COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012

Prepared by
Department of Finance

Eric E. Tsao
Finance Director

CITY OF TORRANCE, CALIFORNIA

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA

Comprehensive Annual Financial Report

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i
Directory of City Officials	viii
Elected and Appointed Officials	ix
City Departments	x
Government Finance Officers Association Certificate of Achievement	xi
FINANCIAL SECTION	
Independent Auditors' Report	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities and Changes in Net Assets	20
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	25
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – Governmental Funds	26
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	27
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	28
Budgetary Comparison Statement – Budget-to-GAAP Reconciliation – General Fund	32
Proprietary Fund Financial Statements:	
Statement of Net Assets	34
Statement of Revenues, Expenses and Changes in Fund Net Assets	35
Statement of Cash Flows	36
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Fund Assets and Liabilities – Trust and Agency Funds	37
Statement of Changes in Fiduciary Net Assets – Trust Funds	38
Notes to the Basic Financial Statements	39
Combining Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	85
Combining Statement of Revenues, Expenditures and Changes in Fund Balances– Nonmajor Governmental Funds	86
Combining Balance Sheet – Nonmajor Special Revenue Funds	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – Nonmajor Special Revenue Funds	92
Combining Balance Sheet - Nonmajor Capital Project Funds	97

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) – Nonmajor Capital Project Funds 98
Combining Balance Sheet – Nonmajor Debt Service Funds 99
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds 100
Combining Statement of Net Assets – Nonmajor Proprietary Funds 102
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits) – Nonmajor Proprietary Funds 103
Combining Statement of Cash Flows - Nonmajor Proprietary Funds 104
Combining Balance Sheet - Internal Service Funds 106
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits) – Internal Service Funds 107
Combining Statement of Cash Flows – Internal Service Funds 108
Combining Statement of Fiduciary Fund Assets and Liabilities – Agency Funds 109
Statement of Changes in Fiduciary Fund Assets and Liabilities – Agency Funds 110
Combined Statement of Changes in Fiduciary Fund Assets and Liabilities – All Agency Funds 112

STATISTICAL SECTION (Not Covered by Independent Auditors' Report):
Overview of Statistical Information Presented in Five Categories 113
Financial Trends:
Net Assets by Component – Last Ten Fiscal Years 115
Changes in Net Assets – Last Ten Fiscal Years 116
Fund Balances of Governmental Funds – Last Ten Fiscal Years 118
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years 119
Revenue Capacity:
Assessed Value and Estimated Actual Value of Taxable Property – Last Eight Fiscal Years 120
Direct and Overlapping Property Tax Rates – Last Eight Fiscal Years 121
Principal Property Tax Payers – Current Fiscal Year and Nine Years Ago 122
Property Tax Levies and Collections – Last Eight Fiscal Years 123
Water Sold by Type of Customer – Last Eight Fiscal Years 124
Water Rates – Last Eight Fiscal Years 125
Principal Water Customers – Current Fiscal Year 126
Debt Capacity:
Ratios of Outstanding Debt by Type – Last Eight Fiscal Years 128
Ratio of Net General Bonded Debt Outstanding – Last Eight Fiscal Years 130
Direct and Overlapping Debt – June 30, 2012 131
Legal Debt Margin Information – Last Eight Fiscal Years 132
Pledged-Revenue Coverage – Last Eight Fiscal Years 134
Demographic and Economic:
Demographic and Economic Indicators – Last Eight Calendar Years 136
Principal Employers – Current Year 137
Operating:
Full-time and Part-time City Employees by Function – Last Eight Fiscal Years 138
Operating Indicators by Function – Last Seven Fiscal Years 139
Capital Asset Indicators by Function – Last Seven Fiscal Years 140

City OF Torrance

Torrance City Hall

COMPREHENSIVE ANNUAL

REPORT

Fiscal Year Ended June 30, 2012

❖ INTRODUCTORY SECTION ❖

December 21, 2012

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, 2012. 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 unit such as the Torrance Public Financing Authority is a legally separate entity for which the City of Torrance is financially accountable.

THE CITY

The City of Torrance is Los Angeles County's sixth largest city, by population, was founded in 1912, incorporated in 1921, and became a charter city in 1947. The City has a population of 146,115 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 2011-12, the City of Torrance continued to provide quality services and programs to its residents and citizens. In total, $313.5 million was budgeted to support the City's many services and programs.

Completed Projects:

Facilities Equipment Automation Projects (FEAPs) and Infrastructure Action Plan Projects (IAPs): The following projects were completed this year:

Public Works:

Del Amo Extension Project:
The Del Amo Boulevard project is a significant transportation improvement for the City. This is a 0.7 mile extension of Del Amo Boulevard threading between an oil refinery and a chemical plant. This continuous east-west route, with a four-lane divided roadway connecting Madrona Avenue to Crenshaw Boulevard, will improve traffic circulation, reduce delays and traffic volume on adjacent arterial streets, and enhance public safety services by reducing emergency response time to some areas.

The entire project studies, environmental reports, design, right-of-way acquisition, project management and construction brought the total budget to $32 million. The funding was mostly from federal and state grants, while a portion came from transportation impact fees.

Western Avenue (190th St. to Carson St) Median Landscaping:
The median landscaping project included improvements to parkways, landscaping, irrigation, and street trees. This project was completed in September 2011.

Transit:

Fleet Modernization
The City purchased a total of 20 alternate fuel hybrid gasoline electric buses.

Others:

Wilson Park Parking Lot Rehabilitation Project
Rehabilitation of the main parking lot on the southeast corner of Jefferson Street and Crenshaw Boulevard and the back lot north of the skate park.

Paradise Park Picnic Shelter
Rebuilt the picnic shelter which includes the installation of new footings and main supports for the roof system, complete framing, electric repairs and new lights.

Culture and Recreation:

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

Administrative:

- Developed the Seaside Heroes Park Honor Wall program to honor those residents of South Torrance who sacrificed their lives serving in the US Armed Forces.
- Installed the Youth Sports Wall of Honor in the Dee Hardison Sports Center at Charles H. Wilson Park. The Sports Wall celebrates the state and national sporting achievements of the Torrance youth.

Library:

- Completed the parking renovation and public entryways and exits of the North Torrance Library and Walteria Library for compliance with the American Disabilities Act (ADA). The North Torrance Library was also expanded, adding 400 square feet of reading space. New double-paned glass windows were installed, dampening noise from Artesia Boulevard and also improving the energy efficiency of the building. In addition, the public restrooms were also renovated.
- Launched the Torrance Public Library Application for Library Patrons to access services on their smart phones and tablets. The Friends of the Library funded the development of a smart phone app for the library. The app includes functions for searching the catalog, placing holds on library items, renewing items, finding the nearest Torrance Library, and contacting staff. This enables library users to conduct transactions from mobile devices.

Cultural:

- The Torrance Theater company staged a successful production of Fiddler on the Roof and the musical event was extremely well received by the public and reviewers.
- The City collaborated with the Torrance Sister City Association, the Torrance Artist's Guild, the Torrance Craftmen's Guild and Soka Gakkai International to produce the City's first Annual Cherry Blossom Festival in Columbia Park. The festival drew several hundred people and included planting of cherry trees, performances by Asian groups and artist demonstrations. It coincided with the Torrance Artist's Guild's Art in the park event.

Recreational:

- Customer evaluations were implemented for a majority of the city's recreational programs and at several recreational facilities. The surveys were designed to elicit customer feedback regarding programs and services on a scale of 1 (unacceptable) to 5 (excellent). An overall satisfaction rating between 4 to 5 was achieved.
- Recreation programs were evaluated and reviewed by recreation division staff for materials and supplies budget expenditures to be as cost-effective and cost-conscious as possible.

Park Services:

- Implemented the Park Tree Trimming Program and trimmed 647 tress in the first cycle
- Supported numerous City sponsored events such as the Armed Forces Day Parade, the Torrance Theater Company productions Movies and Concerts in the Park and Halloween Carnival.

Economic Development Highlights:

Auto dealerships continue to play an integral role in Torrance. Pacific Audi is building a new state of the art dealership on Hawthorne Boulevard. Three car dealerships along Pacific Coast Highway also underwent remodeling and upgrades- Mercedes Benz, Toyota and Infinity. Scott Robinson Honda is also in the midst of a significant expansion.

In conjunction with Google and Stanford University, the City has been able to test drive and provide feedback on American Honda's "all electric vehicle" "Fit," through the EV Research Program.. The City is making a strong effort to build public awareness about electric vehicles as well as promote sustainable community initiatives.

Providence Little Company of Mary and Torrance Memorial Medical hospitals are going through major expansions. Providence Little Company anticipates completion of its Trinity Hospice and Home Care Center, including a physician and nursing institute, on the former Daily Breeze site on Torrance Blvd by the end of 2012. Torrance Memorial Medical Center is constructing its "Hospital of the Future", a nearly 400,000 square foot seven story new Main Tower, which is a $450 million dollar construction project that is projected to open in spring 2015. The project is creating jobs now and will create more in the future.

Many new businesses have come to Torrance, such as Partner Engineering and Ryan's Express. New constructions along Hawthorne Boulevard include WalMart, two Chick-Fil-A fast food restaurants, a Fresh & Easy grocery store, Bassett Furniture store and Hollywood Suits. The former Kmart site on Hawthorne Boulevard was replaced with Orchard Supply Hardware and a Home Goods Store. A new In-N-Out burger was also constructed on 190th. Daiso and Nutribon will be occupying almost 500,000 square feet of industrial, warehouse and manufacturing on the former Ball Corporation site on 190th Street.

The City has been working with the South Bay Entrepreneurial Center, which is a non-profit innovation center where entrepreneurs can meet, exchange ideas and access mentors and business resources in a supportive environment. Essentially, the Center sets the stage for growing local businesses, creating new jobs and fostering economic development in the South Bay.

FINANCIAL FORECAST AND FUTURE OUTLOOK

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

LONG-TERM PLANNING

Over the past twelve years, General Fund revenues have grown from $121 million in fiscal year 2002-2003 to approximately $153 million in fiscal year 2011-12. Over this period, the General Fund revenues grew 4.8% annually. Revenues exceeded operating expenditures in the General Fund each year, with the exception of the recent recessionary years of 2009-10. Operating expenditures grew from $116 million to $144 million for the same above time period.

The City utilizes both a two-year operating budget and a five-year capital budget. Both budgets are adopted and/or amended annually. The operating budget includes a five (5) year forecast for both revenues and expenditures for all major funds. The capital budget is a five-year rolling plan that is adjusted annually based on the financial viability to fund new infrastructure projects.

The revenue forecast for the next two years reflects minimal growth. The forecast closely parallels the economic recovery of the local economy. The severe economic recession, while over, will continue to impact local revenues. Our forecast projects two years of continued moderate growth in revenues.

INTERNAL CONTROLS

The City's management 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-referenced 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 tracks cost at service levels. The departmental director is held accountable for meeting the objectives within each of his or her programs, and for 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 another 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 the auditor's report which has been included in this report.

AWARDS

The staff of the City of Torrance Finance Department 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, 2011. The City has received this award annually 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, 2012. This section also provides an overview of the City's financial activities at year end.

Respectfully submitted,

Eric E. Tsao
Finance Director

CITY OF TORRANCE
DIRECTORY OF CITY OFFICIALS

June 30, 2012

CITY COUNCIL

Frank Scotto, Mayor

Gene Barnett	**Cliff Numark**
Tom Brewer	**Susan Rhilinger**
Pat Furey	**Bill Sutherland**

CITY CLERK

Sue Herbers

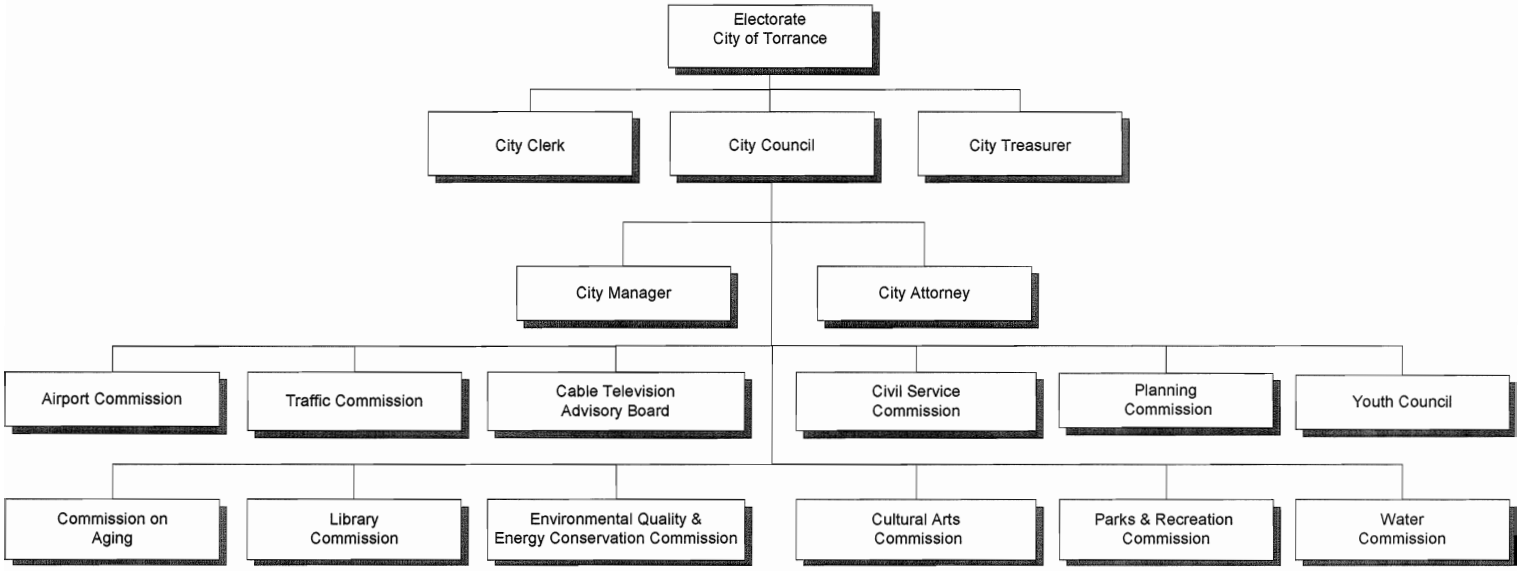
CITY TREASURER

Dana Cortez

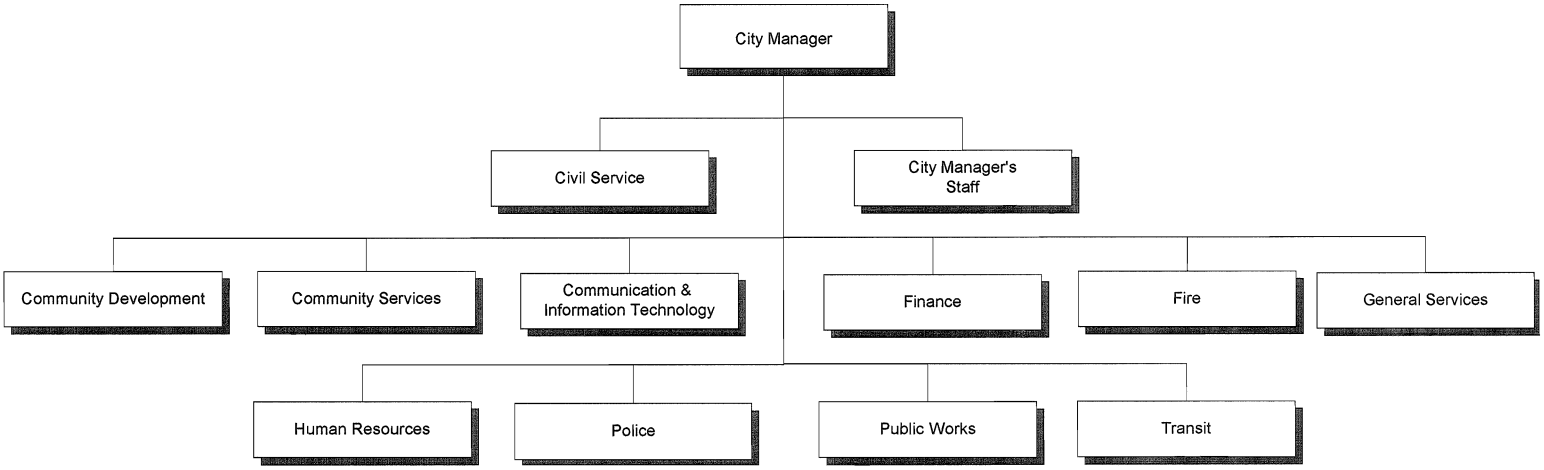
ADMINISTRATION

LeRoy J. Jackson, City Manager
Mary K. Giordano, Assistant City Manager
Eric E. Tsao, Finance Director
John L. Fellows III, City Attorney
Jeff Gibson, Community Development Director
John Jones, Community Services Director
William Racowschi, Fire Chief
Sheryl Ballew, General Services Director
Richard Shigaki, Information Technology Director
John J. Neu, Police Chief
Robert J. Beste, Public Works Director
Kim Turner, Transit Director

ELECTED AND APPOINTED OFFICIALS



CITY DEPARTMENTS



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, 2011

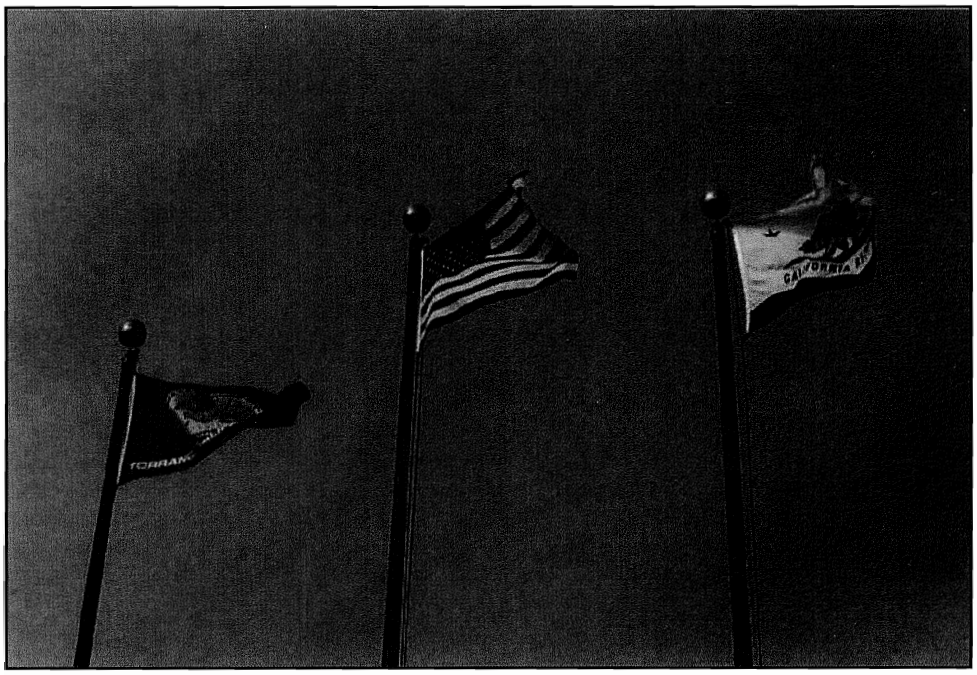
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

(This page intentionally left blank)

City OF Torrance



COMPREHENSIVE ANNUAL

REPORT

Fiscal Year Ended June 30, 2012

❖ FINANCIAL SECTION ❖

Mayer Hoffman McCann P.C.
An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

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 ("City") as of and for the year ended June 30, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, of the City of Torrance, 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.

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* referenced in the accompany table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Member of Kreston International - a global network of independent accounting firms

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required Honorable City Council part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Torrance's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2012 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 McCann P.C.

Irvine, California
December 21, 2012

City of Torrance

Council Chamber

Management Discussion & Analysis

❖ DEPARTMENT OF FINANCE ❖

MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Torrance's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. 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, 2012.

FINANCIAL HIGHLIGHTS

- The City's total assets (all funds) exceeded its liabilities at the close of fiscal year 2011-12 by $503.2 million dollars (net assets). This is a 18.6% or $78.9 million dollars increase from last fiscal year net assets of $424.3 million primarily due to increase in capital assets and decrease in long term liabilities due to the dissolution of Redevelopment Agency. 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 8).

- During the year, the City's revenues (all funds) and net transfers and extraordinary gains exceeded its expenditures for governmental activities by $68.3 million.

- In the City's business-type activities, revenues and transfers exceeded expenditures by $10.6 million.

- The General Fund reported an excess of revenues over expenditures of $9.5 million before a net transfers out of $8.5 million resulting in an increase to its fund balance of $1.0 million during the year.

- The City kept General Fund expenditures within spending limits and actual General Fund expenditures on a budgetary basis excluding extraordinary loss were $6.5 million less than budget. The General Fund revenues were $5.5 million below budgetary basis which was attributable to lower than expected property taxes, utility users' taxes, state motor vehicle licenses and 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, 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 uses 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 and it also accounts for inter-fund charges to the City's departments for post-employment benefits and compensated absences in the Post Employment/Compensated Absences 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 2011-12 compared to 2010-11 are shown in Table 1:

Table 1
Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$199.9	$179.2	$47.7	$40.1	$247.6	$219.3
Capital assets	307.0	301.2	138.1	130.0	445.1	431.2
Total assets	**506.9**	**480.4**	**185.8**	**170.1**	**692.7**	**650.5**
Long-term debt	(118.0)	(169.3)	(1.2)	(1.7)	(119.2)	(171.0)
Other liabilities	(53.7)	(44.2)	(16.6)	(11.0)	(70.3)	(55.2)
Total liabilities	**(171.7)**	**(213.5)**	**(17.8)**	**(12.7)**	**(189.5)**	**(226.2)**
Net assets						
Invested in capital assets, net of related debt	252.5	239.1	137.5	128.3	390.0	367.4
Restricted	40.3	46.7	-	0.6	40.3	47.3
Unrestricted	42.4	(18.9)	30.5	28.5	72.9	9.6
Total net assets	**$335.2**	**$266.9**	**$168.0**	**$157.4**	**$503.2**	**$424.3**

Net assets of the City's governmental activities amounted to $335.2 million. Of the $335.2 million, $252.5 is invested in capital assets such as land,

buildings, machinery, infrastructure, equipment and other improvements; $40.3 million is restricted for streets & highways, capital projects, community development, and public safety; and $42.4 million is unrestricted. The net assets of the City's governmental activities increased by $68.3 million ($335.2 million compared to $266.9 million in 2010-11). The increase of fund balance is primarily due to the dissolution of the Redevelopment Agency.

Net assets of the City's business-type activities amounted to $168.0 million. $137.5 million is invested in capital assets, and $30.5 million is unrestricted. The net assets of the City's business-type activities increased by $10.6 million ($168.0 million compared to $157.4 million in 2011-12). The primary reason for the increase in fund balance is due to increased water revenues, transit capital grants, and sewer and transit capital assets.

Changes in net assets. The City's total revenues are $294.8 million and extraordinary gain of $58.4 million and total costs of all programs and services are $274.3 which amounted to a change in net assets of $78.9 million during the year (See Table 2).

