

GARDENA CALIFORNIA

Opportunity Awaits



COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDING JUNE 30, 2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

CITY OF GARDENA, CALIFORNIA



PREPARED BY

THE ADMINISTRATIVE SERVICES DEPARTMENT

**Clint Osorio
Director of Administrative Services**

And

**Raymond Beeman
Accounting/Finance Manager**

* * * * *

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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December 7, 2018

Members of the City Council,
and Citizens of Gardena

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR 2017-2018
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, 2018 (FY 2017-18). 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, 2018, are free of material misstatement. The auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2018, 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. Among the top five revenue sources include sales tax, property tax, card club, utility user’s tax, and vehicle license fees. All of the top five revenue generators experienced increases compared to the prior year except card club and utility user’s tax revenues. The City is fortunate to have two card clubs within City limits, which are the Lucky Lady Casino and Larry Flynt’s Hustler Casino. The combined revenue from both

card clubs experienced a decrease of approximately \$900,000. Because of future uncertainties with California gaming and licenses, the City has committed to reducing its reliance to card club revenue by diversifying and strengthening other revenue sources.

In FY 2017-2018, 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 restaurant and food service industry has a very strong presence in the City of Gardena and it continues to be the top performing sales tax segment in the City. 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 4.8% in 2018, which is 0.1% higher than the unemployment rate average of Los Angeles County which is 4.7%. The unemployment rate in the South Bay area decreased from 7.4% in 2009 to 4.1% in 2018. 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), construction of a new stadium for both teams brings 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 fourteen 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 42% 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.

To continue to sustain economic development, the City has introduced a new Hotel Incentive Program by providing assistance in the form of partial Transient Occupancy Tax credit to hotel owners making substantial improvements to their existing properties, as well as incentives to developers to build new hotels in Gardena. The City will also continue to provide 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 options 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 13, 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, 2017. This was the thirtieth second 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
City Manager

Respectfully submitted,



Clint D. Osorio
Director of Administrative Services



Government Finance Officers Association

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

Presented to

**City of Gardena
California**

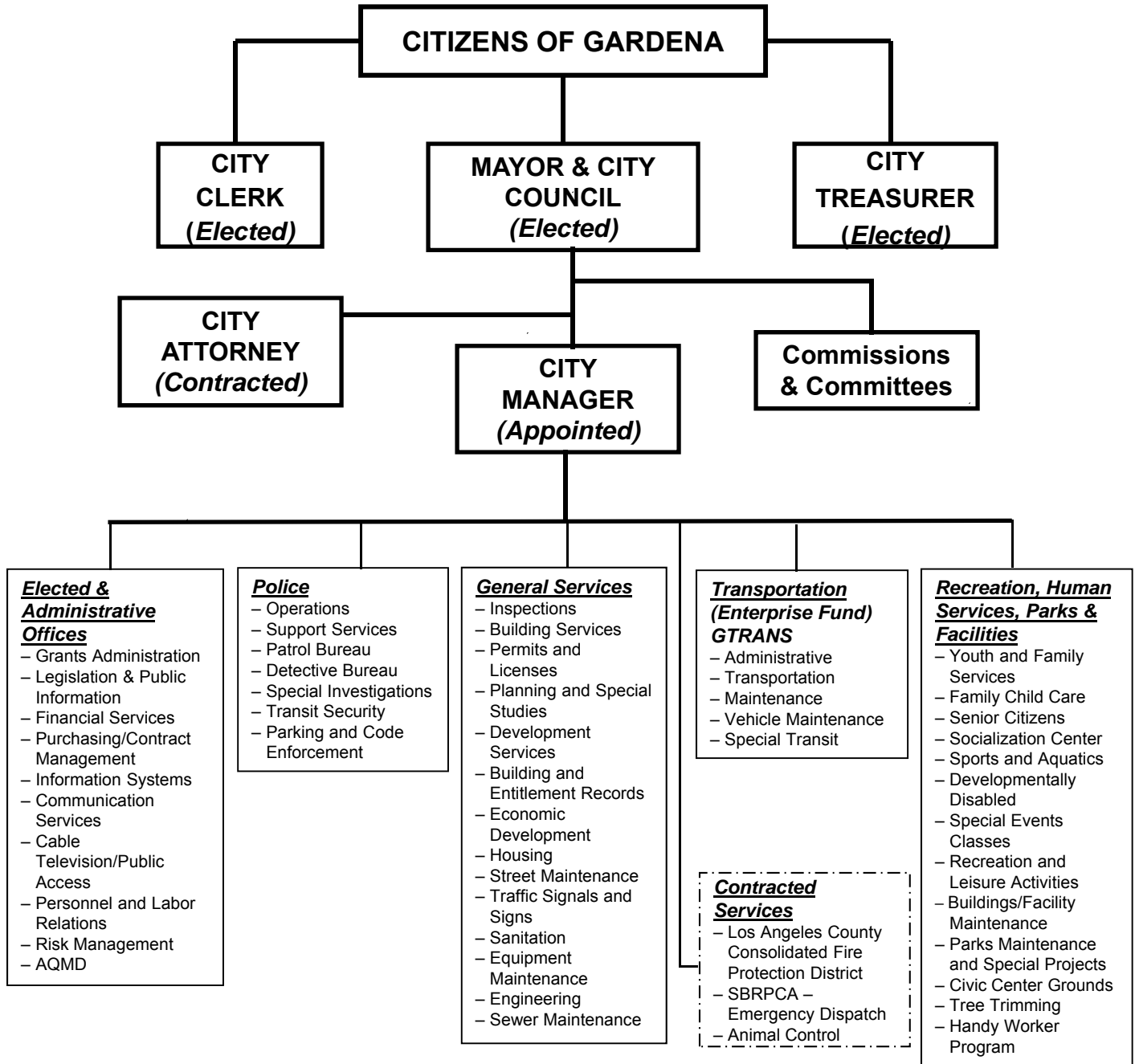
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF GARDENA ORGANIZATION CHART



OFFICIALS OF THE CITY OF GARDENA, CALIFORNIA

FISCAL YEAR 2017 – 2018

CITY OF GARDENA

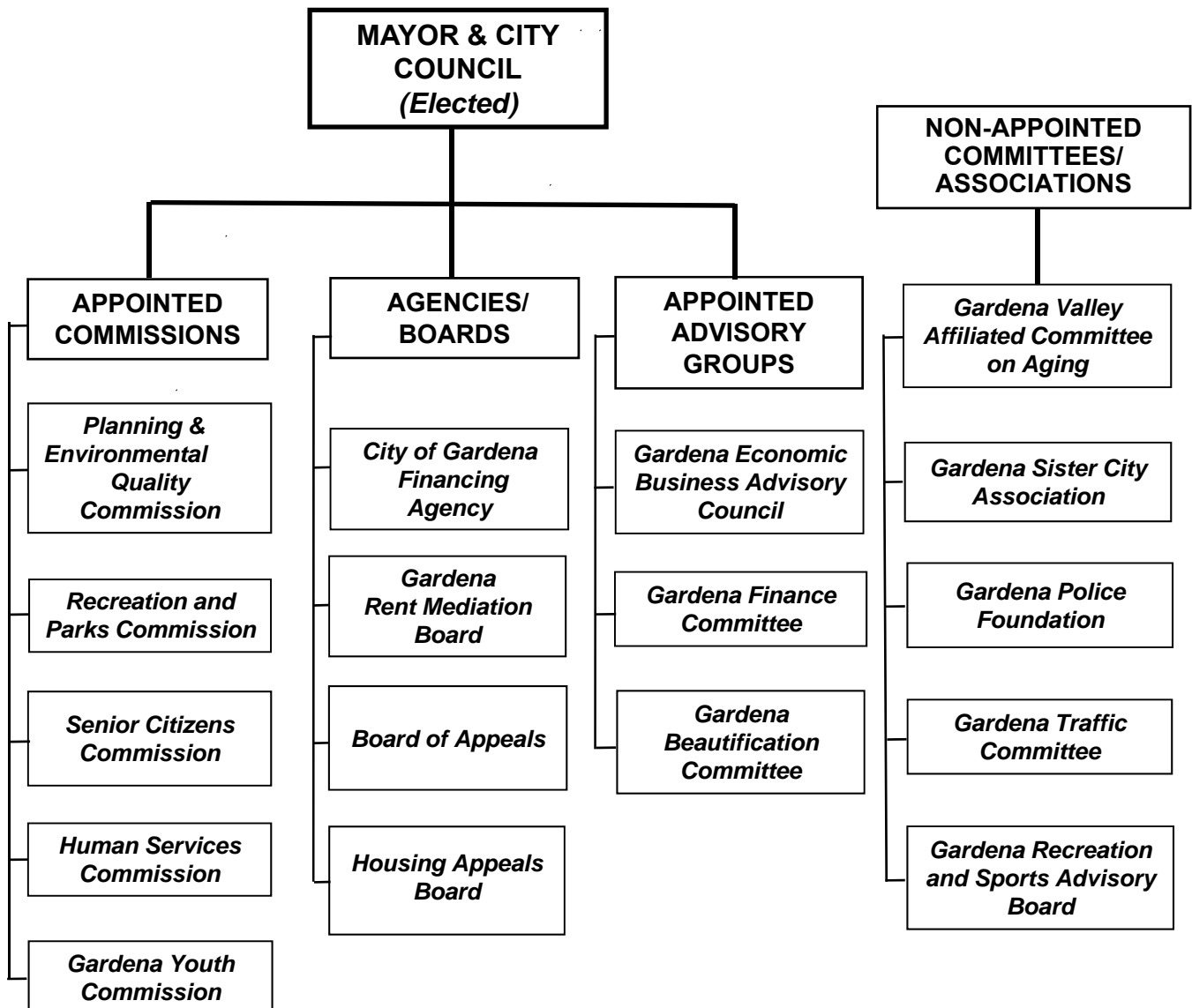
CITY COUNCIL

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

Administration Officials and Department Heads

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	Thomas Kang
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, BOARDS, COMMITTEES, ETC.



City of Gardena

Comprehensive Annual Financial Report For the Year Ended June 30, 2018



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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, 2018, 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.

Auditors' 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, 2018, 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.

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Emphasis of Matter

Implementation of GASB 75

As discussed in Note 1S to the basic financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the standard required retrospective application of previously reported net position as of July 1, 2017 as described in Note 16 to the basic financial statements. In addition, total OPEB liability is reported in the Statement of Net Position in the amount of \$68,940,000 as of the measurement date. Total OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2016 which was then rolled-forward by the actuaries to June 30, 2017, the measurement date. Our opinion is not modified with respect to this matter.

Unrestricted Net Position Deficit

As discussed in Note 2A, the unrestricted net position is a deficit in the amount of \$(135,817,893), which includes \$(107,848,163) reported under Governmental Activities and \$(27,969,730) reported under Business-Type Activities. It is mainly due to the net pension liability as discussed in Note 10 and the total OPEB liability as discussed in Note 11. Aggregate net pension liabilities for Governmental Activities and Business-Type Activities are in the amounts of \$79,328,811 and \$20,982,676, respectively. Aggregate total OPEB liabilities for Governmental Activities and Business-Type Activities are in the amounts of \$59,608,000 and \$9,332,000, 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 – Pensions, Schedule of Changes in Total OPEB Liabilities and Related Ratios – Non-Transportation Enterprise Retiree Healthcare Plan and Transportation Enterprise Retiree Healthcare Plan, and Schedule of Contributions – Transportation Enterprise Retiree Healthcare Plan on pages 5 through 14 and 97 through 106 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, the Combining and Individual Nonmajor Fund Financial Statements, and the 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 the 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 7, 2018 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 solely 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.

The PwC Group, LLP

Santa Ana, California
December 7, 2018

City of Gardena

Comprehensive Annual Financial Report For the Year Ended June 30, 2018



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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, 2018. 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 liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the 2017-2018 fiscal year by (\$35,693,139), which resulted in the City having a negative net position.
- ◆ The City's had to restate its beginning Net position from (\$19,768,425) to (\$59,239,736) for Governmental Activities and from \$35,233,060 to \$32,760,004 for Business-Type Activities as the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits other than pensions* during the year ended June 30, 2018. The City's total net position decreased \$9,213,407. Net position of governmental activities decreased \$4,744,926, while net position of business type activities decreased by \$4,468,481 due primarily to GASB Statements No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 75 *Accounting and Financial Reporting for Postemployment benefits other than pensions*. The Net Pension Liabilities and Other post-employment benefits (OPEB) were included within the government-wide financial statements for both governmental and business-type financial reporting. At close of 2017-2018 fiscal year, the City's Net Pension Liabilities were \$79,328,811 and \$20,982,676 for governmental and business-type activities for a total of \$100,311,487. The City's Other post-employment benefit Liabilities were \$59,608,000 and \$9,332,000 for governmental and business-type activities for a total of \$68,940,000.
- ◆ At the close of the 2017-2018 fiscal year, the City's governmental funds reported combined fund balances of \$36,781,668, a decrease of \$944,176 in comparison to the prior year. General Fund decreased by \$370,705. The decrease is primarily due to the \$900K decrease in casino revenue received compared to the prior year as the casino went through a management change. Economic development grants special revenue fund decreased by \$342,335, as a result of the City spending an additional \$383k in capital related projects.
- ◆ At the end of the 2017-2018 fiscal year, the unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$23,125,222 or approximately 42% of total General Fund expenditures.
- ◆ The City's total outstanding long-term debt decreased by \$527,791 during the 2017-2018 fiscal year. The decrease is primarily attributable to the net effect of the annual debt payments made on the 2006 Refunding Certificate of Participation Series A bond 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.

City of Gardena

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements (Continued)

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

The *statement of net position* presents financial information about all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 18-21 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*.

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

Overview of the Financial Statements (Continued)

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 Special Revenue Fund, and the City 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.

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 26-32 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 34-39 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 closed its fiduciary fund during the year ended June 30, 2018. 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 43 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 45-93 of this report.

City of Gardena

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements (Continued)

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 Special Revenue Fund. Required supplementary information can be found on pages 97-98 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 110-133 of this report.

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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$35,693,139 at the close of the 2017-2018 fiscal year.

CITY OF GARDENA NET POSITION						
	Governmental Activities		Business-type Activities		TOTAL	
	(As Restated)		(As Restated)		(As Restated)	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 61,144,876	\$ 61,858,457	\$ 3,425,669	\$ 4,739,706	\$ 64,570,545	\$ 66,598,163
Capital assets	46,993,971	47,903,756	56,518,995	60,397,053	103,512,966	108,300,809
Total Assets:	108,138,847	109,762,213	59,944,664	65,136,759	168,083,511	174,898,972
Deferred outflow of resources related to pensions	22,161,959	19,381,325	5,748,010	4,583,131	27,909,969	23,964,456
Deferred outflow of resources related to OPEB*	2,247,000	2,162,000	4,516,544	462,000	6,763,544	2,624,000
Total deferred outflows of resources:	24,408,959	21,543,325	10,264,554	5,045,131	34,673,513	26,588,456
Current liabilities	15,854,395	14,248,666	10,026,957	9,263,731	25,881,352	23,512,397
Non-current liabilities						
Long-term liabilities-Due in more than one year	34,823,127	38,528,092	1,109,606	1,048,914	35,932,733	39,577,006
Total other postemployment benefits liability*	59,608,000	65,056,000	9,332,000	8,774,000	68,940,000	73,830,000
Aggregate net pension liability	79,328,811	70,409,957	20,982,676	17,657,493	100,311,487	88,067,450
Subtotal Non-current liabilities	173,759,938	173,994,049	31,424,282	27,480,407	205,184,220	201,474,456
Total Liabilities:	189,614,333	188,242,715	41,451,239	36,744,138	231,065,572	224,986,853
Deferred inflows of resources related to pensions	414,135	2,302,559	466,456	677,748	880,591	2,980,307
Deferred inflows of resources related to OPEB*	6,504,000	-	-	-	6,504,000	-
Total deferred outflows of resources:	6,918,135	2,302,559	466,456	677,748	7,384,591	2,980,307
Net Investment in Capital						
Assets	27,748,135	28,138,906	56,261,253	60,150,166	84,009,388	88,289,072
Restricted	16,115,366	12,021,750	-	-	16,115,366	12,021,750
Unrestricted*	(107,848,163)	(99,400,392)	(27,969,730)	(27,390,162)	(135,817,893)	(126,790,554)
Total Net Position:	\$(63,984,662)	\$(59,239,736)	\$ 28,291,523	\$ 32,760,004	\$(35,693,139)	\$(26,479,732)

* 2017 balances were restated due to implementation of GASB 75

City of Gardena

Management's Discussion and Analysis (Continued)

Government-wide Overall Financial Analysis (Continued)

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.

The City's largest liabilities are their Non-current liabilities with OPEB totaling \$68,940,000 and net pension liabilities totaling \$100,311,487 for fiscal year 2017-2018 a total of \$169,251,487 or 82% of the \$205,184,220 in total noncurrent liabilities.

An additional portion of the City's net position (Restricted) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(135,817,893) 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 liabilities.

At the end of the 2017-2018 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 liabilities and 2) The implementation of GASB 75 in Fiscal Year 2017-2018, both of these items lead to substantial increases in non-current liabilities

The City restated its overall beginning net position from \$15,464,635 to (\$26,479,732) as a result of the implementation of GASB 75 in fiscal year 2017-2018, overall net position decreased \$9,213,407 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. In the 2017-2018 fiscal year, beginning net position for governmental activities was restated from (\$19,768,425) to (\$59,239,736) as the City implemented GASB 75. During 2017-2018 net position for governmental activities decreased \$4,744,926 from the prior fiscal year for an ending balance after the beginning balance restatement of \$(63,984,662). The decrease in the overall net position of governmental activities was \$4,774,926 which was primarily related to 1) The decrease of \$904K in Card Club revenue compared to the prior year as there was new management in the casinos during the year and 2) A decrease of \$1,107,785 in AB 109 revenue as the funds were all received in the prior year as the program is no longer active 3) An increase in expenses for the governmental activities by \$1,684,910 or 3% compared to the prior year; primarily as a result of the increase in PERS costs for Safety and an increase in salaries for all employees with Safety receiving a 7.5% cost of living adjustment (cola) and non-safety receiving a cola of 3.5%.

City of Gardena

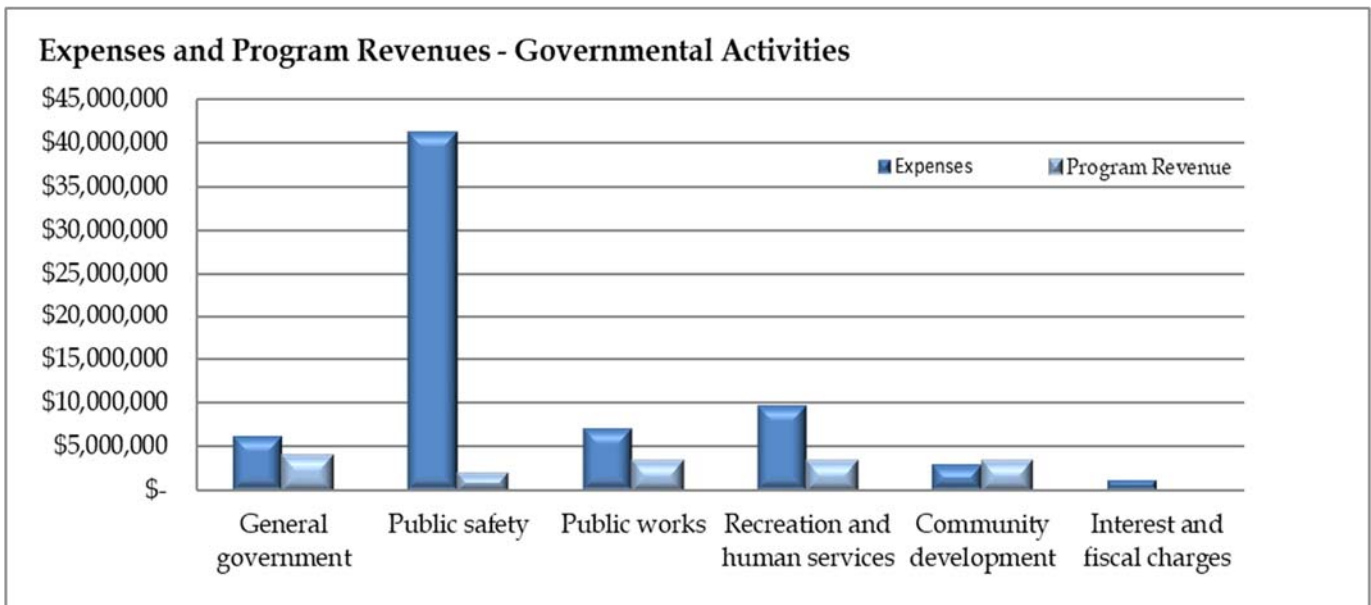
Management's Discussion and Analysis (Continued)

Government-wide Overall Financial Analysis (Continued)

CITY OF GARDENA'S CHANGES IN NET POSITION

	Governmental Activities		Business -type Activities		TOTAL	
	As Restated		As Restated			
	2018	2017	2018	2017	2018	2017
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 10,006,148	\$ 10,293,404	\$ 4,249,401	\$ 3,437,068	\$ 14,255,549	\$ 13,730,472
Operating grants and contributions	3,719,048	2,048,938	19,855,368	17,462,145	23,574,416	19,511,083
Capital grants and contributions	2,002,799	1,268,576	576,031	3,120,351	2,578,830	4,388,927
<i>General Revenues:</i>						
Property taxes	7,150,957	7,130,426	-	-	7,150,957	7,130,426
Sales and other taxes	39,483,338	39,908,425	-	-	39,483,338	39,908,425
Investment income and miscellaneous	1,293,631	2,390,959	126,785	96,130	1,420,416	2,487,089
Gain on sale of assets	201,559	883,201	-	-	201,559	883,201
Total Revenues:	63,857,480	63,923,929	24,807,585	24,115,694	88,665,065	88,039,623
Expenses:						
General government	6,177,468	5,848,247	-	-	6,177,468	5,848,247
Public safety	41,420,762	38,700,824	-	-	41,420,762	38,700,824
Public works	7,120,105	6,956,766	-	-	7,120,105	6,956,766
Recreation and human services	9,742,993	9,154,921	-	-	9,742,993	9,154,921
Community development	2,938,656	2,796,216	-	-	2,938,656	2,796,216
Interest and fiscal charges	1,241,054	1,382,078	-	-	1,241,054	1,382,078
Enterprise operations	-	-	29,237,434	29,955,943	29,237,434	29,955,943
Total Expenses:	68,641,038	64,839,052	29,237,434	29,955,943	97,878,472	94,794,995
Increase (decrease) in Net Position before other revenues and transfers	(4,783,558)	(915,123)	(4,429,849)	(5,840,249)	(9,213,407)	(6,755,372)
Transfers	38,632	9,898	(38,632)	(9,898)	-	-
Change in Net Position	(4,744,926)	(905,225)	(4,468,481)	(5,850,147)	(9,213,407)	(6,755,372)
Net position- beginning of year, as restated (Note 16)	(59,239,736)	(58,334,511)	32,760,004	38,610,151	(26,479,732)	(19,724,360)
Net position - end of year	\$ (63,984,662)	\$ (59,239,736)	\$ 28,291,523	\$ 32,760,004	\$ (35,693,139)	\$ (26,479,732)

* 2017 balances were restated due to implementation of GASB 75



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

Government-wide Overall Financial Analysis (Continued)

Business-type Activities. In the 2017-2018 fiscal year, beginning net position for business type activities was restated from \$35,233,060 to \$32,760,004 as the City implemented GASB 75. The City's *business-type activities* decreased the net position by \$4,468,481 or 13.6% for the fiscal year ended June 30, 2018. Business-type activities revenue increased by \$691,891 or 2.9% compared to the prior year for a total \$24,807,585 in revenues at year-end. In comparison to the prior fiscal year, the charges for services increased by \$812,333 or 23.6%, due, in part, to an increase in sewer fee, which increased by \$841,928 or 87.9% compared to prior year. Operating grants and contributions increased by \$2,393,223 or 13.7% compared to the prior fiscal year, primarily due to the new funding available which consisted of \$1.9 Million in Measure M funds, \$357K in SB 1 STA funds and \$211K in SB 1-State of Good repair funds. Capital grants and contributions decreased by \$2,544,320 or 81.5% as a result of \$2.5 million being spent in the prior year for 5 new buses. Investment income and miscellaneous increased \$30,655 or 31.9% compared to the prior year due to an increase in interest rates. Expenses for operations decreased by \$718,509 or 2.4% compared to prior year, which was largely due to the decrease in pension expense for the Sewer Fund of \$400K and a decrease of \$435K in Depreciation expense for Bus Lines.

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, 2018, the City's governmental funds reported combined fund balances of \$36,781,668 a decrease of \$944,176 or 2.5% in comparison with the prior year. Approximately 0.54% 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 \$385,931; 2) restricted for purposes \$13,270,515; 3) committed for purposes \$19,315,675; or 4) assigned for purposes \$3,609,547.

The General Fund is the chief operating fund of the City. At the end of the 2017-2018 fiscal year, the unassigned fund balance of the general fund was \$200,000, while the total fund balance decreased to \$23,516,440. 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 43.2% of that same amount.

City of Gardena

Management's Discussion and Analysis (Continued)

Financial Analysis of Governmental Funds

The fund balance of the City's General Fund decreased by \$370,705 during the 2017-2018 fiscal year. The Top 5 Revenue generators, which make up 72% of the General Fund Original Adopted Budget for Fiscal Year 2017-2018, was down (\$2,567,871), 1) Sales Tax revenue was down (\$57K) compared to budget as the state board of equalization switched over to a new online system which lead to payment issues in the 2nd quarter of 2018 and a shortfall of revenue for the city, 2) Card Club revenue was down (\$1.9) Million compared to the budget as the transition continues for the new ownership group of the Lucky Lady Casino. 3) Property Taxes were up \$223K compared to budget with the continued thriving development in the City and higher housing prices in the region. 4) Utility Users Tax was down (\$602,264) as price competition in the industries drives pricing down as well as a drive for more conservation of energy sources and Motor Vehicle In-Lieu up by \$594K as the fees were increased in fiscal year 2017-2018.

The Economic Development Grants Special Revenue Fund, a major fund, had a decrease of (\$342,335) in fund balance during the fiscal year primarily due to an additional \$383k in capital related projects.

The debt service fund, a major fund, had a decrease of \$(7,487) in fund balance during the fiscal year, due to annual debt service payments made during the year to bring the year-end fund balance to \$1,916,945.

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 \$(19,737,569) and for the sewer fund was \$82,828. The total decrease in net position for GTrans was \$5,480,387 and the Sewer Fund net position increased by \$300,893 respectively. GTrans decrease in net position was predominantly due to the increase in pension and OPEB expenses. The sewer fund increased based on the increase in sewer fees implemented annually in July with this being the first full year of the new fees.

General Fund Budgetary Highlights

The final amended budget for revenue is less than one percent more than the original budget. Actual revenue was less than the final budget by 1.8% or (\$998,205) primary because casino revenue was down by \$1.9 million compared to budget and Utility User Tax revenue was down by (\$602K) as a result of competition in pricing in the industry and conservation efforts that resulted in lower revenues. A detailed budgetary comparison schedule for the year ended June 30, 2018, is presented as required supplementary information following the notes to the financial statements.

