



City of Torrance, California

Comprehensive Annual

Financial Report



Torrance City Hall

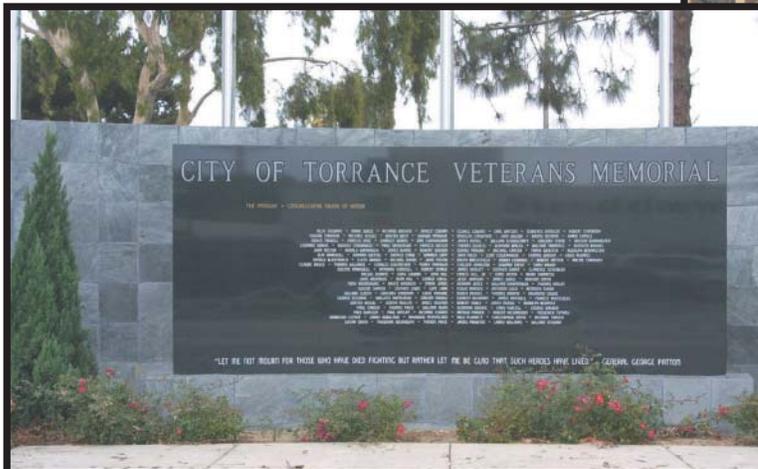


Twin Towers Flag - 43rd Armed Forces Day Parade

Fiscal Year Ended June 30, 2013
Department of Finance



Wilson Park Sports Center



City of Torrance Veterans Memorial



James R. Armstrong Theater

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013

Prepared by
Department of Finance

Eric E. Tsao
Finance Director

CITY OF TORRANCE, CALIFORNIA

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CITY OF TORRANCE, CALIFORNIA
 Comprehensive Annual Financial Report

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City OF Torrance



Torrance City Hall

COMPREHENSIVE ANNUAL

Financial

REPORT

Fiscal Year Ended June 30, 2013

❖ INTRODUCTORY SECTION ❖



CITY OF TORRANCE

December 19, 2013

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, 2013. 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 146,860 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 2012-13, the City of Torrance continued to provide quality services and programs to its residents and citizens. In total, \$271.5 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:

Residential Slurry Seal Program:

The City maintains more than 69 million square feet of asphalt roadways, most of which are in residential areas. Every year about 3 million square feet of roadways are treated.

Citywide Sidewalk Ramping/Grinding

This is an annual Public Works project which includes multiple locations throughout the City. The City's contractor cycles through the City every six years.

Hawthorne Boulevard Median Landscaping:

Median island improvements were completed on Hawthorne Boulevard between Del Amo Boulevard and Torrance Boulevard. Improvements included removal of existing asphalt and replacement with new landscaping, irrigation, hardscape and signage.

Western Avenue Water Main Replacement:

This project replaced the 12 inch cast iron main in Western Avenue from 190th Street to Del Amo Boulevard. This project was completed in December 2012.

Transit:

Fare box Replacement

New fare boxes were installed on all transit buses. This installation aligns Torrance Transit with the Los Angeles County Metropolitan Transportation Authority's plan to establish a Universal Fare System in the region.

Bus Stop Accessibility Improvements:

Forty three bus stops were installed throughout the City to provide a level surface for patrons entering and exiting the buses. Additionally, three ramps were installed adjacent to some of these bus pad locations.

Others:

Centennial Plaza:

A Centennial Plaza at El Prado Park was constructed in August 2012 in time for the 100th year celebration that was held in November 2012. Donations from individuals and corporate sponsors as well as sales of centennial merchandise and city contribution helped to fully fund this project.

Seaside Heroes Park:

This project upgraded a highly visible space at the junction of Anza Avenue and Lomita Boulevard. Improvements included turf, walking path with security lighting, rubber surfacing, park benches, drinking fountain, low maintenance landscaping, fitness equipment, a small picnic shelter and installation of dedication plaques for the memorial of fallen heroes.

Alta Loma Park Building Renovation

This project upgraded the park building at Alta Loma Park which includes air conditioning upgrade, roof repairs, plumbing, electrical, kitchen, bathroom remodel, interior/exterior painting, flooring, landscaping and window replacements.

Park Services

Implementation of a new irrigation system at Sea Aire Golf Course that will improve the turf, reduce maintenance requirements and allow for more public enjoyment of the facility. Renovated and resurfaced 22 basketball and tennis courts throughout the Park System.

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 Park Bench Dedication Program which to date has three dedications.

- Continued Park Ranger support of City functions and provided patrols at the City branch libraries, department special events and at all parks on the weekends.

Library:

- Completed the American Disabilities Act (ADA) renovation of the Henderson Library which includes the remodeling of the public restrooms and entryway. New windows, parking and pathways were part of the renovation.
- Launched several new technologies including eBooks for patrons, downloadable to iPads, smart phones, Kindle Fire, and other tablets. Launched electronic notifications of hold for patrons. Email overdue and holds notifications have greatly reduced the need for staff to make phone calls to patrons.
- Created a new library card design, added a keychain card component and designed a special card for 2013 – The Library’s centennial year.
- Completed a staffing assessment for the Library with a complete review of positions, job descriptions, and duties.

Cultural:

- The Torrance Theater Company produced a highly ambitious, multi-media presentation of the Roald Dahl’s Willy Wonka as the summer musical.
- Marketing consultant reviewed and improved marketing efforts for art, dance, exercise and music classes for all Cultural Arts Center. Existing marketing materials have been studied, several focus groups have been held and the community has been surveyed on several occasions.

Recreational:

- Hosted more than 9,000 visitors at the Madrona Marsh Nature Center and Preserve. Staff and volunteers conducted tours to over 450 students and adults. Volunteers in the nursery grew over 2,300 native plants and planted over 2,000 plants on the Preserve throughout the year.
- 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.

Economic Development Highlights:

Auto dealerships continue to play an integral role in Torrance. The City celebrated the opening of Audi Pacific located at Hawthorne Blvd. This is the largest Audi showroom in the United States. Their former location was converted into a new

Subaru dealership. The new BMW Mini Cooper dealership was completed which is located adjacent to the existing BMW dealership. Martin Chevrolet is also undergoing renovation. The Ferrari and Maserati dealerships are also joining the City in the upcoming year.

Torrance Memorial Medical hospital is going through major expansion adding 91,787 square feet to their new seven story hospital tower. Their New Main Tower construction project continues to make substantial progress. Work had begun on the build-out of interior spaces. It is anticipated that this will be open in late 2014 or early 2015. The most recent milestone in the project was the lighting of the exterior signage on Lomita Boulevard. This historic occasion was marked with a small ceremony for staff, donors, physicians and volunteers. Torrance Memorial recently launched a physician network to place additional physicians in our community to meet the requirements of health care reform planned for 2015.

Many new businesses have come to Torrance, such as the Rock & Brew, Black Bear Diner and Vegas Buffet. The Chase Bank, Five Guys and Einstein Bagels also occupied the two newly constructed buildings in the intersection of Lomita Boulevard and Hawthorne Boulevard. Under construction is also a new retail center comprising of three separate buildings on the intersection of Pacific Coast Highway and Hawthorne. Simon Property Group has begun the comprehensive transformational redevelopment of the Del Amo Fashion Center. Construction is underway and expected to be completed in 2015. Nordstrom will be among the stores that will open in 2015.

The City entered into a lease agreement with the State Courts. The City will develop the 250,000 square feet of vacant property at 555 Maple into a recreational youth sports field. This project is currently under construction and anticipated to be completed in February 2014. This project will attract more youth sports tournaments.

The City also purchased a parcel of land located at 405 Crenshaw Boulevard which has been dedicated to the development of the Torrance Transit Park and Ride Regional Transit Terminal. This site is located adjacent and has direct access to Metro owned rail line. It also has a direct access to the 405 Freeway High Occupancy Vehicle lanes and will interface with the Regional Rapid Service and existing light rail. It is envisioned to have level boarding platforms for transit vehicles, state of the art passenger information kiosks and maps, parking spaces for rideshare and carpool participants and enhanced shelters, public restrooms and fare vending machines. This project is in its design phase. Construction is expected to begin in mid 2014.

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. The City is also working closely

with the Green Torrance group which focuses on environmental resources for business.

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 \$154 million in fiscal year 2012-13. 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 \$147 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, 2012. 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, 2013. This section also provides an overview of the City's financial activities at year end.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Eric E. Tsao', with a long horizontal flourish extending to the right.

Eric E. Tsao
Finance Director

CITY OF TORRANCE DIRECTORY OF CITY OFFICIALS

June 30, 2013

CITY COUNCIL

Frank Scotto, Mayor

Gene Barnett	Cliff Numark
Tom Brewer	Kurt Weideman
Pat Furey	Bill Sutherland

CITY CLERK

Sue Herbers

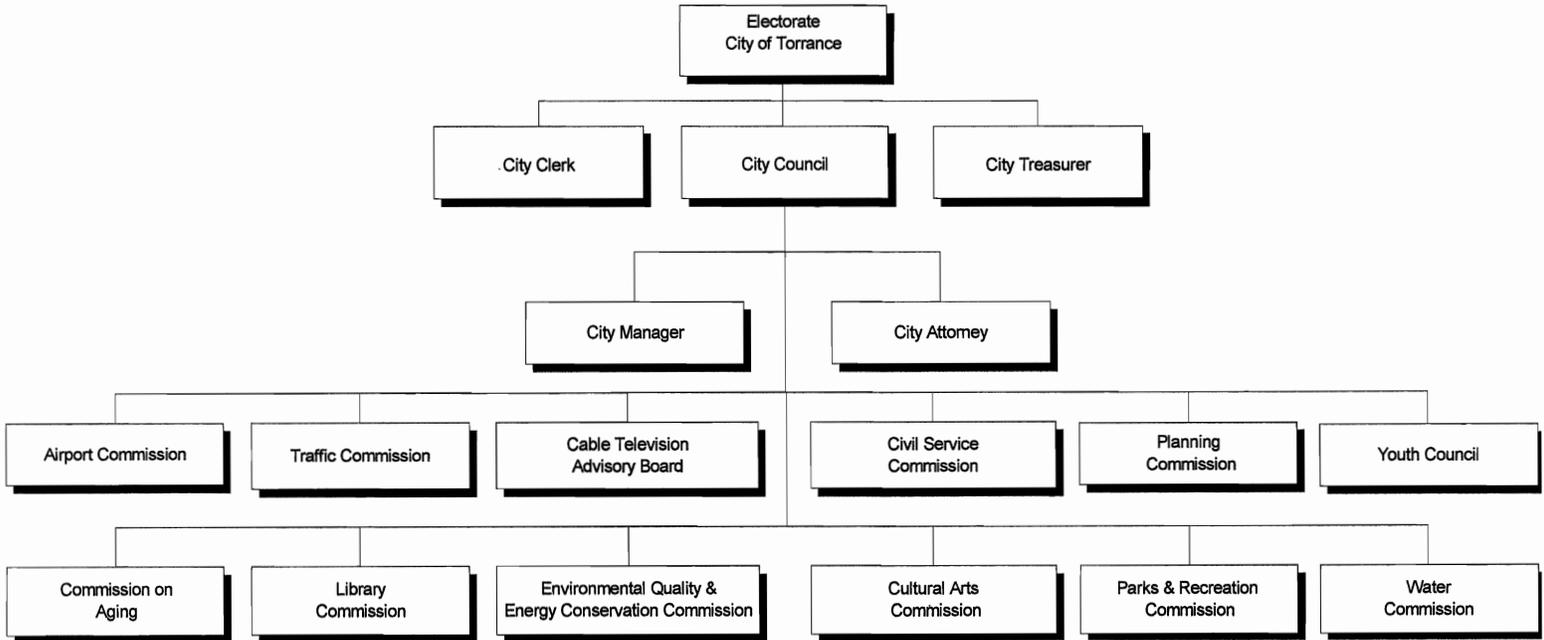
CITY TREASURER

Dana Cortez

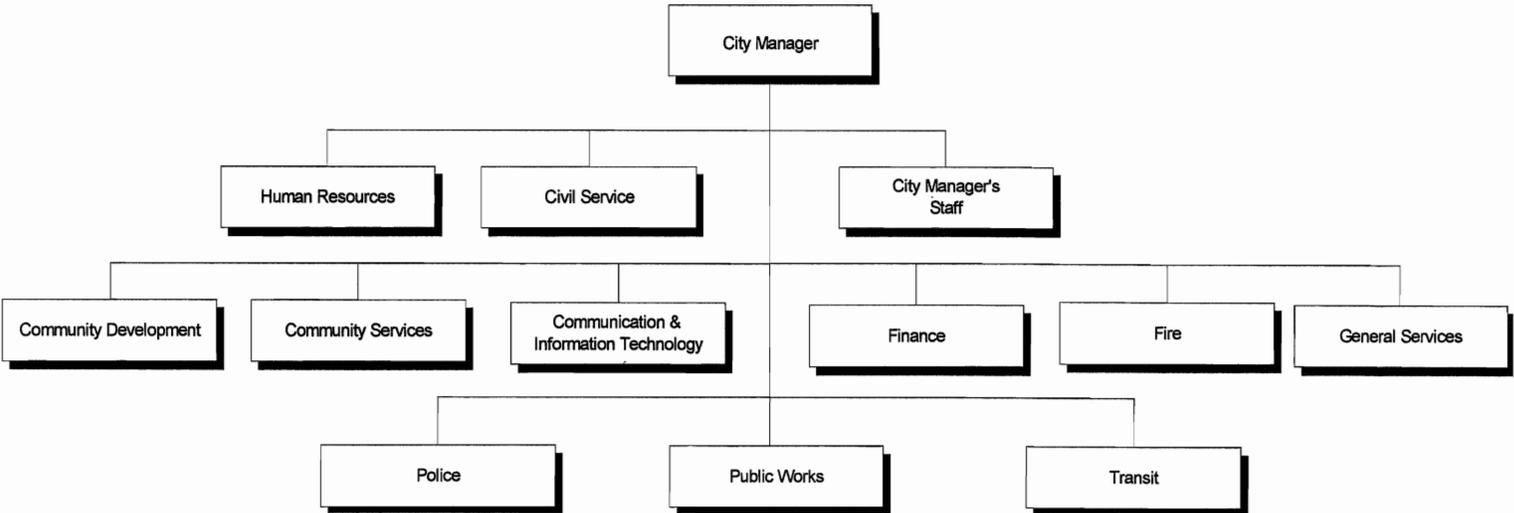
ADMINISTRATION

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 Racowski, 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





Government Finance Officers Association

**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, 2012

Executive Director/CEO

City OF Torrance



COMPREHENSIVE ANNUAL

Financial

REPORT

Fiscal Year Ended June 30, 2013

❖ FINANCIAL SECTION ❖



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City Council
City of Torrance
Torrance, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Torrance, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described further in notes 1 and 21 to the financial statements, during the year ended June 30, 2013, the City implemented GASB Statements No. 63 and 65. Our opinion is not modified with respect to this matter.

The financial statements for the year ended June 30, 2013, reflect prior period adjustments as described further in notes 17 and 20 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Torrance's basic financial statements. The *combining and individual nonmajor fund financial statements*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual nonmajor fund financial statements* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements

and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining and individual nonmajor fund financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information in the *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 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 Auditing Standards* in considering City of Torrance's internal control over financial reporting and compliance.

Mayer Hoffman McLean P.C.

Irvine, California
December 18, 2013

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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, 2013. 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, 2013.

FINANCIAL HIGHLIGHTS

- The City's total assets (all funds) exceeded its liabilities at the close of fiscal year 2012-13 by \$546.1 million dollars (net position). This is an 8.6% or \$42.9 million dollars increase from last fiscal year net position of \$503.2 million primarily due to the passing of ABX1-26 in June of 2011 and AB 1484 in June 2012. In June 2011, ABX1-26 dissolved all Redevelopment Agencies and eliminated loans made between the City and its Redevelopment Agency. In June of 2012, AB 1484 allowed Cities to recognize City loans made to the former RDA's as legitimate obligations of the former RDA to be paid with Redevelopment Property Tax Trust Fund (RPTTF). In fiscal year 2013 the loans and the offsetting receivables were recorded in the 2013 CAFR. The reduction of the tax anticipation notes payable also contributed to the increase in net position. As prescribed by generally accepted accounting standards, the net position 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 expenditures (all funds) exceeded revenues and net transfers for governmental activities by \$8.9 million.
- In the City's business-type activities, revenues and transfers exceeded expenditures by \$7.3 million.
- The General Fund reported an excess of revenues over expenditures of \$7.7 million before a net transfers out of \$8.6 million resulting in a decrease to its fund balance of \$0.9 million during the year.
- The City kept General Fund expenditures within spending limits and actual General Fund expenditures on a budgetary basis were \$5.2 million less than budget. The General Fund revenues were \$5.9 million below budgetary basis which was attributable to lower than expected utility users' taxes, and investment earnings.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position 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 Position 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 Position 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 Position 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 position and changes in net position. The City's net position 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 position 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 Position 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 Position 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 Position 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 position. The City's net position for fiscal year 2012-13 compared to 2011-12 are shown in Table 1:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other	\$226.4	\$199.9	\$48.9	\$47.7	\$275.3	\$247.6
Capital assets	307.8	307.0	143.0	138.1	450.8	445.1
Total assets	534.2	506.9	191.9	185.8	726.1	692.7
Long-term debt	(119.4)	(118.0)	(2.1)	(1.2)	(121.5)	(119.2)
Other liabilities	(44.1)	(53.7)	(14.5)	(16.6)	(58.6)	(70.3)
Total liabilities	(163.5)	(171.7)	(16.6)	(17.8)	(180.1)	(189.5)
Net position						
Net investment in						
capital assets	254.1	252.5	141.5	137.5	395.6	390.0
Restricted	41.1	40.3	-	-	41.1	40.3
Unrestricted	75.5	42.4	33.8	30.5	109.3	72.9
Net Position	\$370.7	\$335.2	\$175.3	\$168.0	\$546.0	\$503.2

Net position of the City's governmental activities amounted to \$370.7 million. Of the \$370.7 million, \$254.1 is invested in capital assets such as land, buildings, machinery, infrastructure, equipment and other improvements; \$41.1 million is restricted for streets & highways, capital projects, community development, and public safety; and \$75.5 million is unrestricted. The net position of the City's governmental activities increased by \$35.5 million (\$370.7 million compared to \$335.2 million in 2011-12). The increase of fund balance is primarily due to the passing of ABX1-26 in June of 2011 and AB 1484 in June 2012. ABX1-26 dissolved all Redevelopment Agencies and eliminated loans made between the City and its Redevelopment Agency. In June of 2012 the State Legislatures and the Governor approved Assembly Bill 1484. The enactment of AB1484 allowed Cities to recognize City loans made to the former RDA's as legitimate obligations of the former RDA to be paid with Redevelopment Property Tax Trust Fund (RPTTF). In fiscal year 2013 the loans and the offsetting receivables were recorded in the 2013 CAFR.

Net position of the City's business-type activities amounted to \$175.3 million. \$141.5 million is invested in capital assets, and \$33.8 million is unrestricted. The net position of the City's business-type activities increased by \$7.3 million (\$175.3 million compared to \$168.0 million in 2011-12). The primary reason for the increase in fund balance is due to increased water revenues, and sewer, water and transit capital assets.

Changes in net position. The City's total revenues are \$278.7 million and total costs of all programs and services are \$280.3 which amounted to a change in net position of \$1.6 million during the year (See Table 2).

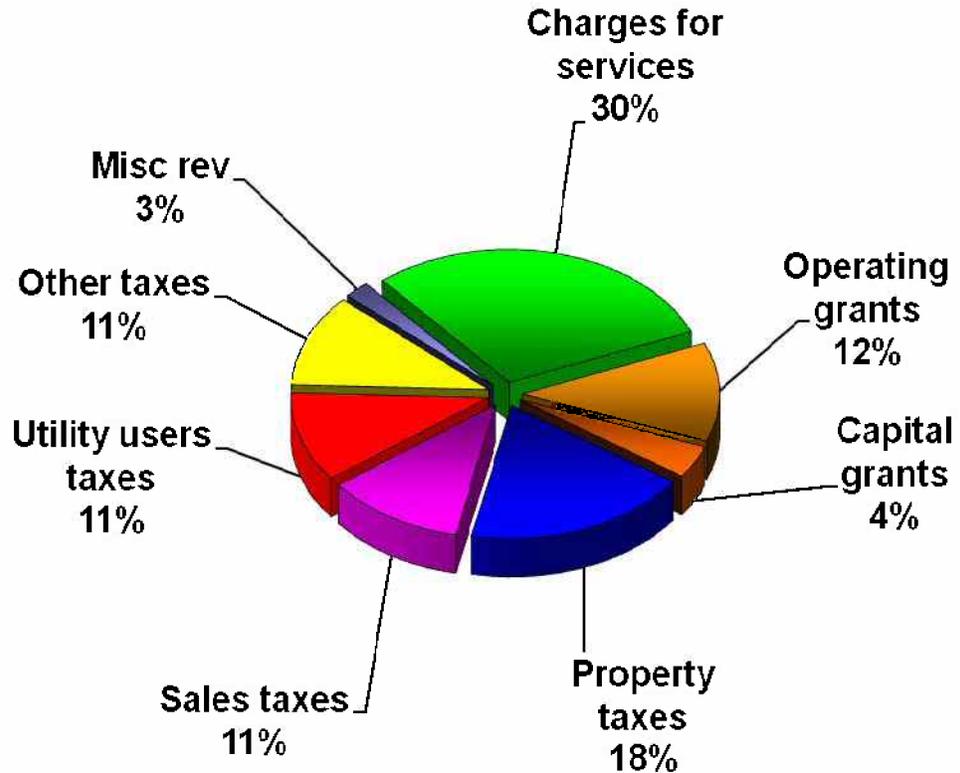
Table 2
Change in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$10.7	\$10.4	\$72.5	\$70.2	\$83.2	\$80.6
Operating grants/contr	13.5	14.6	20.0	19.3	33.5	33.9
Capital grants/contr	5.4	16.2	5.7	10.3	11.1	26.5
General revenues:						
Property taxes	51.5	52.7	-	-	51.5	52.7
Sales taxes	31.8	30.2	-	-	31.8	30.2
Other taxes	56.3	56.9	-	-	56.3	56.9
Investment earnings	5.1	8.8	0.3	0.6	5.4	9.4
Motor vehicle tax (unrestricted)	0.1	0.1	-	-	0.1	0.1
Miscellaneous	5.6	4.5	0.2	-	5.8	4.5
Total revenues	180.0	194.4	98.7	100.4	278.7	294.8
Expenses						
General government	25.6	24.1	-	-	25.6	24.1
Public safety	94.2	94.9	-	-	94.2	94.9
Public works	33.6	33.8	-	-	33.6	33.8
Culture and recreation	14.6	12.4	-	-	14.6	12.4
Community development	10.7	8.2	-	-	10.7	8.2
Interest on long term debt	3.0	4.6	-	-	3.0	4.6
Airport	-	-	5.3	5.4	5.3	5.4
Transit	-	-	24.7	23.6	24.7	23.6
Water	-	-	32.9	31.4	32.9	31.4
Sewer	-	-	4.7	4.8	4.7	4.8
Sanitation	-	-	11.4	11.3	11.4	11.3
Cultural Arts	-	-	2.0	2.0	2.0	2.0
Parks and Recreation	-	-	7.3	7.7	7.3	7.7
Emergency Medical Services	-	-	10.3	10.1	10.3	10.1
Total expenses	181.7	178.0	98.6	96.3	280.3	274.3
Excess of revenues over expenses						
transfers and extraordinary gain (loss)	(1.7)	16.4	0.1	4.1	(1.6)	20.5
Transfers	(7.2)	(6.5)	7.2	6.5	-	-
Extraordinary Gain (loss)	-	58.4	-	-	-	58.4
Increase (decrease) in net assets	(\$8.9)	\$68.3	\$7.3	\$10.6	(\$1.6)	\$78.9
Net Position-beginning	335.2	266.9	168.0	157.4	503.2	424.3
Prior Period adjustment	44.4	-	-	-	44.4	-
Net Position-ending	\$370.7	\$335.2	\$175.3	\$168.0	\$546.0	\$503.2

The City's total revenues of \$278.7 million were derived from the following: Thirty percent (30%) of the program revenues is derived from fees charged for services; eleven percent (11%) from utility users' tax; eleven percent (11%) from other taxes such as construction tax, occupancy tax, business license tax and franchise tax; eleven percent (11%) from sales taxes; eighteen percent (18%) from property taxes; twelve percent (12%) from operating grants; four percent (4%) from capital grants; and three percent (3%) from other miscellaneous revenue fees (See Figure A-1).