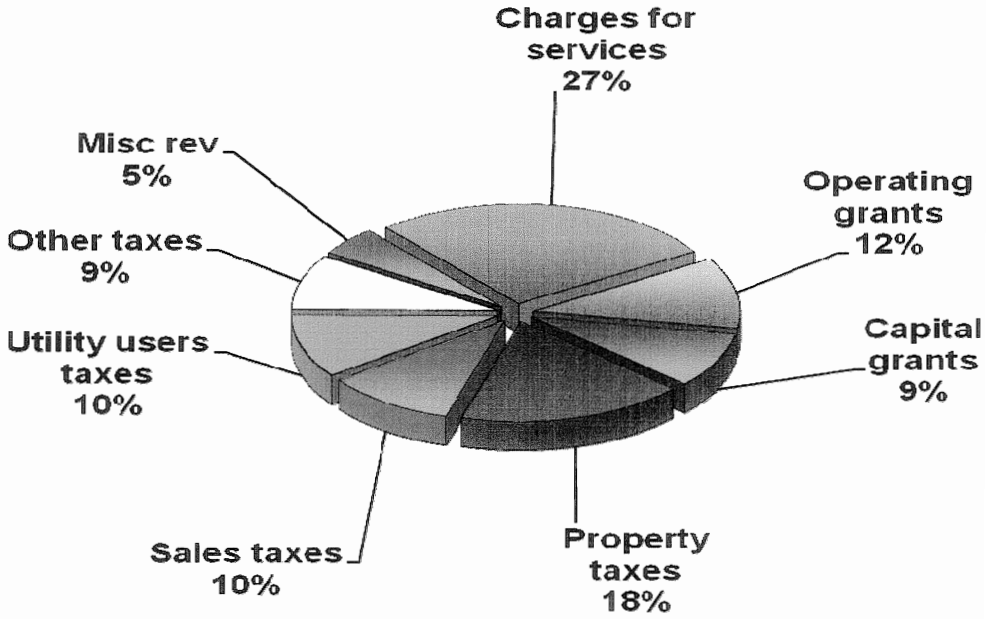
Table 2
Change in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues						
Program revenues:						
Charges for services	$10.4	$10.8	$70.2	$63.9	$80.6	$74.7
Operating grants/contr	14.6	12.7	19.3	18.2	33.9	30.9
Capital grants/contr	16.2	9.7	10.3	0.3	26.5	10.0
General revenues:						
Property taxes	52.7	57.0	-	-	52.7	57.0
Sales taxes	30.2	30.6	-	-	30.2	30.6
Other taxes	56.9	54.9	-	-	56.9	54.9
Investment earnings	8.8	8.1	0.6	0.5	9.4	8.6
Motor vehicle tax (unrestricted)	0.1	0.7	-	-	0.1	0.7
Miscellaneous	4.5	4.5	-	-	4.5	4.5
Total revenues	**194.4**	**189.0**	**100.4**	**82.9**	**294.8**	**271.9**
Expenses						
General government	24.1	23.3	-	-	24.1	23.3
Public safety	94.9	93.2	-	-	94.9	93.2
Public works	33.8	29.1	-	-	33.8	29.1
Culture and recreation	12.4	13.9	-	-	12.4	13.9
Community development	8.2	10.6	-	-	8.2	10.6
Interest on long term debt	4.6	6.5	-	-	4.6	6.5
Airport	-	-	5.4	5.3	5.4	5.3
Transit	-	-	23.6	21.9	23.6	21.9
Water	-	-	31.4	29.3	31.4	29.3
Sewer	-	-	4.8	2.4	4.8	2.4
Sanitation	-	-	11.3	11.8	11.3	11.8
Cultural Arts	-	-	2.0	2.0	2.0	2.0
Parks and Recreation	-	-	7.7	7.9	7.7	7.9
Emergency Medical Services	-	-	10.1	9.7	10.1	9.7
Total expenses	**178.0**	**176.6**	**96.3**	**90.3**	**274.3**	**266.9**
Excess of revenues over expenses before transfers and extraordinary gain (loss)	16.4	12.4	4.1	(7.4)	20.5	5.0
Transfers	(6.5)	(5.8)	6.5	5.8	-	-
Extraordinary Gain (loss)	58.4	-	-	-	58.4	-
Increase (decrease) in net assets	**$68.3**	**$6.6**	**$10.6**	**($1.6)**	**$78.9**	**$5.0**
Net Assets-beginning	266.9	260.3	157.4	155.5	424.3	415.8
Prior period adjustment	-	-	-	3.5	-	3.5
Net Assets-ending	**$335.2**	**$266.9**	**$168.0**	**$157.4**	**$503.2**	**$424.3**

The City's total revenues of $294.8 million were derived from the following: Twenty seven percent (27%) of the program revenues is derived from fees charged for services; ten percent (10%) from utility users' tax; nine percent (9%) from other taxes such as construction tax, occupancy tax, business license tax and franchise tax; ten percent (10%) from sales taxes; eighteen percent (18%) from property taxes; twelve percent (12%) from operating grants; nine percent (9%) from capital grants; and five percent (5%) from other miscellaneous revenue fees (See Figure A-1).

The City's total revenues increased by $22.9 million primarily due to the governmental type activities increased by $5.4 million while business type activities increased by $17.5 million.

Figure A-1
Sources of Revenues for Fiscal Year 2012



The total costs of all programs and services are $274.3 million. Thirty five percent (35%) of functional expenses are related to public safety; eight percent (8%) relates to general government; twelve percent (12%) to public works; five percent (5%) to culture and recreation; three percent (3%) to community development; two percent (2%) to interest on debt; and thirty five percent (35%) to business-type activities (See Figure A-2). The total cost of the City's programs and services increase by $7.4 million.

Figure A-2
Functional Expenses for Fiscal Year 2012

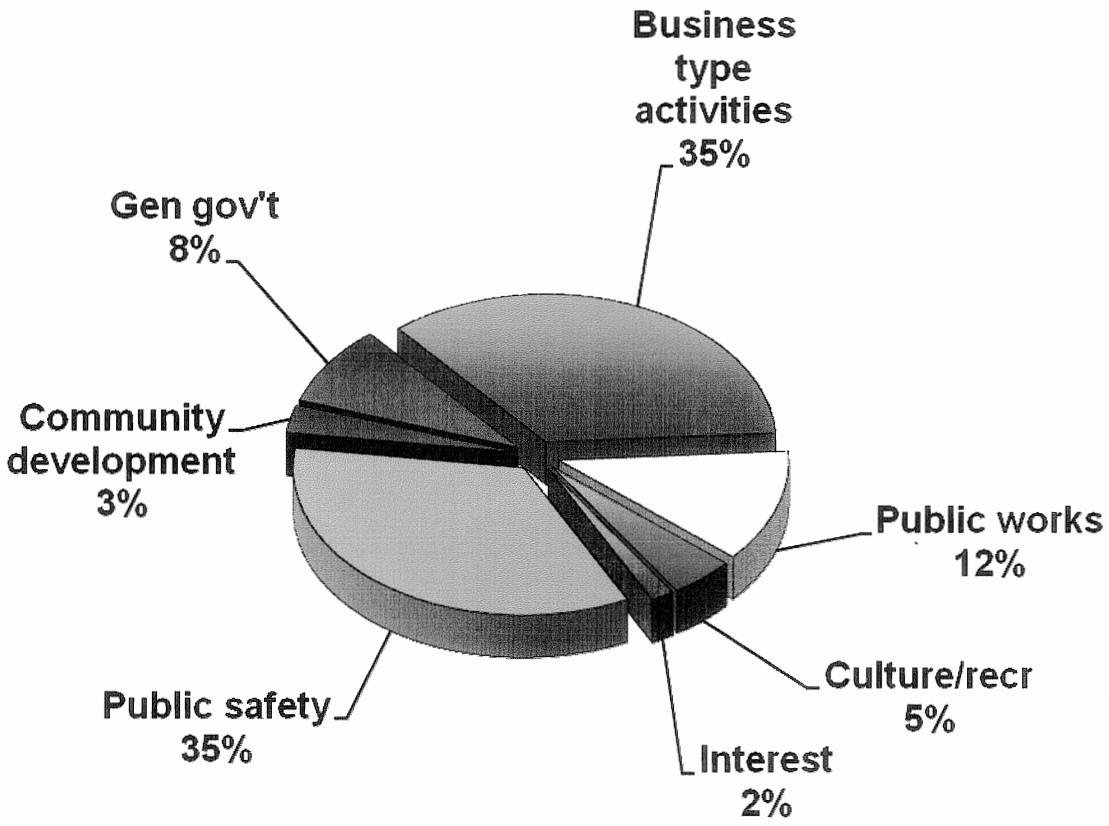


Table 2 and the narrative that follows consider the operations of the governmental and business-type activities separately.

Governmental Activities

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

Revenues for the City's governmental activities increase by 2.9 percent or $5.4 million. This was primarily due to the increase in operating and capital grants.

The total expenses of the governmental activities increase by 1.1 percent or $1.4 million. The increase was primarily due to the increase in expenditures related to general government, public safety, and public works.

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 $178.0 million. $136.8 million of these activities were paid through City taxes, sales taxes, investment earnings and other miscellaneous fees; $10.4 million was paid by those who directly benefited from the programs; and $30.8 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	
	2012	2011	2012	2011
General government	$24.1	$23.4	$19.4	$20.1
Public safety *	94.9	93.2	88.4	85.7
Public works	33.8	29.1	11.1	14.0
Culture and recreation	12.4	13.9	11.7	13.2
Community development	8.2	10.6	1.6	4.0
Others	4.6	6.4	4.6	6.4
Total	**$178.0**	**$176.6**	**$136.8**	**$143.4**

* 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 $100.4 million and expenses are $96.3 million (Refer to Table 2). The revenues are derived from service fees, operating and capital grants and contributions. Revenues increased by $17.5 million ($100.4 million compared to $82.9 million in 2010-11). This is primarily due to the increase in Transit's capital grants and contributions and increase in water revenues. The excess of revenues over expenses before transfers is $4.1 million and with a net transfer in of $6.5 million, the business-type activities had an increase of $10.6 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 $114.6 million.

Major funds reported are General Fund, Capital Improvement Fund and Grants Fund.

The increase in General fund balance is $1.0 million this year primarily due to an increase in sales tax revenues.

The Capital Improvement Fund reported a decrease of $1.5 million in fund balance. The decrease was due primarily to the increase in transfers out during the year.

The Grant Fund reported a decrease of $55,934 in fund balance. The decrease was due to an increase in capital project 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 Fund has an increase in fund equity of $9.6 million this year. This was due to an increase in capital grants received during the year.

The Water Fund increased its fund equity by $2.8 million this year. This was caused by the increase in water sales during the year.

The Sewer Fund decreased its fund equity by $1.9 million this year. This decrease is primarily due to the increase in expenditures since the wastewater program expenditures from Sanitation Fund were transferred to the Sewer Fund during the 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 and Governmental Operations 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.

During the first quarter, one program modification was approved which relates to the reorganization of the Human Resources Department.

Mid-Year program modifications that were approved:

- Appropriation of $62,540 from the sale of promotional centennial items to the Centennial project.
- Approval of a .5 personnel technician to the Human Resources reorganization
- Appropriation of $775,000 from the Self Insurance Reserve Fund to cover increase in workers' compensation claims that exceed four years due to lifetime medical care costs.
- Approval of the use of $100,000 of gas tax fund for the design aspect of the Downtown Torrance pedestrian improvement project.

Although the City amended its expenditure budget, actual expenditures excluding extraordinary loss were $6.5 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. However, the resources available for appropriation were $5.5 million below the final adopted budgeted amount. The decrease in actual revenues over budget was due primarily to the decrease in revenues such as property taxes, utility users' taxes and investment earnings.

The City's General Fund balance of $52.7 million differs from the General Fund's budgetary fund balance of $51.2 million reported in the budgetary comparison schedule. The difference in the two fund balances is because

budgetary fund balance includes $1.5 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, 2012 amounts to $445.1 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	
	2012	2011	2012	2011	2012	2011
Land	$64.3	$64.3	$6.9	$6.9	$71.2	$71.2
Right of Way	19.3	19.3	-	-	19.3	19.3
Buildings and improvements	42.6	41.0	4.9	4.7	47.5	45.7
Equipment	13.5	15.0	19.4	11.1	32.9	26.1
Infrastructure	123.9	122.5	95.0	97.1	218.9	219.6
Construction in progress	43.4	39.1	11.9	10.2	55.3	49.3
Total	**$307.0**	**$301.2**	**$138.1**	**$130.0**	**$445.1**	**$431.2**

The total capital assets in the governmental activities increased by $5.8 million ($307.0 million compared to $301.2 million in 2010-11) and the business activities increased by $8.1 million ($138.1 million to $130.0 million in 2010-11). 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.

Long-term debt

At the end of the fiscal year, the City had total bonded debt outstanding of $61.9 million as shown in Table 5. More detailed information about the City's long-term liabilities is presented in Note 6 of the notes to the basic financial statements.

Table 5
Outstanding Debt
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds and notes (backed by specific tax and fee revenues)	$60.7	$92.5	$1.2	$1.7	$61.9	$94.2

During fiscal year 2011-12, the total debt of the City decreased by $32.3 million. The decrease is primarily due to the dissolution of the Redevelopment Agency.

The City of Torrance Public Financing Authority 1998 (Police and Fire) and the 2004A and 2004B Refunding Certificates of Participation bonds received an insured Aa3 and underlying Aa3 rating from Moody's and underlying AA outlook stable rating from Standards & Poors (S&P). The 2009 Certificates of Participation bonds received an underlying Aa3 rating from Moody's and underlying AA outlook stable from S&P.

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 $851.4 million which is in excess of the City's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Key Highlights of the 2012-13 Budget

The City Council adopted in May 2012, the second year (2012-13 fiscal year) of the 2011-13 Two Year Operating budget. The key highlights of the 2012-13 fiscal year budgets are:

- Elimination of Redevelopment Agency by the State Legislature-eliminated tools to stimulate growth in "Old Torrance" and eastside industrial portions of the city and limited the ability to fund affordable housing projects.
- Recovery of sales tax and occupancy tax revenues-Sales tax has grown 5% and occupancy taxes have increase 10% over last year.

State Budget and Impact to City

- Budget shortfall of $16 billion
- Vehicle License Fee (VLF) of $530,000 taken back by the State (City covered with one-time replacement fund, pending litigation of State action by League of Cities). The State diverted $130 million of local VLF funds to fund certain State public safety grant programs previously funded by the now-expired 0.15% VLF
- Adoption of AB109 by the State Legislature, known as the Criminal Justice Realignment, which shifted responsibility of incarcerating "low risk" inmates from the State to the County and released inmates to communities without supervision greatly impacting City policing responsibilities.

State Retirement (PERS) Rate Hike

- The California Public Retirement System (PERS) reported investment earnings of 20.7%, which is above their valuation assumption of 7.75%, for the fiscal year ended June 30, 2011. The year-end market value of the portfolio was $237.5 million. This compares to 5.6% earnings for the entire fiscal year ended June 30, 2010.
- The increase is positive; however, these earnings have not been enough to offset under-performance in FY2009 and 2008 by -32.6% and -12.9%, respectively. The City's PERS cost for 2011-12 increased by $3 million over the prior year's projected cost.
- Since the start of the new fiscal year on July 1, PERS has reported a decline in portfolio values to $227.1 billion on August 27, 2011.
- As there is a lag between PERS investment performance and its effect on the City's PERS rates, the portfolio's performance at the end of this year will not impact the City's rates until 2014.

Budget Balancing

- Organizational savings of $115,000 – restructuring of Human Resources, deleting 1.0 Human Resources Director, transferring Risk Management from Human Resources to Finance Department
- Energy Savings from capital projects – savings goal $395,000
  -annual savings to date $111,000
  -Pending projects:
    - Lighting upgrades ($130,000 expected savings) expected completion July, 2012
    - Water Conservation/Irrigation Controls Upgrade ($130,000 expected savings) estimated completion October 2012
    - Renewable Energy/Pool solar Water Heating ($13,000 expected savings) estimated completion October 2012
    - HVAC Replacements ($13,000 expected savings) estimated completion in Fall of 2012

Implementation of Operational Efficiencies and Changes in Business Practices

- Cellular telephone restructure of contract - $70,000 savings
- Personnel allocation in Library Division – adding 5.0 full-time positions and reducing 12.5 part-time positions-$115,000 savings.
- Park Services shift schedule change (weekend work scheduling to reduce overtime) - $50,000 savings
- Community outreach program funding shift to Cable Fund - $155,000 savings to General Fund
- City Manager-Fund cable operations equipment from Cable capital fund (Public Educational Government fund) to free up funding for the Police Department's community outreach programs - $60,000

Continued Use of Bridge Funding

- Post employee benefits deferment - $1.0 million
- Maintain increased shift of Gas Tax revenue from capital project to maintenance - $200,000
- Maintain shift of annual interest earnings from the Tax Revenue Anticipation Notes (TRAN) program from capital projects to operations (earnings are partially derived from the prepayment of pension expense) - $500,000

Public Employee Retirement System (PERS)

- Effective 2011, new employees fund the cost of Employee Paid Member Contributions (EMPC) – 9% for Police and 7% for Miscellaneous employees – savings grow annually as new employees are hired
- PERS (Public Employees Retirement System) actuarial assumption for investments decreased by ¼% from 7.75% to 7.50% - increasing the City contribution to PERS.

Adopted Budget Revisions

- Police-Add 2.0 Police Officer positions (1.0 effective 7/1/2012, 1.0 effective 1/1/2013) to contact and monitor parolees and probationers related to AB109 Public Safety Realignment and defer discussion for the addition of 2.0 Police Officers to the 2013-15 budget process
- Public Works – Add 2.0 Assistant Engineer positions and 1.0 Public Works Inspector (Measure R funded) to expand infrastructure projects.
- Transit-Add 6.0 FTE Relief Bus Operator positions, 3.0 Equipment Attendants, 1.0 Mechanic, and fuel, lubricants, equipment budget to support service expansion – to implement the Torrance Rapid Bus program and Express Lane demonstration project.
- Public Works – Use of $240,000 of Proposition C to fund street maintenance

- Community Services/General Services – Use of $25,000 (one-time) to fund marketing contract for the Cultural Arts Center.

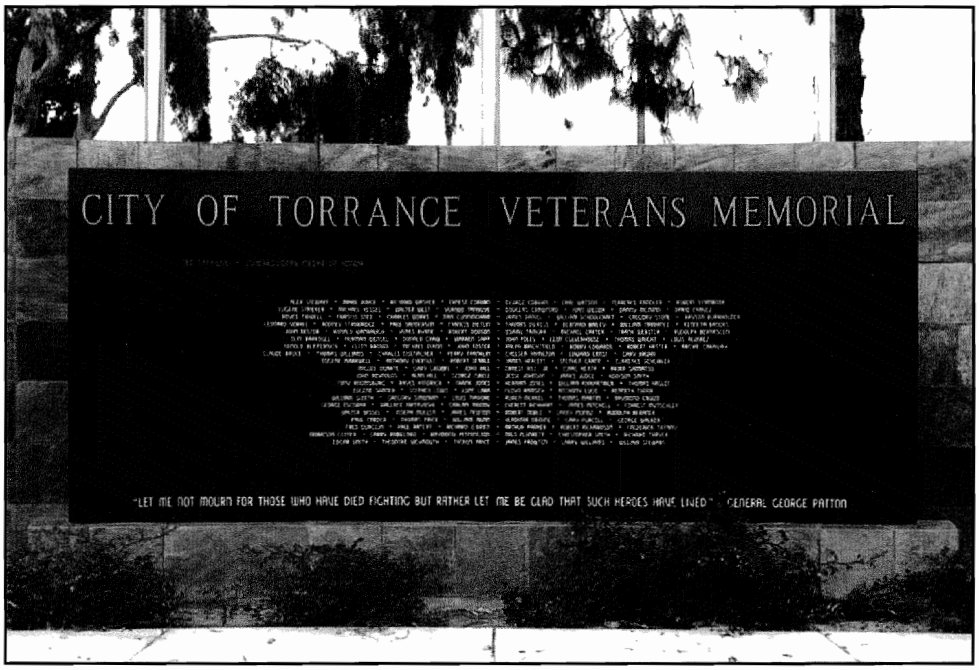
Future Considerations (2013-15 budget process)

- Staffing for maintenance of potential acquired sports fields (court land) - $90,000
- Strategic Plan Three-Year Update Cycle - $135,000
- Resources for outreach to a second Sister City - $42,200
- 2014 Rose Float

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.

City of Torrance



City of Torrance Veteran's Memorial

Basic Financial Statements

Basic Financial Statements

❖ DEPARTMENT OF FINANCE ❖

City OF Torrance

Torrance Police Station

Government - Wide Financial Statements

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled cash and investments (note 2)	$ 153,719,025	$ 32,039,424	$ 185,758,449
Cash and cash equivalents with fiscal agents (note 2)	6,242,096	527,100	6,769,196
Accounts receivable	11,011,526	9,037,414	20,048,940
Accrued interest receivable	672,559	147,179	819,738
Due from other governments (note 14)	9,442,056	3,181,803	12,623,859
Advance to successor agency (note 19)	15,271,956	1,573,460	16,845,416
Notes receivable (note 4)	295,305	—	295,305
Internal balances	370,944	(370,944)	—
Inventories, at cost	1,211,849	1,541,902	2,753,751
Prepaids and other assets	1,687,940	8,084	1,696,024
Capital assets (note 3):			
Land	64,257,898	6,940,713	71,198,611
Right of way	19,344,662	—	19,344,662
Construction in progress	43,456,435	11,943,868	55,400,303
Infrastructure, net of accumulated depreciation	123,862,256	94,966,580	218,828,836
Building and improvements, net of accumulated depreciation	42,581,822	4,937,734	47,519,556
Equipment, net of accumulated depreciation	13,469,164	19,366,122	32,835,286
Total Assets	506,897,493	185,840,439	692,737,932
Liabilities			
Accounts payable	6,936,911	6,062,452	12,999,363
Accounts payable-contract retention	1,345,463	137,176	1,482,639
Accrued liabilities	6,639,294	2,836,566	9,475,860
Notes payable (note 5)	38,000,000	—	38,000,000
Unearned revenue (note 15)	—	7,578,029	7,578,029
Deposits and guarantees	248,812	—	248,812
Construction advances	—	26,570	26,570
Interest payable	488,223	17,767	505,990
Long term liabilities-portion due or payable within one year (notes 6, 7 and 13)	21,726,406	570,000	22,296,406
Long term liabilities-portion due or payable after one year (notes 6, 7 and 13)	96,287,873	620,000	96,907,873
Total Liabilities	171,672,982	17,848,560	189,521,542
Net Assets	335,224,511	167,991,879	503,216,390
Invested in capital assets, net of related debt	252,519,333	137,492,117	390,011,450
Restricted for:			
Streets & highways	22,551,213	—	22,551,213
Capital projects	4,798,602	—	4,798,602
Community development	7,939,149	—	7,939,149
Public safety	5,032,058	—	5,032,058
Unrestricted	42,384,156	30,499,762	72,883,918
Total Net Assets	$ 335,224,511	$ 167,991,879	$ 503,216,390

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Activities and Changes in Net Assets
Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 24,064,603	$ 2,879,641	$ 1,901,450	$ —
Public safety	94,889,035	6,167,125	276,718	—
Public works	33,836,945	727,281	5,823,725	16,234,832
Culture and recreation	12,422,542	651,030	28,083	—
Community development	8,220,619	—	6,555,136	—
Interest on long term debt	4,596,521	—	—	—
Total Governmental Activities	178,030,265	10,425,077	14,585,112	16,234,832
Business-Type Activities:				
Airport	5,404,834	11,895,528	—	—
Transit	23,642,654	3,481,844	19,155,439	10,275,943
Water	31,355,355	34,010,835	—	21,679
Sewer	4,780,739	2,881,995	—	—
Sanitation	11,325,779	10,633,814	74,144	—
Cultural arts	1,981,550	1,038,282	109,440	—
Parks and recreation	7,697,335	4,278,614	—	—
Emergency medical service	10,140,043	2,022,355	—	—
Total Business-Type Activities	96,328,289	70,243,267	19,339,023	10,297,622
Total Primary Government	$ 274,358,554	$ 80,668,344	$ 33,924,135	$ 26,532,454

General Revenues:
Taxes:
Property taxes, net
Sales taxes
Utility users taxes
Occupancy taxes
Business license taxes
Construction, real property, cogeneration and misc. taxes
Investment earnings
Motor vehicle tax (unrestricted)
Miscellaneous
Transfers

Total General Revenues and Transfers

Extraordinary Gain (Loss)

Change in Net Assets

Net Assets-beginning

Net Assets-ending

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (19,283,512)	$ —	$ (19,283,512)
(88,445,192)	—	(88,445,192)
(11,051,107)	—	(11,051,107)
(11,743,429)	—	(11,743,429)
(1,665,483)	—	(1,665,483)
(4,596,521)	—	(4,596,521)
(136,785,244)	—	(136,785,244)
—	6,490,694	6,490,694
—	9,270,572	9,270,572
—	2,677,159	2,677,159
—	(1,898,744)	(1,898,744)
—	(617,821)	(617,821)
—	(833,828)	(833,828)
—	(3,418,721)	(3,418,721)
—	(8,117,688)	(8,117,688)
—	3,551,623	3,551,623
(136,785,244)	3,551,623	(133,233,621)
52,643,353	—	52,643,353
30,163,249	—	30,163,249
30,348,324	—	30,348,324
7,900,186	—	7,900,186
7,950,717	—	7,950,717
10,615,551	—	10,615,551
8,799,751	593,174	9,392,925
74,069	—	74,069
4,621,063	—	4,621,063
(6,493,512)	6,493,512	—
146,622,751	7,086,686	153,709,437
58,403,541	—	58,403,541
68,241,048	10,638,309	78,879,357
266,983,463	157,353,570	424,337,033
$ 335,224,511	$ 167,991,879	$ 503,216,390

(This page intentionally left blank)

City OF Torrance

Madrona Marsh

Governmental Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA
Balance Sheet
Governmental Funds
June 30, 2012

Assets	General Fund	Capital Improvement Fund	Grants and Donations Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments (note 2)	$ 64,416,869	$ 20,276,151	$ 3,055,105	$ 34,486,806	$ 122,234,931
Cash and cash equivalents with fiscal agents (note 2)	—	—	—	6,242,096	6,242,096
Accounts receivable	7,465,291	—	2,775,740	760,495	11,001,526
Accrued interest receivable	494,413	—	82	104,269	598,764
Due from other funds (note 11)	3,500,188	—	—	—	3,500,188
Due from other governments (note 14)	8,125,962	—	1,132,870	183,224	9,442,056
Interfund advances receivable (note 11)	15,271,956	—	—	600,000	15,871,956
Notes receivable (note 4)	—	—	—	295,305	295,305
Prepaids	1,000,567	—	—	—	1,000,567
Total Assets	$ 100,275,246	$ 20,276,151	$ 6,963,797	$ 42,672,195	$ 170,187,389
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	$ 2,738,675	$ —	$ 1,467,824	$ 1,843,376	$ 6,049,875
Accounts payable-contract retention	—	158,737	1,003,463	183,263	1,345,463
Accrued liabilities	6,239,298	—	—	—	6,239,298
Due to other funds (note 11)	—	—	3,119,274	9,970	3,129,244
Interfund advances payable (note 11)	600,000	—	—	—	600,000
Notes payable (note 5)	38,000,000	—	—	—	38,000,000
Deposits and guarantees	228	248,584	—	—	248,812
Total Liabilities	47,578,201	407,321	5,590,561	2,036,609	55,612,692
Fund Balances (deficit):					
Nonspendable:					
Prepaids	1,000,567	—	—	—	1,000,567
Restricted for:					
Public works	—	—	1,373,236	22,888,575	24,261,811
Culture and recreation	1,128,008	—	—	4,798,602	5,926,610
Community development	—	—	—	1,917,257	1,917,257
Public safety	—	—	—	4,861,896	4,861,896
Capital projects	—	—	—	1,585,769	1,585,769
Debt service	—	—	—	4,583,487	4,583,487
Assigned to:					
Culture and recreation	3,183,286	—	—	—	3,183,286
Public safety	170,162	—	—	—	170,162
Special project reserves	9,943,482	—	—	—	9,943,482
Capital projects	6,499,983	19,868,830	—	—	26,368,813
Unassigned	30,771,557	—	—	—	30,771,557
Total Fund Balances (deficit)	52,697,045	19,868,830	1,373,236	40,635,586	114,574,697
Total Liabilities and Fund Balances	$ 100,275,246	$ 20,276,151	$ 6,963,797	$ 42,672,195	$ 170,187,389

