

## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardena, California (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

#### ***Aggregate Net Pension Liabilities***

As discussed in Note 2A, the unrestricted net position is a deficit in the amount of \$(84,846,187), which includes \$(59,929,081) reported under Governmental Activities and \$(24,917,106) reported under Business-Type Activities. It is mainly due to the net pension liability as discussed in Note 10. Aggregate net pension liabilities for Governmental Activities and Business-Type Activities are in the amounts of \$70,409,957 and \$17,657,493, respectively. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Changes in Net Pension Liabilities and Related Ratios – CalPERS Miscellaneous Plan, Schedule of Proportionate Share of Net Pension Liabilities and Related Ratios – CalPERS Safety Plan, Schedules of Contributions, and Schedule of Funding Progress - OPEB on pages 7 through 16 and 95 through 102 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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Santa Ana, California  
December 4, 2017

*Comprehensive Annual Financial Report*  
*June 30, 2017*



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

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gardena, California (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 4, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "The Pw Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
December 4, 2017

## City of Gardena

### Management's Discussion and Analysis

As management of the City of Gardena (City), California, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, as well as with the City's financial statements, which follow this discussion.

#### Financial Highlights

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2016-2017 fiscal year by \$15,464,635 (net position).
- ◆ The City's total net position decreased \$6,755,372. Net position of governmental activities decreased \$905,225 while net position of business type activities decreased \$5,850,147 due primarily to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. The Net Pension Liabilities were included within the government-wide financial statements for both governmental and business-type financial reporting. At close of 2016-2017 fiscal year, the City's Net Pension Liabilities were \$70,409,957 and \$17,657,493 for governmental and business-type activities respectively.
- ◆ At the close of the 2016-2017 fiscal year, the City's governmental funds reported combined fund balances of \$37,725,844, an increase of \$1,374,384 in comparison to the prior year. General Fund increased by \$3,017,157. The increase is primarily due to the \$1,003,790 in proceeds received from the sale of the Ross Nor property, the \$1,107,784 received in reimbursement for AB 109 administration and allocation and the diverse revenue base the City maintains which benefitted from the prospering general economy.
- ◆ At the end of the 2016-2017 fiscal year, the unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$23,549,401 or approximately 44.1% of total General Fund expenditures.
- ◆ The City's total outstanding long-term debt decreased by \$967,998 during the 2016-2017 fiscal year. The decrease is primarily attributable to the City refunding the 2006 COP, Series C and the net effect of the annual debt payments made on the 2006 Refunding Certificate of Participation Bonds and the Refunding Revenue Bonds.

#### Overview of the Financial Statements

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

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

## City of Gardena

### Management's Discussion and Analysis (Continued)

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

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

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

The government-wide financial statements can be found on pages 20-23 of this report.

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

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

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

The City maintains twelve (12) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the economic development grants fund, and the debt service fund, which are considered to be major funds. Data from the other nine (9) governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.



## City of Gardena

### Management's Discussion and Analysis (Continued)

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

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

**Proprietary Funds.** The City maintains two (2) different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its transit operation and for its sewer maintenance. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retained risks which includes liability insurance, workers' compensation, and health insurance. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

The proprietary fund financial statements can be found on pages 36-41 of this report.

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

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

The fiduciary fund financial statements can be found on page 45 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-91 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's funding its obligation to provide pension and OPEB benefits to its employees and includes Budgetary Comparison schedules for the General Fund and the Economic Development Grants Fund. Required supplementary information can be found on pages 93-102 of this report.

The combining statements, referred to earlier in connection with nonmajor governmental funds and internal service funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 106-129 of this report.

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

### Government-wide Overall Financial Analysis

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$15,464,635 at the close of the 2016-2017 fiscal year.

#### CITY OF GARDENA NET POSITION

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

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

An additional portion of the City's net position (Unrestricted) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(84,846,187) is unrestricted and if positive may be used to meet the government's ongoing obligations to its citizens and creditors which include the net OPEB and Pension obligation.

At the end of the 2016-2017 fiscal year, the City is able to report positive balances in all reported categories of net position with the exception of unrestricted, both for the government as a whole, as well as for its separate governmental and business-type activities. The negative in unrestricted net position is a result of 1) GASB 68, which resulted in a significant increase in Pension obligations and 2) The continual increase in net OPEB obligations related to GASB 45, both of these items lead to substantial increases in non-current liabilities.

