

**TORRANCE PUBLIC FINANCING AUTHORITY**  
**THE CITY OF TORRANCE, CALIFORNIA**  
(A Component Financial Reporting Unit of the City of Torrance)

Basic Financial Statements

Year ended June 30, 2015

(With Independent Auditor's Report Thereon)

**TORRANCE PUBLIC FINANCING AUTHORITY**  
**THE CITY OF TORRANCE, CALIFORNIA**  
(A Component Financial Reporting Unit of the City of Torrance)

Basic Financial Statements

Year ended June 30, 2015

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## **Independent Auditor's Report**

City Council  
City of Torrance  
Torrance, California

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Torrance Public Financing Authority, a component unit of the City of Torrance, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Torrance Public Financing Authority's basic financial statements as listed in the table of contents.

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

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

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

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

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Torrance Public Financing Authority, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Prior-Year Comparative Information***

The financial statements of the City of Torrance Public Financing Authority for the fiscal year ended June 30, 2014 were audited by other auditors whose report dated December 19, 2014 expressed an unmodified opinion on those statements. That report included an emphasis of matter paragraph indicating that the financial statements of the City of Torrance Public Financing Authority do not purport to, and do not, present fairly the financial position, change in financial position and cash flows of the City as of and for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

As discussed in note 1, the accompanying financial statements present only the financial statements of the Public Financing Authority and do not purport to, and do not, present fairly the financial position of the City of Torrance, California, as of June 30, 2015, and the changes in its financial position, for the period ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015 on our consideration of the City of Torrance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government*

City Council  
City of Torrance  
Torrance, California

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*Auditing Standards* in considering City of Torrance's internal control over financial reporting and compliance.

David J. Lee

Irvine, California  
December 18, 2015

**TORRANCE PUBLIC FINANCING AUTHORITY**  
**THE CITY OF TORRANCE, CALIFORNIA**  
(A Component Financial Reporting Unit of the City of Torrance)

Statement of Net Position

June 30, 2015

(with comparative totals for prior year)

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current assets:		
Cash and investments with fiscal agents (note 2 and 3)	\$ 1,258,019	1,258,019
Lease payment receivable-current (note 5)	360,000	345,000
Total current assets	1,618,019	1,603,019
Noncurrent assets:		
Lease payment receivable-long term (note 5)	16,890,000	17,250,000
Total noncurrent assets	16,890,000	17,250,000
Total assets	18,508,019	18,853,019
<b>Liabilities</b>		
Current liabilities (payable from current assets):		
Accrued interest payable	301,198	305,223
Long-term liabilities – portion due or payable within one year (note 4)	360,000	345,000
Total current liabilities	661,198	650,223
Noncurrent liabilities:		
Portion due or payable after one year (note 4)	16,890,000	17,250,000
Total noncurrent liabilities	16,890,000	17,250,000
Total liabilities	17,551,198	17,900,223
<b>Net Position</b>		
Restricted for debt service	956,821	952,796
Total net position	\$ 956,821	952,796

See accompanying notes to the basic financial statements.

**TORRANCE PUBLIC FINANCING AUTHORITY**  
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Statement of Activities and Changes in Net Position

Year ended June 30, 2015

(with comparative totals for prior year)

	<b>2015</b>	<b>2014</b>
Expenses:		
General government	\$ —	1,211,390
Interest on long-term debt	905,606	2,675,032
Total expenses	905,606	3,886,422
Charges for services:		
Investment earnings	—	15,169
Leasing charges	909,631	2,751,199
Total charges for services	909,631	2,766,368
Change in net assets, before transfers	4,025	(1,120,054)
Other financing uses:		
Transfers to City	—	(3,237,960)
Total other financing uses	—	(3,237,960)
Change in net position	4,025	(4,358,014)
Net position – beginning of year	952,796	5,310,810
Net position – end of year	\$ 956,821	952,796

See accompanying notes to the basic financial statements.

**TORRANCE PUBLIC FINANCING AUTHORITY**  
**THE CITY OF TORRANCE, CALIFORNIA**  
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Balance Sheet – Governmental Funds

June 30, 2015

(with comparative totals for prior year)

		<u>2015</u>	<u>2014</u>
	Debt Service Fund	Total Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments with fiscal agents (notes 2 and 3)	\$ 1,258,019	1,258,019	1,258,019
Lease payments receivable (note 5)	17,250,000	17,250,000	17,595,000
Total assets	<u>\$ 18,508,019</u>	<u>18,508,019</u>	<u>18,853,019</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ —	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>
Deferred inflows of resources:			
Unavailable revenue (note 5)	17,250,000	17,250,000	17,595,000
Total deferred inflows of resources	<u>17,250,000</u>	<u>17,250,000</u>	<u>17,595,000</u>
Fund balances:			
Restricted for:			
Debt service	1,258,019	1,258,019	1,258,019
Total fund balances	<u>1,258,019</u>	<u>1,258,019</u>	<u>1,258,019</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,508,019</u>	<u>18,508,019</u>	<u>18,853,019</u>

See accompanying notes to the basic financial statements.