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Total fund balances for governmental funds		$ 114,574,697
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	$ 64,257,898	
Right of Way	19,344,662	
Construction in Progress	43,456,435	
Infrastructure net of $145,178,752 accumulated depreciation	123,862,256	
Buildings and fixtures, net of $43,014,650 accumulated depreciation	42,581,822	
Machinery and equipment, net of $30,565,943 accumulated depreciation	13,469,164	
		306,972,237
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 (excluding funded portion of liability)	(16,847,757)	
City of Torrance Improvements Corporation refunding certificates of participation	(60,695,000)	
		(77,542,757)
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	(488,223)	
		(488,223)
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.		(8,291,443)
Net Assets of Governmental Activities		$ 335,224,511

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA

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

Governmental Funds

Year ended June 30, 2012

	General Fund	Capital Improvement Fund	Grants and Donations Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 134,698,431	$ —	$ —	$ 5,335,382	$ 140,033,813
Licenses, fees and permits	1,919,074	—	—	—	1,919,074
Fines, forfeitures and penalties	1,225,781	—	—	238,122	1,463,903
Use of money and property	6,345,471	—	10,557	5,007,161	11,363,189
Intergovernmental	412,071	—	13,603,108	16,212,993	30,228,172
Charges for current services	6,727,769	—	—	—	6,727,769
Other revenues	1,609,802	388,373	217,482	1,102,053	3,317,710
Total revenues	152,938,399	388,373	13,831,147	27,895,711	195,053,630
Expenditures:					
Current expenditures:					
General government	21,283,272	—	—	1,132,358	22,415,630
Nondepartmental	6,427,951	—	—	—	6,427,951
Public safety	92,933,698	—	—	—	92,933,698
Public works	9,121,333	—	13,210,451	5,394,301	27,726,085
Community development	—	—	—	6,908,577	6,908,577
Culture and recreation	13,507,550	—	—	57,543	13,565,093
Capital outlays	196,521	1,632,052	676,630	1,922,681	4,427,884
Debt service:					
Principal retirement (note 7)	—	—	—	3,351,691	3,351,691
Interest and fiscal charges	—	—	—	4,602,960	4,602,960
Other	—	—	—	1,356,591	1,356,591
Total expenditures	143,470,325	1,632,052	13,887,081	24,726,702	183,716,160
Excess (deficiency) of revenues over (under) expenditures	9,468,074	(1,243,679)	(55,934)	3,169,009	11,337,470
Other financing sources (uses):					
Transfers in (note 12)	10,501,978	2,352,913	—	1,831,048	14,685,939
Transfers out (note 12)	(19,010,308)	(2,670,007)	—	(1,565,162)	(23,245,477)
Total other financing sources (uses)	(8,508,330)	(317,094)	—	265,886	(8,559,538)
Extraordinary gain (loss)	—	—	—	6,663,881	6,663,881
Net change in fund balances	959,744	(1,560,773)	(55,934)	10,098,776	9,441,813
Fund balances, July 1, 2011	51,737,301	21,429,603	1,429,170	30,536,810	105,132,884
Fund balances, June 30, 2012	$ 52,697,045	$ 19,868,830	$ 1,373,236	$ 40,635,586	$ 114,574,697

See accompanying notes to the 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, 2012

Net change in fund balances-total governmental funds		$ 9,441,813
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.		
Depreciation expense (excluding internal service funds)	$ (9,581,965)	
Asset additions funded by Governmental Funds	16,036,053	
		6,454,088
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)	220,000	
Bond principal payment (Industrial)	1,160,000	
Bond principal payment (Skypark)	319,315	
Transfer of bond principal (Downtown) to RDA successor agency trust	6,315,000	
Transfer of bond principal (Industrial) to RDA successor agency trust	22,140,000	
Transfer of bond principal (Skypark) to RDA successor agency trust	169,301	
Bond principal payment (Torrance Public Financing Authority Refunding Certificates of Participation)	1,480,000	
		31,803,616
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	6,439	
Transfer of accrued interest equity to RDA successor agency trust	569,979	
Advances from County	(519,970)	
Transfer of advance from County to RDA successor agency trust	20,770,044	
Transfer of advance from Developers to RDA successor agency trust	1,775,336	
		22,601,828
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 (excluding internal service funds)		(202,486)
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		(1,857,811)
Change in net assets of governmental activities		$ 68,241,048

See accompanying notes to the 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, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
Budgetary fund balance, July 1, 2011	$ 51,737,301	$ 51,737,301	$ 51,737,301	$ —
Resources (inflows):				
Taxes:				
Property taxes:				
Current secured taxes	25,970,000	25,970,000	25,834,196	(135,804)
Current unsecured taxes	1,180,000	1,180,000	1,136,110	(43,890)
Prior years' secured taxes	130,000	130,000	(49,827)	(179,827)
Prior years' unsecured taxes	140,000	140,000	38,192	(101,808)
Property/sales flip taxes	8,930,000	8,930,000	9,321,765	391,765
VLF swap and repayment taxes	11,510,000	11,510,000	11,201,890	(308,110)
Penalties and interest	330,000	330,000	188,614	(141,386)
Supplemental prior year secured taxes	50,000	50,000	(5)	(50,005)
Supplemental current secured	480,000	480,000	359,327	(120,673)
Redemption	1,120,000	1,120,000	699,428	(420,572)
Aircraft assessment tax	180,000	180,000	287,810	107,810
	50,020,000	50,020,000	49,017,500	(1,002,500)
Taxes other than property:				
Sales and use tax	27,040,000	27,040,000	30,163,249	3,123,249
Prop 172 sales tax	1,400,000	1,400,000	1,427,890	27,890
Business license tax	7,700,000	7,700,000	7,950,717	250,717
Business permit tax	520,000	520,000	473,794	(46,206)
Utility users' tax	33,970,000	33,970,000	30,348,324	(3,621,676)
Construction tax	800,000	800,000	1,016,044	216,044
Real property transfer tax	600,000	600,000	470,050	(129,950)
Franchise tax – all other	3,600,000	3,600,000	4,677,493	1,077,493
Occupancy tax	7,660,000	7,660,000	7,900,186	240,186
Oil severance tax	10,000	10,000	10,913	913
Cogeneration tax	1,630,000	1,630,000	1,095,598	(534,402)
Alarm permit fees	71,000	71,000	146,673	75,673
	85,001,000	85,001,000	85,680,931	679,931
Total taxes	135,021,000	135,021,000	134,698,431	(322,569)
Licenses, fees and permits:				
Fire permits	130,000	130,000	117,138	(12,862)
Construction/excavation permits	30,000	30,000	43,867	13,867
Grading permits	60,000	60,000	65,771	5,771
Building permits	860,000	860,000	897,967	37,967
Plumbing permits	160,000	160,000	70,238	(89,762)
Electrical permits	150,000	150,000	71,333	(78,667)
Mechanical permits	90,000	90,000	38,252	(51,748)
Special energy inspection fees	340,000	340,000	352,020	12,020
Sign permits and filing fees	40,000	40,000	55,238	15,238
Other licenses and permits	—	—	612	612
NPDES building permit fees	140,000	140,000	176,059	36,059
Building TEQECC filing fees	30,000	30,000	19,579	(10,421)
Oversized Vehicle Permit Fees	20,000	20,000	11,000	(9,000)
Total licenses, fees and permits	2,050,000	2,050,000	1,919,074	(130,926)

See accompanying notes to the 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 Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
Fines, forfeitures and penalties:				
Parking citations	$ 500,000	$ 500,000	$ 452,396	$ (47,604)
Traffic fines	480,000	480,000	402,908	(77,092)
General fines	350,000	350,000	370,477	20,477
Total fines, forfeitures and penalties	1,330,000	1,330,000	1,225,781	(104,219)
Revenue from use of money and property:				
Investment earnings	2,050,000	2,050,000	1,375,188	(674,812)
Rents and concessions	1,360,000	1,360,000	1,347,764	(12,236)
Franchise fees	3,500,000	3,500,000	3,255,731	(244,269)
Public education government fees	320,000	320,000	355,584	35,584
Royalties	—	—	11,204	11,204
Total revenue from use of money and property	7,230,000	7,230,000	6,345,471	(884,529)
Revenue from other intergovernmental agencies:				
State motor vehicle licenses	580,000	580,000	74,069	(505,931)
State homeowners' property tax relief	250,000	250,000	234,829	(15,171)
Other state grants	150,000	150,000	103,173	(46,827)
Total revenue from other intergovernmental agencies	980,000	980,000	412,071	(567,929)
Charges for current services:				
TUSD collection fees	13,000	13,000	10,680	(2,320)
Planning and zoning fees	301,000	301,000	229,957	(71,043)
Traffic signal maintenance	159,000	159,000	166,482	7,482
Environmental review and appeal fees	—	—	7,178	7,178
Vacation processing fees	2,000	2,000	—	(2,000)
Large family daycare unit	1,000	1,000	511	(489)
State encroach collection fees	2,000	2,000	2,540	540
Grading	24,000	24,000	35,109	11,109
Plan check fees – building	581,000	581,000	710,122	129,122
Plan check fees – engineering	9,000	9,000	10,947	1,947
Oil-related inspection fees	2,000	2,000	11,750	9,750
Appeal fees	2,000	2,000	1,250	(750)
Other inspection fees	215,000	215,000	341,134	126,134
Engineering mapping fees	9,000	9,000	9,583	583
Engineering inspection fees	147,000	147,000	143,848	(3,152)

See accompanying notes to the 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 Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
Charges for current services, Continued:				
General government service charges	$ 10,000	$ 10,000	$ 1,921	$ (8,079)
Microfilming fees	160,000	160,000	160,679	679
Police charges – copies and photos	9,000	9,000	9,353	353
Police charges – fingerprinting and other	529,000	529,000	523,503	(5,497)
Fire department fees	1,030,000	1,030,000	1,179,478	149,478
Fire department fees – hazardous materials fees	750,000	750,000	9,098	(740,902)
Parks and recreational fees	427,000	427,000	380,593	(46,407)
Miscellaneous	22,000	22,000	20,201	(1,799)
Library revenues	162,000	162,000	143,852	(18,148)
In lieu charges to Enterprise Funds:				
Airport Fund	1,900,000	1,900,000	1,900,000	—
Water Fund	700,000	700,000	718,000	18,000
Total charges for current services	7,166,000	7,166,000	6,727,769	(438,231)
Other revenues:				
Donations – private sources	10,000	58,083	62,209	4,126
Miscellaneous	1,149,912	1,149,912	535,273	(614,639)
Premium Tax Revenue Anticipation Notes	500,000	1,012,320	1,012,320	—
Total other revenues	1,659,912	2,220,315	1,609,802	(610,513)
Transfers in	10,581,929	12,925,266	10,501,978	(2,423,288)
Amounts available for appropriation	217,756,142	220,659,882	215,177,678	(5,482,204)
Charges to appropriations (outflows)				
General government:				
City council	443,884	440,884	368,393	72,491
Commissions and committees:				
Parks and recreation	36,539	36,539	26,423	10,116
Planning	36,845	38,345	13,590	24,755
Environmental quality	13,500	13,500	2,788	10,712
Cultural arts	13,652	13,652	8,860	4,792
Traffic	8,510	8,510	3,569	4,941
Youth council	9,748	19,748	16,424	3,324
Civil service	260,074	260,074	208,431	51,643
Commission on aging	8,852	8,852	1,833	7,019
Library	10,023	10,023	5,415	4,608
Disaster council	2,594	2,594	—	2,594
City manager	4,070,816	4,271,266	4,219,289	51,977
City attorney	2,131,252	2,131,252	1,996,813	134,439
City clerk	1,008,409	1,121,876	1,031,919	89,957
City treasurer	922,330	917,880	854,664	63,216
Finance	3,982,665	4,409,742	4,044,192	365,550
Human resources	2,479,850	2,107,551	1,906,988	200,563
Civil service	214,961	214,961	187,843	27,118
Community development	3,830,207	3,975,218	3,987,122	(11,904)
Communications & Info Tech	4,733,384	4,758,271	4,293,796	464,475
General services	4,028,479	4,039,979	3,563,680	476,299
Less indirect cost allocation, other funds	(5,228,875)	(5,250,519)	(4,732,952)	(517,567)
Total general government	23,017,699	23,550,198	22,009,080	1,541,118

See accompanying notes to the 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	$ 25,000	$ 25,000	$ 24,592	$ 408
Community promotion	319,622	325,500	280,750	44,750
Employee benefits (net after charges to departments)	1,118,423	1,258,954	681,398	577,556
Other	1,635,840	2,062,502	1,420,264	642,238
Leaseback payments	4,127,104	4,127,104	4,032,175	94,929
Total nondepartmental	7,225,989	7,799,060	6,439,179	1,359,881
Public safety:				
Police	65,265,020	65,322,684	64,698,291	624,393
Fire	25,350,461	25,471,641	25,509,533	(37,892)
Building and safety	3,257,252	3,258,646	3,005,046	253,600
Total public safety	93,872,733	94,052,971	93,212,870	840,101
Public works	11,703,253	10,822,637	9,488,498	1,334,139
Culture and recreation	13,966,422	13,926,066	13,615,679	310,387
Capital outlays	60,000	17,209	196,521	(179,312)
Transfers out	16,674,808	20,263,950	19,010,308	1,253,642
Total Charges to appropriations	166,520,904	170,432,091	163,972,135	6,459,956
Budgetary Fund Balance, July 1, 2012	$ 51,235,238	$ 50,227,791	$ 51,205,543	$ 977,752

See accompanying notes to the 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

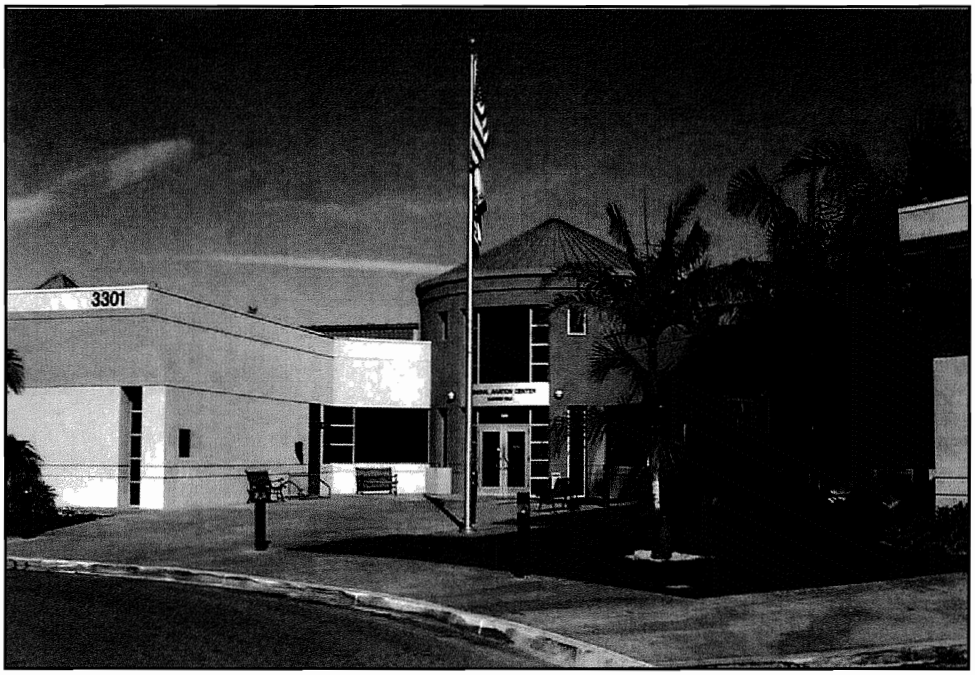
Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$	215,177,678
Differences - budget to GAAP		
The fund balance at the beginning of the year is not a current year revenue for financial reporting purposes		(51,737,301)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.		(10,501,978)
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	$	152,938,399

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to to appropriations" from the budgetary comparison schedule.	$	163,972,135
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		(1,491,502)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(19,010,308)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	$	143,470,325

City of Torrance



Zamperini Field - Torrance Municipal Airport

Proprietary Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA
Statement of Net Assets
Proprietary Funds
June 30, 2012
(with comparative data for prior year)

	Business Type Proprietary Funds					Governmental Activity
Assets	**Transit System Fund**	**Water Fund**	**Sewer Fund**	**Nonmajor Proprietary Funds**	**Total**	**Internal Service Funds**
Current assets:						
Pooled cash and investments (note 2)	$ 8,916,657	$ 7,182,600	$ 9,684,863	$ 6,255,304	$ 32,039,424	$ 31,484,094
Cash and cash equivalents with fiscal agents (note 2)	—	527,100	—	—	527,100	—
Accounts receivable	79,627	6,486,311	365,742	2,105,734	9,037,414	10,000
Accrued interest receivable	42,910	33,521	44,063	26,685	147,179	73,795
Inventory	1,057,017	484,885	—	—	1,541,902	1,211,849
Due from other governments (note 14)	3,181,803	—	—	—	3,181,803	—
Prepaids	700	—	—	7,384	8,084	687,373
Total current assets	13,278,714	14,714,417	10,094,668	8,395,107	46,482,906	33,467,111
Noncurrent assets:						
Advance to successor agency (note 19)	—	1,154,432	419,028	—	1,573,460	—
Capital assets, net (note 3)	21,030,952	67,003,136	42,631,454	7,489,475	138,155,017	8,239,417
Total noncurrent assets	21,030,952	68,157,568	43,050,482	7,489,475	139,728,477	8,239,417
Total Assets	34,309,666	82,871,985	53,145,150	15,884,582	186,211,383	41,706,528
Liabilities						
Current liabilities (payable from current assets):						
Accounts payable	459,577	4,642,025	323,841	637,009	6,062,452	887,036
Contract retainage payable	—	106,885	30,291	—	137,176	—
Accrued liabilities	1,263,228	1,007,637	—	565,701	2,836,566	4,239,771
Current bonds payable - interest	—	17,767	—	—	17,767	—
Current bonds payable - principal (notes 6 and 7)	—	570,000	—	—	570,000	—
Construction advances	—	26,570	—	—	26,570	—
Accrued liabilities for self-insurance claims - current (note 13)	—	—	—	—	—	9,648,916
Current liabilities (payable from restricted assets):						
Due to other funds (note 11)	—	—	—	370,944	370,944	—
Unearned revenues (note 15)	6,784,151	—	—	793,878	7,578,029	—
Total current liabilities	8,506,956	6,370,884	354,132	2,367,532	17,599,504	14,775,723
Noncurrent liabilities						
Long-term obligations (notes 6 and 7)	—	620,000	—	—	620,000	—
Accrued Liability for self-insurance claims long-term (note 13)	—	—	—	—	—	16,754,831
Accrued Liability for net postemployment benefits - long-term (note 9)	—	—	—	—	—	10,228,000
Total noncurrent liabilities	—	620,000	—	—	620,000	26,982,831
Total Liabilities	8,506,956	6,990,884	354,132	2,367,532	18,219,504	41,758,554
Net Assets						
Invested in capital assets, net of related debt	21,030,952	66,340,236	42,631,454	7,489,475	137,492,117	8,239,417
Unrestricted	4,771,758	9,540,865	10,159,564	6,027,575	30,499,762	(8,291,443)
Total Net Assets	$ 25,802,710	$ 75,881,101	$ 52,791,018	$ 13,517,050	$ 167,991,879	$ (52,026)

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2012
(with comparative data for prior year)

	Business Type Proprietary Funds					Governmental Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Operating revenues:						
Charges for services	$ 3,322,321	$ 32,538,639	$ 2,881,995	$ 29,866,321	$ 68,609,276	$ 8,148,412
Other	208,462	1,472,196	5,721	22,316	1,708,695	—
Total operating revenues	3,530,783	34,010,835	2,887,716	29,888,637	70,317,971	8,148,412
Operating expenses:						
Salaries and employee benefits	12,515,632	4,770,869	1,794,002	21,825,350	40,905,853	6,215,706
Services and supplies	3,004,600	1,440,966	344,823	5,611,734	10,402,123	1,005,275
Other professional services	1,708,709	855,324	372,143	4,008,031	6,944,207	—
Depreciation /amortization	3,178,577	1,311,086	1,032,949	429,682	5,952,294	1,543,732
Insurance and claims	309,146	127,970	—	168,203	605,319	3,727,687
City charges	2,637,307	1,722,776	284,357	4,237,856	8,882,296	—
Cost of water	—	20,591,517	—	—	20,591,517	—
Other	288,683	460,844	952,465	166,685	1,868,677	11,486
Total operating expenses	23,642,654	31,281,352	4,780,739	36,447,541	96,152,286	12,503,886
Operating income (loss)	(20,111,871)	2,729,483	(1,893,023)	(6,558,904)	(25,834,315)	(4,355,474)
Nonoperating revenues (expenses):						
Investment earnings	66,174	146,001	164,858	96,187	473,220	351,048
Gain (loss) on sale of capital assets	45,250	—	—	—	45,250	70,015
Assistance from other governments	19,155,439	—	—	—	19,155,439	—
Interest expense	—	(74,003)	—	(102,000)	(176,003)	—
Grants	—	—	—	183,584	183,584	—
Other, net	—	—	—	—	—	10,576
Total nonoperating revenues(expenses) net	19,266,863	71,998	164,858	177,771	19,681,490	431,639
Income (loss) before contributions and operating transfers	(845,008)	2,801,481	(1,728,165)	(6,381,133)	(6,152,825)	(3,923,835)
Capital grants	10,275,943	21,679	—	—	10,297,622	—
Transfer due to reorganization	—	—	(87,775)	87,775	—	—
Transfers in (note 12)	232,547	—	—	13,531,154	13,763,701	2,089,850
Transfers out (note 12)	(39,695)	(22,042)	(119,895)	(7,088,557)	(7,270,189)	(23,826)
Change in net assets	9,623,787	2,801,118	(1,935,835)	149,239	10,638,309	(1,857,811)
Total net asset - July 1, 2011	16,178,923	73,079,983	54,726,853	13,367,811	157,353,570	1,805,785
Total net assets - June 30, 2012	$ 25,802,710	$ 75,881,101	$ 52,791,018	$ 13,517,050	$ 167,991,879	$ (52,026)

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2012
(with comparative data for prior year)

	Business Type Proprietary Funds					Governmental Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Cash flow from operating activities:						
Receipts from customers	$ 3,322,321	$ 31,656,261	$ 2,767,726	$ 30,298,140	$ 68,044,448	$ 8,159,420
Cash payments to suppliers for goods and services	(7,993,403)	(24,994,465)	(1,958,757)	(14,182,638)	(49,129,263)	(4,993,771)
Cash payments to employees for services	(12,488,119)	(4,739,286)	(1,540,778)	(22,078,198)	(40,846,381)	(3,837,375)
Internal activity payments from/to funds	—	—	—	(648,565)	(648,565)	—
Cash received from donations	—	—	—	620	620	—
Other receipts	208,462	1,472,196	—	1,652	1,682,310	—
Net cash provided by (used in) operating activities	(16,950,739)	3,394,706	(731,809)	(6,608,989)	(20,896,831)	(671,726)
Cash flows from noncapital financing activities:						
Cash received noncapital from grants and subsidies	22,230,710	—	—	183,584	22,414,294	—
Cash received from other funds	—	—	—	13,531,154	13,531,154	2,089,850
Transfer due to reorganization	—	—	(87,775)	87,775	—	—
Cash transfers paid to other funds	(39,695)	(22,042)	(119,895)	(6,522,389)	(6,704,021)	(23,826)
Net cash provided by (used in) noncapital financing activities	22,191,015	(22,042)	(207,670)	7,280,124	29,241,427	2,066,024
Cash flows from capital financing activities:						
Cash received from capital grants and subsidies	10,275,943	21,679	—	—	10,297,622	—
Payments for capital additions	(12,244,853)	(371,430)	(170,787)	(69,118)	(12,856,188)	(789,092)
Proceeds from the sale of capital assets	45,250	—	—	—	45,250	70,015
Proceeds from insurance settlement	—	—	—	—	—	10,576
Payments for long-term obligations - principal & interest	—	—	—	(102,000)	(102,000)	—
Payments for long-term bonds - principal & interest	—	(623,002)	—	—	(623,002)	—
Net cash provided by (used in) capital financing activities	(1,923,660)	(972,753)	(170,787)	(171,118)	(3,238,318)	(708,501)
Cash flows from investing activities:						
Cash received from interest on investments	45,491	129,277	162,031	88,554	425,353	326,305
Net increase (decrease) in cash, restricted cash and cash equivalents	3,362,107	2,529,188	(948,235)	588,571	5,531,631	1,012,102
Cash, restricted cash and cash equivalents, July 1, 2011	5,554,550	5,180,512	10,633,098	6,232,901	27,601,061	30,471,992
Cash, restricted cash and cash equivalents, June 30, 2012	$ 8,916,657	$ 7,709,700	$ 9,684,863	$ 6,821,472	$ 33,132,692	$ 31,484,094
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	(20,111,871)	2,729,483	(1,893,023)	(6,558,904)	(25,834,315)	(4,355,474)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	3,178,577	1,311,086	1,032,949	429,682	5,952,294	1,543,732
Change in assets and liabilities:						
Accounts receivable	(2,098)	(882,378)	(119,990)	259,081	(745,385)	13,565
Due from other government	—	—	—	164,356	164,356	—
Prepaids and other assets	(700)	95	—	(7,384)	(7,989)	23,173
Inventories	39,371	(9,160)	—	—	30,211	(37,026)
Accounts payable	(404)	201,997	(4,969)	(270,799)	(74,175)	(212,299)
Due to other funds	—	—	—	(340,299)	(340,299)	—
Accrued salaries and benefits	29,187	31,583	253,224	(252,848)	61,146	2,352,603
Other accrued liabilities	(82,801)	—	—	(20,212)	(103,013)	—
Deposits and guarantees	—	12,000	—	48,448	60,448	—
Unearned revenues	—	—	—	(60,110)	(60,110)	—
Net cash provided by (used in) operating activities	$ (16,950,739)	$ 3,394,706	$ (731,809)	$ (6,608,989)	$ (20,896,831)	$ (671,726)

Noncash, investing, capital, and financing activities:
During fiscal year 2011-12, there were no significant noncash investing, capital, or financing activities.