The final amended budget for combined General fund expenditures is \$55,839,122 which was the same amount as the original expenditure budget. Actual expenditures were more than the final amended budget by \$503,864 or less than 1% this was primarily the result of an increase in pension related expenditures. A detailed budgetary comparison schedule for the year ended June 30, 2018, is presented as required supplementary information following the notes to the financial statements.

City of Gardena

Management's Discussion and Analysis (Continued)

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, 2018, amounts to \$103,512,966 (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 \$4,787,843 or 4.4 % 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	
	2018	2017	2018	2017	2018	2017
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	2,088,106	699,733	425,203	346,287	2,513,309	1,046,020
Total Non-depreciable assets	8,675,659	7,287,286	13,381,608	13,302,692	22,057,267	20,589,978
Capital assets, being depreciated:						
Building/ structures and improvements	6,500,872	7,295,683	30,175,801	31,198,709	36,676,673	38,494,392
Buses	-	-	9,477,882	11,987,229	9,477,882	11,987,229
Machinery and equipment	3,423,322	3,398,345	2,761,453	3,174,346	6,184,775	6,572,691
Furniture and fixtures	-	-	31,625	9,770	31,625	9,770
Infrastructure	-	-	690,626	724,315	690,626	724,315
Street lights network	430,797	473,877	-	-	430,797	473,877
Traffic lights network	1,989,396	2,420,756	-	-	1,989,396	2,420,756
Roadway network	25,973,925	27,027,809	-	-	25,973,925	27,027,809
Total depreciable assets (net)	38,318,312	40,616,470	43,137,387	47,094,369	81,455,699	87,710,839
Total capital assets	46,993,971	47,903,756	56,518,995	60,397,061	103,512,966	108,300,817

Major capital asset events during the 2017-2018 fiscal year included the following:

- ◆ Completion of the Pedestrian Safety Improvement Project 2017
- ◆ Completion of the Rowley Park Project
- ◆ Completion of the Sidewalk Replacement Project 2017
- ◆ Completion of the 132nd Street Improvement Project

Additional information on the City's capital assets can be found in Note 7 on pages 67-68 of this report.

Long-term Debt. At the end of the 2017-2018 fiscal year, the City had total bonded debt outstanding of \$20,897,291. The City's long-term debt decreased by \$596,116 or 2.8% compared to prior year based on annual debt service payments being made during the year.

CITY OF GARDENA'S OUTSTANDING DEBT

	Governmental Activities		TOTAL	
	2018	2017	2018	2017
Refunding Revenue Bonds	\$ 10,800,000	\$ 10,950,000	\$ 10,800,000	\$ 10,950,000
Certificates of Participation	8,710,000	9,170,000	8,710,000	9,170,000
Direct Purchase Lease	1,635,000	1,635,000	1,635,000	1,635,000
- Bond discount	(247,709)	(261,593)	(247,709)	(261,593)
SCE On-Bill Financing Loan	93,545	111,443	93,545	111,443
Loan Payable	3,287,209	3,200,986	3,287,209	3,200,986
	24,278,045	24,805,836	24,278,045	24,805,836

City of Gardena

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration (Continued)

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, 2018.

Additional information about the City's long-term debt can be found in Note 8 on pages 69-73 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 67% 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 2018-2019 projections take into account the historical trends and current economic factors and consultant recommendations. An increase in General Fund operating revenues of approximately \$3.2 million or 5.8% compared to the original adopted budget for 2017-2018 is anticipated with the amount projected to be \$58,853,340. For fiscal year 2018-2019, sales tax revenue is estimated be \$11.8 Million an increase of \$200K or 1.7% compared to the 2017-2018 adopted budget. Card Club Gross Revenue Fees are estimated to be \$8.3 Million lower by \$1.8 Million or a decrease of 22% from the adopted budget from 2017-2018, this projection is based on new ownership needing time to generate a stable revenue base and is more consistent with recent revenue averages. Property tax revenue is estimated at \$7.6 million, which represents an increase of \$682k or 9.8% from the 2017-2018 adopted budget, due to continuing improvement of real estate market projections for the upcoming years. Utility user tax projections are anticipated to be \$5.8 million a decrease of \$422k or 7.2% from the 2017-2018 adopted budget. Vehicle License fees are estimated at \$6.3 million an increase of \$885,000 or 16.4% from the 2017-2018 adopted budget because of the increased fee rates. General Fund operating expenditures have been projected at \$58,848,840, an increase of \$3.2 million or 5.8 % compared to the 2017-2018 adopted budget. The budget reflects adjustments to retirement costs based on the increase in CalPERS contribution rates for 2018-2019, which are 18.3% for miscellaneous employees, 7% of this rate is being paid by the employees; and 63.2% for safety employees, 12% of this rate is being paid by the employees. It is estimated that the General Fund will have a fund balance of approximately \$23.9 million at the end of fiscal year 2018-2019.

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, 2018*



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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Gardena
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 40,208,953	\$ 5,755,850	\$ 45,964,803
Receivables, net	4,748,008	5,376,814	10,124,822
Due from other government	2,702,027	-	2,702,027
Internal balances	8,314,989	(8,314,989)	-
Prepaid items	553,405	51,903	605,308
Inventories	71,941	556,091	628,032
Total current assets	56,599,323	3,425,669	60,024,992
Noncurrent assets:			
Restricted cash and investments:			
Cash with fiscal agent	1,993,470	-	1,993,470
Loan receivable	2,501,597	-	2,501,597
Long-term receivables	50,486	-	50,486
Capital assets:			
Nondepreciable	8,675,659	13,381,608	22,057,267
Depreciable, net	38,318,312	43,137,387	81,455,699
Total capital assets	46,993,971	56,518,995	103,512,966
Total noncurrent assets	51,539,524	56,518,995	108,058,519
Total assets	108,138,847	59,944,664	168,083,511
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	22,161,959	5,748,010	27,909,969
Deferred outflows of resources related to OPEB	2,247,000	4,516,544	6,763,544
Total deferred outflows of resources	24,408,959	10,264,554	34,673,513

City of Gardena
Statement of Net Position (Continued)
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	2,379,887	401,503	2,781,390
Accrued liabilities	51,962	46,333	98,295
Salaries and benefits payable	1,112,407	455,010	1,567,417
Retention payable	37,123	257,742	294,865
Deposits payable	3,267,398	-	3,267,398
Unearned revenue	30,008	8,588,968	8,618,976
Accrued interest payable	413,450	-	413,450
Long-term liabilities - due within one year	8,562,160	277,401	8,839,561
Total current liabilities	15,854,395	10,026,957	25,881,352
Noncurrent liabilities:			
Long-term liabilities - due in more than one year	34,823,127	1,109,606	35,932,733
Aggregate total other postemployment benefit liability (Note 11)	59,608,000	9,332,000	68,940,000
Aggregate net pension liability (Note 10)	79,328,811	20,982,676	100,311,487
Total noncurrent liabilities	173,759,938	31,424,282	205,184,220
Total liabilities	189,614,333	41,451,239	231,065,572
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	414,135	466,456	880,591
Deferred inflows of resources related to OPEB	6,504,000	-	6,504,000
Total deferred inflows of resources	6,918,135	466,456	7,384,591
NET POSITION			
Net investment in capital assets	27,748,135	56,261,253	84,009,388
Restricted for:			
Employment and training services	5,287	-	5,287
Law enforcement	921,976	-	921,976
Local street improvements	6,060,770	-	6,060,770
Economic development	6,006,024	-	6,006,024
Other purposes	633,275	-	633,275
Capital projects	571,089	-	571,089
Debt service	1,916,945	-	1,916,945
Total restricted	16,115,366	-	16,115,366
Unrestricted (deficit)	(107,848,163)	(27,969,730)	(135,817,893)
Total net position	\$ (63,984,662)	\$ 28,291,523	\$ (35,693,139)

City of Gardena
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Governmental activities:					
General government	\$ 6,177,468	\$ 3,864,795	\$ 22,464	\$ -	\$ 3,887,259
Public safety	41,420,762	1,312,945	597,058	71,075	1,981,078
Public works	7,120,105	418,667	921,000	1,931,724	3,271,391
Recreation and human services	9,742,993	2,685,240	583,602	-	3,268,842
Community development	2,938,656	1,724,501	1,594,924	-	3,319,425
Interest and fiscal charges	1,241,054	-	-	-	-
Total governmental activities	68,641,038	10,006,148	3,719,048	2,002,799	15,727,995
Business-type Activities:					
Municipal bus line	27,804,739	2,459,105	19,855,368	576,031	22,890,504
Sewer	1,432,695	1,790,296	-	-	1,790,296
Total business-type activities	29,237,434	4,249,401	19,855,368	576,031	24,680,800
Total primary government	\$ 97,878,472	\$ 14,255,549	\$ 23,574,416	\$ 2,578,830	\$ 40,408,795

City of Gardena
Statement of Activities (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Governmental activities:			
General government	\$ (2,290,209)	\$ -	\$ (2,290,209)
Public safety	(39,439,684)	-	(39,439,684)
Public works	(3,848,714)	-	(3,848,714)
Recreation and human services	(6,474,151)	-	(6,474,151)
Community development	380,769	-	380,769
Interest and fiscal charges	(1,241,054)	-	(1,241,054)
Total governmental activities	(52,913,043)	-	(52,913,043)
Business-type Activities:			
Municipal bus line	-	(4,914,235)	(4,914,235)
Sewer	-	357,601	357,601
Total business-type activities	-	(4,556,634)	(4,556,634)
Total primary government	(52,913,043)	(4,556,634)	(57,469,677)
General revenues and transfers:			
General revenues:			
Taxes:			
Property taxes	7,150,957	-	7,150,957
Sales taxes	11,006,901	-	11,006,901
Business license	2,727,532	-	2,727,532
UUT	5,088,450	-	5,088,450
Franchise taxes	2,609,219	-	2,609,219
Card club	8,071,001	-	8,071,001
Other taxes	3,985,315	-	3,985,315
Total taxes	40,639,375	-	40,639,375
Vehicle license - unrestricted	5,994,920	-	5,994,920
Investment income	158,902	124,243	283,145
Miscellaneous	1,134,729	2,542	1,137,271
Gain on sale of property	201,559	-	201,559
Total general revenues	48,129,485	126,785	48,256,270
Transfers	38,632	(38,632)	-
Changes in net position	(4,744,926)	(4,468,481)	(9,213,407)
Net position - beginning of year, as restated (Note 16)	(59,239,736)	32,760,004	(26,479,732)
Net position - end of year	\$ (63,984,662)	\$ 28,291,523	\$ (35,693,139)

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

City of Gardena

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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, 2018

	Major Funds		
		Economic Development Grants Special Revenue	City Debt Service
	General Fund		
ASSETS			
Cash and investments	\$ 21,155,757	\$ 3,504,599	\$ -
Cash and investments with fiscal agents	-	-	1,993,470
Receivables:			
Accounts	1,144,209	-	-
Taxes	3,392,467	-	-
Interest	142,354	-	-
Employees	44,049	-	-
Loans	-	2,501,597	-
Inventories	71,941	-	-
Prepaid items and deposits	269,941	-	264,079
Due from other governments	1,661,179	-	-
Due from other funds	1,118,069	-	-
Long-term receivables	50,486	-	-
Total assets	\$ 29,050,452	\$ 6,006,196	\$ 2,257,549
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 822,855	\$ -	\$ 2,701
Accrued liabilities	24,817	-	-
Salaries and benefits payable	1,064,438	-	-
Due to other funds	-	172	337,903
Retention payable	-	-	-
Deposits payable	3,260,650	-	-
Unearned revenues	30,008	-	-
Total Liabilities	5,202,768	172	340,604
Deferred inflows of resources:			
Unavailable revenue	331,244	2,501,597	-
Total deferred inflows of resources	331,244	2,501,597	-
Fund balances:			
Nonspendable	385,931	-	-
Restricted	5,287	3,504,427	1,916,945
Committed	19,315,675	-	-
Assigned	3,609,547	-	-
Unassigned	200,000	-	-
Total fund balances	23,516,440	3,504,427	1,916,945
Total liabilities, deferred inflows of resources, and fund balances	\$ 29,050,452	\$ 6,006,196	\$ 2,257,549

City of Gardena
Balance Sheet (Continued)
Governmental Funds
June 30, 2018

	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 9,215,052	\$ 33,875,408
Cash and investments with fiscal agents	-	1,993,470
Receivables:		
Accounts	7,820	1,152,029
Taxes	17,109	3,409,576
Interest	-	142,354
Employees	-	44,049
Loans	-	2,501,597
Inventories	-	71,941
Prepaid items and deposits	17,239	551,259
Due from other governments	1,040,848	2,702,027
Due from other funds	-	1,118,069
Long-term receivables	-	50,486
Total assets	\$ 10,298,068	\$ 47,612,265
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 1,245,872	\$ 2,071,428
Accrued liabilities	-	24,817
Salaries and benefits payable	47,969	1,112,407
Due to other funds	779,994	1,118,069
Retention payable	37,123	37,123
Deposits payable	-	3,260,650
Unearned revenues	-	30,008
Total Liabilities	2,110,958	7,654,502
Deferred inflows of resources:		
Unavailable revenue	343,254	3,176,095
Total deferred inflows of resources	343,254	3,176,095
Fund balances:		
Nonspendable	-	385,931
Restricted	7,843,856	13,270,515
Committed	-	19,315,675
Assigned	-	3,609,547
Unassigned	-	200,000
Total fund balances	7,843,856	36,781,668
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,298,068	\$ 47,612,265

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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City of Gardena
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

Total Fund Balances - Total Governmental Funds	\$ 36,781,668
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Amounts reported for governmental activities in the statement of net position are different because:

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

Amount reported in government-wide statement of position:

Capital assets, not being depreciated	\$ 8,675,659	
Capital assets, depreciable	100,557,938	
Less accumulated depreciation	(62,239,626)	46,993,971

Interest is recognized when due, and therefore, interest payable is not reported in the governmental funds.	(413,450)
---	-----------

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

Long-term liabilities - due within one year (net of \$6,020,168 reported in Internal Service Funds)	(2,541,992)
---	-------------

Long-term liabilities - due in more than one year (net of \$4,898,593 reported in Internal Service Funds)	(29,924,534)
---	--------------

Aggregate total OPEB liability is not due and payable in the current period and therefore is not reported in the governmental funds.	(59,608,000)
--	--------------

OPEB related deferred outflows of resources are not reported in the governmental funds but are reported in the government-wide financial statements.	2,247,000
--	-----------

OPEB related deferred inflows of resources are not reported in the governmental funds but are reported in government- wide financial statements.	(6,504,000)
--	-------------

Aggregate net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	(79,328,811)
---	--------------

Pensions related deferred outflows of resources are not reported in the governmental funds but are reported in the government-wide financial statements.	22,161,959
--	------------

Pensions related deferred inflows of resources are not reported in the governmental funds but are reported in government- wide financial statements.	(414,135)
--	-----------

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 \$8,314,989 allocated to business-type activities).	3,389,567
--	-----------

Revenues earned but not available to pay for current expenditures for governmental funds are unavailable.	3,176,095
---	-----------

Net position of governmental activities	\$ (63,984,662)
--	------------------------

City of Gardena
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds		
	General	Economic Development Grants Special Revenue	City Debt Service
	Fund		
REVENUES:			
Taxes	\$ 44,449,284	\$ -	\$ -
Licenses and permits	1,694,670	-	-
Intergovernmental	506,630	417,634	-
Charges for services	5,070,020	-	-
Fines, forfeitures, and penalties	959,626	97,941	-
Use of money and property	(18,444)	47,000	14,771
Miscellaneous	1,080,591	2,142	-
Total revenues	53,742,377	564,717	14,771
EXPENDITURES:			
Current:			
General government	5,016,851	-	-
Public safety	37,596,764	-	-
Public works	3,259,450	-	-
Recreation and human services	6,585,254	-	-
Community development	1,492,575	501,148	-
Capital outlay	477,894	-	-
Debt service:			
Principal retirement	17,898	-	610,000
Interest and fiscal charges	-	86,223	1,141,436
Total expenditures	54,446,686	587,371	1,751,436
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(704,309)	(22,654)	(1,736,665)
OTHER FINANCING SOURCES (USES):			
Transfers in	1,819,094	6	1,729,178
Transfers out	(1,896,300)	(405,910)	-
Proceed from sale of assets	410,810	-	-
Issuance of loans	-	86,223	-
Total other financing sources (uses)	333,604	(319,681)	1,729,178
NET CHANGE IN FUND BALANCES	(370,705)	(342,335)	(7,487)
FUND BALANCES:			
Beginning of Year	23,887,145	3,846,762	1,924,432
End of Year	\$ 23,516,440	\$ 3,504,427	\$ 1,916,945

City of Gardena
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2018

	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:		
Taxes	\$ 3,078,234	\$ 47,527,518
Licenses and permits	-	1,694,670
Intergovernmental	5,277,381	6,201,645
Charges for services	-	5,070,020
Fines, forfeitures, and penalties	66,512	1,124,079
Use of money and property	115,575	158,902
Miscellaneous	114,278	1,197,011
Total revenues	<u>8,651,980</u>	<u>62,973,845</u>
EXPENDITURES:		
Current:		
General government	8,196	5,025,047
Public safety	254,550	37,851,314
Public works	752,684	4,012,134
Recreation and human services	2,608,800	9,194,054
Community development	740,576	2,734,299
Capital outlay	3,316,312	3,794,206
Debt service:		
Principal retirement	-	627,898
Interest and fiscal charges	-	1,227,659
Total expenditures	<u>7,681,118</u>	<u>64,466,611</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>970,862</u>	<u>(1,492,766)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	3,199,004	6,747,282
Transfers out	(4,406,440)	(6,708,650)
Proceed from sale of assets	12,925	423,735
Issuance of loans	-	86,223
Total other financing sources (uses)	<u>(1,194,511)</u>	<u>548,590</u>
NET CHANGE IN FUND BALANCES	(223,649)	(944,176)
FUND BALANCES:		
Beginning of Year	8,067,505	37,725,844
End of Year	<u>\$ 7,843,856</u>	<u>\$ 36,781,668</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, 2018

Net change in fund balances - total governmental funds: \$ (944,176)

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 (\$1,239,915 of capital outlay expenditures were for current public works expenditures for repairs and maintenance and therefore, were not capitalized)	2,554,291
--	-----------

The net effect of disposal of capital assets.	(222,176)
---	-----------

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.	(3,241,900)
--	-------------

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.	489
--	-----

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.	(536,735)
--	-----------

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.

OPEB 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 \$2,247,000.	(971,000)
--	-----------

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 \$7,511,761.	(4,249,796)
	(5,220,796)

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	627,898
Interest accrual on loans payables	(86,223)
Amortization of bond discount	(13,884)
	527,791

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 \$711,013 allocated to business-type activities).	1,656,210
---	-----------

Unavailable revenue is not recognized as revenue in the governmental funds since the revenue is not available to fund expenditures of the current year.	682,076
---	---------

Change in net position of governmental activities	\$ (4,744,926)
--	-----------------------

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Gardena
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities			Governmental Activities Internal Service Funds
	Municipal Bus Line	Nonmajor Sewer	Total	
ASSETS				
Current Assets:				
Cash and investments	\$ 4,878,565	\$ 877,285	\$ 5,755,850	\$ 6,333,545
Receivables, net:				
Accounts	529,049	164,032	693,081	-
Inventories	556,091	-	556,091	-
Prepaid items and deposits	50,230	1,673	51,903	2,146
Due from other governments	4,683,733	-	4,683,733	-
Total current assets	10,697,668	1,042,990	11,740,658	6,335,691
Noncurrent assets:				
Capital assets, net	55,984,526	534,469	56,518,995	-
Total noncurrent assets	55,984,526	534,469	56,518,995	-
Total assets	66,682,194	1,577,459	68,259,653	6,335,691
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows of resources related to pensions	5,460,163	287,847	5,748,010	-
Deferred outflows of resources related to OPEB	4,516,544	-	4,516,544	-
Total deferred outflows of resources	9,976,707	287,847	10,264,554	-

City of Gardena
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2018

	Business-type Activities			Internal
	Municipal Bus Line	Nonmajor Sewer	Total	Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	350,600	50,903	401,503	308,459
Accrued liabilities	46,333	-	46,333	27,145
Salaries and benefits payable	431,794	23,216	455,010	-
Deposits payable	-	-	-	6,748
Retention payable	257,742	-	257,742	-
Unearned revenue	8,588,968	-	8,588,968	-
Compensated absences, due within one year	257,448	19,953	277,401	-
Claims payable, due within one year	-	-	-	6,020,168
Total current liabilities	9,932,885	94,072	10,026,957	6,362,520
Noncurrent liabilities:				
Compensated absences, due in more than one year	1,029,793	79,813	1,109,606	-
Claims payable, due in more than one year	-	-	-	4,898,593
Total other postemployment benefit liability (Note 11)	9,332,000	-	9,332,000	-
Aggregate net pension liability (Note 10)	19,931,911	1,050,765	20,982,676	-
Total noncurrent liabilities	30,293,704	1,130,578	31,424,282	4,898,593
Total liabilities	40,226,589	1,224,650	41,451,239	11,261,113
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	443,097	23,359	466,456	-
Total deferred inflows of resources	443,097	23,359	466,456	-
NET POSITION				
Net investment in capital assets	55,726,784	534,469	56,261,253	-
Unrestricted (deficit)	(19,737,569)	82,828	(19,654,741)	(4,925,422)
Total net position	\$ 35,989,215	\$ 617,297	\$ 36,606,512	\$ (4,925,422)
<i>Net position reconciliation:</i>				
Net position of proprietary funds	\$ 35,989,215	\$ 617,297	\$ 36,606,512	\$ (4,925,422)
Adjustment to reflect the consolidation of internal service fund activities related to the Municipal Bus Line	(8,342,064)	27,075	(8,314,989)	8,314,989
Net position of business-type activities	<u>\$ 27,647,151</u>	<u>\$ 644,372</u>	<u>\$ 28,291,523</u>	
Net position related to governmental activities				<u>\$ 3,389,567</u>

(Concluded)

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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City of Gardena
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities			Governmental Activities Internal Service Funds
	Municipal Bus Line	Nonmajor Sewer	Total	
OPERATING REVENUES:				
Charges for services	\$ 2,337,115	\$ 1,790,296	\$ 4,127,411	\$ 9,771,072
Insurance recovery	-	-	-	3,940,488
Other	121,990	-	121,990	870,159
Total operating revenues	<u>2,459,105</u>	<u>1,790,296</u>	<u>4,249,401</u>	<u>14,581,719</u>
OPERATING EXPENSES:				
Salaries and benefits	16,338,843	992,430	17,331,273	-
Insurance claims	-	-	-	6,940,743
General and administrative	5,527,596	248,290	5,775,886	5,279,381
Depreciation	4,316,563	139,976	4,456,539	-
Other operating expenses	2,305,675	79,074	2,384,749	104,162
Total operating expenses	<u>28,488,677</u>	<u>1,459,770</u>	<u>29,948,447</u>	<u>12,324,286</u>
OPERATING (LOSS)	<u>(26,029,572)</u>	<u>330,526</u>	<u>(25,699,046)</u>	<u>2,257,433</u>
NONOPERATING REVENUES:				
Local transportation fund	5,116,125	-	5,116,125	-
Other local assistance	11,391,778	-	11,391,778	-
Federal transit assistance	2,235,385	-	2,235,385	-
State transit assistance fund	1,112,080	-	1,112,080	-
Interest income	115,244	8,999	124,243	109,790
Other revenues	2,542	-	2,542	-
Total nonoperating revenues	<u>19,973,154</u>	<u>8,999</u>	<u>19,982,153</u>	<u>109,790</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(6,056,418)</u>	<u>339,525</u>	<u>(5,716,893)</u>	<u>2,367,223</u>
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	576,031	-	576,031	-
Transfers out	-	(38,632)	(38,632)	-
Total contributions and transfers	<u>576,031</u>	<u>(38,632)</u>	<u>537,399</u>	<u>-</u>
CHANGES IN NET POSITION	<u>(5,480,387)</u>	<u>300,893</u>	<u>(5,179,494)</u>	<u>2,367,223</u>
NET POSITION:				
Beginning of the year, as restated (Note 16)	41,469,602	316,404	41,786,006	(7,292,645)
End of the year	<u>\$ 35,989,215</u>	<u>\$ 617,297</u>	<u>\$ 36,606,512</u>	<u>\$ (4,925,422)</u>
<i>Change in net position reconciliation:</i>				
Change in net position of proprietary funds	\$ (5,480,387)	\$ 300,893	\$ (5,179,494)	\$ 2,367,223
Adjustment to reflect the consolidation of internal service fund activities related to the Municipal Bus Line	<u>683,938</u>	<u>27,075</u>	<u>711,013</u>	<u>(711,013)</u>
Change in net position of business-type activities	<u>\$ (4,796,449)</u>	<u>\$ 327,968</u>	<u>\$ (4,468,481)</u>	
Change in net position related to governmental activities				<u>\$ 1,656,210</u>

City of Gardena
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental Activities Internal Service Fund
	Municipal Bus Line	Nonmajor Sewer	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 2,738,515	\$ 1,772,073	\$ 4,510,588	\$ 9,771,072
Receipts from claims and recoveries	-	-	-	870,159
Payments for insurance claims	-	-	-	(7,363,575)
Payments to suppliers	(8,437,456)	(321,556)	(8,759,012)	(5,490,437)
Payments to employees	(17,992,551)	(786,866)	(18,779,417)	-
Other receipts	121,990	-	121,990	-
Net cash provided by (used in) operating activities	(23,569,502)	663,651	(22,905,851)	(2,212,781)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	-	-	2,931,854
Transfers to other funds	(1,724,964)	-	(1,724,964)	(2,931,854)
Other revenue	2,542	-	2,542	-
Transit assistance funds received	19,114,035	-	19,114,035	-
Net cash provided by noncapital financing activities	17,391,613	-	17,391,613	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Transfers to capital projects	-	(38,632)	(38,632)	-
Acquisition of capital assets	(567,582)	(44)	(567,626)	-
Receipt from capital grants	576,031	-	576,031	-
Net cash provided by (used in) capital and related financing activities	8,449	(38,676)	(30,227)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	115,244	8,999	124,243	109,790
Net cash provided by investing activities	115,244	8,999	124,243	109,790
Net change in cash and cash equivalents	(6,054,196)	633,974	(5,420,222)	(2,102,991)
CASH AND CASH EQUIVALENTS:				
Beginning of year	10,932,761	243,311	11,176,072	8,436,536
End of year	<u>\$ 4,878,565</u>	<u>\$ 877,285</u>	<u>\$ 5,755,850</u>	<u>\$ 6,333,545</u>

City of Gardena
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities			Governmental Activities Internal Service Fund
	Municipal Bus Line	Nonmajor Sewer	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (26,029,572)	\$ 330,526	\$ (25,699,046)	\$ 2,257,433
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	4,316,563	139,976	4,456,539	-
(Increase) decrease in:				
Accounts receivable	401,400	(18,223)	383,177	-
Inventory	(72,487)	-	(72,487)	-
Prepaid items and deposits	(4,905)	-	(4,905)	-
Increase (decrease) in:				
Accounts payable	(476,380)	5,808	(470,572)	59,847
Accrued liabilities	(50,413)	-	(50,413)	(155,950)
Unearned revenue	-	-	-	(2,941)
Accrued payroll	22,493	1,031	23,524	-
Compensated absences	80,487	(4,623)	75,864	-
Deferred outflows of resources - pensions	(1,069,367)	(95,512)	(1,164,879)	-
Deferred outflows of resources - OPEB	(4,516,544)	-	(4,516,544)	-
Net pension liability	3,015,432	309,751	3,325,183	-
Net other postemployment benefits liability	1,020,000	-	1,020,000	-
Deferred inflows of resources - pensions	(206,209)	(5,083)	(211,292)	-
Deposits payable	-	-	-	(7,850)
Claims payable	-	-	-	(4,363,320)
Total adjustment	2,460,070	333,125	2,793,195	(4,470,214)
Net cash provided by (used in) operating activities	\$ (23,569,502)	\$ 663,651	\$ (22,905,851)	\$ (2,212,781)

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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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, 2018*



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City of Gardena
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

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

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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NOTES TO THE BASIC FINANCIAL STATEMENTS

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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City of Gardena
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For the Year Ended June 30, 2018

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City of Gardena
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For the Year Ended June 30, 2018

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City of Gardena
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018

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.

