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# **BASIC FINANCIAL STATEMENTS**

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# CITY OF GARDENA

*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016*



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# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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# CITY OF GARDENA

*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016*



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**City of Gardena**  
**Statement of Net Position**  
**June 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 39,878,747	\$ 8,035,042	\$ 47,913,789
Cash and investments with fiscal agents	2,677,345	-	2,677,345
Receivables, net	9,465,701	4,803,542	14,269,243
Internal balances	6,834,808	(6,834,808)	-
Inventories	63,201	510,361	573,562
Prepaid items and deposits	73,816	20,662	94,478
Capital assets not being depreciated	8,692,853	13,136,439	21,829,292
Capital assets being depreciated, net of accumulated depreciation	39,933,935	49,015,311	88,949,246
<b>Total assets</b>	<b>107,620,406</b>	<b>68,686,549</b>	<b>176,306,955</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows of resources	8,238,715	1,163,588	9,402,303
<b>Total deferred outflows of resources</b>	<b>8,238,715</b>	<b>1,163,588</b>	<b>9,402,303</b>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	2,600,534	597,883	3,198,417
Interest payable	477,386	-	477,386
Deposits payable	1,512,851	-	1,512,851
Unearned revenues	15,151	7,447,820	7,462,971
Long-term liabilities - due within one year	8,961,744	249,443	9,211,187
Long-term liabilities - due in more than one year	36,461,247	997,771	37,459,018
Net other postemployment obligation (Note 11)	21,271,300	5,511,364	26,782,664
Aggregate net pension liabilities (Note 10)	57,423,973	12,394,309	69,818,282
<b>Total liabilities</b>	<b>128,724,186</b>	<b>27,198,590</b>	<b>155,922,776</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows of resources	5,998,135	1,568,340	7,566,475
<b>Total deferred inflows of resources</b>	<b>5,998,135</b>	<b>1,568,340</b>	<b>7,566,475</b>
<b>NET POSITION</b>			
Net investment in capital assets	27,897,717	62,151,750	90,049,467
Restricted for:			
Employment and training services	164,116	-	164,116
Law enforcement	1,251,314	-	1,251,314
Local street improvements	7,072,378	-	7,072,378
Economic development	2,394,395	-	2,394,395
Other purposes	289,859	-	289,859
Capital Projects	301,546	-	301,546
Debt service	2,679,363	-	2,679,363
Total restricted	14,152,971	-	14,152,971
Unrestricted (deficit)	(60,913,888)	(21,068,543)	(81,982,431)
<b>Total net position</b>	<b>\$ (18,863,200)</b>	<b>\$ 41,083,207</b>	<b>\$ 22,220,007</b>

**City of Gardena**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 5,730,664	\$ 3,298,306	\$ 197,278	\$ -	\$ 3,495,584
Public safety	36,304,203	1,174,116	713,000	137,490	2,024,606
Public works	8,545,467	513,495	-	1,780,999	2,294,494
Recreation and human services	6,777,838	2,315,212	570,359	-	2,885,571
Community development	2,538,835	2,187,082	586,486	-	2,773,568
Interest and fiscal charges	1,365,398	-	-	-	-
Total governmental activities	<u>61,262,405</u>	<u>9,488,211</u>	<u>2,067,123</u>	<u>1,918,489</u>	<u>13,473,823</u>
<b>Business-type activities:</b>					
Municipal bus line	26,410,211	2,685,573	16,905,476	1,850,968	21,442,017
Sewer	1,046,864	673,199	-	-	673,199
Total business-type activities	<u>27,457,075</u>	<u>3,358,772</u>	<u>16,905,476</u>	<u>1,850,968</u>	<u>22,115,216</u>
<b>Total primary government</b>	<u>\$ 88,719,480</u>	<u>\$ 12,846,983</u>	<u>\$ 18,972,599</u>	<u>\$ 3,769,457</u>	<u>\$ 35,589,039</u>

**City of Gardena**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (2,235,080)	\$ -	\$ (2,235,080)
Public safety	(34,279,597)	-	(34,279,597)
Public works	(6,250,973)	-	(6,250,973)
Recreation and human services	(3,892,267)	-	(3,892,267)
Community development	234,733	-	234,733
Interest and fiscal charges	(1,365,398)	-	(1,365,398)
Total governmental activities	<u>(47,788,582)</u>	<u>-</u>	<u>(47,788,582)</u>
<b>Business-type activities:</b>			
Municipal bus line	-	(4,968,194)	(4,968,194)
Sewer	-	(373,665)	(373,665)
Total business-type activities	<u>-</u>	<u>(5,341,859)</u>	<u>(5,341,859)</u>
<b>Total primary government</b>	<u>(47,788,582)</u>	<u>(5,341,859)</u>	<u>(53,130,441)</u>
<b>General revenues:</b>			
Taxes:			
Property taxes	6,729,849	-	6,729,849
Sales taxes	11,227,326	-	11,227,326
Business license	2,536,438	-	2,536,438
Utility users taxes	5,212,410	-	5,212,410
Franchise taxes	2,534,820	-	2,534,820
Card club taxes	9,057,202	-	9,057,202
Other taxes	3,479,372	-	3,479,372
Vehicle license	5,445,385	-	5,445,385
Total taxes	<u>46,222,802</u>	<u>-</u>	<u>46,222,802</u>
Investment income	499,279	55,492	554,771
Miscellaneous	2,566,919	13,623	2,580,542
Gain on sale of assets	1,877,151	-	1,877,151
<b>Transfers</b>	<u>3,221,449</u>	<u>(3,221,449)</u>	<u>-</u>
<b>Total general revenues and transfers</b>	<u>54,387,600</u>	<u>(3,152,334)</u>	<u>51,235,266</u>
<b>Change in net position</b>	6,599,018	(8,494,193)	(1,895,175)
<b>Net position - beginning of year</b>	<u>(25,462,218)</u>	<u>49,577,400</u>	<u>24,115,182</u>
<b>Net position - end of year</b>	<u>\$ (18,863,200)</u>	<u>\$ 41,083,207</u>	<u>\$ 22,220,007</u>

# CITY OF GARDENA

*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016*



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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, 2016*



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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 brownsfields (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, 2016**

	Major Funds		
	General	Economic Development Grants Special Revenue	City Debt Service
<b>ASSETS</b>			
Cash and investments	\$ 17,418,908	\$ 3,931,987	\$ -
Cash and investments with fiscal agents	-	-	2,677,345
Receivables:			
Accounts	600,737	-	-
Taxes	5,477,778	-	-
Interest	42,897	-	-
Employees	57,167	-	-
Loans	-	2,121,402	-
Inventories	63,201	-	-
Prepaid items and deposits	69,451	-	2,219
Due from other governments	77,455	-	-
Due from other funds	514,873	-	-
Long-term receivables	56,787	-	-
<b>Total assets</b>	<b>\$ 24,379,254</b>	<b>\$ 6,053,389</b>	<b>\$ 2,679,564</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 650,765	\$ 23,996	\$ 201
Accrued liabilities	29,680	-	-
Salaries and benefits payable	905,326	-	-
Due to other funds	-	170	-
Retention Payable	-	-	-
Deposits payable	1,507,730	-	-
Unearned revenues	15,001	-	-
<b>Total liabilities</b>	<b>3,108,502</b>	<b>24,166</b>	<b>201</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue	400,764	2,121,402	-
<b>Total deferred inflows of resources</b>	<b>400,764</b>	<b>2,121,402</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	189,819	-	-
Restricted	164,116	131,667	2,679,363
Committed	17,542,367	3,776,154	-
Assigned	2,773,686	-	-
Unassigned (deficit)	200,000	-	-
<b>Total fund balances</b>	<b>20,869,988</b>	<b>3,907,821</b>	<b>2,679,363</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 24,379,254</b>	<b>\$ 6,053,389</b>	<b>\$ 2,679,564</b>

**City of Gardena  
Balance Sheet (Continued)  
Governmental Funds  
June 30, 2016**

	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>		
Cash and investments	\$ 9,647,520	\$ 30,998,415
Cash and investments with fiscal agents	-	2,677,345
Receivables:		
Accounts	360,802	961,539
Taxes	15,280	5,493,058
Interest	-	42,897
Employees	-	57,167
Loans	-	2,121,402
Inventories	-	63,201
Prepaid items and deposits	-	71,670
Due from other governments	655,396	732,851
Due from other funds	-	514,873
Long-term receivables	-	56,787
<b>Total assets</b>	<b>\$ 10,678,998</b>	<b>\$ 43,791,205</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 752,094	\$ 1,427,056
Accrued liabilities	-	29,680
Salaries and benefits payable	52,287	957,613
Due to other funds	454,204	454,374
Retention payable	65,973	65,973
Deposits payable	-	1,507,730
Unearned revenues	150	15,151
<b>Total liabilities</b>	<b>1,324,708</b>	<b>4,457,577</b>
<b>Deferred Inflows of Resources:</b>		
Unavailable revenue	460,002	2,982,168
<b>Total deferred inflows of resources</b>	<b>460,002</b>	<b>2,982,168</b>
<b>Fund Balances:</b>		
Nonspendable	-	189,819
Restricted	8,915,097	11,890,243
Committed	-	21,318,521
Assigned	-	2,773,686
Unassigned (deficit)	(20,809)	179,191
<b>Total fund balances</b>	<b>8,894,288</b>	<b>36,351,460</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10,678,998</b>	<b>\$ 43,791,205</b>

# CITY OF GARDENA

*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016*



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**City of Gardena**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2016**

<b>Total Fund Balances - Total Governmental Funds</b>		<u>\$ 36,351,460</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Capital assets, not being depreciated	\$ 8,692,853	
Capital assets, depreciable	96,060,479	
Less accumulated depreciation	<u>(56,126,544)</u>	<u>48,626,788</u>
Interests are recognized when due, and therefore, interest payable is not reported in the governmental funds.		(477,386)
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds' Balance Sheet.		
Long-term liabilities - due within one year (net of \$6,609,293 reported in Internal Service Funds)	(2,352,451)	
Long-term liabilities - due in more than one year (net of \$4,999,088 reported in Internal Service Funds)	<u>(52,733,459)</u>	<u>(55,085,910)</u>
Aggregate net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.		(57,423,973)
Pension related deferred outflows of resources are not reported in the governmental funds but are reported in the government-wide financial statements.		8,238,715
Pension related deferred inflows of resources are not reported in the governmental funds but are reported in government-wide financial statements		<u>(5,998,135)</u>
Internal service funds are used by management to charge the costs of general liability, workers' compensation and health benefit claims to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Government-Wide Statement of Net Position (net of \$6,834,808 allocated to business-type activities).		<u>3,923,073</u>
Revenues earned but not available to pay for current expenditures for governmental funds are unavailable.		<u>2,982,168</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ (18,863,200)</u></u>

**City of Gardena**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	Major Funds		
	General	Economic Development Grants Special Revenue	City Debt Service
<b>REVENUES:</b>			
Taxes	\$ 43,873,737	\$ -	\$ -
Licenses and permits	1,521,379	-	-
Intergovernmental	744,883	38,854	-
Charges for services	4,545,874	-	-
Fines, forfeitures, and penalties	833,102	871,500	-
Use of money and property	411,415	22,684	162
Miscellaneous	1,486,675	137,270	-
<b>Total revenues</b>	<b>53,417,065</b>	<b>1,070,308</b>	<b>162</b>
<b>EXPENDITURES:</b>			
Current:			
General government	4,886,467	-	-
Public safety	34,245,170	-	-
Public works	4,949,955	-	-
Recreation and human services	4,260,009	-	-
Community development	1,552,197	259,349	-
Capital outlay	4,165,686	-	-
Debt service:			
Principal retirement	2,032	-	752,126
Interest and fiscal charges	-	86,223	1,283,713
<b>Total expenditures</b>	<b>54,061,516</b>	<b>345,572</b>	<b>2,035,839</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(644,451)</b>	<b>724,736</b>	<b>(2,035,677)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	4,441,091	1	1,749,343
Transfers out	(3,805,025)	(82,671)	-
Proceed from sale of assets	4,990,156	-	-
Issuance of loans	126,580	184,446	-
<b>Total other financing sources (uses)</b>	<b>5,752,802</b>	<b>101,776</b>	<b>1,749,343</b>
<b>CHANGES IN FUND BALANCES</b>	<b>5,108,351</b>	<b>826,512</b>	<b>(286,334)</b>
<b>FUND BALANCES:</b>			
Beginning of year	15,761,637	3,081,309	2,965,697
End of year	<b>\$ 20,869,988</b>	<b>\$ 3,907,821</b>	<b>\$ 2,679,363</b>

