

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

Prepared by
Department of Finance

Eric E. Tsao
Finance Director

CITY OF TORRANCE, CALIFORNIA

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CITY OF TORRANCE, CALIFORNIA

Comprehensive Annual Financial Report

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FINANCE
DEPARTMENT

ERIC E. TSAO
FINANCE DIRECTOR

December 17, 2007

Honorable Mayor and City Council
and Citizens of the City of Torrance

Via: LeRoy J. Jackson, City Manager

In accordance with Section 1100 of the City Charter, the Finance Department hereby submits the Comprehensive Annual Financial Report for the City of Torrance for the fiscal year ended June 30, 2007. The report reflects the fiscal plan of the City to provide a quality level of service to the community while providing for limited incremental funding of approved reserves, and meeting operating expenditures with operating revenues. The prudent fiscal management of the Mayor and City Council provides the citizens of Torrance with continued fiscal responsibility at the local level.

The report has been prepared by the Finance Department in accordance with Generally Accepted Accounting Principles (GAAP) as set forth in pronouncements of the Governmental Accounting Standards Board (GASB). The GASB has primary responsibility for determining current accounting and financial reporting standards for activities and transactions of state and local government entities.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation rests with the City. The City believes the data is accurately presented in all material respects. The financial data is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. And, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

REPORTING ENTITY

The Financial Reporting Entity (the government) includes all the funds and capital assets of the primary government (i.e., the City of Torrance as legally defined) as well as its financial reporting component units. Financial reporting component units such as the City of Torrance Redevelopment Agency and the Torrance Public Financing Authority are legally separate entities for which the City of Torrance is financially accountable.

THE CITY

The City of Torrance is Los Angeles County's sixth largest city, was founded in 1912, incorporated in 1921, and became a charter city in 1947. The City has a population of 148,558 within a boundary of approximately 21 square miles. The City borders the beautiful Pacific Ocean and is an integral part of the larger regional area known as the South Bay. The City of Torrance provides a wide range of services. These services include police and fire protection; sanitation, sewer and water services; a library system; a cultural arts center and gallery; recreational services; a municipal airport and bus transit services; the construction and maintenance of streets and infrastructure; planning and zoning; and general administrative and support services.

SERVICE EFFORTS AND ACCOMPLISHMENTS

In fiscal year 2006-07, the City of Torrance continued to provide quality services and programs to its residents and citizens. \$241.2 million was budgeted to support the City's many services and programs and \$28.4 million was budgeted for capital projects for the year such as the Facilities, Equipment, Automation projects, infrastructure, and community improvements.

Completed Projects:

Water and Sewer Replacement Program Project-Aging and deteriorated pipelines were replaced which alleviated the frequency of water main breaks and improved the system's reliability. The program also aided in controlling long-term water costs and improved water quality. The water replacement in the Kent/Galva neighborhood and the rehabilitation of groundwater well #6 located at McMaster Park were the major projects completed this year.

Adding to the economic vitality of Torrance are the car dealerships and mall renovation. The City's Economic Development Team is working to promote business retention and expansion. Here are the highlights of the City's ***Economic Development*** in fiscal year 2006-07:

Car Dealerships:

Torrance was chosen as the new location for Carmax, an auto dealership in a 2 story building with rooftop car storage located on Hawthorne Blvd. A new Lexus Service Center located on Crenshaw Blvd. also opened this year. Car dealerships bring much needed revenues to the City that allows the City to maintain its quality of program and services.

New Stores/Construction:

The Del Amo Mall new lifestyle wing opened in September 2006. It includes AMC Theaters, Lucky Strike, Anthropologie, Urban Outfitters, Eddie Bauer, Aveda Cosmetics, Levi's Store, Guess, Forever 21, and restaurants such as the Lazy Dog, P.F. Chang's, RA Sushi, and Johnny Rockets.

A new retail store, Crate & Barrel, opened in Spring 2007. This store is located on Carson Street and Hawthorne Boulevard.

A second Lowe's hardware store was constructed on Skypark Drive. This is located on City airport property and opened in January 2007.

Sprouts Farmers Market, an organic food store opened in April 2007. This is the first store in California.

Other major construction projects that commenced construction this year are the Senior Condo Building which includes 44 new condominiums for seniors at Cabrillo Blvd. and the R & D Building which is the new Research and Development Building at the Honda campus.

In the area of ***Culture and Recreation***, the following is a list of the City's accomplishments during the year:

The City opened Lago Seco Park on August 26, 2006 located at 3920 235th St after undergoing renovation for almost 2 years. The Park highlights new basketball courts and community gardens with 135 garden plots being rented to Torrance residents. New playground equipment was installed at El Retiro Park and the wooden tables and benches at Wilson Park were replaced with vinyl-clad-wire mesh. The walking path at Sur La Brea Park was upgraded this year. A clock and planter were also installed at the Live Steamers Compound at Wilson Park.

The Southeast Branch Library Homework Center opened in March 2007. The Live Homework Help Project providing one-on-one on-line homework help through the Library's website; the Library tool-bar feature for Torrance Public Library website and the No-Fault Library cards for Foster Children program were also implemented this year. New programs such as the Read the Book-See the Movie was introduced this year which is a joint program of the Recreation and Park Services divisions that established summer series of reading books and viewing movies in the park.

Others:

A Commissioner Training Certification Program was developed this year to educate those interested in serving the community as a commissioner and to encourage others to consider this role. Two sessions were held this year with a total of 119 participants. Participants received a certificate that is valid for two years. Participants included 57 currently seated commissioners and 62 community members. Six of the 119 participants were subsequently appointed to the Ad Hoc Committee on Ethics.

A Blue Ribbon Ethics Committee was established this year with the goal of developing an Ethics Code of Conduct and Policy Statement for the City of Torrance.

In an effort to reach out to all members of the community and increase public participation, the City Council held some its meetings at various locations to hear

concerns and insights of members in those communities. Meetings were held at the North Torrance Library, Charles Wilson Park Gymnasium and South Torrance High School.

Residents of the community also serve as volunteers in all major programs of the City. Torrance volunteers help patrons by interning at Torrance CitiCable and supported various recreational and educational programs and the safety and emergency preparedness programs. The City recognizes that the volunteers enriched the community by extending services and initiating new and innovative programs.

It took hard work and dedication of City Council, Commissioners and all City personnel, police officers, firefighters, field crews, and administrators and cooperation of residents and commitments of businesses in Torrance that made 2006-07 fiscal year accomplishments possible.

FINANCIAL FORECAST AND FUTURE OUTLOOK

During the year, General Fund actual expenditures were below budget by \$5.9 million while actual revenues were higher by \$9.7 million. The favorable revenue variance was primarily generated due to actual receipts exceeding budget projections of property taxes, occupancy taxes, building permit fees, franchise fees and investment earnings.

The financial forecast and future outlook is discussed in detail in the Management and Discussion Analysis section of the City's Comprehensive Annual Financial Report.

INTERNAL CONTROLS

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that the above reference objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be realized; and (2) the valuation of costs and benefits requires estimates and judgments by management.

BUDGETARY CONTROLS

The City is required by charter to adopt an annual budget. The City's annual appropriated budget is established and controlled at the individual organization level (department). The budget is monitored at a more detailed level (program) that closely track costs at service levels. The departmental Director is held accountable for meeting the objectives within each of his or her programs and in monitoring the

use of budget allocations to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The City also maintains an encumbrance accounting system as one technique in accomplishing budgetary control. All operating appropriations lapse at year-end to the extent they have not been expended or encumbered. Capital project appropriations lapse when individual projects are closed.

INDEPENDENT AUDIT

The City Charter requires an annual audit of the records and accounts of the City by an independent Certified Public Accountant. This requirement has been complied with and the auditor's report has been included in this report.

AWARDS

The staff of the Department of Finance has continued its efforts to improve the method of providing financial information to the elected and appointed officials of the City and to the citizens of Torrance.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Torrance for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. The City has received this award every year since 1987.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for consideration.

OTHERS

The City recommends that the Management Discussion and Analysis section be read to obtain an understanding of the City's financial condition as of June 30, 2007. This section also provides an overview of the City's financial activities of year end.

Respectfully submitted,



Eric E. Tsao
Finance Director

CITY OF TORRANCE DIRECTORY OF CITY OFFICIALS

June 30, 2007

CITY COUNCIL

Frank Scotto, Mayor

**Gene Barnett
Tom Brewer
Gene Drevno**

**Paul M. Nowatka
Bill Sutherland
Hope Witkowsky**

CITY CLERK

Sue Herbers

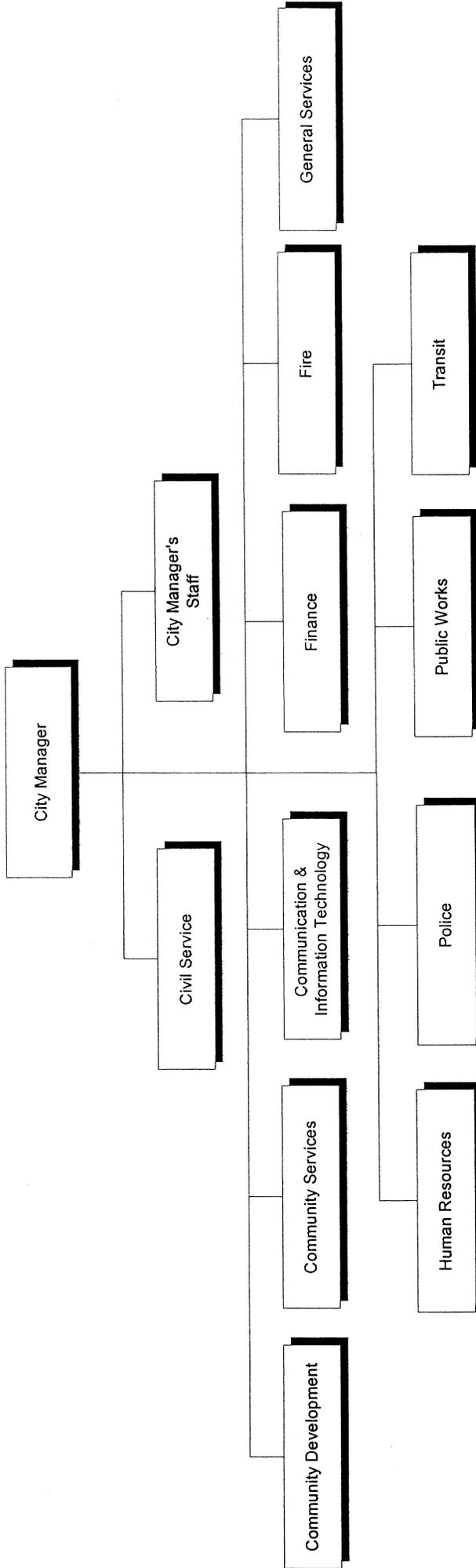
CITY TREASURER

Linda M. Barnett

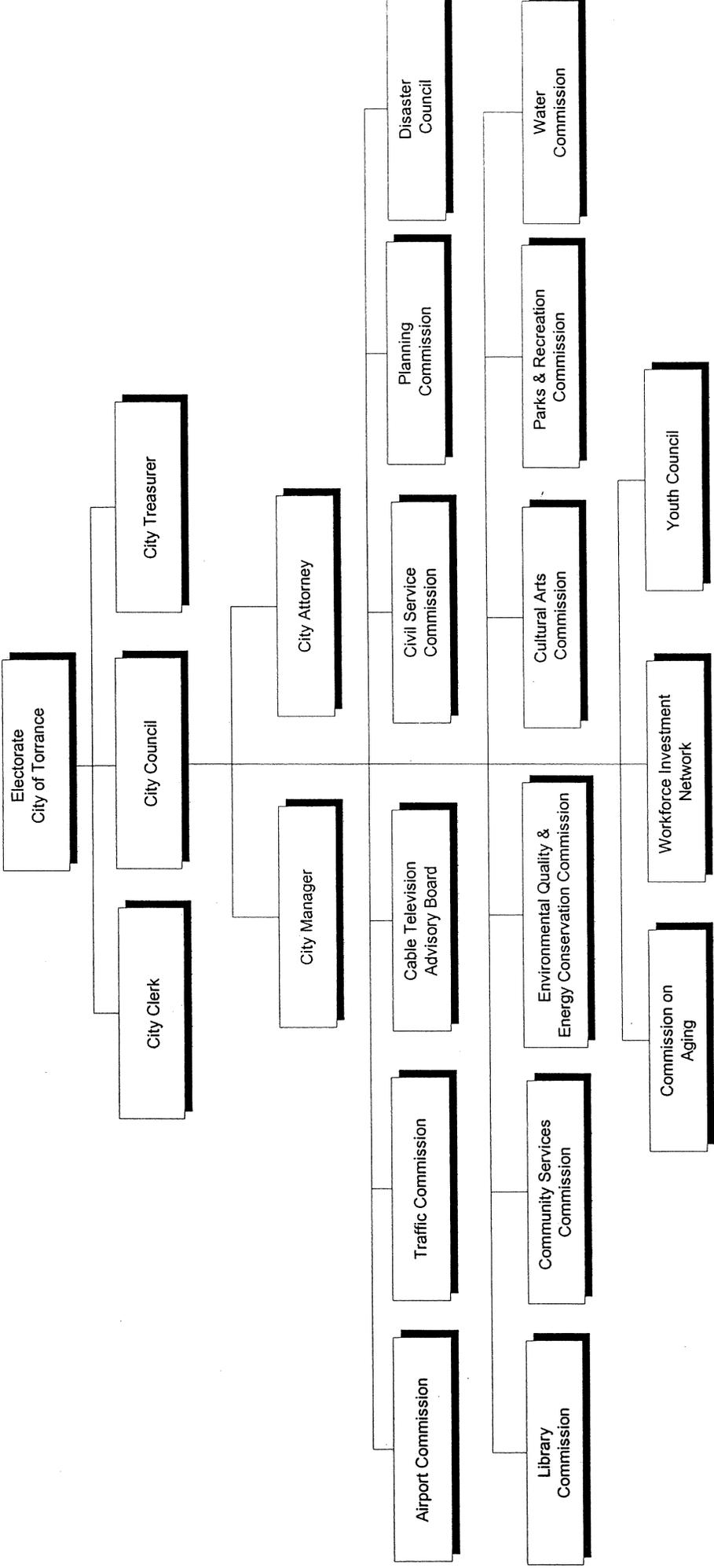
ADMINISTRATION

**LeRoy J. Jackson, City Manager
Mary K. Giordano, Assistant City Manager
Eric E. Tsao, Finance Director
John L. Fellows III, City Attorney
Sheryl Ballew, Director of General Services
Richard V. Bongard, Fire Chief
Richard Shigaki, Information Technology Director
Paula Weiner, Acting Community Services Director
John J. Neu, Police Chief
Robert J. Beste, Public Works Director
Kim Turner, Transit Director**

CITY DEPARTMENTS



ELECTED AND APPOINTED OFFICIALS



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Torrance
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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City OF *Torrance*



COMPREHENSIVE ANNUAL

R E P O R T

Fiscal Year Ended June 30, 2007

❖ **F I N A N C I A L S E C T I O N** ❖



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The Honorable City Council
City of Torrance, California

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Torrance. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, of the City of Torrance, California, and the respective budgetary comparison information for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Torrance's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Honorable City Council
City of Torrance, California
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCanna P.C.

Irvine, California
December 13, 2007

City OF *Torrance*



Council Chamber

Management Discussion & Analysis

❖ DEPARTMENT OF FINANCE ❖

MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Torrance financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. It is recommended this overview be read in conjunction with the City's transmittal letter and the accompanied financial statements in order to obtain a thorough understanding of the City's financial condition at June 30, 2007.

FINANCIAL HIGHLIGHTS

- The City's total assets (all funds) exceeded its liabilities at the close of fiscal year 2006-07 by \$419.2 million dollars (net assets). This is a 4.8% or \$19.1 million dollars increase from last fiscal year net assets of \$400.1 million primarily due to increase in major revenues such as property taxes, sales taxes, construction taxes, occupancy taxes, a one time \$1 million revenue source from a retail tenant as part of the Airport lease, increase in leased land revenues, and investment earnings. The decrease in capital expenditures also contributed to the increase in net assets. As prescribed by generally accepted accounting standards, the net assets reported here does not include the City's unfunded actuarial pension liability, which is disclosed in the notes to the financial statements (see Note 7).
- During the year, the City's revenues exceeded expenditures and transfers for governmental activities by \$17.3 million.
- In the City's business-type activities, revenues and transfers exceeded expenditures by \$1.8 million.
- The General Fund reported an excess of revenues over expenditures before transfers of \$26.1 million and with a net transfers out of \$14.4 million, resulting in increase to its fund balance of \$11.7 million during the year.
- The City kept General Fund expenditures within spending limits and actual General Fund expenditures on a budgetary basis were \$5.9 million less than budget. The General Fund revenues were \$9.7 million above budgetary basis which was attributable to property taxes, occupancy taxes, building permit fees, franchise fees and increased investment earnings.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the financial activities of the City as a whole and presents a longer futuristic view of the City's finances. For government activities, fund financial statements tell how services were financed in the short-term as well as what remains for future spending. Fund financials also report the City's operations in greater detail compared to the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about

activities where the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. The Statement of Net Assets and Statement of Activities include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or disbursed.

The aforementioned statements report the City's net assets and changes in them. The City's net assets statement reflects the difference between assets and liabilities. A way to measure the City's financial health or financial position is to look at the difference between assets and liabilities. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional non-financial factors such as changes in the City's revenue receipt pattern need to be considered in assessing the overall health of the City.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- **Governmental activities**—All of City's basic services are considered to be governmental activities, including general government, public safety, public works, and culture and recreation. Property taxes, sales taxes, utility users' taxes, occupancy taxes and motor vehicle taxes finance most of these activities.
- **Business-type activities**—The City charges fees to customers to help it cover the costs of certain services it provides. The City's Airport, Transit, Water, Sewer, Emergency Medical Service, Sanitation, Parks and Recreation and Cultural Arts Center funds are included here.

The City has presented its financial statements under the new reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Government since fiscal year 2001-02. A comparative analysis of financial data from prior year is included in this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provides detailed information about the most significant funds and is not intended to report on the entire City as a whole. Some funds are required to be established by State law and by bond covenants. However,

the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds— Majority of the City's basic services are reported in governmental funds. Governmental funds account for the resources (revenues received) and the uses (services provided to residential and business community) of money that flows into and out of these funds and money left at year-end that is available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services rendered. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. A description of the relationship (or differences) between the governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is shown in the reconciliation at the bottom of the fund financial statements.

- Proprietary funds are funds that account for the City's operations that are financed and operated in a manner similar to a private business enterprise. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net assets and the Statement of Activities. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City use internal service funds to report activities that provide supplies and services for other programs and activities within the City such as the Self Insurance Fund and Fleet Services Fund.

The City as Trustee

Reporting the City's Fiduciary responsibilities

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that; because of a trust arrangement; can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's net assets for fiscal year 2006-07 compared to 2005-06 are shown in Table 1:

Table 1
Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$147.1	\$129.3	\$46.6	\$43.0	\$193.7	\$172.3
Capital assets	265.7	264.6	124.5	125.5	390.2	390.1
Total assets	412.8	393.9	171.1	168.5	583.9	562.4
Long-term debt	(134.1)	(135.3)	(3.7)	(4.2)	(137.8)	(139.5)
Other liabilities	(19.4)	(16.5)	(7.5)	(6.3)	(26.9)	(22.8)
Total liabilities	(153.5)	(151.8)	(11.2)	(10.5)	(164.7)	(162.3)
Net assets						
Invested in capital assets, net of related debt	224.4	215.7	120.8	121.3	345.2	337.0
Restricted	58.5	50.5	0.5	0.7	59.0	51.2
Unrestricted	(23.5)	(24.1)	38.5	36.0	15.0	11.9
Total net assets	\$259.4	\$242.1	\$159.8	\$158.0	\$419.2	\$400.1

Net assets of the City's governmental activities amounted to \$259.4 million. Of the \$259.4 million, \$224.4 is invested in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$58.5 million is restricted for streets & highways, infrastructure, capital projects, community development, public safety and to pay debt service and (\$23.5) million is unrestricted. The net assets of the City's governmental activities increased by \$17.3 million (\$259.4 million compared to \$242.1 million in 2005-06). The increase of fund balance is due to the increase in major revenues such as property taxes, sales taxes, construction taxes, occupancy taxes, the one time \$1 million revenue from a retail tenant as part of the Airport lease, increase in leased land revenues, and investment earnings. The decrease in capital expenditures also contributed to the increase in net assets.

Net assets of the City's business-type activities amounted to \$159.8 million. \$120.8 million is invested in capital assets; \$528,905 is restricted to pay debt service and \$38.5 million is unrestricted. The net assets of the City's business-type activities increased by \$1.8 million (\$159.8 million compared to \$158 million in 2005-06). The primary reason for the increase in fund balance is the one time \$1 million payment received from a retail tenant as part of their lease agreement in the Airport-Non Aeronautical Fund, increase in Airport leased land rental revenues, increase in operating revenues for the Water Fund and increased investment earnings.

Changes in net assets. The City's total revenues are \$249.9 million and total costs of all programs and services are \$241 million. The change in net assets amounts to \$8.9 million during the year (See Table 2).

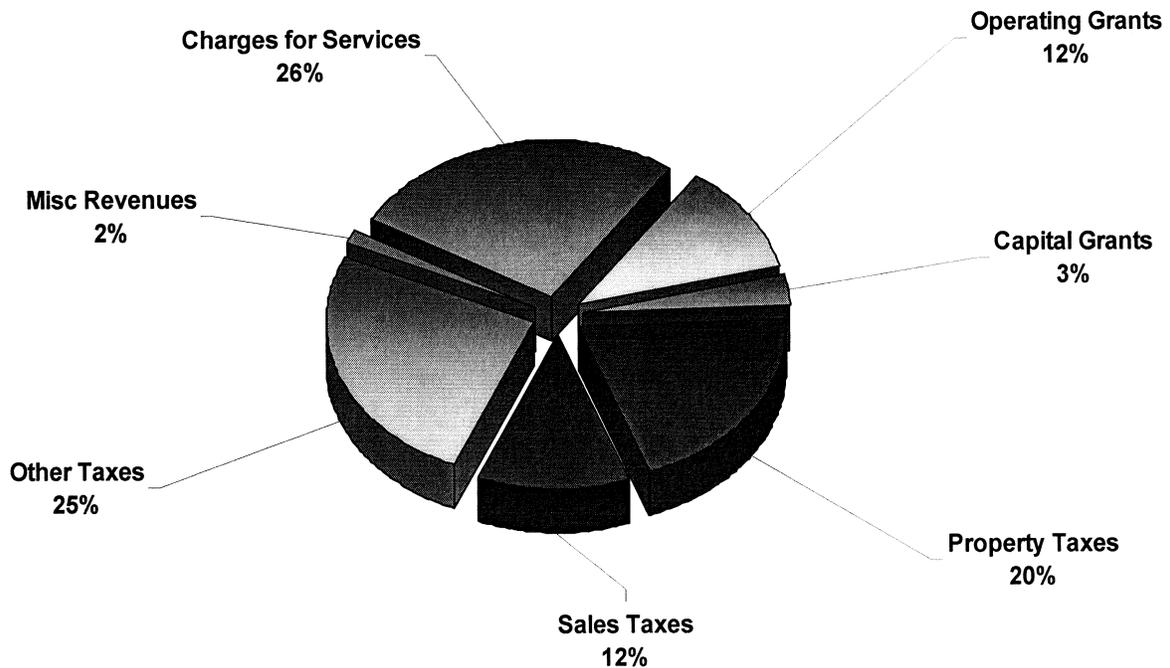
Table 2
Change in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$13.7	\$14.1	\$56.4	\$52.0	\$70.1	\$66.1
Operating grants/contr	14.6	14.7	15.5	16.2	30.1	30.9
Capital grants/contr	8.0	7.7	0.7	0.5	8.7	8.2
General revenues:						
Property taxes	53.1	44.6	-	-	53.1	44.6
Sales taxes	31.9	31.4	-	-	31.9	31.4
Other taxes	61.3	60.3	-	-	61.3	60.3
Investment earnings	4.6	2.3	0.4	0.2	5.0	2.5
Motor vehicle tax (unrestricted)	1.0	3.3	-	-	1.0	3.3
Miscellaneous	3.9	2.6	-	-	3.9	2.6
Total revenues	192.1	181.0	73.0	68.9	265.1	249.9
Expenses						
General government			-	-	39.4	26.3
Public safety	39.4	26.3	-	-	82.1	80.7
Public works	82.1	80.7	-	-	19.2	20.1
Culture and recreation	19.2	20.1	-	-	10.5	13.2
Nondepartmental	10.5	13.2	-	-	-	5.2
Community development	-	5.2	-	-	10.9	12.6
Others	10.9	12.6	-	-	-	-
Interest on long term debt	-	-	-	-	6.0	5.1
Airport	6.0	5.1	5.0	5.1	5.0	5.1
Transit	-	-	19.7	20.7	19.7	20.7
Water	-	-	23.8	21.9	23.8	21.9
Sewer	-	-	1.8	3.6	1.8	3.6
Sanitation	-	-	10.4	10.2	10.4	10.2
Cultural Arts	-	-	1.8	1.7	1.8	1.7
Parks and Recreation	-	-	7.2	7.2	7.2	7.2
Emergency Medical Services	-	-	8.1	7.4	8.1	7.4
otal expenses	168.1	163.2	77.8	77.8	245.9	241.0
Excess of revenues over						
exp before transfers	24.0	17.8	(4.8)	(8.9)	19.2	8.9
Transfers	(6.7)	(8.6)	6.7	8.6	-	-
Increase (decrease) in net assets	\$17.3	\$9.2	\$1.9	(\$0.3)	\$19.2	\$8.9
Net Assets-beginning	242.1	232.5	157.9	158.2	400.0	390.7
Prior period adjustment	-	0.4	-	-	-	0.4
Net Assets-ending	\$259.4	\$242.1	\$159.8	\$157.9	\$419.2	\$400.0

The City's total revenues of \$265.1 million were derived from the following: Twenty six percent of the program revenues is derived from fees charged for services; twenty five percent from other taxes such as utility users tax, construction tax, occupancy tax, business license tax and franchise tax; twelve percent come from sales taxes; twenty percent come from property taxes; twelve percent from operating grants; three percent from capital grants and two percent from other miscellaneous revenue fees (See Figure A-1).