# City of Gardena

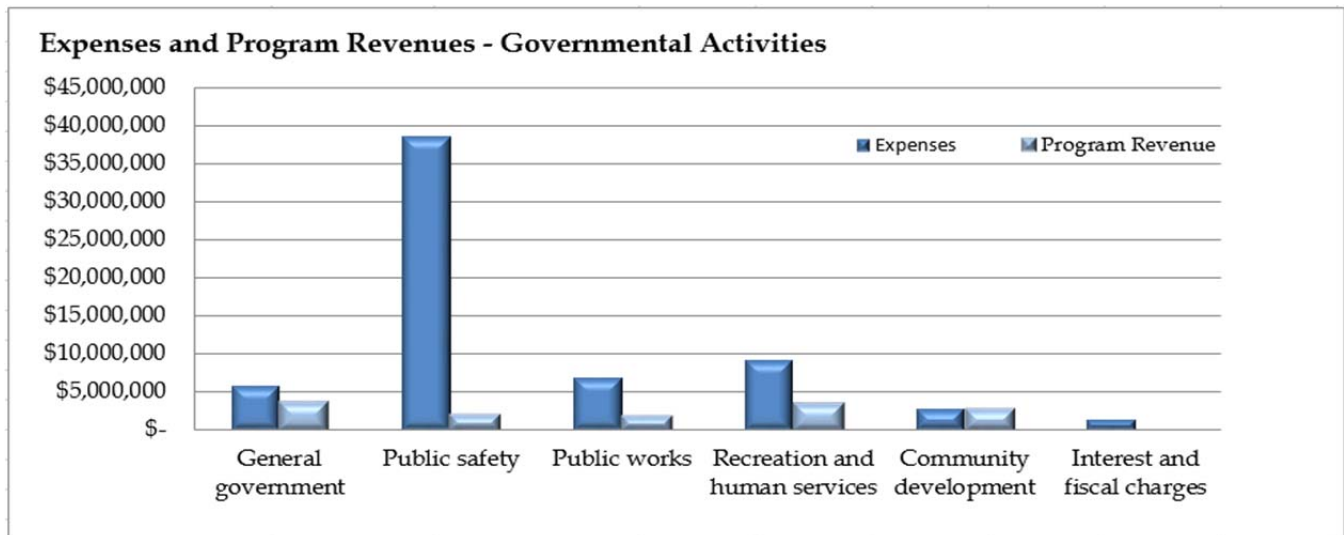
## Management's Discussion and Analysis (Continued)

The City's overall net position decreased \$6,755,372 from the prior fiscal year. The reasons for this overall decrease are discussed in the below sections for governmental activities and business-type activities.

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

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

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



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

### Financial Analysis of Governmental Funds

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

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

On June 30, 2017, the City's governmental funds reported combined fund balances of \$37,725,844 an increase of \$1,374,384 or 3.8% in comparison with the prior year. Approximately 0.53% of this amount is \$200,000 and constitutes an *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or assigned to indicate that it is: 1) not in spendable form \$294,133; 2) restricted for purposes \$10,116,987; 3) committed for purposes \$23,178,458; or 4) assigned for purposes \$3,936,266.

## **City of Gardena**

### **Management's Discussion and Analysis (Continued)**

The general fund is the chief operating fund of the City. At the end of the 2016-2017 fiscal year, the unassigned fund balance of the general fund was \$200,000, while the total fund balance increased to \$23,887,145. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 0.37% of total general fund expenditures, while total fund balance represents approximately 44.8% of that same amount.

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

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

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

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

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

#### **General Fund Budgetary Highlights**

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



## City of Gardena

### Management's Discussion and Analysis (Continued)

The final amended budget for combined General fund expenditures is \$75,930,642 or \$17,978,680 and 31% more than the original budget of \$57,951,962. On March 8, 2016, The City Council passed Resolution No. 6216, which amended the original expenditure budget for fiscal year 2015-2016 increasing the anticipated expenditures by \$15 Million this was to add a budgeted amount for the Construction of the Public Safety Facility, as this amount was not spent in Fiscal Year 2015-2016, this was added to the Budget for Fiscal Year 2016-2017. Actual expenditures were less than the final amended budget by 25% as the Public Safety Facility project incurred minimal expenditures in Fiscal Year 2016-2017. A detailed budgetary comparison schedule for the year ended June 30, 2017, is presented as required supplementary information following the notes to the financial statements.

#### Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$108,300,809 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, and highways. The total decrease in capital assets compared to prior year was \$2,477,729 or 2.2 % primarily due to the increase in depreciation during the year.

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

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

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

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

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

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

# City of Gardena

## Management's Discussion and Analysis (Continued)

### CITY OF GARDENA'S OUTSTANDING DEBT

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

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

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

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

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

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

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

**Requests for Information**

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



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# **BASIC FINANCIAL STATEMENTS**

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## City of Gardena

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



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# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**City of Gardena**  
**Statement of Net Position**  
**June 30, 2017**

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

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

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

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

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

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

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

## City of Gardena

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



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# FUND FINANCIAL STATEMENTS

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

## City of Gardena

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



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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

**City of Gardena**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

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

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

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

## City of Gardena

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



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

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<b>Total Fund Balances - Total Governmental Funds</b>	\$ 37,725,844
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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	\$ 7,287,286	
Capital assets, depreciable	99,741,864	
Less accumulated depreciation	(59,125,394)	47,903,756

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

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

Long-term liabilities - due within one year (net of \$7,056,926 reported in Internal Service Funds)	(2,154,645)
---	-------------

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

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

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

Pension related deferred outflows of resources are not reported in the governmental funds but are reported in the government-wide financial statements.	19,381,325
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Pension related deferred inflows of resources are not reported in the governmental funds but are reported in government- wide financial statements.	(2,302,559)
---	-------------

Internal service funds are used by management to charge the costs of general liability, workers' compensation and health benefit claims to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Government-Wide Statement of Net Position (net of \$9,026,002 allocated to business-type activities).	1,733,357
--	-----------

Revenues earned but not available to pay for current expenditures for governmental funds are unavailable.	2,494,019
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<b>Net position of governmental activities</b>	\$ (19,768,425)
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**City of Gardena**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

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



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

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

**City of Gardena**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2017**

<b>Net change in fund balances - total governmental funds:</b>		\$ 1,374,384
Amounts reported for governmental activities in the Statement of Activities are different because:		
Acquisition of capital assets was reported as expenditures in the governmental funds. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. The following was the amount of capital assets recorded in the current period:		
Capital outlay (\$757,430 of capital outlay expenditures were for current public works expenditures for repairs and maintenance and therefore, were not capitalized)	2,592,051	
The net effect of disposal of capital assets.	(141,337)	
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds.	(3,173,746)	
The fund financial statements record interest expenditures on the current financial resources measurement focus whereas the Government-Wide financial statements recognize interest expense on the accrual basis. The reconciling amount was the change in accrued interest from the prior year.	63,447	
Long-term compensated absences expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the increase in long-term compensated absences was not reported as an expenditure in the governmental funds.	389,030	
Other postemployment benefits and pension expenses were reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the increase in other postemployment benefits liability and net pension liabilities were not reported as an expenditure in the governmental funds.		
Other postemployment benefit expenses	\$ (2,151,389)	
Pension credit (expense) net of reporting contribution made after measurement date reported in deferred outflows of resources in the Government-Wide Statement of Net Position but reported as pension expense in the governmental fund in the amount of \$6,655,533.	1,852,202	(299,187)
Proceeds from long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.		
Principal repayments of long-term debt	2,703,105	
Interest accrual on loans payables	(86,223)	
issuance of refunding debt	(1,635,000)	
Amortization of bond discount	(13,884)	967,998
Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds was reported with governmental activities (net of \$2,191,194 allocated to business-type activities).		(2,189,716)
Unavailable revenue is not recognized as revenue in the governmental funds since the revenue is not available to fund expenditures of the current year.		(488,149)
<b>Change in net position of governmental activities</b>		<u><u>\$ (905,225)</u></u>

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# **PROPRIETARY FUND FINANCIAL STATEMENTS**

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

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

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

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

## City of Gardena

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



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

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

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

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



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

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

## City of Gardena

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



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# **FIDUCIARY FUND FINANCIAL STATEMENTS**

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

## City of Gardena

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



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

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

## City of Gardena

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



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# **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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## City of Gardena

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



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

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

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

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

**A. *Financial Reporting Entity***

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

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

**Blended Component Unit**

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

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

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

The City had no discretely presented component units.