The City's total revenues decreased by \$16.1 million-governmental type activities decreased by \$14.4 million while business type activities decreased by \$1.7 million.

Figure A-1
Sources of Revenues for Fiscal Year 2013



The total costs of all programs and services are \$280.3 million. Thirty four percent (34%) of functional expenses are related to public safety; nine percent (9%) relates to general government; twelve percent (12%) to public works; five percent (5%) to culture and recreation; four percent (4%) to community development; one percent (1%) 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 \$6.0 million.

**Figure A-2
Functional Expenses for Fiscal Year 2013**

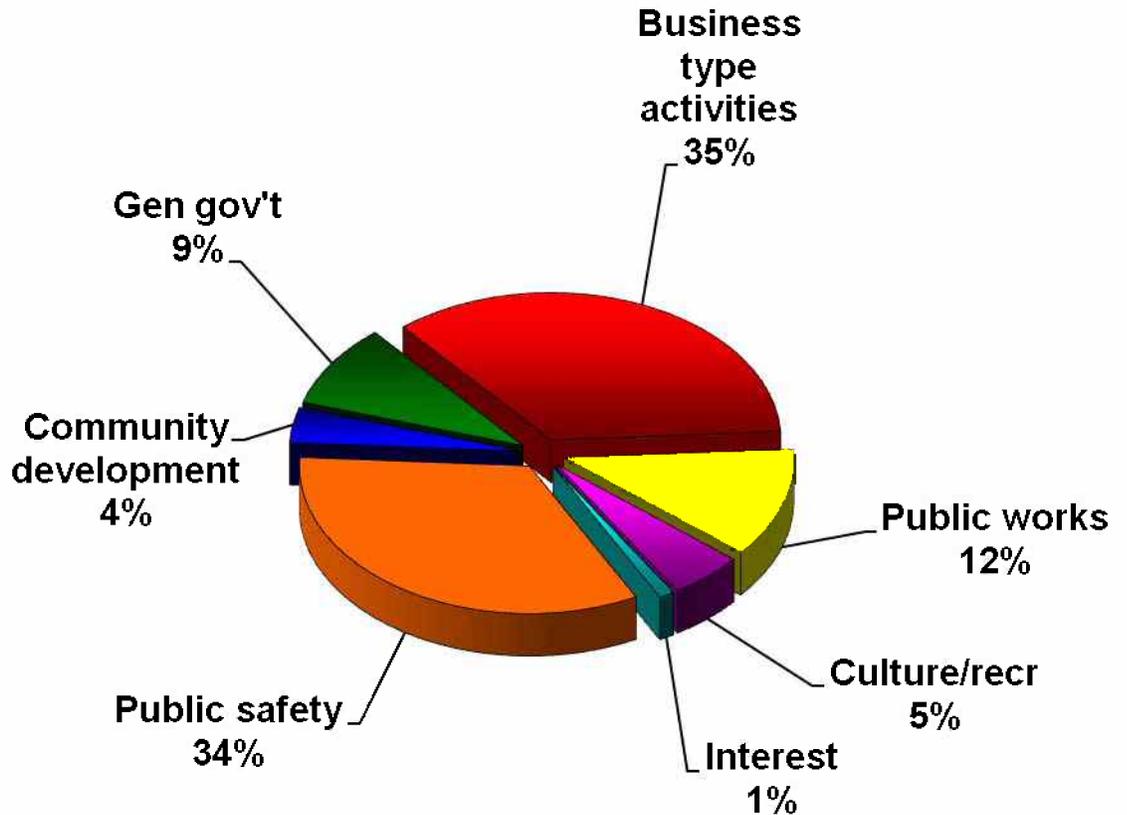


Table 2 and the narrative that follows consider the operations of the governmental and business-type activities separately.

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 decrease by 7.7 percent or \$14.4 million. This was primarily due to the decrease in operating and capital grants.

The total expenses of the governmental activities increase by 2.2 percent or \$3.7 million. The increase was primarily due to the increase in expenditures related to general government, culture and recreation and community development.

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 \$181.7 million. \$152.1 million of these activities were paid through City taxes, sales taxes, investment earnings and other miscellaneous fees; \$10.7 million was paid by those who directly benefited from the programs; and \$18.9 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	
	2013	2012	2013	2012
General government	\$25.6	\$24.1	\$22.4	\$19.4
Public safety *	94.2	94.9	87.3	88.4
Public works	33.6	33.8	21.4	11.1
Culture and recreation	14.6	12.4	13.9	11.7
Community development	10.7	8.2	4.1	1.6
Others	3.0	4.6	3.0	4.6
Total	\$181.7	\$178.0	\$152.1	\$136.8

* 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 \$98.7 million and expenses are \$98.6 million (Refer to Table 2). The revenues are derived from service fees, operating and capital grants and contributions. Revenues decreased by \$1.7 million (\$98.7 million compared to \$100.4 million in 2011-12). This is primarily due to the decrease in Transit's capital grants. The excess of revenues over expenses before transfers is \$0.1 million and with a net transfer in of \$7.2 million, the business-type activities had an increase of \$7.3 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 \$150.8 million.

Major funds reported are General Fund and Capital Improvement Fund.

The decrease in General fund balance is \$0.9 million this year primarily due to the \$1.9 million unrealized change in market value of investments.

The Capital Improvement Fund reported a decrease of \$1.9 million in fund balance. The decrease was due primarily to the increase in capital expenditures during the year.

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 \$5.5 million this year primarily due to capital grants received during the year.

The Water Fund increased its fund equity by \$3.4 million this year. This was caused by the increase in water sales during the year.

The Sewer Fund decreased its fund equity by \$1.4 million this year. This decrease is primarily due to operating expenses 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.

First Quarter program modifications that were approved:

- Addition of 1.0 Human Resources Administrator and deletion of 1.0 vacant position
- Appropriation of \$1,948,254 and modifications to the Public Works Capital Projects

- Appropriation of \$23,314 from the sale of centennial promotional items, centennial celebration dinner and birthday bash fees to the Centennial project.
- Approved funding for Mayor and Council travel to Kashiwa Japan

Mid-Year program modifications that were approved:

- Reviewed roles and responsibilities of the Investment Advisory Committee.
- Appropriation of \$300,000 from the Self Insurance Reserve Fund to cover increase in workers' compensation claims that exceed four years due to lifetime medical care costs.
- Approved the reallocation of personnel within the Fleet Services Division of the General Services Department-Deleted 1.0 Senior Welder position and Added 1.0 Senior Mechanic position.
- Approved addition of one police officer position to replace an officer assigned to L.A. Impact task force and appropriation of \$202,200 from asset forfeiture funds to pay salaries and benefits for one year.

Although the City amended its expenditure budget, actual expenditures were \$5.2 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 \$5.9 million below the final adopted budgeted amount. The decrease in actual revenues over budget was due primarily to the decrease in revenues such as utility users' taxes and investment earnings.

The City's General Fund balance of \$51.8 million (before prior period adjustment of \$39.0 million) differs from the General Fund's budgetary fund balance of \$50.4 million reported in the budgetary comparison schedule. The difference in the two fund balances is because budgetary fund balance includes \$1.4 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, 2013 amounts to \$450.8 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	
	2013	2012	2013	2012	2013	2012
Land	\$64.3	\$64.3	\$6.9	\$6.9	\$71.2	\$71.2
Right of Way	19.3	19.3	1.7	-	21.0	19.3
Buildings and Equipment	43.0	42.6	4.6	4.9	47.6	47.5
Infrastructure	152.3	123.9	98.3	95.0	250.6	218.9
Construction in progress	9.2	43.4	8.8	11.9	18.0	55.3
Total	\$307.8	\$307.0	\$143.0	\$138.1	\$450.8	\$445.1

The total capital assets in the governmental activities increased by \$0.8 million (\$307.8 million compared to \$307.0 million in 2011-12) and the business activities increased by \$4.9 million (\$143.0 million to \$138.1 million in 2011-12). 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 \$59.8 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.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue bonds and notes (backed by specific tax and fee revenues)	\$ 59.2	\$ 60.7	\$ 0.6	\$ 1.2	\$ 59.8	\$ 61.9

During fiscal year 2012-13 the total debt of the City decreased by \$2.1 million. The decrease is primarily due to the principal payments of bonds during the year.

The City of Torrance Public Financing Authority 1998 (Police and Fire), the 2004A and 2004B Refunding Certificates of Participation and the 2009 Certificates of Participation bonds received a AA bond rating from Standard & Poors.

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 \$858.8 million which is in excess of the City's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Key Highlights of the 2013-14 Budget

The City Council adopted in May 2013, the first year (2013-14 fiscal year) of the 2013-15 Two Year Operating budget. In the past few budget years, City Council made prudent budget reductions which minimized service impacts, preserved core safety services and restructured in many ways the way the City conducts business. The City is:

- using career professionals in forensics, fire prevention and the management of hazardous materials
- using team policing to improve services to the community while reducing overtime
- has consolidated departments with common services
- has secured millions in grant funds for capital needs such as the Del Amo extension, the Regional Transit Center, and roadway and sidewalk repairs.

The City has reduced the work force by 60 full-time equivalent positions in the last 4 years and employees have forgone cost of living wage increases for 5 years, with the exception of Police and Fire who received salary increases due to previously agreed contract provisions. The City Manager recommends targeting discussion of employee compensation with City Council during 2014-15 budget deliberations in May 2014, when the local economy will hopefully show more signs of stability.

Balancing the 2013-15 Budget

Business Practices

- Funding of the Nature Center, Madrona Marsh and Torrance Art Museum has been transferred from Parks and Recreation Enterprise to the General Fund at a net additional cost to the General Fund of \$130,000

- Through litigation with the County of Los Angeles, cities prevailed in proving that the County was overcharging property tax administration fees, resulting in a savings of \$390,000
- The League of California Cities was not successful in their lawsuit with the State redirecting vehicle license fees which caused a loss of revenue to the City of \$530,000 annually. Initially covered by one-time monies, this loss is now factored into the budget

Operations

- The adopted budget funds 2.0 additional Police officers (1.0 in January 2014 and 1.0 in June 2015) to mitigate the impact of the State's Criminal Justice Realignment Bill AB109 which allows certain offenders convicted of various non-serious, non-violent, non-sex related offenses to essentially be released (reimbursements of \$125,000 for fiscal year 13-14 are expected to partially offset position costs).
- Funding is also included for the Joint Use Agreement between the City and Torrance Unified School District (\$40,000-\$50,000), the November 2014 election (\$150,000) and the update of the City Strategic Plan (\$135,000).

Successor Agency (Formerly Redevelopment Agency)

- The State dissolved the redevelopment agencies (RDA) leaving the City with outstanding Tax Allocation Bonds in the Industrial and Downtown project areas (the Skypark project area debt matured in July 2012)
- The City created a reserve in the mid-1990's in the event the loans would not be repaid by RDA. Use of the current balance of \$4.3 million is being deferred until the loans begin to be repaid, with the exception of \$1.545 million used to defease a 1998 Certificate of Participation (COP) and eliminate annual debt service for the COPs.

Tax Revenue Anticipation Notes (TRAN)

- Tax Revenue Anticipation Notes are one-year notes used to assist the City with its seasonal cash flows. Issuing a TRAN allows the City to prepay PERS at 3.5% discount, while the cost of the TRAN is 0.5% to 1.0%, generating a savings of \$600,000. The savings will be used to reduce the use of year-end carryover.

Certification of Participation (COPs)

- The City defeased the 1998 Certificates of Participation (December 2013) that had an outstanding balance of \$6.045 million, using \$4.5 million in grant reimbursement monies received for land acquired for the new Transit Center and \$1.545 million from RDA reserve. Defeasance of the 1998 COP will reduce the City's annual debt service by \$540,000

Reserves

- Reserve funding for City's Post Employment Benefits (OPEB) has been reinstated to fund health benefits for retirees on an actuarial basis rather than cash basis (\$1.375 million)

Public Employees Retirement System (PERS)

- Since fiscal year 2009-10, new employees have paid 9% for Safety and 7% for Miscellaneous of pension costs. The City has saved \$370,000 to date and is projected to achieve targeted savings of \$630,000 annually by mid 2014.
- PERS has reduced their return on investment from 7.75% to 7.5% causing investment earnings on City assets deposited with PERS (over \$800 million) to decrease by \$2 million annually. PERS gave cities the option to phase-in the resulting contribution increases over 2 years, however staff recommended instead to adjust the City's rate immediately.
- PERS changed their method of spreading the rate impacts over a moving 30 year period to a fixed 20-30 year period. This change will increase safety PERS rates by 2% per year and miscellaneous PERS rates by 1.25% per year for 5 years. All things being equal, these changes should result in a 50% drop in the City's PERS rates after 30 years.

Energy Projects

- The City has made a concerted effort to conserve energy through the implementation of energy savings capital projects. The City has saved an estimated \$162,000 and has a goal of \$300,000 of energy savings. Energy saving projects under construction include:
 - Lighting retrofits and upgrades estimated utility savings of \$80,000
 - HVAC (Heating/Ventilation/Air Conditioning) replacements project estimated utility savings of \$13,000
 - Irrigation Control Upgrades projects estimated utility savings of \$45,000

Adopted Budget Revisions

- City Attorney – Add 1.0 Deputy City Attorney III position, funded by professional services budget reduction and the operational use of Proposition C funds in the Public Works Department
- City Manager-Provide funding for a Friendly City Program (\$15,000)
- City Manager-Provide one-time supplemental funding for the Tournament of Roses Parade (\$20,000)
- City Treasurer-Add 0.5 Account Clerk position for utility billing, offset by reimbursements from Water, Sewer, and Sanitation funds.
- Community Services-Add 0.5 Senior Recreation Leader position for the maintenance of sports field at 555 Maple Ave. and \$15,000 for artificial turf maintenance

- Community Services-Add 0.5 Senior Recreation Specialist II, 0.3 Recreation Specialist, and 0.3 Senior Recreation Leader positions and \$3,500 in materials to provide additional after school program funding at Jefferson Middle School
- Airport-Implement a Web Trak software system, camera technology, and an early left turn program to the current Airport noise abatement program (\$78,000)
- Transit and Communications and Information Technology (CIT)-Add 1.0 Training Coordinator position, 2.0 Senior Mechanic positions, and 1.0 Systems Analyst position; delete 3.0 Mechanic positions, and 1.0 Information Technology Analyst position to support the Transit Department's system wide expansion.

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

City OF Torrance



Torrance Police Station

Government - Wide Financial Statements

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Pooled cash and investments (note 2)	\$ 143,954,756	\$ 32,477,181	\$ 176,431,937
Cash and cash equivalents with fiscal agents (note 2)	5,797,193	548,956	6,346,149
Accounts receivable	10,758,918	9,987,611	20,746,529
Accrued interest receivable	587,883	127,949	715,832
Due from other governments (note 14)	8,184,059	3,278,139	11,462,198
Advance to successor agency (note 20)	54,302,310	1,573,460	55,875,770
Notes receivable (note 4)	79,055	—	79,055
Internal balances	658,732	(658,732)	—
Inventories, at cost	1,211,762	1,515,575	2,727,337
Prepays and other assets	946,880	36,365	983,245
Capital assets (note 3):			
Land	64,257,898	6,940,713	71,198,611
Right of way	19,344,662	1,695,050	21,039,712
Construction in progress	9,158,764	8,746,809	17,905,573
Infrastructure, net of accumulated depreciation	152,343,355	98,330,276	250,673,631
Building and improvements, net of accumulated depreciation	43,015,783	4,575,085	47,590,868
Equipment, net of accumulated depreciation	19,637,632	22,707,636	42,345,268
Total Assets	534,239,642	191,882,073	726,121,715
Liabilities			
Accounts payable	3,863,572	5,682,073	9,545,645
Accounts payable-contract retention	223,547	52,483	276,030
Accrued liabilities	6,747,391	3,131,457	9,878,848
Notes payable (note 5)	32,500,000	—	32,500,000
Unearned revenue (note 15)	9,722	5,392,539	5,402,261
Deposits and guarantees	262,669	222,865	485,534
Interest payable	481,390	8,267	489,657
Long term liabilities-portion due or payable within one year (notes 6, 7 and 13)	21,774,005	620,000	22,394,005
Long term liabilities-portion due or payable after one year (notes 6, 7 and 13)	97,620,012	1,452,900	99,072,912
Total Liabilities	163,482,308	16,562,584	180,044,892
Net Position	370,757,334	175,319,489	546,076,823
Net investment in capital assets	254,085,166	141,471,625	395,556,791
Restricted for:			
Streets & highways	23,540,269	—	23,540,269
Capital projects	4,581,824	—	4,581,824
Community development	8,468,309	—	8,468,309
Public safety	4,563,011	—	4,563,011
Unrestricted	75,518,755	33,847,864	109,366,619
Total Net Position	\$ 370,757,334	\$ 175,319,489	\$ 546,076,823

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Activities and Changes in Net Position
Year ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 25,608,116	\$ 2,890,198	\$ 313,088	\$ —
Public safety	94,152,597	6,132,073	760,500	—
Public works	33,597,761	650,832	6,200,772	5,391,294
Culture and recreation	14,568,484	646,514	63,785	—
Community development	10,723,165	371,614	6,204,009	—
Interest on long term debt	3,034,824	—	—	—
Total Governmental Activities	<u>181,684,947</u>	<u>10,691,231</u>	<u>13,542,154</u>	<u>5,391,294</u>
Business-Type Activities:				
Airport	5,330,618	11,726,783	—	—
Transit	24,667,376	3,341,323	19,797,331	5,651,079
Water	32,914,789	36,155,709	—	37,423
Sewer	4,682,410	3,137,059	—	—
Sanitation	11,395,835	10,971,849	45,238	—
Cultural arts	1,982,640	1,042,732	109,440	—
Parks and recreation	7,308,621	3,993,802	—	—
Emergency medical service	10,318,562	2,185,963	—	—
Total Business-Type Activities	<u>98,600,851</u>	<u>72,555,220</u>	<u>19,952,009</u>	<u>5,688,502</u>
Total Primary Government	<u>\$ 280,285,798</u>	<u>\$ 83,246,451</u>	<u>\$ 33,494,163</u>	<u>\$ 11,079,796</u>

General Revenues:

Taxes:

Property taxes
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

Change in Net Position

Net Position - beginning

Prior Period Adjustment (note 17)

Net Position - ending

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (22,404,830)	\$ —	\$ (22,404,830)
(87,260,024)	—	(87,260,024)
(21,354,863)	—	(21,354,863)
(13,858,185)	—	(13,858,185)
(4,147,542)	—	(4,147,542)
(3,034,824)	—	(3,034,824)
<u>(152,060,268)</u>	<u>—</u>	<u>(152,060,268)</u>
—	6,396,165	6,396,165
—	4,122,357	4,122,357
—	3,278,343	3,278,343
—	(1,545,351)	(1,545,351)
—	(378,748)	(378,748)
—	(830,468)	(830,468)
—	(3,314,819)	(3,314,819)
—	(8,132,599)	(8,132,599)
<u>—</u>	<u>(405,120)</u>	<u>(405,120)</u>
<u>(152,060,268)</u>	<u>(405,120)</u>	<u>(152,465,388)</u>
51,533,859	—	51,533,859
31,804,636	—	31,804,636
30,530,728	—	30,530,728
8,636,314	—	8,636,314
8,319,038	—	8,319,038
8,776,360	—	8,776,360
5,072,948	348,209	5,421,157
76,748	—	76,748
5,622,719	215,562	5,838,281
(7,168,959)	7,168,959	—
<u>143,204,391</u>	<u>7,732,730</u>	<u>150,937,121</u>
(8,855,877)	7,327,610	(1,528,267)
335,224,511	167,991,879	503,216,390
<u>44,388,700</u>	<u>—</u>	<u>44,388,700</u>
<u>\$ 370,757,334</u>	<u>\$ 175,319,489</u>	<u>\$ 546,076,823</u>

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City OF Torrance



Madrona Marsh

Governmental Fund Financial Statements

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CITY OF TORRANCE, CALIFORNIA

Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments (note 2)	\$ 58,161,227	\$ 18,840,607	\$ 35,549,336	\$ 112,551,170
Cash and cash equivalents				
with fiscal agents (note 2)	—	—	5,797,193	5,797,193
Accounts receivable	8,834,645	—	1,834,198	10,668,843
Accrued interest receivable	418,668	—	100,082	518,750
Due from other funds (note 11)	1,599,140	—	—	1,599,140
Due from other governments (note 14)	7,749,795	—	434,264	8,184,059
Interfund advances receivable (note 11)	54,302,310	—	600,000	54,902,310
Notes receivable (note 4)	—	—	79,055	79,055
Prepays	256,761	—	2,696	259,457
Total Assets	\$ 131,322,546	\$ 18,840,607	\$ 44,396,824	\$ 194,559,977
Liabilities				
Accounts payable	\$ 1,542,393	\$ 461,036	\$ 1,377,109	\$ 3,380,538
Accounts payable-contract retention	—	117,038	106,509	223,547
Accrued liabilities	5,781,624	—	50,629	5,832,253
Due to other funds (note 11)	—	—	940,408	940,408
Interfund advances payable (note 11)	600,000	—	—	600,000
Notes payable (note 5)	32,500,000	—	—	32,500,000
Unearned revenue (note 15)	9,722	—	—	9,722
Deposits and guarantees	14,085	248,584	—	262,669
Total Liabilities	40,447,824	826,658	2,474,655	43,749,137
Fund Balances				
Nonspendable:				
Advances, net	53,702,310	—	600,000	54,302,310
Notes receivable	—	—	79,055	79,055
Prepays	256,761	—	2,696	259,457
Restricted for:				
Public safety	—	—	4,416,693	4,416,693
Public works	—	—	25,505,317	25,505,317
Culture and recreation	1,252,662	—	3,981,824	5,234,486
Community development	—	—	1,544,384	1,544,384
Capital projects	—	—	1,211,390	1,211,390
Debt service	—	—	4,580,810	4,580,810
Assigned to:				
Culture and recreation	3,706,213	—	—	3,706,213
Public safety	146,320	—	—	146,320
Special project reserves	9,388,503	—	—	9,388,503
Capital projects	6,956,112	18,013,949	—	24,970,061
Unassigned	15,465,841	—	—	15,465,841
Total Fund Balances	90,874,722	18,013,949	41,922,169	150,810,840
Total Liabilities and Fund Balances	\$ 131,322,546	\$ 18,840,607	\$ 44,396,824	\$ 194,559,977

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total fund balances for governmental funds \$ 150,810,840

Amounts reported for governmental activities in the Statement of Net Position
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	9,158,764	
Infrastructure net of \$147,245,205 accumulated depreciation	152,343,355	
Buildings and fixtures, net of \$45,031,256 accumulated depreciation	43,015,783	
Machinery and equipment, net of \$32,623,058 accumulated depreciation	<u>10,572,606</u>	
		298,693,068

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)	(16,595,204)	
City of Torrance Improvements Corporation refunding certificates of participation	<u>(59,160,000)</u>	
		(75,755,204)

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	<u>(481,390)</u>	
		(481,390)

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 Position.