The City's total revenues increased by \$15.2 million primarily due to the increase in collection of property taxes, sales taxes, construction taxes, occupancy taxes, a one time \$1 million revenue source from a retail tenant as part of the Airport lease, increase in leased land revenues, and investment earnings.

Figure A-1
Sources of Revenues for Fiscal Year 2007



The total costs of all programs and services are \$245.9 million. Thirty three percent of functional expenses are related to public safety; sixteen percent relates to general government; eight percent to public works; four percent to culture and recreation; five percent to community development; two percent to interest on debt and thirty two percent to business-type activities (See Figure A-2). The total cost of the City's programs and services increase by \$4.9 million.

Figure A-2
Functional Expenses for Fiscal Year 2007

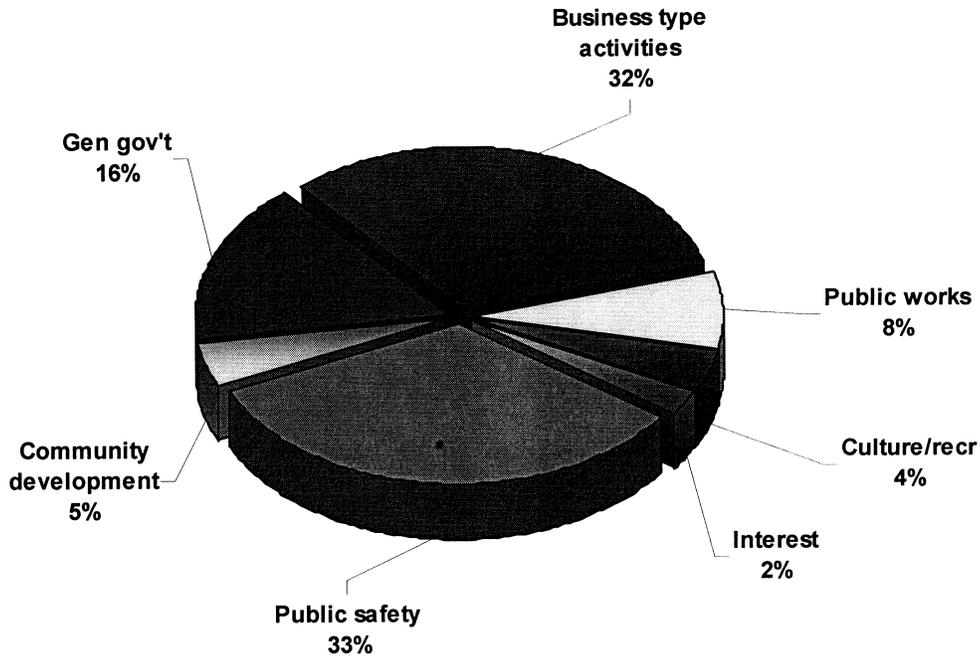


Table 2 and the narrative that follows consider the operations of the governmental and business-type activities separately.

Governmental Activities

The major revenues for the City's governmental activities were: property taxes, construction taxes and permits, business licenses/permits, motor vehicle license fees, utility users' tax, franchise fees, sales taxes and occupancy taxes.

Revenues for the City's governmental activities increase by 6.1 percent or \$11.1 million. This was primarily due to property taxes, sales taxes, construction taxes, occupancy taxes and increased investment earnings.

The total expenses of the governmental activities increase by 3 percent or \$4.9 million. The increase was primarily due to the increase in expenditures related to public safety and general government.

Table 3 presents the cost of each of the City's largest programs-public safety, public works, culture and recreation, general government, community development as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid).

The cost of all governmental activities this year was \$168.1 million. \$131.8 million of these activities were paid through City taxes, sales taxes, investment earnings and other miscellaneous fees; \$13.7 million was paid by those who directly benefited from the programs and \$22.6 million was funded by other governments and organizations that subsidized certain programs with operating grants and contributions.

**Table 3
Governmental Activities
(In Millions)**

	Total cost of services		Net cost of services	
	2007	2006	2007	2006
General government	\$39.4	\$27.3	\$24.8	\$12.5
* Public safety	82.1	80.7	73.9	72.7
Public works	19.2	19.1	7.2	6.7
Culture and recreation	10.5	13.2	9.0	11.9
Community development	10.9	12.6	10.9	12.6
Others	6.0	10.3	6.0	10.3
Total	\$168.1	\$163.2	\$131.8	\$126.7

* This does not include the costs of Emergency Medical Services which is reported in the Proprietary Funds.

Business-type activities

Revenues of the City's business-type activities amounts to \$73 million and expenses are \$77.8 million (Refer to Table 2). The revenues are derived from service fees, operating and capital grants and contributions. Revenues increased by \$4.1 million (\$73 million compared to \$68.9 million in 2005-06). This is primarily due to the one time \$1 million payment received from a retail tenant as part of their lease agreement in the Airport-Non Aeronautical Fund, increase in Airport leased land rental revenues, increase in operating revenues for the Water Fund and increased investment earnings. The total expenses did not increase this fiscal year 06-07. The excess of expenses over revenues before transfers is \$4.8 million and with a net transfer in of \$6.7 million, the business-type activities had an increase of \$1.9 million during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds:

As the City completed the year, its governmental funds reported a combined fund balance of \$106.3 million.

Major funds reported are General Fund, Industrial Redevelopment Debt Service Fund and Capital Improvement Fund.

The increase in General fund balance is \$11.7 million this year which was primarily due to property taxes, sales taxes, construction taxes, occupancy taxes and investment earnings. The General Fund excess of revenues over expenditures during the year was \$26 million and a net transfer of (\$14.4) million.

The Industrial Redevelopment Debt Service Fund reported an increase in fund balance of \$343,946. The increase was primarily due to the increase in property tax increments during the year.

The Capital Improvement Fund reported an increase of \$2.8 million in fund balance. The increase was due primarily to the net Transfers In of \$4.7 million and only \$2.4 million of capital expenditures.

Proprietary funds:

The Proprietary Funds provide the same basic type of information found in the government-wide financial statements, but in more detail. The major funds reported are the Transit System Fund, Water Fund and the Sewer Fund.

The Transit System Fund had an adjustment to fund equity this year of \$1.4 million. This was primarily due to the Transit Fund receiving excess Prop A Discretionary Funds of approximately \$1.5 million which was returned to the Metropolitan Transit Authority during the fiscal year end.

The Water Fund decreased its fund equity by \$595,929 this year. This was caused by the increase in operating expenses such as salaries, services and supplies, cost of water and other expenses.

The Sewer Fund increased its fund equity by \$905,208 this year. This increase is primarily due to lesser capital expenses this year.

General Fund Budgetary Highlights

Over the course of the year, the City has made revisions to its budget upon City Council's approval. The budget amendments fall into the following categories:

- Program modifications presented to the Finance and Governmental Operations Committee during its first quarter and mid year budget review presentations. Upon approval of the Finance Committee, these program modifications were taken to City Council for further approval.
- Budget transfers within the respective General Fund departments are also subject to approval by the Department Head and City Manager's Office.

The First Quarter Program modifications included the following:

- Consolidation of Community Relations Operations
- Communications and Information Technology remodeling of the computer room-City Hall basement
- Additional funding for City's Strategic Plan
- Additional funding for Torrance Symphony Association and Cultural Arts Center Foundation
- Appropriation of funds for Park Ranger security at the Annual Torrance Symphony Concert in the Park
- Deletion of 1.5 Senior Aide position and addition of .4 Account Clerk position in Finance.
- Approval of Organizational Restructure of General Services, Fleet Services Division Administration
- Approval of reallocation of Light Equipment Operator positions to Heavy Equipment Operator positions in Public Works
- Reduction of Fiscal Year 2006-07 Workforce Development Division Budget and Development of Contingency Plan
- Development of an Equal Employment Opportunity Plan and On going maintenance costs
- Approval to allocate additional funding for professional services to the Human Resources Department budget
- Increase professional services budget for the annual service agreement of the Public Safety Information System
- Approval of early reinstatement of Deputy Public Works Director/City Engineer position
- Approval of the transfer of one Associate Engineer position in the Community Development to the Public Works Department
- Approval of deletion of 1 Intern position in Public Works
- Approval of change order in the amount of \$235,000 for the increase in costs of the asphalt plant mix
- Approval of \$966,000 increase in water revenues budget and a corresponding increase in water costs budget
- Approval of implementation of enhanced water conservation programs and entering into agreements with South Bay Council of Governments and West Basin Municipal Water District to provide for program marketing and implementation services
- Approval of an implementation of automated green waste collection pilot program and appropriation of \$105,000 for the purchase of 1,800 automated containers for the pilot program

There were no mid year program modifications for fiscal year 2006-07.

Although the City was very active in amending its expenditure budget, actual expenditures were \$5.9 million below the final adopted budget amounts due to salary savings caused by vacancies in various departments and savings from materials, supplies and services during the year.

Resources available for appropriation were \$9.7 million above the final adopted budgeted amount. The increase of actual revenues over budget was due primarily to property taxes, construction tax, occupancy tax, franchise fees, miscellaneous revenues and investment earnings.

The City's General Fund balance of \$56.8 million differs from the General Fund's budgetary fund balance of \$54.5 million reported in the budgetary comparison schedule. The difference in the two fund balances is because budgetary fund balance includes \$2.3 million of encumbrances reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2007 amounts to \$390.1 million (net of accumulated depreciation). The investment in capital assets includes land, right of way, buildings and improvements, equipment, construction in progress and infrastructure assets.

Table 4
Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$45.6	\$45.6	\$5.5	\$5.5	\$51.1	\$51.1
Right of Way	19.3	19.3	-	-	19.3	19.3
Buildings and improvements	39.3	37.0	5.8	5.9	45.1	42.9
Equipment	12.1	10.7	8.4	9.7	20.5	20.4
Infrastructure	140.2	145.1	94.0	94.3	234.2	239.4
Construction in progress	9.2	6.9	10.8	10.1	20.0	17.0
Total	\$265.7	\$264.6	\$124.5	\$125.5	\$390.2	\$390.1

The total capital assets in the governmental activities increased by \$1.1 million (\$265.7 million compared to \$264.6 million in 2005-06) and the business activities decreased by \$975,875 (\$124,489,906 compared to \$125,465,781 in 2005-06). The capital assets are categorized by networks and subsystems in Note 3 of the notes to the basic financial statement. More detail information about the City's capital assets and its activities during the year is also shown in Note 3.

The City's fiscal year 2007-08 adopted capital project budget is \$13.6 million. The major capital projects for next fiscal year includes: Implementation of One Stop Permit Center; renovation of the Katy Geissert Library Main Floor and Branch Libraries-Replace Stacks; Hangar Electrical Upgrade; Conversion of large meters to automated meter reading and large meter retrofit program; Street Sweeping Waste Dewatering Facility; Airport Security project; Crenshaw Blvd Rehabilitation (182nd St to 190th St & I-405 Freeway on/off ramps and Maricopa St. to Sepulveda Blvd.); Del Amo Boulevard Extension; 190th Street Rehabilitation; Western Ave (Del Amo-Sepulveda) median landscaping; WALTERIA and Ben Haggott Reservoirs Rehabilitation; Water Main Replacement, North Torrance/Crenshaw Boulevard/Western Avenue and Northwest Torrance; Citywide Sidewalk Ramping/Grinding project; Residential curb, gutter, and sidewalk replacement and street rehabilitation; T-1 vault upgrade; Miscellaneous Sewer Main Improvements; Downtown Sewer Main Replacement and Rehabilitation (Phase 2); and the Sewer Main Rehabilitation program.

The primary sources of funding for the 2007-08 capital projects are: Parks and Recreation, Sanitation, Sewer, Transit and Water Enterprise Funds, Redevelopment Agency Fund, Cable Communications Fund, Proposition C Fund, Proposition 42, Gas Tax Fund, Bicycle Fund, General Fund, Bond proceeds and County grants.

More detail information about the City's capital assets is presented in Note 3 of the notes to the basic financial statements.

Long-term debt.

At the end of the fiscal year, the City had total bonded debt outstanding of \$98.5 million as shown in Table 5. More detailed information about the City's long-term liabilities is presented in Notes 5 and 6 of the notes to the basic financial statements.

During fiscal year 2006-07, the total debt of the City decreased by \$2 million. The decrease is due to principal payments made on the Torrance Public Financing Authority 1998, 2004A and 2004B refunding certificates of participation, the Redevelopment Agency Bonds, and the Water Fund revenue bonds.

The City's general obligation bonds have a rating of Aa2. The City of Torrance Public Financing Authority (Police and Fire) 1998 Refunding Certificates of Participation bonds and the 2004A and 2004B Refunding Certificates of Participation received an 'AAA' rating from Standards & Poor's. The Redevelopment Agency received bond ratings of "AAA" and "BBB" on the outstanding bond issues for the Industrial and Downtown Tax Allocation Bonds.

Per City Charter Article 4 Section 412, the City shall not incur any bonded indebtedness for public improvements, which shall in the aggregate exceed 3.75% of the assessed value of all the real and personal property of the City. The current debt limitation for the City is \$690.5 trillion which is in excess of the City's outstanding debt.

**Table 5
Outstanding Debt
(In Millions)**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue bonds and notes (backed by specific tax and fee revenues)	\$94.8	\$96.3	\$3.7	\$4.2	\$98.5	\$100.5

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Key Highlights of the 2007-09 Budget:

The City Council adopted in May 2006, a balanced budget for the 2007-08 and 2008-09. The key highlights of the 2007-09 budget are:

- The City has an investment grade "A" bond rating due to fiscally conservative approach by Council
- The City increased the General Fund budget for revenues by 7.1% in 2007-2008. This is more of a budget correction than real growth. Actual growth of revenues was 5%. Subsequent years are projected to grow between 3.2% to 4%. Expenses are projected to grow within revenue constraints.

The Economy:

The economic forecast for California through mid 2007 is expected to continue to reflect sluggish growth. During the 2006 year, economic expansion slowed primarily from high fuel prices, declines in homes construction and sales of light vehicles.

Unemployment rates in the City (1.9%) continue to be well below both the State and national averages of 5.4% and 5.1% respectively.

The Governor of California has submitted his 2007-08 proposed budget to the State legislature. The State's Legislative Analyst Office (LAO) believes the State budget "contains a significant number of downside risks and is based on a number of optimistic assumptions." The Governor will continue to negotiate with the Legislature until the budget is adopted.

Program Modifications:

Program modifications for the 2007-08 and 2008-09 Budget supplement the Armed Forces Day Parade and the Fourth of July fireworks celebration at Wilson Park by replacing one-time sources of funds for these community events.

Ongoing funds have also been budgeted to maintain the City's contribution to both the Torrance Symphony and Cultural Arts Foundation at fiscal year 2006-07 levels. Among the many benefits, these funds will help offset the foundation's fees for use of the Center's venues as well as increase labor and printing budgets to reflect higher costs and expanded program offerings.

Community Service budgets have been increased to further enrich the cultural and recreational opportunities for Torrance residents by providing summer concert and movie series at City parks adjacent to branch libraries.

The Library's book budget has been completely restored from prior year reductions. Additional library operating hours have been added on Sundays from September to June at Katy Geissert Civic Center Library.

The budget also includes the addition of a fifth Paramedic rescue unit at a cost of \$365,500 annually. Demand for paramedic service comprises approximately 72% of all requests for Fire Department assistance. The addition of a fifth Paramedic unit will enable the Fire Department to achieve its primary goal of having paramedics on scene, anywhere in the City within 5 minutes for 95% of all calls received.

In order to help Torrance Fire Department personnel maintain adherence to medical policies, procedures and protocols of the Los Angeles County EMS Agency, the budget also provides for the funding of a Continuous Quality Improvement (CQI) Nurse Coordinator, whose responsibilities include advising the Fire Department in planning and evaluating the delivery of pre-hospital medical care by EMT-1s and paramedics.

Additional on-going funds have been allocated to improve City streetscape \$370,000, maintenance for roadways \$600,000 and infrastructure \$1,300,000.

The City Council has approved the use of \$20,000 of one-time Program Contingency reserve funding to digitize local historical newspapers and directories.

The City Council has also approved the allocation of the net available year end carryover to the following uses and reserves:

Capital Projects	\$1,300,000
Economic Anomaly	\$3,000,000
Litigation Reserve	\$ 250,000
Program Contingency	\$ 50,000
Prop A Exchange	\$ 400,000

The Capital Projects of \$1,300,000 include \$750,000 for working capital for the acquisition of an industrial property; \$250,000 for providing open space at Lomita/Anza; \$25,000 for developing criteria for City Historical Building Inventory and \$120,000 for Housing Assistance and \$155,000 for other capital projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions, about this report or need additional financial information, contact the City of Torrance Finance Department, 3031 Torrance Blvd., Torrance, California 90503.

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CITY OF TORRANCE, CALIFORNIA

Statement of Net Assets

June 30, 2007

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Assets			
Pooled cash and investments (note 2)	\$ 121,410,657	\$ 35,776,794	\$ 157,187,451
Cash and cash equivalents with fiscal agents (note 2)	10,131,759	—	10,131,759
Accounts receivable	7,737,924	5,922,584	13,660,508
Accrued interest receivable	1,633,554	374,676	2,008,230
Due from other governments (note 12)	4,421,168	2,572,075	6,993,243
Notes receivable (note 4)	96,555	—	96,555
Inventories, at cost	908,294	1,369,504	2,277,798
Prepays and other assets	183,185	18,701	201,886
Other	2,441	—	2,441
Restricted cash and investments (note 2)	602,167	528,905	1,131,072
Capital Assets (note 3):			
Land	45,644,658	5,460,943	51,105,601
Right of Way	19,344,662	—	19,344,662
Construction in Progress	9,164,180	10,803,813	19,967,993
Infrastructure, net of accumulated depreciation	140,169,852	94,070,096	234,239,948
Building and improvements, net of accumulated depreciation	39,281,987	5,754,186	45,036,173
Equipment, net of accumulated depreciation	12,129,358	8,400,868	20,530,226
	<u>412,862,401</u>	<u>171,053,145</u>	<u>583,915,546</u>
Liabilities			
Accounts payable	4,297,433	2,899,049	7,196,482
Accounts payable-contract retention	205,446	95,291	300,737
Accrued liabilities	6,153,767	4,980,285	11,134,052
Internal Balances	1,573,460	(1,573,460)	—
Unearned revenue (note 13)	879,091	1,063,433	1,942,524
Deposits and guarantees	231,062	—	231,062
Interest Payable	6,034,253	50,833	6,085,086
Long term liabilities-Portion due or payable within one year (notes 5, 6 and 11)	19,652,957	465,000	20,117,957
Long term liabilities-Portion due or payable after one year (notes 5, 6 and 11)	114,431,713	3,245,000	117,676,713
	<u>153,459,182</u>	<u>11,225,431</u>	<u>164,684,613</u>
Net Assets	259,403,219	159,827,714	419,230,933
Invested in capital assets, net of related debt	224,386,489	120,779,906	345,166,395
Restricted for:			
Streets & Highways	11,363,186	—	11,363,186
Infrastructure	6,921,435	—	6,921,435
Capital Projects	26,698,932	—	26,698,932
Community Development	5,588,014	—	5,588,014
Public Safety	3,848,710	—	3,848,710
Debt Service	4,132,385	528,905	4,661,290
Unrestricted	(23,535,932)	38,518,903	14,982,971
Total Net Assets	<u>\$ 259,403,219</u>	<u>\$ 159,827,714</u>	<u>\$ 419,230,933</u>

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Activities and Changes in Net Assets
Year ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 39,433,625	\$ 4,620,409	\$ 10,053,719	\$ —
Public Safety	82,078,218	7,006,108	1,176,050	—
Public works	19,206,333	795,961	3,172,654	8,029,114
Culture and recreation	10,532,295	1,319,489	149,462	—
Community development	10,909,666	—	—	—
Interest on long term debt	6,011,967	—	—	—
Total Governmental Activities	<u>168,172,104</u>	<u>13,741,967</u>	<u>14,551,885</u>	<u>8,029,114</u>
Business-Type Activities:				
Airport	4,996,560	10,793,856	—	—
Transit	19,742,965	2,559,628	15,353,770	630,704
Water	23,777,816	23,166,972	—	56,463
Sewer	1,752,011	2,913,306	—	—
Sanitation	10,431,146	10,755,707	41,610	—
Cultural Arts	1,803,300	823,133	98,200	—
Parks and Recreation	7,237,349	4,272,904	—	—
Emergency Medical Service	8,127,220	1,118,893	—	—
Total Business-Type Activities	<u>77,868,367</u>	<u>56,404,399</u>	<u>15,493,580</u>	<u>687,167</u>
Total Primary Government	<u>\$ 246,040,471</u>	<u>\$ 70,146,366</u>	<u>\$ 30,045,465</u>	<u>\$ 8,716,281</u>

General Revenues:

- Taxes:
 - Property taxes
 - Sales taxes
 - Utility users taxes
 - Occupancy taxes
 - Business license taxes
 - Construction, Real Property, Cogeneration, Permits and misc. taxes
- Investment earnings
- Motor vehicle tax (unrestricted)
- Miscellaneous

Transfers

Total General revenues and transfers

Change in Net Assets

Net Assets-beginning

Net Assets-ending

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (24,759,497)	\$ —	\$ (24,759,497)
(73,896,060)	—	(73,896,060)
(7,208,604)	—	(7,208,604)
(9,063,344)	—	(9,063,344)
(10,909,666)	—	(10,909,666)
(6,011,967)	—	(6,011,967)
<u>(131,849,138)</u>	<u>—</u>	<u>(131,849,138)</u>
—	5,797,296	5,797,296
—	(1,198,863)	(1,198,863)
—	(554,381)	(554,381)
—	1,161,295	1,161,295
—	366,171	366,171
—	(881,967)	(881,967)
—	(2,964,445)	(2,964,445)
—	(7,008,327)	(7,008,327)
<u>—</u>	<u>(5,283,221)</u>	<u>(5,283,221)</u>
<u>(131,849,138)</u>	<u>(5,283,221)</u>	<u>(137,132,359)</u>
53,136,228	—	53,136,228
31,935,948	—	31,935,948
33,168,851	—	33,168,851
7,541,492	—	7,541,492
7,302,043	—	7,302,043
13,297,357	—	13,297,357
4,634,185	418,408	5,052,593
990,751	—	990,751
3,871,415	—	3,871,415
(6,719,008)	6,719,008	—
<u>149,159,262</u>	<u>7,137,416</u>	<u>156,296,678</u>
17,310,124	1,854,195	19,164,319
<u>242,093,095</u>	<u>157,973,519</u>	<u>400,066,614</u>
<u>\$ 259,403,219</u>	<u>\$ 159,827,714</u>	<u>\$ 419,230,933</u>

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CITY OF TORRANCE, CALIFORNIA

Balance Sheet

Governmental Funds

June 30, 2007

	General Fund	Industrial Redevelopment Debt Service Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Pooled cash and investments (note 2)	\$ 40,255,714	\$ 337,926	\$ 24,638,295	\$ 32,304,273	\$ 97,536,208
Cash and cash equivalents with fiscal agents (note 2)	—	2,359,048	—	7,772,711	10,131,759
Accounts receivable	6,608,088	—	—	1,106,186	7,714,274
Accrued interest receivable	1,064,546	—	—	421,769	1,486,315
Due from other funds (note 9)	469,347	—	—	69,118	538,465
Due from other governments (note 12)	2,279,101	279,172	—	1,862,895	4,421,168
Interfund advances receivable (note 9)	12,858,555	—	—	600,000	13,458,555
Notes receivable (note 4)	—	—	—	96,555	96,555
Inventories, at cost	489	—	—	—	489
Other assets	—	—	—	2,441	2,441
Prepays	183,185	—	—	—	183,185
Restricted cash and investments (note 2)	—	—	—	602,167	602,167
Total Assets	\$ 63,719,025	\$ 2,976,146	\$ 24,638,295	\$ 44,838,115	\$ 136,171,581
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 908,476	\$ —	\$ —	\$ 2,600,862	\$ 3,509,338
Accounts payable-contract retention	—	—	49,871	155,575	205,446
Accrued liabilities	4,552,598	—	938,548	—	5,491,146
Due to other funds (note 9)	—	—	—	538,465	538,465
Interfund advances payable (note 9)	600,000	16,845,416	—	1,586,599	19,032,015
Unearned revenue (note 13)	879,091	—	—	—	879,091
Deposits and guarantees	27,742	—	203,320	—	231,062
Total Liabilities	6,967,907	16,845,416	1,191,739	4,881,501	29,886,563
Fund Balances (deficit):					
Reserved for:					
Advances	12,858,555	—	—	600,000	13,458,555
Encumbrances	2,235,061	—	—	—	2,235,061
Inventories	489	—	—	—	489
Capital improvements	—	—	—	3,839,775	3,839,775
Notes receivable	—	—	—	96,555	96,555
Prepays	183,185	—	—	—	183,185
Repayment of debt	—	—	—	4,132,385	4,132,385
Unreserved:					
General Fund:					
Designated for capital outlay	5,489,100	—	—	—	5,489,100
Undesignated	35,984,728	—	—	—	35,984,728
Reported in:					
Special Revenue Funds	—	—	—	24,742,429	24,742,429
Capital Project Funds	—	—	23,446,556	6,545,470	29,992,026
Debt Service Fund	—	(13,869,270)	—	—	(13,869,270)
Total Fund Balances (deficit)	56,751,118	(13,869,270)	23,446,556	39,956,614	106,285,018
Total Liabilities and Fund Balances	\$ 63,719,025	\$ 2,976,146	\$ 24,638,295	\$ 44,838,115	\$ 136,171,581

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 June 30, 2007

Total fund balances for governmental funds \$ 106,285,018

Amounts reported for Governmental Activities in the
 Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and
 therefore are not reported in the Governmental Funds Balance Sheet.