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

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

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

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

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

The statement of net position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

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

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

**Government – Wide Financial Statements**

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

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

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

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

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

**Governmental Fund Financial Statements**

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

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

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

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

*Governmental Fund Financial Statements (Continued)*

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

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

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

The City reports the following major governmental funds:

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

*Proprietary Fund Financial Statements*

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

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

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

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

*Proprietary Fund Financial Statements (Continued)*

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

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

The City reports the following proprietary funds:

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

The City considers Municipal Bus Line Fund as major fund for the year ended June 30, 2017.

*Fiduciary Fund Financial Statements*

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

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

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

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

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

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

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

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

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

***E. Fair Value Measurement***

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

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

***F. Interfund Transactions***

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

***G. Inventories and Prepaid Items***

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

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

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

***H. Capital Assets***

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

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

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

***H. Capital Assets (Continued)***

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

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

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

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

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

***I. Interest Payable***

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

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

***J. Unearned Revenue***

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



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

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

***K. Compensated Absences***

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

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

***L. Pension***

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

The following timeframes are used for pension reporting:

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

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

***M. Claims Payable***

Claims payable in the Internal Service Fund represents estimates of claims against the City. The estimated claims payable represents the City's best estimate of the amount to be paid on workers' compensation and general liability claims. Losses for claims incurred but not reported are also recorded if the probable amount of loss can be reasonably estimated. The City is self-insured for general liability in the amount of \$750,000 per claim and workers' compensation for \$500,000 per claim. Losses in excess of \$500,000, up to \$10,000,000 for general liability, and in excess of \$500,000, up to \$1,000,000 for workers' compensation, are covered by outside insurance.

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

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

***N. Long-Term Debt***

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

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

***O. Property Taxes***

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

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

Distribution Dates:

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

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

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

***P. Net Position and Fund Balances***

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

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

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

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

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

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

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

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

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

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

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

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

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

**Spending Policy**

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

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

*Governmental Fund Financial Statements*

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

- Restricted
- Unassigned
- Committed
- Assigned

***Q. Use of Estimates***

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

***R. Accounting Changes***

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

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

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

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

**R. Accounting Changes (Continued)**

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

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

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

**A. Deficit Net Position**

In the Government-Wide Financial Statements, the City had a deficit unrestricted net position at June 30, 2017 for its governmental activities of \$(59,929,081) and business-type activities of \$(24,917,106). The deficit was mainly due to the reporting of the net pension liabilities on the financial statements since 2015. The aggregate net pension liabilities reported were \$70,409,957 and \$17,657,493 for governmental activities and business-type activities, respectively.

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

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

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

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

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

**Note 2 – Stewardship, Compliance and Accountability (Continued)**

***B. Expenditures in Excess of Appropriations***

The following funds had expenditures in excess of appropriations:

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

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

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

**Note 3 – Cash and Investments**

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

The City had the following cash and investments at June 30, 2017:

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

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

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

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

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

**A. Deposits**

The carrying amounts of the City's demand deposits were \$7,212,159 at June 30, 2017. Bank balances at that date were \$8,930,643, the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City's name as discussed below.

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

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). The City did not waive the collateral requirement for deposits insured by FDIC.

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

**B. Investments**

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	5 years	No Limit	No Limit
Bankers' Acceptances	180 days	40%	No Limit
Commercial paper	270 days	15%	10%
Negotiable certificates of deposit	5 years	30%	No Limit
Repurchase agreements	90 days	N/A	No Limit
Reverse repurchase agreements	90 days	20%	No Limit
Local Agency Investment Fund ("LAIF")	N/A	No Limit	No Limit
Non-negotiable certificates of deposits	5 years	25%	No Limit
Medium-term notes	5 years	30%	15%
Mutual funds	5 years	20%	10%
Money market mutual funds	90 days	20%	No Limit
Investment Trust of California ("CalTrust")	N/A	No Limit	No Limit

N/A - Not Applicable

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



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

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

**B. Investments (Continued)**

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2017, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

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

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

As of June 30, 2017, the City had \$20,743,971 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Backed Securities. The fair value of the City's portion in the pool is the same as the value of the pool shares.