See accompanying notes to the basic financial statements.

City of Torrance

Japanese Garden

Fiduciary Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA

Statement of Fiduciary Fund Assets and Liabilities - Trust and Agency Funds

June 30, 2012

	Private-Purpose Trust Fund	Total Agency Funds
Assets		
Pooled cash and investments (note 2)	$ 8,138,575	$ 2,924,720
Cash and cash equivalents with fiscal agents (note 2)	2,933,609	—
Accrued interest receivable	—	3,872
Due from other governments (note 12)	—	23,770
Prepayments	3,724	—
Total assets	$ 11,075,908	$ 2,952,362
Liabilities		
Accounts payable	$ 135	$ 115,182
Deposits payable	—	2,837,180
Interest payable	532,357	—
Advances from City	16,845,416	—
Long-term debt:		
Due within one year	3,434,637	—
Due in more than one year	47,735,044	—
Total Liabilities	$ 68,547,589	$ 2,952,362
Net Assets		
Held in trust for successor agency	$ (57,471,681)	

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA

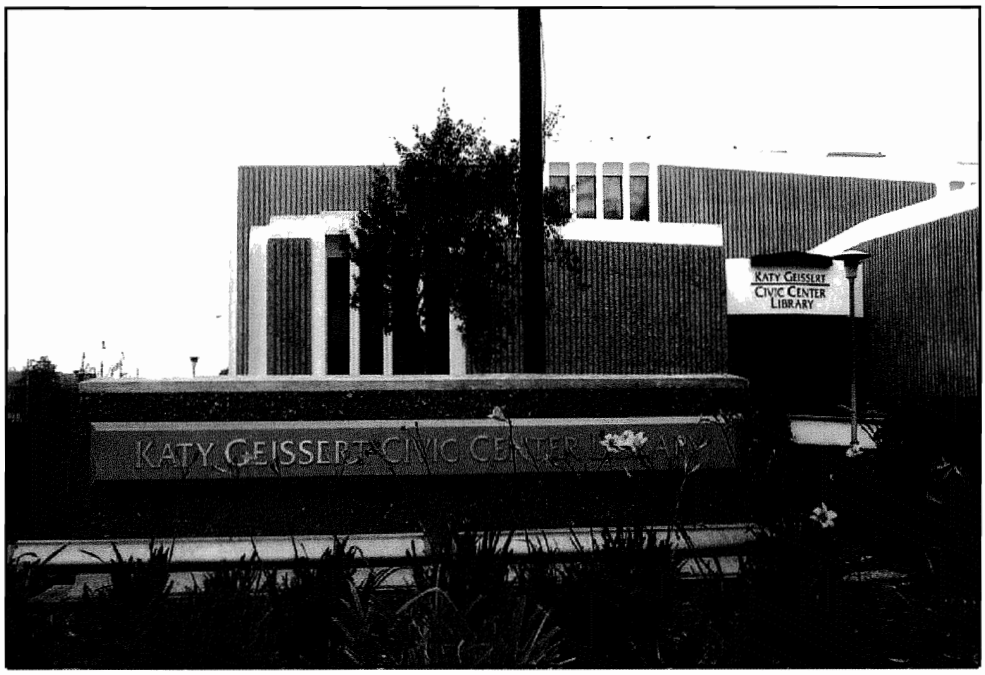
Statement of Changes in Fiduciary Net Assets - Trust Funds

For the Period February 1, 2012 through June 30, 2012

	Private-Purpose Trust Fund
Additions	
Property taxes	$ 1,691,525
Use of money and property	14,515
Total additions	1,706,040
Deductions	
Program expenses of former redevelopment agency	23,423
Debt service	
Interest and fiscal charges of former redevelopment agency	750,757
Total deductions	774,180
Extraordinary gain (loss)	(58,403,541)
Change in net assets	(57,471,681)
Net assets - beginning	—
Net assets - ending	$ (57,471,681)

See accompanying notes to basic financial statements.

City of Torrance



Katy Geissert Library

Notes to Financial Statements

Notes to
Financial Statements

❖ DEPARTMENT OF FINANCE ❖

(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. All redevelopment agencies in the State of California were dissolved effective February 1, 2012 (see note 19). The purpose of the Agency was to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. City Council members, in separate session, served as the governing board of the Agency, and all accounting and administrative functions were performed by the City. The financial activity of the Agency, through January 31, 2012, has been blended into the City's financial statements within the Governmental Activities in the financial statements. Subsequent to February 1, 2012, the assets and liabilities of the former redevelopment agency have been recorded in a private-purpose trust fund pending the liquidation and distribution of the net assets to other taxing entities. Separate financial statements for the Agency are not available

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 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.

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 *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.

The *Grants and Donations Fund* is used to account for monies received for the purpose of providing educational, cultural and recreational needs of the community.

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 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 *Trust and Agency Funds* are used to account for the resources held by the City in a fiduciary capacity. 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 and a private-purpose trust fund which does include measurement of results of operations. The agency funds are accounted for on an accrual basis of accounting. The City uses agency (fiduciary) funds to account for employee unspent pre-tax benefits collected from the participating employees in the Flexible Benefits Fund, safekeeping and disbursement of the private property collected and held in the custody of the police department in the Property Room Evidence Fund, environmental deposits from developers/contractors to account for the cost analysis and evaluation of air pollutants in the Environmental Trust fund, the Municipal Area Express fund used to account for Federal, County and local revenues to finance a special commuter bus service in the South Bay area, the Special Deposits Fund for private donations, deposits and other disbursements held on behalf of various depositors for disbursements on projects of the general government, and the Torrance Tourism Business Improvement District Fund to account for local business revenues to finance tourism generating activities in the City of Torrance. The City uses a private-purpose trust (fiduciary) fund

to account for the redevelopment successor agency activities since the dissolution of the former redevelopment agency (governmental) funds on February 1, 2012 (see note 19).

The *Proprietary Funds* are presented on an "economic resources" measurement focus and the full-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.

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.

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. 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. Encumbrances at year end are reported as restricted, committed, or assigned depending on the resources that have been identified to fund the applicable encumbrance.

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.

Cash and Cash Equivalents with Fiscal Agents

Cash and investments restricted as to their use by bond resolution.

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 Fund 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.

Prepaids 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 January 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 8).

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.

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

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in physical form (such as inventory) or that are legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by external legal requirements imposed by other governments, external resource providers, or creditors. City Council imposed restrictions do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

Committed Fund Balance – this includes amounts that can only be used for specific purposes pursuant to the most binding constraint imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless City Council rescinds or modifies the specified use by resolution. If the Council resolution that limits the use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resultant fund balance is considered to be committed, not restricted. The City considers a resolution to constitute a formal action of City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are intended to be used for specific purposes as indicated by City Council.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

Budgetary Principles

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.

(2) Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and investments	$	185,758,449
Cash and investments held by bond trustee		6,769,196
Fiduciary funds:		
Cash and investments		11,063,295
Cash and investments held by bond trustee		2,933,609
Total cash and investments	$	206,524,549

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	$	21,261
Deposits with financial institutions		11,107,511
Investments		195,395,777
Total cash and investments	$	206,524,549

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.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage Of Portfolio	*Maximum Investment In One Issuer
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	$50 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**.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
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

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:

		Remaining Maturity (in Months)			
Investment Type		12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local municipal bonds	$ 169,300	169,300	-	-	-
Federal agency securities	106,620,084	4,045,040	10,745,335	91,829,709	-
Corporate medium term notes	32,507,583	7,064,611	9,342,812	16,100,160	-
Certificate of deposit	1,969,607	1,969,607	-	-	-
Money market funds	8,000,000	8,000,000	-	-	-
State investment pool	36,426,398	36,426,398	-	-	-
Subtotal	185,692,972	57,674,956	20,088,147	107,929,869	-
Held by bond trustee:					
Money market funds	1,678,425	1,678,425	-	-	-
Federal agency securities	6,944,195	-	-	6,944,195	-
Investment contracts	1,080,185	-	-	-	1,080,185
Total	$ 195,395,777	59,353,381	20,088,147	114,874,064	1,080,185

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.

		Minimum		Rating as of Year End			
Investment Type		Legal Rating	Exempt from Disclosure	AAA	AA	A	Not Rated
Local municipal bonds	$ 169,300	N/A	-	-	-	-	169,300
Federal agency securities	106,620,084	N/A	-	-	106,620,084	-	-
Corporate medium term notes	32,507,583	A	-	1,045,311	27,423,700	4,038,572	-
Certificate of deposit	1,969,607	N/A	-	-	245,617	-	1,723,990
Money market funds	8,000,000	N/A	-	-	-	-	8,000,000
State investment pool	36,426,398	N/A	-	-	-	-	36,426,398
SUBTOTAL	185,692,972		-	1,045,311	134,289,401	4,038,572	46,319,688
Held by bond trustee:							
Money market funds	1,678,425	A	-	-	-	1,678,425	-
Federal agrncy inv	6,944,195	N/A	-	-	6,944,195	-	-
Investment contracts	1,080,185	N/A	-	-	-	-	1,080,185
TOTAL	$ 195,395,777		-	1,045,311	141,233,596	5,716,997	47,399,873

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:

Issuer	Investment Type	Reported Amount
Farmer Mac	Federal agency securities	$ 13,295,041
Federal Farm Credit Agency	Federal agency securities	17,028,335
Federal Home Loan Bank	Federal agency securities	16,174,490
Federal Home Loan Mortgage Corp	Federal agency securities	33,208,080
Federal National Mortgage Assoc.	Federal agency securities	26,914,138

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, 2012, $0.00 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, 2012, 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.

(3) Capital Assets

Infrastructure Assets at June 30, 2012 (in thousands):

Description	Cost	Accumulated Depreciation	Net Cost
Road system	$ 240,005	$ (137,943)	$ 102,062
Storm drain system	21,865	(7,236)	14,629
Sewer lines	69,708	(31,423)	38,285
Water system	90,831	(34,150)	56,681
	$ 422,409	$ (210,752)	$ 211,657

Capital Asset activity for the year ended June 30, 2012 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	$ 64,258	$ -	$ -	$ 64,258
Right of Way	19,344	-	-	19,344
Construction in progress	39,129	16,837	(12,509)	43,457
Total capital assets not being depreciated	122,731	16,837	(12,509)	127,059
Capital assets being depreciated:				
Land improvements and buildings	81,964	3,632	-	85,596
Machinery and equipment	43,121	1,690	(776)	44,035
Infrastructure	261,854	7,187	-	269,041
Total capital assets being depreciated	386,939	12,509	(776)	398,672
Less accumulated depreciation for:				
Land improvements and buildings	(40,987)	(2,027)	-	(43,014)
Machinery and equipment	(28,139)	(3,203)	776	(30,566)
Infrastructure	(139,282)	(5,897)	-	(145,179)
Total accumulated depreciation	(208,408)	(11,127)	776	(218,759)
Total capital assets, being depreciated, net	178,531	1,382	-	179,913
Governmental activities capital assets, net	$ 301,262	$ 18,219	$ (12,509)	$ 306,972

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	$ 6,941	$ -	$ -	$ 6,941
Construction in progress	10,231	1,713	-	11,944
Total capital assets not being depreciated	17,172	1,713	-	18,885
Capital assets being depreciated:				
Infrastructure	160,428	111	-	160,539
Land improvements and buildings	16,021	-	(155)	15,866
Machinery and equipment	36,861	12,245	(8,488)	40,618
Furniture and fixtures	1,131	-	-	1,131
Total capital assets being depreciated	214,441	12,356	(8,643)	218,154
Less accumulated depreciation for:				
Infrastructure	(63,349)	(2,224)	-	(65,573)
Land improvements and buildings	(10,633)	(449)	155	(10,927)
Machinery and equipment	(27,221)	(3,168)	8,488	(21,901)
Furniture and fixtures	(372)	(111)	-	(483)
Total accumulated depreciation	(101,575)	(5,952)	8,643	(98,884)
Total capital assets, being depreciated, net	112,866	6,404	-	119,270
Business-type activities capital assets, net	$ 130,038	$ 8,117	$ -	$ 138,155

The capital assets for the Fleet Services Fund and the Self Insurance Fund, internal service funds, have been consolidated into the governmental activities, and are included in the machinery and equipment category: asset additions amounted to $799,769 and asset deductions amounted to $774,480.

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

Governmental Activities:		
General government	$	3,803
Public safety		584
Public works		6,041
Culture and recreation		699
Total depreciation expense - governmental activities	$	11,127
Business-type activities:		
Water	$	1,311
Sewer		1,033
Sanitation		12
Cultural Arts Center		29
Emergency Medical Services		12
Parks & Recreation		1
Airport		375
Transit		3,179
Total depreciation expense - business-type activities	$	5,952

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 $1,543,732 and retirements of $774,480 or net addition to accumulated depreciation in the amount of $769,252.

(4) Notes Receivable

a) 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, 2012 is $89,055.

b) State Gas Tax Street Improvement

This represents a first trust deed held by the City as part of the sale of City-owned property at the southeast corner of Pacific Coast Highway and Hawthorne Boulevard. The value of this deed as of June 30, 2012 is $206,250.

(5) Short-term Debt – Tax and Revenue Anticipation Notes

The City of Torrance issues tax revenue anticipation notes (TRAN) in advance of property tax collections, depositing the proceeds in the General Fund. These notes were issued to provide monies to meet the City's anticipated cash flow needs prior to the receipt of property taxes collected by the City later in the year. These notes are necessary for the City's prepayment of its contribution to PERS at the beginning of the fiscal year rather than in installments throughout the year.

The TRAN was for $38,000,000 and was purchased with a net original issue premium of $1,012,320 and an underwriter discount of $2,280. The City repaid the TRAN within the same fiscal year therefore preventing debt from being carried forward.

Short-term debt activity for the year ended June 30, 2012:

	Beginning fiscal year balance	Issued	Redeemed	Ending fiscal year balance
Tax and revenue anticipation notes	$ 33,000,000	38,000,000	(33,000,000)	$ 38,000,000

(6) Long-term Debt

a) 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. This debt is considered to be capital related.

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, 2012, the $1,190,000 face amount of the refunding bonds was outstanding, of which $570,000 has been classified as a current liability in the accompanying proprietary fund financial statements.

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:			
2013	$ 570	$ 53	$ 623
2014	620	25	645
Total	$ 1,190	$ 78	$ 1,268

b) 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. This debt is considered to be capital related.

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 $6,300,000 remains outstanding as of June 30, 2012. Certificates maturing on or before December 1, 2007 were subject to optional prepayment in whole or in part, on any business day on or after December 1, 2006 at the stated prepayment price.

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:			
2013	$255	$292	$547
2014	260	281	541
2015	275	268	543
2016	285	255	540
2017	300	241	541
2018-2022	1,725	972	2,697
2023-2027	2,175	512	2,687
2028-2029	1,025	49	1,074
Total	$6,300	$2,870	$9,170

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. This debt is considered to be capital related.

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 $12,225,000 remains outstanding as of June 30, 2012. 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.

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	**Interest**	**Total**
Year ending June 30:			
2013	$ 955	$ 586	$ 1,541
2014	990	554	1,544
2015	315	505	820
2016	330	494	824
2017	345	482	827
2018 to 2022	1,990	2,133	4,123
2023 to 2027	2,535	1,584	4,119
2028 to 2032	3,230	883	4,113
2033 to 2034	1,535	116	1,651
	$ 12,225	$ 7,337	$ 19,562

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, 2012. 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.

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	**Interest**	**Total**
Year ending June 30:			
2013	$ -	$ 1,233	$ 1,233
2014	-	1,233	1,233
2015	720	1,233	1,953
2016	755	1,197	1,952
2017	790	1,159	1,949
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
	$ 23,915	$ 17,571	$ 41,486

2009 Land Acquisition Project

In 2009, the Torrance Public Financing Authority issued certificates of participation dated December 1, 2009 in the amount of $18,880,000. A portion of the proceeds of the Certificates was used to finance the acquisition price of $17,650,000 for approximately 15 acres of real property located at 465 Crenshaw Boulevard in the City. The City expects to use the property for a regional transit center and other City uses. This debt is considered to be capital related.

The principal matures September 1 commencing in 2010 and is due September 1 each year after until 2039 at variable amounts ranging from $310,000 to $1,220,000. Interest is payable on March 1 and September 1 with interest rates ranging from 2% to 4.5% commencing March 1, 2010 and $18,255,000 remains outstanding as of June 30, 2012.

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	**Interest**	**Total**
Year ending June 30:			
2013	$ 325	$ 931	$ 1,256
2014	335	921	1,256
2015	345	910	1,255
2016	360	896	1,256
2017	375	882	1,257
2018 to 2022	2,125	4,155	6,280
2023 to 2027	2,725	3,555	6,280
2028 to 2032	3,540	2,734	6,274
2033 to 2037	4,655	1,622	6,277
2038 to 2040	3,470	293	3,763
	$ 18,255	$ 16,899	$ 35,154

c) Pledged Revenue

The City and its component unit, the Water Enterprise Fund has debt issuance outstanding that is collateralized by the pledging of certain revenues. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table presented in the accompanying notes. The purpose for which the proceeds of the related debt issuance was utilized is disclosed in the debt description of the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so required by the debt agreement) is indicated on the table below. This percentage also approximates the relationship of debt service to pledged revenues for the remainder of the term of the commitment.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses where applicable)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Water Revenues	$4,453,237	$611,300	14%

(7) 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, 2012 (in thousands):

Govermental Activities:	Balance June 30, 2011	Incurred or Issued	Satisfied or Matured	Transferred	Balance June 30, 2012	Amounts due within One Year	Amounts Due in more than One Year
Compensated absences payable	$ 20,832	10,574	10,719	-	$ 20,687	10,542	10,145
Net postemployment benefits payable	7,588	4,925	2,285	-	10,228	-	10,228
Claims & judgments	26,404	2,719	2,719	-	26,404	9,649	16,755
Advances and notes payable							
American Honda Motor Co.	1,775	-	-	1,775	-	-	-
County of Los Angeles	20,250	520	-	20,770	-	-	-
Tax Allocation Bonds:							
Skypark project refunding	489	-	320	169	-	-	-
Downtown project refunding	6,535	-	220	6,315	-	-	-
Industrial project refunding	23,300	-	1,160	22,140	-	-	-
Certificates of Participation:							
1998 Police and Fire refunding certificates	6,540	-	240	-	6,300	255	6,045
2004 A refunding certificates	13,150	-	925	-	12,225	955	11,270
2004 B refunding certificates	23,915	-	-	-	23,915	-	23,915
2009 land acquisition certificates	18,570	-	315	-	18,255	325	17,930
Total Governmental Activities	$ 169,348	18,738	18,903	51,169	$ 118,014	21,726	96,288
Business-Type Activities:							
Revenue Bonds - Water Fund	$ 1,730	-	540	-	$ 1,190	570	620
Total Business-Type Activities	$ 1,730	-	540	-	$ 1,190	570	620

Activity labeled Transferred relates to the former redevelopment agency of the City which was dissolved effective February 1, 2012. Further details of the redevelopment agency dissolution can be found in Note 19.

Compensated Absences

The City's policy regarding compensated absences is described in Note 1. The funded portion of this debt, totaling $3,839,775, is recorded in the Internal Service Funds. The unfunded portion, amounting to $16,847,757 is recorded in the governmental activities and is expected to be paid from future resources. In prior years, compensated absences have been liquidated primarily by the general fund.

Net Postemployment Benefits

The long-term liability for net postemployment benefits is recorded in the Internal Service Funds. Further details of the net postemployment benefits liability can be found in Note 9. The long-term liability for net postemployment benefits has been included in the governmental activities in the Government-wide Statement of Net Assets.

Claims and Judgments

The long-term liability for self-insurance claims and judgments 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 judgments has been included in the governmental activities in the Government-wide Statement of Net Assets.

(8) 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 95811.

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 assumes on behalf of substantially all of their employees hired prior to fiscal year 2010-2011. At various dates in fiscal year 2010-2011, employee group agreements were changed and employees hired after these dates are required to pay their contribution themselves. 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, 2012 was 12.192% for miscellaneous employees, 39.217% for fire employees and 44.936% 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.

Annual Pension Cost

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation. For the year ended June 30, 2012 the City's APC and its actual contributions were $35,299,189. The City contributed $26,796,095 on behalf of their employees. Employees directly contributed $8,503,094. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012. The ARC for the year ended June 30, 2012 was determined as part of the June 30, 2009 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 3.55% to 14.45% for miscellaneous members and from 3.55% to 13.15% for safety members; (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.00% 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.

The schedule of funding progress that follows shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The schedule of funding progress also presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Three-Year Trend Information for the Plan

Fiscal year ended June 30	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligations
Misc:			
2010	$10,817,264	100%	—
2011	10,651,054	100%	—
2012	11,957,160	100%	—
Safety:			
2010	$19,463,464	100%	—
2011	19,594,668	100%	—
2012	23,342,029	100%	—
Total:			
2010	$30,280,728	100%	—
2011	30,245,722	100%	—
2012	35,299,189	100%	—

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
Misc:						
2009	$ 420.6	$ 382.7	$ 37.9	91.0%	$ 61.6	61.4%
2010	437.5	399.0	38.5	91.2	61.8	62.3
2011	461.9	416.9	45.0	90.3	59.7	75.4
Safety:						
2009	$ 623.5	$ 470.8	$ 152.7	75.5%	$ 41.6	367.0%
2010	649.1	485.5	163.6	74.8	42.3	386.7
2011	680.9	504.1	176.8	74.0	43.2	408.8
Total:						
2009	$ 1,044.1	$ 853.5	$ 190.6	81.7%	$ 103.2	184.6%
2010	1,086.6	884.5	202.1	81.4	104.1	194.2
2011	1,142.8	921.0	221.8	80.6	102.9	215.5

(9) Other Post Employment Benefits

Funding Policy

Below are the 2011/12 ARC (Annual Required Contribution), AOC (Annual Other Post Employment Benefit OPEB Cost), and the estimated June 30, 2012 NOO (Net OPEB Obligation).

A trust fund has not been established for this plan and the plan does not issue separate financial statements.

Eligibility

Employees are generally eligible for postemployment benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a CalPERS pension benefit. As of June 30, 2011, there were 1,213 active participants potentially eligible for the benefit and 1,027 total service and disability retirees currently receiving benefits.

Annual Required Contribution (ARC)

The Annual Required Contribution is the sum of the Normal Cost plus a 25-year level percent of pay amortization of the Unfunded Actuarial Accrued Liability (UAAL) or less an amortization of excess assets determined as of the end of the fiscal year.

The 2011/12 Annual Required Contribution determined by this valuation includes the Normal Cost plus a combined 26-year amortization as a level of percent of pay and determined as of the end of the fiscal year (Amounts in $000's):

▪ Normal	$2,169
▪ UAAL Amortization	2,824
▪ Total	$4,993
▪ Payroll	106,520
▪ ARC%	
• Normal Costs	2.0%
• UAAL Amort	2.7%
• Total	4.7%

Annual OPEB Cost (AOC)

The Annual OPEB Cost is the expense recognized on the City's income statement for providing post-retirement healthcare benefits. The AOC will equal the ARC, adjusted for prior differences between the ARC and actual contributions.

The AOC is equal to the ARC, except when the City has a Net OPEB Obligation (NOO) at the beginning of the year. When that happens, the AOC will equal the ARC adjusted for expected interest on the NOO and reduced by an amortization of the NOO. The end of year AOC for fiscal year 2011/12 is determined as follows:

▪ ARC	$4,993
▪ Interest on NOO	274
▪ Amortization of NOO	(342)
▪ Total AOC	$4,925
▪ AOC as % of Payroll	4.62%

Net OPEB Obligation (NOO)

The NOO is the historical difference between the ARC and actual contributions. If an agency has always contributed the ARC, then the NOO equals zero. However, contributions have not been "made" for purposes of GASB 45 unless they have been segregated in an irrevocable trust for the

sole purpose of paying plan benefits. To date the City has not funded contributed any amounts into an irrevocable trust. Pursuant to established City practice and employee MOUs, the postemployment benefits are funded on a "pay as you go" basis. For fiscal year 2012, 46.4% of the ARC was contributed in the form of benefit payments made.