(2,509,980)

Net Position of Governmental Activities

\$ 370,757,334

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 142,048,398	\$ —	\$ 1,303,724	\$ 143,352,122
Licenses, fees and permits	2,044,556	—	722,936	2,767,492
Fines, forfeitures and penalties	1,009,813	—	655,484	1,665,297
Use of money and property	1,459,391	—	4,994,198	6,453,589
Intergovernmental	384,721	—	17,808,477	18,193,198
Charges for current services	6,906,785	—	—	6,906,785
Other revenues	367,026	69,907	222,613	659,546
Total revenues	<u>154,220,690</u>	<u>69,907</u>	<u>25,707,432</u>	<u>179,998,029</u>
Expenditures:				
Current expenditures:				
General government	16,731,643	2,358,469	374,379	19,464,491
Nondepartmental	5,597,878	—	—	5,597,878
Public safety	95,665,694	188,899	1,476,691	97,331,284
Public works	11,103,789	635,526	10,322,735	22,062,050
Culture and recreation	13,499,223	137,634	396,344	14,033,201
Community development	3,916,116	38,648	6,767,893	10,722,657
Debt service:				
Principal retirement (note 7)	—	—	1,535,000	1,535,000
Interest and fiscal charges	—	—	3,041,657	3,041,657
Total expenditures	<u>146,514,343</u>	<u>3,359,176</u>	<u>23,914,699</u>	<u>173,788,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,706,347</u>	<u>(3,289,269)</u>	<u>1,792,733</u>	<u>6,209,811</u>
Other financing sources (uses):				
Transfers in (note 12)	9,436,987	1,434,388	1,663,698	12,535,073
Transfers out (note 12)	<u>(17,996,011)</u>	<u>—</u>	<u>(3,543,084)</u>	<u>(21,539,095)</u>
Total other financing sources (uses)	<u>(8,559,024)</u>	<u>1,434,388</u>	<u>(1,879,386)</u>	<u>(9,004,022)</u>
Net change in fund balances	(852,677)	(1,854,881)	(86,653)	(2,794,211)
Fund balances, July 1, 2012	52,697,045	19,868,830	42,008,822	114,574,697
Prior period adjustment (note 17)	<u>39,030,354</u>	<u>—</u>	<u>—</u>	<u>39,030,354</u>
Fund balances, June 30, 2013	<u>\$ 90,874,722</u>	<u>\$ 18,013,949</u>	<u>\$ 41,922,169</u>	<u>\$ 150,810,840</u>

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 Position
 For the Year Ended June 30, 2013

Net change in fund balances-total governmental funds \$ (2,794,211)

The change in net position reported for governmental activities in the Statement of Activities and Changes in Net Position 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)	\$ (8,204,739)	
Asset additions funded by Governmental Funds	<u>2,806,641</u>	(5,398,098)

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 (Torrance Public Financing Authority Refunding Certificates of Participation)	<u>1,535,000</u>	1,535,000
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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	<u>6,833</u>	6,833
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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)		252,553
---	--	---------

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

(2,457,954)

Change in Net Position of governmental activities		<u><u>\$ (8,855,877)</u></u>
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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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note A)	Variance with Final Budget positive (negative)
	Original	Final		
Budgetary fund balance, July 1, 2012	\$ 52,697,045	\$ 52,697,045	\$ 52,697,045	\$ —
Resources (inflows):				
Taxes:				
Property taxes:				
Current secured taxes	26,529,158	26,529,158	26,835,497	306,339
Current unsecured taxes	1,180,000	1,180,000	1,127,955	(52,045)
Prior years' secured taxes	130,000	130,000	649,047	519,047
Prior years' unsecured taxes	140,000	140,000	38,818	(101,182)
Property/sales flip taxes	9,983,740	9,983,740	10,090,541	106,801
VLF swap and repayment taxes	11,426,000	11,426,000	11,257,216	(168,784)
Penalties and interest	250,000	250,000	230,673	(19,327)
Supplemental prior year secured taxes	50,000	50,000	—	(50,000)
Supplemental current secured	480,000	480,000	483,617	3,617
Redemption	1,120,000	1,120,000	642,527	(477,473)
Aircraft assessment tax	180,000	180,000	177,968	(2,032)
	<u>51,468,898</u>	<u>51,468,898</u>	<u>51,533,859</u>	<u>64,961</u>
Taxes other than property:				
Sales and use tax	31,192,560	31,192,560	31,804,636	612,076
Prop 172 sales tax	1,442,000	1,442,000	1,396,766	(45,234)
Business license tax	8,075,250	8,119,750	8,319,038	199,288
Business permit tax	536,900	536,900	392,257	(144,643)
Utility users' tax	33,177,000	33,177,000	30,530,728	(2,646,272)
Construction tax	800,000	800,000	972,936	172,936
Real property transfer tax	600,000	600,000	623,928	23,928
Franchise tax – all other	7,100,000	7,100,000	6,302,778	(797,222)
Public education government fees	320,000	320,000	373,439	53,439
Occupancy tax	8,272,800	8,272,800	8,636,314	363,514
Oil severance tax	10,000	10,000	8,760	(1,240)
Cogeneration tax	1,630,000	1,630,000	1,011,917	(618,083)
Alarm permit fees	82,400	82,400	141,042	58,642
	<u>93,238,910</u>	<u>93,283,410</u>	<u>90,514,539</u>	<u>(2,768,871)</u>
Total taxes	<u>144,707,808</u>	<u>144,752,308</u>	<u>142,048,398</u>	<u>(2,703,910)</u>
Licenses, fees and permits:				
Fire permits	131,300	131,300	127,483	(3,817)
Construction/excavation permits	30,000	30,000	46,427	16,427
Grading permits	60,000	60,000	46,318	(13,682)
Combined building – resident permits	—	—	73	73
Building permits	877,200	877,200	990,255	113,055
Plumbing permits	100,000	100,000	78,455	(21,545)
Electrical permits	93,000	93,000	80,244	(12,756)
Mechanical permits	60,000	60,000	43,003	(16,997)
Special energy inspection fees	346,800	346,800	356,975	10,175
Sign permits and filing fees	40,800	40,800	46,670	5,870
Other licenses and permits	—	—	1,840	1,840
NPDES building permit fees	142,800	142,800	192,065	49,265
Building TEQECC filing fees	30,600	30,600	19,053	(11,547)
Oversized vehicle permit fees	20,400	20,400	15,695	(4,705)
Total licenses, fees and permits	<u>1,932,900</u>	<u>1,932,900</u>	<u>2,044,556</u>	<u>111,656</u>

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		
Fines, forfeitures and penalties:				
Parking citations	\$ 500,000	\$ 500,000	\$ 387,905	\$ (112,095)
Traffic fines	480,000	480,000	445,299	(34,701)
General fines	350,000	350,000	176,609	(173,391)
Total fines, forfeitures and penalties	1,330,000	1,330,000	1,009,813	(320,187)
Revenue from use of money and property:				
Investment earnings	1,455,800	1,455,800	78,750	(1,377,050)
Rents and concessions	1,425,400	1,425,400	1,368,874	(56,526)
Royalties	—	—	11,767	11,767
Total revenue from use of money and property	2,881,200	2,881,200	1,459,391	(1,421,809)
Revenue from other intergovernmental agencies:				
State motor vehicle licenses	—	—	76,748	76,748
State homeowners' property tax relief	250,000	250,000	227,587	(22,413)
Other state grants	120,000	120,000	80,386	(39,614)
Total revenue from other intergovernmental agencies	370,000	370,000	384,721	14,721
Charges for current services:				
TUSD collection fees	11,000	11,000	11,070	70
Planning and zoning fees	241,000	241,000	241,636	636
Traffic signal maintenance	170,000	170,000	180,979	10,979
Environmental review and appeal fees	8,000	8,000	—	(8,000)
Vacation processing fees	—	—	5,504	5,504
Large family daycare unit	1,000	1,000	519	(481)
State encroach collection fees	3,000	3,000	2,558	(442)
Grading	37,000	37,000	31,849	(5,151)
Plan check fees – building	724,000	724,000	671,820	(52,180)
Plan check fees – engineering	11,000	11,000	9,460	(1,540)
Oil-related inspection fees	12,000	12,000	633	(11,367)
Appeal fees	1,000	1,000	1,715	715
Other inspection fees	358,000	358,000	265,574	(92,426)
Engineering mapping fees	10,000	10,000	9,177	(823)
Engineering inspection fees	151,000	151,000	145,941	(5,059)

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	Variance with
	Original	Final	Budgetary Basis (See Note A)	Final Budget positive (negative)
Charges for current services, Continued:				
General government service charges	\$ 2,000	\$ 2,000	\$ 1,925	\$ (75)
Microfilming fees	169,000	169,000	194,846	25,846
Police charges – copies and photos	10,000	10,000	9,601	(399)
Police charges – fingerprinting and other	560,000	560,000	428,125	(131,875)
Fire department fees	951,500	951,500	814,330	(137,170)
Fire department fees – hazardous materials fees	830,000	830,000	701,521	(128,479)
Parks and recreational fees	399,000	399,000	407,056	8,056
Miscellaneous	21,000	21,000	20,309	(691)
Library revenues	151,000	151,000	132,637	(18,363)
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	<u>7,431,500</u>	<u>7,431,500</u>	<u>6,906,785</u>	<u>(524,715)</u>
Other revenues:				
Donations – private sources	10,000	95,935	102,470	6,535
Miscellaneous	933,613	933,613	22,106	(911,507)
Premium Tax Revenue Anticipation Notes	500,000	500,000	242,450	(257,550)
Total other revenues	<u>1,443,613</u>	<u>1,529,548</u>	<u>367,026</u>	<u>(1,162,522)</u>
Transfers in	<u>9,319,662</u>	<u>9,336,921</u>	<u>9,436,987</u>	<u>100,066</u>
Amounts available for appropriation	<u>222,113,728</u>	<u>222,261,422</u>	<u>216,354,722</u>	<u>(5,906,700)</u>
Charges to appropriations (outflows)				
General government:				
City council	400,337	400,381	379,528	20,853
Commissions and committees:				
Parks and recreation	30,739	29,138	24,961	4,177
Planning	14,645	14,601	14,635	(34)
Environmental quality	5,400	5,400	3,206	2,194
Cultural arts	9,352	9,512	8,254	1,258
Traffic	5,810	5,810	3,417	2,393
Youth council	9,748	11,748	7,344	4,404
Civil service	245,577	188,517	130,703	57,814
Commission on aging	5,552	5,552	2,219	3,333
Library	6,223	6,324	5,958	366
Disaster council	2,594	2,594	—	2,594
City manager	4,058,948	4,277,790	4,116,074	161,716
City attorney	2,098,528	2,098,528	1,936,615	161,913
City clerk	950,417	1,059,751	1,058,056	1,695
City treasurer	881,686	930,198	929,398	800
Finance	4,298,997	4,329,501	3,927,465	402,036
Human resources	1,993,141	2,103,361	1,893,483	209,878
Civil service	337,890	323,625	314,205	9,420
Communications & Info Tech	4,840,974	4,822,893	4,524,316	298,577
General services	3,993,438	3,992,094	3,436,637	555,457
Less indirect cost allocation, other funds	<u>(5,513,346)</u>	<u>(5,513,346)</u>	<u>(5,230,414)</u>	<u>(282,932)</u>
Total general government	<u>18,676,650</u>	<u>19,103,972</u>	<u>17,486,060</u>	<u>1,617,912</u>

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	\$ 20,016	\$ 4,984
Community promotion	157,622	181,000	154,297	26,703
Employee benefits (net after charges to departments)	1,098,005	894,079	590,759	303,320
Other	1,160,440	1,360,403	732,886	627,517
Leaseback payments	4,084,630	4,109,630	4,104,450	5,180
Total nondepartmental	<u>6,525,697</u>	<u>6,570,112</u>	<u>5,602,408</u>	<u>967,704</u>
Community Development	<u>3,990,588</u>	<u>3,963,680</u>	<u>4,036,860</u>	<u>(73,180)</u>
Public safety:				
Police	66,330,691	66,492,826	65,485,594	1,007,232
Fire	26,172,892	27,206,528	27,264,253	(57,725)
Building and safety	3,115,741	3,264,645	2,991,778	272,867
Total public safety	<u>95,619,324</u>	<u>96,963,999</u>	<u>95,741,625</u>	<u>1,222,374</u>
Public works	<u>11,651,378</u>	<u>11,810,581</u>	<u>11,523,315</u>	<u>287,266</u>
Culture and recreation	<u>13,899,987</u>	<u>13,971,582</u>	<u>13,602,978</u>	<u>368,604</u>
Capital outlays	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Transfers out	<u>18,248,089</u>	<u>18,790,981</u>	<u>17,996,011</u>	<u>794,970</u>
Total Charges to appropriations	<u>168,611,713</u>	<u>171,174,907</u>	<u>165,989,257</u>	<u>5,185,650</u>
Budgetary Fund Balance, July 1, 2013	\$ <u>53,502,015</u>	\$ <u>51,086,515</u>	\$ <u>50,365,465</u>	\$ <u>(721,050)</u>

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	\$	216,354,722
Differences - budget to GAAP The fund balance at the beginning of the year is not a current year revenue for financial reporting purposes		(52,697,045)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.		<u>(9,436,987)</u>
Total Revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u><u>154,220,690</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule.	\$	165,989,257
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		(1,478,903)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		<u>(17,996,011)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$	<u><u>146,514,343</u></u>

City OF Torrance



Zamperini Field - Torrance Municipal Airport

Proprietary Fund Financial Statements

❖ DEPARTMENT OF FINANCE ❖

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CITY OF TORRANCE, CALIFORNIA

Statement of Net Position

Proprietary Funds

June 30, 2013

Assets	Business Type					Governmental
	Proprietary Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Current assets:						
Pooled cash and investments (note 2)	\$ 8,663,694	\$ 8,030,281	\$ 8,859,212	\$ 6,923,994	\$ 32,477,181	\$ 31,403,586
Cash and cash equivalents with fiscal agents (note 2)	—	548,956	—	—	548,956	—
Accounts receivable	69,588	6,816,800	587,315	2,513,908	9,987,611	90,075
Accrued interest receivable	31,522	33,671	36,393	26,363	127,949	69,133
Inventory	1,028,393	487,182	—	—	1,515,575	1,211,762
Due from other governments (note 14)	3,278,139	—	—	—	3,278,139	—
Prepays	995	33,178	75	2,117	36,365	687,423
Total current assets	<u>13,072,331</u>	<u>15,950,068</u>	<u>9,482,995</u>	<u>9,466,382</u>	<u>47,971,776</u>	<u>33,461,979</u>
Noncurrent assets:						
Advance to successor agency (note 11)	—	1,154,432	419,028	—	1,573,460	—
Capital assets, net (note 3)	24,714,967	69,249,762	41,895,030	7,135,810	142,995,569	9,065,026
Total noncurrent assets	<u>24,714,967</u>	<u>70,404,194</u>	<u>42,314,058</u>	<u>7,135,810</u>	<u>144,569,029</u>	<u>9,065,026</u>
Total Assets	<u>37,787,298</u>	<u>86,354,262</u>	<u>51,797,053</u>	<u>16,602,192</u>	<u>192,540,805</u>	<u>42,527,005</u>
Liabilities						
Current liabilities (payable from current assets):						
Accounts payable	601,872	4,327,098	170,314	582,789	5,682,073	483,034
Contract retainage payable	—	52,483	—	—	52,483	—
Deposits payable	—	31,570	—	191,295	222,865	—
Accrued liabilities	1,378,871	595,193	275,066	882,327	3,131,457	4,752,482
Capital lease payable	—	—	—	—	—	102,068
Current bonds payable - interest	—	8,267	—	—	8,267	—
Current bonds payable - principal (notes 6 and 7)	—	620,000	—	—	620,000	—
Accrued liabilities for self-insurance claims - current (note 13)	—	—	—	—	—	9,648,916
Current liabilities (payable from restricted assets):						
Due to other funds (note 11)	—	—	—	658,732	658,732	—
Unearned revenues (note 15)	4,491,482	—	—	901,057	5,392,539	—
Total current liabilities	<u>6,472,225</u>	<u>5,634,611</u>	<u>445,380</u>	<u>3,216,200</u>	<u>15,768,416</u>	<u>14,986,500</u>
Noncurrent liabilities						
Long-term obligations (notes 6 and 7)	—	1,452,900	—	—	1,452,900	208,053
Accrued Liability for self-insurance claims long-term (note 13)	—	—	—	—	—	16,754,831
Accrued Liability for net postemployment benefits - long-term (note 9)	—	—	—	—	—	13,087,601
Total noncurrent liabilities	<u>—</u>	<u>1,452,900</u>	<u>—</u>	<u>—</u>	<u>1,452,900</u>	<u>30,050,485</u>
Total Liabilities	<u>6,472,225</u>	<u>7,087,511</u>	<u>445,380</u>	<u>3,216,200</u>	<u>17,221,316</u>	<u>45,036,985</u>
Net Position						
Net investment in capital assets	24,714,967	67,725,818	41,895,030	7,135,810	141,471,625	8,754,905
Unrestricted	6,600,106	11,540,933	9,456,643	6,250,182	33,847,864	(11,264,885)
Total Net Position	<u>\$ 31,315,073</u>	<u>\$ 79,266,751</u>	<u>\$ 51,351,673</u>	<u>\$ 13,385,992</u>	<u>\$ 175,319,489</u>	<u>\$ (2,509,980)</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2013

	Business Type					Governmental
	Proprietary Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Operating revenues:						
Charges for services	\$ 3,187,242	\$ 34,779,317	\$ 3,101,798	\$ 29,905,959	\$ 70,974,316	\$ 8,213,565
Other	351,739	1,376,392	35,261	33,074	1,796,466	—
Total operating revenues	<u>3,538,981</u>	<u>36,155,709</u>	<u>3,137,059</u>	<u>29,939,033</u>	<u>72,770,782</u>	<u>8,213,565</u>
Operating expenses:						
Salaries and employee benefits	12,866,932	4,599,769	1,833,676	21,570,466	40,870,843	6,515,493
Services and supplies	2,868,505	1,469,540	401,571	5,948,487	10,688,103	303,331
Other professional services	1,796,790	790,300	479,965	3,655,981	6,723,036	168,220
Depreciation /amortization	2,592,895	1,456,904	1,009,186	419,667	5,478,652	1,760,148
Insurance and claims	1,459,945	146,199	125,967	158,948	1,891,059	3,995,402
City charges	2,958,289	1,772,358	394,790	4,235,124	9,360,561	130,189
Cost of water	—	22,565,668	—	—	22,565,668	—
Other	124,020	67,548	437,255	262,384	891,207	37,879
Total operating expenses	<u>24,667,376</u>	<u>32,868,286</u>	<u>4,682,410</u>	<u>36,251,057</u>	<u>98,469,129</u>	<u>12,910,662</u>
Operating income (loss)	<u>(21,128,395)</u>	<u>3,287,423</u>	<u>(1,545,351)</u>	<u>(6,312,024)</u>	<u>(25,698,347)</u>	<u>(4,697,097)</u>
Nonoperating revenues (expenses):						
Investment earnings	37,169	123,403	108,566	79,071	348,209	282,882
Gain (loss) on sale of capital assets	—	—	—	—	—	124,024
Assistance from other governments	19,797,331	—	—	—	19,797,331	—
Interest expense	—	(46,503)	—	(85,219)	(131,722)	(2,828)
Grants	—	—	—	154,678	154,678	—
Total nonoperating revenues(expenses) net	<u>19,834,500</u>	<u>76,900</u>	<u>108,566</u>	<u>148,530</u>	<u>20,168,496</u>	<u>404,078</u>
Income (loss) before contributions and operating transfers	<u>(1,293,895)</u>	<u>3,364,323</u>	<u>(1,436,785)</u>	<u>(6,163,494)</u>	<u>(5,529,851)</u>	<u>(4,293,019)</u>
Capital grants	5,651,079	37,423	—	—	5,688,502	—
Transfers in (note 12)	1,201,978	—	—	13,249,888	14,451,866	1,867,701
Transfers out (note 12)	(46,799)	(16,096)	(2,560)	(7,217,452)	(7,282,907)	(32,636)
Change in net position	5,512,363	3,385,650	(1,439,345)	(131,058)	7,327,610	(2,457,954)
Total net position - July 1, 2012	<u>25,802,710</u>	<u>75,881,101</u>	<u>52,791,018</u>	<u>13,517,050</u>	<u>167,991,879</u>	<u>(52,026)</u>
Total net position - June 30, 2013	<u>\$ 31,315,073</u>	<u>\$ 79,266,751</u>	<u>\$ 51,351,673</u>	<u>\$ 13,385,992</u>	<u>\$ 175,319,489</u>	<u>\$ (2,509,980)</u>

See accompanying notes to the basic financial statements.