Land	\$ 45,644,658	
Right of Way	19,344,662	
Construction in Progress	9,164,180	
Infrastructure net of \$118,169,271 accumulated depreciation	140,169,852	
Buildings and fixtures, net of \$33,592,448 accumulated depreciation	39,281,987	
Machinery and equipment, net of \$19,830,694 accumulated depreciation	<u>12,129,358</u>	
		265,734,697

Long-Term liabilities, including bonds payable are not due and payable in the current period
 and therefore they are not reported in the Governmental Funds Balance Sheet

Compensated absences	(13,316,567)	
City of Torrance Improvements Corporation refunding certificates of participation	(47,905,000)	
Torrance Redevelopment Agency bonds payable	(36,228,746)	
Advances due to developers	(910,790)	
Advances due to County	<u>(9,765,561)</u>	
		(108,126,664)

Accrued Interest payable on long-term debt does not require current financial resources.
 therefore interest payable is not reported as a liability in the Governmental
 Fund Balance Sheet.

Accrued interest payable on bonded debt	(892,086)	
Accrued interest on advances from developers	(670,275)	
Accrued interest on advances from the County	<u>(4,471,892)</u>	
		(6,034,253)

Internal service funds are used by management to charge the cost of fleet
 management and self-insurance to individual funds. The assets and liabilities
 of the internal service funds are included in governmental activities in the
 statement of net assets.

1,544,421

Net Assets of Governmental Activities

\$ 259,403,219

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
Year ended June 30, 2007

	<u>General Fund</u>	<u>Industrial Redevelopment Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 135,624,018	\$ 6,969,866	\$ —	\$ 3,974,476	\$ 146,568,360
Licenses, fees and permits	2,671,004	—	—	—	2,671,004
Fine, forfeitures and penalties	1,580,086	—	—	1,218,743	2,798,829
Use of money and property	6,025,074	194,957	—	7,051,357	13,271,388
Intergovernmental	1,492,781	—	—	15,978,899	17,471,680
Charges for current services	6,865,192	—	—	—	6,865,192
Other revenues	1,521,003	42,989	505,595	528,186	2,597,773
Total revenues	<u>155,779,158</u>	<u>7,207,812</u>	<u>505,595</u>	<u>28,751,661</u>	<u>192,244,226</u>
Expenditures:					
Current expenditures:					
General government	21,022,473	—	—	2,492,579	23,515,052
Nondepartmental	4,604,201	—	—	—	4,604,201
Public safety	82,068,605	—	—	—	82,068,605
Public works	9,208,932	—	—	4,554,638	13,763,570
Community development	—	—	—	8,893,400	8,893,400
Culture and recreation	12,768,776	—	—	40,109	12,808,885
Capital outlays	—	—	2,446,735	11,238,080	13,684,815
Debt service:					
Principal retirement (note 6)	—	785,000	—	1,428,761	2,213,761
Interest and fiscal charges	—	2,224,137	—	3,815,684	6,039,821
Other	—	909,820	—	1,065,716	1,975,536
Total expenditures	<u>129,672,987</u>	<u>3,918,957</u>	<u>2,446,735</u>	<u>33,528,967</u>	<u>169,567,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,106,171</u>	<u>3,288,855</u>	<u>(1,941,140)</u>	<u>(4,777,306)</u>	<u>22,676,580</u>
Other financing sources (uses):					
Transfers in (note 10)	7,604,891	—	5,848,913	2,826,294	16,280,098
Transfers out (note 10)	(21,989,642)	(2,944,909)	(1,118,048)	(1,814,117)	(27,866,716)
Issuance of debt-advance from County	—	—	—	1,377,398	1,377,398
Total other financing sources (uses)	<u>(14,384,751)</u>	<u>(2,944,909)</u>	<u>4,730,865</u>	<u>2,389,575</u>	<u>(10,209,220)</u>
Net change in fund balances	11,721,420	343,946	2,789,725	(2,387,731)	12,467,360
Fund balances (deficits), July 1, 2006	<u>45,029,698</u>	<u>(14,213,216)</u>	<u>20,656,831</u>	<u>42,344,345</u>	<u>93,817,658</u>
Fund balances (deficits), June 30, 2007	<u>\$ 56,751,118</u>	<u>\$ (13,869,270)</u>	<u>\$ 23,446,556</u>	<u>\$ 39,956,614</u>	<u>\$ 106,285,018</u>

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities and Changes in Net Assets
 For the Year Ended June 30, 2007

Net change in fund balances-total governmental funds \$ 12,467,360

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay/deletions (\$8,917,559) exceeded depreciation expense plus adjustment (\$8,526,437) in the current period.

Depreciation expense	(8,940,766)	
Asset additions funded by Governmental Funds	13,848,140	
Asset deletions	(4,930,581)	
Asset adjustments	414,329	391,122

The issuance of long-term debt (e.g. bonds), provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond principal payment (Downtown)	175,000	
Bond principal payment (Industrial)	785,000	
Bond principal payment (Skypark)	248,761	
Bond principal payment (Torrance Public Financing Authority Refunding Certificates of Participation)	1,005,000	2,213,761

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transaction that are not normally paid with expendable, available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis until due, rather than as it accrues. This adjustment combines the net changes of accrued interest and advances.

Accrued interest payable on bonded debt	27,854	
Advances from County	(746,032)	
Accrued interest on advances from Developers	(42,989)	
Accrued interest on advances from County	(631,367)	(1,392,534)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences		(467,901)
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Internal Service funds are used by management to charge the costs of fleet management and self insurance to individual funds. The net revenue of certain activities are reported with the governmental activities

4,098,316

Change in net assets of governmental activities \$ 17,310,124

See accompanying notes to basic financials statements.

CITY OF TORRANCE, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

Year ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
Budgetary fund balance, July 1, 2006	\$ 36,244,359	\$ 45,029,698	\$ 45,029,698	\$ —
Resources (inflows):				
Taxes:				
Property taxes:				
Current secured taxes	21,593,000	22,846,373	21,481,549	(1,364,824)
Current unsecured taxes	1,100,000	1,100,000	955,093	(144,907)
Prior years' secured taxes	—	—	2,361	2,361
Prior years' unsecured taxes	—	—	139,024	139,024
Property/sales flip taxes	10,050,000	8,905,000	11,846,406	2,941,406
VLF swap and repayment taxes	5,569,000	5,569,000	9,703,716	4,134,716
Penalties and interest	100,000	100,000	126,581	26,581
Supplemental prior year secured taxes	310,000	310,000	370,079	60,079
Supplemental current secured	—	—	1,423,026	1,423,026
Redemption	170,000	170,000	617,540	447,540
Aircraft assessment tax	100,000	100,000	132,761	32,761
	<u>38,992,000</u>	<u>39,100,373</u>	<u>46,798,136</u>	<u>7,697,763</u>
Taxes other than property:				
Sales and use tax	32,222,000	31,802,000	31,935,948	133,948
Prop 172 sales tax	1,262,000	1,262,000	1,384,266	122,266
Business license tax	7,182,000	7,182,000	7,302,043	120,043
Business permit tax	400,000	400,000	473,499	73,499
Utility users' tax	33,618,000	36,758,000	33,168,876	(3,589,124)
Construction tax	773,000	773,000	1,501,666	728,666
Real property transfer tax	1,100,000	1,100,000	865,709	(234,291)
Franchise tax – all other	3,410,000	3,410,000	3,855,403	445,403
Occupancy tax	6,629,000	7,029,000	7,541,492	512,492
Oil severance tax	30,000	30,000	7,043	(22,957)
Cogeneration tax	600,000	600,000	646,116	46,116
Alarm permit fees	88,532	88,532	143,821	55,289
	<u>87,314,532</u>	<u>90,434,532</u>	<u>88,825,882</u>	<u>(1,608,650)</u>
Total taxes	<u>126,306,532</u>	<u>129,534,905</u>	<u>135,624,018</u>	<u>6,089,113</u>
Licenses, fees and permits:				
Fire permits	125,488	125,488	102,465	(23,023)
Animal licenses	7,700	7,700	—	(7,700)
Construction/excavation permits	18,000	18,000	34,982	16,982
Grading permits	97,000	97,000	93,522	(3,478)
Combined building – resident permits	100,500	100,500	74,685	(25,815)
Building permits	830,261	895,261	1,185,933	290,672
Plumbing permits	156,710	156,710	201,084	44,374
Electrical permits	147,710	147,710	213,604	65,894
Mechanical permits	79,470	79,470	86,425	6,955
Special energy inspection fees	316,000	316,000	314,851	(1,149)
Sign permits and filing fees	33,000	35,740	75,367	39,627
Other licenses and permits	417	417	1,780	1,363
NPDES building permit fees	114,790	114,790	250,770	135,980
Building TEQECC filing fees	30,744	30,744	22,676	(8,068)
Oversized Vehicle Permit Fees	—	—	12,860	12,860
Total licenses, fees and permits	<u>2,057,790</u>	<u>2,125,530</u>	<u>2,671,004</u>	<u>545,474</u>

See accompanying notes to basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

(continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
Fines, forfeitures and penalties:				
Parking citations	\$ 581,000	\$ 581,000	\$ 764,217	\$ 183,217
Traffic fines	470,000	470,000	495,930	25,930
General fines	129,000	129,000	319,939	190,939
Total fines, forfeitures and penalties	1,180,000	1,180,000	1,580,086	400,086
Revenue from use of money and property:				
Investment earnings	1,186,000	1,586,000	4,029,452	2,443,452
Rents and concessions	548,050	848,050	548,103	(299,947)
Franchise fees	1,115,740	1,115,740	1,414,575	298,835
Encroachment agreement fees	—	—	29,979	29,979
Royalties	3,000	3,000	2,965	(35)
Total revenue from use of money and property	2,852,790	3,552,790	6,025,074	2,472,284
Revenue from other intergovernmental agencies:				
State motor vehicle licenses	3,241,000	2,716,000	990,751	(1,725,249)
State homeowners' property tax relief	250,000	250,000	233,455	(16,545)
Other state grants	—	—	268,575	268,575
Total revenue from other intergovernmental agencies	3,491,000	2,966,000	1,492,781	(1,473,219)
Charges for current services:				
TUSD collection fees	26,000	26,000	78,922	52,922
Planning and zoning fees	289,226	289,226	273,259	(15,967)
Traffic signal maintenance	67,820	67,820	125,955	58,135
Environmental review and appeal fees	18,987	18,987	4,164	(14,823)
Vacation processing fees	1,300	1,300	4,784	3,484
Large family daycare unit	—	—	507	507
State encroach collection fees	1,000	1,000	1,200	200
Grading	38,040	38,040	49,125	11,085
Plan check fees – building	814,943	814,943	787,756	(27,187)
Plan check fees – engineering	67,700	67,700	22,226	(45,474)
Oil-related inspection fees	13,320	13,320	358	(12,962)
Appeal fees	1,500	1,500	2,600	1,100
Other inspection fees	275,464	275,464	322,006	46,542
Engineering mapping fees	5,000	5,000	17,214	12,214
Engineering inspection fees	41,630	41,630	184,886	143,256
Miscellaneous – building and safety department fees	7,090	7,090	9,841	2,751

See accompanying notes to basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

(continued)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis (See Note A)	Final Budget positive (negative)
Charges for current services, Continued:				
Parkway tree planting charges	\$ 100	\$ 100	\$ —	\$ (100)
General government service charges	7,200	7,200	4,795	(2,405)
Microfilming fees	87,434	87,434	172,957	85,523
Police charges – copies and photos	73,687	73,687	74,100	413
Police charges – fingerprinting and other	647,477	644,737	587,300	(57,437)
Fire department fees	619,850	619,850	489,691	(130,159)
Fire department fees – hazardous materials fees	499,350	499,350	472,234	(27,116)
Parks and recreational fees	266,523	266,523	359,166	92,643
Miscellaneous	84,400	84,400	113,387	28,987
Library revenues	205,600	205,600	138,759	(66,841)
In lieu charges to Enterprise Funds:				
Airport Fund	1,850,000	1,850,000	1,850,000	—
Water Fund	700,000	700,000	718,000	18,000
Total charges for current services	6,710,641	6,707,901	6,865,192	157,291
Other revenues:				
Donations – private sources	10,000	10,500	37,797	27,297
Miscellaneous	28,100	38,100	852,289	814,189
PERS credits	—	—	630,917	630,917
Total other revenues	38,100	48,600	1,521,003	1,472,403
Transfers in	7,779,700	7,606,291	7,604,891	(1,400)
Amounts available for appropriation	186,660,912	198,751,715	208,413,747	9,662,032
Charges to appropriations (outflows)				
General government:				
City council	403,365	412,247	367,512	44,735
Commissions and committees:				
Parks and recreation	57,700	58,845	54,236	4,609
Planning	37,600	37,600	33,321	4,279
Environmental quality	13,500	13,500	11,562	1,938
Cultural arts	14,000	14,000	13,349	651
Community services	50,000	—	—	—
Traffic	8,800	8,800	6,058	2,742
Youth council	9,000	9,000	4,755	4,245
Civil service	231,458	240,050	206,638	33,412
Commission on aging	9,200	9,200	6,149	3,051
Library	10,300	10,300	10,062	238
Disaster council	3,000	3,000	220	2,780
City manager	2,446,744	2,450,674	2,261,434	189,240
City attorney	2,494,717	2,494,592	2,461,392	33,200
City clerk	705,743	722,084	690,081	32,003
City treasurer	731,612	724,612	707,560	17,052
Finance	3,757,534	3,755,121	3,370,976	384,145
Human resources	2,473,810	2,589,062	2,572,214	16,848
Civil service	119,117	119,117	113,003	6,114
Community development	4,296,903	4,153,437	4,076,344	77,093
Communications & Info Tech	4,932,417	4,912,230	4,280,697	631,533
General services	4,799,634	4,803,079	4,540,311	262,768
Less indirect cost allocation, other funds	(3,928,799)	(3,928,799)	(3,768,282)	(160,517)
Total general government	23,677,355	23,611,751	22,019,592	1,592,159

See accompanying notes to basic financial statements

(continued)

CITY OF TORRANCE, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

(continued)

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
Nondepartmental:				
Insurance, net	\$ 28,568	\$ 28,568	\$ 18,452	\$ 10,116
Community promotion	341,122	386,890	323,116	63,774
Hazardous waste	78,255	81,862	81,763	99
Employee benefits (net after charges to departments)	5,552,288	1,283,146	161,957	1,121,189
Other	1,294,393	1,378,953	1,231,339	147,614
Leaseback payments	2,857,725	2,857,725	2,832,529	25,196
Total nondepartmental	<u>10,152,351</u>	<u>6,017,144</u>	<u>4,649,156</u>	<u>1,367,988</u>
Public safety:				
Police	55,529,657	55,502,357	54,583,701	918,656
Fire	24,949,518	24,946,835	24,744,623	202,212
Building and safety	3,419,041	3,460,541	3,228,298	232,243
Total public safety	<u>83,898,216</u>	<u>83,909,733</u>	<u>82,556,622</u>	<u>1,353,111</u>
Public works	<u>10,457,640</u>	<u>10,728,882</u>	<u>9,743,202</u>	<u>985,680</u>
Total public works	<u>10,457,640</u>	<u>10,728,882</u>	<u>9,743,202</u>	<u>985,680</u>
Culture and recreation	<u>13,245,464</u>	<u>13,254,196</u>	<u>12,844,476</u>	<u>409,720</u>
Transfers out	<u>13,823,908</u>	<u>22,273,783</u>	<u>22,084,642</u>	<u>189,141</u>
Total Charges to appropriations	<u>155,254,934</u>	<u>159,795,489</u>	<u>153,897,690</u>	<u>5,897,799</u>
Budgetary Fund Balance, July 1, 2007	\$ <u>31,405,978</u>	\$ <u>38,956,226</u>	\$ <u>54,516,057</u>	\$ <u>15,559,831</u>

See accompanying notes to basic financial statements

CITY OF TORRANCE, CALIFORNIA

Budgetary Comparison Statement

Budget-to-GAAP Reconciliation

General Fund

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$	208,413,747
Differences - budget to GAAP The fund balance at the beginning of the year is not a current year revenue for financial reporting purposes		(45,029,698)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.		<u>(7,604,891)</u>
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u><u>155,779,158</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$	153,897,690
Differences - budget to GAAP: Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		(2,140,061)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		<u>(22,084,642)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u><u>129,672,987</u></u>

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CITY OF TORRANCE, CALIFORNIA
Statement of Net Assets
Proprietary Funds
June 30, 2007

Assets	Business Type					Governmental
	Proprietary Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Current assets:						
Pooled cash and investments (note 2)	\$ 4,231,226	\$ 10,252,852	\$ 10,611,205	\$ 10,681,511	\$ 35,776,794	\$ 23,874,449
Restricted cash and investments (note 2)	—	528,905	—	—	528,905	—
Accounts receivable	187	4,118,331	240,479	1,563,587	5,922,584	23,650
Accrued interest receivable	49,077	119,170	123,080	83,349	374,676	147,239
Inventory	840,430	529,074	—	—	1,369,504	907,805
Due from other governments (note 12)	2,572,075	—	—	—	2,572,075	—
Prepays	2,484	1,799	—	14,418	18,701	—
Total current assets	<u>7,695,479</u>	<u>15,550,131</u>	<u>10,974,764</u>	<u>12,342,865</u>	<u>46,563,239</u>	<u>24,953,143</u>
Noncurrent assets:						
Interfund advances receivable (note 9)	—	1,154,432	419,028	—	1,573,460	4,000,000
Capital assets, net (note 3)	11,238,237	62,983,260	43,004,901	7,263,508	124,489,906	5,776,160
Total noncurrent assets	<u>11,238,237</u>	<u>64,137,692</u>	<u>43,423,929</u>	<u>7,263,508</u>	<u>126,063,366</u>	<u>9,776,160</u>
Total Assets	<u>18,933,716</u>	<u>79,687,823</u>	<u>54,398,693</u>	<u>19,606,373</u>	<u>172,626,605</u>	<u>34,729,303</u>
Liabilities						
Current liabilities (payable from current assets):						
Accounts payable	2,569	2,480,349	—	416,131	2,899,049	788,095
Contract retainage payable	—	94,191	1,100	—	95,291	—
Due to other funds (note 9)	—	—	—	—	—	—
Accrued liabilities	3,047,948	1,026,087	—	906,250	4,980,285	3,743,282
Current bonds payable - interest	—	50,833	—	—	50,833	—
Current bonds payable - principal (note 6)	—	465,000	—	—	465,000	—
Construction advances	—	—	—	—	—	—
Unearned revenues (note 13)	365,464	—	—	697,969	1,063,433	—
Accrued liabilities for self-insurance claims - current (note 11)	—	—	—	—	—	6,780,331
Total current liabilities	<u>3,415,981</u>	<u>4,116,460</u>	<u>1,100</u>	<u>2,020,350</u>	<u>9,553,891</u>	<u>11,311,708</u>
Noncurrent liabilities						
Deposits and guarantees	—	—	—	—	—	—
Long-term obligations (note 6)	—	3,245,000	—	—	3,245,000	—
Accrued Liability for self-insurance claims long-term (note 11)	—	—	—	—	—	16,097,014
Total noncurrent liabilities	<u>—</u>	<u>3,245,000</u>	<u>—</u>	<u>—</u>	<u>3,245,000</u>	<u>16,097,014</u>
Total Liabilities	<u>3,415,981</u>	<u>7,361,460</u>	<u>1,100</u>	<u>2,020,350</u>	<u>12,798,891</u>	<u>27,408,722</u>
Net Assets						
Invested in capital assets, net of related debt	11,238,237	59,273,260	43,004,901	7,263,508	120,779,906	5,776,160
Restricted	—	528,905	—	—	528,905	—
Unrestricted	4,279,498	12,524,198	11,392,692	10,322,515	38,518,903	1,544,421
Total Net Assets	<u>\$ 15,517,735</u>	<u>\$ 72,326,363</u>	<u>\$ 54,397,593</u>	<u>\$ 17,586,023</u>	<u>\$ 159,827,714</u>	<u>\$ 7,320,581</u>

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2007

	Business Type					Governmental
	Proprietary Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Operating revenues:						
Charges for services	\$ 2,404,156	\$ 21,750,783	\$ 1,954,151	\$ 27,589,045	\$ 53,698,135	\$ 8,142,854
Other	161,398	919,784	3,185	35,165	1,119,532	—
Total operating revenues	<u>2,565,554</u>	<u>22,670,567</u>	<u>1,957,336</u>	<u>27,624,210</u>	<u>54,817,667</u>	<u>8,142,854</u>
Operating expenses:						
Salaries and employee benefits	11,144,157	3,649,611	507,721	18,825,761	34,127,250	3,475,583
Services and supplies	2,327,576	978,412	6,707	4,861,995	8,174,690	628,511
Other professional services	1,526,408	493,739	37,219	4,162,715	6,220,081	—
Depreciation /amortization	1,974,058	1,200,562	856,752	272,970	4,304,342	1,111,261
Insurance and claims	306,812	80,922	1,347	248,521	637,602	4,223,709
City charges	2,166,511	1,665,057	139,410	3,820,971	7,791,949	—
Cost of water	—	13,869,297	—	—	13,869,297	—
Other	85,815	1,675,627	202,855	197,878	2,162,175	19,364
Total operating expenses	<u>19,531,337</u>	<u>23,613,227</u>	<u>1,752,011</u>	<u>32,390,811</u>	<u>77,287,386</u>	<u>9,458,428</u>
Operating income (loss)	<u>(16,965,783)</u>	<u>(942,660)</u>	<u>205,325</u>	<u>(4,766,601)</u>	<u>(22,469,719)</u>	<u>(1,315,574)</u>
Nonoperating revenues (expenses):						
Investment earnings	135,485	496,405	955,970	395,601	1,983,461	512,717
Gain (loss) on sale of capital assets	(211,628)	—	—	—	(211,628)	104,791
Assistance from other governments	15,353,770	—	—	—	15,353,770	—
Interest expense	—	(164,589)	—	(204,764)	(369,353)	—
Grants	—	—	—	139,810	139,810	—
Other, net	—	—	—	21,679	21,679	(71,228)
Total nonoperating revenues(expenses) net	<u>15,277,627</u>	<u>331,816</u>	<u>955,970</u>	<u>352,326</u>	<u>16,917,739</u>	<u>546,280</u>
Income (loss) before contributions and operating transfers	<u>(1,688,156)</u>	<u>(610,844)</u>	<u>1,161,295</u>	<u>(4,414,275)</u>	<u>(5,551,980)</u>	<u>(769,294)</u>
Capital grants	630,704	56,463	—	—	687,167	—
Transfers in (note 10)	—	—	727	10,971,902	10,972,629	4,893,913
Transfers out (note 10)	(318,803)	(41,548)	(256,814)	(3,636,456)	(4,253,621)	(26,303)
Change in net assets	<u>(1,376,255)</u>	<u>(595,929)</u>	<u>905,208</u>	<u>2,921,171</u>	<u>1,854,195</u>	<u>4,098,316</u>
Total net asset - July 1, 2006	<u>16,893,990</u>	<u>72,922,292</u>	<u>53,492,385</u>	<u>14,664,852</u>	<u>157,973,519</u>	<u>3,222,265</u>
Total net assets - June 30, 2007	<u>\$ 15,517,735</u>	<u>\$ 72,326,363</u>	<u>\$ 54,397,593</u>	<u>\$ 17,586,023</u>	<u>\$ 159,827,714</u>	<u>\$ 7,320,581</u>

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2007

	Business Type					Governmental
	Proprietary Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Cash flow from operating activities:						
Receipts from customers	\$ 2,404,156	\$ 21,885,871	\$ 1,884,947	\$ 27,658,862	\$ 53,833,836	\$ 8,142,854
Cash payments to suppliers for goods and services	(6,544,355)	(17,341,176)	(195,029)	(13,512,802)	(37,593,362)	(4,144,505)
Cash payments to employees for services	(11,092,026)	(3,670,882)	(507,721)	(18,809,509)	(34,080,138)	(3,660,358)
Internal activity-payments to other funds	—	—	—	—	—	—
Cash received from donations	—	—	—	17,679	17,679	—
Other receipts	161,398	919,784	—	39,165	1,120,347	—
Net cash provided by (used in) operating activities	<u>(15,070,827)</u>	<u>1,793,597</u>	<u>1,182,197</u>	<u>(4,606,605)</u>	<u>(16,701,638)</u>	<u>337,991</u>
Cash flows from noncapital financing activities:						
Cash received from grants and subsidies	17,263,387	—	—	139,810	17,403,197	730
Cash transfers received from other funds	—	—	727	10,971,902	10,972,629	4,893,913
Cash transfers paid to other funds	(318,803)	(41,548)	(256,814)	(3,636,456)	(4,253,621)	(26,303)
Cash received from advances to other funds - principal & interest	—	17,407	900,000	—	917,407	—
Net cash provided by (used in) noncapital financing activities	<u>16,944,584</u>	<u>(24,141)</u>	<u>643,913</u>	<u>7,475,256</u>	<u>25,039,612</u>	<u>4,868,340</u>
Cash flows from capital financing activities:						
Cash received from grants and subsidies	630,704	56,463	—	—	687,167	—
Payments for capital expenditures	(622,363)	(3,045,842)	(1,513,013)	(886,380)	(6,067,598)	(1,909,703)
Proceeds from the sale of capital assets	80,000	—	—	—	80,000	104,791
Payments for long-term obligations - principal & interest	—	—	—	(204,764)	(204,764)	—
Payments for long-term bonds - principal & interest	—	(624,139)	—	—	(624,139)	—
Net cash provided by (used in) capital financing activities	<u>88,341</u>	<u>(3,613,518)</u>	<u>(1,513,013)</u>	<u>(1,091,144)</u>	<u>(6,129,334)</u>	<u>(1,804,912)</u>
Cash flows from investing activities:						
Cash received from interest on investments	<u>106,207</u>	<u>478,446</u>	<u>405,501</u>	<u>362,234</u>	<u>1,352,388</u>	<u>564,828</u>
Net increase (decrease) in cash, restricted cash and cash equivalents	2,068,305	(1,365,616)	718,598	2,139,741	3,561,028	3,966,247
Cash, restricted cash and cash equivalents, July 1, 2006	<u>2,162,921</u>	<u>12,147,373</u>	<u>9,892,607</u>	<u>8,541,770</u>	<u>32,744,671</u>	<u>19,908,202</u>
Cash, restricted cash and cash equivalents, June 30, 2007	<u>\$ 4,231,226</u>	<u>\$ 10,781,757</u>	<u>\$ 10,611,205</u>	<u>\$ 10,681,511</u>	<u>\$ 36,305,699</u>	<u>\$ 23,874,449</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	(16,965,783)	(942,660)	205,325	(4,766,601)	(22,469,719)	(1,315,574)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	1,974,058	1,200,562	856,752	272,970	4,304,342	1,111,261
Other capital project expenses	—	1,846,216	638,710	—	2,484,926	—
Change in assets and liabilities:						
Accounts receivable	281	135,088	(72,389)	(140,047)	(77,067)	(23,650)
Due from other government	—	—	—	183,549	183,549	—
Notes receivable	—	—	—	—	—	—
Donations	—	—	—	21,679	21,679	—
Prepays and other assets	3,171	21,666	—	17,248	42,085	44,072
Inventories	(115,829)	(174,676)	—	—	(290,505)	(43,931)
Accounts payable	(18,575)	(539,314)	(382,544)	(440,355)	(1,380,788)	536,771
Retainage payable	—	(224,363)	(63,657)	—	(288,020)	—
Advances to other funds	—	—	—	—	—	—
Due to other funds	—	—	—	(74,233)	(74,233)	—
Accrued liabilities insurance/claims	—	—	—	—	—	—
Accrued salaries and benefits	51,850	(21,271)	—	17,558	48,137	(184,775)
Other accrued liabilities	—	659,213	—	12,328	671,541	—
Deposits and guarantees	—	(166,864)	—	287,029	120,165	—
Other liabilities	—	—	—	40,029	40,029	213,817
Unearned revenues	—	—	—	(37,759)	(37,759)	—
Bond issuance costs	—	—	—	—	—	—
Net cash provided by (used in) operating activities	<u>\$ (15,070,827)</u>	<u>\$ 1,793,597</u>	<u>\$ 1,182,197</u>	<u>\$ (4,606,605)</u>	<u>\$ (16,701,638)</u>	<u>\$ 337,991</u>

Noncash, investing, capital, and financing activities:

During fiscal year 2006-07, there were no significant noncash investing, capital, or financing activities.