Based on the AOC developed above, the estimated June 30, 2012 NOO is (Amounts in $000's):

Annual required contribution	$ 4,993
Interest on net OPEB obligation	274
Adjustment to annual required obligation	(342)
Annual OPEB cost (expense)	$ 4,925
Contributions made (including benefit paid)	(2,285)
Increase in net OPEB obligation	$ 2,640
Net OPEB obligation-beginning of year	7,588
Net OPEB obligation-end of year	$10,228

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and the preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$4,163	50.0%	$5,502
6/30/11	$4,163	50.0%	$7,588
6/30/12	$4,925	46.4%	$10,228

Amortization Payments
(Amounts in 000's)

	06/30/09 Valuation		06/30/11 Valuation	
Amortization Payment	**2009/10**	**2010/11**	**2011/12**	**2012/13**
Initial UAAL	$ 1,985	$ 2,050	$ -	$ -
06/30/09 Valuation (Gains) Losses	550	727	-	-
06/30/11 Valuation Fresh Start	-	-	2,824	3,040
Total	$ 2,535	$ 2,777	$ 2,824	$ 3,040

Actuarial Methods

Method	June 30, 2011 Valuation
▪ Plan Assets	- None
▪ Cost Method	- Entry Age Normal Level of Pay
▪ Amortization Period	- 26 years
▪ Amortization Method	- Level percent of payroll
▪ Funding Policy	- Pay-As-You-Go
▪ Future New Entrants	- None-Closed group
▪ Unfunded Liability Amortization	- 26 years

Actuarial Assumptions

Valuation Date
- June 30, 2011

Discount Rate
- 4.25% (assets invested in General Fund, not pre-funded)

Inflation
- 3.0% per annum

Aggregate Payroll Increase
- 3.25% per annum

Cap Increases
- 0% for all groups except Police yearly stipend

Year	Increase
1-5	0.5%
6-10	1.4%
11-15	2.7%
16-20	3.2%
21+	3.25%

Mortality, Withdrawal, and Disability

- CalPERS 1997-2007 Experience Study
- Mortality Projection Scale AA

Retirement

- Calpers 1997-2007 Experience Study
- Miscellaneous
  Level 2% @ 55
  Hire Age 31.4
  ERA 57.7
- Safety
  Level 3% @ 50
  HA (F) 26.9
  HA (P) 26.7
  ERA (F) 54.4
  ERA (P) 53.6

Medical Trend

Year	Non-Medicare HMO	Non-Medicare PPO		Medicare HMO	Medicare PPO
2009		Actual	Premiums		
2010		Actual	Premiums		
2011		Actual	Premiums		
2012	7.8%	8.3%		8.0%	8.5%
2013	7.1%	7.5%		7.3%	7.7%
2014	6.5%	6.8%		6.6%	6.9%
2015	5.8%	6.0%		5.9%	6.1%
2016	5.2%	5.3%		5.2%	5.3%
2017+	4.5%	4.5%		4.5%	4.5%

Participation at retirement

	Currently Covered	Currently Waived
Misc	60%	48%
Fire	90%	72%
Police		
Svc <15	60%	48%
Svc ≥15	90%	72%

Marital Status

- Actives

-Not currently Covered-80% married
-Currently covered-current marital status

- Retirees-current marital status

Waived retiree re-election

- Post 65-0%
- Pre-65-10% at 65

Future New Entrants
• None-Closed group

Actuarial Obligations
4.25% Discount Rate
06/30/2011
(Amounts in $000's)

▪ Present Value of Benefits	
• Actives	$ 46,770
• Retirees	38,281
• Total	85,051
▪ Actuarial Accrued Liability	
• Actives	24,315
• Retirees	38,281
• Total	62,596
▪ Normal Cost	2,169
▪ Pay-as-you-go-Cost	2,285

Funded Status and Funding Progress. The funded status of the plan as of the date of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	$62,596
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$62,596
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$106,520
UAAL as a percentage of covered payroll	58.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

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

SCHEDULE OF FUNDING PROGRESS

The funding progress of the plan as of specified valuation dates is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
06/30/11	$0	$62,596	$62,596	0%	$106,520	58.8%
06/30/09	$0	$77,024	$77,024	0%	$98,599	78.1%
01/01/08	$0	$47,753	$47,753	0%	$60,414	79.1%

(10) 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 (GWLAIC) 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, 2012:

Balance, July 1, 2011	$ 139,186,335
Deferrals of compensation	9,607,607
Net investment earnings	1,615,819
Payment to Plan participants	(9,379,405)
Plan net assets available for participants and beneficiaries, June 30, 2012	$ 141,030,356

(11) Other Required Individual Fund Disclosures

Interfund Transactions – Due to/Due from other funds

Interfund receivable and payable balances at June 30, 2012 were as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Grants and Donations Special Revenue Fund	$3,119
	Nonmajor Proprietary Funds	371
	Nonmajor Governmental Funds	10
		$3,500

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

Interfund Transactions - Advances

The balances of advances between funds at June 30, 2012 were as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Successor Agency Trust	$15,272
Water Fund	Successor Agency Trust	1,154
Sewer Fund	Successor Agency Trust	419
Nonmajor Governmental Funds	General Fund	600
		$17,445

The advances to the Successor Agency Trust (former redevelopment agency fund) represents loans to fund infrastructure improvements. More information regarding the Successor Agency Trust can be found in Note 19.

The advance from the Parks and Recreation Facilities Fund (a non-major governmental fund) to the General Fund represents a loan for property acquisition.

(12) Transfers In and Out

The balances of transfers between funds at June 30, 2012 were as follows (in thousands):

Transfer From	Transfer To		Amount
General Fund	Capital Improvements Fund	$	2,353
	Nonmajor Proprietary Funds		13,509
	Internal Service Funds		1,631
	Nonmajor Governmental Funds		1,517
			19,010
Capital Improvements Fund	General Fund		2,670
Water Proprietary Fund	General Fund		22
Sewer Proprietary Fund	Internal Service Funds		120
Transit Proprietary Fund	General Fund		37
	Nonmajor Proprietary Funds		3
			40
Internal Service Funds	General Fund		15
	Nonmajor Proprietary Funds		9
			24
Nonmajor Proprietary Funds	General Fund		6,714
	Internal Service Fund		339
	Nonmajor Proprietary Funds		10
	Nonmajor Governmental Funds		26
			7,089
Nonmajor Governmental Funds	General Fund		1,044
	Transit Proprietary Fund		233
	Nonmajor Governmental Funds		288
			1,565
Total		$	30,540

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

- Transfers to the Self Insurance Fund (an internal service fund) represent contributions to fund self- insured claims and settlements;
- Transfers to the Fleet Services Fund (an internal service fund) represent contributions for fleet acquisitions;
- Transfers to the Street Lighting Assessment Fund (a nonmajor governmental fund), the Cultural Arts Fund, the Emergency Medical Service Fund and the Parks & Recreation Funds (each a nonmajor proprietary fund) represent additional subsidies for those funds' regular operations;
- Transfers to the Capital Improvements Funds represent contributions to fund various capital projects;
- Transfers to the General Fund from the Municipal Airport Fund (a nonmajor proprietary fund) represent transfers to fund operations and equipment replacement.

(13) 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 $5,000,000 per occurrence. There is excess liability coverage of $20,000,000 for amounts above the $5,000,000 self insured retention.

The City also purchases insurance with lower or no deductibles/retentions covering the following specific risks: The Airport, Pollution Liability related to named locations the 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 up to State of California statutory limits.

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 $15,000,000 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, 2012, $21,601,994 and $4,801,753 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):

Fiscal years	Beginning fiscal year liability balance	Current year claims and changes in estimates	Claim payments	Ending fiscal year balance
2010-11	$ 24,910	4,591	(3,097)	$26,404
2011-12	$ 26,404	2,719	(2,719)	$26,404

(14) Due from Other Governments

Amounts due from other governments consisted of the following at June 30, 2012 (in thousands):

	State of California	Federal Agencies	County of Los Angeles	Other Local Governments	Total
Governmental Funds:					
General Fund	$5,453	—	2,673	—	$8,126
Special Revenue Funds:					
Air Quality Improvement Fund	45	—	—	—	45
Rental Assistance Program Fund	—	—	19	—	19
Grants & Donation Fund	—	983	150	—	1,133
Street Lighting District Fund	—	—	115	—	115
DNA Sampling Fund	—	—	4	—	4
Enterprise Funds:					
Transit System	—	2,301	865	16	3,182
Subtotal	5,498	3,284	3,826	16	12,624
Fiduciary Funds:					
Municipal Area Express	—	—	16	2	18
Special Deposits	6	—	—	—	6
Total	$5,504	3,284	3,842	18	$12,648

(15) Unearned Revenue

The table below shows activity for the City's unearned revenue accounts as of June 30, 2012. The unearned revenue in the Transit Fund represents amounts 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 2012, the Parks & Recreation Enterprise Fund collected revenues for summer classes which begin in July. These revenues will be recognized in July.

Unearned Revenue Activity for Fiscal Year Ended June 30, 2012
(in thousands)

	Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
Transit Security Reserve	$ 407	13	-	$ 420
Transit Prop 1B	2,059	3,898	623	5,334
Transit Prop C (MOSIP)	643	1,030	643	1,030
Airport Rents received for July	131	208	131	208
Parks & Recreation Enterprise Fund revenues received in May and June for July classes	723	586	723	586
Total business-type activities	3,963	5,735	2,120	7,578
	$ 3,963	$ 5,735	$ 2,120	$ $ 7,578

(16) Deficit Fund Equity (Accumulated Deficit)

The Self-Insurance Internal Service Fund reflected an accumulated deficit of $19,044,971 at June 30, 2012. 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. 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.

The Postemployment/Compensated Absences Fund has an accumulated deficit of $5,984,328 as of June 30, 2012. This deficit will be reduced by future transfers from the General Fund to fund the accrued liability for net postemployment benefits.

Parks and Recreation has an accumulated deficit of $627,325 as of June 30, 2012. The deficit will be reduced with a larger subsidy in fiscal year ending June 30, 2013.

(17) 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 $6,296,571 at June 30, 2012.

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.

(18) Fund Balance Policies of the General Fund

Included in the unassigned fund balance of the General Fund is an economic anomaly reserve ($10,121,349) and a program contingency reserve ($585,692). The funding goal of the economic anomaly reserve is 10% of the combined net adopted 2012-13 appropriation level for the General Fund, Parks and Recreation Fund, Cultural Arts Center Fund, Animal Control Fund, and the Emergency Medical Services Fund. The program contingency reserve does not have a funding goal.

Included in assigned fund balance of the General Fund is $9,943,482 of special project reserves.

(19) Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Torrance that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012 the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-02.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

During the year ended June 30, 2011 the former redevelopment agency transferred certain properties to the City. The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill. The State Controller has not yet made a determination with respect to these transfers.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. As of June 30, 2012, the law requires that the successor agency meet three conditional requirements before the aforementioned obligations could be considered eligible and enforceable. The three conditions are (1) the successor agency must pay the full amount determined during the due diligence reviews of unencumbered cash balances of the redevelopment agency and the county auditor-controller must report that the successor agency has made the appropriate payments to the Department of Finance, (2) the successor agency must have paid the full amount as determined during the July 2012 True-Up process and (3) the successor agency must have paid the full amount upon a final judicial determination of the amounts due and confirmation that those amounts have been paid by the county auditor-controller. Management believes that it is probable that these events will occur.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the governmental fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain reported in governmental funds	$ (6,663,881)
Accrued bond interest reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	(569,979)
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	(51,169,681)
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	$ (58,403,541)

a) Long-term Debt – Successor Agency Bonds

2001 Tax Allocation Refunding Bonds – Skypark Project

On December 31, 2001 the Former Redevelopment 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 bonds will mature and be satisfied on July 1, 2012, with the final principal payment of $169,300, and interest at 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 Former Redevelopment 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 Former Redevelopment 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.

Annual debt service requirements to maturity for all tax allocation bonds to be paid from the Successor Agency Trust are as follows (in thousands):

	Annual Debt Service Requirement		
	Principal	**Interest**	**Total**
Year ending June 30:			
2013	$ 1,659	$ 1,543	$ 3,202
2014	1,600	1,451	3,051
2015	1,130	1,375	2,505
2016	1,195	1,311	2,506
2017	1,260	1,244	2,504
2018 to 2022	7,405	5,064	12,469
2023 to 2027	9,700	2,704	12,404
2028 to 2029	4,675	264	4,939
	$ 28,624	$ 14,956	$ 43,580

Advances and Notes Payable

At June 30, 2012, the Successor Agency Trust had advances and notes payable in the following amounts:

Advances from developers: On June 9, 1987, the Former 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, 2012, the principal balance outstanding is $910,790 and the accrued interest is $864,547.

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, 2012 the principal balance outstanding is $12,733,970 and accrued interest is $8,036,074.

Pledged Revenue

The Successor Agency Trust has debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments is indicated in the debt service to maturity table presented in the accompanying notes. The purpose for which the proceeds of the related debt issuances were utilized is disclosed in the debt description of the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so required by the debt agreement) is indicated on the table below. This percentage also approximates the relationship of debt service to pledged revenues for the remainder of the term of the commitments. For the purposes of the disclosure below, the annual data presented includes amounts applicable to the former redevelopment agency from July 1, 2011 through January 31, 2012 and amounts applicable to the successor agency for the period February 1, 2012 through June 30, 2012.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses where applicable)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Successor Agency Revenues	$5,317,378	$4,134,228	78%

b) Changes in Long-Term Obligations – Successor Agency Debt

The following is a summary of changes in the Successor Agency Trust's long-term obligations for the year ended June 30, 2012 (in thousands):

Trust Activities:	Balance June 30, 2011	Incurred or Issued	Satisfied or Matured	Transferred	Balance June 30, 2012	Amounts due within One Year	Amounts Due in more than One Year
Advances and notes payable							
American Honda Motor Co.	-	-	-	1,775	1,775	1,775	-
County of Los Angeles	-	-	-	20,770	20,770	-	20,770
Tax Allocation Bonds:							
Skypark project refunding	-	-	-	169	169	169	-
Downtown project refunding	-	-	-	6,315	6,315	230	6,085
Industrial project refunding	-	-	-	22,140	22,140	1,260	20,880
Total Trust Activities	$ -	-	-	51,169	$ 51,169	3,434	47,735

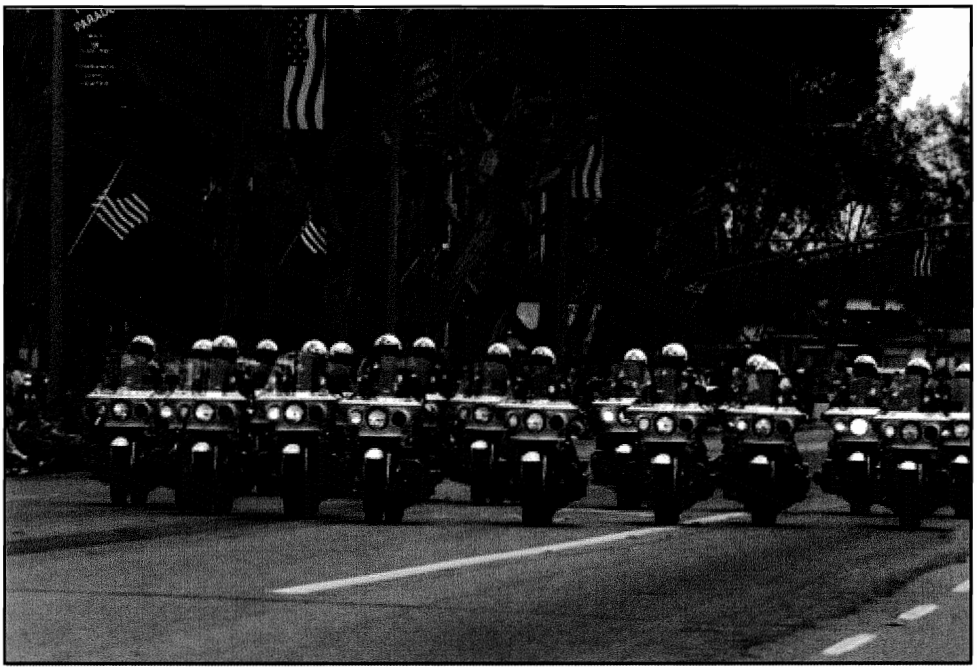
c) Advances from City – Successor Agency Advances

The advances from the City of Torrance to the Successor Agency Trust represent loans to fund infrastructure improvements.

d) Deficit Fund Equity (Accumulated Deficit) – Successor Agency Deficit

The Private-Purpose Trust Fund (a fiduciary fund) has an accumulated deficit of $40,626,265 as of June 30, 2012, which represents the inclusion of long-term advances (non-city) and bond debt in excess of cash with fiscal agents.

City of Torrance

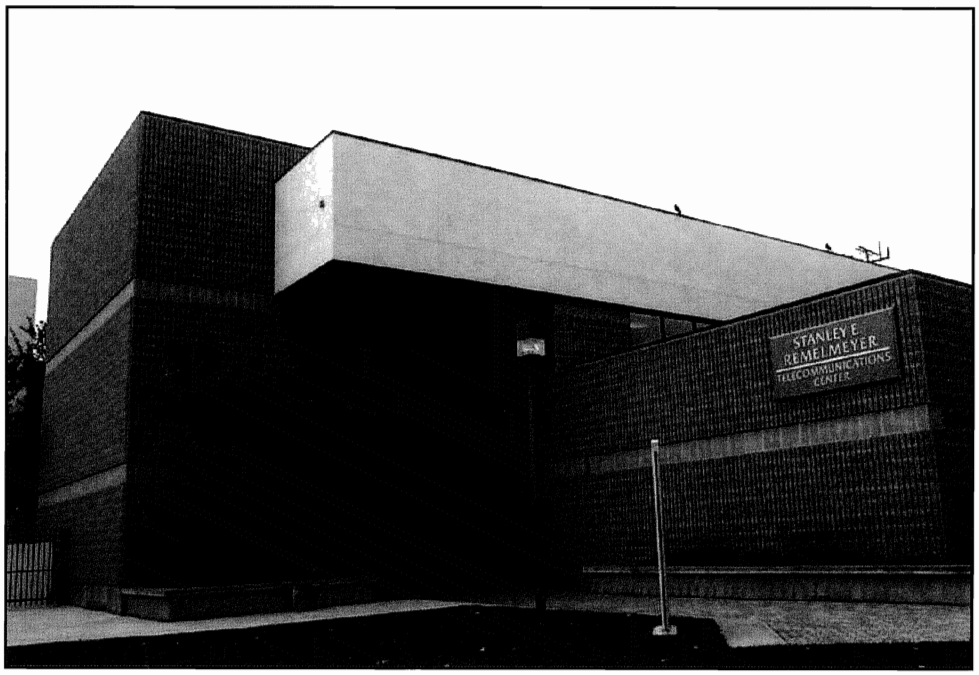


44th Armed Forces Day Parade

Combining Financial Statements and Schedules

❖ DEPARTMENT OF FINANCE ❖

City OF Torrance



Stanley Remelmeyer Cable Building

Non-Major Governmental Funds

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE,CALIFORNIA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

Assets	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Pooled cash and investments	$ 34,486,806	$ —	$ —	$ 34,486,806
Cash and cash equivalents with fiscal agents	—	1,658,609	4,583,487	6,242,096
Accounts receivable	760,495	—	—	760,495
Accrued interest receivable	104,269	—	—	104,269
Due from other governments	183,224	—	—	183,224
Interfund advances receivable	600,000	—	—	600,000
Notes receivable	295,305	—	—	295,305
Total Assets	$ 36,430,099	$ 1,658,609	$ 4,583,487	$ 42,672,195
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	$ 1,780,506	$ 62,870	$ —	$ 1,843,376
Accounts payable-contract retention	183,263	—	—	183,263
Due to other funds	—	9,970	—	9,970
Total Liabilities	1,963,769	72,840	—	2,036,609
Fund Balance:				
Restricted for:				
Public works	22,888,575	—	—	22,888,575
Culture and recreation	4,798,602	—	—	4,798,602
Community development	1,917,257	—	—	1,917,257
Public safety	4,861,896	—	—	4,861,896
Capital projects	—	1,585,769	—	1,585,769
Debt service	—	—	4,583,487	4,583,487
Total Fund Balances	34,466,330	1,585,769	4,583,487	40,635,586
Total Liabilities and Fund Balances	$ 36,430,099	$ 1,658,609	$ 4,583,487	$ 42,672,195

CITY OF TORRANCE,CALIFORNIA

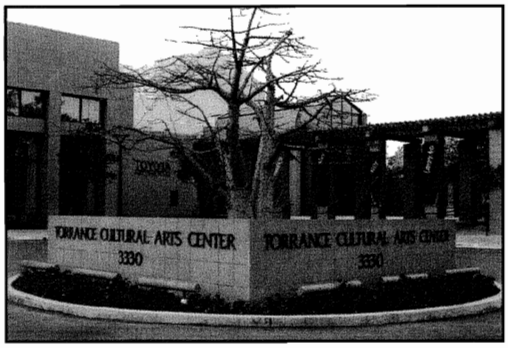
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2012

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Fund
Revenues:				
Taxes	$ 1,709,529	$ —	$ 3,625,853	$ 5,335,382
Fines, forfeitures and penalties	238,122	—	—	238,122
Use of money and property	468,179	16,036	4,522,946	5,007,161
Intergovernmental	16,212,993	—	—	16,212,993
Other revenues	351,707	230,376	519,970	1,102,053
Total revenues	18,980,530	246,412	8,668,769	27,895,711
Expenditures:				
General government	1,132,358	—	—	1,132,358
Public works	5,394,301	—	—	5,394,301
Culture and recreation	57,543	—	—	57,543
Community development	6,634,901	273,676	—	6,908,577
Capital outlay	1,640,119	282,562	—	1,922,681
Debt service:				
Principal retirement	—	—	3,351,691	3,351,691
Interest and fiscal charges	—	—	4,602,960	4,602,960
Other	—	—	1,356,591	1,356,591
Total expenditures	14,859,222	556,238	9,311,242	24,726,702
Excess (deficiency) of revenues over expenditures	4,121,308	(309,826)	(642,473)	3,169,009
Other financing sources (uses):				
Transfers in	1,688,136	—	142,912	1,831,048
Transfers out	(1,417,923)	(147,239)	—	(1,565,162)
Total other financing sources (uses)	270,213	(147,239)	142,912	265,886
Extraordinary gain (loss)	—	(9,213,037)	15,876,918	6,663,881
Net change in fund balances	4,391,521	(9,670,102)	15,377,357	10,098,776
Fund balances, July 1, 2011	30,074,809	11,255,871	(10,793,870)	30,536,810
Fund balances, June 30, 2012	$ 34,466,330	$ 1,585,769	$ 4,583,487	$ 40,635,586

City OF Torrance



Torrance Cultural Arts Center

Non-Major Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable and nonexpendable trusts) that are restricted by law to expenditure for specified purposes.

The PARKS AND RECREATION FACILITIES FUND is used to account for the revenues and expenditures in connection with the City's park and recreation facilities tax.

The RENTAL ASSISTANCE PROGRAM FUND is used to account for the operations of the Federal rental assistance program which provides relief for lower income families.

The SEISMIC EDUCATION FUND is used to account for the training and developing of the City's staff on seismic activities.

The STREET LIGHTING ASSESSMENT FUND is used to account for the revenues and expenditures associated with the maintenance and use of the City's street lighting system.

The DRAINAGE IMPROVEMENT FUND is used to account for the revenues and expenditures in connection with the improvement of the City's drainage system.

The PARKS REHABILITATION AND OPEN SPACE FUND is used to account for the resources generated by a fee imposed on new dwelling construction and certain remodeling of dwellings.

The PROPOSITION C FUND is used to improve transit service and operations, reduce traffic congestion, improve air quality, efficiently operate and improve the condition of the streets and freeways utilized by public transit and reduce foreign fuel dependence.

MEASURE R LOCAL RETURN AND HIGHWAY FUND is used for planning, right of way acquisitions, engineering, administration, construction, improvement, maintenance, and operation of public streets and roads, highways and exclusive public mass transit guide ways.

The VANPOOL RIDESHARE FUND is used to account for rideshare revenues from Prop C and fares, and to account for rideshare expenses.

The BICYCLE TRANSPORTATION FUND is used to account for the revenues and expenditures in connection with the City's bicycle transportation program.

The ANIMAL CONTROL FUND is used to account for animal licenses, permits and operations of the Animal Control Program.

The DEVELOPMENT IMPACT FUND is used to account for the transportation, utility undergrounding, sewer, storm drain, Police & Fire impact fees that will be used to finance facilities identified by the study's needs list.

The UNDERGROUND STORAGE TANK FUND is used to account for receipt of funds from settlement or any other civil or criminal penalties paid to the Fire Dept. and may only be used to regulate underground storage tanks.

The GEOLOGIC HAZARD ABATEMENT FUND is used to account for the costs of installation and construction of improvements necessary to the prevention, mitigation, abatement, or control of a geologic hazard within the City.

The STATE GAS TAX STREET IMPROVEMENT FUND is used to account for the State gasoline tax revenues received from the State which are used for maintenance and improvement of the City's streets.

The AQMD FUND is used to account for City compliance with air quality management regulations.

The MEADOW PARK PARKING LOT DISTRICT FUND is used to account for the revenues and expenditures generated through the cleaning and maintenance of the Meadow Park parking lot district.

The POLICE INMATE WELFARE FUND is comprised of any money, refund, rebate or commission received from a telephone company or pay telephone provider when the money is attributable to the use of pay telephones which are primarily used by inmates while incarcerated.

The FEDERAL HOUSING AND COMMUNITY DEVELOPMENT FUND is used to account for the activities of the Federal Housing and Community Development Block Grant.

The ASSET FORFEITURE FUND is used to account for resources used solely for investigation, detection and prosecution of criminal activities. This includes the purchase of equipment, investigation training, and developing/acquiring personnel resources.

The PROPOSITION 1B FUND is used to account for monies received from the State out of the state general obligation bonds for the purpose of providing roadway extension, rehabilitation and reconstruction.