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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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.

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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

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 (Nonmajor) - 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, 2018.

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.

During fiscal year of June 30, 2018, the City closed the LA CLEAR – Training Agency Fund and no other Agency funds are maintained by the City as of June 30, 2018.

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).

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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

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 by using purchase method.

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 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.

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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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.

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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Pensions

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, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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. Other Postemployment Benefits ("OPEB") Plan

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan (Note 11). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are reported OPEB reporting:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

N. 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.

O. 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.

P. Property Taxes

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

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

Distribution Dates:

November 20, 2017	Unsecured, redemptions, and SB813 taxes
December 20, 2017	Homeowners' exemption, secured, and SB813 taxes
January 19, 2018	Homeowners' exemption, secured, and SB813 taxes
February 20, 2018	Redemptions, secured, and SB813 taxes
March 20, 2018	Secured and SB813 taxes
April 20, 2018	Secured and SB813 taxes
May 18, 2018	Redemptions, homeowners' exemption, secured, and SB813 taxes
June 20, 2018	Homeowners' exemption, SB813 taxes
July 20, 2018	Secured and SB813 taxes
August 20, 2018	Secured, redemptions, unsecured, and SB813 taxes

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. 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, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. 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

R. 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.

S. Accounting Changes

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement had a significant impact on the City's financial statements for the year ended June 30, 2018. See Note 11 for further details.

GASB Statement No. 81, *Irrevocable Split-Interest Agreement*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

S. Accounting Changes (Continued)

GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2018.

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, 2018 for its governmental activities of \$(107,848,163) and business-type activities of \$(27,969,730). The deficit was mainly due to the reporting of the net pension liabilities in 2015 and the total OPEB liabilities in 2018 on the financial statements. The aggregate net pension liabilities reported were \$79,328,811 and \$20,982,676 for governmental activities and business-type activities, respectively. The aggregate total OPEB liabilities were \$59,608,000 and \$9,332,000 for governmental activities and business-type activities, respectively.

The following funds had a deficit net position at June 30, 2018:

Internal Service Funds:	
Liability Insurance Fund	\$ (4,526,670)
Workers' Compensation Fund	(4,281,661)

In addition, the Municipal Bus Line had a deficit unrestricted net position of \$(19,737,569) at June 30, 2018.

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, 2018

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 clerk	\$ 363,261	\$ 372,200	\$ (8,939)
Non-departmental	758,257	1,172,914	(414,657)
Public Safety:			
Police	26,104,860	27,210,759	(1,105,899)
Recreation and human services	6,474,749	6,585,254	(110,505)
Capital outlay	103,600	477,894	(374,294)
Debt service:			
Principal retirement	-	17,898	(17,898)
Economic Development Grants Sepcial Revenue Fund:			
Community development	-	501,148	(501,148)
Debt service:			
Interest and fiscal charges	-	86,223	(86,223)
Nonmajor Governmental Funds:			
Prop C Local Return Special Revenue Fund			
Public works	9,270	11,991	(2,721)
Gas Tax Special Revenue Fund			
General government	-	8,196	(8,196)
Public works	29,740	105,815	(76,075)
Recreation and human services	-	9,460	(9,460)
Public Safety Grants Special Revenue Fund			
Capital outlay	10,800	28,759	(17,959)
Public Works Grants Special Revenue Fund			
Public works	30,931	34,064	(3,133)
Capital outlay	72,000	86,569	(14,569)
Human Services Grants Special Revenue Fund			
Recreation and human services	2,289,092	2,599,340	(310,248)

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, 2018

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, 2018:

	Government-Wide Financial Statement		
	Governmental	Business-Type	
	Activities	Activities	Total
Cash and investments	\$ 40,208,953	\$ 5,755,850	\$ 45,964,803
Cash and investments held by fiscal agents	1,993,470	-	1,993,470
Total cash and investments	\$ 42,202,423	\$ 5,755,850	\$ 47,958,273

The City's cash and investments at June 30, 2018, in more detail:

Cash and investments consist of the following:

Cash and cash equivalents:

Petty cash	\$ 9,820
Demand deposits	3,186,568
Total cash and cash equivalents	3,196,388

Investments:

Money market mutual fund	8,207,090
Negotiable certificates of deposit	8,378,672
Local Agency Investment Fund	19,337,193
U.S. Government sponsored enterprise securities	6,845,460
Total investments	42,768,415
Total cash and investments	45,964,803
Cash and investments with fiscal agents	1,993,470
Total	\$ 47,958,273

A. Deposits

The carrying amounts of the City's demand deposits were \$3,186,568 at June 30, 2018. Bank balances at that date were \$4,138,134, 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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

A. Deposits (Continued)

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.

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, 2018, 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, 2018, the City had \$19,337,193 invested in LAIF, which had invested 2.67% 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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Cash and Investments (Continued)

C. Fair Value Measurement

At June 30, 2018, 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, 2018:

Investment Type	Measurement Input		
	Significant Other Observable Inputs (Level 2)	Uncategorized	Total
Money market mutual fund	\$ -	\$ 8,207,090	\$ 8,207,090
Negotiable certificates of deposit ⁽¹⁾	8,378,672	-	8,378,672
Local Agency Investment Fund	-	19,337,193	19,337,193
U.S. Government sponsored enterprise securities ⁽¹⁾	6,845,460	-	6,845,460
Cash and investments with fiscal agents:			
Money market mutual fund	-	1,993,470	1,993,470
Total	\$ 15,224,132	\$ 29,537,753	\$ 44,761,885

⁽¹⁾ Pricing based on FT Interactive Data

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, 2018, 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
Money market mutual fund	\$ 8,207,090	\$ 8,207,090	\$ -	\$ -	\$ -
Negotiable certificates of deposit	8,378,672	2,286,347	2,955,136	2,423,906	713,283
Local Agency Investment Fund	19,337,193	19,337,193	-	-	-
U.S. Government sponsored enterprise securities	6,845,460	1,497,685	982,460	488,495	3,876,820
Cash and investments with fiscal agents:					
Money market mutual fund	1,993,470	1,993,470	-	-	-
Total	\$ 44,761,885	\$ 33,321,785	\$ 3,937,596	\$ 2,912,401	\$ 4,590,103

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, 2018

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

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, 2018, 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	45.21%
U.S. Government sponsored enterprise securities	AAA	AA+	16.01%
Negotiable certificates of deposit	Not Rated	Not Rated	19.59%
Money market mutual fund	P-1	Aa	19.19%
Total			100.00%

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 2018, the monthly payment was increased from \$209 to \$361 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, 2018, future lease payments from the YMCA, including interest, were \$395,334. Since the City has not earned the revenue for the future lease payments, there was no revenue recognized or receivables reported at June 30, 2018 for these future lease payments.

B. State Mandated Claims Reimbursement

The City recorded an outstanding receivable of \$740,711 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 \$740,711. 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, 2018.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Loans Receivable

Loans receivable consists of Home-Owner Occupied Deferred Loans and Spring Park Senior Villa Developer Loan as following:

	Balance July 1, 2017	Additions	Deletions	Allowance	Balance June 30, 2018
Home-Owner Occupied Deferred Loans					
CalHOME	\$ 403,128	\$ 13,316	\$ -	\$ -	\$ 416,444
State HOME Loans	1,501,635	583,518	-	-	2,085,153
Subtotal	1,904,763	596,834	-	-	2,501,597
Spring Park Senior Villa Developer Loan	3,200,986	86,223	-	(3,287,209)	-
Total	\$ 5,105,749	\$ 683,057	\$ -	\$ (3,287,209)	\$ 2,501,597

A. Home-Owner Occupied Deferred Loans

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, 2018, the outstanding loan balance is \$2,501,597. Since the receivables were not available for current expenditures, the entire amount was reported under deferred inflow of resources as unavailable revenue in the Economic Development Grants Special Revenue Fund in the governmental fund financial statements, and was recognized as revenue in the government-wide governmental activities.

B. Spring Park Senior Villa Developer Loan

The City entered into a development agreement on August 1, 2013, with Spring Park Senior Villa, Inc., a nonprofit organization for the development of the Spring Park Senior Villa in the City. The agreement provided funding for the development of 36 rental units and one manager unit (“the Project”) up to \$2,874,115 for construction. The loan bears 3% simple interest over a term of 55 years. The repayment of the loan is based on the residual receipts of the rental units. The affordability covenant also expires in 55 years after completion of the project. As of June 30, 2018, the City funded \$2,874,115 for the development of the project and accrued interest in the amount of \$413,094 which was required by the State of California. This results the City in reporting loans receivable in the amount of \$3,287,209. 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 \$3,287,209. 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, 2018.

Note 6 – Interfund Transactions

A. Government-Wide Financial Statements

Internal Balances - At June 30, 2018, 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	\$ 8,314,989

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Interfund Transactions

A. Government-Wide Financial Statements (Continued)

Transfers - At June 30, 2018, the City had the following transfers:

	Transfers In	Transfers Out
		Business-Type Activities
Governmental Activities		\$ 38,632

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

B. Fund Financial Statements

Due From/To Other Funds - At June 30, 2018, the City had the following due from/to other funds:

	Due To Other Funds	Due From Other Funds
		General Fund
Governmental Funds:		
Economic Development Fund		\$ 172
City Debt Service Fund		337,903
Nonmajor Governmental Funds		779,994
Total		\$ 1,118,069

The above amounts resulted from temporary reclassifications made at June 30, 2018 to cover cash shortfalls.

Transfers In/Out - At June 30, 2018, the City had the following transfers in/out, which arise in the normal course of operations:

	Transfers In					
	Governmental Funds					
	General Fund	Economic Development Grants Special Revenue	City Debt Service	Nonmajor Governmental	Total	
Transfers Out						
Governmental Funds:						
General Fund	\$ -	\$ 6	\$ 1,729,178	\$ 167,116	\$ 1,896,300	
Economic Development Grants Special Revenue Fund	13,092	-	-	392,818	405,910	
Nonmajor Governmental Funds	1,806,002	-	-	2,600,438	4,406,440	
Enterprise Funds:						
Sewer	-	-	-	38,632	38,632	
Total	\$ 1,819,094	\$ 6	\$ 1,729,178	\$ 3,199,004	\$ 6,747,282	

Administratively, resources may be transferred from one City fund to another. The purpose of the majority of transfers was for subsidizing other funds with the City Council's approvals, 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, 2018

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, 2018 is as follows:

	Governmental Activities				Balance June 30, 2018
	Balance June 30, 2017	Additions	Deletions	Transfers	
Capital assets, not being depreciated:					
Land	\$ 6,541,402	\$ -	\$ -	\$ -	\$ 6,541,402
Monuments	46,151	-	-	-	46,151
Construction in progress	699,733	1,604,444	(216,071)	-	2,088,106
Total capital assets, not being depreciated	7,287,286	1,604,444	(216,071)	-	8,675,659
Capital assets, being depreciated:					
Buildings/structures and improvements	22,859,615	-	-	-	22,859,615
Machinery and equipment	8,948,078	949,847	(133,773)	-	9,764,152
Infrastructure:					
Street lights network	1,292,393	-	-	-	1,292,393
Traffic lights network	12,940,788	-	-	-	12,940,788
Roadway network	53,700,990	-	-	-	53,700,990
Total capital assets, being depreciated	99,741,864	949,847	(133,773)	-	100,557,938
Less accumulated depreciation:					
Buildings/structures and improvements	(15,563,932)	(794,811)	-	-	(16,358,743)
Machinery and equipment	(5,549,733)	(918,765)	127,668	-	(6,340,830)
Infrastructure:					
Street light network	(818,516)	(43,080)	-	-	(861,596)
Traffic lights network	(10,520,032)	(431,360)	-	-	(10,951,392)
Roadway network	(26,673,181)	(1,053,884)	-	-	(27,727,065)
Total accumulated depreciation	(59,125,394)	(3,241,900)	127,668	-	(62,239,626)
Total capital assets, being depreciated, net	40,616,470	(2,292,053)	(6,105)	-	38,318,312
Governmental activities					
capital assets, net	\$ 47,903,756	\$ (687,609)	\$ (222,176)	\$ -	\$ 46,993,971

Depreciation expense was charged to functions/programs of the governmental activities for the fiscal year ended June 30, 2018 as follows:

General government	\$ 949,702
Public safety	500,361
Public works	1,714,327
Recreation and human services	69,107
Community development	8,403
Total depreciation expense	\$ 3,241,900

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Capital Assets

B. Business-Type Activities

A summary of changes in the capital assets for the business-type activities for the year ended June 30, 2018 is as follows:

	Business-Type Activities				Balance June 30, 2018
	Balance July 1, 2017	Additions	Deletions	Transfers	
Capital assets, not being depreciated:					
Land	\$ 12,956,405	\$ -	\$ -	\$ -	\$ 12,956,405
Construction in progress	346,287	169,090		(90,174)	425,203
Total capital assets, not being depreciated	13,302,692	169,090	-	(90,174)	13,381,608
Capital assets, being depreciated:					
Buildings/structures and improvements	39,893,428	-	-	-	39,893,428
Buses	36,427,390		-	-	36,427,390
Machinery and equipment	7,290,625	379,478	-	90,174	7,760,277
Furniture and fixtures	1,339,187	29,905	-	-	1,369,092
Infrastructure	11,184,496	-	-	-	11,184,496
Total capital assets, being depreciated	96,135,126	409,383	-	90,174	96,634,683
Less accumulated depreciation:					
Buildings/structures and improvements	(8,694,719)	(1,022,908)	-	-	(9,717,627)
Buses	(24,440,161)	(2,509,347)	-	-	(26,949,508)
Machinery and equipment	(4,116,279)	(882,545)	-	-	(4,998,824)
Furniture and fixtures	(1,329,417)	(8,050)	-	-	(1,337,467)
Infrastructure	(10,460,181)	(33,689)	-	-	(10,493,870)
Total accumulated depreciation	(49,040,757)	(4,456,539)	-	-	(53,497,296)
Total capital assets, being depreciated, net	47,094,369	(4,047,156)	-	90,174	43,137,387
Business-type activities capital assets, net	<u>\$ 60,397,061</u>	<u>\$ (3,878,066)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,518,995</u>

Depreciation expense for business-type activities for the year ended June 30, 2018 was charged as follows:

Municipal Bus Line	\$ 4,316,563
Sewer	139,976
Total depreciation expense	<u>\$ 4,456,539</u>

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in more than One Year
2006 Refunding Certificates of Participation Series A	\$ 9,170,000	\$ -	\$ (460,000)	\$ 8,710,000	\$ 490,000	\$ 8,220,000
2007 Refunding Revenue Bonds, Series A	1,840,000	-	(95,000)	1,745,000	100,000	1,645,000
2014 Taxable Lease Revenue Refunding Bonds	9,110,000	-	(55,000)	9,055,000	55,000	9,000,000
Bond discount - 2014 Taxable Lease Revenue Refunding Bonds	(261,593)	-	13,884	(247,709)	-	(247,709)
2017 Direct Purchase Lease	1,635,000	-	-	1,635,000	245,000	1,390,000
2016 SCE On-Bill Financing Loan	111,443	-	(17,898)	93,545	14,296	79,249
Loan payable	3,200,986	86,223	-	3,287,209	-	3,287,209
Claims payable	15,282,081	27,145	(4,390,465)	10,918,761	6,020,168	4,898,593
Compensated absences	7,651,746	2,301,880	(1,765,145)	8,188,481	1,637,696	6,550,785
Sub Total	\$ 47,739,663	\$ 2,415,248	\$ (6,769,624)	\$ 43,385,287	\$ 8,562,160	\$ 34,823,127

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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

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

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.

The amount outstanding at June 30, 2018 totaled \$8,710,000. The annual debt service requirements on these certificates are as follows:

Fiscal Year	Principal	Interest	Total
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	625,000	398,910	1,023,910
2024-2028	3,770,000	1,323,212	5,093,212
2029-2031	2,170,000	169,070	2,339,070
Total	<u>\$ 8,710,000</u>	<u>\$ 3,850,331</u>	<u>\$ 12,560,331</u>

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, 2018 totaled \$1,745,000. The annual debt service requirements on these bonds are as follows:

Fiscal Year	Principal	Interest	Total
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	120,000	66,575	186,575
2024-2028	690,000	237,625	927,625
2029-2031	505,000	52,531	52,531
Total	<u>\$ 1,745,000</u>	<u>\$ 678,031</u>	<u>\$ 1,918,031</u>

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

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, 2018 totaled \$9,055,000. The annual debt service requirements on these bonds as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	65,000	438,366	503,366
2024-2028	370,000	2,147,275	2,517,275
2029-2033	4,605,000	1,776,286	1,776,287
2034-2037	3,775,000	359,250	4,134,250
Total	<u>\$ 9,055,000</u>	<u>\$ 6,498,935</u>	<u>\$ 10,948,936</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 economic gain on the current refunding was \$112,585 and the saving in debt service payments is \$89,363.

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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

2017 Direct Purchase Lease (Continued)

The amount outstanding at June 30, 2018 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>
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	280,000	11,696	291,696
2024	285,000	58,991	343,991
Total	<u>\$ 1,635,000</u>	<u>\$ 174,168</u>	<u>\$ 1,809,168</u>

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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 14,296	\$ -	\$ 14,296
2020	14,296	-	14,296
2021	14,296	-	14,296
2022	14,296	-	14,296
2023	14,296	-	14,296
2024-2026	22,065	-	22,065
Total	<u>\$ 93,545</u>	<u>\$ -</u>	<u>\$ 93,545</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, 2018, the City funded \$2,874,115 for the development of the project and accrued interest in the amount of \$413,094. This results in the loans payable in the amount of \$3,287,209 to the California HCD. Please refer to Note 5B for additional information.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Long-Term Liabilities (Continued)

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, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in more than One Year
Compensated absences	\$ 1,311,143	\$ 818,215	\$ (742,351)	\$ 1,387,007	\$ 277,401	\$ 1,109,606
Total	\$ 1,311,143	\$ 818,215	\$ (742,351)	\$ 1,387,007	\$ 277,401	\$ 1,109,606

Note 9 – Self-Insurance Programs

A. 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 Bus Line and the City, respectively, \$1,000,000 of each general liability claim and \$500,000 of each Municipal Bus Line claim against the City. In addition, the City carries insurance of individual general liability claims in excess of \$1,000,000 to \$20,000,000 with Allred World National Assurance 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, 2018, \$10,918,761 has been accrued for the City's self-insurance programs, of which \$6,020,168 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, 2018 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, 2018 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
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
2017-2018	15,282,081	27,145	(4,390,465)	10,918,761	6,020,168	4,898,593

B. 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 \$67.2 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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 9 – Self-Insurance Programs

C. 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.

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, 2018 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	\$ 1,417,950	\$ 1,597,094	\$ 3,015,044
Safety	6,093,811	-	6,093,811
Total pension contribution made after measurement date	7,511,761	1,597,094	9,108,855
Differences between expected and actual experience on pension investments:			
Safety	412,964	-	412,964
Total differences between expected and actual experience on pension investments	412,964	-	412,964
Adjustment due to difference proportion:			
Safety	272,758	-	272,758
Difference between City's contribution and proportionate share of contributions:			
Safety	1,033,096	-	1,033,096
Difference in projected and actual earnings on pension investments:			
Miscellaneous	791,888	891,935	1,683,823
Safety	1,766,385	-	1,766,385
Total difference in projected and actual earnings on pension investments	2,558,273	891,935	3,450,208
Change in assumptions:			
Miscellaneous	2,893,424	3,258,981	6,152,405
Safety	7,479,683	-	7,479,683
Total change in assumptions	10,373,107	3,258,981	13,632,088
Total deferred outflows of resources	\$ 22,161,959	\$ 5,748,010	\$ 27,909,969
Aggregate net pension liabilities:			
Miscellaneous	\$ 18,629,069	20,982,676	\$ 39,611,745
Safety	60,699,742	-	60,699,742
Total aggregate net pension liabilities	\$ 79,328,811	\$ 20,982,676	\$ 100,311,487
Deferred inflows of Resources:			
Change in assumptions:			
Miscellaneous	\$ 183,743	206,957	\$ 390,700
Differences between expected and actual experience on pension investments:			
Miscellaneous	230,392	259,499	489,891
Total deferred inflows of resources	\$ 414,135	\$ 466,456	\$ 880,591

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plans (Continued)

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

	Governmental Activities	Business-Type Activities	Total
Pension Expense:			
Miscellaneous	\$ 2,926,645	\$ 3,546,106	\$ 6,472,751
Safety	8,834,912	-	8,834,912
Total pension expense	\$ 11,761,557	\$ 3,546,106	\$ 15,307,663

General Information about the Pension Plan

Plan Description

The City contribution to the California Public Employees Retirement System ("CalPERS"), 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, 2016 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.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plans (Continued)

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

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

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.

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, 2016, the valuation date, the following employees were covered by the benefit terms:

	Miscellaneous	Plans	
		Safety	
		Classic	PEPRA
Active employees	340	86	9
Transferred and terminated employees	338	53	3
Retired Employees and Beneficiaries	358	227	0
Total	1036	366	12

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:

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plans (Continued)

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

Net Pension Liability

Contributions (Continued)

Measurement Period 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%

Current Fiscal Year Ended June 30, 2018				
	Plans			
	Miscellaneous		Safety	
	Classic	PEPRA	Classic	PEPRA
Employer Contribution Rate	7.950%	7.950%	21.418%	12.729%
Employee Contribution Rate	7.000%	6.750%	9.000%	12.250%

Actuarial Methods and Assumption Used to Determine Total Pension Liability

The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% 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, 2016 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.

Change of Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Retirement Plans (Continued)

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

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 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 7.15 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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff 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 Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ¹
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Absolute Return Strategy	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	0.90%
	<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, 2018

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	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	\$ 144,894,685	\$ 111,275,668	\$ 33,619,017
Changes recognized for the measurement period:			
Service Cost	3,129,118	-	3,129,118
Interest on the total pension liability	10,781,297	-	10,781,297
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(553,030)	-	(553,030)
Changes of assumptions	8,715,907	-	8,715,907
Plan to plan resource movement	-	11,249	(11,249)
Contributions from the employer	-	2,645,234	(2,645,234)
Contributions from employees	-	1,327,795	(1,327,795)
Net investment income	-	12,260,577	(12,260,577)
Benefit payments, including refunds of employee contributions	(7,669,492)	(7,669,492)	-
Administrative expense	-	(164,291)	164,291
Net changes during July 1, 2016 to June 30, 2017	14,403,800	8,411,072	5,992,728
Balance at June 30, 2017 (Measurement Date)	\$ 159,298,485	\$ 119,686,740	\$ 39,611,745

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	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	\$ 174,457,753	\$ 120,009,320	\$ 54,448,433
Balance at June 30, 2017 (Measurement Date)	191,278,407	130,578,665	60,699,742
Net Changes during 2016-2017	16,820,654	10,569,345	6,251,309

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2016). 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, 2017). 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, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-17).
- (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, 2016	0.6292%
June 30, 2017	0.6121%
Change - Increase (Decrease)	<u><u>-0.0172%</u></u>

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan	\$ 60,599,022	\$ 39,611,745	\$ 22,278,277
Safety Plan	\$ 90,754,158	\$ 60,699,742	\$ 36,131,756

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, 2018, the City recognized pension expense in the amounts of \$6,472,751 and \$8,834,912 for the miscellaneous plan and safety plan, respectively.

As of measurement date of June 30, 2017, 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
Pension contribution made after measurement date	\$ 3,015,044	\$ -
Difference between expected and actual experience	-	(489,891)
Changes of assumptions	6,152,405	(390,700)
Net difference between projected and actual earning on pension plan investments	1,683,823	-
Total	\$ 10,851,272	\$ (880,591)

Safety Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution made after measurement date	\$ 6,093,811	\$ -
Difference between expected and actual experience	412,964	-
Changes of assumptions	7,479,683	-
Difference between projected and actual earnings on pension plan investments	1,766,385	-
Adjustment due to differences in proportions	272,758	-
Difference between City contributions and proportionate share of contributions	1,033,096	-
Total	\$ 17,058,697	\$ -

The amounts above are net of outflows and inflows recognized in the 2016-2017 measurement period expense.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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 ("EARSL") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan and the safety risk pool for the 2016-17 measurement period is 3.4 and 3.8 years, which was obtained by dividing the total service years of 3,473 and 490,088 (the sum of remaining service lifetimes of the active employees) by 1,036 and 130,595 (the total number of participants: active, inactive, and retired), respectively.

\$3,015,044 and \$6,093,811 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 ending June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the future pension expense as follows:

Ended June 30	Deferred Outflows/ (Inflows) of Resources	Deferred Outflows/ (Inflows) of Resources
	Miscellaneous Plan	Safety Plan
2019	\$ 1,857,401	\$ 3,064,599
2020	4,325,845	5,454,693
2021	1,664,296	3,479,168
2022	(891,905)	(1,033,574)
2023	-	-
Thereafter	-	-
	<u>\$ 6,955,637</u>	<u>\$ 10,964,886</u>

B. Public Agency Retirement System ("PARS")

Defined Contribution Pension Plan

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

All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5 percent to a retirement plan, and City Council resolved to match the employees' contributions up to 3.75 percent. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately. For the year ended June 30, 2018 the City's payroll covered by the plan was \$522,634. The City made employer contributions in the amount of \$19,567. Participants of the Plan as of June 30, 2018 were 94.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”)

At June 30, 2018, total OPEB liability and related deferred outflows of resources and deferred inflows of resources are as follow:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
OPEB contribution made after measurement date	\$ 2,247,000	\$ 4,516,544	\$ 6,763,544
Total deferred outflows of resources	<u>\$ 2,247,000</u>	<u>\$ 4,516,544</u>	<u>\$ 6,763,544</u>
Total other postemployment benefit liability	<u>\$ 59,608,000</u>	<u>\$ 9,332,000</u>	<u>\$ 68,940,000</u>
Deferred inflows of Resources:			
Change in assumption	\$ 6,504,000	\$ -	\$ 6,504,000
Total deferred inflows of resources	<u>\$ 6,504,000</u>	<u>\$ -</u>	<u>\$ 6,504,000</u>
OPEB expense	<u>\$ 3,218,000</u>	<u>\$ 1,020,000</u>	<u>\$ 4,238,000</u>

A. Non-Transportation Enterprise Retiree Healthcare Plan

General Information about the OPEB Plan

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 OPEB plan is a single employer plan without a trust, special funding situation, or nonemployer contribution entities. 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 benefits to be paid by the City are \$1,085 and \$1,167 per month for the calendar years of 2017 and 2018, respectively.