**TORRANCE PUBLIC FINANCING AUTHORITY**  
**THE CITY OF TORRANCE, CALIFORNIA**  
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Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position

June 30, 2015

Total fund balances for governmental funds	\$ 1,258,019
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and changes in net position. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.	(17,250,000)
Unavailable revenue reported in the governmental funds and recognized in the statement of activities and changes in net position. These are included in the intergovernmental revenues in the government fund activity.	17,250,000
Amounts reported for governmental activities in the statement of net position are different because interest payable on long-term debt does not require current financial resources:	
Accrued bond interest	(301,198)
Net position of governmental activities	<u>\$ 956,821</u>

See accompanying notes to the basic financial statements.

**TORRANCE PUBLIC FINANCING AUTHORITY**  
**THE CITY OF TORRANCE, CALIFORNIA**  
(A Component Financial Reporting Unit of the City of Torrance)  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2015  
(with comparative totals for prior year)

	<u>Debt Service Fund</u>	<u>2015 Total Governmental Funds</u>	<u>2014 Total Governmental Funds</u>
<b>Revenues:</b>			
Use of money and property	\$ 1,254,631	1,254,631	4,351,368
Collection of lease receivable	<u>—</u>	<u>—</u>	<u>39,980,000</u>
<b>Total revenues</b>	<u>1,254,631</u>	<u>1,254,631</u>	<u>44,331,368</u>
<b>Expenditures:</b>			
Capital outlay	—	—	1,211,390
Debt service (note 4):			
Principal	345,000	345,000	41,565,000
Interest	<u>909,631</u>	<u>909,631</u>	<u>2,851,199</u>
<b>Total expenditures</b>	<u>1,254,631</u>	<u>1,254,631</u>	<u>45,627,589</u>
<b>Excess (deficiency) of revenues     over expenditures</b>	<u>—</u>	<u>—</u>	<u>(1,296,221)</u>
<b>Other financing sources (uses)</b>			
Transfers to City	<u>—</u>	<u>—</u>	<u>(3,237,960)</u>
<b>Total other financing sources (uses)</b>	<u>—</u>	<u>—</u>	<u>(3,237,960)</u>
<b>Net change in fund balance</b>	<u>—</u>	<u>—</u>	<u>(4,534,181)</u>
Fund balances, July 1, 2014	<u>1,258,019</u>	<u>1,258,019</u>	<u>5,792,200</u>
Fund balances, June 30, 2015	<u>\$ 1,258,019</u>	<u>1,258,019</u>	<u>1,258,019</u>

See accompanying notes to the basic financial statements.

**TORRANCE PUBLIC FINANCING AUTHORITY**  
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Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities and Changes in Net Position

Year ended June 30, 2015

Net change in fund balances for governmental funds	\$	—
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and changes in net position. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
		345,000
<p>Unavailable revenue in the governmental funds and recognized in the statement of activities and changes in net position. These are included in the intergovernmental revenues in the government fund activity.</p>		
		(345,000)
<p>The change in net position reported for governmental activities in the statement of activities and changes in net position is different because the interest payable on long-term debt is only recognized in governmental funds when it is paid and not when it is earned.</p>		
		<u>4,025</u>
Changes in net position of governmental activities	\$	<u><u>4,025</u></u>

See accompanying notes to the basic financial statements.

**TORRANCE PUBLIC FINANCING AUTHORITY**  
**THE CITY OF TORRANCE, CALIFORNIA**  
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Notes to the Basic Financial Statements

Year ended June 30, 2015

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**(a) Reporting entity**

Torrance Public Financing Authority (the Authority), was organized on December 1, 1997 for the purpose of assisting the City of Torrance (the City) in constructing and financing certain fire and police protection facilities and certain additional capital improvements (the Projects) within the City. The City has one remaining noncancelable long-term lease with the Authority, which provides for lease payments in amounts sufficient to meet the annual debt service requirements on the bonds and certificates of participation issued by the Authority. In turn, the Projects are being leased back to the City pursuant to sublease agreements and options to purchase (Subleases). Upon payment of all base rental required under Subleases or exercise of the City's option to purchase the Projects, title to the Projects will vest to the City.

Since the Authority is financially dependent upon the City, it is considered to be a component unit of the City's reporting entity and has been included in the City's Comprehensive Annual Financial Report for the year ended June 30, 2015.