The TRAFFIC CONGESTION RELIEF FUND is used to account for monies received for the purpose of providing roadway, pavement maintenance, rehabilitation and reconstruction.

The DNA SAMPLING FUND is used to account for DNA sampling of arrestees that is reimbursed by the State.

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2012

Assets	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting Assessment Fund	Drainage Improvement Fund
Pooled cash and investments	$ 900,196	$ 1,051,102	$ 62,069	$ 82,839	$ 19,444
Accounts receivable	—	35,057	—	—	—
Accrued interest receivable	4,118	—	247	—	—
Interfund advances receivable	600,000	—	—	—	—
Due from other governments	—	19,033	—	115,137	—
Notes receivable	—	—	—	—	—
Total assets	$ 1,504,314	$ 1,105,192	$ 62,316	$ 197,976	19,444
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ —	$ 613	$ 26,827	$ 170,915	$ —
Accounts payable – contract retention	—	—	—	—	—
Total liabilities	—	613	26,827	170,915	—
Fund balances:					
Restricted for:					
Public works	—	—	35,489	27,061	19,444
Culture and recreation	1,504,314	—	—	—	—
Community development	—	1,104,579	—	—	—
Public safety	—	—	—	—	—
Total fund balances	1,504,314	1,104,579	35,489	27,061	19,444
Total liabilities and fund balances	$ 1,504,314	$ 1,105,192	$ 62,316	$ 197,976	$ 19,444

Parks, Rehabilitation and Open Space Fund	Proposition C Fund	Measure R Local Return & Highway Fund	Vanpool Rideshare Fund	Bicycle Transporation Fund	Animal Control Fund	Development Impact Fund	Underground Storage Tank Fund
$ 3,279,380	$ 5,016,141	$ 3,006,968	$ 599	$ 20,982	$ —	$ 1,317,268	$ 3,000
—	—	256,134	—	—	56,656	—	—
14,908	16,554	14,825	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
$ 3,294,288	$ 5,032,695	$ 3,277,927	$ 599	$ 20,982	$ 56,656	$ 1,317,268	$ 3,000
$ —	$ 19,699	$ 9,618	$ 599	$ —	$ 35,529	$ 1,179,164	$ —
—	32,133	—	—	20,982	—	37,487	—
—	51,832	9,618	599	20,982	35,529	1,216,651	—
—	4,980,863	3,268,309	—	—	—	100,617	3,000
3,294,288	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	21,127	—	—
3,294,288	4,980,863	3,268,309	—	—	21,127	100,617	3,000
$ 3,294,288	$ 5,032,695	$ 3,277,927	$ 599	$ 20,982	$ 56,656	$ 1,317,268	$ 3,000

(continued)

CITY OF TORRANCE, CALIFORNIA
Combining Balance Sheet
Nonmajor Special Revenue Funds
(continued)

Assets	Geologic Hazard Abatement Fund	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund	Police Inmate Welfare Fund
Pooled cash and investments	$ 14,317	$ 11,783,263	$ 141,275	$ 32,801	$ 51,368
Accounts receivable	—	410,327	—	2,321	—
Accrued interest receivable	—	53,370	—	—	247
Interfund advances receivable	—	—	—	—	—
Due from other governments	—	—	45,184	—	—
Notes receivable	—	206,250	—	—	—
Total assets	$ 14,317	$ 12,453,210	$ 186,459	$ 35,122	$ 51,615
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ —	$ 183,887	$ 2,520	$ —	$ —
Accounts payable – contract retention	—	26,465	—	—	—
Total liabilities	—	210,352	2,520	—	—
Fund balances:					
Restricted for:					
Public works	14,317	12,242,858	183,939	—	—
Culture and recreation	—	—	—	—	—
Community development	—	—	—	35,122	—
Public safety	—	—	—	—	51,615
Total fund balances	14,317	12,242,858	183,939	35,122	51,615
Total liabilities and fund balances	$ 14,317	$ 12,453,210	$ 186,459	$ 35,122	$ 51,615

Federal Housing and Community Development Fund	Asset Forfeiture Fund	Proposition 1B Fund	AB2928 Traffic Congestion Relief Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Fund
$ 688,501	$ 4,713,222	$ 2,089,794	$ 139,617	$ 72,660	$ 34,486,806
—	—	—	—	—	760,495
—	—	—	—	—	104,269
—	—	—	—	—	600,000
—	—	—	—	3,870	183,224
89,055	—	—	—	—	295,305
$ 777,556	$ 4,713,222	$ 2,089,794	$ 139,617	$ 76,530	$ 36,430,099
$ —	$ 598	$ 29,672	$ 120,865	$ —	$ 1,780,506
—	—	47,444	18,752	—	183,263
—	598	77,116	139,617	—	1,963,769
—	—	2,012,678	—	—	22,888,575
—	—	—	—	—	4,798,602
777,556	—	—	—	—	1,917,257
—	4,712,624	—	—	76,530	4,861,896
777,556	4,712,624	2,012,678	—	76,530	34,466,330
$ 777,556	$ 4,713,222	$ 2,089,794	$ 139,617	$ 76,530	$ 36,430,099

CITY OF TORRANCE, CALIFORNIA

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

Nonmajor Special Revenue Funds

Year ended June 30, 2012

	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting Assessment Fund	Drainage Improvement Fund
Revenues:					
Taxes	$ 4,950	$ —	$ —	$ 1,292,146	$ —
Fines, forfeitures and penalties	—	—	—	—	—
Use of money and property	14,262	11,986	883	—	—
Intergovernmental	—	6,548,253	—	—	—
Other	—	6,883	192	—	—
Total revenues	19,212	6,567,122	1,075	1,292,146	—
Expenditures:					
General government	—	—	—	—	—
Public works	—	—	—	2,727,338	—
Culture and recreation	7,180	—	—	—	—
Community development	—	6,470,543	—	—	—
Capital outlay	—	—	—	—	—
Total expenditures	7,180	6,470,543	—	2,727,338	—
Excess (deficiency) of revenues over expenditures	12,032	96,579	1,075	(1,435,192)	—
Other financing sources (uses):					
Transfers in	—	—	—	1,435,192	—
Transfers out	—	—	—	—	—
Net change in fund balance	12,032	96,579	1,075	—	—
Fund balances, July 1, 2011	1,492,282	1,008,000	34,414	27,061	19,444
Fund balances, June 30, 2012	$ 1,504,314	$ 1,104,579	$ 35,489	$ 27,061	$ 19,444

Parks, Rehabilitation and Open Space Fund	Proposition C Fund	Measure R Local Return & Highway Fund	Vanpool Rideshare Fund	Bicycle Transportation Fund	Animal Control Fund	Development Impact Fund	Underground Storage Tank Fund
$ —	$ —	$ —	$ —	$ —	$ 208,176	$ 204,257	$ —
96,585	—	—	—	—	—	—	—
51,021	77,884	54,746	—	1,199	—	—	—
—	1,816,052	1,695,535	34,140	209,817	—	—	—
—	—	—	52,178	—	6,924	—	—
147,606	1,893,936	1,750,281	86,318	211,016	215,100	204,257	—
—	—	—	231,694	—	337,544	431,448	—
—	1,742,973	712,974	—	211,016	—	—	—
50,363	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
50,363	1,742,973	712,974	231,694	211,016	337,544	431,448	—
97,243	150,963	1,037,307	(145,376)	—	(122,444)	(227,191)	—
—	—	—	145,376	—	107,568	—	—
—	(377,923)	—	—	—	—	—	—
97,243	(226,960)	1,037,307	—	—	(14,876)	(227,191)	—
3,197,045	5,207,823	2,231,002	—	—	36,003	327,808	3,000
$ 3,294,288	$ 4,980,863	$ 3,268,309	$ —	$ —	$ 21,127	$ 100,617	$ 3,000

(continued)

CITY OF TORRANCE, CALIFORNIA

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

Nonmajor Special Revenue Funds

(continued)

	Geologic Hazard Abatement Fund	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund	Police Inmate Welfare Fund
Revenues:					
Taxes	$ —	$ —	$ —	$ —	$ —
Fines, forfeitures and penalties	—	—	—	—	—
Use of money and property	—	175,670	1,983	21,374	825
Intergovernmental	—	4,128,190	183,038	—	—
Other	—	275,000	—	—	—
Total revenues	—	4,578,860	185,021	21,374	825
Expenditures:					
General government	—	—	—	16,500	—
Public works	—	—	—	—	—
Culture and recreation	—	—	—	—	—
Community development	—	—	164,358	—	—
Capital outlay	—	798,239	—	—	—
Total expenditures	—	798,239	164,358	16,500	—
Excess (deficiency) of revenues over expenditures	—	3,780,621	20,663	4,874	825
Other financing sources (uses):					
Transfers in	—	—	—	—	—
Transfers out	—	(1,040,000)	—	—	—
Net change in fund balance	—	2,740,621	20,663	4,874	825
Fund balances, July 1, 2011	14,317	9,502,237	163,276	30,248	50,790
Fund balances, June 30, 2012	$ 14,317	$ 12,242,858	$ 183,939	$ 35,122	$ 51,615

Federal Housing and Community Development Fund	Asset Forfeiture Fund	Proposition 1B Fund	AB2928 Traffic Congestion Relief Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Fund
$ —	$ —	$ —	$ —	$ —	1,709,529
—	141,537	—	—	—	238,122
—	46,878	—	9,468	—	468,179
—	—	1,597,968	—	—	16,212,993
—	—	—	—	10,530	351,707
—	188,415	1,597,968	9,468	10,530	18,980,530
—	115,172	—	—	—	1,132,358
—	—	—	—	—	5,394,301
—	—	—	—	—	57,543
—	—	—	—	—	6,634,901
—	25,895	361,143	454,842	—	1,640,119
—	141,067	361,143	454,842	—	14,859,222
—	47,348	1,236,825	(445,374)	10,530	4,121,308
—	—	—	—	—	1,688,136
—	—	—	—	—	(1,417,923)
—	47,348	1,236,825	(445,374)	10,530	4,391,521
777,556	4,665,276	775,853	445,374	66,000	30,074,809
$ 777,556	$ 4,712,624	$ 2,012,678	$ —	$ 76,530	34,466,330

(This page intentionally left blank)

City OF Torrance

Torrance Beach

Non-Major Capital Project Funds

The Capital Project funds are used to account for resources used for the acquisition or construction of major capital facilities, except for those financed by certain Special Revenue and Proprietary Funds.

The TORRANCE PUBLIC FINANCING FUND is used to account for construction of certain fire and police protection facilities and finance the construction of street improvements, storm drain and building improvements and other capital projects within the City.

The REDEVELOPMENT AGENCY FUNDS are used to account for the acquisition, relocation, demolition and sale of land for those portions of the City of Torrance which have been earmarked for redevelopment. The projects are financed primarily with property tax increment revenues. Each project is accounted for in a separate fund as follows:

Skypark Project Fund—this fund is used to account for activities related to redevelopment of approximately 30 acres designated for various business, industry, restaurants and offices.

Downtown Torrance Redevelopment Project Fund—this fund is used to account for activities related to redevelopment in the downtown area.

Industrial Redevelopment Project Fund—this fund is used to account for activities related to redevelopment of approximately 300 acres on the eastern boundary of the City.

Low/Moderate Income Housing Fund—this fund is used to account for the 20% of tax increments and proceeds of tax allocation bonds set aside for use in low/moderate income housing programs.

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Capital Project Funds

June 30, 2012

		Redevelopment Agency of the City of Torrance				
Assets	**Torrance Public Financing Fund**	**Skypark Project Fund**	**Downtown Torrance Redevelopment Project Fund**	**Industrial Redevelopment Project Fund**	**Low/Moderate Income Housing Fund**	**Total Nonmajor Capital Project Funds**
Cash and cash equivalents with fiscal agents	$ 1,658,609	—	—	—	—	$ 1,658,609
Total assets	$ 1,658,609	$ —	$ —	$ —	$ —	$ 1,658,609
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 62,870	$ —	$ —	$ —	$ —	$ 62,870
Due to other funds	9,970	—	—	—	—	9,970
Total liabilities	72,840	—	—	—	—	72,840
Fund balances:						
Restricted for:						
Capital projects	1,585,769	—	—	—	—	1,585,769
Total fund balances	1,585,769	—	—	—	—	1,585,769
Total liabilities and fund balances	$ 1,658,609	$ —	$ —	$ —	$ —	$ 1,658,609

CITY OF TORRANCE, CALIFORNIA

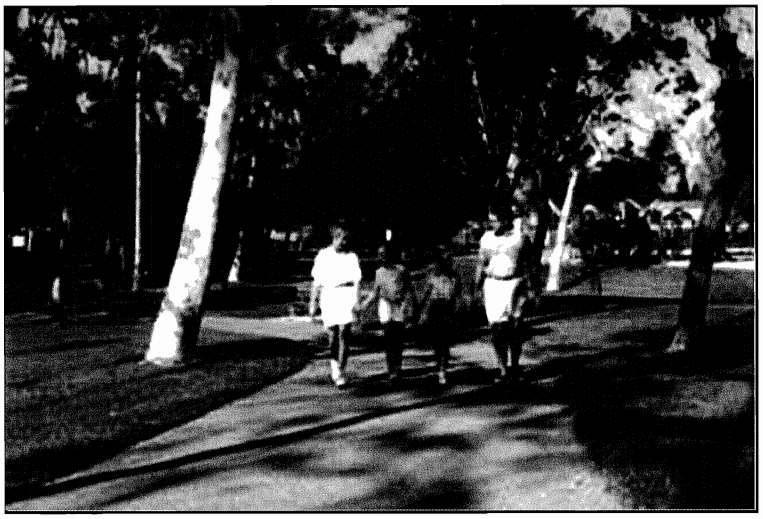
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Nonmajor Capital Project Funds

Year ended June 30, 2012

		Redevelopment Agency of the City of Torrance				
	Torrance Public Financing Fund	Skypark Project Fund	Downtown Torrance Redevelopment Project Fund	Industrial Redevelopment Project Fund	Low/Moderate Income Housing Fund	Total Nonmajor Capital Project Funds
Revenues:						
Use of money and property	$ 14,860	$ —	$ 1,176	$ —	$ —	$ 16,036
Other	—	—	15,500	—	214,876	230,376
Total revenues	14,860	—	16,676	—	214,876	246,412
Expenditures						
Capital outlay	282,562	—	—	—	—	282,562
Community development	—	—	75,642	—	198,034	273,676
Total expenditures	282,562	—	75,642	—	198,034	556,238
Excess (deficiency) of revenues over expenditures	(267,702)	—	(58,966)	—	16,842	(309,826)
Other financing sources (uses):						
Transfers out	—	—	(4,327)	—	(142,912)	(147,239)
Total other financing sources (uses), net	—	—	(4,327)	—	(142,912)	(147,239)
Extraordinary Gain (Loss)	—	(6,785)	(183,827)	(78,208)	(8,944,217)	(9,213,037)
Net change in fund balance	(267,702)	(6,785)	(247,120)	(78,208)	(9,070,287)	(9,670,102)
Fund balances, July 1, 2011	1,853,471	6,785	247,120	78,208	9,070,287	11,255,871
Fund balances, June 30, 2012	$ 1,585,769	$ —	$ —	$ —	$ —	$ 1,585,769

City OF Torrance



Wilson Park

Non-Major Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on specific long-term obligations of the City.

The TORRANCE PUBLIC FINANCING FUND is used to account for debt service related to certificates of participation issued to provide capital for the construction of certain fire and police protection facilities and finance the construction of street improvements, storm drain and building improvements and other capital projects within the City.

The REDEVELOPMENT AGENCY of the City of Torrance has projects which require debt service funds as follows:

Skypark Fund — to account for the debt service related to a tax allocation bond issue.

The Downtown Torrance Redevelopment Fund — to account for the debt service related to a tax allocation bond issue.

The Industrial Redevelopment Fund — to account for the debt service related to a tax allocation bond issue.

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2012

		Redevelopment Agency of the City of Torrance			
Assets	**Torrance Public Financing Fund**	**Skypark Fund**	**Downtown Torrance Redevelopment Fund**	**Industrial Redevelopment Fund**	**Total Nonmajor Debt Service Funds**
Cash and cash equivalents with fiscal agents	$ 4,583,487	$ —	$ —	$ —	$ 4,583,487
Total assets	$ 4,583,487	$ —	$ —	$ —	$ 4,583,487
Liabilities and Fund Balances					
Liabilities:					
Total liabilities	$ —	$ —	$ —	$ —	$ —
Fund balances:					
Restricted – debt service	4,583,487	—	—	—	4,583,487
Total fund balances	4,583,487	—	—	—	4,583,487
Total liabilities and fund balances	$ 4,583,487	$ —	$ —	$ —	$ 4,583,487

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Debt Service Funds

Year ended June 30, 2012

		Redevelopment Agency of the City of Torrance			
	Torrance Public Financing Fund	Skypark Fund	Downtown Torrance Redevelopment Fund	Industrial Redevelopment Fund	Total Nonmajor Debt Service Funds
Revenues:					
Property taxes	$ —	$ 321,603	$ 914,441	$ 2,389,809	$ 3,625,853
Use of money and property	4,503,716	—	6,180	13,050	4,522,946
Other revenues	—	—	519,970	—	519,970
Total revenues	4,503,716	321,603	1,440,591	2,402,859	8,668,769
Expenditures:					
Debt Service:					
Principal retirement	1,480,000	491,691	220,000	1,160,000	3,351,691
Interest and fiscal charges	3,091,180	42,650	733,466	735,664	4,602,960
Other	—	—	522,173	834,418	1,356,591
Total expenditures	4,571,180	534,341	1,475,639	2,730,082	9,311,242
Excess (deficiency) of revenues over expenditures	(67,464)	(212,738)	(35,048)	(327,223)	(642,473)
Other financing sources (uses):					
Transfers in	—	289	20,171	122,452	142,912
Total other financing sources (uses)	—	289	20,171	122,452	142,912
Extraordinary gain (loss)	—	2,085,029	(1,705,311)	15,497,200	15,876,918
Net change in fund balance	(67,464)	1,872,580	(1,720,188)	15,292,429	15,377,357
Fund balances, July 1, 2011	4,650,951	(1,872,580)	1,720,188	(15,292,429)	(10,793,870)
Fund balances, June 30, 2012	$ 4,583,487	$ —	$ —	$ —	$ 4,583,487

City of Torrance

James Armstrong Theatre

Non-Major Proprietary Funds

❖ DEPARTMENT OF FINANCE ❖

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2012

Assets	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Funds
Current assets:						
Pooled cash and investments	$ —	$ 153,407	$ 5,861,707	$ —	$ 240,190	$ 6,255,304
Accounts receivable	126,625	1,673,890	259,845	25,231	20,143	2,105,734
Accrued interest receivable	—	—	26,685	—	—	26,685
Prepaids	—	—	—	7,384	—	7,384
Total current assets	126,625	1,827,297	6,148,237	32,615	260,333	8,395,107
Noncurrent assets:						
Capital assets, net	47,661	7,248	6,926,223	16,249	492,094	7,489,475
Total noncurrent assets	47,661	7,248	6,926,223	16,249	492,094	7,489,475
Total Assets	174,286	1,834,545	13,074,460	48,864	752,427	15,884,582
Liabilities						
Current liabilities (payable from current assets):						
Accounts payable	13,194	208,583	70,142	90,217	254,873	637,009
Accrued liabilities	114	377,784	99,855	—	87,948	565,701
Current liabilities (payable from restricted assets):						
Due to other funds	62,678	308,266	—	—	—	370,944
Unearned revenues	—	—	207,906	585,972	—	793,878
Total current liabilities	75,986	894,633	377,903	676,189	342,821	2,367,532
Total Liabilities	$ 75,986	$ 894,633	$ 377,903	$ 676,189	$ 342,821	$ 2,367,532
Net Assets:						
Invested in capital assets, net of related debt	47,661	7,248	6,926,223	16,249	492,094	7,489,475
Unrestricted	50,639	932,664	5,770,334	(643,574)	(82,488)	6,027,575
Total Net Assets (Deficits)	$ 98,300	$ 939,912	$ 12,696,557	$ (627,325)	$ 409,606	$ 13,517,050

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits)

Nonmajor Proprietary Funds

Year ended June 30, 2012

	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Funds
Operating revenues:						
Charges for services	$ 2,022,355	$ 10,633,814	$ 11,895,528	$ 4,276,592	$ 1,038,032	$ 29,866,321
Other	—	20,044	—	2,022	250	22,316
Total operating revenues	2,022,355	10,653,858	11,895,528	4,278,614	1,038,282	29,888,637
Operating expenses:						
Salaries and employee benefits	9,803,494	3,968,034	1,449,149	5,104,152	1,500,521	21,825,350
Services and supplies	286,358	3,995,455	289,491	970,399	70,031	5,611,734
Other professional services	14,715	2,501,312	393,815	846,238	251,951	4,008,031
Depreciation and amortization	12,235	12,426	374,644	1,498	28,879	429,682
Insurance and claims	—	130,655	28,152	9,396	—	168,203
City charges	—	716,064	2,656,620	756,609	108,563	4,237,856
Other	23,241	1,833	110,963	9,043	21,605	166,685
Total operating expenses	10,140,043	11,325,779	5,302,834	7,697,335	1,981,550	36,447,541
Operating income (loss)	(8,117,688)	(671,921)	6,592,694	(3,418,721)	(943,268)	(6,558,904)
Nonoperating revenues (expenses):						
Investment earnings	—	2,586	93,601	—	—	96,187
Grants	—	74,144	—	—	109,440	183,584
Interest expense	—	—	(102,000)	—	—	(102,000)
Total nonoperating revenues, net	—	76,730	(8,399)	—	109,440	177,771
Income (loss) before transfers	(8,117,688)	(595,191)	6,584,295	(3,418,721)	(833,828)	(6,381,133)
Transfer due to reorganization	—	87,775	—	—	—	87,775
Transfers in	8,683,856	158,262	—	3,975,849	713,187	13,531,154
Transfers out	(566,168)	(340,744)	(6,124,496)	(45,095)	(12,054)	(7,088,557)
Change in net assets	—	(689,898)	459,799	512,033	(132,695)	149,239
Total net assets (deficits) - July 1, 2011	98,300	1,629,810	12,236,758	(1,139,358)	542,301	13,367,811
Total net assets (deficits) - June 30, 2012	$ 98,300	$ 939,912	$ 12,696,557	$ (627,325)	$ 409,606	$ 13,517,050

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year ended June 30, 2012

	Emergency Medical Services Fund	Sanitation Fund	Municipal Airport Fund	Parks and Recreation Fund	Cultural Arts Center Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities:						
Receipts from customers	$ 2,158,785	$ 10,770,633	$ 11,969,363	$ 4,306,190	$ 1,093,169	$ 30,298,140
Cash payments to suppliers for goods and services	(321,396)	(7,277,631)	(3,478,343)	(2,639,905)	(465,363)	(14,182,638)
Cash payments to employees for services	(9,803,494)	(4,213,552)	(1,460,404)	(5,104,152)	(1,496,596)	(22,078,198)
Internal activity-payments from (to) other funds	(151,583)	—	—	(496,982)	—	(648,565)
Cash received from donations	—	—	—	620	—	620
Other receipts	—	—	—	1,402	250	1,652
Net cash provided by (used in) operating activities	(8,117,688)	(720,550)	7,030,616	(3,932,827)	(868,540)	(6,608,989)
Cash flows from noncapital financing activities:						
Cash received from grants and subsidies	—	74,144	—	—	109,440	183,584
Cash received from other funds	8,683,856	158,262	—	3,975,849	713,187	13,531,154
Transfer due to reorganization	—	87,775	—	—	—	87,775
Cash paid to other funds	(566,168)	(340,744)	(6,124,496)	(45,095)	(12,054)	(7,088,557)
Net cash provided by (used in) noncapital financing activities	8,117,688	(20,563)	(6,124,496)	3,930,754	810,573	6,713,956
Cash flows from capital financing activities:						
Payments for long-term obligations - principal & interest	—	—	(102,000)	—	—	(102,000)
Payments for capital additions	—	—	(69,118)	—	—	(69,118)
Net cash provided by (used in) capital financing activities	—	—	(171,118)	—	—	(171,118)
Cash flows from investing activities:						
Cash received from interest on investments	—	2,586	85,968	—	—	88,554
Net increase (decrease) in cash, restricted cash and cash equivalents	—	(738,527)	820,970	(2,073)	(57,967)	22,403
Cash, restricted cash and cash equivalents, July 1, 2011	—	891,934	5,040,737	2,073	298,157	6,232,901
Cash, restricted cash and cash equivalents, June 30, 2012	$ —	$ 153,407	$ 5,861,707	$ —	$ 240,190	$ 6,255,304
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ (8,117,688)	(671,921)	6,592,694	$ (3,418,721)	$ (943,268)	$ (6,558,904)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	12,235	12,426	374,644	1,498	28,879	429,682
Change in assets and liabilities:						
Accounts receivable	136,430	77,445	(5,962)	41,605	9,563	259,081
Due from other government	—	39,330	—	125,026	—	164,356
Prepaids and other assets	—	—	—	(7,384)	—	(7,384)
Accounts payable	2,918	(240,578)	698	(20,624)	(13,213)	(270,799)
Due to other funds	(151,583)	308,266	—	(496,982)	—	(340,299)
Other accrued liabilities	—	—	—	(20,212)	—	(20,212)
Accrued salaries and benefits	—	(245,518)	(11,255)	—	3,925	(252,848)
Deposits and guarantees	—	—	2,874	—	45,574	48,448
Unearned revenues	—	—	76,923	(137,033)	—	(60,110)
Net cash provided by (used in) operating activities	$ (8,117,688)	$ (720,550)	$ 7,030,616	$ (3,932,827)	$ (868,540)	$ (6,608,989)

City OF Torrance

Fleet

Internal Service Funds

The Internal Service funds are used to account for financing of goods or services provided by one City department to other departments of the City and to other governmental units on a cost-reimbursement basis.