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. At June 30, 2017, measurement date, the following numbers of participants were covered by the benefit terms:

Inactives currently receiving benefits	169
Inactives entitled to benefit payments	0
Active employees	<u>277</u>
Total	<u><u>446</u></u>

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

A. Non-Transportation Enterprise Retiree Healthcare Plan (Continued)

General Information about the OPEB Plan

Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). The City contributed \$2,162,000 and \$2,247,000 for the measurement period ended June 30, 2017 and the fiscal year ended June 30, 2018, respectively.

Total OPEB Liability

The non-transportation enterprise retiree OPEB liability was measured as of June 30, 2017, and total liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016.

Significant Actuarial Assumptions Used for Total OPEB Liability

The total OPEB liability, measured as of June 30, 2017, was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Actuarial Valuation Date	June 30, 2016
Contribution Policy	No pre-funding
Discount Rate	3.58% at June 30, 2017 Bond Buyer 20 Index 2.85% at June 30, 2016 Bond Buyer 20 Index
Expected Long-Term Rate of Return on Investments	N/A
Inflation	2.75%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-16
Salary Increases	Aggregate - 3.00% Merit - CalPERS 1997-2011 Experience Study
Medical Trend	Non-Medicare - 7.5% for 2018, decreasing to an ultimate rate of 4.75% in 2032 and later years. Medicare - 6.5% for 2018, decreasing to an ultimate rate of 4.75% in 2032 and later years.
Medical Plan at Retirement	Current actives: 25% Kaiser, 75% City plan Current retirees: current election
Medical participation at Retirement	Currently covered: retiree - 100%, spouse - 50-100% based on the City Contribution. Currently waived: 10%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.58% percent. This discount rate is the mid-point, rounded to five basis points, of the range of 3-20 year municipal bond rate indices; S&P Municipal bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

A. Non-Transportation Enterprise Retiree Healthcare Plan (Continued)

Change in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016 (Valuation Date)	\$ 65,056,000
Changes recognized for the measurement period:	
Service Cost	2,001,000
Interest on the total pension liability	1,888,000
Changes of assumptions	(7,755,000)
Benefits paid and refunds*	(2,162,000)
Other-funding rates used for benefits paid*	580,000
Net changes during July 1, 2016 to June 30, 2017	(5,448,000)
Balance at June 30, 2017 (Measurement Date)	\$ 59,608,000

* At City direction, benefits paid based on City provided funding rates, whereas total OPEB liability based on expected retiree claims

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate - 1% (2.58%)	Current Discount Rate (3.58%)	Discount Rate + 1% (4.58%)
\$ 70,614,000	\$ 59,608,000	\$ 50,986,000

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan's Net OPEB Liability/(Asset)		
1% Decrease	Current Trend	1% Increase
\$ 49,923,000	\$ 59,608,000	\$ 72,223,000

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

A. Non-Transportation Enterprise Retiree Healthcare Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the measurement period ended June 30, 2017, the City recognized expense of \$3,218,000. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(6,504,000)
Employer contributions made subsequent to the measurement date	2,247,000	-
Total	<u>\$ 2,247,000</u>	<u>\$ (6,504,000)</u>

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 6.2 years, which was determined as of June 30, 2017, the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date.

The \$2,247,000 reported as deferred outflows of resources related to OPEB resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amount reported as deferred inflows of resources related to OPEB will be recognized in the future OPEB expense as follow:

Ended June 30	Deferred Outflows/ (Inflows) of Resources OPEB Plan
2019	\$ (1,251,000)
2020	(1,251,000)
2021	(1,251,000)
2022	(1,251,000)
2023	(1,251,000)
Thereafter	(249,000)
	<u>\$ (6,504,000)</u>

B. Transportation Enterprise Retiree Healthcare Plan

General Information about the OPEB Plan

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 OPEB plan is a single employer plan with a trust setup but without a special funding situation, or nonemployer contribution entities. The City offers insurance coverage from Kaiser Permanente and a self-insured PPO.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

B. Transportation Enterprise Retiree Healthcare Plan (Continued)

General Information about the OPEB Plan (Continued)

Plan Description (Continued)

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.

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 benefits to be paid by the City are \$1,085 and \$1,167 month for the measurement period ended June 30, 2017 and the fiscal year ended June 30, 2018, respectively.

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. At June 30, 2017, measurement date, the following numbers of participants were covered by the benefit terms:

Inactives currently receiving benefits	37
Inactives entitled to benefit payments	0
Active employees	119
Total	<u>156</u>

Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). The City contributed \$462,000 and \$495,000 for the measurement period ended June 30, 2017 and the fiscal year ended June 30, 2018, respectively. During the fiscal year ended June 30, 2018, the City contributed an additional \$4,021,544 into the Plan.

Net OPEB Liability

The non-transportation enterprise retiree OPEB liability was measured as of June 30, 2017, and total liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

B. Transportation Enterprise Retiree Healthcare Plan (Continued)

Net OPEB Liability (Continued)

Significant Actuarial Assumptions Used for Total OPEB Liability

The total OPEB liability, measured as of June 30, 2017, was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Actuarial Valuation Date	June 30, 2016
Contribution Policy	No pre-funding
Discount Rate	3.58% at June 30, 2017 Bond Buyer 20 Index 2.85% at June 30, 2016 Bond Buyer 20 Index
Expected Long-Term Rate of Return on Investments	N/A
Inflation	2.75%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-16
Salary Increases	Aggregate - 3.00% Merit - CalPERS 1997-2011 Experience Study
Medical Trend	Non-Medicare - 7.5% for 2018, decreasing to an ultimate rate of 4.75% in 2032 and later years. Medicare - 6.5% for 2018, decreasing to an ultimate rate of 4.75% in 2032 and later years.
Medical Plan at Retirement	Current actives: 25% Kaiser, 75% City plan Current retirees: current election
Medical participation at Retirement	Currently covered: retiree - 100%, spouse - 50-100% based on the City Contribution. Currently waived: 10%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75% percent. The fiduciary net position is projected to be sufficient to make projected benefit payments, and the plan assets are expected to be invested using the strategy to achieve the expected return. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation ¹ CERBT Strategy	Expected Real Rate of Return
Global Equity	57.00%	4.82%
Fixed Income	27.00%	1.47%
TIPS	5.00%	1.29%
Commodities	3.00%	0.84%
REITS	8.00%	3.76%
	<u>100.00%</u>	
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return		6.78%
Discount Rate ²		6.75%

¹ Provided by CalPERS' Strategic Asset Allocation Analysis Overview in August 2014.

² The fiduciary net position is projected to be sufficient to make projected benefit payments, and the plan assets are expected to be invested using the strategy to achieve the expected return.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

B. Transportation Enterprise Retiree Healthcare Plan (Continued)

Net OPEB Liability (Continued)

Change in Net OPEB Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	\$ 8,774,000	\$ -	\$ 8,774,000
Changes recognized for the measurement period:			
Service Cost	232,000	-	232,000
Interest on the total pension liability	598,000	-	598,000
Changes of assumptions	-	-	-
Contributions		462,000	(462,000)
Benefits paid and refunds*	(462,000)	(462,000)	-
Other-funding rates used for benefits paid*	190,000	-	190,000
Net changes during July 1, 2016 to June 30, 2017	558,000	-	558,000
Balance at June 30, 2017 (Measurement Date)	<u>\$ 9,332,000</u>	<u>\$ -</u>	<u>\$ 9,332,000</u>

* At City direction, benefits paid based on City provided funding rates, whereas total OPEB liability based on expected retiree claims

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate - 1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate + 1% (7.75%)
\$ 10,700,000	\$ 9,332,000	\$ 8,209,000

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan's Net OPEB Liability/(Asset)		
1% Decrease	Current Trend	1% Increase
\$ 8,013,000	\$ 9,332,000	\$ 10,976,000

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (“OPEB”) (Continued)

B. Transportation Enterprise Retiree Healthcare Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the measurement periods ended June 30, 2017, the City recognized expense of \$1,020,000. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Employer contributions made subsequent to the measurement date	4,516,544	-
Total	<u>\$ 4,516,544</u>	<u>\$ -</u>

The \$4,516,544 reported as deferred outflows of resources related to OPBE resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

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, 2018, the amount held by the Trustee for the City employees is \$22,814,346.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Classification of Fund Balances

At June 30, 2018, 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	\$ 44,049	\$ -	\$ -	\$ -	\$ 44,049
Inventories	71,941	-	-	-	71,941
Prepaid items and deposits	269,941	-	-	-	269,941
Total nonspendable	<u>385,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,931</u>
Restricted:					
Debt service	-	-	1,916,945	-	1,916,945
Employment & training services	5,287	-	-	-	5,287
Law enforcement	-	-	-	868,557	868,557
Local street improvements	-	-	-	6,060,770	6,060,770
Other capital projects	-	-	-	295,912	295,912
Other purposes	-	3,504,427	-	618,617	4,123,044
Total restricted	<u>5,287</u>	<u>3,504,427</u>	<u>1,916,945</u>	<u>7,843,856</u>	<u>13,270,515</u>
Committed:					
Emergency contingency	4,315,675	-	-	-	4,315,675
Civic center improvements ¹	15,000,000	-	-	-	15,000,000
Total committed	<u>19,315,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,315,675</u>
Assigned:					
Computer replacement	14,646	-	-	-	14,646
Equipment replacement	500,000	-	-	-	500,000
Future debt service payments	1,993,404	-	-	-	1,993,404
Police	1,101,497	-	-	-	1,101,497
Total assigned	<u>3,609,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,609,547</u>
Unassigned:	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Total fund balance	<u>\$ 23,516,440</u>	<u>\$ 3,504,427</u>	<u>\$ 1,916,945</u>	<u>\$ 7,843,856</u>	<u>\$ 36,781,668</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, 2018

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, 2018, 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	<u>(11,063,134)</u>
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 \$9,495,332 as of June 30, 2018.

City of Gardena
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 16 – Prior Period Adjustments

The City implemented GASB Statement No. 75 during the year ended June 30, 2018. The beginning net position at July 1, 2017 were related as follows.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Proprietary Fund Municipal Bus Line Enterprise Fund</u>
Net Position (Deficit) at July 1, 2017	\$ (19,768,425)	\$ 35,233,060	\$ 43,942,658
OPEB obligation ⁽¹⁾	23,422,689	5,838,944	5,838,944
Deferred Outflows of Resources - OPEB contribution during measurement period	2,162,000	462,000	462,000
Net OPEB Liabilities (Note 11)	<u>(65,056,000)</u>	<u>(8,774,000)</u>	<u>(8,774,000)</u>
Net Position (Deific) at July 1, 2017, as Restated	<u>\$ (59,239,736)</u>	<u>\$ 32,760,004</u>	<u>\$ 41,469,602</u>

⁽¹⁾ Restatement to the beginning net position is to remove the previously reported OPEB obligation. This was reported based on the GASB Statement No. 45, which is superseded by GASB Statement No. 75.

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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City of Gardena
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

Budgetary Comparison Schedule – General Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 46,101,850	\$ 46,101,850	\$ 44,449,284	\$ (1,652,566)
Licenses and permits	1,402,000	1,402,000	1,694,670	292,670
Intergovernmental	550,000	550,000	506,630	(43,370)
Charges for services	4,687,996	4,687,996	5,070,020	382,024
Fines, forfeitures and penalties	1,049,500	1,049,500	959,626	(89,874)
Use of money and property	195,000	195,000	(18,444)	(213,444)
Miscellaneous	754,236	754,236	1,080,591	326,355
Total revenues	54,740,582	54,740,582	53,742,377	(998,205)
EXPENDITURES:				
Current:				
General government:				
City clerk	363,261	363,261	372,200	(8,939)
City treasurer	251,952	251,952	228,548	23,404
Executive office	1,281,519	1,281,519	1,043,102	238,417
Administrative services	2,643,191	2,646,641	2,200,086	446,555
Non-departmental	758,257	758,257	1,172,914	(414,657)
Public safety:				
Police	26,108,310	26,104,860	27,210,759	(1,105,899)
L.A. County Fire District	10,464,510	10,464,510	10,386,006	78,504
Public works	3,387,385	3,387,385	3,259,450	127,935
Recreation and human services	6,474,749	6,474,749	6,585,254	(110,505)
Community development	1,701,540	1,701,540	1,492,575	208,965
Capital outlay	103,600	103,600	477,894	(374,294)
Debt service:				
Principal retirement	-	-	17,898	(17,898)
Total expenditures	53,538,274	53,538,274	54,446,686	(908,412)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,202,308	1,202,308	(704,309)	(1,906,617)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,031,477	1,031,477	1,819,094	787,617
Transfers out	(2,300,848)	(2,300,848)	(1,896,300)	404,548
Proceed from sale of assets	30,000	30,000	410,810	380,810
Total other financing sources (uses)	(1,239,371)	(1,239,371)	333,604	1,572,975
NET CHANGE IN FUND BALANCE	\$ (37,063)	\$ (37,063)	(370,705)	\$ (333,642)
FUND BALANCE:				
Beginning of Year			23,887,145	
End of Year			<u>\$ 23,516,440</u>	

City of Gardena
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

Budgetary Comparison Schedule – Economic Development Grants Special Revenue Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 417,634	\$ 417,634
Fines, forfeitures and penalties	15,000	15,000	97,941	82,941
Use of money and property	15,000	15,000	47,000	32,000
Miscellaneous	-	-	2,142	2,142
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>564,717</u>	<u>534,717</u>
EXPENDITURES:				
Current:				
Community development	-	-	501,148	(501,148)
Debt service:				
Interest and fiscal charges	-	-	86,223	(86,223)
Total expenditures	<u>-</u>	<u>-</u>	<u>587,371</u>	<u>(587,371)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>30,000</u>	<u>30,000</u>	<u>(22,654)</u>	<u>(52,654)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	6	6
Transfers out	-	(60,000)	(405,910)	(345,910)
Issuance of loans	-	-	86,223	86,223
Total other financing sources (uses)	<u>-</u>	<u>(60,000)</u>	<u>(319,681)</u>	<u>(259,681)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 30,000</u>	<u>\$ (30,000)</u>	<u>(342,335)</u>	<u>\$ (312,335)</u>
FUND BALANCE:				
Beginning of Year			3,846,762	
End of Year			<u>\$ 3,504,427</u>	

City of Gardena
Required Supplementary Information (Unaudited)
Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2018

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 Changes in Net Pension Liability and Related Ratios
June 30, 2018

Last Ten Fiscal Years

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

Measurement period	2013-14	2014-15	2015-16	2016-17 ¹
Total pension liability				
Service cost	\$ 2,713,029	\$ 2,672,238	\$ 2,740,901	\$ 3,129,118
Interest	9,625,167	10,024,136	10,454,955	10,781,297
Changes of benefit terms	-	-	-	-
Changes of assumptions	-	(2,344,195)	-	8,715,907
Differences between expected and actual experience	-	(500,092)	(36,375)	(553,030)
Benefit payments, including refunds of employee contributions	(6,617,452)	(6,931,772)	(7,193,626)	(7,669,492)
Net change in total pension liability	5,720,744	2,920,315	5,965,855	14,403,800
Total pension liability - beginning	130,287,771	136,008,515	138,928,830	144,894,685
Total pension liability - ending (a)	\$ 136,008,515	\$ 138,928,830	\$ 144,894,685	\$ 159,298,485
Pension fiduciary net position				
Contributions - employer	\$ 1,628,415	\$ 2,016,919	\$ 2,317,060	\$ 2,645,234
Contributions - employee	1,181,161	1,242,246	1,321,368	1,327,795
Net investment income	17,430,461	2,536,012	604,797	12,260,577
Benefit payments, including refunds of employee contributions	(6,617,452)	(6,931,772)	(7,193,626)	(7,669,492)
Net plan to plan resource movement	-	-	(1,234)	11,249
Administrative expense	-	(128,654)	(69,658)	(164,291)
Net change in plan fiduciary net position	13,622,585	(1,265,249)	(3,021,293)	8,411,072
Plan fiduciary net position - beginning	101,939,625	115,562,210	114,296,961	111,275,668
Plan fiduciary net position - ending (b)	\$ 115,562,210	\$ 114,296,961	\$ 111,275,668	\$ 119,686,740
Plan net pension liability - ending (a) - (b)	\$ 20,446,305	\$ 24,631,869	\$ 33,619,017	\$ 39,611,745
Plan fiduciary net position as a percentage of the total pension liability	84.97%	82.27%	76.80%	75.13%
Covered payroll	\$ 17,651,457	\$ 18,094,788	\$ 19,012,911	\$ 19,306,012
Plan net pension liability as a percentage of covered payroll	115.83%	136.13%	176.82%	205.18%

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, 2016 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 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. 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, 2018

Last Ten Fiscal Years

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

Measurement period	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017 ¹
City Proportion of the Net Pension Liability/(Asset)	0.65549%	0.65832%	0.62924%	0.61206%
City's Proportionate Share of the net Pension Liability/(Asset)	<u>\$ 40,787,661</u>	<u>\$ 45,186,413</u>	<u>\$ 54,448,433</u>	<u>\$ 60,699,742</u>
City's Covered Payroll	<u>\$ 9,078,779</u>	<u>\$ 9,351,143</u>	<u>\$ 10,491,839</u>	<u>\$ 10,435,515</u>
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>	<u>581.67%</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>	<u>68.27%</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
For the Year Ended June 30, 2018

Last Ten Fiscal Years

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

	2013-14	2014-15	2015-16	2016-17	2017-18 ¹
Actuarially determined contribution	\$ 1,628,415	\$ 2,016,919	\$ 2,317,060	\$ 2,645,234	\$ 1,590,287
Contributions in relation to the actuarially determined contribution ²	(1,628,415)	(2,016,919)	(2,317,060)	(2,645,234)	(3,015,044)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (1,424,757)
Covered payroll ³	\$ 17,651,457	\$ 18,094,788	\$ 19,012,911	\$ 19,306,012	\$ 19,885,192
Contributions as a percentage of covered payroll ³	9.23%	11.15%	12.19%	13.70%	15.16%

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 2016-17 to 2017-18.

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 2014 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

City of Gardena
Required Supplementary Information (Unaudited)
Schedule of Contributions (Continued)
For the Year Ended June 30, 2018

Last Ten Fiscal Years

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

	2013-14	2014-15	2015-16	2016-17	2017-18 ¹
Actuarially determined contribution	\$ 3,930,218	\$ 4,265,350	\$ 4,917,350	\$ 2,207,373	\$ 2,451,425
Contributions in relation to the actuarially determined contribution	(3,930,218)	(4,265,350)	(4,917,350)	(5,401,275)	(6,093,811)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (3,193,902)	\$ (3,642,386)
Covered payroll ²	\$ 9,078,779	\$ 9,351,143	\$ 10,491,839	\$ 10,435,515	\$ 10,748,580
Contributions as a percentage of covered payroll	43.29%	45.61%	46.87%	51.76%	56.69%

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 2017-18 of \$10,748,580 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, 2016 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: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. 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 Changes in Total OPEB Liability and Related Ratios
June 30, 2018

Last Ten Fiscal Years

Non-Transportation Enterprise Retiree Healthcare Plan

Measurement period	2016-17 ¹
Total OPEB liability	
Service cost	\$ 2,001,000
Interest	1,888,000
Changes of benefit terms	-
Changes of assumptions	(7,755,000)
Differences between expected and actual experience	-
Benefit payments, including refunds	(2,162,000)
Other - funding rates used by benefits paid	580,000
Net change in total OPEB liability	(5,448,000)
 Total OPEB liability - beginning of the year	 65,056,000
Total OPEB liability - end of the year	\$ 59,608,000
 Covered payroll ²	 \$ 25,500,000
 Plan net OPEB liability as a percentage of covered payroll	 233.76%

¹ Historical information is presented for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

² Determined for the 12 month period ending on June 30, 2017 (Measurement Date).

Notes to Schedule:

Changes of Assumptions: In 2017, the accounting discount rate reduced from 2.85 percent to 3.58 percent.

City of Gardena
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2018

Last Ten Fiscal Years

Transportation Enterprise Retiree Healthcare Plan

Measurement period	2016-17 ¹
Total OPEB liability	
Service cost	\$ 232,000
Interest	598,000
Changes of benefit terms	-
Changes of assumptions	-
Differences between expected and actual experience	-
Benefit payments, including refunds	(462,000)
Other - funding rates used by benefits paid	190,000
Net change in total OPEB liability	558,000
Total OPEB liability - beginning of year	8,774,000
Total OPEB liability - end of year (a)	<u>\$ 9,332,000</u>
OPEB fiduciary net position	
Contributions - employer	\$ 462,000
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds	(462,000)
Administrative expense	-
Other changes	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning of year	-
Plan fiduciary net position - end of year (b)	<u>\$ -</u>
Plan net OPEB liability - end of year (a) - (b)	<u>\$ 9,332,000</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>
Covered payroll	<u>\$ 9,759,000</u>
Plan net OPEB liability as a percentage of covered payroll	<u>95.62%</u>

¹ Historical information is presented for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

² Determined for the 12 month period ending on June 30, 2017 (Measurement Date).

Notes to Schedule:

Changes of Assumptions: In 2017, there were no changes.

City of Gardena
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2018

Last Ten Fiscal Years

Transportation Enterprise Retiree Healthcare Plan

	2016-17	2017-18 ¹
Actuarially determined contribution	\$ 848,000	\$ 785,000
Contributions in relation to the actuarially determined contribution	(462,000)	(4,516,544)
Contribution deficiency (excess)	<u>\$ 386,000</u>	<u>\$ (3,731,544)</u>
Covered payroll ²	\$ 9,759,000	\$ 10,316,000
Contributions as a percentage of covered payroll ²	4.73%	43.78%

¹ Historical information is presented for measurement periods for which GASB 75 is applicable. Additional years' information will be displayed as it becomes available.

² Determined for the 12 month period ending on June 30, 2018 (fiscal year end).

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, 2016 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
Remaining amortization period	30 years remaining as of June 30, 2016
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount rate	6.75%
General inflation	2.75%
	Non-Medicare - 7.5% for 2018, decreasing to an ultimate rate of 4.75% in 2032 and later years.
	Medicare - 6.5% for 2018, decreasing to an ultimate rate of 4.75% in 2032 and later years.
Medical trend	
Mortality improvement	Mortality projected fully generational with Scale MP-16.

SUPPLEMENTARY INFORMATION

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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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 and the Senate Bill No. 1 (SB1) 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, 2018

	Special Revenue Funds				
	Consolidated Lighting District	Prop C Local Return	Gas Tax	Asset Forfeiture	Public Safety Grants
ASSETS					
Cash and investments	\$ 502,056	\$ 2,743,419	\$ 2,406,231	\$ 802,991	\$ 139,683
Receivables:					
Accounts	-	-	-	-	-
Taxes	17,109	-	-	-	-
Due from other governmental agencies	-	-	52,802	-	73,062
Prepaid items and deposits	2,868	-	-	-	10,263
Total assets	<u>\$ 522,033</u>	<u>\$ 2,743,419</u>	<u>\$ 2,459,033</u>	<u>\$ 802,991</u>	<u>\$ 223,008</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 52,138	\$ -	\$ 4,525	\$ -	\$ 48,848
Accrued liabilities	-	-	-	-	-
Salaries and benefits payable	-	418	1,499	-	-
Due to other funds	-	-	-	-	55,175
Retention payable	-	-	-	-	-
Total liabilities	<u>52,138</u>	<u>418</u>	<u>6,024</u>	<u>-</u>	<u>104,023</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	53,419
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,419</u>
Fund Balances:					
Restricted	469,895	2,743,001	2,453,009	802,991	65,566
Total fund balances	<u>469,895</u>	<u>2,743,001</u>	<u>2,453,009</u>	<u>802,991</u>	<u>65,566</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 522,033</u>	<u>\$ 2,743,419</u>	<u>\$ 2,459,033</u>	<u>\$ 802,991</u>	<u>\$ 223,008</u>

(Continued)

City of Gardena
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Public Works Grants	Human Services Grants	Community Development Block Grant (CDBG)	City Capital Projects	
ASSETS					
Cash and investments	\$ 1,022,013	\$ 241,202	\$ 82,909	\$ 1,274,548	\$ 9,215,052
Receivables:					
Accounts	-	3,711	4,109	-	7,820
Taxes	-	-	-	-	17,109
Due from other governmental agencies	637,642	50,474	226,868	-	1,040,848
Prepaid items and deposits	-	4,108	-	-	17,239
Total assets	<u>\$ 1,659,655</u>	<u>\$ 299,495</u>	<u>\$ 313,886</u>	<u>\$ 1,274,548</u>	<u>\$ 10,298,068</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 240	\$ 155,570	\$ 43,038	\$ 941,513	1,245,872
Accrued liabilities	-	-	-	-	-
Salaries and benefits payable	418	28,071	17,563	-	47,969
Due to other funds	519,060	23,925	181,834	-	779,994
Retention payable	-	-	-	37,123	37,123
Total liabilities	<u>519,718</u>	<u>207,566</u>	<u>242,435</u>	<u>978,636</u>	<u>2,110,958</u>
Deferred inflows of resources:					
Unavailable revenue	275,177	14,658	-	-	343,254
Total deferred inflows of resources	<u>275,177</u>	<u>14,658</u>	<u>-</u>	<u>-</u>	<u>343,254</u>
Fund Balances:					
Restricted	864,760	77,271	71,451	295,912	7,843,856
Total fund balances	<u>864,760</u>	<u>77,271</u>	<u>71,451</u>	<u>295,912</u>	<u>7,843,856</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,659,655</u>	<u>\$ 299,495</u>	<u>\$ 313,886</u>	<u>\$ 1,274,548</u>	<u>\$ 10,298,068</u>

(Concluded)

City of Gardena
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				
	Consolidated Lighting District	Prop C Local Return	Gas Tax	Asset Forfeiture	Public Safety Grants
REVENUES:					
Taxes	\$ 696,068	\$ 939,889	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,593,975	32,216	207,295
Fines, forfeitures, and penalties	-	-	-	-	66,512
Use of money and property	5,637	31,595	47,216	10,001	2,695
Miscellaneous	-	-	-	-	-
Total revenues	701,705	971,484	1,641,191	42,217	276,502
EXPENDITURES:					
Current:					
General government	-	-	8,196	-	-
Public safety	-	-	-	34,290	220,260
Public works	600,814	11,991	105,815	-	-
Recreation and human services	-	-	9,460	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	6,840	28,759
Total expenditures	600,814	11,991	123,471	41,130	249,019
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100,891	959,493	1,517,720	1,087	27,483
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	-	-	-	12,925	-
Transfers in	-	-	63	-	-
Transfers out	(17,910)	(141,515)	(2,917,496)	-	(87,000)
Total other financing sources (uses)	(17,910)	(141,515)	(2,917,433)	12,925	(87,000)
NET CHANGES IN FUND BALANCES	82,981	817,978	(1,399,713)	14,012	(59,517)
FUND BALANCES:					
Beginning of year	386,914	1,925,023	3,852,722	788,979	125,083
End of year	\$ 469,895	\$ 2,743,001	\$ 2,453,009	\$ 802,991	\$ 65,566

(Continued)

