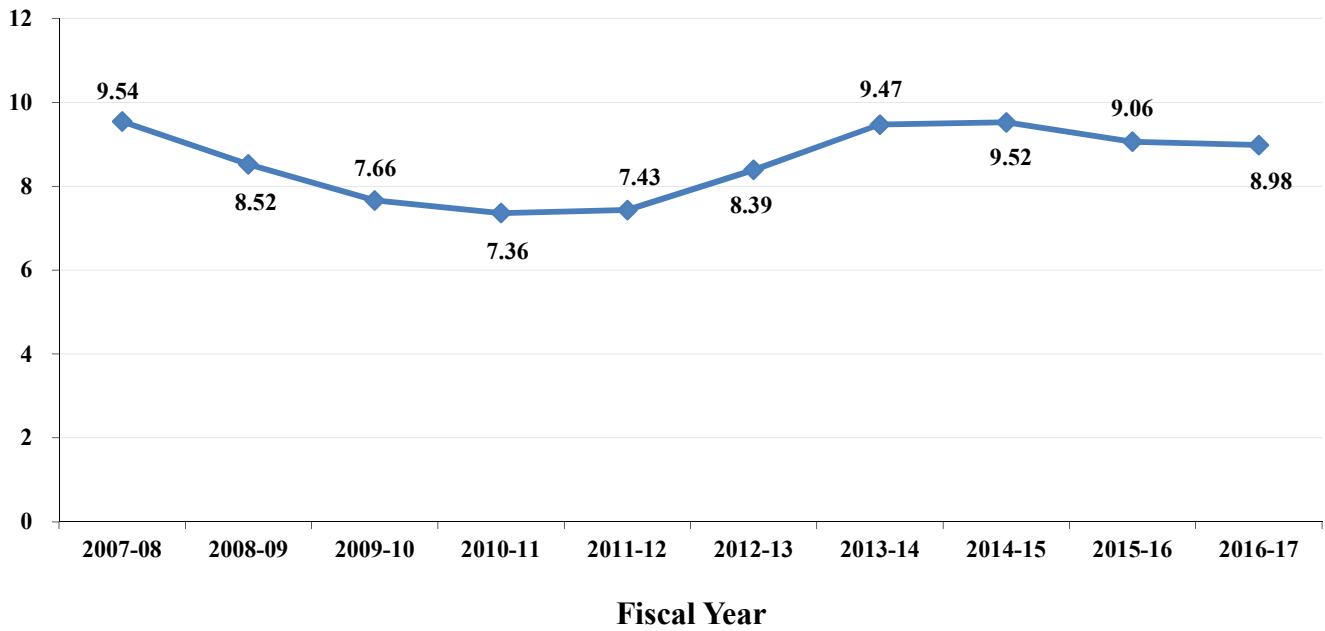
NOTE: Article XIII-A of the Constitution of the State of California adopted by the electorate in June 1978, precludes the City from a local property tax levy. All general-purpose property taxes are levied by the County and allocated to other governmental entities on a predetermined formula.

Sources: City of Gardena, Administrative Services Department - Finance Division

**City of Gardena
Card Club Gross Revenue Fee
Last Ten Fiscal Years**

Fiscal Year	Card Club Revenue	General Fund Gross Revenue	Percent of General Fund Revenue
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%
2015-16	9,057,202	54,092,710	16.74%
2016-17	8,975,991	56,237,621	15.96%