CITY OF TORRANCE, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2013

	Business Type					Governmental
	Proprietary Funds					Activity
	Transit System Fund	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Total	Internal Service Funds
Cash flow from operating activities:						
Receipts from customers	\$ 3,187,242	\$ 34,690,372	\$ 2,915,486	\$ 29,530,676	\$ 70,323,776	\$ 8,196,640
Cash payments to suppliers for goods and services	(9,169,354)	(26,434,872)	(1,731,080)	(13,451,606)	(50,786,912)	(4,552,549)
Cash payments to employees for services	(12,608,821)	(4,592,289)	(1,815,569)	(21,507,538)	(40,524,217)	(3,544,794)
Internal activity payments from/to funds	—	—	—	(62,678)	(62,678)	—
Cash received from donations	—	—	—	2,913	2,913	—
Other receipts	351,739	1,174,848	—	10,796	1,537,383	—
Net cash provided by (used in) operating activities	<u>(18,239,194)</u>	<u>4,838,059</u>	<u>(631,163)</u>	<u>(5,477,437)</u>	<u>(19,509,735)</u>	<u>99,297</u>
Cash flows from noncapital financing activities:						
Cash received from capital grants and subsidies	17,408,326	—	—	154,678	17,563,004	—
Cash received from other funds	1,201,978	—	—	13,249,888	14,451,866	1,867,701
Cash transfers paid to other funds	(46,799)	(16,096)	(2,560)	(7,217,452)	(7,282,907)	(32,636)
Net cash provided by (used in) noncapital financing activities	<u>18,563,505</u>	<u>(16,096)</u>	<u>(2,560)</u>	<u>6,187,114</u>	<u>24,731,963</u>	<u>1,835,065</u>
Cash flows from capital financing activities:						
Cash received from capital grants and subsidies	5,651,079	37,423	—	—	5,688,502	—
Payments for capital additions	(6,276,910)	(3,487,099)	(308,164)	(35,160)	(10,107,333)	(2,433,024)
Proceeds from the sale of capital assets	—	—	—	—	—	130,610
Payments for long-term obligations - principal & interest	—	—	—	(77,000)	(77,000)	—
Payments for long-term bonds - principal & interest	—	(626,003)	—	—	(626,003)	—
Net cash provided by (used in) capital financing activities	<u>(625,831)</u>	<u>(4,075,679)</u>	<u>(308,164)</u>	<u>(112,160)</u>	<u>(5,121,834)</u>	<u>(2,302,414)</u>
Cash flows from investing activities:						
Cash paid for interest on debt	—	—	—	(8,219)	(8,219)	—
Cash received from interest on investments	48,557	123,253	116,236	79,392	367,438	287,544
Net cash provided by investing activities	<u>48,557</u>	<u>123,253</u>	<u>116,236</u>	<u>71,173</u>	<u>359,219</u>	<u>287,544</u>
Net increase (decrease) in cash, restricted cash and cash equivalents	(252,963)	869,537	(825,651)	668,690	459,613	(80,508)
Cash and cash equivalents, July 1, 2012	<u>8,916,657</u>	<u>7,709,700</u>	<u>9,684,863</u>	<u>6,255,304</u>	<u>32,566,524</u>	<u>31,484,094</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 8,663,694</u>	<u>\$ 8,579,237</u>	<u>\$ 8,859,212</u>	<u>\$ 6,923,994</u>	<u>\$ 33,026,137</u>	<u>\$ 31,403,586</u>
Reconciliation of cash and cash equivalents:						
Pooled cash and investments	8,663,694	8,030,281	8,859,212	6,923,994	32,477,181	31,403,586
Cash and cash equivalents with fiscal agents	—	548,956	—	—	548,956	—
Total cash and cash equivalents	<u>\$ 8,663,694</u>	<u>\$ 8,579,237</u>	<u>\$ 8,859,212</u>	<u>\$ 6,923,994</u>	<u>\$ 33,026,137</u>	<u>\$ 31,403,586</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	(21,128,395)	3,287,423	(1,545,351)	(6,312,024)	(25,698,347)	(4,697,097)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	2,592,895	1,456,904	1,009,186	419,667	5,478,652	1,760,148
Change in assets and liabilities:						
Accounts receivable	10,039	(290,489)	(221,573)	(408,174)	(910,197)	(16,925)
Prepays and other assets	(295)	(33,178)	(75)	5,267	(28,281)	(50)
Inventories	28,624	(2,297)	—	—	26,327	87
Accounts payable	143,696	375,556	108,543	199,901	827,696	82,435
Due to other funds	—	—	—	287,788	287,788	—
Accrued salaries and benefits	257,543	7,480	18,107	235,175	518,305	2,970,699
Contract retainage payable	(1,401)	—	—	—	(1,401)	—
Other accrued liabilities	(141,900)	31,660	—	81,437	(28,803)	—
Deposits and guarantees	—	5,000	—	(93,653)	(88,653)	—
Unearned revenues	—	—	—	107,179	107,179	—
Net cash provided by (used in) operating activities	<u>\$ (18,239,194)</u>	<u>\$ 4,838,059</u>	<u>\$ (631,163)</u>	<u>\$ (5,477,437)</u>	<u>\$ (19,509,735)</u>	<u>\$ 99,297</u>
Noncash, investing, capital, and financing activities:						
During fiscal year 2012-13, 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 Net Position - Trust and Agency Funds
June 30, 2013

	Private- Purpose Trust Fund	Total Agency Funds
Assets		
Pooled cash and investments (note 2)	\$ 4,555,240	\$ 2,394,163
Cash and cash equivalents with fiscal agents (note 2)	2,919,653	—
Accounts receivable	—	3,970
Accrued interest receivable	749	573
Due from other governments (note 14)	—	6,433
Prepayments	—	909
Total assets	\$ 7,475,642	\$ 2,406,048
Liabilities		
Accounts payable	\$ 669	\$ —
Deposits payable	—	2,406,048
Interest payable	498,509	—
Advances from City	55,875,770	—
Long-term debt:		
Due within one year (note 20)	3,423,337	—
Due in more than one year (note 20)	38,990,347	—
Total Liabilities	\$ 98,788,632	\$ 2,406,048
Net Position		
Held in trust for successor agency	\$ (91,312,990)	

See accompanying notes to basic financial statements.

CITY OF TORRANCE, CALIFORNIA
Statement of Changes in Net Position - Trust Funds
Year Ended June 30, 2013

	Private- Purpose Trust Fund
Additions	
Property taxes	\$ 4,379,508
Use of money and property	13,749
Total additions	4,393,257
Deductions	
Residual commitments of former redevelopment agency	38,906
Remittances to County	4,747,167
Debt service	
Interest and fiscal charges of former redevelopment agency	1,562,840
Total deductions	6,348,913
Change in net position	(1,955,656)
Net position - beginning	(57,471,681)
Prior period adjustment (note 20)	(31,885,653)
Net position - ending	\$ (91,312,990)

See accompanying notes to basic financial statements.

City OF Torrance



Katy Geissert Library

Notes to Financial Statements

❖ DEPARTMENT OF FINANCE ❖

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(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 20). 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, was blended into the City's financial statements within the Governmental Activities in the financial statements for the year ended June 30, 2012. 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 Position and a Statement of Activities and Changes in Net Position. 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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. 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 Position 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 Position, 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for franchise taxes and grant revenues (for which the availability period is 180 days). 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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 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 20).

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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 Position. The Statement of Activities and Changes in Net Position 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 Enterprise 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.

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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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 position.

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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.

Deferred Outflows and Deferred Inflows of Resources

When applicable, the Statement of Net Position and the Balance Sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that apply to future periods and that, therefore, will not be recognized as an expense or expenditure until that time.

When applicable, the Statement of Net Position and the Balance Sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisition of net position that apply to future periods and that, therefore, are not recognized as revenue until that time.

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).

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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 either by City Council or by persons to whom City Council has delegated the authority to assign amounts for specific purposes.

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 176,431,937
Cash and investments held by bond trustee	6,346,149
Fiduciary funds:	
Cash and investments	6,949,403
Cash and investments held by bond trustee	<u>2,919,653</u>
Total cash and investments	<u>\$ 192,647,142</u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 21,410
Deposits with financial institutions	5,679,625
Investments	<u>186,946,107</u>
Total cash and investments	<u>\$ 192,647,142</u>

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

The table below identifies the **investment types** that are authorized for the City of Torrance by the California Government Code and the City of Torrance investment policy. The table also identifies certain provisions of the California Government Code (or the City of Torrance investment policy, if more restrictive) that address **interest rate risk**, **credit risk**, and **concentration of credit risk**. This table does

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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.**

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

<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 City of Torrance manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>				
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More than 60 Months</u>
Federal agency securities	\$ 105,287,920	7,580,190	5,054,020	92,653,710	-
Corporate medium term notes	25,441,689	9,176,340	4,052,480	12,212,869	-
Certificate of deposit	6,850,696	1,960,076	491,240	4,399,380	-
State investment pool	40,100,000	40,100,000	-	-	-
Subtotal	177,680,305	58,816,606	9,597,740	109,265,959	-
<u>Held by bond trustee:</u>					
Money market funds	8,148,250	8,148,250	-	-	-
Investment contracts	1,117,552	567,613	-	-	549,939
Total	<u>\$ 186,946,107</u>	<u>67,532,469</u>	<u>9,597,740</u>	<u>109,265,959</u>	<u>549,939</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

Disclosures Relating to Credit Risk

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

Investment Type		Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
Federal agency securities	105,287,920	N/A	-	-	105,287,920	-	-
Corporate medium term notes	25,441,689	A	-	1,024,171	20,403,268	4,014,250	-
Certificate of deposit	6,850,696	N/A	-	-	-	-	6,850,696
State investment pool	40,100,000	N/A	-	-	-	-	40,100,000
SUBTOTAL	177,680,305		-	1,024,171	125,691,188	4,014,250	46,950,696
Held by bond trustee:							
Money market funds	8,148,250	A	-	5,228,597	-	-	2,919,653
Investment contracts	1,117,552	N/A	-	-	-	-	1,117,552
TOTAL	\$ 186,946,107		-	6,252,768	125,691,188	4,014,250	50,987,901

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	\$ 16,885,330
Federal Farm Credit Agency	Federal agency securities	13,693,320
Federal Home Loan Bank	Federal agency securities	18,796,560
Federal Home Loan Mortgage Corp	Federal agency securities	43,098,520
Federal National Mortgage Assoc.	Federal agency securities	12,814,190

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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, 2013, \$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, 2013, 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, 2013 (in thousands):

Description	Cost	Accumulated Depreciation	Net Cost
Road system	\$ 274,552	\$ (139,718)	\$ 134,834
Storm drain system	25,036	(7,526)	17,510
Sewer lines	71,168	(32,353)	38,815
Water system	94,734	(35,219)	59,515
	<u>\$ 465,490</u>	<u>\$ (214,816)</u>	<u>\$ 250,674</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

Capital Asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 64,258	\$ -	\$ -	\$ 64,258
Right of Way	19,344	-	-	19,344
Construction in progress	<u>43,457</u>	<u>-</u>	<u>(34,298)</u>	<u>9,159</u>
Total capital assets not being depreciated	<u>127,059</u>	<u>-</u>	<u>(34,298)</u>	<u>92,761</u>
Capital assets being depreciated:				
Land improvements and buildings	85,596	2,451	-	88,047
Machinery and equipment	44,035	9,612	(1,387)	52,260
Infrastructure *	<u>266,297</u>	<u>34,848</u>	<u>(1,556)</u>	<u>299,589</u>
Total capital assets being depreciated	<u>395,928</u>	<u>46,911</u>	<u>(2,943)</u>	<u>439,896</u>
Less accumulated depreciation for:				
Land improvements and buildings	(43,014)	(2,017)	-	(45,031)
Machinery and equipment	(30,566)	(3,267)	1,210	(32,623)
Infrastructure *	<u>(142,564)</u>	<u>(4,681)</u>	<u>-</u>	<u>(147,245)</u>
Total accumulated depreciation	<u>(216,144)</u>	<u>(9,965)</u>	<u>1,210</u>	<u>(224,899)</u>
Total capital assets, being depreciated, net	<u>179,784</u>	<u>36,946</u>	<u>(1,733)</u>	<u>214,997</u>
Governmental activities capital assets, net	<u>\$ 306,843</u>	<u>\$ 36,946</u>	<u>\$ (36,031)</u>	<u>\$ 307,758</u>

* Infrastructure (road system asset) beginning balance has been restated. See footnote 17.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being depreciated:				
Land	\$ 6,941	\$ -	\$ -	\$ 6,941
Construction in progress	11,944	2,575	(5,772)	8,747
Total capital assets not being depreciated	<u>18,885</u>	<u>2,575</u>	<u>(5,772)</u>	<u>15,688</u>
Capital assets being depreciated:				
Infrastructure	160,539	5,668	(305)	165,902
Right of Way	-	1,743	-	1,743
Land improvements and buildings	15,866	64	-	15,930
Machinery and equipment	40,618	6,074	-	46,692
Furniture and fixtures	1,131	-	(25)	1,106
Total capital assets being depreciated	<u>218,154</u>	<u>13,549</u>	<u>(330)</u>	<u>231,373</u>
Less accumulated depreciation for:				
Infrastructure	(65,573)	(2,297)	298	(67,572)
Right of Way	-	(48)	-	(48)
Land improvements and buildings	(10,927)	(428)	-	(11,355)
Machinery and equipment	(21,901)	(2,624)	-	(24,525)
Furniture and fixtures	(483)	(82)	-	(565)
Total accumulated depreciation	<u>(98,884)</u>	<u>(5,479)</u>	<u>298</u>	<u>(104,065)</u>
Total capital assets, being depreciated, net	<u>119,270</u>	<u>8,070</u>	<u>(32)</u>	<u>127,308</u>
Business-type activities capital assets, net	<u>\$ 138,155</u>	<u>\$ 10,645</u>	<u>\$ (5,804)</u>	<u>\$ 142,996</u>

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 \$2,762,059 and asset deductions amounted to \$1,210,078.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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

Governmental Activities:		
General government	\$	3,835
Public safety		589
Public works		4,832
Culture and recreation		709
		<hr/>
Total depreciation expense - governmental activities	\$	<u>9,965</u>
Business-type activities:		
Water	\$	1,457
Sewer		1,009
Sanitation		7
Cultural Arts Center		28
Emergency Medical Services		12
Parks & Recreation		1
Airport		372
Transit		2,593
		<hr/>
Total depreciation expense - business-type activities	\$	<u>5,479</u>

Included in the depreciation charge to general government is the amount of depreciation for the Fleet Services Fund and the Self Insurance Fund, internal service funds. This amount includes depreciation expense of \$1,760,148 and retirements of \$1,210,078 or net addition to accumulated depreciation in the amount of \$550,070.

(4) Notes Receivable

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, 2013 is \$79,055.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(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 \$32,500,000 and was purchased with a net original issue premium of \$242,450 and an underwriter discount of \$325. 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, 2013:

	<u>Beginning fiscal year balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending fiscal year balance</u>
Tax and revenue anticipation notes	\$ 38,000,000	32,500,000	(38,000,000)	\$ 32,500,000

(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, 2013, the \$620,000 face amount of the refunding bonds outstanding has been classified as a current liability in the accompanying proprietary fund financial statements.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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: 2014	\$ 620	\$ 25	\$ 645
Total	\$ 620	\$ 25	\$ 645

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 \$6,045,000 remains outstanding as of June 30, 2013. 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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:			
2014	\$260	\$281	\$541
2015	275	268	543
2016	285	255	540
2017	300	241	541
2018	315	226	541
2019 to 2023	1,805	888	2,693
2024 to 2028	2,280	406	2,686
2029	525	13	538
Total	<u>\$6,045</u>	<u>\$2,578</u>	<u>\$8,623</u>

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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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 \$11,270,000 remains outstanding as of June 30, 2013. 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:			
2014	\$ 990	\$ 554	\$ 1,544
2015	315	505	820
2016	330	494	824
2017	345	482	827
2018	360	464	824
2019 to 2023	2,090	2,034	4,124
2024 to 2028	2,660	1,457	4,117
2029 to 2033	3,395	722	4,117
2034	785	39	824
	\$ 11,270	\$ 6,751	\$ 18,021

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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, 2013. 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:			
2014	\$ -	\$ 1,233	\$ 1,233
2015	720	1,233	1,953
2016	755	1,197	1,952
2017	790	1,159	1,949
2018	830	1,120	1,950
2019 to 2023	4,820	4,932	9,752
2024 to 2028	6,175	3,582	9,757
2029 to 2033	7,970	1,785	9,755
2034	1,855	97	1,952
	<u>\$ 23,915</u>	<u>\$ 16,338</u>	<u>\$ 40,253</u>

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 \$17,930,000 remains outstanding as of June 30, 2013.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

Annual debt service requirements are as follows:

	Annual Debt Service Requirement		
	Principal	Interest	Total
Year ending June 30:			
2014	\$ 335	\$ 921	\$ 1,256
2015	345	910	1,255
2016	360	896	1,256
2017	375	882	1,257
2018	390	866	1,256
2019 to 2023	2,225	4,056	6,281
2024 to 2028	2,870	3,408	6,278
2029 to 2033	3,735	2,538	6,273
2034 to 2038	4,920	1,359	6,279
2039 to 2040	2,375	132	2,507
	<u>\$ 17,930</u>	<u>\$ 15,968</u>	<u>\$ 33,898</u>

c) Capital Lease

In September 2012, the City of Torrance entered into a four year lease agreement as lessee for the financing of 20 vehicles. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. This debt is considered to be capital related.

The assets acquired through capital lease at June 30, 2013 are as follows (in thousands):

	Governmental Activities
Asset:	
Vehicles	\$ 412
Less: Accumulated Depreciation	<u>(82)</u>
Total	<u>\$ 330</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

The future minimum lease obligations at June 30, 2013 are as follows (in thousands):

	<u>Governmental Activities</u>
Year ending June 30:	
2014	\$ 103
2015	103
2016	104
Total minimum lease payments	<u>\$ 310</u>

d) Water Fund Easement

In August 2012, the City of Torrance entered into a thirty year easement agreement with the Torrance Unified School District for access to a land-locked, City-owned parcel to be developed as a water well, treatment and storage facility. The value of the easement asset at its inception date, and as of June 30, 2013 is \$1,743,480. The City paid the first five years of the easement obligation in advance in the amount of \$290,580. The related debt is considered to be capital debt.

The future easement obligations at June 30, 2013 are as follows (in thousands):

	<u>Water Enterprise Fund</u>
Year ending June 30:	
2014	\$ -
2015	-
2016	-
2017	-
2018	58
2019 to 2023	291
2024 to 2028	291
2029 to 2033	291
2034 to 2038	290
2039 to 2042	232
	<u>\$ 1,453</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

e) 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 expected 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	\$4,780,225	\$613,800	13%

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(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, 2013 (in thousands):

Governmental Activities:	Balance June 30, 2012	Incurred or Issued	Satisfied or Matured	Balance June 30, 2013	Amounts due within One Year	Amounts Due in more than One Year
Compensated absences payable	\$ 20,687	9,903	10,158	\$ 20,432	10,438	9,994
Net postemployment benefits payable	10,228	5,187	2,327	13,088	-	13,088
Capital lease payable	-	412	102	310	103	207
Claims & judgments	26,404	3,088	3,088	26,404	9,648	16,756
Certificates of Participation:						
1998 Police and Fire refunding certificates	6,300	-	255	6,045	260	5,785
2004 A refunding certificates	12,225	-	955	11,270	990	10,280
2004 B refunding certificates	23,915	-	-	23,915	-	23,915
2009 land acquisition certificates	18,255	-	325	17,930	335	17,595
Total Governmental Activities	\$ 118,014	18,590	17,210	\$ 119,394	21,774	97,620
Business-Type Activities:						
Easement payable - Water Fund	\$ -	1,743	290	\$ 1,453	-	1,453
Revenue Bonds - Water Fund	1,190	-	570	\$ 620	620	-
Total Business-Type Activities	\$ 1,190	1,743	860	\$ 2,073	620	1,453

Compensated Absences

The City's policy regarding compensated absences is described in Note 1. The funded portion of this debt, totaling \$3,837,344, is recorded in the Internal Service Funds. The unfunded portion, amounting to \$16,595,204 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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,

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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, 2013 was 12.238% for miscellaneous employees, 39.982% for fire employees and 46.029% 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, 2013 the City's APC and its actual contributions were \$34,292,045. The City contributed \$26,087,066 on behalf of their employees. Employees directly contributed \$8,204,979. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2012 to June 30, 2013. The ARC for the year ended June 30, 2013 was determined as part of the June 30, 2010 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

Three-Year Trend Information for the Plan

Fiscal year ended June 30	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligations
Misc:			
2011	\$10,651,054	100%	—
2012	11,957,160	100%	—
2013	11,708,856	100%	—
Safety:			
2011	\$19,594,668	100%	—
2012	23,342,029	100%	—
2013	22,583,189	100%	—
Total:			
2011	\$30,245,722	100%	—
2012	35,299,189	100%	—
2013	34,292,045	100%	—

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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:						
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
2012	<u>476.9</u>	<u>432.7</u>	<u>44.2</u>	<u>90.7</u>	<u>60.6</u>	<u>72.9</u>
Safety:						
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
2012	<u>709.6</u>	<u>520.5</u>	<u>189.1</u>	<u>73.3</u>	<u>43.1</u>	<u>439.0</u>
Total:						
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
2012	<u>1,186.5</u>	<u>953.2</u>	<u>233.3</u>	<u>80.3</u>	<u>103.7</u>	<u>225.0</u>

(9) Other Post Employment Benefits

Funding Policy

Below are the 2012/13 estimated ARC (Annual Required Contribution), AOC (Annual Other Post Employment Benefit OPEB Cost), and the estimated June 30, 2013 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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 2012/13 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	\$2,240
▪ UAAL Amortization	3,040
▪ Total	<u>\$5,280</u>
▪ Payroll	109,982
▪ ARC%	
• Normal Costs	2.0%
• UAAL Amort	2.8%
• Total	4.8%

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 2012/13 is determined as follows:

▪ ARC	\$5,280
▪ Interest on NOO	384
▪ Amortization of NOO	<u>(477)</u>
▪ Total AOC	\$5,187
▪ AOC as % of Payroll	4.72%

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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 2013, 49.9% of the ARC was contributed in the form of benefit payments made.