The SELF-INSURANCE FUND is used to finance and account for the City's risk management and self-insurance programs.

The FLEET SERVICES FUND is used to finance and account for the City's vehicular equipment.

The POSTEMPLOYMENT/COMPENSATED ABSENCES FUND is used to account for interfund charges to the City's departments for postemployment benefits and compensated absences.

❖ DEPARTMENT OF FINANCE ❖

(This page intentionally left blank)

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Internal Service Funds

June 30, 2012

Assets	Self-Insurance Fund	Fleet Services Fund	Postemployment/ Compensated Absences Fund	Total
Current assets:				
Pooled cash and investments	$ 7,483,066	$ 16,203,340	$ 7,797,688	$ 31,484,094
Accounts receivable	-	10,000	-	10,000
Accrued interest receivable	-	73,795	-	73,795
Other prepayments	-	-	687,373	687,373
Inventories	-	1,211,849	-	1,211,849
Total current assets	7,483,066	17,498,984	8,485,061	33,467,111
Capital assets, net	11,782	8,227,635	-	8,239,417
Total assets	$ 7,494,848	$ 25,726,619	$ 8,485,061	$ 41,706,528
Liabilities and Net Assets (Deficit)				
Current liabilities:				
Accounts payable	$ 136,072	$ 349,351	$ 401,613	$ 887,036
Accrued salaries and benefits	-	399,995	3,839,776	4,239,771
Accrued liability for self-insurance claims – current	9,648,916	-	-	9,648,916
Total current liabilities	9,784,988	749,346	4,241,389	14,775,723
Accrued liability for self-insurance claims – long-term	16,754,831	-	-	16,754,831
Accrued liability for net postemployment benefits - long-term	-	-	10,228,000	10,228,000
Total liabilities	26,539,819	749,346	14,469,389	41,758,554
Net assets (deficit):				
Invested in capital assets	11,782	8,227,635	-	8,239,417
Unrestricted	(19,056,753)	16,749,638	(5,984,328)	(8,291,443)
Total net assets (deficits)	(19,044,971)	24,977,273	(5,984,328)	(52,026)
Total liabilities and net assets	$ 7,494,848	$ 25,726,619	$ 8,485,061	$ 41,706,528

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets (Deficits)

Internal Service Funds

Year ended June 30, 2012

	Self-Insurance Fund	Fleet Services Fund	Postemployment/ Compensated Absences Fund	Total
Operating revenues – charges for services	$ 2,497,103	$ 5,651,309	$ -	$ 8,148,412
Operating expenses:				
Salaries and benefits	691,541	2,884,165	2,640,000	6,215,706
Materials and services	162,440	842,835	-	1,005,275
Insurance and claims	3,720,132	7,555	-	3,727,687
Depreciation	-	1,543,732	-	1,543,732
Other	2,425	9,061	-	11,486
Total operating expenses	4,576,538	5,287,348	2,640,000	12,503,886
Operating income (loss)	(2,079,435)	363,961	(2,640,000)	(4,355,474)
Nonoperating revenues (expenses):				
Investment earnings	-	238,595	112,453	351,048
Gain on sale of capital assets	-	70,015	-	70,015
Other, net	-	10,576	-	10,576
Total nonoperating revenues	-	319,186	112,453	431,639
Net income (loss) before transfers	(2,079,435)	683,147	(2,527,547)	(3,923,835)
Transfers in	1,163,500	926,350	-	2,089,850
Transfers out	(4,073)	(19,753)	-	(23,826)
Increase in net assets	(920,008)	1,589,744	(2,527,547)	(1,857,811)
Net assets (deficits), July 1, 2011	(18,124,963)	23,387,529	(3,456,781)	1,805,785
Net assets (deficits), June 30, 2012	$ (19,044,971)	$ 24,977,273	$ (5,984,328)	$ (52,026)

CITY OF TORRANCE, CALIFORNIA

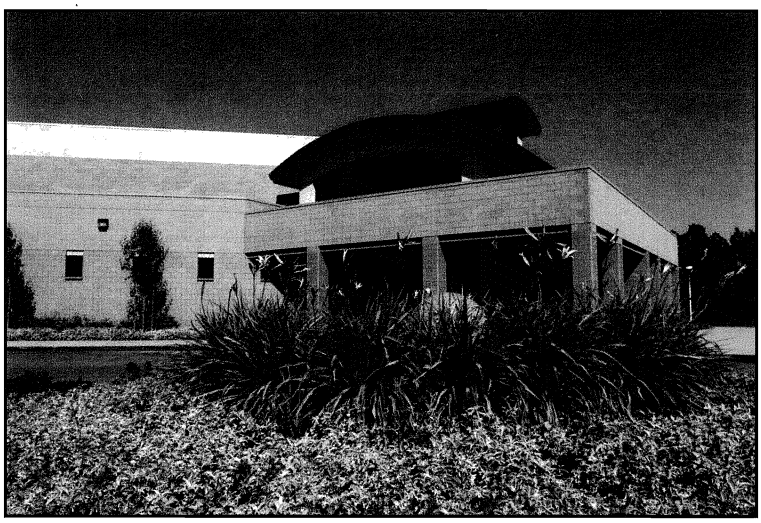
Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2012

	Self-Insurance Fund	Fleet Services Fund	Postemployment/ Compensated Absences Fund	Total
Cash flows from operating activities:				
Receipts from Customers	$ 2,498,469	$ 5,660,951	$ -	$ 8,159,420
Cash payments to suppliers for goods and services	(4,087,232)	(906,539)	-	(4,993,771)
Cash payments to employees for services	(691,541)	(2,880,570)	(265,264)	(3,837,375)
Net Cash provided by (used in) operating activities	(2,280,304)	1,873,842	(265,264)	(671,726)
Cash flows from noncapital financing activities				
Cash transfers received from other funds	1,163,500	926,350	-	2,089,850
Cash transfers paid to other funds	(4,073)	(19,753)	-	(23,826)
Net Cash provided by (used in) noncapital financing	1,159,427	906,597	-	2,066,024
Cash flows from capital financing activities				
Payments for capital additions	(11,782)	(777,310)	-	(789,092)
Proceeds from sale of capital assets	-	70,015	-	70,015
Proceeds from insurance settlement	-	10,576	-	10,576
Net cash provided by (used in) capital financing activities	(11,782)	(696,719)	-	(708,501)
Cash flows from investing activities:				
Cash received from interest on investments	-	213,852	112,453	326,305
Net increase (decrease) in cash, restricted cash and cash equivalents	(1,132,659)	2,297,572	(152,811)	1,012,102
Cash and cash equivalents, July 1, 2011	8,615,725	13,905,768	7,950,499	30,471,992
Cash and cash equivalents, June 30, 2012	$ 7,483,066	$ 16,203,340	$ 7,797,688	$ 31,484,094
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (2,079,435)	$ 363,961	$ (2,640,000)	$ (4,355,474)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	1,543,732	-	1,543,732
Change in assets and liabilities:				
Accounts receivable	1,367	12,198	-	13,565
Prepaids and other assets	-	-	23,173	23,173
Inventories	-	(37,026)	-	(37,026)
Accounts payable	(202,236)	(10,063)	-	(212,299)
Accrued salaries and benefits	-	1,040	2,351,563	2,352,603
Net cash provided by (used in) operating activities	$ (2,280,304)	$ 1,873,842	$ (265,264)	$ (671,726)

City OF Torrance



City's Sports Complex

Agency Funds

The Agency funds are used to account for assets held by the City in a fiduciary capacity for individuals, governmental entities and others.

The MUNICIPAL AREA EXPRESS (MAX) FUND is used to account for Federal, County and local revenues to finance a special commuter bus service in the South Bay area of Los Angeles County.

The SPECIAL DEPOSITS FUND is used to account for private donations, deposits and other funds disbursements on projects of the general government.

The FLEXIBLE BENEFITS FUND is used to account for unspent per-tax benefits funds collected from the participating employees of the City.

The ENVIRONMENTAL TRUST FUND is used to account for the cost of analysis and evaluation of air pollutants potentially derived from refineries.

The PROPERTY ROOM EVIDENCE FUND is used to account for the safekeeping and disbursement of evidence held in the Police property room.

The TORRANCE TOURISM BUSINESS IMPROVEMENT DISTRICT is used to account for funds contributed by lodging businesses to market the area, including promotional activities, special events, and programs in order to increase business.

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Fiduciary Fund Assets and Liabilities - Agency Funds

June 30, 2012

	Municipal Area Express Fund	Special Deposits Fund	Flexible Benefits Fund	Environmental Trust Fund	Property Room Evidence Fund	Torrance Tourism Business Improvement Dist	Total Agency Funds
Assets							
Pooled cash and investments	$ 727,866	$ 1,259,581	$ 313,427	$ 132,100	$ 433,636	$ 58,110	$ 2,924,720
Accrued interest receivable	3,295	—	—	577	—	—	3,872
Due from other governments	17,897	5,873	—	—	—	—	23,770
Total assets	$ 749,058	$ 1,265,454	$ 313,427	$ 132,677	$ 433,636	$ 58,110	$ 2,952,362
Liabilities							
Accounts payable	$ 89,579	$ 25,090	$ —	$ —	$ 513	$ —	$ 115,182
Deposits payable	659,479	1,240,364	313,427	132,677	433,123	58,110	2,837,180
Total liabilities	$ 749,058	$ 1,265,454	$ 313,427	$ 132,677	$ 433,636	$ 58,110	$ 2,952,362

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2012

	Balance for fiscal year ended June 30, 2011	Additions	Deductions	Balance for fiscal year ended June 30, 2012
Municipal Area Express Fund				
ASSETS				
Pooled cash and investments	$ 993,016	$ —	$ (265,150)	$ 727,866
Accrued interest receivable	3,476	—	(181)	3,295
Due from other governments	6,214	31,023	(19,340)	17,897
Total assets	$ 1,002,706	$ 31,023	$ (284,671)	$ 749,058
LIABILITIES				
Accounts payable	$ 106,291	$ —	$ (16,712)	$ 89,579
Deposits payable	896,415	245,354	(482,290)	659,479
Total liabilities	$ 1,002,706	$ 245,354	$ (499,002)	$ 749,058
Special Deposits Fund				
ASSETS				
Pooled cash and investments	$ 1,287,911	$ 1,129	$ (29,459)	$ 1,259,581
Accrued interest receivable	837	—	(837)	—
Due from other governments	—	5,873	—	5,873
Total assets	$ 1,288,748	$ 7,002	$ (30,296)	$ 1,265,454
LIABILITIES				
Accounts payable	$ 11,893	$ 13,197	$ —	$ 25,090
Deposits payable	1,276,855	634	(37,125)	1,240,364
Total liabilities	$ 1,288,748	$ 13,831	$ (37,125)	$ 1,265,454
Flexible Benefits Fund				
ASSETS				
Pooled cash and investments	$ 283,119	$ 30,308	$ —	$ 313,427
Total assets	$ 283,119	$ 30,308	$ —	$ 313,427
LIABILITIES				
Deposits payable	$ 283,119	$ 30,308	$ —	$ 313,427
Total liabilities	$ 283,119	$ 30,308	$ —	$ 313,427

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2012
(continued)

	Balance for fiscal year ended June 30, 2011	Additions	Deductions	Balance for fiscal year ended June 30, 2012
Environmental Trust Fund				
ASSETS				
Pooled cash and investments	$ 130,126	$ 1,974	$ —	$ 132,100
Accrued interest receivable	488	89	—	577
Total assets	$ 130,614	$ 2,063	$ —	$ 132,677
LIABILITIES				
Deposits payable	$ 130,614	$ 2,063	$ —	$ 132,677
Total liabilities	$ 130,614	$ 2,063	$ —	$ 132,677
Property Room Evidence				
ASSETS				
Pooled cash and investments	$ 376,636	$ 57,000	$ —	$ 433,636
Total assets	$ 376,636	$ 57,000	$ —	$ 433,636
LIABILITIES				
Accounts payable	$ 110	$ 403	$ —	$ 513
Deposits payable	376,526	56,597	—	433,123
Total liabilities	$ 376,636	$ 57,000	$ —	$ 433,636
Torrance Tourism Business Improvement District				
ASSETS				
Pooled cash and investments	$ 38,034	$ 20,076	$ —	$ 58,110
Total assets	$ 38,034	$ 20,076	$ —	$ 58,110
LIABILITIES				
Deposits payable	$ 38,034	$ 20,076	$ —	$ 58,110
Total liabilities	$ 38,034	$ 20,076	$ —	$ 58,110

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2012

Assets	Balance for fiscal year ended June 30, 2011	Additions	Deductions	Balance for fiscal year ended June 30, 2012
Pooled cash and investments	$ 3,108,842	$ 110,487	$ (294,609)	$ 2,924,720
Accrued interest receivable	4,801	89	(1,018)	3,872
Due from other governments	6,214	36,896	(19,340)	23,770
Total assets	$ 3,119,857	$ 147,472	$ (314,967)	$ 2,952,362
Liabilities				
Accounts payable	$ 118,294	$ 13,600	$ (16,712)	$ 115,182
Deposits payable	3,001,563	355,032	(519,415)	2,837,180
Total liabilities	$ 3,119,857	$ 368,632	$ (536,127)	$ 2,952,362

City of Torrance

COMPREHENSIVE ANNUAL

REPORT

Fiscal Year Ended June 30, 2012

(Not covered by Accountants' Report)

❖ STATISTICAL SECTION ❖

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.

(This page intentionally left blank)

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	$ 246,277	$ 239,087	$ 227,870	$ 216,501	$ 210,615	$ 224,386	$ 215,731	$ 220,620	$ 237,695	$ 220,643
Restricted	46,491	46,817	68,033	70,578	70,770	58,553	50,441	61,456	44,515	51,699
Unrestricted	27,185	(18,920)	(35,557)	(18,834)	(12,952)	(23,536)	(24,079)	(49,575)	(49,256)	(48,068)
Total governmental activities net assets	$ 319,953	$ 266,984	$ 260,346	$ 268,245	$ 268,433	$ 259,403	$ 242,093	$ 232,501	$ 232,954	$ 224,274
Business-type activities										
Invested in capital assets, net of related debt	$ 136,965	$ 128,307	$ 127,617	$ 122,331	$ 122,144	$ 120,780	$ 121,301	$ 120,513	$ 120,595	$ 122,010
Restricted	553	555	536	592	566	529	692	684	1,483	1,797
Unrestricted	28,900	28,492	27,299	32,936	35,993	38,519	35,981	37,043	33,715	31,761
Total business-type activities net assets	$ 166,418	$ 157,354	$ 155,452	$ 155,859	$ 158,703	$ 159,828	$ 157,974	$ 158,240	$ 155,793	$ 155,568
Primary government										
Invested in capital assets, net of related debt	$ 383,242	$ 367,394	$ 355,487	$ 338,832	$ 332,759	$ 345,166	$ 337,032	$ 341,133	$ 358,290	$ 342,653
Restricted	47,044	47,372	68,569	71,170	71,336	59,082	51,133	62,140	45,998	53,496
Unrestricted	56,085	9,572	(8,258)	14,102	23,041	14,983	11,902	(12,532)	(15,541)	(16,307)
Total primary government net assets	$ 486,371	$ 424,338	$ 415,798	$ 424,104	$ 427,136	$ 419,231	$ 400,067	$ 390,741	$ 388,747	$ 379,842

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
General government	$ 24,064	$ 23,358	$ 36,479	$ 39,594	$ 41,464	$ 39,434	$ 26,324	$ 25,771	$ 27,796	$ 29,502
Public safety	94,889	93,170	93,924	89,966	88,256	82,078	80,672	76,576	70,405	73,774
Public works	33,837	29,070	25,401	23,617	20,166	19,206	20,102	18,743	15,924	18,520
Culture and recreation	12,423	13,936	15,220	12,115	14,615	10,532	13,178	10,569	14,179	18,717
Nondepartmental[1]	—	—	—	—	—	—	5,179	6,135	7,336	6,944
Community development[2]	8,221	10,610	12,580	10,086	8,600	10,910	12,620	13,138	1,589	1,372
Other programs	—	—	—	—	—	—	—	—	1,780	1,564
Interest on long term debt	4,596	6,460	5,474	5,708	5,045	6,012	5,123	5,685	4,948	4,987
Total governmental activities expenses	178,030	176,604	189,078	181,086	178,146	168,172	163,198	156,617	143,957	155,380
Business-type activities:										
Airport	5,405	5,334	5,535	5,630	5,241	4,997	5,060	6,018	4,891	4,936
Transit	23,643	21,899	21,802	21,265	21,005	19,743	20,687	19,516	18,498	18,076
Water	31,355	29,334	26,772	25,662	23,283	23,778	21,884	21,376	20,919	19,811
Sewer	4,781	2,365	2,263	2,439	1,952	1,752	3,566	2,019	1,655	1,048
Sanitation	11,326	11,830	11,430	10,988	10,961	10,431	10,214	8,487	7,908	7,805
Cultural Arts	1,981	1,977	2,098	2,110	2,044	1,803	1,739	1,663	1,539	1,461
Parks and Recreation	7,697	7,925	8,084	7,529	7,414	7,237	7,185	6,976	6,462	6,261
Emergency Medical Service[3]	10,140	9,683	9,514	9,528	8,031	8,127	7,431	7,174	6,694	—
Total business-type activities expenses	96,328	90,347	87,498	85,151	79,931	77,868	77,766	73,229	68,566	59,398
Total primary government expenses	$ 274,358	$ 266,951	$ 276,576	$ 266,237	$ 258,077	$ 246,040	$ 240,964	$ 229,846	$ 212,523	$ 214,778
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 2,880	$ 2,941	$ 3,129	$ 4,707	$ 4,547	$ 4,620	$ 4,570	$ 4,437	$ 4,264	$ 1,610
Public safety	6,167	6,688	5,933	5,129	6,269	7,006	7,473	6,719	5,548	4,595
Public works	727	535	621	561	503	796	881	648	502	448
Culture and recreation	651	681	594	746	973	1,320	1,165	947	786	523
Operating grants and contributions	14,585	12,701	12,936	10,709	12,151	14,552	14,706	14,629	14,646	16,025
Capital grants and contributions	16,235	9,656	10,952	9,613	7,510	8,029	7,659	5,696	9,731	8,274
Total governmental activities program revenues	41,245	33,202	34,165	31,465	31,953	36,323	36,454	33,076	35,477	31,475
Business-type activities:										
Charges for services:										
Airport	11,895	10,896	10,428	10,896	10,481	10,794	9,009	7,672	6,155	5,679
Transit	3,482	3,395	3,273	3,157	2,719	2,560	2,448	2,548	2,505	2,598
Water	34,011	30,159	27,225	23,562	23,843	23,167	22,319	22,095	22,542	22,130
Sewer	2,882	1,579	1,718	1,843	2,357	2,913	1,995	2,046	1,918	1,840
Sanitation	10,634	10,865	10,860	11,178	10,980	10,756	10,393	9,591	9,042	8,206
Cultural Arts	1,038	995	1,088	898	1,006	823	819	807	773	846
Parks and Recreation	4,279	4,157	4,058	4,154	4,201	4,273	3,971	4,180	3,860	3,297
Emergency Medical Service[3]	2,022	1,896	1,784	1,120	1,225	1,119	1,058	1,051	654	—
Operating grants and contributions	19,339	18,208	16,738	15,812	15,964	15,493	16,153	13,289	13,204	12,308
Capital grants and contributions	10,298	312	7,082	603	976	687	481	1,463	3,657	1,089
Total business-type activities program revenues	99,880	82,462	84,254	73,223	73,752	72,585	68,646	64,742	64,310	57,993
Total primary government program revenues	$ 141,125	$ 115,664	$ 118,419	$ 104,688	$ 105,705	$ 108,908	$ 105,100	$ 97,818	$ 99,787	$ 89,468

(continued)

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (expense)/revenue										
Governmental activities	$ (136,785)	$ (143,402)	$ (154,913)	$ (149,621)	$ (146,193)	$ (131,849)	$ (126,744)	$ (123,541)	$ (108,480)	$ (123,905)
Business-type activities	3,552	(7,885)	(3,244)	(11,928)	(6,179)	(5,283)	(9,120)	(8,487)	(4,256)	(1,405)
Total primary government net expense	$ (133,233)	$ (151,287)	$ (158,157)	$ (161,549)	$ (152,372)	$ (137,132)	$ (135,864)	$ (132,028)	$ (112,736)	$ (125,310)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	$ 52,643	$ 56,978	$ 56,078	$ 57,815	$ 55,596	$ 53,136	$ 44,647	$ 42,245	$ 25,577	$ 22,963
Sales taxes	30,163	30,627	26,666	31,057	31,545	31,936	31,439	28,312	35,911	34,901
Other taxes	56,815	54,915	53,153	56,665	62,933	61,310	60,346	55,992	53,179	54,137
Investment earnings	8,800	8,149	7,310	6,447	6,271	4,634	2,304	2,104	1,544	2,301
Motor vehicle tax (unrestricted)	74	685	438	506	658	991	3,271	946	6,609	8,203
Other general revenues	4,621	4,490	6,272	4,023	3,679	3,871	2,617	2,026	2,545	1,775
Transfers	(6,493)	(5,801)	(2,902)	(7,734)	(5,458)	(6,719)	(8,669)	(8,537)	(8,205)	(1,596)
Total governmental activities	146,623	150,043	147,015	148,779	155,224	149,159	135,955	123,088	117,160	122,684
Business-type activities:										
Investment earnings	593	487	880	1,351	594	418	185	206	155	414
Transfers	6,493	5,801	2,902	7,734	5,458	6,719	8,669	8,538	8,205	1,596
Total business-type activities	7,086	6,288	3,782	9,085	6,052	7,137	8,854	8,744	8,360	2,010
Total primary government general revenues	$ 153,709	$ 156,331	$ 150,797	$ 157,864	$ 161,276	$ 156,296	$ 144,809	$ 131,832	$ 125,520	$ 124,694
Extraordinary Gain (Loss)[4]										
Governmental activities	43,131	—	—	—	—	—	—	—	—	—
Business-type activities	(1,573)	—	—	—	—	—	—	—	—	—
Total primary government extraordinary gain, net	41,558	—	—	—	—	—	—	—	—	—
Change in Net Assets										
Governmental activities	52,969	6,641	(7,898)	(842)	9,031	17,310	9,211	(453)	8,680	(1,221)
Business-type activities	9,065	(1,597)	538	(2,843)	(127)	1,854	(266)	257	4,104	605
Total primary government	$ 62,034	$ 5,044	$ (7,360)	$ (3,685)	$ 8,904	$ 19,164	$ 8,945	$ (196)	$ 12,784	$ (616)

Notes:

[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] Effective February 1, 2012 all redevelopment agencies in the State of California were dissolved. Extraordinary amounts represent losses due to write-off of advances to the former redevelopment agency of the City of Torrance and gains due to the transfer of bond debt obligations of the former redevelopment agency of the City of Torrance to a private-purpose Successor Agency Trust Fund.

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

	Fiscal Year									
	2012	2011 [1]	2010	2009	2008	2007	2006	2005	2004	2003
General fund										
Reserved	$ -	$ -	$ 17,789	$ 17,731	$ 16,064	$ 15,277	$ 14,608	$ 14,501	$ 14,205	$ 18,095
Unreserved	-	-	33,423	41,017	45,803	41,474	30,422	24,098	23,893	18,620
Nonspendable[2]	1,001	15,854								
Restricted	1,128	773								
Assigned to:										
Culture and recreation	3,183	2,852								
Public safety	170	691								
Special project reserves	9,943	9,602								
Capital projects	6,500	7,809								
Unassigned	15,500	14,156								
Total general fund	$ 37,425	$ 51,737	$ 51,212	$ 58,748	$ 61,867	$ 56,751	$ 45,030	$ 38,599	$ 38,098	$ 36,715
All other governmental funds										
Reserved	$ -	$ -	$ 7,830	$ 8,396	$ 8,567	$ 8,669	$ 16,183	$ 20,683	$ 7,294	$ 6,382
Unreserved, reported in:										
Special revenue funds	-	-	33,173	28,801	29,337	24,742	19,761	17,683	20,172	25,484
Capital project funds	-	-	29,877	36,699	36,950	29,992	27,057	23,701	19,036	20,692
Debt service fund	-	-	(14,729)	(13,946)	(13,740)	(13,869)	(14,213)	(14,840)	(14,950)	(15,225)
Restricted	42,009	49,131								
Assigned to:										
Capital projects	19,869	21,430								
Unassigned[2]	-	(17,165)								
Total all other governmental funds	$ 61,878	$ 53,396	$ 56,151	$ 59,950	$ 61,114	$ 49,534	$ 48,788	$ 47,227	$ 31,552	$ 37,333

Notes:

[1]The City ot Torrance implemented GASB54 for the fiscal year ended June 30, 2011. Information prior to the implementation of GASB 54 is not required to be restated.