**Card Club Gross Revenue
Last Ten Fiscal Years**



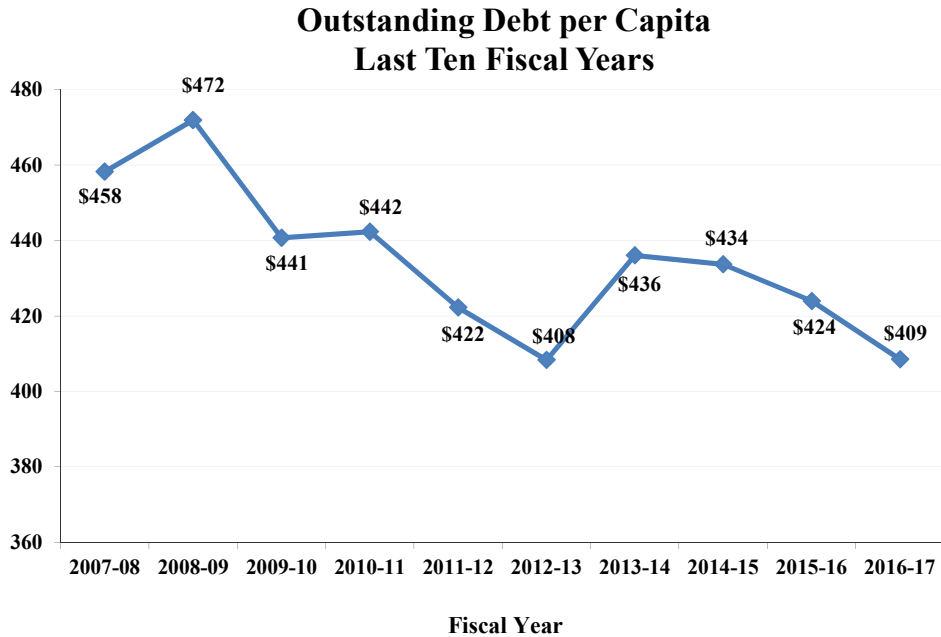
⁽¹⁾ Two card clubs: Lucky Lady Casino & Hustler Casino
City receives 12% of the total monthly gross revenue of the card game business.

City of Gardena

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

GOVERNMENTAL ACTIVITIES									Percent	Average	Percent		
Fiscal	Certificates of	Revenue	Capital	Loan	Direct			Taxable	of	Debt	per	Percent	
Year	Population ⁽¹⁾	Participation ⁽²⁾	Bonds	Leases	Payable	Purchase	Other	Total	Assessed	Taxable	per	of Debt by	
						Lease			Value ⁽³⁾	Value	Capita	Income ⁽⁴⁾	Income
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	21,351	2.21%
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	20,827	2.12%
2010-11	59,009	23,005,000	2,320,000	262,129	-	-	520,000	26,107,129	4,695,452,906	0.56%	442	19,773	2.24%
2011-12	59,124	22,515,000	2,250,000	203,069	-	-	-	24,968,069	4,714,033,674	0.53%	422	21,468	1.97%
2012-13	59,566	21,995,000	2,175,000	153,004	-	-	-	24,323,004	4,784,812,315	0.51%	408	22,651	1.80%
2013-14	60,082	21,455,000	2,095,000	130,661	2,521,577	-	-	26,202,238	4,957,766,359	0.53%	436	23,037	1.89%
2014-15	60,414	12,370,000	10,835,639	67,125	2,930,317	-	-	26,203,081	5,170,329,875	0.51%	434	23,032	1.88%
2015-16	60,785	11,770,000	10,764,523	-	3,114,763	0	124,548	25,773,834	5,453,097,097	0.47%	424	22,808	1.86%
2016-17	60,721	9,170,000	10,688,407	-	3,200,986	1,635,000	111,443	24,805,836	5,686,952,300	0.44%	409	23,246	1.76%



NOTES:

⁽¹⁾ State of California, Finance Department

⁽²⁾ 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.

In fiscal year 2016-17, the City refunded Certificates of Participation Series 2006 C by the 2017 Direct Purchase Lease.

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

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

⁽⁴⁾ Income data was provided by from HDL Coren & Cone using City of Gardena Average per Capita Personal Income.

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

City of Gardena
Pledged-Revenue Coverage
Last Five Fiscal Years

							(1)
Fiscal Year	Revenue	Operating Expenses	Net Available Revenue	Refunding Certificates of Participation			
				Debt Service		Percent Coverage	
				Principal	Interest		
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	
2015-16	58,533,801	54,061,516	4,472,285	90,000	97,325	23.87	
2016-17	58,337,629	55,320,472	3,017,157	95,000	92,825	16.06	

NOTES:

- ⁽¹⁾ 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.
 -Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Sources: City of Gardena, Administrative Services Department - Finance Division