Based on the AOC developed above, the estimated June 30, 2013 NOO is (Amounts in \$000’s):

Annual required contribution	\$ 5,280
Interest on net OPEB obligation	384
Adjustment to annual required obligation	<u>(477)</u>
Annual OPEB cost (expense)	\$ 5,187
Contributions made (including benefits paid)	<u>(2,327)</u>
Increase in net OPEB obligation	\$ 2,860
Net OPEB obligation-beginning of year	<u>10,228</u>
Net OPEB obligation-end of year	<u>\$13,088</u>

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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$ 4,163	50.0%	\$ 7,588
6/30/12	\$ 4,925	46.4%	\$ 10,228
6/30/13	\$ 5,187	49.9%	\$ 13,088

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

Amortization Payments

(Amounts in 000's)

Amortization Payment	06/30/09 Valuation		06/30/11 Valuation	
	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

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

Actuarial Assumptions

Valuation Date <ul style="list-style-type: none">• June 30, 2011												
Discount Rate <ul style="list-style-type: none">• 4.25% (assets invested in General Fund, not pre-funded)												
Inflation <ul style="list-style-type: none">• 3.0% per annum												
Aggregate Payroll Increase <ul style="list-style-type: none">• 3.25% per annum												
Cap Increases <ul style="list-style-type: none">• 0% for all groups except Police yearly stipend <table><thead><tr><th><u>Year</u></th><th><u>Increase</u></th></tr></thead><tbody><tr><td>1-5</td><td>0.5%</td></tr><tr><td>6-10</td><td>1.4%</td></tr><tr><td>11-15</td><td>2.7%</td></tr><tr><td>16-20</td><td>3.2%</td></tr><tr><td>21+</td><td>3.25%</td></tr></tbody></table>	<u>Year</u>	<u>Increase</u>	1-5	0.5%	6-10	1.4%	11-15	2.7%	16-20	3.2%	21+	3.25%
<u>Year</u>	<u>Increase</u>											
1-5	0.5%											
6-10	1.4%											
11-15	2.7%											
16-20	3.2%											
21+	3.25%											
Mortality, Withdrawal, and Disability <ul style="list-style-type: none">- CalPERS 1997-2007 Experience Study- Mortality Projection Scale AA												
Retirement <ul style="list-style-type: none">• Calpers 1997-2007 Experience Study• Miscellaneous<ul style="list-style-type: none">Level 2% @ 55Hire Age 31.4ERA 57.7• Safety<ul style="list-style-type: none">Level 3% @ 50HA (F) 26.9HA (P) 26.7ERA (F) 54.4ERA (P) 53.6												

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

Medical Trend				
<u>Year</u>	<u>Non-Medicare</u>		<u>Medicare</u>	
	<u>HMO</u>	<u>PPO</u>	<u>HMO</u>	<u>PPO</u>
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		
	<u>Currently Covered</u>	<u>Currently Waived</u>
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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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

▪ Present Value of Benefits	
• Actives	\$ 46,770
• Retirees	38,281
• Total	<u>85,051</u>
▪ Actuarial Accrued Liability	
• Actives	24,315
• Retirees	38,281
• Total	<u>62,596</u>
▪ 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	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$62,596</u>
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%

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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%

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(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, 2013:

Balance, July 1, 2012	\$ 141,030,356
Deferrals of compensation	9,740,261
Net investment earnings	14,728,445
Payment to Plan participants	<u>(12,514,951)</u>
Plan net assets available for participants and beneficiaries, June 30, 2013	<u>\$ 152,984,111</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(11) Other Required Individual Fund Disclosures

Interfund Transactions – Due to/Due from other funds

Interfund receivable and payable balances at June 30, 2013 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 940
	Nonmajor Proprietary Funds	659
		<u>\$1,599</u>

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, 2013 were as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Successor Agency Trust	\$54,303
Water Fund	Successor Agency Trust	1,154
Sewer Fund	Successor Agency Trust	419
Nonmajor Governmental Funds	General Fund	600
		<u>\$56,476</u>

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 20.

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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(12) Transfers In and Out

The balances of transfers between funds at June 30, 2013 were as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Capital Improvements Fund	\$ 1,434
	Nonmajor Proprietary Funds	13,228
	Internal Service Funds	1,831
	Nonmajor Governmental Funds	<u>1,503</u>
		17,996
Water Proprietary Fund	General Fund	16
Sewer Proprietary Fund	General Fund	3
Transit Proprietary Fund	General Fund	44
	Nonmajor Proprietary Funds	<u>3</u>
		47
Internal Service Funds	General Fund	13
	Nonmajor Proprietary Funds	9
	Internal Service Funds	<u>11</u>
		33
Nonmajor Proprietary Funds	General Fund	7,181
	Nonmajor Proprietary Funds	10
	Nonmajor Governmental Funds	<u>26</u>
		7,217
Nonmajor Governmental Funds	General Fund	2,180
	Transit Proprietary Fund	1,202
	Internal Service Funds	26
	Nonmajor Governmental Funds	<u>135</u>
		3,543
Total		<u>\$ 28,855</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

As of June 30, 2013, \$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):

<u>Fiscal years</u>	<u>Beginning fiscal year liability balance</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Ending fiscal year balance</u>
2011-12	\$ 26,404	2,719	(2,719)	\$26,404
2012-13	\$ 26,404	3,088	(3,088)	\$26,404

(14) Due from Other Governments

Amounts due from other governments consisted of the following at June 30, 2013 (in thousands):

	<u>State of California</u>	<u>Federal Agencies</u>	<u>County of Los Angeles</u>	<u>Other Local Governments</u>	<u>Total</u>
Governmental Funds:					
General Fund	\$5,609	—	2,141	—	\$7,750
Special Revenue Funds:					
Air Quality Improvement Fund	46	—	—	—	46
Grants & Donation Fund	—	13	186	—	199
Street Lighting District Fund	—	—	68	—	68
Asset Forfeiture Fund	121	—	—	—	121
Proprietary Funds:					
Transit System	—	2,449	789	40	3,278
Subtotal	<u>5,776</u>	<u>2,462</u>	<u>3,184</u>	<u>40</u>	<u>11,462</u>
Fiduciary Funds:					
Municipal Area Express	—	—	—	6	6
Total	<u>\$5,776</u>	<u>2,462</u>	<u>3,184</u>	<u>46</u>	<u>\$11,468</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(15) Unearned Revenue

The table below shows activity for the City’s unearned revenue accounts as of June 30, 2013. The unearned revenue in the Transit Fund represents amounts that will be recognized when eligible purchases occur. The General Fund and Airport rents received in June for July will be recognized in July. In May and June of 2013, 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, 2013
(in thousands)

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2013</u>
Governmental Funds:				
General Fund	\$ -	\$ 10	\$ -	\$ 10
Total governmental funds	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>
Proprietary Funds:				
Transit Security Reserve	420	42	-	462
Transit Prop 1B	5,334	159	2,438	3,055
Transit Prop C (MOSIP)	1,030	-	56	974
Airport Rents received for July	208	265	208	265
Parks & Recreation Enterprise Fund revenues received in May and June for July classes	<u>586</u>	<u>636</u>	<u>586</u>	<u>636</u>
Total proprietary funds	<u>7,578</u>	<u>1,102</u>	<u>3,288</u>	<u>5,392</u>
Total	<u>\$ 7,578</u>	<u>\$ 1,112</u>	<u>\$ 3,288</u>	<u>\$ 5,402</u>

(16) Deficit Fund Equity (Accumulated Deficit)

The Self-Insurance Internal Service Fund reflected an accumulated deficit of \$20,060,444 at June 30, 2013. Such deficit is attributed to replenishment of the reserve for general liability claims resulting from settlements of claims in excess of established reserves. 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

The Postemployment/Compensated Absences Fund has an accumulated deficit of \$8,490,682 as of June 30, 2013. 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 \$434,263 as of June 30, 2013. The deficit will be reduced through planned rightsizing starting in fiscal year ending June 30, 2014.

The Emergency Medical Services Fund has an accumulated deficit of \$64,643 as of June 30, 2013. This deficit will be reduced by future transfers from the General Fund as liabilities are paid.

(17) Prior Period Adjustment

During the year ended June 30, 2013, the City adjusted the beginning fund balance of the General Fund and the Private Purpose Trust Fund (a fiduciary fund). This was done to recognize the accrual of interest due to the City as provided by state law (AB 1484). This entry of \$39,030,354 adjusts the extraordinary gain (loss) that was recognized in the prior year. In addition, the beginning fund balance of the Private Purpose Trust Fund was increased to recognize an adjustment to the interest on a long-term loan owed to the County.

	General Fund	Private Purpose Trust Fund
Fund balance, beginning, as previously reported	\$ 52,697,045	\$(57,471,681)
Adjustment to recognize interest prescribed by AB 1484	39,030,354	(39,030,354)
Adjustment to recognize interest adjustment on County loan	<u> -</u>	<u> 7,144,701</u>
Fund balance, beginning, as restated	<u>\$ 91,727,399</u>	<u>\$(89,357,334)</u>

During the year ended June 30, 2013, the City adjusted the beginning net assets of the Governmental Activities. This was done to adjust the cost and accumulated depreciation for road systems, a class of infrastructure assets, as of June 30, 2012 to agree with the detailed fixed asset listing.

Net assets for Governmental Activities, beginning	\$ 306,972,237
Adjustment to capital assets for Infrastructure	(2,743,711)
Adjustment to accumulated depreciation for Infrastructure	<u> 2,614,635</u>
Net assets for Governmental Activities, beginning, as adjusted	<u>\$ 306,843,161</u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(18) 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 \$4,475,616 at June 30, 2013.

The balances of encumbrances and other commitments by funds at June 30, 2013 were as follows (in thousands):

Governmental Funds	
General fund	\$ 1,479
Capital Improvement Funds	2,986
Nonmajor governmental funds	11
Total governmental funds	<u>\$ 4,476</u>

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.

(19) 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 (\$559,492). The funding goal of the economic anomaly reserve is 10% of the combined net adopted 2013-14 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 \$9,388,503 of special project reserves.

(20) 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 provided 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 provided that upon dissolution of a redevelopment agency, either the city or another unit of local government would 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

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-02.

The net assets of the former redevelopment agency have been reported in a private-purpose trust fund of the City pending satisfaction of the remaining obligations of the former redevelopment agency and their eventual distribution to other taxing entities pursuant to the dissolution requirements of Assembly Bill 1X 26.

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 are only 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 all 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 required 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.

During the year ended June 30, 2013, the City recorded return of cash to Los Angeles County per a December 3, 2012 State Department of Finance Due Diligence Review of the Low Mod Housing Successor Fund. The amount of the payment was \$3,867,774 and was recorded in the Private Purpose Trust Fund (a fiduciary fund).

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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 matured and were satisfied on July 1, 2012, with the final principal payment of \$169,300, and interest at 8%. The principal and interest were 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.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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:			
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	1,330	1,172	2,502
2019 to 2023	7,810	4,643	12,453
2024 to 2028	10,240	2,150	12,390
2029	2,400	67	2,467
	<u>\$ 26,965</u>	<u>\$ 13,413</u>	<u>\$ 40,378</u>

Advances and Notes Payable

At June 30, 2013, 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 was 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, 2013, the principal balance outstanding is \$910,787 and the accrued interest is \$912,550. The total loan in the amount of \$1,823,337 will be paid off in September 2013.

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, 2013 the principal balance outstanding is \$12,733,970 and accrued interest is \$891,378.

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

Pledged Revenue

The Successor Agency Trust reports debt issuances outstanding that were collateralized by the pledging of certain revenues of the former redevelopment agency. The amount and term of the remainder of these commitments is indicated in the debt service to maturity tables 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. As a result of the state's action to dissolve all redevelopment agencies, the Successor Agency no longer receives the full amount of tax increment previously pledged by the dissolved redevelopment agency to its bondholders. In its place is a new revenue stream (RPTTF funds) provided to the Successor Agency that represents only that portion of tax increment that is necessary to pay the enforceable obligations approved by the Department of Finance. For the current year, debt service payments as a percentage of RPTTF funds is indicated on the table below. This percentage also approximates the relationship of debt service to RPTTF revenues for the remainder of the term of the commitments.

Description of Pledged Revenue	Annual Amount of RPTTF Revenue	Debt Service (Annual Obligation Payments)	Debt Service as a Percentage of RPTTF Revenue
Successor Agency Revenues (RPTTF)	\$3,410,374	\$3,202,215	94%

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

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, 2013 (in thousands):

Trust Activities:	Balance June 30, 2012	Incurred or Issued	Satisfied or Matured	Adjustment	Balance June 30, 2013	Amounts due within One Year	Amounts Due in more than One Year
Advances and notes payable							
American Honda Motor Co.	1,775	48	-	-	1,823	1,823	-
County of Los Angeles	20,770	-	-	(7,145)	13,625	-	13,625
Tax Allocation Bonds:							
Sky park project refunding	169	-	169	-	-	-	-
Downtown project refunding	6,315	-	230	-	6,085	245	5,840
Industrial project refunding	22,140	-	1,260	-	20,880	1,355	19,525
Total Trust Activities	\$ 51,169	48	1,659	(7,145)	\$ 42,413	3,423	38,990

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 including debt related interest.

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

The Successor Agency Trust has an accumulated deficit of \$91,312,990 as of June 30, 2013, which represents the inclusion of long-term advances (non-city) and bond debt in excess of cash with fiscal agents including related interest.

e) Prior Period Adjustment – Successor Agency Adjustment

During the year ended June 30, 2013, the Successor Agency Trust adjusted the beginning fund balance. This was done to record interest provided by the redevelopment agency dissolution law (AB 1484) for loans made by the City to the former redevelopment agency. This entry of (\$39,030,354) adjusts the extraordinary loss that was recognized in the prior year. In addition the beginning fund balance was increased by \$7,144,701 to recognize an adjustment to the interest on a long-term loan owed to the County.

Fund balance, beginning, as previously reported	\$(57,471,681)
Adjustment to recognize interest pursuant to AB 1484	(39,030,354)
Adjustment to recognize interest adjustment on County loan	<u>7,144,701</u>
Fund balance, beginning, as restated	<u><u>\$(89,357,334)</u></u>

CITY OF TORRANCE, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2013

(21) Accounting Change

The accompanying financial statements reflect the implementation of GASB Statements Nos. 63 and 65. Significant impacts of GASB Statement No. 63 include changing the title of the statement of net assets to the statement of net position and reformatting the statement of net position to add separate sections for deferred inflows of resources and deferred outflows of resources. Significant impacts of GASB Statement No. 65 include reclassifying as deferred inflows of resources and deferred outflows of resources certain balances that were previously reported as assets and liabilities. GASB Statement No. 65 also required that debt issuances costs be reported as expenses when incurred. The retroactive effects of implementing this change in reporting debt issuance costs resulted in no restatement of the beginning net position of either the government-wide financial statements or any funds of the City.

(22) Subsequent Event

On December 1, 2013, the City of Torrance refunded the Torrance Public Financing Authority's 1998 certificates of participation for the principal amount of \$6,045,000 and accrued interest of \$143,305.

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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

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

Assets	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Pooled cash and investments	\$ 35,549,336	\$ —	\$ —	\$ 35,549,336
Cash and cash equivalents with fiscal agents	—	1,216,383	4,580,810	5,797,193
Accounts receivable	1,834,198	—	—	1,834,198
Accrued interest receivable	100,082	—	—	100,082
Due from other governments	434,264	—	—	434,264
Interfund advances receivable	600,000	—	—	600,000
Notes receivable	79,055	—	—	79,055
Prepays	2,696	—	—	2,696
Total Assets	\$ 38,599,631	\$ 1,216,383	\$ 4,580,810	\$ 44,396,824
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,377,109	\$ —	\$ —	\$ 1,377,109
Accounts payable—contract retention	106,509	—	—	106,509
Accrued liabilities	50,629	—	—	50,629
Due to other funds	935,415	4,993	—	940,408
Total Liabilities	2,469,662	4,993	—	2,474,655
Fund Balances:				
Restricted for:				
Public safety	4,416,693	—	—	4,416,693
Public works	25,508,013	—	—	25,508,013
Culture and recreation	4,581,824	—	—	4,581,824
Community development	1,623,439	—	—	1,623,439
Capital projects	—	1,211,390	—	1,211,390
Debt service	—	—	4,580,810	4,580,810
Total Fund Balances	36,129,969	1,211,390	4,580,810	41,922,169
Total Liabilities and Fund Balances	\$ 38,599,631	\$ 1,216,383	\$ 4,580,810	\$ 44,396,824

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2013

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Nonmajor Governmental Fund
Revenues:				
Taxes	\$ 1,303,724	\$ —	\$ —	\$ 1,303,724
Licenses, fees and permits	722,936	—	—	722,936
Fines, forfeitures and penalties	655,484	—	—	655,484
Use of money and property	420,218	—	4,573,980	4,994,198
Intergovernmental	17,808,477	—	—	17,808,477
Other revenues	222,613	—	—	222,613
Total revenues	21,133,452	—	4,573,980	25,707,432
Expenditures:				
General government	—	374,379	—	374,379
Public safety	1,476,691	—	—	1,476,691
Public works	10,322,735	—	—	10,322,735
Culture and recreation	396,344	—	—	396,344
Community development	6,767,893	—	—	6,767,893
Debt service:				
Principal retirement	—	—	1,535,000	1,535,000
Interest and fiscal charges	—	—	3,041,657	3,041,657
Total expenditures	18,963,663	374,379	4,576,657	23,914,699
Excess (deficiency) of revenues over (under) expenditures	2,169,789	(374,379)	(2,677)	1,792,733
Other financing sources (uses):				
Transfers in	1,663,698	—	—	1,663,698
Transfers out	(3,543,084)	—	—	(3,543,084)
Total other financing sources (uses)	(1,879,386)	—	—	(1,879,386)
Net change in fund balances	290,403	(374,379)	(2,677)	(86,653)
Fund balances, July 1, 2012	35,839,566	1,585,769	4,583,487	42,008,822
Fund balances, June 30, 2013	\$ 36,129,969	\$ 1,211,390	\$ 4,580,810	\$ 41,922,169

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 GRANTS AND DONATION FUND is used to account for monies received for the purpose of providing educational, cultural and recreational needs of the community.

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

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CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2013

Assets	Parks and Recreation Facilities	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting Assessment Fund	Drainage Improvement Fund
Pooled cash and investments	\$ 869,356	\$ 809,746	\$ 62,160	\$ 102,608	\$ 19,444
Accounts receivable	—	—	—	—	—
Accrued interest receivable	3,510	—	286	—	—
Due from other governments	—	—	—	67,380	—
Interfund advances receivable	600,000	—	—	—	—
Notes receivable	—	—	—	—	—
Prepays	—	—	—	—	—
Total assets	\$ 1,472,866	\$ 809,746	\$ 62,446	\$ 169,988	\$ 19,444
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	\$ 583	\$ 25,354	\$ 142,927	\$ —
Accounts payable – contract retention	—	—	—	—	—
Accrued liabilities	—	8,182	—	—	—
Due to other funds	—	—	—	—	—
Total liabilities	—	8,765	25,354	142,927	—
Fund balances:					
Restricted for:					
Public safety	—	—	—	—	—
Public works	—	—	37,092	27,061	19,444
Culture and recreation	1,472,866	—	—	—	—
Community development	—	800,981	—	—	—
Total fund balances	1,472,866	800,981	37,092	27,061	19,444
Total liabilities and fund balances	\$ 1,472,866	\$ 809,746	\$ 62,446	\$ 169,988	\$ 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
\$ 3,157,167	\$ 3,487,124	\$ 4,029,682	\$ 3,215	\$ 109	\$ 16,972	\$ 1,068,174
—	—	620,076	—	—	18,175	—
12,824	11,533	18,125	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>\$ 3,169,991</u>	<u>\$ 3,498,657</u>	<u>4,667,883</u>	<u>\$ 3,215</u>	<u>\$ 109</u>	<u>\$ 35,147</u>	<u>\$ 1,068,174</u>
\$ 41,173	\$ 36,507	\$ 69,048	\$ 1,749	\$ —	\$ 30,258	\$ 793,508
19,860	57,690	—	—	—	—	—
—	3,153	8,126	1,466	—	4,889	—
—	—	—	—	—	—	—
<u>61,033</u>	<u>97,350</u>	<u>77,174</u>	<u>3,215</u>	<u>—</u>	<u>35,147</u>	<u>793,508</u>
—	—	—	—	—	—	—
—	3,401,307	4,590,709	—	109	—	274,666
3,108,958	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>3,108,958</u>	<u>3,401,307</u>	<u>4,590,709</u>	<u>—</u>	<u>109</u>	<u>—</u>	<u>274,666</u>
<u>\$ 3,169,991</u>	<u>\$ 3,498,657</u>	<u>\$ 4,667,883</u>	<u>\$ 3,215</u>	<u>\$ 109</u>	<u>\$ 35,147</u>	<u>\$ 1,068,174</u>

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

Assets	Underground Storage Tank Fund	Geologic Hazard Abatement Fund	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund
Pooled cash and investments	\$ —	\$ 14,317	\$ 13,367,735	\$ 160,676	\$ 44,902
Accounts receivable	—	—	284,327	—	—
Accrued interest receivable	—	—	53,444	—	—
Due from other governments	—	—	—	46,153	—
Interfund advances receivable	—	—	—	—	—
Notes receivable	—	—	—	—	—
Prepays	—	—	—	—	—
Total assets	<u>\$ —</u>	<u>\$ 14,317</u>	<u>\$ 13,705,506</u>	<u>\$ 206,829</u>	<u>\$ 44,902</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	\$ —	\$ 7,417	\$ 3,572	\$ —
Accounts payable – contract retention	—	—	10,404	—	—
Accrued liabilities	—	—	—	475	—
Due to other funds	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>17,821</u>	<u>4,047</u>	<u>—</u>
Fund balances:					
Restricted for:					
Public safety	—	—	—	—	—
Public works	—	14,317	13,687,685	202,782	—
Culture and recreation	—	—	—	—	—
Community development	—	—	—	—	44,902
Total fund balances	<u>—</u>	<u>14,317</u>	<u>13,687,685</u>	<u>202,782</u>	<u>44,902</u>
Total liabilities and fund balances	<u>\$ —</u>	<u>\$ 14,317</u>	<u>\$ 13,705,506</u>	<u>\$ 206,829</u>	<u>\$ 44,902</u>