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Fiduciary Fund Assets and Liabilities - Agency Funds
June 30, 2007

Assets	Total Agency Funds
Pooled cash and investments (note 2)	\$ 2,753,026
Restricted cash (note 2)	226,388
Accrued interest receivable	12,276
Due from other governments (note 12)	<u>5,335</u>
Total assets	<u>\$ 2,997,025</u>
Liabilities	
Deposits payable	<u>\$ 2,997,025</u>
Total Liabilities	<u>\$ 2,997,025</u>

See accompanying notes to basic financial statements.

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CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(1) Description of Funds and Summary of Significant Accounting Policies

Reporting Entity

The City of Torrance (the City) was incorporated in 1921 and became a charter city in 1947. The City is governed by an elected mayor and a six-member council and provides a wide range of services including police and fire protection, sanitation and water services, airport and bus transit services, the construction and maintenance of streets and infrastructure, and recreational activities. The accompanying comprehensive annual financial report includes the financial activities of the City of Torrance, the primary government, and its component units, entities for which the government is considered to be financially accountable. A description of the component units and the method of incorporating their financial information into the financial statements are summarized as follows:

The Redevelopment Agency of the City of Torrance (the Agency), a separate governmental entity, was established on November 4, 1964 pursuant to the Health and Safety Code of the State of California. The purpose of the Agency is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. City Council members, in separate session, serve as the governing board of the Agency, and all accounting and administrative functions are performed by the City. The financial activity of the Agency has been blended into the City's financial statements within the Governmental Activities in the financial statements.

The Torrance Public Financing Authority (the Authority) was created in 1997 to assist the City of Torrance in constructing certain fire and police protection, maintenance and entertainment facilities within the City. The City has entered into non-cancelable long-term leases with the Authority, which provide for lease payments in amounts sufficient to meet the annual debt service requirements on the bonds and certificates of participation issued by the Authority. The leases are financing arrangements that transfer the ownership of the facilities back to the City at the end of the lease. The financial activity of the Authority has been blended into the City's financial statements within the Governmental Activities in the financial statements.

Separate financial statements for the Redevelopment Agency and the Torrance Public Financing Authority can be obtained from the City's Finance Director.

Government-Wide and Fund Financial Statements

The Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

The Statement of Activities and Changes in Net Assets demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the annual City-wide cost allocation plan. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenues. In the Statement of Activities and Changes in Net Assets, internal service fund transactions have been eliminated; however, those transactions between the governmental and business type activities have not been eliminated.

Separate financial statements are provided for governmental funds, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements, major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in these funds when susceptible to accrual (i.e. when they are both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose the City considers property taxes collected after year end, as available if they are collected within 60 days of the end of the current fiscal period. Other revenues susceptible to accrual include sales tax, state gasoline taxes, utility users tax, investment income and certain other intergovernmental revenues. A 45-day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures in the governmental funds are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long term debt, which is recognized when due.

The City reports the following major Governmental Funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Industrial Redevelopment Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs for the City's Industrial Redevelopment project area.

The *Capital Improvement Fund* is used to account for the acquisition, construction and improvement of capital facilities financed by grants and transfers from the General Fund.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

The City reports the following major Proprietary Funds:

The *Transit System Fund* is used to account for the operation of the City's transit system.

The *Water Fund* is used to account for the provision of water services to the residences and businesses of the City.

The *Sewer Fund* is used to account for the revenues and expenses associated with the operation and improvement of the City's sewer system.

Additionally, the City reports the following fund types:

The *Internal Service Funds* consist of the Fleet Services Fund which is used to account for costs relating to the City's vehicular equipment; the Self Insurance Fund that is used to account for risk management activities and the Postemployment/Compensated Absences Fund that is used to account for interfund charges to City's department for postemployment benefits and compensated absences. These funds are financed by charges to other departments or agencies of the City on a cost reimbursement basis.

The *Agency Funds* are used to account for the resources held by the City in a fiduciary capacity.

The proprietary funds 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, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities and Changes in Net Assets presents changes in net assets. 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. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 for the Water Enterprise Fund, the Sewer Enterprise Fund, the Sanitation Enterprise Fund, the Parks and Recreation Enterprise Fund, the Cultural Arts Enterprise Fund, the Transit Enterprise Fund, the Emergency Medical Services Fund and the Municipal Airport Enterprise Fund are charges for goods and services. Operating expenses for these same proprietary funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All proprietary fund types are accounted for using the full-accrual basis of accounting. Under the full-accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred. In accordance with GASB Statement No. 20, for Proprietary Fund accounting, the City applies all applicable GASB pronouncements, as well as the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor authoritative Boards, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

The City's fiduciary funds include agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on an accrual basis of accounting. The City uses fiduciary (agency) funds to account for employee deductions, private property in the custody of the police department, environmental deposits from developers/contractors, and other deposits held on behalf of various depositors.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

Accounting for Encumbrances

The encumbrance system of accounting is used wherein encumbrances outstanding at year-end are not reported as expenditures, but are reported as a reservation of fund balance for subsequent year expenditures based on the encumbered appropriation authority carried over. An encumbrance is recorded as a charge against appropriations in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received, as required by generally accepted accounting principles.

Cash and Investments

The City pools all nonrestricted cash from all funds for the purpose of increasing interest earnings through investment activities. Investments are carried at fair value. Fair value is estimated by the City's investment management service. The fair value of guaranteed investment contracts and other investments with no regular market are at cost. The fair value of mutual funds, government-sponsored investment pools and other similar investments is stated at share value. Certain money market investments with initial maturities at the time of the purchase of less than one year are recorded at cost which approximates market. Interest income is allocated monthly to the various funds based on their average monthly cash balances. Interest income earned on restricted cash and investments is deposited directly to the fund earning the income.

For purposes of reporting cash flows for Proprietary Fund Types, cash and cash equivalents include cash on hand and investments purchased with maturities within 90 days. Cash includes deposits in the cash management pool that has the general characteristics of a demand deposit account.

Restricted Cash and Investments

Cash and investments restricted as to their use either by bond resolution or by the funding agency to a specific purpose are classified as restricted cash and investments.

Inventories and Prepaids

Inventories of supplies as determined by perpetual records are accounted for using the consumption method and are stated at cost applied on a first-in, first-out basis. The Water Enterprise Fund, Transit Enterprise Fund and Fleet Services base stock inventories are reported as assets and are equally offset by fund balance/retained earnings reserves thereby indicating that the inventory does not constitute an "available spendable resource" even though it is a component of net assets.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Prepays are items that were paid in the current fiscal year but pertain to the next fiscal year activities. The Governmental Fund uses the consumption method in accounting for prepaids.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful life of the assets as follows:

Buildings – 40 years

Improvements – 40 years

Equipment – 5 to 7 years

Infrastructure – 25 to 80 years

For Proprietary Fund Types, fixed assets are recorded at historical cost, except assets of the Water Enterprise Fund acquired prior to June 30, 1980 which are recorded at their estimated historical cost. Depreciation is provided for on the straight-line method over the estimated useful lives of the assets.

Property Tax Calendar

In 1978, a state constitutional amendment (Proposition 13) provided that the property tax rate is generally limited to 1% of market value, levied only by the county and shared with all other jurisdictions. The County of Los Angeles collects the taxes and distributes such revenues to taxing jurisdictions on the basis of the taxing jurisdictions' assessed valuations subject to adjustments for voter-approved debt. Property taxes levied on March 1, are due on November 1 and March 1 and become delinquent on December 10 and April 10 for the first and second installments, respectively. The lien date is March 1. City property tax revenues are recognized when levied to the extent that they result in current receivables collectible within 60 days.

Pension Plan

All permanent City employees are members of the State of California Public Employees' Retirement System (PERS). The City funds substantially all pension costs as determined annually by PERS actuarial evaluation (see note 7).

All permanent non-safety employees are also covered under the Federal Insurance Contributions Act (FICA).

Vacation and Sick Leave

It is the policy of the City to record the cost of vested vacation and sick leave as earned. This amount is included as a liability in the governmental activities in Government-wide statements.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Claims and Judgments

The City is self-insured for state unemployment insurance, general liability claims, long-term disability and individual workers' compensation claims of City employees up to certain limits. The City has established risk financing Internal Service Funds where assets are set aside for claim settlements. The unpaid claims liabilities are included in the Self-Insurance Internal Service Fund.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgetary Principles

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund only. The City uses the modified accrual plus encumbrances as its budgetary basis of accounting. The City is required by its Charter to adopt an annual budget for the General Fund; annual budgets are not required for Special Revenue and Capital Project Funds because effective budgetary control is achieved through alternative means, such as project-by-project analysis and provisions of the bond indentures. From the effective date of the General Fund budget, the amounts stated therein, as proposed expenditures become appropriations to the various City departments.

The City Council may amend the budget by a majority vote during the fiscal year. The City Manager may make such changes within the budget totals and allocations of any department during the fiscal year as he deems reasonably necessary in order to meet the City's needs or goals, however, the City Manager may not increase appropriations allocated in the budget for any department without an amendment to the budget approved by the City Council. All operating appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered. Capital project appropriations lapse when individual projects are completed or canceled.

General Fund expenditures may not legally exceed budgeted appropriations at the department level. Budgeted revenue amounts, as presented in the accompanying financial statements, represent the original budget as modified by adjustments during the year for those items which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

2) Cash and Investments

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$157,187,451
Cash and investments held by bond trustee	10,131,759
Restricted cash and investments	1,131,072
Fiduciary funds:	
Cash and investments	2,753,026
Restricted cash and investments	<u>226,388</u>
Total cash and investments	<u>\$171,429,696</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 23,096
Deposits with financial institutions	8,218,537
Investments	<u>163,188,063</u>
Total cash and investments	<u>\$171,429,696</u>

Investments Authorized by the California Government Code and the City of Torrance Investment Policy

The table below identifies the **investment types** that are authorized for the City of Torrance by the California Government Code and the City of Torrance investment policy. The table also identifies certain provisions of the California Government Code (or the City of Torrance investment policy, if more restrictive) that address **interest rate risk, credit risk, and concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City of Torrance, rather than the general provisions of the California Government Code or the City of Torrance investment policy.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Investment Types Authorized by State Law	Authorized By Investment <u>Policy</u>	*Maximum <u>Maturity</u>	*Maximum Percentage <u>Of Portfolio</u>	*Maximum Investment <u>In One Issuer</u>
Local Agency Bonds	Yes	5 years	10%	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	75%	30%
Banker's Acceptances	Yes	180 days	20%	5%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	20%	None
Repurchase Agreements	Yes	30 days	10%	None
Reverse Repurchase Agreements	No	N/A	N/A	None
Medium-Term Notes	Yes	5 years	20%	None
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	None	None
Mortgage Pass-Through Securities	No	N/A	N/A	None
County Pooled Investment Funds	No	N/A	N/A	None
Local Agency Investment Fund (LAIF)	Yes	N/A	\$40 mil per agency	None
JPA Pools (other investment pools)	No	N/A	N/A	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City of Torrance investment policy. The table below identifies the **investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Local Agency Investment Fund	None	None	None

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

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Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Torrance manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City of Torrance investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City of Torrance investments by maturity:

<u>Investment Type</u>		<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
U.S. Treasury notes	\$ 18,965,889	8,017,694	6,985,892	3,962,303	-
Local Municipal Bonds	1,778,745	-	-	-	1,778,745
Federal agency securities	81,814,028	22,830,838	16,990,976	41,992,214	-
Corporate medium term notes	27,629,401	14,577,396	5,920,188	7,131,817	-
Commercial paper	-	-	-	-	-
State investment pool	<u>33,000,000</u>	<u>33,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	163,188,063	78,425,928	29,897,056	53,086,334	1,778,745
<u>Held by bond trustee:</u>					
Money market funds	1,685,121	1,685,121	-	-	-
Investment contracts	<u>8,975,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,975,543</u>
Total	<u>\$173,848,727</u>	<u>80,111,049</u>	<u>29,897,056</u>	<u>53,086,334</u>	<u>10,754,288</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Torrance investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type		Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End			
				AAA	Aa	A	Not Rated
U.S. Treasury notes	\$ 18,965,889	N/A	\$ 18,965,889	-	-	-	-
Local Municipal Bonds	1,778,745		-	-	-	-	1,778,745
Federal agency securities	81,814,028	N/A	-	81,814,028	-	-	-
Corporate medium term notes	27,629,401	A	-	4,002,779	19,660,856	3,965,766	-
Commercial paper	-	A	-	-	-	-	-
Money Market Funds	-	N/A	-	-	-	-	-
Mortgage-backed securities	-	AA	-	-	-	-	-
State investment pool	<u>33,000,000</u>	N/A	-	-	-	-	<u>33,000,000</u>
SUBTOTAL	163,188,063		18,965,889	85,816,807	19,660,856	3,965,766	34,778,745
Held by bond trustee:							
Money market funds	1,685,121	A	-	1,685,121	-	-	-
Investment contracts	<u>8,975,543</u>	N/A	-	-	-	-	<u>8,975,543</u>
TOTAL	<u>\$ 173,848,727</u>		<u>18,965,889</u>	<u>87,501,928</u>	<u>19,660,856</u>	<u>3,965,766</u>	<u>43,754,288</u>

Concentration of Credit Risk

The investment policy of the City of Torrance contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The one exception in the Policy limits the percentage allowed in any one issuer for Federal agencies to 30% per agency. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of **total City of Torrance investments** are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Agency	Federal agency securities	\$ 19,097,655
Federal Home Loan Bank	Federal agency securities	37,831,928
Federal Home Loan Mortgage Co	Federal agency securities	15,985,520

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Torrance investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2007, \$873,947 of the City of Torrance deposits with financial institutions in excess of federal depository insurance limits were secured by pledged securities in an undivided collateral pool held in the name of Bank of America under trust with Bank of New York Trust. As of June 30, 2007, City of Torrance held no investments by the same broker-dealer (counterparty) that was used by the City of Torrance to buy the securities.

For investments identified herein as held by bond trustee, the bond trustee, at the direction of the City Treasurer, selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City of Torrance is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City of Torrance investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Torrance pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(3) Capital Assets

Infrastructure Assets at June 30, 2007 (in thousands):

Description	Cost	Accumulated Depreciation	Net Cost
Road system	\$237,230	(\$112,364)	\$124,866
Storm drain system	21,108	(5,805)	15,303
Sewer lines	67,743	(26,822)	40,921
Water System	81,021	(27,872)	53,149
	<u>\$407,102</u>	<u>(\$172,863)</u>	<u>\$234,239</u>

Capital Asset activity for the year ended June 30, 2007 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 45,645	-	-	\$ 45,645
Right of Way	19,344	-	-	19,344
Construction in progress	6,868	6,147	(3,850)	9,165
Total capital assets not being depreciated	<u>71,857</u>	<u>6,147</u>	<u>(3,850)</u>	<u>74,154</u>
Capital assets being depreciated:				
Land improvements and buildings	68,948	3,927	-	72,875
Machinery and equipment	28,175	3,987	(872)	31,290
Infrastructure	257,818	1,601	(1,080)	258,339
Total capital assets being depreciated	<u>354,941</u>	<u>9,515</u>	<u>(1,952)</u>	<u>362,504</u>
Less accumulated depreciation for:				
Land improvements and buildings	(31,948)	(1,645)	-	(33,593)
Machinery and equipment	(17,439)	(2,592)	870	(19,161)
Infrastructure	(112,770)	(5,815)	416	(118,169)
Total accumulated depreciation	<u>(162,157)</u>	<u>(10,052)</u>	<u>1,286</u>	<u>(170,923)</u>
Total capital assets, being depreciated, net	<u>192,784</u>	<u>(537)</u>	<u>(666)</u>	<u>191,581</u>
Governmental activities capital assets, net	<u>\$ 264,641</u>	<u>\$ 5,610</u>	<u>\$ (4,516)</u>	<u>\$ 265,735</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	5,461	-	-	5,461
Construction in progress	10,061	2,583	(1,840)	10,804
Total capital assets not being depreciated	<u>15,522</u>	<u>2,583</u>	<u>(1,840)</u>	<u>16,265</u>
Capital assets being depreciated:				
Infrastructure	147,016	1,939	(191)	148,764
Land improvements and buildings	14,667	168	(60)	14,775
Machinery and equipment	27,255	962	(891)	27,326
Furniture and fixtures	450	-	(77)	373
Total capital assets being depreciated	<u>189,388</u>	<u>3,069</u>	<u>(1,219)</u>	<u>191,238</u>
Less accumulated depreciation for:				
Infrastructure	(52,716)	(1,995)	17	(54,694)
Land improvements and buildings	(8,696)	(385)	60	(9,021)
Machinery and equipment	(17,647)	(1,909)	586	(18,970)
Furniture and fixtures	(385)	(15)	72	(328)
Total accumulated depreciation	<u>(79,444)</u>	<u>(4,304)</u>	<u>735</u>	<u>(83,013)</u>
Total capital assets, being depreciated, net	<u>109,944</u>	<u>(1,235)</u>	<u>(484)</u>	<u>108,225</u>
Business-type activities capital assets, net	<u>125,466</u>	<u>1,348</u>	<u>(2,324)</u>	<u>124,490</u>

The capital assets for the Fleet Services Fund have been consolidated into the governmental activities, and are included in the machinery and equipment category: asset additions amounted to \$1,813,313 and asset deductions amounted to \$871,709.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental Activities:	
General government	\$3,230
Public safety	443
Public works	5,907
Culture and recreation	472
	<hr/>
Total depreciation expense - governmental activities	<u>\$10,052</u>
Business-type activities:	
Water	\$1,200
Sewer	857
Sanitation	25
Cultural Arts Center	8
Emergency Medical Services	6
Parks & Recreation	3
Airport	231
Transit	1,974
	<hr/>
Total depreciation expense - business-type activities	<u>\$4,304</u>

Included in the depreciation charge to general government is the amount of depreciation for Fleet Services, an internal service fund. This amount includes depreciation expense of \$1,111,261 and retirements of \$871,710 or net addition to accumulated depreciation in the amount of \$239,551.

(4) Notes Receivable

a) Redevelopment Agency

The note receivable, with the Redevelopment Agency, for property located at 1256 and 1266 Sartori Avenue has been fully paid as of June 30, 2007.

b) Rehabilitation Housing

This represents a number of small loans given to eligible participants in the City's Federal Housing Rehabilitation program. These loans, usually less than \$10,000, are no-interest loans that will be repaid when the property is sold. The balance of these loans as of June 30, 2007 is \$96,555.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(5) Long-term Debt

a) *Redevelopment Agency Bonds*

2001 Tax Allocation Refunding Bonds – Skypark Project

On December 31, 2001 the Agency issued the Skypark 2001 Tax Allocation Refunding Bonds in the aggregate principal amount of \$2,470,143 with an average interest rate of 8% per annum. The proceeds of the Refunding Bonds were used to redeem the 1987 Tax Allocation Bonds in full, at a price equal to the principal amount plus accrued interest to the date of redemption, without premium, in accordance with Section 11 of the 1987 Bond Resolution and the conditional notice of redemption sent to the Owners of the 1987 Bonds on December 1, 2001. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$269,857. This difference is reported in the accompanying financial statements as a deduction from bonds payable. The Agency completed the refunding to reduce its total debt service payments over the next ten years by \$513,548 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$162,372. The bonds will mature on July 1, 2012, with annual principal payments ranging from \$158,000 to \$369,000. Interest is payable on July 1 and January 1 of each year at the rate of 8%. The principal and interest are to be repaid directly from tax increments accruing to the Agency.

1998 Series A Tax Allocation Refunding Bonds – Downtown Project

On July 15, 1998, the Agency issued \$8,500,000 Tax Allocation Refunding Bonds. Proceeds of the Bonds were used to refund the Agency's outstanding Downtown Redevelopment Project Tax Allocation Refunding Bonds, Series 1992, to repay the entire obligation represented by the Gascon Mar Loan, to fund a reserve for the Bonds and to pay the costs of issuing the Bonds. Commencing September 1, 1999, \$2,415,000 of the 1998 Bonds mature serially through 2012 with annual principal payments ranging from \$115,000 to \$230,000. Starting from September 1, 2013 and continuing through 2028, the principal on the term bonds totaling \$6,085,000 is payable annually in amounts ranging from \$245,000 to \$555,000. Interest is payable on March 1 and September 1 of each year with rates ranging from 4.10% to 5.30% for serial bonds and 5.55% to 5.60% for term bonds. Principal and interest are to be repaid directly from the tax increments accruing to the Agency.

1998 Series A and B Tax Allocation Refunding Bonds, 1999 Series C Tax Allocation Refunding Bonds – Industrial Project

On July 1, 1998, the Agency issued \$18,385,000 Tax Allocation Senior Lien Refunding Bonds, 1998 Series A and \$12,770,000 Tax Allocation Subordinate Lien Refunding Bonds, 1998 Series B. On June 15, 1999, the Agency issued \$18,500,000 Tax Allocation Senior Lien Forward Refunding Bonds, 1999 Series C. Proceeds of the Series A Bonds and the Series B Bonds were used to refund the Agency's outstanding Industrial Redevelopment Project Tax Allocation Refunding Bonds, Series 1989, to repay the Torrance Center II obligation represented by the Gascon Mar Loan, to fund a reserve for the Bonds and to pay the costs of issuing the Bonds. The Series C Bonds were used to redeem and refund the 1998 Series A Bonds, to fund a reserve account and to pay the costs of issuing the Series C Bonds.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Annual debt service requirements to maturity for all tax allocation redevelopment bonds to be paid from the Redevelopment Agency Debt Service Funds are as follows (in thousands):

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2008	1,299	2,001	3,300
2009	1,401	1,926	3,327
2010	1,505	1,843	3,348
2011	1,625	1,751	3,376
2012	1,748	1,652	3,400
2013-2017	6,870	6,926	13,796
2018-2022	7,405	5,064	12,469
2023-2027	9,700	2,704	12,404
2028-2029	4,675	263	4,938
Total	<u>\$36,228</u>	<u>\$24,130</u>	<u>\$60,358</u>

b) Water Fund Revenue Bonds

In December 2004, the City of Torrance issued \$5,050,000 in Water Revenue Refunding Bonds, Series A, to provide funds for the redemption of its \$8,065,000 1994 Water Revenue Refunding Bonds and for the construction of various water projects and related facilities for the City's water system. Debt proceeds and 1994 Water Revenue Refunding Bond reserves of \$5,296,684 were deposited in an irrevocable trust with an escrow agent to redeem the 1994 Bonds on December 1, 2004. Accordingly, such bonds, aggregating \$5,090,000, were considered defeased and the liability was removed from the Water Enterprise Fund. The total net cash flow required to service the 1994 debt as of December 1, 2004 was \$5,986,409 while the amount required for the 2004 debt was \$5,470,208. The net present value of the difference in these cash flows results in an economic gain of \$473,539. In accordance with GASB Statement No. 23, the refunding resulted in a net accounting loss of \$148,186, which was expensed in fiscal year ended June 30, 2005 instead of amortizing over the life of the bonds due to the amount being immaterial.