**(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The basic financial statements of the Authority are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all the nonfiduciary activities of the Authority. The Authority's activities are supported by lease payments from the City for the Projects the Authority has under sublease from the City. The government-wide financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of activities and changes in net position demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) contributions that are restricted to meeting the debt or capital requirements of a particular function or segment.

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Notes to the Basic Financial Statements

Year ended June 30, 2015

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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. Board 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 Board. Those committed amounts cannot be used for any other purpose unless the Board rescinds or modifies the specified use by resolution. If the Board 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 Authority considers a resolution to constitute a formal action of the Board of Directors 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 the Board of Directors.

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

It is the Authority'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 Board.

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Notes to the Basic Financial Statements

Year ended June 30, 2015

The funds designated as major funds are determined by a mathematic calculation consistent with GASB 34.

The Authority reports the following major governmental fund:

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

**(c) *Budgetary Principles***

Annual budgets are not required for the Authority's Debt Service fund because effective budgetary control is achieved through alternative means, such as provisions of the bond indenture.

**(d) *Cash and Investments***

Cash and investments of the Authority are pooled with that of the City and are invested by the City Treasurer. The Authority's investment policy guidelines provide for pooling its cash and investments with the City Treasurer and allow for the same types of investments as the City. State statutes authorize the Authority to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, municipal bonds and the State Treasurer's Investment Pool.

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Interest is allocated to the Authority based on its proportional share of the pooled cash and investments. The Authority's share of pooled cash and investments with the City Treasurer is carried at fair value.

Investments for the Authority are reported at fair value. The State Treasurer's Investments Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**(e) *Cash and Investments with Fiscal Agent***

Cash and investments with fiscal agents represents amounts held by a trustee bank that are restricted for use in either acquiring certain assets or servicing long-term debt of the Authority as required by the bond indentures. Investments in guaranteed investment contracts are carried at fair value based on net realizable value. Mutual funds are carried at fair value based on the fund's share price.

**(f) *Long-Term Liabilities***

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

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Notes to the Basic Financial Statements

Year ended June 30, 2015

**(g) *Collection of Lease Receivable***

During the year ended June 30, 2014, the City of Torrance remitted funds to the Authority in satisfaction of a portion of the City’s lease obligation to the Authority. The receipt of these funds by the Authority has been recognized in the governmental fund financial statements as revenue since it reflects collection of the lease receivable that was owed by the City to the Authority in conjunction with the Authority’s 2004 Series A and B Refunding Certificates of Participation and the Authority’s 1998 Refunding Certificates of Participation. In governmental funds, lease revenue is recognized when it is collected or otherwise meets the availability criteria associated with governmental funds.

**(h) *Deferred Inflows of Resources***

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The reporting government only reports deferred inflows of resources in the governmental funds, which report under the modified accrual basis of accounting. The governmental funds report unavailable revenues related to uncollected lease revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**(i) *Fund Balance***

In the fund financial statements, reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use.

**(j) *Comparative data***

The Torrance Public Financing Authority Statement of Net Position, Statement of Activities and Changes in Net Position, Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds shows data for the fiscal year ended June 30, 2014 for comparative purposes only.

**(2) *Cash and Investments***

Cash and investments at June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments held by fiscal agent	\$ 1,258,019
Total cash and investments	\$ 1,258,019

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Notes to the Basic Financial Statements

Year ended June 30, 2015

Cash and investments at June 30, 2015 consist of the following:

Cash	\$	-
Investments		1,258,019
		1,258,019
Total cash and investments	\$	1,258,019

***Investments Authorized by Debt Agreements***

Investments of debt proceeds held by fiscal agent are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. The table below identifies the investment types that are authorized for investments held by fiscal agent. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

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

***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 Authority 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 Authority's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City is provided by disclosures in the notes to the basic financial statements of the City that shows the distribution of the City's investments by maturity.

Information about the sensitivity of fair values of the Authority's investments held by fiscal agent to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

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Year ended June 30, 2015

<u>Investment Type</u>		<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Held by fiscal agent:					
Money market funds	\$ 1,258,019	1,258,019	-	-	-
Total	\$ 1,258,019	1,258,019	-	-	-

***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 in the following table is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>		Minimum Legal Rating	Exempt From Disclosure	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
Held by fiscal agent:						
Money market funds	\$ 1,258,019	A	-	1,258,019	-	-
Total	\$ 1,258,019		-	1,258,019	-	-

***Concentration of Credit Risk***

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and investment pools) that represent 5% or more of total investments for the entire entity (or for each separate major fund or for non-major funds in the aggregate) are as follows.