**City of Gardena**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>		
Taxes	\$ 2,349,065	\$ 46,222,802
Licenses and permits	-	1,521,379
Intergovernmental	4,921,890	5,705,627
Charges for services	-	4,545,874
Fines, forfeitures, and penalties	89,447	1,794,049
Use of money and property	65,017	499,278
Miscellaneous	183,210	1,807,155
<b>Total revenues</b>	7,608,629	62,096,164
<b>EXPENDITURES:</b>		
Current:		
General government	-	4,886,467
Public safety	428,898	34,674,068
Public works	634,861	5,584,816
Recreation and human services	2,238,821	6,498,830
Community development	722,188	2,533,734
Capital outlay	4,166,963	8,332,649
Debt service:		
Principal retirement	-	754,158
Interest and fiscal charges	-	1,369,936
<b>Total expenditures</b>	8,191,731	64,634,658
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(583,102)	(2,538,494)
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	4,953,188	11,143,623
Transfers out	(5,711,982)	(9,599,678)
Proceed from sale of assets	-	4,990,156
Issuance of loans	-	311,026
<b>Total other financing sources (uses)</b>	(758,794)	6,845,127
<b>CHANGES IN FUND BALANCES</b>	(1,341,896)	4,306,633
<b>FUND BALANCES:</b>		
Beginning of year	10,236,184	32,044,827
End of year	\$ 8,894,288	\$ 36,351,460

**City of Gardena**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position**  
**For the Year Ended June 30, 2016**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 4,306,633

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 (\$4,276,497 of capital outlay expenditures were for current public works expenditures for repairs and maintenance and therefore, were not capitalized)	4,056,152
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The net effect of disposal of capital assets.	(20,257)
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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.	(3,097,583)
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The fund financial statements record interest expenditures on the current financial resources measurement focus whereas the Government-Wide financial statements recognize interest expense on the accrual basis. The reconciling amount was the change in accrued interest from the prior year.	18,422
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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.	(352,241)
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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	\$ (3,371,260)
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 \$6,066,224.	2,819,657
	(551,603)

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

Capital lease payments	67,126
Loans repayment	2,032
Principal repayments of long-term debt	685,000
Issuance of loans payables	(311,026)
Amortization of bond discount	(13,884)
	429,248

Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds was reported with governmental activities (net of \$1,043,287 allocated to business-type activities).	1,143,588
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Unavailable revenue is not recognized as revenue in the governmental funds since the revenue is not available to fund expenditures of the current year.	666,659
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 6,599,018</b>
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# **PROPRIETARY FUND FINANCIAL STATEMENTS**

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# CITY OF GARDENA

*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016*



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# PROPRIETARY FUNDS

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

**Enterprise Funds include:**

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

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

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

# CITY OF GARDENA

*Comprehensive Annual Financial Report  
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**City of Gardena**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Business-Type Activities			Governmental Activities
	Municipal Bus Line	Non-major Sewer	Total	Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 7,672,027	\$ 363,015	\$ 8,035,042	\$ 8,880,332
Receivables, net:				
Accounts	175,011	59,959	234,970	-
Inventories	510,361	-	510,361	-
Prepaid items and deposits	20,662	-	20,662	2,146
Due from other governments	4,568,572	-	4,568,572	-
Total current assets	<u>12,946,633</u>	<u>422,974</u>	<u>13,369,607</u>	<u>8,882,478</u>
Noncurrent assets:				
Capital assets, net	<u>61,342,886</u>	<u>808,864</u>	<u>62,151,750</u>	<u>-</u>
<b>Total assets</b>	<u>74,289,519</u>	<u>1,231,838</u>	<u>75,521,357</u>	<u>8,882,478</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related deferred outflows of resources	<u>1,163,588</u>	<u>-</u>	<u>1,163,588</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	177,793	13,805	191,598	120,212
Accrued liabilities	7,716	-	7,716	-
Salaries and benefits payable	383,387	15,182	398,569	-
Deposits payable	-	-	-	5,121
Due to other funds	-	-	-	60,499
Unearned revenue	7,447,820	-	7,447,820	-
Compensated absences, due within one year	234,720	14,723	249,443	-
Claims payable, due within one year	-	-	-	6,609,293
Total current liabilities	<u>8,251,436</u>	<u>43,710</u>	<u>8,295,146</u>	<u>6,795,125</u>
Noncurrent liabilities:				
Compensated absences, due in more than one year	938,880	58,891	997,771	-
Net OPEB obligations	5,511,364	-	5,511,364	-
Aggregate net pension liabilities	12,394,309	-	12,394,309	-
Claims payable, due in more than one year	-	-	-	4,999,088
Total noncurrent liabilities	<u>18,844,553</u>	<u>58,891</u>	<u>18,903,444</u>	<u>4,999,088</u>
<b>Total liabilities</b>	<u>27,095,989</u>	<u>102,601</u>	<u>27,198,590</u>	<u>11,794,213</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related deferred inflows of resources	<u>1,568,340</u>	<u>-</u>	<u>1,568,340</u>	<u>-</u>
<b>NET POSITION</b>				
Investment in capital assets	61,342,886	808,864	62,151,750	-
Unrestricted (deficit)	<u>(14,554,108)</u>	<u>320,373</u>	<u>(14,233,735)</u>	<u>(2,911,735)</u>
<b>Total net position</b>	<u>\$ 46,788,778</u>	<u>\$ 1,129,237</u>	<u>\$ 47,918,015</u>	<u>\$ (2,911,735)</u>
<i>Net position reconciliation:</i>				
Net position of proprietary funds	\$ 46,788,778	\$ 1,129,237	\$ 47,918,015	\$ (2,911,735)
Adjustment to reflect the consolidation of internal service fund activities related to the Municipal Bus Line	<u>(6,834,808)</u>	<u>-</u>	<u>(6,834,808)</u>	<u>6,834,808</u>
Net position of business-type activities	<u>\$ 39,953,970</u>	<u>\$ 1,129,237</u>	<u>\$ 41,083,207</u>	<u>\$ 3,923,073</u>
Net position related to governmental activities				<u>\$ 3,923,073</u>

See accompanying Notes to the Basic Financial Statements.

**City of Gardena**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities			Governmental Activities
	Municipal Bus Line	Non-major Sewer	Total	Internal Service Funds
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 2,559,383	\$ 673,199	\$ 3,232,582	\$ 9,611,434
Other	126,190	-	126,190	1,142,933
<b>Total operating revenues</b>	<u>2,685,573</u>	<u>673,199</u>	<u>3,358,772</u>	<u>10,754,367</u>
<b>OPERATING EXPENSES:</b>				
Salaries and benefits	13,279,306	525,844	13,805,150	-
Insurance claims	-	-	-	7,529,968
General and administrative	5,654,292	353,689	6,007,981	4,858,585
Depreciation	4,520,751	127,331	4,648,082	-
Other operating expenses	1,835,385	40,000	1,875,385	-
<b>Total operating expenses</b>	<u>25,289,734</u>	<u>1,046,864</u>	<u>26,336,598</u>	<u>12,388,553</u>
<b>OPERATING LOSS</b>	<u>(22,604,161)</u>	<u>(373,665)</u>	<u>(22,977,826)</u>	<u>(1,634,186)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Local transportation fund	4,880,144	-	4,880,144	-
Other local assistance	8,185,710	-	8,185,710	-
Federal transit assistance	2,886,719	-	2,886,719	-
Other state assistance	189,340	-	189,340	-
State transit assistance fund	763,563	-	763,563	-
Loss on disposal of assets	(77,190)	-	(77,190)	-
Interest income	51,372	4,120	55,492	56,983
Other revenues	13,589	34	13,623	-
<b>Total nonoperating revenues (expenses)</b>	<u>16,893,247</u>	<u>4,154</u>	<u>16,897,401</u>	<u>56,983</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(5,710,914)</u>	<u>(369,511)</u>	<u>(6,080,425)</u>	<u>(1,577,203)</u>
<b>CONTRIBUTIONS AND TRANSFERS:</b>				
Capital contributions	1,850,968	-	1,850,968	-
Transfers in	-	-	-	1,677,504
Transfers out	(3,092,748)	(128,701)	(3,221,449)	-
<b>Total contributions and transfers</b>	<u>(1,241,780)</u>	<u>(128,701)</u>	<u>(1,370,481)</u>	<u>1,677,504</u>
<b>Changes in net position</b>	(6,952,694)	(498,212)	(7,450,906)	100,301
<b>NET POSITION:</b>				
Beginning of year	53,741,472	1,627,449	55,368,921	(3,012,036)
End of year	<u>\$ 46,788,778</u>	<u>\$ 1,129,237</u>	<u>\$ 47,918,015</u>	<u>\$ (2,911,735)</u>
<i>Change in net position reconciliation:</i>				
Change in net position of proprietary funds	\$ (6,952,694)	\$ (498,212)	\$ (7,450,906)	\$ 100,301
Adjustment to reflect the consolidation of internal service fund activities related to the Municipal Bus Line	<u>(1,043,287)</u>	<u>-</u>	<u>(1,043,287)</u>	<u>1,043,287</u>
Change in net position of business-type activities	<u>\$ (7,995,981)</u>	<u>\$ (498,212)</u>	<u>\$ (8,494,193)</u>	
Change in net position related to governmental activities				<u>\$ 1,143,588</u>

See accompanying Notes to the Basic Financial Statements.

**City of Gardena**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities			Governmental Activities
	Municipal Bus Line	Non-major Sewer	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$ 3,420,533	\$ 684,387	\$ 4,104,920	\$ 10,016,277
Receipts from claims and recoveries	-	-	-	1,142,933
Payments for insurance claims	-	-	-	(6,136,298)
Payments to suppliers	(7,737,934)	(409,713)	(8,147,647)	(5,059,944)
Payments to employees	(12,891,052)	(536,670)	(13,427,722)	-
Other receipts	13,589	34	13,623	-
<b>Net cash (used in) operating activities</b>	<b>(17,194,864)</b>	<b>(261,962)</b>	<b>(17,456,826)</b>	<b>(37,032)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from other funds	-	-	-	1,677,504
Transit assistance funds received	14,900,053	-	14,900,053	-
<b>Net cash provided by noncapital financing activities</b>	<b>14,900,053</b>	<b>-</b>	<b>14,900,053</b>	<b>1,677,504</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Transfers to capital projects	-	(128,701)	(128,701)	-
Acquisition of capital assets	(1,847,220)	(437,740)	(2,284,960)	-
Receipt from capital grants	1,850,968	-	1,850,968	-
<b>Net cash (used in) capital and related financing activities</b>	<b>3,748</b>	<b>(566,441)</b>	<b>(562,693)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	51,372	4,120	55,492	56,983
<b>Net cash provided by investing activities</b>	<b>51,372</b>	<b>4,120</b>	<b>55,492</b>	<b>56,983</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,239,691)</b>	<b>(824,283)</b>	<b>(3,063,974)</b>	<b>1,697,455</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	9,911,718	1,187,298	11,099,016	7,182,877
End of year	<u>\$ 7,672,027</u>	<u>\$ 363,015</u>	<u>\$ 8,035,042</u>	<u>\$ 8,880,332</u>
<b>NON CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfer of land to City	<u>\$ 3,092,748</u>	<u>\$ -</u>	<u>\$ 3,092,748</u>	<u>\$ -</u>

See accompanying Notes to the Basic Financial Statements.