The refunding bonds bear interest rates ranging from 3.0% to 5.0%. Interest is payable semiannually on March 1 and September 1. Among the provisions of the bond resolutions, the Water Fund covenants require that fees and charges for water services must be sufficient to yield net revenues equal to at least 125% of debt service for each fiscal year. At June 30, 2007, the \$3,710,000 face amount of the refunding bonds was outstanding, of which \$465,000 has been classified as a current liability in the accompanying proprietary fund financial statements.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Annual debt service requirements to maturity for Water Fund refunding bonds are as follows (in thousands):

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2008	465	153	618
2009	500	139	639
2010	500	123	623
2011	515	106	621
2012	540	80	620
2013-2014	1,190	77	1,267
Total	<u>\$3,710</u>	<u>\$678</u>	<u>\$4388</u>

c) Certificates of Participation

1998 Refunding Certificates of Participation

In 1991, the City of Torrance issued \$5,950,000 of certificates of participation (1991 Police COP's) to refinance certain lease revenue bonds issued by the Torrance Civic Center Authority to construct the City's police facilities and an adjacent parking area. The outstanding 1991 Police COP's had an average interest rate of 6.75% and a final maturity date of July 1, 2012. The City also issued \$3,520,000 of certificates of participation for improvements to a fire station in 1991 (1991 Fire COP's) with an outstanding balance that had an average rate of 6.29%. In December 1998, the Authority issued \$10,300,000 of refunding certificates of participation to refund the 1991 Police COP's and 1991 Fire COP's for substantial interest rate savings. In addition, given the low interest rates at the time and significant value of the pledged asset (the Police Building valued at \$16,230,000), the City raised additional funds for capital projects by extending the term of the lease payments to a 30-year certificate of participation with an average interest rate of 5.07%. The City generated approximately \$2,900,000 for capital projects. As a result, the 1991 Police and Fire COP's were considered defeased, and the related liability was removed from the books. The refunding bond generated a net economic gain of approximately \$2,568,000, which represents a 4.79% present value savings.

The refunding certificates of participation for \$10,300,000 are dated December 1, 1998. The principal matures December 1 of each year through 2028 at variable amounts ranging from \$160,000 to \$590,000. Interest is payable semiannually on June 1 and December 1, with interest ranging from 4.0% to 4.75% and \$7,385,000 remains outstanding as of June 30, 2007. Certificates maturing on or before December 1, 2007 are subject to optional prepayment in whole or in part, on any business day on or after December 1, 2006 at the stated prepayment price.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Annual debt service requirements to maturity for certificates of participation to be paid from the City's Debt Service Funds with General Fund revenues are as follows (in thousands):

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2008	195	340	535
2009	205	332	537
2010	215	323	538
2011	230	314	544
2012	240	303	543
2013-2017	1375	1337	2712
2018-2022	1725	972	2697
2023-2027	2175	511	2686
2028-2029	1025	49	1074
Total	\$7,385	\$4,481	\$11,866

2004 A and B Refunding Certificates of Participation

In 2004, the Torrance Public Financing Authority issued \$43,130,000 of refunding certificates of participation, series A and series B to refinance the 1995 certificates of participation issued by the Torrance Improvement Corporation to construct certain maintenance and entertainment facilities within the City. Debt proceeds and the 1995 certificates of participation reserves of \$3,470,479 were deposited in an irrevocable trust with an escrow agent to redeem the 1995 certificates of participation on April 1, 2005. As a result, the 1995 certificates of participation are considered defeased, and the related liability has been removed from the books. The City generated approximately \$13,130,719 for capital projects. The total net cash flow required to service the 1995 certificates of participation as of October 13, 2005 would have been \$35,065,262 while the amount required for the 2004 series A and B debt was \$56,014,615. The refunding bond generated a net economic loss of approximately \$1,440,487. The refunding resulted in a net accounting loss of \$340,053 which was expensed in fiscal year ending June 30, 2005 instead of amortizing over the life of the bonds due to the amount being immaterial.

2004 A Refunding Certificates of Participation

The refunding certificates of participation for series A in the amount of \$19,215,000 are dated October 13, 2004. The principal matures June 1 of each year through 2034 at variable amounts ranging from \$315,000 to \$1,005,000. Interest is payable semiannually on June 1 and December 1, with interest rates ranging from 2% to 5% and \$16,605,000 remains outstanding as of June 30, 2007. Certificates maturing on or before June 1, 2015 are subject to optional prepayment, in whole or in part, on any business day on or after June 1, 2014 at the stated prepayment price.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Annual debt service requirements are as follows:

Year ending June 30:	Annual Debt Service Requirement		
	Principal	Interest	Total
2008	830	714	1,544
2009	850	693	1,543
2010	875	668	1,543
2011	900	642	1,542
2012	925	615	1,540
2013 to 2017	2,935	2,620	5,555
2018 to 2022	1,990	2,133	4,123
2023 to 2027	2,535	1,584	4,119
2028 to 2032	3,230	884	4,114
2033 to 2034	1,535	116	1,651
	<u>\$16,605</u>	<u>\$10,669</u>	<u>\$27,274</u>

2004 B Refunding Certificates of Participation

The refunding certificates of participation for series B in the amount of \$23,915,000 are dated January 5, 2005. The principal matures June 1 commencing in 2015 and is due June 1 each year after until 2034 at variable amounts ranging from \$720,000 to \$1,855,000. Interest is payable semiannually on June 1 and December 1, with interest rates ranging from 5.0% to 5.25% and \$23,915,000 remains outstanding as of June 30, 2007. Certificates are subject to an optional prepayment, in whole or in part, on any business day on or after June 1, 2014 at the stated prepayment price.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2008	—	1,233	1,233
2009	—	1,233	1,233
2010	—	1,233	1,233
2011	—	1,233	1,233
2012	—	1,233	1,233
2013 to 2017	2,265	6,055	8,320
2018 to 2022	4,590	5,162	9,752
2023 to 2027	5,870	3,884	9,754
2028 to 2032	7,575	2,183	9,758
2033 to 2034	3,615	287	3,902
	<u>\$23,915</u>	<u>\$23,736</u>	<u>\$47,651</u>

d) Advances and Notes Payable

At June 30, 2007, the City and its Redevelopment Agency had advances and notes payable in the following amounts:

Redevelopment Agency – Advances from developers: On June 9, 1987, the Redevelopment Agency and Honda entered into a First Implementation Agreement that amended the Participation Agreement to provide for an additional advance in the amount of \$3,000,000. This is to be repaid from available tax increments generated by Honda after providing for debt service on the outstanding Industrial Tax Allocation Bonds. The note shall be due and payable in full on July 19, 2012 with an interest rate adjusted semiannually using the average California Municipal Bond Index, source Merrill Lynch (or in the absence of a rate for similar bonds then for other District General Obligation Bonds) for the last 14 calendar days preceding the adjustment date. At June 30, 2007, the principal balance outstanding is \$910,790 and the accrued interest is \$670,274.

Redevelopment Agency – Advance from Los Angeles County: The maximum annual debt service on Agency indebtedness may not exceed \$1,550,000. Such advances are to be repaid in the fiscal year immediately following the year in which the Agency’s annual tax increment allocation exceeds the annual debt service requirement. This advance bears simple interest at the rate of 7.0% per year. At June 30, 2007, the principal balance outstanding is \$9,765,560 and accrued interest is \$4,471,892.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(6) Changes in Long-Term Obligations

The following is a summary of changes in the City's long-term obligations for the year ended June 30, 2007 (in thousands):

Governmental Activities:	Balance June 30, 2006	Incurred or Issued	Satisfied or Matured	Balance June 30, 2007	Amounts due within One Year	Amounts Due in more than One Year
Compensated Absences payable	\$16,156	4,013	3,771	\$16,398	10,549	5,849
Claims & Judgements	22,877	-	-	22,877	6,780	16,097
Advances and notes payable	9,930	746	-	10,676	-	10,676
Tax Allocation Bonds:						
Skypark project refunding	2,028	-	249	1,779	269	1,510
Downtown project refunding	7,490	-	175	7,315	180	7,135
Industrial project refunding	27,920	-	785	27,135	850	26,285
Certificates of Participation:						
1998 Police and Fire refunding certificates	7,580	-	195	7,385	195	7,190
2004 A refunding certificates	17,415	-	810	16,605	830	15,775
2004 B refunding certificates	23,915	-	-	23,915	-	23,915
Total Governmental Activities	\$135,311	4,759	5,985	\$134,085	19,653	114,432
Business-Type Activities:						
Revenue Bonds - Water Fund	\$4,165	-	455	\$3,710	465	3,245
Total Business-Type Activities	\$4,165	-	455	\$3,710	465	3,245

Compensated Absences

The City's policy regarding compensated absences is described in Note 1. The funded portion of this debt, totaling \$3,080,660, is recorded in the Internal Services Funds. The unfunded portion, amounting to \$13,316,567 is recorded in the governmental funds and is expected to be paid from future resources. In prior years, compensated absences have been liquidated primarily by the general fund.

Claims and Judgements

The long-term liability for self-insurance claims and judgements is recorded in the Self-Insurance Fund of the Internal Service Funds and the liability is liquidated in that fund. Since the internal service funds primarily serve the governmental funds, the long-term liability for claims and judgements has been included in the governmental activities in the Government-wide Statement of Net Assets.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(7) Employee Benefits

Defined Benefit Pension Plan

Plan Description

The City of Torrance's Defined Benefit Pension Plan (Plan) provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Headquarters Office – 400 Q Street, Sacramento, CA 95814.

All full-time and part-time benefited City employees are eligible to participate in CalPERS. Benefits vest after five years of service. City employees who retire at or after age 50 with 5 years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to the following: Police - 3% of their average salary during their last year of employment who retire at or after age 50; Fire - 3% of their average salary during their last year of employment who retire at or after age 50; and Miscellaneous - 2% of their average salary during their last year of employment who retire at or after age 55. This percentage increases incrementally after each year of credited service up to 30 years for safety employees and no limit on years of service for miscellaneous employees. The system also provides for death and disability benefits. The retirement benefit for each above group is calculated by multiplying the number of years of service times the above stated percentages with a maximum cap for safety at 90% of salary and no cap for miscellaneous employees. These benefit provisions and all other requirements are established by statute and City ordinance.

Funding Policy

Safety and miscellaneous plan members are required to contribute 9% and 7%, respectively, of their annual covered salary, which the City has opted to assume on behalf of substantially all of their employees. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2007 was 10.82% for miscellaneous employees, 33.62% for fire employees and 38.35% for police employees. The contribution requirements for Plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Annual Pension Cost

For the year ended June 30, 2007 the City's annual pension cost and its actual contributions were \$27,693,648. The City contributed \$20,105,490 on behalf of their employees including \$123,586 of unpaid prior year cost. Employees directly contributed \$7,588,158. The required contribution for the year ended June 30, 2007 was determined as part of the June 30, 2004 actuarial valuation using the entry-age-normal-actuarial-cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and from 3.25% to 13.15% for safety members; (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0% and an annual production growth of 0.25%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two- to five-year period depending on the size of investment gains and/or losses. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-Year Trend Information for the Plan

Fiscal year ended June 30	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligations
2005	\$ 24,240,860	100%	—
2006	28,202,712	100	—
2007	27,693,648	100	—

Required Supplementary Information-Pension Funding Information

**Funded Status of the Plan
(Dollars in millions)**

Valuation date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded/ (overfunded) liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a % of payroll
2004	\$ 764.7	\$ 636.6	\$ 128.1	83.2%	\$ 88.8	144.3%
2005	811.2	678.7	132.5	83.7	89.6	147.9
2006	857.0	725.7	131.2	84.7	92.3	142.2

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(8) Deferred Compensation Plan

During fiscal year 1973-74, the City Council adopted Resolution 74-120 establishing a deferred compensation plan (Plan) for the benefit of its eligible employees. The City established the Plan to attract and hold well-qualified City employees by permitting them to make special provisions for monthly payments upon retirement. The Plan was qualified under the applicable provisions of the Federal Internal Revenue Code and complies with the provisions of Sections 53212 and 53214 of the California Government Code. Prior to fiscal year 1996-97, in accordance with Section 457 of the Internal Revenue Code, all assets of the Plan remained the property of the City until paid or made available to participants, subject only to the claims of the City's general creditors.

As a result of changes to Section 457 deferred compensation plans resulting from the Small Business Job Protection Act of 1996, the City's deferred compensation plan administrator, Great West Life & Annuity Insurance Company (GWLAIIC) established a custodial account on behalf of the Plan participants. Effective July 1, 1998, all amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts are held in the custodial account for the exclusive benefit of the employee participants and their beneficiaries.

While the City has full power and authority to administer and to adopt rules and regulations for the Plan, all investment decisions under the Plan are the responsibility of the Plan participants. The City has no liability for losses under the Plan, but does have the duty of due care that would be required of an ordinary prudent investor. Under certain circumstances, employees may modify their arrangements with the Plan to provide for greater or lesser contributions or to terminate their participation. If participants retire under the Plan or terminate service with the City, they may be eligible to receive payments under the Plan in accordance with provisions thereof. In the event of serious financial emergency, the City may approve, upon request, withdrawals from the Plan by the participants, along with their allocated contributions.

The following is a summary of the increases and decreases of Plan net assets available for participants and beneficiaries for the year ended June 30, 2007:

Balance, July 1, 2006	\$ 106,248,747
Deferrals of compensation	8,794,929
Net investment earnings	13,194,755
Payment to Plan participants	<u>(9,145,247)</u>
Plan net assets available for participants and beneficiaries, June 30, 2007	<u>\$ 119,093,184</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(9) Other Required Individual Fund Disclosures

Interfund Transactions – Due to/Due from other funds

Interfund receivable and payable balances at June 30, 2007 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	469
		<hr/>
		469
		<hr/>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	69
		<hr/>
		69
		<hr/>
		538
		<hr/> <hr/>

These receivables represent short-term loans to cover negative cash balances in various funds.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Interfund Transactions - Advances

The balances of advances between funds at June 30, 2007 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Industrial Redevelopment Debt Service Fund	11,272
	Nonmajor Governmental Funds	1,587
		<u>12,859</u>
Water Enterprise Fund	Industrial Redevelopment Debt Service Fund	1,154
Sewer Enterprise Funds	Industrial Redevelopment Debt Service Fund	419
Internal Service Funds	Industrial Redevelopment Debt Service Fund	4,000
Nonmajor Governmental Funds	General Fund	600
		<u>19,032</u>

The advances to the Industrial Redevelopment Debt Service Fund represent loans to fund infrastructure improvements. Advances to the Nonmajor Governmental Funds represent advances to the Downtown Redevelopment Debt Service Fund (a non-major governmental fund). The Advance from the Parks and Recreation Facilities Fund (a non-major governmental fund) represents a loan for property acquisition.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(10) Transfers In and Out

The balances of transfers between funds at June 30, 2007 were as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Capital Improvements Fund	\$ 5,527
	Nonmajor Business Type Funds	10,897
	Internal Service Funds	4,363
	Nonmajor Governmental Funds	1,202
	Sewer Enterprise Fund	1
		<u>21,990</u>
Capital Improvements Fund	General Fund	872
	Internal Services Funds	218
	Nonmajor Governmental Funds	28
		<u>1,118</u>
Industrial Redevelopment Debt Service Fund	General Fund	2,150
	Nonmajor Governmental Funds	795
		<u>2,945</u>
Water Enterprise Fund	General Fund	37
	Internal Service Funds	5
		<u>42</u>
Sewer Enterprise Fund	Internal Service Funds	181
	Nonmajor Business Type Funds	75
	General Fund	1
		<u>257</u>
Transit Enterprise Fund	General Fund	44
	Nonmajor Governmental Funds	155
	Internal Service Funds	120
		<u>319</u>
Internal Service Funds	General Fund	<u>26</u>
Nonmajor Enterprise Funds	General Fund	3,602
	Nonmajor Governmental Funds	26
	Internal Service Funds	8
		<u>3,636</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

Transfer From	Transfer To	Amount
Nonmajor Governmental Funds	General Fund	872
	Nonmajor Governmental Funds	620
	Capital Improvements Fund	322
		<u>1,814</u>
Total		<u><u>32,147</u></u>

Major activity within the fund transfers category can be summarized as follows:

- Transfers to the Self Insurance Fund represent contributions to fund self insured claims;
- Transfers to the Fleet Services Fund represent contributions for fleet acquisitions;
- Transfers to the General Fund from the Industrial Redevelopment Fund represent sales tax revenues from the redevelopment project areas;
- Transfers to the Street Lighting Assessment Fund, the Cultural Arts Fund, the Emergency Medical Service Fund and the Parks & Recreation Enterprise Funds represent additional subsidies for those funds' regular operations;
- Transfers to the Capital Improvements Funds represent contributions to fund various capital projects.

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(11) Risk Management

The City self-insures some risks, often within certain dollar limits, and fully insures other risks through the purchase of commercial insurance.

Liability: The City insures automobile and general liability risks to \$3,000,000 per occurrence. There is excess liability coverage of \$10,000,000 for amounts above the \$3,000,000 self insured retention.

The City also purchases insurance with no or low deductibles covering the following specific risks: The Airport, pollution involving waste haulers, Workforce Investment Network, 4th of July celebration and Train Ride, the Farmer’s Market and certain special events.

Workers’ Compensation: The City is self-insured for workers’ compensation risks up to \$2,000,000 per occurrence. Excess coverage is in place for amounts above the \$2,000,000 self-insured retention with a limit of \$198,000,000 per occurrence.

Property: The City purchases all risk property insurance, subject to exclusions, covering City buildings, contents, higher cost vehicles, and machines subject to deductibles of \$1,000 to \$100,000 per occurrence depending upon the type of loss.

Crime: The City purchases crime (bond type) insurance up to \$2,000,000 per occurrence for the loss of money and securities caused by employees and or others.

Short and Long Term Disability: The City purchases commercially available insurance to cover claims.

Settlements have not exceeded coverage for each of the past three fiscal years.

As of June 30, 2007, \$20,273,384 and \$2,603,961 have been accrued for workers’ compensation and general liability claims, respectively. These accruals represent estimates of amounts to be ultimately paid for reported claims and incurred but unreported claims based upon past experience, modified for current trends and other information.

Changes in the balance of claim liabilities during the period for all Self-Insurance Funds combined are as follows (in thousands):

<u>Fiscal years</u>	<u>Beginning fiscal year liability balance</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Ending fiscal year balance</u>
2005-06	\$ 22,879	2,257	(2,259)	22,877
2006-07	\$ 22,877	3,254	(3,254)	22,877

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(12) Due from Other Governments

Amounts due from other governments consisted of the following at June 30, 2007 (in thousands):

	<u>State of California</u>	<u>Federal Agencies</u>	<u>County of Los Angeles</u>	<u>Other Local Governments</u>	<u>Total</u>
Governmental Funds:					
General Fund	\$2,069	—	210	—	\$2,279
Special Revenue Funds:					
Air Quality Improvement Fund	46	—	—	—	46
Workforce Investment Network	348	20	4	183	555
Grants & Donations	486	—	—	—	486
Debt Service Fund:					
Skypark Redevelopment Downtown Redevelopment	—	—	3	—	3
Industrial Redevelopment	140	—	773	—	773
Enterprise Funds:					
Transit System	916	631	973	52	2,572
Subtotal	<u>4,005</u>	<u>651</u>	<u>2,102</u>	<u>235</u>	<u>6,993</u>
Fiduciary Fund:					
Municipal Area Express	—	—	5	—	5
Total	<u>\$4,005</u>	<u>651</u>	<u>2,107</u>	<u>235</u>	<u>\$6,998</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(13) Unearned Revenue

The table below shows activity for the City's unearned revenue accounts as of June 30, 2007. The unearned revenue in the Transit Fund represents a security reserve that will be recognized when eligible purchases occur. The Airport rents received in June for July will be recognized in July. In May and June of 2007, the Parks & Recreation Enterprise Fund collected revenues for summer classes which begin in July. These revenues will be recognized in July. The General Fund balance primarily represents sales tax receipts which are currently under appeal. These receipts will be recognized or returned to the State based on the outcome of the appeal.

**Unearned Revenue Activity for Fiscal Year Ended June 30, 2007
(in thousands)**

	Balance at July 1, 2006	Additions	Deductions	Balance at June 30, 2007
Transit Security Reserve	\$ 313	68	15	\$ 366
Airport Rents received for July	206	142	206	142
Parks & Recreation Enterprise Fund revenues received in May and June for July classes	530	556	530	556
General Fund	871	51	43	879
	<u>\$ 1,920</u>	<u>817</u>	<u>794</u>	<u>\$ 1,943</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Financial Statements

June 30, 2007

(14) Deficit Fund Equity (Accumulated Deficit)

The Self-Insurance Internal Service Fund reflected an accumulated deficit of \$12,651,185 at June 30, 2007. Such deficit is attributed to recording increases in the reserve for general liability claims resulting from settlements of claims in excess of established reserves and from increasing reserves for pending cases. In fiscal year-ended 2001, an adjustment of \$9,005,667 was made for Self-Insurance Fund Workers Compensation and Liability Claims. This adjustment was based on the actuarial study report as of fiscal year ended June 30, 2001. It is anticipated that the deficit will be reduced over future years through increases in annual charges made through the budgeting process, as they become necessary. Excess charges will be distributed to all funds proportionately depending on their proportionate benefit of the Self-Insurance Fund, which resulted in the accumulated deficit balance.

Parks and Recreation has an accumulated deficit of \$441,626 as of June 30, 2007. This deficit will be reduced with a larger subsidy in fiscal year ending June 30, 2008.

The Industrial Redevelopment Debt Service Fund has an accumulated deficit of \$13,869,270 as of June 30, 2007, which represents the inclusion of advances due to other funds. This deficit will be reduced by future tax increment payments after annual bond payments have been made.

(15) Commitments and Contingencies

The City has various outstanding contracts and purchase orders for services, supplies, materials and capital projects that have not been completed as of fiscal year-end. These commitments total \$12,110,231 at June 30, 2007.

The City has been named as a defendant in certain other claims and litigation matters. In the opinion of City management, the outcome of such litigation is not expected to result in a material adverse effect on the financial condition of the City beyond that accrued for in the City's Self-Insurance Fund.

In November 1996, the voters approved the "Right to Vote on Taxes Act" (Proposition 218) which limits the City's ability to levy general taxes and benefit assessments without voter/property owner approval and restricts the City's ability to change property-related fees.

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Pooled cash and investments	\$ 24,162,751	\$ 7,147,253	\$ 994,269	\$ 32,304,273
Cash and cash equivalents with fiscal agents	—	3,839,775	3,932,936	7,772,711
Accounts receivable	1,106,186	—	—	1,106,186
Accrued interest receivable	202,977	134,222	84,570	421,769
Due from other funds	—	69,118	—	69,118
Due from other governments	1,086,568	—	776,327	1,862,895
Interfund advances receivable	600,000	—	—	600,000
Notes receivable	96,555	—	—	96,555
Other assets	—	2,441	—	2,441
Restricted cash and investments	602,167	—	—	602,167
Total Assets	\$ 27,857,204	\$ 11,192,809	\$ 5,788,102	\$ 44,838,115
 Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 1,992,436	\$ 608,426	\$ —	\$ 2,600,862
Accounts payable-contract retention	155,575	—	—	155,575
Due to other funds	270,209	199,138	69,118	538,465
Interfund advances payable	—	—	1,586,599	1,586,599
Total Liabilities	2,418,220	807,564	1,655,717	4,881,501
Fund Balance:				
Reserved for:				
Advances to other funds	600,000	—	—	600,000
Notes receivable	96,555	—	—	96,555
Capital Improvements	—	3,839,775	—	3,839,775
Repayment of debt	—	—	4,132,385	4,132,385
Unreserved	24,742,429	6,545,470	—	31,287,899
Total Fund Balances	25,438,984	10,385,245	4,132,385	39,956,614
Total Liabilities and Fund Balances	\$ 27,857,204	\$ 11,192,809	\$ 5,788,102	\$ 44,838,115

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2007

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Fund
Revenues:				
Taxes	\$ 1,610,927	\$ —	\$ 2,363,549	\$ 3,974,476
Fines, forfeitures and penalties	1,218,743	—	—	1,218,743
Use of money and property	2,959,800	536,844	3,554,713	7,051,357
Intergovernmental	15,978,899	—	—	15,978,899
Other revenues	489,015	39,171	—	528,186
Total revenues	<u>22,257,384</u>	<u>576,015</u>	<u>5,918,262</u>	<u>28,751,661</u>
Expenditures:				
General government	2,454,778	—	37,801	2,492,579
Public works	4,554,638	—	—	4,554,638
Culture and recreation	40,109	—	—	40,109
Community development	8,275,624	617,776	—	8,893,400
Capital outlay	2,876,216	8,361,864	—	11,238,080
Debt service:				
Principal retirement	—	—	1,428,761	1,428,761
Interest and fiscal charges	—	—	3,815,684	3,815,684
Other	—	—	1,065,716	1,065,716
Total expenditures	<u>18,201,365</u>	<u>8,979,640</u>	<u>6,347,962</u>	<u>33,528,967</u>
Excess (deficiency) of revenues over expenditures	<u>4,056,019</u>	<u>(8,403,625)</u>	<u>(429,700)</u>	<u>(4,777,306)</u>
Other financing sources (uses):				
Transfers in	1,420,057	1,406,237	—	2,826,294
Transfers out	(1,163,289)	(39,500)	(611,328)	(1,814,117)
Issuance of debt-advance from County	—	—	1,377,398	1,377,398
Total other financing sources (uses)	<u>256,768</u>	<u>1,366,737</u>	<u>766,070</u>	<u>2,389,575</u>
Net change in fund balances	4,312,787	(7,036,888)	336,370	(2,387,731)
Fund balances, July 1, 2006	<u>21,126,197</u>	<u>17,422,133</u>	<u>3,796,015</u>	<u>42,344,345</u>
Fund balances, June 30, 2007	<u>\$ 25,438,984</u>	<u>\$ 10,385,245</u>	<u>\$ 4,132,385</u>	<u>\$ 39,956,614</u>

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CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2007