City of Gardena

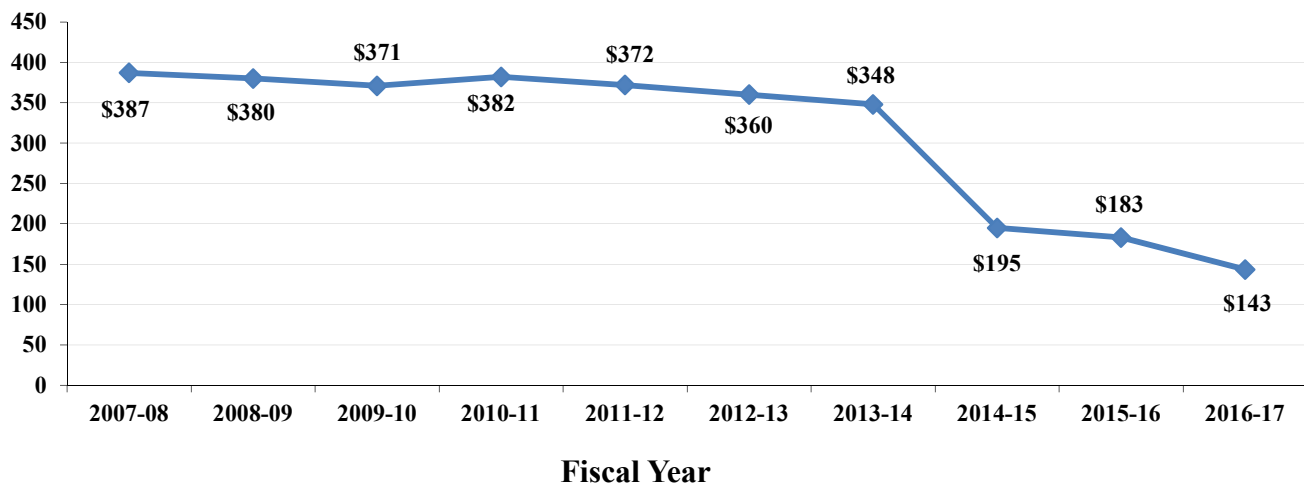
Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

OUTSTANDING GENERAL BONDED DEBT					Percent of		Debt per Capita
Fiscal Year	Population ⁽¹⁾	Certificates of Participation	Less: Amounts Available in Debt Service Fund ⁽²⁾	Total	Taxable Assessed Value	Taxable Assessed Value	
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
2015-16	60,785	11,770,000	640,000	11,130,000	5,453,097,097	0.20%	183
2016-17	60,721	9,170,000	460,000	8,710,000	5,686,952,300	0.15%	143

General Bonded Debt Outstanding per Capita

Last Ten Fiscal Years



Source: ⁽¹⁾ State of California, Finance Department.

⁽²⁾ This is the amount restricted for the COP debt service principal payments.