[2]The change in fund balance in 2012 reflects the write-off of General Fund advances to the former City of Torrance Redevelopment Agency and the February 1, 2012 dissolution, by the State of California, of all redevelopment agencies.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes	$ 140,034	$ 143,330	$ 136,148	$ 145,714	$ 150,260	$ 146,568	$ 136,652	$ 126,782	$ 114,841	$ 109,510
Licenses, fees and permits	1,919	1,639	1,618	1,426	1,962	2,671	2,693	2,503	2,056	1,505
Fine, forfeitures and penalties	1,464	1,840	2,004	1,779	2,201	2,799	2,139	2,358	1,881	2,080
Investment earnings	11,363	10,869	11,578	15,009	14,697	13,271	10,177	9,124	9,100	9,460
Intergovernmental	30,228	21,926	23,138	15,447	14,838	17,472	21,005	16,888	26,067	26,139
Charges for current services	6,728	7,174	6,921	6,090	6,443	6,865	7,453	6,418	5,605	5,214
Other	2,625	2,630	2,845	2,449	2,279	2,598	2,385	5,202	1,291	3,054
Total revenues	194,361	189,408	184,252	187,914	192,680	192,244	182,504	169,275	160,841	156,962
Expenditures										
General government	22,416	23,358	25,521	25,237	25,129	23,515	22,224	21,085	30,631	22,774
Public safety	92,934	90,971	90,402	89,435	86,869	82,069	79,675	75,392	71,476	71,776
Public works	27,726	22,469	18,183	17,685	14,697	13,763	14,249	12,760	10,661	12,770
Culture and recreation	13,565	13,997	13,796	14,013	13,747	12,809	13,356	11,569	16,336	18,371
Nondepartmental	6,428	8,121	5,440	5,258	5,695	4,604	8,373	6,135	7,337	6,944
Community development[1]	6,908	7,285	7,267	6,574	6,115	8,893	10,675	11,334	1,295	1,372
Capital outlay	4,428	6,203	35,542	12,344	5,016	13,685	7,327	6,675	9,296	8,364
Debt service										
Principal retirement	3,352	3,020	2,553	2,417	2,524	2,214	2,675	5,791	2,680	2,880
Interest and fiscal charges	4,603	6,812	5,312	5,887	5,083	6,040	5,148	4,981	4,828	4,913
Other	1,356	3,362	5,280	3,459	2,403	1,976	1,901	1,815	1,780	1,564
Total expenditures	183,716	185,598	209,296	182,309	167,278	169,568	165,603	157,537	156,320	151,728
Excess of revenues over (under) expenditures	10,645	3,810	(25,044)	5,605	25,402	22,676	16,901	11,738	4,521	5,234
Other financing sources (uses)										
Transfers in	14,686	16,802	17,153	18,463	20,474	16,280	15,223	19,358	11,950	9,580
Transfers out	(24,025)	(24,418)	(23,900)	(30,087)	(30,615)	(27,866)	(25,093)	(30,834)	(22,174)	(14,152)
Proceeds from refunding bonds [2]	—	—	—	—	—	—	—	27,566	—	—
Proceeds of debt[2]	952	—	—	—	—	—	580	15,914	—	—
Bond escrow refunding[2]	—	—	—	—	—	—	—	(27,566)	—	—
Premium Tax Revenue Anticipation Notes	—	—	—	312	—	—	—	—	—	—
Developer contributions	—	—	—	—	—	—	—	—	—	—
Proceeds from bonds [3]	—	—	18,880	—	—	—	—	—	—	—
Advances from developers/County	520	1,575	1,577	1,424	1,436	1,377	—	—	1,305	—
Total other financing sources (uses)	(7,867)	(6,041)	13,710	(9,888)	(8,705)	(10,209)	(9,290)	4,438	(8,919)	(4,572)
Extraordinary loss[4]	(8,608)	—	—	—	—	—	—	—	—	—
Net change in fund balances	$ (5,830)	$ (2,231)	$ (11,334)	$ (4,283)	$ 16,697	$ 12,467	$ 7,611	$ 16,176	$ (4,398)	$ 662
Debt service as a percentage of noncapital expenditures	4.7%	5.9%	4.6%	4.9%	4.8%	5.3%	5.0%	7.8%	5.7%	4.5%

Notes:

[1]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.

[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.

[3] In 2010, the City issued Certificates of Participation for land acquisition.

[4] Effective February 1, 2012 all redevelopment agencies in the State of California were dissolved. The extraordinary loss represents the net of losses due to write-off of advances to the former redevelopment agency of the City of Torrance and gains due to the transfer of net liabilities of the former redevelopment agency of the City of Torrance to a private-purpose Successor Agency Trust Fund.

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

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
Real Property:							
2012[1]	$ 21,447,810	$ 323,995	$ 21,771,805	$ -	$ -	$ -	
2011	21,143,423	346,420	21,489,843	882,547	2,232	884,779	
2010[2]	21,405,712	328,573	21,734,284	942,236	20,186	962,422	
2009[2]	20,936,580	306,876	21,243,457	907,262	23,520	930,783	
2008	19,809,734	286,572	20,096,306	712,884	1,789	714,673	
2007	18,453,138	268,512	18,721,650	664,430	25,862	690,292	
2006	16,940,111	272,792	17,212,903	612,169	37,452	649,621	
2005	15,727,578	265,939	15,993,517	584,158	63,356	647,514	
Personal Property:							
2012[1]	$ 261,619	$ 670,048	$ 931,667	$ -	$ -	$ -	
2011	285,062	624,738	909,800	80,180	86,187	166,367	
2010[2]	216,219	698,217	914,437	70,921	80,746	151,667	
2009[2]	211,481	652,112	863,592	68,289	94,081	162,369	
2008	377,303	645,077	1,022,380	66,090	103,961	170,051	
2007	347,341	621,472	968,813	54,416	96,709	151,125	
2006	244,215	580,509	824,724	46,415	104,686	151,101	
2005	187,662	613,820	801,482	35,424	74,330	109,754	
Total:							
2012[1]	$ 21,709,429	$ 994,043	$ 22,703,472	$ -	$ -	$ -	0.1498%
2011[3]	21,428,485	971,158	22,399,643	962,727	88,419	1,051,146	0.2777%
2010	21,621,931	1,026,790	22,648,721	1,013,157	100,932	1,114,089	0.2797%
2009	21,148,061	958,988	22,107,049	975,551	117,601	1,093,152	0.2798%
2008	20,187,037	931,649	21,118,686	778,974	105,750	884,724	0.2754%
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 eight years of data for this schedule.

[1]Effective February 1, 2012 all redevelopment agencies in the State of California were dissolved.
[2]The breakdown of real and personal property values for fiscal year 2010 and 2009 were calculated using an average due to actuals being currently unavailable.
[3]Fiscal year 2011 dollar amounts have been restated to reflect the proper fiscal period.

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 Eight Fiscal Years
(Rate per $100 of assessed value)

	2012	2011	2010	2009	2008	2007	2006	2005
City Direct Rates:								
City basic rate	0.1498	0.1495	0.1493	0.1480	0.1484	0.1492	0.1504	0.1532
Redevelopment Agency[1]	—	0.1282	0.1304	0.1318	0.1270	0.1219	0.1156	0.1057
Total City Direct Rate	0.1498	0.2777	0.2797	0.2798	0.2754	0.2711	0.2660	0.2589
Overlapping Rates:								
Metropolitan Water District	0.0037	0.0037	0.0043	0.0043	0.0045	0.0047	0.0052	0.0058
County Flood Control	—	—	—	—	—	0.0001	0.0001	0.0002
Torrance Unified School District	0.4925	0.4780	0.4653	0.4259	0.4279	0.4315	0.4356	0.4375
Community College	0.0169	0.0161	0.0148	0.0170	0.0165	0.0173	0.0184	0.0166
County of Los Angeles	0.2421	0.2416	0.2408	0.2397	0.2406	0.2367	0.2383	0.2415
Successor Redevelopment Agency[1]	0.1267	—	—	—	—	—	—	—
Special Districts	0.0711	0.0711	0.0708	0.0719	0.0730	0.0793	0.0797	0.0799
Total Direct Rate	1.1028	1.0882	1.0757	1.0386	1.0379	1.0407	1.0433	1.0404

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

[1]Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved. Remaining assets and liabilities of the City of Torrance Redevelopment Agency were transferred to a Successor Redevelopment Agency Trust.

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 and Nine Years Ago Ending June 30

	2012			2003		
Taxpayer	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
Exxon Mobil Oil Corporation Corp	$ 1,510,252,372	1	6.65%	$ 1,542,902,909	1	9.86%
Del Amo Fashion Center Operating Company	549,613,384	2	2.42%	—		—
Toyota Motor Sales United States	468,792,223	3	2.06%	242,135,438	2	1.55%
American Honda Motor Company Inc.	346,485,079	4	1.53%	181,493,488	3	1.16%
Allied Signal Inc.	102,684,446	5	0.45%	66,315,021	8	0.42%
Torrance Memorial Medical Center	100,601,363	6	0.44%	—		—
Torrance Health Association	62,750,085	7	0.28%	—		—
RReef America Reit III Corporation	60,643,998	8	0.27%	—		—
Del Amo Financial Center LP	60,518,521	9	0.27%	—		—
Diamondrock Torrance Owner LLC	58,430,000	10	0.26%	—		—
Torrance Company	—		—	105,418,171	4	0.67%
PCCP Torrance Crossroads LLC	—		—	101,838,743	5	0.65%
Honeywell International Inc.	—		—	99,317,665	6	0.63%
Ball Metal Beverage Container	—		—	72,334,104	7	0.46%
Dow Chemical Company	—		—	64,585,638	9	0.41%
East Side Hotel Associates L P	—		—	58,513,012	10	0.37%
	$ 3,320,771,471		14.63%	$ 2,534,854,189		16.18%

Notes:
The amounts shown above for 2003 include assessed value data for both the City and the Redevelopment Agency.

The amounts shown above for 2012 include assessed value data for both the City and the Successor Redevelopment Agency Trust. Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved. Remaining assets and liabilities of the City of Torrance Redevelopment Agency were transferred to a Successor Redevelopment Agency Trust. Future years will exclude the successor agency amounts.

Source: Los Angeles County Assessor 2011/12 & 2002/03 Secured & Unsecured Tax Rolls,
HdL Coren & Cone

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

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
2012	$ 27,920	$ 27,283	97.72%	(12)	$ 27,271	97.68%
2011	27,264	26,487	97.15%	241	26,728	98.03%
2010	27,657	26,601	96.18%	255	26,856	97.10%
2009	26,937	25,552	94.86%	267	25,819	95.85%
2008	25,765	24,374	94.60%	123	24,497	95.08%
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 eight years of data for this schedule.

The amounts presented are for City property taxes only.

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 Eight Fiscal Years
(in thousands of cubic feet)

	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
	Potable							
Type of Customer:								
Residential	456,784	447,819	459,863	507,328	524,985	540,753	507,649	514,357
Industrial	147,348	172,197	124,538	149,595	162,174	141,570	147,842	160,736
Commercial	179,642	178,176	196,891	191,098	196,752	209,959	186,960	191,751
Other	68,903	42,503	43,996	40,350	76,500	86,641	104,675	88,650
Total - Potable Water	852,677	840,695	825,288	888,371	960,411	978,923	947,126	955,494
	Recycled/Reclaimed							
Type of Customer:								
Industrial	285,103	250,052	267,633	241,394	269,201	251,603	268,025	293,377
Other	13,598	9,981	18,731	12,362	13,591	12,415	11,236	7,928
Total - Recycled/Reclaimed Water	298,701	260,033	286,364	253,756	282,792	264,018	279,261	301,305
	Total							
Type of Customer:								
Residential	456,784	447,819	459,863	507,328	524,985	540,753	507,649	514,357
Industrial	432,451	422,249	392,171	390,989	431,375	393,173	415,867	454,113
Commercial	179,642	178,176	196,891	191,098	196,752	209,959	186,960	191,751
Other	82,501	52,484	62,727	52,712	90,091	99,056	115,911	96,578
Total Water	1,151,378	1,100,728	1,111,652	1,142,127	1,243,203	1,242,941	1,226,387	1,256,799

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

Source: Global Water Usage Report for 2011 through 2012 data and Golden State Usage Report for 2005 through 2010 data.

City of Torrance Water Fund
Water Rates
Last Eight Fiscal Years

Fiscal Year Ended June 30	Monthly Base Rate				
	Regular[1]	Low Income[1]	Exxon Contract[2]	Wholesale Contract[2]	Other - Recycled Regular[3]
2012	$ 5.59	$ 5.59	$ 79,128.00	$ 377.00	$ 18.41
2011	5.25	5.25	65,966.00	360.00	17.29
2010	4.44	3.40	52,992.00	360.00	35.65
2009	4.44	3.40	40,495.00	360.00	35.65
2008	4.44	3.40	40,495.00	360.00	35.25
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

Fiscal Year Ended June 30	Rate Per 100 Cubic Feet				
	Regular[4]	Low Income[4]	Exxon Contract	Wholesale Contract	Other - Recycled Regular
2012	$ 3.41	$ 3.02	$ 2.08	$ 2.10	$ 2.39
2011	3.04	2.68	1.94	1.96	2.13
2010	2.66	2.30	1.79	1.81	1.86
2009	2.21	1.85	1.28	1.14	1.55
2008	1.99	1.63	1.28	1.14	1.39
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 eight years of data for this schedule.

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

[2]Base rate reflects monthly fixed charge stated in contracts

[3]Base rate reflects monthly charge for 2 inch meter

[4]Effective March 1, 2011 the City implemented tiered conservation rates.
Rate per 100 cubic feet reflects average rate.

Source: City of Torrance Public Works Department - Water Division

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

Water Customer	2012 Water Charges	2012 Percent of Total Water Revenues
Exxon-Mobil	$ 7,671,900	23.58%
City of Torrance	1,356,654	4.17%
Torrance Unified School District	724,484	2.23%
American Honda	421,787	1.30%
California Water Service-Wholesale	266,613	0.82%
Toyota Motor Sales	242,206	0.74%
Honeywell International	206,193	0.63%
Torrance Memorial Hospital	197,167	0.61%
Don Wilson Builders	181,719	0.56%
Ball Metal	158,681	0.49%
Total	$ 11,427,404	35.13%

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

Source: Global Water Top Customer Report

(This page intentionally left blank)

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

	Governmental Activities			
Fiscal Year Ended June 30	General Government Certificates of Participation[1]	Tax Allocation Bonds	Notes Payable	Total Government Activities
2012[4]	$ 60,695	$ -	$ -	$ 60,695
2011	62,175	30,324	13,635	106,134
2010	44,735	31,904	12,910	89,549
2009	45,825	33,367	12,117	91,309
2008	46,880	34,729	11,429	93,038
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 eight 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. In 2009 the City issued $19 million of new Certificates of Participation for land acquisition.

[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.

[4] Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved. Assets and liabilities of the City of Torrance Redevelopment Agency were transferred to a Successor Redevelopment Agency Trust that is not part of the governmental activities of the City.

[5] Fiscal year 2011 Percent of Assessed Value has been restated to reflect data from the proper fiscal period.

Business-type Activities				
Water Revenue Bonds[2]	Total Business-type Activities	Total Primary Government	Percent of Assessed Value[3]	Debt Per Capita
$ 1,190	$ 1,190	$ 61,885	0.27%	424
1,730	1,730	107,864	0.46% [5]	739
2,245	2,245	91,794	0.39%	616
2,745	2,745	94,054	0.41%	631
3,245	3,245	96,283	0.44%	646
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 Eight Fiscal Years
(in thousands of dollars, except Per Capita)

Fiscal Year Ended June 30	Outstanding Net General Bonded Debt: General Government Certificates of Participation	Outstanding Net General Bonded Debt: Tax Allocation Bonds	Outstanding Net General Bonded Debt: Total	Percent of Assessed Value[1]	Per Capita
2012[2]	$ 56,127	$ -	$ 56,127	0.25%	384
2011	57,581	27,404	84,985	0.36%	582
2010	41,620	28,979	70,599	0.30%	474
2009	42,495	30,442	72,937	0.31%	490
2008	43,550	31,804	75,354	0.34%	506
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 eight 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.

[2] Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved. Assets and liabilities of the City of Torrance Redevelopment Agency were transferred to a Successor Redevelopment Agency Trust that is not part of the governmental activities of the City.

City of Torrance
Direct and Overlapping Debt
June 30, 2012
(in thousands of dollars)

City Assessed Valuation	$ 22,703,472
Successor Agency Incremental Valuation	1,019,510
Total Assessed Valuation	23,722,982

	Percentage Applicable[1]	Outstanding Debt 6/30/12	Estimated Share of Overlapping Debt
Overlapping Debt Repaid with Property Taxes:			
Los Angeles County Flood Control District	2.477%	$ 37,182	$ 921
Metropolitan Water District	1.294%	196,522	2,543
El Camino Community College District	30.701%	166,724	51,186
Los Angeles Community College District	0.003%	3,500,000	105
Los Angeles Unified School District	0.004%	11,275,000	451
Torrance Unified School District	99.997%	194,009	194,003
Los Angeles County Regional Park and Open Space Assessment District	2.487%	170,728	4,246
Total overlapping debt to be repaid with property taxes		15,540,165	253,455
Overlapping Other Debt:			
Los Angeles County General Fund Obligations	2.487%	$ 1,487,817	$ 37,002
Los Angeles County Superintendent of Schools Certificates of Participation	2.487%	11,259	280
Los Angeles County Sanitation District No.5 Authority	29.125%	49,899	14,533
Los Angeles County Sanitation South Bay Cities Authority	4.700%	8,511	400
Los Angeles Unified School District Certificates of Participation	0.004%	475,000	19
Torrance Unified School District General Fund Obligations	99.997%	2,320	2,320
Total overlapping other debt		2,034,806	54,554
Total overlapping debt		$ 17,574,971	308,009
City direct debt[2]:			
Certificates of Participation			60,695
Tax Allocation Bonds			28,624
Advances and Notes Payable			22,545
Total City direct debt			111,864
Total direct and overlapping debt			$ 419,873

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.

[1]For 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.

[2]The above amounts for direct debt include the debt of the successor agency, which is a separate legal entity engaged only in fiduciary activities associated with the dissolution of the Torrance Redevelopment Agency.

Source: California Municipal Statistics, Inc

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

	Fiscal Year							
	2012	2011[1]	2010	2009	2008	2007	2006	2005
Debt limit	$ 851,380	$ 839,987	$ 849,327	$ 829,014	$ 791,951	$ 738,392	$ 676,411	$ 629,812
Total net debt applicable to limit	60,695	62,175	44,735	45,825	46,880	47,905	48,910	49,885
Legal debt margin	$ 790,685	$ 777,812	$ 804,592	$ 783,189	$ 745,071	$ 690,487	$ 627,501	$ 579,927
Total net debt applicable to the limit as a percentage of debt limit	7.1%	7.4%	5.3%	5.5%	5.9%	6.5%	7.2%	7.9%

Legal Debt Margin Calculation for Fiscal Year 2011.

Assessed value	$ 22,703,472
Debt limit (3.75% of assessed value)	$ 851,380
Debt applicable to limit:	
General government Certificates of Participation	60,695
Legal debt margin	$ 790,685

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

[1]Debt limit for 2011 has been restated to reflect data from the proper fiscal period.

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

(This page intentionally left blank)

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

Fiscal Year Ended June 30	Water Revenue Bonds					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2012[1]	$ 34,011	$ 29,558	$ 4,453	$ 540	$ 71	7.29
2011	30,159	27,501	2,658	515	97	4.34
2010	27,225	25,489	1,736	500	126	2.77
2009	23,562	22,023	1,539	500	133	2.43
2008	23,309	21,955	1,354	465	148	2.21
2007	22,671	20,779	1,892	455	162	3.07
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 eight 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.

[1]Effective February 1, 2012, all redevelopment agencies in the State of California were dissolved. Assets and liabilities of the City of Torrance Redevelopment Agency were transferred to a Successor Redevelopment Agency Trust that is not part of the governmental activities of the City.

Tax Allocation Bonds			
Tax Increment	Debt Service		
	Principal	Interest	Coverage
$ -	$ -	$ -	-
8,505	1,580	1,743	2.56
8,366	1,463	1,830	2.54
9,122	1,362	1,911	2.79
8,028	1,500	1,993	2.30
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 Eight Calendar Years

Calendar Year	Torrance Population[1]	Los Angeles County Population[1]	Personal Income (in thousands)[2]	Per Capita Personal Income[2]	Unemployment Rate[3]
2011	146,115	9,884,632	$ 410,674,615	41,547	6.2%
2010	145,927	9,858,989	402,459,119	40,822	6.4%
2009	149,717	10,441,080	413,316,582	39,586	5.8%
2008	149,111	10,393,185	390,295,865	37,553	3.7%
2007	148,965	10,363,850	369,174,348	35,621	2.4%
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 eight years of data for this schedule.

Sources:

[1] State Department of Finance. Population for 2010 was adjusted based on the 2010 Federal Census.

[2] U.S. Department of Commerce - Bureau of Economic Analysis
The Personal Income data shown is for the previous calendar year. The calendar year 2011 data will be available in the spring of 2013.
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

Employer	2012 Number of Employees	2012 Percent of Total Employment
Toyota Motor Sales	3,184	4.3%
American Honda	1,884	2.5%
Honeywell International	1,215	1.6%
Robinson Helicopter Co.	994	1.3%
Alcoa Fastening Systems	919	1.2%
Hi Shear Corporation	819	1.1%
Exxon Mobil Oil Corporation	709	1.0%
L-3 Communications Electron Tech, Inc.	610	0.8%
Pelican Products, Inc.	518	0.7%
Adecco	438	0.6%

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 2015.

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 Eight Fiscal Years

Function	Full-time and Part-time Employees as of June 30							
	2012	2011	2010	2009	2008	2007	2006	2005
General government	274	274	295	293	290	290	279	292
Public safety	504	513	515	531	526	531	525	508
Public works	145	141	145	154	145	139	141	140
Community services	444	465	500	476	489	470	463	511
Community development	59	65	71	69	72	71	73	75
Airport	10	10	9	5	4	5	5	5
Transit	123	125	124	128	133	127	131	133
Water	33	29	29	26	26	25	29	23
Sewer	16	16	15	15	17	16	21	21
Cultural Arts Center	45	48	46	52	54	52	46	50
Workforce Investment Network	—	—	—	—	—	28	34	43
Total	1653	1686	1749	1749	1756	1754	1747	1801

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

Source: City of Torrance Finance Department - Payroll Section

City of Torrance
Operating Indicators by Function
Last Seven Fiscal Years

Function	Fiscal Year 2012	2011	2010	2009	2008	2007	2006
Police							
Arrests	5,424	5,538	6,294	6,772	6,097	7,181	7,075
Bookings	3,359	3,562	4,053	4,007	3,868	4,047	3,597
Parking violations	16,267	15,211	16,412	20,269	27,475	24,169	20,218
Traffic violations	16,913	14,820	18,157	15,695	15,743	17,179	19,786
Fire							
Number of calls answered	12,456	12,338	12,179	12,707	12,847	12,636	12,190
Inspections	8,977	8862[1]	8,322	9,137	8,028	8,572	8162[2]
Highways, streets and other transportation							
Potholes repaired	5,400	5,600	5,200	4,700	5,800	5,500	7,000
Number of tenant aircraft	500	500	500	500	500	500	500
Number of fixed bus routes	8	8	8	8	8	8	8
Sanitation							
Refuse collected (tons/day)	182	194	213	224	219	233	250
Recyclables collected (tons/day)	51	53	55	64	64	65	60
Green Waste collected (tons/day)	31	22	18	12	8	—	—
Culture and recreation							
Number of registrants served	32,290	41,850	43,177	45,146	46,352	43,223	42,069
Registrant fees collected	$3,145,548	$3,401,771	$3,151,047	$3,489,623	$3,345,329	$3,253,641	$3,063,565
Community center admissions	42,495	46,898	40,153	53,665	50,035	53,012	56,635
Water							
New connections	46	19	23	63	99	19	22
Water main emergency repairs (breaks)	41	57	55	55	64	90	72
Average daily consumption (thousands of gallons)	16,270	17,621	17,574	17,484	22,300	26,420	20,366

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

[1]Inspections for fiscal year 2011 have been restated to reflect the proper fiscal period.
[2]Inspection records are kept on a calendar year basis. The first half of fiscal year 2006 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 Seven Fiscal Years

Function	Fiscal Year 2012	2011	2010	2009	2008	2007	2006
Public safety							
Police							
Stations	1	1	1	1	1	1	1
Patrol Units	53	47	51	51	47	48	49
Motorcycles	16	16	19	19	19	19	19
Fire							
Stations	6	6	6	6	6	6	6
In-service fire control vehicles	18	17	17	17	17	15	15
In-service paramedic vehicles	8	8	7	8	8	8	6
Sanitation							
Collection trucks	37	35	36	32	33	38	32
Highways, streets and airport							
Streets (centerline miles)-arterial	67	67	67	67	67	67	67
Streets (centerline miles)-collector	29	29	29	29	29	29	29
Streets (centerline miles)-residential	242	242	242	242	242	242	242
Streets (centerline miles)-alleys	19	19	19	19	19	19	19
Traffic signals	125	120	116	116	116	116	116
Streetlights	10,879	10,879	10,879	10,875	10,875	10,875	10,875
Airport hangars	341	341	341	341	341	341	339
Culture and recreation							
Parks acreage	279	279	279	278	278	278	280
Parks	33	33	33	32	32	32	32
Swimming pools	1	1	1	1	1	1	1
Tennis courts	11	11	11	11	11	11	11
Community centers	3	3	3	3	3	3	3
Public Libraries	6	6	6	6	6	6	6
Water							
Water mains (miles)	311	311	310	311	310	310	310
Fire hydrants	2,662	2,660	2,606	2,650	2,631	2,606	2,606
Maximum daily capacity (thousands of gallons)	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Sewer							
Sanitary sewers (miles)	287	287	287	287	287	287	287
Storm sewers (miles)	59	59	59	59	59	59	59

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

Sources: City of Torrance various Departments