At June 30, 2015, all \$1,258,019 of investments with the bond trustee are held in the Debt Service Fund in a money market account.

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Year ended June 30, 2015

***Custodial Credit Risk***

The Authority does not have significant separate certificates of deposit or demand accounts held by bond trustee that are subject to disclosable custodial credit risk (as defined by GASB Statement No. 40). The Authority does not have direct investments in securities subject to disclosable custodial credit risk (as defined by GASB Statement No. 40).

For the investments held by fiscal agent, the fiscal agent, 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.

**(3) Restricted Assets**

Certain proceeds of the Authority's fund revenue bonds, as well as certain resources set aside for repayment, are maintained in separate bank accounts and their use is limited by applicable bond covenants. These assets are primarily required to be held in reserve as security for bondholders with respect to debt service payments.

The 2009 Certificates of Participation require that a reserve fund be maintained at the lesser of: 10% of the original Principal Amount of the Lease Payments; 125% of average annual Lease Payments; or maximum annual Lease Payments. At June 30, 2015, the requirement for Series 2009 is \$1,258,019. The amount on reserve is \$1,258,019.

***Special Accounts***

The bond indentures require the Authority to maintain a number of specific accounts (stipulated in the bond indenture as funds), which are primarily used to fund the construction and make required periodic payments of principal and interest.

- Lease Payment Accounts – The lease agreement requires that the Lease Payment Accounts have on hand funds available for the payment of the principal, interest, and prepayment payments. This account is to be used solely for this purpose. This account is included in the Authority's Debt Service Fund.
- Reserve Accounts – Monies in the Reserve Accounts may be used for payment of principal and interest when the lease payment account is insufficient to meet the required payments or when all remaining principal and interest on the certificates can be paid in full. This account is included in the Authority's Debt Service Fund.

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Notes to the Basic Financial Statements

Year ended June 30, 2015

**(4) Long-Term Liabilities**

**(a) Changes in Long-Term Liabilities**

Activities in the long-term obligations for the year ended June 30, 2015 are as follows:

	<b>2009</b>	<b>Total</b>
	<b>Certificate</b>	<b>Long Term</b>
	<b>of Participation</b>	<b>Liabilities</b>
Balance at June 30, 2014	\$ 17,595,000	\$ 17,595,000
Principal, satisfied or matured	(345,000)	(345,000)
Balance at June 30, 2015	17,250,000	17,250,000
Principal, maturing in one year	(360,000)	(360,000)
Amounts due in more than one year	\$ 16,890,000	\$ 16,890,000

**(b) 2009 Certificates of Participation**

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.

The principal matures September 1 of each year through 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 2.0% to 4.5% and \$17,250,000 remains outstanding as of June 30, 2015.

**TORRANCE PUBLIC FINANCING AUTHORITY**  
**THE CITY OF TORRANCE, CALIFORNIA**  
(A Component Financial Reporting Unit of the City of Torrance)

Notes to the Basic Financial Statements

Year ended June 30, 2015

Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2016	\$ 360,000	\$ 896,394	\$ 1,256,394
2017	375,000	881,694	1,256,694
2018	390,000	866,393	1,256,393
2019	405,000	850,241	1,255,241
2020	425,000	832,856	1,257,856
2021 to 2025	2,455,000	3,825,406	6,280,406
2026 to 2030	3,185,000	3,090,744	6,275,744
2031 to 2035	4,170,000	2,107,325	6,277,325
2036 to 2040	5,485,000	787,187	6,272,187
	<u>\$ 17,250,000</u>	<u>\$ 14,138,240</u>	<u>\$ 31,388,240</u>

**(5) Capital Leases**

The Authority has one remaining sublease agreement with the City for land assets. Under the agreement, the resulting sublease meets all requirements for accounting for the agreement as a capital lease for financial statement purposes. As such, the assets have been transferred to the City.

The sublease agreement is summarized as follows:

***2009 Property Sublease***

The property sublease of the future regional transit center and other land located at 465 Crenshaw Boulevard in the City commenced on December 1, 2009. According to the 2009 Certificates of Participation, the sublease is scheduled to run to September 1, 2039. Under the sublease, the City is required to make semiannual payments sufficient in both time and amount to pay, when due, the principal and interest with respect to the refunding certificates. The City must deposit payments with the trustee each February 15 and August 15.

Lease payments may be reduced from time to time by rental credit provided for in the lease agreement and related bond indenture.

Since the lease payment receivables do not represent currently available spendable resources in the fund financial statements, they are offset in the balance sheet in an equal amount under the financial statement caption entitled "Deferred inflows of resources". In the government-wide financial statements, the lease receivable of \$17,250,000 is shown as a noncurrent asset on the statement of net position as of June 30, 2015.