City of Gardena
Direct and Overlapping Bonded Debt
June 30, 2017

	2016-17 Assessed Valuation:	\$5,686,952,300	
	2016-17 Population:	60,721	
	Total Debt 06/30/2017	Percent Applicable To City	City's Share of Debt (1)
Direct Debt			
Ref Cops, Ref Rev & Taxable Lease Rev Ref Bonds, Direct Placement, Loans Payable and Other	24,805,836	100.00 %	24,805,836
Total Direct Debt	24,805,836		24,805,836
OVERLAPPING DEBT			
Metropolitan Water District	36,281,674	0.526 %	190,833
LA CCD DS 2003, Taxable Series 2004B	33,670,000	0.761 %	256,373
LA CCD DS 2001, 2006 Series B	4,880,000	0.761 %	37,158
LA CCD DS 2001, 2008 Ser E-1	14,440,000	0.761 %	109,950
LA CCD DS 2003, 2008 Series F-1	14,320,000	0.761 %	109,037
LA CCD DS 2008, 2009 Taxable Series B	75,000,000	0.761 %	571,071
		0.774 %	-
LA CCD DS 2008, 2010 Taxable Series D	125,000,000	0.761 %	951,785
LA CCD DS 2008, 2010 Taxable Series E (BABS)	900,000,000	0.761 %	6,852,853
LA CCD DS 2013 Ref Bonds	254,505,000	0.761 %	1,937,873
LA CCD DS 2008 Series G	224,160,000	0.761 %	1,706,817
LA CCD DS 2015 Ref Series A	1,459,300,000	0.761 %	11,111,521
LA CCD DS 2015 Ref Series B	37,655,000	0.761 %	286,716
LA CCD DS 2015 Ref Series C	289,955,000	0.761 %	2,207,799
LA CCD DS 2008 SER J	414,995,000	0.761 %	3,159,889
Los Angeles Unif DS 2002 Ref Bond	15,215,000	0.938 %	142,791
Los Angeles Unif DS 2005 Ref Bond A-1	71,850,000	0.938 %	674,304
Los Angeles Unif DS 2005 Ref Bond A-2	14,790,000	0.938 %	138,803
Los Angeles Unif DS 2007 Ref BDS Ser A-1	4,225,000	0.938 %	39,651
Los Angeles Unif DS 2007 Ref BDS Ser A-2	17,510,000	0.938 %	164,329
Los Angeles Unif DS 2007 Ref BDS Ser B	32,100,000	0.938 %	301,255
Los Angeles Unif DS 2002 Series E	200,000,000	0.938 %	1,876,978
Los Angeles Unif DS 2004 Series J	756,510,000	0.938 %	7,099,763
Los Angeles Unif DS 2005 Series H	608,995,000	0.938 %	5,715,351
LAUSD Measure R Series 2009	75,630,000	0.938 %	709,779
LAUSD Measure R Series KRY BABS	363,005,000	0.938 %	3,406,762
LAUSD Measure Y 2009 Series KRY BABS	806,795,000	0.938 %	7,571,682
LAUSD Measure K 2010 Series KRY	145,250,000	0.938 %	1,363,155
LAUSD Measure R 2010 Series KRY	157,165,000	0.938 %	1,474,976
LAUSD Measure Y 2010 Series KRY	130,450,000	0.938 %	1,224,259
LAUSD Measure R 2010 Series RY BABS	477,630,000	0.938 %	4,482,505
LAUSD Measure Y 2010 Series RY BABS	772,955,000	0.938 %	7,254,097
LAUSD Measure Y 2010 Series KY	29,100,000	0.938 %	273,100
Los Angeles Unif DS 2011 Refunding Bond Series A-1	146,935,000	0.938 %	1,378,969
Los Angeles Unif DS 2011 Refunding Bond Series A-2	146,930,000	0.938 %	1,378,922
Los Angeles Unif DS 2012 Refunding Bond Series A	139,510,000	0.938 %	1,309,286
Los Angeles Unif DS 2014 Refunding Bond Series A	142,415,000	0.938 %	1,336,549
Los Angeles Unif DS 2014 Refunding Bond Series E	323,170,000	0.938 %	3,032,915
Los Angeles Unif DS 2014 Refunding Bond Series C	934,275,000	0.938 %	8,768,068
Los Angeles Unif DS 2014 Refunding Bond Series D	153,385,000	0.938 %	1,439,501
Los Angeles Unif DS 2004 Series J	12,285,000	0.938 %	115,293
Los Angeles Unif DS 2004 Series K	1,235,000	0.938 %	11,590
Los Angeles Unif DS 2005 Series K	14,480,000	0.938 %	135,893
Los Angeles Unif DS 2005 Series L	4,410,000	0.938 %	41,387
Los Angeles Unif DS 2015 Ref Bonds Series A	318,085,000	0.938 %	2,985,193
Los Angeles Unif DS 2008 Series A 2016	1,217,135,000	0.938 %	11,422,678
Los Angeles Unif DS 2016 Ref Bond Series A	1,581,685,000	0.938 %	14,843,939
Total Overlapping Debt	13,595,680,000		121,603,399
Total Direct and Overlapping Debt			\$ 146,409,235 (2)

(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.

Ratios to 2016-17 Assessed Valuation		Per Capita
-Direct Debt (\$25,067,429).....	0.38%	409
-Overlapping Debt.....	2.14%	2,003
-Total Debt.....	2.52%	2,411

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/2017: \$0

City of Gardena
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	16-17	15-16	14-15	13-14	12-13
Assessed valuation	\$5,686,952,300	\$5,453,097,097	\$5,170,329,875	\$4,957,766,359	\$4,784,812,315
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,421,738,075	1,363,274,274	1,292,582,469	1,239,441,590	1,196,203,079
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$213,260,711	\$204,491,141	\$193,887,370	\$185,916,238	\$179,430,462
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	\$213,260,711	\$204,491,141	\$193,887,370	\$185,916,238	\$179,430,462
Total debt applicable to the limit as a percentage of debt limit	- 0%	- 0%	- 0%	- 0%	- 0%