Assets	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Workforce Investment Network Fund	Street Lighting Assessment Fund	Drainage Improvement Fund
Pooled cash and investments	\$ 693,765	\$ 1,062,820	\$ 49,852	\$ —	\$ 445,785	\$ 19,318
Accounts receivable	—	383,135	—	2,546	68,858	—
Accrued interest receivable	8,047	—	578	—	—	—
Interfund advances receivable	600,000	—	—	—	—	—
Due from other governments	—	—	—	554,492	—	—
Restricted cash and investments	—	—	—	—	—	—
Notes receivable	—	—	—	—	—	—
Total assets	\$ 1,301,812	\$ 1,445,955	\$ 50,430	\$ 557,038	\$ 514,643	\$ 19,318
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ —	\$ —	\$ 25,748	\$ 363,314	\$ 130,118	\$ —
Accounts payable – contract retention	—	—	—	—	—	—
Due to other funds	—	—	—	193,724	—	—
Total liabilities	—	—	25,748	557,038	130,118	—
Fund balances:						
Reserved:						
Advances to other funds	600,000	—	—	—	—	—
Notes receivable	—	—	—	—	—	—
Unreserved:						
Undesignated	701,812	1,445,955	24,682	—	384,525	19,318
Total fund balances	1,301,812	1,445,955	24,682	—	384,525	19,318
Total liabilities and fund balances	\$ 1,301,812	\$ 1,445,955	\$ 50,430	\$ 557,038	\$ 514,643	\$ 19,318

Parks, Rehabilitation and Open Space Fund	Proposition C Fund	Vanpool Rideshare Fund	Bicycle Transporation Fund	Animal Control Fund	Development Impact Fund	Underground Storage Fund
\$ 2,554,830	\$ 4,696,051	\$ 265,467	\$ —	\$ 61,817	\$ 394,196	\$ 1,500
—	—	—	7,015	24,923	—	—
29,634	57,562	4,382	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>2,584,464</u>	<u>4,753,613</u>	<u>269,849</u>	<u>7,015</u>	<u>86,740</u>	<u>394,196</u>	<u>1,500</u>
\$ 33,900	\$ 210,348	\$ 6,529	\$ —	\$ 6,501	\$ 394,196	\$ —
—	—	—	—	—	—	—
—	—	—	7,015	—	—	—
<u>33,900</u>	<u>210,348</u>	<u>6,529</u>	<u>7,015</u>	<u>6,501</u>	<u>394,196</u>	<u>—</u>
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>2,550,564</u>	<u>4,543,265</u>	<u>263,320</u>	<u>—</u>	<u>80,239</u>	<u>—</u>	<u>1,500</u>
<u>2,550,564</u>	<u>4,543,265</u>	<u>263,320</u>	<u>—</u>	<u>80,239</u>	<u>—</u>	<u>1,500</u>
<u>\$ 2,584,464</u>	<u>\$ 4,753,613</u>	<u>\$ 269,849</u>	<u>\$ 7,015</u>	<u>\$ 86,740</u>	<u>\$ 394,196</u>	<u>\$ 1,500</u>

(continued)

CITY OF TORRANCE, CALIFORNIA
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2007

Assets	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund	Police Inmate Welfare Fund	Grants and Donations Fund	Federal Housing and Community Development Fund
Pooled cash and investments	\$ 6,694,055	\$ 123,278	\$ 37,371	\$ 88,284	\$ 550,435	\$ 531,234
Accounts receivable	232,098	—	—	—	17,240	—
Accrued interest receivable	77,619	—	—	1,024	251	—
Interfund advances receivable	—	—	—	—	—	—
Due from other governments	—	45,926	—	—	486,150	—
Restricted cash and investments	—	—	—	—	—	2,167
Notes receivable	—	—	—	—	—	96,555
Total assets	\$ 7,003,772	\$ 169,204	\$ 37,371	\$ 89,308	\$ 1,054,076	\$ 629,956
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 495,279	\$ —	\$ —	\$ 12,482	\$ 162,126	\$ —
Accounts payable – contract retention	73,097	—	—	—	—	—
Due to other funds	—	—	7,158	—	62,312	—
Total liabilities	568,376	—	7,158	12,482	224,438	—
Fund balances:						
Reserved:						
Advances to other funds	—	—	—	—	—	—
Notes receivable	—	—	—	—	—	96,555
Unreserved:						
Undesignated	6,435,396	169,204	30,213	76,826	829,638	533,401
Total fund balances	6,435,396	169,204	30,213	76,826	829,638	629,956
Total liabilities and fund balances	\$ 7,003,772	\$ 169,204	\$ 37,371	\$ 89,308	\$ 1,054,076	\$ 629,956

Asset Forfeiture Fund	Geologic Hazard Abatement Fund	El Camino Training Fund	Cable Comm/ Public Access Fund	AB2928 Traffic Congestion Relief Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Fund
\$ 2,654,555	\$ 14,317	\$ 448,088	\$ 2,055,860	\$ 713,303	\$ 6,570	\$ 24,162,751
—	—	—	370,371	—	—	1,106,186
—	—	—	23,880	—	—	202,977
—	—	—	—	—	—	600,000
600,000	—	—	—	—	—	1,086,568
—	—	—	—	—	—	602,167
—	—	—	—	—	—	96,555
<u>\$ 3,254,555</u>	<u>\$ 14,317</u>	<u>\$ 448,088</u>	<u>\$ 2,450,111</u>	<u>\$ 713,303</u>	<u>\$ 6,570</u>	<u>\$ 27,857,204</u>
\$ —	\$ —	\$ —	\$ 143,335	\$ 8,560	\$ —	\$ 1,992,436
17,568	—	—	—	64,910	—	155,575
—	—	—	—	—	—	270,209
<u>17,568</u>	<u>—</u>	<u>—</u>	<u>143,335</u>	<u>73,470</u>	<u>—</u>	<u>2,418,220</u>
—	—	—	—	—	—	600,000
—	—	—	—	—	—	96,555
<u>3,236,987</u>	<u>14,317</u>	<u>448,088</u>	<u>2,306,776</u>	<u>639,833</u>	<u>6,570</u>	<u>24,742,429</u>
<u>3,236,987</u>	<u>14,317</u>	<u>448,088</u>	<u>2,306,776</u>	<u>639,833</u>	<u>6,570</u>	<u>25,438,984</u>
<u>\$ 3,254,555</u>	<u>\$ 14,317</u>	<u>\$ 448,088</u>	<u>\$ 2,450,111</u>	<u>\$ 713,303</u>	<u>\$ 6,570</u>	<u>\$ 27,857,204</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficits)
Nonmajor Special Revenue Funds
Year ended June 30, 2007

	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Workforce Investment Network Fund	Street Lighting Assessment Fund	Drainage Improvement Fund
Revenues:						
Taxes	\$ 171,050	\$ —	\$ —	\$ —	\$ 1,251,809	\$ —
Fines, forfeitures and penalties	—	—	—	—	—	—
Use of money and property	63,689	46,551	2,057	—	—	13,807
Intergovernmental	—	5,406,015	—	3,213,789	—	—
Other	—	—	1,553	4,740	—	902
Total revenues	<u>234,739</u>	<u>5,452,566</u>	<u>3,610</u>	<u>3,218,529</u>	<u>1,251,809</u>	<u>14,709</u>
Expenditures:						
Current:						
General government	—	—	—	—	—	—
Public works	—	—	—	—	2,549,562	399
Culture and recreation	9,000	—	—	—	—	—
Community development	—	4,891,550	—	3,218,529	—	—
Capital outlay	—	—	—	—	—	—
Total expenditures	<u>9,000</u>	<u>4,891,550</u>	<u>—</u>	<u>3,218,529</u>	<u>2,549,562</u>	<u>399</u>
Excess (deficiency) of revenues over expenditures	225,739	561,016	3,610	—	(1,297,753)	14,310
Other financing sources (uses):						
Transfers in	—	—	—	—	1,228,257	—
Transfers out	—	—	—	—	—	—
Net change in fund balance	225,739	561,016	3,610	—	(69,496)	14,310
Fund balances (deficits), July 1, 2006	<u>1,076,073</u>	<u>884,939</u>	<u>21,072</u>	<u>—</u>	<u>454,021</u>	<u>5,008</u>
Fund balances, June 30, 2007	<u>\$ 1,301,812</u>	<u>\$ 1,445,955</u>	<u>\$ 24,682</u>	<u>\$ —</u>	<u>\$ 384,525</u>	<u>\$ 19,318</u>

Parks, Rehabilitation and Open Space Fund	Proposition C Fund	Vanpool Rideshare Fund	Bicycle Transportation Fund	Animal Control Fund	Development Impact Fund	Underground Storage Fund
\$ —	\$ —	\$ —	\$ —	\$ 187,318	\$ —	\$ 750
486,780	—	—	—	—	—	—
161,827	199,135	—	2,195	—	—	—
—	1,959,470	—	210,579	—	—	—
—	—	69,620	—	1,520	—	—
<u>648,607</u>	<u>2,158,605</u>	<u>69,620</u>	<u>212,774</u>	<u>188,838</u>	<u>—</u>	<u>750</u>
—	—	199,189	—	301,843	—	—
—	450,746	—	212,774	—	—	—
31,109	—	—	—	—	—	—
—	—	—	—	—	—	—
196,730	—	—	—	6,620	—	—
<u>227,839</u>	<u>450,746</u>	<u>199,189</u>	<u>212,774</u>	<u>308,463</u>	<u>—</u>	<u>—</u>
420,768	1,707,859	(129,569)	—	(119,625)	—	750
—	—	154,900	—	—	—	—
<u>—</u>	<u>(29,698)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
420,768	1,678,161	25,331	—	(119,625)	—	750
2,129,796	2,865,104	237,989	—	199,864	—	750
<u>\$ 2,550,564</u>	<u>\$ 4,543,265</u>	<u>\$ 263,320</u>	<u>\$ —</u>	<u>\$ 80,239</u>	<u>\$ —</u>	<u>\$ 1,500</u>

(continued)

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficits)
Nonmajor Special Revenue Funds
Year ended June 30, 2007

	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund	Police Inmate Welfare Fund	Grants and Donations Fund	Federal Housing and Community Development Fund
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Fines, forfeitures and penalties	—	—	—	—	—	—
Use of money and property	543,967	4,540	23,435	3,777	25,551	—
Intergovernmental	2,628,687	177,283	—	—	1,307,007	—
Other	—	—	—	10,035	124,111	—
Total revenues	<u>3,172,654</u>	<u>181,823</u>	<u>23,435</u>	<u>13,812</u>	<u>1,456,669</u>	<u>—</u>
Expenditures:						
Current:						
General government	—	—	16,736	13,239	—	—
Public works	—	—	—	—	1,341,157	—
Culture and recreation	—	—	—	—	—	—
Community development	—	165,545	—	—	—	—
Capital outlay	1,316,922	—	—	—	179,134	—
Total expenditures	<u>1,316,922</u>	<u>165,545</u>	<u>16,736</u>	<u>13,239</u>	<u>1,520,291</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	1,855,732	16,278	6,699	573	(63,622)	—
Other financing sources (uses):						
Transfers in	—	—	—	—	—	36,900
Transfers out	(840,000)	—	—	—	(273,710)	—
Net change in fund balance	1,015,732	16,278	6,699	573	(337,332)	36,900
Fund balances (deficits), July 1, 2006	5,419,664	152,926	23,514	76,253	1,166,970	593,056
Fund balances, June 30, 2007	<u>\$ 6,435,396</u>	<u>\$ 169,204</u>	<u>\$ 30,213</u>	<u>\$ 76,826</u>	<u>\$ 829,638</u>	<u>\$ 629,956</u>

Asset Forfeiture Fund	Geologic Hazard Abatement Fund	El Camino Training Fund	Cable Comm/ Public Access Fund	AB2928 Traffic Congestion Relief Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Fund
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1,610,927
731,963	—	—	—	—	—	1,218,743
127,454	—	—	1,713,878	27,937	—	2,959,800
—	—	—	—	1,076,069	—	15,978,899
161,123	—	71,751	37,090	—	6,570	489,015
<u>1,020,540</u>	<u>—</u>	<u>71,751</u>	<u>1,750,968</u>	<u>1,104,006</u>	<u>6,570</u>	<u>22,257,384</u>
693,155	—	2,774	1,227,842	—	—	2,454,778
—	—	—	—	—	—	4,554,638
—	—	—	—	—	—	40,109
—	—	—	—	—	—	8,275,624
25,439	—	—	23,114	1,128,257	—	2,876,216
<u>718,594</u>	<u>—</u>	<u>2,774</u>	<u>1,250,956</u>	<u>1,128,257</u>	<u>—</u>	<u>18,201,365</u>
301,946	—	68,977	500,012	(24,251)	6,570	4,056,019
—	—	—	—	—	—	1,420,057
<u>—</u>	<u>—</u>	<u>—</u>	<u>(19,881)</u>	<u>—</u>	<u>—</u>	<u>(1,163,289)</u>
301,946	—	68,977	480,131	(24,251)	6,570	4,312,787
2,935,041	14,317	379,111	1,826,645	664,084	—	21,126,197
<u>\$ 3,236,987</u>	<u>\$ 14,317</u>	<u>\$ 448,088</u>	<u>\$ 2,306,776</u>	<u>\$ 639,833</u>	<u>\$ 6,570</u>	<u>25,438,984</u>

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CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Capital Project Funds

June 30, 2007

Assets	Torrance Public Financing Fund
Pooled cash and investments	\$ —
Cash and cash equivalents with fiscal agents	3,839,775
Accrued interest receivable	51,319
Due from other funds	69,118
Others	—
Total assets	<u>\$ 3,960,212</u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 592,124
Due to other funds	199,138
Total liabilities	<u>791,262</u>
Fund balances:	
Reserved:	
Capital improvements	3,839,775
Unreserved:	
Designated:	
Infrastructure	—
Undesignated fund balance	<u>(670,825)</u>
Total fund balances	<u>3,168,950</u>
Total liabilities and fund balances	<u>\$ 3,960,212</u>

Redevelopment Agency of the City of Torrance

		Downtown Torrance Redevelopment					
Meadow Park Project Fund	Skypark Project Fund	Project Fund	Industrial Redevelopment Project Fund	Low/Moderate Income Housing Fund	Total Nonmajor Capital Project Funds		
\$ 6,493	\$ 6,707	\$ 191,191	\$ 122,140	\$ 6,820,722	\$ 7,147,253		
—	—	—	—	—	3,839,775		
75	78	2,218	1,418	79,114	134,222		
—	—	—	—	—	69,118		
—	—	160	—	2,281	2,441		
<u>\$ 6,568</u>	<u>\$ 6,785</u>	<u>\$ 193,569</u>	<u>\$ 123,558</u>	<u>\$ 6,902,117</u>	<u>\$ 11,192,809</u>		
\$ —	\$ —	\$ 3,352	\$ 12,950	\$ —	\$ 608,426		
—	—	—	—	—	199,138		
—	—	3,352	12,950	—	807,564		
—	—	—	—	—	3,839,775		
—	—	—	—	6,902,117	6,902,117		
<u>6,568</u>	<u>6,785</u>	<u>190,217</u>	<u>110,608</u>	<u>—</u>	<u>(356,647)</u>		
<u>6,568</u>	<u>6,785</u>	<u>190,217</u>	<u>110,608</u>	<u>6,902,117</u>	<u>10,385,245</u>		
<u>\$ 6,568</u>	<u>\$ 6,785</u>	<u>\$ 193,569</u>	<u>\$ 123,558</u>	<u>\$ 6,902,117</u>	<u>\$ 11,192,809</u>		

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Nonmajor Capital Project Funds

Year ended June 30, 2007

	Torrance Public Financing Fund
Revenues:	
Use of money and property	\$ 239,948
Other	—
Total revenues	<u>239,948</u>
Expenditures	
Capital outlay	8,348,914
Community development	—
Total expenditures	<u>8,348,914</u>
Excess (deficiency) of revenues over expenditures	(8,108,966)
Other financing sources (uses):	
Transfers in	138,618
Transfers out	—
Total other financing sources (uses), net	<u>138,618</u>
Net change in fund balance	(7,970,348)
Fund balances (deficits), July 1, 2006	<u>11,139,298</u>
Fund balances, June 30, 2007	<u>\$ 3,168,950</u>

Redevelopment Agency of the City of Torrance					
Meadow Park Project Fund	Skypark Project Fund	Downtown Torrance Redevelopment Project Fund	Industrial Redevelopment Project Fund	Low/Moderate Income Housing Fund	Total Nonmajor Capital Project Funds
\$ 178	\$ 413	\$ 15,691	\$ 5,374	\$ 275,240	\$ 536,844
13,666	—	25,505	—	—	39,171
<u>13,844</u>	<u>413</u>	<u>41,196</u>	<u>5,374</u>	<u>275,240</u>	<u>576,015</u>
—	—	—	12,950	—	8,361,864
8,592	—	170,827	—	438,357	617,776
<u>8,592</u>	<u>—</u>	<u>170,827</u>	<u>12,950</u>	<u>438,357</u>	<u>8,979,640</u>
5,252	413	(129,631)	(7,576)	(163,117)	(8,403,625)
—	—	—	—	1,267,619	1,406,237
—	—	(20,700)	—	(18,800)	(39,500)
—	—	(20,700)	—	1,248,819	1,366,737
5,252	413	(150,331)	(7,576)	1,085,702	(7,036,888)
<u>1,316</u>	<u>6,372</u>	<u>340,548</u>	<u>118,184</u>	<u>5,816,415</u>	<u>17,422,133</u>
<u>\$ 6,568</u>	<u>\$ 6,785</u>	<u>\$ 190,217</u>	<u>\$ 110,608</u>	<u>\$ 6,902,117</u>	<u>\$ 10,385,245</u>

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CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2007

	Redevelopment Agency of the City of Torrance			Total Nonmajor Debt Service Funds
	Torrance Public Financing Fund	Skypark Fund	Downtown Torrance Redevelopment Fund	
Assets				
Pooled cash and investments	\$ —	\$ 327,519	\$ 666,750	\$ 994,269
Cash and cash equivalents with fiscal agents	3,334,589	—	598,347	3,932,936
Accrued interest receivable	69,118	3,799	11,653	84,570
Due from other governments	—	3,370	772,957	776,327
Total assets	\$ 3,403,707	\$ 334,688	\$ 2,049,707	\$ 5,788,102
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ 69,118	\$ —	\$ —	\$ 69,118
Interfund advances payable	—	—	1,586,599	1,586,599
Total liabilities	69,118	—	1,586,599	1,655,717
Fund balances:				
Reserved – debt service	3,334,589	334,688	463,108	4,132,385
Total fund balances	3,334,589	334,688	463,108	4,132,385
Total liabilities and fund balances	\$ 3,403,707	\$ 334,688	\$ 2,049,707	\$ 5,788,102

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year ended June 30, 2007

	Redevelopment Agency of the City of Torrance			Total Nonmajor Debt Service Funds
	Torrance Public Financing Fund	Skypark Fund	Downtown Torrance Redevelopment Fund	
Revenues:				
Property taxes	\$ —	\$ 493,864	\$ 1,869,685	\$ 2,363,549
Use of money and property	3,455,523	15,773	83,417	3,554,713
Total revenues	<u>3,455,523</u>	<u>509,637</u>	<u>1,953,102</u>	<u>5,918,262</u>
Expenditures:				
General government	—	7,720	30,081	37,801
Debt Service:				
Principal retirement	1,005,000	248,761	175,000	1,428,761
Interest and fiscal charges	2,311,408	157,323	1,346,953	3,815,684
Other	—	—	1,065,716	1,065,716
Total expenditures	<u>3,316,408</u>	<u>413,804</u>	<u>2,617,750</u>	<u>6,347,962</u>
Excess (deficiency) of revenues over expenditures	<u>139,115</u>	<u>95,833</u>	<u>(664,648)</u>	<u>(429,700)</u>
Other financing sources (uses):				
Transfers out	(138,618)	(98,773)	(373,937)	(611,328)
Issuance of debt-advance from County	—	—	1,377,398	1,377,398
Total other financing sources (uses)	<u>(138,618)</u>	<u>(98,773)</u>	<u>1,003,461</u>	<u>766,070</u>
Net change in fund balance	497	(2,940)	338,813	336,370
Fund balances, July 1, 2006	<u>3,334,092</u>	<u>337,628</u>	<u>124,295</u>	<u>3,796,015</u>
Fund balances, June 30, 2007	<u>\$ 3,334,589</u>	<u>\$ 334,688</u>	<u>\$ 463,108</u>	<u>\$ 4,132,385</u>

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CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Net Assets
 Nonmajor Proprietary Funds
 June 30, 2007

Assets	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Fund
Current assets:						
Pooled cash and investments	\$ 16,451	\$ 2,888,919	\$ 7,128,382	\$ 121,489	\$ 526,270	\$ 10,681,511
Accounts receivable	93,097	1,172,641	269,475	766	27,608	1,563,587
Accrued interest receivable	—	—	83,349	—	—	83,349
Prepays	150	66	—	6,271	7,931	14,418
Total current assets	<u>109,698</u>	<u>4,061,626</u>	<u>7,481,206</u>	<u>128,526</u>	<u>561,809</u>	<u>12,342,865</u>
Noncurrent assets:						
Capital assets, net	49,208	117,933	6,584,479	26,579	485,309	7,263,508
Total noncurrent assets	<u>49,208</u>	<u>117,933</u>	<u>6,584,479</u>	<u>26,579</u>	<u>485,309</u>	<u>7,263,508</u>
Total Assets	<u>158,906</u>	<u>4,179,559</u>	<u>14,065,685</u>	<u>155,105</u>	<u>1,047,118</u>	<u>19,606,373</u>
Liabilities						
Current liabilities (payable from current assets):						
Accounts payable	—	11,659	83,171	933	320,368	416,131
Accrued liabilities	12,328	674,984	94,678	40,029	84,231	906,250
Unearned revenues	—	—	142,200	555,769	—	697,969
Total current liabilities	<u>12,328</u>	<u>686,643</u>	<u>320,049</u>	<u>596,731</u>	<u>404,599</u>	<u>2,020,350</u>
Total Liabilities	<u>\$ 12,328</u>	<u>\$ 686,643</u>	<u>\$ 320,049</u>	<u>\$ 596,731</u>	<u>\$ 404,599</u>	<u>\$ 2,020,350</u>
Net Assets:						
Invested in capital assets, net of related debt	49,208	117,933	6,584,479	26,579	485,309	7,263,508
Unrestricted	97,370	3,374,983	7,161,157	(468,205)	157,210	10,322,515
Total Net Assets (Deficits)	<u>\$ 146,578</u>	<u>\$ 3,492,916</u>	<u>\$ 13,745,636</u>	<u>\$ (441,626)</u>	<u>\$ 642,519</u>	<u>\$ 17,586,023</u>

CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits)
 Nonmajor Proprietary Funds
 Year ended June 30, 2007

	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Total
Operating revenues:						
Charges for services	\$ 1,118,893	\$ 10,637,103	\$ 10,793,856	\$ 4,216,060	\$ 823,133	\$ 27,589,045
Other	—	—	—	35,165	—	35,165
Total operating revenues	<u>1,118,893</u>	<u>10,637,103</u>	<u>10,793,856</u>	<u>4,251,225</u>	<u>823,133</u>	<u>27,624,210</u>
Operating expenses:						
Salaries and employee benefits	7,771,527	3,817,637	1,424,413	4,566,826	1,245,358	18,825,761
Services and supplies	257,468	3,211,625	357,672	937,156	98,074	4,861,995
Other professional services	63,111	2,383,692	254,821	1,161,333	299,758	4,162,715
Depreciation and amortization	6,321	25,103	230,657	2,831	8,058	272,970
Insurance and claims	—	214,454	24,671	9,396	—	248,521
City charges	—	719,532	2,455,496	546,066	99,877	3,820,971
Other	28,793	59,103	44,066	13,741	52,175	197,878
Total operating expenses	<u>8,127,220</u>	<u>10,431,146</u>	<u>4,791,796</u>	<u>7,237,349</u>	<u>1,803,300</u>	<u>32,390,811</u>
Operating income (loss)	<u>(7,008,327)</u>	<u>205,957</u>	<u>6,002,060</u>	<u>(2,986,124)</u>	<u>(980,167)</u>	<u>(4,766,601)</u>
Nonoperating revenues (expenses):						
Investment earnings	—	118,604	276,997	—	—	395,601
Grants	—	41,610	—	—	98,200	139,810
Interest expense	—	—	(204,764)	—	—	(204,764)
Other, net	—	—	—	21,679	—	21,679
Total nonoperating revenues, net	<u>—</u>	<u>160,214</u>	<u>72,233</u>	<u>21,679</u>	<u>98,200</u>	<u>352,326</u>
Income (loss) before transfers	<u>(7,008,327)</u>	<u>366,171</u>	<u>6,074,293</u>	<u>(2,964,445)</u>	<u>(881,967)</u>	<u>(4,414,275)</u>
Transfers in	7,058,352	75,458	—	3,052,106	785,986	10,971,902
Transfers out	—	(8,250)	(3,555,463)	(59,500)	(13,243)	(3,636,456)
Change in net assets	<u>50,025</u>	<u>433,379</u>	<u>2,518,830</u>	<u>28,161</u>	<u>(109,224)</u>	<u>2,921,171</u>
Total net assets (deficits) - July 1, 2006	<u>96,553</u>	<u>3,059,537</u>	<u>11,226,806</u>	<u>(469,787)</u>	<u>751,743</u>	<u>14,664,852</u>
Total net assets (deficits) - June 30, 2007	<u>\$ 146,578</u>	<u>\$ 3,492,916</u>	<u>\$ 13,745,636</u>	<u>\$ (441,626)</u>	<u>\$ 642,519</u>	<u>\$ 17,586,023</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