City of Gardena
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Public Works Grants	Human Services Grants	Community Development Block Grant (CDBG)	City Capital Projects	
REVENUES:					
Taxes	\$ 1,442,277	\$ -	\$ -	\$ -	\$ 3,078,234
Intergovernmental	342,474	2,520,476	580,945	-	5,277,381
Fines, forfeitures, and penalties	-	-	-	-	66,512
Use of money and property	9,606	5,220	3,605	-	115,575
Miscellaneous	-	112,054	2,224	-	114,278
Total revenues	1,794,357	2,637,750	586,774	-	8,651,980
EXPENDITURES:					
Current:					
General government	-	-	-	-	8,196
Public safety	-	-	-	-	254,550
Public works	34,064	-	-	-	752,684
Recreation and human services	-	2,599,340	-	-	2,608,800
Community development	-	-	740,576	-	740,576
Capital outlay	86,569	-	-	3,194,144	3,316,312
Total expenditures	120,633	2,599,340	740,576	3,194,144	7,681,118
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,673,724	38,410	(153,802)	(3,194,144)	970,862
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	-	-	-	-	12,925
Transfers in	4,797	-	-	3,194,144	3,199,004
Transfers out	(1,241,717)	-	(802)	-	(4,406,440)
Total other financing sources (uses)	(1,236,920)	-	(802)	3,194,144	(1,194,511)
NET CHANGES IN FUND BALANCES	436,804	38,410	(154,604)	-	(223,649)
FUND BALANCES:					
Beginning of year	427,956	38,861	226,055	295,912	8,067,505
End of year	\$ 864,760	\$ 77,271	\$ 71,451	\$ 295,912	\$ 7,843,856

(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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 670,000	\$ 670,000	\$ 696,068	\$ 26,068
Use of money and property	1,000	1,000	5,637	4,637
Total revenues	<u>671,000</u>	<u>671,000</u>	<u>701,705</u>	<u>30,705</u>
EXPENDITURES:				
Current:				
Public works	648,000	648,000	600,814	47,186
Total expenditures	<u>648,000</u>	<u>648,000</u>	<u>600,814</u>	<u>47,186</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,000	23,000	100,891	77,891
OTHER FINANCING (USES):				
Transfers out	(23,000)	(23,000)	(17,910)	5,090
Total other financing (uses)	<u>(23,000)</u>	<u>(23,000)</u>	<u>(17,910)</u>	<u>5,090</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	82,981	<u>\$ 82,981</u>
FUND BALANCE:				
Beginning of year			386,914	
End of year			<u>\$ 469,895</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 918,163	\$ 918,163	\$ 939,889	\$ 21,726
Use of money and property	10,000	10,000	31,595	21,595
Total revenues	<u>928,163</u>	<u>928,163</u>	<u>971,484</u>	<u>43,321</u>
EXPENDITURES:				
Current:				
Public works	9,270	9,270	11,991	(2,721)
Total expenditures	<u>9,270</u>	<u>9,270</u>	<u>11,991</u>	<u>(2,721)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>918,893</u>	<u>918,893</u>	<u>959,493</u>	<u>40,600</u>
OTHER FINANCING (USES):				
Transfers out	(800,000)	(800,000)	(141,515)	658,485
Total other financing (uses)	<u>(800,000)</u>	<u>(800,000)</u>	<u>(141,515)</u>	<u>658,485</u>
NET CHANGE IN FUND BALANCE	<u>\$ 118,893</u>	<u>\$ 118,893</u>	817,978	<u>\$ 699,085</u>
FUND BALANCE:				
Beginning of year			1,925,023	
End of year			<u>\$ 2,743,001</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 1,280,273	\$ 1,280,273	\$ 1,593,975	\$ 313,702
Use of money and property	25,000	25,000	47,216	22,216
Total revenues	<u>1,305,273</u>	<u>1,305,273</u>	<u>1,641,191</u>	<u>335,918</u>
EXPENDITURES:				
Current:				
General government	-	-	8,196	(8,196)
Public works	29,740	29,740	105,815	(76,075)
Recreation and human services	-	-	9,460	(9,460)
Total expenditures	<u>29,740</u>	<u>29,740</u>	<u>123,471</u>	<u>(93,731)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,275,533</u>	<u>1,275,533</u>	<u>1,517,720</u>	<u>242,187</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	63	63
Transfers out	(2,371,477)	(2,714,918)	(2,917,496)	(202,578)
Total other financing sources (uses)	<u>(2,371,477)</u>	<u>(2,714,918)</u>	<u>(2,917,433)</u>	<u>(202,515)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,095,944)</u>	<u>\$ (1,439,385)</u>	<u>(1,399,713)</u>	<u>\$ 39,672</u>
FUND BALANCE:				
Beginning of year			3,852,722	
End of year			<u>\$ 2,453,009</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 530,000	\$ 530,000	\$ 32,216	\$ (497,784)
Use of money and property	8,500	8,500	10,001	1,501
Total revenues	<u>538,500</u>	<u>538,500</u>	<u>42,217</u>	<u>(496,283)</u>
EXPENDITURES:				
Current:				
Public safety	336,000	336,000	34,290	301,710
Capital outlay	202,500	202,500	6,840	195,660
Total expenditures	<u>538,500</u>	<u>538,500</u>	<u>41,130</u>	<u>497,370</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,087</u>	<u>1,087</u>
OTHER FINANCING SOURCES:				
Proceeds from sale of assets	-	-	12,925	12,925
Total other financing sources	<u>-</u>	<u>-</u>	<u>12,925</u>	<u>12,925</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>14,012</u>	<u>\$ 14,012</u>
FUND BALANCE:				
Beginning of year			<u>788,979</u>	
End of year			<u>\$ 802,991</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 794,000	\$ 794,000	\$ 207,295	\$ (586,705)
Fines, forfeitures, and penalties	125,000	125,000	66,512	(58,488)
Use of money and property	-	-	2,695	2,695
Total revenues	<u>919,000</u>	<u>919,000</u>	<u>276,502</u>	<u>(642,498)</u>
EXPENDITURES:				
Current:				
Public safety	702,588	702,588	220,260	482,328
Capital outlay	10,800	10,800	28,759	(17,959)
Total expenditures	<u>713,388</u>	<u>713,388</u>	<u>249,019</u>	<u>464,369</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>205,612</u>	<u>205,612</u>	<u>27,483</u>	<u>(178,129)</u>
OTHER FINANCING (USES):				
Transfers out	(125,000)	(125,000)	(87,000)	38,000
Total other financing (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(87,000)</u>	<u>38,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ 80,612</u>	<u>\$ 80,612</u>	<u>(59,517)</u>	<u>\$ (140,129)</u>
FUND BALANCE:				
Beginning of year			<u>125,083</u>	
End of year			<u>\$ 65,566</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 822,000	\$ 822,000	\$ 1,442,277	\$ 620,277
Intergovernmental	15,000	15,000	342,474	327,474
Use of money and property	5,100	5,100	9,606	4,506
Total revenues	<u>842,100</u>	<u>842,100</u>	<u>1,794,357</u>	<u>952,257</u>
EXPENDITURES:				
Current:				
Public works	30,931	30,931	34,064	(3,133)
Capital outlay	72,000	72,000	86,569	(14,569)
Total expenditures	<u>102,931</u>	<u>102,931</u>	<u>120,633</u>	<u>(17,702)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>739,169</u>	<u>739,169</u>	<u>1,673,724</u>	<u>934,555</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	4,797	4,797
Transfers out	(728,500)	(728,500)	(1,241,717)	(513,217)
Total other financing sources (uses)	<u>(728,500)</u>	<u>(728,500)</u>	<u>(1,236,920)</u>	<u>(508,420)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 10,669</u>	<u>\$ 10,669</u>	<u>436,804</u>	<u>\$ 426,135</u>
FUND BALANCE:				
Beginning of year			<u>427,956</u>	
End of year			<u>\$ 864,760</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 2,215,951	\$ 2,215,951	\$ 2,520,476	\$ 304,525
Use of money and property	1,000	1,000	5,220	4,220
Miscellaneous	147,500	147,500	112,054	(35,446)
Total revenues	<u>2,364,451</u>	<u>2,364,451</u>	<u>2,637,750</u>	<u>273,299</u>
EXPENDITURES:				
Current:				
Recreation and human services	2,289,092	2,289,092	2,599,340	(310,248)
Total expenditures	<u>2,289,092</u>	<u>2,289,092</u>	<u>2,599,340</u>	<u>(310,248)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 75,359</u>	<u>\$ 75,359</u>	38,410	<u>\$ (36,949)</u>
FUND BALANCE:				
Beginning of year			38,861	
End of year			<u>\$ 77,271</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 711,000	\$ 746,000	\$ 580,945	\$ (165,055)
Use of money and property	-	-	3,605	3,605
Miscellaneous	-	-	2,224	2,224
Total revenues	<u>711,000</u>	<u>746,000</u>	<u>586,774</u>	<u>(159,226)</u>
EXPENDITURES:				
Current:				
Community development	<u>699,182</u>	<u>764,472</u>	<u>740,576</u>	<u>23,896</u>
Total expenditures	<u>699,182</u>	<u>764,472</u>	<u>740,576</u>	<u>23,896</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,818</u>	<u>(18,472)</u>	<u>(153,802)</u>	<u>(135,330)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	34,229	-	(34,229)
Transfers out	-	-	(802)	(802)
Total other financing sources (uses)	<u>-</u>	<u>34,229</u>	<u>(802)</u>	<u>(35,031)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 11,818</u>	<u>\$ 15,757</u>	<u>(154,604)</u>	<u>\$ (170,361)</u>
FUND BALANCE:				
Beginning of year			<u>226,055</u>	
End of year			<u>\$ 71,451</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Capital outlay	2,990,000	3,393,441	3,194,144	199,297
Total expenditures	<u>2,990,000</u>	<u>3,393,441</u>	<u>3,194,144</u>	<u>199,297</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,990,000)</u>	<u>(3,393,441)</u>	<u>(3,194,144)</u>	<u>(199,297)</u>
OTHER FINANCING SOURCES:				
Transfers in	2,990,000	3,393,441	3,194,144	(199,297)
Total other financing sources	<u>2,990,000</u>	<u>3,393,441</u>	<u>3,194,144</u>	<u>(199,297)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			295,912	
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 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, 2018

	2006 Refunding COPs, Series A	2007 Refunding Revenue Bonds SBRPCA	2014 Taxable Lease Revenue Refunding Bonds	2017 Lease Financing Bonds	Total
ASSETS					
Cash and investments with fiscal agents	\$ 1,697,023	\$ 296,381	\$ 66	\$ -	\$ 1,993,470
Prepaid items and deposits	-	1,149	1,008	261,922	264,079
Total assets	<u>\$ 1,697,023</u>	<u>\$ 297,530</u>	<u>\$ 1,074</u>	<u>\$ 261,922</u>	<u>\$ 2,257,549</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,701	\$ -	\$ -	\$ -	\$ 2,701
Due to other funds	15,332	44,038	-	278,533	337,903
Total liabilities	<u>18,033</u>	<u>44,038</u>	<u>-</u>	<u>278,533</u>	<u>340,604</u>
Fund Balances:					
Restricted	1,678,990	253,492	1,074	(16,611)	1,916,945
Total fund balances	<u>1,678,990</u>	<u>253,492</u>	<u>1,074</u>	<u>(16,611)</u>	<u>1,916,945</u>
Total liabilities and fund balances	<u>\$ 1,697,023</u>	<u>\$ 297,530</u>	<u>\$ 1,074</u>	<u>\$ 261,922</u>	<u>\$ 2,257,549</u>

City of Gardena
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
All Debt Service Funds
For the Year Ended June 30, 2018

	2006 Refunding COPs, Series A	2007 Refunding Revenue Bonds SBRPCA	2014 Taxable Lease Revenue Refunding Bonds	2017 Lease Financing Bonds	Total
REVENUES:					
Use of money and property	\$ 12,524	\$ 2,181	\$ 66	\$ -	\$ 14,771
Total revenues	<u>12,524</u>	<u>2,181</u>	<u>66</u>	<u>-</u>	<u>14,771</u>
EXPENDITURES:					
Debt service:					
Principal retirement	460,000	95,000	55,000	-	610,000
Interest and fiscal charges	575,298	94,738	452,439	18,961	1,141,436
Total expenditures	<u>1,035,298</u>	<u>189,738</u>	<u>507,439</u>	<u>18,961</u>	<u>1,751,436</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,022,774)</u>	<u>(187,557)</u>	<u>(507,373)</u>	<u>(18,961)</u>	<u>(1,736,665)</u>
OTHER FINANCING SOURCES:					
Transfers in	1,031,960	189,795	507,423	-	1,729,178
Total other financing sources	<u>1,031,960</u>	<u>189,795</u>	<u>507,423</u>	<u>-</u>	<u>1,729,178</u>
CHANGES IN FUND BALANCES	9,186	2,238	50	(18,961)	(7,487)
NET POSITION:					
Beginning of the year	1,669,804	251,254	1,024	2,350	1,924,432
End of the year	<u>\$ 1,678,990</u>	<u>\$ 253,492</u>	<u>\$ 1,074</u>	<u>\$ (16,611)</u>	<u>\$ 1,916,945</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 14,771	\$ 14,771
Total revenues	<u>-</u>	<u>-</u>	<u>14,771</u>	<u>14,771</u>
EXPENDITURES:				
Debt Services				
Principal retirement	820,000	820,000	610,000	210,000
Interest and fiscal charges	<u>1,200,848</u>	<u>1,200,848</u>	<u>1,141,436</u>	<u>59,412</u>
Total expenditures	<u>2,020,848</u>	<u>2,020,848</u>	<u>1,751,436</u>	<u>269,412</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,020,848)</u>	<u>(2,020,848)</u>	<u>(1,736,665)</u>	<u>284,183</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>2,020,848</u>	<u>2,020,848</u>	<u>1,729,178</u>	<u>(291,670)</u>
Total other financing sources	<u>2,020,848</u>	<u>2,020,848</u>	<u>1,729,178</u>	<u>(291,670)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(7,487)</u>	<u>\$ (7,487)</u>
FUND BALANCE:				
Beginning of year			<u>1,924,432</u>	
End of year			<u>\$ 1,916,945</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, 2018

	Liability Insurance	Workers' Compensation	Health Benefit	Totals
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ 1,673,291	\$ 4,660,254	\$ 6,333,545
Prepaid items and deposits	-	2,146	-	2,146
Total current assets	-	1,675,437	4,660,254	6,335,691
Total assets	-	1,675,437	4,660,254	6,335,691
LIABILITIES				
Current liabilities:				
Accounts payable	296,827	-	11,632	308,459
Accrued Liabilities	-	26,160	985	27,145
Deposits payable	-	-	6,748	6,748
Claims payable - due within one year	1,077,720	4,942,448	-	6,020,168
Total current liabilities	1,374,547	4,968,608	19,365	6,362,520
Noncurrent liabilities:				
Claims payable - due in more than one year	3,152,123	988,490	757,980	4,898,593
Total noncurrent liabilities	3,152,123	988,490	757,980	4,898,593
Total liabilities	4,526,670	5,957,098	777,345	11,261,113
NET POSITION				
Unrestricted (deficit)	(4,526,670)	(4,281,661)	3,882,909	(4,925,422)
Total net position	<u>\$ (4,526,670)</u>	<u>\$ (4,281,661)</u>	<u>\$ 3,882,909</u>	<u>\$ (4,925,422)</u>

City of Gardena
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Liability Insurance	Workers' Compensation	Health Benefit	Totals
OPERATING REVENUES:				
Charges for services	\$ 984,040	\$ 1,012,832	\$ 7,774,200	\$ 9,771,072
Insurance recovery	3,940,488	-	-	3,940,488
Other	20,882	26	849,251	870,159
Total operating revenues	4,945,410	1,012,858	8,623,451	14,581,719
OPERATING EXPENSES:				
Insurance claims	2,996,274	991,628	2,952,841	6,940,743
General and administrative	919,835	526,255	3,833,291	5,279,381
Other operating expenses	-	-	104,162	104,162
Total operating expenses	3,916,109	1,517,883	6,890,294	12,324,286
OPERATING INCOME (LOSS)	1,029,301	(505,025)	1,733,157	2,257,433
NONOPERATING REVENUES:				
Interest income	-	22,946	86,844	109,790
Total nonoperating revenues	-	22,946	86,844	109,790
INCOME (LOSS) BEFORE TRANSFERS	1,029,301	(482,079)	1,820,001	2,367,223
TRANSFERS:				
Transfers in	2,931,854	-	-	2,931,854
Transfers out	-	-	(2,931,854)	(2,931,854)
Total transfers	2,931,854	-	(2,931,854)	-
CHANGES IN NET POSITION	3,961,155	(482,079)	(1,111,853)	2,367,223
NET POSITION:				
Beginning of year	(8,487,825)	(3,799,582)	4,994,762	(7,292,645)
End of year	<u>\$ (4,526,670)</u>	<u>\$ (4,281,661)</u>	<u>\$ 3,882,909</u>	<u>\$ (4,925,422)</u>

City of Gardena
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018

	Liability Insurance	Workers' Compensation	Health Benefit	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from users	\$ 984,040	\$ 1,012,832	\$ 7,774,200	\$ 9,771,072
Receipts from claims recoveries	20,882	26	849,251	870,159
Payments for insurance claims	(2,996,274)	(1,290,020)	(3,077,281)	(7,363,575)
Payments to suppliers	(940,502)	(520,587)	(4,029,348)	(5,490,437)
Net cash provided by (used in) operating activities	(2,931,854)	(797,749)	1,516,822	(2,212,781)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	2,931,854	-	-	2,931,854
Transfers to other funds	-	-	(2,931,854)	(2,931,854)
Net cash provided by (used in) noncapital financing activities	2,931,854	-	(2,931,854)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	-	22,946	86,844	109,790
Net cash provided by investing activities	-	22,946	86,844	109,790
Net change in cash and cash equivalents	-	(774,803)	(1,328,188)	(2,102,991)
CASH AND CASH EQUIVALENTS:				
Beginning of year	-	2,448,094	5,988,442	8,436,536
End of year	\$ -	\$ 1,673,291	\$ 4,660,254	\$ 6,333,545
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,029,301	\$ (505,025)	\$ 1,733,157	\$ 2,257,433
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Increase (decrease) in accounts payable	57,751	(8,560)	10,656	59,847
Increase (decrease) in accrued liabilities	(78,418)	14,228	(91,760)	(155,950)
Increase (decrease) in deposits payable	-	-	(7,850)	(7,850)
Increase (decrease) in unearned revenue	-	-	(2,941)	(2,941)
Increase (decrease) in claims payable	(3,940,488)	(298,392)	(124,440)	(4,363,320)
Total adjustment	(3,961,155)	(292,724)	(216,335)	(4,470,214)
Net cash provided by (used in) operating activities	\$ (2,931,854)	\$ (797,749)	\$ 1,516,822	\$ (2,212,781)

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.

City of Gardena
Combining Statement of Fiduciary Assets and Liabilities
All Agency Funds
June 30, 2018

	LA CLEAR - Training Fund	Total
ASSETS:		
Cash and investments	\$ -	\$ -
Total assets	\$ -	\$ -
LIABILITIES:		
Deposits	\$ -	\$ -
Total liabilities	\$ -	\$ -

City of Gardena
Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>LA CLEAR - Training Fund</u>				
ASSETS:				
Cash and investments	\$ 5,885	\$ -	\$ (5,885)	\$ -
Total assets	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ (5,885)</u>	<u>\$ -</u>
LIABILITIES:				
Deposits payable	\$ 5,885	\$ -	\$ (5,885)	\$ -
Total liabilities	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ (5,885)</u>	<u>\$ -</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 5,885	\$ -	\$ (5,885)	\$ -
Total assets	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ (5,885)</u>	<u>\$ -</u>
LIABILITIES:				
Deposits	\$ 5,885	\$ -	\$ (5,885)	\$ -
Total liabilities	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ (5,885)</u>	<u>\$ -</u>

City of Gardena

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2018*



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STATISTICAL SECTION

Fiscal Year 2017-18



STATISTICAL SECTION

Fiscal Year 2017-18



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CITY OF GARDENA STATISTICAL SECTION

Fiscal Year 2017-18



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, 2018
(accrual basis of accounting)

	Fiscal Year				
	2017-18	2016-17 ⁽²⁾	2015-16	2014-15	2013-14
Governmental Activities					
Net Investment in Capital Assets	\$27,748,135	\$28,138,906	\$27,897,717	\$26,430,711	\$21,675,303
Restricted for:					
Debt Service	1,916,945	1,924,432	2,679,363	2,965,697	3,471,506
Employment and Training Services	5,287	43,611	164,116	300,190	397,593
Law Enforcement	921,976	914,062	1,251,314	1,701,810	2,186,672
Local Street Improvements	6,060,770	6,205,701	7,072,378	7,930,518	7,049,906
Economic Development	6,006,024	1,986,202	2,394,395	2,292,714	-
Capital Projects	571,089	295,912	301,546	-	-
Other Purposes	633,275	651,830	289,859	447,605	478,453
Specific Projects and Programs	-	-	-	-	-
Total Restricted:	16,115,366	12,021,750	14,152,971	15,638,534	13,584,130
Unrestricted ⁽²⁾	(107,848,163)	(99,400,392)	(60,913,888)	(67,531,463)	(64,355,607)
Total governmental activities net position	(\$63,984,662)	(\$59,239,736)	(\$18,863,200)	(\$25,462,218)	(\$29,096,174)
Business-type Activities					
Net Investment in Capital Assets	\$56,261,253	\$60,150,166	\$62,151,750	\$67,684,810	\$70,809,060
Unrestricted ⁽²⁾	(27,969,730)	(27,390,162)	(21,068,543)	(18,107,410)	(15,654,544)
Total business-type activities net position	\$28,291,523	\$32,760,004	\$41,083,207	\$49,577,400	\$55,154,516
Primary Government					
Net Investment in Capital Assets	\$84,009,388	\$88,289,072	\$90,049,467	\$94,115,521	\$92,484,363
Restricted	16,115,366	12,021,750	14,152,971	15,638,534	13,584,130
Unrestricted ⁽²⁾	(135,817,893)	(126,790,554)	(81,982,431)	(85,638,873)	(79,990,151)
Total Primary Government Net Position:	(\$35,693,139)	(\$26,479,732)	\$22,220,007	\$24,115,182	\$26,078,342

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.

⁽²⁾ 2017 balances were restated due to implementation of GASB 75.

City of Gardena
Net Position by Component (Continued)⁽¹⁾
Last Ten Fiscal Years Ended June 30, 2018
(accrual basis of accounting)

	Fiscal Year				
	2012-13	2011-12	2010-11	2009-10	2008-09
Governmental Activities					
Net Investment in Capital Assets	\$22,478,931	\$20,538,595	\$18,985,090	\$17,048,157	\$15,976,297
Restricted for:					
Debt Service	3,458,249	3,453,941	3,471,066	3,461,581	3,415,353
Employment and Training Services	537,583	-	-	-	-
Law Enforcement	2,203,648	-	-	-	-
Local Street Improvements	6,020,275	-	-	-	-
Local Street Improvements	-	-	-	-	-
Economic Development	2,679,485	-	-	-	-
Other Purposes	389,852	-	-	-	-
Specific Projects and Programs	-	11,210,794	8,478,780	7,301,648	10,355,305
Total Restricted:	15,289,092	14,664,735	11,949,846	10,763,229	13,770,658
Unrestricted	(3,568,866)	1,878,408	3,627,371	3,010,912	5,542,232
Total governmental activities net position	\$34,199,157	\$37,081,738	\$34,562,307	\$30,822,298	\$35,289,187
Business-type Activities					
Net Investment in Capital Assets	\$75,906,094	\$79,771,551	\$83,365,100	\$86,263,907	\$69,127,201
Unrestricted	(1,617,195)	(724,993)	479,952	989,448	1,947,975
Total business-type activities net position	\$74,288,899	\$79,046,558	\$83,845,052	\$87,253,355	\$71,075,176
Primary Government					
Net Investment in Capital Assets	\$98,385,025	\$100,310,146	\$102,350,190	\$103,312,064	\$85,103,498
Restricted	15,289,092	14,664,735	11,949,846	11,515,434	14,950,230
Unrestricted	(5,186,061)	1,153,415	4,107,323	4,000,360	7,490,207
Total Primary Government Net Position:	\$108,488,056	\$116,128,296	\$118,407,359	\$118,827,858	\$107,543,935

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, 2018
(accrual basis of accounting)

	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
Expenses					
Governmental Activities					
General Government	\$ 6,177,468	\$ 5,848,247	\$ 5,730,664	\$ 6,239,825	\$ 11,808,280
Public Safety	41,420,762	38,700,824	36,304,203	35,912,110	32,551,301
Public Works	7,120,105	6,956,766	8,545,467	9,846,657	10,300,134
Recreation and Human Services	9,742,993	9,154,921	6,777,838	6,677,536	6,147,992
Community Development	2,938,656	2,796,216	2,538,835	2,675,341	7,470,002
Interest and fiscal charges	1,241,054	1,382,078	1,365,398	1,805,649	1,466,193
Total governmental activities expenses:	68,641,038	64,839,052	61,262,405	63,157,118	69,743,902
Business-type Activities					
Municipal Bus Line	27,804,739	28,195,640	26,410,211	26,643,082	23,188,943
Sewer	1,432,695	1,760,303	1,046,864	1,021,131	849,779
Total business-type activities expenses:	29,237,434	29,955,943	27,457,075	27,664,213	24,038,722
Total primary government expenses:	97,878,472	94,794,995	88,719,480	90,821,331	93,782,624
Program Revenues					
Governmental Activities					
Charges for services:					
General Government	3,864,795	3,504,735	3,298,306	3,022,929	3,013,410
Public Safety	1,312,945	1,422,001	1,174,116	1,337,761	1,404,006
Public Works	418,667	615,289	513,495	340,541	384,600
Recreation and Human Services	2,685,240	2,979,625	2,315,212	2,238,445	2,092,788
Community Development	1,724,501	1,771,754	2,187,082	1,432,560	2,922,090
Interest and fiscal charges	-	-	-	-	-
Operating Grants and Contributions	3,719,048	2,048,938	2,067,123	2,963,405	7,092,380
Capital Grants and Contributions	2,002,799	1,268,576	1,918,489	7,167,801	3,531,787
Total governmental activities program revenues:	15,727,995	13,610,918	13,473,823	18,503,442	20,441,061
Business-type Activities					
Charges for services:					
Municipal Bus Line	2,459,105	2,482,516	2,685,573	3,346,233	3,434,257
Sewer	1,790,296	954,552	673,199	727,054	922,304
Grants and Contributions	20,431,399	20,582,496	18,756,444	18,186,090	16,988,325
Total business-type activities program revenues:	24,680,800	24,019,564	22,115,216	22,259,377	21,344,886
Total primary government revenues:	40,408,795	37,630,482	35,589,039	40,762,819	41,785,947

City of Gardena
Changes in Net Position (Continued)
Last Ten Fiscal Years Ended June 30, 2018
(accrual basis of accounting)