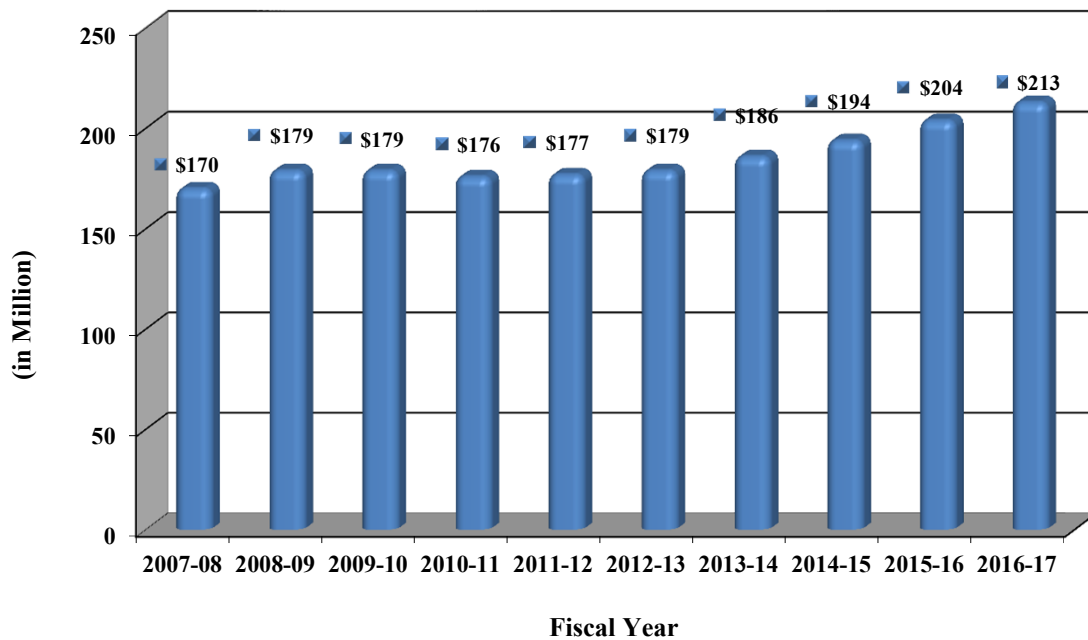
Section 43605 of the Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% OF MARKET VALUE. Effective with 1981-82 fiscal year, each parcel is now assessed at 100% of 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				
	11-12	10-11	09-10	08-09	07-08
Assessed valuation	\$4,714,033,674	\$4,695,452,906	\$4,766,218,736	\$4,770,971,212	\$4,520,460,890
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,178,508,419	1,173,863,227	1,191,554,684	1,192,742,803	1,130,115,223
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$176,776,263	\$176,079,484	\$178,733,203	\$178,911,420	\$169,517,283
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	\$176,776,263	\$176,079,484	\$178,733,203	\$178,911,420	\$169,517,283
Total debt applicable to the limit as a percentage of debt limit	- 0%	- 0%	- 0%	- 0%	- 0%