**C. Fair Value Measurement**

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

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

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

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

**D. Risk Disclosures**

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments to a maximum maturity of five years. At June 30, 2017, the City had the following investment maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less Than 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years
Money market mutual fund	\$ 8,155,354	\$ 8,155,354	\$ -	\$ -	\$ -	\$ -
Negotiable certificates of deposit	7,749,390	1,053,311	1,983,075	1,993,134	2,230,906	488,964
Local Agency Investment Fund	20,743,971	20,743,971	-	-	-	-
U.S. Government sponsored enterprise securities	7,438,845	500,005	1,493,260	997,420	496,900	3,951,260
Medium-term notes	1,000,570	1,000,570	-	-	-	-
Cash and investments with fiscal agents:						
Money market mutual fund	1,922,529	1,922,529	-	-	-	-
<b>Total</b>	<b>\$ 47,010,659</b>	<b>\$ 33,375,740</b>	<b>\$ 3,476,335</b>	<b>\$ 2,990,554</b>	<b>\$ 2,727,806</b>	<b>\$ 4,440,224</b>

**Credit Risk** - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by Standard & Poor's and Moody's Investors Service. At June 30, 2017, the City's credit risks, expressed on a percentage basis, were as follows:

Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments			
Investment Type	Moody's Credit Rating	S&P's Credit Rating	% of Investments with Interest Rate Risk
Local Agency Investment Fund	Not Rated	Not Rated	46.00%
Medium-term notes:			
Toyota Motor	AA3	AA-	2.22%
U.S. Government sponsored enterprise securities	AAA	AA+	16.50%
Negotiable certificates of deposit	Not Rated	Not Rated	17.19%
Money market mutual fund	P-1	Aa	18.09%
<b>Total</b>			<b>100.00%</b>

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

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

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**Note 4 – Other Receivables**

**A. YMCA Receivables**

In February 1994, the City entered into a long-term lease contract to lease land to the YMCA for construction of a new YMCA facility that would benefit the community. The facility opened on February 6, 1995 with a 30-year lease term, ending in 2024. Under the terms of the agreement, the maximum amount that the City could receive was \$1,400,000. This amount is payable in monthly payments, with annual rent adjustments over a 30-year lease term. In January 2017, the monthly payment was increased from \$112 to \$209 per month. At the adjustment date, annual rent was equal to total rent of \$1,400,000 less all previous payments, multiplied by the six-month average LAIF interest rate. The lease includes two 25-year options to renew and an option to purchase the land at the end of the lease for the amount of \$1,400,000 reduced by the amount already paid as of the time of purchase. As of June 30, 2017, future lease payments from the YMCA, including interest, were \$398,749. Since the City has not earned the revenue for the future lease payments, there was no revenue recognized or receivables reported at June 30, 2017 for these future lease payments.

**B. State Mandated Claims Reimbursement**

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

**Note 5 – Loans Receivable**

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

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

The City issues deferred payment loans to home owners funded by the Federal Home Investment Partnerships Program ("HOME Program") and CalHOME to improve the living conditions of the lower income families. These loans are to be repaid to the City, and the repayments of the loans are used to fund future home-owner occupied deferred loans. As of June 30, 2017, the outstanding loan balance is \$1,904,763. Since the receivables were not available for current expenditures, the entire amount was reported under deferred inflow of resources as unavailable revenue in the Economic Development Grants Special Revenue Fund in the governmental fund financial statements, and was recognized as revenue in the government-wide governmental activities.

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

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**Note 5 – Loans Receivable (Continued)**

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

The City entered into a development agreement on August 1, 2013, with Spring Park Senior Villa, Inc., a nonprofit organization for the development of the Spring Park Senior Villa in the City. The agreement provided funding for the development of 36 rental units and one manager unit (“the Project”) up to \$2,874,115 for construction. The loan bears 3% simple interest over a term of 55 years. The repayment of the loan is based on the residual receipts of the rental units. The affordability covenant also expires in 55 years after completion of the project. As of June 30, 2017, the City funded \$2,874,115 for the development of the project and accrued interest in the amount of \$326,871 which was required by the State of California. This results the City in reporting loans receivable in the amount of \$3,200,986. However, management estimated that the loans will not be repaid due to negative residual receipts and reported an allowance for doubtful accounts in the amount of \$3,200,986. As a result, both the Economic Development Grants Special Revenue Fund in the governmental fund financial statements and governmental activities in the government-wide financial statements reported zero balances for loans receivable associated with the Spring Park Senior Villa as of June 30, 2017.