	Fiscal Year				
	2012-13	2011-12	2010-11	2009-10	2008-09
Expenses					
Governmental Activities					
General Government	\$ 11,534,998	\$ 9,144,682	\$ 7,664,340	\$ 6,810,404	\$ 7,359,877
Public Safety	31,266,838	29,072,734	27,489,863	29,073,301	29,174,505
Public Works	8,904,024	10,127,663	7,520,866	12,666,722	9,129,851
Recreation and Human Services	6,424,691	6,562,245	6,364,297	6,566,080	6,350,057
Community Development	2,153,815	2,396,761	2,275,785	2,382,432	2,225,022
Interest and fiscal charges	1,564,640	1,609,611	1,643,644	1,670,766	1,752,812
Total governmental activities expenses:	61,849,006	58,913,696	52,958,795	59,169,705	55,992,124
Business-type Activities					
Municipal Bus Line	23,375,194	22,025,126	19,784,655	19,824,401	15,573,659
Sewer	862,965	802,636	787,616	825,652	621,979
Total business-type activities expenses:	24,238,159	22,827,762	20,572,271	20,650,053	16,195,638
Total primary government expenses:	86,087,165	81,741,458	73,531,066	79,819,758	72,187,762
Program Revenues					
Governmental Activities					
Charges for services:					
General Government	3,012,767	2,945,455	2,740,615	2,366,413	2,179,923
Public Safety	1,405,062	1,901,588	2,009,200	1,859,417	2,014,136
Public Works	291,644	323,113	274,531	269,761	250,470
Recreation and Human Services	1,998,540	2,015,733	2,282,245	2,123,238	1,993,259
Community Development	851,981	1,085,366	826,748	703,007	604,849
Interest and fiscal charges	-	-	-	-	-
Operating Grants and Contributions	5,084,561	5,383,364	6,346,737	7,677,970	6,463,703
Capital Grants and Contributions	1,602,081	3,313,620	2,520,045	1,118,767	884,103
Total governmental activities program revenues:	14,246,636	16,968,239	17,000,121	16,118,573	14,390,443
Business-type Activities					
Charges for services:					
Municipal Bus Line	3,410,708	3,258,066	3,179,805	3,062,578	2,876,238
Sewer	732,421	698,540	710,336	715,988	773,182
Grants and Contributions	16,746,822	15,032,257	13,577,047	33,189,735	19,426,795
Total business-type activities program revenues:	20,889,951	18,988,863	17,467,188	36,968,301	23,076,215
Total primary government revenues:	35,136,587	35,957,102	34,467,309	53,086,874	37,466,658

City of Gardena
Changes in Net Position (Continued)
Last Ten Fiscal Years Ended June 30, 2018
(accrual basis of accounting)

	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
Net (expense)/revenue: ⁽¹⁾					
Governmental activities	(52,913,043)	(51,228,234)	(47,788,582)	(44,653,676)	(49,302,841)
Business-type activities	(4,556,634)	(5,936,379)	(5,341,859)	(5,404,836)	(2,693,836)
Total net revenues (expenses):	<u>(57,469,677)</u>	<u>(57,164,613)</u>	<u>(53,130,441)</u>	<u>(50,058,512)</u>	<u>(51,996,677)</u>
General Revenue and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	7,150,957	7,130,426	6,729,849	6,402,520	6,192,249
Sales tax	11,006,901	11,204,697	11,227,326	9,965,476	9,472,341
Business license	2,727,532	2,606,279	2,536,438	2,547,148	2,218,097
Utility user taxes	5,088,450	5,147,736	5,212,410	5,335,375	5,383,285
Franchise taxes	2,609,219	2,440,108	2,534,820	2,417,342	2,351,576
Card club taxes	8,071,001	8,975,991	9,057,202	9,517,550	9,467,078
Other taxes	3,985,315	3,855,705	3,479,372	3,136,222	2,965,176
Vehicle license - unrestricted	5,994,920	5,677,909	5,445,385	5,166,984	4,958,745
Investment income	158,902	129,187	499,279	248,773	270,187
Miscellaneous	1,134,729	2,261,772	2,566,919	3,329,396	2,643,424
Gain on sale of assets	201,559	883,201	1,877,151	-	-
Transfers	38,632	9,898	3,221,449	200,846	408,925
Total governmental activities	<u>48,168,117</u>	<u>50,322,909</u>	<u>54,387,600</u>	<u>48,267,632</u>	<u>46,331,083</u>
Business-type activities					
Investment income	124,243	77,618	55,492	24,196	11,333
Miscellaneous	2,542	18,512	13,623	4,370	2,733
Lost on disposal of capital assets	-	-	-	-	(2,600,806)
Transfers	(38,632)	(9,898)	(3,221,449)	(200,846)	(408,925)
Total business-type activities:	<u>88,153</u>	<u>86,232</u>	<u>(3,152,334)</u>	<u>(172,280)</u>	<u>(2,995,665)</u>
Total primary government:	<u>48,256,270</u>	<u>50,409,141</u>	<u>51,235,266</u>	<u>48,095,352</u>	<u>43,335,418</u>
Change in Net Position					
Governmental activities	(4,744,926)	(905,325)	6,599,018	3,613,956	(2,971,758)
Business-type activities	(4,468,481)	(5,850,147)	(8,494,193)	(5,577,116)	(5,689,501)
Total primary government:	<u>(9,213,407)</u>	<u>(6,755,472)</u>	<u>(1,895,175)</u>	<u>(1,963,160)</u>	<u>(8,661,259)</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.

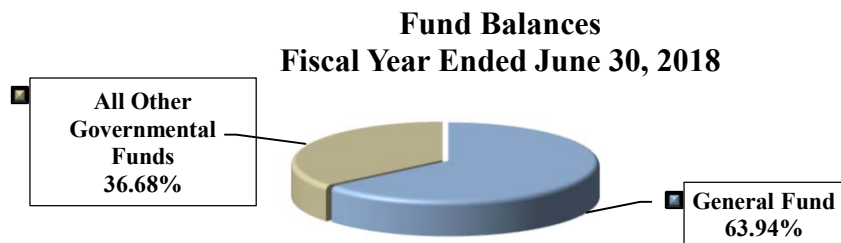
City of Gardena
Changes in Net Position (Continued)
Last Ten Fiscal Years Ended June 30, 2018
(accrual basis of accounting)

	Fiscal Year				
	2012-13	2011-12	2010-11	2009-10	2008-09
Net (expense)/revenue: ⁽¹⁾					
Governmental activities	(47,602,370)	(41,945,457)	(35,958,674)	(43,051,132)	(41,601,681)
Business-type activities	(3,348,208)	(3,838,899)	(3,105,083)	16,318,248	6,880,577
Total net revenues (expenses):	(50,950,578)	(45,784,356)	(39,063,757)	(26,732,884)	(34,721,104)
General Revenue and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	5,924,450	5,740,677	5,798,031	5,859,335	6,037,336
Sales tax	9,093,802	8,112,695	7,233,151	6,574,657	8,946,532
Business license	2,224,694	2,120,052	2,228,790	2,065,730	2,229,475
Utility user taxes	5,224,829	5,211,568	4,534,246	4,382,844	4,567,849
Franchise taxes	2,311,421	2,277,747	2,259,808	1,706,257	2,033,635
Card club taxes	8,394,406	7,434,236	7,365,159	7,660,557	8,523,146
Other taxes	2,773,929	2,550,706	2,366,440	2,152,895	1,826,923
Vehicle license - unrestricted	4,792,063	4,754,240	4,952,630	4,922,131	4,957,484
Investment income	163,025	268,259	290,118	362,618	696,196
Miscellaneous	2,419,479	4,814,396	1,472,970	2,201,122	2,041,078
Gain on sale of assets	-	-	-	-	-
Transfers	1,397,691	1,180,312	445,135	187,552	713,678
Total governmental activities	44,719,789	44,464,888	38,946,478	38,075,698	42,573,332
Business-type activities					
Investment income	33,606	47,367	46,882	37,018	224,597
Miscellaneous	(45,366)	173,350	95,033	10,465	1,617
Transfers	(1,397,691)	(1,180,312)	(445,135)	(187,552)	(713,678)
Total business-type activities:	(1,409,451)	(959,595)	(303,220)	(140,069)	(487,464)
Total primary government:	43,310,338	43,505,293	38,643,258	37,935,629	42,085,868
Change in Net Position					
Governmental activities	(2,882,581)	2,519,431	2,987,804	(4,975,434)	971,651
Business-type activities	(4,757,659)	(4,798,494)	(3,408,303)	16,178,179	6,393,113
Total primary government:	(7,640,240)	(2,279,063)	(420,499)	11,202,745	7,364,764

- ⁽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, 2018
(modified accrual basis of accounting)

	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable (1)	385,931	294,133	189,819	179,244	181,457
Restricted (1)	5,287	43,611	164,116	327,752	57,980
Committed (1)	19,315,675	19,413,135	17,542,367	7,274,423	7,274,423
Assigned (1)	3,609,547	3,936,266	2,773,686	7,579,856	4,357,472
Unassigned (1)	200,000	200,000	200,000	400,362	238,582
Total General Fund:	<u>\$23,516,440</u>	<u>\$23,887,145</u>	<u>\$20,869,988</u>	<u>\$15,761,637</u>	<u>\$12,109,914</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Nonspendable (1)	-	-	-	4,734	-
Restricted (1)	13,265,228	10,073,376	11,726,127	13,048,054	13,526,150
Committed (1)	-	3,765,323	3,776,154	3,051,323	2,658,379
Assigned (1)	-	-	(20,809)	179,079	377,900
Total all other governmental funds:	<u>\$13,265,228</u>	<u>\$13,838,699</u>	<u>\$15,481,472</u>	<u>\$16,283,190</u>	<u>\$16,562,429</u>



NOTES:

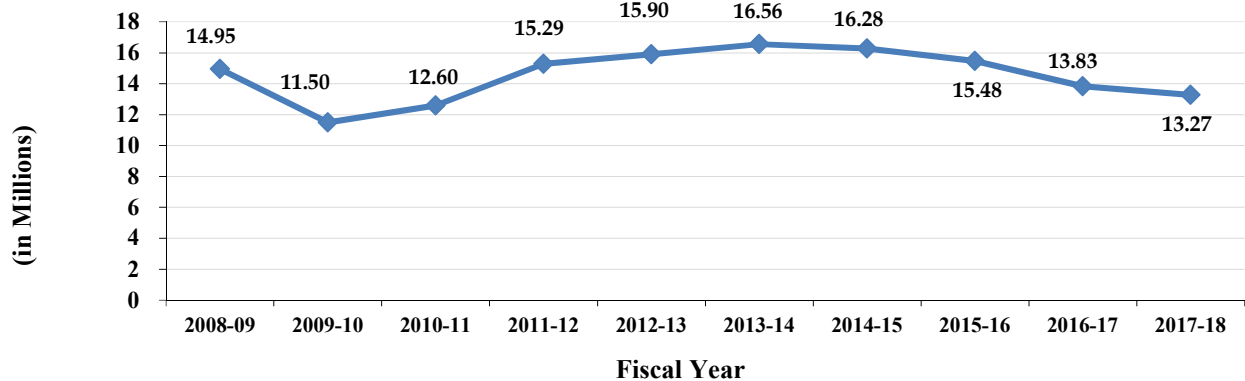
(1) New reporting requirements per GASB 54.

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, 2018
(modified accrual basis of accounting)

	Fiscal Year				
	2012-13	2011-12	2010-11	2009-10	2008-09
General Fund					
Reserved	\$ -	\$ -	\$ -	\$776,838	\$1,178,460
Unreserved	-	-	-	7,872,912	7,403,602
Nonspendable (1)	198,145	201,163	758,634	-	-
Restricted (1)	56,014	40,951	48,922	-	-
Committed (1)	6,825,301	6,592,339	5,105,052	-	-
Assigned (1)	2,906,950	2,908,689	3,097,213	-	-
Unassigned (1)	274,236	217,873	257,210	-	-
Total General Fund:	<u>\$10,260,646</u>	<u>\$9,961,015</u>	<u>\$9,267,031</u>	<u>\$8,649,750</u>	<u>\$8,582,062</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$3,461,656	\$3,418,166
Unreserved, reported in:					
Special revenue funds	-	-	-	7,285,104	10,352,492
Capital project funds	-	-	-	752,205	1,179,572
Nonspendable (1)	8,990	5,770	5,550	-	-
Restricted (1)	15,233,078	14,623,784	11,900,924	-	-
Committed (1)	-	-	-	-	-
Assigned (1)	654,243	660,402	698,075	-	-
Total all other governmental funds:	<u>\$15,896,311</u>	<u>\$15,289,956</u>	<u>\$12,604,549</u>	<u>\$11,498,965</u>	<u>\$14,950,230</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, 2018
(modified accrual basis of accounting)

	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
Revenues:					
Taxes	\$47,527,518	\$46,847,209	\$46,222,802	\$44,488,617	\$43,008,547
Licenses and permits	1,694,670	1,800,752	1,521,379	1,109,169	1,023,180
Use of money and property	158,902	129,186	499,278	248,773	270,187
Intergovernmental	6,201,645	5,549,872	5,705,627	11,575,383	11,983,118
Fines, forfeitures, and penalties	1,124,079	1,102,235	1,794,049	1,433,758	1,226,243
Charges for services	5,070,020	5,155,573	4,545,874	4,208,616	4,146,210
Miscellaneous	1,197,011	2,944,050	1,807,155	3,141,148	2,754,989
Total Revenues:	62,973,845	63,528,877	62,096,164	66,205,464	64,412,474
Expenditures:					
Current:					
General government	5,025,047	4,914,416	4,886,467	5,108,064	4,938,101
Public safety	37,851,314	36,977,198	34,674,068	32,542,544	32,069,172
Public works	4,012,134	4,064,485	5,584,816	5,352,388	5,395,817
Recreation and Human resources	9,194,054	8,631,034	6,498,830	6,135,402	6,086,777
Community development	2,734,299	2,757,861	2,533,734	2,594,007	7,499,226
Capital outlay	3,794,206	3,349,481	8,332,649	8,064,783	6,075,302
Debt service:					
Principal	627,898	2,703,105	754,158	9,228,535	844,172
Interest and fiscal charges	1,227,659	1,431,641	1,369,936	2,029,383	1,482,716
Total Expenditures:	64,466,611	64,829,221	64,634,658	71,055,106	64,391,283
Excess of Revenues over (under) Expenditures	(1,492,766)	(1,300,344)	(2,538,494)	(4,849,642)	21,191
Other Financing Sources (Uses):					
Proceeds of long-term debt	-	-	-	-	2,521,577
Proceeds from sale of assets	423,735	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	86,223	311,026	408,740	-
Transfers in	6,747,282	6,487,933	11,143,623	10,368,953	7,765,591
Transfers out	(6,708,650)	(6,558,966)	(9,599,678)	(11,368,107)	(7,994,802)
Total Other Financing Sources (Uses):	548,590	2,674,728	6,845,127	8,222,126	2,494,195
Net change in fund balances	(\$944,176)	\$1,374,384	\$4,306,633	\$3,372,484	\$2,515,386
Debt service as a percentage of noncapital expenditures: ⁽¹⁾	3.03%	6.64%	3.51%	17.16%	3.81%

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, 2018
(modified accrual basis of accounting)

	Fiscal Year				
	2012-13	2011-12	2010-11	2009-10	2008-09
Revenues:					
Taxes	\$40,739,594	\$38,201,922	\$36,738,257	\$35,324,406	\$39,122,379
Licenses and permits	915,614	948,646	722,541	756,986	553,437
Use of money and property	163,025	788,477	787,099	800,589	1,155,013
Intergovernmental	7,917,316	10,079,951	10,427,073	10,987,467	9,817,734
Fines, forfeitures, and penalties	1,629,217	4,320,435	1,635,058	1,237,986	1,311,735
Charges for services	4,087,263	4,191,605	4,021,370	3,127,169	3,115,843
Miscellaneous	2,116,705	1,721,779	1,170,066	1,772,116	1,173,956
Total Revenues:	57,568,734	60,252,815	55,501,464	54,006,719	56,250,097
Expenditures:					
Current:					
General government	6,256,927	5,637,263	4,436,711	4,818,062	5,259,623
Public safety	30,007,184	28,901,414	27,610,469	27,828,064	28,306,413
Public works	5,145,179	5,267,198	4,954,220	4,981,970	5,474,205
Recreation and Human resources	6,161,518	6,554,306	6,432,471	6,325,339	6,194,222
Community development	2,119,111	2,383,002	2,286,955	2,327,038	2,194,422
Capital outlay	5,806,502	6,368,035	4,363,450	8,448,679	2,925,685
Debt service:					
Principal	645,065	1,139,060	1,188,881	1,297,619	1,223,482
Interest and fiscal charges	1,518,953	1,553,458	1,590,577	1,632,255	1,698,168
Total Expenditures:	57,660,439	57,803,736	52,863,734	57,659,026	53,276,220
Excess of Revenues over (under) Expenditures	(91,705)	2,449,079	2,637,730	-3,652,307	2,973,877
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	7,379,793	8,316,550	5,875,179	11,650,983	6,316,115
Transfers out	(6,382,102)	(7,386,238)	(6,790,044)	(11,463,431)	(5,602,437)
Total Other Financing Sources (Uses):	997,691	930,312	(914,865)	187,552	839,635
Net change in fund balances	\$905,986	\$3,379,391	\$1,722,865	(\$3,464,755)	\$3,813,512
Debt service as a percentage of noncapital expenditures: ⁽¹⁾	4.00%	4.92%	5.61%	5.29%	5.80%

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

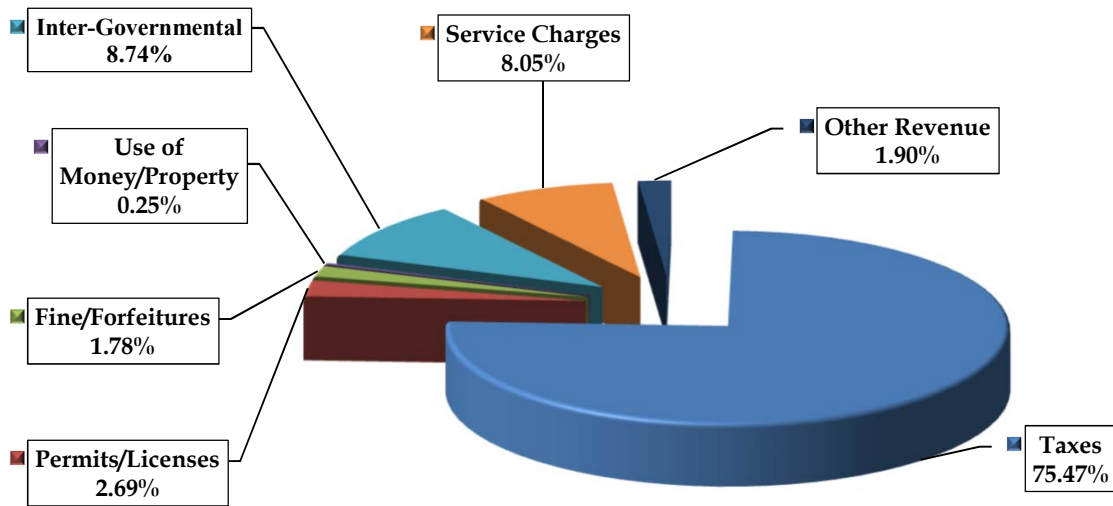
Governmental Revenues By Sources

Last Ten Fiscal Years

Fiscal Year	Taxes	Permits, Licenses and Fees	Fines and Forfeitures	Uses of Money and Property
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
2017-18	47,527,518	1,694,670	1,124,079	158,902

General Revenues by Sources

Fiscal Year Ended June 30, 2018

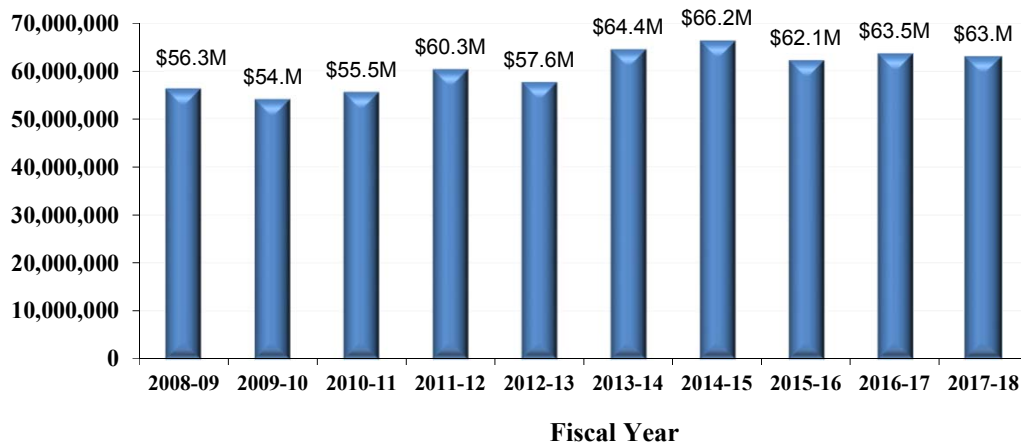


Source: City of Gardena, Administrative Services Department - Finance Division

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

Fiscal Year	Inter-Governmental	Charges for Services	Other Revenues	Total
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
2017-18	6,201,645	5,070,020	1,197,011	62,973,845

General Revenues by Sources
Last Ten Fiscal Years



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

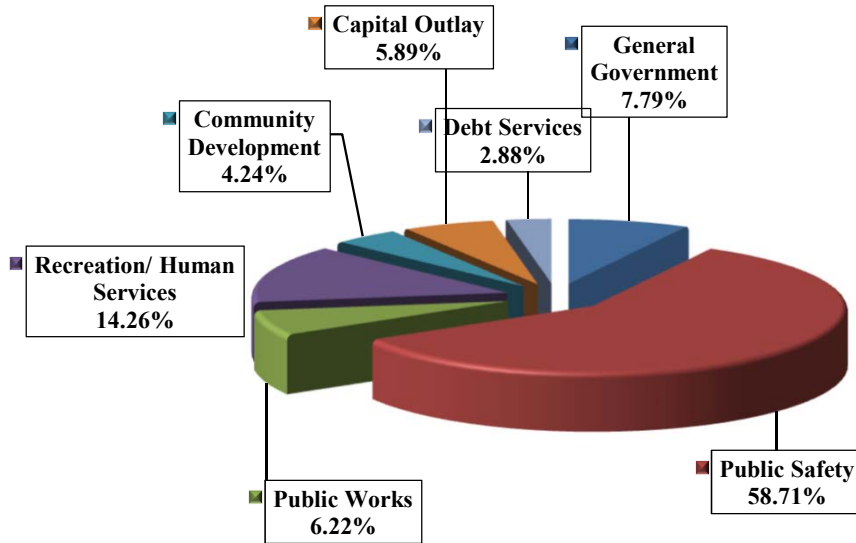
City of Gardena

General Governmental Expenditures By Function

Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Recreation and Human Services
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
2017-18	5,025,047	37,851,314	4,012,134	9,194,054

General Governmental Expenditures by Function Fiscal Year ended June 30, 2018



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

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

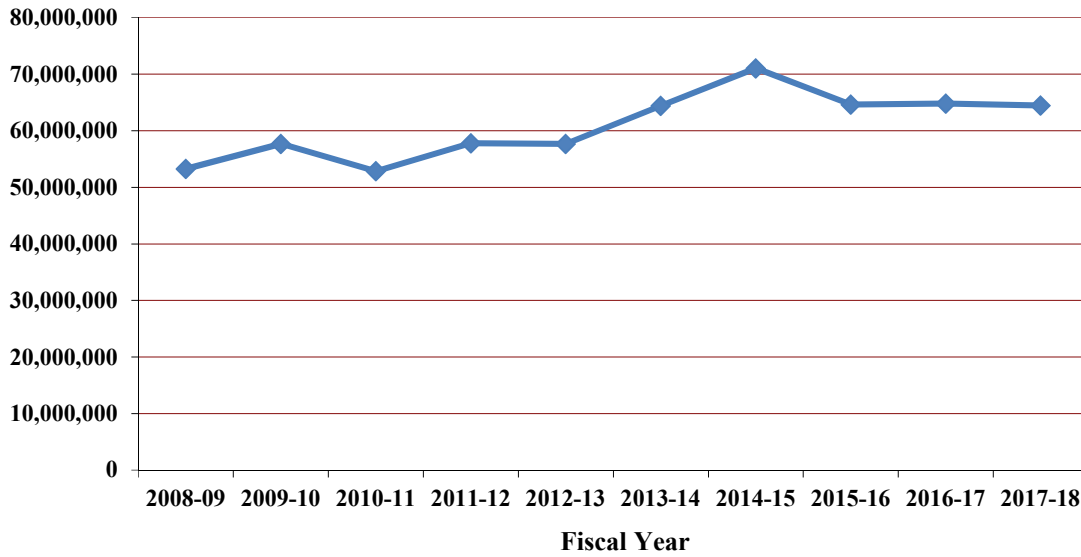
(1) These figures include Lease/Bonds, Payments for Debt Services and excluding Cost of bonds issuance and escrow payments.

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
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
2017-18	2,734,299	3,794,206	1,855,557	64,466,611

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)

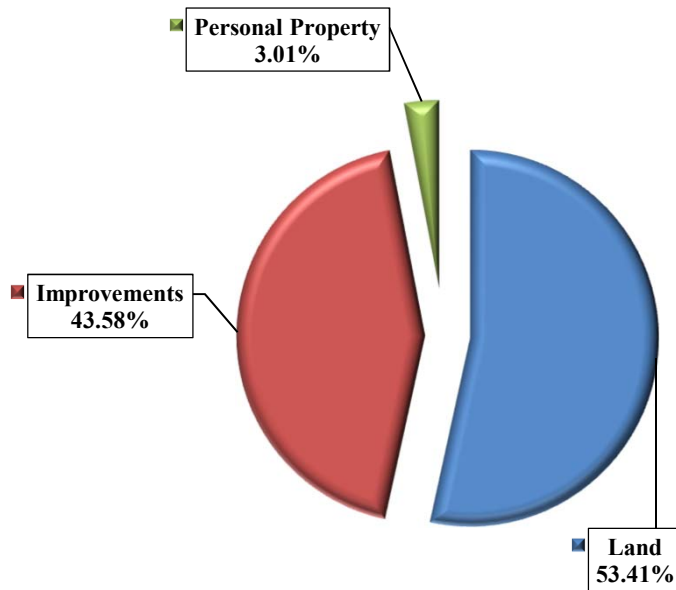
⁽¹⁾ These figures include Lease/Bonds, Payments for Debt Services and excluding Cost of bonds issuance and escrow payments.