Year ended June 30, 2007

	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Total
Cash flows from operating activities:						
Receipts from customers	\$ 1,080,840	\$ 10,585,078	\$ 10,716,989	\$ 4,346,809	\$ 929,146	\$ 27,658,862
Cash payments to suppliers for goods and services	(352,439)	(6,710,124)	(3,139,158)	(2,707,944)	(603,137)	(13,512,802)
Cash payments to employees for services	(7,771,527)	(3,818,883)	(1,416,792)	(4,566,826)	(1,235,481)	(18,809,509)
Cash received from donations	—	—	—	17,679	—	17,679
Other receipts	—	—	—	39,165	—	39,165
Net cash provided by (used in) operating activities	<u>(7,043,126)</u>	<u>56,071</u>	<u>6,161,039</u>	<u>(2,871,117)</u>	<u>(909,472)</u>	<u>(4,606,605)</u>
Cash flows from noncapital financing activities:						
Cash received from grants and subsidies	—	41,610	—	—	98,200	139,810
Cash transfers received from other funds	7,058,352	75,458	—	3,052,106	785,986	10,971,902
Cash transfers paid to other funds	—	(8,250)	(3,555,463)	(59,500)	(13,243)	(3,636,456)
Net cash provided by (used in) noncapital financing activities	<u>7,058,352</u>	<u>108,818</u>	<u>(3,555,463)</u>	<u>2,992,606</u>	<u>870,943</u>	<u>7,475,256</u>
Cash flows from capital financing activities:						
Payments for long-term obligations - principal & interest	—	—	(204,764)	—	—	(204,764)
Payments for capital expenditures	—	—	(880,631)	—	(5,749)	(886,380)
Net cash provided by (used in) capital financing activities	<u>—</u>	<u>—</u>	<u>(1,085,395)</u>	<u>—</u>	<u>(5,749)</u>	<u>(1,091,144)</u>
Cash flows from investing activities:						
Cash received from interest on investments	—	118,604	243,630	—	—	362,234
Net increase (decrease) in cash, restricted cash and cash equivalents	15,226	283,493	1,763,811	121,489	(44,278)	2,139,741
Cash, restricted cash and cash equivalents, July 1, 2006	<u>1,225</u>	<u>2,605,426</u>	<u>5,364,571</u>	<u>—</u>	<u>570,548</u>	<u>8,541,770</u>
Cash, restricted cash and cash equivalents, June 30, 2007	<u>\$ 16,451</u>	<u>\$ 2,888,919</u>	<u>\$ 7,128,382</u>	<u>\$ 121,489</u>	<u>\$ 526,270</u>	<u>\$ 10,681,511</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (7,008,327)	205,957	6,002,060	\$ (2,982,124)	\$ (980,167)	\$ (4,762,601)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	6,321	25,103	230,657	2,831	8,058	272,970
Change in assets and liabilities:						
Accounts receivable	(38,053)	(56,405)	(35,600)	260	(10,249)	(140,047)
Due from other government	—	4,380	—	179,169	—	183,549
Donations	—	—	—	17,679	—	17,679
Prepays and other assets	(150)	(3)	1,883	20,949	(5,431)	17,248
Accounts payable	(15,245)	(271,742)	(4,315)	(101,231)	(47,822)	(440,355)
Due to other funds	—	—	—	(74,233)	—	(74,233)
Other accrued liabilities	12,328	—	—	—	—	12,328
Accrued salaries and benefits	—	—	7,681	—	9,877	17,558
Deposits and guarantees	—	148,781	21,986	—	116,262	287,029
Other liabilities	—	—	—	40,029	—	40,029
Unearned revenues	—	—	(63,313)	25,554	—	(37,759)
Net cash provided by (used in) operating activities	<u>\$ (7,043,126)</u>	<u>\$ 56,071</u>	<u>\$ 6,161,039</u>	<u>\$ (2,871,117)</u>	<u>\$ (909,472)</u>	<u>\$ (4,606,605)</u>

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CITY OF TORRANCE, CALIFORNIA
 Combining Balance Sheet
 Internal Service Funds
 June 30, 2007

Assets	Self-Insurance Fund	Fleet Services Fund	Postemployment/ Compensated Absences Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current assets:				
Pooled cash and investments	\$ 6,242,356	\$ 12,269,883	\$ 5,362,210	\$ 23,874,449
Accounts receivable	-	23,650	-	23,650
Accrued interest receivable	-	147,239	-	147,239
Inventories	-	907,805	-	907,805
Total current assets	<u>6,242,356</u>	<u>13,348,577</u>	<u>5,362,210</u>	<u>24,953,143</u>
Advances to other funds	4,000,000	-	-	4,000,000
Capital assets, net	<u>-</u>	<u>5,776,160</u>	<u>-</u>	<u>5,776,160</u>
Total assets	<u>\$ 10,242,356</u>	<u>\$ 19,124,737</u>	<u>\$ 5,362,210</u>	<u>\$ 34,729,303</u>
Liabilities and Net Assets (Deficit)				
Current liabilities:				
Accounts payable	\$ 5,181	\$ 1,365	\$ 781,549	\$ 788,095
Accrued salaries and benefits	-	369,015	3,080,661	3,449,676
Accrued liabilities	11,015	282,591	-	293,606
Accrued liability for self-insurance claims – current	<u>6,780,331</u>	<u>-</u>	<u>-</u>	<u>6,780,331</u>
Total current liabilities	<u>6,796,527</u>	<u>652,971</u>	<u>3,862,210</u>	<u>11,311,708</u>
Accrued liability for self-insurance claims – long-term	<u>16,097,014</u>	<u>-</u>	<u>-</u>	<u>16,097,014</u>
Total liabilities	<u>22,893,541</u>	<u>652,971</u>	<u>3,862,210</u>	<u>27,408,722</u>
Net assets (deficit):				
Invested in capital assets, net of related debt	-	5,776,160	-	5,776,160
Unrestricted	<u>(12,651,185)</u>	<u>12,695,606</u>	<u>1,500,000</u>	<u>1,544,421</u>
Total net assets (deficits)	<u>(12,651,185)</u>	<u>18,471,766</u>	<u>1,500,000</u>	<u>7,320,581</u>
Total liabilities and net assets	<u>\$ 10,242,356</u>	<u>\$ 19,124,737</u>	<u>\$ 5,362,210</u>	<u>\$ 34,729,303</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets (Deficits)
Internal Service Funds
Year ended June 30, 2007

	Self-Insurance Fund	Fleet Services Fund	Postemployment/ Compensated Absences Fund	Total
Operating revenues – charges for services	\$ 2,492,184	\$ 5,650,670	\$ -	\$ 8,142,854
Operating expenses:				
Salaries and benefits	651,527	2,824,056	-	3,475,583
Materials and services	83,143	545,368	-	628,511
Insurance and claims	4,216,154	7,555	-	4,223,709
Depreciation	-	1,111,261	-	1,111,261
Other	6,727	12,637	-	19,364
Total operating expenses	<u>4,957,551</u>	<u>4,500,877</u>	<u>-</u>	<u>9,458,428</u>
Operating income (loss)	<u>(2,465,367)</u>	<u>1,149,793</u>	<u>-</u>	<u>(1,315,574)</u>
Nonoperating revenues (expenses):				
Investment earnings	-	512,717	-	512,717
Gain on sale of capital assets	-	104,791	-	104,791
Other, net	-	(71,228)	-	(71,228)
Total nonoperating revenues	<u>-</u>	<u>546,280</u>	<u>-</u>	<u>546,280</u>
Net income (loss) before transfers	<u>(2,465,367)</u>	<u>1,696,073</u>	<u>-</u>	<u>(769,294)</u>
Transfers in	1,794,382	1,599,531	1,500,000	4,893,913
Transfers out	<u>(8,000)</u>	<u>(18,303)</u>	<u>-</u>	<u>(26,303)</u>
Increase in net assets	<u>(678,985)</u>	<u>3,277,301</u>	<u>1,500,000</u>	<u>4,098,316</u>
Net assets (deficits), July 1, 2006	<u>(11,972,200)</u>	<u>15,194,465</u>	<u>-</u>	<u>3,222,265</u>
Net assets (deficits), June 30, 2007	<u>\$ (12,651,185)</u>	<u>\$ 18,471,766</u>	<u>\$ 1,500,000</u>	<u>\$ 7,320,581</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2007

	<u>Self-Insurance Fund</u>	<u>Fleet Services Fund</u>	<u>Postemployment/ Compensated Absences Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from Customers	\$ 2,492,184	\$ 5,650,670	\$ -	\$ 8,142,854
Cash payments to suppliers for goods and services	(4,274,945)	(651,109)	781,549	(4,144,505)
Cash payments to employees for services	(651,527)	(2,782,660)	(226,171)	(3,660,358)
Net Cash provided by (used in) operating activities	<u>(2,434,288)</u>	<u>2,216,901</u>	<u>555,378</u>	<u>337,991</u>
Cash flows from noncapital financing activities				
Cash received from grants and subsidies	-	730	-	730
Cash transfers received from other funds	1,794,382	1,599,531	1,500,000	4,893,913
Cash transfers paid to other funds	(8,000)	(18,303)	-	(26,303)
Net Cash provided by (used in) noncapital financing	<u>1,786,382</u>	<u>1,581,958</u>	<u>1,500,000</u>	<u>4,868,340</u>
Cash flows from capital financing activities				
Payments for capital expenditures	-	(1,805,481)	-	(1,805,481)
Proceeds from sale of capital assets	-	104,791	-	104,791
Net cash provided by (used in) capital financing activities	<u>-</u>	<u>(1,700,690)</u>	<u>-</u>	<u>(1,700,690)</u>
Cash flows from investing activities:				
Cash received from interest on investments	-	460,606	-	460,606
Net increase (decrease) in cash, restricted cash and cash equivalents	(647,906)	2,558,775	2,055,378	3,966,247
Cash and cash equivalents, July 1, 2006	6,890,262	9,711,108	3,306,832	19,908,202
Cash and cash equivalents, June 30, 2007	<u>\$ 6,242,356</u>	<u>\$ 12,269,883</u>	<u>\$ 5,362,210</u>	<u>\$ 23,874,449</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (2,465,367)	\$ 1,149,793	\$ -	\$ (1,315,574)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	1,111,261	-	1,111,261
Change in assets and liabilities:				
Accounts receivable	-	(23,650)	-	(23,650)
Prepays and other assets	34,643	9,429	-	44,072
Inventories	-	(43,931)	-	(43,931)
Accounts payable	(14,579)	(230,199)	781,549	536,771
Accrued salaries and benefits	-	41,396	(226,171)	(184,775)
Other liabilities	11,015	202,802	-	213,817
Net cash provided by (used in) operating activities	<u>\$ (2,434,288)</u>	<u>\$ 2,216,901</u>	<u>\$ 555,378</u>	<u>\$ 337,991</u>

CITY OF TORRANCE, CALIFORNIA
 Combining Statement of Fiduciary Fund Assets and Liabilities - Agency Funds
 June 30, 2007

	Municipal Area Express Fund	Special Deposits Fund	Flexible Benefits Fund	Environmental Trust Fund	Property Room Evidence Fund	Total Agency Funds
Assets						
Pooled cash and investments	\$ 902,077	\$ 1,350,384	\$ —	\$ 113,174	\$ 387,391	\$ 2,753,026
Restricted cash	—	—	226,388	—	—	226,388
Accrued interest receivable	10,279	684	—	1,313	—	12,276
Due from other governments	5,335	—	—	—	—	5,335
Total assets	<u>\$ 917,691</u>	<u>\$ 1,351,068</u>	<u>\$ 226,388</u>	<u>\$ 114,487</u>	<u>\$ 387,391</u>	<u>\$ 2,997,025</u>
Liabilities						
Deposits payable	<u>\$ 917,691</u>	<u>\$ 1,351,068</u>	<u>\$ 226,388</u>	<u>\$ 114,487</u>	<u>\$ 387,391</u>	<u>\$ 2,997,025</u>
Total liabilities	<u>\$ 917,691</u>	<u>\$ 1,351,068</u>	<u>\$ 226,388</u>	<u>\$ 114,487</u>	<u>\$ 387,391</u>	<u>\$ 2,997,025</u>

CITY OF TORRANCE, CALIFORNIA

Statement of Changes in Fiduciary Fund Assets and Liabilities - Agency Funds

Year ended June 30, 2007

	<u>Balance for fiscal year ended June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2007</u>
Municipal Area Express Fund				
ASSETS				
Pooled cash and investments	\$ 753,516	\$ 148,561	\$ —	\$ 902,077
Accrued interest receivable	6,832	3,447	—	10,279
Due from other governments	5,877	—	(542)	5,335
Total assets	<u>\$ 766,225</u>	<u>\$ 152,008</u>	<u>\$ (542)</u>	<u>\$ 917,691</u>
LIABILITIES				
Accounts payable	\$ 77,008	\$ —	\$ (77,008)	\$ —
Accrued Liabilities	—	145,081	—	145,081
Deposits payable	689,217	83,393	—	772,610
Total liabilities	<u>\$ 766,225</u>	<u>\$ 228,474</u>	<u>\$ (77,008)</u>	<u>\$ 917,691</u>
 Special Deposits Fund				
ASSETS				
Pooled cash and investments	\$ 1,679,682	\$ 314	\$ (329,612)	\$ 1,350,384
Accrued interest receivable	—	684	—	684
Total assets	<u>\$ 1,679,682</u>	<u>\$ 998</u>	<u>\$ (329,612)</u>	<u>\$ 1,351,068</u>
LIABILITIES				
Deposits payable	\$ 1,679,682	\$ 15,224	\$ (343,838)	\$ 1,351,068
Total liabilities	<u>\$ 1,679,682</u>	<u>\$ 15,224</u>	<u>\$ (343,838)</u>	<u>\$ 1,351,068</u>

CITY OF TORRANCE, CALIFORNIA

Statement of Changes in Fiduciary Fund Assets and Liabilities - Agency Funds

Year ended June 30, 2007

(continued)

	<u>Balance for fiscal year ended June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2007</u>
Flexible Benefits Fund				
ASSETS				
Restricted cash	\$ 196,354	\$ 30,034	\$ —	\$ 226,388
Total assets	<u>\$ 196,354</u>	<u>\$ 30,034</u>	<u>\$ —</u>	<u>\$ 226,388</u>
LIABILITIES				
Deposits payable	\$ 196,354	\$ 30,034	\$ —	\$ 226,388
Total liabilities	<u>\$ 196,354</u>	<u>\$ 30,034</u>	<u>\$ —</u>	<u>\$ 226,388</u>
Environmental Trust Fund				
ASSETS				
Pooled cash and investments	\$ 108,496	\$ 4,678	\$ —	\$ 113,174
Accrued interest receivable	1,005	308	—	1,313
Total assets	<u>\$ 109,501</u>	<u>\$ 4,986</u>	<u>\$ —</u>	<u>\$ 114,487</u>
LIABILITIES				
Deposits payable	\$ 109,501	\$ 4,986	\$ —	\$ 114,487
Total liabilities	<u>\$ 109,501</u>	<u>\$ 4,986</u>	<u>\$ —</u>	<u>\$ 114,487</u>
Property Room Evidence				
ASSETS				
Pooled cash and investments	\$ 519,632	\$ —	\$ (132,241)	\$ 387,391
Total assets	<u>\$ 519,632</u>	<u>\$ —</u>	<u>\$ (132,241)</u>	<u>\$ 387,391</u>
LIABILITIES				
Deposits payable	\$ 519,632	\$ —	\$ (132,241)	\$ 387,391
Total liabilities	<u>\$ 519,632</u>	<u>\$ —</u>	<u>\$ (132,241)</u>	<u>\$ 387,391</u>

CITY OF TORRANCE, CALIFORNIA

Combined Statement of Changes in Fiduciary Fund Assets and Liabilities - All Agency Funds

Year ended June 30, 2007

Assets	Balance for fiscal year ended June 30, 2006	Additions	Deductions	Balance for fiscal year ended June 30, 2007
Pooled cash and investments	\$ 3,061,326	\$ 153,553	\$ (461,853)	\$ 2,753,026
Restricted cash	196,354	30,034	—	226,388
Accrued interest receivable	7,837	4,439	—	12,276
Due from other governments	5,877	—	(542)	5,335
Total assets	<u>\$ 3,271,394</u>	<u>\$ 188,026</u>	<u>\$ (462,395)</u>	<u>\$ 2,997,025</u>
Liabilities				
Deposits payable	<u>\$ 3,271,394</u>	<u>\$ 348,231</u>	<u>\$ (622,600)</u>	<u>\$ 2,997,025</u>
Total liabilities	<u>\$ 3,271,394</u>	<u>\$ 348,231</u>	<u>\$ (622,600)</u>	<u>\$ 2,997,025</u>

CITY OF TORRANCE, CALIFORNIA
 Capital Assets Used in the Operation of Governmental Funds
 Schedule By Source¹
 June 30, 2007

	2007
Governmental funds capital assets:	
Land and Land Improvements	\$ 48,295,557
Right of Way	19,344,662
Buildings and Improvements	70,223,536
Furniture and Equipment	11,997,220
Infrastructure	258,339,123
Construction in progress	9,164,180
	\$ 417,364,278
Investment in governmental funds capital assets by source:	
Balance, July 1, 2006	\$ 408,446,719
General fund	228,762
Special revenue fund	2,721,016
Capital projects funds	5,967,781
Total governmental funds capital assets	\$ 417,364,278

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the statement of net assets.

CITY OF TORRANCE, CALIFORNIA
 Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity¹
 Year-ended June 30, 2007

Function and Activity	Land and improvements	Right of Way	Buildings and improvements
Balance, July 1, 2006	\$ 46,246,648	\$ 19,344,662	\$ 68,346,374
General government:			
Attorney	—	—	—
Clerk	—	—	—
Manager	—	—	—
Treasurer	—	—	—
Finance	—	—	1,377,843
Information systems and support	—	—	15,245
Human resources	—	—	—
Employment Training - WIN	—	—	—
Community Development	—	—	—
Redevelopment	—	—	—
General services	—	—	—
Other - unclassified	—	—	—
Total general government	<u>—</u>	<u>—</u>	<u>1,393,088</u>
Public Safety:			
Police	—	—	12,482
Fire	—	—	—
Total Public Safety	<u>—</u>	<u>—</u>	<u>12,482</u>
Public Works:			
Administration & Operations	—	—	—
Infrastructure	—	—	—
Total Public Works	<u>—</u>	<u>—</u>	<u>—</u>
Cultural and Recreation:			
Community Services	2,048,909	—	471,592
Total Cultural and Recreation	<u>2,048,909</u>	<u>—</u>	<u>471,592</u>
Total governmental funds capital assets	<u>\$ 48,295,557</u>	<u>\$ 19,344,662</u>	<u>\$ 70,223,536</u>

¹This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the statement of net assets.
 See accompanying independent auditors' report.

Furniture and equipment	Infrastructure	Construction In Progress	Total
\$ 9,823,237	\$ 257,817,661	\$ 6,868,137	\$ 408,446,719
—	—	—	—
—	—	—	—
29,331	—	—	29,331
—	—	—	—
56,785	—	(1,377,843)	56,785
599,351	—	—	614,596
—	—	—	—
—	—	—	—
—	—	6,000	6,000
—	—	—	—
90,544	—	293,883	384,427
—	—	—	—
<u>776,011</u>	<u>—</u>	<u>(1,077,960)</u>	<u>1,091,139</u>
36,166	—	12,000	60,648
1,074,660	—	1,011,464	2,086,124
<u>1,110,826</u>	<u>—</u>	<u>1,023,464</u>	<u>2,146,772</u>
76,350	—	—	76,350
—	521,462	4,706,664	5,228,126
<u>76,350</u>	<u>521,462</u>	<u>4,706,664</u>	<u>5,304,476</u>
210,796	—	(2,356,125)	375,172
<u>210,796</u>	<u>—</u>	<u>(2,356,125)</u>	<u>375,172</u>
\$ <u>11,997,220</u>	\$ <u>258,339,123</u>	\$ <u>9,164,180</u>	\$ <u>417,364,278</u>

CITY OF TORRANCE, CALIFORNIA
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity¹
 Year-ended June 30, 2007

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2007</u>
Balance, July 1,	\$ 95,836,970	\$ —	\$ —	\$ 95,836,970
General Government:				
Attorney	35,250	—	—	35,250
Clerk	8,307	—	—	8,307
Manager	2,717,623	29,331	—	2,746,954
Treasurer	10,565	—	—	10,565
Finance	237,451	1,434,628	—	1,672,079
Information systems and support	984,439	614,596	—	1,599,035
Human resources	87,853	—	—	87,853
Employment Training - WIN	43,946	—	—	43,946
Community Development	95,132	6,000	—	101,132
Redevelopment	4,138,845	—	—	4,138,845
General services	5,398,029	384,427	1,377,843	4,404,613
Other - unclassified	18,087	—	—	18,087
Total General Government	<u>13,775,527</u>	<u>2,468,982</u>	<u>1,377,843</u>	<u>14,866,666</u>
Public Safety:				
Police	1,361,502	60,648	—	1,422,150
Fire	2,849,299	2,086,124	—	4,935,423
Total Public Safety	<u>4,210,801</u>	<u>2,146,772</u>	<u>—</u>	<u>6,357,573</u>
Public Works:				
Administration & Operations	640,454	76,350	—	716,804
Right of Way and Infrastructure	280,152,443	6,331,485	1,103,359	285,380,569
Total Public Works	<u>280,792,897</u>	<u>6,407,835</u>	<u>1,103,359</u>	<u>286,097,373</u>
Cultural and Recreation:				
Community Services	13,830,524	2,824,551	2,449,379	14,205,696
Total Cultural and Recreation	<u>13,830,524</u>	<u>2,824,551</u>	<u>2,449,379</u>	<u>14,205,696</u>
Total governmental funds capital assets	<u>\$ 408,446,719</u>	<u>\$ 13,848,140</u>	<u>\$ 4,930,581</u>	<u>\$ 417,364,278</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in Internal Service Funds are excluded from the above amounts. Generally, the capital assets of Internal Service Funds are included as governmental activities in the statement of net assets.

See accompanying independent auditors' report.

Overview of Statistical Information Presented in Five Categories

Financial Trend Information:

Intended to assist users in understanding and assessing how a governments's financial position has changed over time.

Revenue Capacity Information:

Intended to assist users in understanding and assessing the factors affecting a government's ability to generate its own revenue.

Debt Capacity Information:

Intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.

Demographic and Economic Information:

Intended to assist users in understanding the socioeconomic environment within which a government operates and to provide information that facilitates comparison of financial statement information over time and among governments.

Operating Information:

Intended to provide information about a government's operations and resources in order to assist readers in using financial statement information to understand and assess a government's economic condition.

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City of Torrance
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)
(amounts in thousands)

Financial Trends
Exhibit 1

	Fiscal Year					
	2007	2006	2005	2004	2003 ¹	2002
Governmental activities						
Invested in capital assets, net of related debt	\$ 224,386	\$ 215,731	\$ 220,620	\$ 237,695	\$ 220,643	\$ 65,949
Restricted	58,553	50,441	61,456	44,515	51,699	10,909
Unrestricted	<u>(23,536)</u>	<u>(24,079)</u>	<u>(49,575)</u>	<u>(49,256)</u>	<u>(48,068)</u>	<u>(8,753)</u>
Total governmental activities net assets	<u>\$ 259,403</u>	<u>\$ 242,093</u>	<u>\$ 232,501</u>	<u>\$ 232,954</u>	<u>\$ 224,274</u>	<u>\$ 68,105</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 120,780	\$ 121,301	\$ 120,513	\$ 120,595	\$ 122,010	\$ 59,127
Restricted	529	692	684	1,483	1,797	1,805
Unrestricted	<u>38,519</u>	<u>35,981</u>	<u>37,043</u>	<u>33,715</u>	<u>31,761</u>	<u>36,399</u>
Total business-type activities net assets	<u>\$ 159,828</u>	<u>\$ 157,974</u>	<u>\$ 158,240</u>	<u>\$ 155,793</u>	<u>\$ 155,568</u>	<u>\$ 97,331</u>
Primary government						
Invested in capital assets, net of related debt	\$ 345,166	\$ 337,032	\$ 341,133	\$ 358,290	\$ 342,653	\$ 125,076
Restricted	59,082	51,133	62,140	45,998	53,496	12,714
Unrestricted	<u>14,983</u>	<u>11,902</u>	<u>(12,532)</u>	<u>(15,541)</u>	<u>(16,307)</u>	<u>27,646</u>
Total primary government net assets	<u>\$ 419,231</u>	<u>\$ 400,067</u>	<u>\$ 390,741</u>	<u>\$ 388,747</u>	<u>\$ 379,842</u>	<u>\$ 165,436</u>

Notes:

The City of Torrance implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

¹ The City of Torrance, as part of the GASB 34 implementation for fiscal year ended June 30, 2003, added historical infrastructure assets net of depreciation to the governmental activities in the amount \$155,070 and to the business-type activities in the amount of \$57,630.