Police Inmate Welfare Fund	Grants and Donations Special Revenue Fund	Federal Housing and Community Development Fund	Asset Forfeiture Fund	Proposition 1B Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Fund
\$ 62,652	\$ 1,306,200	\$ 698,501	\$ 4,362,358	\$ 1,820,078	\$ 86,160	\$ 35,549,336
—	911,620	—	—	—	—	1,834,198
288	72	—	—	—	—	100,082
—	199,437	—	121,294	—	—	434,264
—	—	—	—	—	—	600,000
—	—	79,055	—	—	—	79,055
—	2,696	—	—	—	—	2,696
<u>\$ 62,940</u>	<u>\$ 2,420,025</u>	<u>\$ 777,556</u>	<u>\$ 4,483,652</u>	<u>\$ 1,820,078</u>	<u>\$ 86,160</u>	<u>\$ 38,599,631</u>
\$ —	\$ 27,509	\$ —	\$ 166,669	\$ —	\$ 30,835	\$ 1,377,109
—	—	—	18,555	—	—	106,509
—	18,213	—	—	6,125	—	50,629
—	935,415	—	—	—	—	935,415
—	981,137	—	185,224	6,125	30,835	2,469,662
62,940	—	—	4,298,428	—	55,325	4,416,693
—	1,438,888	—	—	1,813,953	—	25,508,013
—	—	—	—	—	—	4,581,824
—	—	777,556	—	—	—	1,623,439
<u>62,940</u>	<u>1,438,888</u>	<u>777,556</u>	<u>4,298,428</u>	<u>1,813,953</u>	<u>55,325</u>	<u>36,129,969</u>
<u>\$ 62,940</u>	<u>\$ 2,420,025</u>	<u>\$ 777,556</u>	<u>\$ 4,483,652</u>	<u>\$ 1,820,078</u>	<u>\$ 86,160</u>	<u>\$ 38,599,631</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year ended June 30, 2013

	Parks and Recreation Facilities Fund	Rental Assistance Program Fund	Seismic Education Fund	Street Lighting Assessment Fund	Drainage Improvement Fund
Revenues:					
Taxes	\$ —	\$ —	\$ —	\$ 1,303,724	\$ —
Licenses, fees and permits	18,150	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—
Revenue from use of money and property	10,402	10,202	754	—	—
Revenue from other Intergovernmental agencies	—	6,199,918	—	—	—
Other revenues	—	4,090	849	—	—
Total revenues	<u>28,552</u>	<u>6,214,210</u>	<u>1,603</u>	<u>1,303,724</u>	<u>—</u>
Expenditures:					
Public safety	—	—	—	—	—
Public works	—	—	—	2,751,532	—
Culture and recreation	60,000	—	—	—	—
Community development	—	6,517,808	—	—	—
Total expenditures	<u>60,000</u>	<u>6,517,808</u>	<u>—</u>	<u>2,751,532</u>	<u>—</u>
Excess (deficiency) of revenues over (under) expenditures	(31,448)	(303,598)	1,603	(1,447,808)	—
Other financing sources (uses):					
Transfers in	—	—	—	1,447,808	—
Transfers out	—	—	—	—	—
Net change in fund balances	(31,448)	(303,598)	1,603	—	—
Fund balances, July 1, 2012	1,504,314	1,104,579	35,489	27,061	19,444
Fund balances, June 30, 2013	<u>\$ 1,472,866</u>	<u>\$ 800,981</u>	<u>\$ 37,092</u>	<u>\$ 27,061</u>	<u>\$ 19,444</u>

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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
106,821	—	—	—	—	226,351	371,614
—	—	—	—	—	—	—
69,737	50,504	47,869	—	109	—	—
—	1,920,583	2,850,697	42,767	—	—	—
—	—	—	55,375	—	7,428	—
<u>176,558</u>	<u>1,971,087</u>	<u>2,898,566</u>	<u>98,142</u>	<u>109</u>	<u>233,779</u>	<u>371,614</u>
—	—	—	—	—	335,353	—
—	1,076,103	1,576,166	—	—	—	197,565
336,344	—	—	—	—	—	—
—	—	—	233,585	—	—	—
<u>336,344</u>	<u>1,076,103</u>	<u>1,576,166</u>	<u>233,585</u>	<u>—</u>	<u>335,353</u>	<u>197,565</u>
(159,786)	894,984	1,322,400	(135,443)	109	(101,574)	174,049
—	—	—	135,443	—	80,447	—
<u>(25,544)</u>	<u>(2,474,540)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
(185,330)	(1,579,556)	1,322,400	—	109	(21,127)	174,049
3,294,288	4,980,863	3,268,309	—	—	21,127	100,617
<u>\$ 3,108,958</u>	<u>\$ 3,401,307</u>	<u>\$ 4,590,709</u>	<u>\$ —</u>	<u>\$ 109</u>	<u>\$ —</u>	<u>\$ 274,666</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
(continued)

	Underground Storage Tank Fund	Geologic Hazard Abatement Fund	State Gas Tax Street Improvement Fund	Air Quality Management District Fund	Meadow Park Parking Lot District Fund
Revenues:					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses, fees and permits	—	—	—	—	—
Fines, forfeitures and penalties	—	—	—	—	—
Revenue from use of money and property	—	—	154,074	1,553	26,280
Revenue from other Intergovernmental agencies	—	—	3,350,075	176,261	—
Other revenues	—	—	—	—	—
Total revenues	<u>—</u>	<u>—</u>	<u>3,504,149</u>	<u>177,814</u>	<u>26,280</u>
Expenditures:					
Public safety	—	—	—	—	—
Public works	—	—	1,019,322	158,971	—
Culture and recreation	—	—	—	—	—
Community development	—	—	—	—	16,500
Total expenditures	<u>—</u>	<u>—</u>	<u>1,019,322</u>	<u>158,971</u>	<u>16,500</u>
Excess (deficiency) of revenues over expenditures	—	—	2,484,827	18,843	9,780
Other financing sources (uses):					
Transfers in	—	—	—	—	—
Transfers out	(3,000)	—	(1,040,000)	—	—
Net change in fund balances	<u>(3,000)</u>	<u>—</u>	<u>1,444,827</u>	<u>18,843</u>	<u>9,780</u>
Fund balances, July 1, 2012	3,000	14,317	12,242,858	183,939	35,122
Fund balances, June 30, 2013	<u>\$ —</u>	<u>\$ 14,317</u>	<u>\$ 13,687,685</u>	<u>\$ 202,782</u>	<u>\$ 44,902</u>

Police Inmate Welfare Fund	Grants and Donations Special Revenue Fund	Federal Housing and Community Development Fund	Asset Forfeiture Fund	Proposition 1B Fund	DNA Sampling Fund	Total Nonmajor Special Revenue Fund
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,303,724
—	—	—	—	—	—	722,936
—	—	—	655,484	—	—	655,484
687	9,199	—	38,848	—	—	420,218
—	3,268,176	—	—	—	—	17,808,477
10,638	132,628	—	1,975	—	9,630	222,613
<u>11,325</u>	<u>3,410,003</u>	<u>—</u>	<u>696,307</u>	<u>—</u>	<u>9,630</u>	<u>21,133,452</u>
—	—	—	1,110,503	—	30,835	1,476,691
—	3,344,351	—	—	198,725	—	10,322,735
—	—	—	—	—	—	396,344
—	—	—	—	—	—	6,767,893
<u>—</u>	<u>3,344,351</u>	<u>—</u>	<u>1,110,503</u>	<u>198,725</u>	<u>30,835</u>	<u>18,963,663</u>
11,325	65,652	—	(414,196)	(198,725)	(21,205)	2,169,789
—	—	—	—	—	—	1,663,698
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,543,084)</u>
11,325	65,652	—	(414,196)	(198,725)	(21,205)	290,403
51,615	1,373,236	777,556	4,712,624	2,012,678	76,530	35,839,566
<u>\$ 62,940</u>	<u>\$ 1,438,888</u>	<u>\$ 777,556</u>	<u>\$ 4,298,428</u>	<u>\$ 1,813,953</u>	<u>\$ 55,325</u>	<u>\$ 36,129,969</u>

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City OF Torrance



Torrance Beach

Non-Major
Capital Project Funds

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.

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Capital Project Funds

June 30, 2013

Assets	Torrance Public Financing Fund	Total Nonmajor Capital Project Funds
Cash and cash equivalents with fiscal agents	\$ 1,216,383	\$ 1,216,383
Total assets	<u>\$ 1,216,383</u>	<u>\$ 1,216,383</u>
Liabilities and Fund Balances		
Liabilities:		
Due to other funds	\$ 4,993	\$ 4,993
Total liabilities	<u>4,993</u>	<u>4,993</u>
Fund balances:		
Restricted for:		
Capital projects	<u>1,211,390</u>	<u>1,211,390</u>
Total fund balances	<u>1,211,390</u>	<u>1,211,390</u>
Total liabilities and fund balances	<u>\$ 1,216,383</u>	<u>\$ 1,216,383</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Project Funds

Year ended June 30, 2013

	<u>Torrance Public Financing Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:		
Use of money and property	\$ —	\$ —
Total revenues	<u>—</u>	<u>—</u>
Expenditures		
General government	<u>374,379</u>	<u>374,379</u>
Total expenditures	<u>374,379</u>	<u>374,379</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(374,379)</u>	<u>(374,379)</u>
Net change in fund balances	(374,379)	(374,379)
Fund balances, July 1, 2012	<u>1,585,769</u>	<u>1,585,769</u>
Fund balances, June 30, 2013	<u>\$ 1,211,390</u>	<u>\$ 1,211,390</u>

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.

Non-Major
Debt Service Funds

CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2013

Assets	Torrance Public Financing Fund	Total Nonmajor Debt Service Funds
Cash and cash equivalents with fiscal agents	\$ 4,580,810	\$ 4,580,810
Total assets	<u>\$ 4,580,810</u>	<u>\$ 4,580,810</u>
Liabilities and Fund Balances		
Liabilities:		
Total liabilities	\$ —	\$ —
Fund balances:		
Restricted – debt service	4,580,810	4,580,810
Total fund balances	<u>4,580,810</u>	<u>4,580,810</u>
Total liabilities and fund balances	<u>\$ 4,580,810</u>	<u>\$ 4,580,810</u>

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Debt Service Funds

Year ended June 30, 2013

	Torrance Public Financing Fund	Total Nonmajor Debt Service Funds
	<u> </u>	<u> </u>
Revenues:		
Use of money and property	\$ 4,573,980	\$ 4,573,980
Total revenues	<u>4,573,980</u>	<u>4,573,980</u>
Expenditures:		
Debt Service:		
Principal retirement	1,535,000	1,535,000
Interest and fiscal charges	<u>3,041,657</u>	<u>3,041,657</u>
Total expenditures	<u>4,576,657</u>	<u>4,576,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,677)</u>	<u>(2,677)</u>
Net change in fund balances	(2,677)	(2,677)
Fund balances, July 1, 2012	<u>4,583,487</u>	<u>4,583,487</u>
Fund balances, June 30, 2013	\$ <u><u>4,580,810</u></u>	\$ <u><u>4,580,810</u></u>

City OF Torrance



James Armstrong Theatre

Non-Major Proprietary Funds

❖ DEPARTMENT OF FINANCE ❖

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CITY OF TORRANCE, CALIFORNIA
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2013

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	\$ —	\$ —	\$ 6,462,618	\$ 379,251	\$ 82,125	\$ 6,923,994
Accounts receivable	85,159	2,129,326	254,529	17,207	27,687	2,513,908
Accrued interest receivable	—	—	26,363	—	—	26,363
Prepays	—	—	1,806	311	—	2,117
Total current assets	<u>85,159</u>	<u>2,129,326</u>	<u>6,745,316</u>	<u>396,769</u>	<u>109,812</u>	<u>9,466,382</u>
Noncurrent assets:						
Capital assets, net	35,426	—	6,620,548	15,333	464,503	7,135,810
Total noncurrent assets	<u>35,426</u>	<u>—</u>	<u>6,620,548</u>	<u>15,333</u>	<u>464,503</u>	<u>7,135,810</u>
Total Assets	<u>120,585</u>	<u>2,129,326</u>	<u>13,365,864</u>	<u>412,102</u>	<u>574,315</u>	<u>16,602,192</u>
Liabilities						
Current liabilities (payable from current assets):						
Accounts payable	12,853	323,140	57,850	129,120	59,826	582,789
Deposits payable	—	—	43,403	—	147,892	191,295
Accrued liabilities	172,375	412,109	130,025	81,461	86,357	882,327
Current liabilities (payable from restricted assets):						
Due to other funds	—	658,732	—	—	—	658,732
Unearned revenues	—	—	265,273	635,784	—	901,057
Total current liabilities	<u>185,228</u>	<u>1,393,981</u>	<u>496,551</u>	<u>846,365</u>	<u>294,075</u>	<u>3,216,200</u>
Total Liabilities	<u>\$ 185,228</u>	<u>\$ 1,393,981</u>	<u>\$ 496,551</u>	<u>\$ 846,365</u>	<u>\$ 294,075</u>	<u>\$ 3,216,200</u>
Net Position						
Net investment in capital assets	35,426	—	6,620,548	15,333	464,503	7,135,810
Unrestricted	(100,069)	735,345	6,248,765	(449,596)	(184,263)	6,250,182
Total Net Position	<u>\$ (64,643)</u>	<u>\$ 735,345</u>	<u>\$ 12,869,313</u>	<u>\$ (434,263)</u>	<u>\$ 280,240</u>	<u>\$ 13,385,992</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Proprietary Funds
Year ended June 30, 2013

	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	\$ 2,185,963	\$ 10,971,849	\$ 11,725,322	\$ 3,980,093	\$ 1,042,732	\$ 29,905,959
Other	—	17,904	1,461	13,709	—	33,074
Total operating revenues	<u>2,185,963</u>	<u>10,989,753</u>	<u>11,726,783</u>	<u>3,993,802</u>	<u>1,042,732</u>	<u>29,939,033</u>
Operating expenses:						
Salaries and employee benefits	9,961,642	4,011,221	1,441,017	4,786,013	1,370,573	21,570,466
Services and supplies	301,741	4,301,772	327,448	945,757	71,769	5,948,487
Other professional services	16,388	2,199,597	372,076	794,751	273,169	3,655,981
Depreciation and amortization	12,235	7,248	371,677	916	27,591	419,667
Insurance and claims	—	123,103	16,449	19,396	—	158,948
City charges	—	686,137	2,685,933	753,819	109,235	4,235,124
Other	26,556	58,538	39,018	7,969	130,303	262,384
Total operating expenses	<u>10,318,562</u>	<u>11,387,616</u>	<u>5,253,618</u>	<u>7,308,621</u>	<u>1,982,640</u>	<u>36,251,057</u>
Operating income (loss)	<u>(8,132,599)</u>	<u>(397,863)</u>	<u>6,473,165</u>	<u>(3,314,819)</u>	<u>(939,908)</u>	<u>(6,312,024)</u>
Nonoperating revenues (expenses):						
Investment earnings	—	—	79,071	—	—	79,071
Grants	—	45,238	—	—	109,440	154,678
Interest expense	—	(8,219)	(77,000)	—	—	(85,219)
Total nonoperating revenues, net	<u>—</u>	<u>37,019</u>	<u>2,071</u>	<u>—</u>	<u>109,440</u>	<u>148,530</u>
Income (loss) before transfers	<u>(8,132,599)</u>	<u>(360,844)</u>	<u>6,475,236</u>	<u>(3,314,819)</u>	<u>(830,468)</u>	<u>(6,163,494)</u>
Transfers in	8,819,602	163,511	—	3,553,674	713,101	13,249,888
Transfers out	(849,946)	(7,234)	(6,302,480)	(45,793)	(11,999)	(7,217,452)
Change in net position	<u>(162,943)</u>	<u>(204,567)</u>	<u>172,756</u>	<u>193,062</u>	<u>(129,366)</u>	<u>(131,058)</u>
Total net position - July 1, 2012	<u>98,300</u>	<u>939,912</u>	<u>12,696,557</u>	<u>(627,325)</u>	<u>409,606</u>	<u>13,517,050</u>
Total net position - June 30, 2013	<u>\$ (64,643)</u>	<u>\$ 735,345</u>	<u>\$ 12,869,313</u>	<u>\$ (434,263)</u>	<u>\$ 280,240</u>	<u>\$ 13,385,992</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year ended June 30, 2013

	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	\$ 2,227,429	\$ 10,534,317	\$ 11,784,444	\$ 4,037,929	\$ 946,557	\$ 29,530,676
Cash payments to suppliers for goods and services	(172,765)	(6,904,124)	(3,437,425)	(2,394,255)	(543,037)	(13,451,606)
Cash payments to employees for services	(9,961,642)	(3,976,896)	(1,410,860)	(4,786,013)	(1,372,127)	(21,507,538)
Internal activity-payments from (to) other funds	(62,678)	—	—	—	—	(62,678)
Cash received from donations	—	—	—	2,913	—	2,913
Other receipts	—	—	—	10,796	—	10,796
Net cash provided by (used in) operating activities	(7,969,656)	(346,703)	6,936,159	(3,128,630)	(968,607)	(5,477,437)
Cash flows from noncapital financing activities:						
Cash received from grants and subsidies	—	45,238	—	—	109,440	154,678
Cash received from other funds	8,819,602	163,511	—	3,553,674	713,101	13,249,888
Cash paid to other funds	(849,946)	(7,234)	(6,302,480)	(45,793)	(11,999)	(7,217,452)
Net cash provided by (used in) noncapital financing activities	7,969,656	201,515	(6,302,480)	3,507,881	810,542	6,187,114
Cash flows from capital financing activities:						
Payments for long-term obligations - principal & interest	—	—	(77,000)	—	—	(77,000)
Payments for capital additions	—	—	(35,160)	—	—	(35,160)
Net cash provided by (used in) capital financing activities	—	—	(112,160)	—	—	(112,160)
Cash flows from investing activities:						
Cash paid for interest on debt	—	(8,219)	—	—	—	(8,219)
Cash received from interest on investments	—	—	79,392	—	—	79,392
Net cash provided by (used in) investing activities	—	(8,219)	79,392	—	—	71,173
Net increase (decrease) in cash, restricted cash and cash equivalents	—	(153,407)	600,911	379,251	(158,065)	668,690
Cash and cash equivalents, July 1, 2012	—	153,407	5,861,707	—	240,190	6,255,304
Cash and cash equivalents, June 30, 2013	\$ —	\$ —	\$ 6,462,618	\$ 379,251	\$ 82,125	\$ 6,923,994
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (8,132,599)	(397,863)	6,473,165	\$ (3,314,819)	\$ (939,908)	\$ (6,312,024)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	12,235	7,248	371,677	916	27,591	419,667
Change in assets and liabilities:						
Accounts receivable	41,466	(455,436)	5,316	8,024	(7,544)	(408,174)
Prepays and other assets	—	—	(1,806)	7,073	—	5,267
Accounts payable	(341)	114,557	5,306	38,903	41,476	199,901
Due to other funds	(62,678)	350,466	—	—	—	287,788
Other accrued liabilities	(24)	—	—	81,461	—	81,437
Accrued salaries and benefits	172,285	34,325	30,156	—	(1,591)	235,175
Deposits and guarantees	—	—	(5,022)	—	(88,631)	(93,653)
Unearned revenues	—	—	57,367	49,812	—	107,179
Net cash provided by (used in) operating activities	\$ (7,969,656)	\$ (346,703)	\$ 6,936,159	\$ (3,128,630)	\$ (968,607)	\$ (5,477,437)

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 ❖

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CITY OF TORRANCE, CALIFORNIA

Combining Balance Sheet

Internal Service Funds

June 30, 2013

Assets	Self-Insurance Fund	Fleet Services Fund	Postemployment/ Compensated Absences Fund	Total
Current assets:				
Pooled cash and investments	\$ 6,554,698	\$ 16,921,440	\$ 7,927,448	\$ 31,403,586
Accounts receivable	16,925	73,150	-	90,075
Accrued interest receivable	-	69,133	-	69,133
Other prepayments	50	-	687,373	687,423
Inventories	-	1,211,762	-	1,211,762
Total current assets	<u>6,571,673</u>	<u>18,275,485</u>	<u>8,614,821</u>	<u>33,461,979</u>
Capital assets, net	<u>9,622</u>	<u>9,055,404</u>	<u>-</u>	<u>9,065,026</u>
Total assets	<u>\$ 6,581,295</u>	<u>\$ 27,330,889</u>	<u>\$ 8,614,821</u>	<u>\$ 42,527,005</u>
Liabilities and Fund Balances (Deficits)				
Current liabilities:				
Accounts payable	\$ 226,982	\$ 256,052	\$ -	\$ 483,034
Accrued salaries and benefits	11,010	461,570	4,279,902	4,752,482
Capital lease payable - current	-	102,068	-	102,068
Accrued liability for self-insurance claims – current	<u>9,648,916</u>	<u>-</u>	<u>-</u>	<u>9,648,916</u>
Total current liabilities	9,886,908	819,690	4,279,902	14,986,500
Capital lease payable - long-term	-	208,053	-	208,053
Accrued liability for self-insurance claims – long-term	16,754,831	-	-	16,754,831
Accrued liability for net postemployment benefits - long-term	-	-	13,087,601	13,087,601
Total liabilities	<u>26,641,739</u>	<u>1,027,743</u>	<u>17,367,503</u>	<u>45,036,985</u>
Fund balances (deficits):				
Net investment in capital assets	9,622	8,745,283	-	8,754,905
Unrestricted	<u>(20,070,066)</u>	<u>17,557,863</u>	<u>(8,752,682)</u>	<u>(11,264,885)</u>
Total fund balances (deficits)	<u>(20,060,444)</u>	<u>26,303,146</u>	<u>(8,752,682)</u>	<u>(2,509,980)</u>
Total liabilities and fund balances (deficits)	<u>\$ 6,581,295</u>	<u>\$ 27,330,889</u>	<u>\$ 8,614,821</u>	<u>\$ 42,527,005</u>

CITY OF TORRANCE, CALIFORNIA
Combining Statement of Revenues, Expenses
and Changes in Fund Balances (Deficits)
Internal Service Funds
Year ended June 30, 2013

	<u>Self-Insurance Fund</u>	<u>Fleet Services Fund</u>	<u>Postemployment/ Compensated Absences Fund</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 2,461,791	\$ 5,751,774	\$ -	\$ 8,213,565
Total operating revenues	2,461,791	5,751,774	-	8,213,565
Operating expenses:				
Salaries and benefits	673,371	2,982,521	2,859,601	6,515,493
Materials and services	23,569	279,762	-	303,331
Other professional services	115,067	53,153	-	168,220
Insurance and claims	3,987,847	7,555	-	3,995,402
Depreciation	2,160	1,757,988	-	1,760,148
City charges	19,660	110,529	-	130,189
Other	4,532	33,347	-	37,879
Total operating expenses	4,826,206	5,224,855	2,859,601	12,910,662
Operating income (loss)	(2,364,415)	526,919	(2,859,601)	(4,697,097)
Nonoperating revenues (expenses):				
Investment earnings	-	191,635	91,247	282,882
Gain on sale of capital assets	-	128,456	-	128,456
Loss on disposal of capital assets	-	(4,432)	-	(4,432)
Interest expense	-	(2,828)	-	(2,828)
Total nonoperating revenues (expenses)	-	312,831	91,247	404,078
Net income (loss) before transfers	(2,364,415)	839,750	(2,768,354)	(4,293,019)
Transfers in	1,363,500	504,201	-	1,867,701
Transfers out	(14,558)	(18,078)	-	(32,636)
Change in fund balances (deficits)	(1,015,473)	1,325,873	(2,768,354)	(2,457,954)
Fund balances (deficits), July 1, 2012	(19,044,971)	24,977,273	(5,984,328)	(52,026)
Fund balances (deficits), June 30, 2013	\$ (20,060,444)	\$ 26,303,146	\$ (8,752,682)	\$ (2,509,980)