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
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
2017-18	256,548	500	0	257,048	3,259,570,366	2,534,031,367	22,671,336	(97,785,800)	5,718,487,269

**Assessed Valuation by Categories
(Total Secured and Unsecured)
Fiscal Year Ended June 30, 2018**



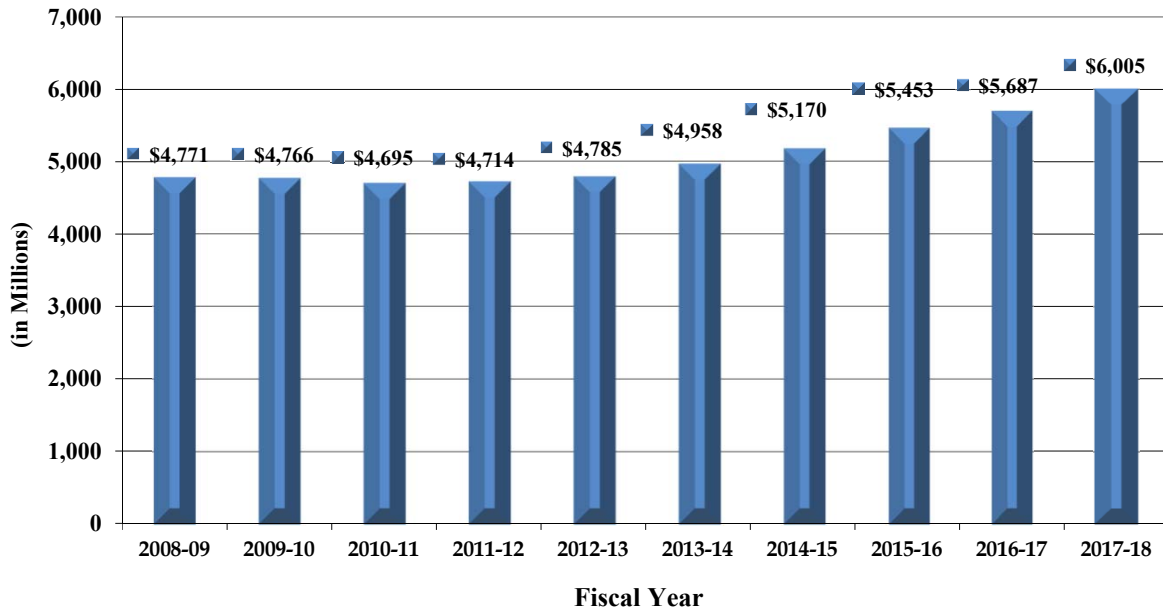
In 1978, California voters passed Proposition 13 which set the property tax at a 1.00% fixed amount. This 1.00% is shared by all the taxing agencies for which the subject property resides within. In addition to 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property 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					
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
2017-18	125,455,566	161,242,825	(47,000)	286,651,391	6,103,228,508	6,005,395,708	5.60%	0.11766%	47,602,798

**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				
	2017-18	2016-17	2015-16	2014-15	2013-14
Residential	\$3,879,882,318	\$3,623,545,163	\$3,441,407,499	\$3,247,456,567	\$3,069,926,331
Commercial	831,348,140	791,527,339	750,255,119	715,396,379	680,433,002
Industrial	834,753,358	796,231,706	763,622,835	735,316,073	726,907,557
Govt. Owned	0	5,250,000	-	-	-
Recreational	38,342,794	38,760,141	39,348,412	38,689,706	38,596,521
Institutional	78,834,725	69,798,622	65,412,639	62,243,721	68,337,737
Miscellaneous	- 451,519	- 442,667	-	-	-
Vacant land	46,086,466	54,308,182	57,298,803	46,471,775	43,043,588
SBE Nonunitary	257,048	257,048	257,048	3,447,881	3,447,881
Possessory Int.	8,787,949	8,513,799	7,783,045	6,245,168	6,057,906
Unsecured	286,651,391	298,317,633	327,711,675	315,062,605	321,015,836
Unknown	-	-	22	-	-
	6,005,395,708	5,686,952,300	5,453,097,097	5,170,329,875	4,957,766,359
Homeowner Exemption ⁽¹⁾	-	-	-	-	-
TOTALS:	\$6,005,395,708	\$5,686,952,300	\$5,453,097,097	\$5,170,329,875	\$4,957,766,359

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.

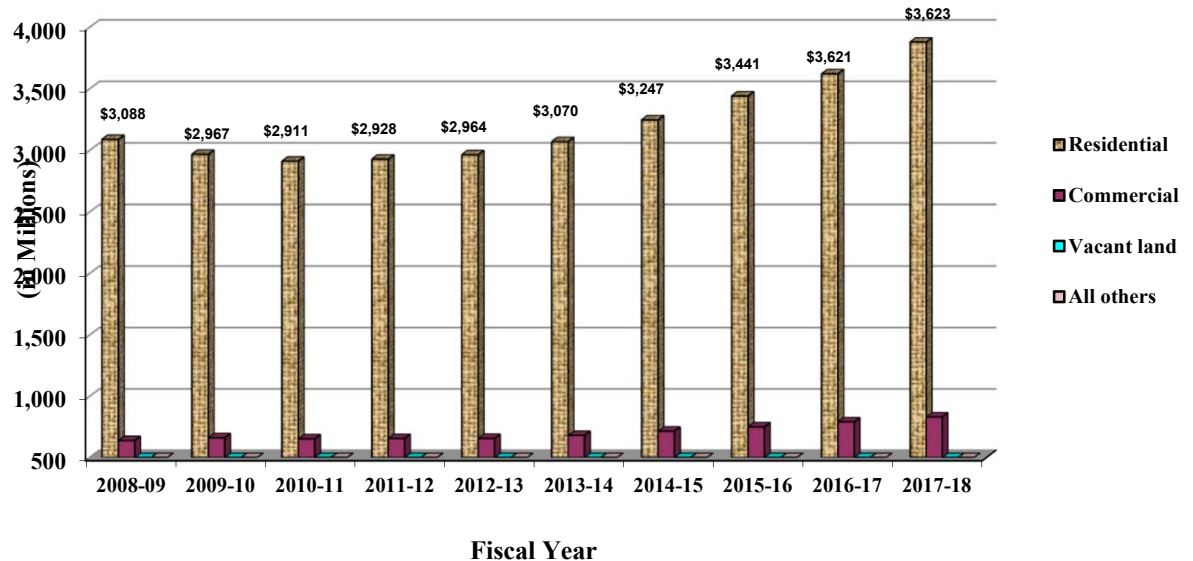
⁽¹⁾ -In 2006-07 certain report formatting changes have been made to comply with GASB 44 standard reporting requirements; therefore, the net of Homeowner Exemption is separated from previous years.

Source: L.A. County Assessor 2008/09-2017/18 Combined Tax Rolls, HdL, Coren & Cone

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

CATEGORY	Fiscal Year				
	2012-13	2011-12	2010-11	2009-10	2008-09
Residential	\$2,964,299,525	\$2,928,170,695	\$2,911,633,835	\$2,967,752,342	\$3,088,152,735
Commercial	656,284,650	654,739,043	651,966,960	661,412,473	637,873,533
Industrial	710,111,242	685,590,136	680,070,403	671,982,631	621,221,030
Govt. Owned	-	-	-	-	-
Recreational	38,681,903	39,093,769	37,970,527	38,835,383	39,124,755
Institutional	29,057,255	33,433,960	40,203,021	35,342,641	32,840,476
Miscellaneous	-	-	-	-	-
Vacant land	45,420,007	45,486,424	36,066,401	49,773,918	43,472,782
SBE Nonunitary	3,447,881	3,447,881	3,785,648	3,748,677	4,022,117
Possessory Int.	5,953,104	5,553,161	5,413,157	7,871,043	9,971,367
Unsecured	331,556,748	318,518,605	328,342,954	329,499,628	294,292,417
Unknown	-	-	-	-	-
	4,784,812,315	4,714,033,674	4,695,452,906	4,766,218,736	4,770,971,212
Homeowner Exemption ⁽¹⁾	-	-	-	-	-
TOTALS:	\$4,784,812,315	\$4,714,033,674	\$4,695,452,906	\$4,766,218,736	\$4,770,971,212

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 2008/09-2017/18 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
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
2017-18	3,879,882	831,348	834,753	-	38,342	78,834	-	46,086

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 2008/09-2017/18 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	Misc.	TOTAL	Direct	Estimated	Taxable
						Tax	Taxable	Assessed
						Rate ⁽¹⁾	Value ⁽²⁾	Value
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
2017-18	257	8,787	286,651	-	6,004,940	0.11790	8,008,849	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.

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-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.

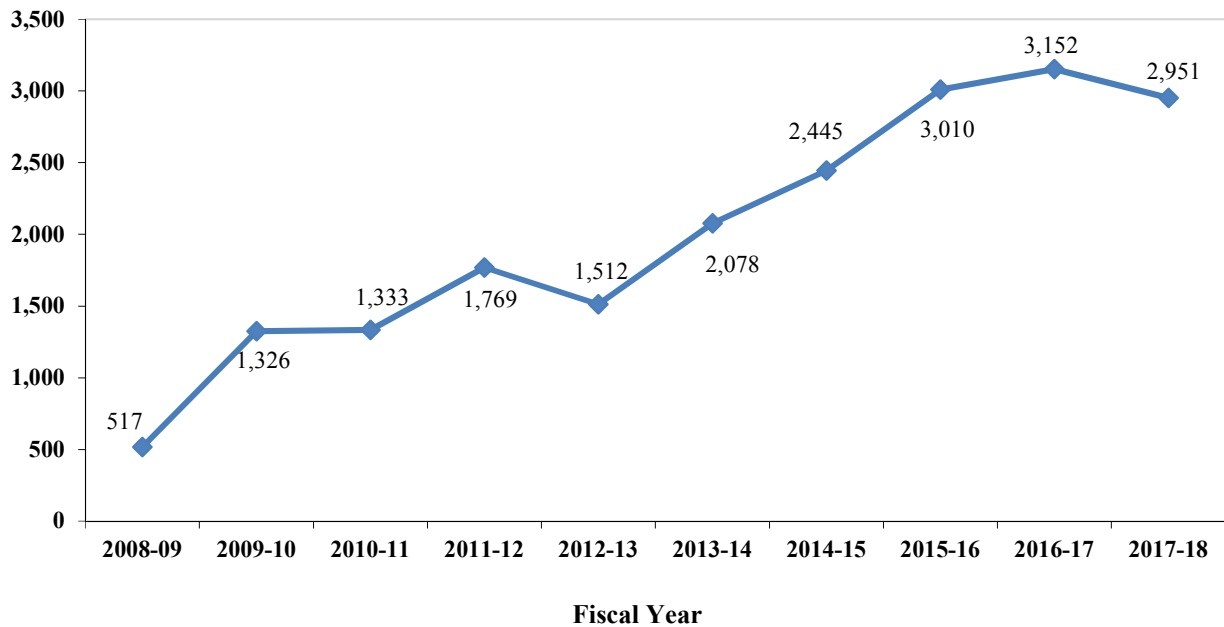
⁽²⁾ Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sales price and the Factor of Taxable Assessed Value is the result. This factor is changing from year to year; however, since the previous fiscal years calculating data is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

Source: L.A. County Assessor 2008/09-2017/18 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
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
2017-18	964	18,379,450	264	25,034,187	15	1,069,280

Number of Permits
Last Ten Fiscal Years

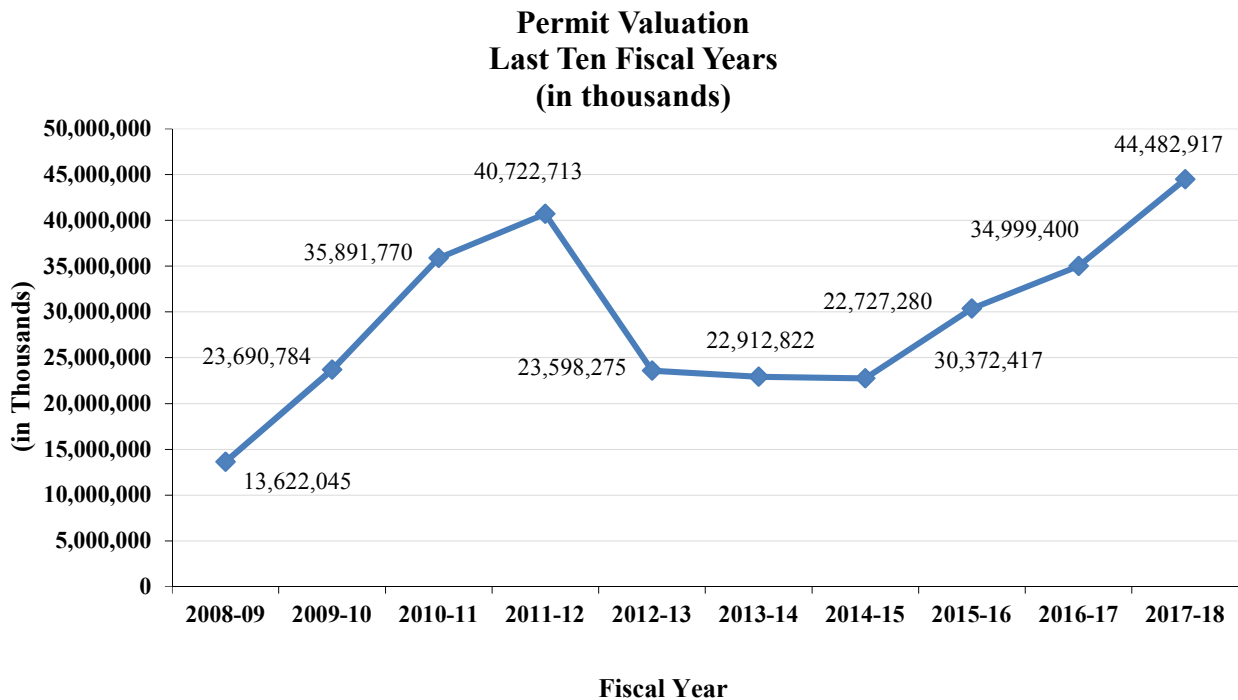


Sources: ⁽¹⁾ City of Gardena, Community Development Department.

⁽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	
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
2017-18	1,708	-	2,951	44,482,917	1,913,039



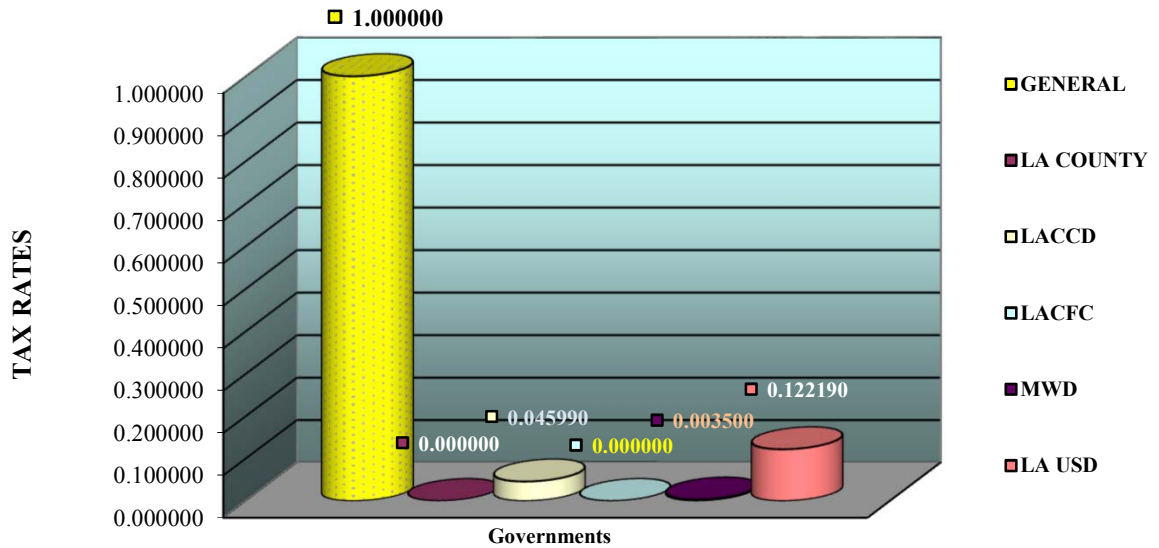
Sources: ⁽¹⁾ City of Gardena, Community Development Department.

⁽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>
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
2017-18	1.000000	0.000000	0.122190

Property Tax Rates -All Overlapping Governments
Fiscal Year ended June 30, 2018



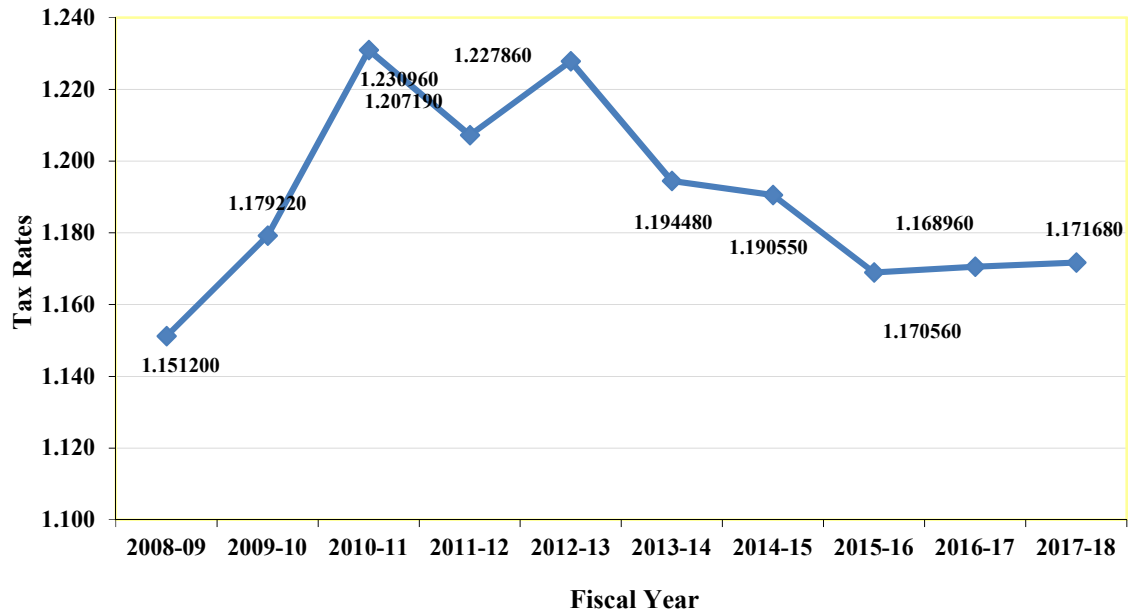
⁽¹⁾ Tax Rate Areas: TRA 000576

-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
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	1.170560
2017-18	0.045990	0.000000	0.003500	1.171680

**Total Overlapping Governments
Last Ten Fiscal Years**



⁽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				
	17-18	16-17	15-16	14-15	13-14
City of Gardena Tax District 1	0.11160 %	0.11160 %	0.11160 %	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⁾:	0.11766 %	0.11790 %	0.11809 %	0.11837 %	0.11856 %
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 2008/09-2017/18 Combined Tax Rolls, HdL, Coren & Cone

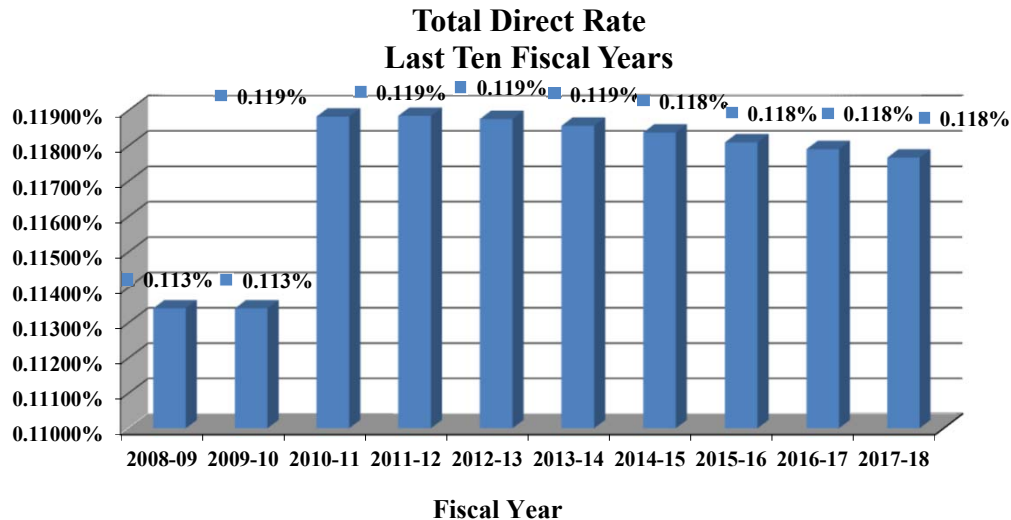
City of Gardena
Direct and Overlapping Property Tax Rates (Continued)
(rate per \$100 of assessed value)
Ten Fiscal Year Detail of Rates for Largest General Fund Tax Rates Area 00576
(Proposition 13 Rate)

Agency	FISCAL YEAR				
	12-13	11-12	10-11	09-10	08-09
City of Gardena Tax District 1	0.11157 %	0.11157 %	0.11157 %	0.11157 %	0.11157 %
Children's Institutional Tuition Fund	0.00285 %	0.00285 %	0.00285 %	0.00285 %	0.00285 %
County Sanitation District No. 5 Operations	0.01256 %	0.01256 %	0.01256 %	0.01256 %	0.01256 %
County School Services	0.00144 %	0.00144 %	0.00144 %	0.00144 %	0.00144 %
County School Service Fund of Angeles -LAUSD	0.00001 %	0.00001 %	0.00001 %	0.00001 %	0.00001 %
Development Center for Handicapped Minors -LA Unified School District	0.00127 %	0.00127 %	0.00127 %	0.00127 %	0.00127 %
Educational Augmentation Fund Impound	0.16240 %	0.16240 %	0.16240 %	0.16240 %	0.16240 %
Educational Augmentation Fund (ERAF) Impound	0.07820 %	0.07827 %	0.07827 %	0.07827 %	0.07827 %
LA County Community College District	0.03070 %	0.03070 %	0.03070 %	0.03070 %	0.03070 %
LA County Community College Children's Center Fund	0.00032 %	0.00032 %	0.00032 %	0.00032 %	0.00032 %
LA County Accumulative Capital Outlays	0.00012 %	0.00012 %	0.00012 %	0.00012 %	0.00012 %
LA County Fire - Ffw	0.00747 %	0.00747 %	0.00747 %	0.00747 %	0.00747 %
LA County Flood Control Improvement District	0.00178 %	0.00178 %	0.00178 %	0.00178 %	0.00178 %
LA County Library	0.02380 %	0.02380 %	0.02380 %	0.02380 %	0.02380 %
LA County Flood Control Maintenance	0.01007 %	0.01007 %	0.01007 %	0.01007 %	0.01007 %
Los Angeles Children's Center Fund	0.00371 %	0.00371 %	0.00371 %	0.00371 %	0.00371 %
LA County General	0.32520 %	0.32520 %	0.32520 %	0.32520 %	0.32520 %
Los Angeles Unified School District	0.22590 %	0.22590 %	0.22590 %	0.22590 %	0.22590 %
Greater L A Co Vector Control	0.00038 %	0.00038 %	0.00038 %	0.00038 %	0.00038 %
Water Replacement District of Southern California	0.00018 %	0.00018 %	0.00018 %	0.00018 %	0.00018 %
Total Prop. 13 Rate:	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %

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

0.11875 %	0.11884 %	0.11882 %	0.11340 %	0.11340 %
0.00000 %	0.00000 %	0.00000 %	0.00000 %	0.00000 %

County of Los Angeles ⁽¹⁾



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

Owner/Taxpayer	Business Type	Fiscal Year 2017-18		Fiscal Year 2008-09	
		Total Assessed Value	Percent of Total City Assessed Value	Total Assessed Value	Percent of Total City Assessed Value
Nissin Foods Company Inc.	Manufacturing	\$62,473,845	1.04 %		
Avcorp Composite Fabrication	Manufacturing	47,536,283	0.79		
GA HC REIT II Gardena CA Hospital LLC	Hospital services	45,346,945	0.76		
Hitco Carbon Composites Inc.	Manufacturing	30,928,377	0.52		
JSL Gardena I, LLC	Non-residential property owners	30,014,661	0.50		
Ray Pellegrino Trust	Property management	26,128,512	0.44		
Gardena Professional Medical Plaza	Property management	25,330,300	0.42		
Majestic Properties Inc.	Property management	23,706,727	0.39		
Gramercy Properties Inc	Non-residential property owners	22,558,420	0.38		
PK I Gardena Gateway Center LP	Retail sales	21,356,578	0.36		
Hitco Carbon Composites Inc.	Manufacturing parts			41,840,918	0.88 %
Megdal Family Trust	Property management			39,838,961	0.84
Southwest Offset Printing Company	Manufacturing parts			38,046,789	0.80
Majestic Properties Inc.	Property management			27,968,156	0.59
JSL Gardena I, LLC	Non-residential property owners			26,520,000	0.56
Dayton Hudson Corporation	Property management			19,830,517	0.42
PK I Gardena Gateway Center LP	Retail sales			18,870,000	0.40
Gramercy Properties Inc	Non-residential property owners			17,541,942	0.37
Brek Manufacturing Company	Manufacturing parts			17,058,085	0.36
Russmar Investment Coporation	Property management			16,744,060	0.35
Top Ten Totals (secured and unsecured):		335,380,648	5.58 %	264,259,428	5.54 %
All Others (secured)		5,670,015,060	94.42	4,506,711,784	94.46
Total All Assessed Valuation (secured):		<u>\$6,005,395,708</u>	<u>100.00 %</u>	<u>\$4,770,971,212</u>	<u>100.00 %</u>

Source: L.A. County Assessor 2008/09-2017/18 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 2017-18			Fiscal Year 2008-09		
	Tax Payers	Business Type		Tax Payers	Business Type
1	Chevron Service Stations	Service Stations		Albertson's Food Centers	Food Markets
2	Crenshaw Lumber Company	Bldg. Matls-Whsle		Arco AM/PM Mini Marts	Service Stations
3	Crenshaw Wholesale Electric	Electronic Equipment		Chevron Service Stations	Service Stations
4	Enterprise Rent-A-Car	Leasing		Crenshaw Lumber Company	Bldg. Matls-Whsle
5	Food 4 Less	Food Markets		Crenshaw Wholesale Electric	Electronic Equipment
6	G & C Equipment Finders	Bldg. Matls-Retail		Enterprise Rent-A-Car	Leasing
7	Gardena Honda	Auto Sales		Food 4 Less	Food Markets
8	Gardena Nissan	Auto Sales		G & C Equipment	Bldg. Matls-Retail
9	Gardena Petroleum	Service Stations		Gardena Honda	Auto Sales
10	Honda Lease Trust	Leasing		Gardena Nissan	Auto Sales
11	In-N-Out Burger	Restaurants		Hitco Carbon Composites	Wholesale
12	Marukai Corporation	Food Markets		JD Fields Lumber Company	Bldg. Matls-Whsle
13	Mcdonald's Restaurants	Restaurants		Marukai Corporation	Food Markets
14	Pacific Supply Company	Bldg. Matls-Retail		Mcdonald's Restaurants	Restaurants
15	Ralph's Grocery Company	Bldg. Matls-Retail		Mobile Service Stations	Service Stations
16	Roofline	Bldg. Matls-Whsle		Nader's Furniture Store	Furniture/Appliance
17	Sam's Club	Deparment Store		Pacific Supply Company	Bldg. Matls-Retail
18	Smardan-Hatcher Supply Company	Bldg. Matls-Whsle		Peterson Hydraulic	Bldg. Matls-Whsle
19	Target Stores	Department Store		Sam's Club	Department Store
20	The New York Times	Miscellaneous Retail		Sav-On Drug Stores	Drug Stores
21	United Oil	Energy Sales		Smardan-Hatcher Supply Company	Bldg. Matls-Whsle
22	Vons Grocery Company	Department Store		Target Stores	Department Store
23	Winall Oil Company	Energy Sales		The New York Times	Miscellaneous Retail
24	Wood Oil Company	Energy Sales		Union 76 Service Stations	Service Stations
25	Z Gallerie Outlet	Furniture/Appliance		Vons Grocery Company	Department Store

-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.