**City of Gardena**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-Type Activities		Total	Governmental
	Municipal Bus Line	Sewer		Internal Service Funds
<b>RECONCILIATION OF OPERATING (LOSS) TO NET</b>				
<b>CASH (USED IN) OPERATING ACTIVITIES:</b>				
Operating (loss)	\$ (22,604,161)	\$ (373,665)	\$ (22,977,826)	\$ (1,634,186)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:				
Depreciation expense	4,520,751	127,331	4,648,082	-
Other revenue	13,589	34	13,623	-
(Increase) decrease in:				
Accounts receivable	734,960	11,188	746,148	344,344
Inventory	(53,179)	-	(53,179)	-
Prepaid items and deposits	(20,662)	-	(20,662)	-
Increase (decrease) in:				
Accounts payable	(152,067)	(16,024)	(168,091)	(199,153)
Accrued liabilities	(22,349)	-	(22,349)	-
Due to other funds	-	-	-	60,499
Due to other governmental agencies	-	-	-	-
Accrued payroll and compensated absences	114,821	(10,826)	103,995	-
Deferred outflows of resources - pension	(149,385)	-	(149,385)	-
Net pension liabilities	2,106,099	-	2,106,099	-
Net other postemployment benefits liability	754,420	-	754,420	-
Deferred inflows of resources - pension	(2,437,701)	-	(2,437,701)	-
Deposits payable	-	-	-	(2,206)
Claims payable	-	-	-	1,393,670
Total adjustments	<u>5,409,297</u>	<u>111,703</u>	<u>5,521,000</u>	<u>1,597,154</u>
<b>Net cash (used in) operating activities</b>	<u><u>\$ (17,194,864)</u></u>	<u><u>\$ (261,962)</u></u>	<u><u>\$ (17,456,826)</u></u>	<u><u>\$ (37,032)</u></u>

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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, 2016*



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**City of Gardena**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,548,427
<b>Total assets</b>	<u><u>\$ 1,548,427</u></u>
<b>LIABILITIES</b>	
Deposits payable	\$ 1,548,427
<b>Total liabilities</b>	<u><u>\$ 1,548,427</u></u>

# CITY OF GARDENA

*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016*



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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, 2016*



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**City of Gardena**  
**Index to Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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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, 2016**

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

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

**A. Financial Reporting Entity**

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

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

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

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

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

The City had no discretely presented component units.

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

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

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

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

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

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

**Government – Wide Financial Statements**

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

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

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

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

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

**Governmental Fund Financial Statements**

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

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

---

**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, 2016**

---

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

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

*Proprietary Fund Financial Statements (Continued)*

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

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

The City reports the following proprietary funds:

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

The City considers Municipal Bus Line Fund as major fund for the year ended June 30, 2016.

*Fiduciary Fund Financial Statements*

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

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

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

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

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

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

---

**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***

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, 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 estimated fair market value on the date donated. 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, 2016**

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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

Capital Assets Acquired Under Lease Purchase Contracts

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

**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, grants received but not yet earned, and prepaid charges for services.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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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, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

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 \$400,000 per claim and workers' compensation for \$500,000 per claim. Losses in excess of \$400,000, up to \$10,000,000 for general liability, and in excess of \$500,000, up to \$1,000,000 for workers' compensation, are covered by outside insurance.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**N. Long-Term Debt**

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

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

**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 20, 2015	Unsecured, redemptions, and SB813 taxes
December 18, 2015	Homeowners' exemption, secured, and SB813 taxes
January 20, 2016	Homeowners' exemption, secured, and SB813 taxes
February 19, 2016	Redemptions, secured, and SB813 taxes
March 18, 2016	Secured and SB813 taxes
April 20, 2016	Secured and SB813 taxes
May 20, 2016	Redemptions, homeowners' exemption, secured, and SB813 taxes
June 20, 2016	Homeowners' exemption, SB813 taxes
July 20, 2016	Secured and SB813 taxes
August 19, 2016	Secured, redemptions, unsecured, and SB813 taxes

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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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, 2016**

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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. 72, *Fair Value Measurement and Application* -This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement became effective for periods beginning after June 15, 2015 and did not have any measurement impact on the City's investment portfolio, except for the additional disclosure regarding to the measurement input as discussed in Note 3C of the City's financial statements for the year ended June 30,2016.

GASB Statement 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* - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans and Statement 68 for pension plans and pensions that are within their respective scopes. This statement became effective for periods beginning after June 15, 2015 and did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**R. Accounting Changes (Continued)**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*- This statement establishes standards relating to the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement became effective for periods beginning after June 15, 2015, and should be applied retroactively. This statement did not have a significant impact on the City’s financial statements for the year ended June 30, 2016.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*- This statement establishes standards relating accounting and financial reporting for certain external investment pools and pool participants. This statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015 and did not have a significant impact on the City’s financial statements for the year ended June 30, 2016.

**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, 2016 for its governmental activities of \$(60,913,888) and business-type activities of \$(21,068,543). The deficit was mainly due to the net pension liabilities on the financial statements. The net pension liabilities reported were \$57,423,973 and \$12,394,309 for governmental activities and business-type activities, respectively.

The following funds had a deficit net position at June 30, 2016:

Internal Service Funds:	
Liability Insurance Fund	\$ (4,397,679)
Workers' Compensation Fund	(3,614,258)

In addition, the Municipal Bus Line had a deficit unrestricted net position of \$(14,774,102) at June 30, 2016.

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, 2016**

**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:			
City clerk	\$ 237,702	\$ 270,918	\$ (33,216)
Public Safety			
Police	22,939,644	24,400,772	(1,461,128)
Recreation and human services	4,144,687	4,260,009	(115,322)
Capital outlay	652,243	4,165,686	(3,513,443)
Economic Development Grants Special Revenue Fund:			
Interest and fiscal charges	-	86,223	(86,223)
City Debt Service Fund			
Principal retirement	-	-	-
Interest and fiscal charges	1,112,525	1,283,713	(171,188)
<b>Nonmajor Governmental Funds:</b>			
Consolidated Lighting District Special Revenue Fund			
Public works	611,703	616,020	(4,317)

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

**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, 2016:

	Government-Wide Financial Statement		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities		
Cash and investments	\$ 39,878,747	8,035,042	\$ 1,548,427	\$ 49,462,216
Cash and investments held by fiscal agents	2,677,345	-	-	2,677,345
<b>Total cash and investments</b>	<b>\$ 42,556,092</b>	<b>\$ 8,035,042</b>	<b>\$ 1,548,427</b>	<b>\$ 52,139,561</b>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

The City’s cash and investments at June 30, 2016, in more detail:

Cash and investments consist of the following:

Cash and cash equivalents:

Petty cash	\$ 9,120
Demand deposits	<u>4,820,335</u>
Total cash and cash equivalents	<u>4,829,455</u>

Investments:

Money market mutual fund	8,126,338
Negotiable certificates of deposit	7,830,813
Local Agency Investment Fund	22,162,365
U.S. Government sponsored enterprise securities	5,514,655
Medium-term notes	<u>998,590</u>
Total investments	<u>44,632,761</u>
Total cash and investments	<u>49,462,216</u>
Cash and investments with fiscal agents	<u>2,677,345</u>
<b>Total</b>	<u><u>\$ 52,139,561</u></u>

**A. Deposits**

The carrying amounts of the City’s demand deposits were \$4,820,336 at June 30, 2016. Bank balances at that date were \$5,882,604, 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 has waived the collateral requirement for deposits insured by FDIC.

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

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**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	Percentage of Portfolio *	Investment in One Issuer
United States Treasury Obligations	5 years	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	5 years	No Limit	No Limit
Bankers' Acceptances	180 days	40%	15%
Commercial paper	270 days	15%	10%
Negotiable certificates of deposit	5 years	30%	15%
Repurchase agreements	90 days	N/A	15%
Reverse repurchase agreements	90 days	20%	15%
Local Agency Investment Fund ("LAIF")	N/A	No Limit	No Limit
Non-negotiable certificates of deposits	5 years	25%	15%
Medium-term notes	5 years	30%	15%
Mutual funds	5 years	20%	10%
Money market mutual funds	90 days	20%	10%
Investment Trust of California ("CalTrust")	N/A	No Limit	No Limit
N/A - Not Applicable			

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

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2016, 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, 2016, the City had \$22,162,365 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Backed Securities. The fair value of the City's portion in the pool is the same as the value of the pool shares.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**C. Fair Value Measurement**

At June 30, 2016, 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, 2016:

Investment Type	Measurement Input			Total
	Level 1	Level 2	N/A	
Money market mutual fund	\$ -	\$ -	\$ 8,126,338	\$ 8,126,338
Negotiable certificates of deposit	-	7,830,813	-	7,830,813
Local Agency Investment Fund	-	22,162,365	-	22,162,365
U.S. Government sponsored enterprise securities	-	5,514,655	-	5,514,655
Medium-term notes	-	998,590	-	998,590
Cash and investments with fiscal agents:				
Money market mutual fund	-	-	2,677,345	2,677,345
<b>Total</b>	<b>\$ -</b>	<b>\$ 36,506,423</b>	<b>\$ 10,803,683</b>	<b>\$ 47,310,106</b>

**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, 2016, 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	\$ 8,126,338	\$ 8,126,338	\$ -	\$ -	\$ -	\$ -
Negotiable certificates of deposit	7,830,813	2,028,822	996,466	1,257,112	2,028,592	1,519,821
Local Agency Investment Fund	22,162,365	22,162,365	-	-	-	-
U.S. Government sponsored enterprise securities	5,514,655	500,475	501,230	2,002,435	1,505,730	1,004,785
Medium-term notes	998,590	-	998,590	-	-	-
Cash and investments with fiscal agents:						
Money market mutual fund	2,677,345	2,677,345	-	-	-	-
<b>Total</b>	<b>\$ 47,310,106</b>	<b>\$ 35,495,345</b>	<b>\$ 2,496,286</b>	<b>\$ 3,259,547</b>	<b>\$ 3,534,322</b>	<b>\$ 2,524,606</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, 2016, 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	49.65%
Medium-term notes:			
Toyota Motor	AA3	AA-	2.24%
U.S. Government sponsored enterprise securities	AAA	AA+	12.36%
Negotiable certificates of deposit	Not Rated	Not Rated	17.54%
Money market mutual fund	P-1	Aa	18.21%
<b>Total</b>			<b>100.00%</b>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**D. Risk Disclosures (Continued)**

*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.

**Note 4 – Other Receivables**

In February 1994, the City entered into a long-term lease contract to lease land to the YMCA for construction of a new YMCA facility that would benefit the community. The facility opened on February 6, 1995 with a 30-year lease term, ending in 2024. Under the terms of the agreement, the maximum amount that the City could receive was \$1,400,000. This amount is payable in monthly payments, with annual rent adjustments over a 30-year lease term. In January 2016, the monthly payment was reduced from \$89 to \$84 per month. At the adjustment date, annual rent was equal to total rent of \$1,400,000 less all previous payments, multiplied by the six-month average LAIF interest rate. The lease includes two 25-year options to renew and an option to purchase the land at the end of the lease for the amount of \$1,400,000 reduced by the amount already paid as of the time of purchase. As of June 30, 2016, future lease payments from the YMCA, including interest, were \$400,671. Since the City has not earned the revenue for the future lease payments, there was no revenue recognized or receivables reported at June 30, 2016 for these future lease payments.

**Note 5 – Loans Receivable**

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
CalHOME	\$ 442,165	\$ -	\$ (36,712)	\$ 405,453
State HOME Loans	1,820,563	25,000	(129,614)	1,715,949
	\$ 2,262,728	\$ 25,000	\$ (166,326)	\$ 2,121,402

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, 2016, the outstanding loan balance is \$2,121,402. 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, 2016**

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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, 2016, the City funded \$2,874,115 for the development of the project and accrued interest in the amount of \$240,648 which was required by the State of California. This results the City in reporting loans receivable in the amount of \$3,114,763. 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 \$3,114,763. 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, 2016.

**Note 6 – Interfund Transactions**

**A. Government-Wide Financial Statements**

**Internal Balances** - At June 30, 2016, 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
	\$ 6,834,808
<b>Internal Receivable</b>	
Governmental Activities	

**Transfers** - At June 30, 2016, the City had the following transfers:

	<b>Transfers Out</b>
	Business-Type Activities
	\$ 3,221,449
<b>Transfers In</b>	
Governmental Activities	

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, 2016**

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

**B. Fund Financial Statements**

**Due From/To Other Funds** - At June 30, 2016, the City had the following due from/to other funds:

<b>Due To Other Funds</b>	<b>Due From Other Funds</b>
	General Fund
<b>Governmental Funds:</b>	
Economic Development	\$ 170
Internal Services Funds	60,499
Nonmajor Governmental Funds	454,204
<b>Total</b>	<b>\$ 514,873</b>

The above amounts resulted from temporary reclassifications made at June 30, 2016 to cover cash shortfalls.

**Transfers In/Out** - At June 30, 2016, the City had the following transfers in/out, which arise in the normal course of operations:

<b>Transfers Out</b>	<b>Transfers In</b>						
	<b>Governmental Funds</b>				<b>Proprietary Funds</b>		
	General Fund	Economic Development	City Debt Service	Nonmajor Governmental	Municipal Bus Line	Internal Service Funds	Total
<b>Governmental Funds:</b>							
General Fund	\$ -	\$ 1	\$ 1,678,425	\$ 449,095	\$ -	\$ 1,677,504	\$ 3,805,025
Economic Development Grants				82,671			\$ 82,671
Special Revenue Fund	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-
Nonmajor Governmental Funds	1,348,343	-	70,918	4,292,721	-	-	5,711,982
<b>Enterprise Funds:</b>							
Municipal Bus Line	3,092,748	-	-	-	858,316	-	3,951,064
Sewer	-	-	-	128,701	-	-	128,701
<b>Total</b>	<b>\$ 4,441,091</b>	<b>\$ 1</b>	<b>\$ 1,749,343</b>	<b>\$ 4,953,188</b>	<b>\$ 858,316</b>	<b>\$ 1,677,504</b>	<b>\$ 13,679,443</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.