City of Torrance
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(amounts in thousands)

Financial Trends
Exhibit 2

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Expenses						
Governmental activities:						
General government	\$ 39,434	\$ 26,324	\$ 25,771	\$ 27,796	\$ 29,502	\$ 28,791
Public safety	82,078	80,672	76,576	70,405	73,774	69,992
Public works	19,206	20,102	18,743	15,924	18,520	12,770
Culture and recreation	10,532	13,178	10,569	14,179	18,717	17,762
Nondepartmental ¹	0	5,179	6,135	7,336	6,944	6,380
Community development ²	10,910	12,620	13,138	1,589	1,372	—
Other programs	—	—	—	1,780	1,564	2,980
Interest on long term debt	6,012	5,123	5,685	4,948	4,987	6,204
Total governmental activities expenses	168,172	163,198	156,617	143,957	155,380	144,879
Business-type activities:						
Airport	4,997	5,060	6,018	4,891	4,936	4,674
Transit	19,743	20,687	19,516	18,498	18,076	16,233
Water	23,778	21,884	21,376	20,919	19,811	20,328
Sewer	1,752	3,566	2,019	1,655	1,048	314
Sanitation	10,431	10,214	8,487	7,908	7,805	—
Cultural Arts	1,803	1,739	1,663	1,539	1,461	—
Parks and Recreation	7,237	7,185	6,976	6,462	6,261	—
Emergency Medical Service ³	8,127	7,431	7,174	6,694	—	—
Other Programs ⁴	—	—	—	—	—	14,911
Total business-type activities expenses	77,868	77,766	73,229	68,566	59,398	56,460
Total primary government expenses	\$ 246,040	\$ 240,964	\$ 229,846	\$ 212,523	\$ 214,778	\$ 201,339
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 4,620	\$ 4,570	\$ 4,437	\$ 4,264	\$ 1,610	\$ 1,529
Public safety	7,006	7,473	6,719	5,548	4,595	5,058
Public works	796	881	648	502	448	607
Culture and recreation	1,320	1,165	947	786	523	627
Operating grants and contributions	14,552	14,706	14,629	14,646	16,025	14,414
Capital grants and contributions	8,029	7,659	5,696	9,731	8,274	12,534
Total governmental activities program revenues	36,323	36,454	33,076	35,477	31,475	34,769
Business-type activities:						
Charges for services:						
Airport	10,794	9,009	7,672	6,155	5,679	5,557
Transit	2,560	2,448	2,548	2,505	2,598	2,708
Water	23,167	22,319	22,095	22,542	22,130	22,844
Sewer	2,913	1,995	2,046	1,918	1,840	2,157
Sanitation	10,756	10,393	9,591	9,042	8,206	—
Cultural Arts	823	819	807	773	846	—
Parks and Recreation	4,273	3,971	4,180	3,860	3,297	—
Emergency Medical Service ³	1,119	1,058	1,051	654	—	—
Other Programs ⁴	—	—	—	—	—	10,276
Operating grants and contributions	15,493	16,153	13,289	13,204	12,308	12,028
Capital grants and contributions	687	481	1,463	3,657	1,089	7,070
Total business-type activities program revenues	72,585	68,646	64,742	64,310	57,993	62,640
Total primary government program revenues	\$ 108,908	\$ 105,100	\$ 97,818	\$ 99,787	\$ 89,468	\$ 97,409

(continued)

City of Torrance
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(amounts in thousands)

Financial Trends
Exhibit 2

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Net (expense)/revenue						
Governmental activities	\$ (131,849)	\$ (126,744)	\$ (123,541)	\$ (108,480)	\$ (123,905)	\$ (110,110)
Business-type activities	(5,283)	(9,120)	(8,487)	(4,256)	(1,405)	6,180
Total primary government net expense	<u>\$ (137,132)</u>	<u>\$ (135,864)</u>	<u>\$ (132,028)</u>	<u>\$ (112,736)</u>	<u>\$ (125,310)</u>	<u>\$ (103,930)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 53,136	\$ 44,647	\$ 42,245	\$ 25,577	\$ 22,963	\$ 22,971
Sales taxes	31,936	31,439	28,312	35,911	34,901	37,701
Other taxes	61,310	60,346	55,992	53,179	54,137	48,471
Investment earnings	4,634	2,304	2,104	1,544	2,301	3,416
Motor vehicle tax (unrestricted)	991	3,271	946	6,609	8,203	—
Other general revenues	3,871	2,617	2,026	2,545	1,775	11,131
Transfers	(6,719)	(8,669)	(8,537)	(8,205)	(1,596)	(4,597)
Total governmental activities	<u>149,159</u>	<u>135,955</u>	<u>123,088</u>	<u>117,160</u>	<u>122,684</u>	<u>119,093</u>
Business-type activities:						
Investment earnings	418	185	206	155	414	383
Other general revenues	—	—	—	—	—	153
Transfers	6,719	8,669	8,538	8,205	1,596	4,597
Total business-type activities	<u>7,137</u>	<u>8,854</u>	<u>8,744</u>	<u>8,360</u>	<u>2,010</u>	<u>5,133</u>
Total primary government	<u>\$ 156,296</u>	<u>\$ 144,809</u>	<u>\$ 131,832</u>	<u>\$ 125,520</u>	<u>\$ 124,694</u>	<u>\$ 124,226</u>
Change in Net Assets						
Governmental activities	17,310	9,211	(453)	8,680	(1,221)	8,983
Business-type activities	1,854	(266)	257	4,104	605	11,313
Total primary government	<u>\$ 19,164</u>	<u>\$ 8,945</u>	<u>\$ (196)</u>	<u>\$ 12,784</u>	<u>\$ (616)</u>	<u>\$ 20,296</u>

Notes:

The City of Torrance implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

¹ Starting in 2007, Nondepartmental government expenses are being reported in the General Government category.

² Starting in 2005, certain special revenue program expenses are being reported in the Community Development category instead of the General Government and Culture and Recreation categories.

³ The Emergency Medical Services fund was part of the general government prior to 2004.

⁴ In 2002, the year of GASB 34 implementation, the City of Torrance combined Sanitation, Cultural Arts, Parks and Recreation under the category of Other Programs. Starting in 2003 and subsequent years these programs have been shown separately.

City of Torrance
Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)
(amounts in thousands)

Financial Trends
Exhibit 3

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
General fund						
Reserved	\$ 15,277	\$ 14,608	\$ 14,501	\$ 14,205	\$ 18,095	\$ 2,971
Unreserved	<u>41,474</u>	<u>30,422</u>	<u>24,098</u>	<u>23,893</u>	<u>18,620</u>	<u>31,302</u>
Total general fund	<u>\$ 56,751</u>	<u>\$ 45,030</u>	<u>\$ 38,599</u>	<u>\$ 38,098</u>	<u>\$ 36,715</u>	<u>\$ 34,273</u>
All other governmental funds						
Reserved	\$ 8,669	\$ 16,183	\$ 20,683	\$ 7,294	\$ 6,382	\$ 5,750
Unreserved, reported in:						
Special revenue funds	24,742	19,761	17,683	20,172	25,484	25,178
Capital project funds	29,992	27,057	23,701	19,036	20,692	23,556
Debt service fund	<u>(13,869)</u>	<u>(14,213)</u>	<u>(14,840)</u>	<u>(14,950)</u>	<u>(15,225)</u>	<u>(15,371)</u>
Total all other governmental funds	<u>\$ 49,534</u>	<u>\$ 48,788</u>	<u>\$ 47,227</u>	<u>\$ 31,552</u>	<u>\$ 37,333</u>	<u>\$ 39,113</u>

Note:

The City of Torrance has elected to show only six years of data for this schedule.

City of Torrance
 Changes in Fund Balances of Governmental Funds
 Last Six Fiscal Years
 (modified accrual basis of accounting)
 (amounts in thousands)

Financial Trends
 Exhibit 4

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Revenues						
Taxes	\$ 146,568	\$ 136,652	\$ 126,782	\$ 114,841	\$ 109,510	\$ 106,652
Licenses, fees and permits	2,671	2,693	2,503	2,056	1,505	1,936
Fine, forfeitures and penalties	2,799	2,139	2,358	1,881	2,080	1,615
Investment earnings	13,271	10,177	9,124	9,100	9,460	11,680
Intergovernmental	17,472	21,005	16,888	26,067	26,139	26,670
Charges for current services	6,865	7,453	6,418	5,605	5,214	5,377
Other	2,598	2,385	5,202	1,291	3,054	3,974
Total revenues	192,244	182,504	169,275	160,841	156,962	157,904
Expenditures						
General government	23,515	22,224	21,085	30,631	22,774	26,822
Public safety	82,069	79,675	75,392	71,476	71,776	69,027
Public works	13,763	14,249	12,760	10,661	12,770	12,378
Culture and recreation	12,809	13,356	11,569	16,336	18,371	17,360
Nondepartmental	4,604	8,373	6,135	7,337	6,944	6,380
Community development ¹	8,893	10,675	11,334	1,295	1,372	—
Capital outlay	13,685	7,327	6,675	9,296	8,364	10,722
Debt service						
Principal retirement	2,214	2,675	5,791	2,680	2,880	5,745
Interest and fiscal charges	6,040	5,148	4,981	4,828	4,913	5,176
Other	1,976	1,901	1,815	1,780	1,564	1,678
Total expenditures	169,568	165,603	157,537	156,320	151,728	155,288
Excess of revenues over (under) expenditures	22,676	16,901	11,738	4,521	5,234	2,616
Other financing sources (uses)						
Transfers in	16,280	15,223	19,358	11,950	9,580	11,234
Transfers out	(27,866)	(25,093)	(30,834)	(22,174)	(14,152)	(22,613)
Proceeds from refunding bonds ²	—	—	27,566	—	—	2,470
Proceeds of debt ²	—	580	15,914	—	—	—
Bond escrow refunding ²	—	—	(27,566)	—	—	—
Developer contributions	—	—	—	—	—	555
Advances from developers/County	1,377	—	—	1,305	—	1,103
Total other financing sources (uses)	(10,209)	(9,290)	4,438	(8,919)	(4,572)	(7,251)
Net change in fund balances	\$ 12,467	\$ 7,611	\$ 16,176	\$ (4,398)	\$ 662	\$ (4,635)
Debt service as a percentage of noncapital expenditures	6.6%	6.2%	9.1%	7.1%	6.5%	9.2%

Notes:

The City of Torrance has elected to show only six years of data for this schedule.

¹Starting in 2005, certain special revenue program expenses are being reported in the Community Development category instead of the General Government and Culture and Recreation categories.

² In 2005, the City issued refunding Certificates of Participation to refinance their 1995 Certificates of Participation and generate additional monies for future capital projects.

City of Torrance
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Three Fiscal Years
 (in thousands of dollars)

Revenue Capacity
 Exhibit 1

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
2007	\$ 18,800,479	\$ 889,984	\$ 19,690,463	\$ 718,846	\$ 122,571	\$ 841,417	0.2711%
2006	17,184,326	853,301	18,037,627	658,584	142,138	800,722	0.2660%
2005	15,915,240	879,759	16,794,999	619,582	137,686	757,268	0.2589%

Notes:

The City of Torrance has elected to show only three years of data for this schedule.

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Amounts shown are net of any homeowner exemptions.

Source: Los Angeles County Auditor - Controller's Office

City of Torrance
 Direct and Overlapping Property Tax Rates
 Last Three Fiscal Years
 (Rate per \$100 of assessed value)

Revenue Capacity
 Exhibit 2

	<u>2007</u>	<u>2006</u>	<u>2005</u>
City Direct Rates:			
City basic rate	0.1492	0.1504	0.1532
Redevelopment agency	<u>0.1219</u>	<u>0.1156</u>	<u>0.1057</u>
Total City Direct Rate	0.2711	0.2660	0.2589
Overlapping Rates:			
Metropolitan Water District	0.0047	0.0052	0.0058
County Flood Control	0.0001	0.0001	0.0002
Torrance Unified School District	0.4315	0.4356	0.4375
Community College	0.0173	0.0184	0.0166
County of Los Angeles	0.2367	0.2383	0.2415
Special Districts	<u>0.0793</u>	<u>0.0797</u>	<u>0.0799</u>
Total Direct Rate	<u><u>1.0407</u></u>	<u><u>1.0433</u></u>	<u><u>1.0404</u></u>

Notes:

The City of Torrance has elected to show only three years of data for this schedule.

In 1978 California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. The rates over 1.00% are voter approved (special taxes) bond rates for the tax rate area.

Source: Los Angeles County Auditor - Controller's Office

City of Torrance
Principal Property Tax Payers
Current Fiscal Year Ending June 30

Revenue Capacity
Exhibit 3

Taxpayer	2007	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Exxon Mobil Oil Corporation Corp	\$ 1,169,705,205	5.70%
Toyota Motor Sales USA Inc.	498,755,800	2.43%
Del Amo Fashion Center Operating Company	366,081,692	1.78%
Mobil Oil Corporation	249,980,867	1.22%
American Honda Motor Company Inc.	222,809,432	1.09%
Little Company of Mary Hospital	210,672,134	1.03%
Del Amo Financial Center Limited Partnership	68,749,530	0.33%
Allied Signal Inc.	67,568,696	0.33%
Ball Metal Beverage Container Company	66,817,496	0.33%
Diamondrock Torrance Owner LLC	59,290,560	0.29%
	<u>\$ 2,980,431,412</u>	<u>14.53%</u>

Notes:

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

A similar exhibit to the one above was added to the statistical section for fiscal year 2000. The disclosure of data from nine years prior will commence in fiscal year 2009.

Source: Los Angeles County Assessor 2006/07 Secured & Unsecured Tax Rolls,
HdL Coren & Cone

City of Torrance
 Property Tax Levies and Collections
 Last Three Fiscal Years
 (in thousands of dollars)

Revenue Capacity
 Exhibit 4

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 23,763	\$ 22,745	95.72%	\$ 141	\$ 22,886	96.31%
2006	22,092	21,417	96.94%	119	21,536	97.48%
2005	20,576	19,963	97.02%	607	20,570	99.97%

Notes:

The City of Torrance has elected to show only three years of data for this schedule.

The amounts presented are for City property taxes only, the Redevelopment Agency tax increment is not included.

This schedule also includes amounts collected by the City that were passed-through to other agencies.

Source: Los Angeles County Auditor Controller's Office

City of Torrance Water Fund
 Water Sold by Type of Customer
 Last Three Fiscal Years
 (in thousands of cubic feet)

	Fiscal Year		
	2007	2006	2005
Potable			
Type of Customer:			
Residential	540,753	507,649	514,357
Industrial	141,570	147,842	160,736
Commercial	209,959	186,960	191,751
Other	86,641	104,675	88,650
Total - Potable Water	978,923	947,126	955,494
Recycled/Reclaimed			
Type of Customer:			
Industrial	251,603	268,025	293,377
Other	12,415	11,236	7,928
Total - Recycled/Reclaimed Water	264,018	279,261	301,305
Total			
Type of Customer:			
Residential	540,753	507,649	514,357
Industrial	393,173	415,867	454,113
Commercial	209,959	186,960	191,751
Other	99,056	115,911	96,578
Total Water	1,242,941	1,226,387	1,256,799

Note:
 The City of Torrance has elected to show only three years of data for this schedule.

Source: Golden State Usage Report

City of Torrance Water Fund
Water Rates
Last Three Fiscal Years

Revenue Capacity
Exhibit 6

Monthly Base Rate					
Fiscal Year Ended June 30	Regular ¹	Low Income ¹	Exxon Contract ²	Wholesale Contract ²	Other - Recycled Regular ³
2007	\$ 4.44	\$ 3.40	\$ 40,495.00	\$ 360.00	\$ 35.25
2006	4.44	3.40	40,495.00	360.00	35.28
2005	4.44	3.40	40,495.00	360.00	35.28

Rate Per 100 Cubic Feet					
Fiscal Year Ended June 30	Regular	Low Income	Exxon Contract	Wholesale Contract	Other - Recycled Regular
2007	\$ 1.95	\$ 1.59	\$ 1.11	\$ 1.08	\$ 1.37
2006	1.88	1.52	1.11	1.08	1.30
2005	1.85	1.49	1.11	1.08	1.32

Notes:

The City of Torrance has elected to show only three years of data for this schedule.

¹Base rate reflects monthly charge for 3/4 inch meter

²Base rate reflects monthly fixed charge stated in contracts

³Base rate reflects monthly charge for 2 inch meter

Source: City of Torrance Public Works Department - Water Division

City of Torrance Water Fund
Principal Water Customers
Current Fiscal Year Ending June 30

Revenue Capacity
Exhibit 7

Water Customer	2007	
	Water Charges	Percent of Total Water Revenues
Exxon Mobil	\$ 3,454,278	15.2%
Cal-Water Service-Wholesale	714,879	3.2%
Torrance Unified School District	454,483	2.0%
City of Torrance	365,694	1.6%
American Honda	226,345	1.0%
Toyota Motor Sales	223,944	1.0%
New Horizons HOA	164,321	0.7%
Honeywell	157,388	0.7%
Wilson Builders	156,661	0.7%
Torrance Memorial Hospital	136,772	0.6%
Total	<u>\$ 6,054,765</u>	<u>26.7%</u>

Note:

The data for nine years prior is not available and will commence in fiscal year 2015.

Source: Golden State Report On Top Customers

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City of Torrance
Ratio's of Outstanding Debt by Type
Last Three Fiscal Years
(in thousands of dollars, except Per Capita)

Fiscal Year Ended June 30	Governmental Activities			
	General Government Certificates of Participation ¹	Tax Allocation Bonds	Notes Payable	Total Government Activities
2007	\$ 47,905	\$ 36,229	\$ 10,676	\$ 94,810
2006	48,910	37,438	9,930	96,278
2005	49,885	38,558	9,124	97,567

Notes:

The City of Torrance has elected to show only three years of data for this schedule.

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

¹ In 2005 the City issued \$43 million of new Certificates of Participation and retired \$29 million of older Certificates of Participation generating \$13 million for capital projects.

² In 2005 the City's Public Works Department - Water Division issued \$5 million of new Water Revenue Refunding Bonds and retired 5.5 million of Water Revenue Refunding Bonds.

³ Assessed Value has been used because Personal Income for the City of Torrance is unavailable.

<u>Business-type Activities</u>				
<u>Water Revenue Bonds²</u>	<u>Total Business-type Activities</u>	<u>Total Primary Government</u>	<u>Percent of Assessed Value³</u>	<u>Debt Per Capita</u>
\$ 3,710	\$ 3,710	\$ 98,520	0.48%	661
4,165	4,165	100,443	0.53%	683
4,610	4,610	102,177	0.58%	695

City of Torrance
Ratio of Net General Bonded Debt Outstanding
Last Three Fiscal Years
(in thousands of dollars, except Per Capita)

Debt Capacity
Exhibit 2

Fiscal Year Ended June 30	Outstanding Net General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	General Government Certificates of Participation	Tax Allocation Bonds	Total		
2007	\$ 44,575	\$ 33,304	\$ 77,879	0.38%	\$ 523
2006	45,580	34,505	80,085	0.43%	545
2005	46,555	35,604	82,159	0.47%	559

Notes:

The City of Torrance has elected to show only three years of data for this schedule.

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assess value has been used because the actual value of taxable property is not readily available in the State of California

City of Torrance
Direct and Overlapping Debt
June 30, 2007
(in thousands of dollars)

Debt Capacity
Exhibit 3

City Assessed Valuation	\$ 19,690,463
Redevelopment Agency Incremental Valuation	841,417
Total Assessed Valuation	<u>\$ 20,531,880</u>

	Percentage Applicable ¹	Outstanding Debt 6/30/07	Estimated Share of Overlapping Debt
Overlapping Debt Repaid with Property Taxes:			
Los Angeles County Flood Control District	2.460%	\$ 113,560	\$ 2,794
Metropolitan Water District	1.238%	359,115	4,446
El Camino Community College District	31.000%	193,033	59,840
Los Angeles Community College District	0.004%	1,005,200	40
Los Angeles Unified School District	0.005%	6,504,880	325
Torrance Unified School District	100.000%	29,804	29,804
Los Angeles County Regional Park and Open Space Assessment District	2.477%	304,235	7,536
Total overlapping debt repaid with property taxes		8,509,827	104,785
Overlapping Other Debt:			
Los Angeles County General Fund Obligations	2.477%	\$ 1,084,852	\$ 26,872
Los Angeles County Pension Obligations	2.477%	546,849	13,546
Los Angeles County Superintendent of Schools Certificates of Participation	2.477%	19,817	491
Los Angeles County Sanitation District No.5 Authority	28.738%	64,943	18,663
Los Angeles County Sanitation South Bay Cities Authority	4.811%	11,065	532
Los Angeles Unified School District Certificates of Participation	0.005%	395,478	20
Total overlapping other debt		2,123,004	60,124
Total overlapping debt		\$ 10,632,831	164,909
City direct debt			94,810
Total direct and overlapping debt			\$ 259,719

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹For debt repaid with property taxes, the percentages of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Source: California Municipal Statistics, Inc

City of Torrance
 Legal Debt Margin Information
 Last Three Fiscal Years
 (in thousands of dollars)

Debt Capacity
 Exhibit 4

	Fiscal Year		
	2007	2006	2005
Debt limit	\$ 738,392	\$ 676,411	\$ 629,812
Total net debt applicable to limit	47,905	48,910	49,885
Legal debt margin	\$ 690,487	\$ 627,501	\$ 579,927
Total net debt applicable to the limit as a percentage of debt limit	6.5%	7.2%	7.9%

Legal Debt Margin Calculation for Fiscal Year 2006:

Assessed value	\$ 19,690,463
Debt limit (3.75% of assessed value)	738,392
Debt applicable to limit:	
General government Certificates of Participation	47,905
Legal debt margin	\$ 690,487

Notes:

The City of Torrance has elected to show only three years of data for this schedule.

The Government Code of the State of California provides for legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). Although the statutory debt limit has not been amended by the State since this change, the percentages presented in the above computations have been proportionately modified to 3.75% (25% of 15%) for the purpose of this calculation in order to be consistent with the computational effect of the debt limit at the time of the state's establishment of the limit.

Source: City of Torrance Finance Department
 Los Angeles County Auditor - Controller's Office

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City of Torrance
Pledged-Revenue Coverage
Last Three Fiscal Years
(in thousands of dollars, except Coverage)

Fiscal Year Ended June 30	Water Revenue Bonds						Coverage
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2007	\$ 22,671	\$ 22,412	\$ 259	\$ 455	\$ 162	0.42	
2006	21,880	20,641	1,239	445	175	2.00	
2005	21,706	19,922	1,784	635	257	2.00	

Notes:

The City of Torrance has elected to show only three years of data for this schedule.

Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

City of Torrance
Pledged-Revenue Coverage
Last Three Fiscal Years
(in thousands of dollars, except Coverage)

Debt Capacity
Exhibit 5

Tax Allocation Bonds				
Tax Increment	Debt Service		Coverage	
	Principal	Interest		
\$ 7,058	\$ 1,209	\$ 2,071	2.15	
6,735	1,120	2,136	2.07	
5,924	1,037	2,195	1.83	

City of Torrance
Demographic and Economic Indicators
Last Three Calendar Years

Demographic and Economic
Exhibit 1

Calendar Year	Torrance Population ¹	Los Angeles County Population ¹	Personal Income (in thousands) ²	Per Capita Personal Income ²	Unemployment Rate ³
2006	148,558	10,331,939	\$ 342,231,121	33,123	2.3%
2005	147,108	10,245,572	329,048,068	32,115	2.5%
2004	146,532	10,166,417	310,043,501	30,498	3.1%

Note:

The City of Torrance has elected to show only three years of data for this schedule.

Sources:

¹ State Department of Finance

² U.S. Department of Commerce - Bureau of Economic Analysis

The Personal Income data shown is for the previous calendar year. The calendar year 2006 data will be available in the spring of 2008.

The Personal Income for the City of Torrance is unavailable, the data shown is for Los Angeles County.

³ Office of Economic Development

City of Torrance
Principal Employers
Current Year

Demographic and Economic
Exhibit 2

Employer	2007	
	Number of Employees	Percent of Total Employment
Toyota Motor Sales	3,264	4.1%
American Honda	1,639	2.1%
Alcoa Fastening Systems	1,164	1.5%
Honeywell Aerospace	1,149	1.4%
Robinson Helicopter Co.	1,143	1.4%
Motor Car Parts and Accessories, Inc.	840	1.1%
Exxon Mobil Oil Corporation	675	0.8%
Hi Shear Corporation	661	0.8%
L-3 Communications Electron Tech, Inc.	648	0.8%
Adecco	562	0.7%

Notes:

"Total Employment" as used above represents the total employment of all employers located within City limits.

Percentage of employment data from nine years ago is unavailable on the State of California Employment Development Department website. The disclosure of data from nine years prior will commence in fiscal year 2009.

Source: City of Torrance Finance Department
State of California Employment Development Department

City of Torrance
 Full-time and Part-time City Employees
 by Function
 Last Three Fiscal Years

Operating
 Exhibit 1

<u>Function</u>	Full-time and Part-time Employees as of June 30		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
General government	290	279	292
Public safety	531	525	508
Public works	139	141	140
Community services	470	463	511
Community development	71	73	75
Airport	5	5	5
Transit	127	131	133
Water	25	29	23
Sewer	16	21	21
Cultural Arts Center	52	46	50
Workforce Investment Network	28	34	43
Total	1754	1747	1801

Note:

The City of Torrance has elected to show only three years of data for this schedule.

Source: City of Torrance Finance Department - Payroll Section

City of Torrance
Operating Indicators by Function
Last Two Fiscal Years

Operating
Exhibit 2

Function	Fiscal Year	
	<u>2007</u>	<u>2006</u>
Police		
Arrests	7,181	7,075
Bookings	4,047	3,597
Parking violations	24,169	20,218
Traffic violations	17,179	19,786
Fire		
Number of calls answered	12,636	12,190
Inspections	8,572	8,162 ¹
Highways, streets and other transportation		
Potholes repaired	5,500	7,000
Number of tenant aircraft	500	500
Number of fixed bus routes	8	8
Sanitation		
Refuse collected (tons/day)	233	250
Recyclables collected (tons/day)	65	60
Culture and recreation		
Number of registrants served	43,223	42,069
Registrant fees collected	\$3,253,641	\$3,063,565
Community center admissions	53,012	56,635
Water		
New connections	19	22
Water main emergency repairs (breaks)	90	72
Average daily consumption (thousands of gallons)	26,420	20,366

Notes:

The City of Torrance has elected to show only two years of data for this schedule.

¹ Inspection records are kept on a calendar year basis. The first half of the fiscal year is estimated at 25% of total inspections reported for 2005. Most inspections are initiated in the second half of the fiscal year.

Sources: City of Torrance various Departments

City of Torrance
 Capital Asset Indicators by Function
 Last Two Fiscal Years

Operating
 Exhibit 3

Function	Fiscal Year	
	<u>2007</u>	<u>2006</u>
Public safety		
Police		
Stations	1	1
Patrol Units	48	49
Motorcycles	19	19
Fire		
Stations	6	6
In-service fire control vehicles	15	15
In-service paramedic vehicles	8	6
Sanitation		
Collection trucks	38	32
Highways, streets and airport		
Streets (centerline miles)-arterial	67	67
Streets (centerline miles)-collector	29	29
Streets (centerline miles)-residential	242	242
Streets (centerline miles)-alleys	19	19
Traffic signals	116	116
Streetlights	10,875	10,875
Airport hangars	341	339
Culture and recreation		
Parks acreage	278	280
Parks	32	32
Swimming pools	1	1
Tennis courts	11	11
Community centers	3	3
Public Libraries	6	6
Water		
Water mains (miles)	310	310
Fire hydrants	2,606	2,606
Maximum daily capacity (thousands of gallons)	50,000	50,000
Sewer		
Sanitary sewers (miles)	287	287
Storm sewers (miles)	59	59

Note:

The City of Torrance has elected to show only two years of data for this schedule.

Sources: City of Torrance various Departments