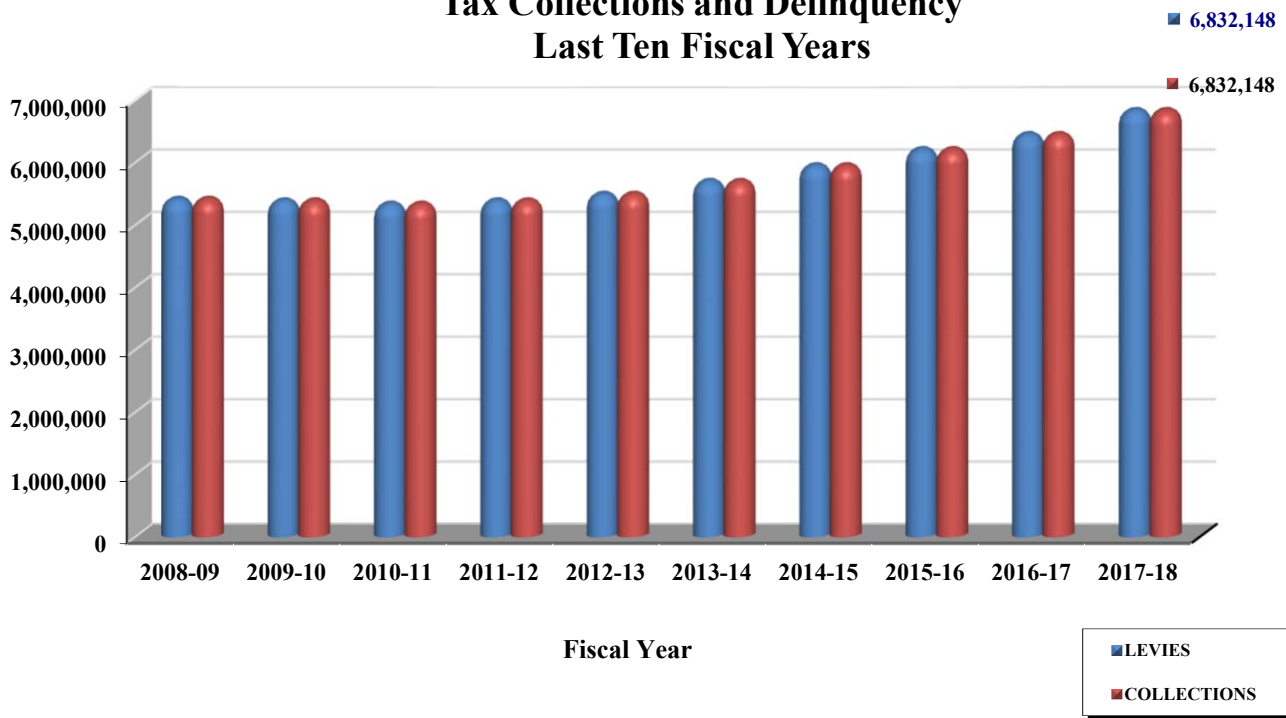
City of Gardena

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
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%
2017-18	6,832,148	6,816,038	99.76%	16,110	6,832,148	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

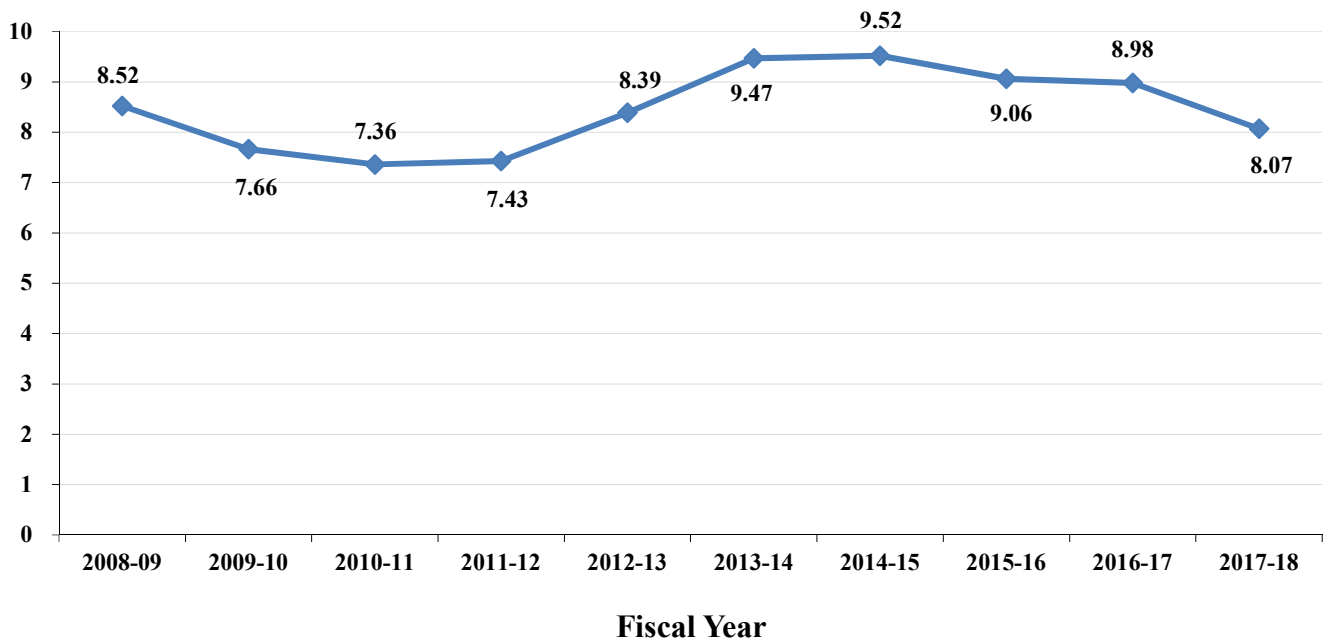
Card Club Gross Revenue Fee

Last Ten Fiscal Years

Fiscal Year	Card Club Revenue	General Fund Gross Revenue ⁽¹⁾	Percent of General Fund Revenue
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%
2017-18	8,071,001	55,972,281	14.42%

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

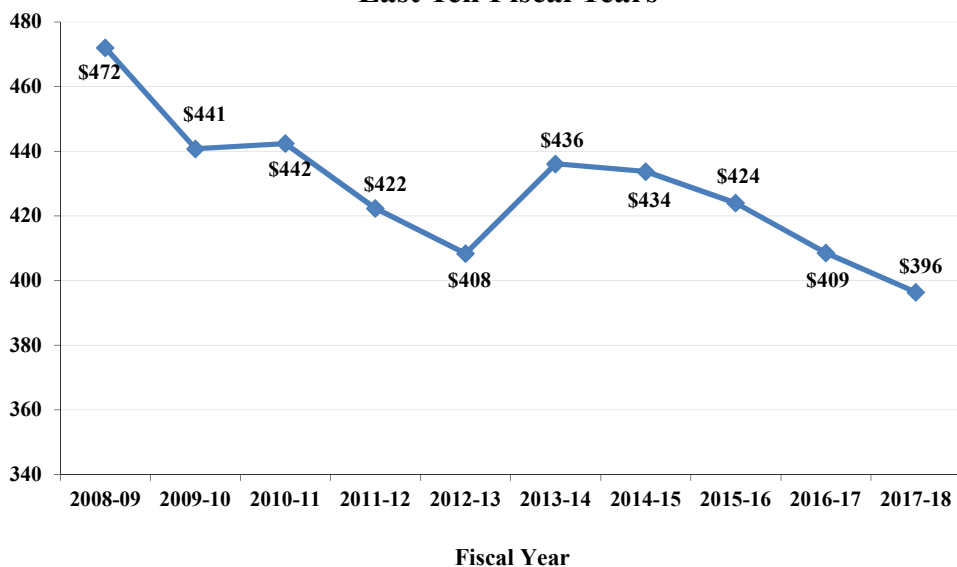
Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

GOVERNMENTAL ACTIVITIES									Percent	Average			
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	Capita	of Debt by
						Lease			Value ⁽³⁾	Value	Capita	Income ⁽⁴⁾	Income
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	-	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%
2017-18	61,246	8,710,000	10,552,291	-	3,287,209	1,635,000	93,545	24,278,045	6,005,395,708	0.40%	396	23,584	1.68%

Outstanding Debt per Capita

Last Ten Fiscal Years



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		
2013-14	50,134,075	46,124,292	4,009,783	80,000	109,575	21.15	
2014-15	52,812,682	47,519,284	5,293,398	85,000	105,575	27.78	
2015-16	58,533,801	54,061,516	4,472,285	90,000	101,575	23.34	
2016-17	58,337,629	55,320,472	3,017,157	95,000	97,325	15.69	
2017-18	55,972,281	56,342,986	(370,705)	95,000	92,825	(1.97)	

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.
 - Shortfall in net available revenue was covered by the general fund balance

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

City of Gardena

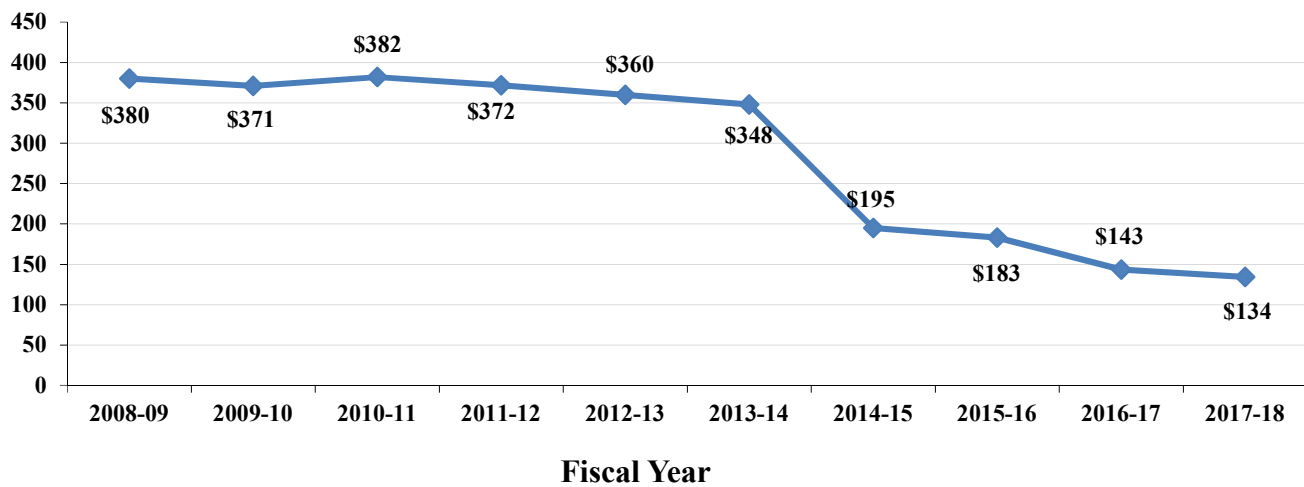
Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

OUTSTANDING GENERAL BONDED DEBT					Percent of		
Fiscal Year	Population ⁽¹⁾	Certificates of Participation	Less: Amounts Available in Debt Service Fund ⁽²⁾	Total	Taxable Assessed Value	Taxable Assessed Value	Debt per Capita
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
2017-18	61,246	8,710,000	490,000	8,220,000	6,005,395,708	0.14%	134

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, 2018

	2017-18 Assessed Valuation:	\$6,005,395,708	
	2017-18 Population:	60,721	
	Total Debt 06/30/2018	Percent Applicable To City	City's Share of Debt 06/30/2018
Direct Debt			
Ref Cops, Ref Rev & Taxable Lease Rev Ref Bonds, Direct Placement, Loans Payable and Other	26,480,000	100.000 %	26,480,000
Total Direct Debt	26,480,000		26,480,000
OVERLAPPING DEBT			
METROPOLITAN WATER DISTRICT	29,354,442	0.524 %	153,819
LA CCD DS 2003 TAXABLE SERIES 2004E	2,115,000	0.756 %	15,995
LA CCD DS 2001 TAXABLE SERIES 2004A	31,555,000	0.756 %	238,636
LA CCD DS 2001, 2008 SER E-1	7,580,000	0.756 %	57,324
LA CCD DS 2003, 2008 SER F-1	7,575,000	0.756 %	57,286
LA CCD DS 2008, 2009 TAXABLE SER E	75,000,000	0.756 %	567,191
LA CCD DS 2008, 2010 TAX SERIES D	125,000,000	0.756 %	945,319
LA CCD DS 2008, 2010 TAX SER E (BABS)	900,000,000	0.756 %	6,806,297
LA CCD DS 2008 2012 SERIES F	205,000,000	0.756 %	1,550,323
LA CCD DS 2013 REF BONDS	42,305,000	0.756 %	319,934
LA CCD DS 2008 SERIES G	1,664,870,000	0.756 %	12,590,667
LA CCD DS 2015 REF SERIES A	33,270,000	0.756 %	251,606
LA CCD DS 2015 REF SERIES B	272,085,000	0.756 %	2,057,657
LA CCD DS 2015 REF SERIES C	223,910,000	0.756 %	1,693,331
LA CCD DS 2008 SERIES I	175,565,000	0.756 %	1,327,720
LA CCD DS 2016 REF BONDS	300,000,000	0.756 %	2,268,766
LA CCD DS 2016, 2017 SER A	100,000,000	0.756 %	756,255
LOS ANGELES USD DS 2004 SERIES A	125,535,000	0.932 %	1,169,885
LOS ANGELES UNIF DS 2005 REF BONDS A-1	38,035,000	0.932 %	354,434
LOS ANGELES UNIF DS 2005 REF BONDS A-2	14,790,000	0.932 %	137,823
LOS ANGELES UNIF DS 2002 SERIES E	200,000,000	0.932 %	1,863,727
LOS ANGELES UNIF DS 2004 SERIES E	739,280,000	0.932 %	6,889,081
LOS ANGELES UNIF DS 2005 SERIES E	609,075,000	0.932 %	5,675,748
LAUSD MEASURE R SERIES 2005	47,425,000	0.932 %	441,936
LAUSD MEASURE R SERIES KRY BABS	363,005,000	0.932 %	3,382,711
LAUSD MEASURE Y 2009 SERIES KRY BABS	806,795,000	0.932 %	7,518,229
LAUSD MEASURE K 2010 SERIES KRY	145,250,000	0.932 %	1,353,532
LAUSD MEASURE R 2010 SERIES KRY	157,165,000	0.932 %	1,464,563
LAUSD MEASURE Y 2010 SERIES KRY	130,450,000	0.932 %	1,215,616
LAUSD MEASURE R 2010 SERIES RY BABS	477,630,000	0.932 %	4,450,860
LAUSD MEASURE Y 2010 SERIES RY BABS	772,955,000	0.932 %	7,202,886
LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A	127,870,000	0.932 %	1,191,574
LOS ANGELES UNIF DS 2011 REFUNDING BOND SERIES A	143,980,000	0.932 %	1,341,697
LOS ANGELES UNIF DS 2014 REF BOND SERIES A	109,940,000	0.932 %	1,024,491
LOS ANGELES UNIF DS 2014 REF BOND SERIES E	283,135,000	0.932 %	2,638,432
LOS ANGELES UNIF DS 2014 REF BOND SERIES C	909,360,000	0.932 %	8,473,994
LOS ANGELES UNIF DS 2014 REF BOND SERIES I	153,385,000	0.932 %	1,429,339
LOS ANGELES UNIF DS 2005 SERIES K	8,035,000	0.932 %	74,875
LOS ANGELES UNIF DS 2015 REF BONDS SERIES I	318,085,000	0.932 %	2,964,118
LOS ANGELES UNIF DS 2008 SERIES A 2016	1,162,115,000	0.932 %	10,829,326
LOS ANGELES UNIF DS 2016 REF BONDS SERIES A	500,855,000	0.932 %	4,667,285
LOS ANGELES UNIF DS 2016 REF BONDS SERIES B	1,057,635,000	0.932 %	9,855,715
LOS ANGELES UNIF DS 2017 REF BONDS SERIES A PROP BB	1,202,445,000	0.932 %	11,205,147
Total Overlapping Debt	14,799,414,442		130,475,153
Total Direct and Overlapping Debt			\$ 156,955,153 ⁽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 2017-18 Assessed Valuation		Per Capita
-Direct Debt (\$26,480,000).....	0.38%	436
-Overlapping Debt.....	2.14%	2,149
-Total Debt.....	2.52%	2,585

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/2018: \$0

Source: HDL Coren & Cone, Los Angeles County Assessor's Office

City of Gardena
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	17-18	16-17	15-16	14-15	13-14
Assessed valuation	\$6,005,395,708	\$5,686,952,300	\$5,453,097,097	\$5,170,329,875	\$4,957,766,359
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,501,348,927	1,421,738,075	1,363,274,274	1,292,582,469	1,239,441,590
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$225,202,339	\$213,260,711	\$204,491,141	\$193,887,370	\$185,916,238
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	\$225,202,339	\$213,260,711	\$204,491,141	\$193,887,370	\$185,916,238
Total debt applicable to the limit as a percentage of debt limit	- 0%	- 0%	- 0%	- 0%	- 0%

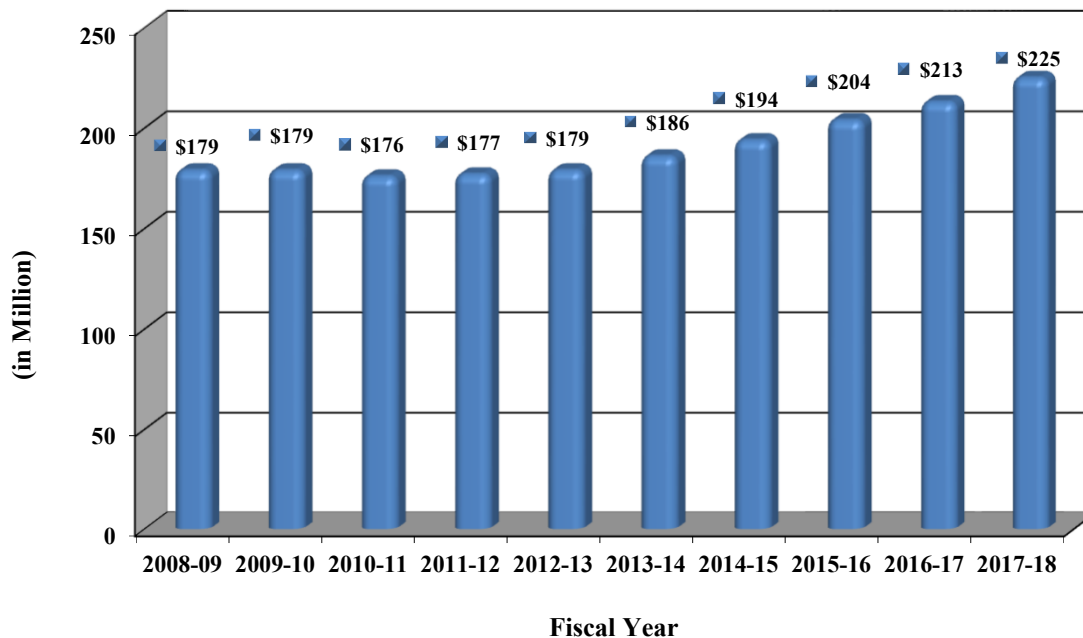
Section 43605 of the Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% OF MARKET VALUE. Effective with 1981-82 fiscal year, each parcel is now assessed at 100% of 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				
	12-13	11-12	10-11	09-10	08-09
Assessed valuation	\$4,784,812,315	\$4,714,033,674	\$4,695,452,906	\$4,766,218,736	\$4,770,971,212
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,196,203,079	1,178,508,419	1,173,863,227	1,191,554,684	1,192,742,803
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$179,430,462	\$176,776,263	\$176,079,484	\$178,733,203	\$178,911,420
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-
Legal debt margin	\$179,430,462	\$176,776,263	\$176,079,484	\$178,733,203	\$178,911,420
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

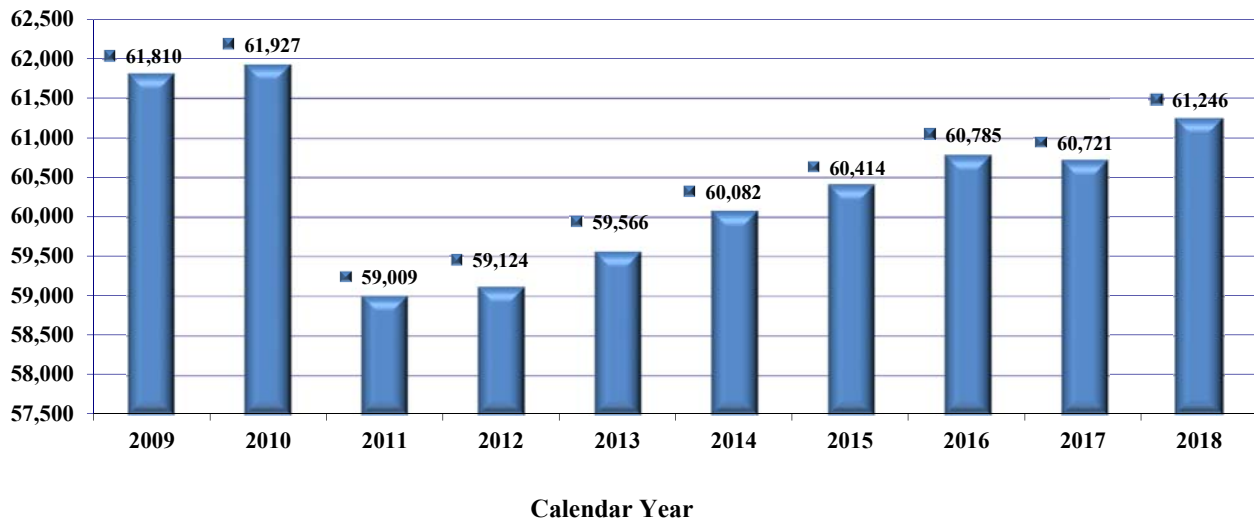
Demographic and Economic Statistics

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⁾
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%
2018	21,815	61,246	0.86%	10,163,507	-2.27%	1,444,440	23,584	694,096	29,300	4.80%

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	2018		2009	
		Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
United Parcel Service Inc.	Delivery	784	2.68%		
Gardena Memorial Hospital	Hospital services	769	2.62%		
Hustler Casino	Casino	730	2.49%		
Larry Flynt's Lucky Lady Casino	Casino	358	1.22%		
Southwest Offset Printing	Book binding and printing	326	1.11%		
Air Fayre	Airline Caterers	325	1.11%		
Avcorp	Manufacturing parts	300	1.02%		
Kindred Hosiptal South Bay	Hospital services	210	0.72%		
PB Fastners	Manufacturing parts	204	0.70%		
Target	Retail	200	0.68%		
Hustler Casino	Casino			696	2.49%
Gardena Memorial Hospital	Hospital services			603	2.16%
Normandie Club, LP	Casino			497	1.78%
Southwest Offset Printing	Book binding and printing			490	1.76%
Southwest Offset Printing	Book binding and printing			500	1.79%
Hitco Carbon Companies	Manufacturing parts			400	1.43%
Ramona's Mexican Food	Food			235	0.84%
Nissin Foods	Food			224	0.80%
Sam's Club	Retail			190	0.68%
United Parcel Service Inc.	Delivery			175	0.63%
Total top ten employers		4,206		4,010	
Total City Employment ⁽¹⁾		29,300		27,900	

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.

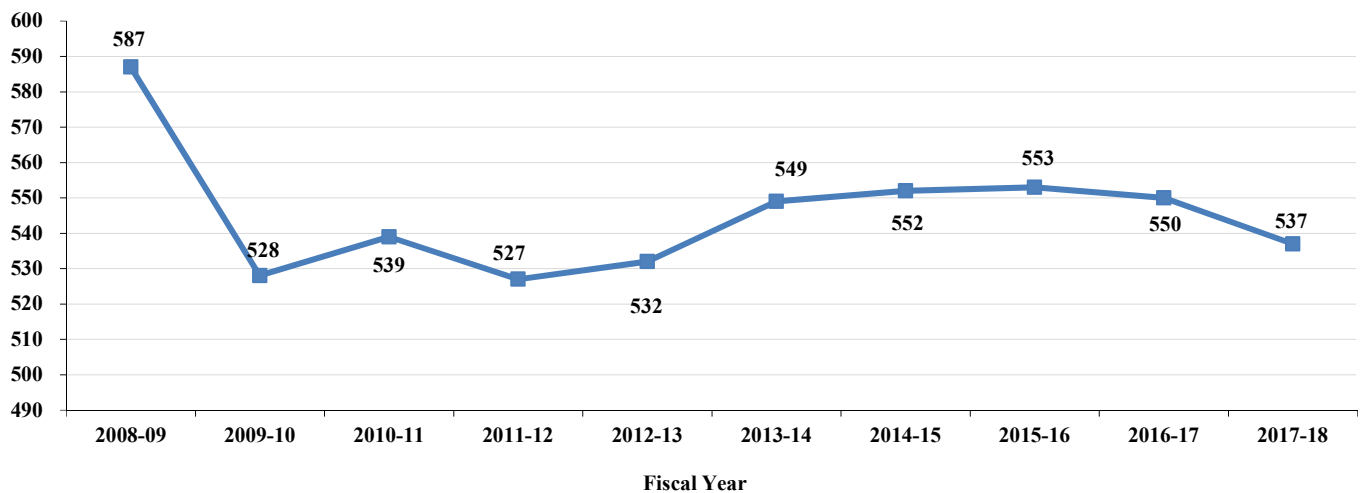
⁽¹⁾ Total City employment provided by EDD-Labor Market Information Division and 2008-2009 City CAFR.

SOURCE: Economic Development Staff

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

Function	Fiscal Year									
	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
General government	209	186	181	181	181	168	188	206	192	197
Public safety	142	154	160	157	162	158	152	149	154	157
Public works	31	51	50	50	47	45	46	47	46	44
Community development	15	19	18	17	16	16	12	11	11	16
Transit - Bus line	140	140	144	147	143	145	129	126	125	173
Total	537	550	553	552	549	532	527	539	528	587

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									
	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Police:										
Arrests	2,901	2,642	2,423	4,499	3,251	3,333	3,421	3,159	3,892	4,467
Number of parking citations issued	29,254	23,145	22,665	11,203	24,622	26,615	25,218	21,337	19,223	21,068
Public works:										
Street resurfacing (miles)	0.49	4.52	2.95	7.00	3.38	5.15	8.42	4.83	40.00	10.94
Traffic lights and signals	91	91	90	89	88	88	88	88	88	80
Parks and recreation:										
Number of recreation classes	1,226	1,410	1,466	1,150	1,080	1,232	1,380	1,360	1,338	1,349
Number of facility rentals	1,112	1,222	1,221	1,164	1,072	876	713	1,135	1,164	1,396
Transit:										
Number of customers served ⁽¹⁾	3,110,354	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

NOTE:

⁽¹⁾ Fiscal Year 2017-18 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									
	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
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	25.0	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 ⁽¹⁾	3,327	3,321	3,350	3,319	3,181	3,229	3,247	3,250	3,186	3,186
-City maintenance	191	198	385	197	192	192	194	194	176	176
Traffic signals	69	69	70	69	68	68	68	68	68	64
Traffic signals (shared)	22	22	23	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 ⁽²⁾	2	2	2	2	2	2	2	2	1	1
Community center ⁽²⁾	1	1	1	1	1	1	1	1	2	2
Transit:										
Stations	1	1	1	1	1	1	1	1	1	1
Bus stops	492	595	595	595	595	649	649	609	609	515

NOTES:

⁽¹⁾ Streetlights maintained by Southern California Edison Company.

⁽²⁾ Corrected in Fiscal Year 2010-11 gymnasium and community center was reversed.

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

**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, 2018, 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 7, 2018.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 7, 2018