Transfer in the amount of \$3,092,748 from Municipal Bus Line to General Fund was to report the transfer of land from the business type activities to the governmental activities.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 7 – Capital Assets**

**A. Government-Wide Financial Statements**

A summary of changes in the capital assets for the governmental activities for the year ended June 30, 2016 is as follows:

	Governmental Activities				Balance June 30, 2016
	Balance June 30, 2015	Additions	Deletions	Transfers	
<b>Capital assets, not being depreciated:</b>					
Land	\$ 6,541,402	\$ -	\$ (3,092,748)	\$ 3,092,748	\$ 6,541,402
Monuments	46,151	-	-	-	46,151
Construction in progress	4,696,834	2,028,338	-	(4,619,872)	2,105,300
Total capital assets, not being depreciated	<u>11,284,387</u>	<u>2,028,338</u>	<u>(3,092,748)</u>	<u>(1,527,124)</u>	<u>8,692,853</u>
<b>Capital assets, being depreciated:</b>					
Buildings/structures and improvements	22,859,615	-	-	-	22,859,615
Machinery and equipment	7,485,704	1,177,936	(48,615)	-	8,615,025
Infrastructure:					
Street lights network	1,292,393	-	-	-	1,292,393
Traffic lights network	12,940,788	-	-	-	12,940,788
Roadway network	44,882,908	849,878	-	4,619,872	50,352,658
Total capital assets, being depreciated	<u>89,461,408</u>	<u>2,027,814</u>	<u>(48,615)</u>	<u>4,619,872</u>	<u>96,060,479</u>
<b>Less accumulated depreciation:</b>					
Buildings/structures and improvements	(13,974,309)	(794,811)	-	-	(14,769,120)
Machinery and equipment	(4,072,122)	(830,254)	28,358	-	(4,874,018)
Infrastructure:					
Street light network	(732,356)	(43,080)	-	-	(775,436)
Traffic lights network	(9,657,312)	(431,360)	-	-	(10,088,672)
Roadway network	(24,621,220)	(998,078)	-	-	(25,619,298)
Total accumulated depreciation	<u>(53,057,319)</u>	<u>(3,097,583)</u>	<u>28,358</u>	<u>-</u>	<u>(56,126,544)</u>
Total capital assets, being depreciated, net	<u>36,404,089</u>	<u>(1,069,769)</u>	<u>(20,257)</u>	<u>4,619,872</u>	<u>39,933,935</u>
<b>Governmental activities</b>					
<b>capital assets, net</b>	<u>\$ 47,688,476</u>	<u>\$ 958,569</u>	<u>\$ (3,113,005)</u>	<u>\$ 3,092,748</u>	<u>\$ 48,626,788</u>

Depreciation expense was charged to functions/programs of the governmental activities for the fiscal year ended June 30, 2016 as follows:

General government	\$ 923,000
Public safety	491,243
Public works	1,607,646
Recreation and human services	66,527
Community development	9,167
<b>Total depreciation expense</b>	<u>\$ 3,097,583</u>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

A summary of changes in the capital assets for the business-type activities for the year ended June 30, 2016 is as follows:

	Business-Type Activities				Balance June 30, 2016
	Balance July 1, 2015	Additions	Deletions	Transfers	
<b>Capital assets, not being depreciated:</b>					
Land	\$ 16,049,153	\$ -	\$ -	\$ (3,092,748)	\$ 12,956,405
Construction in progress	91,925	120,822	-	(32,713)	180,034
Total capital assets, not being depreciated	<u>16,141,078</u>	<u>120,822</u>	<u>-</u>	<u>(3,125,461)</u>	<u>13,136,439</u>
<b>Capital assets, being depreciated:</b>					
Buildings/structures and improvements	39,893,428	-	-	-	39,893,428
Buses	32,487,008	1,393,893	-	-	33,880,901
Machinery and equipment	6,325,326	757,770	(134,071)	32,713	6,981,738
Furniture and fixtures	1,326,714	12,475	-	-	1,339,189
Infrastructure	11,184,496	-	-	-	11,184,496
Total capital assets, being depreciated	<u>91,216,972</u>	<u>2,164,138</u>	<u>(134,071)</u>	<u>32,713</u>	<u>93,279,752</u>
<b>Less accumulated depreciation:</b>					
Buildings/structures and improvements	(6,647,537)	(1,024,273)	-	-	(7,671,810)
Buses	(18,604,316)	(2,892,152)	-	-	(21,496,468)
Machinery and equipment	(2,707,285)	(694,935)	56,881	-	(3,345,339)
Furniture and fixtures	(1,321,299)	(3,033)	-	-	(1,324,332)
Infrastructure	(10,392,803)	(33,689)	-	-	(10,426,492)
Total accumulated depreciation	<u>(39,673,240)</u>	<u>(4,648,082)</u>	<u>56,881</u>	<u>-</u>	<u>(44,264,441)</u>
Total capital assets, being depreciated, net	<u>51,543,732</u>	<u>(2,483,944)</u>	<u>(77,190)</u>	<u>32,713</u>	<u>49,015,311</u>
<b>Business-type activities</b>					
<b>capital assets, net</b>	<u>\$ 67,684,810</u>	<u>\$ (2,363,122)</u>	<u>\$ (77,190)</u>	<u>\$ (3,092,748)</u>	<u>\$ 62,151,750</u>

Depreciation expense for business-type activities for the year ended June 30, 2016 was charged as follows:

Municipal Bus Line	\$ 4,520,751
Sewer	<u>127,331</u>
<b>Total depreciation expense</b>	<u>\$ 4,648,082</u>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**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, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in more than One Year
2006 Refunding Certificates of Participation Series A	\$ 10,015,000	\$ -	\$ (410,000)	\$ 9,605,000	\$ 435,000	\$ 9,170,000
2006 Refunding Certificates of Participation Series C	2,355,000	-	(190,000)	2,165,000	205,000	1,960,000
2007 Refunding Revenue Bonds, Series A	2,015,000	-	(85,000)	1,930,000	90,000	1,840,000
2014 Taxable Lease Revenue Refunding Bonds	9,110,000	-	-	9,110,000	-	9,110,000
2016 SCE On-Bill Financing Loan	-	126,580	(2,032)	124,548	14,296	110,252
Capital lease obligation	67,126	-	(67,126)	-	-	-
Loan payable	2,930,317	184,446	-	3,114,763	-	3,114,763
Claims payable	10,214,711	1,512,050	(118,380)	11,608,381	6,609,293	4,999,088
Compensated absences	7,688,535	2,982,616	(2,630,375)	8,040,776	1,608,155	6,432,621
Net OPEB liability	17,900,040	5,469,000	(2,097,740)	21,271,300	-	21,271,300
<b>Sub Total</b>	<b>\$ 62,295,729</b>	<b>\$ 10,274,692</b>	<b>\$ (5,600,653)</b>	<b>\$ 66,969,768</b>	<b>\$ 8,961,744</b>	<b>\$ 58,008,024</b>
Less deferred amounts:						
Bond discount - 2014 Taxable Lease Revenue Runding Bonds	(289,361)	-	13,884	(275,477)	-	(275,477)
<b>Total</b>	<b>\$ 62,006,368</b>	<b>\$ 10,274,692</b>	<b>\$ (5,586,769)</b>	<b>\$ 66,694,291</b>	<b>\$ 8,961,744</b>	<b>\$ 57,732,547</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, 2016**

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

**A. Governmental Activities (Continued)**

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

The amount outstanding at June 30, 2016 totaled \$9,605,000.

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

Fiscal Year	Principal	Interest	Total
2017	\$ 435,000	\$ 598,053	\$ 1,033,053
2018	460,000	570,372	1,030,372
2019	490,000	540,067	1,030,067
2020	520,000	507,848	1,027,848
2021	550,000	473,715	1,023,715
2022-2026	3,330,000	1,654,015	4,984,015
2026-2031	3,820,000	674,685	4,494,685
	<u>\$ 9,605,000</u>	<u>\$ 5,018,755</u>	<u>\$ 14,623,755</u>

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

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

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

The amount outstanding at June 30, 2016 totaled \$2,165,000.

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

Fiscal Year	Principal	Interest	Total
2017	\$ 205,000	\$ 92,025	\$ 297,025
2018	210,000	83,075	293,075
2019	215,000	73,778	288,778
2020	230,000	63,900	293,900
2021	240,000	53,325	293,325
2022-2025	1,065,000	98,438	1,163,438
	<u>\$ 2,165,000</u>	<u>\$ 464,541</u>	<u>\$ 2,629,541</u>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**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, 2016 totaled \$1,930,000.

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

Fiscal Year	Principal	Interest	Total
2017	\$ 90,000	\$ 97,325	\$ 187,325
2018	95,000	92,825	187,825
2019	100,000	88,075	188,075
2020	105,000	83,075	188,075
2021	110,000	77,825	187,825
2022-2026	625,000	301,625	926,625
2027-2031	805,000	127,431	932,431
	<u>\$ 1,930,000</u>	<u>\$ 868,181</u>	<u>\$ 2,798,181</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, 2016 totaled \$9,110,000.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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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:

Fiscal Year	Principal	Interest	Total
2017	\$ -	\$ 450,019	\$ 450,019
2018	55,000	450,019	505,019
2019	55,000	447,846	502,846
2020	60,000	445,674	505,674
2021	60,000	443,304	503,304
2022-2026	345,000	2,177,842	2,522,842
2027-2031	2,230,000	2,056,270	4,286,270
2032-2037	6,305,000	928,000	7,233,000
	<u>\$ 9,110,000</u>	<u>\$ 7,398,973</u>	<u>\$ 16,508,973</u>

**Capital Leases**

The City has lease agreements with Fleetwood Leasing for the acquisition of devices for police vehicles. Total equipment acquired through capital leases amounted to \$212,755. The capital lease was paid off as of June 30, 2016.

The assets acquired through capital leases are as follows:

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

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

**A. Governmental Activities (Continued)**

**Loans Payable**

On August 1, 2013, the City entered into a loan agreement with the State of California Department of Housing and Community Development (“California HCD”) for the funding of the Spring Park Senior Villa. The agreement provides funding for the development of the project for up to \$2,974,115, of which, \$2,874,115 is to be used for construction costs in the form of a construction loan and \$100,000 to be used for activity delivery and administration costs in the form of grants. If the HOME-assisted rental housing does not meet the minimum affordability period of 55 years per the City’s agreement with the California HCD, the repayment of all HOME funds to the State is required of the City. As of June 30, 2016, the City funded \$2,874,115 for the development of the project and accrued interest in the amount of \$240,648. This results in the loans payable in the amount of \$3,114,763 to the California HCD. Please refer to Note 5B for additional information.