Legal Debt Margin
Last Ten Fiscal Years



City of Gardena

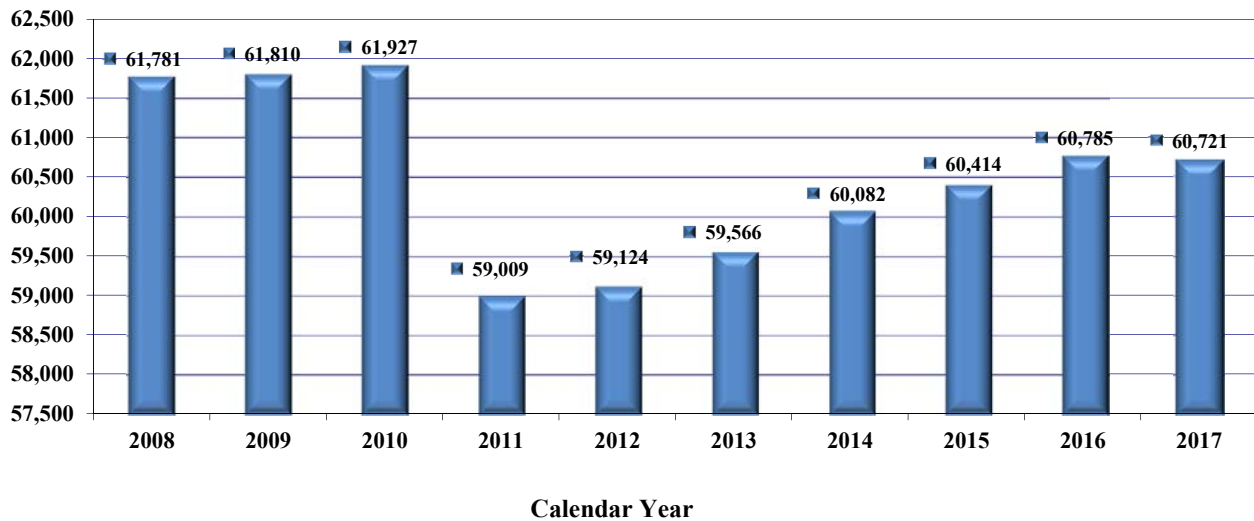
Demographic and Economic Statistics

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⁾
2008	21,557	61,781	-0.27%	10,363,850	0.31%	1,299,750	22,134	693,680	29,800	7.00%
2009	21,528	61,810	0.05%	10,393,185	0.28%	1,309,499	21,351	688,168	26,800	10.90%
2010	21,534	61,927	0.19%	10,441,080	0.46%	1,282,587	20,827	678,441	25,800	11.90%
2011	21,477	59,009	-4.71%	9,858,989	-5.58%	1,224,483	19,773	678,441	25,700	11.50%
2012	21,501	59,124	0.19%	9,884,632	0.26%	1,269,333	21,468	664,233	26,200	8.70%
2013	21,501	59,566	0.75%	9,958,091	0.74%	1,349,229	22,651	655,716	27,100	7.10%
2014	21,629	60,082	0.87%	10,041,797	0.84%	1,384,109	23,037	651,322	27,700	8.20%
2015	21,649	60,414	0.55%	10,136,559	0.94%	1,384,454	23,032	643,493	28,200	6.70%
2016	21,714	60,785	0.61%	10,400,000	3.57%	1,386,384	22,808	664,774	29,000	5.20%
2017	21,815	60,721	-0.11%	10,271,018	1.33%	1,411,571	23,246	713,871	29,500	4.30%

City of Gardena Population

Last Ten Calendar Years



NOTES:

- ⁽¹⁾ State of California, Finance Department.
- ⁽²⁾ Income data was provided by HDL Coren & Cone using City of Gardena Average per Capita Personal Income.
- ⁽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.

City of Gardena
Ten Principal Employers
Current Year and Nine Years Ago

Employer (1)	Business Type	2017		2008	
		Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
United Parcel Service Inc.	Delivery	805	2.73%		
Gardena Memorial Hospital	Hospital services	791	2.68%		
Hustler Casino	Casino	736	2.49%		
Nissin Foods	Food	484	1.64%		
Larry Flynt's Lucky Lady Casino	Casino	402	1.36%		
Avcorp	Manufacturing parts	346	1.17%		
Southwest Offset Printing	Book binding and printing	337	1.14%		
Marukai Corporation	Retail	318	1.08%		
Target	Retail	220	0.75%		
Kindred Hosiptal South Bay	Hospital services	200	0.68%		
Hustler Casino	Casino			750	2.52%
United Parcel Service Inc.	Delivery			686	2.30%
Memorial Hospital	Hospital services			590	1.98%
Normandie Club, LP	Casino			517	1.73%
Southwest Offset Printing	Book binding and printing			500	1.68%
Jonathan Louis Inernational	Manufacturing home furniture			445	1.49%
Best Contracting Services	General Contractord			428	1.44%
Hitco Carbon Companies	Manufacturing parts			400	1.34%
Radiant Services Corp	Power laundry dry cleaning plant			350	1.17%
Nissin Foods	Food			250	0.84%
Total top ten employers		4,639		4,916	
Total City Employment ⁽¹⁾		29,500		29,800	

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.