**Note 6 – Interfund Transactions**

***A. Government-Wide Financial Statements***

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

<b>Internal Payable</b>	
	Business-Type Activities
<b>Internal Receivable</b>	
Governmental Activities	\$ 10,750,966

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

<b>Transfers Out</b>	
	Business-Type Activities
<b>Transfers In</b>	
Governmental Activities	\$ 9,898

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

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

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

**B. Fund Financial Statements**

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

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

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

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

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

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

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

**Note 7 – Capital Assets**

**A. Governmental Activities**

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

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

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

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

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

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

**B. Business-Type Activities**

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

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

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

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

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

**Note 8 – Long-Term Liabilities**

**A. Governmental Activities**

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2017 is as follows:

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

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

**2006 Certificates of Participation, Series A – Original Issuance \$12,495,000**

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

Pursuant to the MOU, the Agency paid the financial institutions \$19 million (the "Initial Amount") as prepayment of the 1999 Certificates, of which \$18 million were funded by the 2006 Series A and B Certificates and the balance of \$1 million from other available City funds. Upon payment of the Initial Amount, the 1999 Leases as well as the pledges and security interests granted in connection with the 1999 Leases will be terminated and the City's obligations under the Reimbursement Agreement for the 1999 Certificates will be terminated. The Initial Payment represents approximately 75% of the principal owed.

Interest rates for the 2006A Certificates range from 5.98% to 6.38% with principal maturing through July 1, 2030.

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



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

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

**A. Governmental Activities (Continued)**

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

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

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

Fiscal Year	Principal	Interest	Total
2018	\$ 460,000	\$ 570,372	\$ 1,030,372
2019	490,000	540,067	1,030,067
2020	520,000	507,848	1,027,848
2021	550,000	473,715	1,023,715
2022	585,000	437,509	1,022,509
2023-2027	3,545,000	1,556,561	5,101,561
2028-2031	3,020,000	334,631	3,354,631
	<u>\$ 9,170,000</u>	<u>\$ 4,420,703</u>	<u>\$ 13,590,703</u>

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

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

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

The 2006 Certificates of Participation, Series C, was currently refunded by 2017 Direct Finance Lease. The economic gain on the current refunding was \$112,585 and the saving in debt service payments is \$89,363. The current refunding resulted in no deferred gains or losses as the bond proceeds net of the issuance discount was sufficient to cover repayment of 2006 Certificate of Participation, Series C, the interests due, and the issuance cost on the 2017 Direct finance Lease. The amount outstanding at June 30, 2017 totaled \$0.

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

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

**A. Governmental Activities (Continued)**

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

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

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

The amount outstanding at June 30, 2017 totaled \$1,840,000.

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

Fiscal Year	Principal	Interest	Total
2018	\$ 95,000	\$ 92,825	\$ 187,825
2019	100,000	88,075	188,075
2020	105,000	83,075	188,075
2021	110,000	77,825	187,825
2022	115,000	72,325	187,325
2023-2027	655,000	270,375	925,375
2028-2031	660,000	86,356	746,356
	<u>\$ 1,840,000</u>	<u>\$ 770,856</u>	<u>\$ 2,610,856</u>

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

In December 2014, the City issued the Taxable Lease Revenue Refunding Bonds, Series 2014 in the amount of \$9,110,000 to current refund 2006 Certificate of Participation, Series B. The current refunding resulted in an economic gain in the amount of \$1,637,398 and saving in debt service payments in the amount of \$2,360,051. The current refunding resulted in no deferred gains or losses as the bond proceeds net of the issuance discount was sufficient to cover repayment of 2006 Certificates of Participation, Series B, the interests due, and the issuance cost on the 2014 Taxable Lease Revenue Refunding Bonds

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

The amount outstanding at June 30, 2017 totaled \$9,110,000.

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

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

**A. Governmental Activities (Continued)**

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

The annual debt service requirements on these bonds as follows:

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

**2017 Direct Purchase Lease**

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

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

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

The annual debt service requirements on these bonds as follows:

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

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

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

**A. Governmental Activities (Continued)**

**2016 SCE On-Bill Financing Loan**

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

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

**Loans Payable**

On August 1, 2013, the City entered into a loan agreement with the State of California Department of Housing and Community Development (“California HCD”) for the funding of the Spring Park Senior Villa. The agreement provides funding for the development of the project for up to \$2,974,115, of which, \$2,874,115 is to be used for construction costs in the form of a construction loan and \$100,000 to be used for activity delivery and administration costs in the form of grants. If the HOME-assisted rental housing does not meet the minimum affordability period of 55 years per the City’s agreement with the California HCD, the repayment of all HOME funds to the State is required of the City. As of June 30, 2017, the City funded \$2,874,115 for the development of the project and accrued interest in the amount of \$326,871. This results in the loans payable in the amount of \$3,200,986 to the California HCD. Please refer to Note 5B for additional information.