**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
2017	\$ 14,296	\$ -	\$ 14,296
2018	14,296	-	14,296
2019	14,296	-	14,296
2020	14,296	-	14,296
2021	14,296	-	14,296
2022-2026	53,068	-	53,068
	\$ 124,548	\$ -	\$ 124,548

**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, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due within One Year	Due in more than One Year
Compensated absences	\$ 1,185,378	\$ 740,209	\$ (678,373)	\$ 1,247,214	\$ 249,443	\$ 997,771
Net OPEB liability	4,756,944	1,224,000	(469,580)	5,511,364	-	5,511,364
<b>Total</b>	\$ 5,942,322	\$ 1,964,209	\$ (1,147,953)	\$ 6,758,578	\$ 249,443	\$ 6,509,135

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**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, 2016, \$11,608,380 has been accrued for the City's self-insurance programs, of which \$6,609,293 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, 2016 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, 2016 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
2013-2014	\$ 8,335,432	\$ 5,170,346	\$ (5,518,308)	\$ 7,987,470	\$ 6,503,171	\$ 1,484,299
2014-2015	7,987,470	8,144,847	(5,917,606)	10,214,711	6,378,783	3,835,928
2015-2016	10,214,711	1,512,050	(118,380)	11,608,381	6,609,293	4,999,088

***Purchased insurance***

***Property Insurance*** - Several insurance companies underwrite this insurance protection. The City is currently insured according to a schedule of covered property submitted by the City to Travelers Property Casualty Company of America. Total all-risk property insurance coverage is \$62.1 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, 2016**

**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, 2016 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	\$ 1,148,874	\$ 1,163,588	\$ 2,312,462
Safety	4,917,350	-	4,917,350
Total pension contribution made after measurement date	<u>6,066,224</u>	<u>1,163,588</u>	<u>7,229,812</u>
Adjustment due to difference proportion:			
Safety	1,931,367	-	1,931,367
Difference between City's contribution and proportionate share of contribution:			
Safety	241,124	-	241,124
<b>Total deferred outflows of resources</b>	<u>\$ 8,238,715</u>	<u>\$ 1,163,588</u>	<u>\$ 9,402,303</u>
<b>Aggregate net pension liabilities:</b>			
Miscellaneous	\$ 12,237,560	\$ 12,394,309	24,631,869
Safety	45,186,413	-	45,186,413
<b>Total aggregate net pension liabilities</b>	<u>\$ 57,423,973</u>	<u>\$ 12,394,309</u>	<u>\$ 69,818,282</u>
<b>Deferred inflows of Resources:</b>			
Change in assumption			
Miscellaneous	\$ 841,128	\$ 851,902	\$ 1,693,030
Safety	2,580,650	-	2,580,650
Total change in assumption	<u>3,421,778</u>	<u>851,902</u>	<u>4,273,680</u>
Differences between Expected and Actual Experience on pension investments:			
Miscellaneous	179,440	181,738	361,178
Safety	561,088	-	561,088
Total differences between Expected and Actual Experience on pension investments:	<u>740,528</u>	<u>181,738</u>	<u>922,266</u>
Difference in projected and actual earnings on pension investments:			
Miscellaneous	527,939	534,700	1,062,639
Safety	1,307,890	-	1,307,890
Total difference in projected and actual earnings on pension investments:	<u>1,835,829</u>	<u>534,700</u>	<u>2,370,529</u>
<b>Total deferred inflows of resources</b>	<u>\$ 5,998,135</u>	<u>\$ 1,568,340</u>	<u>\$ 7,566,475</u>
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Pension Expense:</b>			
Miscellaneous	\$ 673,970	\$ 682,601	1,356,571
Safety	2,572,597	-	2,572,597
<b>Total pension expense</b>	<u>\$ 3,246,567</u>	<u>\$ 682,601</u>	<u>\$ 3,929,168</u>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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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, 2014 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

**Benefit Provided**

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

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

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

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

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**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, 2014, the valuation date, the following employees were covered by the benefit terms:

	Plans		
	Miscellaneous	Safety	
		Classic	PEPRA
Active employees	344	87	5
Transferred and terminated employees	273	54	1
Retired Employees and Beneficiaries	356	227	0
Total	973	368	6

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ends June 30, 2015, the active classic miscellaneous and safety employee contribution rates were 7.000% and 9.000% of annual pay respectively; the active PEPRA miscellaneous and safety employee contribution rates was 6.75% and 12.25% of annual pay; the employer’s contribution rates were 11.501% and 46.150% of classic miscellaneous and safety employee annual payroll, respectively, and the employer’s contribution rates were 6.75% and 12.25% of PEPRA miscellaneous and safety employee annual payroll, respectively.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

**Net Pension Liability**

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

For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
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, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

*Change in Assumption*

GASB 68, paragraph 68 states that the long- term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.5% (net of administrative expense in 2014) to 7.65 percent as of June 3, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

*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. 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, 2016**

**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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <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, 2016**

**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, 2014 (Valuation Date)	\$ 136,008,515	\$ 115,562,210	\$ 20,446,305
Changes Recognized for the Measurement Period:			
Service Cost	2,672,238	-	2,672,238
Interest on the total pension liability	10,024,136	-	10,024,136
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(500,092)	-	(500,092)
Changes of assumptions	(2,344,195)	-	(2,344,195)
Contributions from the employer	-	2,016,919	(2,016,919)
Contributions from employees	-	1,242,246	(1,242,246)
Net investment income, net of administrative expense	-	2,536,012	(2,536,012)
Benefit payments, including refunds of employee contributions	(6,931,772)	(6,931,772)	-
Administrative expense	-	(128,654)	128,654
Net Changes during July 1, 2014 to June 30, 2015	2,920,315	(1,265,249)	4,185,564
Balance at June 30, 2015 (Measurement Date)	<u>\$ 138,928,830</u>	<u>\$ 114,296,961</u>	<u>\$ 24,631,869</u>

**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, 2014 (Valuation Date)	\$ 166,725,015	\$ 125,937,354	\$ 40,787,661
Balance at June 30, 2015 (Measurement Date)	167,831,681	122,645,268	45,186,413
Net Changes during 2014-2015	1,106,666	(3,292,086)	4,398,752

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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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, 2014). 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, 2015). 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, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15).
- (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, 2014	1.0874%
June 30, 2015	1.0966%
Change - Increase (Decrease)	0.0093%

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**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:

	<b>Plan's Net Pension Liability/(Asset)</b>		
	<b>Discount Rate - 1%</b>	<b>Current Discount</b>	<b>Discount Rate + 1%</b>
	<b>(6.65%)</b>	<b>Rate (7.65%)</b>	<b>(8.65%)</b>
Miscellaneous Plan	\$ 42,334,747	\$ 24,631,869	\$ 9,956,107
Safety Plan	\$ 68,197,848	\$ 45,186,413	\$ 26,317,458

*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, 2016, the City recognized pension expense in the amounts of \$1,357,912 and \$2,572,597 for the miscellaneous plan and safety plan, respectively.

As of measurement date of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

<b>Miscellaneous Plan</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ (361,178)
Changes of assumptions	-	(1,693,030)
Net difference between projected and actual earning on pension plan investments	-	(1,062,639)
Total	\$ -	\$ (3,116,847)
<b>Safety Plan</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ (561,088)
Changes of assumptions	-	(2,580,650)
Difference between projected and actual earnings on pension plan investments	-	(1,307,890)
Adjustment due to differences in proportions	1,931,367	-
Difference between City contributions and proportionate share of contributions	241,124	-
Total	\$ 2,172,491	\$ (4,449,628)

The amounts above are net of outflows and inflows recognized in the 2014-2015 measurement period expense.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

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

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the miscellaneous plan and the safety risk pool for the 2014-15 measurement period is 3.6 and 3.8 years, which was obtained by dividing the total service years of 3,528 and 467,023 (the sum of remaining service lifetimes of the active employees) by 973 and 122,410 (the total number of participants: active, inactive, and retired), respectively.

\$2,312,462 and \$4,917,350 reported as deferred outflows of resources related to pensions for miscellaneous plan and safety plan, respectively, resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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	Deferred Outflows/ (Inflows) of Resources
	Miscellaneous Plan	Safety Plan
2016	\$ (1,553,328)	\$ (1,277,839)
2017	(1,553,328)	(1,299,936)
2018	(1,237,297)	(1,304,882)
2019	1,227,106	1,605,520
Thereafter	-	-
	<u>\$ (3,116,847)</u>	<u>\$ (2,277,137)</u>

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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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, 2016 the City’s payroll covered by the plan was \$502,518. The City made employer contributions in the amount of \$18,854. Participants of the Plan as of June 30, 2016 were 76.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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**Note 11 – Other Postemployment Benefits**

Plan Description

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

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

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

Eligibility

All of the Plan’s employees became participants in accordance with negotiated Memorandum of Understanding (“MOU”) as negotiated by each group or bargaining unit. In order to receive benefits, eligible employees must meet the minimum requirements defined in their MOU. Participants of the Plan as of June 30, 2016 were as follows:

<u>Participants</u>	<u>Total</u>
Active employees	330
Retirees	200
<b>Total</b>	<b>530</b>

Funding Policy

The contribution requirements for Plan members and the City are established by an MOU as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2016, the City contributed \$2,567,320. Plan members receiving benefits contributed \$47,751 of the total premiums as their required contributions.

Annual OPEB Cost and Net OPEB Obligation

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

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

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

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 6,207,000	\$ 1,389,000	\$ 7,596,000
Interest on net OPEB obligation	697,000	156,000	853,000
Adjustment to annual required contribution	(1,435,000)	(321,000)	(1,756,000)
Annual OPEB cost (expense)	5,469,000	1,224,000	6,693,000
Other adjustment to OPEB	-	-	-
Contributions made	(2,097,740)	(469,580)	(2,567,320)
Increase in net OPEB obligation	3,371,260	754,420	4,125,680
Net OPEB obligation - beginning of year	17,900,040	4,756,944	22,656,984
Net OPEB obligation - end of year	<u>\$ 21,271,300</u>	<u>\$ 5,511,364</u>	<u>\$ 26,782,664</u>

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, 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 7,508,000	\$ 2,382,000	31.73%	\$ 18,855,824
6/30/2015	6,360,000	2,558,840	40.23%	22,656,984
6/30/2016	6,693,000	2,567,320	38.36%	26,782,664

**Funded Status and Funding Progress**

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

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

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

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

Actuarial Methods and Assumptions

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

In the June 30, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.00% investment rate of return (net of administrative expenses), which is based on the expected return on funds invested, and an annual healthcare cost trend rate of 7.80% initially reduced by decrements to an ultimate rate of 5.00% thereafter. The actuarial assumption for inflation was 3.0%, and the aggregate payroll increases was 3.25% used in the actuarial valuation. The unfunded actuarial accrued liability will be amortized as a level percentage of projected covered 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, 2016 is 18 years.

**Note 12 – Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are under the participants control and are principally invested in demand deposits and mutual funds and are held in trust for the exclusive benefit of the participants and their beneficiaries. The plan assets are not included in the accompanying financial statements. At June 30, 2016, the amount held by Trustee for employees is \$18,391,585.

**City of Gardena**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2016**

**Note 13 – Classification of Fund Balances**

At June 30, 2016, 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	\$ 57,167	\$ -	\$ -	\$ -	\$ 57,167
Inventories	63,201	-	-	-	63,201
Prepaid items and deposits	69,451	-	-	-	69,451
<b>Total nonspendable</b>	<u>189,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,819</u>
<b>Restricted</b>					
Debt service	-	-	2,679,363	-	2,679,363
Employment & training services	164,116	-	-	-	164,116
Law enforcement	-	-	-	1,251,314	1,251,314
Local street improvements	-	-	-	7,072,378	7,072,378
Other capital projects	-	-	-	301,546	301,546
Other purposes	-	131,667	-	289,859	421,526
<b>Total restricted</b>	<u>164,116</u>	<u>131,667</u>	<u>2,679,363</u>	<u>8,915,097</u>	<u>11,890,243</u>
<b>Committed</b>					
Emergency contingency	2,542,367	-	-	-	2,542,367
Parking and parks and recreation facilities	-	3,776,154	-	-	3,776,154
Civic center improvements	15,000,000	-	-	-	15,000,000
<b>Total committed</b>	<u>17,542,367</u>	<u>3,776,154</u>	<u>-</u>	<u>-</u>	<u>21,318,521</u>
<b>Assigned</b>					
Computer replacement	485,904	-	-	-	485,904
Equipment replacement	211,888	-	-	-	211,888
Future debt service payments	2,049,894	-	-	-	2,049,894
Police	-	-	-	-	-
Recreation	26,000	-	-	-	26,000
Other capital projects	-	-	-	-	-
<b>Total assigned</b>	<u>2,773,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,773,686</u>
<b>Unassigned</b>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>(20,809)</u>	<u>179,191</u>
<b>Total fund balance</b>	<u>\$ 20,869,988</u>	<u>\$ 3,907,821</u>	<u>\$ 2,679,363</u>	<u>\$ 8,894,288</u>	<u>\$ 36,351,460</u>

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, 2016**

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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, 2016, the City’s percentage interest is 32.08%.

As of and for the year ended June 30, 2016, the latest available information, SBRPCA’s unaudited financial information is as follows:

Current assets	\$ 3,668,069
Noncurrent assets	8,730,819
Deferred outflows of resources	541,402
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 12,940,290</u></b>
Total liabilities	\$ 7,361,841
Deferred inflows of resources	1,363,653
SBRPCA equity	4,214,796
<b>Total liabilities, deferred inflows of resources and SBRPCA equity</b>	<b><u>\$ 12,940,290</u></b>
Total revenues	\$ 10,340,644
Total expenses	<u>(10,585,332)</u>
<b>Change in net position</b>	<b><u>\$ (244,688)</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 \$2,827,440 as of June 30, 2016.