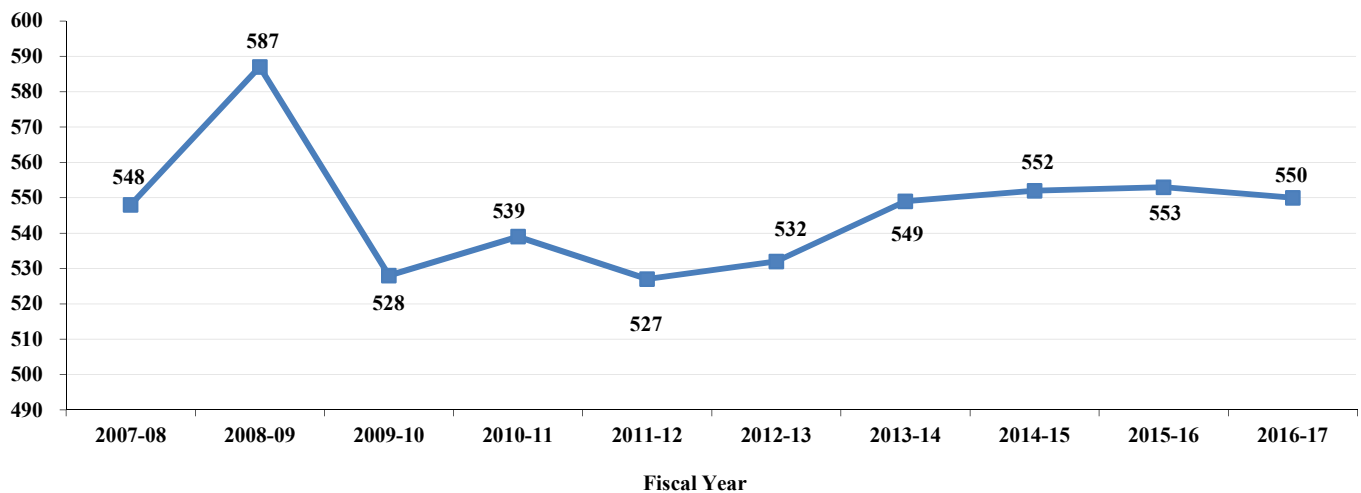
⁽¹⁾ Total City employment provided by EDD-Labor Market Information Division and 2007-2008 City CAFR.

SOURCE: Economic Development Staff

City of Gardena
Full-Time and Part-Time City Employees
by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
General government	186	181	181	181	168	188	206	192	197	228
Public safety	154	160	157	162	158	152	149	154	157	149
Public works	51	50	50	47	45	46	47	46	44	52
Community development	19	18	17	16	16	12	11	11	16	17
Transit - Bus line	140	144	147	143	145	129	126	125	173	102
Total	550	553	552	549	532	527	539	528	587	548

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									
	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Police:										
Arrests	2,642	2,423	4,499	3,251	3,333	3,421	3,159	3,892	4,467	4,504
Number of parking citations issued	23,145	22,665	11,203	24,622	26,615	25,218	21,337	19,223	21,068	22,718
Public works:										
Street resurfacing (miles)	4.52	2.95	7.00	3.38	5.15	8.42	4.83	40.00	10.94	10.94
Traffic lights and signals	91	90	89	88	88	88	88	88	80	80
Parks and recreation:										
Number of recreation classes	1,410	1,466	1,150	1,080	1,232	1,380	1,360	1,338	1,349	1,341
Number of facility rentals	1,222	1,221	1,164	1,072	876	713	1,135	1,164	1,396	1,302
Transit:										
Number of customers served ⁽¹⁾	3,094,180	3,610,718	3,687,038	3,689,142	3,761,506	3,737,640	3,487,459	3,739,114	4,246,325	4,447,783

NOTE:

⁽¹⁾ Fiscal Year 2016-17 data includes Fixed Route and Demand Response customers. Prior Year data includes 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									
	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Public works:										
Streets (miles)										
-Two lanes street	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0
-Four lanes street	25.0	25.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
-Alley	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
-Sidewalks	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5	113.5
Street lights										
-Edison maintenance ⁽²⁾	3,321	3,350	3,319	3,181	3,229	3,247	3,250	3,186	3,186	3,200
-City maintenance	198	385	197	192	192	194	194	176	176	170
Traffic signals	69	70	69	68	68	68	68	68	64	64
Traffic signals (shared)	22	23	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 ⁽³⁾	2	2	2	2	2	2	2	1	1	1
Community center ⁽³⁾	1	1	1	1	1	1	1	2	2	2
Transit:										
Stations	1	1	1	1	1	1	1	1	1	1
Bus stops	595	595	595	595	649	649	609	609	515	515

NOTES:

⁽¹⁾ Reappraisal at the end of fiscal year 2006-07.

⁽²⁾ Streetlights maintained by Southern California Edison Company.

⁽³⁾ Corrected in Fiscal Year 2010-11 gymnasium and community center was reversed.

Source: City of Gardena, Administrative Services Department - Finance Division