**B. Business-Type Activities**

The following is a summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2017:

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

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

**Note 9 – Self-Insurance Programs**

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

The City is self-insured for the first \$500,000 and \$750,000 of each workers' compensation claim for the City and the Safety, respectively, \$500,000 of each general liability claim and \$300,000 of each Municipal Bus Line claim against the City. In addition, the City carries insurance of individual general liability claims in excess of \$600,000 to \$10,000,000 with Everest National Insurance Co. Additionally, the City has health insurance coverage for the employees and their families with an annual maximum amount of \$1 million for all services.

The City carries stop-loss insurance of individual health benefit claims in excess of \$50,000 to \$950,000 per person per year. At June 30, 2017, \$15,282,081 has been accrued for the City's self-insurance programs, of which \$7,056,926 is considered to be current. Said accruals represent estimates of amounts to be paid for reported claims and incurred but unreported claims based upon past experience, modified for current trends and information. While the ultimate amounts of losses incurred through June 30, 2017 are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses. For the prior three (3) fiscal years, no settlements exceeded the City's insurance coverage.

Changes in the reported liability since June 30, 2017 resulted from the following:

	Claims Payable					
	Beginning Balance	Expenses and Changes in Estimates	Claims Payments	Ending Balance	Due within One Year	Due in more than One Year
2014-2015	\$ 7,987,470	\$ 8,144,847	\$ (5,917,606)	\$ 10,214,711	\$ 6,378,783	\$ 3,835,928
2015-2016	10,214,711	1,512,050	(118,380)	11,608,381	6,609,293	4,999,088
2016-2017	11,608,381	4,069,633	(395,933)	15,282,081	7,056,926	8,225,155

***Purchased insurance***

***Property Insurance*** - Several insurance companies underwrite this insurance protection. The City is currently insured according to a schedule of covered property submitted by the City to Travelers Property Casualty Company of America. Total all-risk property insurance coverage is \$65.3 million. There is a \$10,000 per loss deductible.

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

***Adequacy of protection***

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

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

**Note 10 – Retirement Plans**

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

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

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

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

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

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

**General Information about the Pension Plan**

**Plan Description**

The City contribution to the California Public Employees Retirement System ("PERS"), an agent multiple-employer defined benefit pension plan for miscellaneous employees and a cost-sharing multiple-employer defined benefit plan for safety employees. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

**Benefit Provided**

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

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

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

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

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

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

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

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

**Benefit Provided (Continued)**

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

**Employees Covered by Benefit Terms**

At June 30, 2015, the valuation date, the following employees were covered by the benefit terms:

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

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The required contribution rates are as follow:

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



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

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

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

**Net Pension Liability**

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

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

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% includes inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Discount Rate**

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

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

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

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

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

**Net Pension Liability (Continued)**

**Discount Rate (Continued)**

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

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

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

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

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

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

**Changes in the Net Pension Liability**

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

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

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

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

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

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

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

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

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

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

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

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

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

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

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

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

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

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

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

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

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

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

**Pension Plan Fiduciary Net Position**

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

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

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

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

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

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

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

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

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

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

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

\$2,641,997 and \$5,401,275 reported as deferred outflows of resources related to pensions for miscellaneous plan and safety plan, respectively, resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources Miscellaneous Plan	Deferred Outflows/ (Inflows) of Resources Safety Plan
2017	\$ 32,431	\$ 736,975
2018	348,462	1,511,879
2019	2,816,906	3,736,995
2020	1,595,864	2,161,365
2021	-	-
Thereafter	-	-
	<u>\$ 4,793,663</u>	<u>\$ 8,147,214</u>

**CalPERS Discount Rate**

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

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

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

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

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

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

*Defined Contribution Pension Plan*

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

All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5 percent to a retirement plan, and City Council resolved to match the employees’ contributions up to 3.75 percent. The City’s contributions for each employee (and interest earned by the accounts) are fully vested immediately. For the year ended June 30, 2017 the City’s payroll covered by the plan was \$624,001. The City made employer contributions in the amount of \$22,889. Participants of the Plan as of June 30, 2017 were 86.