# CITY OF GARDENA

*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016*



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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, 2016*



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**City of Gardena**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2016**

**Last Ten Fiscal Years**

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

Measurement period	2014-15 <sup>1</sup>	2013-14 <sup>1</sup>
<b>Total pension liability</b>		
Service cost	\$ 2,672,238	\$ 2,713,029
Interest	10,024,136	9,625,167
Changes of benefit terms	-	-
Differences between expected and actual experience	(500,092)	-
Changes of assumptions	(2,344,195)	-
Benefit payments, including refunds of employee contributions	(6,931,772)	(6,617,452)
<b>Net change in total pension liability</b>	2,920,315	5,720,744
<b>Total pension liability - beginning</b>	136,008,515	130,287,771
<b>Total pension liability - ending (a)</b>	\$ 138,928,830	\$ 136,008,515
<b>Pension fiduciary net position</b>		
Contributions - employer	\$ 2,016,919	\$ 1,628,415
Contributions - employee	1,242,246	1,181,161
Net investment income <sup>2</sup>	2,536,012	17,430,461
Benefit payments, including refunds of employee contributions	(6,931,772)	(6,617,452)
Administrative Expense	(128,654)	-
<b>Net change in plan fiduciary net position</b>	(1,265,249)	13,622,585
<b>Plan fiduciary net position - beginning</b>	115,562,210	101,939,625
<b>Plan fiduciary net position - ending (b)</b>	\$ 114,296,961	\$ 115,562,210
<b>Plan net pension liability - ending (a) - (b)</b>	\$ 24,631,869	\$ 20,446,305
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	82.27%	84.97%
<b>Covered-employee payroll</b>	\$ 18,094,788	\$ 17,651,457
<b>Plan net pension liability as a percentage of covered-employee payroll</b>	136.13%	115.83%

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

<sup>2</sup> Net of administrative expenses for 2013-14.

**Notes to Schedule:**

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

Changes of Assumption: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios (Continued)**  
**For the Year Ended June 30, 2016**

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**Last Ten Fiscal Years**

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

	June 30, 2015 <sup>1</sup>	June 30, 2014 <sup>1</sup>
City Proportion of the Net Pension Liability/(Asset)	1.09660%	0.65549%
City's Proportionate Share of the net Pension Liability/(Asset)	\$ 45,186,413	\$ 40,787,661
City's Covered-Employee Payroll	\$ 9,351,143	\$ 9,078,779
City's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Its Covered-Employee Payroll	546.22%	449.26%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	78.40%	75.54%

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

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2016**

**Last Ten Fiscal Years**

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

	2015-16	2014-15	2013-14 <sup>1</sup>
Actuarially determined contribution	\$ 2,312,462	\$ 2,015,588	\$ 1,628,415
Contributions in relation to the actuarially determined contribution	(2,312,462)	(2,015,588)	(1,628,415)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll <sup>2,3</sup>	\$ 19,012,911	\$ 18,459,137	\$ 17,651,457
Contributions as a percentage of covered-employee payroll <sup>2</sup>	12.16%	10.92%	9.23%

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

<sup>2</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

<sup>3</sup> Payroll from 2014-15 of \$18,459,137 was assumed to increase by the 3.00 percent payroll growth assumption.

**Notes to Schedule:**

Valuation date:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 was from the June 30, 2013 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, closed
Asset valuation method	Market value
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period 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) (Continued)**  
**Schedule of Contributions (Continued)**  
**For the Year Ended June 30, 2016**

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**Last Ten Fiscal Years**

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

	2015-16	2014-15	2013-14 <sup>1</sup>
Actuarially determined contribution	\$ 4,917,350	\$ 4,265,350	\$ 3,930,218
Contributions in relation to the actuarially determined contribution	(4,917,350)	(4,265,350)	(3,930,218)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll <sup>2,3</sup>	\$ 9,706,331	\$ 9,423,622	\$ 9,078,779
Contributions as a percentage of covered-employee payroll <sup>2</sup>	50.66%	45.26%	43.29%

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

<sup>2</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

<sup>3</sup> Payroll from 2014-15 of \$9,423,622 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:** The discount rate was changed from 7.5 percent net of administrative expense to 7.65 percent.

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Schedule of Funding Progress - OPEB**  
**For the Year Ended June 30, 2016**

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

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

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

*Budgetary Comparison Schedule – General Fund*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 42,520,809	\$ 42,520,809	\$ 43,873,737	\$ 1,352,928
Licenses and permits	1,000,675	1,000,675	1,521,379	520,704
Intergovernmental	470,600	470,600	744,883	274,283
Charges for services	4,064,841	4,064,841	4,545,874	481,033
Fines, forfeitures and penalties	1,054,500	1,054,500	833,102	(221,398)
Use of money and property	125,000	150,000	411,415	261,415
Miscellaneous	1,188,083	1,207,675	1,484,643	276,968
<b>Total revenues</b>	<b>50,424,508</b>	<b>50,469,100</b>	<b>53,415,033</b>	<b>2,945,933</b>
<b>EXPENDITURES:</b>				
Current:				
General government:				
City clerk	358,720	358,720	294,836	63,884
City treasurer	237,702	237,702	270,918	(33,216)
Executive office	1,197,230	1,197,230	1,169,029	28,201
Administrative services	2,667,388	2,667,388	2,361,820	305,568
Non-departmental	831,360	831,360	789,864	41,496
Public safety:				
Police	22,939,644	22,939,644	24,400,772	(1,461,128)
L.A. County Fire District	10,050,988	10,050,988	9,844,398	206,590
Public works	4,999,579	4,999,579	4,949,955	49,624
Recreation and human services	4,019,687	4,144,687	4,260,009	(115,322)
Community development	1,565,444	1,565,444	1,552,197	13,247
Capital outlay	652,243	652,243	4,165,686	(3,513,443)
<b>Total expenditures</b>	<b>49,519,985</b>	<b>49,644,985</b>	<b>54,059,484</b>	<b>(4,414,499)</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>904,523</b>	<b>824,115</b>	<b>(644,451)</b>	<b>(1,468,566)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,080,000	1,067,165	4,441,091	3,373,926
Transfers out	(1,967,832)	(16,967,832)	(3,805,025)	13,162,807
Issuance of loans	-	-	126,580	126,580
Proceeds from sale of assets	-	5,600,000	4,990,156	(609,844)
<b>Total other financing sources (uses)</b>	<b>(887,832)</b>	<b>(10,300,667)</b>	<b>5,752,802</b>	<b>16,053,469</b>
<b>CHANGE IN FUND BALANCE</b>	<b>16,691</b>	<b>(9,476,552)</b>	<b>5,108,351</b>	<b>14,584,903</b>
<b>FUND BALANCE:</b>				
Beginning of year	15,761,637	15,761,637	15,761,637	-
End of year	<b>\$ 15,778,328</b>	<b>\$ 6,285,085</b>	<b>\$ 20,869,988</b>	<b>\$ 14,584,903</b>

**City of Gardena**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 38,854	\$ 38,854
Fines, forfeitures and penalties	-	-	871,500	871,500
Use of money and property	-	173	22,684	22,511
Miscellaneous	-	95,625	137,270	41,645
<b>Total revenues</b>	<b>-</b>	<b>95,798</b>	<b>1,070,308</b>	<b>974,510</b>
<b>EXPENDITURES:</b>				
Current:				
Community development		323,115	259,349	63,766
Debt service:				
Interest and fiscal charges	-	-	86,223	(86,223)
<b>Total expenditures</b>	<b>-</b>	<b>323,115</b>	<b>345,572</b>	<b>(22,457)</b>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(227,317)</b>	<b>724,736</b>	<b>952,053</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	1	1
Transfers out	-	(2,900,000)	(82,671)	2,817,329
Issuance of loans	-	-	184,446	184,446
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(2,900,000)</b>	<b>101,776</b>	<b>3,001,775</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(3,127,317)</b>	<b>826,512</b>	<b>3,953,828</b>
<b>FUND BALANCE:</b>				
Beginning of year	-	3,081,309	3,081,309	-
End of year	\$ -	\$ (46,008)	\$ 3,907,821	\$ 3,953,828

**City of Gardena**  
**Notes to the Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

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

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

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

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

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

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# **SUPPLEMENTARY INFORMATION**

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# CITY OF GARDENA

*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016*



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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, 2016**

	Special Revenue				
	Consolidated	Prop C			
	Lighting District	Local Return	Gas Tax	Asset Forfeiture	Public Safety Grants
<b>ASSETS</b>					
Cash and investments	\$ 286,348	\$ 1,505,135	\$ 5,392,215	\$ 1,129,958	\$ 107,139
Receivables:					
Accounts	-	-	-	-	-
Taxes	15,280	-	-	-	-
Due from other governmental agencies	-	-	-	8,582	87,108
<b>Total assets</b>	<b>\$ 301,628</b>	<b>\$ 1,505,135</b>	<b>\$ 5,392,215</b>	<b>\$ 1,138,540</b>	<b>\$ 194,247</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 43,629	\$ -	\$ -	\$ 161	\$ 1,208
Salaries and benefits payable	-	-	-	-	12,974
Due to other funds	-	-	-	-	67,130
Retention payable	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>43,629</b>	<b>-</b>	<b>-</b>	<b>161</b>	<b>81,312</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Restricted	257,999	1,505,135	5,392,215	1,138,379	112,935
Unassigned (deficit)	-	-	-	-	-
<b>Total fund balances</b>	<b>257,999</b>	<b>1,505,135</b>	<b>5,392,215</b>	<b>1,138,379</b>	<b>112,935</b>
<b>Total liabilities and fund balances</b>	<b>\$ 301,628</b>	<b>\$ 1,505,135</b>	<b>\$ 5,392,215</b>	<b>\$ 1,138,540</b>	<b>\$ 194,247</b>

**City of Gardena**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Special Revenue				
	Public Works Grants	Human Services Grants	Community Development Block Grant (CDBG)	City Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 218,736	\$ 112,624	\$ 7,514	\$ 887,851	\$ 9,647,520
Receivables:					
Accounts	352,867	3,535	1,400	3,000	360,802
Taxes	-	-	-	-	15,280
Due from other governmental agencies	241,060	170,629	148,017	-	655,396
<b>Total assets</b>	<b>\$ 812,663</b>	<b>\$ 286,788</b>	<b>\$ 156,931</b>	<b>\$ 890,851</b>	<b>\$ 10,678,998</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 193	\$ 157,822	\$ 25,749	\$ 523,332	\$ 752,094
Salaries and benefits payable	-	23,626	15,687	-	52,287
Due to other funds	284,575	18,864	83,635	-	454,204
Retention payable	-	-	-	65,973	65,973
Unearned Revenue	-	150	-	-	150
<b>Total liabilities</b>	<b>284,768</b>	<b>200,462</b>	<b>125,071</b>	<b>589,305</b>	<b>1,324,708</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue	352,867	107,135	-	-	460,002
<b>Total deferred inflows of resources</b>	<b>352,867</b>	<b>107,135</b>	<b>-</b>	<b>-</b>	<b>460,002</b>
<b>Fund Balances:</b>					
Restricted	175,028	-	31,860	301,546	8,915,097
Unassigned (deficit)	-	(20,809)	-	-	(20,809)
<b>Total fund balances</b>	<b>175,028</b>	<b>(20,809)</b>	<b>31,860</b>	<b>301,546</b>	<b>8,894,288</b>
<b>Total liabilities and fund balances</b>	<b>\$ 812,663</b>	<b>\$ 286,788</b>	<b>\$ 156,931</b>	<b>\$ 890,851</b>	<b>\$ 10,678,998</b>

**City of Gardena**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue				
	Consolidated Lighting District	Prop C Local Return	Gas Tax	Asset Forfeiture	Public Safety Grants
<b>REVENUES:</b>					
Taxes	\$ 675,732	\$ 899,669	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,341,751	117,459	357,193
Fines, forfeitures, and penalties	-	-	-	-	89,447
Use of money and property	1,613	11,124	37,874	8,493	1,780
Miscellaneous	22,056	-	-	-	-
<b>Total revenues</b>	<b>699,401</b>	<b>910,793</b>	<b>1,379,625</b>	<b>125,952</b>	<b>448,420</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety	-	-	-	111,970	316,928
Public works	616,020	-	-	-	-
Recreation and human services	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	129,802	25,832
<b>Total expenditures</b>	<b>616,020</b>	<b>-</b>	<b>-</b>	<b>241,772</b>	<b>342,760</b>
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>83,381</b>	<b>910,793</b>	<b>1,379,625</b>	<b>(115,820)</b>	<b>105,660</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	725,388	-
Transfers out	(162,392)	(826,596)	(1,836,784)	(952,053)	(200,000)
<b>Total other financing sources (uses)</b>	<b>(162,392)</b>	<b>(826,596)</b>	<b>(1,836,784)</b>	<b>(226,665)</b>	<b>(200,000)</b>
<b>CHANGES IN FUND BALANCES</b>	<b>(79,011)</b>	<b>84,197</b>	<b>(457,159)</b>	<b>(342,485)</b>	<b>(94,340)</b>
<b>FUND BALANCES:</b>					
Beginning of year	337,010	1,420,938	5,849,374	1,480,864	207,275
End of year	\$ 257,999	\$ 1,505,135	\$ 5,392,215	\$ 1,138,379	\$ 112,935