CITY OF TORRANCE, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2013

	<u>Self-Insurance Fund</u>	<u>Fleet Services Fund</u>	<u>Postemployment/ Compensated Absences Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from Customers	\$ 2,444,866	\$ 5,751,774	\$ -	\$ 8,196,640
Cash payments to suppliers for goods and services	(4,059,815)	(492,734)	-	(4,552,549)
Cash payments to employees for services	(662,361)	(2,920,946)	38,513	(3,544,794)
Net Cash provided by (used in) operating activities	<u>(2,277,310)</u>	<u>2,338,094</u>	<u>38,513</u>	<u>99,297</u>
Cash flows from noncapital financing activities				
Cash received from other funds	1,363,500	504,201	-	1,867,701
Cash paid to other funds	(14,558)	(18,078)	-	(32,636)
Net Cash provided by (used in) noncapital financing	<u>1,348,942</u>	<u>486,123</u>	<u>-</u>	<u>1,835,065</u>
Cash flows from capital financing activities				
Payments for capital additions	-	(2,433,024)	-	(2,433,024)
Proceeds from sale of capital assets	-	130,610	-	130,610
Net cash provided by (used in) capital financing activities	<u>-</u>	<u>(2,302,414)</u>	<u>-</u>	<u>(2,302,414)</u>
Cash flows from investing activities:				
Cash received from interest on investments	-	196,297	91,247	287,544
Net increase (decrease) in cash, restricted cash and cash equivalents	(928,368)	718,100	129,760	(80,508)
Cash and cash equivalents, July 1, 2012	<u>7,483,066</u>	<u>16,203,340</u>	<u>7,797,688</u>	<u>31,484,094</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 6,554,698</u>	<u>\$ 16,921,440</u>	<u>\$ 7,927,448</u>	<u>\$ 31,403,586</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (2,364,415)	\$ 526,919	\$ (2,859,601)	\$ (4,697,097)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	2,160	1,757,988	-	1,760,148
Change in assets and liabilities:				
Accounts receivable	(16,925)	-	-	(16,925)
Prepays and other assets	(50)	-	-	(50)
Inventories	-	87	-	87
Accounts payable	90,910	(8,475)	-	82,435
Accrued salaries and benefits	11,010	61,575	2,898,114	2,970,699
Net cash provided by (used in) operating activities	<u>\$ (2,277,310)</u>	<u>\$ 2,338,094</u>	<u>\$ 38,513</u>	<u>\$ 99,297</u>

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 FUND 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, 2013

	<u>Municipal Area Express Fund</u>	<u>Special Deposits Fund</u>	<u>Flexible Benefits Fund</u>	<u>Environmental Trust Fund</u>	<u>Property Room Evidence Fund</u>	<u>Torrance Tourism Business Improvement District Fund</u>	<u>Total Agency Funds</u>
Assets							
Pooled cash and investments	\$ 178,795	\$ 1,205,001	\$ 312,464	\$ 133,716	\$ 497,545	\$ 66,642	\$ 2,394,163
Accounts receivable	3,970	—	—	—	—	—	3,970
Accrued interest receivable	—	—	—	573	—	—	573
Due from other governments	6,433	—	—	—	—	—	6,433
Prepayments	—	909	—	—	—	—	909
Total assets	<u>\$ 189,198</u>	<u>\$ 1,205,910</u>	<u>\$ 312,464</u>	<u>\$ 134,289</u>	<u>\$ 497,545</u>	<u>\$ 66,642</u>	<u>\$ 2,406,048</u>
Liabilities							
Deposits payable	\$ 189,198	\$ 1,205,910	\$ 312,464	\$ 134,289	\$ 497,545	\$ 66,642	\$ 2,406,048
Total liabilities	<u>\$ 189,198</u>	<u>\$ 1,205,910</u>	<u>\$ 312,464</u>	<u>\$ 134,289</u>	<u>\$ 497,545</u>	<u>\$ 66,642</u>	<u>\$ 2,406,048</u>

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2013

	<u>Balance for fiscal year ended June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2013</u>
Municipal Area Express Fund				
ASSETS				
Pooled cash and investments	\$ 727,866	\$ 617,497	\$ (1,166,568)	\$ 178,795
Accounts receivable	—	3,970	—	3,970
Accrued interest receivable	3,295	—	(3,295)	—
Due from other governments	17,897	6,433	(17,897)	6,433
Total assets	<u>\$ 749,058</u>	<u>\$ 627,900</u>	<u>\$ (1,187,760)</u>	<u>\$ 189,198</u>
LIABILITIES				
Deposits payable	<u>\$ 749,058</u>	<u>\$ 627,900</u>	<u>\$ (1,187,760)</u>	<u>\$ 189,198</u>
Total liabilities	<u>\$ 749,058</u>	<u>\$ 627,900</u>	<u>\$ (1,187,760)</u>	<u>\$ 189,198</u>
Special Deposits Fund				
ASSETS				
Pooled cash and investments	\$ 1,259,581	\$ 881,290	\$ (935,870)	\$ 1,205,001
Due from other governments	5,873	—	(5,873)	—
Prepayments	—	909	—	909
Total assets	<u>\$ 1,265,454</u>	<u>\$ 882,199</u>	<u>\$ (941,743)</u>	<u>\$ 1,205,910</u>
LIABILITIES				
Deposits payable	<u>\$ 1,265,454</u>	<u>\$ 882,199</u>	<u>\$ (941,743)</u>	<u>\$ 1,205,910</u>
Total liabilities	<u>\$ 1,265,454</u>	<u>\$ 882,199</u>	<u>\$ (941,743)</u>	<u>\$ 1,205,910</u>
Flexible Benefits Fund				
ASSETS				
Pooled cash and investments	<u>\$ 313,427</u>	<u>\$ —</u>	<u>\$ (963)</u>	<u>\$ 312,464</u>
Total assets	<u>\$ 313,427</u>	<u>\$ —</u>	<u>\$ (963)</u>	<u>\$ 312,464</u>
LIABILITIES				
Deposits payable	<u>\$ 313,427</u>	<u>\$ —</u>	<u>\$ (963)</u>	<u>\$ 312,464</u>
Total liabilities	<u>\$ 313,427</u>	<u>\$ —</u>	<u>\$ (963)</u>	<u>\$ 312,464</u>

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2013
(continued)

	<u>Balance for fiscal year ended June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance for fiscal year ended June 30, 2013</u>
Environmental Trust Fund				
ASSETS				
Pooled cash and investments	\$ 132,100	\$ 1,641	\$ (25)	\$ 133,716
Accrued interest receivable	577	573	(577)	573
Total assets	<u>\$ 132,677</u>	<u>\$ 2,214</u>	<u>\$ (602)</u>	<u>\$ 134,289</u>
LIABILITIES				
Deposits payable	\$ 132,677	\$ 2,214	\$ (602)	\$ 134,289
Total liabilities	<u>\$ 132,677</u>	<u>\$ 2,214</u>	<u>\$ (602)</u>	<u>\$ 134,289</u>
Property Room Evidence Fund				
ASSETS				
Pooled cash and investments	\$ 433,636	\$ 214,370	\$ (150,461)	\$ 497,545
Total assets	<u>\$ 433,636</u>	<u>\$ 214,370</u>	<u>\$ (150,461)</u>	<u>\$ 497,545</u>
LIABILITIES				
Deposits payable	\$ 433,636	\$ 214,370	\$ (150,461)	\$ 497,545
Total liabilities	<u>\$ 433,636</u>	<u>\$ 214,370</u>	<u>\$ (150,461)</u>	<u>\$ 497,545</u>
Torrance Tourism Business Improvement District Fund				
ASSETS				
Pooled cash and investments	\$ 58,110	\$ 625,785	\$ (617,253)	\$ 66,642
Total assets	<u>\$ 58,110</u>	<u>\$ 625,785</u>	<u>\$ (617,253)</u>	<u>\$ 66,642</u>
LIABILITIES				
Deposits payable	\$ 58,110	\$ 625,785	\$ (617,253)	\$ 66,642
Total liabilities	<u>\$ 58,110</u>	<u>\$ 625,785</u>	<u>\$ (617,253)</u>	<u>\$ 66,642</u>

CITY OF TORRANCE, CALIFORNIA

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

Year ended June 30, 2013

Assets	Balance for fiscal year ended June 30, 2012	Additions	Deductions	Balance for fiscal year ended June 30, 2013
Pooled cash and investments	\$ 2,924,720	\$ 2,340,583	\$ (2,871,140)	\$ 2,394,163
Accounts receivable	—	3,970	—	3,970
Accrued interest receivable	3,872	573	(3,872)	573
Due from other governments	23,770	6,433	(23,770)	6,433
Prepayments	—	909	—	909
Total assets	<u>\$ 2,952,362</u>	<u>\$ 2,352,468</u>	<u>\$ (2,898,782)</u>	<u>\$ 2,406,048</u>
Liabilities				
Deposits payable	<u>\$ 2,952,362</u>	<u>\$ 2,352,468</u>	<u>\$ (2,898,782)</u>	<u>\$ 2,406,048</u>
Total liabilities	<u>\$ 2,952,362</u>	<u>\$ 2,352,468</u>	<u>\$ (2,898,782)</u>	<u>\$ 2,406,048</u>

City
OF
Torrance



Statistical Section

COMPREHENSIVE ANNUAL

Financial

REPORT

Fiscal Year Ended June 30, 2013

(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.

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

Financial Trends
Exhibit I

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	\$ 254,085	\$ 252,519	\$ 239,087	\$ 227,870	\$ 216,501	\$ 210,615	\$ 224,386	\$ 215,731	\$ 220,620	\$ 237,695
Restricted	41,153	40,321	46,817	68,033	70,578	70,770	58,553	50,441	61,456	44,515
Unrestricted	75,519	42,384	(18,920)	(35,557)	(18,834)	(12,952)	(23,536)	(24,079)	(49,575)	(49,256)
Total governmental activities net position	\$ 370,757	\$ 335,224	\$ 266,984	\$ 260,346	\$ 268,245	\$ 268,433	\$ 259,403	\$ 242,093	\$ 232,501	\$ 232,954
Business-type activities										
Net investment in capital assets	\$ 141,472	\$ 137,492	\$ 128,307	\$ 127,617	\$ 122,331	\$ 122,144	\$ 120,780	\$ 121,301	\$ 120,513	\$ 120,595
Restricted	-	-	555	536	592	566	529	692	684	1,483
Unrestricted	33,848	30,500	28,492	27,299	32,936	35,993	38,519	35,981	37,043	33,715
Total business-type activities net position	\$ 175,320	\$ 167,992	\$ 157,354	\$ 155,452	\$ 155,859	\$ 158,703	\$ 159,828	\$ 157,974	\$ 158,240	\$ 155,793
Primary government										
Net investment in capital assets	\$ 395,557	\$ 390,011	\$ 367,394	\$ 355,487	\$ 338,832	\$ 332,759	\$ 345,166	\$ 337,032	\$ 341,133	\$ 358,290
Restricted	41,153	40,321	47,372	68,569	71,170	71,336	59,082	51,133	62,140	45,998
Unrestricted	109,367	72,884	9,572	(8,258)	14,102	23,041	14,983	11,902	(12,532)	(15,541)
Total primary government net position	\$ 546,077	\$ 503,216	\$ 424,338	\$ 415,798	\$ 424,104	\$ 427,136	\$ 419,231	\$ 400,067	\$ 390,741	\$ 388,747

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

Financial Trends
Exhibit 2

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities:										
General government	\$ 25,608	\$ 24,064	\$ 23,358	\$ 36,479	\$ 39,594	\$ 41,464	\$ 39,434	\$ 26,324	\$ 25,771	\$ 27,796
Public safety	94,153	94,889	93,170	93,924	89,966	88,256	82,078	80,672	76,576	70,405
Public works	33,598	33,837	29,070	25,401	23,617	20,166	19,206	20,102	18,743	15,924
Culture and recreation	14,568	12,423	13,936	15,220	12,115	14,615	10,532	13,178	10,569	14,179
Nondepartmental ¹	—	—	—	—	—	—	—	5,179	6,135	7,336
Community development ²	10,723	8,221	10,610	12,580	10,086	8,600	10,910	12,620	13,138	1,589
Other programs	—	—	—	—	—	—	—	—	—	1,780
Interest on long term debt	3,035	4,596	6,460	5,474	5,708	5,045	6,012	5,123	5,685	4,948
Total governmental activities expenses	181,685	178,030	176,604	189,078	181,086	178,146	168,172	163,198	156,617	143,957
Business-type activities:										
Airport	5,331	5,405	5,334	5,535	5,630	5,241	4,997	5,060	6,018	4,891
Transit	24,667	23,643	21,899	21,802	21,265	21,005	19,743	20,687	19,516	18,498
Water	32,915	31,355	29,334	26,772	25,662	23,283	23,778	21,884	21,376	20,919
Sewer	4,682	4,781	2,365	2,263	2,439	1,952	1,752	3,566	2,019	1,655
Sanitation	11,396	11,326	11,830	11,430	10,988	10,961	10,431	10,214	8,487	7,908
Cultural Arts	1,983	1,981	1,977	2,098	2,110	2,044	1,803	1,739	1,663	1,539
Parks and Recreation	7,309	7,697	7,925	8,084	7,529	7,414	7,237	7,185	6,976	6,462
Emergency Medical Service	10,318	10,140	9,683	9,514	9,528	8,031	8,127	7,431	7,174	6,694
Total business-type activities expenses	98,601	96,328	90,347	87,498	85,151	79,931	77,868	77,766	73,229	68,566
Total primary government expenses	\$ 280,286	\$ 274,358	\$ 266,951	\$ 276,576	\$ 266,237	\$ 258,077	\$ 246,040	\$ 240,964	\$ 229,846	\$ 212,523
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,890	\$ 2,880	\$ 2,941	\$ 3,129	\$ 4,707	\$ 4,547	\$ 4,620	\$ 4,570	\$ 4,437	\$ 4,264
Public safety	6,132	6,167	6,688	5,933	5,129	6,269	7,006	7,473	6,719	5,548
Public works	651	727	535	621	561	503	796	881	648	502
Culture and recreation	647	651	681	594	746	973	1,320	1,165	947	786
Community Development	372	—	—	—	—	—	—	—	—	—
Operating grants and contributions	13,542	14,585	12,701	12,936	10,709	12,151	14,552	14,706	14,629	14,646
Capital grants and contributions	5,391	16,235	9,656	10,952	9,613	7,510	8,029	7,659	5,696	9,731
Total governmental activities program revenues	29,625	41,245	33,202	34,165	31,465	31,953	36,323	36,454	33,076	35,477
Business-type activities:										
Charges for services:										
Airport	11,726	11,895	10,896	10,428	10,896	10,481	10,794	9,009	7,672	6,155
Transit	3,341	3,482	3,395	3,273	3,157	2,719	2,560	2,448	2,548	2,505
Water	36,156	34,011	30,159	27,225	23,562	23,843	23,167	22,319	22,095	22,542
Sewer	3,137	2,882	1,579	1,718	1,843	2,357	2,913	1,995	2,046	1,918
Sanitation	10,972	10,634	10,865	10,860	11,178	10,980	10,756	10,393	9,591	9,042
Cultural Arts	1,043	1,038	995	1,088	898	1,006	823	819	807	773
Parks and Recreation	3,994	4,279	4,157	4,058	4,154	4,201	4,273	3,971	4,180	3,860
Emergency Medical Service	2,186	2,022	1,896	1,784	1,120	1,225	1,119	1,058	1,051	654
Operating grants and contributions	19,952	19,339	18,208	16,738	15,812	15,964	15,493	16,153	13,289	13,204
Capital grants and contributions	5,689	10,298	312	7,082	603	976	687	481	1,463	3,657
Total business-type activities program revenues	98,196	99,880	82,462	84,254	73,223	73,752	72,585	68,646	64,742	64,310
Total primary government program revenues	\$ 127,821	\$ 141,125	\$ 115,664	\$ 118,419	\$ 104,688	\$ 105,705	\$ 108,908	\$ 105,100	\$ 97,818	\$ 99,787

(continued)

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

Financial Trends
Exhibit 2

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense)/revenue										
Governmental activities	\$ (152,060)	\$ (136,785)	\$ (143,402)	\$ (154,913)	\$ (149,621)	\$ (146,193)	\$ (131,849)	\$ (126,744)	\$ (123,541)	\$ (108,480)
Business-type activities	(405)	3,552	(7,885)	(3,244)	(11,928)	(6,179)	(5,283)	(9,120)	(8,487)	(4,256)
Total primary government net expense	\$ (152,465)	\$ (133,233)	\$ (151,287)	\$ (158,157)	\$ (161,549)	\$ (152,372)	\$ (137,132)	\$ (135,864)	\$ (132,028)	\$ (112,736)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 51,534	\$ 52,643	\$ 56,978	\$ 56,078	\$ 57,815	\$ 55,596	\$ 53,136	\$ 44,647	\$ 42,245	\$ 25,577
Sales taxes	31,805	30,163	30,627	26,666	31,057	31,545	31,936	31,439	28,312	35,911
Other taxes	56,261	56,815	54,915	53,153	56,665	62,933	61,310	60,346	55,992	53,179
Investment earnings	5,073	8,800	8,149	7,310	6,447	6,271	4,634	2,304	2,104	1,544
Motor vehicle tax (unrestricted)	77	74	685	438	506	658	991	3,271	946	6,609
Other general revenues	5,623	4,621	4,490	6,272	4,023	3,679	3,871	2,617	2,026	2,545
Transfers	(7,169)	(6,493)	(5,801)	(2,902)	(7,734)	(5,458)	(6,719)	(8,669)	(8,537)	(8,205)
Total governmental activities	143,204	146,623	150,043	147,015	148,779	155,224	149,159	135,955	123,088	117,160
Business-type activities:										
Investment earnings	348	593	487	880	1,351	594	418	185	206	155
Other general revenues	216	—	—	—	—	—	—	—	—	—
Transfers	7,169	6,493	5,801	2,902	7,734	5,458	6,719	8,669	8,538	8,205
Total business-type activities	7,733	7,086	6,288	3,782	9,085	6,052	7,137	8,854	8,744	8,360
Total primary government general revenues	\$ 150,937	\$ 153,709	\$ 156,331	\$ 150,797	\$ 157,864	\$ 161,276	\$ 156,296	\$ 144,809	\$ 131,832	\$ 125,520
Extraordinary Gain (Loss) ¹										
Governmental activities	—	58,403	—	—	—	—	—	—	—	—
Business-type activities	—	—	—	—	—	—	—	—	—	—
Total primary government extraordinary gain, net	—	58,403	—	—	—	—	—	—	—	—
Change in Net Position										
Governmental activities	(8,856)	68,241	6,641	(7,898)	(842)	9,031	17,310	9,211	(453)	8,680
Business-type activities	7,328	10,638	(1,597)	538	(2,843)	(127)	1,854	(266)	257	4,104
Total primary government	\$ (1,528)	\$ 78,879	\$ 5,044	\$ (7,360)	\$ (3,685)	\$ 8,904	\$ 19,164	\$ 8,945	\$ (196)	\$ 12,784

Notes:

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

²Starting 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 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)

Financial Trends
Exhibit 3

	Fiscal Year									
	2013	2012	2011 ¹	2010	2009	2008	2007	2006	2005	2004
General fund										
Reserved	\$ -	\$ -	\$ -	\$ 17,789	\$ 17,731	\$ 16,064	\$ 15,277	\$ 14,608	\$ 14,501	\$ 14,205
Unreserved	-	-	-	33,423	41,017	45,803	41,474	30,422	24,098	23,893
Nonspendable ²	53,959	16,273	15,854	-	-	-	-	-	-	-
Restricted	1,253	1,128	773	-	-	-	-	-	-	-
Assigned to:										
Culture and recreation	3,706	3,183	2,852	-	-	-	-	-	-	-
Public safety	146	170	691	-	-	-	-	-	-	-
Special project reserves	9,389	9,943	9,602	-	-	-	-	-	-	-
Capital projects	6,956	6,500	7,809	-	-	-	-	-	-	-
Unassigned	15,466	15,500	14,156	-	-	-	-	-	-	-
Total general fund	<u>\$ 90,875</u>	<u>\$ 52,697</u>	<u>\$ 51,737</u>	<u>\$ 51,212</u>	<u>\$ 58,748</u>	<u>\$ 61,867</u>	<u>\$ 56,751</u>	<u>\$ 45,030</u>	<u>\$ 38,599</u>	<u>\$ 38,098</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ 7,830	\$ 8,396	\$ 8,567	\$ 8,669	\$ 16,183	\$ 20,683	\$ 7,294
Unreserved, reported in:										
Special revenue funds	-	-	-	33,173	28,801	29,337	24,742	19,761	17,683	20,172
Capital project funds	-	-	-	29,877	36,699	36,950	29,992	27,057	23,701	19,036
Debt service fund	-	-	-	(14,729)	(13,946)	(13,740)	(13,869)	(14,213)	(14,840)	(14,950)
Nonspendable	682	634	-	-	-	-	-	-	-	-
Restricted ³	41,240	41,375	49,131	-	-	-	-	-	-	-
Assigned to:										
Capital projects	18,014	19,869	21,430	-	-	-	-	-	-	-
Unassigned ³	-	-	(17,165)	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 59,936</u>	<u>\$ 61,878</u>	<u>\$ 53,396</u>	<u>\$ 56,151</u>	<u>\$ 59,950</u>	<u>\$ 61,114</u>	<u>\$ 49,534</u>	<u>\$ 48,788</u>	<u>\$ 47,227</u>	<u>\$ 31,552</u>

Notes:

¹The City of 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.

²The change in fund balance in 2013 reflects a prior period adjustment to record transfer of interest related to the bond debt of the former City of Torrance Redevelopment Agency. The net liabilities are held in a successor agency trust not reported here.