**Note 11 – Other Postemployment Benefits**

*Plan Description*

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

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

The City’s health plan year runs February through January with open-enrollment every January prior to the start of the new plan year. The monthly benefit to be paid by the City is \$1,085 per month.

*Eligibility*

All of the Plan’s employees became participants in accordance with a negotiated Memorandum of Understanding (“MOU”) as negotiated by each group or bargaining unit. In order to receive benefits, eligible employees must meet the minimum requirements defined in their MOU. Participants of the Plan as of June 30, 2017 were as follows:

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

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

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

*Funding Policy*

The contribution requirements for Plan members and the City are established by an MOU as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2017, the City contributed \$2,590,550. Plan members receiving benefits contributed \$49,977 of the total premiums as their required contributions.

*Annual OPEB Cost and Net OPEB Obligation*

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

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

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the two preceding years were as follows:

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



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

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

*Funded Status and Funding Progress*

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

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

*Actuarial Methods and Assumptions*

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

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

**Note 12 – Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are under the participants control and are principally invested in demand deposits and mutual funds and are held in trust for the exclusive benefit of the participants and their beneficiaries. The plan assets are not included in the accompanying financial statements. At June 30, 2017, the amount held by the Trustee for the City employees is \$20,853,656.

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

**Note 13 – Classification of Fund Balances**

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

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

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

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

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**Note 14 – Jointly Governed Organization**

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

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

Revenues, expenses and indebtedness incurred by the SBRPCA relating to services associated with central dispatch are divided by member agencies in accordance with set percentages; however, expenses incurred relating to specific equipment and services requested by an individual member agency for use by its own public safety services are paid entirely by that member agency. As of June 30, 2017, the City’s percentage interest is 32.08%.

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

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

**Note 15 – Commitments and Contingencies**

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

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

The City had outstanding construction commitments in the amount of \$3,239,532 as of June 30, 2017.

## City of Gardena

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



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## **REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

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## City of Gardena

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



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

Last Ten Fiscal Years

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

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

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

**Notes to Schedule:**

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:** In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

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

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Last Ten Fiscal Years

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

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

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



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

**Last Ten Fiscal Years**

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

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

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

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

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

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll Growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

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**Last Ten Fiscal Years**

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

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

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

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

**Notes to Schedule:**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Changes of Assumptions: There were no changes of assumptions.

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

***Budgetary Comparison Schedule – General Fund***

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

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

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

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

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

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

The City adopts annual budgets for the General Fund and special revenue funds and adopts project length budgets for projects within the City Capital Projects Fund as well as City's debt service funds.

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

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

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

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

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**OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (A - B)	Funded Ratio (A / B)	Covered Payroll (C)	UAAL as a % of Payroll (A-B) / C
6/30/2012	\$ -	\$ 79,726,000	\$ (79,726,000)	0.00%	\$ 18,505,000	-430.83%
6/30/2014	-	74,322,000	(74,322,000)	0.00%	22,395,000	-331.87%
6/30/2016	-	64,718,000	(64,718,000)	0.00%	25,976,000	-249.15%

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## **SUPPLEMENTARY INFORMATION**

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## City of Gardena

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



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# NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

***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 Resecrans corridor. The Proposition A Park Bond Safe neighborhood Parks Proposition of 1992 and 1996 is received from Los Angeles County Regional Park and Open Space District to be used for acquisition and improvements to park. The South Coast AQMSD fund is monies received from the motor vehicle tax to be expended on programs to reduce air pollution, which is necessary to comply with the California Clean Air Act of 1988. Measure R funds are derived from Los Angeles County 1/2 cent sales tax approved by voters in November 2008 to meet the transportation needs of Los Angeles County. The program is to be used for transportation projects that have been approved by the Los Angeles County Metropolitan Transportation Authority ("MTA").

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

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

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

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

Special Revenue Funds

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

(Continued)

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

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

(Concluded)

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

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

(Continued)

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

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

(Concluded)

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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# CITY DEBT SERVICE FUNDS

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## **DEBT SERVICE FUNDS:**

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

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

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

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

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

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

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

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



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

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

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

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

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# INTERNAL SERVICE FUNDS

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

**Internal Service Funds include:**

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

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

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

**City of Gardena**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2017**

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

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

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

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

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

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# FIDUCIARY FUND

## FINANCIAL STATEMENTS

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

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

**City of Gardena**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**All Agency Funds**  
**June 30, 2017**

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



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

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

## City of Gardena

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



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