**City of Gardena**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2016**

	Special Revenue				Total Nonmajor Governmental Funds
	Public Works Grants	Human Services Grants	Community Development Block Grant (CDBG)	City Capital Projects	
<b>REVENUES:</b>					
Taxes	\$ 773,664	\$ -	\$ -	\$ -	\$ 2,349,065
Intergovernmental	406,516	1,940,987	684,708	73,276	4,921,890
Fines, forfeitures, and penalties	-	-	-	-	89,447
Use of money and property	2,382	1,751	-	-	65,017
Miscellaneous	-	154,054	7,100	-	183,210
<b>Total revenues</b>	<b>1,182,562</b>	<b>2,096,792</b>	<b>691,808</b>	<b>73,276</b>	<b>7,608,629</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety	-	-	-	-	428,898
Public works	18,841	-	-	-	634,861
Recreation and human services	-	2,238,821	-	-	2,238,821
Community development	-	-	722,188	-	722,188
Capital outlay	-	-	-	4,011,329	4,166,963
<b>Total expenditures</b>	<b>18,841</b>	<b>2,238,821</b>	<b>722,188</b>	<b>4,011,329</b>	<b>8,191,731</b>
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>1,163,721</b>	<b>(142,029)</b>	<b>(30,380)</b>	<b>(3,938,053)</b>	<b>(583,102)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	82,683	44,531	40,066	4,060,520	4,953,188
Transfers out	(1,731,582)	-	(2,575)	-	(5,711,982)
<b>Total other financing sources (uses)</b>	<b>(1,648,899)</b>	<b>44,531</b>	<b>37,491</b>	<b>4,060,520</b>	<b>(758,794)</b>
<b>CHANGES IN FUND BALANCES</b>	<b>(485,178)</b>	<b>(97,498)</b>	<b>7,111</b>	<b>122,467</b>	<b>(1,341,896)</b>
<b>FUND BALANCES:</b>					
Beginning of year	660,206	76,689	24,749	179,079	10,236,184
End of year	\$ 175,028	\$ (20,809)	\$ 31,860	\$ 301,546	\$ 8,894,288

**City of Gardena**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Consolidated Lighting District Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 661,117	\$ 661,117	\$ 675,732	\$ 14,615
Use of money and property	-	-	1,613	1,613
Miscellaneous	350	350	22,056	21,706
<b>Total revenues</b>	<b>661,467</b>	<b>661,467</b>	<b>699,401</b>	<b>37,934</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	611,703	611,703	616,020	(4,317)
<b>Total expenditures</b>	<b>611,703</b>	<b>611,703</b>	<b>616,020</b>	<b>(4,317)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>49,764</b>	<b>49,764</b>	<b>83,381</b>	<b>33,617</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	-	(162,392)	(162,392)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(162,392)</b>	<b>(162,392)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>49,764</b>	<b>49,764</b>	<b>(79,011)</b>	<b>(128,775)</b>
<b>FUND BALANCE:</b>				
Beginning of year	337,010	337,010	337,010	-
End of year	<u>\$ 386,774</u>	<u>\$ 386,774</u>	<u>\$ 257,999</u>	<u>\$ (128,775)</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Prop C Local Return Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 865,173	\$ 865,173	\$ 899,669	\$ 34,496
Use of money and property	25,000	25,000	11,124	(13,876)
<b>Total revenues</b>	<b>890,173</b>	<b>890,173</b>	<b>910,793</b>	<b>20,620</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>890,173</b>	<b>890,173</b>	<b>910,793</b>	<b>20,620</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(500,000)	(500,000)	(826,596)	(326,596)
<b>Total other financing sources (uses)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(826,596)</b>	<b>(326,596)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>390,173</b>	<b>390,173</b>	<b>84,197</b>	<b>(305,976)</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,420,938	1,420,938	1,420,938	-
End of year	<u>\$ 1,811,111</u>	<u>\$ 1,811,111</u>	<u>\$ 1,505,135</u>	<u>\$ (305,976)</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Gas Tax Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,594,751	\$ 1,594,751	\$ 1,341,751	\$ (253,000)
Use of money and property	19,250	19,250	37,874	18,624
<b>Total revenues</b>	<b>1,614,001</b>	<b>1,614,001</b>	<b>1,379,625</b>	<b>(234,376)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,614,001</b>	<b>1,614,001</b>	<b>1,379,625</b>	<b>(234,376)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(2,090,000)	(2,090,000)	(1,836,784)	253,216
<b>Total other financing sources (uses)</b>	<b>(2,090,000)</b>	<b>(2,090,000)</b>	<b>(1,836,784)</b>	<b>253,216</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(475,999)</b>	<b>(475,999)</b>	<b>(457,159)</b>	<b>18,840</b>
<b>FUND BALANCE:</b>				
Beginning of year	5,849,374	5,849,374	5,849,374	-
End of year	<u>\$ 5,373,375</u>	<u>\$ 5,373,375</u>	<u>\$ 5,392,215</u>	<u>\$ 18,840</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Asset Forfeiture Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 510,000	\$ 510,000	\$ 117,459	\$ (392,541)
Use of money and property	6,500	6,500	8,493	1,993
<b>Total revenues</b>	<b>516,500</b>	<b>516,500</b>	<b>125,952</b>	<b>(390,548)</b>
<b>EXPENDITURES:</b>				
Current:				
Public safety	534,600	534,600	111,970	422,630
Capital outlay	437,000	533,500	129,802	403,698
<b>Total expenditures</b>	<b>971,600</b>	<b>1,068,100</b>	<b>241,772</b>	<b>826,328</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(455,100)</b>	<b>(551,600)</b>	<b>(115,820)</b>	<b>435,780</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	-	725,388	725,388
Transfers out	(200,918)	(2,200,918)	(952,053)	1,248,865
<b>Total other financing sources (uses)</b>	<b>(200,918)</b>	<b>(2,200,918)</b>	<b>(226,665)</b>	<b>1,974,253</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(656,018)</b>	<b>(2,752,518)</b>	<b>(342,485)</b>	<b>2,410,033</b>
<b>FUND BALANCE:</b>				
Beginning of year	1,480,864	1,480,864	1,480,864	-
End of year	<b>\$ 824,846</b>	<b>\$ (1,271,654)</b>	<b>\$ 1,138,379</b>	<b>\$ 2,410,033</b>

**City of Gardena**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Public Safety Grants Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 395,217	\$ 415,248	\$ 357,193	\$ (58,055)
Fines, forfeitures, and penalties	200,000	200,000	89,447	(110,553)
Use of money and property	-	-	1,780	1,780
<b>Total revenues</b>	<u>595,217</u>	<u>615,248</u>	<u>448,420</u>	<u>(166,828)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	307,139	397,082	316,928	80,154
Capital outlay	19,900	34,931	25,832	9,099
<b>Total expenditures</b>	<u>327,039</u>	<u>432,013</u>	<u>342,760</u>	<u>89,253</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>268,178</u>	<u>183,235</u>	<u>105,660</u>	<u>(77,575)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(200,000)	(200,000)	(200,000)	-
<b>Total other financing sources (uses)</b>	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	68,178	(16,765)	(94,340)	(77,575)
<b>FUND BALANCE:</b>				
Beginning of year	207,275	207,275	207,275	-
End of year	<u>\$ 275,453</u>	<u>\$ 190,510</u>	<u>\$ 112,935</u>	<u>\$ (77,575)</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Public Works Grants Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 742,250	\$ 742,250	\$ 773,664	\$ 31,414
Intergovernmental	500,000	500,000	406,516	(93,484)
Use of money and property	2,000	2,000	2,382	382
<b>Total revenues</b>	<u>1,244,250</u>	<u>1,244,250</u>	<u>1,182,562</u>	<u>(61,688)</u>
<b>EXPENDITURES:</b>				
Current:				
Public works	21,662	21,662	18,841	2,821
<b>Total expenditures</b>	<u>21,662</u>	<u>21,662</u>	<u>18,841</u>	<u>2,821</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,222,588</u>	<u>1,222,588</u>	<u>1,163,721</u>	<u>(58,867)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	82,683	82,683
Transfers out	(1,153,500)	(1,153,500)	(1,731,582)	(578,082)
<b>Total other financing sources (uses)</b>	<u>(1,153,500)</u>	<u>(1,153,500)</u>	<u>(1,648,899)</u>	<u>(495,399)</u>
<b>CHANGE IN FUND BALANCE</b>	69,088	69,088	(485,178)	(554,266)
<b>FUND BALANCE:</b>				
Beginning of year	660,206	660,206	660,206	-
End of year	<u>\$ 729,294</u>	<u>\$ 729,294</u>	<u>\$ 175,028</u>	<u>\$ (554,266)</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Human Services Grants Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,864,934	\$ 2,140,375	\$ 1,940,987	\$ (199,388)
Use of money and property	1,000	1,000	1,751	751
Miscellaneous	50,000	152,000	154,054	2,054
<b>Total revenues</b>	<u>1,915,934</u>	<u>2,293,375</u>	<u>2,096,792</u>	<u>(196,583)</u>
<b>EXPENDITURES:</b>				
Current:				
Recreation and human services	1,915,934	2,293,375	2,238,821	54,554
<b>Total expenditures</b>	<u>1,915,934</u>	<u>2,293,375</u>	<u>2,238,821</u>	<u>54,554</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(142,029)</u>	<u>(142,029)</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	-	-	44,531	44,531
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>44,531</u>	<u>44,531</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>(97,498)</u>	<u>(97,498)</u>
<b>FUND BALANCE:</b>				
Beginning of year	76,689	76,689	76,689	-
End of year	<u>\$ 76,689</u>	<u>\$ 76,689</u>	<u>\$ (20,809)</u>	<u>\$ (97,498)</u>

**City of Gardena**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**Community Development Block Grant (CDBG) Special Revenue Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 725,681	\$ 776,555	\$ 684,708	\$ (91,847)
Miscellaneous	-	-	7,100	7,100
<b>Total revenues</b>	<b>725,681</b>	<b>776,555</b>	<b>691,808</b>	<b>(84,747)</b>
<b>EXPENDITURES:</b>				
Current:				
Community development	725,681	776,555	722,188	54,367
<b>Total expenditures</b>	<b>725,681</b>	<b>776,555</b>	<b>722,188</b>	<b>54,367</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	(30,380)	(30,380)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	40,066	40,066
Transfers out	-	-	(2,575)	(2,575)
<b>Total other financing sources (uses)</b>	-	-	<b>37,491</b>	<b>37,491</b>
<b>CHANGE IN FUND BALANCE</b>	-	-	7,111	7,111
<b>FUND BALANCE:</b>				
Beginning of year	24,749	24,749	24,749	-
End of year	<b>\$ 24,749</b>	<b>\$ 24,749</b>	<b>\$ 31,860</b>	<b>\$ 7,111</b>

**City of Gardena**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual**  
**City Capital Projects Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	74,000	\$ 73,276	\$ (724)
Miscellaneous	-	500,000	-	(500,000)
<b>Total revenues</b>	<b>-</b>	<b>574,000</b>	<b>73,276</b>	<b>(500,724)</b>
<b>EXPENDITURES:</b>				
Current:	-			
Capital outlay	3,790,000	24,264,000	4,011,329	20,252,671
<b>Total expenditures</b>	<b>3,790,000</b>	<b>24,264,000</b>	<b>4,011,329</b>	<b>20,252,671</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,790,000)</b>	<b>(23,690,000)</b>	<b>(3,938,053)</b>	<b>19,751,947</b>
<b>OTHER FINANCING SOURCES :</b>				
Transfers in	3,890,000	23,790,000	4,060,520	(19,729,480)
<b>Total other financing sources</b>	<b>3,890,000</b>	<b>23,790,000</b>	<b>4,060,520</b>	<b>(19,729,480)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>100,000</b>	<b>100,000</b>	<b>122,467</b>	<b>22,467</b>
<b>FUND BALANCE:</b>				
Beginning of year	452,900	179,079	179,079	-
End of year	\$ 552,900	\$ 279,079	\$ 301,546	\$ 22,467

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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.