³The change in fund balance in 2012 reflects 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)

Financial Trends
 Exhibit 4

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Taxes	\$ 143,352	\$ 140,034	\$ 143,330	\$ 136,148	\$ 145,714	\$ 150,260	\$ 146,568	\$ 136,652	\$ 126,782	\$ 114,841
Licenses, fees and permits	2,767	1,919	1,639	1,618	1,426	1,962	2,671	2,693	2,503	2,056
Fine, forfeitures and penalties	1,665	1,464	1,840	2,004	1,779	2,201	2,799	2,139	2,358	1,881
Investment earnings	6,454	11,363	10,869	11,578	15,009	14,697	13,271	10,177	9,124	9,100
Intergovernmental	18,193	30,228	21,926	23,138	15,447	14,838	17,472	21,005	16,888	26,067
Charges for current services	6,907	6,728	7,174	6,921	6,090	6,443	6,865	7,453	6,418	5,605
Other	660	3,317	2,630	2,845	2,449	2,279	2,598	2,385	5,202	1,291
Total revenues	179,998	195,053	189,408	184,252	187,914	192,680	192,244	182,504	169,275	160,841
Expenditures										
General government	19,464	22,416	23,358	25,521	25,237	25,129	23,515	22,224	21,085	30,631
Public safety	97,331	92,934	90,971	90,402	89,435	86,869	82,069	79,675	75,392	71,476
Public works	22,062	27,726	22,469	18,183	17,685	14,697	13,763	14,249	12,760	10,661
Culture and recreation	14,033	13,565	13,997	13,796	14,013	13,747	12,809	13,356	11,569	16,336
Nondepartmental	5,598	6,428	8,121	5,440	5,258	5,695	4,604	8,373	6,135	7,337
Community development ¹	10,723	6,908	7,285	7,267	6,574	6,115	8,893	10,675	11,334	1,295
Capital outlay ²	—	4,428	6,203	35,542	12,344	5,016	13,685	7,327	6,675	9,296
Debt service										
Principal retirement	1,535	3,352	3,020	2,553	2,417	2,524	2,214	2,675	5,791	2,680
Interest and fiscal charges	3,042	4,603	6,812	5,312	5,887	5,083	6,040	5,148	4,981	4,828
Other	—	1,356	3,362	5,280	3,459	2,403	1,976	1,901	1,815	1,780
Total expenditures	173,788	183,716	185,598	209,296	182,309	167,278	169,568	165,603	157,537	156,320
Excess of revenues over (under) expenditures	6,210	11,337	3,810	(25,044)	5,605	25,402	22,676	16,901	11,738	4,521
Other financing sources (uses)										
Transfers in	12,535	14,686	16,802	17,153	18,463	20,474	16,280	15,223	19,358	11,950
Transfers out	(21,539)	(23,245)	(24,418)	(23,900)	(30,087)	(30,615)	(27,866)	(25,093)	(30,834)	(22,174)
Proceeds from refunding bonds ³	—	—	—	—	—	—	—	—	27,566	—
Proceeds of debt ³	—	—	—	—	—	—	—	580	15,914	—
Bond escrow refunding ³	—	—	—	—	—	—	—	—	(27,566)	—
Premium Tax Revenue Anticipation Notes	—	—	—	—	312	—	—	—	—	—
Developer contributions	—	—	—	—	—	—	—	—	—	—
Proceeds from bonds ⁴	—	—	—	18,880	—	—	—	—	—	—
Advances from developers/County	—	—	1,575	1,577	1,424	1,436	1,377	—	—	1,305
Total other financing sources (uses)	(9,004)	(8,559)	(6,041)	13,710	(9,888)	(8,705)	(10,209)	(9,290)	4,438	(8,919)
Extraordinary loss ⁵	—	6,664	—	—	—	—	—	—	—	—
Net change in fund balances	\$ (2,794)	\$ 9,442	\$ (2,231)	\$ (11,334)	\$ (4,283)	\$ 16,697	\$ 12,467	\$ 7,611	\$ 16,176	\$ (4,398)
Debt service as a percentage of noncapital expenditures	2.7%	4.7%	5.9%	4.6%	4.9%	4.8%	5.3%	5.0%	7.8%	5.7%

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 Starting in 2013, capital outlay expenditures are reported in the relevant departmental category.

³ In 2005, the City issued refunding Certificates of Participation to refinance their 1995 Certificates of Participation and generate additional monies for future capital projects.

⁴ In 2010, the City issued Certificates of Participation for land acquisition.

⁵ Effective February 1, 2012 all redevelopment agencies in the State of California were dissolved. The extraordinary loss represents 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 Nine Fiscal Years
(in thousands of dollars)

Revenue Capacity
Exhibit I

Fiscal Year Ended June 30	City			Redevelopment Agency			Total Direct Tax Rate
	Secured	Unsecured	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	
Real Property:							
2013	\$ 21,608,163	\$ 332,873	\$ 21,941,036	\$ -	\$ -	\$ -	
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:							
2013	\$ 336,392	\$ 623,470	\$ 959,862	\$ -	\$ -	\$ -	
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:							
2013	21,944,555	956,343	\$ 22,900,898	\$ -	\$ -	\$ -	0.1504%
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 nine years of data for this schedule.

¹Effective February 1, 2012 all redevelopment agencies in the State of California were dissolved.

²The breakdown of real and personal property values for fiscal year 2010 and 2009 were calculated using an average due to actuals being currently unavailable.

³Fiscal 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 Nine Fiscal Years
(Rate per \$100 of assessed value)

Revenue Capacity
Exhibit 2

	2013	2012	2011	2010	2009	2008	2007	2006	2005
City Direct Rates:									
City basic rate	0.1504	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	0.1504	0.1498	0.2777	0.2797	0.2798	0.2754	0.2711	0.2660	0.2589
Overlapping Rates:									
Metropolitan Water District	0.0035	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	0.4843	0.4925	0.4780	0.4653	0.4259	0.4279	0.4315	0.4356	0.4375
Community College	0.0185	0.0169	0.0161	0.0148	0.0170	0.0165	0.0173	0.0184	0.0166
County of Los Angeles	0.2415	0.2421	0.2416	0.2408	0.2397	0.2406	0.2367	0.2383	0.2415
Successor Redevelopment Agency ¹	0.1279	0.1267	—	—	—	—	—	—	—
Special Districts	0.0705	0.0711	0.0711	0.0708	0.0719	0.0730	0.0793	0.0797	0.0799
Total Direct Rate	1.0966	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 nine years of data for this schedule.

¹Effective 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

Revenue Capacity
Exhibit 3

Taxpayer	2013			2004		
	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	\$ 1,459,934,833	1	6.38%	\$ 1,367,801,685	1	8.17%
Del Amo Fashion Center Operating Company	475,663,088	2	2.08%	—		—
Toyota Motor Sales United States	473,280,925	3	2.07%	404,399,569	2	2.42%
American Honda Motor Company Inc.	276,183,278	4	1.21%	176,402,235	4	1.05%
Allied Signal Inc.	104,738,133	5	0.46%	57,067,381	9	0.34%
RReef America Reit III Corporation	61,856,877	6	0.27%	—		—
Diamondrock Torrance Owner LLC	58,430,000	7	0.26%	—		—
Sears Roebuck and Company Etal	57,870,473	8	0.25%	—		—
Torrance Health Association	56,842,001	9	0.25%	—		—
Prologis Macquarie US LLC	56,400,000	10	0.25%	—		—
Mobil Oil Corporation	—		—	270,604,077	3	1.62%
Torrance Company	—		—	106,788,085	5	0.64%
Ball Metal Beverage Container	—		—	71,169,411	6	0.43%
East Side Hotel Associates L P	—		—	59,683,271	7	0.36%
Carson Madrona Company	—		—	59,065,791	8	0.35%
USAA Institutional Real Estate	—		—	51,100,000	10	0.31%
	<u>\$ 3,081,199,608</u>		<u>13.48%</u>	<u>\$ 2,624,081,505</u>		<u>15.69%</u>

Notes:

The amounts shown above for 2004 include assessed value data for both the City and the Redevelopment Agency.

The amounts shown above for 2013 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.

Source: Los Angeles County Assessor 2012/13 & 2003/04 Secured & Unsecured Tax Rolls,
HdL Coren & Cone

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

Revenue Capacity
Exhibit 4

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within Fiscal Year		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 28,101	\$ 27,508	97.89%	\$ 687	\$ 28,195	100.33%
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 nine 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 Nine Fiscal Years
(in thousands of cubic feet)

Revenue Capacity
Exhibit 5

	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
Potable									
Type of Customer:									
Residential	457,444	456,784	447,819	459,863	507,328	524,985	540,753	507,649	514,357
Industrial	117,538	147,348	172,197	124,538	149,595	162,174	141,570	147,842	160,736
Commercial	198,152	179,642	178,176	196,891	191,098	196,752	209,959	186,960	191,751
Other	67,190	68,903	42,503	43,996	40,350	76,500	86,641	104,675	88,650
Total - Potable Water	840,324	852,677	840,695	825,288	888,371	960,411	978,923	947,126	955,494
Recycled/Reclaimed									
Type of Customer:									
Industrial	275,530	285,103	250,052	267,633	241,394	269,201	251,603	268,025	293,377
Other	11,755	13,598	9,981	18,731	12,362	13,591	12,415	11,236	7,928
Total - Recycled/Reclaimed Water	287,285	298,701	260,033	286,364	253,756	282,792	264,018	279,261	301,305
Total									
Type of Customer:									
Residential	457,444	456,784	447,819	459,863	507,328	524,985	540,753	507,649	514,357
Industrial	393,068	432,451	422,249	392,171	390,989	431,375	393,173	415,867	454,113
Commercial	198,152	179,642	178,176	196,891	191,098	196,752	209,959	186,960	191,751
Other	78,945	82,501	52,484	62,727	52,712	90,091	99,056	115,911	96,578
Total Water	1,127,609	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 nine years of data for this schedule.

Source: Global Water Usage Report for 2011 through 2013 data and Golden State Usage Report for 2005 through 2010 data.

City of Torrance Water Fund
Water Rates
Last Nine Fiscal Years

Revenue Capacity
Exhibit 6

Fiscal Year Ended June 30	Monthly Base Rate				
	Regular ¹	Low Income ¹	Exxon Contract ²	Wholesale Contract ²	Other - Recycled Regular ³
2013	\$ 5.76	\$ 5.76	\$ 81,167.00	\$ 388.73	\$ 18.97
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
2013	\$ 3.56	\$ 3.16	\$ 2.20	\$ 2.22	\$ 2.49
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 nine years of data for this schedule.

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

²Base rate reflects monthly fixed charge stated in contracts

³Base rate reflects monthly charge for 2 inch meter

⁴Effective 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

Revenue Capacity
Exhibit 7

Water Customer	2013	
	Water Charges	Percent of Total Water Revenues
Exxon-Mobil	\$ 8,166,002	23.48%
California Water Service-Wholesale	1,273,922	3.66%
City of Torrance	986,282	2.84%
American Honda	818,552	2.35%
Torrance Unified School District	621,842	1.79%
Honeywell International	253,487	0.73%
Torrance Medical Center	227,429	0.65%
New Horizon's HOA	210,766	0.61%
Toyota Motor Sales	203,037	0.58%
Don Wilson Builders	192,259	0.55%
Total	<u>\$ 12,953,578</u>	<u>37.24%</u>

Note:

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

Source: Global Water Top Customer Report

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

Fiscal Year Ended June 30	Governmental Activities				
	General Government Certificates of Participation ¹	Tax Allocation Bonds	Notes Payable	Capital Lease Payable	Total Government Activities
2013 ⁴	\$ 59,160	\$ -	\$ -	\$ 310	\$ 59,470
2012 ⁵	60,695	-	-	-	60,695
2011	62,175	30,324	13,635	-	106,134
2010 ⁷	63,615	31,904	12,910	-	108,429
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 nine 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 December 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 In 2013, the City entered a 4-year capital lease agreement for vehicles and the City's Public Works Department - Water Division entered a 30-year easement agreement for access to a land-locked parcel of City property.

⁵ 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.

⁶ Fiscal year 2011 Percent of Assessed Value has been restated to reflect data from the proper fiscal period.

⁷ Fiscal year 2010 has been restated to include Certificates of Participation issued for land acquisition.

Business-type Activities

Water Revenue Bonds ²	Easement Payable	Total Business-type Activities	Total Primary Government	Percent of Assessed Value ³	Debt Per Capita
\$ 620	\$ 1,453	\$ 2,073	\$ 61,543	0.27%	419
1,190	-	1,190	61,885	0.27%	424
1,730	-	1,730	107,864	0.46% ⁶	739
2,245	-	2,245	110,674	0.47%	743
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 Nine Fiscal Years
(in thousands of dollars, except Per Capita)

Debt Capacity
Exhibit 2

Fiscal Year Ended June 30	Outstanding Net General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	General Government Certificates of Participation	Less Amounts Available in Debt Service Funds	Net General Bonded Debt		
2013	\$ 59,160	\$ 4,581	\$ 54,579	0.24%	371
2012	60,695	4,583	56,112	0.25%	384
2011	62,175	4,651	57,524	0.26%	394
2010 ²	63,615	4,650	58,965	0.26%	393
2009	45,825	3,330	42,495	0.19%	285
2008	46,880	3,332	43,548	0.21%	292
2007	47,905	3,335	44,570	0.23%	299
2006	48,910	3,334	45,576	0.25%	310
2005	49,885	-	49,885	0.30%	339

Notes:

The City of Torrance has elected to show only nine 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).

Outstanding Net General Bonded Debt amounts have been restated to exclude Tax Allocation Bonds which are not backed by general government resources.

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

² Fiscal year 2010 has been restated to include Certificates of Participation issued for land acquisition.

City of Torrance
Direct and Overlapping Debt
June 30, 2013
(in thousands of dollars)

Debt Capacity
Exhibit 3

City Assessed Valuation		<u>\$ 22,900,898</u>	
	Percentage Applicable ¹	Outstanding Debt 6/30/13	Estimated Share of Overlapping Debt
Overlapping Debt Repaid with Property Taxes:			
Los Angeles County Flood Control District	2.206%	\$ 19,764	\$ 436
Metropolitan Water District	1.145%	165,066	1,890
El Camino Community College District	29.330%	340,829	99,965
Los Angeles Community College District	0.003%	3,466,667	104
Los Angeles Unified School District	0.003%	10,966,667	329
Torrance Unified School District	99.996%	183,285	183,278
Los Angeles County Regional Park and Open Space Assessment District	2.207%	<u>142,864</u>	<u>3,153</u>
Total overlapping debt to be repaid with property taxes		<u>15,285,142</u>	<u>289,155</u>
Overlapping Other Debt:			
Los Angeles County General Fund Obligations	2.207%	\$ 1,741,323	\$ 38,431
Los Angeles County Superintendent of Schools Certificates of Participation	2.207%	10,376	229
Los Angeles County Sanitation District No.5 Authority	27.977%	46,699	13,065
Los Angeles County Sanitation South Bay Cities Authority	4.678%	7,952	372
Los Angeles Unified School District Certificates of Participation	0.003%	400,000	12
Torrance Unified School District General Fund Obligations	99.996%	<u>2,320</u>	<u>2,320</u>
Total overlapping other debt		<u>2,208,670</u>	<u>54,429</u>
Total overlapping debt		<u>\$ 17,493,812</u>	343,584
City direct debt:			
Certificates of Participation			59,160
Capital Lease			<u>310</u>
Total City direct debt			59,470
Total direct and overlapping debt			<u>\$ 403,054</u>

Notes:

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

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

Source: California Municipal Statistics, Inc

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

Debt Capacity
 Exhibit 4

	Fiscal Year								
	2013	2012	2011 ¹	2010 ²	2009	2008	2007	2006	2005
Debt limit	\$ 858,784	\$ 851,380	\$ 839,987	\$ 849,327	\$ 829,014	\$ 791,951	\$ 738,392	\$ 676,411	\$ 629,812
Total net debt applicable to limit	<u>59,160</u>	<u>60,695</u>	<u>62,175</u>	<u>63,615</u>	<u>45,825</u>	<u>46,880</u>	<u>47,905</u>	<u>48,910</u>	<u>49,885</u>
Legal debt margin	<u>\$ 799,624</u>	<u>\$ 790,685</u>	<u>\$ 777,812</u>	<u>\$ 785,712</u>	<u>\$ 783,189</u>	<u>\$ 745,071</u>	<u>\$ 690,487</u>	<u>\$ 627,501</u>	<u>\$ 579,927</u>
Total net debt applicable to the limit as a percentage of debt limit	6.9%	7.1%	7.4%	7.5%	5.5%	5.9%	6.5%	7.2%	7.9%

Legal Debt Margin Calculation for Fiscal Year 2013:

Assessed value	\$ 22,900,898
Debt limit (3.75% of assessed value)	\$ 858,784
Debt applicable to limit: General government Certificates of Participation	<u>59,160</u>
Legal debt margin	<u>\$ 799,624</u>

Notes.

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

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

² Net debt applicable to limit for 2010 has been restated to include Certificates of Participation issued for land acquisition.

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

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

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City of Torrance
Pledged-Revenue Coverage
Last Nine 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	
2013	\$ 36,156	\$ 31,375	\$ 4,781	\$ 570	\$ 44	7.79
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 nine 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.

¹Effective 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		Coverage
	Principal	Interest	
\$ -	\$ -	\$ -	-
-	-	-	-
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 Nine Calendar Years

Demographic and Economic
Exhibit 1

Calendar Year	Torrance Population ¹	Los Angeles County Population ¹	Personal Income (in thousands) ²	Per Capita Personal Income ²	Unemployment Rate ³
2012	146,860	9,958,091	\$ 420,913,463	42,268	5.4%
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 nine 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 2012 data will be available in the spring of 2014.
The Personal Income for the City of Torrance is unavailable, the data shown is for Los Angeles County.
 - ³ Office of Economic Development

City of Torrance
Principal Employers
Current Year

Demographic and Economic
Exhibit 2

Employer	2013	
	Number of Employees	Percent of Total Employment
Toyota Motor Sales	3,837	5.1%
American Honda	1,602	2.1%
Honeywell International	1,311	1.7%
Robinson Helicopter Co.	1,268	1.7%
Hi Shear Corporation	921	1.2%
Exxon Mobil Oil Corporation	644	0.9%
Pelican Products, Inc.	616	0.8%
Adecco	538	0.7%
L-3 Communications Electron Tech, Inc.	499	0.7%
Phenomex Inc.	401	0.5%

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 Nine Fiscal Years

Operating
 Exhibit I

Function	Full-time and Part-time Employees as of June 30								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	269	274	274	295	293	290	290	279	292
Public safety	507	504	513	515	531	526	531	525	508
Public works	148	145	141	145	154	145	139	141	140
Community services	454	444	465	500	476	489	470	463	511
Community development	61	59	65	71	69	72	71	73	75
Airport	10	10	10	9	5	4	5	5	5
Transit	139	123	125	124	128	133	127	131	133
Water	28	33	29	29	26	26	25	29	23
Sewer	20	16	16	15	15	17	16	21	21
Cultural Arts Center	44	45	48	46	52	54	52	46	50
Workforce Investment Network	-	-	-	-	-	-	28	34	43
Total	<u>1,680</u>	<u>1,653</u>	<u>1,686</u>	<u>1,749</u>	<u>1,749</u>	<u>1,756</u>	<u>1,754</u>	<u>1,747</u>	<u>1,801</u>

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

Source: City of Torrance Finance Department - Payroll Section

City of Torrance
Operating Indicators by Function
Last Eight Fiscal Years

Operating
Exhibit 2

Function	Fiscal Year							
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Police								
Arrests	4,480	5,424	5,538	6,294	6,772	6,097	7,181	7,075
Bookings	3,070	3,359	3,562	4,053	4,007	3,868	4,047	3,597
Parking violations	12,853	16,267	15,211	16,412	20,269	27,475	24,169	20,218
Traffic violations	16,837	16,913	14,820	18,157	15,695	15,743	17,179	19,786
Fire								
Number of calls answered	12,968	12,456	12,338	12,179	12,707	12,847	12,636	12,190
Inspections	9,493	8,977	8,862 ¹	8,322	9,137	8,028	8,572	8,162 ²
Highways, streets and other transportation								
Potholes repaired	4,921	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	500
Number of fixed bus routes	10	8	8	8	8	8	8	8
Sanitation								
Refuse collected (tons/day)	148	182	194	213	224	219	233	250
Recyclables collected (tons/day)	50	51	53	55	64	64	65	60
Green Waste collected (tons/day)	67	31	22	18	12	8	—	—
Culture and recreation								
Number of registrants served	29,843	32,290	41,850	43,177	45,146	46,352	43,223	42,069
Registrant fees collected	\$3,162,396	\$3,145,548	\$3,401,771	\$3,151,047	\$3,489,623	\$3,345,329	\$3,253,641	\$3,063,565
Community center admissions	42,403	42,495	46,898	40,153	53,665	50,035	53,012	56,635
Water								
New connections	48	46	19	23	63	99	19	22
Water main emergency repairs (breaks)	46	41	57	55	55	64	90	72
Average daily consumption (thousands of gallons)	16,900	16,270	17,621	17,574	17,484	22,300	26,420	20,366

Notes:

The City of Torrance has elected to show only eight 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 Eight Fiscal Years

Operating
Exhibit 3

Function	Fiscal Year							
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public safety								
Police								
Stations	1	1	1	1	1	1	1	1
Patrol Units	56	53	47	51	51	47	48	49
Motorcycles	16	16	16	19	19	19	19	19
Fire								
Stations	6	6	6	6	6	6	6	6
In-service fire control vehicles	17	18	17	17	17	17	15	15
In-service paramedic vehicles	8	8	8	7	8	8	8	6
Sanitation								
Collection trucks	34	37	35	36	32	33	38	32
Highways, streets and airport								
Streets (centerline miles)-arterial	67	67	67	67	67	67	67	67
Streets (centerline miles)-collector	29	29	29	29	29	29	29	29
Streets (centerline miles)-residential	242	242	242	242	242	242	242	242
Streets (centerline miles)-alleys	19	19	19	19	19	19	19	19
Traffic signals	130	125	120	116	116	116	116	116
Streetlights	10,878	10,879	10,879	10,879	10,875	10,875	10,875	10,875
Airport hangars	341	341	341	341	341	341	341	339
Culture and recreation								
Parks acreage	279	279	279	279	278	278	278	280
Parks	33	33	33	33	32	32	32	32
Swimming pools	1	1	1	1	1	1	1	1
Tennis courts	11	11	11	11	11	11	11	11
Community centers	3	3	3	3	3	3	3	3
Public Libraries	6	6	6	6	6	6	6	6
Water								
Water mains (miles)	311	311	311	310	311	310	310	310
Fire hydrants	2,670	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	50,000
Sewer								
Sanitary sewers (miles)	287	287	287	287	287	287	287	287
Storm sewers (miles)	59	59	59	59	59	59	59	59

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

Sources: City of Torrance various Departments