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

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

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

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

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

**City of Gardena**  
**Combining Balance Sheet**  
**All Debt Service Funds**  
**June 30, 2016**

	Leases and Loan	2006 Refunding COPs, Series A & B	2006 Refunding COPs, Series C	2007 Refunding Revenue Bonds SBRPCA	2014 Taxable Lease Revenue Refunding Bonds	Total
<b>ASSETS</b>						
Cash and investments with fiscal agents	\$ -	\$ 1,803,188	\$ 537,977	\$ 298,526	\$ 37,654	\$ 2,677,345
Prepaid items and deposits	-	1,886	333	-	-	2,219
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 1,805,074</b>	<b>\$ 538,310</b>	<b>\$ 298,526</b>	<b>\$ 37,654</b>	<b>\$ 2,679,564</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ 171	\$ 30	\$ -	\$ -	\$ 201
<b>Total liabilities</b>	<b>-</b>	<b>171</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>201</b>
<b>Fund Balances:</b>						
Restricted	-	1,804,903	538,280	298,526	37,654	2,679,363
<b>Total fund balances</b>	<b>-</b>	<b>1,804,903</b>	<b>538,280</b>	<b>298,526</b>	<b>37,654</b>	<b>2,679,363</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 1,805,074</b>	<b>\$ 538,310</b>	<b>\$ 298,526</b>	<b>\$ 37,654</b>	<b>\$ 2,679,564</b>

**City of Gardena**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**All Debt Service Funds**  
**For the Year Ended June 30, 2016**

	2006 Leases and Loan	2006 Refunding COPs, Series A & B	2006 Refunding COPs, Series C	2007 Refunding Revenue Bonds SBRPCA	2014 Taxable Lease Revenue Refunding Bonds	Total
<b>REVENUES:</b>						
Use of money and property	\$ -	\$ 4	\$ 1	\$ 29	\$ 128	\$ 162
<b>Total revenues</b>	<b>-</b>	<b>4</b>	<b>1</b>	<b>29</b>	<b>128</b>	<b>162</b>
<b>EXPENDITURES:</b>						
Debt service:						
Principal retirement	67,126	410,000	190,000	85,000	-	752,126
Interest and fiscal charges	3,792	623,488	100,449	103,545	452,439	1,283,713
<b>Total expenditures</b>	<b>70,918</b>	<b>1,033,488</b>	<b>290,449</b>	<b>188,545</b>	<b>452,439</b>	<b>2,035,839</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(70,918)</b>	<b>(1,033,484)</b>	<b>(290,448)</b>	<b>(188,516)</b>	<b>(452,311)</b>	<b>(2,035,677)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	70,918	1,050,001	302,077	186,419	139,928	1,749,343
<b>Total other financing sources (uses)</b>	<b>70,918</b>	<b>1,050,001</b>	<b>302,077</b>	<b>186,419</b>	<b>139,928</b>	<b>1,749,343</b>
<b>CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>16,517</b>	<b>11,629</b>	<b>(2,097)</b>	<b>(312,383)</b>	<b>(286,334)</b>
<b>FUND BALANCES:</b>						
Beginning of year	-	1,788,386	526,651	300,623	350,037	2,965,697
End of year	\$ -	\$ 1,804,903	\$ 538,280	\$ 298,526	\$ 37,654	\$ 2,679,363

**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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Use of money and property	\$ 105,901	\$ 105,901	\$ 162	\$ (105,739)
<b>Total revenues</b>	<b>105,901</b>	<b>105,901</b>	<b>162</b>	<b>(105,739)</b>
<b>EXPENDITURES:</b>				
Debt Services				
Principal retirement	752,126	752,126	752,126	-
Interest and fiscal charges	1,112,525	1,112,525	1,283,713	(171,188)
<b>Total expenditures</b>	<b>1,864,651</b>	<b>1,864,651</b>	<b>2,035,839</b>	<b>(171,188)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,758,750)</b>	<b>(1,758,750)</b>	<b>(2,035,677)</b>	<b>(171,188)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,758,750	1,758,750	1,749,343	(9,407)
<b>Total other financing sources (uses)</b>	<b>1,758,750</b>	<b>1,758,750</b>	<b>1,749,343</b>	<b>(9,407)</b>
<b>Net changes in fund balance</b>	<b>-</b>	<b>-</b>	<b>(286,334)</b>	<b>(180,595)</b>
<b>FUND BALANCE:</b>				
Beginning of year	2,965,697	2,965,697	\$ 2,965,697	-
End of year	\$ 2,965,697	\$ 2,965,697	\$ 2,679,363	\$ (180,595)

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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

*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016*



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**City of Gardena**  
**Combining Statement of Net Position**  
**All Internal Service Funds**  
**June 30, 2016**

	Liability Insurance	Workers' Compensation	Health Benefit	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 3,008,886	\$ 5,871,446	\$ 8,880,332
Prepaid items and deposits	-	2,146	-	2,146
Total current assets	-	3,011,032	5,871,446	8,882,478
<b>Total assets</b>	-	3,011,032	5,871,446	8,882,478
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	108,651	27	11,534	120,212
Deposits payable	-	-	5,121	5,121
Due to other funds	60,499	-	-	60,499
Claims payable - due within one year	1,077,458	5,531,835	-	6,609,293
Total current liabilities	1,246,608	5,531,862	16,655	6,795,125
Noncurrent liabilities:				
Claims payable - due in more than one year	3,151,071	1,093,428	754,589	4,999,088
Total noncurrent liabilities	3,151,071	1,093,428	754,589	4,999,088
<b>Total liabilities</b>	4,397,679	6,625,290	771,244	11,794,213
<b>NET POSITION</b>				
Unrestricted (deficit)	(4,397,679)	(3,614,258)	5,100,202	(2,911,735)
<b>Total net position</b>	<u>\$ (4,397,679)</u>	<u>\$ (3,614,258)</u>	<u>\$ 5,100,202</u>	<u>\$ (2,911,735)</u>

**City of Gardena**  
**Combining Statement of Activities**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Liability Insurance	Workers' Compensation	Health Benefit	Total
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,462,730	\$ 1,032,273	\$ 7,116,431	\$ 9,611,434
Other	87,484	1,015,011	40,438	1,142,933
<b>Total operating revenues</b>	<b>1,550,214</b>	<b>2,047,284</b>	<b>7,156,869</b>	<b>10,754,367</b>
<b>OPERATING EXPENSES:</b>				
Insurance claims	3,982,237	1,463,992	2,083,739	7,529,968
General and administrative	680,113	456,344	3,722,128	4,858,585
<b>Total operating expenses</b>	<b>4,662,350</b>	<b>1,920,336</b>	<b>5,805,867</b>	<b>12,388,553</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(3,112,136)</b>	<b>126,948</b>	<b>1,351,002</b>	<b>(1,634,186)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	-	18,264	38,719	56,983
<b>Total nonoperating revenues</b>	<b>-</b>	<b>18,264</b>	<b>38,719</b>	<b>56,983</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(3,112,136)</b>	<b>145,212</b>	<b>1,389,721</b>	<b>(1,577,203)</b>
<b>TRANSFERS:</b>				
Transfers in	1,677,504	-	-	1,677,504
<b>Total transfers</b>	<b>1,677,504</b>	<b>-</b>	<b>-</b>	<b>1,677,504</b>
<b>Changes in net position</b>	<b>(1,434,632)</b>	<b>145,212</b>	<b>1,389,721</b>	<b>100,301</b>
<b>NET POSITION (DEFICIT):</b>				
Beginning of year	(2,963,047)	(3,759,470)	3,710,481	(3,012,036)
End of year	<u>\$ (4,397,679)</u>	<u>\$ (3,614,258)</u>	<u>\$ 5,100,202</u>	<u>\$ (2,911,735)</u>

**City of Gardena**  
**Combining Statement of Cash Flows**  
**All Internal Service Funds**  
**For the Year Ended June 30, 2016**

	Liability Insurance	Workers' Compensation	Health Benefit	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from users	\$ 1,523,229	\$ 1,033,219	\$ 7,459,829	\$ 10,016,277
Receipts from claims recoveries	87,484	1,015,011	40,438	1,142,933
Payments for insurance claims	(2,470,187)	(1,475,837)	(2,190,274)	(6,136,298)
Payments to suppliers	(884,878)	(456,317)	(3,718,749)	(5,059,944)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,744,352)</b>	<b>116,076</b>	<b>1,591,244</b>	<b>(37,032)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers from other funds	1,677,504	-	-	1,677,504
<b>Net cash provided by noncapital financing activities</b>	<b>1,677,504</b>	<b>-</b>	<b>-</b>	<b>1,677,504</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	-	18,264	38,719	56,983
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>18,264</b>	<b>38,719</b>	<b>56,983</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(66,848)</b>	<b>134,340</b>	<b>1,629,963</b>	<b>1,697,455</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	66,848	2,874,546	4,241,483	7,182,877
End of year	\$ -	\$ 3,008,886	\$ 5,871,446	\$ 8,880,332
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (3,112,136)	\$ 126,948	\$ 1,351,002	\$ (1,634,186)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
(Increase) decrease in accounts receivable	-	946	343,398	344,344
Increase (decrease) in accounts payable	(204,765)	27	5,585	(199,153)
Increase (decrease) in accrued liabilities	-	-	-	-
Increase (decrease) in due to other funds	60,499	-	-	60,499
Increase (decrease) in deposits payable	-	-	(2,206)	(2,206)
Increase (decrease) in claims payable	1,512,050	(11,845)	(106,535)	1,393,670
Total adjustments	1,367,784	(10,872)	240,242	1,597,154
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,744,352)</b>	<b>\$ 116,076</b>	<b>\$ 1,591,244</b>	<b>\$ (37,032)</b>

# CITY OF GARDENA

*Comprehensive Annual Financial Report  
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# FIDUCIARY FUND

## FINANCIAL STATEMENTS

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

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

**City of Gardena**  
**Combining Statement of Fiduciary Net Position**  
**Agency Funds**  
**June 30, 2016**

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	Agency Funds		
	LA CLEAR - Training Fund	BSCC Trust / AB109 Parole Compliance Fund	Totals
<b>ASSETS</b>			
Cash and investments	\$ 5,885	\$ 1,542,542	\$ 1,548,427
<b>Total assets</b>	<b>\$ 5,885</b>	<b>\$ 1,542,542</b>	<b>\$ 1,548,427</b>
<b>LIABILITIES</b>			
Deposits	\$ 5,885	\$ 1,542,542	\$ 1,548,427
<b>Total liabilities</b>	<b>\$ 5,885</b>	<b>\$ 1,542,542</b>	<b>\$ 1,548,427</b>

**City of Gardena**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b><u>LA CLEAR - Training Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 5,885	\$ -	\$ -	\$ 5,885
<b>Total assets</b>	<b>\$ 5,885</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,885</b>
<b>Liabilities:</b>				
Deposits payable	\$ 5,885	\$ -	\$ -	\$ 5,885
<b>Total liabilities</b>	<b>\$ 5,885</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,885</b>
<b><u>BSCC Trust / AB109 Parole Compliance Fund</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 3,433,820	\$ 5,846,045	\$ (7,737,323)	\$ 1,542,542
<b>Total assets</b>	<b>\$ 3,433,820</b>	<b>\$ 5,846,045</b>	<b>\$ (7,737,323)</b>	<b>\$ 1,542,542</b>
<b>Liabilities:</b>				
Deposits payable	\$ 3,433,820	\$ 5,846,045	\$ (7,737,323)	\$ 1,542,542
<b>Total liabilities</b>	<b>\$ 3,433,820</b>	<b>\$ 5,846,045</b>	<b>\$ (7,737,323)</b>	<b>\$ 1,542,542</b>
<b><u>Total All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and investments	\$ 3,439,705	\$ 5,846,045	\$ (7,737,323)	\$ 1,548,427
<b>Total assets</b>	<b>\$ 3,439,705</b>	<b>\$ 5,846,045</b>	<b>\$ (7,737,323)</b>	<b>\$ 1,548,427</b>
<b>Liabilities:</b>				
Deposits payable	\$ 3,439,705	\$ 5,846,045	\$ (7,737,323)	\$ 1,548,427
<b>Total liabilities</b>	<b>\$ 3,439,705</b>	<b>\$ 5,846,045</b>	<b>\$ (7,737,323)</b>	<b>\$ 1,548,427</b>

# CITY OF GARDENA

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